

EDITORIAL COMMENTS

One of the major tasks in 1967 for Mr. Wilson will be the new British approach to the European Economic Community. With Mr. George Brown, the foreign secretary, he has begun to make a tour round the European capitals of the Six, including a visit to the Commission, in order to make soundings on the prospect of an early British entry.

Mr. Wilson announced the seriousness of his intentions, which few can doubt, in the House of Commons on November 10, 1966, when he said "I want the House, the country and our friends abroad to know that the government are approaching the discussions with the clear intention and determination to enter the European Economic Community if, as we hope, our essential British and Commonwealth interests can be safeguarded". And he added "We mean business."

It may well be that Mr. Wilson is not by temperament or outlook a "Community man", but many a doubter engaging in Community negotiations is spurred by the method and spirit of the Community to become an enthusiast. Furthermore, there is a decisive majority for entry into Europe inside the cabinet. Much now hangs on the discussions with General de Gaulle and the political differences between the two countries as confirmed by the recent visits of the new German chancellor to Paris and of Mr. Wilson to Rome. But the less the obstacles must not be regarded as more than temporary. Britain, in fact, is heavily involved in the European dialogue which must sooner or later result in the expansion of the European Communities to include Britain and the other E.F.T.A. countries who wish to join.

The position of Britain as a member of the European Free Trade Association has already been cleared. The basic principle was established at the E.F.T.A. meeting in Bergen last May, when it was agreed that any steps taken by any member to join the E.E.C. would be accompanied by "close consultation at all stages" with other members. This was followed by the meeting of heads of governments of the E.F.T.A. countries in London last December, at which Mr. Wilson explained the reasons for his new initiative in seeking informal bilateral discussions with the Six member countries. This meeting welcomed the efforts to be made by the British representatives as "an important step along the road to determining the prospects for a solution to the question of European economic integration in which they (the E.F.T.A. member States) could all participate in an appropriate manner". Although Mr. Krag pressed hard for an early signature to the Treaty by Britain, Mr. Wilson is reported to have replied that he had no intention of signing the Rome Treaty blind and reading the small print afterwards. The current expectation in Britain is that unless Britain is seriously rebuffed by France, which would appear to be unlikely at any rate before the coming French elections, Mr. Wilson may well make a formal application for membership of the Community as soon as the Kennedy Round is out of the way.

Whatever the reasons for Mr. Wilson's approach to Europe, one of the most

cogent must have been the need to let British industry know what policies it could expect over the next four years. For a long time now, British industry has seen little alternative to joining the Community, and this has now been given renewed force by the report produced by a powerful committee under Mr. A. G. Norman on behalf of the Confederation of British Industry.¹ The object of the study was to make an up-to-date appraisal of the practical implications for British industry of closer relations with the Community. The principal conclusions arrived at were that the Committee was "firmly convinced that from an industrial point of view (i) there would be a clear and progressive balance of advantage to British industry from membership of an enlarged European Economic Community, (ii) the Treaty of Rome and the Community's method of operation are acceptable given reasonable transitional arrangements, and (iii) entry should be negotiated as soon as possible."

The Committee comes to the conclusion that although there would be short-term disadvantages and hardships, and that joining the Community would involve many changes, the long-term benefits for British industry in the expansion of trade without hinderances far out-weighed all the disadvantages. There would be a rise in the cost of living in Britain due to the acceptance of the Community's agricultural policy, and this would also have a further adverse effect on the balance of payments, which would call for special arrangements over a transitional period. These arrangements must also include the subjects discussed in Brussels during the previous negotiations, namely, the continued free entry of certain raw materials, transitional arrangements for the Asian countries, and association for those African and Caribbean countries which desire it.

On the question of sterling, the Committee considered that there was much misunderstanding over this. Sterling should, however as a reserve currency present no fundamental difficulty provided that the British balance of payments position returns to a position of assured stability. As a trading currency, it felt that sterling, properly managed, and with the unrivalled facilities of the City of London has much to offer to the expanded Community. In fiscal matters, the Committee was critical of the present British position, in particular the rules relating to investment grants and the selective employment tax. The C.B.I. had always welcomed the prospect of substituting an Added Value Tax in place of the present purchase tax, for it had always been in favour of an extension of the tax base, and to a transfer to a tax on which rebate could be granted in the case of exported goods. The report also indicated that industry had nothing to fear from the rules of competition or from the laws at present harmonised in the Community.

1. Britain and Europe—Volume 1: an industrial appraisal. Confederation of British Industry (1966) 10s.