

## The United Kingdom and the European Union

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Probably the most widely-read book on the subject of Britain and the European Union is that of Stephen George. Its title, *An Awkward Partner*, reflects what seems to be a general opinion that relationships between the United Kingdom and its partners in the European Union are reluctant and at times hostile.<sup>1</sup> The British press gives the impression that the country does not think of itself as fully accepting the ambitions, or even the terms, of the treaties which have created that Union. The United Kingdom still does not use the Euro currency and has not made any definite statement that it will do so. Even those newspapers which support abandoning sterling for the euro criticise the tendency of the institutions of the European Union to extend their power at the expense of the national governments. Even those newspapers which are happy to see the Union expand geographically, as is the British government, tend to oppose any strengthening of the Union's central powers. Public opinion in general, as measured by opinion polls, is less antagonistic to the European Union than is the press. Political opinion within the parliament is strongly in favour of the Union. Is the phrase 'An Awkward Partner' justified? And if Britain is an awkward partner, why is this so?

It is certainly the case that the overall attitude of the British population to the grander aspiration towards a European federation or towards a European army is strikingly less enthusiastic than that of the population of Italy. I make that comparison, however, only to argue that this difference between the two countries cannot be ascribed to differences of territorial extent, of geographical location, of relative importance in the world, of size of population, of economic strength, of individual wealth and income, or of popular culture.

The United Kingdom has a population very little larger than that of Italy. Its population has almost exactly the same income per head and almost exactly the same pattern of consumption as the Italian. In both countries there are marked regional differences of income, but in both cases the rule is, the nearer to the core of the EU the higher the level of income and consumption. Both countries are the same shape, each is a long peninsula stretching away from the rich centre of the EU with some island territories towards the West. In both countries the differences in regional income levels are also the outcome of a historically complex pattern of political development and authority.

There is an inescapable difference between them in popular culture. The United Kingdom shares a language with the world's most important state and because of that is more susceptible to American cultural influences. American visitors constitute a large market for the purchase of American culture provided by British enterprises,

1. Editorial note: S. GEORGE, *An Awkward Partner: Britain in the European Community*, 1<sup>st</sup> ed., Clarendon Press, Oxford, 1990.

from the United Kingdom's lavish array of theatres increasingly dominated by performances of American works to British attempts to copy American restaurant styles. America is good business for the United Kingdom. Similarly, the United Kingdom is a large, ready market, not just for Hollywood but for American literature and art. American television programmes are easy to incorporate into the offerings of British television channels. Surveys show that American cultural trends travel eastwards across Europe from the United Kingdom.

How far this large cultural interchange with the United States is in any way responsible for the United Kingdom's scepticism towards the EU is, nevertheless, uncertain. Public opinion, as measured by opinion polls, is no more and no less favourable to the USA than in Italy or Germany, for example. In spite of the close association between the British and American governments in the campaign against Iraq about 50 per cent of the British population is not in favour of an invasion of that country. There is, so polls indicate, a similar level of cultural and political resentment against the United States in Britain, Germany and Italy. The French appear to be more successful: but they may have reason to be so because the same polls show that the British believe France to be the most Americanised country in Europe, not their own.

It would seem therefore a sounder procedure to explain differences between Britain and Italian attitudes to the EU not by their relations with the United States but by their domestic and foreign policies.

Firstly, there is one aspect of British policy, Britain's defence policy, which has persistently separated the United Kingdom from the aspirations of the European Union. Franco-German attempts to create some form of European defence force or intervention force which could be deployed independently of NATO have always met either with opposition or with only limited enthusiasm from the United Kingdom. There are long-run reasons for the British attitude and in this case they are not independent of geography. From 1950 onwards, and before the nuclear arms race had reached the relative state of safety of Mutually Assured Destruction (MAD), all NATO strategic plans were based on a guaranteed defence of the United Kingdom by the USA in the event of a Soviet attack on the West. Britain was America's European offshore aircraft-carrier. It was from Britain that the reconquest of continental Europe would be launched. Britain was incorporated into the area behind the USA's own defensive shield. America's 'Early Warning Station' which gave the first notice of an enemy missile attack and for a nuclear response, was on British soil. Unlike the Germans, the British did not have to wonder whether in the event of a Soviet attack on their national territory the American President's finger would come down on the nuclear button. A similar state of affairs may be replicated with the 'star wars' anti-missile shield.

Partly because of this, Britain has always held a special place in the NATO command structure, and in its intelligence links with the USA. This has made British governments very cautious about any participation in an independent military force created by the EU, even if the tasks of such a force were to be limited to purely European events. Even when Britain might have itself desired such a force, the pos-

sibility has always been that there might be more to lose than to gain in joining it. The United States has been consistently opposed to any well-armed force being allowed to operate outside NATO's control. Here, then, there is a serious difference of policy, but because the other EU member-states without Britain have themselves shown so little capacity to create an independent European force, it cannot really be said that they have failed to do so because the United Kingdom is an awkward partner.

Secondly, and more importantly, there have been strong differences of opinion between Britain and the other three large member-states of the Union over two policy areas which have been fundamental to the European Community. One has been over the ultimate commercial purpose, and therefore the *modus operandi*, of the European common market. The other has been over the method of financing the European Community.

The common market has been the fundamental structure which has held the European Community/European Union together, the basis of its common prosperity. It was the common market which created the pressure on Britain to join the European Economic Community after it had at first in 1955 rejected the idea as harmful to its own policies and intentions. That rejection led to ten years, from January 1963 to January 1973, in which, after the United Kingdom had changed its mind and sought membership, it was deliberately excluded by a French veto on British membership. Over those ten years membership of the European Economic Community was the primary objective of British foreign policy, but it could not join. The history of Britain's relationship to the European Communities/European Union is evidently a much more complicated one than is indicated by the phrase 'An Awkward Partner', for that relationship includes a decade when the United Kingdom was refused membership.

The refusal was related to the opposed visions of France and the United Kingdom of the commercial purpose of the common market. I emphasise that the dispute was a commercial one, because on the political future of the European Economic Community France and Britain were in agreement. Neither in the 1960s wanted the Community to acquire any further degree of central political power than it had been given in 1956. Both were equally opposed to the Community's aspiration to become a federal structure of European governance, aspirations to which Italian and German governments were often ready to give some encouragement. The dispute between France and Britain was over what commercial purpose the common market should serve. This was the dispute which had at first in 1955 led to Britain rejecting the idea of a common market, the same dispute which led to France vetoing British membership in 1963, and the same dispute which led to France pronouncing a second veto in November and December 1967. A brief history of British and French thinking about the purpose of the common market is needed at this point.

British commercial policy after 1945 was that of an ex-imperial power. The United Kingdom emerged from the Second World War with many advantages which could only be temporary. It was well aware that its victory had in the end depended on American power, well aware that its vast colonial empire would evaporate under the

strength of nationalist sentiments, well aware that it would not by itself be able to protect that empire. In the great depression of the inter-war period Britain, like other European countries had strengthened its mutual trading arrangements with the large independent Dominions of the British Commonwealth. These trading arrangements, too, could have only a limited duration in the post-war world. They were based on preferential tariffs, for agricultural produce entering Britain from the Dominions and for British manufactured goods exported to the Dominions. It was a key point in American plans for the post-war world that preferential tariff agreements of this type would have to be abandoned, for one reason because they were a barrier to the USA's own manufactured exports and also to the USA's agricultural exports to the United Kingdom.

In those circumstances the United Kingdom looked back to its own astonishing nineteenth-century history to find a way forward. The way back to safety and prosperity, it decided, was to re-create a world-wide trade and payments system as open as that of the pre-1914 gold standard. It had strong hopes that the USA would support such a policy. As the world returned to the globalisation of 1890-1913, the United Kingdom would bargain away its tariff preferences in the Dominions in return for reductions in United States tariffs. Before 1914 the USA had been a protectionist country, but as a world hegemon it would take a different position.

The Cold War changed everything in the background to these plans. The idea of a European common market and of European integration was born in the shadow of the iron curtain and the Communist *coup d'état* in Prague. The fundament of European integration was to be the Western European common market and far from being a step to the one open world it was to be a European tariff preference scheme, supported by the USA for the political reasons that it would be the basis of prosperity in Western Europe and the beginnings of a political unification of the Western European countries. With the signing of the Treaty of Rome therefore the British vision of a world-wide liberalised trade and payments system, even if the Communist world remained apart, was opposed by a European preference system which would discriminate against all outside the common market. By 1961 the value of trade within that preference system, of which Germany was the hub, had grown so rapidly that it was becoming clear that it would not be the United Kingdom which struck tariff bargains with the United States, but the European common market.

The British application for membership in 1961 was an attempt to strike a compromise between the two systems. It was rejected by de Gaulle's France. The British application of 1967, after six years of worsening balance of payments crises in Britain, was an acceptance of most of the elements of the European preference system in the hope that this would improve the performance of the British economy. It was also rejected by Charles de Gaulle. The British application for membership in 1971 was in effect a surrender and a rush for shelter in the European preference system. It was accepted by President Georges Pompidou's France once it was clear that it was an acceptance not only of the preference system but a tacit acceptance of France's view of the future of the world trading system.

However, the changes within the British economy which entry into the common market brought were soon to replace this tacit agreement with renewed disagreement. Throughout the 1960s entry into the common market had been seen primarily as a way of ‘rescuing’ British manufacturing industry, thought to be in decline because of competition from the German, French and Italian manufacturing sectors, all of which were stimulated by the growing value of intra-trade within the preferential European market. The apparent decline of manufacturing in the United Kingdom however received less attention than the rapid growth of the service sector in the British economy, more rapid and taking place earlier than in other West European economies. Entry into the common market accelerated those changes in the pattern of British manufacturing which depended on the service sector and at the same time stimulated the growth of the service sector as an entity in itself. Especially was this true for the financial services sector as London reasserted its role as a major worldwide foreign exchange, capital, and insurance market.

It was these developments which led to the United Kingdom, under the leadership of its most anti-European Community Prime Minister, Margaret Thatcher, becoming an energetic supporter of the Single European Act. Margaret Thatcher ignored the wider political implications of that act and allowed her ministers to concentrate on the narrower political task of pursuing Britain’s advantage by insisting on the liberalisation of trade in services within the Community as well as trade in manufactured goods. From 1984 onwards, after a decade of acceptance of the European preference system, the United Kingdom was again in quest of a ‘one-world’ trade and payments system while other member-states, notably Germany, but also France and Italy, were reluctant to open their services sectors to the full forces of international competition, even within the common market.

The second great area of dispute between the United Kingdom and the European Community arose out of the terms on which Britain was admitted in 1973. One clear advantage of the preferential European market for France was the Common Agricultural Policy. It was financed at first by levies on agricultural products crossing the internal frontiers within the common market. The object of the levies was to equalise the price of basic foodstuffs within the common market. The implication of this system was that when prices were equalised, although in reality they never have been, they would be held at the levels they had reached by the common external tariff of the Community. That level was certain to be much higher than food prices elsewhere in the world, because the costs of European food production were for most products much higher than in the rest of the world. It was a master-stroke of French diplomacy to link this device for unifying and protecting the agricultural market to the financing of the administrative machinery of the European Community; the officials who ran the Community’s executive and the costs of their buildings and their operations would be paid from the proceeds of the agricultural levies and later the tariffs which safeguarded the preferential European market.

It followed that the countries which imported the largest shares of their national food consumption would bear the greatest share of the administrative costs of the

Community. Those two countries were Germany and Britain. At first this meant that Germany would pay. Germany accepted this with great reluctance and in the failed negotiations for British accession to the Community in 1961-1963 France insisted on imposing this burden on Germany and Britain together as a condition of British entry.

When Britain was admitted in 1973 it had, as a condition of entry, to accept that it would be paying a wholly disproportionate share of the administrative costs of the Community as long as it continued to import food from outside the Community. It made the injustice of this system seem greater when three-quarters of the expenditure of the Community was spent on subsidising the output, exports and incomes of farmers within the Community. Agriculture contributed only about two per cent of Britain's national income and employment in agriculture only about two per cent of total employment in the United Kingdom. To add to this 'injustice' entry into the Community led to a steep rise in domestic food prices in Britain. Furthermore, when you remember that one purpose of British entry into the EEC was to improve the balance of payments, it is easy to understand why the eleven years after Britain's accession were dominated, even though the European preference system had been accepted, by a relentless British effort to change the system by which the community was financed. 'I want my money back', as Margaret Thatcher is alleged to have said to François Mitterrand. Because every other member-state benefited either politically or financially from the Common Agricultural Policy it took until 1984 before the United Kingdom did succeed in altering the rules so that it got some of its money back. By that date it was no longer so content with the European preferential market.

I hope this helps to explain why the United Kingdom which was by far the closest partner of the original six members of the European Economic Community did not join with those others in creating it, although it had been the first country to sign a Treaty of Association with the European Coal and Steel Community which had preceded the Economic Community. I hope that what I have said explains the precise nature of Britain's differences with the European Union. They are not related to cultural distinctions. The United Kingdom is a wholly European society. They are not related to insularity. You do not have to leave your seat in the train to travel from Brussels to London. They are related to real political issues, but all those issues have been related to a long debate about the place of Europe in a globalising world economy.

It is no surprise therefore to find that on many issues relating to the European Union the United Kingdom is willing to go further than the other large member-states. This is true, for example, of the eastward expansion of the Community, which the United Kingdom has strongly supported, against many French and some German and Italian hesitations. It is true of environmental policy. Until 1984 and the settlement of the dispute over Britain's financial contribution to the Community the United Kingdom thwarted all aspects of a European environmental policy, earning itself the title 'the dirty man of Europe'. Since 1984 however the situation has been reversed. Britain has a better record in enforcing EU environmental regulations than any other member-state and is the main contributor to designing a European environmental

policy. Indeed, the change after 1984 in the participation by British ministries in the generation and application of European Union policies in other areas, agriculture, technology, education for example, has been dramatic.

It remains true that the population of the United Kingdom is unenthusiastic about strengthening the Community's powers in more important policy areas such as foreign policy, although Britain is a strong supporter of a common immigration policy. But on these more important policy areas the British population is less reticent, if opinion polls are to be taken as evidence, than the Danes, than the Swedes, than the Greeks and no more reticent than the French or the Dutch. Those countries are 'awkward partners' as much as the United Kingdom has been. Awkwardness is for all of them a reflection of serious differences of policy and, even more, of different visions of the future. It does not make any of those member-states less European than others.

