

AUSTRALIA AND THE COMMON MARKET

STATEMENT BY THE PRIME MINISTER

THE RIGHT HONOURABLE R.G. MENZIES, C.H., Q.C., M.P.,

in the

HOUSE OF REPRESENTATIVES

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WEDNESDAY, 16th AUGUST, 1961

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The decision of the Government of Great Britain to negotiate for admission to the European Economic Community is one of enormous political, economic and historic importance for Great Britain herself, for Europe, for the Commonwealth in general and Australia in particular, and for the world.

It is therefore essential that, at this first opportunity after the visit of the Secretary of State for Commonwealth Relations (Mr. Duncan Sandys) and after Mr. Macmillan's announcement in the House of Commons. I should, on behalf of the Australian Government, set out in this Parliament the nature of the action proposed or taken, and of the issues involved.

But before I do that, there are some matters of history to be recorded.

Not long after the War, movements began for strengthening Western Europe, economically and politically, against new threats to freedom and progress. These took a particular practical form when, in 1950, the European Coal and Steel community was promoted by M. Schumann of France. This was a marked success, and paved the way for the later development of the Common Market.

In 1957 the Atomic Energy Community, known as "EURATOM", was set up.

Concurrently, on March 25th 1957 the Treaty of Rome was signed, establishing the European Economic Community, sometimes known as "the Common Market" or "The Six". The parties to the Treaty were France, Germany, Italy, Belgium, the Netherlands and Luxembourg. While this Treaty was being negotiated, Great Britain made her first decision, which was not to participate. At that time, she felt that, although she approved of the idea of European unity, she could not go in as a party because of her Commonwealth commitments, her own system of protecting British agriculture and (as I have always supposed) because she did not choose to accept any abatement of her own sovereignty.

But she still took active steps. Her second decision was to propose an Industrial Free Trade Area for the whole of Western Europe, including The Six. This proposal would have met the agricultural and (for the greater part) the Commonwealth considerations which had previously

deterred her. But "The Six" did not favour the proposals, and they failed.

A third decision was then taken. Great Britain formed the European Free Trade Association with Sweden, Norway, Denmark, Austria, Portugal and Switzerland. This group became known, and I shall refer to it, as The Seven. Subsequently, attempts were made to bring about an association between The Seven and The Six but without success.

I mention these matters of history because they will remind us that the decision now taken is the fourth, and that as it involves detailed negotiations with The Six on items some of which concern Australia very greatly, we have now reached a period in which we must all clarify our attitudes on identifiable matters of great practical moment.

It is now necessary to turn to the Treaty of Rome itself, to discover the broad structure and mutual obligations of the economic community which Great Britain will now negotiate to enter.

The preamble to the Treaty stated that the signatories were "determined to establish the foundations of an ever-closer union among European peoples." Under the Treaty, the "Common Market" will be progressively established during a transitional period of somewhere between ten and fifteen years.

This involves the progressive elimination of Customs duties and quantitative restrictions on trade between member States, and the establishment of a common external tariff.

There is to be a common agricultural policy, providing for such matters as increased production and organised marketing. Subject to the negotiations, which will be put in hand, probably by about October, 1961, The Six were due to meet before the end of this year to work out the agricultural policy. This is clearly one reason for the decision by Great Britain at this time. She will, having regard to the Commonwealth position, need to negotiate on agricultural matters before the final policy of The Six has been settled.

There is to be free movement of workers between the Member States. Nationals may freely (whether individuals or companies) establish themselves in the territory of another Member State.

There are to be set up common provisions for conditions of trade within the Common Market, co-ordination of economic policies, and the harmonisation of social policies. One of the express purposes of Article 118 is to promote close collaboration between Member States in the Social field, particularly in employment, labour legislation and working conditions, training, and social security.

The Treaty further provides for the establishment of a European Investment Bank.

Institutions are provided for; an Assembly of 142, a Council of six, an Executive Commission of nine, and a Court of Justice to deal with the interpretation and enforcement of the Treaty.

Under Article 237, any European nation may apply for full membership in which case the agreement must be made by the unanimous act of the existing members - at present The Six.

Under Article 238 a nation may become an Associate Member, as Greece recently has; but it is understood that such a course is not favoured in the case of a substantially developed manufacturing nation.

The Treaty is, by Article 240, concluded "for an unlimited period". There is no provision for withdrawal, at the option of the member concerned. It would therefore appear that a Member can withdraw only with the consent of all the others; the decision being in effect an amendment to the Treaty.

Any amendments to the Treaty will require ratification by all Member States.

Clearly, this is a formidable and far-reaching organism, of profound economic significance, and with political objectives to which I shall refer later.

I will first endeavour, with as much brevity as possible, to explain the nature of the economic interests involved in a negotiation by Great Britain for membership.

Great Britain herself has, of course, enormous interests at stake. Her decision to negotiate could not have been easy, and we may be sure that it has been arrived at in the light of her immense experience and ripe judgment. It would not be for us to substitute some opinion of our own, even if we had formed one. For we are in no position to assess the elements in the British economy, or the economic arguments this way and that concerning the effect upon her of an achieved membership. We have, of course, a lively interest in the accuracy of her final decision, for we want to see a powerful and prosperous Great Britain, for the good of Australia in all aspects of our national and international life and for the good of the whole free world.

She herself, as Mr. Sandys was careful to explain to us in the course of our frank and helpful exchanges, is impressed by the competitive advantages for her own exports and necessary trade balances which she believes would derive from free access to a "Home Market" of over 250,000,000 people. This is a larger population than that of the U.S.A., whose own large internal free trade home market with free access to enormous supplies of power and materials, has given her great strength in the markets of the world.

On the other hand, of course, Great Britain's entry into a European free trade area will mean that her own industries will meet the full blast of European competition, including that from countries like Germany which has a longer working week, a less extensive system of social services, and a high proportion of modern plant erected since the War-time destruction. It is said that such competition will lead to greater efficiency, and no doubt, given sufficient time, it will. In any case this aspect of the matter has beyond question been fully weighed and considered. We ourselves see great scope for an increase, by increased efficiency, in the Commonwealth Market. Commonwealth countries to-day take 42% of British exports, while The Six take 14.5%. While Great Britain clearly hopes that, as a member of the Common Market, she will increase her exports to Europe - which would be a great thing for her economy - we simply direct attention to the undoubted fact that her Commonwealth market must continue and grow if her overall strength is to increase. But the Commonwealth market cannot grow if any conditions of European membership inflict material damage upon the export earnings of Commonwealth countries. That, of course, is the great matter to which we will direct a close and studied attention before and during the negotiations, until the final decision is taken.

There is another aspect of this great matter. We have throughout felt that the Common Market, as it now stands, whatever effect it might have on any individual country, would tend to increase the total prosperity and purchasing power of The Six, and that Australia, among others, might hope to find a growing market in Europe. As I will show later, we have for some time been actively seeking to develop that market. Undoubtedly, the European Economic Community has been succeeding. The economic recovery of France in recent years has contributed to this. Trade exchanges between them have increased 50% since the Treaty of Rome. They have accumulated massive international reserves.

Yet the prospect of Australian benefit from this improvement will depend very importantly upon the internal policies adopted by the Common Market Countries in relation to their own agriculture. If, and there have been suggestions of it, agricultural protectionism prevails, the entry of foodstuffs, from e.g. Australia, will become more difficult. The pricing policy adopted by the E.E.C. for its agricultural products will largely determine the size of the European market for imported agricultural products and the extent to which surpluses in given European countries can be exported. Price stabilisation at the high levels now current in some Member States will tend to increase production in the Community area. Under the encouragement of high domestic prices, France is already developing an export surplus in wheat. These matters will be dealt with by my colleague, the Minister for Trade. It is sufficient for me to say that the advantages or disadvantages to Australia, economically speaking, from the success of the Common Market will be largely determined by policies worked out in Europe.

It is difficult to assess the prospects. For example, wool is to enjoy free entry under the common external tariff. But it does not automatically follow that European economic growth will correspondingly increase the demand for wool. We hope that it will, but the fact is that although industrial production in The Six has been rising rapidly since 1957, there has so far been no increase in the volume of our exports of wool to these countries.

Our most definable interest arises in relation to our exports to Great Britain; wheat, meat, dairy products, base metals, sugar, dried fruits, fresh fruit and processed fruits. These constitute the great bulk of our current exports to Great Britain of £198m. Stg. They enjoy a preferred entry into the British market, while meat and sugar are the subjects of special long-term agreements. In exchange for these preferences, Great Britain enjoys preferential rates in our Customs Tariff and currently exports goods to the value of £259m. Stg. to Australia.

Clearly, this mutual preferential structure comes into the arena of Great Britain's negotiations with The Six. Should the other members of the European Free Trade Association decide also to apply for membership of the Common Market (which seems probable) there will be further important problems to be decided. If, to take a good example, Denmark acceded, and Great Britain acceded without securing a special position for Australian dairy products, the preference now enjoyed by Australia in Great Britain would be reversed into a preferential, because duty free, entry for the Danish products.

I will not, in this general survey, go into the details of our exports which are involved. But I think it most desirable that I should point out to all the negotiators that if they want (as I am sure they do) a strong and growing Australia, they must recognise the peculiar Australian significance of the relevant industries.

The development and populating of the North of Australia, from the Kimberleys in Western Australia through the Northern Territory to North Queensland depends primarily on beef cattle, minerals and sugar. The British market has been of commanding importance in all three. Wheat stands next to wool as our export staple; the welfare of at least two states is bound up in its success. The intensive settlement in the irrigated areas of the Murray and Murrumbidgee regions has been built up on dried vine fruits, processed fruits, and the production of fat lambs. Not one of these industries could exist on its present scale without large exports. In the case of dried fruits and fat lambs, the British market is vital; for processed fruit it is important.

Our great mineral resources, in relation to which great expansion is in sight, tend to be found in areas remote from the industrial cities and the agricultural areas. They come, when developed, to sustain large communities whose very existence depends upon a growing export for the products.

of the mines, refineries and smelters.

It follows from all this, and I take leave to emphasise this point, that severe blows to our export primary industries would fall with particular severity upon particular areas, industries, and people. The impact would not be more or less evenly distributed over the whole nation, but would be concentrated and therefore more damaging.

We cannot as yet anticipate the result of the negotiations. We can, I think, reasonably assume that Great Britain will not accede to the Treaty of Rome unconditionally. Such an accession would bring to an end the Commonwealth Preferential System which has endured for many years. It would be highly damaging to Australia, and could be disastrous to our neighbour and friend, New Zealand. As the preferential system operates both ways, it could mean the end of B.P.T. rates in our Tariff schedules.

On the other hand, it may be too much to hope at this stage that Great Britain will be allowed (by the necessary unanimous agreement of The Six) to maintain the Commonwealth Preferential System completely unimpaired.

Some compromise will no doubt be sought. We shall, of course, battle for the best possible arrangements for the protection of our traditional and legitimate interests.

We cannot doubt that Great Britain will be on our side in that battle. We also have good friends in Europe, and can be assured of their understanding. I have already said something about some of the exports which are our special concern and need not repeat it. But we are not unaware of the suggestions, already being made in some quarters<sup>f</sup>, that the emergence in practical form of the Common Market issue has suddenly made the Australian Government aware of the need to develop new and deversified markets.

The suggestions are quite unfounded, as I shall quite easily show. The matter has not arisen with the suddenness which recent publicity may suggest. We have for some time known that attempts would be made to bring The Seven and The Six together. I myself had some general talk about this with both Chancellor Adenauer and President de Gaulle in 1959. But no detailed proposals were ever put to or considered by us because first, it was the specified object of Great Britain to keep agriculture out of any negotiations, thus preserving our own and British interests, and second, it was made clear that before any negotiations were decided upon, we would be effectively consulted.

In London, immediately after the last Prime Minister's Conference I proposed (and the proposal was accepted) that our officials should go into preliminary conference in London, so that, "getting down to brass tacks" we could identify the points of difficulty and try to find common methods of approach.

This Conference preceded the visit of Mr. Sandys; a visit which produced, for the first time on the political level, a specific exchange of views. Meanwhile much official study has been made in the relevant departments.

The matter has, therefore, not come suddenly out of a blue sky. From Australia's point of view, neither time nor ground has been lost. Indeed, we have been active for years in strengthening and diversifying our exports to whatever markets we could find.

When, in January 1956, I announced the creation of the Department of Trade, I pointed out that it would direct its major attention to the stimulation of trade. It has, with the backing of the Cabinet, acted vigorously in this field.

It has continued to intensify the Trade drive through the efficient and widely appreciated Trade Commissioner Service.

In 1949 there were 17 posts in 12 countries. In 1961-2 there will be 37 posts in 28 countries. Since 1949 we have opened posts in Karachi, Rome, Trinidad, Bonn, Montreal, Salisbury, Auckland, Manila, Christchurch, New Delhi, Kuala Lumpur, Bangkok, Stockholm, Chicago, Ottawa, Nairobi, Accra and Beirut with plans already announced for opening in Lima, Caracas and Teheran.

The Trade publicity vote has increased from £16,000 in 1949 to £1,000,000.

In July 1956 we established the Export Payments Insurance Corporation. On June 30th, 1961, current policies were valued at £26 m. the export transactions covered being spread over 120 countries, mainly in Asia and the Middle East.

Since 1954 we have organised 13 major trade or survey missions, and have co-operated with industry associations in the organisation and despatch of two trade ships. Another trade ship is planned for the Persian Gulf in the new year and trade missions to the Middle East, Pacific Islands, and South America will be organised during 1961-1962.

There were three passages in the communique issued at the end of our talks with Mr. Sandys which deserve special mention.

The first showed that the Australian government took a view of the impact of Great Britain's membership of the Common Market upon Commonwealth Relations different from that of Great Britain.

The second showed that we refrained from giving approval to the opening of negotiations.



The third made it clear that we wished to take an active part in the negotiations affecting our special interests.

These statements have been interpreted by some as indicating a spirit of hostility in our discussions, or at least a lack of a co-operative Commonwealth approach. I want to make it clear that our discussions were conducted on a proper Commonwealth level; our common interests never forgotten, but our particular interests zealously expounded and upheld.

I should perhaps repeat our general attitude, for the benefit of the people of Great Britain as well as our own.

We want whatever decisions are finally taken to bring added strength to Great Britain, for her own sake, for our sake, and for the sake of the world. For we are both British and Commonwealth.

But our first duty is to protect what we believe to be the proper interests of Australia, whose future development will be a considerable factor in Commonwealth strength, and will in particular produce economic advantages for Great Britain herself. We do not doubt that this is understood and accepted by Great Britain. There is therefore much common ground upon which to stand. But the problems will not be solved by saying that we have common objectives. The real issues will be those of method. Some long-accepted ideas may need to be modified; there will be conflicts of opinion; the advocacy of lawful interests may produce high and intense argument. But such matters are in the British tradition. We need not fear them, nor pretend that they do not exist.

The decision that will ultimately be taken by Great Britain, to enter on the negotiated terms or to stay out, will be the most momentous peace time decision in living memory. Upon its wisdom and success probably the future of the free world and most certainly the future of our own family of nations will turn.

It follows that Australia will bring to her own negotiations with Great Britain and, as we venture to hope, with The Six, not only the most powerfully presented exposition and defence of her own interests, for her own future is our special care and responsibility, but also a strong and wide sense of common responsibility.

It will have been observed that Great Britain has put The Six on notice of these complexities. She has informed them that Great Britain must take account of the special Commonwealth relationship as well as the essential interests of British agriculture and of the other members of the European Free Trade Association.

## THE BROAD POLITICAL ISSUES

We believe that the entry of Great Britain into the European Economic Community would have far-reaching political implications. As we see it at present, we believe that it would mean a substantial departure from, or even an abandonment of, the traditional British policy of the Balance of Power, a policy which basically represented a form of isolationism, of freedom from what I may call standing or permanent obligations. True, as Mr. Macmillan pointed out in the House of Commons on August 2nd, "in every period when the world has been in danger of tyrants or aggression, Britain has abandoned isolationism". Nevertheless, I pointed out that a decision to enter the European Economic Community expressed to be a permanent body, and with political "overtones" of the clearest kind, would represent the abandonment of the old position and the acceptance of permanent European involvements. I thought that Mr. Macmillan accepted this when he said, in the same speech, that while European federation should be rejected, a confederation of European nations was an acceptable concept with which Great Britain could associate willingly and whole heartedly.

The distinction between the organic distribution of sovereignty which exists in a Federation and the looser association of a Confederation is one which I was at pains to make in our discussions with Mr. Sandys. But even a confederation involves mutual political obligations of a continuing kind.

A few days after we had been pointing this out in the Canberra talks, the Heads of State of The Six issued a communique, dated July 18th, which gave special point to the argument. The Communique stated that the Heads of State and Governments were convinced that only a United Europe is in a position, allied with the United States and other free peoples, to meet the common dangers of the free world; that they were determined to develop their political co-operation with the aim of European unification; and that for this purpose they proposed to have regular meetings in order to bring their policy into line and reach agreed views.

Of course, we need not suppose that European unification is just around the corner. National histories and prides and characteristics are not so easily set aside. But it does seem clear that, as the Rome Treaty's economic provisions become effective, there must be a closer co-ordination, if not actual integration, of political policies. For where there is a common economic system established and made enforceable by law, the journey to confederation or even federation is half completed. Common domestic policies will cry aloud for common external policies to protect them.

If Great Britain joins, and other West European nations with her, and Europe becomes, step by step, a great power (or a cohesive agglomeration of power) Great Britain will become, we would hope and expect a most important integer in that power. But she will, ex hypothesi, cease to be completely

independent in relation to European affairs.

This is why the decision which she must make after the proposed negotiations, is so politically momentous.

We do not doubt the strength of the broad political considerations which lie behind the decision to negotiate. Some of them clearly are:-

- (a) the importance of the cohesion of free Europe as an area of resistance to Communist threat and aggression;
- (b) the fear that the perpetuation of economic rivalries and differences in Europe will mean political rivalries and differences, and so weaken the joint will and capacity to resist the Communist threat;
- (c) the importance of influencing that area from within, if it needs such influence, to maintain positive and outward looking policies which will be non-neutralist in character;
- (d) the belief that Great Britain, as an influential member of the European Community, will bring added strength to British Commonwealth consultations.

I have stated these matters so that it may not be said that we have failed to see the arguments on the great issues, and have adopted a small and unimaginative view.

We understand, and freely acknowledge, that if true European unity can, in spite of the history of the past hundred years, be brought about, the prospects of world peace will grow brighter. But, as a senior Commonwealth country, we have felt bound to say that we do not think that the Commonwealth as a political organism would be strengthened. Great Britain, as the centre of the Commonwealth, has in the past spoken for herself at Commonwealth Conferences. After entering the new Europe, with its common policies and institutions and rules, she could no longer speak with detachment. The Treaty of Rome cannot be approbated and reprobated at the same time. Nor could a growing interest, and, more than interest, involvement in Europe, be calculated to leave completely untouched the present British position in and around Asia and Africa.

It is for these reasons that we have publicly expressed our grave doubts of the continuance unimpaired of the Commonwealth to which we are deeply attached, with which we have stood in peace and war, and the existence of which still means much to civilisation.

We may be wrong on this matter. We sincerely hope that events may prove us wrong. But, as much is being said about the impact of any accession to the Treaty of Rome on the Commonwealth in its present form, we think it proper to express our own view.

In the long run, of course, the stern facts of contemporary history may require some abatement of the special Commonwealth relation in favour of a powerful European unity: we do not as yet know. But it would be a mistake to pretend that there was no change when in fact there had been a great one.

We have not based our opinion upon any narrow ground of the importance of absolute sovereignty. All international pacts, from the United Nations to N.A.T.O. and S.E.A.T.O. involve the exercise of sovereignty to limit, by free choice, liberty of individual action. But neither U.N. nor N.A.T.O. nor S.E.A.T.O. is a super-state. Parties to the agreement may leave as they think fit, in the exercise of the very sovereignty by which they joined. The Treaty of Rome, as I have pointed out, is different. There must be unanimous agreement for the joining and the leaving. Complete independence of action no longer exists.

We pronounce no dogma. We do not seek to turn back the great tides of international affairs. We do not say that the British view of the effect upon the Commonwealth of a decision by Great Britain to go into Europe is demonstrably wrong. In the present state of the world, with bullying and bluster our daily diet, it may be that the Commonwealth must once more change, for the common good.

Even a cursory examination of the Treaty of Rome and its proposals will indicate, as I have briefly indicated before, the immense variety and complexity of the matters to be negotiated. The decision as to whether we should participate directly in those negotiations which affect our special interests does not depend on Great Britain, but on the willingness of The Six to permit it. We are, however, confident that Great Britain will do her best to bring it about. So far as we can judge at present, the actual negotiations, once begun in, say, October, will last for at least six months. They will need to be preceded by close exchanges between Great Britain and the other Commonwealth countries, some time next month. If these preliminary talks are to prove valuable in a fairly short time, our representatives will need the best possible briefing from this end. For this purpose, we have established a special Committee of Cabinet, to sit frequently and to be available at short notice, working in conjunction with senior officials and expert advisers. Important decisions will need to be made at this end, not only before but during the course of the negotiations themselves. For the problems confronting our export industries are so great that every last detailed care must be taken to solve them in a way which protects, and indeed enlarges, our national, developmental, and trading future.