CHAPTER IV

IMPACT ON RELATIONS WITH EUROPE
In a historical perspective, Britain's joining the European Community was a momentous event for the country. It has deeply affected the life of the British nation in all respects - be it domestic affairs or foreign relations. As has already been noted earlier, the initial decision in 1961 to seek membership in the EEC was the outcome of a long, arduous and even painful soul searching by the nation's leaders in determining where the destiny of the country lay. Despite serious misgivings about the impact of the move, expected on its existing and historic links with the Commonwealth and the United States, large sections of thinking opinion in Britain had come round to the view that the country's long-term future lay in Europe. The geographical isolation which had profoundly influenced the country's foreign policy for centuries, the sense of being with Europe but not in it, was finally seen to have ceased to be a factor. Britain's destiny, always considered to have been intertwined with that of Europe's, — particularly after the Second World War, — was at last joined with it.

Britain's relations with Europe during the period under review could be studied under two separate heads - interaction with the EEC partners and relations with the European Free Trade Association (EFTA) countries.¹

¹ The EFTA was formed at Britain's own initiative in May 1960. Hence it would be instructive to see what impact, if any, its desertion of the EFTA in joining the EEC has had on the organisation. The members of the EFTA were: Britain, Austria, Denmark, Norway, Sweden, Portugal and Switzerland. Subsequently, Finland and Iceland also joined.
A. INTERACTION WITH EEC PARTNERS

Intra-Community Matters

The controversy surrounding the British application to join the EEC, both inside Britain as well as within the Community, had given ample indication that the relations between Britain and its partners would be far from smooth and simple. The position of disadvantage which Britain had to accept at the time of entry, notwithstanding the fond expectations of change trumpeted about by the Conservative Government, made the possibility of noisy confrontations within the Community an inevitability right from the beginning. Besides the humiliation of being kept out of the Community for over a decade by two French vetoes (which, in the eyes of many Britons, betrayed France's ill-will towards Britain, and which deprived Britain of the timely opportunity to participate in the formulation of common policies of the Community) had not created a conducive atmosphere for easy interaction between the two sides.

The differences in their approaches towards the question of European unity between Britain and the other Community countries, especially the original Six Members, was fundamental. As already noted in Chapter I, the concept of European unity was born out of the experiences of long periods of fratricidal warfare in Europe which had led to a great deal of suffering by the European peoples. Britain's experiences were somewhat different and it was this, as well as other reasons, that had kept Britain out of the European unity move of the 1950s. Its subsequent change of heart was guided more by the concern for its own economic and trading interests than due to any newly acquired attachment to the cause of Europe. In
fact, the prospects of a European union were sought to be played down from the very beginning when it was argued that "Europe, unlike USA, was too old, too diverse in tradition, language and history to find itself united by such dreams". During the debate preceding the second application in 1967 Harold Wilson sought to assure the doubters that fears about Europe moving towards a form of federalism were exaggerated and that "the decision of the Government was taken not so much on what might ultimately evolve, but on the existing working of the Community and of modern Europe".

These pronounced differences in their leanings were bound to create conflicts once Britain moved into the Community. However, in the immediate period preceding as well as following the British entry the proceedings were marked by a show of friendliness if not some degree of camaraderie between Britain and its partners. This was primarily due to the fact that Edward Heath, considered to be the most 'European' of all British Prime Ministers to date, was at the helm of affairs and he had already established warm relationships with both French President Georges Pompidou and West German Chancellor Willy Brandt, (France and West Germany being two of the most important countries within the Community).

There was a real improvement in relations between France and Britain after the heavily personalized emphasis on French foreign policy was removed following the departure of President De Gaulle who was instrumental in keeping Britain out of the European Economic Community for a decade. Despite President

Pompidou's declaration on French intention to improve relations, the process by which France accepted the British entry into the EEC was unpredictable and liable to breakdown at any time between 1970 and 1972. But Edward Heath, on being elected Prime Minister in June 1970 quickly moved to establish a personal rapport with President Pompidou. This was reflected in the successful outcome in the negotiations which was determined by a meeting in Paris, on 21 May 1971, between Pompidou and Heath leading to the resolution of outstanding issues regarding British transition to Community preference in agriculture, the scale of their contributions to the Community budget and the adaptation of the position of sterling to Community needs. This was sufficient to enable Britain to sign the Treaty of Rome in January 1972.

The British entry into the Community also generated a fair measure of expectations and interest within member states such as the Federal Republic of Germany, which had been a keen supporter of British membership for quite some time. For the Germans, a nation of great ingenuity and enterprise, the move was not only expected to facilitate the opening up of a large and sophisticated market for their industrial and commercial products, but also to add to the Community, a cultural and eventually political dimension of great significance. As Britain got closer to the Continent some of the influence of the greater liberal dynamics of its less rigid society was also expected to rub off on the Community.

4 See the author's interview with Michael Palliser, Ambassador and United Kingdom Permanent Representative to the EEC, 1973-75, Permanent Under Secretary of State, Foreign and Commonwealth Office, and Head Of Diplomatic Service, 1975-82, on 2 February 1987 in London.


The institutions of the Community too were beginning to feel the British presence in a significant way. For instance in the Council of Ministers, the British Foreign Secretary, Alec Douglas-Home, preferred the argument that the valuable time of the Council should not be wasted on relatively minor technical issues such as fish fillets, aluminium and food additives, a practice which had dominated its proceedings since the inception of common policies. In the European Parliament the Conservative Party delegation, led by Peter Kirk, created something of a stir by submitting a long memorandum on reforming the Parliament along Westminster lines, while in the Commission the group of British bureaucrats who took up their position, soon created a favourable impression by their tough, down to earth, irreverent approach to the work of the Community. It did not however, take long for fissures to develop. The British decision not to join the 'Snake', the joint float of the Community currencies, peeved its EEC partners, especially France; the refusal to join one of the symbolic Community actions aimed at working together was considered to be a betrayal of lack of warmth for the Community. France even hinted that in case Britain failed to join it soon France could not be expected to honour its commitment to a regional fund on which Britain was pinning a lot of its hopes.

10 Walter Farr, n. 8.
11 The Times (London), 6 April 1973. France's agricultural interests stood to be hurt unless some kind of order was imposed on the operation of exchange rates between member countries.
There was also early evidence of an Anglo-French clash of interests on agricultural question when in August 1973 the French Agriculture Minister (later Prime Minister) Jacques Chirac accused Britain of bad faith on the question of sugar.\textsuperscript{12} This was in response to a British suggestion that cane sugar production in countries like Mauritius should be encouraged as this was the best way both of helping combat a sugar shortage, then plaguing Britain and Europe, and of giving employment to people in third world countries. This was a clear case of a clash of interests between the two countries as Britain was seeking to sponsor the interests of the Commonwealth sugar producers as part of an undertaking it had given at the time of entry and France trying to protect the interests of its own sugar beat industry notably those of Northern France.\textsuperscript{13}

Thus even during the tenure of the pro-European Edward Heath as Prime Minister there were signs of a growing conflict between Britain and its EEC partners, especially France. When a Labour Government headed by Harold Wilson, committed to re-negotiating the terms of entry, came to power in March 1974 following general elections in Britain the Community braced itself for an impending show-down.

The Re-negotiation

As has already been noted, the demand for re-negotiation was a reflection of the schism that had developed in the Labour Party on the Common Market issue. Faced with a virtual revolt in the Party, Harold Wilson had to agree to a re-negotiation of the

\textsuperscript{12} The Times, 13 August 1973.

\textsuperscript{13} Ibid.
entry terms as well as the holding of a referendum to give the people the final say in the matter. This had become party policy by the autumn of 1973 and Britain's European partners obviously had ample warning of what to expect from a new Labour Government.

As expected it was not long before the Labour Government took the earliest opportunity to put their case before the Community. The Government's thinking that Britain had moved too close to the Community diplomatically and too fast, even at the expense of its existing close ties with the United States and the Commonwealth, had already been voiced by the new Foreign Secretary James Callaghan. The demands of the new Government were formally presented by the Foreign Secretary at the EEC Foreign Affairs Ministers' meeting at Luxembourg on 1 and 2 April, 1974.

Callaghan informed his Community colleagues that the Labour Government did not consider the terms negotiated by the previous Conservative Government to be fair to Britain and that they should have been specifically put to the British people. The new Government wanted to rectify the act of omission of the Conservative Government and re-negotiate the terms. If it failed to get satisfaction in this exercise it would submit to the British people the reason why it considered the terms unacceptable "and consult them on the advisability of negotiating the withdrawal of the United Kingdom from the Community".

16 Ibid.
The reaction of the Council of Ministers to the British demand ranged from hostility to varying degrees of understandings to Britain's problems. The French Foreign Minister, Michel Jobert, rejected any re-negotiation on the Treaties governing Britain's entry into the EEC. Other Ministers also opposed any action which would undermine the basis of the Community.\footnote{The Times, 2 April 1974.} It was also stressed that Britain had joined the Community under a treaty, duly ratified and valid under international law, which could not hinge on changes of Government. While assurances were given that Britain's case would be given careful consideration it was also noted that it was important to safeguard what the Community had achieved and that its foundations and structures could not be jeopardized.\footnote{EC Commission, \textit{The Bulletin of the European Communities} (Brussels), vol. 7, No. 3, 1974.}

In his more detailed submission to the Council of Ministers on 4 June 1974 Callaghan elucidated on the four main areas which required negotiations; these were: a) the financing of the Community Budget and the consequences for the Member States; b) improvements to the Common Agricultural Policy; c) the commercial policy and the Community aid for the Commonwealth and other developing countries; and d) regional and industrial policy. He also informed the Council that in the opinion of Britain it was not necessary to amend the treaties to accommodate the demands and that he was not asking for a Treaty revision.\footnote{Ibid., vol. 7, No. 6, 1974, point 1102.} The Council was relieved to note that Britain was ready to continue re-negotiation within the existing Community machinery and under the normal procedures.\footnote{Ibid., point 1108.}
A considerable softening in British position between April and June 1974 was evident from the tone and tenor of Callaghan's presentation. There was no reference to possible withdrawal, fundamental re-negotiation or threat to block further processes of integration until a verdict by the British people; and assurance was also given that the British Government would not try to hold up the work of the Community. All this was ascribed to the growing realisation on the part of the Labour Government that the disadvantages of membership while the Party was in Opposition were somewhat exaggerated. Serious discussion on the issue between Britain and its partners were, however, precluded because of the minority position of the Labour Government in the Parliament and a clearer picture needed to emerge in another general election before anything concrete could be achieved. It was however becoming clear that the country Britain had most to convince if new terms were to be agreed was France and its new President Valery Giscard D'Estaing. Most of the hostile reactions to Britain's demand were emanating from French sources. In a speech to the French National Assembly, shortly after Callaghan presented the terms to the Council of Ministers, the French Prime Minister M. Jacques Chirac charged that British demands did not 'appear' reconcilable with the fundamental objectives of the European Community as well as with the legitimate interests of the eight other partner. He also made it clear that the French Government regarded the Common Agricultural Policy to which, in his opinion, the European economy owed an important part of its equilibrium, as something untouchable.

21 The Times, 5 June 1974.
22 The Times, 6 June 1974.
Similar views were reaffirmed by the French Premier in September as well.23

Following its return to power with a slender albeit working overall majority the Labour Government stepped up the momentum for negotiations with the Community. Having been tipped off by the West German Chancellor Helmut Schmidt that the French President really needed to be persuaded that Britain was earnest and was not negotiating with an intent to part, Harold Wilson visited Paris in early December 1974 and held wide-ranging talks on the renegotiation issue with Giscard D'estaing. The French were indeed anxious about the real nature of British intentions and it was clear that they wanted hard assurances that Britain genuinely wanted to stay in the Community before any concessions could be made.24

Realising the need to allay anxieties on this score Harold Wilson took the opportunity at the Paris Summit of European Heads of Government and State on 9-10 December 1974, to declare that "the British Government was negotiating with a real intention to succeed and to achieve what had been set out in the election manifesto". Thereafter he made a ritual presentation of "the seven main issues in the negotiations, in each case quoting the manifesto demand, together with our assessment following negotiations and developments within the Community during the previous few months".25

The outcome of the summit was however less than a success from the British standpoint, although it was becoming increasingly clear that the Labour Government was now looking for some cosmetic

25 Ibid., pp. 94-95.
face-saving changes in the overall arrangements in their bid to stay on in the Community. The most important of the demands, changes in the CAP, remained virtually untouched with most of the participants mouthing only pious protestations for some reform. The maximum Britain managed to extract from the gathering was the promise for a budget correcting mechanism to deal with the problem of its expected excessive contributions. While reiterating their support to the system of 'own resources' the Heads of Government recalled the assurance given to Britain at the time of accession negotiation that if unacceptable situation arose "the very life of the Community would make it imperative for the institutions to find equitable solutions". 26

Final solution to the re-negotiation issue had to wait till the Dublin summit meeting of the EEC Heads of State and Government on 10-11 March 1975 where the two outstanding issues of British contribution to the Community budget and the import of New Zealand butter were taken up. Solutions satisfactory to the British delegation comprising Harold Wilson and James Callaghan were found after some hard bargaining. 27 The drama of re-negotiation, begun a year ago, was thus brought to a successful conclusion on a fairly amicable note, at least on the surface. 28

There was evident relief in Paris and Bonn as well. The year-long controversy on what was called the "British Affair" had generated a lot of irritation and boredom among the press and public opinion both in France and Germany where the whole re-

27 Ibid., vol. 8, No. 3, 1975, points 1102, 1103 and 1104.
negotiation process was regarded as an elaborate charade: very few sincerely believed that Britain had real difficulties and thus deserved sympathy and consideration.\(^{29}\)

The actual exercise in re-negotiation saw only marginal improvement in the entry terms which, some critics pronounced, could have been done through the normal process of bargaining under the EEC institution. A look at the arrangements agreed to would make this clear. The seven heads of the re-negotiation items as they appeared in the Labour Party's Election Manifesto were: Food and Agriculture; the Community Budget; Economic and Monetary Union; Regional, Industrial and Fiscal Policies; Capital Movements; Commonwealth and Developing Countries; Trade and Aid and the Value Added Tax (VAT).\(^{30}\)

The following arrangements were agreed upon in the discussion:

a) **Food and Agriculture**

To facilitate food supply at fair prices, the Common Agricultural Policy (CAP) prices were to be held down in real terms. Greater flexibility to meet special circumstances and an improved marketing system for beef was secured. Progress was made in discouraging surplus stocks; interests of consumers were to be given priority. British consumers were to benefit from import subsidies in a wide range of foodstuffs and from measures to keep Community prices below world prices. Importation of sugar into the United Kingdom would be subsidised by the Community.

Financial control of the Community expenditure was being strengthened. Supply of sugar from developing Commonwealth

\(^{29}\) *The Times*, 13 March 1975.

countries on favourable terms and for an indefinite period was to be given access to the Community. Progress was also made on improving the arrangements for continued access for New Zealand dairy products after 1977.31

b) The Community Budget

The Dublin summit, held on 10-11 March 1975, of the EEC Heads of Governments produced an agreement on a budget correcting mechanism for Britain which was to provide a refund to the United Kingdom, if in any year its contribution to the Community budget went significantly beyond what was fair in relation to British share of Community Gross National product.32

c) Economic and Monetary Union (EMU)

The programme for movement towards full EMU by 1980, which was laid down in 1972 at the Community Heads of Government meeting in Paris was over ambitious and unattainable and events proved this.33

d) Regional, Industrial and Fiscal Policies

Regional Policy - "New principles for the coordination of regional aids within the Community will allow the United Kingdom to continue to pursue effective regional policies, adjusted to the particular needs of individual areas of the country. The communication setting out these principles acknowledges that national governments are the best judges of what is required in their own countries and that changes in the national aid system will not be

31 Ibid., pp. 7-8.
32 Ibid., p. 13. For details, see Chapter Three.
33 Ibid., p. 17.
regarded as incompatible with the Common Market when they are justified by problems of unemployment, subject to the condition that a member state's actions do not damage the interests of other member states". 34

**Industrial Policy** - The British Government was "satisfied that their policies for aid to industry generally, their nationalisation proposals and the establishment of the National Enterprise Board and of planning agreements will not be hampered by treaty obligations". 35

**Fiscal Policy** - The British Government was "satisfied that membership of the Community does not limit their powers to pursue effective fiscal policies". 36

e) **Capital Movements**

According to previous experience of Britain and other member states, an EEC member "can act to control capital movements where necessary". 37

f) **The Commonwealth and Developing Countries : Trade and Aid**

In this area substantial changes were secured in Community policies on a number of fronts. Continued access was secured on fair terms for the sugar producers of the Caribbean and elsewhere and improvements were also obtained in arrangements for dairy products from New Zealand. Reductions in tariff were "secured on a range of items of particular interest to Commonwealth countries ...." Agreement was also "secured on some important reductions

34 Ibid., p. 18.
36 Ibid.
37 Ibid., p. 23.
in Community tariff on foodstuffs imported from the Mediterranean countries with which the Community is negotiating agreements".  

"In relation to developing countries a major step forward was taken with the conclusion of the Lome Convention between the enlarged Community and forty-six developing countries in Africa, the Caribbean and the Pacific. Under the Convention the developing countries are guaranteed free entry into the Community for their industrial exports, almost completely free entry for their agricultural exports, and also substantial aid".  

Major improvements benefiting the trade of other developing Commonwealth countries were also secured in the Community's scheme of generalised preferences for 1975. The Community was to pay greater attention to other Asian Commonwealth countries, especially the poorer ones in the Indian subcontinent. 

A start was made for a more balanced distribution of Community aid, in particular for developing countries without special relationship with the Community. 

**g) Value Added Tax (VAT)** 

The British Government managed to establish that it "can resist any proposals for" harmonisation of the Value Added Tax which would require it to tax necessities and would thus be unacceptable to it. 

However inadequate the exercise may seem to have been to the leadership of the Labour Party and the Government, the issue related to their very survival as a united team and hence it was a

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38 Ibid., p. 24.  
39 Ibid., p. 25.  
40 Ibid.  
41 Ibid., p. 30.
process they had to undertake, any unpleasantness notwithstanding. But, in the process Britain's reputation in Europe as a reliable and faithful partner took a hard knock and contributed towards an increase in its unpopularity among its partners.

The passing of the re-negotiation controversy was expected to see an end to the conflict between Britain and the rest of the Community with the rehabilitation of the former as a contented member of the Community. This expectation, however, was not fulfilled as relations became even more strained during the following months and years by British attempts to harmonise national and EEC policies to cope with cumulative problems generated by the world economic crisis triggered off with the quadrupling of oil prices in 1974 and 1975. The conflict of interests between Britain on the one hand and its Community partners on the other became more acute with the increasing realization by the former of what it perceived to be the unfair and unjust connotations of the major common policies of the EEC with regard to its legitimate national interests. The consequent adoption of a resolute stand by Britain in defence of what it saw as its vital national interests led it to being increasingly viewed as Gaullist - a label hitherto applied to France, the birth place of Gaullism. The latter virtually held the Community to ransom by holding out frequent threats of withdrawal in the 1960s and thus got the Community to adopt policies suitable to French national interests but was not more communautaire or at least so it seemed. Past historical background as well as

its experience within the Community was turning Britain more and more determined in its dealings with the Community and especially in evolving new policies like a common Fisheries Policy or a common energy policy. It was also this difference in perception and experience that generated conflicts in other areas of Community interactions such as direct elections to the European Parliament, and the European Monetary Union. An appraisal of the intra-Community interaction in some of these vital areas would suitably highlight the contradiction referred to above.

Fisheries

Fishing has been traditionally an important occupation in Europe as almost all the Community countries, with the exception of Luxembourg, have access to the waters around the Continent. Although the percentage of working population engaged in fishing is small compared to other occupations such as agriculture and industry, the fishing community in countries such as France, Denmark, Ireland and Britain can operate as powerful pressure groups within their own countries. Hence the need felt by the Governments of these countries to take fishing as an important area of national policy, especially in the Community context.

Before its enlargement in 1973 the Community of the Six had agreed on a common fisheries policy in February 1971 which provided for "equal conditions of access for all members within members states' fishing limits, for a free market for fish throughout the Community, and for reference prices established as part of the Community's import regime for fish".43 There was a great deal of

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difficulty in the entry negotiations in the early 1970s with Britain and Norway determined to defend the interests of their coastal fishermen while article 7 of the Treaty of Rome prohibiting "any discrimination on grounds of nationality." When Britain, Ireland and Denmark finally joined they made it clear to the Community that they did not consider the existing policy to be appropriate to the needs and circumstances of the enlarged Community, particularly in respect of access to fishing grounds. It was agreed that arrangements governing access to coastal fisheries would have to be reconsidered and further discussions would be held in the near future. For the time being fishing was restricted to "areas upto six nautical miles from the coast to vessels from the coastal state and to countries with traditional fishing rights in the zones. Britain, Denmark, France and the Irish Republic were also authorised to restrict fishing in specified areas between the six and twelve mile limits." As people of an island nation the British have been a traditionally sea-faring people. It has a significant fishing industry based on eighteen major fishing ports all over the country. The concentration of people dependent particularly on fishing is in north-east England and Scotland. Politically, the industry can act as a powerful pressure group because, though it employs only 0.1 per cent of Britain's labour force, twenty-two Parliamentary constituencies are associated with the eighteen major fishing ports and almost all of them are marginal both to the Labour and the

44 European Communities, n. 43, p. 41.
46 UK, HMSO, n. 43.
Conservative parties. Hence no matter who is in power they cannot afford to be seen giving grounds on fish.47

The Community took long before taking any initiative in formulating a new common fisheries policy which took into account the interests of the new entrant states like Britain. With the controversy on re-negotiation out of the way the Labour Government was turning its attention to the question of fish. At a meeting of the Agriculture Ministers, in April 1975 Britain drew the attention of the Community to the serious short and long-term problems facing the Community fishing industry, with emphasis on particular difficulties the British fishing industry was likely to encounter in the event of changes in the national fishing limits.48 It was agreed that the Commission would undertake a study on the problem of extension of fishing limits and submit a report.

In its report in early 1976 the Commission proposed that the fisheries resources in waters off member states should be shared on the basis of a quota system with reserved belts of 12 miles width for coastal states. While accepting it as a basis for discussion the British Government pressed for significant improvement with substantially wider coastal belts.49 At the Council meeting of 3 and 4 May 1976 the British Government placed its demand for an exclusive 50-mile fishing zone which, it was argued, was in the vital interest of the British fishing community.50

The question of extension of fishing limits became a matter of urgent concern for the Community in 1976 in view of the preparations being made by countries outside the EEC such as Iceland to extend their limits to 200 miles later that year. Britain was anxious for an early declaration from the Community that its member states also intended to do the same.\textsuperscript{51} At the same time it was pressing for early progress in the Community's negotiations with third countries about access to their waters for British and other Community fishermen and about the limitations of fishing by third countries in the waters of member states.

Some progress was made later that year when agreement was reached at The Hague on 30 October 1976, on the policy governing relations with other countries in fishing sector. Two elements comprising the agreement were: Firstly, decision by member states acting jointly to extend their fishing limits to 200 miles along the North Sea and Atlantic coasts as from 1 January 1977. Secondly, it also provided for the negotiation of agreements with non-community countries to allow their boats to fish in Community zones and vice-versa.\textsuperscript{52} It also agreed to pay special attention to the needs of fishermen in Greenland, Iceland, and the north of the United Kingdom.\textsuperscript{53}

The agreement, though welcomed by Britain, did very little to bring relief to its immediate problems. The agreement with Iceland, with whom Britain had a troubled relationship on the issue of fishing in the North Atlantic, giving British fishermen fishing

\textsuperscript{51} UK, Commons, \textit{Parliamentary Debates}, Session 1975-76, vol. 914, col. 27.

\textsuperscript{52} EC Commission, \textit{Bulletin of the European Communities}, vol. 9, No. 10, 1976, point 1501-3.

\textsuperscript{53} European Communities, n. 43, p. 34.
rights in Iceland waters, was due to expire on 1 December 1976.\(^{54}\) As such Britain was vitally concerned with the pace of negotiations with Iceland, the responsibility for which had been entrusted to the EEC, since it was mainly British fishermen who fished in Icelandic waters which contained some of the world's richest fishing grounds.

Meanwhile, agreement on an internal fishing regime was proving difficult in the absence of an agreement with other third countries, since fishermen who had been deprived of their rights to fish in distant fishing grounds, following the creation of 200-mile exclusive fishery zones, had to be provided with suitable alternative sites within the Community waters. At the fisheries Council in December 1976 the Commission was unable to report any agreement with Iceland which would permit resumption of fishing by British fishermen in Icelandic waters. The existing fisheries policy of equal access for all member states to Community waters over 60 per cent of which was British, was also hurting the interests of British, especially Scottish fishermen.\(^{55}\) On a number of occasions British Ministers had declared in Parliament their determination to work for a new policy that removed the inequities of the existing policy and properly safeguarded the interests of the British fishing industry.\(^{56}\)

On 1 January 1977 the decision to extend fishing limits to 200 miles came into effect. Such extensions by other nations had already led to severe restrictions on distant water fishing by

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54 Britain had a sizable distant water fishing fleet.

55 European Communities, n. 43, p. 24.

Community vessels and to increased fishing in the North Sea by foreign vessels excluded from other maritime areas. Community extensions also raised questions of the changes needed to the common fisheries policy to allow for better conservation and management of Community fishing in the greatly extended area. For a coastal state like Britain it was of unique interest to successfully conserve and manage the fish stocks around its shores since it had geared a substantial part of its industry to fishing closer to its own ports and any inroads of larger fishing vessels from the countries of the Community which would destroy this coastal fishing industry was unacceptable. Hence British insistence on a fifty-mile zone where British fishermen should dominate in fishing rights to be able to exploit the natural advantage of plentiful fish in the waters around it.

A full exposition of the British Government's position on fisheries policy, as subsequently reported by him to the House of Commons, was given by the Agriculture Minister John Silkin on 24 October 1977 at Brussels. Emphasizing the economic, social and political importance of fisheries to Britain, Silkin called for a policy which would recognize the importance of British contribution to the fish resources of the Community and the losses it had sustained recently in the waters of the third countries as well as provide a long term framework for a viable UK fishing industry. He repeated the British proposal for a variable coastal belt of up to 50 miles around its shores and its readiness, as an alternative, to consider a 12-mile exclusive belt, with a dominant

57 British fishermen lost half their distant water white fish catches as a result of Icelandic extension alone. UK, HMSO, n. 43, p. 30.

preference for the coastal state between 12 and 50 miles. This was necessary to offset losses in third country waters.\textsuperscript{59}

It was also made clear that the Commission proposals for allocating quotas did not meet the British needs and those on conservation were inadequate and unsatisfactory because they failed to provide for the continuing right of member states to safeguard the stocks under their jurisdiction in the absence of Community agreement.\textsuperscript{60} No definite agreement could be reached at the meeting on Commission proposals on the internal regime including quotas for 1978, conservation measures, control enforcement and structural measures.\textsuperscript{61}

The beginning of 1978 witnessed a serious showdown between Britain and its partners over Community fisheries policy. Early in February John Silkin blocked progress towards a common fishing policy in retaliation for the rejection of a British demand by its partners that it be granted a twelve-mile exclusive zone and a twelve to fifty-mile zone where British fishermen should dominate in fishing rights.\textsuperscript{62} The reaction of other member countries was pretty bitter and angry; Britain's allegiance to the EEC was called into question. Antonine Humblet, the Belgian Farm Minister said that the Community was greatly worried about whether the Labour Government, or indeed Britain as a whole, wanted Europe. Niels Anker Kofoed, a former Danish Fish Minister, remarked that De Gaulle was right to believe that Britain was not mature enough for Community membership.\textsuperscript{63}

\textit{Le Monde}, the prestigious French newspaper,

\begin{itemize}
  \item \textsuperscript{60} Ibid.
  \item \textsuperscript{62} \textit{The Economist}, 11 February 1978, p. 58.
  \item \textsuperscript{63} Ibid.
\end{itemize}
in an editorial entitled: "The Europe of the Eight", said: "The sad spectacle of the past few days in Brussels confirms that the language of the Community is unknown to the British."\textsuperscript{64}

These were strong sentiments underscoring the deep divide between Britain and its partners on this issue. Britain was convinced that as the country which contributed nearly two-thirds of the marine resources of the Community it was entitled to a special position. In the absence of an overall agreement the other eight member states decided that any measures they took on a national basis would be within the framework of the Commission proposals while Britain announced that it would continue to maintain its own national measures which were then in force and would take such new ones as became necessary in accordance with Community procedures.\textsuperscript{65}

Throughout the rest of 1978 and 1979 progress continued to be elusive due to the failure to resolve the fundamental problem of access preferences, and the European Council of December 1978 decided to continue efforts towards finding an acceptable solution and interim guidelines for management of the fisheries which were given several extensions in 1979 were agreed upon. Meanwhile, member states were required to exercise a measure of control over fishing by their fleets in the light of scientific recommendations. Britain maintained in force national conservation measures adopted in previous years.\textsuperscript{66}

The unilateral national regulatory measures adopted by Britain, including a total ban on herring fishing, provoked the

\textsuperscript{64} Quoted in Ibid.
\textsuperscript{65} UK, HMSO, Common Fisheries Policy, Cmd. 7618 (1979), p. 4.
\textsuperscript{66} Ibid. See also UK, HMSO, Developments in the European Communities, January-December 1979, Cmd. 7780 (1980), pp. 12-3.
EEC Commission to seek a ruling from the European Court of Justice in February and July 1979 on the compatibility with Community law of British measures on controlling fishing in its surrounding waters and for introducing minimum mesh and landing sizes for certain species of fish. The Court ruled that though the Community had not adopted the required conservation measures, the power to do so, as part of a Common Fishing Policy, belonged to the Community; member-states were not entitled to exercise any power of their own on conservation matters in the waters under their jurisdiction.

Agreement could not be achieved even in 1980 though negotiations continued throughout the year with repeated extensions of the interim measures. On 30 May 1980 the Fisheries Council issued a statement on the CFP which represented a further political commitment to the establishment of Community-wide structures and rules for the industry and ensuring that a common overall fisheries policy was put into effect at the latest on 1 January 1981. Some progress was made when agreement on a conservation regime on 29 September 1980 was reached followed a month later by agreement in principle of a draft control regulation on 28 October. However, a full agreement, on a common fisheries policy, as set out by the Foreign Affairs Council statement of 30 May, which was expected to come into effect on 1 January 1981, could not be reached.

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69 European Communities, n. 43, p. 29. Also see Bulletin of the European Community, vol. 13, No. 5, 1980, point 1.1.8.
During the course of the next two years intensive efforts to reach an agreement before the expiry of the 10-year transition period for a fisheries policy on 31 December 1982 continued. From the British point of view the most important element of the new policy to emerge out of these long-drawn out discussions was the basic quotas for catches of edible species of fish which were as follows: 71

<table>
<thead>
<tr>
<th>Country</th>
<th>Quota (tonnes)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>464,000</td>
<td>36%</td>
</tr>
<tr>
<td>Denmark</td>
<td>305,000</td>
<td>24%</td>
</tr>
<tr>
<td>W. Germany</td>
<td>186,000</td>
<td>14%</td>
</tr>
<tr>
<td>France</td>
<td>162,000</td>
<td>13%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>92,000</td>
<td>7%</td>
</tr>
<tr>
<td>Ireland</td>
<td>47,000</td>
<td>4%</td>
</tr>
<tr>
<td>Belgium</td>
<td>25,000</td>
<td>2%</td>
</tr>
</tbody>
</table>

For Britain the quota of 36 per cent was a fair improvement on the 31 per cent proposed by the Commission in January 1978. 72 Nevertheless it also involved substantial compromise on the part of Britain as well considering that the Labour Government had held out for a 45 per cent share. It was a prudent and tough decision on the part of the Conservative Government which showed a lot of political courage in making the deal but eventually carried the British fishing industry with them. 73


72 Royal Institute of International Affairs, Chatham House Briefings: Foreign Policy and the New Government (London, 1979), p. 10. The Labour Government wanted 45 per cent and therefore found the proposals unacceptable.

Direct Election to the European Parliament

The origin of the European Parliament can be traced back to the foundation of the European Coal and Steel Community (ECSC) in 1952. Article 20 of the ECSC treaty provided for the establishment of an Assembly which met for the first time on 10 September 1952. The idea was to give the Parliamentary representatives of the 'Peoples of the States brought together in the Community' (ECSC Treaty, Article 20) a voice in the functioning of the Communities. When the EEC and Euratom were set up in 1958, it was agreed that all three Communities would be served by the same Assembly. Distribution of seats between the member states corresponded roughly according to the size of their population though a compromise had to be enacted between proper representation for all states, large and small, and a workable size of the Assembly.74

The Treaties initially provided for designation of members of the European Parliament from amongst the MPs of the Parliaments of Member States, though the EEC Treaty also provided that the Parliament shall draw up proposals for its own direct election by universal suffrage. The powers conferred on it were largely consultative though it was also given the authority to dismiss the Commission.75

When the Community was enlarged in 1973 the total seats were redistributed in the following manner: Britain, France, Germany and Italy 36 seats each, Belgium and the Netherlands 14 each, Denmark and Ireland 10 each and Luxembourg 6.76

75 Ibid.
76 UK, HMSO, n. 45, p. 19.
It was also expected that the issue of direct election to the European Parliament, hitherto nominated, would be taken up soon as this would increase, it was held by many people, democratic control over the workings of various institutions of the Community.

However, progress in this direction was stalled when the Community was faced with 're-negotiation' in 1974-75 though direct elections did not form part of the items on which Britain was seeking to re-negotiate. During the course of his talks with Giscard D'Estaing in early December 1974 as well as the Paris Summit a week later, Harold Wilson had stated that while Britain did not question the concept of Direct Elections, it could not commit itself until negotiations were complete and the results submitted to the British people for decision. Even after the completion of re-negotiation the Government's White Paper was guarded on the question stating that any scheme for such elections was to require an Act of Parliament. This was indicative of the sensitivity of the matter in Britain and the controversy it was likely to raise when it came up for a decision.

The issue of Direct Election to the European Parliament, as already noted, was an emotive one in Britain since it was linked with the sensitive question of sovereignty of the British Parliament. There was widespread fear, especially among anti-Marketeters,


78 UK, HMSO, n. 30, p. 38.
that a directly elected European Parliament would inevitably lead to an increase in its hitherto consultative powers at the expense of the House of Commons at Westminster whose authority had already been curtailed substantially in a number of ways. The slow but steady erosion of the powers of Parliament would, it was feared, pave the way for a federal Europe for which, the anti-Marketeers argued, the Government had no mandate from the people. 79

It was the existence of such feeling, especially within the Labour Party, which had made the Labour Government wary about antagonizing its own supporters as it had recently emerged from a bruising conflict within the Party on the EEC issue. The statements emanating from leading Government spokesmen including the Foreign Secretary himself were clear in conveying the impression that the Government was taking a slow and cautious view of the matter; in any case hope for Direct Elections by 1978 was felt to be too optimistic. 80

The decision to hold the elections in May or June 1978 was taken at the Rome summit of EEC Heads of Government in December 1975. The domestic difficulties clearly weighing in his mind, Harold Wilson informed his colleagues that though Britain accepted the principle of direct elections it needed more time to hold consultations with political parties in the House of Commons and for consideration of the matter by Parliament before a final position could be taken. However, British embarrassment was somewhat allayed by the fact that Denmark was unable even to commit itself to elections in principle. 81

The position of the Labour Government in a written format was put out in a White Paper in February 1976 - the first Government publication on Direct Election. It noted the difficult nature of the whole exercise and the need to proceed with caution and circumspection. The potential problems, especially those relating to laying down a uniform electoral procedure in all member states as required by Article 138(3) of the Treaty of Rome, had been realised during the deliberations of the working group set up for the purpose by the European Council in July 1975. So far as the target date of May-June 1978 was concerned the British Government took the view that the necessary consultations and procedures had to be carried out in an orderly way and ought not to be rushed.\(^82\)

The final agreement on the principle, the allocation of seats and the timing of these elections was reached at the European Council at Brussels on 12 and 13 July, 1976. The total number of seats in a directly elected European Assembly and its distribution, according to the agreement, was as follows: Total seats 410 - Luxembourg - 6, Ireland - 15, Denmark - 16, Belgium - 24, Netherlands - 25, France, Italy, Britain and West Germany - 81 each. The target date fixed by the Council for the elections was Spring 1978.\(^83\) The British Government once again reserved their position when James Callaghan, the new British Prime Minister, asserted that the possibility that Britain might continue to nominate representatives in 1978 would have to be kept open should it prove impossible to hold elections at that time.\(^84\)

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The chances of the British Government meeting the target date depended on two conditions. Firstly, the decision could be implemented only if and when Parliament carried the necessary legislation. Secondly, the proposed time-scale could be maintained only if necessary administrative preparation which was to follow the legislation could be made early enough for the elections to be held in good order.\textsuperscript{85} In view of the known hardline attitude of Labour anti-Marketeers as well as the dispute over the system of election to be used that ensued there was little hope that these difficulties could be overcome within the stipulated period.

Besides the domestic difficulties which it had in good measures, the Labour Government itself too did not give the impression of being genuinely enthusiastic about the whole enterprise. The pronouncements of the Government leaders, including those of Harold Wilson and James Callaghan in and out of Parliament, lent themselves to the belief that the whole thing was somewhat contrived.\textsuperscript{86} The constant harping on the consultative nature of the powers of the European Parliament and any addition to these being dependent on the unanimous consent of the Nine-member states and of the Parliament\textsuperscript{87} was interpreted in many circles as lack of interest in the evolution of the Community itself.\textsuperscript{88}

\textsuperscript{85} Ibid., col. 124.
Britain's foot-dragging on Direct Elections provoked a suggestion from Henri Simonet, Belgian Foreign Minister and President of the EEC Council, in September 1977 that if Britain could not pass a Bill providing for direct elections to European Parliament in time, the elections still should go ahead as planned in May or June 1978 in the other eight member countries. However, the suggestion was not acceptable to the other eight, as they were keen to hold the elections throughout the Community at the same time.

In January 1978, Britain informed its partners that it would not be able to make it for the elections the following June. Finally the heads of states decided at a European Summit in April 1978 to hold the elections in June 1979.

Besides the one-year postponement, the Community also failed to attain two other objectives - simultaneous holding of the elections on the same day and the usage of a common electoral system. When the elections were finally held in June 1979 Denmark, Ireland, the Netherlands and the United Kingdom voted on 7 June and the rest of the Community on 10 June. So far as the electoral system was concerned all countries used the system of proportional representation with the exception of Britain which used the traditional first-past-the-post system.

As already noted in detail earlier, the first direct election to the European Assembly, held in June 1979, turned out to

89 The Economist, 17 September 1977, p. 67.
90 Ibid.
92 Chris Cook and Mary Francis, n. 74, p. 48.
93 See Chapter Two.
be rather a lacklustre affair in Britain. The percentage of voters who turned out to exercise their franchise in Britain was the lowest in the entire Community. While the EEC average was 61 per cent, the figure for Britain was only 32.4 per cent. This compared with 91.4 per cent for Belgium, 47 per cent for Denmark, 65.9 per cent for Germany, 60.8 per cent for France, 63.5 per cent for Ireland, 85.5 per cent for Italy, 88.3 per cent for Luxembourg, and 57.8 per cent for the Netherlands. Not only was the British figure low in terms of the overall EEC turn-out but it also compared very unfavourably with its own previous national voting figure which was 76 per cent.\textsuperscript{94} Evidently, Europe was yet to generate the kind of interest in Britain that prevailed in the other countries of the Community with the possible exception of Denmark.

**Energy**

1970s were a bad decade for consumers of energy throughout the world and especially in Western Europe. The very large increase in energy prices, especially oil prices after the Arab-Israeli war of October 1973, made the vulnerability of the EEC countries in their dependence of imported oil, which accounted for more than half its energy supplies, all too evident. During this period 60 per cent of the total oil requirements of the Community countries came from abroad making the Community the world's largest importer of the commodity.

Britain was more fortunate than its partners with regard to the production of primary energy products. Though it was also a heavy importer of crude oil in the 1960s and most of the 1970s

\textsuperscript{94} EC Commission, *Bulletin of the European Communities*, vol. 12, No. 6, 1979, p. 20.
discovery of huge reserves of oil and natural gas in its sector of the North Sea was expected to turn it self-sufficient by 1980. Besides, due to its large deposits of coal, Britain was also the largest producer of fossil fuel in the Community comprising about half of its total production. The figures in the following table show that at the time of the first enlargement Britain was the second highest energy producer in the community after West Germany.\(^95\)

<table>
<thead>
<tr>
<th>Country</th>
<th>Production (MIO10 Toe)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>102.4</td>
</tr>
<tr>
<td>France</td>
<td>42.7</td>
</tr>
<tr>
<td>Italy</td>
<td>24.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>48.6</td>
</tr>
<tr>
<td>Belgium</td>
<td>6.7</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0.02</td>
</tr>
<tr>
<td>UK</td>
<td>108.4</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.1</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Thus, it was estimated that while by 1980 Britain would be able to supply all of its oil requirements from indigenous sources the other Community countries, on the existing pattern of supplies, would be importing nearly 70 per cent of their total requirements. Hence the need for reducing the potentially dangerous dependence on imported oil was stressed by the Community and joint efforts were encouraged to promote production of indigenous energy resources such as coal, nuclear power, offshore oil and natural gas.\(^96\)

Faced with this situation the issue of North Sea oil became a sensitive matter in intra-Community dealings.

The susceptibility of the issue was well demonstrated at the end of re-negotiation when the Labour Government of Harold Wilson raised the demand for a separate British representation at


the Paris International Energy Conference of December 1975. Britain was running a large balance of payments deficit and this motivated the British Government to seek EEC support for a minimum oil price in order to uphold the value of North Sea oil against what was then seen to be a danger of falling world market prices. With this objective in mind James Callaghan almost surprised his EEC colleagues at the Foreign Affairs Council meeting on 18 and 19 October 1975 when he told them that the British Government had a special interest in the conference on International Economic Co-operation on Energy between the industrialized countries, the oil producing countries and the developing countries, to be held in December 1975 in Paris at the initiative of France. He pointed out that Britain was a world energy power in its own right. With its total oil, natural gas, nuclear, coal and other fuel supplies already far exceeding those of most other nations, by 1980 Britain would be producing 90 per cent of Europe's oil and 45 per cent of total production of energy in the Community. In the opinion of the British Government it would be a mistake for Britain to be represented at second hand or by proxy, when crucial decisions affecting future British economic interests might be taken in its absence. Besides, he told Parliament on 20 October 1975, three other new areas had been added to the original idea of energy. These were - Raw Materials, Development and Finance; in each area Britain had a special interest. "Because of the broad range of subjects being discussed", Callaghan contended, "we thought that Britain should be able to represent her point of view".

The reaction from Britain's partners in the EEC was utterly hostile. The British stand was thought to be a breach of understanding to act unitedly in the Community's relations with the developing world. On 16 October 1975 the European Parliament passed a resolution deploring, without naming it, the British decision to be individually represented at the conference and emphasizing "the need for the Community to speak with a single voice on such occasions". Helmut Schmidt, the West German Chancellor, in a personal letter to Harold Wilson, pointed out that Britain could not expect to benefit from EEC membership where it thought it suits it and go its own way in other matters. Germany, one of the strongest champions of British membership, felt particularly aggrieved at what seemed to it to be British selfishness.

Such criticism, however, did not deter Britain which argued that it was necessary to get a viable agreed Community position on energy before the Conference. While it was perfectly reasonable that where there was a common policy (in this case a minimum selling price, understanding about the rate of depletion and the price of energy inside the Community), the nine member states should be represented by the agreed spokesman of the Community it was far from so where there was no such common policy. Britain was pressing for separate representation as there was no far-reaching agreed Community policy on energy and it had a most vital interest in the matter.

100 The Times, 19 October 1975.
Thus, the issue was still hot when it came up for discussion at the European Council of Heads of Governments and States at Rome on 1 and 2 December 1975. The deliberations were one of the longest and bitterest in the history of EEC summits with Britain insisting that its vital interests were at stake in the absence of a Community agreement on energy and its colleagues denouncing the proposal as anti-"communautaire" (against the spirit of the Community).\footnote{Harold Wilson, n. 24, p. 202. Some of the bitterest exchanges took place between Harold Wilson and Helmut Schmidt. See also The Times, 3 and 4 December 1975.} Finally the compromise proposal put forward by Harold Wilson himself was accepted which specified that the Community would agree to a minimum selling price of oil (fixed at £7.50 a barrel, Helmut Schmidt reserving his position at seven dollars) and a British Minister was to be called on at the Conference by the Community spokesman to present his Government's views on matters of special interest to it as an oil producer.\footnote{UK, Commons, Parliamentary Debates, Session 1975-76, vol. 901, cols. 1933-34 and The Times, 4 December 1975.}

The final outcome was a curious compromise with both sides feeling victory had been theirs. Wilson and Callaghan felt the utmost need to take home an agreement that did not expose them to the accusation of having surrendered unconditionally to pressures from their EEC partners. At the same time it was also important to them to amend Britain's image as Europe's permanent odd man out.\footnote{The Times, 4 December 1975.}

Back home, Wilson had to report to the House of Commons when he had, in his own words, the worst reception he had had in the final two years of his Premiership.\footnote{Harold Wilson, n. 24, p. 203.} He was attacked by both the
pro and anti-Marketeers, the former taking the line that the same results could have been obtained through cooperation instead of antagonistic tactics while the latter maintained that all this was solid proof of their consistent position that it was not in Britain's interest to stay in the Community.\textsuperscript{106} There was a negative impact on intra-EEC relations as well. The bitterness created between Britain and its partners was reflected in caustic press comments in France and Germany denouncing the apparent selfishness and insularity of Britain.\textsuperscript{107}

Besides the context of the oil crisis in the mid 1970s, another major element in the debate was the conflicting interpretations of the Treaty of Rome relating to its application to the continental shelf. Consequently the legal status of North Sea oil and gas was also in doubt with the Commission once asserting that it was 'European oil'.\textsuperscript{108} However, it seemed to change its position when it confirmed, in reply to a question from a British Member of the European Parliament on 27 April 1974, the view expressed in the Commission's memorandum of 1970 that "these natural resources belong entirely to the member states concerned which may therefore derive the full economic advantages from them for example, dues, taxation and balance of payments benefits".\textsuperscript{109}

So legally and politically these are national and not Community resources. However, the situation, so far as the North Sea oil is concerned, has been further complicated by the UK Continental Shelf Act, 1964. But, as against popular belief, instead of

\textsuperscript{107} The \textit{Times}, 4 December 1975.
\textsuperscript{109} Quoted in Ibid.
nationalising the resources of the Shelf or acquiring its ownership, it confers on the Government "the rights to explore and exploit the natural resources of the sea bed and sub-soil outside the territorial sea in areas designated for that purpose".\textsuperscript{110} Since the Act, a system had been evolved under which the government issued licences to operators which required them to bring any natural resources extracted from the sea bed to British soil first and subsequently the Government takes charge of them.

Some provisions of the Treaty of Rome, notably those on the right of establishment and the freedom to provide services are violated by British practices under the Act of 1964. These require, according to the two directives of the Council of Ministers of 1964 and 1969, "... the removal of restrictions relating to prospecting and drilling for oil and natural gas which prevent the nationals (whether natural persons or companies) of one member state from establishing themselves in the territory of another member state or from providing services there on the same conditions as nationals of the latter state".\textsuperscript{111} Thus it is clear that this fundamental EEC norm of non-discrimination on grounds of nationality has significant implications for British laws relating to oil and gas activities. The treaty of accession singled out British policy of restricting the issue of licences to British nationals resident in the United Kingdom and the British companies registered there and asked for its removal.\textsuperscript{112}

As in other areas the British Government was not keen to allow the Community to control vital national energy resources of

\textsuperscript{110} Ibid.
\textsuperscript{111} Ibid., p. 17.
\textsuperscript{112} Ibid., p. 18.
the states. Stating this in Parliament in May 1977 Anthony Wedgwood Benn, the Energy Secretary of the Labour Government, said that Britain whose great wealth in coal, oil and gas and whose skill in nuclear generation put it in a very powerful position would make its contribution through trade in energy i.e. on a commercial basis. The high stakes of Britain in its energy resources were also borne out by the facts that it had made by far the greatest investment in energy within the Community, namely, 51 per cent of its investment in oil, 33 per cent for coal, 26 per cent for natural gas and 27 per cent of the whole of the Community's energy investment.

Already well on its way to becoming the tenth largest oil producer in the world Britain had 45 billion tonnes of coal which, at the existing rate of extraction, would last 300 years, and a nuclear power programme providing for 13 per cent of its electricity requirements. As Wedgwood Benn asserted, Britain was the only industrial country in the western world which was self-sufficient in energy matters; it had to proceed with a planned energy policy and use the revenues to meet its debt repayment obligations and to reindustrialise through developing its oil equipment and manufacturing industry.

This essentially nationalistic attitude with regard to its energy reserves, especially oil, was by no means peculiar to the Labour Government. The Conservative Government of Margaret


116 Ibid.
Thatcher too took the position that the exploitation of its own sector in the North Sea was primarily a British concern; it was also opposed to any suggestion that the Community partners should get any Preferential access to or prices for British North Sea oil since more than half of British gross exports of oil was going to the Community countries through normal market forces anyway and that on the question of price Britain was essentially a follower and not a leader of the market. After the budget controversy came to a head some Community countries sought to link the North Sea oil with the re-negotiation of the rules governing Britain's contribution to the Community budget; the Conservative Government, however, consistently rejected such linkage.

There has been a significant body of opinion within Britain during this period which has sought to argue that the North Sea oil, which is a sovereign British asset, was Britain's only substantial bargaining counter vis-a-vis the Community partners. Since this asset would not last forever Britain had to bargain for a concession which would confer the maximum advantage to itself. To be meaningful however this concession had to be in the form of an improvement in an important sector of Community policy desirable in its own rights. The most ideal target from the British point of view which filled the bill was a radical reform of the Common Agricultural Policy.

However, judging from its practice it appears that the Thatcher government have been unwilling to establish any linkage

118 Ibid.
119 Ibid., p. 41.
between the North Sea oil and intra-Community dealings one way or another. Britain continued to sell its oil and coal to the Community partners on a strictly commercial basis. In 1981 Britain sent over half of its oil exports and over 80 per cent of its coal exports to other member-states. On the production side, Britain, with a 219.6 M. Toe, — of which oil comprised of 102.1 M.Toe — production of primary energy at the end of 1982 was the largest Community energy producer; Germany trailed well behind in the second place with 124.4 M. Toe. So far as the formation of an all-embracing centrally managed energy policy was concerned the Community was unable to agree on any concrete framework during the period under review; however a decentralised framework of mutual assistance was agreed upon with efforts on co-ordination of objectives and collaboration in research. Consequently, differences in attitudes were often displayed by member states themselves which tended "to create differences in national situations and in 'political philosophy', or even at the degree of progress of their national economic or energy policies."

European Monetary Union

Monetary developments have been an important concern of the Community from its very beginning. As one of the first steps towards a federal Europe closer economic and monetary collaboration among

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120 The present author's interview with Herman da Fouseca Wollheim, a senior official in Directorate C-General Questions and Instruments of External Economic Policy, EEC Commission, on 27 January 1987 in Brussels.
121 UK, HMSO, n. 43, p. 37.
123 Commission, n. 71, p. 89.
the Community members was envisaged in the Treaty of Rome which provided for the creation of a Monetary Committee. The Hague summit of the Heads of Government in December 1969 supported the principle of an economic and monetary union (EMU) and it was announced that plans would be worked out to achieve a rapid Community progress towards it within a few years. At the European Council of February 1971 initiative was taken to making the Community a single economy by 1980 with, in effect, a single currency and a single authority for domestic and external monetary management. \(^{125}\)

A closer monetary co-operation in the Community was necessitated by the breakdown of the post-War system of fixed exchange rates tied to the US dollar in the late 1960s and early 1970s and its replacement by a system of floating exchange rates which led to considerable monetary instability and to disruption in the Common Agricultural Policy and intra-Community trade. A firmer, more stable arrangement was necessary for more orderly monetary transactions within the Community.

An attempt at such monetary cohesion was made even before Britain joined the Community when the 'Snake' was created. This was an arrangement set up in April 1972 to reduce exchange rate fluctuations by restricting members' currencies within a narrow band of 2½ per cent on either side of their base rates against other 'Snake' currencies. \(^{126}\) Thus, a weak currency was given very little percentage margin and this precipitated the withdrawal of Sterling, a weak currency, from the Snake within a few weeks after

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126 EC, Commission, Ibid.
it had entered it in 1973. Similarly, France too had to withdraw once in 1974 and again in 1976. So when the initiative for the new European Monetary System (EMS) was taken by the West German Chancellor, Helmut Schmidt, in early 1973 only the German Mark, the Danish Crown and the Benelux currencies were participating in the 'Snake'.

The concept of EMU with its supranational, if not federalist overtones, was a target of criticism from the anti-Marketeers in Britain, especially the left-wingers. This was considered to be another dangerous feature of the EMS which would destroy the integrity of the British national state. Even moderate Labour leadership was sceptical if not contemptuous about its feasibility and even desirability. This was reflected in the statement by James Callaghan at the Council of Ministers in June 1974, when he presented Britain's case for re-negotiation. What was needed, the Labour Government argued, was a hard headed realism to tackle the serious economic and political problems that the world and Europe was facing and not any dream about a European union which would prove impossible of attainment.

There were also solid economic reasons for the Labour Government's opposition to EMU. It was feared that a system of fixed parity which was the basic pre-requisite of EMU would make it impossible for any country, particularly a country with a relatively low growth rate, to manage its own economy efficiently and provide for full employment. A socialist Government was quite unable

127 Ibid.
130 UK, HMSO, n. 30, para 49, p. 17.
to accept commitments which would create roadblocks in the pursuit of its cherished goal of state control over the nation's economic parameters, an outcome most likely to follow the implementation of EMU.

At the Paris summit of the Heads of Government, in December 1974, Harold Wilson prevailed upon his EEC colleagues about what the Labour Government considered to be the unattainable nature of EMU. He did not have to try very hard, for Giscard D'Estaing and Helmut Schmidt were greater realists than their predecessors and clearly appreciated that without a proper convergence of the policies of individual countries as well as a single central bank and a single currency EMU would remain an ideal. It was generally accepted that the original blueprint for attaining EMU by 1980 was impracticable and the "Heads of Government in 1974 tacitly discarded the stages of progress towards EMU which were endorsed by the Paris Summit in 1972", though it was kept as one of the EEC's long term objectives.

Thus, complete monetary union within a stipulated period was abandoned though Community experiments at monetary cohesion through the 'Snake' were continued. In 1973 the European Monetary Co-operation Fund (EMCF) had been established to record transactions within the 'Snake' and to manage the Community's short-term monetary support mechanism which provides short term credits between European Community Central Banks.

131 Harold Wilson, n. 24, p. 94.
132 UK, HMSO, n. 30, para 50, p. 18.
134 EC, Commission, n. 125, p. 4.
Meanwhile, the inefficacy of the 'Snake', from which both Britain and France had been absent, became evident and something different had to be tried. The need for a European monetary revival based on a new European Monetary System (EMS), was reflected in a speech by Roy Jenkins, then President of the European Commission, in Florence in October 1977. The subsequent initiative was taken by Chancellor Helmut Schmidt of West Germany who had long been dissatisfied with the weakness of the Dollar in the international money markets and the damage it was causing to the European economies, especially to that of Germany. The US President Jimmy Carter seemed unable or unwilling or both to try and do anything about it. The broad outline of the Plan devised by Schmidt in consultation with his economic advisers was first put to other members of the Community at a meeting of the European Council in Copenhagen on 7 April 1978. The plan was made known to the general public only after the Bremen meeting of the EEC Heads of Governments on 6-7 July 1978. The plan was devised to keep EEC currencies from wildly fluctuating against one another thus ensuring smoother transactions and to create safeguards against the unreliability of the Dollar as a reserved currency. It mainly consisted of an exchange rate mechanism, a new monetary unit known as the European Currency Unit (ECU) and enlarged Community credit facilities. Under the arrangements each currency was given a

135 Ibid., p. 5.

136 The Times, 7 and 8 July 1978. According to an insider, after the Copenhagen Summit the Germans and the French "invited the British to join for once in a tripartite enterprise to follow up Copenhagen and prepare an outline scheme for the next European Council in July". However, the Labour Government did now show any marked enthusiasm for the scheme and "the French and the Germans went ahead and produced proposals for Bremen on their own". Michael Butler, n. 73, p. 69.
central rate fixed in ECU, which were to be used to establish bilateral exchange rates with other currencies. The monetary authority of each member state has to intervene in the exchange markets to ensure that its currency does not fluctuate by more than 2.25 per cent (6 per cent in the case of Italy) against any other currency. In the event of a significant divergence occurring between one exchange rate and the weighted average of the others (when expressed in ECU) the member state in question has to take corrective actions which are not restricted to just monetary intervention and may include changes in economic policy.137

The less prosperous member states have also been helped by supplementary measures to adhere to the monetary and economic disciplines of the system; these comprise loans to finance infrastructure projects and provisions for interest relief grants.138 Participants in the exchange rate mechanism deposit 20 per cent of their gold and 20 per cent of their dollar reserves with the European Monetary Co-operation Fund (EMCF) in return for ECU of the same value. Member countries can use these ECU to settle debts, arising from intervention in exchange markets, between the central banks concerned. Those countries not participating in the exchange rate mechanism may also deposit reserves with the EMCF.139

The scheme received an enthusiastic response from President Giscard D'Estaing of France who considered it a fresh opportunity to reorganise the French economy.140 A period of relative exchange

137 UK, HMSO, n. 43, p. 26. See also Commission, n. 125, pp. 5-7.
138 UK, HMSO, Ibid.
139 Ibid.
rate stability would be needed to build confidence in the commercial and industrial sectors and for this purpose the French President preferred a system of fixed to one of floating exchange rates.\textsuperscript{141}

The discordant note however was struck by James Callaghan who had already displayed on a number of occasions his scepticism about efforts for close monetary collaboration without, what he considered to be, adequate preparations. His distrust of such moves dated back to the time of the debate in 1971 when he had powerfully argued against such union of European Exchange rates which, besides having serious repercussions on world trade and the developing countries also warranted "a surrender of independent decisions in fiscal and monetary matters ..."\textsuperscript{142} In the negotiations leading up to the formation of the EMS, Callaghan and the British Government had sought to impress upon France and Germany, the prime movers, the need to ensure not to impose too onerous obligations on the weaker economies as had been the case with the 'Snake'.\textsuperscript{143} But the final arrangement looked to Britain to be not much different from the 'Snake' and envisaged a kind of Government obligation which would have a growth stifling effect at a time of high unemployment and recession. Besides, the right economic foundation which required greater convergence of the economic policies of the Community countries to tackle inflation and unemployment, Callaghan felt, was just not there. He believed that if the Community continued with the concerted action set out in his five-point

\textsuperscript{141} Ibid.
\textsuperscript{142} UK, Commons, Parliamentary Debates, Session 1971-72, vol. 823, cols. 2196-8.
\textsuperscript{143} UK, HMSO, The European Monetary System, Cmnd. 7405 (1978), pp. 4-5.
plan to increase growth and reduce inflation and unemployment placed before it earlier that year, the right foundation for the introduction of European Monetary Union would be laid. He feared that the scheme that was being proposed would keep currencies artificially overvalued or undervalued.\textsuperscript{144}

James Callaghan was not alone in his scepticism. There was lack of enthusiasm from the Conservatives as well for the scheme as their economic spokesman argued that it was an artificial strapping of Euro-currencies together in a new 'Snake'. Europe should move to currency union by more natural means. There was hostile noises from the British industry and its mouthpiece the Confederation of British Industries (CBI).\textsuperscript{145} Several major exporters were scared that Sterling might rise as a result of a link with the powerful German Mark and this would damage their export prospects.\textsuperscript{146}

The Labour Party, as usual, took a very belligerent attitude which was reflected in the Labour Party Conference in October 1978. Most of the speakers left no doubt in Callaghan's mind what the grassroot Labour attitude to EEC in general and the EMS in particular was.\textsuperscript{147} Callaghan could also ill-afford to have a great row in the party over EMS when an internal party fight was already on his hands over Government policy of restricting wage rises to 5 per cent in 1978-79. Both he and Denis Healey, the Chancellor of the Exchequer, argued that preference should be given to see the pay policy through. Apart from this they believed that entry into the EMS, with the probability of the consequent devaluation of the

\textsuperscript{144} Ibid., p. 2.
\textsuperscript{145} The Economist, 7 October 1978, p. 64.
\textsuperscript{146} Ibid.
\textsuperscript{147} The Economist, 28 October 1978, p. 23.
Pound, would make inflation worse. And if the pay policy was busted, the long term prospects of Britain being able to stay in the EMS would be greatly reduced.

At the European Council meeting held in Brussels on 4-5 December 1978 the final format of the EMS was agreed upon, which was an improvement upon the original proposals in so far as the feared deflationary impact of a fixed rate system was concerned, with greater emphasis on measures to aid growth in the weaker economies. Nevertheless Britain still decided not to join. Callaghan's decision was influenced by anxieties about its impact on the Government's economic policies as well as the strong opinions in the Labour Party against membership of the EMS. The conquest of inflation was to be given overriding priorities.

The advent of the Conservative Government of Margaret Thatcher provided a fresh opportunity for a reconsideration of the British stand vis-a-vis the EMS. Although the Conservatives had expressed their reservations about what they considered to be an artificial strapping of Euro-currencies together, one of their leading spokesmen, Geoffrey Howe, had unreservedly endorsed the objectives of the EMS at its formation and had suggested that there was no reason "why a British Government, committed to the conquest of inflation and to the restoration of monetary discipline should be unwilling to accede to a scheme of this kind". In their reference to the EMS Conservative spokesmen sought to give the impression that joining the scheme might be Britain's way of

149 Jocelyn Statler, n. 140, p. 223.
150 The Economist, 28 October, 1978.
151 Royal Institute of International Affairs, n. 72.
convincing its partners of its commitment to the Community's success. 152

At the European Council meeting held at Strasbourg in June 1979 Prime Minister Thatcher informed her partners that Britain would participate in the revolving swap of 20 per cent of its gold and dollar reserves for ECU's issued by the European Monetary Co-operation Fund. This was considered to be an indication of the Government's desire to take an active part in the development of the Community's monetary institutions while a review of the question of Sterling's membership of the exchange rate mechanism was carried out. 153

In the event, after due consideration, the Conservative Government too decided not to participate in the exchange rate mechanism. As orthodox monetarists who did not believe in having an exchange rate policy at all, the prime emphasis of the economic and financial strategy of the Thatcher Government was on reducing public expenditure, containing the public sector borrowing requirement and exercising strict control over money supply. Such an economic strategy ruled out full membership of the EMS, "because of the scope for collision between monetary targets and market intervention to uphold a pre-ordained exchange rate." 154 The government also wanted to see the full effects of having removed all exchange controls. More important, it was unsure about the

152 Ibid.
effects of the Sterling's new-found status as a petro-currency following Britain's emergence as a major oil-producer.\textsuperscript{155}

From the Community point of view the British decision to stay away from the Exchange Rate Mechanism (ERM), the most important segment of the EMS experiment, was extremely disappointing.\textsuperscript{156} Besides tarnishing Britain's reputation, a shadow was cast over its fundamental commitment to a European future. On the eve of the Brussels summit of December 1978, there was, as one commentator put it, "an atmosphere of great irritation and some anger at Britain's persistently go-it-alone line on a whole range of Common Market issues".\textsuperscript{157} What was most perplexing to the rest of the Community was the British inability to take a step which the Irish and the Italians, in spite of their weak currencies, were bold enough in taking.\textsuperscript{158} During the course of the rest of the period under review the British decision not to participate in the ERM stayed, notwithstanding the periodic proddings by other Community countries, notably West Germany, to do so.\textsuperscript{159}


\textsuperscript{156} The present author's interview with Simon Nuttal, Head, External Relations Section, Commission of the European Communities, on 26 January 1987 in Brussels.

\textsuperscript{157} \textit{The Guardian}, 4 December 1978.

\textsuperscript{158} \textit{The Guardian}, 5 December 1978.

\textsuperscript{159} The present author was informed by two reliable sources in London and Brussels that it was only the opposition of the Prime Minister which stood in the way of Britain joining the ERM. See the author's interview with Simon Nuttal on 26 January 1987 in Brussels, and with Amanda Burn, Head of the European Community section of the Confederation of British Industries on 13 January 1987 in London.
Contribution to the Community Budget

Some of the most damaging rows that took place between Britain and its partners in the Community have been on the question of the British contribution to the Community budget. As already noted elsewhere (in Chapter three) when Britain joined the European Community it knew that as a non-farming country it would be a net contributor to the EEC spending since about 70 per cent of the Community budget was devoted to the financing of the Common Agricultural Policy. But in the first five years of membership, it did rather better by paying less than it had expected to pay. The treasury had expected in 1971 to pay a whopping £ 1295 million between 1973 and 1977. Instead, the bill was only £ 612 million.\textsuperscript{160} This was partly because of the fall in the value of Sterling during this period as also due to other reasons already explained. But since 1976 the bill has been rising fast. The figures were high from 1976 onwards because the bills were calculated in real Pounds, partly because Britain's transition period ended in December 1977, and, partly, because growing food surpluses pushed up overall EEC spending (in terms of subsidies to the farmers).\textsuperscript{161}

Even before it was forced to go out of office, following defeat in a snap election in 1979, the Labour Government which had included the budget issue as an important part of their re-negotiation in 1974-75 had realised that the agreement of 1975 was not working well to Britain's advantage and had already initiated lobbying within the Community to cut Britain's net contribution.\textsuperscript{162}

\textsuperscript{160} The Economist, 18 November 1978, p. 45.
\textsuperscript{161} The Economist, 4 November 1978, p. 45.
\textsuperscript{162} EC, Commission, Bulletin of the European Communities, vol. 12, No. 3, 1979, point 1.1.10.
But the issue was taken up in a big way by Margaret Thatcher after she came to power in May 1979. The opening speech from the throne in the new Parliament, in May 1979, pledged that the Government would "press for a fairer pattern of budgetary and resource transfers in the European Economic Community". And during the course of a visit by Helmut Schmidt to London a few days after she took over as Prime Minister, Thatcher sounded a note of warning to the German Chancellor to the effect that she and her Government would not be a 'soft touch' in the Community; they would judge what British interests were and they would be resolute in defending them.

During the course of the run-up to the European Council meeting in June 1979 a report produced at the behest of the Finance Council of the Community revealed what was considered to be "a totally inequitable state of affairs" by Britain and Italy "in which they were transferring resources on a substantial scale through the Community Budget to other member states significantly more prosperous than ourselves". The other members, however, regarded this assessment as exaggerated and held "that the pattern of net contributions to the Community Budget did not provide a reliable guide to the overall economic effect of Community policies". At the European Council meeting at Strasbourg on 21 and 22 June 1979 — her maiden venture as Prime Minister — Thatcher

163 Quoted in the Guardian Weekly, 27 May 1979, p. 5.
166 Ibid.
made the British dissatisfaction with the existing system very clear to her EEC colleagues and asked for corrective steps to be taken. 167

The position adopted by Margaret Thatcher was a simple one—that it was unfair and inequitable that a country which was not one of the richest members of the Community should be obliged to shoulder such a large burden of net contribution to the Community budget. The Community was not designed to effect the transfer of real resources from one member to another as was happening in this case and no British Government could allow this to continue. 168

Before the issue came up for discussion and a decision at the European Council meeting held at Dublin in November 1979, President Giscard D'Estaing of France paid a visit to London for assessing the British position. While appreciating Britain's problems sympathetically the French President felt that an economically strong and healthy Britain as a partner was in France's own interests; but he did not want to do anything either at the expense of French interests or of the rules of the Community as they stood then. France would be prepared to do something to achieve a solution limited in scope and time. 169

Margaret Thatcher was, however, not to be daunted by such talks as about Community rules when she clearly saw the situation to be grotesquely unfair to Britain. Viewing the budget problem as a conflict between right and wrong she adopted a somewhat

169 Ibid.
militant position at the Council meeting at Dublin, and demanded a cut of £1000 million in British contributions. Sounding a note of warning that this was the Community's 'last chance' to end the huge British contribution Mrs. Thatcher threatened that she would not be afraid to "precipitate a crisis" if she did not receive satisfaction, though the exact nature of action contemplated was not spelled out. Britain was not asking for, in Mrs. Thatcher's words, "a penny piece of the Community's money"; it was only asking for its own money back. The Community's offer of £350 million and a linkage indicated by the French President Giscard D'Estaing between a settlement on budget and Community solutions to outstanding disputes over common fisheries, shipmeat and energy policies was rejected by Thatcher out of hand.

The meeting revealed the wide gulf between Thatcher and her fellow Heads of Government. While the British Prime Minister persisted in speaking of "our money" and "Britain's money", others insisted that contributions to the EEC budget were the Community's "own resources" and not simply handouts by national Governments. Despite their appreciation of the British problem, the Eight were not prepared to agree with the British assessment of its nature and of the scale of action required to remedy it.

170 Her angry comment to a distinguished European visitor ("Not another penny-piece to those leeches") was indicative of her mood. The Times, 30 November 1979.

171 Thatcher ruled out withdrawal - "We are in the EEC and we will stay in and no one has the right to throw us out". The Times, 1 December 1979.

172 Ibid.

173 As noted earlier in Chapter Three the Community's own resources are the proceeds of all agricultural levies and duties, and industrial tariffs (less a 10 per cent collection charge).

As in the case of the re-negotiation of 1974-75 the principal contender for Britain this time too was France. As the prime mover behind the creation of the Common Agricultural Policy the French felt alarmed at what they sensed to be a British challenge at the fundamental structure of the EEC itself.\textsuperscript{175} There was, thus, no question of France accepting any basic changes to the Community's "own resources system". Any measure taken to mitigate Britain's financial burden had to be temporary, not permanent as the UK had demanded.\textsuperscript{176} The French stand — readiness to compromise without undermining what they considered to be the principles of the Community — was given solid backing by the Germans, the Dutch, the Belgians, the Danes and the other member states of the Community as well.\textsuperscript{177}

The British stand — besides reiterating the principal point about the inequity of the third poorest member state making the largest net contribution — concerning the system of own resources was that the way it actually worked in practice produced results which ran counter to the Community's wider aims, namely "promoting a convergence of economic performance among its members".\textsuperscript{178} And while it also rebutted the charge of seeking a 'Juste Retour' (getting out of each Community policy exactly what a member-state puts into it), levelled against itself, Britain pointed out that a

\begin{itemize}
\item \textsuperscript{175} Walter Schwarz, "How France Views Britain's Hard EEC Line", \textit{The Guardian}, 25 March 1980.
\item \textsuperscript{176} Rober Mauthner, "Why Paris Favours an EEC Armistice", \textit{Financial Times}, 22 March 1980. See also Michael Butler, n. 73, p. 95.
\item \textsuperscript{177} Keith Richardson, "Thatcher's High Noon", \textit{Sunday Times} (London), 23 March 1980.
\item \textsuperscript{178} Speech by Sir Ian Gilmour, Lord Privy Seal, at the French Institute of International Affairs in Paris. See \textit{London Press Service}, 23 January 1980, pp. 4-5.
\end{itemize}
healthy Community was "one where costs and benefits are not dis-proportionately allocated across the whole range of Community policies and where the requirement to pay has some relation to the ability to pay".\textsuperscript{179}

Despite her failure and the strong denunciation of Britain in the Continental, especially French, press which the Dublin wrangling generated\textsuperscript{180} Margaret Thatcher did not soften her basic stand; neither did she change her fundamental premise that it would be damaging for everyone concerned for Britain to leave the Community.\textsuperscript{181} At the European Council meeting held at Luxembourg in April 1980 the Community offered a deal limiting British net contribution to £ 328 million on condition that it was only for 1980-81 and also that Britain accepted an average 5 per cent increase in EEC farm prices which it was refusing so far. The offer was dismissed by Thatcher as "totally unacceptable" and the matter dragged on for another month before agreement was reached at Brussels on 30 May. The final agreement reflected a good measure of give and take on both sides, the Community offering Britain a 2-year deal for 1980 and 1981 amounting to a refund of £ 1577 million and Britain agreeing to lift its veto on farm price increases of 5 per cent.\textsuperscript{182}

\textsuperscript{179} Ibid.

\textsuperscript{180} Britain was denounced for behaving in a 'selfish and arrogant manner' and its real commitment to Europe was called into question. \textit{The Times}, 3 December 1979.

\textsuperscript{181} \textit{The Times}, 9 January 1980. The dispute however generated so much tension that there was widespread talk in France about a new formula for relations between Britain and the Community like some kind of associate status for Britain. See also \textit{Le Monde} (Paris), 21 December 1979. Ian Gilmour, however, told the present author that this was just a diversionary tactic on the part of the French and that no concrete proposal was ever conveyed to Britain. See the present author's interview with Ian Gilmour, on 4 February 1987 (London).

\textsuperscript{182} \textit{The Times}, 29 April and 31 May 1980. See Chapter Three for details.
The dispute between Britain and its partners on the budget question focussed attention once again on the fundamental differences between the two sides. While Britain dwelt on the inequitous nature of the problem the other Community partners maintained that Britain was clearly not prepared to play the European game according to the rules of the club. Some quarters in France also accused it of deliberately setting out to destroy the Community in its present form out of its subservience to American interests. The crisis, it was argued in these quarters, concerned more than hard cash or technicalities; it was about the kind of Europe that Britain wanted or would not allow to exist without it.

In response to the charge that Britain was not fully committed to the EEC the British Ambassador to France, pointed out, in a speech, that Britain was a loyal member honouring the undertakings contracted under the Treaty of Rome and submitting scrupulously to all obligations arising from it. He recalled Britain's decisive contributions to the defence of Europe for nearly 30 years, active participation in the work of the Council of Europe, of NATO, the EC, the European Assembly and in the political co-operation of the Nine. "None of all this can, it seems, earn us the qualification of 'European' if we dare to demand that the budget of the Community should function equitably", he asked. Clearly, Britain was seeking to project the view that it had earned membership of the Community by virtue of its solid credentials as a European nation which it had proved time and again both before and after it entered the EEC.

184 The Times, 30 April 1980.
185 The Times, 29 March 1980.
Even those, who otherwise acknowledged the justice of the British case, argued that the negotiating tactics adopted by Thatcher had been "so grotesquely incompetent as to beggar belief."\(^{186}\) Apparently, leaders of France and Germany were willing to show a greater spirit of compromise provided Thatcher displayed a more tactful and conciliatory approach.\(^{187}\) There were, however, others, like Ian Gilmour, in the British negotiating team who sought to bring an element of moderation in the British approach.\(^{188}\) It was in no small measure due to their contribution as well as other factors that a compromise could finally be reached.\(^{189}\)

**European Political Co-operation**

One of the cornerstones of the European Community since the beginning has been the concept of political co-operation among its member states. Despite its economic character the founding fathers envisaged an essentially political community to be brought about eventually by greater functional co-operation through Community organs such as the Commission, the Council of Ministers and the European Parliament. Greater harmony was also to be brought about in the conduct of Member States' Foreign Relations and the Community was increasingly to speak with one voice in international affairs.\(^{190}\)

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186 Keith Richardson, n. 177.

187 Ibid.

188 During the course of a visit to Bonn by Ian Gilmour, a member of the West German side remarked that if all British negotiators conducted themselves as Sir Ian did then there could be a quicker solution to the budget problem. Financial Times, 19 January 1980.

189 A final solution to the British budget problem could not be reached until the European Council meeting at Fontainbleu in June 1984. See The Bulletin of the European Communities, vol. 17, No. 6, 1984, points 1.1.1 - 1.1.3.

190 EC, Office for Official Publications, *European Unification*: 
Although the necessity to impart a more formal character to the process of consultations on foreign policy issues was felt during the decade following the establishment of the Community the first concrete steps in this regard were initiated only in 1969 which resulted in what is known as the 'Davignon Report' in 1970. Following its recommendation for a common European diplomatic effort European Political Co-operation (EPC) was set up in 1970. The process which was to consist of Foreign policy co-ordination among the member States of the European Community was to be conducted outside the framework of the treaties establishing the Community and thus not to be governed by the decision-making rules that applied to the meetings of the EEC Council of Ministers.

Thus when Britain joined the Community in January 1973 the process of EPC was well on the way to taking a concrete shape. It had already been agreed among the Member-States of the Community that political co-operation between them on foreign policy matters should be improved and that the Foreign Ministers should meet four times instead of twice a year for this purpose. In fact Edward Heath himself had played a pivotal role at the Paris European Summit in October 1972 in getting the Member-States of the community to declare their readiness to co-operate on foreign policy issues of current interest and, where feasible, to work out common medium and long term positions.

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191 It was so called after the most influential Member of the Group which produced the report i.e. Etienne Davignon, Political Director of the Belgian Foreign Ministry. New York Times, 16 December 1973.

192 EC, The Commission of the European Communities, n. 71, p. 87.

Britain thus joined, under Edward Heath, as an enthusiastic supporter of European Political Co-operation. This was made clear by the Prime Minister in his speech at the dinner of the British Council of the European Movement, held at Hampton Court, on 2 January 1973 to celebrate Britain's entry into the European Community. In Heath's view the unified Market was "only the first step in a journey which will carry us well beyond questions of tariffs and trade ... towards a wider Community". One of the most important bases of such a Community was to be "a European foreign policy" which would formulate common positions in Europe's dealings with both the United States and the Soviet Union.\(^{194}\) This eagerness for a common stand on major foreign policy issues was manifested, as already noted, in the efforts of the Foreign Secretary Sir Alec Douglas-Home during the months following Britain's entry to steer the discussions at the Council of Ministers from petty technical matters to what he considered more weighty considerations such as the Community's political relations with the United States, the Middle East and the Communist world.\(^{195}\)

During the early phase of its membership of the Community the enthusiasm displayed by Britain for EPC was not shared by France which was extra-sensitive about retaining its independence in

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194 Speech by Edward Heath, \textit{London Press Service}, 2 January 1973, pp. 2-3. Interestingly enough, while he wholeheartedly supported political co-operation within the Community Edward Heath also shared the French position which insisted that foreign policy co-ordination was an inter-governmental matter to be conducted outside Brussels institutions. Heath felt that the two sets of machinery were working satisfactorily and that there were no need for changes at that stage. See, \textit{The Guardian}'s interview with Edward Heath, \textit{The Guardian}, 2 November 1973.

195 See \_p. 233.
However, procedural matters apart, Anglo-French disagreements also extended to issues such as the Middle East, as revealed during the Yom Kippur War between Israel and the Arab states in October 1973. While France, traditionally pro-Arab in its policy, refused to condemn the Arabs and spurned US proposals to join a joint front against the oil producing countries the British were not willing to have an open confrontation with the United States. They were also prepared to have an open mind, along with other EEC countries, to Henry Kissinger's initiatives in search of a global solution to the energy crisis brought about by the War and the subsequent arm twisting tactics of the Arab oil producers.

Although the Labour Government of Harold Wilson assumed office with serious reservations regarding the terms of British membership as well as the Community itself it did not take James Callaghan, the new Foreign Secretary, long to perceive the implications of EPC and the potential advantages available for Britain in it. As the White Paper on re-negotiation later acknowledged the political co-operation machinery was beneficial for all the member states concerned which were more likely to attain their objectives on international problems if they worked together. It held that as a member of the Community Britain too was able to obtain the benefits of this European co-operation on international foreign policy problems. One such example was the crisis arising

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196 The Times, 4 January 1973. The French were so paranoid on this point that once in 1973 during the first Danish Presidency of the Council, Michel Jobert, the French Foreign Minister, "insisted that Foreign Ministers should meet in Political Co-operation in Copenhagen ... in the morning, and move to Brussels for a Council meeting in the afternoon". See Michael Butler, n. 73, p. 32.

197 Henry Kissinger, Years of Upheaval (New Delhi, 1981), pp. 896-905.

198 UK, HMSO, n. 30, paras 112 & 113.
out of the Turkish invasion of Cyprus in July 1974 when the British Government sought the support of the Community through the political co-operation machinery in bringing about peace rather than dealing with it on its own under its treaty guarantee of the island. 199

It was thus paradoxical that while it drove a hard bargain on the various issues concerned with the re-negotiation the Labour Government was displaying increasingly greater enthusiasm for a European position on global issues. 200 This trend also continued when James Callaghan himself became the Prime Minister. The new Foreign Secretary, Anthony Crosland, lost no time in establishing himself as a votary of EPC when he pointed out how as one of the success stories of the Community it was "commonly underestimated as a gauge of what has been and what can be achieved in the field of European unity". 201

Membership of the Community and the EPC provided a really viable framework for the reorientation of British foreign policy which was manifest on a series of issues of concern to Britain and Europe. Perhaps the most spectacular among these was the third and final stage of the Conference on Security and Co-operation in Europe (CSCE) held in Helsinki in July-August 1975. Concerned primarily with aspects of security and co-operation between the Soviet bloc

200 The Statement of the Foreign Secretary. See UK, HMSO, Developments in the European Communities, April-October 1975, Cmnd. 6349 (1975), para 5.
and the western countries the Conference was held to be "a longstanding and effective exercise in political co-operation" where "the common strategy and day-to-day tactics developed among the Nine made a substantial contribution" to its success and "to the quality and importance of the Final Act". Indeed the unity displayed on the occasion was impressive notwithstanding the fact that the EEC partners all had common interests and that if they were divided among themselves it would have made things much easier for the Soviet Union.

Another issue that became of crucial concern to Britain and its Community partners in the mid and late 1970s was Southern Africa. The region had been a vortex of international controversy and tension for many years on the questions of 'Apartheid' in South Africa and the unilateral declaration of independence by the minority White regime of Ian Smith in Rhodesia. The situation became further complicated when Angola and Mozambique became independent in the wake of the fall of the Salazar-Caetano dictatorship in Portugal in April 1974 and were quickly turned into a battleground for East-West conflict. The civil war and the induction of Cuban troops in support of the Popular Movement (MPLA) - one of the concerned parties - in Angola was of particular concern to the Member States of the Community.

This anxiety was reflected in a Community declaration of the Foreign Ministers of the Nine in Luxembourg on Southern Africa in February 1976. The concerned document, which was a comprehensive

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202 UK, HMSO, n. 52, para 6. The Final Act which had already been finalized and agreed in Geneva was the comprehensive document signed by the participants at Helsinki.

policy statement on Southern Africa, - the first of its kind - expressed its disapproval of "... any action by any state seeking to establish a zone of influence in Africa" (a clear reference to the Soviet Union); condemned "all external military intervention" in Angola and the policy of Apartheid in South Africa and supported "the right of self-determination and independence of the people of Rhodesia and Namibia". 204

The Community declaration on Southern Africa marked a significant achievement from British point of view which now accorded great importance to the EEC's ability to show itself capable of joint action if it was to carry any weight in international relations. 205 As a country which was historically involved with the region Britain under the Labour Government, continued to press for a united Community response to the developments in Southern Africa besides taking its own initiative with the United States to solve the Rhodesian problem. 206 Such a stand, however, often led to differences with France which was traditionally averse to any enlargement of the EEC's collective foreign policy role with its restrictive implication for individual French diplomacy. 207

The major thrust of British diplomacy during this period, however, was kept confined to achieving a solution to the Rhodesia problem. Inspite of its opposition to Apartheid and the South African delaying tactics with regard to the independence of Namibia Britain opposed any move to impose economic and commercial sanctions.

205 The Times, 24 February 1976.
206 See Chapter VI, pp. 391-94.
207 The Times, 8 May 1976.
against South Africa by the Community as this was likely to further alienate the Government in Pretoria which was still the only country enjoying a considerable amount of leverage over the Smith regime in Rhodesia.\textsuperscript{208} This penchant for 'realpolitik' often brought Britain in conflict with some of the smaller countries of the Community like Denmark, Holland and Ireland who were more keen on a tougher stand by the EEC vis-a-vis South Africa.\textsuperscript{209}

The other longstanding major international issue in which Britain had a strong interest and which warranted considerable attention from the Community during the period under review was the problems of the Middle East. As former imperial powers who had a long history of links with the region both Britain and France, the two foremost diplomatic powers in the Community, had more than a passing involvement with the developments there. During the tenure of the Conservative Government of Edward Heath Britain had displayed - as evident during the October, 1973 Middle East war leanings towards a somewhat pro-Arab stance, hitherto a traditional preserve of France within the Community.\textsuperscript{210} The Labour Government of Harold Wilson who was "very close to the Israeli leaders" and "broadly pro-Israel", as he himself put it,\textsuperscript{211} was, however, keen to retain what it called "a balanced relationship with Israel" and maintain its "many links with that country" while agreeing with the Community decision to establish a Europe-Arab "dialogue" with

\textsuperscript{208} Financial Times, 13 July 1977 and The Guardian, 14 June 1978.
\textsuperscript{209} France and Germany, the community's two principal powers, however, usually sided with Britain on this issue. See The Guardian, 14 June 1978.
\textsuperscript{210} See Chapter VI, pp.\textsuperscript{378-80}.
\textsuperscript{211} Harold Wilson, n. 24, p. 165.
the Arab states which aimed "to create an increasingly constructive relationship with the Arab world through co-operation in a wide range of fields".  

Although their attitudes to the Arab-Israeli problem came to crystallise increasingly as part of the framework of European political co-operation, Britain and its partners recognized that the primary responsibility for a solution rested with the United States which held the power as well as the influence with the parties concerned. The role to be played by Britain and the others in the community was essentially to be supportive of US initiatives in this regard as they didn't have the influence and the cohesion on this issue that the Americans had.  

This concern of the Community to play second fiddle to the American role was reflected in the assurance given to Washington by the EEC that its new Euro-Arab dialogue would not be too "political", at least with regard to the Arab-Israeli conflict.

However, the Middle East was too crucial a region for the Community - most of its Member states were utterly dependent on the area for their oil supplies - to be left entirely to the United States. As the stalemate continued with the consequent proliferation of the complexities in the situation the Community felt constrained to take a stand of its own and make its views known on the various aspects of the conflict. It was during the British Presidency of the EEC Council of Ministers during the first half

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213 Sunday Times interview with David Owen, the British Foreign Secretary, Sunday Times, 18 September 1977.
of 1977 that the Nine issued the statement calling for a recognition of Palestinian rights as well as the right of Israel to exist within secure and recognised boundaries. The election of Menachem Begin's Government in Israel leading to the adoption of increasingly intransigent and belligerent Israeli postures such as the establishment of Jewish settlements in occupied Arab lands compelled the Community to adopt a line more independent of Washington and critical of Israel.

The most significant shift in the evolution of a distinctive Community approach to the Middle East was the readiness of the EEC countries, in contrast to the American position, to associate the Palestine Liberation Organisation (PLO) led by Yasser Arafat, with the peace process in the region by encouraging direct talks between the PLO and the Israelis. This transition was noticeably marked in the case of Britain following the return to power in May 1979 of the Conservatives who did not share the somewhat pro-Israeli leanings of the previous Labour Government. Although in their official statements and pronouncements the PLO was not explicitly mentioned, criticism of Israeli policies such as the establishment of settlements in occupied territories (and later the Israeli invasion of the Lebanon in June 1982) and expression of support for the legitimate rights of Palestinians, including the right to a homeland, now became the hallmark of Community policy on the middle east. During its tenure as President of the Council of

215 David Owen, n. 213.
218 UK, HMSO, Developments in the European Communities, January-December 1979, Cmd. 7780 (1980), para 2.3. This position was subsequently enshrined in the Venice declaration of June 1980.
Ministers in the latter half of 1981 Britain played an active role in seeking to persuade all concerned of the value of accepting the Community's position for a comprehensive peace settlement when the Foreign Secretary Lord Carrington visited the Middle East on behalf of the Ten, in November 1981, in further exploring the possibilities of a peace settlement.

The election of the Conservative Government headed by Margaret Thatcher and the appointment of Lord Carrington as the Foreign Secretary provided a greater impetus to British enthusiasm for EPC. As Lord Carrington himself made it clear within a few days of taking office, membership of the Community was the central issue to Britain and British Foreign Policy and consequently it was very important to make a success of it. So far as the British Government was concerned there was now no difficulty in the harmonious co-existence of a British foreign policy and the framework of European political co-operation given the common position of the individual member States vis-à-vis the major international issues.

In the opinion of the British Government, thus, political co-operation had been relatively successful as borne out by the experiences of the late 70s and early 80s. However, it was

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219 Greece had joined the Community in January 1981.


223 Ibid. See also Douglas Hurd, "Political Co-operation", International Affairs (London), Summer 1981, p. 389. Douglas Hurd was the Minister of State for Foreign and Commonwealth Affairs at that time.
felt that there was still ample scope for further procedural improvements while retaining the basic rules and structures as they were. It was in this context that Lord Carrington put forward some new ideas in a speech at Hamburg on 17 November 1980. He made three specific suggestions. Firstly, he felt that the Community must re-examine its political commitment to co-operation on foreign policy; it should seek ways of co-operating more closely and of committing a greater part of the national diplomatic efforts to the furthering of Europe's common objectives. Secondly, as it was necessary to be better organised to be more effective political co-operation should be strengthened by an experienced foreign policy staff, perhaps seconded temporarily from member States, which would enable it to give stronger lead to the Community. This staff did not need to be large in number - perhaps a three to five men team - but they would need to be of high quality. Finally, he suggested that in order to improve the Community's ability to react rapidly in a crisis there ought to be a procedure for convening meetings automatically within 48 hours if any three of the member States believed that there was a crisis which required rapid consultations.\textsuperscript{224}

The suggestions put forward by the British Foreign Secretary struck a responsive cord among the rest of the member States, the traditional French reluctance in this regard notwithstanding. During the subsequent British Presidency of the Council of Ministers the Foreign Ministers of the Ten agreed upon the London Report on European Political co-operation embodying a renewed commitment

to co-operation and broadening its scope. The other suggestions on strengthened machinery and new crisis procedures were also agreed upon. It was also decided that henceforth the European Commission would be fully associated with political co-operation.225

Thus, it appears to be evident that by the end of the period under review British foreign policy had been substantially 'Europeanised'. According to an insider "from the top to the bottom of the Foreign office it has become automatic for anyone considering a new problem, a new situation or a possible new policy to ask themselves what will be the attitude of the other European countries and how can they best be consulted".226 On almost all the major international issues, be it the Soviet intervention in Afghanistan, the Iran-Iraq war, or the crisis in Poland, Britain has primarily reacted in the framework of EPC.227 While it was recognised that EPC was still an exercise in co-operation or co-ordination and not a common foreign policy - Lord Carrington called it a "European identity of view" - the policy-making circles in Britain agree with the judgment "that British foreign policy must be conducted essentially in a European framework".228

227 UK, HMSO, n. 43, pp. 58-60.
B. RELATIONS WITH THE EUROPEAN FREE TRADE ASSOCIATION

The European Free Trade Association (EFTA) was created to fulfil a temporary need that Britain felt following its failure to come to a free trade area arrangement with the newly created European Community in the late 1950s. The countries comprising the EFTA were expected to provide Britain with some of the export markets that it failed to procure by way of negotiations with the EEC. The EFTA convention provided for arrangements for the abolition of obstacles to internal trade with regard to tariff and quotas and provision was made for some co-ordination of economic policies.

But the EFTA failed to provide the substitute to the EEC that Britain was seeking mainly because most of Britain's trade in Western Europe was with the Community countries rather than with the EFTA. Subsequently, as things turned out membership of the EEC became a political and economic necessity to Britain. Nevertheless, Britain decided to take the organisation into confidence and it was decided that the member countries should all act together to make progress towards their goal of a single European market embracing all EFTA members. They also agreed that with a view to bringing this about in any future negotiations with the EEC the members of EFTA would co-ordinate their actions and remain united throughout the negotiations.\(^{229}\)

With this objective in mind two other EFTA countries besides Britain, - Norway and Denmark - also decided to apply for EEC membership. During both the occasions in the 1960s when De Gaulle stood in their way of joining the EEC, the EFTA extended its support

\(^{229}\) UK, Commons, Parliamentary Debates, Session 1960-61, vol. 644, col. 188.
for a venture which, it was believed, "would open up new prospects for a solution of the question of European economic integration ...." 230

After the collapse of negotiations on both occasions the organisation pressed for interim arrangements with the Community to heal the economic division of Europe but with little response from the EEC.

After the EEC's Hague Summit of December 1969 which decided on the expansion of the Community, Britain, Denmark and Norway again applied for full membership. In line with its policy of conciliation the EEC now decided to negotiate 'satisfactory arrangements' with all the EFTA states. Following the successful outcome of their negotiations, Britain and Denmark (as well as Ireland) became members of the European Community from 1 January 1973 and free trade agreements were signed between Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland and the Community. These were seven separate but similar agreements with the Community whereby "trade in industrial products is subject to custom duties or quantitative restrictions only in exceptional cases". 231

What was however particularly important from the point of view of Britain and the EFTA was that the duty exemption already established in EFTA with the United Kingdom and Denmark were maintained, with some exceptions. 232

Thus, the enlargement of the European Community with the inclusion of Britain and Denmark was paradoxical from the perspective of the EFTA; while on the one hand it marked the departure

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232 Ibid.
from the organisation of a regional great power such as Britain it also considerably paved the way for a process of integration of the economies of Western Europe following the conclusion of the Free Trade Agreements between the Community on the one hand and the remaining members of the EFTA on the other.

So far as bilateral relations between Britain and the remaining EFTA members are concerned it has already been noted that British objectives vis-a-vis EFTA were limited and that the Association failed to provide the balance between the EEC and the Commonwealth that Britain was seeking. An analysis of the trade relations between Britain and the rest of the EFTA would highlight the situation further.

In the immediate aftermath of the creation of the Association (1959 to 1967) trade between Britain and EFTA as well as intra-EFTA trade expanded substantially notwithstanding the low British long term growth in trade and output. However, in the following period, 1967 to 1972, this trend was considerably slowed down with tariff discrimination between the EFTA and the EEC clouding the West European trade front. Bilateral trade ties between Britain and the EFTA also rose less compared to that between the EFTA and the EEC and the EFTA and the world.233 After the momentum of expansion, generated in the initial period, had petered out the low productivity and the slow economic growth of the British economy had outweighed the effects of tariff reductions.234

Thus, even before it was enlarged in 1973 the European Community was looming rather large in the respective calculations.

234 Ibid.
of Britain as well as the rest of the EFTA. The inadequacy of the Association and the arrangements that went with it were brought into sharp focus following the Free Trade Agreements between the Community and the EFTA states and the consequent faster expansion of its trade with the EEC-6 compared to intra-EFTA trade or its trade with Britain and Denmark.\textsuperscript{235} The following table provides a comprehensive picture.\textsuperscript{236}

<table>
<thead>
<tr>
<th>EFTA Trade within the European Free Trade System</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFTA countries imports from :</td>
</tr>
<tr>
<td>EFTA</td>
</tr>
<tr>
<td>UK + Denmark</td>
</tr>
<tr>
<td>EC 6</td>
</tr>
<tr>
<td>EFTA countries exports to :</td>
</tr>
<tr>
<td>EFTA</td>
</tr>
<tr>
<td>UK + Denmark</td>
</tr>
<tr>
<td>EC 6</td>
</tr>
</tbody>
</table>

As can be seen the expansion in the intra-EFTA trade that took place between 1959 and 1967 lost momentum thereafter and the pattern of trade between 1972 and 1978-79 swing half-way back towards what prevailed in the late 1950s following the dismantling of tariffs between the EFTA countries and the EEC.

Trade ties between the EFTA countries on the one hand and Britain and Denmark on the other as compared to those between the

\textsuperscript{235} Ibid.
\textsuperscript{236} Ibid. The table shows intra-EFTA trade, plus trade with the UK, Denmark and the EC 6, as a percentage of the trade of the present EFTA countries with all their partners in the European free trade system.
EFTA and the EEC 6, during 1972 to 1978-79, either remained stagnant or fell somewhat. This indicates the greater attraction of the markets of the EEC 6 in the eyes of these countries than those of Denmark and the United Kingdom.

Viewed from the British perspective too there was a significant downturn in British-EFTA relations following the enlargement of the Community in 1973. A comparative picture of British trade with the EEC and the EFTA between 1968 and 1982, as presented in the following table, would make this clear. 237

<table>
<thead>
<tr>
<th>British Trade with EEC and EFTA</th>
<th>£ m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td></td>
</tr>
<tr>
<td>EEC</td>
<td>1,196</td>
</tr>
<tr>
<td>EFTA</td>
<td>856</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,899</td>
</tr>
<tr>
<td>EEC</td>
<td>1,567</td>
</tr>
<tr>
<td>EFTA</td>
<td>1,160</td>
</tr>
</tbody>
</table>

As can be seen from the figures above British exports to and imports from the EFTA countries increased in absolute terms during 1968 to 1982 but they fell when viewed as percentages of total British exports and imports. For instance in 1968 Britain sent 13.8 per cent of its exports to the EFTA countries and received 14.6 per cent of its imports from the same sources. However in 1982, the final year of the period under review, these figures were 9.5 per cent and 12.5 per cent respectively. In contrast, trade

with the EEC increased not only in terms of volume but also in percentage term during this period. For instance, in 1968 the percentages of British exports to and imports from the EEC were 19.3 per cent and 19.8 per cent respectively. However in 1982 these figures rose to 41.6 per cent and 44.3 per cent respectively.

The relatively greater orientation of British trade towards the EEC and the consequent downgrading of trade ties with the EFTA during these years is thus an established fact. As already shown the attraction of the EEC was not confined to Britain alone; the other EFTA countries also expanded their trade with the EEC following the Free Trade Agreements between the Community and these countries. All this only goes to show that the EFTA had essentially served as a "waiting room", "an association, whose members had in mind arrangements with a reluctant EEC which delayed matters and who did not acknowledge that EFTA had any particular inherent value".238 As a result of the enlargement of the European Community in 1973 the EFTA countries continued to adapt their economic and social structures to align them with the EEC in order to derive the greatest possible benefits from their free trade agreements and to remain in line with the further development of EEC integration.239

However, it would be somewhat onesided to dwell entirely on what may be termed the negative aspects of the matter. It needs to be noted that despite the phenomenal increase in British trade with the EEC, the EFTA countries continued to occupy a significant proportion of British exports and imports. Together, the EEC and


the EFTA took in more than 55 per cent of total British exports. EFTA as an Association too did not wither away, - as expected in some quarters - following the desertion of Britain and Denmark. Rather it "still remained alive - shrunken as to the number of its members but more homogeneous than ever". Indeed, the enlargement of the EEC was the indirect realization of EFTA's original basic purpose - the economic integration of Western Europe. To that extent Britain's entry into the Community turned out to be a positive contribution towards the cherished goal of British leaders in the 1950s - the creation of a large free trade area encompassing the whole of Western Europe.

Conclusion

The first ten years of British Membership of the European Community, in so far as its relationship with the EEC partners was concerned, have been an eventful one. The dissipation of the high hopes with which Britain arrived in the Community, following the oil crisis of 1973 as well as the built-in disadvantages of the various Community policies for Britain, culminated in the recurrence of what seemed to be unending frictions between Britain and its partners, especially France, on the vital issues facing the Community. As already noted British Governments during this period, Labour as well as Conservative, felt constrained primarily under domestic compulsions, to adopt tough postures against what appeared to them as unfair and discriminatory operation of the Community's institutions and policies; on the other hand other members of the Community felt that Britain was not acting in good faith, that having solemnly agreed to observe the rules and

240 Ibid., p. 25.
regulations of the Community membership it was behaving in a selfish and wayward manner and according to the dictates of its own convenience.

However, the unpleasantness in their mutual dealings notwithstanding, the reality of a British presence inside the European Community continued to gradually dawn on both sides of the Channel. The undisputed dominance of France and Germany has been somewhat counter-balanced by the arrival of Britain though Paris and Bonn continue to remain the two most influential capitals within the EEC; the European connection also added a new dimension to Britain’s historic links with the Commonwealth and the United States.

In spite of the myriad disappointments, bitterness and recrimination, sober opinions on both sides, especially Britain itself, have been persuaded by the realities of the last quarter of the twentieth century Europe and the world to accept that a British presence in the European Community was in the interest of all sides concerned—Britain, Europe and even the world at large.