

**Perfidious Albion revisited:  
Anglo-Australian trade relations and European  
economic integration**

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Few events in the last half-century have recast Australia's international circumstances and outlook quite like Britain's economic integration with Europe. This reorientation of British commercial policy left its mark on most of the big issues of Australian external policy, from the role of the US alliance to engagement with Asia. And it can still find a place in the historiography of Australian national identity. Not surprisingly, former Prime Minister Paul Keating in full cry during the republican debate could not resist a swipe at the country that 'walked out on us and joined the Common Market' (quoted in Ward 2001: 1). For this particular strain of Australian nationalism, only the fall of Singapore ranks as a more jarring dose of Perfidious Albion.

Albeit more soberly, a number of historians have also highlighted Australia's resentment arising from Britain's choice for Europe. Carl Bridge casts Britain as the initiator of the rapid decline in Anglo-Australian trade in the 1960s. Australia, he claims, 'did not willingly turn away from Britain' (Bridge 1991: 9). According to David Goldsworthy (2002: 120), while it is too simplistic to see Britain as turning from the Commonwealth to Europe, 'from Australia's point of view these two tendencies did seem to be obverse and reverse of the same coin. And both of them meant a kind of betrayal of Australia.' Stuart Ward (2001: 71) notes that, over and above the geo-political and economic questions raised by Britain's bid to enter the European Economic Community (EEC) in the early 1960s:

there prevailed a typical emotional reaction, which reflected a widespread feeling that Britain's steady drift towards Europe was morally dubious – even treacherous. A deeply inscribed sense that the Macmillan Government was breaking some imagined code of British conduct informed the Australian response at all levels: in official, ministerial, parliamentary, and public debate.

With hindsight, it is not hard to detect how changing power relationships, priorities and perceptions of interest were driving Australia and Britain apart in the second half of the twentieth century. In the realm of external economic policy, the drift away from Commonwealth trading preferences and Sterling Area financial arrangements now seems

almost inevitable. But this only serves to make Australian resentment about British perfidy all the more notable, relying as it does on the notion that sentiment, tradition and ties of 'kith and kin' should mediate fundamental clashes of economic interest.

This paper explores the history of Anglo-Australian trade relations over the course of Britain's uncertain and at times faltering path towards economic integration with Europe. Anxiety about being kept in the dark over British economic links with Europe dates back at least to the Chifley government. Despite new sources of tension in Anglo-Australian trade relations in the 1950s, Australia placed considerable faith in repeated British assurances that nothing would be done to diminish Commonwealth economic links. As such, John Crawford (1968: 268) would claim that Britain's application to join the EEC in mid 1961 was a reversal of 'all previous declarations of policy' and that it came as 'a major shock to the Australian public, even if ministers and officials had been less unaware of a possible change'. This reversal was seen as nothing less than an affront to Australian (and British) conceptions of fair play.

Australian resentment only deepened over the course of negotiations in 1962 as conditions designed to safeguard Commonwealth interests were discarded by the Macmillan government. By the time General de Gaulle exercised his famous veto in January 1963, few illusions remained about indelible Anglo-Australian economic links. This new realism was reflected in Australia's more restrained approach to Britain's eventual entry into the European Community (EC) in 1973. A general tone of matter-of-factness accompanied the long-term decline in the share of Australian exports to the UK. With Brussels increasingly the focal point of Australia's campaign against the Common Agricultural Policy (CAP), Britain became a more 'normal' European trading partner. Traces of the Perfidious Albion image can still be found in Australian cynicism about Britain's credentials as an advocate of CAP reform. But interestingly, such sentiments compete with other claims that Australia's close economic links with Britain hamper development of a more effective strategy towards the European Union (EU).

*A country 'completely uninformed'*

Australian anxiety about closer British economic links with Europe was first aroused in the late 1940s. It stemmed principally from American pressure on Britain to participate in a European customs union as a condition of Marshall Plan aid. By 1947, American designs for a multilateral trade and payments system were disintegrating in the face of an acute imbalance in world trade, the associated dollar shortage and an intensifying trend of bilateralism, exchange controls and state trading. This economic crisis was shadowed by the steep deterioration in relations between the United States and the Soviet Union, not least over the future of Germany. In this environment, the reconstruction of Western Europe around mechanisms for economic and political integration became a cardinal element of US global strategy aimed at strengthening resistance to communism. American policy-makers saw a customs union as providing the foundation for increased productivity and production that would allow Europe to eventually 'stand on its own feet' (Gardner 1980, Hogan 1987).

Britain's Foreign Secretary, Ernest Bevin, took the lead in organising a European response to the Marshall Plan. Looking to solidify an Anglo-American relationship forged in war and in negotiations on a post-war global economic order, Bevin envisaged his country playing a leadership role in Europe in partnership with the United States. He saw political advantages from closer economic ties with the continent as part of a strategy designed to secure continued American military and economic support. By contrast, the key economic ministries in Whitehall – the Treasury and the Board of Trade – took a distinctly dimmer view of ideas promoting European integration. Reliance on Marshall Plan aid was nonetheless sufficient to ensure British involvement in the international study group formed in late 1947 to examine a European customs union (Bullock 1983, Milward 2002).

To Australia's Chifley government, US pressure on Britain to be part of a European customs union posed a new threat to Commonwealth preferences and Sterling Area financial arrangements already under attack from the Americans in international

economic discussions. These structures were at the heart of Chifley's ambitions for Australia's post-war industrialisation and development. Indeed, Sterling Area discrimination was strengthened in the wake of the 1947 sterling convertibility crisis as Australia agreed to tighten controls on dollar expenditure and to extend bulk commodity sales to Britain. Chifley's post-war speeches were peppered with references to the need for Australians to make sacrifices to help the British people. Beyond obvious sentimental factors, Australian ministers and officials were fearful of a post-war depression in the United States and sceptical of America's capacity to live up to its own injunctions concerning freer trade (Crawford 1968, Lee 1995, Capling 2001).

Australia was one of a number of Commonwealth countries invited to attend the European Customs Union study group as an observer. Britain's Commonwealth Secretary, Lord Addison, sought to assure the Chifley government that Britain would decisively shape these discussions and that 'in the absence of our support and initiative it is unlikely that anything constructive will emerge' (quoted in Singleton and Robertson 2002: 148). At the same time, Bevin tasked Whitehall with examining how the Commonwealth might be accommodated in a preferential trading arrangement linking Britain and Europe's other colonial powers. Discussions on possible Anglo-French economic cooperation formed the nucleus of this activity. Britain's economic ministries remained highly sceptical of such ideas, as did most of the dominion governments. Informal consultations conducted by the Secretary of Overseas Trade, Harold Wilson, found Australia to be 'suspicious and unenthusiastic' about the direction British policy was taking, a view confirmed during talks at the Havana conference of the International Trade Organization towards the end of 1947 (Milward 2002: 29).

Australian anxiety deepened in January 1948 when the Atlee Government tried to enlist Australia's support for the concept of Western Union. Britain's foreign secretary spoke of the need to bolster the spiritual and economic vigour of countries in the face of Soviet pressure, but without any detail on what this would mean in practical terms. The Chifley government's External Affairs Minister, H.V. Evatt, criticised the Western Union proposal as overly confrontational towards the Soviet Union, and as undermining the role

of the United Nations. But it was the fear of Australia being excluded from far-away deliberations on a European customs union that seemed to most trouble the Australian Prime Minister in correspondence with Britain's Clement Atlee in February 1948. Chifley wrote that:

I cannot emphasise too much or too often the seriousness of taking decisions clearly involving us, or in expectation of our support, without the fullest prior consultation. One instance where we are completely uninformed is the matter of a Customs Union. We are being asked and will no doubt be questioned in parliament, as to our knowledge of this matter. We can only say that we have no knowledge as to how the union is to work (quoted in Lee 1995: 86).

In the first half of 1948, Australian officials continued to press for assurances that existing Sterling Area arrangements would be preserved and that Britain would not get entangled in a customs union to the exclusion of the Commonwealth. Indeed, diplomats at the High Commission in London recommended that Chifley obtain a written assurance from the Atlee government that Australia would retain its existing rights as part of the Sterling Area and that its trade interests would not be sacrificed for the sake of rehabilitating western Europe (Lee 1995: 86). In the event, Bevin's Western Union initiative took on a military form with the Brussels Treaty signed by Britain, France and the Benelux countries in April 1948 – the forerunner of the North Atlantic Treaty Organization (NATO). Talks on a European customs union were channelled into the Organization for European Economic Cooperation (OEEC) charged with distributing Marshall aid. But with a strict intergovernmental structure and with no remit to pursue tariff negotiations, the OEEC tended to highlight the various problems in forming the sort of liberal regional arrangement envisaged by the Americans.

Through 1948-49, the British government closed ranks around the view that a European customs union presented too many political and economic risks to be a viable international economic strategy. In effect, the economic ministries carried the day based on the argument that an unstable Europe, taking less than 15 per cent of British exports, was in no position to compensate for traditional Commonwealth markets that still

accounted for almost 50 per cent of Britain's trade (Gowland and Turner 2000: 24). The major preoccupations of policy-makers in both Britain and Australia remained the dollar shortage and the need to resist American pressure to break the London-centred economic networks. At times, this extended to discussions on the possibilities surrounding Sterling Area autarky as an international extension of then fashionable ideas about national economic planning (Rowse 2002: 165). An explicit threat along these lines was conveyed to the Americans during another sterling crisis in 1949 and subsequently US pressure on Britain to forsake the Commonwealth in favour of Europe tended to soften. In effect, the United States was forced to accept that any durable move towards a freer multilateral trade and payments system had to take account of the Sterling Area's economic viability. In the process, however, the initiative for shaping European economic integration would pass to another country whose interest in keeping Australia informed about its policy intentions was essentially non-existent.

### *Drifting apart*

As shown in Tables 1 and 2, the post-war consolidation of Anglo-Australian trade relations peaked around 1950. The share of Australian exports to Britain was just short of 40 per cent and a steady decline followed in the two decades thereafter. The share of UK exports going to Australia stood at over 11 per cent in 1950. The official historian of Britain's economic integration with Europe refers in this context to the 'bizarre pattern of British exports in the early 1950s in which Australia, with fewer than ten million inhabitants at the time, became the single biggest export market' (Milward 2002: 4).

Bizarre or not, this pattern carried important implications for Britain's commercial outlook and for its policy towards Europe. In May 1950, France's Foreign Minister, Robert Schuman, invited Britain to participate in talks on establishing a new High Authority to control Europe's coal and steel industries. When the Atlee Government rejected demands that it agree in principle to supranational control, France, West Germany, Italy and the Benelux countries (hereafter the Six) went ahead and formed the European Coal and Steel Community (ECSC) in April 1951. At the time, New Zealand

**Table 1 Australia's main export markets, 1946-70 (% total exports)**

	<b>UK</b>	<b>USA</b>	<b>New Zealand</b>	<b>Japan</b>	<b>EEC (Six)</b>
1946	27.3	19.0	4.1	0.9	9.9
1950	38.7	8.1	3.5	3.9	18.4
1955	36.9	6.8	4.9	7.6	22.0
1960	26.4	8.1	5.8	14.4	18.7
1965	19.5	10.0	6.0	16.6	13.6
1970	11.8	14.5	4.8	24.7	10.9

**Table 2 Britain's main export markets, 1946-70 (% total exports)**

	<b>Australia</b>	<b>New Zealand</b>	<b>Canada</b>	<b>South Africa</b>	<b>USA</b>	<b>EEC (Six)</b>	<b>EFTA</b>
1946	5.8	2.9	3.6	7.8	4.1	14.6	11.8
1950	11.4	3.8	5.7	5.4	5.6	12.3	11.4
1955	9.6	4.7	4.8	5.6	6.6	14.1	10.4
1960	7.1	3.3	6.0	4.2	9.3	15.3	10.7
1965	5.8	2.6	4.2	5.4	10.5	20.0	12.5
1970	4.3	1.6	3.6	4.1	11.6	21.7	15.9

Source: Singleton and Robertson (2002: 9)

was a bigger market for British steel than the Six and the Australian market was almost twice as large. A range of other factors help to explain the Atlee government's failure to participate in the ECSC beyond a reluctance to compromise Commonwealth markets and preferences. The idea of surrendering decision-making over such vital industries to an untested supranational body held little appeal to a British Labour government committed to national controls. And compared with France, Britain was less seized with the need to bind German economic power into structures of European cooperation (and to secure access to German raw materials). But in view of the existing structure of Britain's overseas economic relationships this decision appears backward-looking only with the benefit of hindsight (Lord 1996).



The global economic recovery that gathered pace in the 1950s brought with it a reassertion of more normal, pre-war trade and payments patterns which, in turn, created centrifugal forces within the Sterling Area (Schenk 1994, Singleton and Robertson 2002). Meetings of Commonwealth Prime Ministers and Finance Ministers continued to issue statements about joint endeavours and aspirations based on great traditions and interests. But facts on the ground were pointing in different directions. The Cold War consolidated the structural power of the United States and American military spending provided the global liquidity required to ease the dollar shortage. Close relations with the United States became an increasingly vital element of policy strategies in both London and Canberra, in the process weakening the political bonds of the Commonwealth. With rapid recovery in Europe and Japan about to resume its role as the workshop of Asia, Commonwealth preferences and the Sterling Area came to appear less and less economically attractive.

One of the paradoxes surrounding Menzies is that, despite the anglophile rhetoric, his government moved Australia out of Britain's economic orbit much more deliberately than its Labor predecessor (Lee 1995). This was apparent early on with the cessation of petrol rationing, a move that angered the Atlee Government as it put additional pressure on the Sterling Area dollar pool. Menzies also provoked the ire of Britain by moving rapidly to secure large US dollar loans for Australian development. And when Australia encountered severe balance of payments problems at the end of the Korean War wool boom, the imposition of non-discriminatory import restrictions caused alarm in London as it was seen to hit British exports especially hard. With Britain unable to meet Australia's capital requirements for development, the Menzies government became increasingly sensitive to discrimination against the United States and was careful not to endanger Australia's capacity to borrow from the international financial institutions (Singleton and Robertson 2002: 103-04).

Menzies personally remained attracted to ideas about extending Commonwealth preferential arrangements and his government trod a somewhat awkward path in coming to terms with a multilateral system of trade and payments (Harris 1987, Capling 2001).

Discussions about new preferential arrangements took place at the Commonwealth Economic Conference in December 1952, and Australia was later rebuffed in an attempt to reopen the 'no-new-preference' rule as part of a GATT review in 1954-55 (Crawford 1968). But in the face of unstable export earnings, balance of payments problems and persistent agricultural protection internationally, the voices in Canberra arguing that Britain and the Commonwealth could not provide adequate markets for Australian exports steadily gained the ascendancy.

For a British government led by the imperial figure of Winston Churchill, returned to power in October 1951, the idea that the Commonwealth was anything but an asset continued to be distinctly alien. The Churchillian notion of Britain at the centre of three great interconnecting circles – the Atlantic, the Commonwealth and Europe – remained at the heart of London's worldview. And at the start of the 1950s, few questioned the assumption that Europe was the least important of the three. An ill-defined policy geared towards 'association' with the ECSC was inherited from the Atlee government, and this became the basis on which other European initiatives were addressed in the first half of the 1950s. Britain, it was held, could stop short of full membership of the ECSC and other nascent federalist schemes – such as a European Defence Community (EDC) – and still be in a position to secure its interests if they became threatened. But while the collapse of the EDC in 1954 seemed to affirm the wisdom of Britain's reluctance to become involved in continental federalism, the shaky foundations of Britain's post-war commercial strategy were becoming increasingly apparent.

Most notably, the renewal of German industrial power and rapid growth in European trade was providing powerful evidence of Britain's faltering competitiveness in global markets (Milward 2000). Sterling remained a currency under pressure given persistent weakness in the balance of payments. The Sterling Area had become an increasingly difficult arena for British exporters in part because of the infant industry protection policies of countries such as Australia. Stubbornly high American tariffs were serving to undermine British faith in the development of a multilateral trade and payments system. And as the Six began moving towards their most ambitious plan yet in the form of a

customs union, Britain's challenge in coming to terms with European integration would be further complicated by an unwelcome demand from the Pacific.

### *The 1957 United Kingdom-Australia Trade Agreement*

One of the first acts of the new Australian Department of Trade established in January 1956 was to formally seek renegotiation of the 1932 Ottawa Agreement with the United Kingdom. This was part of a long-term campaign by the Trade Minister John McEwen and his departmental secretary John Crawford to broaden Australia's export base and reduce the cost impact of preferences on Australia's economy. The Department of Trade calculated that by the mid 1950s the Ottawa agreement was yielding advantages to Britain two to three times those to Australia (Ward 2001: 34). In some cases, the value of fixed-price preferences in the British market had been eroded by inflation. Australia was also very concerned by Britain's propensity to import subsidised wheat from the United States and France. And perhaps most importantly, the Ottawa Agreement was viewed as restricting Australia's capacity to negotiate mutually beneficial trade agreements with other countries whose economies were growing much faster than Britain's. Export opportunities in Western Europe were among those McEwen and Crawford were especially keen to explore.

Since 1954, the British government had resisted Australia's informal requests for new negotiations, fearing the precedent it might set for other Commonwealth countries. Determined not to be brushed aside, McEwen secured Cabinet endorsement in May 1956 for the ultimate option of terminating the existing agreement if London remained intransigent. That same month Menzies wrote to British Prime Minister Anthony Eden calling for 'a new and comprehensive agreement to replace Ottawa'. He stressed that Australia wished to 'preserve the principle of preference' between the two countries, but sought to highlight the need for Australia 'to pay attention to the effect of preferential arrangements on Australia's cost structure and trade development' (quoted in Crawford 1968: 337).

The subsequent negotiations were described by Crawford (1968: 319) as being ‘sticky and even rugged at times!’ and there is evidence that the Australian government overestimated its bargaining power going into the negotiations (Gage). In the eventual agreement reached in November 1956 – formally signed in February 1957 – Britain went part of the way to meeting Australian concerns. Preferences on British products were reduced from up to 17.5 per cent to between 7.5 and 10 per cent, allowing cheaper access to capital goods from the United States and Germany. A less satisfactory outcome was obtained on wheat sales with Australia reliant on a British undertaking of ‘best endeavours’ to import 750 000 tons a year.

Some argue that Australia’s determination to replace the Ottawa agreement with one based on lower margins of British preference contributed to a rethink in the British government about the relative merits of Commonwealth and European trading systems, though this is by no means a consensus view. Drawing on British records, Stuart Ward (2001: 50) shows how Australia’s stance highlighted the UK’s dilemmas to the man who would play a crucial role as future Prime Minister. When the British Cabinet discussed Australia’s demands in July 1956, then Chancellor of the Exchequer, Harold Macmillan, remarked that:

Australia’s changed attitude to the preference system reflected the fact that the United Kingdom was no longer able to fulfil her traditional role of providing the capital needed for the industrial development of the Commonwealth ... The preferences were still of great value to us and it was important that we should retain what preferences we could. It would now be necessary, however, to re-examine, in the light of the Australian attitude, the relative importance and future prospects of our trade with Australia and the Commonwealth, and with Europe and other overseas markets (quoted in Ward 2001: 50).

It should be said, however, that Australia’s push for a new trade agreement scarcely figures at all in the many works by British scholars on the path towards economic integration with the continent. These tend to stress the inertia engulfing the policy process as the Eden Government shied away from designs by the Six for a common market.

### *Repeated assurances, diminishing options*

The negotiations with Australia on a new bilateral trade agreement came as an unwelcome distraction to the Eden Government's attempt to respond to a more comprehensive commercial policy challenge. At the instigation of the Benelux countries, Foreign Ministers of the Six had agreed in June 1955 to examine the development of a common market. This was an audacious bid to relaunch European supranationalism only months after the French Assembly's rejection of the European Defence Community. Britain was invited to participate in a committee chaired by the Belgian Foreign Minister, Paul-Henri Spaak, and a Board of Trade official was sent to the early deliberations. However the decision was made to withdraw the British representative once it became clear that the Spaak committee would indeed recommend formal negotiations on a common market.

The Eden Government's withdrawal from the Spaak committee is often regarded as the crucial moment when Britain consigned itself to a marginal role in the decisive years of European economic integration. It was a decision taken without ministerial dissent and with virtually no bureaucratic resistance. The arguments against full British engagement ranged from the impact on the political and economic links with the Commonwealth, to fears of German competition, to concern that Britain would be sacrificing its special relationship with the United States, to the disruption and dismay it would cause important Conservative Party constituencies, not least British farmers (Gowland and Turner 2000: ch 7). The expectation or hope that the Six would fail coloured the British deliberations at every turn.

Whitehall was put to work on developing an alternative strategy that would, in the words of Board of Trade President Peter Thorneycroft, allow Britain to continue to enjoy 'the best of both worlds' – essentially unchanged access to markets of the Six, along with the maintenance of existing Commonwealth trading links (quoted in Singleton and Robertson 2002: 1). While avoiding outright hostility to the common market, the aim was to re-energise trade liberalisation within the wider framework of the OEEC.

Commonwealth High Commissioners were briefed on this approach in December 1955 and at the same time Prime Minister Eden assured his Australian counterpart that Britain would never join an enterprise that would so ‘substantially weaken the Commonwealth relationship, both economically and politically’ (quoted in Ward 2001: 51).

By the time the Six agreed in May 1956 to begin negotiations on a common market, the outline of a British counter strategy had been developed by the Treasury and the Board of Trade. “Plan G” as it was called sought to embrace the common market within an OEEC-wide free trade area (FTA) in manufactured goods. It specifically excluded agriculture so as to minimise disruption to trading ties with countries such as Australia and New Zealand and to limit any new competitive pressures on British farmers. Carefully crafted to address the dilemmas faced by Britain, the policy paid virtually no attention to the economic and political interests of the Six. The FTA plan was discussed in advance with Commonwealth Finance Ministers in September 1956 and again the requisite assurances were made about British intentions. Chancellor Harold Macmillan denied that in any sense Britain was facing a ‘choice’ between Europe and the Commonwealth. If ever this was the case, he declared, ‘we could not hesitate. We must choose the Commonwealth.’ (quoted in Barclay 1970: 84). Within weeks, the foreign policy humiliation of Suez signified that this was indeed a country confronting some tough political and economic choices.

These were underlined in March 1957 when the Six formally agreed to the Treaty of Rome establishing the European Economic Community and a new nuclear energy body, Euratom. Having succeeded Eden in the wake of Suez, Macmillan now confronted a grouping increasingly indifferent to British concerns. The FTA proposal found some German and Dutch support given their interest in wider market access for competitive manufactures and a ministerial committee was established in the OEEC chaired by its British representative, Reginald Maudling. But the OEEC discussions went nowhere as the Six made it clear that the Treaty of Rome was non-negotiable. When they agreed in mid 1958 that any favourable response to the FTA required unanimous consent, France

was handed the opportunity to kill the OEEC process which General de Gaulle duly did later that year (Gowland and Turner 2000: ch 8, Milward 2002: ch 10).

With the Six increasingly indifferent to British policy interests, it was hardly surprising that a country like Australia was having a hard time registering its concerns over the protectionist direction of the proposed EEC Common Agricultural Policy. Both the Spaak report and the Treaty of Rome had shied away from any detailed outline of the CAP, but given the highly protectionist agricultural regimes across Europe little hope was held about its ultimate design. Through 1958 and 1959, Australia led a lonely and essentially futile effort in the GATT designed to scrutinise and discipline what was still an ongoing process of harmonisation of agricultural policies by the Six (Crawford 1968: ch 8). With the United States and Britain both showing little interest in picking a fight with the EEC, Australia quickly developed a reputation in Brussels for its confrontational style. By early 1959, the Australian government was forced to accept that ‘we cannot, on the evidence to date, be confident of our prospects of protecting our present and potential trade with Europe by relying upon pressure in GATT’ (quoted in Ward 2001: 55).

With France having blocked the FTA proposal, and the first discriminatory tariff reductions under the Treaty of Rome taking effect from January 1959, the Macmillan government looked for any source of leverage over the Six. Its response was to assemble a group of seven European countries threatened by EEC discrimination into the European Free Trade Association (EFTA) – comprising Britain, Austria, Switzerland, Portugal, Norway, Sweden and Denmark. A considerably smaller economic grouping, EFTA was again limited to industrial products, and again Britain assured the Commonwealth that its special trade links would be preserved. In February 1959, after a meeting of the EFTA Seven, Maudling told the House of Commons that he could not conceive ‘that any Government of this country would put forward a proposition which would involve the abandonment of Commonwealth free entry’ (quoted in Ward 2001: 69).

Efforts to launch ‘bridge-building’ efforts between the Six and the Seven suffered the same fate as the FTA. A committee was established based on the goal of association, but

French opposition ensured it remained ineffectual. Britain's alarm at being locked out of the larger and more dynamic trading bloc in Europe was heightened when Washington identified the Six as the key focus of its efforts to launch new GATT negotiations. The 'Dillon round' begun in 1960 signified the first real American concerns about the commercial policy implications of European integration. Increasingly on the defensive, the Macmillan government now began the thorough-going reappraisal of Britain's commercial strategy that would culminate in a bid for full EEC entry.

### *Macmillan reverses to enter*

His government re-elected in October 1959, Macmillan requested a wide-ranging examination of the common market's impact on Britain, including 'the sort of price which it might be worth paying in order to be economically associated with it (something more in fact than just the concept of the Free Trade Area)' (quoted in Milward 2002: 317). The report by Treasury Secretary Sir Frank Lee in April 1960 showed a decisive shift in the balance of Whitehall opinion towards EEC membership in the wake of the failure of the FTA proposal. The view was that Britain needed to come to terms with the Six for the sake of its economic future and that it ran the risk of being increasingly isolated by cooperation between the EEC and the United States. Still, however, the Macmillan Cabinet resisted paying the price demanded by the Treaty of Rome, especially when it came to links with the Commonwealth and the perceived impact on British agriculture. The goal of official policy remained that of finding a formula for an agreement between the EEC and EFTA, despite Lee's report counselling that no such agreement was on offer.

Meanwhile, Canberra was becoming increasingly suspicious and irritated at the lack of information coming from London. On his retirement as Secretary of the Department of Trade in July 1960, John Crawford had written to Frank Lee stating curtly that: 'There is a general view that a major re-appraisal is going on. To confirm this with Canberra would not only be good policy but, in our view, consistent with repeated assurances' (quoted in Ward 2001: 70). By early 1961, McEwen had concluded that the UK was moving closer



towards a decision on EEC entry and he urged Menzies to take up the matter at the Commonwealth Prime Ministers' Conference in March. In talks with British ministers, Menzies stressed the need for 'the fullest consultation ... when ideas were in the process of formulation, and not after they had become either fixed or presented' (quoted in Gelber 1966: 69). In effect, he reminded Macmillan of the scale of his political management task in any decision on EEC entry. While the Commonwealth had become increasingly fractious and politically incoherent, it remained a powerful symbol to Empire Conservatives, the Beaverbrook press, and (potentially) to larger sections of British public opinion. While there was doubt about the terms on which the Six might engage with the UK, there was little doubt that the Commonwealth loomed as Britain's main impediment to EEC entry.

Macmillan provided the first formal indication of an imminent application in a letter to Menzies in April 1961, though he sought to assure Menzies that in any future negotiation Britain would not overlook the interests of the Commonwealth. The Australian government now began a major appraisal of the impact that 'reverse preferences' in the British market might have on Australian exports. Two questions became paramount. What undertakings would Britain make to protect Australian interests? And what if any leverage did Australia have to hold Britain to these undertakings?

McEwen and his department quickly concluded that Australia's only option was to fight tooth and nail to retain as much market access as possible. The first target of this campaign was a visit to Australia by the Commonwealth Secretary, Duncan Sandys. Sandys had been selected by Macmillan to try and gain the acquiescence of the 'old' dominions (Australia, New Zealand and Canada) to an EEC application. If ever a British envoy was pre-ordained to rub the dour, diffident John McEwen the wrong way, it was the superior Etonian figure cut by Duncan Sandys. His opening pitch to the Australian Cabinet in July 1962 bordered on the disingenuous by claiming that British entry into the EEC would bring Australia into closer relations with Europe and so be to everyone's advantage. But while Menzies and McEwen left Sandys in little doubt that Australia did

not see things the same way, it was clear that the Menzies government could do little other than to seek to protect its interests once negotiations got underway.

Harold Macmillan formally announced Britain's application for EEC membership in the House of Commons on 31 July 1961. In reality, the conditions the British cabinet had placed on the lead negotiator, Edward Heath, meant it was more a decision to explore the terms of possible membership. In his opening statement to the negotiations in October 1961, Heath informed the Six that the British government would accept the fundamental obligations of the Treaty of Rome, but that it sought special terms for Commonwealth access, transitional arrangements for British agriculture and protection for the legitimate interests of EFTA. The key factor from Australia's perspective became the demand that British entry into the EEC provide for 'comparable outlets' for Commonwealth exports in future years.

During the Sandys mission the Menzies government had pushed for nothing less than direct representation in any negotiations. The British counter offer was a promise of 'full consultation' and a system of briefings was established between Heath's delegation and High Commissions in London after each negotiating session in Brussels. Not satisfied, Menzies wrote to Macmillan in late October 1961 informing him that Australia would be approaching the Six directly and claiming that it was 'inconceivable that we should be absent from the discussions when matters so profoundly affecting our economic future are being decided' (quoted Milward 2002: 366). In the face of strong resistance from the Macmillan government, Australia sent a formal message to the Six in January 1962 requesting the presence of its own experts when matters of vital concern to it were under discussion. In the end, the Six whittled this down to allowing Crawford's successor as Trade Department Secretary, Dr Alan Westerman, to present a statement focusing on Australian concerns about grain exports. There is no evidence that Westerman's appearance in Brussels in April 1962 had the slightest impact on the negotiations.

Negotiations surrounding the 'comparable outlets' demand were immediately stymied by the Six who were engaged simultaneously in their own negotiation over the support

mechanisms and financing of the first stage of the CAP. France insisted this be resolved before discussions with Britain on agricultural trade and it was January 1962 before a CAP agreement was reached. Following this four month delay, the 'comparable outlets' demand was dispensed with in less than a month. The Six showed some flexibility for exports from poor Commonwealth countries, but no such deal was on offer for the temperate foodstuffs exported by the old dominions. This came as little surprise to Heath and his delegation who then set about convincing the Macmillan cabinet that the vast majority of the Commonwealth agricultural demands would have to be sacrificed. By mid 1962, the 'comparable outlets' demand had given way to arguments over individual countries and products.

While there was some sympathy within both the British delegation and the Six for the plight of New Zealand, there was little for the Australians. A visit to London by McEwen in March 1962 had marked an 'all-time low' in relations between Britain and the Menzies government with talks 'characterised by the shrill note of Australian grievance on the one hand, and British evasiveness on the other' (Ward 2001: 125). As Britain's original negotiating demands were wound back, the Macmillan government's political focus turned to a looming Commonwealth Prime Ministers' Conference scheduled for September 1962. It was feared that an open revolt by Commonwealth leaders might spark a wave of nostalgic sympathy across the country forcing Britain to again harden its negotiating stance in Brussels. Menzies loomed as a major figure in this equation given his status in Britain as a good 'Empire man' (Goldsworthy 2002). In the event, he saw little mileage in adopting the strident tone of McEwen. Though the communiqué of the conference did not disguise the strong differences of opinion, Macmillan could claim to the British public that his strategy was in tact.

Negotiations continued inconclusively through to the end of 1962 with much of the focus on Britain's adjustment to the CAP, including a particularly onerous formula on financial contributions. In mid January 1963, however, de Gaulle brought proceedings to a halt by ruling out further negotiation on the British application. Analysis of de Gaulle's motives has been one of the great cottage industries of the large body of work on Britain's

integration with Europe. In general, while many of the earlier works stressed the importance of the geo-political factors that figured prominently in de Gaulle's celebrated press conference – in particular, Britain's close links with the United States and Anglo-American decisions over nuclear weapons – more recent historical research has stressed France's consistent interest in blocking British entry until its long-term agricultural goals had been secured in the CAP (Beloff 1963, Kaiser 1996, Moravcsik 1998, Milward 2002).

### ***From the veto to accession***

The de Gaulle veto offered some breathing space to those Australian industries most dependent on the British market – in particular, dairy, sugar, canned fruit and dried fruit. At the same time, the experience surrounding the entry bid had left a legacy of ill-feeling on both sides. The aggressive approach adopted by McEwen was a particular source of irritation to British officials who counted the delays caused by consultations with Australia among the factors that worked to the French advantage. Their Australian counterparts, on the other hand, came away with a much more jaundiced view of the supposedly special relationship with the UK having witnessed the crumbling of assurances about the protection of Commonwealth interests. Writing in *Quadrant* a couple of years after the de Gaulle veto, the journalist (later Liberal Senator) Michael Baume, who had reported on the 1961-2 negotiations, captured the new mood in Canberra:

They don't call them 'Poms' any more in the Department of Trade – not even 'Pommie Bastards'. Now it is the 'Brits', a far more impersonal word that avoids the friendly (almost affectionate) familiarity of 'Pommie'. This new word for the British reflects fairly well the new look in Australia's trading relations with Britain (Baume 1965: 32).

The more concrete manifestation of this new look was a concerted export diversification drive by Australia in the 1960s, with renewed effort given to deepening trade relations with Asia and North America. Minerals exports to Japan provided a critical new source of export growth, supported by new markets for beef in the United States and wheat in

China. By 1967, Japan had overtaken the United Kingdom to become Australia's largest export market, with Britain's share having shrunk to 13 per cent from over 27 per cent a decade earlier (Pinkstone 1992).

Contrary to some expectations, the de Gaulle veto occasioned no notable backlash in Britain against common market entry given solid elite support within the bureaucracy and the business community. Further evidence that Britain was failing to match the economic growth and dynamism of the continent led Labour Prime Minister Harold Wilson to launch a second British application in May 1967. When de Gaulle again moved to block entry, the British government resolved to leave the application on the table until circumstances became more propitious. They did so with the departure of de Gaulle from office in 1969.

In contrast with the early 1960s, Britain's renewed bid for entry in the second half of the decade brought a more subdued Australian government response. Wilson had said that his government would seek adequate safeguards to protect 'the essential interests of the Commonwealth' and Australian ministers and officials engaged in a largely ritualistic effort designed to register Australian interests. In the end, it fell to a new Conservative government under Edward Heath to carry forward negotiations which included some special concessions for select New Zealand exports and for Caribbean sugar producers. Australia had to accept a generalised and unsatisfactory undertaking that the EEC would give sympathetic consideration to cases of unusual hardship arising out of Britain's entry. McEwen's successor as Trade Minister, Doug Anthony, encapsulated the resigned, if not quite relaxed, view of the implications of British entry. We will no longer have a special trade relationship with the United Kingdom, he told the Australian Parliament in August 1971, but 'I am sure that this country can stand on its own feet' (quoted in Bolton 1980: 212-13). In September 1972, Anthony announced the withdrawal of a range of preferences to Britain and the termination of the UK-Australia Trade Agreement from February 1973.

With Britain's accession to the European Community, Australia's new Labor government saw even less reason to dwell on the diverging economic horizons of Australia and Britain, a stance that mirrored the general decline in Australia's trading relationship with Europe. By 1973-74, exports to Britain were on par with those to New Zealand, and Southeast Asia was a larger market than the original Six (Pinkstone 1992: 181). The subsequent struggle within the British Labour Party following Harold Wilson's commitment to renegotiate the terms of entry following his re-election held little interest to the ALP. Visiting Brussels in December 1974, the first by an Australian Prime Minister to EC headquarters, Whitlam pointedly suggested that Britain stop 'shilly-shallying' about whether to stay in the Community, noting that its withdrawal would not help itself, the EC or the rest of the world (Miller 1976: 100).

### ***The modern era: Just another European country?***

A referendum held by the Wilson government in June 1975 delivered a substantial vote for Britain remaining in the European Community. Any residual funk regarding lost access to the UK market was subsumed relatively quickly by growing Australian concern with the impact of European agricultural surpluses on world commodity markets (Benvenuti 1998-99). Beginning in 1977, Prime Minister Malcolm Fraser launched a series of attacks on the EC, a stance that was virtually institutionalised with the appointment of John Howard as Special Minister for Trade Representations in July of that year (Renouf 1986, Ayres 1987). Both Howard and his successor, Vic Garland, dutifully argued the case for modification of the impact of European policies on Australia, though tangible results were hard to identify outside of a market access agreement struck as part of the Tokyo Round of multilateral trade negotiations in 1979 (Burnett 1983, Miller 1983). If nothing else, this episode symbolised the establishment of a more 'normal' pattern of bilateral economic relations with Britain. As one observer noted, this saw pressure about Community policy 'applied directly to the Community structure in Brussels' while supplementary pressure applied through member governments, was 'exerted as much through Bonn or Paris as through London' (Miller 1983: 159).

In the late 1970s and into the 1980s, high-level Anglo-Australian diplomacy displayed relatively little concern with the 'low politics' of commercial policy as Malcolm Fraser and Bob Hawke focused their energies on influencing the Thatcher government's stance on ending white minority rule in the former Rhodesia and South Africa, respectively (Weller 1989, Hawke 1994). Even this reliance on the processes of the Commonwealth seemed more reminiscent of a by-gone age as both countries became preoccupied with their changing regional roles. Just as Britain focused increasingly on the EC, Australia sought to consolidate its place in the Asia-Pacific region (Higgott 1994). The launch of the Uruguay Round of multilateral trade negotiation in the mid 1980s reinforced a subordination of bilateral relations to multilateral processes.

Traces of the Perfidious Albion image could still make their way into modern Anglo-Australian trade relations via Canberra's strong emphasis on European agricultural trade reform. Australian trade officials like to point to Britain's alleged failure to match words with action and leverage in the relation to the CAP. From the time EEC entry was first contemplated, it was recognised that Britain (a large importer of cheap food with a small agricultural sector) would be disadvantaged by the CAP. Against this, successive British bids for EEC entry in the 1960s displayed an optimistic view of the UK's capacity to influence the CAP once inside the Community (Milward 2002: 420-41). Importantly, it was only when France secured a 1970 agreement locking in a permanent financing arrangement for the CAP that its veto on British entry was effectively lifted. This system guaranteed large future British contributions to Brussels through a value-added tax, although the Heath government negotiated a formula for phased increases in Britain's contribution to the Community budget. By the early 1970s, Britain's dominant impulse was to secure entry and sort out the CAP problems later, although it is also significant that by this time the influential National Farmers' Union had become a supporter of EC membership based on the prospect of increasing farm incomes (Capstick 1991).

While Margaret Thatcher's free market philosophy was instinctively hostile to the CAP's sprawling network of price guarantees and protection, she quite sensibly focused her

political energies on securing a rebate that took account of the anomalous position whereby Britain had the third lowest GDP per capita in the EC but was slated to become the largest per capita net contributor to the EC budget. Soon after coming to power in 1979, Thatcher confronted other European heads of government with Britain's complaints and eventually struck a rebate agreement in 1984. This secured, Britain's role as a CAP reformer tended to rest more on the intrinsic Thatcherite desire for budgetary discipline. At the same time, agricultural pressure group politics cast Britain as somewhat schizophrenic when it came to CAP reform. In the Uruguay Round, for example, Britain was tagged, along with the Netherlands and Denmark, as a supporter of the 1990 proposal of EC Agriculture Commissioner, Ray MacSharry, for a 30 per cent cut in 1986 farm subsidy levels. But while Thatcher loudly proclaimed the need to deliver a substantial agreement as part of the round, her Secretary of State for Agriculture, John Gummer, adopted a more 'European' attitude in criticising countries like the United States and Australia for their failure to appreciate the CAP's virtues (George 1998: 225).

Australian disappointment about UK credentials on CAP reform owes much to the fact that agricultural issues have tended to bulk smaller in Britain's 'awkward partnership' with the governance structures of Europe (George 1998). The more salient political issues have centred on concern about alleged new encroachments by Brussels on British national sovereignty. A good example was the Major government's approach towards attempts to streamline decision-making at the time of the EU's expansion in the mid 1990s. Those sections of the British government most concerned with promoting a more market-oriented CAP supported a decision-making rule that would put pressure on the community's agricultural reform laggards – in this case, qualified majority voting (QMV) with relatively high blocking minorities. But with Britain's conservative government more concerned with stopping meddlesome social policy measures originating in Brussels, it fought to water-down the QMV decision (George 1998: 255-59).

Leaving aside the view that Britain 'punches below its weight' on CAP reform, there are signs of a distinct positive turn in bilateral economic relations over the last decade or so. For the first time since the Second World War, Australia has experienced a decade of



above average export growth to the UK. In the 1990s, merchandise exports to the UK grew at an average annual rate of 9.7 per cent, compared with average growth in total exports of 8.6 per cent (DFAT 2002). The Howard government's recent White Paper notes that Britain is now Australia's sixth largest merchandise export market (up from eighth largest a decade ago). And it remains Australia's second largest services export market, second largest source of foreign investment and second largest destination of Australian investment abroad (DFAT 2003). In the context of the broader relationship with the EU, Britain's liberalising influence within Europe has been one of the factors undermining earlier concerns in Australia that the Single Market project might foster a more inward-looking European economic bloc.

On the one hand, this might appear fully consistent with stronger Australian efforts to improve trade and economic relations with Europe in the last decade (Papadakis 2001). Ironically, however, the question being posed in some quarters is whether Australia's economic relationship with Britain is too strong for its own good. Is the fading image of Perfidious Albion giving way to the unwelcome return of an older one grounded in an Australian 'branch office' mentality?

The central argument here is that Australia is overly reliant on the UK as an interpreter of European events to the detriment of this country's engagement with the EU as a global actor. Indeed, there is some hint of official recognition for this view. In a speech to the National Press Club in May 2002, Foreign Minister Alexander Downer argued that Australia needs 'to work hard on building our links not only with the individual member states of the European Union, but also with European institutions. We need to see Europe through a new prism, not just through the United Kingdom and traditional bilateral relationships.' (Downer 2002)

A much stronger version of this argument comes from Melbourne academic Philomena Murray. Murray (2002: 161) claims that Australia's 'preoccupation' with bilateral relations with the UK 'has not led to the development of adequate negotiating strategies' in dealing with the EU. There is 'considerable evidence', she asserts, that the Australia-

UK relationship ‘dominates the perceptions of the EU and also actively drives the trade relationship’ (Murray 2002: 163). There may be merit in Murray’s argument, but what it actually means needs to be stated more concretely. She places particular emphasis, for example, on the alleged disproportionate number of visits by Australian politicians to London over Brussels. But if Murray’s own figures are weighted by the direction of Australia’s merchandise exports, it seems Federal government ministers are almost four times more likely to visit Paris than London. Brussels may well be being slighted unfairly, but something other than rigid and irrational attachment to London Head Office seems to be going on.

Perhaps what can be said is that these *mirror images* – Perfidious Albion and the Australian branch office – now deservedly carry much less weight. But it seems the question of whether Australia’s economic decision-makers can and should see Britain as ‘just another European country’ remains far from settled.

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