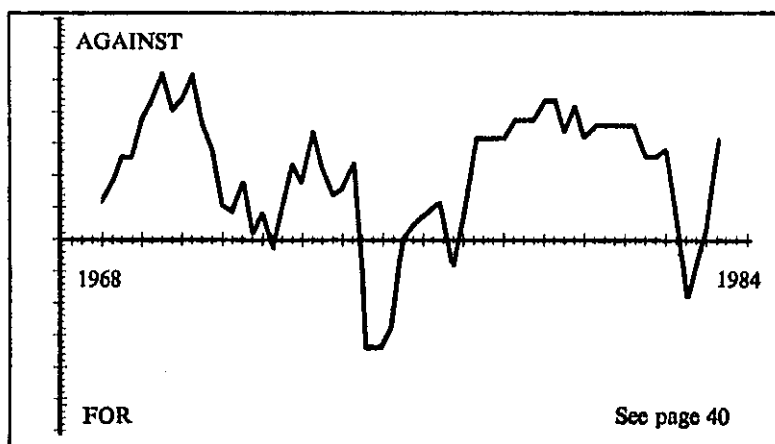

The Open Seas Forum

OPINION, ECONOMICS AND THE EEC HALF-TRUTHS FOR BRITAIN AND JAPAN

JAMES Y. BOURLET

Foreword by Richard Body, M.P.



Price £1.50

OPINION, ECONOMICS AND THE EEC
HALF-TRUTHS FOR BRITAIN AND JAPAN

"FREE TRADE, PEACE, GOODWILL AMONG NATIONS"

*Inscription on the Memorial Obelisk to Richard Cobden
by his home near Midhurst*

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By

JAMES Y. BOURLET

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FOREWORD

by Richard Body M.P.

For nearly three decades following the Bretton Woods Conference in 1944, when the principles of a multilateral trading system were laid down, the nations of the free world enjoyed a period of unprecedented prosperity. But during the last decade, for a variety of reasons, new forms of protectionism have slowed the growth of world trade and in some areas, notably agriculture, they have caused it to recede. The multilateral and liberating approach to trade has been replaced by a near obsessive concern between three major economic powers, the United States, Japan and the EEC.

It is an axiom of free trade policy that a surplus of exports over imports (or *vice versa*) with any one country is, in itself, a matter of no consequence. A country's balance of payments is about the trade it has with the whole of the rest of the world, and it is what it says it is – a balance. The payments in to the country are matched exactly by the payments out of the country, so that there is always a precise balance.

The reason for this is that the currency itself (the intrinsically worthless piece of paper called pounds, dollars or yens) do not leave the country where they belong, apart from a few trifling exceptions when people travel abroad. When taken outside the country where it was issued, it may be exchanged for another form of currency, but as a rule it will not itself be used to purchase anything overseas. Thus to speak – as too many politicians and others do – of a loss of currency or a “drain on the balance of payments” is to throw a simple truth out of the window.

Of course, a country may import more goods than it exports. This visible deficit may be made good by a surplus of invisibles in the form of payments for insurance, shipping, banking or by people from abroad having a holiday. The payments received for these two kinds of export, the visible and invisible, will not be exactly the same as the payments for the corresponding kinds of

imports, nor does it matter. Whenever there is a surplus or a deficit in that total trading account, there is always a corresponding deficit or surplus in the capital account. So a deficit in the trading account will be matched by an increase in capital investment from abroad. Equally, a surplus in the trading account will be coupled with a capital outflow. It means, for example, that not a single brick of a Japanese owned factory can be built here unless its owner sells his yens for pounds.

Such a plain truth ill-suits a certain type of policy maker in our midst. James Bourlet tells us why. The reader must judge where the interests of the British people lie, and whether relations between Japan and Britain are well served by the policy intended.

However, James Bourlet goes much further. He shows how the EEC Information Office in Tokyo (paid for, at least in part, by the British people) is propagating a notion that an imbalance in trade between the EEC and Japan is not to be tolerated. The Japanese must be imbued with a sense of guilt. Next, their guilt must be assuaged by them accepting barriers against their flow of exports to the EEC that the luckless people in Western Europe would rather like to have – that is, provided the policy makers allow them to have the freedom to choose. Any why is that freedom to be curbed? The answer rests in the reason why powerful manufacturing companies with famous names find it useful to lobby in Brussels.

The argument advanced by the EEC Commission is founded on statistics that James Bourlet shows to be wrong. Our own Department of Trade is only a little better. When officials in high places make the kind of mistake demonstrated in this paper we may feel a degree less confident in the wisdom of the policy itself.

This booklet is important for another reason. It highlights the danger of Britain being in a customs union instead of a free trade area. The difference between the two goes to the root of James Bourlet's argument. A customs union is essentially protectionist: it may bring down tariffs between the individual countries that belong to it, but it requires all the countries to erect the same trade barriers against those outside the union. A free trade area also removes the tariffs between its members, but it allows them the freedom to trade as they wish with other countries outside the area. That is why, whenever the decision has been made by other governments in other continents, usually they have chosen a free trade area, rather than a customs union.

One of the main arguments against the customs union is that it is always a happy hunting ground for the worst kinds of protectionism. Protectionism is a nice cosy word; it conjures up ideas of care and compassion, and a sense of justice and fairness. In fact, it is a denial of what is manifestly just – that is if one believes it is just that the people of a country ought to be allowed to buy what they like with the money they have earned or saved.

Yet you can only *protect* against a threat. If no threat exists, there is no purpose in protection. Japanese cars or television sets cannot in themselves be a threat to anyone: they are lifeless, inanimate things unable to move of their own accord. Only those who bow down before a strange deity can be so frightened of such things as to need protection from them.

Of course, they do become a threat to the producer of high cost or badly made things which the consumer rejects in favour of those made in Japan. It is only possible for the threat to exist when the people themselves have the freedom of choice. Take that freedom away and the threat vanishes.

Any form of protectionism in Britain must be an inroad upon the British people's freedom of choice. It is either a condition or an exception or a qualification to act as a curb upon how they are to satisfy their own needs according to their own wishes.

So protectionists in the form of pressure groups, trade associations or powerful companies unable to satisfy the wishes of the British people get to work to protect themselves from that threat. A customs union can do the job for them. And the EEC is perfectly equipped for the purpose.

James Bourlet has written about how the EEC operates and he had done so in a restrained and moderate way. For my part, I cannot resist the temptation to point out what is happening every day in Brussels. Some famous companies, whose names are known to every British man and woman, have set up lobbies in Brussels. They also give a lot of their money to what is called "the European cause". What do these companies make? Yes, indeed, they make things the British people do not seem to like very much. It is time the half truths they tell, and are told on their behalf by the EEC and the "Europeans", became known to the British people.

The amount of money spent by the EEC, the European Movement and the numerous bodies they have spawned in Britain to promote the merits of a customs union and argue for

protectionism is enormous. One inside source tells me it averages over £4,000,000 a year. The European Movement, the main organisation which exists to promote the Common Market does not reveal where it gets its money from, though it is now known that British companies wanting to set up factories in Continental Europe (and in the process exporting jobs) have naturally been generous towards it.

But we do know exactly where the EEC itself gets its money. Its "own resources", as it is euphemistically called, comes from import duties, import levies and Value Added Tax. These three have one common denominator: they are taxes on the consumer. Nearly every other form of taxation imposed upon us is on our incomes or capital. Income tax, corporation tax, capital gains tax, capital transfer tax, etc. are "progressive", so that the richer you are, the more you are taxed.

Here is the irony of it. The consumer, whether rich or poor, and the poorest pay proportionately the most, pays the revenue to the EEC; and the EEC spends the money on a protectionist policy. The purpose of that policy is to prevent the consumer having the goods of his choice. Thus the EEC takes the money out of the pocket of the consumer and then spends it taking away his freedom to buy what he would prefer. It is a double blow with no quid pro quo.

Not long ago the heads of seventeen of the most powerful companies in the Common Market met under the leadership of one of the largest of the British companies. The meeting was strictly private and the rendezvous somewhere on the Continent, but according to one report, the object was to discuss how the customs union could be made stronger. Yet it must be obvious that any strengthening must imply still more limits upon the freedom of choice of the British people.

What's good for General Motors is good for America, it used to be said. The same kind of thinking pervades the boardrooms of those great companies. James Bourlet gives us convincing reasons why fifty five million people in Britain are being made poorer because of it. They are also being deceived by propaganda which they are forced to pay for.

PREFACE – MEMBERSHIP AND OBJECTIVE OF THE EEC

In 1951 six nations, Germany, France, Italy, Belgium, The Netherlands and Luxembourg established an organisation called the 'European Coal and Steel Community' (ECSC) for the purpose of creating a Commission or group of civil servants who would, subject to the overall control of regular meetings of Ministers of Industry from each country, co-ordinate coal and steel production and marketing within the total area. At about the same time those countries established 'Euratom' with a similar organisation to deal with matters of atomic energy production. By the 'Treaty of Rome' in 1956, these same nations agreed to form a 'zollverein' (customs union) or 'Common Market' for all goods with yet another Commission and yet another Council of Ministers and this was called the 'EEC'.

Within the 'Six' lived about 190 million people and some time later it was decided to merge the three commissions and three Councils into one of each and call the whole thing the 'European Communities' – referring to all three *organisations*. This remains the title used in official reports and so, whilst it is technically correct to use the initials 'E.C.' it is misleading to use the title 'European Community' in the singular since this would imply some sort of political/social organic unity which does not exist. The title 'EEC' will be used here.

The EEC Commission, based in Brussels, has over ten thousand employees headed by fourteen 'Commissioners' who, though only appointees, regard themselves as something between civil servants and government ministers. Whilst many employees are concerned with publicity, translation and policy development, the majority administer the Common Agricultural Policy which accounts for 70% of expenditure.*

Between 1961 and 1975 Britain pondered membership and formally joined in 1972 as did Eire (Southern Ireland) and Denmark with Greenland. In a referendum, Norway decided not to join but some years later Greece joined and now Greenland has

* See Appendix 1

just left. At the present time Spain and Portugal are considering membership and the EEC has free trade arrangements with a number of countries such as Austria, Switzerland, Sweden, Finland and Norway, some special arrangements with Yugoslavia and there are some preferential access and aid arrangements with a few less developed countries – principally the old French colonial territories.

The Treaty of Rome was more than just an agreement for economic regulation since it embodied the aspirations of those wishing to create a 'New Europe' – a unified and powerful 'super' nation in which there would be a dominant central government – perhaps similar to the Federal Government in the USA. In working towards this ambition, it is the aim of the EEC Commission progressively to accumulate powers of expenditure and decision making at the expense of member governments.

This booklet is concerned with some aspects of the Commission's methods of 'accumulation' and their constitutional implications.

There is justified concern amongst the people of Europe with the policies pursued by the EEC; obvious conflict between the central (EEC) executive and member (national governments) executives; and an increasing awareness that somehow, despite the newly formed 'European Parliament', legislative democratic control over executive power is being circumvented.

CHAPTER 1 – PUBLIC IMPRESSIONS

Impressions of reality are often more important than reality itself in moulding political decisions. They form the 'building blocks' for popular acceptance and thus the constraints within which politicians must operate. Hence they are a primary subject of enquiry for any policy analyst, applied economist or other social scientist.

On observing any strongly held and widely accepted view which seems to exaggerate, distort or even conflict with informed impartial assessment, it is worth asking questions. Who benefits from the resulting policies? Have they actively promoted the questionable view – or at least not attempted to correct it? What methods have been used to promote the view? Why were opposing voices ignored?

CHAPTER 2 – IMPRESSIONS, PERSUASION AND REALITY ON JAPAN

There is a widespread impression in Europe, and now in Japan, that Japan has, with militaristic economic determination, invaded the markets of other nations whilst it has imposed barriers against imports. Nationalistic, destructive, and selfish; this is seen as causing payments deficits and unemployment.

The Japanese *White paper on International Trade 1982* drily noted "In terms of the level of tariffs and the number of items subject to residual quantitative import restrictions Japan is no more closed to foreign competition than the Western countries. Much of the criticism about non-tariff trade barriers in Japan is based on misunderstandings." It is necessary for Japan to "endeavour to avert trade friction by promoting mutual understanding with other countries."

One expects other governments to respond positively to this rebuttal,* pointing out exceptions, no doubt, but generally seeking to reinforce more accurate understanding both in their own countries and in Japan. Prejudice, bias and even racism must be starved of false justification.

But such a positive response does not appear to be the 'line' taken by the EEC's *Information Service*, represented in Tokyo with its 35 staff in Chiyoda-ku. On the contrary, this 'Embassy', opened in 1974, issues numerous factual and authoritative pamphlets, press releases and educational display boards which give the trade figures displayed in the most alarming possible way without necessary explanation and which then contain thinly veiled threats of dire consequences unless corrective action is taken.

To illustrate. An April 1979 news release summarising a speech by Mr. Leslie Fielding, head of the Commission's delegation to Japan said "Trade relations with Japan are bad. The statistics speak for themselves . . . nevertheless . . . the EC does not seek to exploit the Japanese market as the Japanese have exploited the European market."

The important 1981 'Europe Information' pamphlet *The E.C. and Japan*² after giving many tables and an apparently comprehensive analysis stated "the trade imbalance represents a serious hindrance to developing a worthwhile and positive association between the Community and Japan . . . the economic weight of The Ten should be brought to bear on the question to ensure respect for the E.C. *per se*".

A July 1981 press release stated "There is a restless mood in the EC member countries at the impact of Japanese exports."

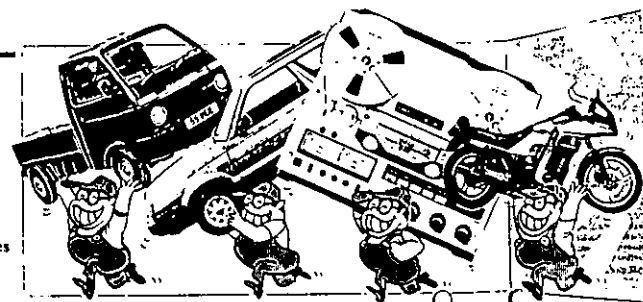
In 1982 the EEC took Japan to the 'court' of GATT but this will probably be withdrawn. The action was given widespread publicity.

* As did, for example the then U.K. Secretary of State for Trade, Eric Deakins who stated (Hansard 15/4/74): "There has been substantial liberalisation in Japan with regard to imports over the past few years. With a few exceptions - computers, leather and footwear - there are now no quantitative restrictions on products of interest to British exporters. The average level of tariffs in Japan is about equivalent to that of the common external tariff in Europe. With a few exceptions, even controls on foreign investment have been removed. We shall continue to press for the removal of the few remaining restrictions. I no longer regard them as a barrier to the expansion of two-way trade".

The 1982 EC magazine 'EUROPE' contained an article which spoke of import and exports with Japan of 18 and 6 billion dollars under this heading³:

Trading with Japan - a one-way traffic

CHRIS LOM outlines the Community's problems in combating the high performance and obstructive trading policies of the world's fastest-growing industrial power



The December 1982 'E.C. News' said, "... noting the lack of a satisfactory solution in the consultations so far conducted with Japan . . ."

The January 1983 'E.C. News' noted that "According to the analysis by the EC Commission services, little or no progress has been achieved."

In January 1983, an EEC press release on a symposium on industrial co-operation noted a speech by Commission President Gaston Thorn in which he said "members of the EC find it very hard to resist protectionist moves, especially since they are burdened with a heavy trade deficit vis-a-vis Japan . . . the chronic and excessive bilateral deficit gives rise to the impression in Europe that Japan is not totally integrated into the open trading system and that it does not make a contribution to this system that is in keeping with its stage of economic development."

The 1984 E.C. Magazine 'EUROPE' contained a special report "Can we get a fairer deal from Japan?" claiming that the Japanese market is an "impregnable fortress" and that "Japan imports no more than does Switzerland" and that, for the Japanese, trade is "not a matter of give and take - only of take".*

Japanese public opinion is influenced by providing this material, containing selected statistics and comment, (together with

* Highly successful exporters to Japan such as BMW, Kraft or Burberry must find this an amusing conclusion!

a great deal of 'helpful' background documentation on the EEC and events in Brussels generally) to journalists when then embellish and relay it to their readers.

Teachers who obtain it as a basis for classwork are often part of this same process but, with them, the effects are doubly influential – on the lines of the old Jesuit saying "Give us a child of an impressionable age – and it will be ours for life".

Meanwhile, the EEC library cataloguing service keeps a record of all publicity obtained, and reports on their content to Brussels. For example, an article in NIKKEI BUSINESS on 24 January 1983 entitled "The Day Europe Will Close its Market" was reported to be "basically informative" and "good shock treatment to Japanese readers". A section based on some percentages given in *The EC in Japan*² (though unacknowledged) was said to "alarm the readers of the danger that Japan is facing". Justified comment by Mr. Obayashi, EEC correspondent of the paper was described as "a few unnecessarily nasty remarks".⁴

A misleading 'selective' approach

The 'alarming conclusions' on international business with Japan focus primarily on the extent of exports to the EEC but supplement this with 'structural' criticisms – the complaint that Japanese exports of manufactured goods reduce sales of firms in the EEC forcing them to adapt rapidly – or reduce operations and employment.

Structural adjustment costs must be compared to consumer gains and such equations generally favour an open trading policy, but economists have traditionally recognised the claim of an 'infant industry' to protection on a temporary basis.

But there are inconsistencies in the EEC's arguments about the 'structural impact' of trade. Membership of the EEC for Britain has meant a dramatic 'structural impact' (far greater than the effects of Japanese imports) but the Brussels authorities have made little or no comment. The 'structural impact' on food supplying countries of British membership is also an unacknowledged responsibility – and in any case the manufacturers in the EEC who complain are hardly 'infant industries'.

In principle, international product specialisation should be welcomed and, rather than blaming 'structural changes' for high unemployment, anti-inflation policies should be seen as the overwhelming factor. In this context, one may note the outstanding

contribution that Japanese productivity gains have made in recent years to containing price rises – world wide.

There are thus arguments to be made on both sides, and each contains an element of truth. But, EEC publications and derived publicity appears to support only one side. Furthermore the Japanese EEC export figures, when taken out of context are also misleading.

The Bank of Japan's April issue of the *Balance of Payments Monthly*⁵ shows that the EEC quoted figures are only one of three essential elements; visible trade, invisibles and capital movements.

Taking all three together Japan is 'in balance' with the rest of the world and former Japanese Foreign Minister Saburo Okita has complained that "We hear on so few occasions any reference to the overall balance of payment aspect. I fear that it (the visible trade balance) may give a somewhat distorted picture of our economic relationships."⁶

Capital movements are investments and loans made by Japanese firms abroad and in 1982 they exceeded inward investments by nearly \$15,000 million. Officially welcomed everywhere, they are specifically encouraged in the EEC and, although Britain made a net investment in Japan of £2.500 million in 1982, the rest of the EEC gained, on balance, nearly \$4,000 million in that year.

Invisibles are payments for such items as the purchase of holidays, sea and air transport, production rights, insurance, entertainment royalties and payments for the use of foreign capital invested in Japan. Japan has a world deficit of nearly \$9,000 million on this account in 1982 of which the EEC accounted for over \$5,000 million (in 1981, nearly \$7,000 million!).

Visible trade (The 'Trade balance') *had* to be in surplus in 1982 simply to cover these payments.

To understand trade it is essential to combine *visibles* with *invisibles*. (It is, after all, entirely legitimate to exchange a holiday for a television set.) On this basis, Japan's bilateral surplus with the EEC in 1982 was \$5,000 million rather than the much publicised \$10,000 million. With the UK alone, Japan 'broke even' in 1982 and in 1981 had a deficit of \$2,000 million.

But there is no mention of *invisibles* in the EEC pamphlet about Japan. Awareness of this omission is shown however by the *inclusion* of invisibles in the pamphlet of the same series relating to New Zealand. Unlike Japan, New Zealand has a visible trade

deficit with the EEC and the inclusion of her invisibles surplus helps counteract demands for more New Zealand imports of butter and lamb.*

An "invisibles" red herring

In an attempt to support the omission of invisibles the British government, after pointing out that many payments from Japan to London purely "pass through" to other countries has urged that an entirely different method of recording should be used. On this alternative basis British 'invisibles' earnings from Japan appear small enough to be ignored. The argument is as follows:

Any international transaction can be measured either in simple 'cash flow' terms or in 'value added' or 'net benefit' terms after excluding payments to other countries. This is analogous to saying that a company's performance can be measured either by sales or by profits. All international payments involve the vendor country in payments to third countries (for raw materials, for borrowed money, for components, for food etc.) and in the case of 'invisible' sales by Britain to Japan, London often pays interest on money borrowed elsewhere to 'on lend' to Japanese firms, or pays foreign shipowners for transportation supplied to Japan. ALL accounts, both for visible and invisible transactions are smaller on a 'value added' basis just as profits are always smaller than sales.

Although visibles are recorded on a 'cash flow' basis, invisibles should be recorded by 'value added' - which it chooses to call the 'Economic Transactions basis'. The suggested figures for invisibles on a value added (sometimes called economic transactions) basis have been published in the Department of Trade's "British Business" (April 1981 and January 1982).

There the claim is made that (for example) the Interest, Profits and Dividends figures recorded by the Bank of Japan as, in 1980, £1,200 million paid by Japan to Britain should be only £175 million, the difference representing money simply passing through London to other countries. Now the high level of UK portfolio investment in Japan, the heavy outflow of capital from Britain in recent years and the investment of British citizens in Japan via other financial centres such as New York, Singapore or the Cayman Islands is alone enough to cast doubt on such a claim. Enquiries to London brokers suggest that the 'true' figure is more likely to be around £900 million.

* Invisibles are also noted in the pamphlet "The E.C. and Portugal". Ref. 58/82

Similar unlikely claims are made with regard to transportation and the figure recorded by the Bank of Japan for tourist expenditure (based on Japanese requests for yen-pounds exchange) is reduced to one tenth based on some interviews with Japanese tourists intercepted at Heathrow airport.

Now there are simply not the resources, records or staff available in London accurately to collate figures on an 'Economics Transaction Basis'. The office responsible for the 'British Business' publication cannot provide any effective documentation for their figures, concede that Britain is the only country in the world attempting to measure transactions in this way, and accept that, as a measurement of 'cash flow' the Bank of Japan figures are unchallengeable.

Clearly it is wrong to mix methods. Comparing visibles measured on 'cash flow' with invisibles measured on 'value added' is as muddling as comparing one company's sales with another's profits.*

In any event, most of the money 'passing through' London to third countries goes to other EEC members and so Bank of Japan figures should not, even on this muddled basis be ignored in assessing EEC-Japan relationships.

Bi-lateral and multi-lateral trading statistics

It is a bad principle to indulge in comparisons of bi-lateral payments since multi-lateral patterns are the essence of the post-war successful growth of the world economy. Multi-lateral responsibility requires only that each country balances its total payments with total receipts thus neither hoarding other nations' currencies (or gold) nor supplying its own in excess. Of course, this is an elementary statement (ignoring many an economic and political caveat) but it is a great deal more sophisticated than bi-lateralism.

Large bi-lateral deficits are common the world over and pass largely unremarked. Japan has a large deficit with her energy supplying countries, Germany has a large industrial goods surplus with Britain and so on. But the EEC Commission seems determined to play the bi-lateralist game in which private transactions between willing buyers and willing sellers are turned into expressions of political gain and loss.

* See also G. C. Allen *How Japan Competes* I.E.A. Hobart paper 81, page 15.

Graph 1 is provided by the EEC Tokyo *Information Office* for wall display – and is the first thing to greet the visitor to their premises. An alarming red coloured ‘wedge’ between imports and exports Japan–EEC is an aggressive visual statement of an apparently unquestionable problem.

However, a close inspection reveals it to ignore both ‘invisibles’ and the effects of inflation (though measurement in ECUs distracts the unwary). Also Japan’s sales to the EEC are overstated slightly by including freight and insurance costs on one side but not on the other.

Table 1, Column 1 gives the ECU figures on which graph 1 is based. Column 2 lists these same figures in current US Dollars and Column 3 is a suggestion of the necessary correction of imports for freight and insurance costs. (Alternatively, a sum could have been added to exports but it is more conventional to account the whole picture on a ‘f.o.b.’ basis.) Column 4 gives the same statistics but from the Bank of Japan, and what little difference exists between Columns 3 and 4 quite possibly arises from the time lag in transport and customs clearance. Column 5 adds ‘invisibles’ and the total (Column 6) is corrected for inflation in Columns 7 and 8.

Graph 2 is therefore an alternative view of the same information but the visual impression (perhaps the wedge could be coloured green this time!) is quite different, practically unexceptionable in world terms.

One could play the game further in at least two ways. From Column 14 which expresses Japan’s current deficit with the EEC as a percentage of her receipts from the EEC a graph – No. 3 – can be drawn showing that the position ‘peaked’ as long ago as 1977 and that the deficits ‘the other way around’ during the late 1960s were of about the same order. One did not hear Japan, however, in 1968 loudly demanding the EEC to ‘ensure’ higher imports.

Furthermore, the bar chart shows the EEC deficit in the context of other trade partners for 1981 (the USA position being different altogether) and also shows the differing position of Germany and Britain. Britain, in fact, needs ‘invisibles’ to be both recognised and safeguarded whilst British consumers need the lowest possible prices, neither of which interests are served by the present EEC stance. Given that Canada, Australia and New Zealand, like Britain, are all in surplus with Japan, it would be instructive, were the figures available, to compare the position of the British Commonwealth with the EEC (minus UK) in dealings

Table 1 The E.E.C. Current Account with Japan

Imports (Japan to E.E.C.) (Million)								Exports (E.E.C. to Japan) (Million)							
Year	(1) E.E.C. fig. Yen (E.C.U.) (c.i.f.)	(2) E.E.C. fig. (\$ U.S.) (c.i.f.)	(3) E.E.C. - 14% (\$ U.S.) (f.o.b.)	(4) B.O.J. fig. (\$ U.S.) (f.o.b.)	(5) B.O.J. services & transfers	(6) B.O.J. total	(7) At 1981 \$s	(8) At 1967 \$s							
1966				852	263	1115	3150	1115							
1967				912	357	1269	3350	1186							
1968				1089	387	1476	3658	1295							
1969				1368	476	1844	4415	1520							
1970				1853	647	2500	5822	1995							
1971				2253	766	3019	6806	2409							
1972				3255	1138	4393	9324	3301							
1973	3399	4186	3671	3941	1580	5521	10560	3738							
1974	4376	5219	4577	5756	2271	8027	14067	4980							
1975	4826	5987	5251	5492	2560	8052	16569	4723							
1976	6399	7153	6273	7035	2643	9678	15064	5332							
1977	7668	8750	7674	8501	2634	11135	16098	5699							
1978	8730	11124	9756	10536	3130	13666	17558	6286							
1979	9792	13421	11770	12394	3776	16170	18509	6552							
1980	12462	17351	15217	16032	5027	21059	21840	7731							
1981	16204	18091	15866	18102	6821	24923	24923	8822							
1982	17911	17547	15389	17074	7088	24162	23233	8224							

Balances E.E.C. with Japan

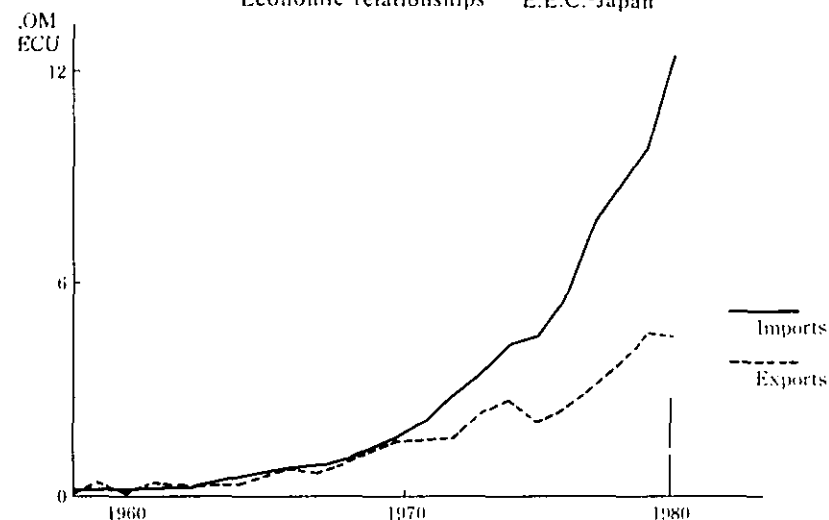
Year	(9) Visible trade Balance \$ U.S.	(10) Invisibles Balance	(11) Current Balance	(12) Current Balance 1981 Prices	(13) (14) Balance as % of E.E.C. current a/c receipts from Japan
1966	-321	387	66	186	5.6 (5.9)
1967	-261	458	197	520	13.4 (15.5)
1968	-185	530	345	958	18.9 (23.4)
1969	-229	614	385	1109	17.3 (20.9)
1970	-405	737	332	774	11.7 (13.3)
1971	-765	786	21	48	.7 (.7)
1972	-1453	843	-610	-1289	-16.1 (-13.9)
1973	-1011	1340	329	629	5.6 (11.4)
1974	-2317	1971	-346	-607	-4.5 (-4.3)
1975	-2500	2000	-500	-4056	-6.6 (-6.2)
1976	-3907	2069	-1838	-2861	-23.4 (-19.0)
1977	-4703	2017	-2686	-3883	-31.8 (-24.1)
1978	-5451	2437	-3014	-3916	-28.3 (-22.0)
1979	-4751	3396	-1355	-1551	-9.1 (-8.4)
1980	-9313	4454	-4859	-5040	-29.9 (-23.1)
1981	-10816	6851	-3965	-3965	-18.9 (-15.9)
1982	-9929	5081	-4848	-4662	-25.1 (-20.1)

(Figs () = % on payments to Japan)

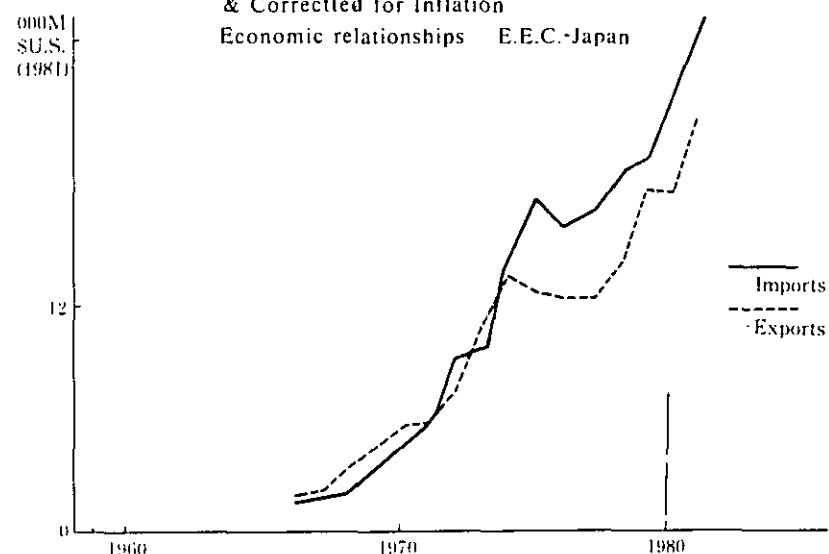
Notes on Tables

- 1) All figures refer to EEC of present 10 members. For 1966 to 1974 a 'guesstimate' based on 1970-1972 data was made for transactions between Japan and Denmark, Ireland and Greece. Japanese receipts from these countries was taken to equal 5% of receipts from the other members. 3% was taken for payments. This was based on Eurostat data.
- 2) Bank of Japan export figures are given on an f.o.b. basis but EEC imports are given on a 'customs clearance basis' which includes insurance and freight charges - perhaps a 14% increase.
- 3) Correction for inflation has been based on the USA cost of living index issued on 1 January each year. With 1967 base 100 1968=107; 1969=112; 1970=114; 1971=121.3; 1972=125.3; 1973=133.1; 1974=147.7; 1975=161.2; 1976=170.5; 1977=181.5; 1978=195.4; 1979=217.4; 1980=246.8; 1981=272.4; 1982=282.5; 1983=293.8 Jan. 1st prices were taken to apply to the previous year's transactions (though ideally a mid year figure should be used).
- 4) ECUs were changed in 1980 to EUAs (European Units of Account) and the values were based on a basket of EEC currencies. However, today, as in 1966, its value is very close to that of a current \$US, but during the 1970s it differed markedly, being about 40% higher in 1980. It is mainly used in calculating prices for the Common Agricultural Policy and its use for EEC-Japan statistics seems little more than confusing.

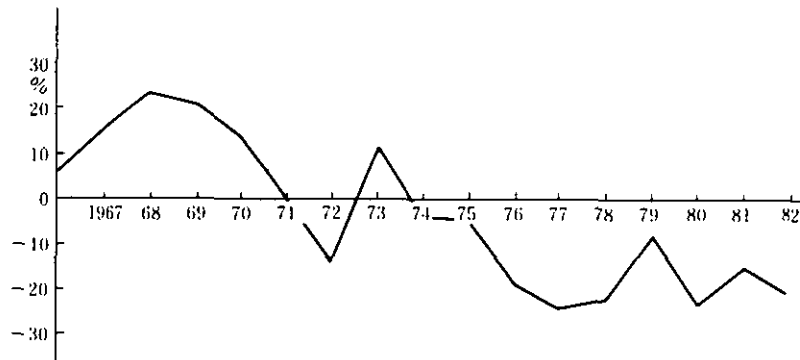
Graph 1. As Portrayed by The E.E.C. Commission.
Economic relationships E.E.C.-Japan



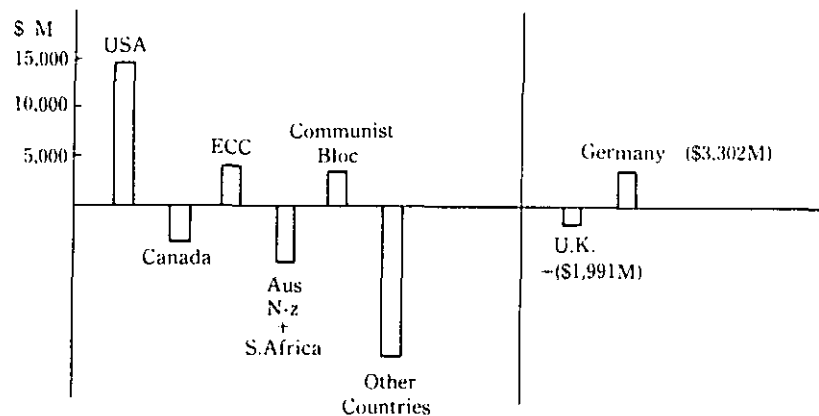
Graph 2. The full picture including 'Invisibles'
& Corrected for Inflation
Economic relationships E.E.C.-Japan



Graph 3 E.E.C. Current Balance with Japan Expressed
as a Percentage of Payments to Japan. (Col.14)



Bar chart. Japan's Surplus's and Deficits in 1981
(From B.O.J. April 1982, page 69)



with Japan. Britain's interests might then be illustrated more clearly. Rather ominously, the Japanese 'White Paper on International Trade 1982', in discussing 'trade friction' and the 'deficit' on invisible trade account' recommends that Japan should "recover the competitive position of its shipping industry" and "expand its service trade".

Thus a fuller analysis reveals a complex and interesting pattern of economic relationships between Japan and EEC countries in which the large *visible* trade surplus Japan achieves serves to finance an *invisibles* deficit, investments in Europe and deficits with third world countries who typically then import more from Europe.

Japan's role in the world is fascinating, unique and valuable, the contribution of an able *urban* population lacking raw material and agricultural resources. Purchasers of their (incidentally non-military) manufactures everywhere benefit.

No doubt there *are* points for concern. High interest rates in America have temporarily distorted both financial and trading patterns, Japanese investment may one day face political opposition and those non-tariff barriers on both sides that still exist must be challenged.

But in the absence of evidence showing significant trade malpractice, the use of selected bi-lateral *visible* trade statistics coupled with opposition to international product specialisation cannot justify the alarming public impressions fed by the *Information Office*.

CHAPTER 3 – CONSEQUENCES

Agreements are now being made between Japan and EEC Commission representatives (subject to approval by the Council of Ministers). Recently Commissioners Etienne Davignon and Wilhelm Haferkamp made arrangements with Trade Minister Sadanori Yamanaka to restrict trade of various manufactures – notably of videocassette recorders, and both sides found that their respective publics had been, through articles, news reports and TV

programmes etc. 'softened up' and ready to accept the costs:- reduced employment opportunities in Japan; and in Europe, higher prices for the goods. But Grundig in Germany and Philips in Holland, both large companies, well able to finance competitive entry into the VCR market, have been given protection.

One doubts whether these arrangements* would have been acceptable either in the capitals of European countries, or in Japan had it not been for the orchestrated adverse trade publicity which, as has been demonstrated is both partial and damaging to international relations.** In the case of Britain, the goodwill built up over many years through traditional diplomatic events and the efforts of such organizations as the Anglo-Japan Society, plus normal business exchange of all kinds, seems to be arrogantly negated by the EEC Commission's statement "Trade relations with Japan are bad .

But resulting 'arrangements' with MITI have brought advantage to manufacturing interests in Europe and have involved an increase in the activity and power of the EEC as an institution.

* In London, Peter Rees, then British Minister for Trade, reported to Parliament that the 'arrangements' had been 'endorsed' by the Foreign Affairs Council (The assembled Foreign Ministers of the EEC in Brussels)⁷ though, as it happens, the arrangements regarding videocassette recorders is particularly adverse for the UK.

The limit set for Japanese exports of 4.5 million units *includes* those made by Japanese companies manufacturing in Britain which must discourage all Japanese companies from such investment. The agreement stipulates that Grundig in Germany and Philips in Holland *must* sell at least 1.2 million units per year or else Japanese sales must be reduced, which means, in effect, that those companies can set a high price without risking lost sales. (But the Commission has carefully avoided the task of naming new prices which would involve adverse publicity.) Britain is the largest market for VCRs in the EEC (more have been bought per capita than in the other member countries) and so even if the price is raised by as little as 20%, sales of one million units per year will mean a consumer loss – and a balance of payments loss – of around £100m.

It is also worrying constitutionally, to note that this controversial economic decision was, in the EEC, dealt with by Foreign and not Economic Ministers.

** Diplomatically, it seems that France should be treated with good humour, Germany with great seriousness and Britain with a strictly factual response and so it is hard to imagine a *single* policy approach by Japan which could be correct for all three – let alone the other 7 members.

CHAPTER 4 – IMPRESSIONS, PERSUASION AND REALITY IN BRITAIN – TO 1975

Persuasion

Persuasion, on reflection, was the most interesting aspect of the debate in Britain about EEC membership – and indeed, in 1973, a book on this subject by a leading authority on the EEC was published called 'Diplomacy and Persuasion.'⁸ Current events in Japan remind one of the methods used to persuade the British public that membership would bring both prosperity and security.

Background

The real reason why Britain joined the EEC was that the Commission in Brussels very much wanted to include Britain in their plans for a federal state of Europe and it suited the ambitions of certain individuals and institutions in Britain to respond positively to this. Other individuals and institutions saw their interests endangered by the proposal and opposed it. There were idealists, of course, both misguided and honest, on both sides but, in the main, self-interest played the major role. It is a curious tale and historians will long puzzle over it. How, they will ask, was Britain persuaded to accept the authority of an organization which, on its record, was most likely to pursue economic policies disadvantageous to Britain, by its sympathies, was most likely to distance Britain from other Commonwealth nations, and whose motivating philosophy was, as we shall see, at odds with Britain's liberal traditions? They will note that there were many individuals and some very badly financed voluntary pressure groups who strove to oppose joining but they will find two major and very well heeled institutions which tirelessly promoted membership – and succeeded. These were the British Foreign Office* and the EEC Information Office in Kensington Gardens.

* The reasons for FO support do not appear to be well documented but it has been suggested that, after the debacle of the Suez war in 1956 the FO (and perhaps the 'establishment' generally) seemed to lose self confidence in Britain's world role and saw in the EEC a potential new power base which they felt their abilities and experience would enable them eventually to control.¹⁰ It has also been unkindly suggested that instead of Dean Rusk's phrase 'Britain has lost an empire and has not yet found a role' one should substitute 'The FO have lost their nice jobs in the colonies and are looking for promotion in Brussels!' In fact, since the Falklands war and the Grenada affair, people have begun to ask whether the FO is not a 'State within a State', meaning that the members of it seem out of touch with the opinions of British people generally and have too much opportunity to influence events.

The Foreign Office wooed politicians of all political parties and the *Information Office* partly financed and basically co-ordinated a most remarkable campaign of public persuasion, the basic strategy of which was to promote discussion of pseudo-economics to obscure the costs whilst attracting emotional support with grand slogans of apparent political wisdom. An economic smokescreen and a political flag.

Following a Government 'White Paper' in 1967⁹ which indicated the possible costs of adopting the Common Agricultural Policy, public opinion polls had shown a two to one ratio against joining. This resistance had to be broken down if any government was to carry through entry without committing electoral suicide. For this purpose, all that was required was for a large number of ordinary voters to be temporarily persuaded – For then, if the thoughtful minority remained split on the issue, the number seriously opposed could be overcome.

In fact, of those MPs who regarded the EEC as a 'special interest' at least half resisted entry and remain opposed to this day. Even now, though Mr. Kinnock speaks of a new "Messina" conference, the Labour Party is committed to withdrawal. But the recently promoted Social Democratic Party (SDP) consists exclusively of politicians from the 'pro-market' side and their success in the 1983 General Election prevented Labour regaining power – and thus prevented withdrawal.*

* During the debates on UK membership of the EEC in 1971 a number of Labour MPs, notably Roy Jenkins, Shirley Williams, William Rodgers and David Owen organized, with an unofficial 'whip', Labour pro-marketeers to vote with the Conservative pro-marketeers every time there was a possibility of Conservative anti-marketeers (of whom there were about 35, sufficient to defeat the Government if allied to the whole Labour party) voting against entry. For this activity they earned the enmity and distrust of their Labour party colleagues. When, in time, the Labour party officially advocated first a referendum and then withdrawal their tactic changed to undermining Labour support by forming a new party (whose donors and media supporters correlate closely with those for the original EEC entry campaign) to which they 'defected' from Labour. They have joined forces with the Liberal party in advocating a change in election procedure (to proportional representation) which could undermine the two party system and render practically impossible any future clear Labour majority in Parliament.

The arguments

The *political* argument involved slogans such as:

"Britain's future lies with Europe"

&

"Yes to unity – for peace"

and there was a general claim that a third world war, originating, one was to presume, in Europe, could only be prevented if Britain gave up 'narrow nationalism' and joined continental countries to "build a safe future for our grandchildren". At the same time, Britain, perhaps the most internationally connected nation in the world, was constantly described as 'isolated'. During debates in which the CAP was raised a kind of superior attitude could be taken – "with great respect to the lady worried about tomato prices, sacrifices must be made in the interests of world peace", etc . . . "Destiny" was the 'in' word.

In fact there is an interesting case for the proposition that British membership increases rather than decreases the chances of conflict. The final political unification of both Germany and Italy during the last century from previously independent states was only confirmed through war. Today, a superstate in western Europe, able to challenge either the USSR or the USA could end up doing just that – the USA being the likelier candidate given the anti-American prejudice often found in EEC countries and the more obvious trade rivalries. Protectionism fuels bitterness and conflict. (It could be argued that denial of the traditional British market for Argentine beef and grain contributed to difficulties there and thus political unrest and thus the conflict over the Falkland Islands.) As yet another point for discussion we can note that 'civil wars' are sometimes fought if a minority resents the rule of a majority as in Biafra, the USA, Bangladesh – or for that matter in Northern Spain. That is possible, if unlikely, in a European superstate too.

Thus, since the roots of international conflict lie, not so much in the independence of nations, as in their internal political health, the 'political argument' must be regarded as, at best, a hopeful and brave hypothesis but, at worst, a cover for more commonplace ambitions; exciting 'new' nationalism supplanting its tired, if sadly experienced, older predecessors.

The *economic* case could not deny the costs of the CAP. But unrealistic hopes of reform were promoted and the effects were

minimised. There was talk of it adding perhaps 1% to the cost of living per year – a 'small price'.

On the positive side three main arguments were used:

Firstly, since economic growth rates during the 1960s had been much higher in the 'Six' than in Britain it was claimed that membership would bring such growth rates to Britain – perhaps via higher investment in plant and in research and development. This 'economic measles' argument failed to point out that growth rates in the 'Six' were the product of many factors other than EEC membership – notably the movement of workers from agriculture to industry in France and immigrants from East to West Germany.

These factors could not apply to Britain and, in fact, investment in Britain during the last ten years has been disappointing.

Secondly, since the British economy suffers from many institutional defects – restrictive labour practices, inappropriate class attitudes, monopolies, subsidised nationalised industries, politically determined domestic rents, an over-extended public sector etc., it was argued that membership would 'shock' the country into reform because Britain, it was said, always 'rises to a challenge'. Embarrassment and pride were played upon. This was the 'cold shower' argument and, in the event, quite unsurprisingly, the patient has chosen retreat as would most prudent individuals when faced with adverse conditions.

Thirdly, it was claimed that British exports would increase and thus lead to economies of scale.* In fact the average tariff for

British goods entering the 'Six' in 1972 was only about 7% (and British manufacturers enjoyed tariff protection against EEC imports) and exporters enjoyed preferential access to Commonwealth and EFTA markets. Membership would involve losses of these advantages as well as gains to the 'Six' and the overall balance was unlikely to bring a net gain. When this was pointed out pro-marketeers claimed that the 'Six' might soon raise trade barriers against Britain. Fear played its part.

Opponents of membership warned of the dangers of trade protectionism arising from such a move by Britain. For example, the late Professor Harry Johnson of Chicago and London Universities wrote in 1971 that:

"British accession to the Common Market will in all probability mean a halt to the progressive liberalisation of international trade that has characterised the post-war period" and warned that the United States may be forced to

"retreat into protectionism out of dissatisfaction with the Common Agricultural Policy" and "become more willing to consider, with Japan, a regional trading arrangement based on the Pacific".¹¹

So as good sense at the time, and experience now for eleven years have proved, the arguments used by the opponents of membership were the more appropriate and correct. But the majority of the British public were temporarily persuaded that there was a 'good economic case' to back the 'obvious political case' for joining.

Methods of persuasion

By what means were they so persuaded?

The EEC *Information Office* in London, partly funded from Brussels, set out to influence 'opinion formers' such as journalists, politicians and broadcasters and this was achieved mainly by arranging many lunch and dinner parties as well as organizing a highly effective series of 'press releases' and holding numerous press conferences to brief, in detail, such people on every conceivable aspect of the debate. This went on over many years.

Now, one must understand that journalists are busy people, up against deadlines to hand in their 'copy' for publication. They have little time for independent research and their livelihood depends on producing as many stories as possible. If they are 'spoon fed' with ready made material, the inherent bias in that

* This was the so-called 'dynamic effect' of membership. The White Paper¹² suggested that 'There are dynamic effects resulting from a much larger and faster growing market. This will open up to our industrial producers substantial opportunities for increasing 'export sales'. Mr. Roy Jenkins told the House of Commons in 1970 that 'Management leaders with very few exceptions, in the advanced industries on which our growth hopes must be depend, are most enthusiastic for British entry'. Mr. Anthony Barber, Chancellor of the Exchequer, in 1971 said that 'Those who really know... like our Confederation of British Industries, have no doubt that the EEC's existence has given great economic opportunities to its members'. But this assessment is incomplete without an acknowledgement that, given the trading conditions between Britain and the EEC prior to entry these effects, if real, could largely operate regardless of membership and Peter Oppenheimer, Cambridge economist pointed out that businessmen are hardly qualified to assess the complex effects of multiple economic changes involving food costs, exchange rate changes, protectionism and compensatory tariff changes.

material inevitably wins through especially if, on occasion the source acknowledges disadvantageous points as a tactic to win trust.

One can only admire the skill with which all but a few bravely independent journalists were eventually brought within the pro-market fold. Once a journalist had written, under his own name, arguments which were unrealistic, partial or false, he could not subsequently give the opposing view without risking personal credibility.

Much the same applied to the speeches of politicians who, in addition to being fed 'information' were often treated to paid-for visits to the EEC institutions on the continent where they were generously entertained.

At the same time the *Information Office* fostered the formation of 'independent' groups to promote publicity. The 'European Movement' was one of these and, since membership of the EEC promised trade protection from non-European lower cost suppliers* and the free movement of capital with the EEC, it collected numerous 'donations' from Banks and industrialists for the cause.

The money was used to generate publicity of all kinds. There was an extensive poster advertising campaign; there were minibuses decorated with pro-market pictures sent out to tour the country and to talk to the public wherever they stopped. A brightly coloured newspaper called the 'British European' was published and distributed free at meetings.¹³ This paper had front page headlines such as 'EUROPE IS FUN' (with a picture of a lovely model dressed only in a Union Jack bikini) and 'EUROPE – FOR A PROSPEROUS FUTURE TOGETHER' and, inside, articles insisted that inside the EEC there was 'BARGAINS FOR ALL' (to which one felt like adding 'except consumers!') but it read "The truth is we have got a bargain. Britain will get a new home market five times bigger than the present one. This means more mass production, less unemployment, keener prices, higher earnings." The slogans were repeated "say YES to expansion – for prosperity; YES to unity – for peace; YES to leadership – for

* Recognising the potential challenge from Japanese car makers, Lord Stokes, head of British Leyland in 1972, even bought full page advertisements in The Times and other papers to advocate EEC membership. (BL has since almost collapsed anyway but continental makers have taken a market share which consumers may well have preferred to have given to Japan.)

**British
European**
SEPTEMBER VOL. No. 7

LET'S GO WITH EUROPE

FOR A PROSPEROUS FUTURE TOGETHER



We can't go it alone!

We can make it together. It would be illogical to imagine we can go it alone. Europe beckons. It offers us a future in exchange for our past. Adventure and opportunity instead of nostalgia.

Europe needs us. Britain, faced with shrinking economic and political power, needs Europe.

The dollar crisis last month emphasised the vulnerability of Britain to a world of financial giants. How much safer we would have felt if we had been part of the Common Market. Their monetary resources already exceed those of America by 50 per cent.

Next month the British Parliament will be asked to make an historic decision. Should we build a United Europe by joining with the Common Market countries or cling to our past and growing isolation.

Before us lies our first real opportunity to raise our living standards. A chance to earn more money to counteract the rise in world prices.

Economists, industrialists and enlightened politicians of all parties know that the real chance for expansion for us is only within the E.E.C. THIS IS OUR LAST CHANCE.

Let us consider the facts. Our living standards are already lower than nearly all the Common Market countries.

The only country in Europe visibly below us is Italy.

But by 1980 the Italians will have more spending money, more houses, more appliances and better-clothed children than us... IF WE STAY OUT.

Already we spend less per head on social services than the E.E.C. countries. We are justifiably proud of our National

Health Service. Will we always be so happy?

Pensions, care for the old, medical research all cost money. The Six can afford better services because their wealth is growing faster than ours.

THEIR SOCIAL SECURITY PROGRAMMES ARE REALLY SECURE. ARE OURS?

In 1958 the average wage in Britain was £2 a week more than the Common Market average.

By 1970 it was £5 a week less.

The question facing us is simple. We have a choice either to secure our future by shaking hands on a partnership with our European neighbours or to turn our backs on Britain's greatest opportunity to solve our problems.

WE CAN'T GO IT ALONE.

British European

JULY-AUGUST VOLING 6
HOLIDAY ISSUE

EUROPE IS FUN!

More work, but more play too!

You know what its like in Britain—a fortnight's holiday in the summer and then suddenly it's gone, till next year. With not so many days in between either.

Our Holiday Girl on the right knows all about that too. She will continue to put away her bikini for 50 weeks of the year, just as she does now, what with the British weather and the short holidays.

Or will she? The Six sorted all this out long ago. They take time off to enjoy their beaches and mountains, their guests and lakes. Paid holidays for industrial workers in the European Economic Community are much longer than in Britain, and the number of public holidays is greater too.

So Britain is a poor seventh. LET'S GET IN TO EUROPE AND INCREASE OUR HOLIDAYS ACCORDINGLY.

And let's move towards greater freedom of movement! The Treaty of Rome provides for the free movement of workers anywhere in the Community and for exchange of young workers between member countries. And it is possible that they, and the bikini-clad holiday girls, will not have to carry passports when they move about in the larger, ten-member E.E.C.

Earlier this year, Sir Geoffrey de Freitas, M.P., proposed that the Six plus Britain, Norway, Denmark and Ireland should end the use of passports. As Sir Geoffrey pointed out, we already get along well with the Irish Republic without passport controls: crossing the Irish Sea is like crossing the Solent. And crossing borders inside the Market is already quicker and easier than proceeding through the passport barrier of the English Channel.

Sir Geoffrey wants the British Government to propose his scheme to the Community as an act of faith—to show Europeans that we take them seriously.

"Let them propose to the six governments of the European Community and to Norway, Denmark and Ireland, who are also applying to join, that from January 1, 1972, no citizen of these countries should have to carry a passport within the ten Countries," Sir Geoffrey said.

The British European agrees—Let's have longer holidays—and let's be free to enjoy our longer hard-earned holidays in the fun lands of Europe if we wish, without the present passport palaver. No passports to pleasure!



YOUTH FOR EUROPE! nation-wide drive

Young Liberals vote for entry

At the annual conference of the National League of Young Liberals held in Plymouth, a pro-European resolution was approved. Among other things the resolution said:

"We believe that this country should enter the European Economic Community and then attempt to change it and influence the existing structure. . . . The Conference calls on the Government to successfully conclude with all reasonable speed and on the most advantageous terms, its present negotiations for entry into the Community. It calls on

the Government to press for:

- direct elections to the European Parliament.
- control of the expanded EEC to be vested in the European Parliament.
- a common foreign policy.
- a common assistance policy towards developing nations, with special references to their market needs, whether or not they are associated with the EEC.
- The establishment of a political union based on the Community which would safeguard the rights of the various cultural groups. . . .

Carnival in Wales

The children of members of the Taly-lan Close Cowbridge week Committee, won first prize for the best and most topical children's float entered in the colourful parade that signalled the end of a week of festivities in the historic Glamorgan town of Cowbridge.



The children, dressed in their National costumes, walked alongside the float symbolising Great Britain's desire to join the Europe of tomorrow.

LONDON EUROPE SOCIETY TAKE TO THE RIVER!

The London Europe Society and the European Movement combined to hire a catamaran on the day of the big Trawler anti-Market demonstration.

They had been going to meet the trawlermen halfway and escort them to the Houses of Parliament where the fishermen were due to hand in a petition about the EEC fisheries policy.

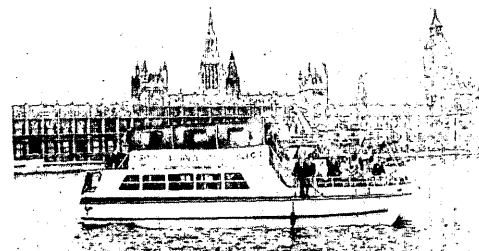
Flags flying

But the bad weather held the trawlers back and so there they were on the river with their flags flying. WE'VE

GOT TO GET IN TO GET ON, with the same slogan on the side of the catamaran.

Lord Boothby for "fair deal"

Lord Boothby, who was to have received the deputation, came aboard and the press were pleased to hear him state his views. He was not, he emphasised, against Britain joining the Common Market, far from it. But he was concerned with the fishermen getting a fair deal.



Eurovan-guard sets out

Liverpool Sixth-formers vote for Europe!

At a Sixth-form conference in Liverpool on Thursday, July 1, participants voted overwhelmingly in favour of Britain's entry into the Common Market. Over 450 students attended a day-long conference organised by the Council of World Education in World Citizenship.

The voting showed a majority of more than 3-1 in favour of British entry.

The pro-Europe speakers were Stanley Henig, lecturer in politics at Warwick University, and Michael Stead

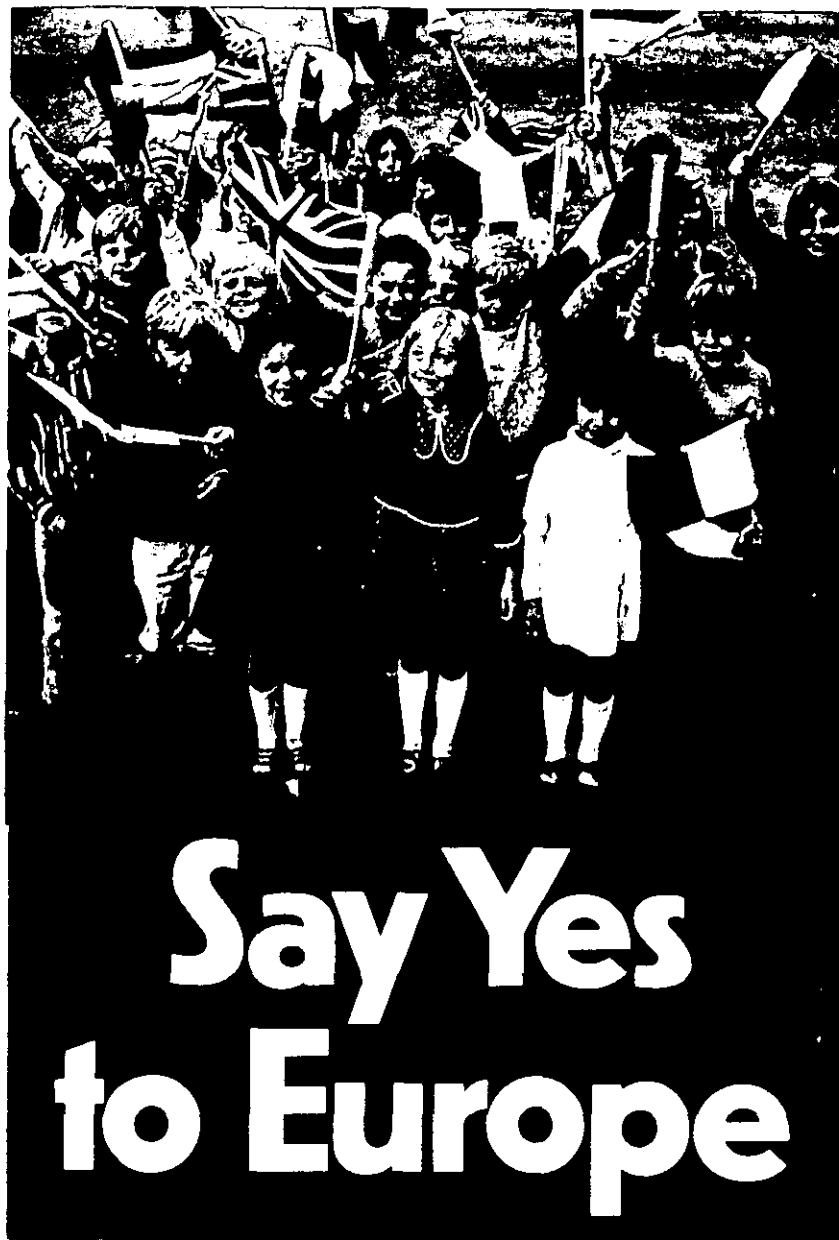
from Manchester University.

The Eurovan in the picture on the right is the first to set out as a mobile distribution unit for the British European. Throughout the summer months, this newspaper, which gives the facts about Britain's entry into Europe, will be reaching every town and resort up and down the country.

Daily decorated vans driven by teams of young people will cover the areas between Land's End and John o' Groats so that everyone, everywhere, has a chance to find out what it all means.

The first of these vans left Leeds last week, and will travel between the East coast in Yorkshire to Blackpool in Lancashire.





Britain" and "We've got to get in - to get on", "Let's GO with Europe - for a prosperous future together", "We can't go it alone." An editorial read "So Britain's choice is either to secure her future by joining the more prosperous Europe or stay permanently out on her own." "Is that what we would plan for our children?" A 'pop' song advocating entry was recorded.

At the same time, anyone prepared and able to give lectures from a pro-market viewpoint was able to earn large fees and generous expenses; a nice little income for local lecturers and others prepared to make two or three dates a week to talk to local school groups, Women's Institute branches, Young Conservatives, Rotary clubs or any other group needing a speaker for an occasion. Mountains of free hand-out material was provided.

Meanwhile, the leaders of the three main political parties had been mostly brought round to the pro-market viewpoint by the Foreign Office and the evolving press opinion. A subtle pressure, arising from the feeling of being an 'outsider' or 'non-conformer' was exerted on the doubting politician and most, especially in the Conservative party, fell into line.

Prime Minister Edward Heath, one of the few genuinely idealistic supporters, had the government finance a large number of leaflets and a booklet using very questionable arguments, which were distributed free at all post offices throughout Britain whilst a Foreign Office inspired 'White Paper' gave a long but one-sided assessment.¹² Statistics were often quoted misleadingly, for example describing Commonwealth trade (and thus Commonwealth importance) as 'declining' - which was only true proportionately, not absolutely.

By this stage only the most informed and able economists were able to assess the proposal independently. Some of them were 'Federalists' in any case,* but others such as Professor Nicholas Kaldor, Professor Harry Johnson and Mr. Peter Oppenheimer comprehensively attacked the arguments. But their audience was limited.

Throughout all this, the political opponents of membership were rather disorganized and were hopelessly ill financed. Furthermore, they were for ever reacting to events, rarely able to seize the initiative. And some of their leading figures, such as Tony Benn and Enoch Powell, were easy targets for personal innuendo, and calumny.

* See P.26.

Every pro-market argument was countered of course – in letters to the press, in speeches in Parliament, in public debates and in leaflets for distribution.¹³ But for every one person with whom the anti-marketeers managed to communicate, the pro-EEC side reached 100.

Gradually public opinion against membership was eroded. By mid 1972 it was finely balanced, 'for' and 'against'.¹⁴ After formal entry, when the persuasion subsided, it swung back against membership, but in the month or two before the referendum in 1975 it was brought into a majority 'for' – a situation which soon afterwards collapsed, but by then it was too late.¹⁵

After entry, many of the pro-market activists went on, unlike their opponents, to obtain jobs associated with the EEC in one way or another – as journalists posted to Brussels, as lobbyists there, as members of consultative committees,¹⁶ as members of the European Parliament, as Commission advisers or as employees of the Commission itself. The Foreign Office maintains a staff in Brussels and has expanded its premises in London. Roy Jenkins MP, who had led the minority Labour Party faction which consistently undermined that Party's ability to oppose membership, became the EEC Commission President.

CHAPTER 5 – IMPRESSIONS, PERSUASION AND REALITY IN BRITAIN 1982–83

The costs

Eleven years have now passed since entry and there is some discussion of the results, though these are rather difficult to assess because of the complications of North Sea oil and the kaleidōscope of anti-inflation policies.

A few extreme enthusiasts for membership still see it as a Utopia whilst extreme opponents view the tired old British economy, subjected to the policies of the EEC rather as a 'retired person whose home is being looted – on the invitation of the eldest son, who has thus gained membership of the gang' (Oil money, however, enables the old chap to keep up appearances!).

The direct tax payments are known and there is an acrimonious debate going on about them. Other costs can only be

assessed by the 'best estimates' of economists – and so there ought to be an official enquiry to which they could submit evidence. Such an enquiry would consider:–

- 1) The extra costs to consumers of high priced food.¹⁷
- 2) The fact that growth in the economy has been even slower than before membership, industrial investment has fallen and unemployment has increased dramatically, mainly from the industrial sector which now employs only 30% of the labour force. There is talk of the de-industrialization of Britain.
- 3) Evidence from the Cambridge Economic Policy Group showing that EEC Balance of Payments burdens have forced the Government into deflating the economy by about \$8bn per year.¹⁸
- 4) The costs which have been imposed on other countries such as lost exports by New Zealand and, if there is now to be not only a Common Agricultural Policy but also a Common Car Policy, a common VCR Policy and others, there will be further costs.
- 5) The costs of trade diversion, exports foregone and protectionism.

Against this the enquiry would be told that there are some gains, in standardized practices, harmonized laws, in technical food production efficiency and in industrial component specialization. It would be pointed out that motor car manufacturers have rationalized production locations to some extent – but this means that over half of the apparently 'British' cars now sold in the UK are, in fact, made on the continent. (Ford alone imports more cars than all the Japanese companies combined). It would be claimed that membership has caused a big increase in Japanese investment in Britain and a big increase in exports to other EEC members.

The Government has no wish to initiate any such serious enquiry for it would almost certainly reach a damning conclusion. The public suspects this and so the EEC *Information Office* has recently set to work to create the impression that 'while not all the hopes have been met, there *has* been a net economic benefit'. No matter that claimed gains are either false, irrelevant or of little significance. Persuasion is at work again! And now there are few in the general public who have the ability, the strength and the memory to challenge this impression.¹⁹

The familiar techniques are being used – incomplete statistics, expertly produced press briefings and a reliance on friendly journalists and associated pressure groups to embellish the chosen message.

Persuasion again

At the Conservative Party Conference of October 1982 leaflets were distributed claiming all sorts of benefits from EEC membership and these included:

“An enormous increase in US and Japanese investment in Britain – over half of all US and Japanese investment in the EEC now comes to Britain. This would melt like snow if we were to withdraw”²⁰

Enquires at the American and Japanese embassy libraries showed this to be a false impression. American investment has increased somewhat but is mainly in businesses which owe little to the EEC – such as ‘MacDonalds’ or petrol service stations – and in any case American investment in Britain was on a rising trend before entry.

The Japanese proportions are quite the opposite – being highest in the late 1960s and early 1970s and showing an erratic picture since then. The 1976 to 1982 yearly figures are 14%, 21%, 17%, 14%, 42%, 12% and 23%.²¹ Thus only the 1980 figure gives the flimsiest basis for ‘half’.

It is invaluable, however, at a political meeting in Britain, to be able to say “Those clever Japanese . . . are backing Britain’s membership”. The British public is somewhat overawed by Japanese economic success and invest them with quite mysterious abilities and intelligence.*

It is also a disservice to suggest that investment by Japanese companies in Britain might ‘melt like snow’ since it is quite uncharacteristic of them to abandon enterprises and loyal employees.**

* The 1984 Commission leaflet REPORTING EUROPE states “Half of all the funds that Japan invests in Europe now comes to Britain. Like the shrewd operators they are, the Japanese reckon we are in the Common Market for good.”

** A series of letters was published in the Daily Telegraph on this point on these dates: 1982, October 26 and 29; November 3, 9, 10, 12, 13 and 20.

In November 1982, with much publicity for a speech by Gaston Thorn,²² the London *Information Office* issued to journalists an assessment of the effects of membership.²³ Journalists dutifully wrote that there has been “tremendous benefits” including a “big increase in Japanese investment”.

The November publicity set the scene for full coverage publicity which took place on 1 January 1983 to coincide with the 10th anniversary of entry.

Now some journalists were sceptical, as was John Plender, writing in *The Financial Times*, but even in his case one feels that a propensity to say “membership has been disastrous” was blunted to “it is not an economic panacea” by the *Information Office* booklet, and even he was led to say “one area where something positive can be said is inward investment from the US and Japan”.²⁴

Other publications, such as *The Economist*, gave the ‘facts’ as supplied by the *Information Office*, and combining these with a light hearted jocular approach (we are drinking more wine now, ha ha . . .) managed to make out that membership is beneficial.²⁵

To illustrate the manipulation of statistics involved in this exercise consider the two graphs below. The first, from *The Economist*, indicates a dramatic rise of UK exports to the EEC. The second shows the exports to the “Six” original members and isolates exports of oil. The second shows no change in trend from 1972 and is the more truthful account.***

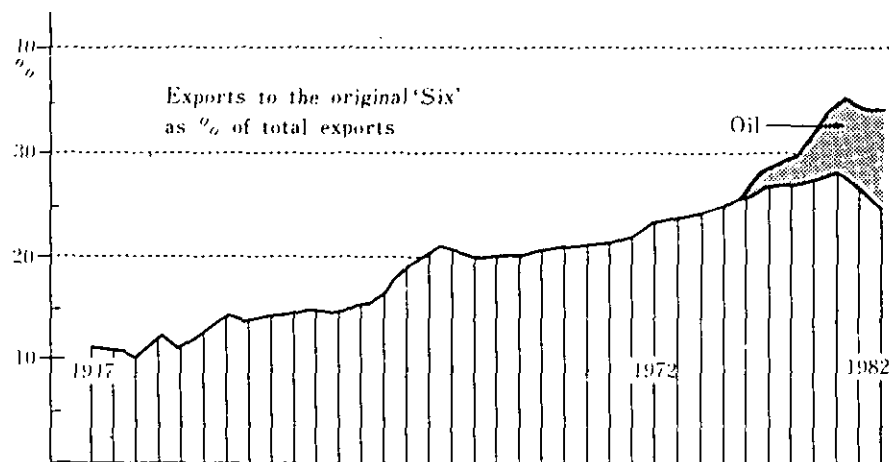
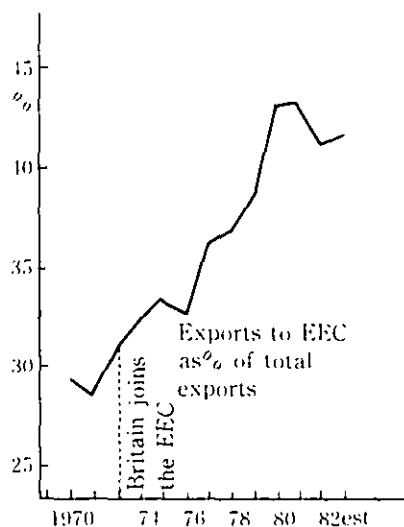
Journalists, however, did not have the information presented to them in the latter way (though the *Information Office* is well aware of it) and in consequence the public have again been misled.

Now, for students of statistics, this is all pretty elementary stuff. A man called Darrell Huff once wrote a famous little textbook entitled ‘How to Lie with Statistics’ and it is all there. But the point is that in the techniques of persuasion it jolly well works!

Here are two further examples.

The Tokyo *Information Office* publication ‘Europe Information’ on Japan states in page 2 “Nowadays, the Community share of Japanese exports amounts to about 12%. In proportion to total Japanese exports, sales to the Community are ten times greater than those of the Community to Japan.”²⁶ Now leaving aside

*** See Appendix 3.



the question of invisibles, one can forgive the poor journalist for not grasping that the actual ratios of export/import quantities are between a half and a third.

Secondly, one can return to the debate in Britain in 1971. During the 1960s, as 'car swapping' and other industrial trade accelerated between European nations, the proportion of British imports coming from Commonwealth countries such as New Zealand and Australia declined. But the actual volume of trade was about constant – the number of tons of butter, of bales of

wool, of square yards of timber etc. and so one could describe the situation using either actual volumes (graphed as a horizontal line) or as proportions (graphed as a downward sloping line), and obtain quite different impressions of Commonwealth importance. There are no prizes for guessing which one was extensively publicised!

And you may be of the opinion that somehow 'complementary trade' of raw materials and food in exchange for manufactures is more wealth-creating than an exchange of similar manufactures. But this was not mentioned.

CHAPTER 6 – THE POWER OF THIS UNRIVALLED PRESSURE GROUP

Results in the opinion polls

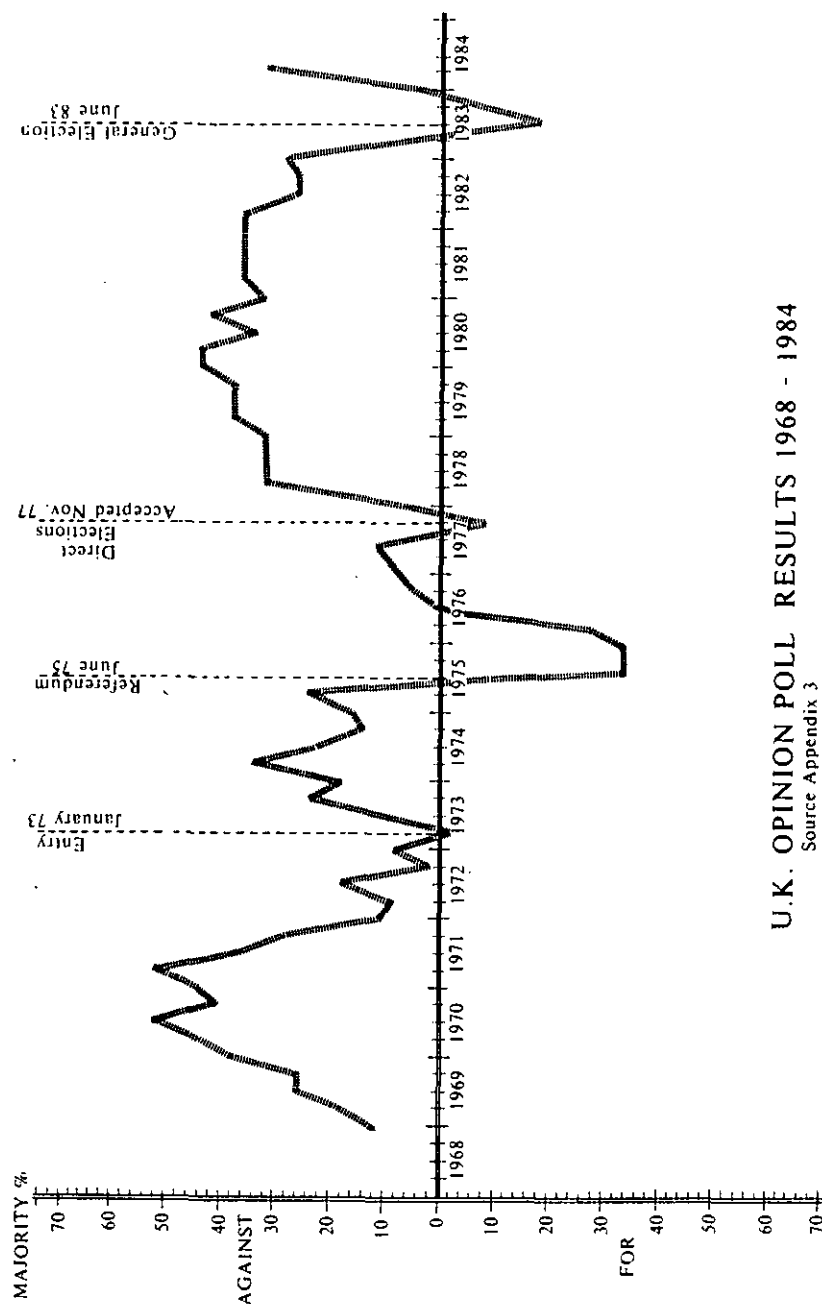
All the major opinion polling organisations in Britain have, from time to time tested opinion 'for' and 'against' membership of the EEC. The most comprehensive series has been conducted by Gallup and the graph below is mainly based on their work – though supplemented, where possible by other results and by the 1975 referendum result. The questions asked have varied slightly – for example "Do you think we were right or wrong to join the Common Market?", "Generally speaking, do you think that British membership of the Common Market is a good thing or a bad thing?" and "Are you personally for or against membership of the Common Market?".

The graph indicates the percentage majority "against" over "for" of those expressing an opinion. As in the referendum, non voting "don't knows" are left aside and so, if, for example a poll shows 25% "for", 50% "against" and 25% "don't know", Appendix 3 will show 33% "for" and 66% "against" and the graph a 33% majority "against".

During these 16 years there have been only 4 brief periods when opinion has swung to a majority 'for' membership.*

- i) 1971–72 before 'entry'
- ii) 1975 before the referendum
- iii) 1977 before 'direct elections' were agreed to
- iv) 1982–83 before the general election when SDP-Liberal intervention ensured Labour's defeat.

* About 4 million electors, or one elector in 6 must have changed their minds on these occasions.



Some conclusions

There is much more, of course, that can be said about Britain and membership, but enough has been said to show that the EEC and its supporters should be regarded as a 'Pressure Group' and not a 'Government'. Its dubious methods of persuasion might not be worth discussion if it were opposed by other 'equal strength' pressure groups competing for the attention of an impartial government but in fact it faces only voluntarily financed individual opposition.

Nor should these methods be passed off as mere amateur 'Euro-enthusiasm'. It is highly professional and one must conclude that to possess, unopposed, the ability and organization with which to manipulate public opinion, not in spite of, but *through* those in society called intellectual opinion formers and commentators, is to have acquired, in today's world, a quite awesome and potentially dangerous power.

If the arousal of unjustified emotions and the creation of desired (if often false) mass opinion can be achieved in advanced nations such as Japan and Britain, despite the existence of freedom of speech, then it is time to pay attention.

CHAPTER 7 - SOME PHILOSOPHY

On ends and means

When questionable *means* are used for apparently acceptable *ends*, one is entitled to reassess those ends. One is often aware that *something is amiss* through observing *actions* on behalf of a cause long before one can perceive the flaws in the cause itself. There is something in the poet's words: "It matters not who won or lost, but how you played the game".

Power and restraint

Today's governments represent a compromise between the conflicting philosophies of 'corporatism' and 'liberalism'. Governments are pressed towards policies gainful for powerful interest groups but are restrained by democratic politics.

'Corporatism' allows the State to adopt, as national goals, aims profitable to large corporations, monopoly trade unions, landowners etc., whilst small firms, consumers, tenants, the

self-employed, the retired and other individuals are disadvantaged. The former support the government with finance, media patronage, co-operation – even block votes. The ‘politically possible’ rather than the ‘idealistic’ principle guides policy making. Usually somewhat cynical, in extreme cases associated with Fascism and military repression, its practitioners think it ‘realistic’. It leads naturally to government-industry co-operation, ‘indicative’ economic planning and protectionism.

In contrast ‘liberalism’ (or ‘pluralism’ or ‘individualism’) resists these activities, seeing the government as referee, not a team player, an unbiased judge hearing the claims of competing groups and supporting unorganized interests. Laws rather than goals occupy government and ‘group muscle’ is denied advantage. Market mechanisms are respected, not abandoned when inconvenient. Free trade is a principle, not an insincere election slogan.

Most voters support the ‘liberal view’ but most politicians find ‘corporatism’ their reliable route to success – because interest groups are constant, strong and single-minded whilst the general public is easily misled, has a short memory, is inadequately informed and its allegiances are too diffuse.

But since the ‘corporatist’ is dependent only on sectional support and is acting, by definition, against the individual interests of those whom he governs (whom, to some extent, he must deceive to obtain power) he is constantly fearful of criticism and cannot feel secure. But opponents are easily dismissed if they can be labelled ‘disloyal’.

Therefore, ‘liberal’ activity depends upon there being a focus of loyalty *above* government (widespread respect and affection for a symbolic embodiment of national consciousness such as a Queen, an Emperor or, in America, the Flag or Constitution) to which both government and opponents can demonstrate loyalty; and also a credible, experienced single opposition political party which can take advantage of relatively small shifts in electoral preferences to dismiss an existing government. Thus, in Britain and the USA, it is through the two-party system that the electorate can wield effective power and restrain ‘corporatist’ ambitions.

Neither of these factors is present, or is likely to become present, in the emerging superstate of New Europe where effective ‘liberal’ restraint exists only *within* member nations, and where the EEC Commission appears increasingly as an unbridled seat of

economic ‘corporatist’ power.* Thus, were it just an international organization it would be valuable, but as an aspirant government it is a rogue institution.

CHAPTER 8 – THE EUROPEAN ECONOMIC COMMUNITY

The founding paradox

Immediately after the 1939–45 war a major debate emerged in Western European countries between two groups who could be called the ‘Federalists’ and the ‘Internationalists’ (sometimes called the ‘Atlanticists’). The former, strongly emanating from Germany, urged the creation of a new, federal ‘super state’ of Europe. The latter urged the creation of a series of limited international bodies each working towards the solution of specified problems – in trade, labour law, shared technology, defence, freedom of movement, and the like, and this was very much the British position strongly supported by the smaller nations of Europe which, over the centuries, have feared European hegemony – and indeed had to fight against such ambitions only too often.

The ‘internationalist’ view enjoyed early success. The creation of the various United Nations bodies, of NATO and of the Council of Europe, which Sir Winston Churchill, in particular, warmly welcomed. We may note his words:

“We are bound to further every honest and practical step which the nations of Europe may take to reduce the barriers which divide them . . . but we have our own dream and our own task. We are with Europe but not of it. We are linked

* It is often argued that control of the EEC executive in Brussels is exercised effectively by the member state governments – through the Council of Ministers. But this is ‘executive’ controlling ‘executive’, not a ‘legislature’ controlling an ‘executive’ (the principle of the Magna Carta). Thus, for Britain, the *sovereignty* of Parliament and thus the ‘sovereignty of the people’ is compromised. Furthermore, the inherent dangers of ‘delegated legislation’ have reached an alarming level through the law-defining powers of the Commission. The so-called ‘European Parliament’ which many hope will fulfil the legislative control role is hopelessly inadequate. There is a multitude of parties, constituency sizes are far too large for customary voter-member relationships; and few vote in elections. This ‘Parliament’ lacks the cohesion, power, authority, affection and experience that would be required for it to replace member state legislatures.

but not comprised. We are interested and associated but not absorbed."

During this time, a French civil servant and engineer, Jean Monnet, happened to be the chief of the French national economic planning agency which successfully co-ordinated bank credit and American aid to rebuild French industry. French 'indicative planning' was, therefore, his training ground for proposing, with Robert Schumann, first the formation of a European coal and steel marketing organization in 1951 and then the EEC in 1956. His belief was that the federalist aim of a New Europe could be achieved by gradually bringing all the economies of Europe within a single 'planning framework' because he realised that powerful economic interest groups – corporations, banks, unions and landowners would increasingly support a body which could serve their aims. A power base could be created to which national governments might eventually be subordinated.

At the same time, popular support for the initial treaty transfer of powers to the new body would be required. Now was it not Plato who cynically commented that a King to rule successfully should 'adopt and never oppose sentiments'?²⁷ Accordingly, despite the 'corporatist' nature of Monnet's ambitions, a 'liberal' prospectus had to be purveyed which rightly could be allied to the theme of avoiding war.

Thus we find in the Treaty of Rome a largely acceptable list of stated aims. But contrary clauses were slipped in which have allowed the EEC performance to show such an alarming growth of protectionism and anti free trade activities. For example, Article 113 of the Treaty reads:

"After the transitional period has ended, the common commercial policy shall be based on uniform principles, particularly in regard to changes in tariff rates, the conclusion of tariff and trade agreements, the achievement of uniformity in measures of liberalization, export policy and measures to protect trade such as those taken in case of dumping or subsidies".

Thus the very foundation of the EEC involved the juxtaposition of a public stance incompatible with its power intention reality.²⁸

So, – whilst the EEC proclaims its desire and intention to secure free trade, the source of its support and ambitions propel it in the opposite direction!

Some consequences

Advantage for strong interests was evident from the beginning. The French Government desperately needed money to subsidise its politically powerful but hopelessly uncompetitive food exporters; and Germany, with a large urban, industrial, food-importing population, eager to gain post-war international respectability and still starry-eyed for European unity, provided this through the CAP. Germany has thus effectively supported French land values through the purchase of food at high prices which otherwise could have been bought on the world market, often at half the price.

Consequently, the effects of agricultural protectionism are felt as shock waves around the world. The United States, losing sales in Europe, demands greater access for farm products to the Japanese market; Argentina, losing sales of wheat and beef to Britain, is forced to sell to the Soviet Union; sugar producing poor countries find the world market price ruinously reduced by EEC dumping. International relations are soured inevitably.

Britain, which, after the campaigning of Richard Cobden for free trade, and the Irish potato famine, reformed the 'Corn Laws' in 1845 and practised free trade in food for more than a century, has become engulfed in this miserable quagmire.

Now we are seeing the accelerated practice of 'corporatism' in industrial policy. The Multi Fibre Agreement limits the imports of textiles – even from the British colony of Hong Kong; steel is increasingly protected; aircraft manufacture is organized on a European level with massive subsidies; measures are taken to limit motor car imports and many other items.²⁹ Britain, whose largest surplus in manufactured goods trade in 1981 was with Australia and whose largest deficit in manufactured goods was with Germany (not Japan), is forced to discriminate against Australian food imports and subsidise those from Germany.

The German journal 'Intereconomics', in an editorial has commented that:

"Today, the Community is – as the skirmishes with Japan and the USA show – on the point of becoming a protectionist pest due to its uninhibited bilateralism."

After showing that non-tariff barriers into Japan are in fact lower than those into the EEC, the journal commented on the demands for restrictions on Japanese imports:

"This is an obvious case of someone who lives in a glass house throwing stones."³⁰

The Trade Policy Research Centre in London summarised EEC trade complaints in a booklet entitled "Spectators of their own actions".³¹

CHAPTER 9 – AN UNFORTUNATE ROLE FOR JAPAN

Opposition continues

The original hostility between the 'Federalists' and their opponents is by no means ended though it exists mainly within individual countries rather than on an EEC-wide level. Opponents in Britain became the 'Anti Marketeers' (who the Federalists try to imply are 'disloyal' by calling them 'anti-Europeans') and, as the debate in the House of Commons on 21 February 1983 illustrated, they can mount a spirited and convincing challenge.³² The Labour party is committed to withdrawal. Many individuals are profoundly unhappy with developments but lack the knowledge, organization, strategy and self-confidence to make an effective impact. Voices of protest are heard in the other member countries, Norway is well content with its decision to stay out, and Greenland has just left. An awakening of public awareness, and opposition, could erupt at any time. The path of the EEC seems unendingly provocative. Consequently, the EEC Commission finds it increasingly difficult to justify its development, its burgeoning expenditures – and even its existence.

The danger of biased publicity about Japan

It follows that Japan, a far away country, strong in industry but quiet in international political debate, against which a superficial case for strong collective action can be made presents a heaven-sent opportunity for *internal* persuasion. In response to the apparent 'threat' from Japan, any EEC-Japan 'agreement', however willingly given, can be presented as a 'victory' which *only* the EEC could achieve.

Thus, by co-operating, the Japanese may be used in a power wrangle to which they should be mere spectators. One suspects that if the 'trade issue' were to be 'solved' tomorrow, the EEC would erect some new issue of contention (perhaps market shares

in third countries) because Japan is far too useful in countering opposition within Europe to the EEC to be 'let off the hook'.

Even though Japan has agreed to practically all the specific requests made by the EEC for restraint of exports, the EEC is conducting a duplicative great 'investigation' of Japanese trade.³³ Can this be anything other than a search for more potential ammunition? Are not the reports made by various embassies and independent researchers together with the permanent mechanisms of GATT capable of revealing everything required?

So, whilst there will always be yet more Japan can do to further facilitate imports, the *motive* for EEC criticism, rather than angelic trading principles, or an unfortunate misunderstanding of the overall balance of Japanese payments, may be closer to political mischief.

This 'paper' began by stating:

Impressions of reality are often more important than reality itself in moulding political decisions. They form the 'building blocks' for popular acceptance and thus the constraints within which politicians must operate. On observing any strongly held and widely accepted view which seems to exaggerate, distort or even conflict with informed impartial assessment, it is worth asking questions. Who benefits from the resulting policies? Have they actively promoted the questionable view? What methods have been used to promote the view? Why were opposing voices ignored?

By taking examples both from Japan and Britain it has been shown that misleading impressions on certain economic questions are widely held and that the source of these impressions lies in the EEC Commission's "information services" and allied pressure groups. Whilst facing only disparate voluntarily financed opposition, this highly professional, extensive and lavishly financed opinion influencing organisation has succeeded in manipulating public opinion. The principle method used is to work, not in spite of, but *through* those in society called "opinion formers".

Whilst the arousal of unjustified emotions and the creation of desired mass opinion may be admired as a remarkable achievement it represents the acquisition of a quite awesome and potentially dangerous power.

These distorted and sometimes false impressions weave a web via public and press opinion around political decision makers which renders opposition to EEC policies – and even mere criticism, much more difficult, and often ineffective.

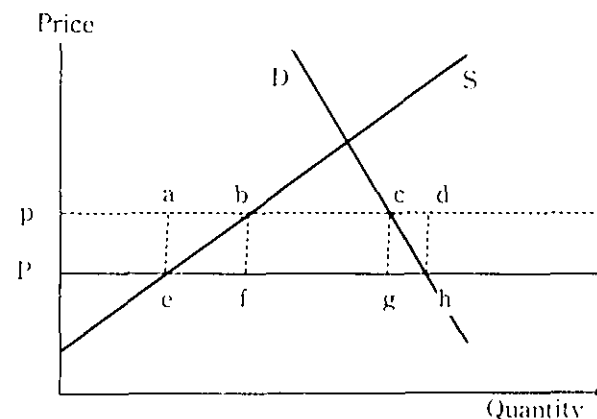
The beneficiaries of this insidious process are the client interests; the large firms and producer interests represented in Brussels, and that emerging 'corporatist' body, the Commission itself.

There is a vital need therefore to develop an adequate surveillance of this process, to insist on a drastic reduction in EEC expenditure on 'information services', to monitor and perhaps limit expenditure by client groups on EEC advocacy expenditure and to review the opportunities for democratic legislative control by member state's elected representatives.

The Common Agricultural Policy

The Common Agricultural Policy is used to raise the incomes of farmland owners and agricultural workers by maintaining artificially high prices. EEC funds (taxes from each member state) are used to buy and store 'surpluses' and often to subsidise exports in order to reduce these 'surpluses'. There is a general presumption that imports should be restricted and if possible reduced and that 'self sufficiency' should be aimed at.

Thus for each country the cost of the CAP consists not only of taxes paid as contributions funding the system, but also of the excess paid by consumers over that which they would otherwise pay. There are also welfare losses due to reduced consumption and there are complicated calculations to be made about gains and losses by the agricultural industry. This may be illustrated:



Demand and domestic supply curves are shown for a particular commodity. At the world (lower) price 'P' P_e will be produced and $e h$ will be imported. At the CAP price 'p' domestic production is expanded to b while only $b c$ is imported.

Consumers suffer a loss represented by $P_g c p$ and the money is divided between domestic farmers who receive $P_f b p$ and the government which receives import levies $f g c b$. Also costs are incurred by farmers beyond import costs of $e f b$ and consumers suffer a welfare loss equal to $g h c$.

Given that this system applies on an EEC wide basis and some members such as Britain are net importers whilst others such as Eire are net exporters, there are important transfers of wealth as well as a net resource loss overall.

To give some perspective to this, EEC statistics for 1979 showed that EEC wheat prices averaged 63% above world prices, barley 61%, maize 90%, sugar 31%, beef and veal 104% and butter 311%.³⁴ The EEC has not yet published more recent figures but world prices have been declining in many instances. This policy has led to an amazing increase in agricultural production in Britain which is now said to be over 70% self-sufficient compared with about 55% ten years ago, but this is at a cost of around £3bn a year to consumers.³⁵

There has been a complicated evolution of the mechanics of the CAP with 'variable levies', 'intervention stores', 'the farm fund', 'monetary compensation payments', 'green pounds' and the like which is beyond the comprehension of practically everybody and there is a deliberate reluctance by the EEC authorities to issue figures which would clarify the costs.

But there is an ever greater transfer of resources to agricultural interests - witness the rising value of farmland.

APPENDIX 2

Item	World	O.E.C.D. Countries	United States	E.C. Countries (a)	United Kingdom	Other O.E.C.D. Europe (b)	Communist Bloc (c)	Other Countries	International Institution	Un-allocated
1. Current balance	6,850	17,494	14,334	4,848	98	Δ 1,688	2,267	Δ 12,931	35	Δ 15
Trade balance	18,079	23,949	15,131	9,929	3,115	Δ 1,111	1,976	Δ 7,818	1	Δ 29
Exports	137,663	66,513	36,477	17,074	5,157	12,962	8,191	62,958	1	-
Imports	119,584	42,564	21,346	7,145	2,042	14,073	6,215	70,776	-	29
Invisible trade balance	Δ 9,848	Δ 6,335	Δ 677	Δ 5,069	Δ 2,999	Δ 589	327	Δ 4,234	394	-
Receipts	41,085	23,535	13,904	7,029	4,305	2,602	1,105	15,970	475	-
Payments	50,933	29,870	14,581	12,098	7,304	3,191	778	20,204	81	-
Transfers	Δ 1,381	Δ 120	Δ 120	Δ 12	Δ 18	12	Δ 36	Δ 879	Δ 360	14
Receipts	465	303	189	59	16	55	10	136	2	14
Payments	1,846	423	309	71	34	43	46	1,015	362	-
2. Long-term capital balance (d)	Δ 14,969	Δ 4,733	Δ 1,700	Δ 1,298	2,557	Δ 1,735	Δ 1,511	Δ 5,815	Δ 2,444	Δ 466
Assets (out)	Δ 27,418	Δ 14,950	Δ 3,645	Δ 6,271	Δ 2,424	Δ 5,034	Δ 1,505	Δ 8,081	Δ 2,426	Δ 456
Liabilities (in)	12,449	10,217	1,945	4,973	4,981	3,299	Δ 6	2,266	Δ 78	Δ 10
3. Fundamental balance	Δ 8,119	12,761	12,634	3,550	2,655	Δ 3,423	756	Δ 18,746	Δ 2,409	Δ 481

(a) E.C. Countries: Belgium, Luxembourg, France, F.R. Germany, Italy, Netherlands, Denmark, Ireland, United Kingdom, Greece.

(b) Other O.E.C.D. Europe: Austria, Iceland, Norway, Portugal, Sweden, Switzerland, Finland.

(c) Communist Bloc: Albania, Bulgaria, U.S.S.R., Czechoslovakia, Peoples' Republic of China, German, D.R. Hungary, North Korea, Socialist Republic of Viet-Nam, Mongol, Poland, Rumania.

(d) Δ shows outflow of Capital (an increase in assets or a decrease in liabilities).

Source: Bank of Japan Monthly

APPENDIX 3

OPINION POLL RESULTS - IN REPLY FOR EACH DATE TO THE NEAREST QUESTION ASKED TO "Are you for or against?"

Year	Month	For	Against	Proportion of those expressing an opinion: Majority Poll	
1968	Nov	36	45	12	Gallup
1969	July	33	47	18	NOP
	Aug	30	51	26	NOP
	Sept	29	51	26	NOP
	Nov	26	59	38	NOP
1970	Feb	22	57	44	Gallup
	March	22	64	48	NOP
	May	20	62	52	Harris
	July	24	55	40	Gallup
	Oct	24	61	44	NOP
1971	Jan	22	58	45	Gallup
	March	19	60	52	Gallup
	April	22	60	46	Gallup
	May	23	59	44	Gallup
	June	27	58	36	Gallup
	July	25	57	40	Gallup
	Aug	36	48	14	Gallup
	Sept	30	54	28	Gallup
	Oct	32	51	22	Gallup
	Nov	38	45	8	Gallup
	Dec	38	47	10	Gallup
1972	Feb	36	43	8	Harris
	June	36	51	18	Gallup
	July	42	46	5	Gallup
	Aug	40	42	2	Gallup
	Oct	39	41	2	Gallup
	Nov	39	46	8	NOP
	Dec	39	45	8	Gallup
1973	Jan	38	36	-2	Gallup
	Feb	40	42	2	Gallup
	April	36	45	12	Gallup
	June	39	44	6	Gallup
	Aug	32	52	24	Gallup
	Oct	34	49	18	Gallup
	Dec	34	48	18	Gallup
1974	Jan	28	58	34	Gallup
	March	36	51	18	Gallup
	April	33	51	22	Gallup
	May	32	53	24	Gallup
	July	37	50	14	Gallup
	Oct	31	53	26	Gallup
	Nov	34	46	16	Gallup

Year	Month	For	Against	Proportion of those expressing an opinion: Majority Poll	
1975	Jan	31	50	24	Gallup
	Feb	39	45	8	Gallup
	March	37	42	6	Gallup
	April	43	38	-6	Gallup
	May	46	39	-9	Gallup
	June	44	36	-10	Gallup
	5th June	Referendum		-34	
1976	Jan	50	24	-34	Gallup
	Feb	48	26	-30	Gallup
	July	40	31	-12	Gallup
	Sept	33	37	6	Gallup
1977	June	33	42	12	Gallup
	Oct	37	33	-6	Gallup
1978	July	25	48	32	Gallup
1979	Oct	24	54	38	Gallup
	Nov	21	55	44	Gallup
1980	April	22	57	44	Gallup
	May	26	52	34	Gallup
	June	22	54	42	Gallup
	Oct	24	46	32	Gallup
1981	March	24	52	36	Gallup
1982	March	23	48	36	Gallup
	May	27	45	26	Gallup
	Nov	25	45	28	Gallup
1983	May	43	30	-18	Gallup
	July	34	37	4	Gallup
1984	March	25	48	32	Gallup

APPENDIX 4

Britain's exports to the EEC

Imports of manufactured goods to Britain from the EEC have increased much more rapidly than exports of manufactured goods so that they are now 50% higher. To use the EEC jargon there is a 'cover ratio' of two thirds. The 'gap' however is bridged by two factors – oil and 'invisibles' and the *Impact of Membership* quotes 'invisibles' as recording a surplus with the EEC of £440m in 1973 rising to £645m in 1980 (a fall though, in 'real' terms).

The most important claim, however, concerns *exports* – that they have increased dramatically since 1972, that they now constitute nearly half of total British exports and that, in consequence, around 3 million jobs are dependent on continued membership. Selected statistics are used. The *Impact of Membership* stated:

"In the 10 years since accession, trade with the other member countries has grown at a remarkable rate – exports from Britain to its EEC partners rose by 28% a year on average between 1972 and 1980".

The figures are listed – £2.4bn in 1970 and £20.4bn in 1980. Source – Department of Trade.

Thus any talk of withdrawal or simply of seeking alternative relationships with the EEC is met by the plausible pained innocence of the retort "all we are concerned about is to safeguard the jobs and security of so many British workers". In Lord Carrington's Conservative Party Political Broadcast of 11 December 1981 it was stated "Since we joined the EEC our exports to our Common Market partners have increased rapidly. They now buy nearly half our total exports".

Thus most British people now believe that, had Britain NOT joined, exports to the original six EEC members as a proportion of Britain's total exports would be a good deal lower than they in fact are – and that this would be bad for the British economy.

The figures are not false – the 9 other EEC members DID buy 43.4% of total British exports in 1980 and Western Europe as a whole DID buy 57.6%. But the original 6 members bought only 35% and this is disappointing bearing in mind export expectations, previous trends and North Sea oil.

Export expectations

Trade discrimination to divert sales from Britain towards the EEC and away from other countries *should* have led to an increased proportion for the EEC.

Before membership, Britain exported, often free of tariff barriers, to many markets, notably to Commonwealth countries; and at the same time faced a tariff on goods sent to the EEC. This tariff was estimated by the CBI to be, on average, 7.16%. Progressively, this position has been broadly reversed and goods now enter the EEC countries without tariffs.

(The effect of this tariff reduction, however, should not be exaggerated since it is only equal in effect to a reduction in the international value of the £ of about 10% – 15%.)

EEC membership has contributed towards a rapid decrease in exports to countries such as Australia which have been denied the normal trading access for food to British consumers. Between 1970 and 1980 the proportion of British exports going to Australia dropped from 4.3% to 1.7%; to Canada, from 3.6% to 1.6% and to New Zealand from 1.6% to 0.5%. This collapse in trade is quite unlike the gently falling export shares of the 1960 to 1970 period which were associated with rather static volume export figures.

Furthermore, there has been a loss of export share going to those countries in EFTA which did not join the EEC (Sweden, Norway, Portugal, Austria, Switzerland and Finland). British exporters no longer enjoy a tariff advantage over other competing Western European suppliers to these markets. Britain now competes with Germany, France and Italy on 'equal terms' not only in tariffs but also in costs arising from the CAP. As a result, whereas pre-1972 trends would suggest that by 1981 up to 15% of British exports could be going to these markets, only 11½% in fact was achieved – and this included 1½% oil.

(The only such EFTA country to which there has been a gain in export share is Switzerland but this may well be due to the present inclusion of gold and diamond transactions which used to be recorded separately.)

Similarly, pre-1972 trends would suggest export shares to Ireland and Denmark by 1981 of 11% but only 8% was achieved.

On the other hand, the CAP has meant that food grown in Britain can be exported to the '6' where it is now protected from world competition. Though economically unjustifiable, this trade

does contribute towards a higher share of British exports going to the EEC.

Thus, even without suggesting any 'dynamic' or 'beneficial' results of membership an increased export share should be expected.

Previous trends

Through the 25 post-war years prior to entry a clear trend of a rising export share of manufactured goods to the EEC was established. No one has seriously suggested that this would not have continued whatever the outcome of entry negotiations. Indeed, the EEC could only have reversed this trend by deliberate punitive action which would obviously have affected their exports also. The '6' showed no evidence of wanting to 'force' Britain by this means to join.

North sea oil

Britain exports about half of the crude oil from the North Sea, and exports have been rising by about 30% per year. There are also exports of oil-derived products such as jet fuel and lubricants based on North Sea oil. The major part of exported oil goes to the EEC where West Germany is by far the thirstiest client – a favour Britain could confer regardless of EEC membership.*

35% represents only the continued trend + oil

The graph on page 58 illustrated these figures.

The rather dramatic but inescapable fact emerges that actual exports and exports that would have occurred in any case, had Britain not joined, are practically identical. Should Britain decide to retain, rather than export, North Sea oil, the co-incidence would be even more obvious.

* Britain has three policy alternatives for selling North Sea oil.

- (i) The present position. Retention of about half and exports of half, mainly to the EEC while importing a similar amount from the Middle East.
- (ii) At a certain cost of refinery adaptation, all North Sea oil could be used in Britain and imports could cease. (Such self-sufficiency, balanced with imported oil saving, would not affect exchange rates.)
- (iii) Since oil can be sold almost anywhere, and there are no tariff barriers, Britain could diversify oil sales by increasing sales to non-EEC countries – such as Japan, South Africa and North America.

Table 1

% British exports to the original '6'			
1947	11.4		
1948	11.1		
1949	10.5		
1950	12.3		
1951	11.6		
1952	12.2		
1953	14.3		
1954	14.3		
1955	14.1		
1956	14.5		
1957	14.8		
1958	14.0		
1959	14.8		
1960	16.1		
1961	17.3		
1962	19.8		
1963	21.0		
1964	20.6		
1965	20.0		
1966	20.0		
1967	20.0		
1968	20.1		
1969	20.9		
1970	21.8		
1971	20.7		
1972	21.9		
1973	23.9		
1974	25.3		
1975	25.2		
1976	27.9		
1977	28.8	Oil	Non-oil
1978	29.8	1.8	28.0
1979	33.6	4.1	29.5
1980	35.2	6.1	29.1
1981	33.3	9.1	24.2
1982	34.0	10.1	23.9
1983	36.3	10.7	25.6

Sources

- (i) To 1971 Cambridge Monograph 18. Abstract of British Historical Statistics
- (ii) Annual Abstract of Statistics
- (iii) Overseas Trade Statistics

Table 2

Britain and 'the six' – exports 1978 to 1981			
	Total exports £000	Crude oil exports + ½ of oil derived products to the '6' £000	%
1978	35,380,300	$475,563 + \frac{320,014}{2}$ = 635,57	1.8
1979	40,637,000	$1,389,607 + \frac{532,506}{2}$ = 1,655,860	4.1
1980	47,329,000	$2,487,355 + \frac{752,81}{2}$ = 2,863,760	6.1
1981	50,998,080	$3,352,121 + \frac{2,627,70}{2}$ = 4,666,119	9.1
1982	55,538,408	$4,032,488 + \frac{3,163,57}{2}$ = 5,614,276	10.1
1983	60,593,692	$5,524,211 + \frac{1,923,834}{2}$ = 6,486,128	10.7

Sources
 Total Exports – *Annual Abstract of Statistics*
 +
 Oil Exports – *Overseas Trade Statistics*

For the advocates of membership, the disappointing conclusion is that it has not, on balance, led to an increase in exports. Indeed, given the trade diversion involved, this observation suggests that membership has caused export weakness rather than export strength, whilst falling exports to Commonwealth countries have contributed directly to rising unemployment.

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