

## SECRET

category a substantial one) in our forces stationed in Europe; and recognition of East Germany.

25. There would of course be substantial drawbacks for us in taking such measures, particularly those listed in paragraph 24 (b). Virtually all the measures described would conflict with our longer-term interests which, whatever happens in the negotiations, will continue to lie in the European and Atlantic area. It would be unrealistic to assume that we could first carry through retaliatory action against the Six, and then pick up the pieces of our relationship with them at some convenient point in the future. It is more likely that short-term retaliatory measures would develop into a longer-term struggle which would rule out any future policy involving cooperation with the Six (including renewal of our application and membership of the Communities).

26. There is also the question of the direct cost to us of the measures in paragraph 24 (b). We have already spent some £240 million on the development of Concorde, and are committed to contribute another £165 million. It has been estimated that we might have to pay between £50 million and £300 million in damages if we withdrew. Withdrawal from MRCA would be considerably less costly, and would undoubtedly be a severe blow to West Germany and Italian defence planning for the 1980s (as well as to our own). There are provisions for review of the MRCA programme in July 1971 and again at the end of 1972. By July 1971



SECRET

we shall have committed approximately £75 million to the project. Withdrawal from Centrifuge might not involve immediate costs, but would be a severe blow to our own uranium enrichment programme. The Jaguar and Anglo/French helicopter programmes are both well advanced, and withdrawal would be scarcely feasible. Finally, there is the consideration that if we were by ourselves to impose countervailing duties on Community products, we would lay ourselves open to even more damaging retaliation by the Six against British products and would moreover encourage protectionist moves elsewhere which could only be harmful to us in our isolated position.

27. The conclusion is, therefore, that while retaliatory action of some sort might be forced upon us by political considerations, it would almost certainly prove as damaging to our own interests, both short and long term, as to those of the Six. If our considered judgement was that some measures had to be carried through, those in group (a) of paragraph 24 would be likely to be the least damaging to us.

(a) "Go-it-Alone" Policies

28. We now move on to an examination of the longer-term options listed in paragraph 19 above. The first option we consider is that of Britain "going it alone". Since the essential value of such a role would lie in its flexibility, it is hard to define it with precision. It could take the form of seeking to maintain the broad framework of the Atlantic Alliance, but carrying out considerable force withdrawals within that framework. In a more extreme form it could involve withdrawal from the Atlantic Alliance and



## SECRET

the assumption of a neutralist role. It could involve one or more of the following: retaliatory measures against the Community; the pursuit of new trading arrangements with the Commonwealth; an opening to the East, political and/or commercial. The essence of such a role would be a hard-headed opportunism. Our aim would be to compensate for our relative lack of political and economic weight by our freedom of manoeuvre. We should no longer pretend to be the most responsible of powers. We should leave it to others to shoulder the heavier, and possibly all, the burdens of Western security. We should take advantage of the crisis to wipe the slate clean and take a radical look at our commitments and policies to see where we could cut back on existing burdens.

29. While a hard calculation of national advantage would be the touchstone of our policies we should also have in mind the possibility of creating and exploiting strains within the European Community. We could, for example, make it clear to the Six, more in sorrow than in anger, that we had sought membership of the Communities as a condition of being able to bear such burdens as the maintenance of our forces in Europe. Without the benefits of membership we should inevitably have to relinquish some of these burdens. It is arguable that if we then proceeded to take some of the steps outlined below, the Six might conclude that they had no alternative but to reconsider our application for membership and offer us improved terms. On this favourable hypothesis, "go-it-alone" might be only a temporary role.



SECRET

30. There are obvious attractions in the course described above. We should have scope for action which, by harming the interests of the Six, would quieten public feelings of outrage at our exclusion from the Communities. We could claim a new freedom of manoeuvre unhindered by binding commitments or considerations of international opinion and relieved of the obligation of consultation with our allies. We would have the opportunity to choose policies suited to our reduced economic potential. Some of the possible measures, eg withdrawal of our forces from Germany, could bring us substantial financial and foreign exchange savings. As regards our security, we could argue that self-interest would ensure that the US and the leading West European states would have to take action to preserve the main framework of Western security without us, in which case we would enjoy the benefits at little or no cost. If on the other hand such shoring-up action proved impossible the dangers could so impress the Six that they would see it in their interest to invite us to join the Communities on improved terms.

31. But the objections are substantial and on closer examination many of the benefits are likely to prove more apparent than real. The arguments in favour of a "go-it-alone" policy assume that many of the obligations we have shouldered and the forms of cooperation into which we have entered since 1945 have been undertaken from duty or regard for others rather than from national interest.



SECRET

This is not the case. The same arguments from self interest in favour of our close association with Western Europe in the political, defence and economic fields which have applied for many years would continue to apply following a failure in the negotiations. Arguments for maintaining good relations with the US would be even stronger than before. To disregard these considerations would almost certainly do more harm than good to our interests. Alternative policies, based for example on improved Commonwealth links or a possible opening to the East, would offer no equivalent benefits: the centre of our interests lies in the West European/Atlantic area.

32. It would also be dangerous to assume that a "go-it-alone" role need only be temporary and could soon bring the Six to terms. A more likely result is that it would merely do lasting damage to our relations with the Six and the US without deflecting the former from their course. Nothing would be more likely to unite the Six than disruptive tactics on our part. We have tried disruption before, in the 1958/59 free trade negotiations, and failed. The option of renewing our application to join the Communities would probably be foreclosed by such tactics. If, on the other hand, we were to adopt dramatic wrecking tactics the effect might be only to produce a fragmented and weakened Western Europe with the Soviet Union as the sole beneficiary.



33. The remaining paragraphs in this section offer a more detailed examination of the following possible elements of a "go-it-alone" policy:

- (a) withdrawal from the integrated military structure of NATO;
- (b) withdrawal from the Alliance;
- (c) an opening to the East;
- (d) search for new major outlets for trade outside Europe;
- (e) economic action against the Community either by countervailing duties or an attack in GATT.

34. Withdrawal from the integrated military structure of NATO: We might claim that the spirit of the revised Brussels Treaty (which called for economic and political union in Europe) was dead and denounce those parts of it which relate to mutual defence and the commitment to maintain British forces on the Continent. We should then have the option of reducing the number of British forces stationed in Europe or withdrawing them altogether. The advantages would be that we were doing something to satisfy public opinion, were making considerable financial and foreign exchange savings, were imposing serious strains on the Six which might lead them to reconsider their terms, but were retaining the framework of the Alliance. We might argue that if the Alliance were to fail, self interest on the part of the US would ensure the maintenance of the



SECRET

US nuclear umbrella for Western Europe; or the U.S. and the Six, or, more probably, the U.S. and Germany, would provide for Western security. We could benefit at little cost.

35. The main disadvantages would be as follows. First, our interest in defence cooperation within the Alliance is not merely symbolic but a practical interest in the effective level of defence forces there. Anything we did to bring about a reduction in these forces would undermine our own security. Secondly, it would be at least open to question whether NATO would survive were we to withdraw from its integrated military structure or substantially reduce our forces stationed in Europe. An alliance may afford one major maverick but not two. If NATO collapsed Western security would be irreparably damaged and we would have cut off our nose to spite our face. It could not be assumed that the U.S. would continue to provide for Western European security if NATO were not in existence. At the least there would be vastly increased pressure to withdraw US troops from Europe. A very dangerous situation could arise in Europe if Germany felt obliged to provide for her own security possibly by seeking to acquire nuclear weapons, or, possibly by a new Rapallo. If, on a less likely contingency, NATO were kept going it would become increasingly a German/US alliance; again, it would not be in our interests to have a situation in which Germany dominated Western Europe. The third main disadvantage is that there could be disastrous implications for our relations with the U.S., in a situation in which our



dependence upon them, following our exclusion from the Communities, would be greatly increased. They would with justification regard us as sabotaging the Alliance. Those in Washington who would like to wind up Anglo/U.S. military cooperation in the nuclear field would be strengthened in their opinions. So would those who want U.S. troops withdrawn in some numbers from Europe. Our connections with the U.S. in the financial, commercial, intelligence and general political fields would greatly suffer.

#### 36. Withdrawal from the Atlantic Alliance

This would be the logical extension of the course described in paragraph 34 above. While it might not be a result we deliberately sought it would come about as a result of severe reductions in our defence and political ties with Europe and of a general mood of disillusion and introversion following our rebuff in the Brussels negotiations. Many of the arguments in paragraph 35 above apply. We should in theory at least have a greater freedom of manoeuvre. Western security might be provided by others. Our model might be Sweden. We could concentrate on our domestic, economic and social development. On the other hand, the counter-arguments apply with even greater force. The shock to Western security, including our own, would be shattering. The Alliance would almost certainly collapse. Our good relations with the U.S., on which we should be more dependent than ever, would be lost. It is for example, unlikely that we should receive the US cooperation necessary to keep our independent nuclear



force in being, so that we should be unable to do anything about our own defence. The Swedish analogy is a misleading one, since the Swedish position depends largely on a suitable balance of forces in Europe deriving from the existence of NATO and the US nuclear commitment. None of these conditions would apply in the situation we envisage. Altogether the disadvantages are so great that this is not a course we could seriously contemplate, though it is conceivable that we might drift into it.

37. An opening to the East: Our exclusion from the Communities might lead us to a reappraisal of our relations with the Soviet Union and East Europe, in which we should be less inhibited than at present by considerations of Alliance and general Western solidarity in seeking political and economic advantages from our relationship. But it is hard to see what lasting advantages we should hope to gain from such a move, while the penalties we should incur could be substantial. The Soviet Union would undoubtedly regard it as a considerable achievement were they able to detach<sup>us</sup> from our Western partners, and might, therefore, be prepared to pay a not inconsiderable diplomatic price in order to do so. There might therefore be short term benefits. But in the longer term their primary concern would inevitably be with the Communities because of their vastly greater political and economic importance. Nor could we realistically expect to gain much in commercial terms. Again the Soviet Union's main concern would be with the Communities, while East Europe would not in any case have the competitive goods



available to make it an attractive trading partner. In short, we could not expect any lasting political or economic advantage. The French experience is not irrelevant.

38. The negative consequences would also be considerable, particularly the effects on Anglo/US relations. Any serious move on our part to draw nearer to the Soviet Union and East Europe, for instance by changing our position on Berlin, would be regarded as a defection from the Western camp. The implications for American financial support, for the Anglo/US nuclear and intelligence relationships, and indeed for all aspects of Anglo/US relations could only be disastrous.

39. Search for major trade outlets outside Europe:

The difficulties here are that our major economic interests lie in the West European Atlantic area; some 68% of our trade is at present with this area and the proportion is increasing. We should not have as much to offer the less developed countries as would the Community. Our major Commonwealth trading partners (Australia and Canada) have already been drawn into other trading systems with the U.S. and Japan and we would lack the leverage to arrest or reverse this process. Our relations with the black African, and possibly some of the Afro/Asian Commonwealth are likely to be strained as a result of our South African and Rhodesian policies. We shall clearly need to expand our trade outside America~~s~~ and Western Europe as much as we can, but it would be unrealistic to suppose that we could find any new outlets of equivalent importance.



SECRET

40. Economic action against the Communities: There are two possibilities here: first, the imposition by the UK alone of countervailing duties on Community products, primarily agricultural exports; and secondly, an attack on Community trading policies (again primarily in the agricultural sphere) in GATT, in which we could expect the support of the US as well as Canada, Australia and New Zealand. Both courses would be a practical expression of our disenchantment with Europe, would do something to satisfy popular opinion after a breakdown and might conceivably act as a sharp reminder to the Six (particularly in view of the large volume of our agricultural imports) that they need<sup>us</sup>/as much as we need them. There are, however, important differences between the two courses. Were we by ourselves to impose counter-  
vailing duties on Community products, we should risk  
finding ourselves involved in a trade war in which we  
were fighting an economic unit very much more powerful  
than our own. We are far more vulnerable and our major trading interests and investments in Western Europe would be put at risk. Some 22% of our exports now go to the Six (more than to the Commonwealth, to EFTA or to the USA). The participation of the Six in support for sterling in the case of balance of payments difficulties could no longer be counted on. We should, therefore, either be forced to a humiliating climb down or be prepared to enter a long war of attrition in which we should almost certainly be the losers and which would foreclose the option of eventually renewing our option to join the Communities. Finally, it cannot be ruled out that in circumstances of failure to join the Communities,



## SECRET

we should wish to pursue a cheap food policy. This would rule out imposition of countervailing duties as an option.

41. An attack on Community trading policies, particularly in the agricultural sphere, in GATT is a rather different prospect. It is a course which we should certainly wish to consider as part of an initiative to secure freer world trade, provided that we could count on the support of the US, Canada, Australia and New Zealand. However, we should need to move with caution. First, our influence in GATT is relatively limited in comparison with that of the US, the EEC and Japan. Secondly, our own agricultural policies will make us vulnerable in GATT (though not to the same extent as the EEC). Thirdly, there is the danger that we should risk damage to our commercial and economic prospects within the Communities. In short, while we should bear in mind the possibility of action in GATT, our room for manoeuvre may in practice be very limited.

42. The conclusion of this section is that, given the fact that our major interests would continue to lie in the Atlantic/European area, the scope for adopting a go-it-alone policy without incurring major damage to our own long term interests is very restricted. Some short-term measures expressing our disenchantment with the Six, eg cancellation of certain joint projects, might be made necessary by public opinion. But anything more serious, ie any of the measures discussed above, would do us disproportionate and lasting harm. Nor should we count on bringing the Six to our way of thinking by such measures. The risk could be of driving them closer together or, if we went to extreme



lengths, of inflicting irreparable injury on Western, and British, security.

(b) Co-operation with European countries outside the Communities:

43. The second possibility we consider is that developing forms of co-operation with other European countries outside the Communities. In practice there are only two possibilities: measures to strengthen EFTA: or some entirely new form of association with East Europe. The two might in theory be combined, with the absorption of some East European countries into EFTA. Neither proposal would necessarily be incompatible with the go-it-alone rôle described in paragraphs 28-42 above.

44. The possibility of an arrangement with East Europe has been discussed in paragraph 37 above. There are substantial objections to it. Were we to make the further development of EFTA our objective, the possible steps would include measures to strengthen economic ties between members; the institution of a common external tariff and a common agricultural policy; the expansion of the organisation's membership by bringing in East European states; and the provision of some political body to the organisation allowing closer co-ordination of policies between members. But to introduce a common external tariff would mean going back on the free trade objectives on which EFTA is based. To propose a common agricultural policy would mean cutting our own throats. While there might be some scope for closer co-ordination of some domestic policies (e.g. social welfare, taxation)



there would be no prospect of EFTA acting as a unit in international relations given the neutrality of Sweden, Switzerland, Austria and Finland. There is no likelihood that the Soviet Union would allow the East European states to join. Nor would it be realistic to think in terms of the absorption of the centrally-controlled economies of Eastern Europe into a free trade area of market economies. In short, while we should certainly wish to exploit our membership of EFTA to the full, there is no realistic prospect of being able to develop it into a stronger and more cohesive political and economic unit.

(c) New forms of association with non-European countries:

45. The third range of options we consider is based on the assumption that, following our failure to enter the EEC, and under pressure from public opinion, we decided to reorientate our policies away from Europe. But we do not under this heading consider the possibility that we should seek an opportunist, go-it-alone rôle. Rather we assume that we should continue broad cooperation with our allies in NATO and our membership of EFTA.

46. The first point which should be made is that in circumstances in which we had failed to secure membership of the Communities we should have a major interest in the development of freer world trade. While it is probably impracticable to aim at an institutional form for this, it would be our policy to promote any measures which contributed towards the objective of reducing both tariff and non-tariff barriers to world trade, and support any initiatives to this end which others were prepared to take. We should for instance wish to bring pressure to bear on the Six



SECRET

in GATT (together with the U.S., Canada, Australia and New Zealand) to modify their trading policies in the agricultural sphere.

47. In a situation in which we decided to draw away from Europe, it would be natural to look to increased cooperation with the United States. Although we should not acquire any new political base from which to influence American policy, we should try to exploit our long-standing ties and our common language to maintain a degree of influence over US policy which our political and economic weight alone would not justify. This course would require us to bring our policies perceptibly closer to those of the US on key issues to avoid endangering their continued readiness to accord us a special position. It would at the same time be open to us to try to preserve as much as possible of our remaining Commonwealth links, and possibly to try to develop closer political and economic cooperation at least among members of the old Commonwealth. Our privileged position on the Security Council (though we must recognise that it is in any case likely to come under increasing pressure) would give us the option of continuing to play an active rôle at the UN and in the Third World generally.

48. There would be clear limitations to such a policy. The degree of our present involvement with Western Europe makes it extremely doubtful whether we could in any real sense turn our backs on Europe. Secondly, because our relative political and economic influence would decline,



the US would increasingly look over our heads to Western Europe. Our ability to play an effective rôle in relation to the less developed countries would also be restricted because of our close association with the United States, and, at least in the case of the Black African countries, may be limited by our policies towards Southern Africa. Because of their greater economic strength, Western Europe and Japan would be of more interest to the less developed countries. The older Commonwealth countries would continue their adjustments to the new centres of power in the world and our links with them and capacity to influence them would be likely to diminish. As pointed out above (paragraph 39), Australia and Canada have already been drawn into other trading systems, with Japan and the US. We would lack the leverage to arrest or reverse this trend. Our privileged position on the Security Council would in any case be likely to come under increasing pressure. In terms of our economic position, this sort of rôle could offer us some commercial advantages while world trading conditions remain favourable; but it would leave us politically vulnerable and exposed should there be a major recession.

49. A possible alternative to the course described above would be to seek a North Atlantic Free Trade Area embracing the US, Canada and the UK, which could be extended to take in other EFTA countries, Japan and Australasia. It is an ambitious concept. The commercial and economic benefit which we could derive from tariff-free access to the enormous markets included under such arrangements could be substantial. American investment in this country might



increase sharply (though whether this would in fact happen would depend very much on the economic and commercial relationship between NATO and the European Communities).

50. The first and over-riding objection to this scheme is its impracticability. There is no evidence at all to suggest that the US would be prepared to consider it or regard it as in their interests. Even if the US attitude should change (and there is no reason to suppose that it would), there would still be a number of disadvantages for us. British industry would be brought face to face with American competition both in the home market and in our EFTA market. The commanding heights of a NAFTA economy would inevitably be in American hands. British manufacturers would increasingly have to specialise in certain projects for which we retained a competitive advantage over the US, but these would be unlikely to include the glamour products of modern technology. Nor would NAFTA offer us any political base. Rather it would mean that we should be increasingly over-shadowed by the US. The conclusion must be therefore that the NAFTA concept is not a real option.

51. The third possibility under this heading is union with the United States. There is no reason to believe that this would be acceptable to either British or United States opinion.



**SECRET**

(d) Policies involving co-operation with the Six

52. Finally, we consider the option of making continued co-operation with the countries of the Six the main theme of our policies. There would be strong arguments in favour of such a course. Exclusion from the EEC would not in itself affect the multitude of ties which already link us to Western Europe. Continued co-operation would do less damage to Western cohesion than the other alternative courses envisaged. It would also offer us the best means of influencing an integrated Europe and would best preserve the longer-term option of renewing our application for membership of the Communities. Against this, there is the consideration that the effect on public opinion of failure in the present negotiations would probably be such as to make such co-operation an extremely difficult and unpopular course and, because of the short-term retaliatory measures against the Six which we might be compelled to take, possibly also an impracticable one.

53. Should we decide on this course there would be a number of possible options. At the lowest level we might simply pursue a course of ad hoc co-operation with members of the Six. (Such co-operation is likely to be the trend on the non-governmental level in any case.) We should be ready to examine on a pragmatic basis schemes for co-operation with the Six or individual members of it over the whole field of our relations. This could include for instance industrial and technological collaboration on specific projects, European defence co-operation within



the Alliance, participation in a technological community. Such a course would not provide any formal or institutional framework, on the basis of which we could seek to expand our political and economic influence. We should therefore be dangerously vulnerable. Nevertheless, it would allow us to retain close contact with, and in the longest term keep open the option to join, the European Communities.

54. A second possibility which might be considered would be to seek association with the EC. Because association would involve no sacrifice of sovereignty, it could have presentational attractions for domestic political opinion. But there must be considerable doubt whether it would be a feasible course. It is part of Community dogma that association is not available for developed European countries. The US would in any case be likely to object to any move by the Six to offer us association, and knowledge of this would probably deter the Six from doing so. Even if they were prepared to go ahead in the face of US opposition, it is unlikely that we could secure associate membership on terms which would be acceptable to parliamentary opinion. Association is not a form of membership: rather, it implies complete exclusion from all Community institutions. We should therefore lack any part in the Community's decision making. Further, the Six would be likely to insist that any association agreement should contain a substantial agricultural content;



## SECRET

adoption of the common external tariff; and a commitment in the longer-term to economic union. We should, therefore, be unable to escape paying a high agricultural price; should have to forego the advantages of cheap food and raw materials; and should be committed to eventual participation in an economic union in whose policies and future direction we should in the meantime have no voice.

55. Following a breakdown in the present negotiations, there could well be considerable domestic, political pressures within some countries of the Six (particularly Germany) to offer us some form of compensation for our exclusion from the Communities. This could take the form of the offer of a trading arrangement between EFTA and the EEC. The attractiveness of such an offer to us would depend upon its precise terms. It is impossible to give any firm picture of what these would be. It seems likely that the Six would insist that any trading arrangement should take the form of a Customs Union, which would mean that we should have to forego the advantages of Commonwealth preference, cheap raw materials and cheap food. Moreover, there is the likelihood that the US would oppose any exclusive trading arrangement between EFTA and the EEC, because it would maximise the economic penalties for them, without offering significant advantages in terms of a more cohesive and politically-integrated Europe. However, the possibility that the



## SECRET

Six might offer more attractive terms or that US opposition would be less fierce cannot entirely be discounted. The Six would have learnt from the failure of the negotiations that there are certain terms on which they could not insist. Since they might feel under some pressure to offer us some compensation for exclusion from the EEC (if only to lessen the likelihood of retaliatory measures or go-it-alone policies on our part) and since there would also be advantages to them in broadening their own market, it is possible that they might be more disposed to explore areas of mutual advantage. The US for their part, while they would certainly oppose an exclusive arrangement between EFTA and the EEC, might look more favourably on an arrangement in which they also could participate. Tentative ideas of this sort which have been floated within the Six might receive an impetus from the failure of negotiations for our membership. Even if the US were not able to participate in such an arrangement they might see it as the best available means (short of enlargement of the EEC) of securing a greater degree of cohesion in Europe. In sum, the prospect of our being able to negotiate a trading arrangement on acceptable terms must be slight. But since it is unlikely that, excluded from the EEC, we should be able to secure any more satisfactory arrangement, we should be ready to consider seriously any opportunity to negotiate an arrangement that might be offered to us.



56. A final possibility is that we should seek participation in European political and defence co-operation outside the existing Communities. This could, of course, arise only if the Six decided to make a functional Europe of separate Communities of differing membership their objective rather than an integrated, unitary political, economic and defence community. There would be some advantages to us in terms of retaining some influence over the political shape of Western Europe, and the organisation of its defence. But it must be considered unlikely that the Six would in fact proceed in this way. If they did, their influence as a unit within the separate Communities would far outweigh our own. And to seek membership of such separate Communities could in any case be ruled out by domestic political considerations.

What should our choice be?

57. We have so far reviewed the factors which would influence our choice of future policies after the failure of negotiations for our membership of the Communities, and have identified and examined the implications of various alternative policies. The purpose of this last section is to draw together the conclusions of our study.

58. The first conclusion is that there is no good alternative policy. The failure of negotiations would unavoidably be a severe blow to our international position and our prospects of maintaining and improving our security and prosperity. Measured in terms of British interests and compared with entry into the Communities



on acceptable terms now, the best of the options reviewed above is not merely second but fourth or fifth best.

59. The second conclusion is that our interests militate strongly against wholesale changes in policy and complete disregard of our links with the US and Western Europe (including the Six). The bulk of our interests will continue to lie in this area. No other area, eg the Commonwealth, or Eastern Europe, will provide any adequate substitute.

60. Thirdly, logic points to a renewed application for membership of the Communities as the correct course in the future. Domestic political considerations will almost certainly make it impossible to keep our application on the table; and relations with the Community are likely to be sour for some time. But it is a longer-term option which we should keep open.

61. If this is accepted, certain consequences for our short and medium term policies follow:

- (a) While some retaliatory measures against the Communities may be unavoidable, they should be restricted to the minimum necessary to satisfy public feelings of outrage. Cancellation of joint projects and the withdrawal of a small number of British units from Europe as a demonstrative move are probably the only major, direct measures which are feasible without risking



unacceptable damage to our longer-term interests. There may also be other indirect ways in which we could retaliate against the Six, eg action at the UN.

- (b) Our assessment is that 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. It would be more likely to unite the Six against us, and lead them to counter-measures which could cause disproportionate harm to our interests. These considerations argue against adopting many of the features of our active go-it-alone policy.

62. A further conclusion from our analysis is that none of the individual options we have examined will by itself provide the recipe for the most satisfactory British policy in the event of exclusion. While go-it-alone policies might allow us to shed burdensome commitments and give us greater apparent freedom of manoeuvre, this could only be at the expense of unacceptable risks to our security and damage to our economic position, and to our relations with the US and individual members of the Six. Similar arguments militate against any 'opening to the East', which would in any case be unlikely to profit



us much. Little could be done to strengthen and develop EFTA, though we should certainly wish to maintain it.

63. We should certainly wish to strengthen our ties with the US were we outside the Communities. But we should be of declining interest to them, and should only be able to retain influence over US policy by extremely close association with it. This would seriously restrict our independence. NAFTA would be an impractical and unrealistic project.

64. Association with the EEC is not an option likely to be available to us on attractive terms. It would in any case be difficult in political terms as would participation in European political and defence co-operation outside the existing Communities (were this to be an option). A trading arrangement between EFTA and the EEC would have certain advantages for us if the terms were right and we should be ready to consider seriously any opportunity to negotiate such an arrangement; but it must be considered doubtful that the opportunity will arise.

#### Recommendations

65. Since none of the individual options is itself satisfactory, we should need to draw on elements from several of them to construct a viable rôle. The main lines of our policy would include the following:

- (a) we should remain members of the Alliance  
and retain the bulk of our forces in Europe.  
We should, however, withdraw our support for



SECRET

European Defence Co-operation. We should also make it clear that our solidarity as members of the Alliance could not necessarily be counted on when direct national interests were at stake, and that, for example, the future level of forces we retained in Europe would depend upon our assessment of our wider defence interests. In short, we should be a more prickly and less co-operative member than at present.

- (b) we should remain members of EFTA and seek to exploit our membership to the fullest advantage. At the same time we should work actively for freer world trade, and explore the possibilities of improving our trading position with the US and Japan, in the Commonwealth countries and in the Third World generally.
- (c) we should cultivate our relationship with the US to the maximum possible extent, making full use of our good access to the US Administration at all levels. Our aim would be to secure maximum influence over



SECRET

US policies. This would often require close association with them;

- (d) we should be ready to exploit any opportunities for improved relations with Eastern Europe and the Soviet Union, particularly where there were apparent commercial and economic advantages to be gained, without paying too close attention to considerations of solidarity with other Western European countries. We might, for example, be ready to urge speedy recognition of East Germany;
- (e) we should continue to play an active part in promoting our economic and commercial interests outside Europe particularly in the Third World. But because we should be operating from a comparatively narrow economic base and with limited political influence our rôle would be essentially opportunist. We should avoid new responsibilities and base our policies on a hard view of where our interests lay. We should use the Commonwealth connection where possible to increase



## SECRET

our influence (accepting the implication that this would probably lead to withdrawal of some members). We should use our aid to "back winners", to cultivate our main suppliers of raw materials and to promote our interests in countries where we had major political and economic interests.

- (f) we should attempt to keep open the option of eventual renewal of our application for membership of the Communities, recognising that this will limit the extent to which we can cause random damage to the interests of the Six;
- (g) in the public presentation of our policies we should emphasise our independence and our flexibility and the extent to which we intended to be guided by our own interests. We should give the impression that nothing could be ruled out, and that we were prepared to consider any type of policy which offered an advantage even where it meant upsetting our friends and allies and breached the convention within which our foreign policy had hitherto operated. In short our motto would be "Britain first" and we should be ready to stretch



to the limit the tolerance of our  
alliance partners without going so  
far as to bring down the temple itself.

65. The course outlined above would not be an easy one. It would be far short of a substitute for membership of an integrated Europe. It would give us no wider political and economic base. It would mean that we should have to live by our wits to an ever-increasing degree. We should increasingly be able to make our influence felt only behind the scenes, and international status would inevitably decline. But the same time it would be a rôle which would take of our vital interests, and particularly our close dependence on both the US and Western Europe, while allowing us a degree of flexibility in the pursuit of particular national interests. It would allow us the satisfaction of a rôle in certain areas outside Europe sufficient to keep alive a sense of national purpose, and prevent a decline into disillusion and isolationism. It would keep open the option of renewal of our application for membership of the Communities. And it would also be broadly acceptable to public opinion. In short it would be a rôle which would allow us to make the best of a situation in which membership of a united Europe was denied to us.