



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON, SW1A 2J1

Chancellor of the Duchy of Lancaster

15 April 1981

Prime Minister

(4)

This is not a very exciting speech.
But it is a very comprehensive statement
of the case for membership and - in my view -
convincing. Content that it should be

Dear Peter,

I thought you would find it helpful for me to make a delivered?
speech taking issue with present public attitudes to the
European Community.

... An appropriate occasion has now presented itself and I
propose to make the enclosed speech on Wednesday, 6 May
to the Conservative Commonwealth and Overseas Council.

I should very much welcome your comments on the speech, as
I would those of the Prime Minister, Sir Geoffrey Howe
and Sir Ian Gilmour to whom I am copying this letter.

Print
29/4

J.P. Loh
J.M. Loh

Yes - it is
very comprehensive
and good.
-
mb

FRANCIS PYM

The Rt Hon The Lord Carrington, KCMG, MC
Secretary of State for Foreign and
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filed
European BL

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From the Private Secretary

5 May 1981

The Prime Minister has seen the draft speech about Europe enclosed with the Chancellor of the Duchy's letter to the Foreign and Commonwealth Secretary of 15 April. The Prime Minister thinks the draft is an excellent one.

I am sending copies of this letter to George Walden (Foreign and Commonwealth Office), John Wiggins (H.M. Treasury) and Stephen Gomersall (Lord Privy Seal's Office).

M. O'D. B. ALEXANDER

David Heyhoe, Esq.,
Office of the Chancellor of the
Duchy of Lancaster.

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PUBLIC ATTITUDES: DRAFT SPEECH BY THE CHANCELLOR OF THE
DUCHY OF LANCASTER

It is now over eight years since we joined the European Community. These have not been easy years for Britain in general or for us in our Community membership. Nor have they been easy for our Community partners.

Only in Britain among the member states is continued membership seriously questioned. Only in Britain are the undoubted imperfections of the organisation continually used not as arguments for pressing for reform but as reasons for leaving.

Only in Britain is the overwhelming political and economic case for working for greater Western European cohesion obscured by a dense smoke-screen of myths and prejudices mingled with some quite genuine grievances.

This is frankly worrying to a Party which has vigorously supported membership of the Community as being in the interests of the United Kingdom and of its citizens; to a Party which continues to believe that is so; and to a Party which is determined to make a success of our membership.

It is only too clear from recent opinion surveys that the facts about our membership have simply not got across to a large number of our citizens. Perhaps it is that in present circumstances they are not prepared to accept these facts.

At any rate it is all too clear that their opinions are being formed on the basis of often quite staggeringly large misconceptions about what is really going on.

What we have to do is to put a lot more effort into getting across not only the facts but also the reasons for and the purposes of our membership. What is the basis for our conviction that membership is an indispensable, indisposable national interest? Why is it so vital to us?

First and foremost the Community was formed in the spirit of post-war harmony and in a new sense of unity, to make it unthinkable that there could ever again be wars among the nations of Western Europe. This basic objective has been achieved and we tend to take it too lightly for granted.

Since the war the process of making international decisions both on economic and political issues has been dominated more and more by the global superpowers. Only by working in a united way can European nations make it possible for Europe to exert its own influence and play its proper role in world affairs.

Although the Community has no defence policy as such, all but one of its members belong to NATO. The Community provides a solid bulwark against the forces of international Communism, through the co-ordination of the foreign policies of the free nations of Western Europe and by its contribution to the stability and prosperity of those nations.

It is impossible to quantify the extent of these benefits but they are no less real because they cannot be measured.

Since the war there has been a tendency outside Europe towards totalitarianism. The Community collectively and individually upholds the principles and practice of representative democracy, economic liberty and the rule of law. This is of supreme political importance.

Although the fundamental justification for the Community was political, there are substantial potential economic benefits to be obtained as well.

Britain depends for her very livelihood on trade, and always has. We earn a third of our keep selling goods and services abroad, a far higher proportion than France or Germany and [^]every more than larger countries like the US and Japan.

What is more the Community is one of the largest trading blocs in the world. And it provides British industry with tariff-free access to a market of 270 million people - opportunity enough for the enterprising and efficient.

British industry has lost no time in taking advantage of this opportunity. We sell 43 per cent of our exports to other Community countries compared with 30 per cent before 1973. The value of UK exports to the EC in 1980 was over £20 billion. The number of jobs this represents is roughly 2 million. Our exports to Europe have grown twice as fast as our exports to the rest of the world. Our largest export market is no longer

*This is because
we sell a lot of oil to them!*

the US but West Germany. It is true that our imports from the Community have grown like our exports, but that is a favourable increase in trade, an increase in business, which is the very thing we want to encourage. Last year we had a surplus of £700M on visible trade taking account of the contribution made by our exports of oil. So from the all-important point of view of trade, our membership is good news.

Manufacturing balance?

It is also good news for our inward investment. Our position within the Common Market has given a boost to inward investment from outside the Community. That investment certainly would not be forthcoming if we were outside the Community. And it is vital for our future prosperity because it is the means of strengthening our economy and providing much needed new jobs. We are now getting nearly half of all American non-oil investment in the Community, compared with less than a quarter before we joined. A number of American companies have made major investments here in the past year, including such well-known names as Burroughs Corporation, Black and Decker and Honeywell. Nissan's intention to establish a car manufacturing plant here is only the latest in a series of such decisions by Japanese companies, following on recent investments by Aiwa, Hoya and NEC. Our membership of the Community has been a key factor in attracting this investment to Britain, and the jobs that go with it.

Not yet decided.

One of our country's most intractable problems are the depressed industrial regions. Here again the Community has helped. It has provided increasing support to regions with special problems. In 1980 the European Regional Development Fund

contributed £153 million towards the cost of infrastructure and industrial projects in the Assisted Areas. In addition, at least half of the money available for training, retraining, resettlement and job creation under the European Social Fund is reserved for schemes in the Assisted Areas. In 1980 these areas received £50M from interventions under the Regions section of the Fund.

The Community has also given support to declining industries such as steel, shipbuilding and textiles. These are real advantages which people ought to appreciate. Looking to the future, the Community will also facilitate the growth of companies in the new high technology industries in which America and Japan are already making such progress.

At the more personal level, membership of the Community has enabled freer and easier movement for ordinary individuals. British citizens can get jobs abroad without having to obtain work permits and without surrendering their rights to social security. Doctors, dentists, nurses, midwives, vets, and many others can practise abroad without requiring any further certification or qualifications. And there are increasing inter-changes between European citizens through the medium of courses and as part of their daily work.

These then are some of the benefits of Community membership. They are often overlooked by those who criticise the Community.

I would like now to consider some of these criticisms and see how far they are justified in the light of the facts.

Our membership is held to blame by some for our current economic depression. The substantial contribution which we make to the Community budget is held to be responsible for the scale of our public expenditure. The Common Agricultural Policy is blamed for rising prices. The Community is identified with a large and meddlesome bureaucracy. Community discussions are depicted as Britain against her partners, each of them out to do down our legitimate interests. These criticisms - easy enough to make - rest upon misunderstanding. They have a popular ring and are actively encouraged by anti-marketters, often in a misleading way. They tend to make news and accord with the prejudices of many people. But they are still criticisms that are inaccurate and wrong and must be corrected.

Our current bad economic position has a host of long-standing and deep-seated causes that have nothing to do with the Community. In Britain the problems of the recession - the worst for 50 years - are compounded by the massive increases in the price of oil, and in the external value of sterling, 1975, ^{same as in} and the financial burden of the public sector on the productive economy. We also have a long history of low productivity and out-dated labour relations practices.

Which then of our current difficulties can seriously be laid at the door of the Community? Our strike record, our low level of productivity, our poor rate of investment? But why then do other members of the Community have fewer strikes, better productivity and higher investment?

Should we blame the Community for unemployment? But why then do Belgium, Spain and the Irish Republic have higher rates of unemployment than the UK? And why are countries like France, Denmark and Italy suffering almost as badly? Should we blame it for British Leyland's problems? But look at the losses Ford and General Motors have made in the United States and at the losses made in Europe by companies such as Peugeot-Citroen and Fiat. The hard fact is that so long as we persist in the search for bogus, preferably foreign, scapegoats for our economic ills, we will never right them.

Then there is the question of our net contribution to the Community budget. In fact after the settlement in May last year that contribution is less than 1 per cent of central Government expenditure. To hear some people talk you might think it was the bulk of the taxpayers' money!

How about food prices? The Common Agricultural Policy has not been the villain of the piece although there is much wrong with it. It has been responsible for only a small part of the increases in food prices, which have in any case risen less rapidly than prices generally. Since this Government took over office farm prices have risen at an average rate of only 3½ per cent a year. Compare this with an average rise of 12 per cent for food in the shops.

As I say, there are justifiable criticisms of the way the CAP is operated but few would dispute that its basic objectives are sound. In a world with a rapidly rising population it is surely no more than prudence to secure adequate food supplies

in the Community and to stabilise markets with reasonable prices for consumers. At the same time, agriculture is a major economic activity throughout Europe and the CAP includes in its objectives the improving of the efficiency of agriculture and the maintaining of a fair standard of living for the agricultural worker. Our aim in reforming the CAP will be to make its operation match its objectives more closely. What really pushes up the price of food in our shops are labour costs, transport costs and rising overheads.

Well then, is the European Commission a bloated bureaucracy? The Commission has a staff of about 8,000, including more than a 1,000 engaged in interpreting and translating. This is fewer than the staff of the City Councils of either Newcastle or Sheffield or the London Borough of Lambeth.

nice!
point MS

Having said that, we could do with more modest trips abroad by Euro MPs. Junketing, as it appears to the ordinary taxpayer, is a bad advertisement.

What about the well-publicised disagreements? Of course these take place. They do even in the best of family circles. They take place in Parliament here - indeed that is in part what Parliament is for, the reconciliation of differences.

But the matters being discussed in Brussels are serious and significant ones. Differences of interest between member states can only be resolved by tough negotiation. This is grist to the Press who naturally love to present each such negotiation as a battle for life or death, described in

crudely nationalistic terms and invariably rounded off with naive sort of Great Britain 3 - France 0 scoresheet, (the French press of course have the scores reversed).

The reality is that negotiation is inevitably the essence of the day-to-day work of the Community and the track record shows that this Government has managed to fight its corner pretty well. And this means a proper protection of British interests complete with the understanding of our partners' interests and the harmony of Europe as a whole.

So much for some of the myths and misconceptions. We must do our best to dissipate them. But we also need to present a much clearer appreciation of the broad political, economic and social benefits Britain and all countries derive from membership, as I sought to do at the beginning of this speech.

Let me make it plain now that the Government is far from being complacent about the Community as it stands. On the contrary, there are many features of the Community as it at present exists which are manifestly unsatisfactory.

It is clearly wrong that a country with a Gross Domestic Product per head well below the Community average should be one of only two countries out of ten which make a net contribution to the Community budget.

It is clearly wrong that between two-thirds and three-quarters of the Community budget should go on agriculture, with most of that being spent on the storage and disposal of surpluses.

It is clearly wrong that subsidised Community butter should be sold to the Russians at a fraction of the price we pay for it here.

It is clearly wrong that so many barriers to the free movement of goods and to the freedom of the service industries to operate throughout the Community should remain more than twenty years after the Treaty of Rome was concluded.

But the Community is tackling these problems even if uncomfortably slowly.

Britain's net payments to the Community have been dramatically reduced. We have received nearly £645M by way of refunds under the agreement of 30 May last year. Two-thirds of this has been spent on investment programmes, mainly in the regions.

The Community has agreed to overhaul its budget to secure a fairer distribution of costs and benefits among the member states. The reform of the Common Agricultural Policy will form a central part of this exercise. Clearly hard bargaining lies ahead here but having accepted the need for overhaul the members must now decide upon and will the means. But we are not only concerned with agriculture. We have already made proposals to set up a grants scheme to encourage the production of coal, of which the Community has abundant reserves. We have also put forward proposals to support the fisheries and transport industries.

We shall press for Community action to obtain a better deal for the air traveller in Europe. We shall press for freedom for insurers in Britain to be able to offer their services elsewhere in the Community. We shall press for the mutual recognition of qualifications in professions where this is yet to be achieved, such as engineers and pharmacists. And we shall continue to develop the co-operation in foreign policy. We shall always be looking for ways in which Community action would be of real advantage to Britain and other member countries. And we shall play our full part in the current reviews of the Regional and Social Funds.

This is the constructive way in which we approach Community affairs. All these are positive proposals which when implemented will be of great value to the ordinary citizen. They contrast with the negative attitudes of those who wish the Treaty to be renegotiated or to take Britain out of the Community.

These people argue that such a drastic step is necessary if Britain is to "regain control over her affairs". I want to challenge the validity of this argument.

First, it implies that we are not in control of our affairs at present. This is quite untrue. It is the Community's way to reach its decisions by agreements and major decisions require the unanimous agreement of the member states. Naturally we do not accept proposals with which we disagree. Our success in the budget settlement illustrates our determination to ensure that Community policies reflect fairly the interests of all the member states.

Where these interests conflict concessions have inevitably to be made. But contrast this with the position were we outside the Community.

Opponents of the Community say that we should then have more control over decisions affecting us. With the best will in the world, I cannot see how this can be so.

The Community exists, It is there. It will continue to grow with the accession of Spain and Portugal. It will exist whether we belong to it or not. It will reach decisions which determine the future political development of Europe. That will happen whether Britain is in the Community or not.

Inside the Community we have a say in those decisions and can influence them. Outside the Community we would have to accept decisions which did not take account of our interests and we would have to adjust to their consequences whether we liked them or not. It is interesting that even amongst those who oppose Community membership there is a good deal of support for greater political co-operation. If Britain were outside the Community on her own I do not think the other members would take all that much notice of her.

Similar considerations apply in the economic sphere.

International trade negotiations are inevitably dominated by the world's major trading blocs: the United States, Japan and Europe. As an important influence within the Community Britain is able to affect the course of negotiations on matters such as tariffs and standards, as in the recently concluded Tokyo Round. Outside the Community the United Kingdom would be bound

to have much less leverage and would have to acquiesce in the consensus arrived at by the major partners.

Opponents of the Community also argue sometimes that though the political case for remaining in Europe is strong the economic case is weak. Again, this is an argument which I cannot follow.

The Community offers a large, secure, tariff-free market for British goods. Where are the other markets of comparable size and proximity? How could we be more effective competing across tariff barriers in other parts of the world? How, above all, could we hope to attract the inward investment which has come here since we joined the Community? A quarter of all our investment is now inward investment from companies with their headquarters abroad. Would companies like Nissan, Black and Decker and Honeywell seriously consider investing millions of pounds and creating thousands of jobs here if they thought that free access to the Community was uncertain? Surely they would look instead to the Continent? No more would come in and many of those here now would soon leave. In present economic circumstances this is something we could not afford to lose.

The plain fact is that there are no satisfactory replies to these questions. There is no way in which withdrawal from the Community would be in our interest. On the contrary, it would mean sacrificing benefits we have already gained through membership and which we intend to increase in the years ahead. It would also mean reducing British influence in the world. I believe our influence for peace in the world and our long

experience in world affairs is a vital asset to the whole free world. But it can only be deployed with full effect if it is allied to our European neighbours and the US.

Let me be quite clear about these benefits. The existence of the Community has ensured peace amongst the nation states of Western Europe. It enables those states to exert a collective European influence on world affairs. It ensures the survival of the democratic principle and way of life in a world increasingly dominated by totalitarian regimes. The Community is in fact an immense barrier to the spread of international Communism.

But the Community has also conferred economic advantages. Britain lives by trade. The Community provides a close, large, free market for British goods. British companies are taking advantage of this market and increasing their trade in it. Through our membership of the Community we have attracted valuable new investment to Britain. The Community has helped us to tackle the problems of declining industries and depressed regions. And the Community has enabled individual citizens to move more freely in pursuit of employment.

Today we are in the grip of the worst economic recession since the 1930's. It is a recession affecting all industrialised countries. Politically the world is becoming an increasingly hostile and uncertain place. Outside the Community, on our own, these storms could inflict grievous damage to our interests. Inside in co-operation with our European friends and partners we have a good prospect of weathering them.

15 APR 1961

