

Report on the accession of Ireland to the European Communities (Dublin, January, 1972)

Caption: In an official report published in January 1972 and presented to both Houses of the national parliament, the Irish Government highlights the importance of Ireland's accession to the European Communities.

Source: The accession of Ireland to the European Communities, Laid by the Government before each House of the Oireachtas, January 1972

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CHAPTER 7

IS THERE AN ALTERNATIVE TO MEMBERSHIP?

7.1 In this Chapter the alternatives to membership of an enlarged Community, which would include Britain, are discussed.

7.2 The suggestion is sometimes made that we should not get involved in the European Community at all. This implies that we could stay as we are, which is not so. Most of our exports go to Britain, roughly half being agricultural products and the other half being industrial products. The industrial products are at present admitted free of tariffs. If Britain entered the Community and we did not, tariffs would have to be imposed by Britain against our industrial goods while our main agricultural products which at present secure access to Britain on a favourable basis would become subject to the Community's import levy system. Obviously, the results for industry would be very serious, to say the least and, for agriculture, disastrous. The choice of remaining aloof from a European Community which included Britain is, therefore, not a realistic one.

7.3 Other alternatives to membership must be considered in the context of the limitations imposed by certain basic features of our economy, including the key position of agriculture, the critical dependence on external trade for economic growth, the consequent importance of ensuring that our future trading relationships not only maintain but also increase the level of our total exports and the need to attract industrial investment.

7.4 Special attention must be paid to the effects on agriculture of any trading relationship with the Community. Agriculture accounts for about one-fifth of total national income; it provides about 27 per cent of our total employment, and industries processing agricultural products, or closely dependent on agriculture for their raw materials, make further substantial contributions to national income and employment.

7.5 The relatively small domestic market is, by itself, insufficient to support an acceptable level of population at a reasonable standard of living. Exports are, therefore, the key to Ireland's economic growth which, in turn, is the only real basis for higher living standards, increased employment and reduced emigration. The level of our exports in relation to gross national product is relatively high compared with that of the other applicant States and of some of the existing members of the Community. In 1970, our exports were almost equally divided as between industrial goods and agricultural products and it is essential, therefore, that any future trading arrangements should advance the interests of both sectors. In 1970 almost two-thirds of all our exports went to the UK and 12 per cent went to EEC countries; the market of the enlarged Community, therefore, accounts for about 80 per cent of our exports, and, of these, about 45 per cent are agricultural products.

7.6 The alternatives to be considered are to seek a bilateral agreement, an association agreement, a customs union or a free trade area agreement with the Community.

7.7 Under the terms of the General Agreement on Tariffs and Trade (GATT) any tariff concession made to us by the Community under a bilateral agreement could not be discriminatory and would have to be applied to all other members of the GATT. Consequently, it is clear that any bilateral concession which would be negotiated would have to be limited to products in which we are virtually the sole or principal supplier i.e. where the concession would not in practice confer any substantial benefit on any other country. When this matter was last explored it was found that the only products in this category were fresh mutton and lamb. A bilateral agreement would not, therefore, confer any worthwhile benefits on agriculture, would not be of benefit to industry because it would not involve any reduction in the tariff barriers facing us, and is not worth further consideration as an alternative to membership. Furthermore, the present international climate is not favourable to bilateral trade concessions.

7.8 As regards the possibility of negotiating an association agreement, the view of the Commission is that membership is the proper form of participation for a European State and that such a State should not be granted associate status unless either its state of economic development or its international relations preclude membership of the Community. Judging from the association agreements which the Community has concluded with Greece and Turkey it is clear that, for less developed European countries, association is intended as a preparatory period during which the associated country will endeavour to raise its economic status to a level which will enable it in time to assume the full obligations of membership. In the light of this it would be difficult-even if it were desirable-to satisfy the Community that associate status was appropriate for this country. In any event, an association agreement would deprive us of the full benefits which would come from membership, for example, more remunerative and assured markets for agricultural produce, access to the Agricultural Fund and to the Social Fund.

7.9 Both a customs union and a free trade area agreement would involve the dismantlement of barriers to trade in agreed products with members of the Community but the former would, in addition, entail the adoption of a common external tariff on trade with countries which are not members of the union. In the negotiations with the EFTA countries which are not seeking membership, the Community has indicated that it is not disposed to establish a customs union, although those countries may, if they wish, adopt unilaterally the Community's commercial policy in relation to other countries. Thus it may be taken that the negotiation of a customs union is not open to us even if such a course were considered desirable-which, as indicated below, is not the case.

7.10 Negotiations with the EFTA countries which are not seeking membership are being conducted on behalf of the Community by the Commission which has been given a mandate to seek agreements providing for reciprocal free trade in industrial goods. These countries will not participate in the common agricultural policy, and any agricultural provisions in the agreements will be with a view to providing markets for Community agricultural products. The countries in question will not take part in Community decision-making.

7.11 A free trade agreement (or a customs union) would, in our case, be subject to very serious economic limitations. Such an agreement would for all practical purposes be confined to the industrial sphere. The obligations for industry would be virtually the same as if we had attained full membership. We would not be able to participate in the Community's common agricultural policy, with its high prices and managed markets for agricultural products, and our agricultural exports to a Community which included Britain would, therefore, have to face significant and, in some cases, insurmountable trade barriers, by way of customs duties and/or import levies. The operation of the Community's import levy system has, since 1966, virtually closed the Community's market to Ireland's exports of cattle and beef. The Community has not negotiated any association or free trade agreement which contains significant concessions for agricultural products of importance to Ireland. There is no likelihood that, in any such agreement with us, the Community would be disposed to grant favourable treatment for our major agricultural products which would be in competition with those of the member States. While Britain has negotiated special, but nevertheless limited, terms for such items as Commonwealth sugar and New Zealand butter and cheese, it would not have been possible to obtain such a limited degree of special treatment for our agricultural exports to the Community because it was open to us to secure comparable treatment ourselves by seeking full membership.

7.12 A free trade agreement (or a customs union) would therefore mean that we would have to accept in the industrial sector obligations similar to those applicable to full membership without the beneficial effects on the economy which such membership would achieve in the agricultural sector.

7.13 The circumstances of the more important of the EFTA countries seeking a form of relationship short of full membership are markedly different from those of Ireland. For most of these countries, agriculture is of relatively little importance in their export trade. One of our primary aims in seeking full membership is to secure benefits for our agricultural sector. In the cases of Austria, Finland, Sweden and Switzerland exports of agricultural goods as a percentage of total exports of these countries in 1969 were respectively 4.1, 3.2,

2.4 and 2.9; our figure was 45 per cent.

7.14 It is sometimes suggested that we could find adequate markets for our exports in countries outside an enlarged Community. At present, the bulk of our exports to such countries goes to North America which takes only 12 per cent of our total exports. While we would hope that this trade will increase in the future, it is not likely that it could ever replace to any significant extent the present exports to Britain and the other members of the enlarged Community. Our agricultural exports to the US, mainly boneless beef and some dairy products, have been and are likely to continue to be subject to quantitative limitations. The markets of Eastern Europe, Japan and the developing countries, while they will continue to be explored, do not offer potential for anything like the volume that would have to be disposed of.

7.15 Apart from the immediate deterioration in our trading position, any relationship with the Community other than full membership would obviously be to our disadvantage in the long-term because we would not have any say in the Community's decision-making process and could not, therefore, influence effectively the formulation of policies which would affect us. We would have to accept Community decisions and, even if some form of prior consultation could be secured our views obviously would carry relatively little weight while they would of course have to be fully taken into account if we were full members. In October 1969, in its Opinion on the question of enlargement of the Community, the Commission stated that " the Community should not normally contemplate agreements of this kind (i.e. association or preferential trade agreements) except with such countries as could not become full members because of their international circumstances; even this it should do only after taking every possible precaution to ensure that its decisions would continue to be made in full independence and that its operation was not unduly complicated ".

7.16 So far as industry is concerned, the adverse implications of anything less than membership are very serious. An association agreement or trade agreement would involve free trade in industrial products without any worthwhile benefits for agriculture. As a result, there would be a reversal of the growth in the economy which sustains industrial growth. New firms attracted from abroad have been the major source of additional industrial employment in the last ten years. Non-membership of the Community would make Ireland much less attractive as a base for foreign firms because access to Britain and other EEC markets from Ireland would be less certain and less stable. A slow-down in new industrial development and the adverse effects on agriculture of non-participation in the common agricultural policy would be to the detriment of the economy as a whole including sectors not directly involved in foreign trade. It is unlikely that, under any arrangement other than membership, we would have access to Community funds for development purposes nor, of course, would we have the benefit of the Community commitment, as set out in the special Protocol concerning Ireland, to assist in achieving the objectives of our economic development policies.

7.17 It is clear that the slower growth rate consequent on non-membership would not be sufficient to provide the additional employment opportunities in industry which could be achieved with membership. The lack of adequate growth in industry would be accompanied by an increased outflow of workers from agriculture because of the worsened conditions and the absence of growth prospects. The whole objective of employment policy would thus be frustrated.

7.18 The answer to the question posed in this Chapter must, therefore, be that there is no realistic alternative to membership of an enlarged Community which is compatible with the national objectives of increasing employment and improving the standard of living.

CHAPTER 8

CONCLUSIONS

8.1 There are two fundamental considerations underlying the Government's policy in seeking membership of the European Communities. In the first place membership will enable us to participate fully with other democratic and like-minded countries of Europe in the movement towards European unity, based on ideals and objectives to which we as a nation can readily subscribe. Secondly, membership will provide the conditions in which we can best pursue our economic and social development; conditions much more

favourable to us than if we were to remain outside the Communities.

8.2 The negotiations were essentially concerned with the arrangements necessary to enable the economies of the applicant countries to adjust to the new situation of membership of the Communities. The Government consider that the terms of accession which have been negotiated for Ireland are satisfactory they will greatly facilitate the adjustment of the economy to the obligations of membership while at the same time enabling us to take effective advantage of the opportunities which membership will provide.

8.3 The overall assessment of the economic implications of membership is favourable. Economic growth is likely to average nearly 5 per cent per annum during the transitional period and is expected to exceed that figure thereafter. In manufacturing industry the annual average growth rate and the increase in employment are expected to exceed the levels of the 1960's. In agriculture, considerable expansion is foreseen in the output of our most important products. The volume of agricultural output should increase by about one-third by the end of the transitional period when family farm income in terms of 1970/71 EEC prices should be about double what it is now. The assessment of the net change in employment, taking into account a diminished rate of outflow from agriculture, is that in 1978 it should be some 50,000 higher than the 1970 level. Expansion of this order would lead to progressive reduction of unemployment and of involuntary emigration.

8.4 In regard to the cost of living, the closing of the gap between EEC and Irish agricultural prices will involve an increase each year for five years of between 2p and 3p per £1 spent on food, which works out at an increase of between 0.7 per cent and 1.0 per cent per year in the consumer price index. However, it is expected that consumers will benefit, in the case of items other than food, from the more competitive conditions which will exist in the Common Market. This should reduce the rate of increase of consumer prices, which will be compensated for also by the higher real incomes made possible by increased economic growth.

8.5 There will be savings for the Exchequer arising from membership. This will mean that additional funds will be available to the Government for their economic and social programmes.

8.6 This favourable assessment of the economic benefits which will result from membership must be viewed against the situation which we would face if we were not to join the EEC.

8.7 The choice is not between our becoming a member of the Community and maintaining our present situation. There are certain basic facts which must be taken into account. We cannot remain unaffected when Britain joins the Community. The enlarged Community will include our principal export markets. Exports are of vital importance for our economic growth. Furthermore, we have a relatively high dependence on agriculture and we require a continued inflow of capital for development. Considered in the light of these basic facts, any of the courses which are cited as possible alternatives to membership would, even if they were open to us, involve such major disadvantages as to cause serious damage to our economic growth, to employment and to our standard of living.

8.8 The influence which we as a non-member could bring to bear upon the Community would be negligible, while the capacity of the Community, enlarged by the accession of the United Kingdom and other countries, to affect us would constantly grow. As a non-member, our sovereignty would be increasingly curtailed because we would be unable to influence decisions which would vitally affect our interests.

8.9 Ireland's application for membership of the EEC was made in full awareness of the political ideals and aims of the Treaty which inspired the founding members of the Community. We have declared our willingness to join with the other member States of the enlarged Community in working towards the achievement of the ever closer union between the European peoples which is the first aim of the Treaty of Rome. The Europe envisaged by the member States is one composed of democratic States which, in spite of their different national characteristics, are united in their essential interests. The Government are convinced that these are ideals and aims which will find a ready response in the Irish people. As a member of the Community, we shall participate fully in the work of shaping its future political development. Outside the

Community, we would be isolated from the movement for closer economic and political cooperation in Europe.

8.10 The present-day realities of economic growth in conditions of free trade and technological advance demand that we join other like-minded democratic countries in Europe in the integration of our markets and our economies. The Government have long been convinced that the national interest and the welfare of our people would best be served by joining an enlarged European Economic Community. The terms of accession which have been negotiated have confirmed the correctness of this judgment. The Government have never underrated the problems which membership will bring, and were concerned in the negotiations to obtain arrangements which would facilitate our adaptation to full common market conditions. The Government are satisfied that the transitional arrangements negotiated and the special Protocol on the economic and industrial development of Ireland will ensure that as a member of the enlarged Community we shall have enhanced opportunities for development, in the most favourable economic conditions obtainable.

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