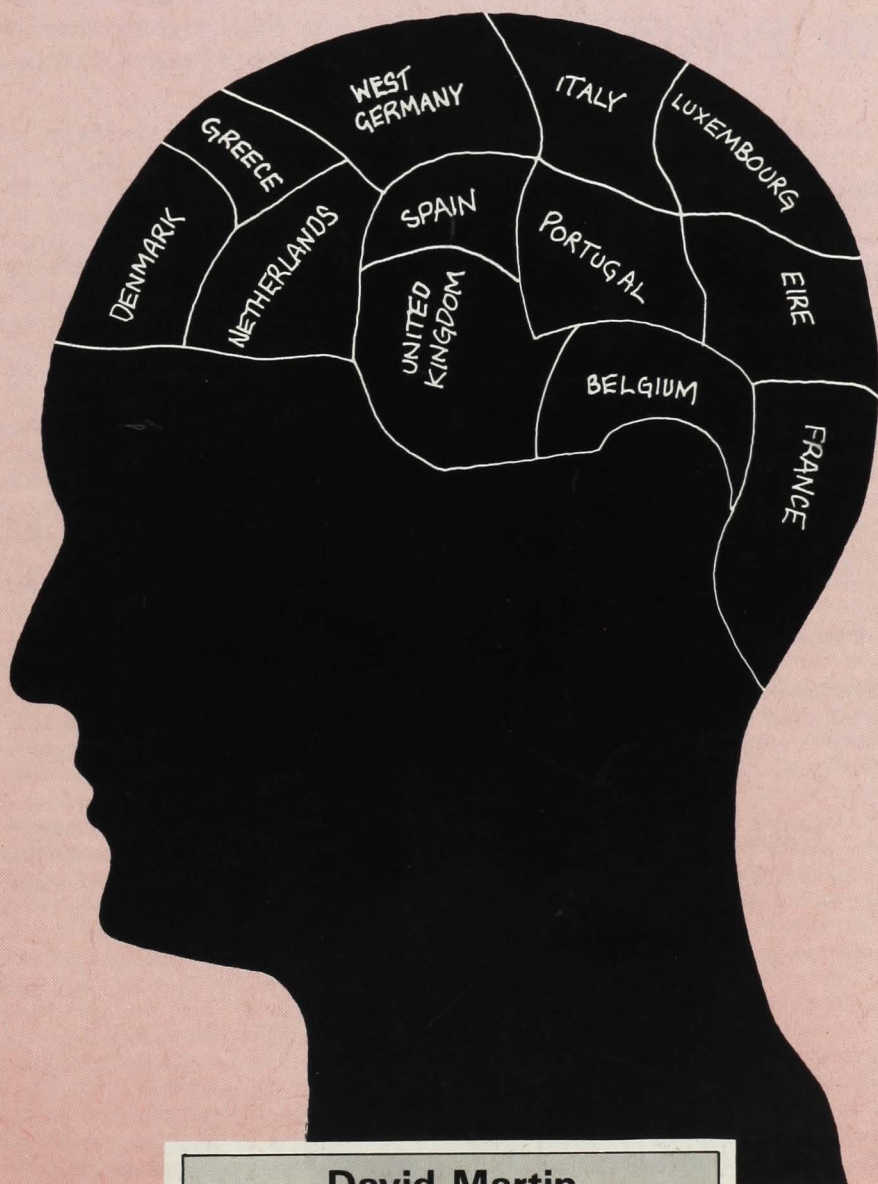


Fabian Society No. 525

**Bringing common sense
to the Common Market:
a left agenda for Europe**



David Martin
Preface by Neil Kinnock

Bringing common sense to the Common Market — a left agenda for Europe

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This pamphlet like all publications of the Fabian Society represents not the collective view of the Society but only the views of the individual who prepared it. The responsibility of the Society is limited to approving the publications it issues as worthy for consideration within the labour movement.

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Preface

Neil Kinnock

It has been clear for a long time now that the European Community has fulfilled few of the aspirations of its original architects and British membership has brought little of the benefit anticipated by its advocates.

The inefficient and unjust Common Agricultural Policy has continued to soak up resources. The Community has been singularly ineffective in improving Europe's world market share, or in mitigating the economic domination of multinational corporations—many of which owe no allegiance to any European interest.

The regular "summits" of EC leaders have been remarkable for their concentration on the minutiae of Community budgetting rather than the central issues of European economic and social performance. Unemployment, North-South relations, technological and scientific co-operation have been the stuff of communique footnotes rather than of primary strategy. And meanwhile the economic decline of the United Kingdom—especially outside the South-East of England—has gone on despite the oil.

The prospects for the future do not look a great deal better as the budgetary conflicts continue to rattle on.

Now—and until 1992—the pre-occupying issue is and will be the obsessive drive to a Single European Market. Amongst the progressive forces in the Community are those who identify it as the new "Europeanist" development, the mark of "European" political commitment. Others, motivated by less laudable ideals, employ the same rhetoric but seek the change for reasons that have everything to do with securing domination by the market and nothing to do with achieving the development of community.

Faced with those themes, the Leader

of the Labour Group in the European Parliament, David Martin, focuses on the practical realities.

He is surely realistic to acknowledge that Britain's integration with the other European economies by 1990 will have proceeded so far that talk of economic withdrawal is both politically romantic and economically self-defeating.

He is surely also realistic in emphasising that any significant change, such as the Single Market, should be judged by its likely impact upon the consumers and workers of the Community. That is required by justice and by efficiency. It is a demand that democratic socialists have always made and must always make.

Throughout history, socialists have argued for the need to prevent the hardship, exploitation and waste which can result from the operation of unregulated markets. Those arguments have been produced by experience, not by abstract theorising. The evidence of abuse was manifest long before the response was assembled.

By a variety of means—varying from public ownership to consumer protection legislation and from minimum labour standards to environmental health controls—there have been constant efforts to civilise the operation of markets and to make economic activity compatible with human security.

In so many respects the relative comfort and safety of modern life is due to the success achieved by socialists and others who realise that life is too important to be left solely to the dictates of

demand and supply.

In the philosophy of the 19th century economic liberals, and in the policies of their successors, the "New Right" of our age, such safeguards are impediments to the "great adventure" of market capitalism. To everyone else they are necessary limitations to the excesses and abuse that follow from the inevitable tendency of that system to put profit before people.

Those considerations must apply now as the European Community is turned into a Single European Market.

There should be no confusion. Lord Cockfield is not engaged in mopping up petty and outdated restrictions or in promoting international co-operation. The purpose of his efforts, and the reason why they have Mrs Thatcher's support, is the removal of many of the protections for consumers, citizens and workers which have been built up by national Parliaments over decades, and which are seen as "rigidities" impeding market operations.

David Martin's pamphlet gives full and effective attention to these matters and addresses itself to the practical implications.

He looks at feasible and productive ways in which reform of the Common Agricultural Policy can be achieved.

He highlights, quite rightly, the need for Europe to act cohesively in seeking a restructuring of world economic, trade and financial relations, in order to tackle the problems of the developing countries and to stimulate sustained economic growth across Europe, including those nations and regions which will otherwise be abandoned and excluded from prosperity.

Finally, he urges a higher priority within the labour movement for those positive EC initiatives where the British Conservative Government is lagging well behind. He is right to assert that there are areas where the Community legislation provides appropriate openings for social and economic improvements. And, as a movement which has always taken the view that we must use existing rights to expand and secure advance, Labour has both an opportunity and a duty to seek advantage for the people of our own and other countries in using those openings to the full.

If we did not take this approach and in the process offer—in David Martin's words—a "positive optimistic vision of how Europe should develop", the result would not be a loss of impetus by the New Right or greater economic justice or the triumph of democracy over bureaucracy. On the contrary, all of those objectives would be retarded.

Our non-engagement would mean their unimpeded movement to the complete economic and political domination of Western Europe by market power—with all of the effects on civil rights, environmental conditions, individual opportunities and collective provision which that implies.

Leaving the European field to that is no more acceptable than leaving Britain to permanent Thatcherism. And in offering the arguments for action and proposing some of the actions to be taken, David Martin has done a service to the labour movement.

His views will not enjoy universal agreement. They must deserve universal attention.

Introduction

Important democratic socialist objectives can no longer be accomplished within the boundaries of a single country. The European Community can open up to the peoples of Europe new areas of manoeuvre that have been and will continue to be lost to the nation state.

The European Community can restore to them the opportunity to shape their own futures, and with it the option of self determination.

The era of the nation state and of national roads to socialism is drawing to a close in Europe. In developing policies for the 1990s the Labour Party will have to take into account the radical loss of power that individual states have experienced in relation to the international commercial banks, transnational financial markets and multinational companies. These institutions dominate world trade. By 1984, sales of the top two hundred companies alone amounted to more than £2,000 billion, more than 1½ times the Third World's total income. The capacity of many of these large corporations to plan and take action is far larger than that of an average national ministry.

It is not just economic policy that has moved beyond the effective control of individual governments. Atmospheric pollution is an international rather than a domestic issue: wind and rain know no political borders. Whether it be acid rain, ozone depletion or nuclear fall-out, only by concerted international agreement can any meaningful progress be made. Within Europe, the European Community (EC) should agree to a set of regulations and enforceable standards. It is in the common interest of all states.

Likewise satellite technology is no respecter of national frontiers. It is in the common interest of all states to lay down rules and guidelines for satellite TV which otherwise will be given over completely to commercial exploitation.

International co-operation

The British left must accept that if we are going to achieve our objectives of 'Jobs, Peace and Freedom' there is no substitute for international co-operation. This means working within the institutions of the European Community. The European Community is here to stay. Our task is to use it to our own ends.

Evidence that this belief and determination is gaining currency within the British left can be gleaned from a number of recent articles and papers on the subject from a wide spectrum within the Labour Party.

John Lloyd recently argued in the *Financial Times*: "Perhaps in international co-ordination and management, the left can find a germ of the big idea it will need to counter Thatcherism in the nation state".

The previous weekend a discussion paper, prepared for the Socialist Conference in Chesterfield, stated: "withdrawal from the EEC is no kind of priority". The following month in their paper *The Need for an Alternative European Strategy*, Terry Ward and Frances Morrell went much further by baldly declaring "Labour's future is European".

On the eve of the Alternative to Trade Wars Conference, for which the Ward/Morrell piece was written, Ken Livingstone—using his inimitable idiosyncratic free style of swimming against the tide

—hooted in the headline of his *Guardian Agenda* piece: "Labour must toss Europe a lifeline".

Of course ideas, big or otherwise, do not occur in a vacuum; they are not independent of social, political and economic realities. In *Europe Without America?* John Palmer, the European editor of the *Guardian*, argues that the major reason British socialists are turning to Europe is "the crisis in American-European relations". According to Palmer: "As a result of deepening conflicts over world markets, control of the international financial system and capital flows, diverging geopolitical interests and new political pressures the world system is evolving into a series of increasingly protectionist global regions".

In this climate Britain clearly is not big enough, or economically strong enough, to survive on its own. Nor can it have a foot in both camps. A choice must be made—the European or the American way? More realistically, there will be no choice. In the wake of the present financial, trade and budgetary crisis America will look after number one and that means keeping out European and other imports.

The way forward for socialism in Britain is through co-ordinated European strategies for recovery such as those discussed by the British Labour Party, the German Social Democrats and the French Socialists prior to the 1987 General Election. Labour must use the next four years to intensify that discussion and produce practical policies that will create employment and guarantee peace.

Time is not on the side of the left. The right have already outlined their objectives for the EC—the Internal Market. Hardly surprisingly this does not involve gaining democratic control of the economic system but the abandonment of existing controls to an unregulated free market for the whole of Western Europe (for given their dependence on a free trade area with the EC for industrial goods it is difficult to see how EFTA

countries could escape). The Internal Market has been accurately described as a right-wing ideological totem around which capitalism in Europe, as well as governments, are supposed to dance.

If the right succeed, Mrs Thatcher's free market philosophy will have been exported to the whole of the EC. As we have seen in Britain, her philosophy results in ever-widening disparities between richer and poorer regions, mass unemployment, racial tension and lack of investment in new industries. The application of such a philosophy to the EC would in fact mean the destruction of the Community in any meaningful sense, as it could not expect to survive the resulting economic and social tension both within and between member states.

The Single European Act which came into force on 1 July 1987 is designed principally to facilitate the completion of the Internal Market by the end of 1992. Fortunately, despite Mrs Thatcher's best efforts, it went well beyond simply setting a timetable for pulling down barriers to trade.

As Labour sets its own agenda for Europe we may well find that the Single European Act is an aid not a hindrance. We can support many of its objectives—greater economic and social cohesion, a stronger technological capacity, more effective co-operation to strengthen a distinct European voice in world affairs.

The time is ripe for a truly left agenda for Europe. The Single European Act and other recent developments in Europe need not stand in our way. Indeed they could be weapons in *our* hands.

The possibilities for European action are so wide that inevitably a number of important issues have had to be omitted altogether: defence, for example, is an issue requiring a Fabian pamphlet of its own. This pamphlet merely tries to illustrate the potential for joint action between European socialists and demonstrate how acting together on a left agenda for Europe we could bring common sense to the Common Market.

1. Putting Europe back to work

The outlook for reducing unemployment in Europe from its present level of 12 per cent is not promising—growth in the European Community continues at only 2 per cent and trends in world trade remain unfavourable. There is an urgent need, especially in the light of the exhaustion of US expansion, for Europe to take immediate action to stimulate internal growth and competitiveness; free market forces alone cannot provide the expansion required and will in any case produce undesirable results. Rather, the European market must be managed if acceptable rates of growth and equitable patterns of development are to be ensured. Existing moves by the right in Europe to push through its free market agenda in the form of the European Commission's White Paper on the Internal Market must therefore be challenged. To do this, the left in Europe must pursue its own strategy for the wider market based on principles of co-operation and planning.

Of top priority on the left's agenda should be a programme for *co-ordinated deflation* to stimulate growth. According to calculations by the European Trade Union Confederation (ETUC), if each member state sustained a 1 per cent annual expansion of real expenditure, it would lead to an economic growth rate about 1.5 per cent higher than could otherwise be expected, creating something like four million jobs in four years. By this measure alone unemployment in Europe could be reduced by 20 per cent. Calculations have also shown that were member states to co-ordinate expansionary policies and simultaneously increase public investment, they would recover 20 per cent of additional public outlay within a year and 40-50 per cent after four years.

In its *Work for Europe* document the Confederation of Socialist Parties of the European Community explained the workings of the strategy in the following way: "The most important markets of each EEC country are within Europe and if expansion took place simultaneously and in a co-ordinated manner

in the main European countries, exports within the EEC could increase in proportion to imports. By expanding together, the EEC countries would generate more jobs, more investment, more consumption and more government revenue".

The key to the policy is that expansion be *simultaneously co-ordinated* with public resources being spent on investment projects which combine a high economic or social priority with important multiplier effects and a comparatively high pay-back ratio.

Experience over the past few years, for example in Germany in 1979 and France in 1982, shows that on their own European countries can only have a limited success in pursuing expansionary policies. National expansion policies run the risk of substantially increasing their imports without a corresponding increase in exports. With co-ordinated deflation all countries benefit.

This strategy was expanded by Neil Kinnock during his address to the ETUC Conference on Industrial Policy in March last year. He argued: "The pro-

ductive alternative for Europe is not internal free trade, or protectionism. It is managed trade'.

By managed trade he meant a strategy to ensure that expansion is not the source of uncontrolled deficit. Those countries which are willing to expand, and thus to create jobs at home and consequently in the rest of Europe, should be encouraged by the knowledge that their expansion will not collapse in financial crisis. The only way this can be achieved is:

- to establish, by agreement, the maximum level of deficit which any one country can reasonably be expected to finance without provoking a crisis;
- by agreeing that any country which is running its maximum deficit, and so sustaining demand for the products of others, will be allowed to use any means, which do not discriminate between countries or industries, to prevent that deficit rising further.

One necessary ingredient of any co-ordinated expansion in Europe will be closer co-operation and more co-ordination on balance of payment problems and exchange rate policies. Britain should in such circumstances join the Exchange Rate Mechanism of the European Monetary System which in any case is the safest copper bottom to any run on the pound.

Industrial policy

The second major heading on the left's agenda should be a *European industrial policy*. Free market forces alone cannot provide the necessary co-ordination and investment for European industry. Consequently, there is a need for greater industrial planning at European and national levels.

The policy should include greater co-operation and investment at European level in key industries. The success of Airbus is an example of the rewards of

co-operation even when pursued at a minimum level. Similarly, greater co-operation (as opposed to market competition) between European companies should be encouraged. This would help industries pool resources and ideas and take advantage of economies of scale. A common policy on foreign investment and multinational companies should also be adopted. This would help to avoid competition between EC countries offering concessions to multinational companies based outside the Community inducing them to invest in one part of Europe rather than another. It could also be used to encourage companies to link up with other European firms as a feasible alternative to Japanese and American companies.

Essential to a forward-thinking industrial policy is greater European expenditure and co-operation in research and technology. European investment in this field is way behind that of Japan and the United States, and much of the research that does take place in Europe is duplicated between countries. This incoherence and wastage of national budgets clearly demonstrates the importance of the European dimension. The consequences of under-investment are clearly seen in Europe's failure to keep up with the pace of growth set by the United States and Japanese electronic and information technology (IT) industries. Japan, with a population about one-third that of Europe, produces around 70 per cent more IT goods and services than Europe and its IT production is growing at a rate of over eight times that of Europe. Unless action is taken soon, Europe will become a hi-tech has-been by the end of the century. The EC should therefore build upon its existing research and development co-operation programmes like ESPRIT, BRITE, RACE, etc. Despite the critical importance of a European initiative in this field, the Conservative government has refused to support greater expenditure for EC research into science and technology.

The European Commission, in close association with the European Parlia-

ment, should therefore propose a directive for a European Industrial Programme. This should be done in conjunction with greater co-operation amongst governments. Action is also required to initiate the EC's transport policy and to increase European expenditure on infrastructure and communications. This is especially important for depressed and under-developed regions if they are going to compete successfully in a wider market.

Regional policy

Linked with policies for co-ordinated reflation and planning is a *strong and dynamic European regional policy*. At present, the Regional Fund is little more than an instrument for compensating disadvantaged regions. Under a left agenda it would be a major instrument for ensuring balanced patterns of development and redistributing the benefits of growth. To be fully effective, EC regional policy must be fully integrated with other areas of Community policy. The element of integration should also be built into national policies. The Fund's revenues must also be substantially increased to meet demands. A doubling of funds should therefore be viewed as a bare minimum. The Regional Fund should also operate in co-ordination with the lending instruments for which the borrowing is undertaken by the Commission (the European Coal & Steel Community, the New Community Instrument and the European Atomic Energy Community) and principally the European Investment Bank (EIB), the Community's long-term credit institution whose role has been underlined by the provisions introduced into the Treaty of Rome by the Single European Act.

Finally, to encourage industry and business in depressed and under-developed regions, there would have to be much greater flexibility in European Community competition rules.

Social policy

Europe's traditional commitment to a high level of social development is well-known. This commitment must now be developed on a European scale. The development of a *European social dimension* therefore constitutes the fourth major item of the left's agenda.

This should involve developing, as the European Trade Union Confederation has requested, a European dimension in negotiations between the two sides of industry, and the implementation of the provisions of the Single Act for directives on minimum standards of working conditions. This would build on the existing social dialogue between employers and employees initiated by Commission President, Jacques Delors. The Commission should also be requested to put forward a comprehensive set of social proposals with a timetable for completion, particularly as regards trade union rights, migrant workers' rights, social security and welfare rights, job sharing and reduction of work time, vocational and professional training, etc.

In this way, for example, workers in Southern Europe should have rights to the same wages and conditions as workers in Northern Europe, and trade unions as a whole will have greater ability to challenge the "social dumping" methods of multinational companies.

The redistribution of working time is a necessary item in the reduction of unemployment. There is a general consensus amongst economists that, whilst increased growth will reduce unemployment, it cannot by any means restore full employment. Only measures aimed at redistributing work, used in conjunction with expansionist and distributive measures, can achieve this ultimate objective. According to proposals by the ETUC, redistribution can be achieved by a number of different measures, including the extension of annual holidays, the introduction of sabbatical years, lowering of the retirement age, the introduction of a fifth shift in continuous-process plants and, above all, by the

reduction of the working week to 35 hours.

To implement its agenda the left should make full use of those parts of the Single European Act which are to its advantage. For example, on social policy the new Article 118A provides an opportunity for the use of legislative harmonisation as an instrument of social policy. The left should look closely at the possibilities here to encourage improvements, especially in the working environment, as regards health and safety of workers. The Act also establishes research and technological development as Community policy for the first time. The new Article 130F of the EC Treaty clearly states its objectives: "to strengthen the scientific and technological basis of European industry and to encourage it to become more competitive at the international level".

Again, under the new Article 118B of the Treaty the Commission is mandated "to develop the dialogue between management and labour at the European level which could, if the two sides consider it desirable, lead to relations based on agreement". Finally, there is the Single Act's provision for economic and social cohesion. The new Article 130A states that the "Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions". The Article goes on to provide the legal basis for regional policy and emphasises the importance of the Structural Funds (European Regional Development Fund, Social Fund, etc).

Similarly, the Council of Ministers (ie member state governments) must be persuaded to implement the Commission's co-operative growth strategy. The strategy which includes measures for co-ordinated reflation, greater European investment in transport, communications and technology, and reduction in working times, was adopted by Council in 1985, but, due to disinterest on the part of Margaret Thatcher and Helmut Kohl, has not been implemented, resulting in continuous low growth in Europe.

The Cockfield strategy

If the left in Europe ignores the task of co-ordinating and propagating its own agenda then the economic debate in Europe will continue to be dominated by the right. The European Community's adoption of Tory Commissioner Lord Cockfield's plan for the creation of a fully unified Internal Market by 1992 is one of the most serious examples of how the initiative has been allowed to slip into the hands of the right. It is disturbing how the integrated liberalised market is becoming the orthodox thinking of the European Community, even amongst some European socialists. Disturbing because it is based on free market principles and offers no hope for Europe's 16 million unemployed or for redressing the imbalances in wealth within the European Community. Indeed, this acceptance of the Internal Market strategy is derived more from a misplaced faith in the automatic advantages of the removal of national barriers and standardisation rather than on detailed considerations of the strategy's economic consequences for Europe.

Based on supply side measures such as deregulation and improved labour market "flexibility", which have done little for growth or employment at the national level, the Cockfield strategy on its own provides little prospect for creating a significant economic expansion in Europe. More disturbing is that the Internal Market strategy taken in its entirety and without compensatory measures will severely increase economic marginalisation, eliminate instruments for economic management, and increase the powers of business interests, above those of workers and consumers.

The White Paper expressly states that its objective is to ensure that "the market is flexible, so that resources, both of people and materials and of capital and investment, *flow into areas of greatest economic activity*". The paper also states that in pursuing this objective there will be risks that "the existing discrepancies between regions

could be exacerbated". Indeed, according to a recent report by an independent group of experts headed by T Padoa-Schioppa of the Banca d'Italia (*Efficiency, Stability and Equity*), the complete market opening in an enlarged Community will have distributive effects that are likely to be stronger and more disruptive than those experienced by the Six in the 1960s when trade integration took place among less heterogeneous countries and in the context of faster economic growth. The disparities between regions which have increased since the mid-1970s could now be seriously exacerbated with wealth being further concentrated in the golden triangle—Northern Italy, South-East England and Germany.

To compensate for regional disparities the White Paper does suggest "a full and imaginative use of the EC structural funds". However, an increased role for regional and structural funds does not actually form part of Cockfield's timetable, and a recent European Commission proposal to double the structural funds was blocked by the British government in the Council of Ministers, clearly illustrating the hostility of the right to providing European-wide redistributive policies. More important, however, even if the funds were doubled, they would still represent a mere 0.3 per cent of the Community's total GDP, and it must be seriously doubted whether this figure alone could even begin to reverse the disruptive effect of a Europe-wide free market system.

At the same time the Cockfield strategy restricts national policies promoting indigenous industries and tackling economic marginalisation. For example, state aid will be severely restricted even where socially necessary, or used to compete against non-European industrialised competitors. Similarly, public procurement will be liberalised requiring national governments and local authorities to buy goods and services from firms offering the lowest tender inside the Community. This priority given to price will there-

fore override other economic and social considerations, such as local context, manpower development, and industrial relations. This has severe implications for local and regional enterprise boards, co-operatives, etc, and takes away one of the major instruments for industrial policy used by national and local governments. The White Paper makes no provision for economic planning on a European level to replace national government initiatives. The distribution of resources is left to market forces and business interests.

Protective clauses in the Treaty of Rome to maintain or reintroduce restrictions on capital movements are also severely restricted by the White Paper. Such measures "should be for a limited period . . . , continually reviewed . . . , and gradually abolished" says the White Paper. Socialist governments wishing to direct and control capital in favour of public needs and in accordance with the democratically chosen economic policy will be prevented from doing so, whilst multinationals will be given greater power in the allocation of capital resources.

As socialists we cannot accept the free market philosophy as the basis for the future development of the European economy. In one sense, opposition to the White Paper need only be targeted against the "Free Market" measures, some others taken individually may be deemed acceptable; for example, measures that remove petty customs controls, establish common legislation for trade marks and provide greater harmonisation of standards (bearing in mind health and environmental requirements). Moreover, opposition to the internal market proposals must not be seen as negative but rather be presented as part of the general campaign for an alternative socialist agenda.

The problems that the Cockfield plan will create if implemented on its own and the need for a series of complementary measures are now becoming increasingly recognised. The need for a "complementary agenda" is emphasised, for example, in the Padoa-

Schioppa Report: 'it is essential to design and implement—at this early stage 1986-1992 process—the complementary programme needed to set the evolution of the Community on a balanced course . . . Greater Community involvement in stabilisation and redistribution policies is the indispensable complement of the ambitious project of completing the Internal Market'.

The President of the European Commission, Jacques Delors, has also repeatedly emphasised the need for complementary measures and in 1987 published a communique *Making a Success of the Single Act—A New Frontier for Europe* to this effect. Significantly, the communique also emphasised the importance of 'leaving the fullest scope for decentralised measures'. Indeed, co-ordination at the European level should be seen as complementary to, and not a substitute for, national and regional

economic measures. Tackling low growth and unemployment should take place at all possible levels.

In the wake of the crisis in the world's financial markets and at a time when the European Community is having to give serious consideration to its future financial and structural arrangements, an opportunity therefore exists for the left to provide stability, growth and genuine European unity through the implementation of its agenda.

The socialist governments of Spain and Greece, together with the governments of Portugal and Ireland should work as a minority blocking force in the Council of Ministers to ensure the implementation of a 'complementary agenda' for growth and even development. Socialist parties in the EC including the Labour Party should also begin to incorporate the Europe-wide agenda into their own national strategies for employment and growth.

2. A social policy for Europe

Nowhere do the policies of the left contrast so markedly with those of the right in Europe than on social issues. Whereas the left can accept the opportunities for growth and employment offered by a larger market of 320 million people within the European Community, we are also aware of the limitations and dangers of Cockfield's Internal Market and, above all, the serious implications of deregulation. Whilst we want growth to create employment and to provide social facilities for all our people, the right are prepared to allow market forces free reign within the EC producing more wealth for those already rich and powerful—leaving the rest of us to our own devices with decreasing social rights.

The idea of creating a large Internal Market cannot be accepted without a complementary social area based around acceptably harmonised working conditions and social guarantees that are respected regardless of the pressures

of competition and the drive to sharpen competitiveness. However, the White Paper on completing the Internal Market has not been accompanied by any meaningful social policy initiatives. The task for the left in Europe,

therefore, is to set out its alternative agenda, one that puts the interests of the workers and the disadvantaged to the fore. We must argue for, campaign for, demand the primacy of a social policy for Europe. For without it the Internal Market would be a disaster.

Many individual countries within the EC have a very high level of social provision. A recent survey by Professor Richard J Estes, *The Social Progress of Nations*, found that European nations lead the world as the countries with the most secure "social safety nets". That is to say, the European nations as a group have been more successful in providing for the basic social and material needs of their population. According to Professor Estes, "The European commitment to a high level of social development is historical and is a commitment that has set an international standard of social caring for the rest of the world".

Of the 124 nations included in the survey, all of the top twelve "social leaders" for the world are located in Europe. The UK is twelfth and the USA, the country Mrs Thatcher would so like everyone to emulate, is 27th in the listing. In drawing up a European social policy the left must decide whether to go down to US standards or to settle for the harmonisation of the best practices within Europe.

The path of the Internal Market and privatisation will lead to the Americanisation of social policy. What must be standardised is that which Professor Estes refers to as: "Europe's historical commitment to the provision of high-quality, largely tax-supported and nearly universal programmes of health, education and welfare services for the aged, disabled, widows, dependent children, unemployed workers and for other groups of socially vulnerable people...".

The movement towards the completion of the Internal Market must be opposed unless it is complemented by a European social area. As much of the UK's social provision has slipped behind that of our partners in the last nine

years there is no doubt that the people of the UK would be substantial beneficiaries from the harmonisation of the best practices in social policy throughout the EC. In opposition, arguing for the harmonisation of best practices will provide an important platform for the Labour Party. There is no boast Mrs Thatcher is more proud of, no myth Labour more needs to destroy, than her claim to have improved the lot of the British people in relation to their Continental neighbours. Yet examples abound of superior social provision in other EC countries.

Women's rights

One area where EC legislation has proved to be a progressive force within the UK is women's rights. The justification for EC action on women's rights is Article 119 of the Treaty of Rome. It lays down the principle that men and women should receive equal pay for equal work. While it should be remembered that in 1957 the Treaty was more concerned with safeguarding the undercutting of men's wages than with promoting the principles of equality, it has nonetheless proved valuable to the women's cause.

The EC has proved more receptive to the women's cause than national governments and has responded to pressure from the women's movement with three directives:

- the Equal Pay Directive introduced the principle of equal pay for work of equal value, abolished discriminatory clauses in collective agreements and provided protection for employees against dismissal following complaints;
- the Equal Treatment Directive aimed to overcome sex discrimination at the point of entry into the labour market, in vocational training, promotion and working conditions. It also outlawed discrimination on the grounds of sex, directly or indirectly, by reference, in particular, to marital or family status;

- the Social Security Directive, covering statutory social security schemes for sickness, invalidity, accidents at work, occupational diseases and unemployment, requires that there should be no discrimination either in the obligation to contribute or in the calculation of contributions.

European law and policy affect national governments' action in three main ways: through the necessity to implement the directives adopted in Brussels; through legal action which can be taken by the European Commission to ensure this implementation; and through cases referred from the national courts to the European Court of Justice. The British government has been pressured from all these points on women's rights.

In February and June 1986 the European Court of Justice made two important rulings in the Helen Marshall and Jackie Drake cases. In the first it ruled that it was now unlawful in Britain, at least in the public sector, to set different retirement ages for men and women. In the second case, the European Court ruled that it was discriminatory to exclude married women from benefit that was paid to men and single women.

The European Commission also brought legal action against the British government, claiming that the Equal Pay Act (1975) did not give a sufficiently clear right to claim equal pay for work of equal value. The introduction of the Sex Discrimination Act (1986) was a direct response by the government to judgments by the European Court of Justice that UK sex discrimination was out of line with EC provision.

Although the Conservative government has taken these defeats in bad part and wherever possible used European law as an excuse to abolish restrictions, to aid deregulation rather than women's equality, a number of important cases of securing equal pay for work of equal value have been won.

As well as the important legal battles, a crucial factor in many of the victories for the women's movement—in a European context—is the number of women

MEPs in the Parliament. Standing at 16 per cent it is a much higher percentage than in any of the national parliaments of the member states. As a result of their pressure the *New Community Action Programme of Equal Opportunities for Women* was approved by the Council of Ministers in July 1982. The Action Programme gave the European Commission a budget for women's policy and enabled work to go ahead on implementing the existing directives, commissioning research and drafting new legislation in areas like parental leave and part-time work.

However, there is no compulsion for other Community institutions to adopt proposals initiated by the European Parliament. Increasingly, new policy developments come up against the refusal of national governments to entertain them—especially the British Conservative government. In 1982 the British government vetoed a draft EC directive designed to give part-time workers equal rights with full-time workers.

The reason that the women's movement has been able to make so much out of EC legislation is because social policy was included in the Treaty of Rome in 1957. It was included for two reasons: firstly, because it was deemed advisable to cushion the effects on workers that were inevitable from the restructuring of industries that would be brought about by the Common Market; and secondly, if true mobility of labour was to be achieved, national welfare schemes would need to be open to workers from other member states and therefore be compatible throughout the EC. To use the current buzz-word, there would need to be 'harmonisation' of national regulations with regard to social and employment policy.

However, and this should not be forgotten, there was also a genuine desire by some of the architects of the Treaty of Rome to improve the working conditions and raise the living standards of the people within the EC. This notion of social harmonisation is also apparent in the Single European Act and should

be used vigorously by Labour in forthcoming campaigns. The need to fight for an adequate European social policy becomes more pressing as 1992 looms closer.

Social provision

The British Labour Group (BLG) has taken up the theme of upward harmonisation of social provision with its campaign *Isn't it time someone raised the standard for our pensioners?* This campaign hit a raw nerve, raising the indignation of the pensioners and causing acute embarrassment to the Conservative government. And rightly so.

Within the EC, Belgium, Luxembourg, Portugal, Spain and West Germany all relate their pensions to earnings, giving their pensioners a share in the increasing prosperity of the workforce. In some European countries old age pensions are 50 per cent of average earnings, in others 37 per cent. In the UK the government gives old people pensions equivalent to 16 per cent of average earnings. Belgium raises pensions automatically every time the cost of living rises more than 2 per cent. Denmark, France and Netherlands adjust pensions twice a year, Greece three times. Belgium also gives its pensioners a holiday allowance once a year. In the Netherlands the holiday allowance given to pensioners was £201.97 in 1986.

In Germany pensioners receive 1.5 per cent of average earnings per year of work. Therefore in 1986 a pensioner who had worked for 34 years received a pension of £3,936.18; the pension in the UK at that time was £1,991.60 per year.

The next stage of the BLG campaign should be to argue for a minimum pension based on a proportion of average earnings in all twelve EC countries.

Maternity provision

It is not just in terms of benefits to the elderly that Britain is slipping behind,

relative to other EC countries; when it comes to maternity provision, the UK government has also fallen behind in its duty. Instead of setting standards, in the way Labour governments have done in the past, the Tories are trailing behind other more caring states.

According to the latest comparative figures from the Department of Health and Social Security (January 1986) maternity allowances in Italy for employed women were paid at the rate of 80 per cent of their earnings for five months (two months before and three months after the baby is born) with the option of a further six months at 30 per cent if desired.

In Germany the working woman received 100 per cent of the average of her last three months wages for six weeks before and eight weeks after the birth of her baby; and in the Netherlands it was 100 per cent of insurable earnings for six weeks before and six weeks after the birth. French women got 90 per cent of their insurable income for six weeks before and ten weeks after their baby was born.

Best of all is Denmark where maternity allowance is financed entirely out of general taxation and is paid at a rate of 90 per cent of average weekly earnings (up to a maximum of £155.53) for four weeks before and 24 (of which up to ten weeks are available for the father) after the birth. At this time a British mother was receiving £29.15 per week for 18 weeks. As well as far superior maternity allowance being paid, any woman in Denmark who carried out domestic work in her own home for at least one other person, and who paid voluntary insurance, was entitled to maternity allowance up to a maximum of £77.77 a week for four weeks after the birth of her baby.

Campaigning on these issues, for a levelling up of social provision throughout Europe, can be no substitute for winning power in the UK. But setting the agenda over the next five years in terms of whether Britain has social provision comparable with the best in Europe would be a significant propa-

ganda victory over Mrs Thatcher, who prefers the "American way".

The left must ask over and over again: "If, as Mrs Thatcher and Chancellor Lawson are constantly boasting, we are a world power and one of the fastest growing economies in Europe, why have

we got higher unemployment, more part-time low-paid jobs and worse social provisions than most other EC states?" The demand must be for social provision equal to the best within the European Community.

3. Cash shortages and food surpluses

Only weeks after the 1987 Wall Street crash and the weekend before the USA and the USSR signed a nuclear arms deal of global importance, the European Community was demonstrating its impotence by failing to resolve a cash-flow problem.

The heads of twelve member states sat down in Copenhagen in December 1987 not to discuss action to avoid a world recession or ways of helping the disarmament process, but to try to resolve an annual budget deficit of around six billion ECU (European Currency Unit equivalent to around £0.69) and an accumulated deficit in excess of 16 billion ECU.

They failed to agree, so the European Community started 1988 without a budget. The EC has been so bedevilled by budgetary disputes over the last decade that it is difficult to know whether to yawn or cry at the sight of another: to yawn because few subjects can be so absolutely boring as the details of Community finance; or to cry because of the amount of ministerial and official effort that will go into arguing about it when so much else needs to be done.

In budgetary terms the Community has only survived recent years because of a well disguised mixture of whip-rounds to avoid bankruptcy and "creative accounting" to avoid anyone really understanding what is going on.

Common Agricultural Policy

The source of the EC's cash difficulties lies firmly with the Common Agricultural Policy (CAP) which annually swallows between two-thirds and three-quarters of the budget. Barbara Castle has correctly stated that the CAP has become an alternative to other common policies: the cuckoo in the Community nest which by its nature grows so big that it pushes the other fledglings overboard. To solve the budget crisis Jacques Delors, President of the European Commission, has called for action on three fronts. He wants agricultural reform, an agreement on long-term finance for the EC and action to boost regional and social spending.

The Socialist Group in the European Parliament has supported the Delors package. The Group, as long ago as July 1981, said "a restructuring of the Community budget to increase the percentage of budget funds devoted to regional, social, employment, energy, environment and development policy and reduce the proportion earmarked for farm policy is crucial".

The only difference between British Labour MEPs and the rest of the Socialist Group is one of timing. The British Labour Group is against any increase in the Community budget until agricultural spending is firmly under control. This is because agricultural expenditure is classified as compulsory and therefore has first call on EC funds.

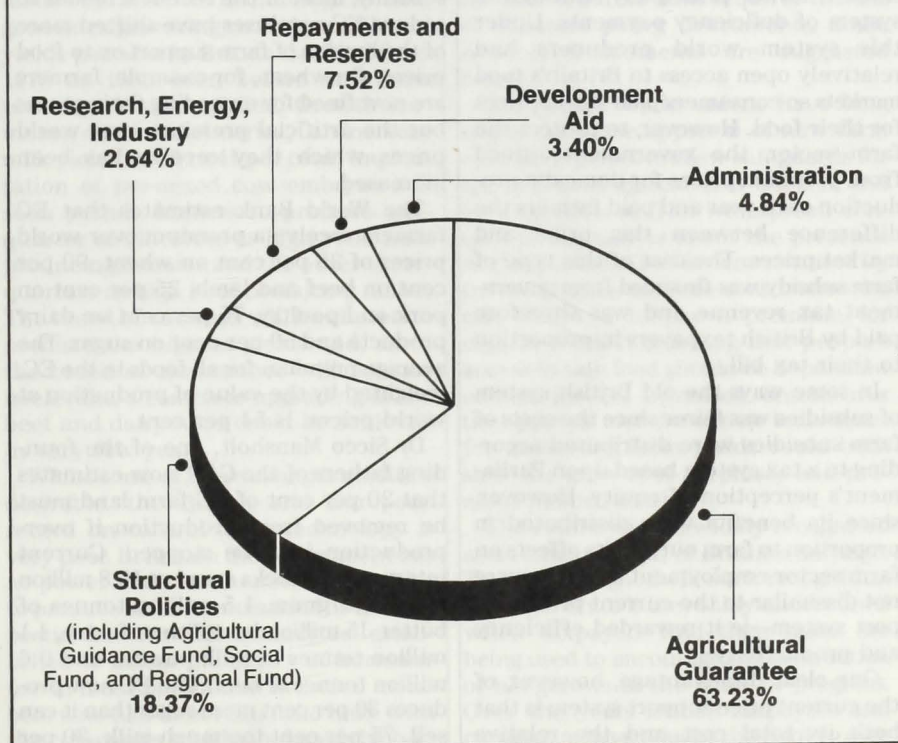
On the other hand the difference between Labour MEPs and Mrs Thatcher on this issue is much wider than superficially it may appear. She too wants to spend less on the CAP and claims to oppose any increase in the Community budget until agricultural expenditure is under control. (It should, however, be noted that when Mrs Thatcher was talking tough about the CAP, after the Brussels summit of June 1987 her ministers were taking part in an agreement to allow the CAP to cost £600m

extra in 1987 and £2,000m extra in 1988.) The Prime Minister is not committed to allocating any agricultural savings to other budget headings; her aim is simply to reduce EC expenditure. She has also shown no concern about wider damage caused by the CAP.

The need for a radical rethink of European agricultural policy has never been more acute. The costs of the policy continue to soar while consumers continue to suffer. The CAP has a devastating impact on developing countries—undermining their domestic agriculture and ruining their economies by destroying their markets. The current support measures have encouraged farmers to destroy the environment. And perhaps most telling, rich farmers are getting richer, while poor farmers get poorer.

According to *The Economist*, three-quarters of EC agricultural spending

The 1987 Budget



goes to the richest quarter of farmers. The rich farmers get an average \$10,000 a year from the Community taxpayers while the three-quarters who are the poorest get only \$1,000. This helps to explain why employment in farming fell during the decade from 14 million to 10 million.

The CAP is a system of farm subsidies largely based upon price support. Crudely stated, when farm produce falls below a certain price, the National Intervention Agency intervenes and buys what is left over at a price (guaranteed minimum price) set once a year by EC Farm Ministers. To maintain such a price premium the government has to impose heavy duties on food imports so that their prices do not undercut home produce. The cost of this type of farm subsidy is principally financed by higher food prices and is therefore paid by European food consumers in proportion to their spending on food.

Before Britain joined the EC it subsidised farms principally through a system of deficiency payments. Under this system world producers had relatively open access to Britain's food markets so consumers paid world prices for their food. However, to protect the farm sector, the government agreed fixed premium prices for domestic production each year and paid farmers the difference between this price and market prices. The cost of this type of farm subsidy was financed from government tax revenue and was therefore paid by British taxpayers in proportion to their tax bill.

In some ways the old British system of subsidies was fairer since the costs of farm subsidies were distributed according to a tax system based upon Parliament's perception of equity. However, since its benefits were distributed in proportion to farm output, its effects on farm sector employment and pay were not dissimilar to the current price support system—ie it rewarded efficiency and productivity.

One clear disadvantage, however, of the current price support system is that both its total cost and the relative

distribution of its costs are concealed from public scrutiny. In particular, it is extremely difficult to estimate how much consumers have to pay for subsidising the CAP: without it European food consumption patterns would alter and world food prices rise. An advanced computer model of the food system, developed at Newcastle University, calculates that in 1986 a household of four people was paying £11.50 per week in extra tax and inflated food bills. Of this cost, approximately one-third was paid through taxes and two-thirds through higher food prices.

This means that the average consumer who spends £10 per week on food eaten at home, is paying £2 or 20 per cent of this to keep farm prices artificially high. On top of this a tax of £1 per person per week must be paid to maintain vast food storage facilities and to subsidise exports.

Perhaps because the effects in higher food prices are concealed from public scrutiny, most of the recent schemes to reduce EC surpluses have shifted more of the burden of farm support on to food prices. On wheat, for example, farmers are now fined for exceeding their quotas but the artificial premium over world prices which they receive has been increased.

The World Bank estimates that EC farmers receive a premium over world prices of 25 per cent on wheat, 90 per cent on beef and lamb, 25 per cent on pork and poultry, 75 per cent on dairy products and 50 per cent on sugar. The average premium for all foods in the EC, weighted by the value of production at world prices, is 54 per cent.

Dr Sicco Mansholt, one of the founding fathers of the CAP, now estimates that 20 per cent of EC farm land must be removed from production if overproduction is to be stopped. Current intervention stocks stand at 16.8 million tonnes of grain, 1.5 million tonnes of butter, 15 million hectolitres of wine, 1.1 million tonnes of milk powder and 0.6 million tonnes of beef. The EC now produces 30 per cent more sugar than it can sell, 75 per cent too much milk, 30 per

cent too much butter and 12 per cent too much beef.

Inevitably this creates problems in international trade as the EC, the USA and others compete in providing ever larger subsidies to dump unwanted surpluses on an oversupplied world market. Apologists for the CAP point out that total EC and US spending on farm support is roughly similar but fail to recognise that America's farm sector is far larger. To estimate the likely cost of any protracted trade war it is far better to compare the premiums paid over world prices by the different farm support systems in those countries which are major participants in the international food trade. The 54 per cent premium over world prices the EC pays its farmers compares with 4 per cent in Australia, 17 per cent in Canada, 16 per cent in the United States and zero in New Zealand.

The need for restraint is made more pressing still by the enormous advances made by new biotechnological and genetic engineering techniques. Cereal yields per acre in Britain doubled from 1975 to 1985 even before such new techniques were applied. Growth hormones, on trial in America, can increase milk yields by 23 to 41 per cent. Implantation of pre-sexed cow embryos will soon permit farmers to produce one-quarter of all calves as high yield milk producing females and the other three-quarters as high beef producing males. The breed of each sex will be chosen to produce the highest yields and, since the breed of the mother will become irrelevant, a complete upgrading of the beef and dairy herd could be achieved in very few years.

Whilst some of these changes might be desirable, the British and European record on control of biotechnology is very poor. In Britain the government has no power to direct chemical companies to produce safer formulations of existing pesticides. An EC committee established to assess the safety of hormone use in meat production included members who had direct financial links with the companies which produced the hor-

mones. Not surprisingly, chemical companies have been quick to take advantage of such limited control over their activities. Biotechnology could be used to develop plants with natural resistance to natural predators, thus reducing farmers' reliance on chemical pest control. Instead it seems likely that some of the first varieties that are produced will have resistance to the widely used herbicide "Roundup" thus increasing farmers' reliance on chemicals.

Policy instruments

There is no doubt that by relying on just one principal instrument, price control, to achieve a variety of aims the CAP was predestined to fail. Such aims included the protection of food supplies, the countryside and farm incomes, whilst simultaneously promoting change. If Europe is to learn from its past mistakes it needs to recognise that the achievement of separate aims requires the use of separate policy instruments. Some possible instruments are suggested below.

The British trade unions have long argued that the approval of new farm chemicals offers too few safeguards for the health of agricultural workers and food consumers. The widespread concern of consumers about the presence of chemicals in food is demonstrated by the willingness of those consumers who can afford it to pay a premium for organic food. It is wrong that people's access to safe food should be dependent on their income. Increased controls over the approval and use of new techniques for increasing farm yields could both slow the growth of surpluses and promote public health.

The countryside is widely recognised as an essential part of Britain's heritage. The possible goodwill such recognition could generate is inevitably undermined when taxpayers find their taxes are being used to encourage the destruction of hedgerows in the name of progress. Over the years British taxpayers and consumers have bought the right to con-

trol the development of their rural heritage. It is therefore vital that the current excessive freedom of most farmers to develop non-agricultural uses of agricultural land with minimal planning controls be curtailed. Any continued subsidisation of the rural economy must be balanced by the introduction of planning controls firmly linked to protecting the rural environment. Any removal of land from agricultural production should also be covered by such planning controls to ensure that whatever new use for such land is found enhances the environment.

The Commission has argued that in order to bring budget discipline for agriculture requires "automatic stabilisers": triggers that empower it to impose price cuts, production thresholds or extra levies on producers whenever spending looks like going over the limit. In the short term, providing the limits are realistic, stabilisers can be defended as a quick method of bringing sanity to agricultural spending. However, in the longer term there is a danger that they will be used as a way of shoring up the system on its existing foundations.

A similar criticism may be made of another panacea for the CAP's ills—the 'set aside' system. This would mean basically paying farmers who agree to take at least 20 per cent of all their arable land out of production for at least five years. However, the first reaction from experts in several EC countries is that the scheme would be complicated to set up, and difficult to police and, most deflating of all, likely to have little impact on surplus production.

The long-term aim of any reform of the CAP must be to reduce European food prices to world price levels. Such a move would undoubtedly harm marginal farmers. In order to maintain the viability of the rural community

some form of direct income support has to be developed.

Price support is unselective. To achieve the social goal of sustaining marginal producers like hill farmers, prices must be set high—but they then "overpay" the more efficient producers like the prairie farmers of East Anglia or Northern Europe. Such a system also imposes the greatest tax burden on the poor and conceals the true cost of farm support to the country. The financing of any farm support system should be progressive, thus enabling each to be charged according to their means. The least painful way to achieve all the desired ends—guaranteed food supplies at world prices whilst protecting the rural community and the less well-off farmer—would be through income support financed out of the Community budget. I do not have a blueprint for the operation of a scheme for income support but it should be clear that our goals cannot be achieved by a reversion to national policies as this would lead to the nightmare of competitive subsidies, causing the breakdown of the European trade in farm products, negating any advantage of being in a larger market. Once again, the resolution of specific sectoral (in this case agriculture) and national problems would appear to be soluble only in terms of the establishment of European-wide social policy.

Socialists must continue to press for a reform of the CAP that: reduces its share of the budget, is fair to the consumer and the taxpayer as well as protecting the rural economy and poor farmer, and at the same time maintains the advantages of being part of a large market. In doing so—in solving these bread and butter problems—we may just be able to lift the EC's eyes on to the more serious problems afflicting the rest of the world.

4. Europe in the wider world

The European Commission is directly responsible, under the Treaty of Rome, for the conduct of the Community's external trade relations with the rest of the world. The Community has also built up an important policy of development and co-operation with the Third World, hand-in-hand with the member states. Moreover, the Community's growing role in international affairs has led to a high degree of foreign policy co-ordination among the Community's member states in the framework of European political co-operation. The European Community therefore provides a major avenue for the pursuit of a socialist foreign policy.

Socialists must ensure that the Community's external trade and development policies are aimed at promoting international peace and solidarity, as well as social and economic advancement in all countries, to foster human rights and the development of democratic institutions, and to encourage self-determination among the developing countries.

Economic reforms

In the light of the recent crisis on the world's financial markets, a major priority for the left in Europe must be the reform of the international economic system.

Firstly, there should be greater stability of international exchange rates. This could be through a strengthening of the role of Special Drawing Rights (SDRs) through the International Monetary Fund (IMF) and the regulation of floating between the major international currencies. To prevent a repetition of the catastrophic international debt problem, the financing of the economies of the developing countries must be better co-ordinated between the IMF, the World Bank, the Bank of International Settlements, the central banks and the leading private banks, so

as to serve the real long-term chances of recovery. In the meantime EC member states should convene a conference to consider how it could assist the debtor countries by a restructuring of debt through the provision of loans at zero rates of interest and through writing off part of the debt.

Quick progress is also needed to transform the General Agreement on Tariffs and Trade (GATT) into an effective, international trade organisation to monitor unfair trading practices and covert protectionism, as well as to aid the settlement of trade disputes. A major reform must be the inclusion of a new Social Clause in the GATT rules dealing with fair labour standards, to ensure that the basic Conventions of the International Labour Office (ILO) covering freedom of association and collective bargaining, discrimination in employment, and forced labour, are respected. Where these standards are shown to have been violated, countervailing trade measures could be introduced against the offending producer, as in the case with anti-dumping actions.

Thanks to the efforts of the Socialist Group in the European Parliament and the International Confederation of Free Trade Unions (ICFTU), the European Commission is now pressing this

demand in the GATT negotiations in Geneva. Agriculture must also be tackled in the next GATT round, to begin the gradual elimination of subsidised exports (in effect, dumping) of surplus agricultural produce. Here the EC's Common Agricultural Policy is one—but only one—of the world's major culprits.

Much of the instability of recent years is due to the failure of the industrialised democracies to co-ordinate their economic policies in any significant way which, otherwise, could have produced sustained economic growth much earlier. This basic failure must be remedied to avoid future slumps by a major overhaul of the OECD, in line with the proposals of that organisation's Trade Union Advisory Committee. In addition, the OECD should develop stronger rules to deal with the frequent abuses by multinational companies, which now completely dominate international trade. The 1976 Voluntary Code of Conduct should be superseded with binding rules covering such items as restrictive practices, market sharing between subsidiary companies and trade union rights.

Finally, a growing problem in world trade is strong and ever-increasing domestic protectionist pressures. Protectionism is harmful and protectionist measures have a cumulative effect in slowing down international trade. Indeed, the only way to avoid a return to national protectionism, which the lessons of the 1930s have shown to be so damaging, is through the strengthening of our international organisations, most of which were created at the time of the post-war Labour government.

The Third World

Of great concern to socialists are the problems faced by the developing countries in the Third World. The European Community conducts its development policy on the one hand through the Lomé Convention, which provides assistance to the Association of the

African, Caribbean and Pacific countries (ACP), and on the other through a number of agreements and aid packages to non-associated states in Latin America and Asia.

The funds allocated under the Lomé Convention are woefully inadequate to deal with the severe problems involved and clearly should be increased. Such funds should continue to be allocated according to the new priority of reducing these countries' dependence and helping them to increase their self-sufficiency. In particular, this means giving aid to integrated rural development projects. Trade is also of major importance to the developing countries and whereas 98 per cent of ACP countries' exports of agricultural produce to the European Community enjoys free access, exceptions and bureaucratic delays have limited the effectiveness of these concessions. Thus between 1980 and 1986 the share of ACP countries' exports to the Community fell from 7 per cent to 5 per cent. Measures must therefore be introduced to improve ACP export performance to the EC.

Similarly, trade concessions and import access to the European Community are of great importance to Latin American and Asian countries, particularly to those in severe debt. Existing co-operation agreements between these countries and the European Community should also be strengthened and expanded. Particular emphasis should be given to Community measures that help developing countries foster their own regional co-operation and integration.

In this area a major opportunity exists for the EC in Central America. The existing Co-operation Agreement between the Community and the six Central American countries signed in 1986 provides a framework for Europe to play a significant role in supporting the Contadora peace process and the recent Arias Plan.

The European Community should now consider upgrading the existing Agreement to encompass many of the trade and aid benefits presently available only to ACP countries through

the Lomé Convention.

Foreign policy

The importance of the European Community as the world's largest trading bloc means that the assumption of a certain international political role is inevitable. Indeed, since its informal beginnings in 1970, the process of European Political Co-operation (EPC) has involved EC governments in ever closer consultations on international affairs with a view to adopting joint positions by consensus.

These positions are co-ordinated in international fora such as the United Nations, the Conference on Security and Co-operation in Europe and the Stockholm Conference on Confidence and Security Building Measures and Disarmament in Europe. Missions and delegations of member states exchange political and economic information, draw up joint plans in case of crises, co-operate on development, aid and cultural affairs and so on.

Voting patterns at the UN General Assembly show convergence on over 90 per cent of issues put before it. Its most effective and well-known statements have been the *Venice Declaration* on the Middle East (1977), statements on the Falklands and Argentina (1982), Libya (1986) and Syria (1987). At their summit meeting in December 1987, leaders of the twelve adopted statements on issues as varied as Haiti, Afghanistan, the Middle East and East-West relations.

The importance of EPC has been underlined by the Single European Act which now gives a legal basis in the Treaty of Rome for EC countries to act jointly on foreign affairs. Previously, EPC acted outside the framework of the Treaty, practices having been gradually established among the member states. For the first time there is an explicit statement that the member states shall endeavour jointly to formulate and implement a European foreign policy. Title III of the Single Act defines a range

of procedures by which this is to be achieved: most important are that member states undertake "to inform and consult each other on any foreign policy matters of general interest"; in adopting national measures to "take due consideration to the desirability of adopting and implementing common European positions".

A major advantage of EPC is that it provides member states with an avenue for a more effective foreign policy independent of the United States. By agreeing on a collective approach to the United States the influence of European countries would clearly be far greater than if they all acted separately. A strong and co-ordinated policy is required if Europe is serious in its desire for greater self-determination in foreign policy and security issues. It is important to note that on matters of defence and security the Single Act limits co-ordination to "economic and political" aspects only.

The advantage of a European Community level approach to foreign policy can also be seen in a number of specific areas including Southern Africa, Central America and East-West relations.

In the case of Southern Africa the Thatcher and Kohl governments were required to go some way towards taking action against the apartheid regime where otherwise they would have done nothing. Pressure must now be brought to bear on the Council to adopt the European Parliament's resolution of October 1987, based on the report of SPD MEP, Barbara Simons, calling for a considerable strengthening of the Community's existing economic measures against South Africa. The European Parliament's present position (which was adopted by a combination of Socialists, Communists, Greens and a number of Conservative 'dissidents') considers the present measures to be inadequate; calls for these to be made enforceable by law; for measures to ensure that Namibia is not used to by-pass sanctions and that the oil and arms embargos are not circumvented; for a phasing out of uranium imports from

Namibia; for a total embargo on imports of South African coal and for the ban on Krugerrands to be gradually extended to cover gold bullion; and urges the need for a Community Directive to provide for a uniform ban on new investments in South Africa by Community companies.

As for Central America, since the first meeting between the foreign ministers of the Ten, Spain and Portugal and their counterparts from Central America in San Jose in 1985, the European Community has shown a genuine attempt to help the political and economic development of the region, pursuing a policy totally independent—and to a degree contrary to—that of the United States. Of significant political importance is the provision of aid to Nicaragua through the co-operation agreement between the EC and the Central American countries. Although the amounts provided are insufficient to make up for all the damage done by the United States they have gone some way to assist Nicaragua in its economic development. Furthermore, Britain has been party (albeit unenthusiastically) to far greater amounts of aid than Mrs Thatcher would ever have countenanced.

East-West relations

In the context of East-West relations the European Community has clearly emerged as a major player—a reflection of the EC's growing economic and political strength. Indeed, one of the most important developments over the past few years was that the European Community's position as a new political reality in Western Europe led to an overture from the Soviet Union and COMECON. The first signs from Moscow in the summer of 1985 indicating that they wished to begin a dialogue with the Community led in December of that year to an invitation being extended by the Supreme Soviet to the Socialist Group of the European Parliament.

Indeed, socialists in Europe have successfully used the various institu-

tions of the European Community to champion a policy of reconciliation, co-operation and detente. For example, in January 1987 the Socialist Group took the initiative which led to the setting up of three new delegations of the European Parliament to establish formal relations with the Supreme Soviet and with the Parliaments of the East European countries.

European socialists must continue to play their leading role in promoting the normalisation of relations between Eastern and Western Europe. The Socialist Group in the European Parliament recently produced a major report (Hans-Joachim Seeler Report) calling for the negotiation of agreements between the Community and COMECON, once official relations, based on mutual recognition, have been established. Amongst the report's proposals is a call for trade co-operation agreements between the Community and individual COMECON countries which could lead both to a substantial increase in commercial relations and to a generation of mutual trust and the strengthening of mutual interdependence.

The situation in which the European Community has co-operation agreements with almost all the countries in the world but with only two states in Eastern Europe (Romania and Yugoslavia) is an anachronism and a repudiation of the common culture and history of the peoples of Europe. The expected decision by the Soviet Union to formally recognise the EC sometime this year will be a significant step towards reconciliation between the peoples of East and West Europe and opens up the opportunity for greater trade and cultural exchange.

The Labour Party clearly cannot afford to ignore the various avenues of influence that the European Community provides for the pursuit of socialist goals of Third World development, peace, detente and human rights and for the creation of a more independent European position in world affairs. Socialists in the European Parliament have already demonstrated their ability

to co-ordinate an effective approach to foreign policy issues and this should serve as a model for the European left in general.

5. Towards a democratic Community

In developing a positive but critical approach to what is happening in the Community and in seeking ways to change its current priorities Labour has to look carefully at how things happen, who makes decisions, where does the real power lie, and what are the opportunities for public participation and influence. In short, Labour must address its criticisms of bureaucratic power, patronage and unnecessary secrecy as strongly to the structure of the European Community as it does to the way society is governed in Britain. In pressing its demands for more meaningful and effective co-operation, Labour should not ignore the most obvious fact that the Community operates in an undemocratic and inefficient manner. Ways have to be found to overcome public disenchantment with the way the Community operates since, as the former Commission Secretary General Emile Noel so bluntly put it, the European Community is, at present, an organisation "in disrepute with its own people".

In recent years most British politicians, not just in the Labour Party, have shied away from the major debate on the institutional development of the Community which has been taking place during the past six or seven years. When in 1984 the European Parliament voted by a massive majority for a new Treaty establishing a European Union, this was dismissed as the product of Italian day-dreaming, because the idea came from a leading Italian communist. When President Mitterand supported the call for reform this was dismissed as the product of French pre-election rhetoric. When Mrs Thatcher was dramatically outvoted at a European Council meeting in June 1985 which decided to reform the Treaty of Rome the implications of

this defeat were overlooked as journalists presented the meeting as if it was nothing more than a clash of personalities between different Prime Ministers. When in December 1986 a package of reforms to the Treaty were agreed (the Single European Act) their real import was hardly debated in the press and even in the House of Commons, where Labour voted against, the debates were not timed to attract much public interest. Important changes have now been agreed and the debate has now moved on to what will happen in the 1990s, if and when the programme of policies agreed in the Single Act has been put into effect.

When discussion has taken place it has often been on the basis of buzz-

words and slogans ie European Union (a dream), harmonisation (a threat), co-operation (a good thing). Rarely have any of these concepts been objectively examined. In particular, Labour has been perceived as being against lots of things but without really examining them or even suggesting an alternative. It is this background which explains the difficulty we now have in participating in discussions on the development of a more democratic Community. It is not enough to denounce bureaucracy if our own actions in effect strengthen its power. Democracy should be both our starting point for analysis and our objective in making proposals.

Need for democracy

The European Community is in fact dominated by a sclerotic decision-making process. Its principal decision-making body, the Council of Ministers, is the only legislative (ie law-making) body in the world which meets in private. Laws are made as a result of horse-trading between different issues. In practice, CAP decisions are swapped for budget decisions, VAT rates can be swapped for deals on harmonisation of insurance laws. It is this permanent confusion, the contrast between the bold ideals regularly reaffirmed by heads of government and the sordid reality of semi-permanent blockage which explains and justifies public disillusionment. The Community now, in fact, needs a massive dose of democracy.

The situation in the House of Commons has become untenable. From time to time general debates are held in which details cannot be explored or on other occasions extremely detailed points are debated in committee or late at night without the general approach of the government coming under scrutiny. From time to time Mrs Thatcher provides a mini media spectacle at meetings of the European Council where she gives the impression that the British budget contribution is almost the only issue that EC leaders

ever meet to discuss. In this way the negotiations and implementation of the Single European Act went ahead with almost no public discussion. What a contrast with Denmark and Ireland where the issue went to a referendum or France, Germany, Italy and Spain where the political leaders make Europe a central theme of public speeches and national debate.

The general problem of the relationship between the executive and the legislature in Britain is too vast to be dealt with here, but it is certainly clear that the development of the EC, particularly in the foreign policy field, has increased the power of the government to bypass the House of Commons or at best to treat it as no more than a rubber stamp. The question is much deeper than the petty discussion about how effective Labour's front bench has been, or whether the Committee for Scrutiny of EC legislation should have more power. Again the most succinct criticism of the present situation comes from within the EC institutions.

A report prepared by the Institutional Committee of the European Parliament speaks quite openly of the "democratic deficit". It accepts that EC structures are developing at the "expense of the member states' parliaments". The development of the Internal Market in the years to 1992 will enhance this tendency. The Parliament report speaks bluntly of "a violation of the elementary principles of democracy", pointing out that in spite of having an elected European Parliament "the involvement of the people in the exercise of power . . . is very limited as far as Community legislation is concerned". In short, there is a continuing transfer of power from the national to the Community level without a concomitant strengthening of democracy at that level.

This process is continuing and the left has to decide how best to influence and participate. Pretending that it is not taking place may be a convenient strategy for those who fear a frank and open discussion about what is going on. It would be better to take the strengthen-

ing of democracy as our primary objective and then to see how best it can be achieved. The convenience of sloganising is that it enables different interests and ideas to be subsumed under a single heading. In this way ministers, front-bench spokespersons, backbenchers of government and opposition parties, local authorities, trade unionists, businessmen, interest groups can all be united behind a view that the European Community institutions should not have more power even if the interests and policies of the various people concerned are in fact quite different.

Similarly, the use of general terms like "the Brussels bureaucracy" conveniently evades the necessity to analyse the differing roles of the various Community institutions, and to come to grips with the serious and continuing inter-institutional conflicts which characterise decision making in Brussels.

The Commission consists of 17 politicians appointed under the patronage of governments not only to run the bureaucracy but to make all proposals for legislation. The Council consists of twelve ministers each representing their national governments, parties and parliaments; the ministers are the only people who can actually decide upon legislation; Council meetings are prepared by lengthy meetings of civil servants, whose mastery of the details of national positions and role in the implementation of EC legislation gives them enormous uncontrolled power. The Parliament consists of 518 elected politicians who can discuss all aspects of the life of the Community but even when they are united can only exercise influence on Community legislation. The most powerful institution, the Court of Justice, against whose decision there is no appeal, is also appointed by governments and has enormous power.

If the future of the Community is to be one in which its peoples participate a strengthening of democracy is absolutely essential. Instead of fearing the future, Labour should take the lead in trying to manage its development in a way which is both more socialist and

therefore by definition more democratic.

Reforms

Some obvious reforms should be given consideration:

- the Commission should be appointed after consultation with the European Parliament. Patronage is no substitute for democracy. Even if, at first, the Parliament would probably formally accept the governments' proposals, politicians interested in being appointed would be obliged to say so publicly and if a government wanted to sack a Commissioner they would have to explain their motives;
- the legislative programme of the Commission should be voted upon by the Parliament;
- some, if not all, meetings of the Council of Ministers should be held in public. At an absolute minimum, its minutes showing how different governments have voted should be available to national and European parliamentarians and the press. It will no doubt be argued that this is a naive and unworkable proposal which would make meaningful negotiations impossible. The present procedure where laws are made in secret is, however, particularly absurd because ministers can pretend to be fighting for things which are not really the subject of the dispute. The skilful use of press briefings, as Mrs Thatcher has demonstrated, can enable a distorted picture of negotiations to be given out and important issues to be overlooked as the media is invited to concentrate on trivia;
- legislation should be agreed on the basis of joint decision making between the European Parliament and the Council of Ministers. This is now virtually the case for the budget, and for legislation to complete the Internal Market, and there is therefore no

reason why artificial limits should be established as to which decisions are decided by the twelve ministers, and which should be the subject of a co-operation procedure. It should also be made clear that joint decision making does not mean Parliament could overrule the Council.

These are not just minor changes. What, however, would be the alternative: an uncritical acceptance of the quite undemocratic status quo? Can we really accept that over 100 million voters should be asked to vote every five years for a democratic fig leaf on an undemocratic system? What is more, as anyone who visits the European Parliament knows, the image of an irrelevant talking shop contrasts with the presence in the corridors of Brussels and Strasbourg of lobbyists from governments (eg US, South Africa, Israel, Eastern Europe) and pressure groups (multinationals, environmentalists, women's organisations, regional authorities). The Parliament should never become the dominant institution but a sharing of power between elected MEPs and the elected ministers in the Council seems a reasonable objective to work towards.

Since the Single European Act came into force in July 1987, Labour MEPs have quite rightly been considering the best way to use their new powers in a

positive manner. For example, they joined in manoeuvres to hold up the ratification of an agreement with Turkey in order to underline criticism of the regime's record on human rights and to make it clear that moves by right-wing governments to admit Turkey to full EC membership would be blocked in the European Parliament. Efforts have been made to use the Parliament's powers to ensure the maximum possible increases in EC spending on regional and social policy. MEPs now have a direct influence in these areas which in reality national parliaments have lost and all socialist MEPs therefore feel obliged to use their new powers to the full. In doing so they are receiving a great deal of help and advice from trade unions, consumer, environmental and human rights groups as more and more people realise the potential for European actions and the need to prevent the blocking of progress in secret negotiations.

The Single Act is unlikely to be the end of discussions on the development of democracy in the Community, and further discussions will inevitably mean difficult decisions for the Labour Party, but we cannot expect progress if we fail to go to the heart of the problems and do not put forward a genuine alternative to the present bureaucratic structure dominated by business interests.

6. Conclusion

One of the most enduring impressions derived from contact with the institutions of the European Community is that it is not an organisation replete with common sense. Labour should make it clear to the British people that its goal in relation to the EC is to bring common sense to the Common Market.

Bringing common sense to the Common Market means several things. It means making sure that all the people of the

European Community derive maximum benefit from being part of the largest trading bloc in the world. It does not

mean allowing market forces free reign to concentrate all economic activity in the golden triangle, making the rich richer and the poor poorer—both at an individual as well as a regional level. Using the combined economic power of twelve of the richest trading nations in the world to stimulate growth and put their 16 million unemployed back to work is pure common sense.

It is not only common sense but common decency and humanity to use Europe's economic muscle to benefit the Third World and to use our political influence to encourage real detente between East and West.

Bringing common sense to the Common Market means leading the growing environmental lobby in Europe rather than being dragged along on its coat tails. On environmental issues the UK government is considered to be extremely anti-social and is known as the "dirty man of Europe". In 1987 during European Year of the Environment, with the British Commissioner and former Labour minister, Stanley Clinton-Davis, holding the environment portfolio 22 separate legal actions were initiated against Britain for violating European laws on the environment. Amongst these actions are those on dirty beaches at Blackpool and Southport, lead in Scottish drinking water, air pollution in Sunderland and waste disposal in Torfaen.

At just about every international convention, whether it's on acid rain, lead in petrol, destruction of the ozone layer or dumping in the North Sea, it is British government ministers who make the headlines by constantly holding out against agreements to curb pollution and then only agree to much watered down declarations. For the sake of our environment we must continue to use the EC to put pressure on the British government. When Labour comes to power it must commit itself to work closely with other governments to protect and enhance the environment. Everyone knows that if we continue to poison the world, sooner rather than later, it will die.

It is widely acknowledged that bringing common sense to the Common Market must mean a radical reform of the Common Agricultural Policy combined with an ending of the EC's long-running budget battle in a redistribution of funds. It cannot be common sense to have food mountains rot while millions starve, or to have poor farmers pushed off their land because big landowners are eating up all the subsidies, producing food no one can buy.

Current squabbles over the Community budget need to be put into perspective. Stuart Holland has rightly described the attitudes of heads of state as "fiddling with farm prices while Europe slowly burns with mass unemployment". As he says: "the real budget on which broad agreement exists—outside Thatcher's Britain and Kohl's Germany—is for joint spending on a scale which can recover welfare and trade, restructure the social sector of the economy and redistribute resources to eliminate poverty and low pay". There speaks the voice of common sense.

Of course, in arguing for increased co-operation at the European level Labour should never give the impression that the nation state has become an empty vessel. European co-operation should not be seen as an alternative to winning power at the level of the nation state but as a way of regaining democratic control of those aspects of our lives which are in reality no longer decided at national level.

Labour cannot expect to make progress if it fails to offer a positive optimistic vision of how Europe should develop. Withdrawal from the European Community, once a totem around which the left was expected to dance, is no longer an option that is regarded as obtainable or desirable. Indeed, this policy prescription is now widely regarded as a lazy alternative for those who refuse to contemplate the idea that a Labour government will need a European dimension to many of its policies. We need these policies now. As a party uniquely placed in British politics (with a

sister party in every EC country) we can work these through, intellectually, and politically, with our colleagues across the Continent, to outflank the right.

Time is not on our side. Not even its best friends would argue that the EC is the ideal body to tackle Europe's problems. But unless the left can agree on a coherent medium- and long-term view *now* on the role of the Community, it will be left out of the key debates of the 1980s and 1990s, just as it was left behind in the debates of the 1950s. It will be too late to take part in forming the basic socialist approach to the EC.

With the emergence of three economic and industrial centres: Japan and the Far East, the USA and Europe the left must secure the future of Europe's and, with it, Britain's industry.

The 1989 European elections give an added impetus to the need for a clear statement of where Labour stands on the major problems and policy developments within the EC. If Labour can convince the British electorate that it can bring common sense to the Common Market then it could have in place policies that will be the cornerstone of British prosperity in the 1990s.

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Bringing common sense to the Common Market—a left agenda for Europe

With the era of the nation state drawing to a close in Europe, achieving socialist objectives requires international co-operation, according to the author of this pamphlet, David Martin. This means working with the institutions of the European Community to encourage international co-operation and planning.

Yet the scope of much co-ordinated action will be undermined if the Internal Market strategy supported by Mrs Thatcher is allowed to proceed. By creating a totally unregulated free market for the whole of Western Europe, the Community would be unable to survive the resulting economic and social tensions both within and between the member states.

In contrast, David Martin argues that the agenda for the left should include:

- a programme for co-ordinated reflation to stimulate growth;
- greater industrial planning at European and regional levels;
- a strong and dynamic European regional policy;
- the development of a European social dimension eg on minimum standards of working conditions and the reduction of working time.

In addition, David Martin believes that the 1989 European elections give the Labour Party an opportunity to state where it stands on the major problems and policy developments within the Community and to convince the British people that it can bring some common sense to the Common Market. This would mean that:

- Europe's economic muscle would be used to benefit the Third World and its political influence deployed to encourage real detente between the superpowers;
- the Common Agricultural Policy would be radically reformed and the long-running budgetary disputes ended;
- the combined economic power of the member states—some of the richest trading nations in the world—would be used to create employment for their 16 million unemployed.

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