

David Owen

## Britain & Europe

*At 6's & 7's, Between Nine & Twelve*

BRITAIN is completing the sixth year of her membership of the European Community. The transitional phase of membership laid down in the Treaty of Accession came to an end on 31 December 1977, and our tenure of the Presidency of the Council of Ministers in the first half of that year meshed us into the working machinery of the Community in a valuable and enduring manner. The years since Accession have steadily strengthened the ties of interdependence between the British economy and the rest of Europe. (In 1970 25% of our total trade turnover came from the other eight Member States, while in 1977 the figure was 38%.) Membership of the Community is now a fact of life for all sections of British society—industrialists, trade unionists, businessmen, financiers, farmers—and they are learning that it offers new opportunities and a new arena for action. The British stake is *firmly* set in the Community. The British Government's view of the Community is not the perspective of an outsider looking in, but a view from inside the Community looking forward.

For us now the Community is a basic and permanent factor of both domestic and foreign policy. But that does not mean that we regard the Community as a static organisation. The Community is developing and must develop further; it is our right and our duty to put forward views of our own on the course of its development and to offer them as a contribution to a debate that must concern every thinking citizen in Europe.

The British reluctance to adopt a specific concept of what we expect the Community to be is sometimes criticised or misunderstood. It is at root a question of national character. We find it difficult

to commit ourselves to a formula, however impressive it may sound at first hearing and however comforting it may be to repeat. We want to be certain we understand its practical working and its implications. Grand designs do not appeal; we judge concepts from the well of our own experience. This does not prevent us from taking part fully in open discussions of ways of achieving greater European unity. We recognise the value of some sort of structure dividing responsibilities and functions between Member States and central organs. The British Government does not see the Community developing as a federation. I, and others, have used the word "confederation" and this is clearly nearer to being the appropriate label. But even this label has the danger of encouraging preconceptions, and giving the impression that we know and can predict the future. The European Community is an unprecedented venture by a unique grouping of nations; it is likely to evolve in ways entirely without precedent and forge a unique pattern. Its development will be the product of a whole series of pressures, successes, failures and above all conscious decisions on the part of Member States.

NO AMOUNT OF sincere commitment or evocation of the general principle of European union or the use of *communautaire* language can, or should, gloss over our failures to deal with the current areas that really matter. Success in these areas will do more for the real strengthening of the Community than any number of abstract inspirations. Human affairs are, of course, influenced by the manner as well as the substance of discussion—but the greatest influence comes from deeds. Honest open debate will do far more to stimulate the Community's healthy development and involve the peoples of our countries than will indifference masked by apparent consensus. There is no

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country where the real issues that will determine the future of the Community are more keenly debated now than in the United Kingdom, and I welcome this since I see it as a strength and not a weakness.

To achieve coherent—if not always “unitary”—development we need criteria for deciding which areas of Community policy to develop further, what new functions to give to the Community, and what mechanisms to use in carrying them out.

**T**HE MOST SIMPLE and self-evident working principle is that the Community should operate where it has something particular to offer. In each area, we must choose between the instruments available to local, national and Community authorities and find the right level of decision-taking. This cannot be determined in an all-purpose or simplistic fashion. It is not a valid answer to argue that the Community should necessarily take over every problem that appears beyond the capacity of national governments to solve. A realistic view will recognise that some problems are simply intractable in present circumstances and with present means at any level of decision-making. Nor should we hurry to give the Community a function simply because it demonstrably *can* carry it out; the question is whether it *should* be doing it. If it is wrong to cede the Community powers automatically, it is equally wrong to refuse them automatically. We should be suspicious of the centripetal tendencies of all bureaucracies and the Commission needs to be challenged by the Member States when it appears to be taking decisions for no good reason, or putting too high a priority on “harmonisation” and not enough on the values of variety, difference, and regional and national choice. Nor should a given Community policy be opposed purely because it will be difficult, or will impose extra financial costs. The balance of advantage has to be worked out on a wider view, with political as well as financial elements, and it is often the hardest decisions that bring in the end the greatest rewards.

The British approach is, therefore, to look for cases where the Community can add up to something more than the sum of its parts—for example by pooling its political and economic authority in dealing with the world outside; where it can identify common standards and interests and accord them its authority; where it can contribute, through pooling resources and knowledge, to solving internal problems which Member States could not face so well in isolation, and thus help to even out in-

equalities to the general benefit; and finally, where it can offer a forum for consultation and discussion on matters which cannot yet—or perhaps ever—be forced into the rigid framework of a common policy.

The force and standing of the European Community are determined by how well it proves itself in areas like these. In practical, not abstract, terms the Community has in many fields already proved itself. It has become a weighty figure on the world stage and developed a distinctive personality of its own. The word “personality” is particularly appropriate, since it reflects the evolutionary or organic view of Community development which we in Britain find most natural and satisfying. Human personality is determined by both success and failure: a strong personality can put its failures to good account and build on the experience gained.

In every field of Community business, we can find apparent failures that hide a growing strength. I refuse to be despondent. I am not enamoured of the mood of defeatism that the Brussels Eurocrats so often engender. They dream of how people ought to behave and forget all too often the real world of how people actually behave. The Community’s failure to agree on decisive steps towards economic union has been strongly criticised by some. But the issue is not only massively complex. Men of good-will differ not only on the analysis but also on the methods for achieving greater economic unity. The Community has learned to use its collective economic strength to good purpose in a world of international negotiation far more complex than the founding fathers could have imagined. It has set the pattern of a steadfast, constructive,

### “Pro-Market”

Westminster

**T**HE Prime Minister strongly defended Britain’s membership of the Common Market—particularly the political advantages—in sharp contrast to his major criticism at the Lord Mayor’s banquet when he attacked the funding and agricultural systems in the Community.

What was needed was “a broad balance between all the interests of the members of the Community” if its long-term objectives were to be fulfilled, not the imbalance that existed today. Mr Callaghan told MPs at Prime Minister’s question time. “We should not talk about leaving . . . at this stage”, he added.

When the anti-Market Labour MP, Mr Dennis Skinner, muttered that there were only six pro-Market Labour MPs left, Mr Callaghan retorted: “If there are only six left, I am one of them.”

THE GUARDIAN

and responsible approach to the multiform problems of the world economic order, whether it be relations with the United States, Japan, and the COMECON countries, the North/South dialogue, or individual developments like the Multi-Fibre Agreement. It has recently made a major contribution to getting the steel industry through the recession by cutting down on dumped imports and preventing cut-throat competition from driving down prices to a ruinous level. Internally, it has shown a solidarity that helped it maintain its unity in the face of (to date) its worst economic challenge with the traumatic 1973 oil price rise. It has taken the first

faltering steps down the road of combating the economic divergence between Member States which remains the most serious obstacle to any form of economic or monetary union.<sup>1</sup>

The achievement of a European monetary system has been the dominant Community issue in 1978. For the five Member States who are already members of the Snake system, it poses no problems. But for France, Italy, Ireland, and ourselves there are important technical and economic issues to be resolved. Monetary stability is something we want and will work for both within the Community and in a world context. A refreshing aspect of the discussions in Britain has been that the criticisms as the negotiations proceeded were not coming solely from those who have always been anti-EEC, and advocacy of the system was on economic grounds and not confined to standard European sentiments. If the system is durable and effective Britain will participate fully. But our attitude will in any case be

<sup>1</sup> The introduction of the Regional Development Fund, the new borrowing instrument, and expanded lending by the European Investment Bank are positive steps but we are still a long way from producing converging economies; and the decision in principle to enlarge from Nine to Twelve will delay and could well hinder this development.

## Catching the European Money Train



**T**HE BRITISH are belatedly realizing that the debate on the European Monetary System (EMS), besides being hellishly complicated technically, is also one of the major

political landmarks in the history of the European Community. If we muffed this one, as we muffed the inception of the Coal and Steel Community in the early 1950s and the European Economic Community in the late 1950s, we could find ourselves once more standing on the platform while the European train moves off.

THE BRITISH allowed themselves to be isolated in the negotiations, and once again the fatal indecision of the British as to their European objectives resurfaced, dismaying their colleagues and discrediting their negotiators.

If it is clear to all that the United Kingdom is a loyal member of the European Community, and intends to remain so, her views on future policies will be listened to with respect due to her history and experience, and her special needs will be treated as sympathetically as those of, say, France.

BUT IF the issue of membership is raised again, if doubts are cast on whether Britain really wants to be in the Community, if the possibility of a future "renegotiation" seems to arise, then even good British arguments will be spurned, and Britain's negotiators will find themselves in a permanent minority of one.

*This is the danger which has now arisen on the*

*EMS, encouraged by the upsurge of mindless anti-Europeanism on the Left.*

THE VIEW seems to be emerging in Whitehall that the United Kingdom can join the EMS or keep inflation within single figures during 1979, but not both; and that the fight against inflation must take priority. But this is a false antithesis, and by making it we risk losing both battles. For if the EMS goes ahead without us, the blow to sterling's credibility could be severe; and a major movement of foreign funds out of London into EMS capitals (Dublin, for example?) could itself precipitate the sterling devaluation seen by many as a pre-condition for joining.

OUR REFUSAL sets up a chain-reaction which exposes the weakness of sterling; the defences against inflation crumble; and we find ourselves obliged to enter the EMS at a later stage on the very terms we had earlier rejected.

*Improbable? Isn't this exactly what happened with the Coal-Steel Community and the Economic Community?*

WITH OR WITHOUT Britain, the EMS in some form is going to go ahead. It would be much better for us and for Europe if Britain were in it. We cannot go in under any conditions, but our objective should be, unequivocally, to ensure that the conditions are such that we can go in.

By bad handling of the negotiations so far, we have been pushed into a corner; and there is not much time left. If we are to get a hearing, we must make our intentions and our good faith clear to all our partners.

**Michael Shanks**  
in THE TIMES (London)

constructive and certainly not one of principled opposition.

If the Community has not achieved anything like a political union, it has abundantly proved its political personality in the magnetic attraction it has exerted—as an association of democratic states—on the new democracies of Southern Europe. It has spoken with one voice on the vital topics of world politics, thanks to the vigorous development of political cooperation in parallel with the institutions set up under the Treaties. The Treaty institutions themselves have matured, developed and shown inventiveness in many ways, including some not foreseen by the founding fathers. Perhaps the most important example is the thrice-yearly meetings of the European Council, giving the overall impetus and political direction to Community life that inevitably stems from involving the Heads of Government directly in Community affairs.

Some people believe that direct elections to the Assembly to be held throughout the Community in June next year will greatly strengthen the democratic voice in the Community and that it will be far better placed to scrutinise the activities of the Commission—and to influence the Council of Ministers. History will show.

My own view is that the impact of direct elections has been greatly exaggerated—they will have a growing influence, but this will take longer than most anticipate to develop and there are real dangers in overselling this modest but probably inevitable development. Great care will be needed to avoid isolating the Assembly and its members from the national Parliaments, national MPs and parties. If it is to become a real *Parliament* it must be able to reflect the clash of national interests as well as the aspirations of a developing European identity. And it is essential that the Assembly work *with* the Council to improve the Community rather than setting itself up as a rival.

ON EXISTING POLICIES, it is well known that Britain finds a good deal to criticise. It is important to appreciate that this does not mean we are attacking common policies as such, still less the proposition that these matters should continue to be decided at Community level. What we are trying to do is, indeed, to *renew* and improve existing policies so that they can continue to form a “hard core” of Community activity into the foreseeable future. To do this they must fairly represent the balance of interest both among Member States in the Com-

munity of Nine and among the different groupings in the population of each Member State.

A FACT which must be borne in mind, and it is too often ignored, is that Britain—with a GDP per capita lower than that of all other Community members except Italy and Ireland—already makes (even before the termination of the special budgetary transitional arrangements in 1980) a larger financial contribution to the Community than any other Member State except Germany. In 1976, leaving monetary compensatory amounts (MCAs) aside, we were the second largest net contributor to the Community budget. Even counting MCAs—which is not strictly justified, since they are not a subsidy to our budget balance—we were still the third largest net contributor. The disproportion between British contributions and receipts has grown wider since 1976 and will continue to do so until 1980, when our net contribution is likely to go up to over £800 million.

As a major contributor we are bound to be amongst the critics of foolish schemes, extravagant subsidies, and nit-picking interference in the name of out-dated *laissez-faire* attitudes.

We approach the reform of existing policies in a constructive, not a carping spirit. The main examples are the Common Agricultural Policy and the Common Fisheries Policy. The reasons for our special perspective on the *CAP* are rooted deep in our social and economic structure. With only 2.7% of our working population engaged in agriculture in 1975—France in the same year had 11.3%—and with our massive dependence on imported food supplies, we necessarily take a different view from those countries which gave priority to stabilising agricultural incomes and easing the social transformation involved in the slow flight from the land. For us “consumer interests” have the historical importance which “producer interests” have elsewhere. What we are seeking is a policy that will justly reconcile the interests of both; the key to this is reforming the features of the *CAP* which produce uneconomic, unwanted, and costly surpluses. This would self-evidently benefit Britain, or at least remedy the negative effects on us of present policies. But it would also provide a sounder and more cost-effective basis for agricultural policy in the Community as a whole and allow the Community to develop a more effective policy for Mediterranean agricultural problems.

What we cannot do is to continue to see a rise in

the percentage of the Community Budget devoted to agriculture. It is now about 75%. When Britain was negotiating entry the Commission forecast a drop to between 40–60% by 1978. The industrial

Community Budget is still far too small and Finance Ministers have insufficient control on the annual farm price fixing process. At last we are reducing its average percentage increase but the price fixing is little more than a crude national haggle amongst Agricultural Ministers and has no long-term economic and social strategy against which to work, no budgetary ceilings in which to operate. West German farmers have done very well out of the CAP and the Bonn Federal Government has allowed this to distort their advocacy of changes to the CAP which would be in the interests of the whole Community and the majority of their own people.

The Common Fisheries Policy, we believe, must take account of the fact that about 60% of all the fishery resources in the European Community are within the new international 200-mile zone over which Britain exercises jurisdiction. This is not just a matter of reforming the existing policy, designed to operate before the 200-mile extension, but of building upon it to create for the first time a truly Community approach to the management of fisheries resources. The Community is here facing a historic opportunity to come to terms with reality and recognise that the policy cobbled up by the Six in 1970 not only lost Norway as a member because of the impact on their referendum: but is resented in Britain as being insensitive to a legitimate national interest. In view of the exclusion of Britain from its traditional fishing areas such as Iceland, following the introduction of the 200-mile limit, it is inconceivable that the 1970 policy can continue unamended into the 1980s. I believe an understanding of the need for the Community's fisheries policy to be accepted as fair by the one Member State contributing the majority of the resources is a fact of life that will have to be appreciated.

THE GREATEST CHALLENGE facing the Community is arresting present trends of divergence between the economies of Member States, developing a joint approach to the pressing problems of growth, inflation, and unemployment and working positively to even out inequalities existing between Member States. Habits of economic coordination and consultation are developing which should help us to understand how each other's economies work and how best to keep them in line once we have got them working together. It is important to ensure that policies in this area are consistent, giving due weight to social as well as economic factors; and in the present

## “Break-up in 5 years?”

Bonn

CHANCELLOR SCHMIDT of West Germany believes that the Common Market will “destroy itself” within five years if it cannot stabilise its currencies. Hence his determination to press ahead with the European Monetary System (EMS) plan whether Britain joins it or not.

The Germans seem largely reconciled to the prospect that Britain will stay outside this stable-currency club, due to come into effect on Jan 1. But in Bonn's view the British themselves would be the main losers if they refused to join. As one authoritative German source put it: “If you British stay out you will have a lower standard of living than the Italians within three years.” With more sadness than anger the source added that Britain had “made all the mistakes” in her dealings with Continental Europe over the years.

HERR SCHMIDT HIMSELF was rather more tactful in his speech at a Foreign Press Association dinner in Bonn on Monday. But even he betrayed his impatience with British hesitations when he said that there had been no fewer than four phases of negotiation on terms for British entry to the EEC since the 1950s.

There now seems to be a growing feeling in Germany that Britain is a churlish and unreliable European partner. Countless Germans, including the Bundesbank in Frankfurt, would feel more reluctant to subsidise British entry into the EMS than to transfer resources to a more European-minded weaker country such as Italy or Ireland.

In his on-the-record remarks Herr Schmidt conceded that he had changed his mind last year on the feasibility of a currency “snake” at a time of divergent inflation and growth rates. But the decisive factor was not inflation but balances of payments.

Describing the thinking behind the EMS, jointly promoted by West Germany and France, Herr Schmidt recalled that when the Rome Treaty setting up the Common Market was signed in 1957 “we assumed fixed exchange rates.” But since then each member country had pursued different economic, fiscal and monetary policies. For more than five years European currencies had been separated. It was as if each of the 11 German Federal States has its own money, constantly shifting in value against the others.

BECAUSE OF these divisions and uncertainties, trade had expanded more slowly within the Community than outside. If this went on unchecked it would break apart within five years.

David Shears

in the DAILY TELEGRAPH

uncertain economic climate very high priority must be given to measures to achieve non-inflationary growth and thus alleviate unemployment. We have accepted that we cannot cling to the already overturned raft of *laissez-faire*—we are beginning to talk the new language of orderly marketing arrangements and of intervention, and we must not become Old Testament theologians whose ability to respond to new situations is restricted to interpreting the very letter of the Rome Treaty. Free trade is not absolute in the Community, or, I may say, elsewhere.

I am the first to advocate selective measures to restrain and support some of our more fragile industries when they are needed. Market disruption is a fact of industrial life. Protectionism is not some future threat but is a current reality; distortions to free trade are rampant, discriminatory administrative arrangements, subsidies, monopolies, artificially manipulated exchange rates, disguised tariffs are all present. The unemployed in our own community will not allow us to see their interests sacrificed by super-competition which they have no hope of meeting. We must face international marketing realities not as individual Member States but as a Community. Of course we want to continue to enjoy the benefits of growing trade—we also want progress on world economic growth rates, currency stability and inflation. We cannot consider these issues in isolation.

ONE FIELD in which Britain has worked hard for progress in the past, and hopes to play an equally constructive rôle in the future, is that of the Community's own financial system. However unglamorous, this is a key sector of Community business since the common Budget is after all the vehicle for all common policies. Britain took the initiative over improving financial control in the Community, and pressed for the speedy establishment of the new European Court of Auditors which finally started work in October last year. The VAT Sixth Directive, creating the harmonised base necessary for completing the own-resources system, was adopted under our Presidency and the UK and Belgium were the only two Member States to put it into force by the end of 1977. A great deal of groundwork for the transition to full own-resources, introduction of the European Unit of Account, and updating of Budget procedures through a new Financial Regulation was done under the British Presidency during the first half of 1977.

Another area where we are still very much at the

embryo stage of a common policy is energy. Energy resources are just as vital for the Communities in the present decade as iron, steel, and agricultural produce were in the 1950s. That is not a reason to construct an energy policy on the same lines as the Common Agricultural Policy. Heaven forbid! But it is an incentive to devise a policy that takes full account of both relative needs and the size of relative contributions. A Community preference for coal, for instance is at least as valid and viable an idea as a Community preference for milk or beef; and it would have the merit that all the supplies in question would find ready consumers.

THE COMMUNITY'S working machinery, without which the best devised policies would be impotent, is an area of great sensitivity to us, and we are not alone in this sensitivity. It is shared in particular by France and Denmark, but I suspect is present in great measure in all Member States. The British objective is to maintain and develop Community institutions which are fitted for their tasks and can perform them efficiently, with a logical division of responsibility, but also in a way that is clear, open, and responsive to democratic influence.

Democratic control is not an obstacle to the growth of Community policies, but a vital contribution to its growth. Even the best policies will not work if they are misunderstood and resented by those they are meant to benefit, or applied from above without any sensitivity as to their impact. If ordinary people in Britain and elsewhere are to support and cooperate in Community policies it is essential that they should understand and sympathise with them. Without such understanding the noble dream of "a citizen's Europe" will be marked only by the empty rhetoric of the despairing speech-writer.

Some argue, desperate for a quick cosy solution, that we can make a short-cut to efficiency by rigidly applying and further extending the provisions in the Treaties for majority voting in the Community. It is not a view that Britain supports. Council meetings already operate an informal effective majority voting system. While seeking to solve problems by consensus, those who find themselves in the clear minority constantly defer to the majority unless very important questions are involved. Automatic majority voting will destroy the pursuit of consensus; it will reduce the need for argument and reduce the give and take in the

Councils. The right of any Member State which sees important national interests at stake to ask for discussion to be continued until a consensus has been reached, which is effectively the "Luxembourg Compromise principle", is in our view a vital part of a living and democratic Community. Even Luxembourg finds a decision over the siting of the Parliament to be a vital interest, and understandably so. Abuse of this system by invoking it on minor matters can usually be dealt with by other indirect sanctions and linkage which Ministers understand and operate.

It is the bureaucrats who love majority voting because it is tidy—it means decisions are taken on time. It is all right for the Commission to advocate it, appointed by and answerable to no electorate as they are. Its advocacy by politicians usually stems from their own conception of the Community which is essentially that of the federalist. They are entitled to their views and should be treated with respect, but it is at least at this stage in the Community's development a blind alley along which we would be unwise to venture.

Voting aside, there is no shortage of means to speed up Council procedures if we have the imagination and political resolve to look for them. During the time of the British Presidency last year several steps were taken to improve efficiency, with the Committee of Permanent Representatives playing a key role in preparing the ground for resolution of minor problems and thus letting Ministers concentrate at their meetings on the larger issues; although to use the Council Secretariat for finding a synthesis between the views of Member States is also something worth developing further. We do

not want a permanent Council bureaucracy which will only vegetate and atrophy. It would help if Member States which have the necessary resources could second good people for four-year spells to strengthen the existing team.

THESE ARE SOME of the main elements—by no means an exhaustive list—in a confident but pragmatic British approach to the future of the Community.

Britain is among the foremost in welcoming new members to join, since we believe they will be joining not a "rich man's club", but a nucleus of democratic states who are determined to turn the dangers and difficulties of a modern world into a constructive future. Enlargement to a Community of Twelve—with Greece, Portugal, and Spain—is a great issue and a fundamental challenge to the Community. The arrival of three newcomers will undoubtedly lead to costs and to other problems for the existing Member States. But a rebuff to the new democracies would cause incalculable harm to Community and Western interests generally; and, in the British view, the political imperative for admitting them to the Community is overriding. Enlargement to 12 will reinforce the democratic structure in these States at a crucial stage in their evolution, will enlarge the influence of the Community and strengthen Western Europe and thus the foundations of world peace. It is an enterprise which brings together all we see as best in what the Community has to offer the world; and what Britain hopes to offer as part of that Community.

## Giraffes

Earlier, licking the wood posts  
Of their compound with grey  
Slug tongues, or loping  
In formation across the grass  
Like a troupe of long-legged dancers,  
The giraffes appeared so daft.

But now, as the rain begins,  
And people rush for shelter  
Like a crowd of panicked penguins,  
The giraffes watch coolly  
From their stately necks  
With an air of condescension.

*Vicki Feaver*