

THE BRITISH LABOUR PARTY: THEIR ATTEMPT
FOR COMMON MARKET MEMBERSHIP
(1962-1970)

by 7214

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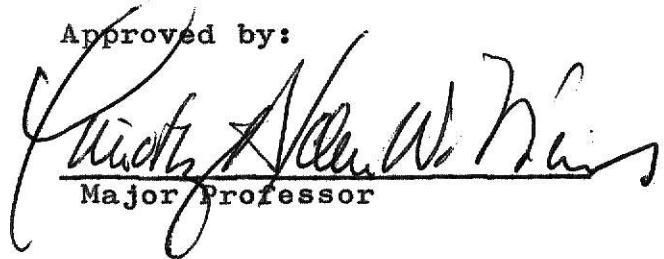
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CHAPTER I

INTRODUCTION

In May 1967, Prime Minister Harold Wilson stated, "All of us share the common desire to heal the divisions of Europe, and this is a task which strong and united, we can hope to desire."¹ After several years of uncertainty following a 1963 "veto" by French President Charles de Gaulle of its earlier application, under a Conservative Government, Britain again made a second attempt to become a member of the European Economic Community under the leadership of Harold Wilson and the Labour party. After the Labour party's unsuccessful attempt in 1967 to enter the EEC, Labour acknowledged that they would continue to seek a favorable solution for membership.

Contrary to Labour's desire for Common Market membership, conflict resulted between the anti-Marketeters and the pro-Marketeters within the party over basic issues: the Commonwealth, agriculture, balance of payments, and Anglo-American relations.

This paper presents the British Labour party's viewpoints and opinions concerning Britain's entry into the Common Market. Pursuing both political and economic factors, this paper analyzes

¹Great Britain Labour Party, Transport House, Report of the Sixty-sixth Annual Conference of the Labour Party. (October 2-6, 1967), p.88.

the Labour Party's role in Britain's postwar decision to remain as observers toward European unification, as well as the Labour Party's present position.

The Labour party argued that when the Conservative party applied for membership without essential preliminaries, the Conservatives eventually landed themselves in a situation whereby they got bogged down in details during the negotiations and consequently could not proceed, particularly in regard to Commonwealth trade.

The Labour party say that the number of serious problems is limited. The Party argued that they are soluble, even though they would create complex and difficult negotiations. Since these problems were limited and soluble, the Britain had the basis on which to apply for membership. The principal problems involved agricultural subsidies, balance-of-payments situation, and her relations with the Commonwealth and the United States. Furthermore, the Labour party contend, Britain would benefit in the long run as a member of the Common Market and in turn she would be an asset to the Community.

Agricultural Policy. This issue has been crucial for both the EEC and Britain, and had been the primary reason for the break-up of the previous two negotiations for membership. The EEC and Britain are both heavy agricultural importers, but each sustains domestic farm outputs which would be cheaper to import. The trouble was that each underwrites its domestic production in a different, and indeed, an opposite manner. Britain keeps its domestic agriculture alive by subsidizing farmers out of

taxation, while holding food prices down near the imported price level. The EEC, on the other hand, levies a duty on imported food in order to raise prices to a level that makes domestic output competitive. The result of these divergent policies was that EEC food costs are 10 to 14 percent higher than England's.

Britain's adjustment to EEC's agricultural policy would be painful for her in several respects. Economists estimated that the **British** cost of living would rise by 2.5 to 3.5 percent.² More important, the added drain on Britain's foreign exchange, resulting from the shift to more expensive European food could further weaken the pound. In addition, food exporters in the Commonwealth, especially New Zealand and the West Indies would be hard hit. Since Britain is a larger importer of food than any of the EEC members, its adjustment problem is proportionately greater. However within the past three years the Community has been gradually modifying its own agricultural policy. Harold Wilson and the pro-Marketeters within the Labour party argued that the Six and Britain can agree on a workable agricultural agreement.

The Labour party assured the Six that they will not be dragged into efforts to defend the pound's world role. Yet the Six are naturally uneasy over how this could be avoided. There are corollary problems as well. The EEC, for example, is committed to eliminate restrictions on the free movement of capital

²Great Britain, Parliament, Parliamentary Papers, (House of Commons and Command), Command 4289, February 1970, "Britain and the European Communities: An Economic Assessment." London HMSO, p. 1.

to nonsterling areas. Wilson's Labour government devalued the pound 14.3 percent (from \$2.80 to \$2.40) in 1967. Also, in order to develop favorable negotiations among the Six, Wilson pledged to end Britain's stop-go cycle, and pledged a 25 percent increase in Britain's GNP by 1970.

Balance-of-Payments. The role of the pound unquestionably complicates the negotiations. In its recent efforts to forestall devaluation, Britain was forced to impose a surcharge on certain imports, a move which her European Free Trade Association (EFTA) partners³ strongly criticized. The rules of the EEC prohibit such unilaterally imposed restrictions. They also provide that members consider giving each other "mutual assistance" in overcoming balance-of-payments difficulties. Later Britain dropped this surcharge.

The Commonwealth and EFTA. In its 1961 bid to EEC, Britain made much of its need to protect the "vital interests" of its trading partners in the EFTA and the Commonwealth. During 1967 negotiations, such talk was played down. Some EFTA members (Norway and Denmark) are pulling for British membership at whatever cost in the hope of following suit. Others (Sweden, Portugal) are disappointed that Britain's abandoning the group just when it has started to show substantial results. The Labour party points out that Commonwealth ties already in the process of deterioration, will be further loosened by Britain's turn toward the Continent. Many of the Commonwealth countries had already

³At the time of the surcharge (1964) the EFTA included - Britain, Denmark, Norway, Sweden, Switzerland, Austria and Portugal.

established or are seeking markets with other parts of the world. Wilson promised to obtain suitable arrangements only for certain Commonwealth countries whose trade will be most vitally affected, mainly New Zealand and the West Indies.

Anglo-American Relations. This controversy has been primarily an argument with France. Former French President de Gaulle announced in a press conference in Paris on May 16, 1967: "One can easily understand why England which is not a continental country, which because of the Commonwealth and its own island status has far-away commitments, and which is tied to the United States by all sorts of special agreements, could not merge into a community of fixed dimensions and rigorous rules."⁴ Prime Minister Wilson made numerous visits to the United States. The meetings were more than sentimental occasions for glorying in a common heritage and common values. They reflected the joint concerns which the United States and Britain share in their roles as the world's two leading bankers and international peacekeepers. However pro-Marketeters within the Party argued that if Britain is to become a member of the Community she will have to break her Anglo-American ties.

At the time of the 1961 bid, and even as recently as 1966, the British Labour party was on record as opposed to membership in the EEC. Harold Wilson himself had made it known publicly that the structure of the EEC would endanger Britain's relations with the Commonwealth, and interfere with Britain's sovereignty. However while Wilson was Prime Minister, feeling for the Common

⁴EFTA Reporter, May 22, 1967, p.2.

Market entry became increasingly favorable, by integrating the Cabinet with pro-Europeans. The Labour party admitting Britain is no longer the world power they were before World War II, argued they would be an asset, economically and politically as a Common Market member.

Economically, the British Isles still constitute one of the world's great industrial complexes, possessed of immense technological skill and inventive capabilities, with overseas assets that are second only to those of the United States.

Politically, Britain still offers the world a model of stable, democratic government. Britain's parliamentary and diplomatic skills and experience must be counted a considerable natural resource. Many political thinkers within the Labour and Conservative parties as well believed that the British system of government is probably more stable than any Community system.

Throughout this paper the questions arise--did the Labour party act as a self-disciplined coherent party with a cohesive program in securing membership in the European Economic Community? Secondly was the leadership of the party able to control the discomfiture of anti-Marketters within the Party?

This paper is divided into five chapters discussing the factors involving the Labour party's positions toward the Common Market. Chapter two considers Britain and European unity from the post-World War II period to its initial decision to apply. During this period both Labour and Conservative party attitudes were negative toward any involvement for European unity. Within this chapter there is a discussion concerning Labour's inability

to act as a cohesive party with a defined party program as the opposition party.

Chapter three describes Britain's Labour party position between the two vetoes. It also explains the Labour party's initiative to seek a second application with the Community membership and Britain's method for negotiation.

Chapter four considers how the Labour party has maintained the objective of full membership of the Community and its readiness to join with Governments of the Six member countries in the promotion of European integration wherever possible. This chapter also discusses how Britain is rectifying her internal (domestic) and external (foreign) problems since the second veto.

Chapter five summarizes the findings and conclusions.

CHAPTER II

BRITAIN'S FIRST DECISION

BRITAIN'S POST-WAR DILEMMA

The Labour Party governed Great Britain from the end of World War II to 1951, the period when the great debate over political autonomy and economic reconstruction of Europe began. At that time the British Government saw no need for European integration. It ranked third on the list of priorities behind the Commonwealth and relations with the United States. The Government made it clear at that time she would agree to anything on one condition, namely "that there be no element of 'supranationalism' which might conceivably result in our (Great Britain) one day being merged in a greater whole."¹

Prior to World War II, Britain's insularity put her in a favorable position of benefiting from the proximity of the continent, while at the same time being free from many problems which have beset the continent. Paramount among these is security, because she had control of the seas which enabled her to build a vast colonial empire that had greatly contributed to her economic wealth and enabled her to maintain a stable economy.

¹Lord Gladwyn, The European Idea. (London: Weidenfeld and Nicolson, 1966), p.45.

Due to Britain's geographical detachment from her continental neighbors, Britain excelled in world trade in establishing a relatively sophisticated technology. Britain's supremacy of the seas enabled her to achieve administrative attributes and a shrewdness in international dealings. These factors raised Britain to the height of world power and endowed it with an empire encompassing nearly a quarter of the world.

Today Britain's geographical attributes had ceased to be of importance. The postwar Labour party realized that the British Empire was becoming a burden although relied on it for foodstuffs because her home supply was inadequate. Although the Labour party realized Britain could no longer remain isolationist, Britain still relied on her commerce.

The abrupt ending of the Lend Lease Plan in 1945 showed the extent of Britain's economic weakness and the drain on her reserves that she had been obliged to make in order to keep herself alive. The Empire was a financial burden. When the Labour party assumed office in 1945 it took upon itself to liberate former colonies and embraced them within the heterogeneous Commonwealth.

No British Government, Conservative or Labour, at the end of the war seriously contemplated British membership in a European federation. "The argument that Britain should not surrender the ultimate decisions of foreign policy or economic affairs to any organization or parliamentary body which she could neither control nor veto has been generally accepted and in fact was

never earnestly challenged by responsible opinion."² In economics, Britain favored intergovernmental cooperation rather than to supranational control. With regard to sovereignty, Britain maintained that national independence in foreign affairs was of vital interest.

The post-war Government regarded their post-war euphoria essential and aimed to create a national sense of purpose which was essential if it was to avoid decay. However, the Labour Government made very few attempts in redirecting their relations with the continent.

Even during the entire 1950 decade, as the Opposition party, the Labour party's attitude toward Europe was passive and negative. Britain declined as a world power and the transfer of power to indigenous Commonwealth countries made Britain exceptionally vulnerable, economically as a trading nation to the ups and downs in competition with countries of greater resources than her own.

After being defeated by the Conservatives in 1951, the Labour party devoted much of its time to party reorganization and party self-discipline that was one of the essential factors for the party's declining popularity. This task went to Hugh Gaitskell who was elected party leader in December 1955.

The party had to find a program which could appeal to the electorate. Gaitskell and his allies recognized that Labour's nationalization programs had created almost as many problems as

²Carol Edler Baumann, "The Rationale of Close Association," Western Europe: What Path to Integration? (Boston: Heath and Company, 1967), p.34.

it solved. Instead of focusing their attention on foreign affairs, particularly developing closer relations with the continent, the Labour party aimed to make private industry more responsible--by effective action against monopolies--and to distribute more widely the profits of industry with "socialization" through government purchase of shares and dividends turned to public purposes.

In foreign policy, particularly over the issue of supranationalism, hostility toward power politics prevailed. Anti-Europeans within the Party believed that a large-scale European organization involving international collaboration between France and Germany had no permanent success. Among the large trade unions (Railway and Transport Workers) under the leadership of Frank Cousins, supported by other leading Labour politicians--Michael Foot, Barbara Castle, Tom Driber and Ian Mikardo all preferred a strengthened U.N. as a means to preserve peace rather than military forces organized in alliances to maintain the balance of power. They refused to re-direct their political and economic attributes to a regional organization such as the European Economic Community.

A small number of "Federalists" within the Labour party asserted that if Britain was to exert some degree of influence in the world it would be effectively exercised only through participation in some unit possessing more power than is available to the United Kingdom by itself. The Federalists advocated something that would harness her latent idealism as the British Empire use to, something creative and therefore capable

of stimulating organic growth. These Federalists favored membership in temporary alliances that would be the foundation of a permanent community, and reject those associations which are not susceptible to such development in favor of those that are. It was these Federalists who realized that the new sense of national purpose for Britain was to be part of a larger whole within the European Community.

Politically this was the incipient period (1945-1951) of the Cold War and a fear of Communist aggression moved many Western Europeans. European unification was not foremost on the list of priorities in Labour party international politics, but a collective security arrangement in close association with the United States was.

Probably the most significant British pro-European was Ernest Bevin, British Foreign Minister in the post-war Labour Government. Bevin argued for a collective defense organization and he was instrumental in engineering the Brussels Treaty, later encompassed by the North Atlantic Treaty Organization.

The manifestations of Euratom, European Coal and Steel Community, Western European Union, and the Common Market, were met with dispassionate approval among the British Labour party. Labour refused to submit British sovereignty to the dominance of a single European institution.

At the time of the Messina Conference in 1954, both the Conservative and Labour parties were circumspect toward the formation of a European Economic Community. Both parties regarded participation in regional organizations with particular

uneasiness because of its possible economic implications.

During a parliamentary debate in the House of Commons on July 18, 1956, John Hynd and forty-five other Labour party MP's tabled a motion urging the Government to take part in negotiations for a European common market. The dissenting group recognized both disadvantages for British membership: "it would be necessary for each country to seek appropriate compensating concessions for the risks and sacrifices involved--such as Imperial preference."³

Economically, the Labour party argued that her Commonwealth relations would be aborted. Anti-marketeers within the Party did not favor a common tariff. They argued that all exports from member nations would enter other member countries duty-free. As a result duty on British exports within the association would increase their price as compared with duty-free continental goods and competition under such conditions would be unfavorable to the British market. As a member of a common market, Britain would be forbidden to allow the continuation of preferential treatment in the British market for Commonwealth goods as against continental goods.

Contrary to this nebulous attitude expressed by various Labour members, Frederick W. Mully, Labour MP, presented a view shared by most Conservatives. By joining the Common Market, Britain's manufactures would improve their "competitive position by having a home market, or at least a market without tariff

³The Times (London), July 19, 1956, p. 6.

restriction of greater size than that of the United States."⁴ Unfortunately Mully's view received very little support from his compatriots.

LABOUR PARTY CONSENSUS ON THE COMMON MARKET

As Britain prepared for the challenging "1960's" Labour attempted to resolve its internal problems. It should be noted that the Party's biggest problem was the lack of coherence among trade unions. Within the Party there were continuing clashes of public opinion between well-defined factions in their quest to gain support from those who were not clearly committed to any policy. There were intra-party squabbles over the purity of its socialism, the value of the American alliance, the wisdom of rearming the West Germans and the virtues of unilateral nuclear disarmament. On almost every important occasion the dominant right-of-center leadership was able to fend off the challenge of the left, but only at the price of continued feuding inside and the lack of confidence outside the party.

Also within the British Parliament discussion concerning supranational intentions on the continent became more turbulent. As the Opposition party Labour was freer to cast accusations against the ruling British Government for their mishandling of the Brussels negotiations. The Labour party began to take a more active interest toward European unification than in the past.

Prior to Britain's initial attempt for applying for EEC

⁴Great Britain, Parliament, Parliamentary Debates (House of Commons), 5th ser., Vol. 561, (Nov. 26-Dec. 7, 1956), cols. 76.

membership there were active factions, organizations and groups within the British Labour party who had some bearing toward the Government's final decision to participate in future negotiations. It was the practice of the Labour party during the fifties to solicit views from interest groups; however this philosophy had its roots at the inception of Labour party formation. According to Samuel Beer,⁵ if the leaders of the party had taken more initiative in imposing their views upon the mass it would not have resulted in Labour's precarious predicament as an opposition party. "There was a group of moderate leaders who tried to win acceptance of their views from the mass membership of the party. They usually could muster a majority for their side in various forums of decision -- the P.L.P. (Parliamentary Labour Party), the N.E.C. (National Executive Committee), and the Party Conference. But they certainly were not able to impose their views on the party as a whole."⁶

Some of the more active interest groups within the Labour party were the Trades Union Congress (TUC), the National Farmers Union (NFU), and the National Union of Manufacturers (NUM). At first they were hesitant about any type of European integration; later the tones of opposition and support became more subtle. They recommended that the Party and the Government should commence a closer study before any further progress

⁵Samuel Beer, British Politics in the Collectivist Age. (New York: Alfred A. Knoff, 1965).

⁶Ibid., pp. 229-230.

is achieved toward European unity and concerned with the vital interests and implications of union.

The NUM was probably less enthusiastic about European unification than any other major industrial interest group, mainly because they foresaw their inability to compete with continental countries, particularly Germany. The President of the NUM issued a statement on April 3, 1957, expressed his misgivings concerning the future of British industry in any sort of a regional economic pact. "It may be true that, in the long run and for the country as a whole, the establishment of free trade in Europe is desirable, and if the evidence supports this view the Government is no doubt justified in changing long-established policies to attain that end. But if, as I believe can be maintained with equal force, this change of policy may result in the grave weakening or total destruction of number of industries in this country, then the Government must take all possible steps to protect, as far as possible, those individuals, both owners and work-people, who will suffer directly from it."⁷

One of the leading Common Market opponents was the NFU. As the Brussels negotiations commenced in 1962, the NFU expressed their dissatisfaction on the deliberations on agricultural policies. The NFU criticized several features of the Common Market policy. The NFU argued that the EEC agricultural policies were unsatisfactory because they had been worked out essentially on a commodity basis with insufficient consideration given to the

⁷The Times (London), April 4, 1957, p.6.

general economic and financial conditions in agricultural areas. A second criticism from the NFU concerned the Community's commodity regulations which would not provide reasonable returns to farmers.

At the NFU's annual meeting held on January 23, 1962, the NFU unanimously adopted a resolution opposing EEC membership, unless the following conditions were met: "continuation of annual price reviews, maintenance of prices for farm products, effective support for horticulture, and governmental support for producer-controlled marketing."⁸

On August 23, 1962, the NFU issued a statement to the Government in opposition to EEC members that the Six were unwilling to adopt their farm policy to suit Britain's needs. In turn the NFU offered an alternative arrangement for the enlargement of the Organization for Economic Cooperation and Development (OECD) to include New Zealand, Australia and Argentina. The world's major agricultural producers would agree to place quantitative restrictions upon exports of foodstuffs to Britain, and would contract for the use of surplus foodstuffs to assist developing countries to meet shortages. In return the NFU was prepared to agree to quotas for British agricultural production.

As the Brussels negotiations progressed the NFU continued to oppose entry. They argued even if the Six agreed to a longer transitional period that Britain wanted, it would still produce additional consequences for Britain. Food prices would rise.

⁸Robert L. Pfalzgraff Jr., Britain Faces Europe. (Philadelphia: University of Pennsylvania Press, 1969), p.95.

Great Britain would be forced to pay a levy on imported food-stuff; the agricultural policy was suited more for Continental needs than Britain's.

During the Brussels negotiations, the Farmers and Small-holders Association and the Cheap Food League expressed their opposition to EEC membership. The leaders of these groups favored a return to free trade in agriculture.

The TUC, representing a vast majority of the British labor force, was pessimistic about better relations with the continent. The TUC favored both a free trade association on a common market arrangement. Although the British trade union remained cautious toward the "European Idea" they did broaden its contract with continental labor organizations. The TUC suggested that Britain might encounter serious economic and political disadvantages if she declined to participate in the European unification movement.

The leadership of the TUC, like other organizations within the Labour party, contended that the British Government should reserve for itself control over economic and social policies, including the right to take unilateral action to restrict imports during balance of payment crisis. Also of great concern to the TUC was the question of full employment both in a free trade area and the Common Market.

During the 1960 Labour Party Conference held in Scarborough, the Party felt that at this time it would be disadvantageous to join. "We ought not commit ourselves to an organization which might limit our ability to carry out appropriate economic and

social policies."⁹ Politically by joining the Common Market, the Labour party felt Britain would not have the necessary freedom to maneuver at a critical time in seeking to build a bridge between East and West.

In a debate in the House of Commons on July 31, 1961 concerning the Common Market, Hugh Gaitskell argued "that there would be no joining the Common Market by Great Britain till satisfactory arrangements have been worked out in negotiations to meet the various legitimate interests of all members."¹⁰ The arrangements included satisfactory economic, social and political agreements that would not jeopardize traditional British policy. Gaitskell considered that there was better potential gain economically and culturally with the Commonwealth than Europe and the EEC which would languish in the long-run "...if a closer relationship between the United Kingdom and the EEC countries were to disrupt the long-standing and historic ties between Britain and other nations of the Commonwealth, the loss would be greater than the gain."¹¹

As the Brussels negotiations were ready to commence the Labour party held their annual Conference at Blackpool during the first week of October 1961. The Labour party up to this time was never strongly in favor of Common Market membership. The Labourites had more sentiment toward her Commonwealth

⁹Great Britain Labour Party, Transport House, Report of the Fifty-ninth Annual Conference of the Labour Party. (October 3-7, 1960), p. 75.

¹⁰Great Britain, Parliamentary Debates (House of Commons), 5th ser., Vol. 645, (July 24-August 4, 1961), col. 933.

¹¹Ibid., col. 1506.

partners than did her Conservative opponents. The Labour party argued that if the cost of Common Market membership was to weaken or destroy British and Commonwealth relations, then the potential gains did not out-weigh the likely losses.

During the Blackpool Conference the Party adopted a "resolution which made support for British membership in the European Economic Community, conditional upon safeguarding the essential interest of the Commonwealth, the other EFTA members and British agriculture."¹² "This Conference does not approve Britain's entry into the Common Market, unless guarantees protecting the position of British Agriculture and Horticulture, the EFTA countries and the Commonwealth are obtained and Britain retains the power of using public ownership and economic planning as measures to ensure social progress within the United Kingdom."¹³

The left-wingers within the Labour party argued that EEC membership would commit Britain to Europe which the party left had always been wary of doing. British laws, institutions, and social conditions were different from those in continental Europe. She would have to subject herself to an increasing measure of external control of influence. British industry would suffer from the competition among members of the Community.

¹²Mally Gerhard, Britain and European Unity. (London: The Hansard Society for Parliamentary Government, 1966), p.17.

¹³Great Britain Labour Party, Transport House, Report of the Sixtyth Annual Conference of the Labour Party. (October 2-6, 1961), p.211.

Finally, membership would alter radically and permanently the pattern of her trade with her Commonwealth partners.

At the 1962 Labour Party Conference held at Brighton, Hugh Gaitskell argued against EEC membership on grounds of its political consequences. He asserted that not all political unions are not necessarily good in themselves, no matter if it is with Europe or the United States. Britain's joining any union with political intentions would not mitigate or solve world tension. Britain in accepting the Rome Treaty would be "no more than a state (as it were) in the United States of Europe, such as Texas and California is in the United States."¹⁴

As the Brussels negotiations continued, opposition toward membership rang high within the Labour party. Another major opponent within the Party, the Forward Britain Movement, represented the opinion of their own group rather than the Party. The Forward Britain Movement, founded by R. W. Briginshaw, General Secretary of the National Society of Operative Printers and Assistants, drew its membership largely from trade unions and the Labour left. Their argument in opposing Common Market membership expressed that Britain could only be admitted under French terms. As a member of the Community, Britain would be unable to expand her trade with Communist countries. The Movement suggested that as an alternative to the Common Market, Great Britain should increase trade with the Communist world. The movement also contended that Great Britain would lose much

¹⁴Great Britain Labour Party, Transport House, Report of the Sixty-first Annual Conference of the Labour Party. (October 1-5, 1962), p.243.

of her sovereignty by having to accept decisions from Brussels rather than from London. The British government would no longer be able to plan nationally. According to the Movement such an attempt on her sovereignty would be a break with traditional Labour party philosophy.

"The Labour Party has a broad streak of nationalist feeling. Socialist planning still emphasizes 'physical' controls. By 'physical' controls are meant the curbing or stimulation of certain operation in the economy: for instance a limit on the building of petrol stations, on free resources for municipal housing. With this goes naturally suspicion of new developments such as the Common Market which are outside our tradition and may dilute control over our own affairs."¹⁵

During the months of negotiation, it was the official policy of the Labour party not to commit itself either in support of or oppose British membership into the Community until the terms for membership were known. Such a policy had several advantages. Should the negotiations fail to produce terms disadvantageous to certain pressure and interest groups in Britain, the Labour party might stand to make political gains. Also a "wait-and-see" attitude commended itself to those members of the Labour party who had doubts about the Common Market. Finally such a policy made because there was a division within the Party and concealed division.

Douglas Jay, leading leftist Labour opponent of the EEC,

¹⁵Anthony King, British Politics: People, Parties, and Parliament. (Boston: D.C. Heath and Company, 1966) p.52.

proposed that Great Britain seek to preserve the EFTA and Commonwealth arrangements, while also benefiting from tariff reductions on a most favored-nation basis between the Six and the United States under the Trade Expansion Act, then under consideration in the United States Congress.

During the early months of 1962, split between Labour right and leftwings who opposed EEC entry, and Labour Parliament members who actively supported Britain's membership in the Common Market, was developing. It was up to Hugh Gaitskell, leader of the Labour party, and his deputy George Brown to prevent a severe split within the Party. On March 7, 1962, the Labour party on a compromise set forth by Hugh Gaitskell attempted to reconcile these differences by issuing his "Five Conditions"¹⁶ to be met before Britain seeks membership in the European Community:

1. Safeguards for trade and other interests of her friends and partners in the Commonwealth.
2. Safeguards for her EFTA partners.
3. Safeguards for the position of British agriculture.
4. Freedom to pursue her own foreign policy.
5. The right to plan her (British) economy.

Gaitskell was never strongly in favor of EEC membership. He attached great importance to Britain's economic links with Australia, New Zealand, and Canada along with newer Commonwealth members. He feared that a united Europe meant an end of the Commonwealth. Gaitskell argued that as the labour costs of Common Market members approached those prevalent in Britain, British goods would suffer. Moreover, Gaitskell viewed with

¹⁶The Times (London), March 8, 1962, p.8.

considerable alarm the prospect of damage to British farming and the substitution of agricultural imports from the Six for those from Commonwealth countries.

As the summer of 1962 drew to a close Gaitskell moved toward a final decision on the Common Market issue -- a position which was to place the Labour party in opposition to terms being worked out in Brussels. On September 10, 1962, Gaitskell issued the following statement:

The essence of our objection is that while there appears to be a firm commitment to end Commonwealth preferences not later than 1970, and to give European exports a preference in Britain against the Commonwealth, no precise agreements which offer compensating advantages to Commonwealth countries have been reached.¹⁷

The Labour Common Market Committee, founded by Labour party members and trade unionists, engaged in numerous activities in support of the Common Market. In response to Gaitskell's statement the Committee argued that entry into the Community is important to Britain, Europe, and the Commonwealth. The Committee urged that the Government seek special arrangements for New Zealand and to conclude commodity agreements in the interest of other Commonwealth countries. As a member of the Community Britain could exercise decisive influence on her own behalf and that of the Commonwealth.

Another Labour forum for discussion was the NEC which supported the political and economic gains which might accrue to Britain from Common Market membership. To this extent at least

¹⁷The Times (London), September 10, 1962, p.5.

Labour pro-Marketeers appeared to have reduced the harshness of the party's position against the EEC.

The Labour party regards the European Community as a great an imaginative conception. It believes that the coming together of the six nations which have in the past so often been torn by war and economic rivalry is in the context of Western Europe a step of great significance. It is aware that the influence of this new Community on the world will grow and that it will be able to play -- for good or for ill -- a far larger part in shaping of events in the 1960's and the 1970's than its individual member states could hope to play alone. It is these considerations, together with the influence that Britain as a member could exercise upon the Community -- and not the uncertain balance of economic advantage -- that constitute the real case for Britain's entry.¹⁸

As the Brussels negotiations continued, headed by Lord Privy Seal Edward Heath of the Conservative Party, who argued the same lines as pro-Marketeers within the Labour party concerning safeguards on British agriculture, Commonwealth preferences, and securing arrangements with her EFTA partners if Britain should become a member of the Community.

While Labourites supporting Common Market membership continued their attempt to solicit support, anti-Marketeers continued their antagonizing roles.

As the discussions at Brussels wore on the British delegation and the Council of Ministers faced delays as a result of many technical problems. By autumn of 1962 when the terms and conditions were known and understood within the United Kingdom, public opinion, the policy statements of interest groups within the Labour party became more pronounced, the idea of Common

¹⁸Great Britain, Labour Party, Transport House. Report of the Sixty-first Annual Conference of the Labour Party. (October 1-5, 1962), p.247.

Market entry became less favorable.

On January 29, 1963 the Brussels negotiations ended in failure. The Labour party condemned the Conservatives for the breakdown of the Brussels talks because of Prime Minister Macmillan's clandestine Nassau negotiations with President Kennedy over the Skybolt missile along with the Conservative attempt in agreeing on a common agricultural policy.

In July 1963, after the breakdown of the Brussels talks, Great Britain and the members of the European Community agreed to meet under the auspices of the WEU for further consultation related to European integration. Both the Conservative and Labour parties made it clear that Britain wished to discuss political and future prospects for Common Market membership.

SUMMARY

As it appeared the years spent in opposition by the Labour party did not seem to be a cohesive period for the Party to formulate a coherent program. Factionalism plagued the Party. This is not surprising in a party of movement that draws its leaders from such diverse sources as trade unionists, intellectuals and professional politicians, and is based on kinds of membership derived from very different traditions. They made very little attempt to vindicate their 1951 defeat and build up support for future political aspirations. It is true that it is hard to visualize Labour as a Party in the direct sense of the word. According to Richard Rose¹⁹ a political party is based

¹⁹Richard Rose, Politics in England. (Boston: Little, Brown and Company, 1963).

on three criteria -- group of office-seekers, and electoral machine, and a body of men with common principles. The Labour party does qualify on the bases of this formula, with the exception that it is hard to see Labour as a body of men with common goals. However Labour has a long history of a conglomerate of groups formed in coalition. Many of these groups speak in terms of their individual interests, cross party lines and sometimes change their own group philosophy over the years.

Demonstrated in this chapter was the vituperation of the main organizations and leading politicians within the party. Smaller associations within the Party are too weak to cast any aspersions and consequently channel their desires through much larger organizations such as the NFU and TUC, or through the NEC and party conferences, which provides opportunity for groups divided in principle to demonstrate their divisions in practice.

The problem debated over the Common Market issue was common in other areas of foreign policy such as German rearmament and Suez, along with leadership clashes of Attlee, Bevin, Gaitskell. On almost every major issue -- economic, defense, European, Commonwealth, one faction or another arose with a squawk to challenge party leadership.

Even in the early sixties following Gaitskell's death there was a struggle for party leadership between George Brown and Harold Wilson. After much deliberation, Harold Wilson obtained the unenviable task of party leader to pull together the disgruntled Labourites. Due to Labour's lack of coherence in the fifties, Wilson in the sixties attempted to instill common sense

and discipline into Labour's conduct.

The next chapter will examine more closely how Wilson changed his opinion in Common Market affiliation and the diversity between the chief interest groups over EEC membership.

CHAPTER III

BETWEEN THE TWO VETOES

THE RETURN OF LABOUR

After the Brussels debacle and the Conservative party's attempt to enter the Common Market, it was evident that the Conservative party was weakening in political status. The loss of party momentum included various factors -- the embarrassing Profumo affair, Labour's harassment of the Conservatives handling of the Brussels negotiations, intraparty troubles (right-wing and Imperialists' discontent), and the struggle for party leadership within the Conservative party.

During Labour's thirteen year tenure as "Her Majesty's Opposition," Labour found herself incapable of effective opposition, due to party fractionalism. In order to achieve success in the 1964 election, the Labour party had to act as a unified party with a sound foundation for a party program and achieve party stability. Upon Gaitskell's sudden death in 1963, it was up to Harold Wilson, the party leader, to unify the party and commit the party program.

During the 1964 election campaign the Labour party played down the European question, and emphasized economic planning,

educational reform and foreign policy. Harold Wilson taunted the Conservatives for their willingness to break their pledges with the Commonwealth in order to join the Common Market. He challenged the Government to offer a pledge not to consider "entry into the Common Market on any terms which would reduce Britain's existing freedom to trade with the Commonwealth."¹ Wilson made plain the Labour party position by pledging Labour to secure adequate terms (political and economic) with the Commonwealth and reiterated the five conditions set forth by Hugh Gaitskell. He challenged the Conservatives to make plain their position on the Common Market.

For the most part both parties were silent on Europe. Presumably each feared dissension in their own party and saw more dangers than advantages in making either past efforts or future intentions into an election issue. The Labour party mollified the question, mainly because of the threat that some of the pro-European supporters in the Labour party would defect to the Liberal party. Also the natural desire for most of the pre-electoral period was assumed to be that the next government would avoid any further tying of its own hands, particularly on a matter which was so conspicuously "dead" at the time.

The advantages of joining began to seem greater and the difficulties less formidable. In particular Britain's trade and investment in the Common Market countries increased rapidly

¹Great Britain, Parliament, Parliamentary Debates, (House of Commons), 5th ser., Vol. 688, (February 6, 1964) cols.1388-89.

while the pattern of Commonwealth trade tended to lessen the dependence of other Commonwealth countries on preferential treatment in the British market.

Politically the Labour party believed that British membership would strengthen the faltering European left. The economic reasons seemed more advantageous. Membership into the Common Market would stimulate British industrial production with a potential market of 300 million people, by avoiding tariff walls within the Community.

For the most part, the Labour party activists in the pro-Market movement were people under the age of forty who represented a rising technocratic group, and European in outlook. Almost half of the sixty-six new Labour MP's elected in 1964 became members of the Labour Committee of Europe, formed from the Labour Common Market Committee after the Brussels negotiations whose objective was to build support in their party for British EEC membership.

Moreover the conditions for EEC membership proclaimed by Hugh Gaitskell had less relevance in the light of changed circumstances. After Labour assumed office in 1964, there was a shift in Labour sentiment regarding the Commonwealth. During Britain's first attempt for EEC status, Labour spokesmen had stressed the importance of the Commonwealth as a link between developed and developing nations. Finally with the admission of new members from Asia and Africa, the Commonwealth became severely divided, and no longer seemed as a major source of strength and pride as it once was regarded.

At the time of Britain's first application, Labour party opposition was based to a considerable extent on the dislike for the political implications of the European Community. The British Labour party feared by joining a European Community a non-socialist government would have power in most member states. "There is also the fear that Britain's joining the Common Market will prevent the introduction of Socialist measures at home. To this one can only reply that, as a trading nation, we are already not entirely at liberty to do as we like with our industry and that the Community is potentially a more powerful instrument for planning an economy than we ourselves have developed even under the Labour Government."² Hugh Gaitskell thought that a federal Europe would jeopardize the future of the Commonwealth.³ However after the breakdown of the first Brussels negotiations, Labour party opposition on these grounds declined.

When the Labour party successfully became the Government of Great Britain in 1964, after its interim of thirteen years as the Opposition party, Prime Minister Wilson relaxed his concentration on foreign affairs and concentrated his aims strictly on domestic policies, modernization and expansion. Harold Wilson emphasized economic issues which he had been dealing with since 1955. Wilson advocated "Keynesian" economics or "planned economy" concentrating on a national plan for production and investment, which would enable the economy to grow without slipping

²Anthony Hartley, A State of England, (New York: Harcourt, Brace & World, Inc., 1963), pp. 115-116.

³Great Britain Labour Party, Transport House, Report of the Sixty-first Annual Conference of the Labour Party. (October 1-5, 1962), pp. 246-251.

into a crisis which had been occurring since 1956. Wilson defended on the strength of the pound which would be strengthened by the expansion of export markets: "The strength of sterling must be our first and primary consideration...the strength of sterling and all that depends on it must take priority over all other considerations."⁴

Wilson was never strongly in favor of the European Community although he did favor closer relations with Western Europe. Shortly after World War II, Wilson then President of the Board of Trade, had expressed his attitude toward a free market in Europe at Ormskirk, in January 1948.

There are enormous difficulties and problems. There must be a will for a economic union before its possible to get a political union. I hope the time will come when there will be a customs union for all Europe linking up East and West. I would much prefer a customs union for Western Europe.⁵

In 1957, Wilson pointed out that Great Britain had more trading opportunities with the Commonwealth. He did not view the Common Market to be of value to England. During the 1959 campaign, Wilson favored a free trade area and expressed doubts concerning the European Common Market.

After the Conservative party signed the Stockholm Convention in 1960 establishing a free trade area, Wilson faced a dilemma. He saw the potential of a growing European market with the Common Market, reviewed both advantages and disadvantages, but at the same time resented encroachment on British institutions like

⁴Paul Foot, The Politics of Harold Wilson. (Aylesbury, England: Hunt Barnard & Co. Ltd., 1968), p. 139.

⁵Ibid., p. 219.

the Commonwealth.

In 1962 after Gaitskell stressed his five conditions, Wilson and the Labour party rallied around these conditions for entry. By this time Wilson's position on the Common Market hardened into virulent opposition, although he did commit himself by stating that if Britain could get the right terms she should enter.

Wilson's view of national planning and those expressed in the Treaty of Rome conflicted each other. Planning under the Treaty of Rome meant organizing a more efficient atmosphere in which capitalism could prosper. Planning to Wilson meant intervention by the state in the national interests and if necessary in private enterprise. Wilson argued that bureaucratic ownership was necessary to make industry more efficient and more competitive.

In a debate in the House of Commons on January 7, 1962, Harold Wilson expressed his views concerning British economic planning as opposed to Community economic planning. His opinion was:

...that the whole conception of the Treaty of Rome is anti-planning.....The Lord Privy Seal said there is nothing in the Treaty of Rome to prevent public ownership as such. I agree. But one cannot then use the public sector for planning purposes for the establishment or enforcement of priorities for anything which involves discrimination. One can have the form by not the substance of public ownership.⁶

Moreover within the Labour party the idea that was popular among the Labour left during the first Brussels negotiations,

⁶The Times (London), January 8, 1962, p.6.

represented a right-wing capitalist conspiracy designed to deprive Britain of her welfare state that was a cherished party policy since the late 1940's. However closer studies and greater contact with Continental socialists revealed that economic and social welfare programs of Continental countries were not condescending to those of Britain. The efforts of France and other EEC countries to develop new links with Eastern Europe lessened Labour fears that the EEC might serve to perpetuate East-West tensions.

After the British application was rejected, Wilson condemned the Conservative party for their faulty handling of the issue. He stated that it was humiliating for the Six to determine the fate of Britain while she remained outside. Wilson accused the Conservatives of turning her backs on the Commonwealth both economically and politically. He stated that the future of Great Britain lies in re-establishing her links with the Commonwealth as an alternative to the EEC along with better Anglo-American relationships.

DECISION TO APPLY AGAIN

In 1965 a stronger drive developed within the Labour party to establish closer links with the continent. Within the Labour party several Labour MP's formed the Wider Europe Group which included people of various political orientations -- right and left. Their objective was to study the implications of British Common Market membership in areas of British domestic and foreign policy, the Commonwealth, and East-West issues. They concluded

that membership was not necessarily incompatible with the building of a wider Europe contributed to the rise of support for EEC entry in the parliamentary Labour party.

On the other hand Harold Wilson's views of opposition toward Community membership continued for nearly two years after becoming Prime Minister. Early in 1965 he did not consider the EEC the real issue. During the 1964 campaign Wilson pledged to modernize British society and British economic life: to remove barriers to growth, to stabilize the nation's international trade position and to develop the skills and technology required for survival in an increasingly competitive world situation. Wilson still favored the arguments set forth by Hugh Gaitskell as paramount before British entry into the Community could be reconciled.

Wilson favored a unified trading market consisting of both EFTA and Community members "with a view to reduce and ultimately ending the economic and political damages which results from this costly and economic division of Europe."⁷

Wilson asserted that Britain should attempt to bridge the gap between EFTA and the EEC to reduce tariff walls within member states hindering trade with non-member states.

Prime Minister Wilson soon realized that Britain's reserves both in monetary terms and in material and human resources were basically inadequate for the world role which the country was historically committed. Wilson's solution was to seek aid from

⁷Gerhard, Britain and European Unity, p.146.

the United States by reaffirming British support for United States policies although they were unpopular within the Party itself. Wilson also realized that Britain remained excluded from the main stream of European development and began to toy with the idea of supranationalism.

After reviewing Britain's position in the world, the Labour party took a new look at Europe during the 1965 Labour Party Conference.⁸ Many Labour activists joined the Campaign for the European Political Unity, supported by 150 Members of Parliament from all parties. The organization's primary objective was the building of support for British membership in a politically integrated Europe. The basic hostility toward the Common Market began to decline.

Wilson's decision to defend United States policy in Vietnam and to fortify Britain's international economic status, along with a shift of anti-European bias within the Cabinet, led to his change of mind for Common Market membership. Michael Stewart replaced Patrick Gordon-Walker as Foreign Minister and prognosticated that Great Britain would soon become a member of the Common Market. James Callaghan, Chancellor of the Exchequer after being a strong anti-Marketeer started to speak in terms of supranational authority. Denis Healey, Minister of Defense, another anti-Marketeer was later convinced that Britain would be a party of the Community within a few years. George Brown, Minister of

⁸Great Britain Labour Party, Transport House, Report of the Sixty-fourth Annual Conference of the Labour Party. (October 1-5, 1965).

Economic Affairs, who had emphasized home economic policies, ceased in favor of pushing British efforts in joining the Market.

On the other hand several Labourites including Barbara Castle and Douglas Jay (President of the Board of Trade), Fred Peart (Minister of Agriculture), who were noted for their anti-Common Market views, suggested that British entry would undermine the balance of payments, lessen the prospects for strengthening the economy, and render the British government powerless to engage in national economic planning.⁹

It was during the Party's 1965 Conference that Foreign Secretary Stewart expressed his position toward the Common Market. He stated that it was still Labour's policy to stick by the five conditions for joining the European Community. However concerning the part about the Commonwealth, he stated that they may prefer to safeguard their own interests by seeking links with the Community, indicating that the Commonwealth's economic dependence on the United Kingdom had been declining.

The Foreign Secretary mentioned the condition on an independent foreign policy, because Britain found it hard to conduct its "own" foreign policy without consultation with allies. Britain is a member of NATO and other unavoidable entanglements and alliances that prevents Britain from conducting its own independent foreign policy. The Foreign Secretary also stated in regards to the third condition planning and full employment policies, Great Britain found it hard to compete with EEC industries.

⁹Ibid., pp.245-246.

George Brown, Minister of Economic Affairs, supported Wilson's "building bridges" principle. In a speech to the Foreign Press Association in London on November 23, 1965 he expressed the following statement:

The general objection of our policy is to secure a wide European market embracing the United Kingdom, the countries of the European Economic Community and our partners together with ourselves making up the European Free Trade Association and open to any other European countries who may wish to participate.¹⁰

Four days later on November 27, 1965, at a press conference¹¹ the Foreign Secretary admitted that he favored a European union on EEC principles rather than EFTA principles. The Foreign Secretary did admit that the present Administration adhered to the five conditions. However, Prime Minister Wilson, in later debates and press conferences gave the impression that the five conditions were reduced to one, agricultural policy.

The Foreign Secretary in the House of Commons on December 21, 1965 stated¹² that the five conditions are more soluble than before, and are no longer a roadblock in the Government's policy concerning the European problems.

By the beginning of 1966 the shift toward a more favorable attitude for entry became more apparent. Members within the Parliamentary Labour Party were favoring a campaign calling on the Government for a declaration of intent in favor of British

¹⁰The Times (London), November 24, 1965, p.1.

¹¹Labour Party, Sixty-fourth Annual Conference, p.149.

¹²Great Britain, Parliament, Parliamentary Debates, (House of Commons), 5th ser., vol. 722, (Dec.10 - Dec.24, 1965), col.1566.

entry. Pressure on the sterling raised the question whether Britain could continue to support a reserve currency on her own. The Commonwealth had not lived up to expectations as a permanent trading area. Farmers dropped previous antagonisms toward the Common Market after witnessing the level of the European price agreements. Above all the whole idea of national economic independence was considered obsolete, particularly by the younger and better educated Labour members in Parliament.

The Labour party believed that the EEC must be extended to include Great Britain and other EFTA members. Pro-Market-eers within the Party favored Common Market membership not only for economic reasons, but also due to NATO's changing assessment of Soviet policies in light of an assumed relaxation of East-West tension, and Europe's technological backwardness in comparison with the Soviet Union and the United States, which Britain argued she could up-date.

In an interview by the German newspaper Die Welt, George Thomson, Chancellor of the Duchy of Lancaster was asked what was the Government's official policy concerning Europe. He replied:

...the Prime Minister has stated his belief that in foreign affairs and defence policy Britain is not yet ready to consider joining a supranational organization. Our goal in Europe is a wider European Community, including not only members of EEC and EFTA, but as many other European countries as may wish to join: we hope that the countries of eastern Europe would eventually also disposed to join such a community.¹³

George Thomson also stated that Britain would seek negotiations

¹³"The Future, A British and European View of the Political and Economic Prospects," The Times (London) and Die Welt, October 28, 1966, p.32.

with the Community that are to Britain's satisfaction. "It must be clear that all the existing members of the Community would welcome our accession and would be ready to discuss reasonable terms for our admission."¹⁴

In February 1966, Prime Minister Wilson declared that if the right conditions to safeguard British interest could be met then Britain would seek admission to the Community.

As Wilson prepared for the 1966 election he still was not sure what action to take on the Market issue. He still believed that Anglo-American relations and relations with the Commonwealth were the best possible basis for British economic policies.

During the early weeks of the campaign, Wilson hardly referred to the Common Market because it would be kept from controversy. Moreover, he concentrated on the weakness and failure of the Conservative party over the previous thirteen years.

However, as the campaign progressed, the Common Market became a primary target for debate because the Conservatives made it known that they would seize the first favorable opportunity of becoming a member of the Community. On the other hand the Labour party issued a manifesto concerning Europe which was mildly encouraging.

Wilson announced in a speech at Bristol on March 18, 1966, that Britain should seek terms for her entry into the Community. The prime condition Wilson stressed was that Britain should seek entry from a position of economic strength "unless we continue

¹⁴Ibid., p.32.

as we have done in the past eighteen months to strengthen sterling and our balance of payments, then the Common Market choice is simply between a backwater inside Europe and backwater outside Europe."¹⁵ Prime Minister Wilson further stated that Britain should join the EEC as a economic community and explicitly rejected any idea of supranational control over Britain's defense and foreign policies.

After Labour's successful election, Wilson's view became more friendly toward the Market issue. Wilson's cabinet was almost entirely pro-European. Only Douglas Jay, Fred Peart, and Herbert Bowden remained against entry.

On July 7 and 8, 1966, M. Pompidou, Prime Minister of France, arrived in England to discuss the possibilities of building a channel tunnel between France and England, but the Common Market issue dominated the discussions. Pompidou stated that if Britain was willing to assume the responsibilities and burdens of membership there was no problem. Pompidou suggested that Britain must correct her economic problems by devaluation of the pound. Wilson disagreed: devaluation was no more than a short-term gimmick; it was also a 'featherbed' for exporting industry. Wilson said he would continue his rigorous measures to restore a balance of payments surplus and attempt to make British industry competitive. Many of Wilson's economic advisors along with some of his Cabinet Ministers, notably Anthony Crosland and Roy Jenkins, recommended devaluation.

¹⁵The Times (London), March 19, 1966, p.1.

COMMONWEALTH PROBLEMS

Labour's problem for protecting Commonwealth "vital interests" and at the same time seeking EEC membership presented a very ticklish and formidable problem. It might be argued that British-Commonwealth policy was coincidental during Wilson's administration in regards to the deterioration of economic and political stability that had once existed between Britain and her colonies. However the deterioration of British-Commonwealth relations existed for the past twenty years.

The pro-Commonwealth supporters within the Labour party (Herbert Bowden, Secretary of State for Commonwealth Affairs; Alfred Morris, and Michael Foot), feared reduction in Commonwealth trade would result in a strain in Britain's balance of payments. Furthermore Herbert Bowden argued that the Commonwealth is a useful association for trade and a bridge between countries of vastly different habits and traditions.

The defenders of the Commonwealth within the Party argued both economic and political implications.

Economically, Great Britain is a member of a Commonwealth consisting of 700 million people with a series of economic and trading relations regulating the sale and purchase of many goods. At the outset of the second Community negotiations, British exports resulted to 25.9 percent with Commonwealth countries, and only 19.0 percent with EEC nations. In order to break into the Community Britain would have to reduce her preferences with Commonwealth nations. This would greatly affect many countries within the Commonwealth. Australia, although a growing indus-

trial nation, still exported a great deal of products to Britain. Consequently, Australia would have to compete with the tariff that surrounded the EEC nations. New Zealand would also be affected. Basically she is in the same situation as Australia. All British Commonwealth tropical countries and India would be affected because nearly 90 percent of their products are exported to Britain.

Membership to the Community would result in political consequences as well. There were fourteen Commonwealth members, all independent from Great Britain, the only link being their voluntary acknowledgement of the common leadership of the British Crown. However, members are linked to Britain in a variety of ways, cultural ties, traditional sentiment toward the crown, some are linked by a common language, some others have representative government. If Britain entered the Community her links with the Commonwealth would be weakened.

On the other hand the pro-Europeans within the Party presented a pragmatic view that the Commonwealth provided no real contribution toward solving British economic and foreign affairs.

In trying to formulate an adequate solution concerning the Commonwealth, the Labour party had to be prudent. The Party did not intend to participate in future Common Market negotiations by getting bogged down in technical matters concerning trade as the Conservative party experience. At the same time Labour wanted to secure adequate provisions that would not jeopardize future relations with the Commonwealth.

Since the end of World War II the Commonwealth had been

showing signs of political instability. India and Pakistan were ardent enemies and Britain was unable to achieve success over disputed Kashmir. Annual Commonwealth conferences became scurrilous forums of discontent. Countries such as Canada, Australia, New Zealand along with India and Pakistan all were politically independent from Britain. Britain's refractory African Commonwealth nations exhibited little harmony toward the Crown -- Ghana abolished parliamentary institutions, South Africa quit the Commonwealth after being subjected to repeated attacks over its apartheid policies. In 1965 the ranks were shakened by the Rhodesian crisis over unilateral declaration of independence from British sovereignty. It was at this point when the Labour party began to look at the Commonwealth with pessimism. That is to say, are the costs worth the benefits.

Harold Wilson in a speech made at Strasbourg on January 23, 1967 gave reassurance to his Labour Commonwealth supporters that the Labour Government considered protection of Commonwealth "vital interests" were of prime importance for fruitful negotiations to take place.

I want the House, the country, and our friends abroad to know that the Government are approaching the discussions I have fore-shadowed with the clear intention and determination to enter the European Economic Community if, as we hope, our essential British and Commonwealth interests can be safeguarded. We mean business.¹⁶

Economically, the Commonwealth has its advantages, for it serves to protect British investments and preserve British

¹⁶The Times (London), January 24, 1967, p.1.

influence throughout the world, because the pound sterling is the common currency of their trade (except for Canada).

Table 1 shows the increasing proportion of Britain's total imports and exports to Western Europe and the Commonwealth. It indicates the declining percentage of imports and exports to the Commonwealth and increasing trade with the EEC. However, trade with EFTA is stable. The table makes it clear the importance of the EEC as one of Britain's main markets.

TABLE 1
UNITED KINGDOM EXPORTS AND IMPORTS
(percentages)

	EXPORTS					IMPORTS				
	1952	1961	1965	1966	1968 ¹	1952	1961	1965	1966	1968 ¹
COMMONWEALTH	48.4	35.5	28.4	25.9	23.0	45.8	35.5	29.8	27.6	24.0
EEC.....	11.3	16.7	19.1	19.0	19.0	12.3	15.4	17.8	18.5	20.0
EFTA.....	10.3	11.7	14.1	14.6	14.0	9.2	10.4	13.6	14.1	15.0
Other Europe (OEEC)	4.4	6.0	3.5	4.0	4.0	3.6	5.5	2.1	2.1	NA ²
TOT.W.EUROPE	25.9	34.3	36.8	37.6	37.0	25.1	31.5	32.9	34.7	NA ²

¹Approximation to nearest percent.

²Import and exports percentages are not available.

Australia and other Commonwealth opponents against British entry argued that if Britain joined the Community it would weaken the Commonwealth. Most of the Commonwealth countries wanted Britain to protect Commonwealth interests. According to Pierre Uri:

At worst, should the United Kingdom enter the European Economic Community without prior safeguards agreed for substantial elements in Australian exports, but

more particularly New Zealand exports, there would be maximum structural shock, especially for New Zealand.¹⁷

Australia, fearing British membership into the Community and its subsequent consequences has increased its exports with the orient, with its chief buyer being Japan and mainland China. Australia has reduced its percentage of trade with Great Britain within the last ten years.

TABLE 2

NEW ZEALAND AND AUSTRALIA:
PROPORTION OF SELECTED COMMODITIES
EXPORTED TO BRITAIN
(percentages)

	NEW ZEALAND			AUSTRALIA		
	PRE-WAR	1955/56	1964/65	PRE-WAR	1955/56	1964/65
BUTTER.....	97	92	93	94	87	84
CHEESE.....	99	97	86	97	80	59
BEEF & VEAL....	99	59	23	91	78	34
MUTTON & LAMB..	100	92	84	97	84	30
WOOL.....	58	38	24	43	26	14
SUGAR.....	-	-	-	88	55	32
WHEAT & FLOUR..	-	-	-	54	29	10

Source: T. K. Warley. Agriculture: The Cost of Joining the Common Market. (London: Chatam House, 1967), p.34.

However with New Zealand the problem is more acute. In 1938 New Zealand exported over 84 percent of her products to Great Britain. In 1963 this was reduced to 45 percent. As indicated in Table 2, there were sharp reductions in meat, wool

¹⁷Pierre Uri, From Commonwealth to Common Market, (Middlesex, England: Penguin Books, Ltd., 1968), p.133.

and cheese in 1964/65 as compared to 1955/56.

On the other hand New Zealand does enjoy duty-free entry on certain products into the United Kingdom. However the common agricultural price created by the EEC would create surpluses and would be sold with assistance of subsidy against supplies for New Zealand and other countries in third markets, seriously effecting the earnings for exchange needed for development.

In conclusion the Labour party agreed in order to assure an adequate domestic and foreign policy, the onerous obligations with the Commonwealth must be decreased. The Commonwealth affords little hope of providing a sufficient basis for Britain's world position in the future. Politically, militarily, economically, and culturally this loose confederation with its interlocking bonds in the years to come would result in further division rather than an integrating element.

As indicated the Labour party began to look toward Europe by establishing economic bonds and promising the Commonwealth certain amends in protecting its "vital interests" if Common Market membership is achieved. Again the decision to participate in future negotiations with the Six, the Commonwealth issue was resolved in compromise. The Labour party indicated that firm arrangements would be made to safeguard trade between Britain and the rest of the Commonwealth but avoid technicalities that would impede the negotiations.

AGRICULTURAL PROBLEMS

After the breakdown of negotiations in January 1963, the

British government decided to reduce the deficiency payments for cereals and to introduce minimum import prices and import levies for cereals. This new arrangement was acceptable by GATT and EFTA and all principle exporting countries.

It was calculated in 1966 after fixed prices were established on certain crops--the price of bread would rise 25 percent caused by a higher price of wheat while beef would increase by 30 percent and mutton and lamb 20 percent.

Due to an enlarged Community if Britain became a member, British producers of poultry, eggs, and pigmeat might experience an exportable surplus, causing a decrease in British prices.

The effects on the farmer would vary. The cereal growers would obtain gains from the rise in the price of wheat and barley and provoke an expansion in wheat production. However, these higher prices would not be favorable to livestock producers would lose the advantage of acreage payments made to those who grow barley for consumption on the farm.

Fred Peart, Minister of Agriculture, speaking at a meeting at Workington in April 1967, pointed out several difficulties if Britain joined the Community.

First, the British consumer would have the full cost of home grown food at Community prices, and they would have to meet the cost of rising prices of imported food to the higher levels required to protect the internal Community market. This would mean an increase of 10 to 14 percent of retail cost of food or a 2.5 to 3.5 percent increase in the cost of living.

"An increase of this order would have repercussions on our price

and wage structure and is obviously something that will have to be taken into account."¹⁸

Secondly, British food imports would have to come from either higher Community price levels or would be subject to import levies, which would produce the same result. The idea was that the levies should be a main source of income of the European Agricultural Guidance and Guarantee Fund which covered the cost of price support within the EEC.

In essence the producers of cereals and beef cattle would benefit, milk producers stand to gain by being freed from their present "standard quantity" restriction, producers of pigs, eggs and poultry as well as market gardeners would be worse off and have no reason to modify their objection to join the Community.

Another problem would be the common agricultural policy (CAP) as set forth by the Mansholt Plan, which is opposite to Britain's policy. "A common agricultural policy consists in the encouragement of approved schemes by supplementing a national expenditure with finance provided from Community sources and by sanctioning continued national expenditure on measures which do not conflict with other aspects of the common agricultural policy."¹⁹

The primary purpose of a farm income policy is to establish product prices which would enable the farmers of small-scale

¹⁸The Times (London), April 8, 1967, p.3.

¹⁹T. K. Warley, Agriculture: The Cost of Joining the Common Market, (London: Chatham House, 1967), p.9.

farms of the community to earn an income which is sufficient to maintain a suitable living.

In essence the Six emphasized the production of raw materials (cereals) at the expense of finished products (pigmeat, eggs, etc.); on the other hand Britain concentrates on domestic production on high-value products leaving the supply of raw materials to the Commonwealth. As a result the EEC favors high cereal prices and low livestock product prices. Adopting the CAP would mean price increases for British cereal producers and lower returns for eggs, pigmeat and poultry producers.

However, the common agricultural policy was organized, stylized, and a highly integrated regulation of production and trade in farm products, and replaced by product markets organized on a community basis and control over the main regulatory devices with minimum prices. CAP was to benefit farmers much like the customs union benefits industry. Also if there were insufficient outlets within the Community and the industrial members continued to import food from outside, the EEC must help subsidize any surplus within the Community.

It is expensive but it is a bargain. In return for the introduction of free trade in farm products within an organized market the Community would assume the cost of the market-price supports and export subsidies.

By mid 1966, the powerful farmers organization NFU within the Labour party modified its previous position it held during the first Brussels negotiations. "It was now prepared to accept the EEC system of agricultural subsidization so long as the

interests of British farming were safeguarded to the same extent as those of the Common Market Six."²⁰ The NFU was optimistic, hoping that Britain's Annual Review concept and firm price assurances would be integrated in an agricultural policy for an enlarged Community.

According to G. T. Williams,²¹ President of the National Farmers Union, the NFU has never taken a position for or against entry. It was taken only by the Government. The NFU argued if accepted to the EEC both imports and exports should increase with Western Europe. However prospects of selling outside of Europe would depend upon how overseas countries reacted to the cut-back of British trade with them in food products. But difficulties would remain as to rise in prices, effects on the balance of payments, and effects on the consumer. G. T. Williams asserted that the NFU did not reject the idea of joining the Community, if this was in the best interest as a whole. Furthermore, the NFU realized that Great Britain would have to submit to the rules and restrictions of the Common Market agricultural policy, but also argued that an enlarged Community would require some changes in its regulations and rules so that they are more flexible and coherent to meet the demands of all its members.

On December 20, 1966, George Thomson told the Ministerial

²⁰Pfalzgraff, Britain Faces Europe, p. 190.

²¹The Times (London), and Die Welt, "A British and European View," pp. 31-33.

Council of the Western European Union, Britain's Community attitude was based on something deeper than just economic and social foundations.

Britain subsidizes agriculture "because it is a 'sensible' way to maintain a useful industry that produces only a small proportion of the country's needs of the product it supplies. Subsidy helps the industry while imposing calculable and minimal burdens on the customer.²² However, the EEC, which is more than 90 percent self-sufficient in foodstuff, protects agriculture by variable levies which are "supra-protective tariffs." In other words if Great Britain joined the EEC, she would be required to do the opposite of what she is doing now.

The British Labour Government attempted to bridge the gap between market prices and prices guaranteed to produce. This was a step toward making the adoption of common agricultural policies less difficult. Britain also adopted positive policies of structural reform for agricultural and horticultural industries.

BRITAIN MOVES CLOSER TO THE CONTINENT

As the British Labour party moved closer to a second application in the European Economic Community, clashes between party members and organizations became more virulent. It seemed as though that this assiduous characteristic was held over from

²²William Pickles, Britain and Europe -- How Much Has Changed? (Oxford: Basil Blackwell, 1967), p. 60.

Labour's opposition days. The party remained incohesive, undisciplined, and it was Wilson's pro-European Cabinet that helped motivate interest toward entry. Dissident Labour MP's and associations used parliamentary sessions and annual conferences as a forum for debate express their own self-interests.

By the end of 1966 Britain was leaning more toward the European Community than toward the United States and the EFTA. The main reason for Britain's pro-European outlook was the fear of industrial domination by the United States because the high interest rates in America were a disincentive to investment in Europe which would cause a squeeze on European dollars. Wilson also realized that the United States interest was not in Europe but in Southeast Asia, and the "European Idea" became more appealing.

Although the special relationship between Britain and the United States has had its advantages, intimate association with the world's richest and most powerful nation confers a certain aura of influence in itself. The United States had supported the pound and has long helped to sustain Britain's world role. Also, thanks to American assistance, Britain has an independent nuclear deterrent made up largely on the Polaris submarine system.

In recent years Britons questioned the value and need of this world role, while a cloud has fallen over this special relationship.

The problem as many observers saw, was a widening gulf between American strength and British weakness in making an

effective partnership impossible. Thus the British felt they could no longer influence decisions taken in Washington, while Americans felt that decisions taken in London were no longer of any real consequence.

After first failing to establish a European free trade area, the EFTA was a compromise and has not fulfilled the expectations of Great Britain. Instead of being politically beneficial, it proved an incumbrance to Britain's freedom of action.

The future of the EFTA is doubtful. Britain joined it with the view in mind that it would only be a temporary union, with later intentions of joining the EEC. Other countries in the EFTA have also set their eyes on the EEC. Great Britain with its 55 million people represents a disproportionate influence in comparison with other EFTA members. Also, the EFTA offers no political union.

According to the London Agreement binding all EFTA countries, agreed to come to terms with the EEC at the same time. Also in 1963 Prime Minister Macmillan pledged that Great Britain would not enter the EEC unless special interests of the EFTA were met. However at the May 1967 Ministers meeting, Wilson superseded the former plan and it was decided that all countries should go their own way, keeping in consultation with other EFTA members to seek provisions for sufficient transitional periods before Britain participates in full Common Market obligations. Wilson's pledge seemed more meaningful than Macmillan's because it released Great Britain's accession from bondage to the possible intransigence of the broad range of issues to be settled

by all EFTA members.

Also Britain's surcharge has caused much ill-feeling among her EFTA partners although Britain later resolved this issue. The Labour party learned a lesson from this. They discovered that Europe of the 1960s was different than Europe of the 1950s, and that multilateral cooperation is now interwoven into each country so that no country can act in isolation.

Although Douglas Jay President of the Board of Trade and Fred Peart Minister of Agriculture along with back-bench opposition opposed EEC entry, the bulk of the Parliamentary Labour Party showed greater willingness to accept the idea of entry than they did two or three years previous. On the basis of this shift in attitude, and support within the Cabinet, Prime Minister Wilson on November 10, 1966 announced in the House of Commons that the Government had conducted a critical review of Britain's relations with the EEC, including Britain's membership with the EFTA and the Commonwealth, decided that a new high level approach must be made. The Prime Minister and Foreign Secretary Brown announced their intention to engage in a serious discussion with the Heads of Government of the Six in order to establish the likelihood of safeguards for essential British and Commonwealth interest if Britain were accepted by the EEC.

On November 14, 1966, before the Lord's Mayor Banquet in Guildhall, Prime Minister Wilson announced that the time was right to make an effort in joining the Community. Wilson spoke of his intentions to expand industry within the Community. He wanted to pool technology within the Community to enable Europe on a

competitive basis to become more self-reliant and neither dependent on imports nor dominated from outside, "but basing itself on the creation of competitive indigenous European industries."²³

Wilson asserted if Britain was successful in the effort to widen opportunities facing British industry with a European market of nearly 300 million consumers, the benefits would go to those who acted promptly to modernize in a competitive capacity and take advantage of the opportunities that would be open to them.

On December 5, the Prime Minister met with his EFTA partners in London to determine whether the appropriate conditions existed which would be possible to activate the arrangements for a negotiation for British entry into the Market, and have them endorse Britain's initiative.

All the members of the EFTA favored the British position as an important step toward a solution to the question of European economic integration in which they could participate in an appropriate manner.

According to her EFTA partners, Great Britain had much to give but much to gain. Joining the EEC meant joining the ECSC and Euratom. In particular, Britain would lead the way, in the peaceful application of atomic energy along with industry and commerce.

Wilson made it known that Britain would not act as spokesman for her EFTA partners. Entry by Britain into the Community

²³The Times (London), November 15, 1966, p.1.

would not be an automatic step toward political grouping and meant no commitment on defense.

The Prime Minister and the Foreign Secretary began their discussions with the Heads of Government of the Six on January 16, 1967 in Rome and completed the talks in the middle of March. In the light of these discussions, the Government carried out a further detailed examination of the issues involved. In sum, all of the Governments of the Six acted favorably toward Britain's initiative. The German Government asserted that Great Britain "was seeking membership with the EEC with complete seriousness,"²⁴ and the Italian Government indicated that "the path to British entry into the Community is open."²⁵ On the other hand France argued that Britain may join if she could solve her internal problems, particularly the pound, balance of payments and her Commonwealth preferences.

George Brown made the following conclusions about his visit to the EEC countries. He claimed that the EEC countries believed that Britain was serious about membership. He admitted that some problems exist, but none are insoluble -- that they could be overcome.

A number of difficulties could be foreseen in accepting the Community's common agricultural policy as it stood. He suggested cooperation would be needed in overcoming such difficulties as, (1) increased cost of food to consumers, (2) the

²⁴EFTA Reporter, February 20, 1967, p.3.

²⁵The Times (London), January 18, 1967, p.8.

economic and social effects of the EEC policy on the British pattern of production, (3) difficulties with the Commonwealth, especially with New Zealand, and (4) the balance of payments cost along with the pound sterling.

Another problem was the fear of some EEC governments that an enlargement of the Community would be a possible source of loss of cohesion and purpose. Both George Brown and Harold Wilson believed that it would be easier to solve some problems such as majority voting in the Community with a larger membership.

On May 2, 1967 before the House of Commons, Prime Minister Wilson announced that Great Britain was going to apply for Common Market membership under Article 237²⁶ of the Treaty of Rome. During the three day debate that followed, Wilson admitted there were problems involved, pleaded to the House of Commons to be realistic and recognize them. He also made it clear that membership into the EEC would not be an automatic solution for Britain's economic problems, nor essential for economic growth. It would help some industries while others would seek protection. Therefore it would be up to each firm to make its own calculation of its profit and loss -- as a result of entry into a wider and more competitive market. Wilson believed on the whole, industry would gain. He states:

The CBI has produced an authoritative and valuable

²⁶Article 237 under the Treaty of Rome means that any European country may apply to become a member of the Community. However any one Government of the Community may veto the application, therefore any applicant must be unanimously accepted by the Community-members.

report based on the best information available to its constituent firms and organization on its talks with European businessmen. In the process of making an assessment, the CBI recently circulated a questionnaire to a large number of companies, 70 percent of those which responded said they expected to benefit on balance, from joining the Common Market and said that they saw it as an opportunity for growth. No less than 90 percent believed that there was a clear and progressive balance of advantages to British industry as a whole.²⁷

Wilson said free movement of capital must be accepted under the Treaty of Rome, but admitted that he could not determine its direct effect on Britain.

Also there would be increased labor costs resulting from higher food prices which might burden the balance of payments, but it would be offset by import savings on foodstuff and by the greater power of exports from more efficient industry. The development of a technological community would also increase exports. The new effect of the balance of payments would eventually be positive.

There would be free movement of labor only were there jobs available. This would have no direct effect on Commonwealth immigrants into Great Britain, but they would not be able to move automatically to jobs in EEC countries.

In agriculture, Wilson pointed out the Government must recognize that this policy involved far-reaching changes in the structure of British agriculture. Wilson admitted that food prices would rise the cost of living. However, it should be recognized that lower prices for imported consumer goods and

²⁷Great Britain Labour Party, Transport House, Report of the Sixty-sixth Annual Conference of the Labour Party, (October 2-6, 1967), p.76.

reductions in taxation resulting from savings on agricultural subsidies would offset this. The Prime Minister stated that those spending an unusually large proportion of this income on food would be aided by social benefits. Wilson declared that he would request a suitable transitional period to enable the necessary adjustments to be made.

On the other hand if Britain entered the Common Market, Commonwealth preferences would be curtailed. This would hurt New Zealand and other Commonwealth producing areas. Wilson proposed the possibility of a provisional agreement offering association of dependent territories and some independent Commonwealth countries.

Prime Minister Wilson made it known that the long-term potential for Europe and Britain represented a single market of nearly 300 million people with all its scope and incentive which it would provide for British industry and the enormous possibilities which an integrated strategy for technology on a continental style could create. Also a united Europe would help play a greater role in reducing East-West tension and aid in the development of developing countries.

Prime Minister Wilson's argument did not meet the approval of the entire Labour party. A week prior to Wilson's announcement 70 Labour party backbenchers signed a manifesto against Common Market membership. This faction of dissenters had as its chief supporters -- Emmanuel Shinwell (formerly chairman of the Parliamentary Labour Party), Ian Mikardo (member of the NEC) along with Michael Foot. They accused the Prime Minister and

Foreign Secretary of not securing consultation with her EFTA partners and the Commonwealth for adequate safeguards and essential interests.²⁸

Stability of the Party was again challenged. At this time the Government saw a need for intraparty cohesiveness or else the Labour party would suffer a great political set-back. The Prime Minister felt that the party's decision and follow-through toward a more positive action with Continental Europe would offer Labour the back-bone it had so severely needed for the past two decades. The Labour party has had a history of leadership struggles and the leadership was regulated by the whims of strong organizations and ambitious party members. Just as Gaitskell pulled the party together in 1962, Wilson prepared his offense. He threatened punishment of any or all the recalcitrant backbenchers. Wilson warned dissident Cabinet members that invidious remarks and actions were not appropriate to the decorum of the Chamber. As for the other dissident backbenchers, Wilson was more austere and offered the following analogy. "Every dog is allowed one bite, but a different view is taken of a dog that goes on biting all the time. If there are doubts that the dog is biting not because he is considered vicious, then things happened to that dog. He may not get his license renewed when it falls due."²⁹

The Prime Minister needed to be strong because the Conservatives were becoming united and a threat from Conservative

²⁸The Times (London), February 23, 1967, p.12.

²⁹The Times (London), March 3, 1967, p.8.

opposition would kindle the flame toward Labour discomfiture. As a result Labour temporarily pulled itself together and rallied to support the Party's program toward EEC entry.

On May 10, 1967 the decision was approved, 488 votes to 62, and application for membership of the three Communities were signed and delivered to the Presidents of the Council of Ministers on May 11.

In a press conference held in Paris on May 16, President Charles de Gaulle made a lengthy comment on the British application expressing his misgivings.

I do not wish to prejudice the issue of negotiation, and there has never been any question whether the accomplishment of Britain's aim is possible within the framework of the Common Market as it now exists, or could be achieved only within another framework should it be desired.³⁰

De Gaulle questioned Britain's ambitions of developing a technological community. He also feared that Great Britain's membership would lead to the destruction of the Common Market.

The British Labour party and the five other members of the EEC attacked President de Gualle's statement. In a speech before the Confederation of British Industries on May 18, 1967, Prime Minister Wilson said: "We should not take no for an answer. We are determined not only to make these negotiations a success but to carry them forward as quickly as lies in our power."³¹

The other five members of the EEC were not in full approval

³⁰The Times (London), May 17, 1967, p.1.

³¹EFTA Reporter, June 15, 1967, p.1.

of de Gaulle's comments. On May 30 at a meeting in Rome the Six gathered to examine Britain's application. All the countries present, except France, carried unanimous approval to see Britain join the Community and referred the application to the Council of Ministers who called on the reconstituted Commission to prepare a report on the problems raised by the application.

In the meantime, Foreign Secretary George Brown made a statement to the Ministerial Council of the Western European Union which set out the British Government's reasons for submitting the application and an estimate of its consequences, both in benefits and problems to be solved, notably those problems involving the Commonwealth.

He asserted that Britain was aiming at something for more than material prosperity. "We see this leading to a greater political purpose."³² He spoke in terms of a community exercising not only influence in commercial and economic sectors but also in political and defense sectors as well.

He emphasized the fact that Britain had a lot to contribute to the Community in nuclear development for peaceful uses, in computers and in aircraft which would greatly strengthen the Community, and enable Europe to maintain a commanding position in the increasingly competitive markets of the world. This would also increase the welfare and standard of living of the people within the Community.

George Brown believed that Commonwealth problems could be

³²The Times (London), July 5, 1967, p.1.

accommodated under existing Community arrangements without departure from the precedents which had already been set.

In the middle of July, Britain faced a major economic crisis. Prime Minister Wilson ordered a freeze on all wage increases for six months at the same time argued for a strong pound. He still argued against devaluation because he believed that exports should "fight" for markets. Wilson asserted that devaluation was an export subsidy and an unnecessary subsidy for the people.

Since the end of World War II, Britain's economy had been riding a stop-go cycle, alternating between inflation and government imposed deflation policies. By this time the pattern to Britons became discouraging. As a result, Britain's competitive position in world markets deteriorated and a gap developed in the nation's balance of payments. In order to finance this gap Britain must draw from the central banks of Europe and the United States, or from the International Monetary Fund (IMF), or it must draw upon its own slim reserves.

By the time of the 1967 Labour Party Annual Conference in early October, Britain was in a deep economic crisis. The sterling was still weak and the period for repayment was approaching. Many cutbacks in Government spending prevailed, although at the Conference Wilson announced that productivity was on the increase.

In the midst of the economic crisis, both Prime Minister Wilson and Foreign Secretary Brown had to convince the Labour party at the Conference³³ that Britain would continue to pursue

³³Labour Party, Sixty-sixth Annual Conference, pp.318-329.

the Common Market objective. Secretary Brown argued that Britain's economic problem was a regional problem. According to Brown, "We do not believe that the balance of payments is, or need be, an insoluble problem. It is a problem, complications will arise for our balance of payments, if we try to stay as we are...."³⁴

Some of the pro-European Labour members pointed out that Europe has undergone a change since Hugh Gaitskell's assessment of economic advantages in 1962, and it would be beneficial to join the Community as soon as possible and any further delay in joining would have grave consequences in the long run.

Other Party members believed that besides the economic case the political case was overwhelming. Western Europe would be a stronger place without a division by ending the barriers between East and West. This way a stronger united Europe can overcome the problems of Central Europe in finding a solution to the German problem.

According to the pro-Marketeters there would be serious consequences by staying out. Britain's internal problems particularly economic stability would snowball. Unemployment would increase if Britain remained outside the Community. Finally, if other Western European and EFTA countries attempt membership, and if Britain follows an isolationist policy, then Britain would find itself economically isolated because other countries of Europe would decide it is more to their economic interest to be a member of the EEC than stay out.

³⁴Ibid. p. 282.

At the conclusion of the Scarborough Conference, the Labour party endorsed the Government's intention to negotiate with the Six provided that price guarantees and price reviews are met with an adequate transition period. "The Labour Party has always looked upon the question of Britain's entry into the Common Market as a matter of balance, to be judged in the light of the long-term interests of the British people."³⁵

Finally, devaluation which Wilson fought hard against was inevitable. The decision to devalue the pound was taken to the Cabinet on November 16, and two days later Prime Minister Wilson announced the devaluation of the pound. Although this was a personal blow to Wilson he assured the country that it would in no way affect Britain's determination to join the European Community.

THE SECOND VETO

On December 18 and 19, 1967, the Council of Ministers met to discuss the British application. On December 19, the British application along with those of Denmark, Ireland and Norway for membership into the EEC met with further setback. A statement was issued at its conclusion to the effect that five EEC members except France agreed with the recommendation of the Commission on opening negotiations. France insisted that no negotiations be started with Britain because France considered complete recovery of the British economy be essential before Britain could be admitted to the Community. The Five wanted negotiations to

³⁵The Times (London), November 14, 1967, p.1.

continue believing that Britain's recovery does not have to be completed before membership. "As a result the Chairman of the Communities' Council of Ministers had to inform the Governments concerned that no agreement could be reached on their applications and that these must therefore remain in abeyance."³⁶

The Labour Party was upset over the result. The Foreign Office in London declared on December 20, that Frances' refusal to accept Britain's application had delayed the progress of a united Europe. The fact that five Governments favor Britain's entry into the Community would not deter any further negotiations for membership and refused to withdraw the application. Prime Minister Wilson stated "it was the duty of any British Government inside or outside the Common Market to get the British economy into the strongest possible position."³⁷ The Government also made it known that she was not going to seek any alternatives such as a speculated Atlantic Free Trade Area.

On the other hand Foreign Secretary Brown was more critical of France's veto. "As regards to our relations with France, while we shall not indulge in any peevish or petty reactions to the present situation....We think the attitude taken by the French Government represents a false view of the future of our continent of Europe...."³⁸ The Foreign Secretary told the House of Commons that the British application for membership would remain

³⁶EFTA Reporter, January 8, 1968, p.1.

³⁷The Times (London), December 20, 1967, p.3.

³⁸EFTA Reporter, January 8, 1968, p.1.

on the table despite the rebuff and that the Labour Party intended to hold consultations with those Community Members who supported the British application with the view to enhance co-operation, particularly in the technological field.

CHAPTER IV

AFTER THE SECOND VETO

DEVELOPMENTS SINCE THE 1967 VETO

Since what was in effect, a second veto, the Labour party maintained the objective of full membership of the Community and showed its readiness to join with the Governments of the Six to promote European integration wherever possible. On the possibility of trading arrangement short of full membership (which would have needed the agreements of all six Governments) the Labour Government made it clear that it was prepared to examine any proposal from the Community as a whole, provided there was clear link with full membership.

George Brown then began a new series of discussions with the sympathetic Governments of the Six beginning on December 29, 1967. The purpose of these talks was twofold: first, to discuss the consequences of the French veto and secondly, to focus on various ways in which Britain and the Six could maintain the impetus to build a united Europe. The Foreign Secretary reaffirmed the Government's main objective in Europe -- to become a full member of the European Community -- and made it clear that Britain would not withdraw its application for membership.

During the Labour Party's Annual Conference held at Brighton,

September 29 through October 3, 1969,¹ dissension over the European issue continued within the Party. Opposition was expressed not only by leading Parliament leaders, but also by representatives of trade and agricultural organizations.

Jack Jones, representative of the Transport and General Workers' Union, proposed a solution that any further negotiations between the Government and EEC would require adequate safeguards for Britain's balance of payments, cost of living, and social benefits. This proposal was not a resolution either for or against Common Market membership; rather, it represented their stand that the Labour party should reaffirm their position on essential interests in economic planning. As a result the resolution was approved and carried.

Both Emanuel Shinwell and Douglas Jay,² leading anti-Market-eers, continued to voice their opposition toward the Market. Jay, Shinwell, and other anti-Market-eers argued that many other problems within Europe needed solution first. Among those they felt deserved primary consideration were the German unification problem, possible Italian governmental instability, and French economic and political disturbances. Although Jay and Shinwell favored yielding some British sovereignty to the United Nations and NATO, they did not favor sacrificing the Commonwealth and yielding British sovereignty to a federated Europe.

¹Great Britain Labour Party, Transport House, Report of the Sixty-eighth Annual Conference of the Labour Party, (September 29 - October 3, 1969), pp. 297-315.

²Ibid., pp. 297-339.

Many Party representatives did not share these anti-Market-
eer feelings about being cautious in becoming a member in the
Community. The pro-Europeans within the Party felt it was far
better to be inside the Common Market, where Britain could have
some influence, than to remain outside, where it could have none.
Furthermore, a united Europe would provide a common currency,
common tariffs, and pooling of resources which would help fill
the power vacuum of the world between the United States and the
Soviet Union as a third force.

Two strong anti-Marketeer organizations were the National
Union of Agricultural Workers and the National Union of Seamen.
The Agricultural Workers Union asserted: "...we are absolutely
convinced that unless satisfactory conditions are negotiated
which take into account our own obligations to home agriculture
and our agreements under EFTA and the Commonwealth, then quite
frankly, we ought to oppose any suggestions of going into the
Common Market."³

Like many other organizations and unions within the Party,
the Seamen's Union was concerned with their own interest. They
opposed membership because Britain would then be able to employ
cheaper European help at the expense of British seamen. The
Union preferred that the Government make certain priorities con-
cerning British shipping, seamen and cargo regulations.

At the conclusion of the Conference, although popularity
within the Party had diminished concerning the Community since

³Ibid., p.315.

the second veto, the Party gave their approval for further negotiations. In the Party resolution it was stated, "The Labour Party welcomes the Government's reassurance that a final decision to enter into the EEC will be taken only after the detailed results of these negotiations have been known to the British public and have been subjected to the ultimate will of the British Parliament."⁴

In December 1969, the Confederation of British Industry published a report concerning the implications of Britain's entry. The report pointed out rather ambiguously that even though the cost of entry could not be calculated, the damage resulting from non-entry would be even less predictable. The CBI declared: "...if the United Kingdom were to be excluded from even further co-ordinated economic policy on the continent, this would undoubtedly have grave consequences."⁵

The CBI assumed that the transitional period would begin by the end of 1972 for a period of five years. However, within the first few years the cost would outweigh the benefits. This would lead to the future of the British balance of payments which Britain has been gradually overcoming. The problems on tariff control would become more simple, and would reduce British tariffs from 10.2 percent to 7.6 percent.

The CBI saw some immediate results if Britain joined the Market within the next two or three years. First, it was

⁴Ibid., p.379.

⁵E. H. Fugax, "Britain Report on Entry Into the EEC," Common Market, VIII (February 1970), p.52.

speculated that the United States would increase investment in Britain upon joining the Community as it has done to the EEC. Between the period of 1957 to 1966, for example, the United States investment in the EEC increased 18 percent per year, while it only increased 12.5 percent per year in Britain. A second positive attribute of entry as a result of a larger market without tariff walls would create more exports, creating an extra one percent per year in Britain. A second positive attribute of entry as a result of a larger market without tariff walls would create more exports, creating an extra balance of payments surplus. This enlarged share of exports would result in a net improvement in the balance of trade, benefiting shipbuilding, airlines and investments for banks.

A White Paper report presented by Prime Minister Wilson in February 1970 outlined recent developments within the Community which required a new assessment of the economic consequences for British membership in the Community.⁶ First, the common agricultural policy was reviewed because of its rising cost. Since the devaluation of the French franc and revaluation of the German mark, temporary arrangements were made to meet the situation. These temporary arrangements resulted in a new financing of rules and mechanisms to ensure within the next seven years a fair sharing of the burdens among all the members.

⁶Great Britain, Parliament, Parliamentary Papers, (House of Commons and Command), Command 4289, February 1970, "Britain and the European Communities: An Economic Assessment." London: HMSO.

The second major development concerned the financing arrangements for the Community with its "own resources" (the proceeds of the Community's agricultural levies, tariffs and taxes) to finance expenditure on agricultural and non-agricultural items.

A third major development occurred from the 1969 Summit Meeting of the Six. They agreed on a "definitive" agreement on agriculture financing without a time limit and subject to change by unanimity only. Also the Six favored progress toward the development of common programs of technology and social policy.

Wilson regarded these changes as essential in order to provide an adequate solution to Britain's economic and agricultural problems.

PROBLEMS RELATING TO BRITISH MEMBERSHIP

After the second veto the Labour party sought a resolution of the following four problems before any further direct action could be taken toward Common Market membership: agriculture and the cost of living, the Commonwealth, economic and financial problems, and political implications.

The most complex problem concerned agriculture and the cost of living. In Britain food was imported freely and was comparatively cheap. Agricultural support took the form of deficiency payments by the Government to domestic producers. This was designed to supplement their earning from sales at low market prices and to bring them up to a guaranteed level.

The EEC's common agricultural program which came into operation on July 1, 1968, was based on a different system of subsidy

for the domestic producer. Trade in agricultural products between members was free from restrictions, but there is a common external tariff which keeps food prices relatively high. Uniform agricultural prices in the Community are maintained by levies or tariffs on imports by support buying, and by export subsidies. The fund from which the cost of support buying and export subsidies is met -- by the Agricultural Guidance and Guarantee Fund -- is financed from levies on imports and its members. These arrangements resulted in massive surpluses of some agricultural products and some revisions are likely.

Britain was committed to acceptance of Common Market policy on agriculture as on other matters, subject to negotiation of transitional arrangements and possible modifications to produce a generally equitable burden between members. Acceptance of the common agricultural policy would affect British agriculture, the cost of living, the balance of payments and trade with the Commonwealth. It would be difficult to make any accurate estimate of advantages and disadvantages to Britain. Michael Stewart, Foreign and Commonwealth Secretary, in a speech to the Labour Committee for Europe on October 1, 1969, noted: "There will, of course be some increase in food prices...we cannot predict what the future details of the common agricultural policy will be."⁷

People within the Community considered prices too high and many discussions took place in the Community about agricultural policy. Stewart stated: "No one knows for certain what the out-

⁷The Times (London), October 2, 1969, p.2.

come will be except that it is certainly not likely to be an outcome which would make our membership more difficult."⁸ The probable outcome would result in certain modifications and ratifications on present policies particularly on a transition period. These changes would not occur instantaneously, but more than likely throughout the 1970 decade.

The Commonwealth is the second problem concerning British membership. Speaking to the Commonwealth Parliamentary Association in London on October 14, 1969, George Thomson indicated that there were and would continue to be consultations with Commonwealth countries about British membership in the Common Market. George Thomson asserted that there would be changes in trade patterns upon British entry but Commonwealth interests would be safeguarded.

Mr. Thomson pointed out that British entry would be of benefit not only for the benefit of Britain, but to the developing countries of the Commonwealth, and to the world, by creating greater resources for overseas aid and a more outward-looking Europe.⁹

The third major consideration concerns Britain's economic and financial problem. In May 1967, when British lodged her second application for membership, EEC member countries and the Commission expressed concern about Britain's economic health and balance of payments. The situation changed. On September

⁸Ibid., p.2.

⁹The Times (London), October 15, 1969, p.1.

30, 1969, the Prime Minister told the Labour party at the Brighton Conference that:

When we announced our Common Market policy in 1967 we said that, in or out of Europe, Britain had to be strong. If we failed to build up our economic strength, then, in Europe, we should not be able to face competition...outside Europe, we should become a backwater. So we gave first priority to building up our economic strength...But, unlike the situation in 1961, we no longer face the challenge of Europe cap-in-hand. Europe needs us just as much -- and many would say more -- than we need Europe.¹⁰

Devaluation of the sterling caused some short-run effects, but some anti-Marketeers within the Labour party feared its long-run effects. Although devaluation cheapened the pound, it restored Britain's international competitiveness. During the past two decades the country's unit production cost rose faster than those of her competitors, due to a slow rate of growth coupled with a rapid rise in money wages and other costs. This resulted in reducing profit margins of exporting companies. Since devaluation, the profit margin began to be restored.

However, devaluation possibly would raise the cost of living by three percent and probably would induce wage claims. The short-run effect would be a restoration of Great Britain's competitiveness. Consequently, Britain would reduce its tariffs, and other bottlenecks -- domestic output, and foreign competitors would restore their price and profit levels. But if nothing was done to make the devaluation advantage stick, Britain would revert back to her pre-1967 days.

¹⁰Labour Party, Sixty-eighth Annual Conference, p. 203.

Long term effects would be directed toward a shift in resources. That is, more should be exported abroad to reduce payment deficits and less consumed internally. Domestic consumption would be curbed in order to raise saving and investments.

George Thomson elaborated upon Britain's renewed economic health in the House of Commons on October 30, 1969, as follows:

But the change of which I am most conscious...is...in Britain's economic position. In 1966 I was telling a skeptical Community how we hoped to win our balance-of-payments battle and reshape our economy to consolidate that victory when it happened, In 1969 I can go back to the mainland of Europe to show results.¹¹

The Community's Commission itself, in its report in October 1969,¹² on Britain's application found no serious difficulty for the Community's enlargement presented either by Britain's current economic and financial state or by dissimilarities between Britain and Community policies.

Finally, the fourth major problem concerns Britain's political consequences. The Foreign and Commonwealth Secretary discussed the political consequences of Britain joining the Common Market in a speech delivered to the Labour Committee for Europe on October 1, 1969:

The Government recognizes that with entry into the Community there goes the acceptance of the degree of political and economic cooperation which flows from the Treaty of Rome. Indeed, we want Britain to play her full part in the future stages of Community development. We fully support our friends in the Community who want to see more democratic control by a

¹¹The Times (London), October 31, 1969, p.3.

¹²"Opinion Submitted to the Council: Concerning the Members from the United Kingdom, Ireland, Denmark and Norway," Bulletin of the Economic Communities, X (October 1, 1969), pp.7-99.

European Parliament of activities covered by the Treaty. We do not believe that in this process Britain will be swamped and submerged. We have greater faith in the political genius of our people than that. We believe that if Britain has much to gain from membership, she has also very much to give, and not least in the political field.¹³

There were also political implications relating to British membership concerning the EFTA, and special relationship with the United States. Although both of these problems played a prominent role in determining Britain's future in Europe during the first two applications, they were played down considerably since the second veto.

The Labour party argued that there was no future remaining in the EFTA, but that there was more potentially in the Common Market, both economically and politically. Prime Minister Wilson believed as a member of the Common Market, Britain's home market would be several times larger than the present home market as a member of the EFTA. Over the past decade countries of the Common Market experienced a more rapid industrial growth.

Since the founding of the EFTA, the organization had grown to nine active members. However, four of these nations were applying for membership into the Community, and the future of the Association remained in doubt.

The argument concerning Anglo-American relationship was more complexed. Foreign Secretary Brown stated that Britain must continue American defense and economic assistance.

Not all Britons, including Labour party members, agreed with

¹³The Times (London), October 3, 1969, p.4.

this David Marguand, a Labour Member of Parliament, believed that Anglo-American relations is based on the assumption, that the ties between London and Washington were not only stronger, but of a different kind, from those between Washington and any other European capital. Moreover, if Britain was to become a loyal member of the Community, these ties would have to be abandoned.

Britain always feared if she exhibited strong feelings toward Europe, the United States would cease to give aid to Britain in maintaining an international role, particularly supporting her economic problems. This opinion had little validity. In fact, the United States favor Britain engaging in closer activities with her continental neighbors. In supporting Britain's bid to the EEC, Washington was convinced that Britain represented a bridge and not a barrier to fruitful new ties with Europe as a whole.

LABOUR PARTY POLICY AND THE EUROPEAN COMMUNITY

On February 25, 1970 at the conclusion of a two-day debate in the House of Commons on the White Paper reflecting the economies of British membership of the European Community, Prime Minister Wilson stated the Government's position. Britain intended to re-submit its application, and was ready to start negotiations immediately with the Six. Britain would be willing to enter fully into all the responsibilities of membership, providing terms were acceptable for membership and a suitable and carefully adjusted transition period was provided.

I repeat that we have made clear that we are prepared to pay whatever price may be necessary to secure entry in terms of the agricultural program and agricultural financing accruing to Britain economically and politically as a result of entry on those terms in our judgment outweigh the disadvantages and costs.¹⁴

Michael Stewart, Foreign and Commonwealth Secretary assured the House of Commons that British policy had remained unchanged since the rejection of the 1967 application for membership. However, other circumstances had changed for the better. This demonstrated that the Government had been right to reject the ideas such as a limited trade arrangement between Britain and the Six.

Michael Stewart supported the Prime Minister's desire to commence negotiations with the Six. He asserted that both Britain and the Six had a strong anxiety to begin negotiations, and the Six recognized Britain's problems. Secretary Stewart made it understood that a longer transition period would be necessary because of the sudden jump up to the present maximum prices of the Community.

Along with the economic implications there were also political factors that required a realistic approach. Secretary Stewart emphasized the importance of Britain and the Western European countries to unite and establish an agreement on their policies on world affairs. He stated that in the future, if Britain was again refused Community membership, it would result in a grave mistake as far as Western Europe was concerned. If

¹⁴"Britain and the European Community: Economic and Political Considerations," Policy Statements, British Information Service, New York: February 27, 1970, pp.1-2.

no reasonable terms could be obtained, Britain would again remain alone. Neither Britain nor Western Europe would benefit from this.

This would mean that Western Europe would proceed economically, legally, commercially and politically to make itself a more compact unit and this country would find itself in a world where there was the Soviet Union, the United States, China and the two hundred million of the EEC -- none of them greatly concerned about the part which this country with its 50 million or 60 million might play in the world.¹⁵

George Thomson, Chancellor of the Duchy of Lancaster, reaffirmed the Government's position about safeguards for Commonwealth interests (particularly New Zealand dairy products and Commonwealth sugar) and EFTA interests, still stood. He also stressed that the 1969 Community Commission's report recently published, emphasized the Community's new financial arrangement for agriculture were designed to correct inequities that had been developing and insured that the financial burden of contributions on individual members of the Community was allocated in a way which corresponded more closely with the GNP of each. This was particularly beneficial to Great Britain because it would impose a much more reasonable contribution on Great Britain.

Roy Jenkins, Chancellor of the Exchequer, presented his own economic assessment concerning Britain's membership to the EEC. Chancellor Jenkins referred to the fact that the Six had enjoyed a faster economic growth than Britain. His argument was not the main consideration for seeking membership so as to

¹⁵Ibid., p.3.

achieve faster economic growth. The crux of the matter lay in the fact that if Britain was to grow faster, her more technologically advanced industries must lead the way and play a dominant role in the economy.

The Chancellor pointed out it would be these industries that would benefit most from membership. For two reasons. First, due to their dependence of a large research and developing program, a large unified market would be advantageous to them. Secondly, it was the management leaders of these industries that endorsed Common Market membership because of the vast potential market that the Community offered.

Unfortunately Prime Minister Wilson did not have the opportunity to pursue further negotiations with the Six. Prime Minister Wilson seeing a recent surge in popularity in public opinion polls seized his chance and called for a snap election for June 18, 1970. A stunning upset occurred. Edward Heath, leader of the Conservative party became the new Prime Minister, and the Conservatives were able to win 330 of the 630 seats in the House of Commons.

Now the minority party in Parliament, the Labour party supported British entry into the Common Market, providing the terms were acceptable. At the 1970 Annual Labour Party Conference held in early October, the Party issued the following mandate:

This Conference reaffirms the decision taken at the October 1969 Labour Party Conference concerning Britain's application to join the EEC, providing adequate safeguards for Britain's sovereignty, balance of

payments, cost of living, and welfare state system are met.¹⁶

Despite the Party's defeat, its prolonged and intense conflict over the European issue the party did not split. There are several reasons why the Party did not split. The majority of Party Parliamentary members demonstrated their ability to tone down dissident members and rally around to support the Prime Minister on critical issues as a result of compromises. Secondly, during election campaigns the party temporarily unites toward a common purpose to oppose rival parties. Thirdly, due to Labour's determination on domestic and foreign policy, the Party's old ideological currents helped shape Labour's position.

The sense of party identification was reflected in party conferences where Labour policies aroused furious debate. Although controversy was concentrated among leading Labour trade and farm associations, debates were bitter over questions of party purpose; the Labour alliance retained its vitality. There was never any real prospect that any Labour association would leave the party over the political and economic implications concerning the EEC. If its leaders had made the attempt, their rank and file would not have followed them. Nor had this solidarity with the party been merely a matter of refraining from separation. Throughout the Labour Government, most Labour party associations maintained massive financial contributions to the Party, which received half its total income from them. Without a substantial access to this money would be suicidal

¹⁶Manchester-Guardian Weekly, October 10, 1970, p. 9.

for any section of the political wing of the party to break off.¹⁷

During the past six years of Labour Government, there remained holdovers of post-war socialism and Gaitskell anti-European supporters. It seemed apparent that the old meaning of Socialism had been disrupted from its strategy of political independence. Moreover the new and old concepts of socialism continued to be identified with the Party.

It was apparent that during the sixties particularly over debate of the EEC, each faction within the Labour party sought to commit Labour to its own ideological position. As a result Wilson had to yield to compromises over the Commonwealth, by securing protection for certain products; agriculture by offering compensating programs to the farmer; and financial problems by submitting to the devaluation of the pound. These appeals to certain interest groups constituted a very large compromise to programs which the party periodically managed to unite.

After Labour's election defeat in 1970, the Party again was faced with the task in securing party leadership, party self-discipline and coherence toward a united drive for political stability.

¹⁷Samuel Beer, British Politics In the Collectivist Age, pp. 131-168.

CHAPTER V

CONCLUSION

During the years 1964-1970, the British Labour Government attempted to solve the outstanding problems of the nation in an attempt to achieve Common Market membership. The Labour party during the late 1940s and throughout the 1950s did not see the apparent need for joining a supranational organization like the EEC because of Labour's ideological socialist philosophy. Moreover, due to Britain's diminishing role as an international actor, the Labour party became more concerned with the prospect of a united Europe, and the role Britain was to play on the continent in the future.

At the outset of this report, four problems were presented in order for Britain to be successfully admitted to the European Community -- agriculture, balance of payments issue, the Commonwealth and EFTA relations, and Britain's special relationship with the United States. The Labour party admitted the complexity of these issues, but considered them soluble. During the period when the Labour party was the Government of Britain, they made various modifications in domestic and foreign policy, and in restructuring their economy, in order to achieve their ultimate aim in being admitted to the European Community.

Certainly, entry into the EEC would have political effects and economic effects on agriculture and food cost, industry and trade, capital movements, including implications of Britain's relationship with the Commonwealth and the United States.

The Labour party argued that if given an adequate period of transition to the new market arrangements, Britain could adjust her agricultural policy. During this period, the British farmer would be able to adjust his production to the most profitable lines. The more she could adjust on these lines the greater the saving on the balance of payments. Given the proper safeguards this would mean that British farmers, particularly the cereals, meat producers, and dairy farmers, would stand to gain substantially. The Labour Government adopted a program compatible with the Community providing production grants to the farmers. This system of production grants was acceptable under EEC rules.

However, regardless of Britain's agricultural programs, British agricultural production could rise between three to ten percent by EEC entry. This would result in higher food prices (butter and meat) maybe as much as 15 to 22 percent. Other foods such as milk and eggs would probably not rise very much at all. This is because European prices for agricultural products are supported by import levies, and their prices are substantially higher than those necessary to ensure an adequate return to British farmers. Productivity on most continental European farms is low, the tendency has been for prices to be fixed in order that the farmer who unlike the British farmer

does not have his income supplemented by deficiency payments, can enjoy a reasonable standard of living. As a result the cost of living would increase four to five percent.

Britain's leading farm organization, the NFU, opposed EEC membership unless the vital interests of the farmers (particularly the small farmer) and an adequate transition period were guaranteed.

The pound sterling was no longer an obstacle and the balance of payments was being solved, though the solution was long overdue. At this point it was hard to determine the direct effect of the devaluation of the sterling, but providing that Britain took advantage of this situation, Britain would resort back to a stop-go cycle. Due to the devaluation of the pound, Britain had shown a rapid increase in her annual growth rate in both imports and exports.

The balance of payments problem had shown favorable signs of improvement due to the devaluation of the pound. If Britain accepted the common agricultural policy as it stood, the net cost would be \$420 to \$650 million annually, because of the effects of the devaluation of the sterling and partly because of the greatly increased cost of the European Agricultural Fund. Moreover the real danger was that if the short-run balance of payments cost were too heavy, the British Government would be compelled to take such severe deflationary measures on the economy that any chance of benefiting in the long run from being part of the market would be greatly jeopardized.

The CBI noted that entry into the Community should have

provided an opportunity to improve the rate of growth of the British economy by one percent. This would have meant, at the current level of national income, an addition to Britain's yearly GNP of one billion dollars. It should be emphasized that so long as the short-term costs on the balance of payments were not excessive, it should have made possible an increase in living standards, despite the increase in the cost of living which would result from entry into the EEC.

In sum, membership would involve a substantial balance of payments cost which would likely be met out of the national resources or GNP of the Community, which would be growing out of the transitional period. However, the critical question is whether Britain's GNP would have grown faster if she were a member of a larger market and whether the extra growth would have provided more than sufficient resources to meet the costs.

British industries considered that as a member of a larger market such as the EEC, creating a single trading and industrial area, it would be advantageous to British technology. A report issued by the CBI on December 17, 1969 made the following statement:

The Committee considers it essential that the policies of the enlarged Community should be progressive and outward-looking and that any restrictive arrangements (such as some features of the common agricultural policy) should be progressively eliminated. The traditions and interests of Europe and especially of Britain in world trade make this a vital consideration.¹

The CBI emphasized that membership should not create an

¹EFTA Reporter, January 9, 1970, p.3.

undue strain on the economics and living standards of the applicant countries. The transitional period of adjustment to achieve these arrangements should be in the best interests of all.

The Labour party felt, if Britain should become a member of the European Community, the importance of harmonization of key industries based on advanced technologies was essential. They considered that such industries could no longer assemble purely on a national basis, because the resources, financial or human, required that they operate profitably a strong and enlarged Community with uniform legal rules and regulations. Leading industrial managers in Britain considered if Western European industry was to compete effectively in world markets, industrial restructuring from the European level, rather than the national level, was essential. Labour pro-marketeers felt that British industry was in a strong position to make substantial contributions to the wider arrangements on the supra-national level.

Anti-marketeers within the Labour party feared Commonwealth trade would be aborted upon EEC entry. Under the system of Commonwealth preferences, British exporters enjoyed preferences in certain parts of the Commonwealth. Except in so far as Commonwealth countries became associated with the Community, these preferences would more than likely be curtailed, since Britain would no longer offer reciprocal advantages. In addition, the margin of preference that Britain enjoys with her EFTA partners would also end. However, there was no reason for supposing

that British trade with other countries should decrease any more than the trade of individual EEC members with non-members. If the expectations regarding the more rapid increase in Britain national income by being a member of the Community were fulfilled there would be an expansion of trade with the rest of the world.

Trade between Britain and the Commonwealth had been declining for the past twenty years or more. In 1958 exports to the Commonwealth amounted to 38 percent while decreasing to 23 percent in 1968. Some of the Commonwealth countries fearing Britain's acceptance to the EEC and consequently resulting in the loss of preferences were seeking newer markets. Another reason for this decline in trade between Britain and the Commonwealth was due to the fact that some of the countries were increasing their manufactured goods.

However, it remains the case that certain Commonwealth countries were heavily dependent on the British market for the export of their "vital" products. This was true for New Zealand, a large proportion of whose dairy products and lamb came to Britain and certain countries of the Commonwealth and whose preferential access to the British market for their exports of sugar was regulated under the Commonwealth Sugar Agreement. The economics of these countries would be hard hit if Britain joined the EEC without the negotiation of suitable arrangements to take account of these interests. The Labour party maintained that Britain would seek safeguards for Commonwealth interests.

Even though British trade with her EFTA partners increased

substantially since 1960, there remained a considerable difference between the EFTA market of 90 million people and the 300 million-size market which would result from the enlargement of the EEC. A greater proportion of Britain's main industrial competitors were in the EEC than were in the EFTA. Moreover, EFTA was created as a means of overcoming the economic division in Europe and not as a way of consolidating that division. Three other members of EFTA, Norway, Ireland and Denmark, also considered Common Market membership. Also EFTA had made it known that its ultimate aim was to participate in a single unified integrated European market of 300 million people. In other words the future task of EFTA was to recreate the economic unity of OEEC.

The EFTA was conceived as a temporary organization to facilitate the early establishment of a multilateral association for the removal of trade barriers, the elimination of protective duties and quantitative restriction on industrial goods. Under these factors, the British Labour party considered that the future would lie in a more cohesive unified Europe, rather than two competing trade organizations.

However, former French President Charles de Gaulle opposed Britain's special relationships with the United States because he felt Great Britain must become more European orientated before being admitted to the EEC. De Gaulle feared an Atlantic Community colossus under American dependence and leadership.

Prior to 1960 British foreign policy with Europe was

cautious, uncertain and unadventurous. In recent years the British Labour party altered her foreign policy by leaning more toward Europe than the United States. Many Labourites expressed resentment over increased American penetration of the British economy. (In the last decade American ownership or control of firms operating in Britain expanded nearly fourfold). However, the most apparent erosion of British-American relations in recent years was American involvement in Vietnam. The British Labour party argued that America's interest lay in Southeast Asia, rather than in Europe. Moreover, the Labour party realized Britain would be stronger economically, and have influence in world affairs as a member of the European Community.

However, the question remained unanswered: if Britain did join the Community, would she retain those specialties of common trust and common values which Britain and the United States shared for so long?

It would be a mistake to assume that Common Market membership in itself would solve Britain's economic problems or that American responsibility would cease at that point. The United States would probably continue to assist Britain indirectly and imaginatively. This could be done through international tariff reductions or by developing bilateral arrangements. Politically the United States recognized that although Britain was no longer a leading world power, it had much to contribute to the solution of the world's problems.

The Labour party was concerned over political implications if she joined the Community, particularly the possibility of

surrendering her sovereignty. As a member of the Community under the Treaty of Rome, Britain would have to transfer some of her authority to the Community. There would be no constitutional change in Britain, the Parliamentary system would be maintained along with domestic and criminal laws. Britain would also be able to pursue her own foreign policy. The pooling of sovereignty under the Treaty of Rome was limited to economic policy, and even within the Treaty there was a number of respects in which the prerogatives of the member states were retained intact. The Common Market's sphere of activity and competence could only be enlarged when there was unanimous agreement among its Members.

The EEC could be seen as an attempt to create an organization in which collectively the members could further their own interests and determine their own futures more effectively than they could do.

There was also the question concerning the political implications that would effect the Commonwealth. Membership in the Common Market and belonging to the Commonwealth were not mutually exclusive because the two organizations had entirely different purposes and justifications. Whereas the Common Market was trying to create a single economic area and to forge a measure of unity in economic policies, the Commonwealth was a much looser organization not primarily concerned with economic policies. Entering the EEC was not meant for any of the existing members to abandon their interests in other parts of the world; France in particular, was still closely connected with

her former colonies in Africa. The same would have probably held true for Britain as a member of the EEC. Britain's entry into the Community would contribute to its collective strength. Britain's relationship with the Commonwealth would be maintained rather than decreased, and this relationship would be an asset to the Community, which could live in isolation from the rest of the world.

Common Market entry intensified the structural complexities of the Labour party. The chief difficulty arose from the deep concern of many in the Party with ideological questions -- and the differences in ideological principles and interpretations found within the party's scarcely united ranks. Labour's intra-party debate over the Common Market issue involved the reassertion of deep cleavages within the party about its ends and means. For instance, in the intra-party dispute about the EEC, the pro-Europeans concentrated attention upon plans to alter traditional Labour policy, and the anti-marketeers attempted to make the best of what was left of the Commonwealth. Only by achieving and maintaining control of government could these debates be contained, because in opposition the existence of three separate policy bodies, P.L.P., N.E.C., and the Party Conference -- provided ample opportunity for opposing groups to demonstrate their divisions in practice. In the case of the Labour party, these cleavages remained true while being the Government. Wilson by integrating his Cabinet with pro-Marketeers, asserted that all members must refrain from public quarrel, did the Party appear united.

The Labour party came to realize that her post-war socialist policy and traditional relationships were not pragmatic in the light of present changing circumstances of Europe. Pro-Marketeers within the party realized that a separate socialist entity encircled by a more secure and powerful economic and political union would adventually die in obscurity.

In conclusion, the British Labour Party demonstrated their inability to achieve membership into the European Economic Community due to the Party's lack of a cohesive program. The Labour party remained severely split on the issue. Labour once again was the major opposition party in Britain which gave them the opportunity to rectify the flagrant intra-party fractionalism and to coalesce toward a unified program of purpose. However, due to Labour's fractionalism and diminishing interest toward the Community since the 1967-Veto, the Party remained split on the "European Idea."

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THE BRITISH LABOUR PARTY: THEIR ATTEMPT
FOR COMMON MARKET MEMBERSHIP
(1962-1970)

by

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AN ABSTRACT OF A MASTER'S THESIS

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The purpose of this thesis was to demonstrate that although the problems for Common Market membership were complex, the British Labour Party argued that the problems were limited and soluble. The Labour party felt there were four major problems to be solved before the Party would submit to Community policy -- agricultural subsidies, balance-of-payments situation, and her relations with the Commonwealth and the United States.

After Labour's experiment with state socialism and European unification as the postwar Government of Britain as the Opposition party and in the years after returning to Government in the early sixties, the Labour party decided to proceed in achieving closer relations with the European Economic Community.

This thesis presents various Labour party viewpoints and arguments concerning their attempt to achieve Common Market status. Labour was severely split on the issue. The pro-Marketeers within the Party were enthusiastic for entry as a solution to the nation's perennial problems. On the other hand organizations such as the National Farmers Union, Railway and Transport Unions were pessimistic and favored a cautious investigation of the situation.

Discussion and debate within the Party brought out deep cleavages within the Party concerning the advantages and disadvantages in relation to Labour's welfare and traditional policies. Although the acerbity on the issue was severe, Prime Minister Wilson with support of his pro-European Cabinet along with support of some trade unions, managed to temporarily unify the Party and announced to the House of Commons, on May 2, 1967, that the Labour party was going to apply for Common Market Membership under Article 237 of the Treaty of Rome.

After Prime Minister Wilson submitted the application to the Council of Ministers in Brussels, Great Britain's internal economic situation was not in a propitious position -- strikes broke-out, Britain's balance-of-payments

deficit grew and the value of the sterling pound was devalued, in November 1967, Shortly afterwards in December 1967, the Six, reluctantly, under pressure from France announced that Britain's application would be held in abeyance until Britain's economic situation improved.

The 1967 Veto was a tremendous setback to the British Labour Party. The Party made it known that it would continue to seek membership into the Community, regardless of President de Gaulle's intransigent position. Wilson asserted that the Labour party would rectify Britain's economic situation and was prepared to examine any proposal from the Community as a whole, provided there was a clear link with full membership.

Unfortunately the Labour party was unable to proceed with their goal due to a surprising election upset by the Conservative party in June of 1970.

The Labour party again is the major opposition party in Parliament and assessed the task of unifying the Party. Labour's tragedy is that it is not a single party but a gaggle of conflicting factions attempting to act unsuccessfully as a unified party with a common movement.

In conclusion, the pro-Labour Marketeers presented a formidable solution for Britain's problems for EEC membership. However trade unionists and anti-Marketeers equally presented stringent arguments against entry. Consequently the Labour party demonstrated their inability to act as a unified party with a cohesive party program on the European Community and the party remained split on the European question.