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There might be a deal with France or there might be a summit crunch, either under French chairmanship or under the chairmanship of another Community member. These called for different approaches. It would be a mistake to go too far in reaching piece-meal agreement leaving us at the end with nothing to bargain away in return for what we wanted.

With regard to a visit by the Prime Minister to see President Pompidou in Paris in April, it was agreed that it was not possible to take a decision on this before we had seen how matters went at the meeting on 16 March and possibly also the outcome of the Prime Minister's visit to Bonn. There was no point in a meeting with President Pompidou unless he was prepared to do business. There were still conflicting reports on this. A meeting could provide a means of enabling the French to "step down". It would be more relevant if we were working to a settlement at the May meeting than if we were thinking of a later summit crunch. A possible deal with the President would be Community preference against sugar and New Zealand dairy products, leaving only finance to be settled. A meeting with the President should probably in any case deal with wider issues than the immediate negotiating problems.

There was some discussion of the Commission's latest proposal on the British financial contribution. This was better than their earlier proposals though still not satisfactory. It was encouraging however that our three per cent proposal had resulted in a steady scaling down of the Commission's position.

The meeting ended with discussion of the Commission's forecast of British contributions and receipts in the future. While we believed that the

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Commission's estimates were over optimistic there was tactical advantage in appearing to accept them at face value, since this would strengthen our case for arguing special hardship in the future when they were proved wrong.

I am sending copies of this letter to Tickell (Chancellor of the Duchy of Lancaster), Sir Con O'Neill (Foreign and Commonwealth Office), Sir William Nield (Cabinet Office) and Norbury (Cabinet Office).

(SGD.) P.J.S. MOON

J.A.N. Graham, Esq.,  
Foreign and Commonwealth Office.

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M? Ron. Zehn  
SECRET AND PERSONAL

4AA



BRITISH EMBASSY,  
PARIS.

12 March, 1971.

Dear Armstrong,

A Possible Meeting between the  
Prime Minister and President Pompidou

You will have seen the copy I sent you of the letter I wrote to Denis Greenhill about my talk on 6 March with Jobert.

During this talk and in the context of Jobert's remarks about the need for very careful preparation of an eventual Prime Minister/Pompidou meeting I asked Jobert whether he saw any prospect of going to London himself in the coming weeks. (What I had in mind, and what doubtless Jobert understood, was that he and the Prime Minister knew each other and had a confident relationship. At the same time there is probably no one who knows Pompidou's thoughts better. If he were in London, it might be possible for him to have a private talk with the Prime Minister, to explain some of Pompidou's thinking about the subject-matter of their talks and, in return, convey to Pompidou a first-hand account of how the Prime Minister thought the talks might go.)

Jobert said there was a possibility. As it happened, his wife was pressing him to try to spend part of the Easter holiday on the South Coast\* and it thus might well be that he could manage to visit London around that time.

I pass this idea on for what it is worth. In principle it seems to me to have merit. But there is absolutely no commitment. But I gather from Michael Palliser that the dates may anyway prove

/difficult

\* at Hythe.

R. T. Armstrong, Esq.,

SECRET AND PERSONAL



difficult in that the Prime Minister is hoping to be away from 8 - 18 April. Whether Jobert could make a separate trip specifically to see the Prime Minister I do not know. It would take on something of a different aspect in that it would lose its "naturalness" and I presume the Elysée would have in mind the susceptibility of the Quai and of Courcel. But if the Prime Minister would like me to pursue this further perhaps you could let me know what would be a convenient date for him and I could raise it again with Jobert when I see him later this month. But I repeat there is no commitment and there would be no difficulty in dropping the whole idea.

For the time being this letter is strictly for yourself. I am not sending a copy to anyone in the FCO. But I hope the Prime Minister will share my feeling that, if he wishes this idea to be pursued, the Foreign and Commonwealth Secretary should be aware of it. In that case, we should consider how to put it on the record in whatever way is best.

Yours sincerely

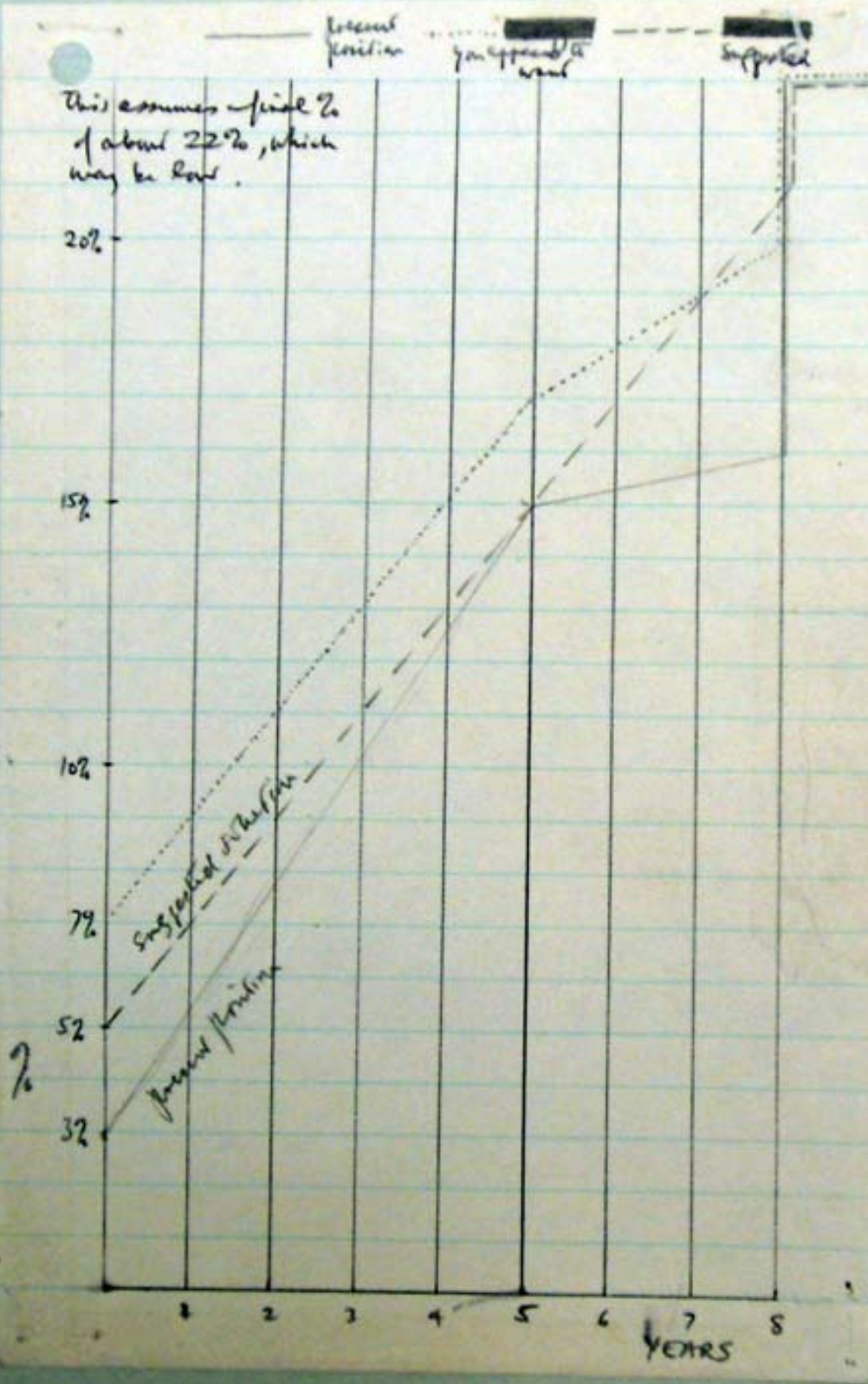
Christopher Lamm



M<sup>3</sup> Barrington

Crispin <sup>3</sup> / iii

Return time





11 am. Monday 15 March

PRIME MINISTER

Europe

These papers are for your meeting with the Foreign and Commonwealth Secretary and the Chancellor of the Duchy of Lancaster at 11.00 a.m. on Monday, 15 March. Sir William Nield and Sir Con O'Neill have also been invited.

*Am.*

12 March 1971



Y 0546

PRIME MINISTEREUROPEAN NEGOTIATIONS

You may like to have these skeleton notes on new developments and ideas before your meeting at 11 a m on Monday.

Community Finance (New Developments)

*Both a. and b. are for your personal information. K.A.*

a. Officials have been examining the Community's figures for their budgetary out-turn and their agricultural commodity stock position to end-1970. The out-turn for 1970 is still under £3,000 million and the butter and cereals surpluses have largely disappeared. Production is being squeezed by inflation of costs and the new price increases of only 5 per cent will continue the squeeze. Our estimators therefore think that the Community Budget totals for 1973 and 1978 could now be reduced to £3,300 million (instead of £4,000 million) and £3,800 million (instead of £4,500 million) respectively. This is a useful but far from decisive improvement in the prospect - you will recall that the Community say our full share, after transition, will be about 25 per cent of the total; we estimate about 31 per cent. If the transition lasts only five years 1973-77 we should face 25 per cent or 31 per cent of £3,800 million (say £400 million or £500 million) in 1978: if eight years, in 1981. The "cliff" is still there, but seems likely to be a little lower.

b. Officials are devising a new financial transitional arrangement whereby, over the years of transition we might be able to offer better British percentage shares of total Community expenditure than the present 3 to 13-15 per cent whilst being less in total over those years. This can be done by starting at say 5 or 6 per cent and moving up to 18 per cent, not in a "straight line" progression but in a hollow curve, i.e., smaller percentages in the earlier and



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middle years. A paper on this will be examined by the experts on Monday. It will still leave us with the modified cliff: but with a better run up to it.

#### Community Preference (latest developments)

Mr Kearns has told me of the last discussion he had with M Rabot of the Commission on this. The Commission are in the difficulty that they cannot implement M. Pompidou's demand for full Community Preference from the start of the transitional period without thereby prejudicing third country including Commonwealth trade from the start. (They might try to do it limiting full Community Preference on price by annually increasing quotas, but this would be very difficult if not impossible to graft into the already complex Community levy system). The Commission are therefore thinking of an ingenious (not to say disingenious) system whereby the full Community price preference (i.e. the difference between the internal intervention or support buying price and the rather higher minimum import price) would be applied from the start as M. Pompidou demands, subject to a modification. This would be that, for the United Kingdom during each year of transition the difference between United Kingdom market prices and Community prices would be worked out, and subtracted from the full Community price preference, the levy being fixed accordingly. Thus, if supplies were high and market prices low, the full Community price preference would operate against third country suppliers: if supplies were short, and market prices high, the Community price preference would be much less. I have not had time to think of more than two points on this: i. the tortuous nature of the system would tend in presentation to obscure its commercial iniquities; ii. it is at least an advance, however tortuous, from the previous appearance of full Community preference and prejudice to third country suppliers from the start.

#### Commonwealth Sugar

I have been thinking it might be possible to devise a "post 1974" reassurance formula for the Commonwealth on the following lines:

- a. the Commonwealth agreement and the Community system to continue to their end in 1974;

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b. the Ten agree to work for a new international sugar agreement, including the Ten in 1973;

c. the new international agreement to ensure increased outlets for developing countries in line with the growth of world consumption and world prices to give a reasonable return to efficient exporters;

d. the provisions of the new international agreement to form the basis for a new enlarged Community sugar policy, including the present Six's system marginally modified to fall in with the new international agreement;

e. in the event of there being no new international agreement, the enlarged Community would undertake to frame the new common sugar policy so as to achieve similar results to the proposed international agreement, so far as possible;

[f. HMG might as a sweetener underwrite bank loans to developing Commonwealth sugar producers meanwhile;]

#### Timetable

As in Mr Rippon's paper of 2 March, i.e.:

a. use the March Ministerial meeting to press for agreement to use a prolonged May Ministerial meeting to reach conclusions on the major outstanding issues;

b. at the May Ministerial meeting (Foreign Minister level) seek sufficient agreement to leave only two or three major items, and even on those to reduce the negotiating gap, so that any summit in June or July would have a manageable task;

c. use your visit to Herr Brandt in March and any visit to M. Pompidou in April, if that proves possible, to further the above strategy.

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If your meeting agrees something on the foregoing lines, or some better alternative, the Official Committee might be asked to work out the necessary ideas for consideration by Ministers as soon as possible. The Official Committee might also be asked to start thinking (in very restricted session) about the possible shape of a June/July White Paper on the basis of the kind of outcome to which the foregoing strategy points (if the strategy did not work, the back of the negotiations would not be broken by July and there would be presumably no need for a White Paper, unless the negotiations had actually broken down. It would be difficult at this stage to envisage a White Paper on that latter basis).

*Handwritten initials*

W A NIELD

12 March 1971

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RECORD OF CONVERSATION BETWEEN THE CHANCELLOR OF  
THE DUCHY OF LANCASTER AND THE BELGIAN FOREIGN  
MINISTER

FOREIGN AND COMMONWEALTH OFFICE: 11 MARCH 1971  
at 1530 hrs

The Rt Hon Geoffrey Rippon QC MP  
Sir C O'Neill  
Mr Tickell

M Pierre Haruel  
ME Baron van de Bosch  
Vicomte Davignon  
M Noterdaeme

Mr Rippon said he had just returned from the United States where he had been defending the Community and all its works to the Americans. M Haruel said that Mr Rippon was getting into good habits.

2 M Haruel said that in the light of the discussions he had had in London yesterday, he had given very careful thought to what he might now say to Mr Rippon. The following represented his considered views. First he wished to make some general reflections. The methods so far employed in the negotiations were inevitably cumbersome and the wood could easily be lost for the trees. By dealing with things one by one, they got into a wrong perspective. Rather than focusing on the historic task of enlarging the European Communities we were dealing with isolated problems in the spirit of commercial haggling and compromises between existing members. The general tone of the negotiations needed to be raised. Certain members of the Community thought that enlargement was inevitable, and were perhaps, for that reason, unduly concerned with their own interests. At present it would be unwise to concentrate unduly on the problem of the British contribution to Community finance during the transitional period. It would be better to cope with the problems of sugar from the developing Commonwealth countries and New Zealand dairy products. On Community finance he realised that there was no



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question of Britain putting forward any new proposals. It was vital that public opinion should get the impression that whatever arrangement was reached was fair to both sides. This was an important political point which should help reassure public opinion. Britain would be a full member of the Community from the start. Thereafter all the present and future members would be in it together, and all problems would be solved between ten rather than between six. There would be two British Commissioners on the Commission, British Ministers would sit on the Council of Ministers and the British would be present at all the Community's doings. In his view this would provide much more assurance than any so-called safeguard clause. The Community needed to be more hospitable than in the past and to persuade the British how best to undertake the difficult mutation which would be necessary during the transitional period. The vital point to hold on to was from the beginning of this period the Community would be an enlarged Community and its development the responsibility of all its members.

3 H Harmer said that it would be best to concentrate on the mechanisms of agricultural transition, sugar from the developing Commonwealth, dairy products from New Zealand and the principles of Community finance during the transitional period before tackling the problem of figures. For this reason he was against the Community putting forward compromise proposals on Community finance which contained such figures: it would be bad from the point of view of public opinion, it might bind excessively the members of the Community who had put it forward, and it would anyway scarcely be possible until the problems of Commonwealth sugar and New Zealand dairy products were further advanced. There would however be no objection to the Community setting out the principles which should guide discussions on Community finance. These principles should, he thought, be the following:

- (i) The British Government must be ready to apply the Community's direct income system (subject, of course, to a

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to a period of correctives) after the end of the transitional period.

(ii) There should be arrangements which permitted Britain to adopt the Community finance system gradually and without undue shock.

(iii) It would be easier to fix "a plausible figure" for the British contribution to Community finance at the end of the transitional period in 1977 than at the beginning in 1973. We could then work backwards from the 1977 figure to decide on the starting figure and forwards towards the real figure at the end of the period of correctives.

(iv) During the transitional period there should be at each stage flexibility with an upper and a lower limit to the British contribution. During this period the British should from the start pay to the extent of 90% of agricultural levies, a progressive proportion of customs duties and if necessary a supplementary element as a budgetary contribution.

(v) All this should be governed by some sort of regulator to ensure a regular progression during the transitional period.

By application of these principles it should be possible to get away from a haggle over figures.

4. Il Hameel said that what he had said conflicted on two main points with the present British proposals.

(i) According to the ideas the British put forward, Britain would not necessarily arrive gradually at her full contribution to the direct income system at the end of the transitional period. Britain had proposed a contribution of 15% whereas the Commission had concluded that the contribution would eventually be between 20% and

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and 25%, say 22%. For this reason he thought that during the period of correctives we should rise to the final contribution, and thereby avoid the idea of a jump, which as we knew not only aroused suspicion but which in the event could be damaging to the British economy. No member state had ever seen its contribution jump by as much as between 4% and 5% in a single year.

(ii) The starting figure might be higher than that suggested by Britain. If it was admitted that in the present budget 20% of expenditure was devoted to matters other than agriculture, then it seemed normal for Britain to participate on the same basis as other main members i.e. 20%. In an enlarged Community this figure would come down to 20%, and a fifth of 20% was equivalent to 4% of the total budget. He well understood the British arguments for the need for a low starting figure, but 3% was open to the criticism that it would cause the existing members of the Community some supplementary expense. The Commission had calculated that the British contribution should be between 3% and 3% if the Community was not to be out of pocket as a result of its enlargement.

He did not wish to play the numbers game with us but he thought that this brief reference to figures might be helpful. Finally he referred to the problem which would arise if any excessive burden was placed on the British balance of payments during this period. This problem could of course be tackled by the Commission and Community solutions would be found if need arose.

5 Mr Rippon thanked Mr Harrel for his statement. He himself had been a European from the beginning and had



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long believed that Britain should accept the essential elements of the Community system without argument: in other words the common agricultural policy, the direct income system and Community preference. The only longer-lasting exceptions for which we asked related to New Zealand dairy products and sugar from the developing Commonwealth countries. (M Haruel interrupted to thank Mr Rippon for his splendid letter on the subject.) Mr Rippon continued that for the rest the problems of the British contribution to Community finance and the application of Community preference were essentially ones of transition. On finance the question was how best to move towards the Community's direct income system, and on preference how to avoid damage to third countries.

6 On the specific points raised by M Haruel, Mr Rippon said that he agreed in principle. He thought it might be a good idea to fix the figure for the British contribution at the end of the transitional period, and move backwards and forwards from it. There was room for manoeuvre on the correctives which should be applied after the transitional period, and he well took M Haruel's point. The starting figure was ~~more~~ difficult. As he had said to the Community on 2 February, the British would revise their proposals if someone could show them that 3% would not even cover our administrative expenses. No-one had yet done so although M Schumann was always repeating the point. But if someone did we could try to marry the resulting figure to the 3%. He agreed with M Haruel that the problem of Community finance might be set aside until progress had been made on New Zealand dairy products and Commonwealth sugar. Solutions to these problems were in a sense a test for the Community's relations with the outside world as well as with Britain. At the meeting on 16 March he hoped that we could get much closer together on these problems even if we could not settle them. If we were to settle the major issues in May, as he hoped, it might be necessary to extend the length of the May meeting.

7 M Haruel referred to the problem of Community preference. The Community had laboured long to produce a

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proposal, which he hoped, met British fears about damaging the interests of third countries. He then quoted the relevant clause:

"The Community is of the opinion that it should be possible during the transitional period, taking into due account articles 30 and 110 of the Treaty, to seek solutions where necessary for problems which may arise for certain third countries and in certain concrete cases. In so far as it could be foreseen at the moment, these cases would be limited to butter, sugar, bacon and certain kinds of fruit and vegetables. In such cases the institutions of the enlarged Community would, if necessary, have to take the appropriate measures to solve these problems in a way that would conform with the principles and would fit into the framework of the Common Agricultural Policy".

He emphasised that it would be for "the institutions of the enlarged Community" to find the necessary solutions, in other words Britain would play her full part and all would depend on how this formula was interpreted. Mr Rippon said he would have to look at this very carefully.

Q Mr Haruel asked whether Mr Rippon thought that the ideas he had suggested were worth pursuing. Mr Rippon said that he was most grateful to Mr Haruel. As he had said, he thought the idea of fixing a figure for the end of the transitional period very useful. He would also look at the idea of a mounting contribution during the period of correctives. Viconte Davignon said that the French believed that the principle of progressivity, on which we all were agreed, should continue during the period of correctives. They were slightly apprehensive lest the period of correctives should turn out to be part of the period of transition.

Q Mr Rippon said that the Community did not always seem to realise what a lot we had given up at the start so as to narrow the differences between us; what remained to be negotiated was relatively little in relation to what we had accepted. He agreed that Britain must pay her due from the start but that did not necessarily mean that we should

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ay for the other three candidates. Sir Con O'Neill said there was some dispute about what the administrative costs of the Community really were. It had been suggested that the costs of the Agricultural Guidance Fund should be included. Frankly we did not see why. M Haruel said that he agreed that there must be discussion within the Community before the Community told us what the costs were. Vicente Davignon said there should be discussion not only within the Community but between the Community and Britain on this point. In the meantime we could try to make progress on New Zealand dairy products and Commonwealth sugar. The Community's estimate of 6 and 8% as being the extra cost of enlargement was in respect of all four candidates and not just Britain. Mr Rippon said that the Community should not apply the principle of le juste retour to Britain in reverse. M Haruel said this was a good point.

10 Mr Rippon said that, before concluding, he would like to explain once more how important settlements for New Zealand dairy products and sugar from the developing Commonwealth were to the British Government and public opinion. On New Zealand there could be no question of phasing out New Zealand's dairy products, as some people seemed to think, at the end of the transitional period; and on sugar we had asked for assurances for access which would permit the industry in the Caribbean to continue at its present level of activity. M Haruel asked how long were the transitional arrangements which the British Government wanted for New Zealand and the Caribbean to give the countries concerned time to reorient their economies. Mr Rippon said that he had never said that he wanted permanent arrangements for these countries. Nothing was permanent in this world. But we had to have continuing arrangements subject to review beyond the transitional period. (At this point M Haruel and Mr Rippon left to join their officials.)



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ON DESKS BY 0930Z

TO IMMEDIATE FCO TELEGRAM NO CODEL 174 OF 12 MARCH 1971 AND INFO PRIORITY TO BONN THE HAGUE LUXEMBOURG PARIS ROME, ROUTINE TO WELLINGTON AND SAVING TO BRUSSELS.

MY TWO I P TELEGRAMS.

NEW ZEALAND DAIRY PRODUCTS.

1. THE COMMITTEE REACHED AGREEMENT ON THE TECHNICALITIES OF OPERATING A DEROGATION FOR NEW ZEALAND DAIRY PRODUCTS ON PRECISELY THE SAME BASIS AS FOR SUGAR (PARA 1 OF MY I P T).
2. THE COMMITTEE ALSO REACHED AGREEMENT ON THE FACT THAT THERE SHOULD BE GUARANTEED ACCESS TO THE ENLARGED COMMUNITY FOR A DEGRESSIVE QUANTITY OF NEW ZEALAND DAIRY PRODUCTS DURING THE TRANSITIONAL PERIOD.
3. ALL MEMBER STATES EXCEPT THE DUTCH AGREED THAT THESE GUARANTEES SHOULD BE EXPRESSED IN TERMS OF SPECIFIC QUANTITIES OF BUTTER AND CHEESE. THE COUNCIL OF THE ENLARGED COMMUNITY WOULD BE ABLE, AT THE REQUEST OF THE NEW ZEALANDERS, TO DECIDE WHETHER OR NOT TO AGREE TO SWITCH BETWEEN THE TWO COMMODITIES= AND IF THEY DECIDED TO DO THIS THE CONCEPT OF MILK EQUIVALENT WOULD BE TAKEN AS THE BASIS FOR DOING SO. THE DUTCH MAINTAINED A RESUME ON THIS POINT BUT WE ARE TOLD THAT THEY ARE NOT LIKELY TO FIGHT HARD OVER IT.
4. THE DIFFERING POSITIONS OF THE MEMBER STATES ON THE QUANTITIES TO BE GUARANTEED REMAIN VIRTUALLY UNCHANGED AND ARE AS FOLLOWS:
  - 1 COMMISSION. BUTTER IMPORTS FROM NEW ZEALAND SHOULD BE REDUCED TO 50% IN THE FIFTH YEAR OF THE TRANSITIONAL PERIOD AND CHEESE TO ZERO IN THE SIXTH YEAR. THIS WOULD GIVE NEW ZEALAND IN THE FIFTH YEAR A GUARANTEE OF 44% OF THE MILK EQUIVALENT OF ITS PRESENT EXPORTS OF BUTTER AND CHEESE TO THE UK MARKET.
  - 11 NETHERLANDS. 70% OF THE MILK EQUIVALENT OF CURRENT NEW ZEALAND EXPORTS OF BUTTER TO THE UK IN THE FIFTH YEAR OF THE TRANSITIONAL PERIOD. THIS WOULD REPRESENT IN THE FIFTH YEAR 56% OF THE MILK EQUIVALENT OF NEW ZEALAND'S CURRENT EXPORTS OF BUTTER AND CHEESE TO THE UK MARKET.

/111. FRANCE



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111. FRANCE. NO GUARANTEE FOR CHEESE AT ANY STAGE. BUTTER TO BE REDUCED TO ZERO IN THE SIXTH YEAR. THIS REPRESENTS A GUARANTEE IN THE FIFTH YEAR OF THE TRANSITIONAL PERIOD OF 17% OF THE MILK EQUIVALENT OF NEW ZEALAND'S CURRENT EXPORTS OF BUTTER AND CHEESE TO THE UK MARKET.

IV. THE OTHER MEMBER STATES SUPPORTED THE COMMISSIONS POSITION WITH MINOR VARIANTS.

5. THE COMMITTEE AGREED THAT THE COMMUNITY SHOULD MAKE EVERY EFFORT TO NEGOTIATE AN INTERNATIONAL DAIRY PRODUCTS AGREEMENT TO COVER THE PERIOD AFTER THE END OF THE TRANSITIONAL PERIOD. ALL THE MEMBER STATES EXCEPT THE FRENCH TOOK THE LINE THAT IF THIS AGREEMENT COULD NOT BE NEGOTIATED, THE INSTITUTIONS OF THE ENLARGED COMMUNITY SHOULD STUDY THE SITUATION AND SHOULD TAKE APPROPRIATE ACTION. THE FRENCH TOOK THE LINE THAT, WHETHER OR NOT AN INTERNATIONAL AGREEMENT COULD BE NEGOTIATED, THE COMMUNITY WOULD HAVE NO FURTHER RESPONSIBILITY AFTER THE END OF THE TRANSITIONAL PERIOD.

FCO PLEASE PASS PRIORITY TO BONN THE HAGUE LUXEMBOURG PARIS  
ROME, ROUTINE TO WELLINGTON. PASSED SAVING TO BRUSSELS.

ADVANCE COPIES TO SIR CON O'NEILL MR TICKELL MR ROBINSON  
MR STATHAM (FCO) MR BELL (TREASURY) MR DENMAN (DOTI) MR KEARNS  
(MAFF) AND MR CROFT (CABINET OFFICE).

MARJORIBANKS.

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AND SAVING TO BRUSSELS

MY I.P.T.

COMMONWEALTH SUGAR

1. THE COMMITTEE REACHED AGREEMENT ON THE TECHNICAL MEANS BY WHICH  
A DEROGATION IN FAVOUR OF COMMONWEALTH SUGAR WOULD BE OPERATED.

THERE SHOULD BE A SPECIAL THRESHOLD PRICE FOR COMMONWEALTH SUGAR  
WHICH SHOULD BE BELOW THE THRESHOLD PRICE FOR THIRD COUNTRIES BUT  
ABOVE THE COMMUNITY PRICE; THE DIFFERENCE BETWEEN THE SPECIAL  
THRESHOLD PRICE AND THE COMMUNITY PRICE SHOULD HOWEVER, BE  
SUFFICIENTLY SMALL TO PERMIT THE SALE OF THE GUARANTEED QUANTITIES.  
THERE SHOULD ALSO BE A SALES PRICE WHICH WOULD BE AGREED WITH THE  
EXPORTING COUNTRIES AND WHICH WOULD BE SOMEWHERE BETWEEN THE WORLD  
MARKET PRICE AND THE SPECIAL THRESHOLD PRICE. THE LEVY WOULD BE  
THE DIFFERENCE BETWEEN THE NEGOTIATED SALE PRICE AND THE SPECIAL  
THRESHOLD PRICE.

2. THE FRENCH THEN CLARIFIED THEIR CONCEPTION OF REDUCED QUANTITIES  
AT INCREASED PRICES ASSOCIATED WITH A GUARANTEE OF THE EXPORT  
RECEIPTS OF THE DEVELOPING COMMONWEALTH SUGAR PRODUCERS. THEY  
PROPOSED THAT THE VOLUME OF DEVELOPING COMMONWEALTH SUGAR EXPORTS  
TO THE COMMUNITY SHOULD BE REDUCED BETWEEN 1975 AND ABOUT 1980 TO  
A FIGURE OF BETWEEN 600,000 AND 700,000 TONS PER YEAR. THEY MADE  
IT CLEAR THAT THE GUARANTEE ON MAINTENANCE OF EXPORT RECEIPTS SHOULD  
TAKE INTO ACCOUNT THE MONEY EARNED BY THE COMMONWEALTH SUGAR  
PRODUCERS FROM SALES OF SUGAR IN THIRD MARKETS WHICH WOULD OTHERWISE  
HAVE COME TO THE UK UNDER THE CSA. THEY ARGUED THAT BECAUSE OF THE  
EXPECTED INCREASE IN WORLD SUGAR CONSUMPTION AND THE REDUCTION IN THE  
COMMUNITY'S EXPORTABLE SURPLUS RESULTING FROM ENLARGEMENT AND THE  
LIMITATION OF COMMONWEALTH EXPORTS TO THE ENLARGED COMMUNITY THERE  
WOULD BE CONSIDERABLE SCOPE FOR COMMONWEALTH EXPORTS TO THIRD  
MARKETS.

/3. THE

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3. THE DUTCH MAINTAINED THEIR PROPOSAL FOR ADMITTING PRESENT VOLUMES OF SUGAR TO THE ENLARGED COMMUNITY. THEY POINTED OUT THAT, EVEN IF THE COMMUNITY PAID THE DEVELOPING SUGAR PRODUCERS THE FULL PRESENT COMMUNITY PRICE FOR THE REDUCED QUANTITY OF SUGAR THE FRENCH ENVISAGED, THIS WOULD NOT BE SUFFICIENT TO MAINTAIN THEIR PRESENT EXPORT RECEIPTS. THUS THERE WOULD HAVE TO BE DIRECT CASH PAYMENTS TO ACHIEVE THIS END. AND THEY CONTINUED TO ARGUE THAT A REDUCTION IN THE VOLUME OF EXPORTS WOULD CREATE GREAT SOCIAL DIFFICULTIES FOR THE DEVELOPING COUNTRIES.

4. THE OTHER MEMBER STATES CONTINUED TO TAKE THE LINE THAT THEY COULD ACCEPT THE FORMULA OF AVANTAGES COMPARABLES, WITHOUT HOWEVER IN ANY WAY ACCEPTING THE FRENCH INTERPRETATION OF IT. THE GERMANS IN PARTICULAR EXPRESSED GREAT ANXIETY AT THE RATE OF DEGRESSIVITY ENVISAGED BY THE FRENCH. IT WOULD, THEY SAID, BE FOR THE INSTITUTIONS OF THE ENLARGED COMMUNITY TO DECIDE ON THIS ISSUE. NO DECISIONS OF THOSE TAKEN NOW COULD PRE-JUDGE THE DECISIONS OF THOSE INSTITUTIONS. THE BELGIANS ALSO CRITICISED THE FRENCH PROPOSED RATE OF DEGRESSIVITY.

5. ON THE QUESTION OF UK DOMESTIC PRODUCTION, AGREEMENT WAS REACHED THAT THIS SHOULD BE PEGGED AT 900,000 TONS A YEAR UNTIL THE EXPIRY OF THE CSA. THE FRENCH DROPPED THEIR EARLIER INSISTENCE THAT THE FIGURE SHOULD BE 720,000 TONS PER YEAR, WHILE EMPHASISING THAT THIS DID NOT PRE-JUDGE THEIR ATTITUDE TO LIMITATIONS ON UK PRODUCTION AFTER 1974.

6. A PAPER SETTING OUT THE POINTS MENTIONED ABOVE WILL BE SUBMITTED TO THE COUNCIL ON 15 MARCH. OUR DUTCH INFORMANT SAID THAT THE CLARIFICATION GIVEN TO THE FRENCH POSITION MADE IT A GOOD DEAL LESS LIKELY THAN HAD PREVIOUSLY BEEN THOUGHT THAT AGREEMENT WOULD BE REACHED ON THIS POINT ON 15 MARCH. THE DIFFERENCE OF OPINION BETWEEN MEMBER STATES HAD SHARPENED.

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WELLINGTON AND SAVING TO BRUSSELS.

ENLARGEMENT NEGOTIATIONS.

COMMITTEE OF PERMANENT REPRESENTATIVES : 11/12 MARCH.

1. THE COMMITTEE OF PERMANENT REPRESENTATIVES MET ON 11/12  
MARCH TO PREPARE THE COMMUNITY'S NEGOTIATING POSITION PRIOR  
TO THE MEETING OF THE COUNCIL ON 15 MARCH AND THE MINISTERIAL  
SESSION OF THE NEGOTIATIONS ON 16 MARCH. THEY DISCUSSED SUGAR,  
NEW ZEALAND DAIRY PRODUCTS AND COMMUNITY FINANCE. THE MAIN  
POINTS COVERED IN THEIR DISCUSSION ARE SET OUT IN MY 3  
IMMEDIATELY FOLLOWING TELEGRAMS.

FCO PLEASE PASS TO PRIORITY BONN THE HAGUE LUXEMBOURG PARIS  
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European Policy P44

AH

File

11 March 1971

Options for British External Policy if  
our Application for Membership of the  
Communities Fails

The Prime Minister has read with interest your letter of 8 March and the paper enclosed with it.

The only comment he has made is with regard to the penultimate paragraph of your letter in which you say that the Foreign and Commonwealth Secretary and the Chancellor of the Duchy of Lancaster feel that the most effective short-term measures in the immediate aftermath of a breakdown of the negotiations are likely to be the two steps described at (a) and (b) in that paragraph. The Prime Minister feels that the time for such action might be in an attempt to avoid a breakdown rather than in the aftermath of a breakdown.

The Prime Minister agrees that the paper should not be given any further distribution at this stage.

P.J. S. MOON

J. A. N. Graham Esq.,  
Foreign and Commonwealth Office.

SECRET



P.A.  
om.  
12/3  
JXZ

PRIME MINISTER

EEC Enlargement

Vicomte Davignon supports the view that there should be an early meeting between you and President Pompidou before the French position has hardened.

I find some difficulty in reconciling the argument for a Paris meeting with the view that President Pompidou wants to evade any appearance of responsibility for the outcome of the EEC negotiations.

om.

11 March 1971



P. J. S. Moon, Esq.,  
10 Downing Street.



*With the compliments of*

THE PRIVATE SECRETARY

N. J. Barrington

11 March, 1971.

FOREIGN AND COMMONWEALTH OFFICE  
S.W.1





*Notes*  
*Secretary of State*

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European Integration Department

Belgian Views on Europe

I walked around the park with Vicomte Davignon today after the Secretary of State's talks with M. Harmel and before the lunch for officials at Admiralty House. On the negotiations he accepted absolutely that the terms for the transitional period should be fair, and seemed to be fair by the British public. On the one hand officials could set to work to try and look at the figures more closely and produce something which would be acceptable to both sides. On the other hand a political push was needed. The trouble was that power in France was more centralised today even more than it had been under General de Gaulle, and M. Pompidou had the mentality of a small trader who wished to sell his own overcoat for as much as possible. The only way to persuade him that it was hardly worth selling at all was to put British arguments to him directly at a Prime Minister/President level meeting. It would be a good idea if this could take place fairly soon before the French position had hardened, as it might, in future discussions within the Six. Such a meeting should take place before a crisis was reached on the financial issue.

2. Vicomte Davignon said he thought that a summit of Heads of Government would not take place to deal with the negotiations because M. Pompidou did not want one. He did not want one under his Chairmanship because this would put the responsibility on him and his whole style of Government was to evade responsibility. On the other hand nor would he want to play second fiddle to the Italians in the second half of the year.

3. Vicomte Davignon's thesis on the question of a possible Anglo/French summit meeting seems very close to the Foreign and Commonwealth Office views put forward to the Cabinet Office recently.

(N. J. Barrington)  
10 March, 1971

Copied to:

P.S. to Mr. Rippon  
Sir C. O'Neill  
Mr. Ford  
Head of W.E.D.

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Top copy filed on - Belgium - Dec, 14.

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RECORD OF THE PRIME MINISTER'S DISCUSSION WITH M. HARMEL,  
BELGIAN MINISTER FOR FOREIGN AFFAIRS, AT 5.15 p.m. ON  
WEDNESDAY 10 MARCH

Also present

H.E. Baron Jean van den Bosch  
(Belgian Ambassador)

Sir John Beith  
(British Ambassador,  
Brussels)

Vicomte Davignon

Mr. P.J.S. Moon

M. Paul Noterdaeme

M. Harmel referred to the timing of the negotiations for enlargement of the EEC and stressed the need to proceed quickly. A good start had been made. The principles had been established. The only problems now were those of price. He thought that the main matters would be settled as well in three months as in six or seven. The Prime Minister agreed that it was important to try to complete the negotiation of the major questions by July. Otherwise there would be a loss of momentum.

On the question of financial contribution, M. Harmel said that he thought the right course was to try to fix the method and only then negotiate figures. In reply to a question as to what he meant by method, M. Harmel spoke of a total of eight years transition and correctives. He thought that it should be possible for the Community to be flexible in the arrangements for this period, while it was necessary to be absolutely rigid on the question of final adoption of the Community system. With regard to fixing

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/figures



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figures, he thought that the best course was to start with the last year and then to descend backwards to the first year. If an attempt was made in this way to work out the principles first, he thought that this could be done in a few weeks and then in May or June there could be a big meeting to decide on figures.

The Prime Minister asked if, in working back from 1978, M. Harmel thought this had to be done in equal stages. M. Harmel said that the steps did not have to be exactly equal. There could be small variations. He stressed that there were many possibilities and, as in the case of the existing members of the Community, the result could prove quite unexpected. The Prime Minister agreed that it was impossible to be sure how things would work out and what the exact level of contribution would be. This was however an important matter for us since it involved our balance of payments and because we would not be getting anything back.

M. Harmel, turning to the wider aspects of the Community, said that he was more concerned to see British entry for political than economic reasons. The political and defence problems of Europe could not be dealt with until Britain had entered. France would make no move towards NATO; The U.S. would grow impatient; and the Germans in particular were greatly concerned because of their special defence problems. These and other matters, such as the possibility of negotiating mutual balanced force reductions,

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/were all



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were all reasons why it was urgent to complete the enlargement negotiations.

The Prime Minister agreed with this. Taking up M. Harmel's reference to the United States, he said that the Americans were just beginning to realise the extent to which the enlarged Community would be a major world influence. It would be necessary for the Community to handle carefully the U.S. and other countries who were nervous of the consequences of enlargement, in order to reassure them. M. Trudeau had spoken to him in Ottawa about the problems with which Canada would be faced and how they would be threatened with being thrust into the arms of the United States. M. Harmel said that, even before enlargement, there was already need for the Community to establish a proper system for discussing problems between the Community and countries like the United States and Japan. There had to be regular contact and countries outside the Community must not be given a sense of isolation. The entry of Britain was going to pose problems in this field on a wholly new scale.

/At the close

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At the close of the meeting, M. Harmel spoke of a personal idea which he thought might assist in the future development of the Community. He suggested that the moment of enlargement of the Community might be taken to make provision so that, for example in the case of economic and monetary union, the goal of union should be set to be achieved by a particular date, unless there was a decision to the contrary at the date set. If there was to be progress, there was need for decisions to be irreversible over a period, while yet leaving open the possibility of change at the end. The Prime Minister said that this seemed an ingenious idea and asked if M. Harmel had discussed it in the Community. M. Harmel said that he had had some private discussion with Herr Brandt.

*M.*

Distribution:

Private Secretary to  
Foreign and Commonwealth Secretary

Private Secretary to  
Chancellor of the Duchy

Sir Burke Trend

Sir William Nield

*Disputed.*  
*2.7.11/3.*

10 March 1971

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Prime Minister

to see



*With the compliments of*

THE RT. HON. CHRISTOPHER SOAMES

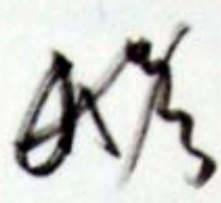
Mr. Soames asked me to send you  
a copy of this - no others have  
been sent to anyone.

Adrian Foulson

BRITISH EMBASSY

PARIS



3A  
  
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10 March 1971

A Meeting between the Prime Minister  
and the French President

As I told you last week and as you will since have seen confirmed in the record of the Prime Minister's talk with me on 1 March, the Prime Minister agreed that I should have a further talk with President Pompidou's Secretary-General, M. Jobert, about a prospective meeting between the Prime Minister and President Pompidou.

I went to see Jobert in the Elysée on 6 March and spoke on the lines of the 14th paragraph of the record of my meeting with the Prime Minister.

I added that I hoped I was right in interpreting what President Pompidou had said to me as meaning that his main priorities were (a) that our "break-out point" at the end of the transitional period should be at a relatively high figure and (b) that in the first year he attached greater importance to our adoption of Community preference than to the percentage figure of our initial contribution. Jobert said that this was the

Sir Denis Greenhill, KCMG, OBE  
F.C.O.

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correct interpretation and I confirmed that it was what I had told the Prime Minister and the Secretary of State.

I said that, in return, Jobert should know that I had derived from my talks in London the impression that our priorities were (a) New Zealand and Commonwealth sugar and (b) that our contribution to the Community budget in the early years should be low. I made much of the political importance for us of the New Zealand point, as I think the Secretary of State wished me to do.

I then asked Jobert whether further thought had been given in the Elysée to the timing of any meeting between the Prime Minister and the President. He replied that it would clearly have to be either before the Ministerial negotiating meeting in May or before the Ministerial meeting in June. A point for consideration was how much of a crisis atmosphere was desirable for the holding of the Prime Minister/President meeting. Jobert tended to think that the best situation would be one that was short of a crisis, but where there was a sufficient degree of impasse for people to appreciate the need for a meeting. He felt that we should see how the March Ministerial meeting in Brussels went and talk to each other again thereafter. We agreed to talk again after the 16 March Brussels meeting.

Jobert then said that any President/Prime Minister meeting should be well prepared in advance



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and that there should in particular be careful preparation of the agenda for the meeting. Time was bound to be limited: and it was important that the Prime Minister and the President should be able to concentrate on the major issues. Obviously there should be some discussion of "stratospherics"; but equally it was important that outstanding practical issues in the Brussels negotiations (and particularly those that I had mentioned) should be fully thrashed out. I said that I was sure there would be agreement in London with this assessment.

I told Jobert that I would be seeing M. Schumann this week (on 12 March) for one of our regular talks. I asked whether Schumann knew about this idea and whether he would expect me to mention it to him. Jobert replied that Schumann did not know of it and he (Jobert) would strongly advise me not to mention it. From the French point of view, he thought it important that he and I should "pilot" the preparation for the meeting. If the Quai got wind of it at this stage, he said, it would create many difficulties. I shall accordingly not mention it to Schumann on Friday. Equally, I shall have to keep a careful eye on this. At some point Pompidou will presumably decide that he must talk to Schumann about it; and this could create difficulties for me if I seem to have been dealing behind the Foreign Minister's back over all this. That's for me to worry about; only it makes it particularly important



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that nothing should be said in London to anyone outside a very limited circle in the FCO and Whitehall and, of course, nothing should be said to anyone in the French Embassy. My personal hunch is that Courcel may well, before long, get a whiff of what is going on from his own contacts at the Elysée - if he has not already done so. But that is a risk that we cannot really guard against.

I am still a little uncertain in my mind on the right timing for the meeting. All the reasons which led me to argue in London last week for a date in April rather than one in May seem to me from here to remain valid. But timing will be of the essence and it will need to be seen to be right by both sides. Clearly much will depend on how things go in Brussels on 16 March. I suppose this could lead to the situation described by Jobert, i.e. not a crisis but some fairly evident impasse on several key issues. On the other hand it may be felt either at No. 10 or at the Elysée that the May ministerial meeting will be necessary to produce that state of affairs. I would be grateful for any further guidance on the thinking of the Prime Minister and his colleagues as soon as possible after the March 16 meeting in Brussels. If we are to think in terms of an April meeting, I shall need to button things up with Jobert pretty smartly.

(Sgd) Christopher Seaman



**SECRET**

PRIME MINISTER

*see FLO 131 8-37*  
This paper examines the options open to us if we fail to get into Europe. There is a summary at the beginning and paragraph 65 sets out the main recommendations.

The most interesting part of the paper is the middle section on "go-it-alone" policies (paragraphs 28-42). The conclusion here is that the scope for adopting such policies is very restricted and that we should not count on bringing the Six to our way of thinking by such measures. There would also be grave risk of injury to Western and British security.

All this is no doubt true and underlines the importance of bringing the enlargement negotiations to a successful conclusion.

On the other hand, any assumption in Europe that if we do not get into the Community we will be ready to go on just as before in other respects can only weaken our negotiating position. Nor, as the paper recognises, for both economic and political reasons, would this be possible, particularly in the defence field.

The Foreign and Commonwealth Office letter of 8 March, under which the paper has been sent, suggests that in the aftermath of a breakdown of negotiations we should announce that we should be consulting with our allies about the full political, military and economic implications of the failure. It seems to me that the time for this kind of action is not the aftermath of the breakdown

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but in order to avoid breakdown.

The paper is being confined to a very narrow circulation and is not being discussed in the Approach to Europe Committee.

*Am.*

10 March 1971



RECORD OF PRIVATE CONVERSATION BETWEEN  
THE CHANCELLOR OF THE DUCHY OF LANCASTER  
AND THE ASSISTANT TO THE PRESIDENT OF  
THE UNITED STATES FOR NATIONAL SECURITY AFFAIRS

THE WHITE HOUSE, WASHINGTON: 8 MARCH 1971 at 1745 h

The Rt Hon Geoffrey Rippon, QC, MP    Dr. H.A. Kissinger  
H.E. Lord Cromer                                Mr. H. Sonnenfeldt  
Mr. Tickell

Mr. Rippon referred to the current difficulties between the British and United States Governments over the introduction of the British interim scheme for agricultural levies. There was very little time left if we were to avoid a painful and futile dispute in GATT, and he hoped agreement would be possible in the next few days. He had just had a very useful discussion on the subject with Mr. Peterson. Dr. Kissinger said that he thought that everything would now be all right. He hoped the British Government realised what a difficult domestic political problem they had created for President Nixon. Mr. Rippon said that the Administration could exploit the concessions the British had made for their domestic political purposes. We would not object if they did so. But it was important not to give the impression as some people would like, that the British had only to get into the Community for Community policies to be changed to the American advantage.

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2. Mr. Rippon spoke of his recent visit to the Caribbean. The developing Commonwealth countries of this area had not yet been offered association by the Community, but he hoped they soon would be. He understood why the Americans disliked association agreements and the extension of the European preferential area. At the same time these countries were absolutely dependent on the British market for their goods - bananas, citrus fruits, rum and tobacco as well as sugar (which fell into a separate category) - and association with the Community was the only sure way of securing their interests. Those who sought through diplomatic pressure to frustrate the association of such countries (as the Americans themselves had done) should think through carefully the consequences of their action. He doubted if the Americans would for example be willing to provide an alternative market. Britain had a strong sense of responsibility for her poor little developing countries. If that responsibility was not discharged there would be severe risk of the United States finding seven or eight new Cubas at her back door. Dr. Kissinger said that he understood the British position. He hoped that some way out of the problem could be found.

3. Dr. Kissinger asked for Mr. Rippon's view of the progress of the negotiations as a whole. Mr. Rinpon replied that we were now in the inevitable trough between the solution of the minor problems and serious negotiation on the major ones. The three major problems were the British contribution to Community finance during the /transitional



transitional period, continuing access for New Zealand dairy products and continuing access for sugar from the developing Commonwealth countries. Dr. Kissinger said that, as Mr. Rippon would know, the United States Administration in general and President Nixon in particular strongly supported the British application for membership of the Community. Was there anything the Americans could usefully do to help? He imagined that in fact the best policy for them would be to stay aside. Mr. Rippon agreed.

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RECORD OF A TALK BETWEEN THE CHANCELLOR OF THE DUCHY  
OF LANCASTER AND THE ASSISTANT TO THE PRESIDENT OF THE  
UNITED STATES FOR INTERNATIONAL ECONOMIC AFFAIRS  
EXECUTIVE OFFICE BUILDING: WASHINGTON

8 March 1971 at 1430 hrs

The Rt. Hon. Geoffrey Rippon	Mr. Peter Peterson
QC, MP	Mr. Hinton
H.E. Lord Cromer	Mr. Fin
Mr. Kearns	
Mr. Tebbit	
Mr. Tickell	

Mr. Rippon explained that the British change from subsidies to levies as the means of supporting British agriculture was not intended as a protectionist measure nor to increase the level of support. The change arose out of an election pledge which had been announced Conservative Party policy for many years. The intention was to shift the burden of agricultural support from the taxpayer to the consumer. The British Government would have to see this measure through, whether or not Britain succeeded in getting into the Common Market. The Cabinet was ready, in deference to American wishes, to delay action for a few days more in the hope of reaching agreement with the United States. But the matter was very urgent because of the need to give proper notice in GATT if necessary. We had already given notice to our minor suppliers of our intention to terminate our agreements with them. The British Government had tried to meet the fears which Mr. Hardin, the US Secretary of Agriculture, had expressed when the latter had visited London; it was the British Government's belief that their proposals would cause the United States no damage.

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2. Mr. Peterson said that he was naturally pre-occupied by Mr. Hardin's views on this question and expressed interest in what Mr. Hardin might have said to Mr. Rippon that morning. Mr. Rippon said that Mr. Hardin had still expressed anxiety, but the British Government had made a number of concessions to make the new arrangements as presentable as possible to the United States farmer. Without agreement with the United States, we would have no option but to refer the unbinding of our cereals tariffs to the GATT. He feared that the consequences of such a course might do damage to us both and to world trade generally. We had tried to meet US anxieties wherever we could, even when those anxieties went beyond what we ourselves thought justified.

3. Mr. Peterson said that he had been in office for a few days and was only just aware of this problem. He had not been able in 24 hours or so to produce an American response to our latest offer. Mr. Rippon said he understood Mr. Peterson's difficulties but pointed out that this issue had been under discussion between the two Governments at various levels for several months, and had been mentioned by the Prime Minister to the President during the Prime Minister's visit to Washington. Mr. Peterson agreed that discussion of the matter had been going on for some time. But the White House had not at first been aware of the strongly held and opposing points of view held in different branches of the US Government. The President had in effect been put in the position of having to take a decision at 48 hours' notice on an issue on which the views of some of his principal advisers differed widely.

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4. Mr. Peterson personally thought it highly desirable to find a way of handling this matter which would avoid actions in the GATT which might lead to retaliations, with all the dangerous consequences which could flow from these. He understood that the United States now had until 12 March or possibly a day or two more in order to try and reach an accommodation with us. As he saw it there were two issues involved. The first was the desirability of avoiding polemics or actions which could sour relations between the two countries. The second was to find a solution which met the political requirements on both sides. The 1972 elections were getting close and there were three issues which threatened the position of the present Administration. These were Vietnam, the state of the economy and support for the American farmers. There were those who assigned the first rank among these to the question of farm support.

5. Mr. Peterson said that the positive alternative he would like to see adopted instead of the "more vigorous solution", which some of the President's senior advisers favoured, would involve some "carefully thought out public dialogue", designed to show that the United States was taking strong and effective action to defend American farmers interests. He hoped that we would understand the need for this action and would realise that, even if it involved some disobliging statements, it was a necessary requirement and was intended in a good cause. The United States would also have two or three additional negotiating points to be met. He thought that we should find these more attractive than the row in GATT which some important people in the Administration /seemed to



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seemed to want. He therefore asked us to listen in a positive spirit to the concessions which the Americans would ask for: these would help Mr. Peterson himself to move in the constructive way which he wanted the United States to adopt towards international trade.

6. Mr. Rippon said that he quite understood Mr. Peterson's attitude. At this late hour there was not much room for more concessions on our part, although we were certainly ready to wait a few days in the hope of reaching agreement. We might perhaps be able to help over presentational points to a certain extent. Mr. Peterson said he thought that the Administration would be in a position to send someone to London before the end of the week. He also thought that with the sort of concessions he had in mind the President might be more disposed to move in the positive direction in which Mr. Peterson desired and believed to be in all our interests. Mr. Hinton emphasised that the decision "had been close to going the other way". Even the proposal not to make procedural objections to our going to GATT had been strongly contested.

7. Mr. Peterson said that his own attitude was based on the belief that what happened after British entry was more important than what we were talking about now. He assumed for example that the British did not want high agricultural prices inside the Community. Mr. Rippon said that within the Community we should certainly want to work in the direction Mr. Peterson had indicated. As a candidate there was little we could do. Mr. Peterson said that the United States would need to make use of all the rights /it had.



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it had. Mr. Rippon pointed out that the United States had frozen its rights over a much wider area than those now under discussion.

8. Lord Cromer said that in the "public dialogue" which Mr. Peterson had mentioned it would be important not to suggest that Britain was being used as some kind of stalking horse inside the Community. Mr. Rippon agreed. It would be dangerous to suggest in any public statement that the British would change the common agricultural policy when they were in. It would be better to attack us than to do this.

9. Mr. Peterson said that lower community agricultural prices would be an enormous help to the United States. He added that the preferences being extended by the Community to non-member countries came at a terrible time for the United States. He cited the difficulties being faced by the US citrus and tobacco industries. These anxieties militated against the positive programme which he hoped to be able to present soon.

10. Mr. Rippon explained why it was that special arrangements were needed for New Zealand and countries in Commonwealth Africa and the Caribbean. The latter were almost wholly dependent on access for their sugar to the British market. The EEC had no particular desire to include these territories in association arrangements. We felt we had a moral obligation to the Caribbean countries and wanted to ensure the continuation of their present access to the British market. Without it unemployment would get out of hand and they might become economic slums in the backyard of the United States. It could not be in the interests of the United States to face

/seven or eight



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seven or eight new Cubas on their hands.

Mr. Peterson said he understood British preoccupations. But he himself was firmly attached to the principles of multilateral trade.

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*Peter Gwynne*

*Mr.*

*11/3*

RECORD OF CONVERSATION BETWEEN THE CHANCELLOR OF THE  
DUCHY OF LANCASTER AND THE UNITED STATES SECRETARY OF  
STATE

STATE DEPARTMENT, WASHINGTON: 8 MARCH 1971 AT 12.30 hrs

Present

The Rt. Hon. Geoffrey Rippon,  
Q.C., M.P.

H.E. Lord Crooner

Mr. Tickell

The Hon. William P. Rogers

Mr. Samuels

Mr. Trevize

Mr. Killenbrand

Mr. Goldstein

Mr. Rogers referred to the present difficulties in the negotiations to enlarge the European Community.

Mr. Rippon said that the difficulties could be overcome. The problems were negotiable. But all depended on good will.

2. Mr. Rogers asked if the French spoke for the Community as well as themselves on Community finance. Mr. Rippon said No. The French were taking a much harder line than the others. All the figures which were now being bandied about were pretty speculative: Treasuries had difficulty in looking one year ahead and in the present case they were trying to look five or more ahead. The main problem for Britain was the impact at the outset before we could hope to increase our growth rate. The phasing out of our existing preferences and the increase in our import bill made necessary a period of transition which should be as gentle as possible. Old and new members  
/of the

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of the Community had to preserve a mutual balance of advantage.

3. Mr. Rogers asked about the timing of the negotiations. Mr. Rippon said that he hoped we could break the back of the negotiations before the summer holidays, and sign the Treaty of Rome on 1 January 1972. A year would then be necessary for ratification, and thereafter five years of transition with three more of correctives for our contribution to the budget. We had asked the Community to freeze our existing arrangements with the developing Commonwealth countries until 1975. This would give time for the negotiation of association agreements. These did not have to be coincidental with our entry into the Community.

4. Mr. Rogers asked whether British entry would have any effects on the United States before 1972. Mr. Rippon said No. But the introduction of our interim scheme for agricultural levies would come into effect before then. The British Government had, he said, revised their proposals to meet certain American objections, and now hoped for speedy agreement. We were not trying to introduce new measures of protectionism. For many years it had been Conservative policy to introduce a levy system in the interest of both the British tax payer and the British farmer. The Government were absolutely committed to it and could not delay things more than a few days longer. We had made certain concessions which the Americans could exploit for their domestic political purposes. We were not unsympathetic to the American position and saw the Administration's political problem. We had every interest in reaching an agreement and avoiding recourse to GATT, which could only sour our relations and produce no useful result. The Americans and the British had the habit of working together, and  
/each



each helped the other when they could. The British had, for example, done their best over Vietnam.

Mr. Rogers said that the question of agricultural levies was very delicate for President Nixon. One of the bases of his political support was the farming community and the farmers were now far from happy.

Mr. Rippon repeated that the Americans could exploit the concessions the British had already made. It would in any case be pointless to go to GATT.

5. Mr. Trevize said that American farmers would think that the Administration had given up something important if they relinquished their rights under GATT.

Mr. Rippon said it would not be necessary for the Americans to relinquish these rights. All they had to do was to reserve their position. Mr. Trevize replied that the Americans had done this once before with regard to the Community, and had learned their lesson.

6. Mr. Rippon referred to the impending Canadian/Japanese initiative in GATT and asked what the Americans knew about it. Mr. Samuels said that he knew very little. It would be useful to find out some more. He doubted if there was yet very much substance in it.

[At that point the meeting broke up for lunch]



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RECORD OF MEETING BETWEEN THE CHANCELLOR OF THE DUCHY  
OF LANCASTER AND THE DEPUTY UNDER SECRETARY FOR ECONOMIC  
AFFAIRS AND OTHER STATE DEPARTMENT OFFICIALS

State Department, Washington: 8 March 1971 at 1130 hrs.

The Rt. Hon. Geoffrey Rippon	Mr. Nathaniel D. Samuels
QC, MP	(Deputy Under-Secretary for Economic Affairs)
H.E. Lord Cromer	
Mr. Kearns	Mr. Julius L. Katz
Mr. Tabbitt	(Deputy Assistant Secretary, International Resources and Food Policy)
Mr. Tickell	
Mr. Beetham	Mr. Martin J. Hillenbrand
Mr. Crowe	(Assistant Secretary, Bureau of European Affairs)
	Mr. George S. Springsteen
	(Deputy Assistant Secretary, Bureau of European Affairs)
	Mr. Abraham Katz
	(Country Director (OECD, EEC))
	Mr. Mortimer D. Goldstein
	(Country Director, (UK))
	Mr. John Griffith
	(Desk Officer (UK))

Mr. Samuels asked for Mr. Rippon's assessment of the issues involved in the enlargement negotiations and the current outlook. Mr. Rippon explained the situation that had been reached. We were now left with the three major problems of Community finance, New Zealand dairy products, and sugar from the developing Commonwealth. Throughout the negotiations there had been no shift in the political views of anybody, including the United States, on the advantages of an enlarged Common Market. The problems now under discussion were (with the  
/exceptions



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exceptions of New Zealand dairy products and Commonwealth sugar) about the short term impact on Britain of enlargement and about how we could protect the short term interests of our traditional trading partners, including the United States. At the top level everybody was agreed that we should all benefit from an enlarged Community. This was the only way to build up and establish more securely the European pillar of the Atlantic Alliance. But at other levels we had to solve the problems in the best way we could. He imagined that United States support for enlargement continued despite some of the problems which arose.

2. Mr. Samuels replied that there was no question about that. The American long term interest in enlargement was clear. Support from the top level down was quite determined on this point. But there were the problems in the relatively short term of the impact on the United States. The Americans had been telling the Community that the effects on third countries might be serious. Agriculture was a major problem for the Americans as it was for the British. There was a great debate in the United States about the impact of British entry. There certainly would be an impact. He did not wish to get involved in the separate if related question of agricultural levies, but he would be glad to know how Mr. Rippon saw the prospects for liberalisation both in agriculture and in broader trade questions in the longer term.

3. Mr. Rippon said that Britain had had to accept the Common Agricultural Policy. There was no possibility of re-negotiating it during our own negotiations. Once we were in, our own interest would clearly be in favour of liberalisation. There

/were



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were in addition encouraging signs in the Community. This trend would continue. The Community were showing concern about the growth of protectionism in the world. The Community took the position with regard to New Zealand and sugar that there should be international commodity agreements. This was all very well and might be the right way to solve this sort of problem in the end. Maybe the Community would join an international sugar agreement. But in the meantime continuity and longer term assurances were necessary for the Caribbean countries and Mauritius. This was why these countries were worried. Although we could not afford to wait for such international commodity agreements, this showed increasing interest on the part of the Community in world wide arrangements.

4. Mr. Samuels said that he trusted this would be the case. Dr. Mansholt had held out the same sort of hope for a liberalisation of Community attitudes. He had said last week that the applicant countries would have to suffer such steep price increases during the transition period that he could hardly imagine that they would later agree to even higher agricultural prices. Therefore, Dr. Mansholt had suggested, prices would remain on a plateau after enlargement. This might be one reason why the Community were so keen to get some price increases in now. However, all such deals were package deals with a bit of something for everyone, and he did not know whether the US could take such a relaxed view. Was Dr. Mansholt's description valid?

5. Mr. Rippon replied that it probably was. One of our own difficulties had been to restrain the Community from proceeding with some of its policies before we joined. Fisheries had been a striking example

/of a policy



of a policy which was satisfactory to the Six, but which would be totally unsatisfactory for the Ten. We would have to negotiate about this. On other questions he thought that the Community would hold their hand. But we could not re-negotiate the agricultural policy. The French sometimes said that we could try to bring agricultural prices down. However the high prices were needed for Germany where they were politically very important. No politician could say in public that surpluses must be reduced and the number of people on the land halved. Such a policy could be put into effect, but it could not be announced. We had already put it into effect. This was why we should get virtually nothing out of the Community budget, which devoted over 90% of its resources to agriculture.

6. Mr. Samuels said he doubted if structural reforms necessarily led to reduced surpluses. They would lead to increased yields and therefore greater surpluses. In the longer run should we not consider various possibilities of production control?

7. Mr. Rippon said that this was why the Community wanted world commodity agreements. Even the New Zealanders thought that in the long term the combination of lower dairy production and higher consumption in Europe would cause the enlarged Community to need their produce. There was not a single problem which we could solve more easily inside the Community than outside it.

8. Mr. Samuels said that he wished to ask about Community preferences and the Caribbean. The United States appreciated the need for access for goods from  
/those countries



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these countries to the British market. But the prospect of these countries granting Europe reverse preferences caused the US real problems. He did not agree with the view that it was the US that was forcing the Caribbean countries to choose between Europe and the United States. It was the other way round. The American generalised preferences scheme was open to those countries and it was the Europeans who were forcing them to choose between this and association with Europe accompanied by reverse preferences. He understood the argument that preferences for these countries in Europe were desirable. He did not understand why the US should have to pay the price by accepting reverse preferences in favour of Europe. Why was such a price being exacted? The US generally were trying to be liberal over reverse preferences. They did not insist on their immediate elimination before introducing their general preference scheme. They were prepared to wait until 1975 and were already in consultation with the African countries. The US attitude was not arbitrary.

9. Mr. Rippon said that one had to start from the basis that both the US and we wanted the negotiations to succeed. This could only be on the basis of the acceptable and the possible. There would be great concern in Britain if we made no arrangements for the Caribbean. We were eliminating our own Commonwealth preferences. All we were seeking to do was to give these countries the same access to the British market as they had always had. Without it there would be severe economic, political and social difficulties. We must think what would happen if the Community did not repeat their 1963 offer to the Caribbean. The

/position



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position of these countries would then be bad in the extreme. The only way they could maintain themselves would be by some sort of association or trading agreement with the Community. This was why we were trying to get the Community to repeat their offer. It would then be up to the countries concerned to negotiate both with the Community and with their other traditional trading partners like the US. These countries were afraid of the Hobson's choice now apparently facing them: namely of choosing between loss of the benefits of the GPS or loss of the British market on which they relied. He had told them during his recent tour that he was sure it was not the desire of the US Government to face them with this Hobson's choice. They had high unemployment and great difficulties. If they were deprived of the opportunity of exporting to Britain their sugar, rum, bananas, tobacco and citrus products, the resulting social and human problems would give rise to seven or eight little Cubas. These countries were not competitive and so had to be protected. Only with special arrangements could we go on buying bananas from Jamaica, just as Germany bought bananas from South America, and France from their associated states and the franc area. The British people could not let the Caribbean down. Once association was offered, there would be lots of time to sort out the actual details of association. That would be the time for the United States and for all of us to negotiate on these details.

10. As for the problem of reverse preferences, the Common Market had always insisted on them. They too had a problem; why should they take on a British

/liability



liability without showing their people they had got something from it? They were not keen to take on our liabilities and became even less keen when the Americans put pressure on them not to offer association. Our problem was to get the Community to repeat an offer which they did not want to make. They were inclined to reply that this was a matter for the United States, as the Caribbean was in their backyard.

11. Mr. Samuels said that he recognised that the problem must be dealt with with the Community as a whole. He appreciated our difficulty but he was anxious to preserve US rights in dealing with an enlarged Community on a whole variety of matters including agricultural levies. Mr. Rippon said that he assumed Mr. Samuels meant he wanted to freeze US GATT rights. Mr. Samuels replied that there were other problems, but in the GATT they must protect their rights. Mr. Hillenbrand asked whether reverse preferences were really a strong requirement by the Community. Would they not take care of the problem without insisting on reverse preferences? After all they would get very little benefit from them.

12. Mr. Rippon replied that the Community regarded the Caribbean as part of an old British trading pattern. It was we who were asking the Community to make these arrangements, not the Community who were asking us. Their instinct was to restrict such arrangements. But if the Community did repeat their offer they would probably want to maintain reverse preferences as they had in all their other agreements. This was something that should be reserved for the future by reserving rights in the GATT. Once enlargement had taken place, detailed arrangements

/for these countries



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for these countries would be negotiated and then was the time to discuss reverse preferences. The Caribbean countries themselves did not want to offer reverse preferences.

13. Mr. Samuels said that the Community said that the Caribbean insisted on them, perhaps as a matter of pride. Mr. Julius Katz repeated that it was not the United States that was facing these countries with a Hobson's choice. They were prepared to offer a GPS, but they did not see why they should have to bear the cost of it. If a GPS were applied worldwide why should there be a special problem for the Caribbean?

14. Mr. Rippon replied that we were only trying to secure for the Caribbean what they already had in the British market. They could only have this with some form of association or trading agreement. If the American démarche to the Community about preferences were successful, this could risk causing a breakdown in the entry negotiations. In that event, he asked, would the United States buy the produce of the Caribbean countries?

15. Mr. Katz replied that if there were a GPS then the Caribbean countries could sell their produce in the American market if they were competitive.

Mr. Rippon replied that this was precisely what they were not. They needed to be protected. If the US démarche were successful, it could lead to a breakdown in the negotiations, or a crisis in the Caribbean. What would happen to their produce? We had to see that special arrangements were made. Mr. Katz said that the US did take some Caribbean sugar.

Mr. Rippon said that it was only a fraction of what

/they sold



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they sold in Britain and anyway came out of the suspended Cuba quota. The Caribbean countries had to sell their whole output not only of sugar but of rum, bananas, tobacco and citrus products. They had to be protected and they would only get the same protection as they had in the British market. If they were left out, they would not be competitive. British purchases of bananas from Jamaica and the Associated States constituted aid in its most practical and useful form. Until recently, the Caribbean countries had not even realised that the 1963 offer had not been renewed. Until it was, they had no bargaining position. When they had a choice of different types of agreement, they might come to the conclusion that some formula without reverse preferences which would not lose them the benefit of the US generalised preference scheme would be best. Once enlargement had taken place we could perhaps tackle this by negotiating on the whole attitude of the US and the EEC to the developing world. What upset the Caribbean countries now was the Hobson's choice. It was clear they must get the GPS and agreement with the EEC. Our job now was to get the Community to confirm the 1963 offer.

16. Mr. Samuels asked what would happen in the meantime. Mr. Rippon said that the existing trade pattern would be frozen; we had suggested up to 1975 as a convenient date, since the Yaounde Convention would need to be renegotiated then. Mr. Samuels asked whether this would give time to the Community and the US to negotiate to sort the whole problem out. Mr. Rippon said Yes. An additional point was that the West Indies Associated States had received the 1963  
/offer of



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offer of association with the Community. They were now concerned about how this would tie in with the arrangements for the independent Caribbean countries. He had told all concerned that there would be time to work out something afterwards which was not in conflict with CARIFTA. The main thing was to leave the situation as flexible as possible and to persuade the Community to repeat the 1963 offer. Unless and until they did, we should be in trouble. Once they did, negotiations on association and preferences could get going. In answer to a question, Mr. Rippon explained the differences between the attitudes of the Community towards the Commonwealth Caribbean and African countries.

17. Mr. Samuels asked whether association agreements with the European neutrals had been discussed.

Mr. Rippon replied by explaining the situation reached with our EFTA partners. For various reasons, Finland, Austria, Sweden and Switzerland had problems about applying for membership. These and other EFTA countries had to be associated with the Community in such a way as not to lose the benefits of the existing free trade area. It was striking that the greatest development no longer lay in trade between industrial countries on the one hand and undeveloped primary producers on the other; the great expansion had been in trade between developed countries. He had said to Mr. Stans earlier in the morning that the more prosperous Europe was, the more trade there would be for all. Mr. Stans had replied that this was rather idealistic, but this was the way things had gone.

18. Mr. Springsteen asked about M. Schumann's recent contention that the British offer of 3% would not even cover the Community's administrative costs of /enlargement.



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enlargement. Mr. Rippon said that M. Schumann seemed to have done his sums wrong.

19. Mr. Samuels asked about the monetary aspects of enlargement, in particular whether there were any commitments on the future of sterling. Mr. Rippon said that this was not a matter for the negotiations, although the Community were perfectly entitled under Article 108 of the Treaty of Rome to make enquiries about the balance of payments situation of members. In the longer term the question of Britain clinging to a reserve role for sterling was a misconception and therefore not an issue. He was happy about the first stage of the Werner report and, as successive British governments had said, we were ready to go as far as and as fast as the rest of the Community. It was in all our interests to move towards stability in Europe on monetary matters and he saw no problem in moving towards monetary and economic harmonization, although union was a very long time ahead. But none of these things would be decided during the negotiations, or unilaterally by Europe, although it would be easier for us all to handle them if we and sterling were inside rather than outside the Community.

20. The meeting ended with a short discussion of agricultural levies. Mr. Rippon hoped that there were no more problems in relation to this. Mr. Samuels said he could not say that. Mr. Rippon said that we still wanted to negotiate reasonable arrangements. The agricultural levies were not a protectionist measure but a change of domestic policy. The government was deeply committed to them. We would if necessary have to go to the GATT, but we would much rather not be forced to do so. He suggested that the

/Americans



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Americans should simply freeze their rights under the GATT.

21. Mr. Katz said that it was a pity we had not been able to wait. Mr. Rippon replied that the Conservative Party had been committed to agricultural levies since 1966, so nobody should have been taken by surprise. The fact was that this was very much a matter of domestic policy about which we felt strongly.

22. Mr. Samuels said that the problems which the US had with the EEC were very narrow ones. Essentially they were agricultural; even here they could be narrowed down to cereals, tobacco and citrus products. In other fields, like soya beans, the US had done very well. But however narrow, the interests concerned had great political importance. The ramifications went very far. The Administration had had a very difficult time in getting the Community to understand this. But there were limits to what the US and the affected sectors of the US economy could accept. The Community were finally starting to show some concern. This was an important point for us to bear in mind, both on agricultural levies and generally as future members of the Community. These things were very important.

23. Mr. Rippon concluded the meeting by saying that he well understood these feelings. He agreed that it was not the number of people affected that mattered so much as their importance politically.



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RECORD OF CONVERSATION BETWEEN THE CHANCELLOR OF THE  
DUCHY OF LANCASTER AND THE UNITED STATES SECRETARIES  
OF AGRICULTURE AND COMMERCE

DEPARTMENT OF AGRICULTURE, WASHINGTON:

8 March, 1971 at 0930 hours

The Rt. Hon. Geoffrey Rippon	The Honourable Clifford
QC, MP	Hardin
H.E. Lord Cromer	(Secretary of
Mr. Kearns	Agriculture)
Mr. Tobbit	The Honourable Maurice Stans
Mr. Tickell	(Secretary of Commerce)
	Mr. Clarence Palmby
	(Department of
	Agriculture)
	Mr. Lawrence Fox
	(Department of
	Commerce)
	Mr. John Griffith
	(State Department)
	and others

Mr. Hardin welcomed Mr. Rippon. He said that the Americans were pleased to be able to continue earlier exchanges about the problems for the US arising out of the British application for entry to the European Community. Mr. Rippon replied that Britain was conscious of American anxieties and he welcomed the opportunity to continue discussions which he hoped would lead to better mutual understanding. He felt that many of the American anxieties were ill-founded especially where wheat was concerned.

2. Mr. Hardin said that the real American problem arose from the protectionist pressures to which the Administration was subject. The agricultural community had so far adopted a moderate standpoint but would look on our levy proposals as an indication that moderation had not paid off. If the farmers changed  
/their attitude



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their attitude the chances of Congress passing restrictive trade legislation would be very much enhanced. Mr. Stens said that from the American point of view British timing could scarcely have been worse. A great opportunity had been lost to persuade the Community to adopt sounder policies. Mr. Rippon replied that the Americans should not be surprised at the British proposals. It had long been established Conservative policy to shift the cost of agricultural support away from the taxpayer. These policies were not intended to be protectionist. We had no wish to cause trouble for our traditional suppliers. We had tried to take account of worries by our pricing proposals. Hard wheat imports were not likely to fall at all. Soft wheat was slightly more difficult to deal with but we were confident that our proposals were fair. It was important to examine the consequences of our entry into the Common Market on a broader front than agricultural arrangements. The Community's industrial tariff was not a protective one and the British tariff for industrial goods was at present higher than that operated by the EEC. The United States would reap the benefit of the reduction on the enlargement of the Community.

3. Mr. Hardin said that the Americans agreed that a change at the present level of prices would not be costly to the United States but at the same time they did not see that the British exchequer would benefit substantially by an immediate change.

4. Mr. Kearns said that the idea that we should have waited until we entered the transitional period would not have been helpful in the long term to the

/United States



United States. We would be better placed to carry the advantages of a not illiberal arrangement forward with us if this was concluded now rather than if we had no existing schemes giving a continuity of obligation to traditional suppliers. With the present level of prices still below the guarantee price our proposals could not possibly have the effect of increasing British domestic production, and only the most pessimistic forecaster would speculate that US prices would fall. Lord Cromer pointed out that 85% of American exports to the Community were industrial and that this was the area in which the Americans would receive a tariff advantage.

5. Mr. Stans asked how many preferential trade arrangements Britain's entry would add to those already negotiated by the EEC. Mr. Rippon outlined the particular problems of New Zealand dairy producers and sugar producers in developing Commonwealth countries for which we were seeking special arrangements. In addition we believed it necessary to make arrangements for the developing countries of the Commonwealth, along the lines of the 1963 Declaration of Intent. This provided three possibilities: a Yaoundé type arrangement; a new trade agreement; or a commercial arrangement. We envisaged that if we could get an offer on the 1963 basis the existing trade pattern might be frozen whilst individual countries negotiated whatever arrangement suited them best with the Community.

6. Mr. Stans asked what arrangements were envisaged for industrial products. Mr. Rippon replied that this was only really a problem for Hong Kong and that we had been pressing for the

/inclusion



inclusion of Hong Kong in the generalised preference schemes of the US, EEC and Japan. Mr. Tobbit said that both the EEC and Japan had indicated a willingness in principle to include Hong Kong.

7. Mr. Fox asked what would happen to the other EFTA countries when we entered the Common Market. Mr. Rippon replied that three of the EFTA members had made applications to the EEC. Sweden, Austria and Switzerland had political problems arising from their neutrality but Britain hoped to see them treated no less favourably than at present. Mr. Fox expressed concern that this would mean preferential arrangements. He advanced his personal view that the increase in US trade with the Common Market since its foundation owed less to the formation of the EEC than to the improved economic situation in the individual countries participating.

8. Mr. Stans expressed his pessimism about the long term effects of the enlargement of the EEC for the United States. Mr. Rippon said that he could understand concern about short term disadvantages on the economic side which the United Kingdom itself would experience but that he hoped we could all recognise the long term economic and political gains. Moreover, on the whole, the EEC had lower tariffs than the United Kingdom or the United States. Lord Cromer said that the United Kingdom would need to export outside Europe and our influence, once we were inside the Community, would be thrown in favour of liberal trade.

9. Mr. Hardin said that the US were discouraged by the EEC rule, that changes in levies or price structure could only be made by unanimous vote. Dr. Mansholt

/And advanced



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had advanced the view during his visit last week that once the enlargement negotiations were complete no further change was foreseeable in the next decade. Mr. Kearns said that the United States should find it helpful to know that there would be no worsening in the price structure. Mr. Hardin said it was disheartening when talking to European experts to find such unanimity of opinion that the common agricultural policy was not in the best interests of Europe as a whole. The policy resulted from the disproportionate influence of the Bavarian farming lobby in German politics and was causing an unnecessary curtailment of livestock production and a dramatic overproduction of wheat by inefficient French farmers. This would have a major disruptive effect on world prices. Mr. Rippon said that these problems arose primarily because there was a social as well as an economic problem.

Mr. Kearns said that the Americans were painting the future very black. The EEC were seeking to consolidate farm holdings structurally and to reduce the farming population. Mansholt's objectives were splendid but extremely expensive. Mr. Rippon said that in Britain we had already successfully reorganised our agriculture. Mr. Hardin accepted that there was no question that these policies would make European farming more efficient. If the British contribution led to more flexibility in the system this would be welcome.

10. Mr. Rippon said that our first aim must be to get into the EEC. But we were not prepared to opt out of our obligations to the Caribbean. To do so would be to create a major political problem which must be of concern to the United States. He hoped that the Administration would support our aims.

Mr. Fox



Mr. Fox said that the Administration had to consider not only their own view but the need for Congressional endorsement of American policies. Congress would never willingly accept reverse preferences to operate against American interests. In particular they would not accept preferential arrangements for Hong Kong. Mr. Rippon said that what we were asking was that the United States should not discriminate against Hong Kong which they would be doing since they were prepared to include Taiwan, South Korea and even Singapore in their generalised preference scheme. Mr. Fox said that the US had a special responsibility for Taiwan. Hong Kong was already intensely competitive. Under the US scheme for preferences as distinct to the EEC scheme based on tariff quotas it was difficult to take account of Hong Kong's case.

11. Mr. Stans reverted to the attitude of an enlarged EEC to industrial imports. He was very concerned that a Buy European policy would be one of the first results of enlargement. Mr. Rippon said that he doubted it. It was clearly necessary for there to be a strong European technology. Only in this way could means be found to promote strong continuing bilateral trade. Mr. Stans said that he was thinking particularly about government procurement policies and mentioned computers. Mr. Fox confirmed that European policy over computer purchasing was a major concern to the US. Lord Cromer said that the British Government bought more from IBM than the US Government from ICL. Mr. Rippon said that enlargement should help the continued expansion of US/ European trade since there would be two blocks strong enough to trade without fear of one becoming strong enough to /dominate



dominate the other. Mr. Stans said that Mr. Rippon was an idealist. The reality was that the long term interests of the US would not be advanced. Mr. Rippon denied that he was unrealistic. What counted was that the total volume of trade should be increased. If we failed to create an enlarged Europe there would be less likelihood of this since there would then be more need for protective measures.

12. Mr. Stans said he did not think it realistic to presume failure. Mr. Rippon said that he was indeed optimistic. But success would not be helped by American pressure by means of formal approaches to the EEC to stop extension of areas of preference.

Mr. Stans believed that he took a rational view. Hurt to the United States might be the necessary price of an enlarged Common Market. He hoped that the Americans could continue to rely on Britain as a friend.

Mr. Hardin agreed with Mr. Stans. He was concerned about the balance of payments problems that would ensue for the US.

13. Lord Cromer asked if the Americans would not agree that the markets for the US would not be so great as they were today if it had not been for European participation in previous tariff cutting exercises. Mr. Hardin agreed that the low common tariff on industrial goods was welcome to the US and that it was the inward looking agricultural policy of the EEC which was the main target for US complaints. Mr. Rippon referred to the EEC's policy on aid as a good example that the Community's policies were not inward looking. He felt that the Americans should not underestimate the benefits of the low industrial tariff. Mr. Stans conceded that the low tariff would be helpful.

/Lord Cromer



Lord Cromer said that US controlled European subsidiaries would benefit. Mr. Stans asked about the long range significance of enlargement to US investment. Mr. Rippon said that anti-US sentiment had now largely abated. There was no reason why US investment would not be welcomed. Mr. Stans asked about future US participation in Community ventures such as the scheme for acceptance of electronic components. Mr. Rippon said that US participation in such schemes was welcomed. He mentioned the post-Apollo programme as an example of an American initiative aimed at securing European co-operation which had foundered because the Community was not strong enough. One of the significant gains from enlargement would be that the EEC would be better placed to carry out burden sharing in defence as well as industrial programmes.

14. Mr. Palmby asked if anything could be said about progress on EEC financing and what arrangements were likely to be in future for central bargaining. He explained that the Americans at present often found difficulty in finding anyone to admit responsibility for or negotiate about measures taken by the Community. Mr. Rippon said that the future development of a European monetary system was something which need cause no difficulty. It might involve changing the reserve role of sterling, but he imagined that any change which helped to take pressure off the reserve role of the dollar would be welcomed in America. As far as the institutional arrangement of the EEC was concerned, Britain felt that once the enlargement negotiations were complete a significant British contribution to the Community might be to assist in the strengthening

/of institutional



institutional organisation. We would perhaps be found to be more prepared than some to accept qualified majority voting. Mr. Kearns said that the EEC machine which was only just tolerable for Six would need vast improvement if it was to be workable by Ten. Mr. Fox hoped that the system of restitution payments might be rationalized. Mr. Rippon said that we could hardly say so in advance of entry. Mr. Kearns said that the system could be described as "self-healing". It was at its worst when using heavy export restitution but if price levels were held down there was no damage to third parties. Mr. Rippon said that the French were, contrary to what was widely believed, anxious to achieve lowered prices. (Mr. Hardin at this stage left to keep an appointment with the President).

15. Mr. Stans repeated that he was worried about the long term results for the US of inward looking policies being adopted by an enlarged Common Market. He granted that the immediate problems were agricultural ones, but in the longer term European industrial and investment policies might turn out contrary to American interests. Mr. Rippon said that British weight would be thrown in favour of liberalisation. We had always stressed the importance to us of our relationship with the Commonwealth and the United States, and we were not about to turn our backs on our traditional friends and trading partners. Mr. Fox said that American support for British entry into Europe was undiminished. At the same time the Americans did not think it realistic to pretend that they thought this would be good for America economically.

16. Mr. Palmby asked that the American attitude should be understood not to be that of a belligerent

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but that of a concerned party with genuine worries which need to be expressed. Mr. Stans thanked Mr. Rippon for his remarks. The American Government were in no way committed to protectionism, except in the case of textiles, but had to content with strong domestic pressures. The British Government should be in no doubt that any adverse changes in the practices of America's trading partners would feed the fires of protectionism and that a restrictive trade bill could result. Examination of the record in subsequent years would show if the American fears expressed during the discussion were justified.



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Foreign and Commonwealth Office

London S.W.1

8 March, 1971.

*Dear Peter,*

Options for British External Policy if our  
Application for Membership of the  
Communities Fails

I enclose a paper by the FCO Planning Staff on the Options for our External Policy if our Application for Membership of the Communities fails. The paper has been seen by the Foreign and Commonwealth Secretary and by the Chancellor of the Duchy of Lancaster, both of whom agree broadly with its conclusions. Sir Alec Douglas-Home believes that the Prime Minister will be interested to see the paper. He does not, however, propose to circulate it to his AE colleagues at this stage. The paper has not been discussed with other Whitehall Departments, or indeed outside a very small group of officials in the FCO.

*Tupra*

The paper is rather long but a full summary is attached. Its principal conclusions are that, even after the failure of negotiations, our security, political and economic interests would remain centred on the European/Atlantic area. At the least we should need to preserve our membership of the Alliance and good Anglo/US relations. As a result, our scope for new, go-it-alone policies or retaliatory action against the Six without incurring unacceptable damage to our own interests would be limited.

In such a situation there would be no really good alternative policy; it would be a choice of evils. But we would need measures which would serve our long-term interests; would to some extent compensate for our exclusion from the Communities; and at the same time would keep open the option of eventual re-application to join. None of the broad categories of policies examined in the paper by itself satisfies these criteria and the paper therefore recommends that we should draw on elements from several of them to construct a tolerable rôle. Briefly, it recommends that we should remain members of the Alliance (though much less co-operative members than at present) and retain a substantial proportion of our

/forces

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forces in Europe. We should cultivate close Anglo/US relations. We should seek support for initiatives towards freer world trade. We should be ready to exploit opportunities for improved commercial and economic relations with Eastern Europe and the Soviet Union. We should play an active and opportunist rôle in the promotion of our economic interests in the Third World, while avoiding new burdens and responsibilities. In the public presentation of our policies, we should emphasise our independence and flexibility and the extent to which we intend to put our interests first. Such a course would fall far short of an adequate substitute for membership of the Communities on acceptable terms; but it should allow us to make the best of a difficult situation.

Sir Alec Douglas-Home and Mr. Rippon both feel that the main point which the paper brings out, by exposing the thread-bare nature of the alternatives, is that our present policies are right. They also believe that the paper underlines the importance of clearing our minds on policy if the negotiations fail if we are to avoid both confused and over-hasty reaction and failure to react at all. Finally, while they agree broadly with the recommendations of the paper, they feel that the most effective short-term measures in the immediate aftermath of breakdown of the negotiations are likely to be:

- (a) an announcement that we intend to consult with our allies about the full political, military and economic implications of failure, particularly for our obligations under the Brussels Treaty; and
- (b) a statement that we should have to consider very carefully our position in relation to collaborative projects.

These measures would underline to the Six the potentially serious consequences of failure, and would show public opinion that we were not accepting exclusion from the Communities lying down. But they would not commit us to any specific course of action (beyond consultation) which might damage our longer-term interests.

*Yansever*  
*Idun*



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OPTIONS FOR BRITISH EXTERNAL POLICY IF OUR APPLICATION FOR  
MEMBERSHIP OF THE EUROPEAN COMMUNITIES FAILS

Summary

1. The purpose of the paper is to provide an analysis, on a contingency basis, of the external policy options which would be open to us if the negotiations for our membership of the European Communities should fail. (Paragraphs 1 and 2)
2. Several factors would affect our choice of policies in these circumstances. They include:
  - (a) the circumstances in which the negotiations fail. Although there are several possible scenarios, the most likely is that of insistence by the Six acting jointly on terms unacceptable to us. (Paragraphs 3 and 4)
  - (b) the impact of failure on public opinion. While there might be some relief, there could also be a sense of outrage leading to demands for retaliatory measures against the Six, or at least against the French if they could be clearly identified as the scapegoat for our failure. We should be likely to find the emotions of the hour and our long-term interests in conflict. (Paragraphs 5 and 6)
  - (c) our estimate of the likely future development of Western Europe. While the failure of negotiations could lead to an internal crisis within the



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Communities, this would be unlikely to lead to their disintegration. The prudent assumption must be that European integration would continue without us. (Paragraphs 7 and 8)

- (d) the economic prospects at the time we decide our new policies. Whatever the immediate economic implications of failure, our assessment of the impact in the longer term is likely to be to incline us to more modest international commitments. (Paragraph 9)

- (e) the future of EFTA. We should be able to count on EFTA's continued existence. (Paragraph 10)

3. The major factor in determining our choice would be the requirements of our national interests. The failure of the negotiations will not change the nature of our present interests nor of the international environment in which we shall have to make our way. The centre of our security, political and economic interests will continue to be the European Atlantic area. But our ability to promote our interests in the world of the 1970s and 1980s is likely to decline, unless we can find an alternative means to widen our political and economic base. (Paragraphs 11-14)

4. The paper next examines the options which would be open to us. The policy which would be likely to secure our interests best would be maintenance of our objective of membership of the Communities. Were this to be our policy, we should have to make it clear to the Six that we could only contemplate membership if they were to offer



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us acceptable terms, and that in the meantime we should be free to pursue alternative policies. The paper therefore examines options open to us in a situation in which we had failed to secure membership and were not ready or able to try again. (Paragraphs 15-18)

5. These options fall into four broad categories:

- (a) go-it-alone policies;
- (b) cooperation with European countries outside the Communities;
- (c) new forms of association with non-European countries; and
- (d) policies involving cooperation with the Six.

These options are not mutually exclusive. Elements from them might be combined, or we might move from one to another. (Paragraph 19)

6. There is also the preliminary question of possible short-term measures of retaliation against the Six, which might be demanded by public opinion. We might seek to make France the scapegoat for our failure. But it could prove hard to make the charge stick, and there is in any case little we could do to harm her without damage to our own interests. Were we to decide on retaliation against the Six as a whole, there would be a number of measures open to us which could be presented as the inevitable consequence of failure of the negotiations; others (eg cancellation of joint projects) would seem to involve active malevolence on our part. Most of the latter would both conflict with our longer-term interests and involve heavy costs for us. (Paragraphs 20-27)



7. A go-it-alone role would cover a wide range of alternative policies. Its essence would be hard-headed opportunism. We should take a radical look at our commitments and policies to see where we could cut back on existing burdens. Its elements could include withdrawal from the integrated military structure of NATO; withdrawal from the Alliance; an opening to the East; a search for major new outlets for trade outside Europe; and economic action against the Communities either by countervailing duties or an attack in GATT. The arguments for and against these courses are examined in detail. The conclusion is that while there are some apparent attractions in them, they would risk damage to our longer-term interests in Europe and to Anglo/US relations and could, if we went to extreme lengths, inflict irreparable damage on Western and British security. Nor would go-it-alone policies be likely to persuade the Six to lower their terms for our admittance to the Communities. (Paragraphs 28-43)

8. The prospects for cooperation with European countries outside the Communities are not promising. There would be no lasting advantage to be gained from an opening to the East, and it could in any case seriously harm Anglo/US relations. While we should wish to make the most of EFTA, there is in practice nothing we can do to develop it into a stronger and more cohesive political and economic unit. (Paragraphs 44 and 45)



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9. Our primary objective, were we to seek new forms of association with non-European countries, would be to do everything possible to promote freer world trade. We should therefore seek the support of the US and others in bringing pressure to bear on the Six in GATT to modify their restrictive trading policies. It would be natural for us to look to increased cooperation with the US, and to preserve as much as possible of our remaining Commonwealth links. But the US is likely increasingly to look over our heads to Western Europe. And the older Commonwealth countries are likely to continue their adjustment to new centres of power and new trading systems. While a North Atlantic Free Trade Area would have theoretical benefits, there is no evidence to suggest that the US would be prepared to consider it. There could also be major disadvantages for us. (Paragraphs 46-52)

10. Finally, there is the option of making continued cooperation with the Six the major theme of our policies. This would do less damage to Western cohesion than the other courses envisaged, and would best preserve the longer-term option of renewal of our application for membership of the Communities. We could simply pursue a course of ad hoc cooperation with individual members of the Six. Association with the Communities is unlikely to be offered to us (and would in any case carry substantial disadvantages). We should consider seriously any opportunity to negotiate a trading arrangement between



EFTA and the EEC which might be offered to us. However, the chances of securing acceptable terms and avoiding US objections are slight. There would be little advantage in participation in separate European political and defence Communities in the unlikely event that such Communities emerged. (Paragraphs 53-57)

11. The conclusions of the paper are:

- (a) that there is no good alternative policy to membership of the Communities. Failure of the negotiations would be a severe blow to our international standing and prospects;
- (b) our interests militate against wholesale changes in policy and complete disregard of our links with the US and Europe. The bulk of our interests will continue to lie in this area;
- (c) while some retaliatory measures against the Communities may be unavoidable, they should be restricted to a minimum necessary to satisfy public feelings of outrage;
- (d) it would be unrealistic to expect that tough action by us against the Community would persuade them to admit us to the European fold on substantially improved terms. (Paragraphs 58-65)

12. Since none of the individual options is by itself satisfactory we should need to draw on elements from several of them to construct a viable role. The paper's recommendations are therefore:



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- (a) we should remain members of the Alliance (though a more prickly and less co-operative member than at present) and retain the bulk of our forces in Europe;
- (b) we should remain members of EFTA, and should work for freer world trade;
- (c) we should cultivate our relationship with the US to the maximum possible extent;
- (d) we should be ready to exploit opportunities for improved relations with Eastern Europe and the Soviet Union, particularly where there are commercial and economic advantages to be gained;
- (e) we should play an active and opportunist rôle in the promotion of our economic interests in the Third World;
- (f) we should keep open the option of renewal of our application for membership of the Communities;
- (g) in public presentation of our policies we should emphasise our independence and flexibility and the extent to which we intended to be guided by our own interests.

While such a course would be far short of a substitute for membership of an integrated Europe, it would allow us to make the best of a bad job. (Paragraphs 66 and 67)



## OPTIONS FOR BRITISH EXTERNAL POLICY IF OUR APPLICATION FOR MEMBERSHIP OF THE EUROPEAN COMMUNITIES FAILS

### Purpose of the Paper

The purpose of this paper is to provide on a contingency basis, a preliminary analysis of the external policy options which would be open to us if the current negotiations for our membership of the European Communities should end in failure. It is not its purpose to propose an alternative to our present policy of seeking membership, for which the arguments remain overwhelming.

2. The paper does not try to assess our prospects of success in the current negotiations. For its purpose of contingency planning it makes the assumption that we shall fail.

### Factors affecting our choice

3. We analyse first some of the principal factors which will affect our choice of policies if the current negotiations break down.

4. The first such factor will be the circumstances in which our efforts to secure membership of the Communities fail.

The most likely contingency is that of a breakdown in negotiations because of insistence by the Six acting jointly on terms for our entry which are unacceptable to us. We should then break off negotiations and, at least in the short term, abandon the aim of membership of the Communities. There are also other, if less likely, contingencies: the French might once again veto our application against the



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wishes of the other Five; we might fail to ratify an agreement which had been reached in negotiations because the terms proved unacceptable to Parliament and public opinion; one of the Six might fail to ratify such an agreement; or while the negotiations are in progress we might do something which cast doubt upon our commitment to Europe or convinced the Six that to enlarge the Communities would be to weaken them (the 1962 Nassau agreement is an illustration). The first of these, however, is the most likely contingency and it is on this that we concentrate in this study.

5. The second factor which would affect our choice would be the impact of failure on British public opinion. This cannot be predicted in detail with any assurance. While there would be deep disappointment in pro-European circles, opinion polls suggest that the prospect of membership of the Communities and potentially of a unified Western Europe does not enjoy substantial popular support in the UK. The breakdown might therefore prompt a considerable sense of relief. It might be claimed that we were being saved from a mistaken policy; spared heavy financial outlay; and that our sovereignty would be preserved intact. It would be assumed by many that life could go on much as before. At the same time, however, there could be a general feeling of resentment, even outrage, that we had been deliberately rebuffed and excluded from Western Europe. If a scapegoat for our exclusion could be clearly identified (and the only likely candidate is France), this feeling could lead to demands for anti-French measures. But we have previously



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assessed that the Six are likely to maintain solidarity, and no obvious scapegoat will be available. In these circumstances, there could be strong pressure for retaliatory measures against the Six, or at least avoidance of cooperation with them. A number of our European commitments, eg the stationing of British forces in Europe, could come under public question. The further development of public opinion is even more uncertain. The failure of the negotiations could give a powerful stimulus to left-wing neutralist views in this country, and in time a form of isolationism and a desire to withdraw into a shell might well become the predominant mood, with a widespread feeling that we should give up an active foreign policy altogether and concentrate on cultivating our garden. This could affect our continuing membership of the Alliance and our general political ties with Europe (WEU, etc).

6. In the shorter term, the impact of a breakdown on British public opinion would place us in a position of peculiar domestic and political difficulty in which the emotions of the hour and our long term interests could be in conflict. In theory, we should have greater freedom in choosing new foreign policies than at any time since the war; but in practice, the heated nature of public opinion, a possible desire for retaliatory actions and a general disenchantment with Europe could severely limit our choice of rewarding policies.



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7. The third factor governing our choice will be our estimate of the likely future development of Western Europe. On the one hand it might be argued that if we were to be excluded from the Communities then much of the impetus towards further European integration, particularly in the political and defence fields would be lost. The Six might settle for a Customs Union and no more. Were the negotiations to fail because of French insistence on tough terms against the wishes of the Five, our exclusion might lead to a major crisis within the Communities. The severity of this could be increased were we to put into effect retaliatory measures such as thinning out our forces in Europe or withdrawing from the integrated military structure of the Alliance. A possible result could be the paralysis or even the disintegration of the Communities. Although such speculation goes well beyond the realms of what is likely it might be argued that at the least our exclusion would significantly reduce the prospects of a cohesive and integrated Western European power emerging on our doorstep.
8. While the possibility that the further development of the Communities would be halted cannot be entirely ruled out, it would be rash to put much faith in it. In the probable circumstances of the failure of our application, (refusal by the Six to moderate their terms), an internal crisis within the Communities leading to its disintegration is unlikely. Even if there were some internal strains the Six



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would have strong reasons of self-interest for at least preserving what they have hitherto achieved. It is likely that, after a pause, progress towards both economic and political integration would be resumed. The removal of the distraction caused by the enlargement negotiations and the absence of the problems which would be brought by enlargement itself, would make such progress easier. The Six would be able to assume that we could safely be ignored in their future calculations of the course and pace of integration. In short, though no firm prediction of the impact of the failure of the negotiations on the EEC can be made, it is highly probable that the EEC would survive; and the prudent assumption must be that European integration would continue without us and that we should eventually be faced with a major power in the form of a united Western Europe.

9. The fourth factor will be the economic prospects as seen at the time we decide on our new policy. It is not part of this study to determine with any precision the long term economic implications for us of failure in the negotiations. We are concerned only with the economic climate as it is likely to exist at the time we decide among the courses open to us. This means (a) what has happened at the time, ie the immediate economic impact of the failure, and (b) our assessment at the time of the longer term economic consequences. As regards (a), there would be favourable factors. If negotiations fail it is likely to be because we judge that the terms we are offered are so onerous that we



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cannot afford to meet them and that we shall therefore be better off, in the short term at least, by not joining. This view could gain acceptance internationally, particularly if we could exploit and be seen to exploit this freedom for manoeuvre to good effect. On the other hand, it is unlikely that our immediate economic prospects would be the only factor in determining international reaction to the failure of negotiations. The actual break down would be a serious setback to our external policies and could therefore have adverse psychological consequences, eg for confidence in sterling. There might also be concern abroad at the longer term political and economic implications for us of exclusion from the Communities. Such considerations might give rise to adverse effects on confidence and the balance of payments; this in turn could require cuts in public and particularly overseas expenditure. As regards (b), the longer term economic implications lie outside this study. But it is likely that our assessment would emphasise our reduced economic and political potential and our diminished influence in external issues affecting our economic welfare. To sum up, the economic factor as existing at the time of our decision on new policies cannot be estimated exactly, but seems likely to incline us to caution and to more modest international commitments in choosing among the various policy options.

10. A final consideration which requires a brief mention is the future of EFTA. There is no real doubt that if our application fails, those of the other EFTA applicants will



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also fail or be withdrawn. We could therefore count on being able to maintain the EFTA association, at least in the medium term.

### UK Interests

11. The preceding paragraphs have analysed some of the principal external factors which will affect our choice of policies. But the main determinant will be the requirements of our own national interests. To establish these requires a brief analysis of the international environment in which we should be operating.

12. Over the next two decades the two superpowers will remain in a position to exercise predominant influence in international affairs. The areas in which they will be ready to deal directly with each other are likely to expand, and the scope for smaller political and economic units to play an independent role between them will be diminished. The capacity to exert influence on the superpowers will be crucial. This capacity is likely to be possessed by an emerging united Europe, by Japan and by China. These major powers, together with the superpowers, will operate at the highest level of international relations, will deal directly with each other, and will to a large extent be able to impose their will. In economic terms, advantages will increasingly flow to the large markets which they will command.



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13. Within this world of giants the UK by itself will be dwarfed. Projections of our economic growth indicate that our economic and political influence will inevitably decline in relative terms. We shall of course retain certain basic strengths: our close relationship with the US; our position as an advanced technological and industrial power; our possession of a nuclear force. We may be able to retain our permanent seat on the UN Security Council and our leading role in the Commonwealth. But these are wasting assets, and in the longer term will not be sufficient to ensure that our basic interests are preserved. The US will increasingly look over our heads to the Six and eventually to a united Western Europe. Our economic base will be too narrow to allow us to keep up with the technological development of larger economic units. Our nuclear force will become increasingly dated and irrelevant. Our privileged position at the UN is likely to come under increasing pressure.

14. The failure of the present negotiations would not itself change the nature of our present interests. The international environment in which we should have to make our way would be the same. The centre of our security, political and economic interests would continue to be in the European Atlantic area. We should still need collaboration with North America and Western Europe for our security. We should continue to need wider markets and orderly trading and financial conditions. What would have changed, however, if the forecast in paragraphs 12 and 13 above is correct,



would be that we should carry less weight, and that consequently our ability to promote these interests would have declined. The longer-term consequences of failure to achieve membership of the Communities would be to impose severe political and economic constraints upon us. Unless we were able to overcome these disabilities by finding some alternative means to widen our political and economic base and secure a greater influence than we could by ourselves command we must expect that our power to control our own destiny would rapidly decline.

#### The Options

15. The paper has so far dealt with the various factors which would influence our choice of policies should the present negotiations fail. It now goes on to examine the options which would be open to us, in the light of these considerations. In each case, the option is judged mainly in terms of our external interests, though the impact of other factors, such as public opinion, is not excluded.

16. The course which the paper considers first is that of maintaining our objective of membership of the European Communities. Our reasoning would be that no other course could offer us the advantages of membership of the EEC on satisfactory terms. The failure of the present negotiations would not have undermined the logic which led us to seek membership in the first place. However, since the obduracy of the Six in the present negotiations denied us any immediate prospect of membership, we should need to make other arrange-



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nents until such time as changes within the Communities (eg in the field of agricultural policy) or a change of heart on the part of the Six (perhaps brought about by our policies in the aftermath of failure) made it possible for us to renew our application and secure membership on acceptable terms.

17. While renewal of our application is an option we would wish to keep open, it is not a course which we could contemplate in the immediate aftermath of the breakdown of the present negotiations. Domestic political considerations would probably demand that we should, at least temporarily, turn our backs on the Communities, and perhaps consider retaliatory measures against Community interests. There would inevitably be a period of sourness in our relations with the Six. Moreover, if we were to make renewal of our application the main target of our policies in circumstances in which there was no immediate prospect of attaining it, the constraints which would be thereby imposed upon our freedom of manoeuvre to look after our interests would be unacceptable.

18. While maintenance of the objective of membership of the Communities is the course which is likely in the long term to serve our interests best, it will be a viable objective only if the Six are prepared to offer us attractive terms for membership and if we remain free to look after our interests in the meantime. That is, maintenance of this objective can only be our policy in parallel with one or other of the alternative courses set out in paragraph 19 below. Indeed pursuit of one or other of these courses could be the means



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which brought the Six to reconsider their terms for our entry. The remainder of the paper therefore explores other options which would be open to us in a situation in which we had failed to secure membership of the Communities and were not ready or able to try again.

19. The options which we believe would be open to us in this situation are set out below in four broad categories:

- (a) go-it-alone policies;
- (b) cooperation with European countries outside the Communities;
- (c) new forms of association with non-European countries; and
- (d) policies involving cooperation with the Six.

These options are not mutually exclusive. Elements drawn from two or more might be combined. Or alternatively we might move from one to another, or from any one of them to renewal of our application for membership of the Communities.

20. The various options are put forward as possible policies for the medium and longer-term. Before we examine them there is one question which requires separate consideration, namely short-term measures of retaliation against the Communities which Ministers might feel bound to take in order to quieten public feelings of outrage and show that the Government was not accepting our exclusion from the Communities supinely. In considering such measures there will be broadly two possible courses open to us. We could either try to identify a particular scapegoat for our



failure and direct and retaliatory measures against that country alone. Or we could direct our actions against the interests of the Community as a whole.

21. The only likely scapegoat would be France. While there is little likelihood of a French veto, it might be the case that the Communities' refusal to moderate the terms of entry would be seen to be the result of French obduracy.

In such circumstances we could pin the blame for the failure squarely on the French. We might conceivably receive support from the Five in doing so. It might be argued that blaming the French and following this up with anti-French measures would satisfy public feelings of outrage while preventing unnecessary damage to our relations with the Five and to our wider European interests.

22. While there would undoubtedly be attractions to such a course, there would also be difficulties. First, we cannot be sure that we should in fact be able to put the blame on the French. Their protestations of willingness to see the negotiations reach a successful conclusion provide them with a good alibi. They have, at least so far, managed to avoid any serious rift with the Five and it must be reckoned likely that such solidarity will persist.

The most likely scenario is therefore one in which all the Six would be seen to bear the responsibility for the failure of the negotiations. Secondly, even if it did become possible to make the charge against the French stick, it is difficult to see what we could effectively do to damage their



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interests which would not either be equally painful to us (eg cancellation of Concorde) or cause damage to our relations with the Five also.

23. On the assumption that the Six were united in rejecting our application and that we decided to take retaliatory measures against their interests, there is the further problem of distinguishing purely short-term measures from more far-reaching action, which would not be taken purely for its immediate impact but would be part of a drastic re-assessment of our role, in which we sought to reduce our burdens and set ourselves upon an entirely different course. In this latter category would fall such measures as, for example, withdrawal from NATO (or at least from its integrated military structure) or withdrawal of our forces from Europe. The implications of a decision to take such measures is considered more fully in the section on go-it-alone policies in paragraphs 28-43 below.

24. Purely short-term measures of retaliation fall into two broad groups:

- (a) measures which could be presented as an almost inevitable consequence of the breakdown of negotiations. The scope for action here would lie mainly in withdrawal from organisations in which we at present cooperate with members of the Six, and termination of certain regular bilateral contacts with them. In the former category, the most obvious candidate would be withdrawal



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from participation in WEU. It is unlikely that we shall wish to interfere with our membership of OECD or the Council of Europe, since their membership goes far wider than the UK and the Six. It would however be open to us to terminate our participation in the Aigrain Exercise (Cost Group) on European Technological Cooperation. We might also pull out of ESRO (this would concern the Germans but delight the French) and out of CERN. In the second category, we could terminate such regular bilateral contacts with the Six as Staff talks, and exchanges between officials on foreign policy issues (eg Anglo/French discussions on the Middle East and Africa);

- (b) measures which could be interpreted as involving some active malevolence on our part. The first possibility here would be withdrawal from joint projects in which we collaborate with members of the Six. The main projects concerned are Concorde; Jaguar; MRCA; Centrifuge, Anglo/French helicopters; Channel Tunnel. The nationalisation of Rolls Royce might offer us scope for sabotaging joint projects in the civil aviation field (eg the VFW614) in which the company is already involved. Other possible measures could include imposition of countervailing duties on Community products (principally agricultural exports); a reduction (though not in this