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Renegotiation and the Referendum: The TUC View

In recent years the Trades Union Congress has adopted a number of resolutions in opposition to Britain's membership of the EEC. Some were concerned with the terms negotiated by a Conservative administration after an application for membership had been made by a Labour Government. Another was concerned to express opposition in principle. Moreover the General Council have issued statements, notably in 1973 and 1974, dealing in more detail with matters arising, and these statements have subsequently been endorsed by Congress.

The opposition expressed by the TUC has crystallised around four issues. The first of these is the structure and the administration of the Common Agricultural Policy. The second relates to the effects which membership of the EEC can have on attempts to achieve more rapid and broader industrial and social progress in Britain. The third relates to the imperfections of equity involved in the treaties and their operation. And the fourth concerns issues of sovereignty - in particular, the sovereign rights of the British Parliament, and the freedom, subject to those rights, of British public and private industry and institutions. It is in the light of the impact of renegotiation on these issues that the trade union movement in Britain has to judge the results of renegotiation.

COMMON AGRICULTURAL POLICY

The main lines and much of the detail of the Common Agricultural Policy which now operates in the EEC had by the time of British entry already been laid down in the basic treaty and in subsequent negotiations between the six original member countries. The CAP is of course a compromise but the fact remains that it is a compromise which suits countries much less dependent than Britain upon overseas sources for their food supplies, and who have on the whole much larger and much less efficient agricultural industries. Some at least of those countries were concerned to secure a reform of their agriculture along lines which had already been achieved in Denmark and in the United Kingdom to secure a generally more productive industry. But reform involves the alleviation of social hardship in the agricultural sector and also large movements of labour into industry.

The methods chosen by the Community, aimed at a free market within the Community, were therefore also aimed at stabilising agricultural prices at higher levels than in Britain by buying in surplus production for storage - hence the butter and beef mountains - and by keeping up the price of food imports by the application of variable import levies. That approach contrasted strongly with policy in the United Kingdom which was to guarantee farmers a reasonable return related to efficiency, through a system of deficiency payments.

The two systems are really quite different, and probably in the last resort incompatible.
It is true that world conditions have altered substantially recently, so that many traditionally imported foods are much higher in price, approaching and sometimes exceeding Community prices for comparable products. It is also true that the Common Agricultural Policy now relates Community prices more closely to the needs of efficient rather than of inefficient producers and helps towards a better balance between supply and demand, but in principle it still thrusts the burden of supporting inefficient sectors of agriculture on food prices and would again bear heavily and regressively on consumers if world prices were to fall relative to Community food prices.

There has not as yet been any fundamental review of the principles of the CAP, and the flexibility which has recently been introduced in face of pressing national needs is still regarded by the Community authorities as exceptional to normal operation. There is no guarantee or undertaking that the basic policy can be changed in any permanent way to enable member countries of the Community to pursue long-term policies related specifically to national needs, and particularly to the needs of the UK with its relatively small agricultural workforce and its much greater interest as a consumer and importer.

The General Council when it reviewed the first year of membership of the Community called for a return to a national agricultural policy, and for an expansion of domestic production, while Congress called in 1974 for renegotiated terms which rejected the CAP. The renegotiation falls short of those aims and falls short of any assurance that the cause of a national policy can profitably be pursued in future.

It is perhaps not surprising that this is so since the CAP is linked with such major aims as a free market within the Community for all agricultural produce, the eventual achievement of economic and monetary union, and - with that purpose in mind - an eventual return to fixed parities between Community currencies.

INDUSTRIAL DEVELOPMENT

If the larger countries of the original European Community faced an urgent need at the outset to ease the social effects of structural changes in their agricultural sectors, the pressing need has been in the United Kingdom for major changes in industrial structure. That is because British industry is by and large relatively inefficient and under-equipped, requiring massive investment in many fields. The Conservative Government in 1971 - almost as a matter of dogma - had expected that desired structural changes would result automatically from access to the enlarged Community on progressively easier terms as tariffs were reduced annually, and from the pressure of competition. Evidence so far indicates that entry into the Community had not brought any increase in domestic manufacturing investment. There has instead been a significant increase in both financial and fixed investment overseas, particularly in Community countries. The average annual net investment flow to the Community between 1968 and 1970 was £85m and it increased to £375m a year between 1971 and 1973 in clear anticipation and later exploitation of entry. This tendency has not since been offset to any significant extent by increased inward investment from Community countries.

Capital has become increasingly mobile, and the common market in the EEC - with its pressures for the removal of barriers to free trade and towards harmonisation in the industrial environment - has encouraged investment to go where the rate of return is highest, to an increasing extent out of Britain.

The remedy, according to EEC principles, lies in the pressures of free competition - which have worked in the other direction - and in regional development, partly financed through the EEC Regional Development Fund. Britain might receive about £60m from this source between 1975 and 1977 - a negligible amount in face of investment needs.

If these two methods are ineffective - and the first, free competition, even counter-productive - then the principles of the EEC in this field are literally unhelpful to Britain. Structural deficiencies in British industry and in traditional markets have interacted with a chronically troublesome balance of payments situation in ways for which the EEC provides little or no compensation - nor could it, since the deficiencies are on the one hand broader than the EEC, and on the other specifically national, and call for appropriate remedies.

The present Government has substantially changed the policies of the previous Government and the General Council have warmly welcomed the progressive policies which have inspired legislation in the past year in the fields of industrial relations, protection of employment, health and safety, prices and consumer protection, investment and planning, manpower policy, and the social services, all directed towards present and pressing needs. The new approach to manpower policy through the greater emphasis given to the Manpower Services Commission and the new approach to industrial regeneration contained in the Industry Bill in particular represent major advances.

Yet, since 1973, other Community countries have been able to take a larger share of the UK market, a development which in 1971 the Government of the day clearly did not anticipate because it assumed that the removal of trade barriers would principally act to enable British exporters to gain a larger share of Community markets.

Since 1971 our trading position with the Community has deteriorated substantially, the negative balance increasing from £256m in 1971 to £2,220m in 1974. It is possible that a continuing balance of payments deficit of several hundred million pounds would have to be borne, and the difficulties of financing an outflow on this scale would clearly impair the capacity of the British Government to pursue the structural reforms necessary to making British industry more productive and competitive.

And there is yet another question. If the Community cannot or will not help, is Britain free to help herself?

This question is at least in part a question of sovereignty, dealt with below.

EQUITY

The General Council looked to the renegotiation of terms of membership of the Community to achieve a much fairer division of the burdens and benefits of British membership of the Community than had been agreed by the Conservative Government in 1971. Particular attention was then drawn by the General Council to the unfair burden borne by the United Kingdom in contributing to the budget of the Community when it was estimated that the UK would in 1980 be contributing 24 per cent of the budget, but accounting for only 14 per cent of its GNP. The Government set out in the renegotiation to gain agreement on new and fairer methods of financing the Community budget, indicating that they would be ready to contribute to the budget amounts that were fair in relation to what was paid and received by other countries. Agreement was reached on a formula which will provide for reimbursement of up to a maximum of about £125m a year to Britain on the criteria which were agreed. Prediction of the likely net contribution of the UK after 1975 is difficult and the Government have made no attempt to issue any firm estimates except in the 1975 Public Expenditure White Paper where it was estimated that the net contribution would be £310m in 1979. It seems likely that the UK will still after reimbursements be a net contributor to the extent of between £175m and £275m annually.

Much Community income is needed to operate the CAP - there is nothing comparable industrially. The system of ‘own resources’ - that is, income flowing directly to the Community authorities - has not been challenged. Yet in large measure it is a system which taxes food imports - manifestly unfair to Britain, which needs to import large amounts of food, and whose agricultural industry needs, and gets, relatively little subsidy. The system of ‘own resources’ is also linked to VAT, a method of taxation disliked and resisted in the UK for its regressive nature. And there is no guarantee that pressure for the harmonisation and extension of VAT will not continue.

It seems clear that the UK - in spite of its difficulties and its need for development - will continue to be a net contributor, essentially to other Community countries so that they can escape the full consequences of agricultural inefficiency, while industrial and social reform are held back here by shortage of resources. The position is aggravated by the fact that the drain of resources to the Community is in the least available and most sensitive form - foreign exchange.

Renegotiation in this field has yielded something, but not enough to satisfy equity, which is not merely a question of balance at any given moment. The dynamic impulse expected by the Government which negotiated the terms of access has not materialised - for good reasons. Until it does, equity will not be satisfied. Yet the provision of the means - freedom from undue concern with the balance of payments, availability of investment funds, and the power to direct those funds to where they will be effective - is not facilitated by the EEC as it stands. The Government have pointed out that the EEC does not in fact operate according to the strictest interpretation of the treaties - regional aids, for example, are allowed flexibly to promote or maintain employment, food subsidies are allowed as exceptions within limits, VAT harmonisation is so far not being pressed, emergency aid to industry can be discussed within EEC rules with the Commission, and so on. But this is equity by exception, limited, partial, circumscribed, and not of right.

The General Council and the trade union movement have the additional interest that the European Community should operate in ways which will meet the interests of working people. The development of the Community since its inception has been largely directed to business rather than social goals, to the elimination of obstacles to free competition and harmonisation of the commercial environment. The effect has been to increase the mobility of capital - evidently beyond what is desirable in the interests of the UK - enabling business to avoid more easily its obligations to employees, and undermining the countervailing influences which the trade union movement might be able to bring to bear. Through the foundation of the European Trade Union Confederation and the development of trade union industry committees, trade unions in Europe are equipping themselves to meet the challenge posed by the mobility of large companies within Europe, but there is no denying that the operations of the Community in elevating freedom of competition as the ideal in the determination of economic and social objectives has made the task of the European trade union movement in securing equity more difficult. There have been discussions about the regulation of multinational companies in the Community, but the most effective movement towards making them socially accountable has come in the OECD and the UN, and not in the EEC.

SOVEREIGNTY

Congress in 1974 called on the Government to restore to Parliament sole power over legislation and taxation, an aim which could be achieved only by withdrawal from the EEC or by a wholesale revision of the treaties because one of its fundamental pillars is the surrender by national parliaments to some degree of their sovereignty and their freedom of action. Parliamentary supremacy over legislation has been brought fundamentally into question by the system of directly applicable Community law, which has priority where it conflicts with national legislation, and by the system under which the European Commission issues legislative instruments binding on all the members in some specified fields.

Parliament does of course remain entirely sovereign in one radical sense, in that it can always decide to terminate membership of the Community. That is the question at issue in the referendum. But so long as Britain remains within the Community the sovereignty of Parliament is undeniably circumscribed over a whole range of policies in the economic and social fields, and over a whole range of administrative activities relating to the execution of policy in those fields.

The Government have expressed confidence that their presence in the Council of Ministers together with a systematic parliamentary scrutiny of important Commission proposals for legislation can maintain the role of Parliament in controlling and restraining the legislative and administrative authorities. They have also said that they are satisfied that they can continue to pursue effective regional, industrial and fiscal policies within the limits prescribed by Community obligations, taking into account the flexibility which has already been shown to exist within those obligations, except in the case of the steel industry where the basic legislation is the European Coal and Steel Community Treaty signed in 1951 by governments. This treaty is in some respects more specific than the main, and later, EEC treaty, and it is now clear that the Government do not for example have the power to control private sector investment in the steel industry. They have themselves said that it is vitally important that this problem should be solved, preferably in conformity with the treaty, if that is possible, but otherwise in another way.

Reference has been made elsewhere to the radical legislation (and proposals for legislation) which the present British Government has undertaken in order to lay the foundations for a sharp improvement in Britain's economic and social performance. These have included for example the promotion of planning agreements and the establishment of the National Enterprise Board and other measures, through which a considered and permanent policy of public intervention in industry can be pursued. There are also in prospect proposals for the greater participation of workpeople in the control of their industries. The TUC have made specific legislative proposals in regard to industrial democracy. The Government seem confident that measures adopted or in prospect will not be challenged by the Common Market authorities at this stage, but at the same time there is no guarantee such as sovereignty could give - that specific action taken under such legislation will be acceptable or will continue to be acceptable, even if the British public want it.

No one can be sure what line future developments will take, but it has to be remembered that economic and monetary union of the Community remains a goal, and would make serious demands on all EEC members to submerge their independence in major respects to a central authority whenever there is an agreement to move in that direction. So it is a reasonable presumption that limitations on governments, and on the British Government in particular, in pursuing independent national policies will increase. Such limitations might be particularly important where they bore on the exploitation of resources, such as oil and coal, which are not evenly spread throughout the Community. The principal oil producer in the Community will in fact be Britain, which may be subject to serious pressures in this field precisely because under the rules and provisions of the Common Market Britain will have to seek a large measure of freedom in other directions if rapid forward steps in industry and in social affairs are to be secured.

The difficulties relating to sovereignty are compounded by the fact that there is in the Community no sufficiently democratic structure to which sovereign powers can be transferred. The real powers of control lie with the Council of Ministers and with the Commission. Real powers to initiate, to adopt, and to put into effect legislation lie also with these two bodies. Neither the Economic and Social Committee, nor the European Parliament as it stands, amount to a Community equivalent of Parliament and of the wide range of consultative machinery which exists in this country, nor are they likely to do so in the foreseeable future. Thus not only is sovereignty transferred, but it is exercised by bodies which themselves are more remote from democratic supervision. What the Government has sought in this field has been very little and certainly could not be taken to meet the objection in principle which Congress has expressed to membership of the Community. That situation might be acceptable to business interests, and particularly to those operating multinationally, but the impact on the effectiveness of unions - themselves an expression of democracy - within the Community is serious and unacceptable.

Reference has already been made to the European Trade Union Confederation. Its experience in face of the Community legislative and administrative machine is that the impact of consultation - in the forms well understood on the national level, particularly in Britain is devalued by the very lack of effective provision for democratic control on the governing institutions of the Community. Not only is sovereignty of the people diminished, but the national machinery which depends on the exercise of that sovereignty is itself to that extent undermined and nothing stands in its place.

CONCLUSION

The paragraphs above set out the main areas which have concerned the TUC in regard to the Common Market and the main matters in which they considered satisfaction should be sought before membership could be taken as acceptable. There have been other areas - for example, relations with developing countries, in regard to which the TUC has from time to time exchanged views with overseas trade unionists. In recent weeks the EEC, under some pressure from the British Government, has widened its approach towards assistance in the development of these countries, through trade and through aid, in the interests of a general rise in living standards and a more equitable distribution of the world's wealth.

The TUC has also kept in touch with trade union movements in the Commonwealth countries, which particularly have had trade and political ties with Britain, and it must be recorded that the British Government have sought to satisfy some of their needs though some are still outstanding, as in respect of agricultural exports from New Zealand.

The TUC has not set its face against forward-looking developments in Europe. On the contrary such developments would have our encouragement. Amongst the trades unions we have taken a principal part in a successful move towards unification which from the outset included nearly all the countries of Western Europe without regard to the boundaries of the EEC. There is now a single and comprehensive body which can speak on behalf of nearly all Western European trade unionists regardless of many of the divisions which only a few years ago were regarded as permanent and inevitable.

Nor does the TUC reject political and economic co-operation for ends which, and by means which, the majority of the countries in Europe would find acceptable and welcome. Such issues are not at stake in the present debate. What is at stake is whether the character of the Common Market is such that the British people would want their country to belong to it, and whether the Government have succeeded in so altering the specific and the implied terms of membership that they are fair and beneficial and can be seen to be fair and beneficial to Britain.

The settled view of the TUC in regard to the terms which were negotiated by a Conservative administration has been that they were unsatisfactory in the four main fields which have been considered here. It is true that in some respects the terms have been improved. For example, the prospective British contribution to the EEC budget has been reduced, though not entirely in accordance with the demands of equity. The seeming rigidity of the Common Market treaties has been shown to be less than it apparently was. The Common Agricultural Policy – and particularly the impact of its operation – has been modified under the stress of world events, and as a reaction to the difficulties which the policies itself created. It seems that in practice, and perhaps for the moment, governments can go their own way to a greater extent than was originally expected in regard to regional and industrial development. These are all gains when they are measured against the basic principle of the Common Market that freedom of competition, or alternatively of central regulation, should prevail.

The question is whether such gains can for this country outweigh the very serious impact which that principle, even as modified, has had and may in the future have on the interest on Britain. Whether the structure of the Common Market designed initially to satisfy the needs of countries in other situations than ours has been sufficiently adapted to the pressing need for major steps forward in British industry and its productivity. Whether within the Common Market there remains for us that measure of sovereignty which will in the end allow the will of our people to prevail in our affairs, making all due allowance for the interests and rights of others, as we must.

The conclusion must be, on the renegotiated terms as they stand, that not enough has been done, not enough has been achieved. No political dogma is involved in this conclusion and it ahs to be recognised that within the labour movement views will differ as they will differ elsewhere. The TUC and the Labour Party have recognised in their Liaison Committee, where their joint interests are discussed, that this must be so, and they seek only to ensure that discussion prior to the referendum in June should be free, frank and fully informed. Differences there may be, but not divisions. This is a period when every effort is needed to secure the full benefits of policies and measures undertaken by a government of the people to regenerate our industry and our economy, to bring it within the control of our people, and through that to provide significant advances in our well-being and our society. The General Council put forward their view in the expectation that it will be discussed and generally accepted in the trade union movement as according with and reflecting the views of Congress and the needs of Britain.