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**CLOSED
UNTIL
2001**

PART 1 ends:-

~~Lot Exchequers Office to~~
Sir W. Field to Prime Minister, 30 Dec 1970
Mr Armstrong 27-11-70

PART 2 begins:-

~~AE (70) 42. copy 35 1-12-70~~
J.A. Robinson to Sir C. O'Neill, 4 Jan 1971

TO BE RETAINED AS TOP ENCLOSURE

Cabinet Documents

Reference	Date
CM(70) 1st Conclusions, Minute 3	23.6.70
CP(70) 2	23.6.70
CM(70) 2nd Conclusions, Minute 4	25.6.70
CP(70) 4	26.6.70
CM(70) 3rd Conclusions, Minute 3	29.6.70
AE(70) 4	29.6.70
AE(70) 1st Meeting, Minutes	3.7.70
CM(70) 5th Conclusions, Minute 5	16.7.70
AE(70) 15 (Revise)	17.7.70
CM(70) 8th Conclusions, Minute 3 (Extract)	23.7.70
CM(70) 34th Conclusions, Minute 4	29.10.70
AE(70) 41	18.11.70
AE(70) 42	1.12.70
AE(70) 43	3.12.70
CP(70) 115	7.12.70
AE(70) 8th Meeting, Minutes	7.12.70
ES(70) 7th Meeting, Minutes	9.12.70
CM(70) 45th Conclusions, Minute 4	10.12.70
CP(70) 118	11.12.70
CM(70) 47th Conclusions, Minute 1	14.12.70

The above-listed Cabinet documents, which were enclosed on this file, have been removed and destroyed.

Cabinet documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed

W. Dayland

Date

19/5/00

JR Green
Prime Minister's Office Records
Hepburn House, Marsham Street

Y 0467

PRIME MINISTERcopies to: SIR BURKE TREND
MR THORNTONA³
h.EEC NEGOTIATIONS

1. Before starting your heavy programme for 4 January and onwards, you may like to have this very brief note on the prospect for the EEC negotiations up to July, and in the light of that and of the other relevant considerations, to decide whether to take part in the promised Debate on the negotiations, the most likely date for which is 26 January.
2. In Brussels, the French will be during the next six months in the Chair of the Ministerial Council of the EEC and of the Ministerial and Official negotiating conferences. During the last few weeks they have again demonstrated their capacity for intransigence both on crucial subjects in the negotiations and also within the Six on the Werner Plan. They will be well placed during the next six months to raise difficulties on negotiating issues, on our economic prospects and the role of sterling, and to make any peripheral demands they may have on us, e.g., for nuclear co-operation. We shall perhaps learn something of their inclinations during January and at the Ministerial meeting on 2 February.
3. At home, the negotiations must be expected to receive much more intensive political attention during the next six months than during the last six. We shall be negotiating on the whole of our problems, major and minor, with a view to breaking the back of negotiations by July; whereas in the last six months we have been mainly establishing facts and making opening bids. If the outcome of the negotiations is still uncertain next July, there is a clear risk of major difficulties after the summer holidays, in the negotiations themselves, at the time of the Party Conferences, and in the following Parliamentary session, (1971/72) into which the heavy legislative burden of entry will also fall (I am sending a separate submission about this).

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4. The attached brief note, therefore, sets out the present prospect for achieving the objective of breaking the back of the negotiations by July. The essence of it is that we may not know for some weeks yet, whether we shall need a summit about April/May to break a deadlock in the negotiations arising from French intransigence: or whether we can keep the summit meeting in reserve for final agreement in principle (save for details and texts) in June/July. Nor shall we know until after the Singapore Conference what are the prospects for the related negotiations on the renewal of the Basle Agreements on the Sterling Balances. The earliest time for a stocktaking on the European negotiations would seem to be soon after the Singapore Conference and the Ministerial Meeting on 2 February.

5. In the forthcoming Debate the Government's aim will presumably be to present a satisfactory progress report on the last six months' and to avoid complicating the course of negotiations for the next six months. The Opposition's official line is still to enter if the terms are right: but the anti-Marketeers will no doubt make the most of criticisms of our opening positions, of dire forebodings about the cost and consequences of entry and perhaps the need for a referendum. But at this stage of the negotiations the Debate can presumably be limited to one day, requiring two or just possibly three Government speakers, of whom the Chancellor of the Duchy will no doubt be one.

6. The scope of the Debate scarcely requires Prime Ministerial intervention. Moreover, you yourself and the Foreign and Commonwealth Secretary will only have been back for a day or so from a strenuous tour and Conference. The other senior Ministers most closely concerned with the European negotiations are the Chancellor of the Exchequer (Community finance, economic and monetary harmonisation, capital movements and value added tax), the Secretary of State for Trade and Industry (common external tariff and commercial and industrial policy) and the Minister of Agriculture (C.A.P. and food prices).

7. In the light of this minute, you may wish:

1. to consider having a general stocktaking in the early days of February, and perhaps to reserve a date for it (say 5 February).

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2. to decide on the Government's speakers and general line in the January Debate on the European negotiations.

W.A.

W A NIELD

30 December 1970

Common Market Negotiations

The Six are still in disagreement about their negotiating position with us on the transitional period and on the size of our financial contribution (as well as over the development of the Werner Plan for economic and monetary union). It remains to be seen whether these disagreements will persist and, if so, whether the French Government will press its view that there must be a "global solution" to all problems to the point of refusing to negotiate about anything until a global negotiating position has been agreed by the Six. Thus, we are coming to a crucial stage in the negotiations in which we have tabled all our bids and are waiting to negotiate on them.

2. If the French are reasonable it should be possible during the course of January and February (and at the Ministerial meetings on 2 February and 16 March) to make significant progress and significantly to reduce the area for negotiation by the date of the following Ministerial meeting in May. On this hypothesis one could look forward to the crucial meeting of the negotiations in June at which we would settle our financial contribution and, perhaps, clinch the transitional arrangements and the treatment of New Zealand. Since discussion would have been taking place, on this hypothesis, over the preceding six months at Ministerial and Deputies' level, it seems very probable that this June meeting would need to be held at Heads of Government level.

3. On the other hand if the French are particularly difficult there could well be no significant progress in January and February and the Chancellor of the Duchy may find that he is unable to break the log jam at the two Ministerial meetings in February and March. In which case it would become necessary to consider whether we should try to turn the projected May meeting into a meeting of Heads of Government for the dual purpose of getting the necessary political agreement to resume progress and to establish guiding principles for resolution of the main issues in the negotiation. On this hypothesis the actual settlement of the main issues could be left to an early Ministerial meeting in June (preferably with a further Summit tentatively arranged for July in case of need).

4. The conclusion is that at least one Heads of Government meeting will be needed in the first half of 1971 but probably not before May. But we shall not be able to plot a course more accurately until we see how matters progress in January and February.

FOR INFORMATION

MS 6000



Jks.

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December, 1970

Minute to all non-Cabinet Ministers

Last week I wrote to you with some material for speeches on our entry to the EEC.

I now enclose a piece entitled "Ten Reasons why Britain should join the Common Market" which I said I would send you when it was ready.

WW

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Privy Council Office,
68 Whitehall,
SW1

TEN REASONS WHY BRITAIN SHOULD JOIN THE COMMON MARKET

1. FOR REAL INDEPENDENCE AND SOVEREIGNTY. Decisions are already being taken in Europe which affect Britain profoundly, and their number and scope will increase. Outside the EEC we have no voice in them. It is time we took our place on the Board of Directors. As members of the Council of Ministers in Brussels, British Ministers responsible to the British Parliament would have their say in controlling the Administration of the European Community and ensuring that Britain's basic interests are safeguarded.
2. FOR A RISING STANDARD OF LIVING. Real wages and the standard of living have risen in Britain since 1958; but they have risen much faster in the EEC. Then, we were better off per head than all the Six except tiny Luxembourg. Today we are worse off than all except Italy. If the present trend continues and we remain outside Community Europe, we shall, by 1980, be even worse off by comparison.
3. FOR A FULLER LIFE. In the EEC countries the average citizen has more paid holidays and higher family allowances than in Britain. We spend less of our gross national product on social welfare and security than any country of the Six. The larger market which a Community of Ten will provide will bring more choice for the housewife, lower prices for many products, more jobs, and better career opportunities. Increased wages will compensate for increases in food prices. The rising standard of living will enable British families increasingly to enjoy the pleasures of holidays abroad.
4. TO IMPROVE OUR FOREIGN EARNINGS. Western Europe (EEC plus EFTA) is our largest and fastest growing market. But we can do better still, if we join. Between 1958 and 1968 our exports to the Six multiplied $2\frac{1}{2}$ times; but intra-Community trade multiplied 4 times. In the EEC, trade barriers will no longer be an obstacle for us. Joining will not affect tariffs against our exports to the USA or the rest of the world. It will mean loss of preferences and exports to the Commonwealth, but this loss will be swallowed up in our increased earnings from exports to Western Europe.
5. FOR ECONOMIC GROWTH. Increased exports demand a growing economy to produce them. Between 1958 and 1968 GNP in Britain rose by 49%; but it rose by 112% in the EEC. Inside an enlarged Community of Ten, Britain should share in this quicker growth. Each 1% improvement in our growth adds some \$400 million to our national income.
6. TO DEVELOP OUR INDUSTRY AND TECHNOLOGY. American experience shows that technologically advanced industries must be based on a large home market. Britain's entry into the enlarged Community will provide the best guarantee that British research and British brains will bring about advance and growth in Britain's industry and technology. This will provide real opportunities at home for those who now go abroad in frustration. It will help to stop the brain drain.

7. FOR OUR WAY OF LIFE. The Six sovereign states of the EEC have kept their national character. The Dutch still have their Queen, the Belgians their King; the French are no less French than they were in 1958. Any differences, as regular visitors to Europe know, are those brought about by more prosperity, more leisure, and easier travel. Bound to Europe by two thousand years of shared history and tradition, Britain in Europe can ensure that our qualities and virtues can best make their own contribution to our civilisation.

8. FOR PEACE AND SECURITY. The enlarged Community will strengthen Western Europe's capacity to defend itself and provide the best base for a stable relationship with East Europe. Whereas the Communist nations have in the past concentrated on exploiting the divisions of Western Europe, they are now rapidly strengthening their trading links with the EEC.

9. FOR WORLD PROSPERITY. An enlarged Community of Ten will be the world's largest trading group, handling 40% of the world's external trade. It will also play the largest part in aid to and trade with the developing countries. This is why an ever-increasing number of countries (including Nigeria and the East African Commonwealth countries) have become associated with the EEC or are seeking closer links with it.

10. FOR OUR CHILDREN'S FUTURE. The enlarged EEC will be the most important experiment in democracy in history. The Treaty of Rome is not only for today but for tomorrow. In its first 10 years the Six have succeeded in demolishing not only tariff barriers but misunderstanding, distrust and fear among themselves. But Six is not enough. We owe it to our children that Britain, which has in the past shed so much blood in Europe, should join with courage and vision in the creation of a new partnership. A strong and unified Europe will itself be a super-Power, capable of harnessing the energies and genius of its people, of talking on equal terms with any nation, and of ensuring a future of peace, prosperity and liberty.

European Policy
File AH

December 21, 1970

The Dutch Ambassador, Dr. van Roijen, paid a farewell call on the Prime Minister at 5.15 p.m. this afternoon, December 21.

In a brief discussion of the E.E.C. negotiations, he expressed the view that agreement was going to be reached on enlargement. The main danger he saw was that the French might calculate that the United Kingdom was ready to join on any terms and might in consequence set the price too high. He thought that their insistence of five years for the transitional period for contributions to the Community budget was a negotiating position only and that they would settle for eight. He was convinced that France now wanted Britain in the Communities to balance Germany; this was particularly so since the German-Soviet Treaty.

There was also some discussion of Berlin. The Ambassador thought that the Russians were anxious to reach agreement so that the German-Soviet Treaty could be ratified. The Prime Minister suggested that they might be counting on Herr Brandt's need to get the Treaty ratified for the purposes of his ost-politik to enable them to get ratification without having to make serious concessions on Berlin.

I am sending a copy of this letter to Tickell (Office of the Chancellor of the Duchy of Lancaster).

(SGND) P. J. S. MOON

Ian McCluney Esq.,
Foreign and Commonwealth Office.

Record of a Meeting Between the Prime Minister
and the Prime Minister of Canada at
24 Sussex Drive, Ottawa, on 16 December, 1970
at 12.15 p.m.

Those present:

Prime Minister	Rt. Hon. P.E. Trudeau
Sir B. Trend	PC., MP.
Sir D. Greenhill	Mr. Mitchell Sharp
High Commissioner	Mr. B. J. Danson, MP
Mr. Armstrong	Mr. Ed. Ritchie
Mr. Moon	Mr. Jake Warren
Mr. Maitland	Mr. Ralph Collins
Mr. Wiggin	Professor Ivan Head
Mr. Whitehead	Mr. Don Cornett
Mr. Macleod	Mr. R. Elliott
	Mr. R. Francis

Mr. Trudeau said that he and the Prime Minister had been discussing the forthcoming Commonwealth Prime Ministers' Meeting at Singapore. He suggested that they might now turn their attention to Europe and our negotiations with the EEC. There was also the question of our agricultural policy. Mr. Sharp had discussed these issues at length in London with Mr. Heath and other Ministers. He had also had talks in some EEC capitals. Were there any aspects of the British position which Mr. Sharp would like further explained?

Mr. Sharp said that the Canadian Government had two main concerns. First they accepted that Canada would have to make adjustments when the Community was enlarged. They did not believe that it would be too difficult for the enlarged Community to "accommodate" Canada. For the United Kingdom the transitional period would arguably amount to a postponement of the benefits of enlargement. But for Canada at the end of the day there could be real disruption of existing trading patterns. *if nothing was done to meet Canada* The Canadian

Government were prepared to make the necessary adjustments, and of course they did not question the British Government's right to decide whether or not they should enter. But it would help nobody if enlargement harmed Canadian interests and he hoped the Canadian case, would receive urgent and sympathetic consideration.

Secondly, the Canadian Government believed that the agricultural policies of the EEC were not good for Britain any more than they were for Canada. Moreover, the Canadian Government ^{held} ~~believed~~ that Britain's proposed agricultural levy scheme would damage Canadian interests and that compensation would be required.

Mr. Sharp asked whether it was correct that the British Government were now prepared to accept a transitional period of five years for both agriculture and industry.

The Prime Minister confirmed this. Britain had first asked for three years for industry and six for agriculture. The Commission considered that the same transitional period should apply to both. Since Canada was more likely to be affected by the industrial sector this should be of help to her.

Mr. Heath then explained the proposals which the British delegation were tabling in Brussels in respect of the financial arrangements. He emphasised that this question was very closely related to that of agricultural policies and prices. Whatever financial arrangements were ultimately agreed

substantial payments across the exchanges would be involved for Britain. It was very much in Britain's interests to keep price levels as low as possible. (There was also the development contribution to the central budget to take into account.) Britain did not want to have to cope with the problem of large surpluses. As an applicant for entry Britain was not in a position to have much of a say in price levels now. But after entry we would be fully entitled to our say. Nor would we be alone. The French were basically in agreement with us on the price question. The Germans were in a particular difficulty because of the ~~structure~~ of their farming industry, but they too recognised that the present position was far from ideal.

Our own levy scheme was not aimed at ~~raising~~ prices or ~~increasing~~ the level of support. It was a change in system designed to switch the burden of support from the Exchequer to the consumer. In terms of the ~~interests~~ ^{interests} of other countries the price levels were the key.

Mr. Sharp said that ^{one} ~~we~~ also had to take ^{consumer} ~~in~~ ^{in Britain} reactions ~~into~~ ^{into} account, ~~and that~~ He was not wholly convinced by the arguments ~~addressed~~ ^{addressed} by the Prime Minister. However, the question of possible damage and compensation would be better pursued in detail elsewhere.

Mr. Sharp asked whether the Prime Minister thought Britain would be able to enter the EEC in 1972. Mr. Heath replied

that it was not possible at present to say. There were those (including some of the British negotiating team) who believed that the back of the negotiations would be broken by July of next year. However, there were others (including many Europeans) who thought that the major problems would not be overcome until the end of 1971. Some people (including Herr Brandt and Dr. Luns) believed that certain decisions would have to be taken at a top-level meeting. And then, of course, whatever terms were agreed would have to be submitted to Parliament.

In reply to Mr. Sharp's question about other candidates, Mr. Heath said that Denmark seemed happy and the Irish Republic reasonably happy with the way negotiations were proceeding. The Norwegians had rather more problems, but these should be surmountable.

Mr. Sharp said that he must again record Canada's grave concern that a trade war might develop out of EEC policies on the one hand and growing protectionism in the United States on the other. Mr. Heath agreed that a danger existed and said that he would be raising the subject with President Nixon in Washington. However, at Chequers in October, President Nixon, after recalling his election commitment on textiles, had assured him that, for the rest, he was determined to uphold a liberal trading system. Moreover, President Pompidou had assured him that the EEC were themselves most anxious to avoid a trade war. Although

implementation of the Kennedy Round had proved, and was still proving, a very lengthy process, one could not place all the blame for that in any particular quarter. It was fashionable to maintain that the Community were inward-looking. But their tariffs were lower than ours and their aid programmes were as big as ours, if not bigger. They were admittedly open to criticism in respect of agricultural price levels. On the other hand, dumping was more difficult under a levy system than under the present British system of agricultural support.

Mr. Sharp said that the preferential area growing up around Europe was causing the Canadian Government deep concern. The Community argued that the initiatives for these arrangements came from other countries, not from the EEC. But the situation contained all the seeds of a trade war. As negotiations for enlargement progressed so there should be a parallel move on the multilateral front. There might not be much room to move on tariffs, but non-tariff barriers might well provide scope for negotiation.

Mr. Heath said that he could not deny that a problem existed. The United States Administration might well prove difficult over the position of the neutrals, Sweden, Switzerland and Austria. In 1962, the United States view had been that, if the European neutrals were not prepared to put their weight behind the movement towards political unity, the United States Government were not prepared to put up with

the economic disadvantages of their becoming associated with the EEC.

A major difficulty in seeking to promote a "Nixon Round" would be Congress. He did not believe they would give the Administration the necessary negotiating authority at this time. Furthermore, until the enlargement negotiations were over, Britain and the EEC would find it extremely difficult technically to participate in parallel tariff negotiations. However, since the whole trend was towards lower tariffs, tariffs themselves might not be a major problem. As Mr. Sharp had suggested there was a range of non-tariff barriers and problems which could have a ~~such~~ more inhibiting effect on international trade. Britain lived by trade and, once in the EEC, would continue to work for liberalisation.

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in the Public Record Office.

- ① House of Commons Hansard, Columns 1354 to 1370
dated 16 December 1970
(European Economic Community)
- ② House of Commons Hansard, Columns 690 to 706
dated 10 December 1970
(European Economic Community)
- ③ House of Commons Hansard, Columns 1075-1076,
1 December 1970
(“oral Answers: European Economic
Community”)

Signed

J. R. Green

Date

23 October 2000

J R Green
Prime Minister's Office Records
Hepburn House, Marsham Street

CONFIDENTIAL



Chancellor of the Duchy of Lancaster

Foreign and Commonwealth Office
Downing Street London SW1
Telephone 01-930 8440

14 December, 1970.

Brian Merrick,

M
14/12

AA 22/12

Dear Peter,

... Attached is a revised text of the Chancellor of the Duchy's statement to Parliament on 16 December about British participation in the Community's financial arrangements. It follows the discussion in Cabinet this morning.

I am sending copies of this letter to Ryrie (Treasury), Davies (Lord President's Office) and Thornton (Cabinet Office).

Yours sincerely

C. C. C. Tickell

(C. C. C. Tickell)

P. J. S. Moon Esq.,
10 Downing Street,
London, S.W.1.

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With your permission, Mr. Speaker, and with that of the House, I wish to make a statement about certain proposals which I have today tabled in Brussels regarding United Kingdom participation in the EEC's financial arrangements in the event of our accession.

In brief Her Majesty's Government have proposed that over the first five years of our membership of the Community our contribution to the Community budget should build up by equal annual steps to a basic key which should lie in the range of 13-15 per cent of total contributions. Thereafter, for a further 3 years, the year to year changes in our share of contributions should be subject to limitations on the lines of the correctives the Six have provided for themselves up to 1978.

We have further proposed that there should be provision to review, if necessary, the operation of the financial arrangements in an enlarged Community.

The House will expect me to explain the significance of these proposals for the United Kingdom. I must first emphasise that any estimates inevitably depend on a large number of assumptions which have to be made about the ways in which the enlarged Community would develop in the years after we and the other applicant countries had joined. To take just two of the most important factors: it is really very difficult to judge what the size of the Community's budget will be at the end of this decade, and what share
/of the

of the total will be devoted on the one hand to schemes of agricultural support, from which we, with our relatively small and highly efficient agriculture, cannot expect to be major beneficiaries, and on the other to regional and industrial development and other programmes.

It is because of these uncertainties that in the past the Six themselves have in practice reviewed their own arrangements whenever unforeseen developments have upset the balance which previous agreements were expected to produce. We have therefore proposed to the Six that a suitable review provision should be an essential part of any agreement.

Having made clear to the House the inevitable limitations of any estimates, I can give some indication of what we expect the proposals we have put to the Community might involve. If we assume that the Community budget in 1977 was to be \$4,500 million, as we have suggested to the Community, then under the proposals we have now made, after making an estimate for receipts, our net contribution would build up gradually from about £30 million in 1973 to about £140 million to £180 million in 1977. If, however, the Community budget remained at its current level of about \$3,000 million then our net contribution would reach about £60 million to £85 million in 1977, on the same estimated basis of receipt.


We have also to take account of the fact that in the short term membership of the Community will have certain other adverse effects on our balance of trade as a result of the increased cost of food imports and the loss of some

/of

of the trade preferences we enjoy in other markets. For this reason, it is important that we should move up gradually towards our ultimate contribution.

Neither this Government nor our predecessors have ever attempted to disguise the fact that membership of the Community will involve a substantial net contribution to the Community budget and, at least in the early stages, other balance of payments costs. But again, like our predecessors, we believe that account must also be taken of the prospect of dynamic economic advantages of membership which would be substantial. As to these, one has to make a judgement about the likely response of British industry to the opportunities and challenges that would be presented by our entry into the Community. The Government's judgement - and it is shared by the overwhelming majority of our leading industrialists - is that the response would be vigorous and determined and that we could expect to achieve a significantly higher economic growth rate if we joined the Community than if we remained outside.

The Government also consider that membership of an enlarged Community will provide considerable opportunities for British farmers. Without underestimating the problems that have to be faced in the early years of our membership, therefore, we hold firmly to the view that our entry into the Community on reasonable terms would be in the long-term economic interests of this country.



We are also convinced that enlargement of the Community would be in the interests, political perhaps even more than economic, of the whole of Western Europe. It is with these considerations in mind that the Government have formulated the proposals which I have tabled in Brussels today.

PRIME MINISTER

A KH
12.

United Kingdom Contribution to the Budget of the European
Communities: Parliamentary Statement
(CP(70) 118)

The Cabinet agreed on 10th December that our detailed proposals on Community finance should be presented to the Six by 18th December. They wished to consider further, however, how these proposals could best be presented at home. The Chancellor of the Duchy has accordingly circulated a draft statement which he intends to make in the House on the day that our proposals are tabled in Brussels (probably Wednesday, 16th December, if the Lord President confirms that this would be the most suitable day for Parliamentary reasons). The more obvious and difficult supplementary questions that are likely to be asked are dealt with in the Annex.

2. Officials of the Departments mainly concerned were fully consulted in the preparation of the draft statement and supplementary notes; and they will also be providing the Chancellor of the Duchy with all the additional supplementary material which he will require. The general approach in both the draft statement and the supplementary notes is that entry into the Community will admittedly involve us in accepting certain adverse consequences for our balance of payments which, although speculative, can be estimated with some degree of plausibility; but that the benefits which entry will bring through the stimulus to faster economic growth, while not susceptible to detailed statistical analysis, can nevertheless be expected, and are expected by the CBI, to be substantial; and that on balance entry would therefore be in our long-term economic interests.

3. There is, of course, the inevitable problem of not making the prospects seem too good in Brussels and, at the same time, of not making them too bleak in London. But it is perhaps important that the Government should not be open to any charge that, by confining the statement to the question of our contribution to the EEC's budget, we are trying to obscure the issue of the total balance of payments cost. In other words we must not be reluctant to answer the first supplementary.

4. In considering the statement, the Cabinet will want to bear in mind that the Lord President has indicated to the Committee on the Approach to Europe that, in his view, a debate will be inevitable very soon after the Christmas Recess. The Chancellor of the Duchy accordingly envisages

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presenting the Government's case to the House in two stages - through the present statement before Christmas and then in a full-scale debate soon after Parliament returns. Once the bid has been tabled and the debate in Parliament is over, it will be possible - and very necessary - for the Government to begin in earnest the task of public education on the issues involved.

Denke 11/20

11th December, 1970

R. **TOP SECRET**

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Copy No 1 of 4 Copies

PRIME MINISTER

CP(70)115 - UNITED KINGDOM CONTRIBUTION TO THE
BUDGET OF THE EUROPEAN COMMUNITIES

1. Sir Burke Trend agrees that the meetings of ES and Cabinet tomorrow need two briefs; this one, for general background; and the one attached, which is directed to the memorandum above.
2. The memorandum really poses two issues, not one:-
- Whether its proposals for our opening bid and ultimate negotiating objective on this central issue are realistic and sensible in the context of the negotiations.
 - Whether, if something on the lines of a. can be negotiated, we can afford to pay the resulting contribution, having regard to the other costs of entry and to our expectations of the "EEC dynamic": i.e. is the contribution realistic in the context of our economic prospects.
3. The memorandum, and the attached brief on it, deal with both issues. But to deal fully with the second issue requires additional questions to be asked and answered. Broadly speaking, these are as follows.
- What balance of payments surplus on current account do we need over the next few years to pay off our debts and finance the normal deficit on capital account (answer: about £500 million a year).
 - What prospect have we of getting that surplus? (answer: quite good provided we can so reduce our cost inflation as not to undermine our competitive capacity in world markets).

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c. What prospect have we of an economic dynamic which, given appropriate demand management policies, will pay the further costs of entry, i.e. Budget contribution, dearer food imports, loss of preferences in EFTA and the Commonwealth, totalling up to £460 million a year by the late 70s? (answer: good, provided:

- para. 21 of CP(70)115

1. cost inflation is controlled as in b., and other appropriate economic policies are followed:
2. the cost of entry is not excessive in terms of both its phasing and its eventual level, having regard to the potential of the "dynamic", (Table 1 of CP(70)115).

4. The Chancellor of the Exchequer may argue that our prospects of maintaining a £500 million annual surplus are not good, even if we do not have to shoulder the additional cost burden of entry to the EEC: that it follows that no significant economic extra burdens ought to be assumed: and therefore that no terms of entry we can foreseeably negotiate could be borne without consequential devaluation and/or deflation.

5. This latter argument poses three further questions:

- a. if our economy is in fact in such a state that we cannot afford to enter, can we with such a weak economy afford to stay out and endure increasing American, European, Japanese and other competition?
- b. given the need to restore stability and growth in the United Kingdom economy, does membership of the EEC, or alternatively non-membership, provide the better context for achieving these essential economic objectives, i.e. can our known economic problems be solved more easily inside than outside the EEC. If the answer is "stay out", then:

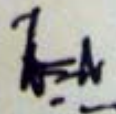
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- c. how do we extricate ourselves from the negotiations (which are on the way to success if we follow the line in CP(70)115) without charges of bad faith in starting the negotiations and suspicions of economic weakness in stopping them?

Present policy is to enter the EEC if the terms are right. For the purpose of the immediate decision - are the negotiating proposals in CP(70)115 sound? - it is neither necessary nor possible to answer all the foregoing questions at this stage. Their broad implication is really whether any conceivably negotiable terms can be right. That argument is best taken not now, but when we can see what kind of terms we can negotiate. Econometric exercises cannot offer a reliable answer to any of these questions. What it involves is an act of judgement.

But the ESC and the Cabinet, especially those Ministers who have not recently been concerned with European questions, may wish to assure themselves that the arguments for proceeding with the approach to Europe on the lines indicated in CP(70)115 are sufficiently sound, in terms of both Ministerial decision and public presentation.



WILLIAM NIELD

8 December 1970

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Community Finance: Negotiating Objectives

This paper provides an assessment by officials in the light of our knowledge of the attitude of the Six, and in particular of the proposals in the recent secret report by the Commission, of the likely outcome of negotiations on Community finance. Paragraph 20 summarises the best terms which we are likely to obtain. The Cabinet will wish to decide -

- (a) whether they agree with the officials' assessment of the best terms we can expect, viz: the key of 17 per cent building up in equal steps over the first five years of membership, followed by three more years in which the key would be subject to "correctives" and therefore would only change marginally; and that there would be a review provision which we could invoke at any time;
- (b) if so, whether they are prepared to agree that our opening bid - as the Chancellor of the Duchy will propose to Cabinet orally - should be for a key of 13 to 15 per cent but otherwise as stated in (a) above;
- (c) the timing of the announcement of the bid in Brussels and in London and the arrangements for public presentation of the Government's case for making it.

The terms

2. It is only realistic to assume, in making such calculations as we can of the cost of membership over, say, the next ten years, that -

- (i) any agreement on Community finance must involve our acceptance at the end of a transitional period of the Six's definitive arrangements under which Member States are to hand over to the Community budget 90 per cent of their receipts from agricultural levies and customs duties, plus the yield of up to 1 per cent of VAT;
- (ii) arrangements for our transitional period will have to correspond pretty closely to the transitional arrangements which the Six agreed for themselves from 1970 to 1977.

On the above assumptions we can reasonably expect a transitional period of eight years in all from 1973; and provision for a review. The major issue for negotiation is, of course, the United Kingdom's "key" contribution (i.e. percentage share of total Community expenditure) during our transitional period. It seems unlikely for the reasons given in the paper that we should get agreement to a key lower than 17 per cent which is equal

to our estimated share of the enlarged Community's GNP in 1978. The Commission have in fact just proposed that our key should be either $22\frac{1}{2}$ per cent or 25 per cent after the first five years of membership. At the end of the transitional period - in 1981 if we get our eight years - we should have to hand over 90 per cent of our levies and duties and up to 1 per cent of VAT unless we invoke the provisions we are seeking for a review at any time of the financial arrangements in the enlarged Community.

The consequences

3. So long as nearly all of the Community's budget is spent on agricultural support it is inevitable that we would pay far more into the Community budget than we could hope to get back from Community expenditure. Our pattern of international trade and, in particular, our low level of agricultural self-sufficiency make arrangements which suit the Six extremely disadvantageous to us. We demonstrated this in the paper on Community finance which we circulated to the Six last summer. Table 1 on page 12 shows that, on our present estimates, and with the best terms for the transitional period we can expect, our net contributions to the budget under the five year build-up to the "key" figure would reach £184 million by 1977 and under the three years of "correctives" to £230 million in 1980. Thereafter, unless during 1973-80 we had secured new easements, we should become subject to the full rigour of the Community's definitive arrangements and our net contribution could reach £470 million. How do our proposals guard against this risk, speculative though the calculations for 1981 may be?

4. It will only be after we have joined the Community that we shall have an opportunity to try to change their system permanently in our favour. We shall then seek to move the enlarged Community in the direction of more sensible and less expensive agricultural policies and perhaps to promote Community policies in other fields from which we would be net beneficiaries. And if we are unsuccessful in these efforts and still face the prospect of our net contributions growing to intolerable proportions we shall be able to seek a review of the basis on which our contributions are paid. In the last resort, we should simply have to refuse to pay our contributions but, as paragraph 9 of the paper points out, the past history of the Community shows that it is highly unlikely that we would be forced to extremes. Even French Ministers have impressed upon us that it would be in no-one's interest to impose an intolerable burden on any member of the enlarged Community.

5. Meanwhile, the best we can hope to achieve in the negotiations is terms like those summarised in paragraph 20 which will keep our net contributions within bounds during our early years of membership, when we shall also be facing the other adverse "impact" effects of our entry, referred to in paragraph 21 (increased cost of food imports as a result of adopting the CAP; some loss of competitiveness as higher food prices are reflected in wage increases; and loss of our preferences in the Commonwealth and EFTA). Table 1 shows that on present estimates the total balance of payments costs of entry on current account could well reach £460 million by 1978. (In addition adoption of the EEC's rules on capital movements could increase the outflow of capital from the United Kingdom by 1978 by £100 million a year, but this is a very speculative figure: moreover there should be scope for increased borrowing in Europe to offset this; and, anyway, France and Italy have shown that these rules can be disregarded in practice if they hurt).

6. The Chancellor of the Exchequer will probably emphasise that this would be a very heavy price to pay for entry. He may well suggest that we should probably have to devalue in order to deal with the balance of payments problem (and he may well be right) and there would be other formidable difficulties of economic management to be faced after 1974. Our contribution to the Community budget would have to be met by the Exchequer and, although there would be some offset from the ending of Exchequer support for agriculture, the net result would be to increase public expenditure significantly from about 1975. Moreover, if, as we must hope, our entry led to a boom in industrial investment to take advantage of the much larger market opened up to us, the rest of the economy (particularly personal consumption) would have to be restrained in order to free the necessary resources.

7. On the other hand, the costs of entry are of course very small in relation to our GNP of about £40,000 million a year (about 1 per cent) and would very easily be offset if the dynamic effects of our entry enabled us to achieve a faster economic growth rate than we could sustain if we remained outside. Table 1 shows that even very limited dynamic effects, enabling us to build up over five years to a growth rate only $\frac{1}{4}$ per cent higher than we would achieve outside, would produce extra resources on the scale required in order to balance out the costs of entry. If there is to be any dynamic response at all to entry, it could hardly be smaller than this; if it were larger, the economic benefits of entry would, after a few years, become very substantial.

8. Unfortunately, despite much painstaking research by economists both within and outside the Government, it remains almost entirely a matter of judgment (or an act of faith) to decide whether there would be a dynamic response to entry. The article published last week by the National Institute concluded after examining the Six's experience that to rely on dynamic benefits would be "a triumph of hope over experience". On the other hand Mr. Sam Brittan - an agnostic on this subject - has pointed out in the Financial Times that the Institute's article has proved nothing. Its inadequacies can easily be demonstrated and there are other economic studies pointing in the opposite direction. Treasury economists have shown for example that manufacturing productivity has been growing much more rapidly in five of the Six since the EEC was formed, whereas in most other advanced countries growth has been slower in recent years than earlier. It is, in any case, endlessly arguable to what extent our experience after entry would be similar to that of the Six.

9. The leaders of British industry remain very strongly in favour of our entry. For the past decade industry's planning has been bedevilled by uncertainty about whether or not we would be members of the Community within a few years. Such uncertainty must have had the effect of causing some firms to hold back important investment decisions and others to hedge their bets, in ways which will have reduced overall efficiency. It therefore seems reasonable to hope that once uncertainty has been removed by a clear decision that we will be joining the Community, there will be a surge of confidence in, and investment by, British industry which will substantially improve our economic performance.

10. Failure of the negotiations would, by contrast, be most unlikely to end the uncertainty faced by industry. No clear alternative economic strategy to entry has yet been presented and the likelihood is that we would find ourselves virtually isolated in a world in which the major economic blocs were tending to become increasingly protectionist and settling the rules of international trade - as indeed to a significant extent they do today - without regard to our interests. In such circumstances, we would probably be forced within a few years to try again to get into the EEC, although by then the difficulties would have become greater and the Six would probably be even less inclined to grant us reasonable terms (especially if they have by then made substantial progress towards economic and monetary union). Moreover, the immediate economic effects of a failure of the negotiations would in themselves be serious; if

it became known that we had given up our attempt to join the Community because we believed we could not afford the price of entry, we could hardly expect there to be much confidence internationally in our ability to be economically successful on our own and sterling might come under extreme pressure.

11. It thus remains a matter of judgment on which the economists can offer no useful guidance, whether the stiff price we should undoubtedly have to pay for entry into the Common Market is worthwhile. But taking into account the marginal increase in GNP required to pay the price of entry and also the long-term economic costs of exclusion from the Community, the case for entry seems well worthwhile on economic grounds alone. When the political consequences of entry and exclusion respectively are brought into the balance the case seems overwhelming even at the sort of price we must expect to have to pay.

Public presentation

12. If the Cabinet agree with the Chancellor of the Duchy's proposal that we should make an opening bid as proposed of 13 to ~~50~~¹⁵ per cent with the intention at the end of the day of accepting 17 per cent if necessary, public presentation will need to be carefully considered. The Approach to Europe Committee has already asked the Chancellor of the Duchy and the Lord President to consider the timing and presentation of our bid. For the reasons given by the Foreign and Commonwealth Secretary in his cover note to the paper it is obviously desirable that we should make our bid by 18th December. It is also desirable that it should be announced in London at the same time as in Brussels - preferably in Parliament. The Lord President considers that a debate on the Common Market negotiations will be needed in January: if a debate were promised at the same time as the details of our opening bid were announced to Parliament before the Christmas Recess, the detailed presentation of the Government's case could wait until the debate.

13. But the case is, as always, a difficult one to make. If we over-emphasise the extent of the expected dynamic effects of entry or the losses arising from our continued exclusion we should make the task of our negotiators in Brussels that much more difficult. However, the Government would be able in January to say that its case is the same as that of the previous Administration viz; that it considered there were dynamic benefits to be gained from entry and that these would be more than sufficient to pay the cost of entry: and if contrary to the Government's expectation the benefits in the end proved insufficient to

cover the costs the enlarged Community would undoubtedly be obliged to review the financial arrangements. The existing official machinery can, of course, work out in detail the presentation of the Government's case.

Conclusion

14. The immediate issue for the Cabinet is not whether we can afford the cost of membership. That decision comes later, when we know the best conditions of membership we can negotiate. For that decision, much more information will be required, on our balance of payments and growth prospects, and on the cost of not entering the Communities. The immediate issue is "what opening bid shall we make on our contribution to Community financing having regard to what we are likely to be able to negotiate". A lower bid than that in paragraph 1(b) of this brief would not be taken seriously by the Six. As regards domestic opinion, the White Paper of last February made clear that very considerable figures would be involved in terms of the cost of entry (some members of the Cabinet will not have seen any detailed paper since then). It would therefore be counter-productive at this stage to allow the impression to be created that the absolute size of the calculations of cost is giving rise to new concern or to hesitation. That impression will certainly arise in Brussels if we fail to put in an opening bid on Community finance by 18th December - the Six and the Press are all expecting such a bid, and with the Commission's ^{me} "rise d'ensemble" now public property since mid-November, we have no excuse for not putting in our bid before Christmas.

CONFIDENTIAL

European Policy

December 7, 1970

The Prime Minister has seen your letter to me of December 3, Y0440, with which you enclosed a letter from Mr. Soames to Sir Con O'Neill on the subject of E.E.C. and sterling. The Prime Minister found this most interesting.

PJSM

Sir William Nield, K.C.B.

CONFIDENTIAL

SECRET

7

Y 0442

MR MOON

Mm.
4/12

copies to: Sir Burke Trend
Sir Frederick Mason

Mr Philip Tresize and Mr Stanley Cleveland came to see me today. Most of the conversation was a tour d'horizon on Europe, on familiar lines, which need not be reiterated here.

Our levy schemes were briefly touched on. Mr Tresize emphasised the strong reaction of American agricultural interests against our adopting EEC-style protectionism. I emphasised the determination of Ministers to carry out their policies, that it was the level, not the form of support that really mattered, that our support level was modest, and that the USA could hardly resist our mini-levy schemes when they had tolerated the Six's maxi-levy schemes for eight years. Mr Tresize said the agricultural interests were totally disillusioned by those eight years, and that whilst the President would veto the Mills Bill, he could not afford to lose the support of the agricultural interests by going along with our levy schemes. We did not discuss how this impasse might be resolved. Mr Tresize seemed to take it for granted that the President would raise the subject of our levies with the Prime Minister on 17-18 December.

W.A.N.

W A NIELD

4 December 1970

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4

PRIME MINISTER

E.E.C. Negotiations

Sir William Niell's minute of December 2 (Flag A) makes recommendations for the handling of ministerial consideration of the line to be taken by the Chancellor of the Duchy of Lancaster at the Brussels meeting on December 8.

It is proposed that at the December 8 meeting we should:-

- (i) Bid for a five-year transitional period for industry and agriculture; and
- (ii) table general principles on community finance with specific proposals to follow by December 18.

To make this possible it will be necessary for Ministers to take decisions here on the basis of the papers attached to Sir William Niell's minute on Monday, December 7.

In view of the importance of the decisions, Sir William Niell recommends, with Sir Burke Trend's support, that on this occasion you should take the chair at the meeting of the Ministerial Committee on Europe.

If you agree with this, you will no doubt wish to discuss with the Foreign and Commonwealth Secretary who is the regular chairman.

Am.

December 2, 1970

SECRET

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European Policy

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*BT 7/12/70
see below.*

CABINET OFFICE
LONDON S.W.1

01-930 5422

Y 0440

3 December 1970

*Prime Minister,
PM
4/12*

[Handwritten signature]
[Handwritten signature]

[Handwritten signature]

I try hard to avoid sending the Prime Minister anything to read unless it really is important that he should read it. I think the attached letter from Mr Christopher Soames to Sir Con O'Neill is important, and that the Prime Minister should read it. Mr Soames's interlocutors directly advise M. Pompidou and I can personally vouch for Bernard. The letter totally confirms my own impression of the French position on Sterling: and indeed repeats the line M. Pompidou took in Paris in 1967.

Among my reasons for advocating a summit contact with the French has been precisely their lack of understanding in depth of how Sterling Area really functions. As the letter says, this is not a subject we can discuss in the market place, and any discussion of it with the French will be so important that I think the Prime Minister himself would need to take it.

These are among my reasons for recommending that it would be well worth while for the Prime Minister to read this letter in some detail. The subject is bound to come up in the next three months or so.

[Handwritten signature]

[Handwritten signature]
W A FIELD

F J S Moon Esq
No 10 Downing Street
London S W 1

CONFIDENTIAL

CONFIDENTIAL

30 November, 1970.

E.E.C. and Sterling

In my telegram No. 1197 of 23 November, I reported what President Pompidou had said to me about the problem of sterling in the context of our entry into the E.E.C. I felt that the talk I had with him provided a useful opening for us to explore in some depth what was at the root of M. Pompidou's thoughts about this problem. So I got members of my staff to discuss this with his diplomatic and economic advisers (Raimond and Bernard).

2. They confirm that Pompidou feels very strongly that the last thing he wants is a monetary war with the United States. The French certainly do not regard the present international monetary system as satisfactory, and they hope that the Americans will take some steps to improve it, but they recognise that a monetary conflict is no solution. They claim, too, that this is a conclusion which they have reached on their own part without any official pressure from the Americans, and in particular that the subject did not come up when President Nixon saw Pompidou after the Memorial Service for General de Gaulle.

3. On the question of a European reserve currency, Raimond felt that Pompidou might perhaps not have expressed himself as clearly as he could have done, because of a desire not to seem offensive about the status of sterling as a reserve currency. Putting it more bluntly, he said that Pompidou feels that if one were to "take a photograph" of the present situation, one would find that there was only one currency which genuinely functioned as a reserve currency, i.e. the

/dollar.

The Honourable Sir Con O'Neill, K.C.M.G.,

CONFIDENTIAL

dollar. If sterling were brought into the Community on the basis that it would reinforce European plans for monetary integration with a ready-made reserve currency, this would, in his view, be a source of the kind of conflict that he so much wants to avoid. The question for discussion, therefore, in the context of our E.E.C. negotiations would be how the reserve role of sterling could be gradually phased out.

4. On the other hand, his advisers say that Pompidou is not trying to decide now, for all time, whether monetary union should or should not eventually entail a European reserve currency. This is all a very long way in the future given that monetary union is reckoned to be anyway at least a ten year process. The Elysée accept that once a European currency had come into existence, some central banks might want to hold it, although they could still be discouraged from doing so. They also quite understand that to some extent a reserve currency is not something which is willed but which happens to one; and that once a currency has a reserve role, this cannot be lost overnight. But if a currency has not already got a reserve role, they feel that it can at least be discouraged from developing it, just as the Germans try to discourage central bank holdings of deutschmarks.

5. The Elysée staff stressed several times that in asking for talks on this subject they were not trying to interfere in the way we run our affairs. What worried them, in addition to the consideration explained in paragraph 3 above, were the policies of economic management which the reserve role forced on us, rather than the reserve role as such. They were reluctant to import into an economic union the liability of having to accept and support such policies because of events in Hong Kong or some other remote part of the world over which the Community had no control. (I realise that these anxieties may stem in part from a continuing lack of understanding, even amongst so-called experts here, of how the sterling area has, in fact, worked in the past)

/Equally,

CONFIDENTIAL

Equally, Pompidou's advisers were insistent that they did not want the talks simply to revert to propounding the argument used in the past that the United Kingdom economy was too weak to come in to the Community. This was not in Pompidou's mind, any more than was a wish to seem in any way to be calling into question the present parity. For him, the key issue was how to avoid the entry of sterling into the E.E.C. leading automatically to the establishment of a new European reserve currency aligned against the dollar.

6. The Elysée staff are also worried about how and where the talks with us should take place. They do not think the Commission will like the idea of the Monetary Committee, and they floated the idea that it might be done in London. At all events, they seem to have taken the point that it should not be done in the market-place atmosphere of Brussels.

(Sgd.) Christopher Soames

c.c. Sir Frank Figures, K.C.B., H.M. Treasury.
Sir William Field, K.C.B., Cabinet Office.
C.J. Morse, Esq., Bank of England.

CONFIDENTIAL

SECRET

Y 0438

MR MOON

copies to: Sir Burke Trend
Mr Thornton

EEC NEGOTIATIONS

Your minute of 23 November said that the Prime Minister would wish to discuss the EEC Commission's "vue d'ensemble" when the interdepartmental assessment of it was ready.

The key parts of this assessment are now available in the form of three interdepartmental papers by officials which the Ministerial Committee on Europe (AE) will be taking on 7 December at 10 a.m. I attach copies of the three papers.

These comprise two on Community Financing: the first formulating our negotiating objectives, the second outlining the statement of general principles (only) which The Chancellor of the Duchy might make on this subject in Brussels on 8 December (the attachment is a semi final draft and has a second part on specific proposals which Cabinet should take a few days later): and the third about Transitional Periods (for agriculture, industry, capital movements, and Value Added Tax).

These three papers discuss our position in relation to the Commission's proposals in their "vue d'ensemble". There will be a fourth paper before AE, but as this is a consequential and more technical paper on the methodology of the agricultural transition (price harmonisation steps, levy mechanisms, etc) I have not attached it.

The three papers do not cover the other two crucial subjects - New Zealand Dairy Products and Commonwealth Sugar. This is because no further moves by us seem practicable this year - our opening bids were tabled only three weeks ago. Our latest information on the Six's decisions on the Commission's proposals says they may after all be taken this year (telegram 398 from The Hague refers): though as the Prime Minister knows, we can never be certain on such matters.

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These papers should be seen in the light of the overall negotiating position as it should be by the end of this year, assuming Ministers agree to the Chancellor of the Duchy's proposals. On that basis we should have:

- a. Agreed on 8 December a five year transitional period for all items save Community Financing, New Zealand Dairy Products and Commonwealth Sugar, (and one year for ECSC and Euratom).
- b. Tabled on 8 December our general principles on Community Financing and our specific proposals on it by 18 December (via Deputies).
- c. Tabled on 6 November our tactical opening bids on New Zealand Dairy Products and Commonwealth Sugar and be ready for definitive negotiation of these issues on the basis of the Six's line on the Commission's proposals.
- d. Reached on the other important issues either agreement in principle or a real prospect of agreement on lines already under discussion (the list is too long to include here, but I can spell it out if desired).

We should thus have placed the Six under public pressure to decide on the Commission's proposals on the three remaining crucial items (Financing, Dairy Products and Sugar), to make their decision in the light of our stated views on these items, and be in a position to maintain our pressure. But if the Chancellor of the Duchy cannot on 8 December put forward his proposals on a. and b. above, and on the reasonable assumption that we can only effectively pursue discussions on Community Financing on the basis of a Ministerial proposal, and at Ministerial level, then our bids on the crucial issues will remain incomplete. The Six will be likely to take advantage of this to protract their discussions on the Commission's proposals, to take up a more rigid and less negotiable posture than that in the Commission's proposals, and to blame us for having failed to live up to our own pressure on them to speed up the negotiations.

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Thus, instead of being able to set up the Ministerial meeting set for 2 February as an important occasion for real negotiation, we shall have risked losing the two months up to that meeting, we shall certainly have lost a good deal of our present initiative and momentum, and the prospect of bringing the negotiations to a decisive point by say April rather than July will have been substantially reduced. The Prime Minister is aware how loss of momentum is liable to affect all aspects of the negotiations and not just the one or two items on which momentum was lost.

After discussion with Sir Burke Trend, therefore, and with his approval, I should like to suggest that the Prime Minister might take the Chair at the meeting of AE next Monday at 10 a.m. The reasons for this are first, the crucial nature of the subjects under discussion and the formative stage which the negotiations have reached (as outlined above): second the fact that the Committee's conclusions at least on Community Financing will need to be taken by the Cabinet: third, that the Prime Minister will need to be prepared to discuss our European negotiations with the President on 17 and 18 December, especially as the President may raise the related subject of our own interim import levy schemes.

The Foreign and Commonwealth Secretary is Chairman of AE, but in the circumstances described above it may well be that he would see advantage in the proposal that the Prime Minister should take the Chair, and from the Cabinet's point of view there would be the advantage that the negotiating position had been discussed by a committee which would on that basis include all the senior Ministers most directly concerned with the negotiations. If the Prime Minister sees merit in this proposal, he would no doubt wish to speak to the Foreign Secretary about it.


W A NIELD

2 December 1970

SECRET

See also Germany June 1970

CONFIDENTIAL

CYPHER CAT. A.

MEDIATE FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 827

TO BONN

2 DECEMBER 1970

(WRG 3/548/11)

PERSONAL MESSAGE

CONFIDENTIAL

021530Z

SERIAL No. 1.51th/70

ADDRESSED TO BONN TELEGRAM NO 827 OF 2 DECEMBER REPEATED FOR INFORMATION TO BERLIN, UKDEL EEC.

M.I.P.T.

FOLLOWING IS THE TEXT OF THE PRIME MINISTER'S MESSAGE TO HERR BRANDT.
BEGINS.

I SHOULD LIKE TO THANK YOU MOST WARMLY FOR YOUR LETTER OF NOVEMBER 10 WITH WHICH YOU SENT ME A COPY OF YOUR SPEECH IN THE BUNDESTAG ON NOVEMBER 6 AND TO CONGRATULATE YOU ON THIS FORCEFUL AND LUCID STATEMENT OF YOUR EUROPEAN POLICIES. I WAS MUCH IMPRESSED BY WHAT YOU SAID WITH REGARD TO YOUR 'OSTPOLITIK' BEING SOLIDLY BASED ON THE ATLANTIC ALLIANCE AND AN ENLARGED EUROPEAN COMMUNITY. I KNOW THIS IS A VIEW YOU HOLD STRONGLY. I ALSO PARTICULARLY WELCOMED THE TERMS IN WHICH YOU EXPRESSED YOUR DETERMINATION TO SEEK A SPEEDY AND SATISFACTORY CONCLUSION OF THE NEGOTIATIONS FOR THE ENLARGEMENT OF THE EUROPEAN COMMUNITY. YOU AND I SHARE IN COMMON THE VISION WHICH SUCCESSFUL ENLARGEMENT OFFERS TO THE PEOPLE OF WESTERN EUROPE.

MAY I IN RETURN GIVE YOU AN INDICATION OF THE WAY I VIEW THE PROSPECT FOR THE SUCCESS OF THESE NEGOTIATIONS? WE ARE PLEASED WITH THE WAY MATTERS HAVE BEGUN AND WITH THE EVIDENT WISH OF ALL CONCERNED TO TACKLE THE MAIN PROBLEMS SERIOUSLY AND QUICKLY. A GOOD DEAL OF SATISFACTORY PROGRESS HAS ALREADY BEEN MADE UNDER HERR SCHEEL'S CHAIRMANSHIP OF THE MINISTERIAL MEETINGS AND AT THE LEVEL OF DEPUTIES

CONFIDENTIAL

Top copy filed on
Germany June 1970.

CONFIDENTIAL

December 2, 1970.

The Prime Minister has approved the message to Herr Brandt, which you enclosed with your letter to me of November 24, with certain small amendments. A clean text of the message as revised is enclosed with this letter. I should be grateful if you would arrange for this to be telegraphed to Bonn for delivery.

P.JSM

N.J. Barrington, Esq.,
Foreign and Commonwealth Office.

C.C. Cals Ofc

MESSAGE TO HIS EXCELLENCY HERR WILLY BRANDT FROM THE
PRIME MINISTER

I should like to thank you most warmly for your letter of November 10 with which you sent me a copy of your speech in the Bundestag on November 6 and to congratulate you on this forceful and lucid statement of your European policies. I was much impressed by what you said with regard to your "Ostpolitik" being solidly based on the Atlantic Alliance and an enlarged European Community; I know this is a view you hold strongly. I also particularly welcomed the terms in which you expressed your determination to seek a speedy and satisfactory conclusion of the negotiations for the enlargement of the European Community. You and I share in common the vision which successful enlargement offers to the people of Western Europe.

May I in return give you an indication of the way I view the prospect for the success of these negotiations? We are pleased with the way matters have begun and with the evident wish of all concerned to tackle the main problems seriously and quickly. A good deal of satisfactory progress has already been made under Herr Schöel's chairmanship of the Ministerial meetings and at the level of Deputies under Herr Sachs. It is particularly reassuring that, in addition to the points which have already been settled, agreement has been

reached both on broaching all the main topics for negotiation this year, and on the timetable of Ministerial meetings for the first half of next year.

But now that we are entering the critical phase of the negotiations, I should also tell you of our preoccupations for the future. My fear is that the more rigid the Community's position becomes on any given problem, and the less flexible their approach, the more difficult it will be, at the end of the day, to reach a compromise of the sort which we are able to accept. I can give you my firm assurance that the British Government will not waver in its commitment to enter the Community provided that we can agree on terms which I and my colleagues can recommend to Parliament in good conscience and with a fair prospect of securing Parliament's approval. But we must be able to convince Parliament that the terms of entry are fair. This involves putting to them an agreement which we can demonstrate to be beneficial to the enlarged Community as a whole, including the United Kingdom.

In your letter you suggested that we should remain in close touch. I very much agree. We have much that we can usefully discuss, both on matters of European policy and matters of common interest outside Europe. This leads me

to raise with you whether the time is not approaching when we should think about a personal meeting at which we could have a full exchange of views. If you agree, we might consider the possibility of such a meeting in the spring, and I am asking Sir Roger Jackling to discuss this with you.



Prime Minister

Treasury Chambers, Great George Street, S.W. 1
01-930 1234

27 November 1970

Dear Robert,

- held Economic Policy September 1970.

In your letter of 29th October, which acknowledged the Treasury's note on Lord Cromer's memorandum, you said that the Prime Minister looked forward to seeing the conclusions on the Werner Report, and the Chancellor's proposals as to our attitude, in due course.

attached

The Werner Report has since been studied inter-departmentally, and a paper, AE(70)41 is before Ministers. The Chancellor agrees broadly with that paper, and I hope this meets the Prime Minister's requirements for the time being. This subject is of course one which will need to be kept continuously under study in the AE Committee, since it is so much a live issue in the Community at the moment; and the Prime Minister will of course be kept in touch.

Yours we,

B.G.

(W. S. Ryrie)

R. T. Armstrong, Esq.

Enclosure 10/11
P.A. mm
30/11
19

Prime Minister
mm.
27/11

AA 30/11

MR
Sir Burke Trend

I attach a copy of a minute I have written to the Chancellor of the Duchy of Lancaster about American reactions to our interim import levy proposals.

The Prime Minister may wish to note the intimation given to me that President Nixon may raise the subject of our import levy schemes during the Washington visit next month. We shall of course provide a brief. Otherwise, the Prime Minister does not need to read the minute itself, as the subject matter will be coming before the Ministerial Committee on Agricultural Policy next week.

W.N.

(WILLIAM NIELD)

Copied onto Agriculture July 1970.

27
26 November 1970

E.R.

SECRET - GUARD

CHANCELLOR OF THE DUCHY OF LANCASTER

This minute confirms my oral report to you on Monday afternoon 23 November, about a personal discussion with Hon. Stanley Cleveland, Minister at the US Embassy. He has asked me to maintain confidence, beyond limited essential reporting.

During a routine lunch on 13 November Mr Cleveland spoke with quite unusual severity about our interim import levy proposals. The gist was that Washington was seeing these as the last straw in their long battle against European protectionism - the EEC's CAP, border taxes, Community preference areas, and now our levies. As the Mills Bill showed, the protectionist lobbies and their departmental counterparts were rampant in Washington, and the cooler heads who are also pro-enlargement of the EEC were seriously worried. There was a real prospect of their playing our levy negotiations tough and long, and perhaps of their being driven to intervene in the EEC negotiations because our levy schemes (they were interested mainly in our eventual rather than our interim schemes) would make EEC protectionism into European protectionism, even if we did not join the EEC. Mr Nixon would probably raise the issue with Mr Heath on his 17 December visit.

I took this as the usual dissuading pressure and responded accordingly. First, an extension of the longstanding pot versus kettle arguments on protectionism would solve nothing and generate dangerous heat and no light. Second, this was especially true because the USA could hardly belabour Britain for new mini-levy schemes without doing the same to the EEC for longstanding maxi-levy schemes. Third, our Ministers had publicly made clear their commitment and determination to go ahead for sound public expenditure and agricultural policy reasons; they did not believe our levy price levels would damage overseas suppliers' interests: and we must have regard now to our position if we did in fact fail next year to enter the EEC. I could see no justification or gain for the USA in being obdurate about our proposals, and hoped they would respond coolly and reasonably in the talks.

I expected to hear no more of this. But last Friday, 20 November, Mr Cleveland asked me to meet him urgently. He reiterated, following talks with the cooler elements in Washington, their anxieties that if we pressed ahead with our levy proposals against their resistance this might lead to a clash which might spread to the EEC negotiations. I asked why they were so heated about what were reasonable mini-levy schemes changing only the method, not the modest level, of support? He replied that whilst they were generally worried about our resort to an EEC-type system even if we did not join the EEC, and the eventual use we might make of this the core of their worry was two points in our cereals proposals. These were the immediate increase of £7 per ton (to some £32 to £37, above even the present exceptionally high world price) in the minimum import price, and the move after 31 July 1971 to an EEC system of general levies as opposed to country levies. I again asked why they could not treat us at least as well as they had treated the EEC since 1962 with far higher prices and general levies; they had in 1962 as I remembered it put their GATT rights into cold storage but not renounced them? What did his pro-enlargement friends think would be the effect on our EEC talks of the USA publicly, in front of the EEC, forcing us to retreat from our general levy proposals? What good would that do? Where was the damage in our proposals at the relatively modest price levels we had proposed?

Mr Cleveland replied that what was biting them was the implication in our price and general levy proposals that we might move, even if still outside the EEC, to still higher price levels and so to the rest of the EEC system including export restitutions. I asked if they really thought we would go (if outside the EEC) to the extremes of the EEC system when our agriculture was more efficient and our industrial cost interest what it would then be? Moreover he had not answered my question, "why pick on us but continue to tolerate the EEC's far more extreme position?" From these exchanges it emerged that he thought it not impossible that if we were to shade our cereals price proposals and they put their GATT and other rights into cold storage as with the EEC, this might offer a way out of the looming position of dangerous deadlock, though he thought it doubtful whether Washington could agree to general as distinct from country levies.

Original filed on January 1971

I nevertheless had the strong impression that what I had said about the difficulty for the USA of opposing us, bilaterally and in GATT, whilst continuing to tolerate the EEC system, was causing them to ponder whether they should not make at least a temporary deal with us pending the outcome of the EEC talks. My impression is that by shading our cereals price increase from £5 to £7 and putting USA GATT rights into cold storage we might get a quick deal. If so, it might offer a way out of the dilemma my Committee is about to report as the outcome of the official talks - broadly that procedure in accordance with treaty obligations will cause considerable, possibly indefinite, delay: and procedure in disregard of them will cause damage to commercial relations and advantages. Moreover if we could pick off the Americans first on cereals our other suppliers are not likely to stand out for long on cereals nor probably on the other commodities. For this it is essential to maintain strongly, as I have done, that HMG is determined to go ahead with the levy proposals. My Committee will report to Ministers next week, on the talks to date and will cover this possible way out of our dilemma.

This was the gist of my report to you as the Minister leading the levy talks. In view of the clear intimation given to me that Mr Nixon could be expected to raise the question of our levy schemes with the Prime Minister on the 17 December visit, I am sending a copy of this minute to No. 10, and also to the Lord President as Chairman of the Ministerial Committee (AG). Mr Cleveland can be regarded as very reliable and very friendly, and I should be grateful if this report could be kept confidential. In view of Sir Frederick Mason's levy talks in Washington over this weekend, which will not touch on these ideas, I have of course given him in confidence the information in this minute.

26 November 1970

Original filed on January
June 1970

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND
Karl-Günter von Hase

LONDON, 26th November, 1970
27

Dear Prime Minister,

I take pleasure in transmitting to you the original of the personal message of the Chancellor of the Federal Republic of Germany, Herr Willy Brandt, and the official translation of his speech held before the German Bundestag on 6th November, 1970.

I am, dear Prime Minister,

Yours sincerely

Wolfgang von Helldorf

His Excellency

The Right Honourable Edward Heath, M.B.E., M.P.

Prime Minister and First Lord of the Treasury
and Minister for the Civil Service

10 Downing Street

London, S.W.1

Bonn, den 10. November 1970
**PRIME MINISTER'S
PERSONAL MESSAGE**
SERIAL No. T133^{BM}70

Sehr geehrter Herr Premierminister,

ich möchte die Debatte über europäische Fragen im Deutschen Bundestag am 6. November 1970 zur Gelegenheit nehmen, um Ihnen die Schwerpunkte der Europa-Politik der Bundesregierung, so wie ich sie bei diesem Anlaß vorgetragen habe, zur persönlichen Kenntnis zu geben. Ich weiß mich dabei mit Ihnen in der allgemeinen Zielsetzung einig.

Zu den fünf Aufgaben, die sich die Bundesregierung gesetzt hat, gehört, wie Sie aus meiner beigefügten Erklärung ersehen, der rasche und befriedigende Abschluß der Verhandlungen über den Beitritt Großbritanniens sowie Irlands, Dänemarks und Norwegens. Lassen Sie mich meine Gerugtuung darüber ausdrücken, daß wir inzwischen in diesen Verhandlungen die Phase des "fact-finding" weitgehend abgeschlossen haben und in die eigentliche Sachdiskussion eingetreten sind. Ich teile die Meinung Ihrer Regierung, daß möglichst bald im Laufe des kommenden Jahres die für die einzelnen Sachprobleme erforderlichen Lösungen definiert sein müssen.

Seiner Exzellenz
dem Königlich Britischen
Premierminister
Herrn Edward Heath

L o n d o n

Der Entschluß der britischen Regierung, ihr Agrarsystem schon jetzt auf dasjenige der Gemeinschaft hinzuentwickeln, stellt dazu einen sehr konstruktiven Beitrag dar, den ich wohl zu würdigen weiß.

Ich hoffe, sehr geehrter Herr Premierminister, daß wir in einem Meinungs austausch über diese Fragen bleiben werden.

Mit freundlichen Grüßen

Ihr ergebener

Willy Brandt

Speech by the Federal Chancellor in the German Bundestag
on 6 November 1970

Mr. President,
Ladies and Gentlemen,

This can be a momentous day for Germany's European policy. It is important enough that this Assembly has two major laws concerning European affairs before it. But it would be even more significant if it clearly emerged from this debate how much the construction of Western European unification means to the great majority of the members of the German Bundestag.

German policy, as far as responsibility for it is borne by the Federal Government, has not lost its balance. We have sought a better relationship with our neighbours in the East and we intend to keep on doing so; we shall not allow ourselves to be distracted from this aim. As you all know, the Federal Minister for Foreign Affairs is unable to attend today because he is in Warsaw negotiating a treaty for a normalization of relations with the People's Republic of Poland, which is intended to bring to a close an evil chapter in our mutual history, and which we hope will open up the road to a better future.

I am confident, ladies and gentlemen, that whatever else we may quarrel about and whatever else may otherwise divide us, the overwhelming majority of us give the Foreign Minister our good wishes for the important and difficult task he is engaged in at the moment.

But by now the word should have got round that all our efforts to achieve détente with Eastern Europe have been launched from the solid basis of the Atlantic Alliance and the widening West European Community. And it is not as if we had simply stated these intentions and taken no action ourselves. Quite the contrary. In the past few months in particular we have played no small part in strengthening western and west European co-operation, and we have lent considerable weight to the efforts to drag the European Community out of its years-long period of stagnation. We are now making further headway.

And the progress that is now being made is also partly the result of German initiative, a fact which should be appreciated by those who criticize or oppose the present coalition government. Later in the debate, Herr Moersch who will be speaking on behalf of the Foreign Minister, will be surveying the events and achievements of the past twelve months. They have been no mean achievements, and we can say again without complacency that the Federal Republic has been a driving force in the efforts to strengthen and extend West European co-operation and unification. This is a fact and it will remain so. Anyone who calls upon us to make a bigger effort to bring about the unification of Western Europe is charging at an open door.

All the same, our policy starts from the reality of the situation, whatever direction we proceed in. We try to achieve that which is feasible under the given circumstances. We can only attempt what our partners are prepared to do, what we are able to agree on with them,

and what we can convince others of and they us. We try to find common interests and to exploit them for the European cause, and now that others are doing the same, progress is being made in our part of Europe without, as in the fifties, our having to be prompted by the menace of developments elsewhere.

The bills that have been submitted to this Assembly for adoption are the outcome of long and patient deliberations. This is part of the obligation which the Federal Government assumed with its partners at the summit conference in the Hague last December. The perfectionists may not be satisfied with them, but, as the rapporteur has already said, they constitute two new cornerstones of the European Community's internal structure. The clauses in the financial arrangements permitting the Community to draw its own revenue are in themselves an anticipatory element of a future federative system. The widening of the powers of the European Parliament - though still inadequate - represents a step towards strengthening its democratic basis.

The Federal Government regards both these laws as a stepping stone to a new decade of West European policy in which the Community will be developed into an exemplary system, a system which will release its power of attraction not only for the benefit of those nations it embraces at present and who will belong to it tomorrow, but also for other nations in Europe and in other parts of the world. We owe it not least to the young generation to give the Community substance and tasks with which they can identify themselves. This includes making clear by our actions that the Community is something more to us than an association formed for the purpose of meeting our material requirements.

The Federal Government has set itself five special objectives for the next decade:

- the early enlargement of the Community to include the countries seeking accession;
- the creation of an economic and monetary union in extension and completion of the Treaty of Rome;
- to develop the present beginnings of political co-operation in Western Europe in such a way that they can lead to a political community;
- to consolidate the Community's partnership with America and to assume responsibility in world affairs in an appropriate manner;
- and not least to make use of the existing possibilities of communication and co-operation with the countries of Eastern Europe and to exploit these possibilities for the benefit of all.

Ladies and Gentlemen,

One of the biggest steps forward in the past twelve months has been the opening of negotiations with the applicant countries. The Federal Government starts from the assumption that these negotiations, which are already progressing well, will produce a satisfactory result in the shortest possible time, that they will lead, in other words, to the full membership of Britain and the other applicant countries.

The accession of these countries will increase the economic strength of the Community, further its social development and also strengthen it politically. The negotiations with those countries who seek some other kind of link with the Community will commence in the next few days. In this field too, the Federal Government would like the proceedings to move quickly.

Our great common task in the seventies will be to pursue the further development of the Community into an economic and monetary union. In this respect we shall have to proceed resolutely together with our partners. The phased plan elaborated by the Six in conjunction with the Commission is in fact a new Magna Carta for the Community. This means, among other things, that the unification of Europe must not be construed as union for the sake of maintaining the highest price level.

What is required are extensive institutional reforms. The economic and monetary union will have to be linked with measures to strengthen the Community's institutions which have long been called for. The European Parliament must be given wider powers of control, and it should be possible, even considering the developments that lie ahead of us, to have this body formed by means of general, direct elections. The Federal Government, at any rate, is prepared to proceed in this direction and to work out with its partners a time-table for the fulfilment of the necessary tasks. The economic and monetary union will secure growth and stability in a larger area and, if its advantages are to be used to the full, will have to be accompanied by progress in other fields. Some of the more important of these are the reform and development of European agricultural policy, the elaboration of a comprehensive European technology policy beyond the framework of the Treaty of Rome, the removal of the sometimes crass differences in the conditions that exist in some regions of the Community, the harmonization of educational policies and a more progressive social policy with the aim of making the Community in this decade the region of the world that is truly progressive.

To my mind what are urgently required are measures that will tangibly demonstrate to every citizen in our partner countries the nature and advantages of the Community. One such measure would be the abolition of frontier controls of passengers and goods. Here, too, the Federal Government will endeavour to set a good example.

Similarly, proposed internal reforms in member countries should be co-ordinated and we should develop joint policy concepts. It is not just a question of placing living conditions on much the same level. Europe must at all events be something more than the parade ground for a technocracy whose exercises the people will find hard to understand.

Yesterday, the Federal Cabinet discussed the progress of the Community's development and plotted our future course. As in the past, we shall remain enterprising, that I can say without any exaggeration.

At last we are now moving towards political co-operation also, a trend which was facilitated by the adoption in Luxembourg on 27 October of the report submitted by the six Foreign Ministers in accordance with paragraph 15 of the Hague communiqué. The meeting due to take place in Munich on 19 November will be the first time consultation machinery has been set in motion since 1962.

Many people may find the results contained in the Foreign Ministers' report somewhat meagre.

(Interjection by Dr. Barzel (CDU): "Very true!".

I would not disagree with you, Herr Barzel, but the fact is we had to start building again from scratch, and as we all know everything lay in ruins in 1962 and the years that followed.

(Applause from the government benches. Interjection by Dr. Marx (CDU): "That wasn't our fault!").

I didn't say it was.

(Dr. Marx: "Then you should say so to explain the applause").

I told you I didn't say it was. Everybody knows how the situation in Europe has developed.

(Interjection by Dr. Klepsch (CDU): "You were the Foreign Minister").

I wasn't Foreign Minister in 1962, but it is kind of you to attribute me such long involvement and experience in these matters. New foundations had to be built and what we now have to do is take advantage of this new consultation machinery and in due course use the opportunities it will afford for a gradual improvement in the co-ordination of foreign policies.

The Federal Government, for its part, wants more than a mere exchange of views and more than a mere confrontation of concepts; our aim is to crystallize common viewpoints in preparation for common action. The step-by-step creation of economic and monetary union and the harmonization of foreign policies may bring us during the next decade to the point where our part of Europe can really be said to speak with one voice.

I do hope that in their consultations the Foreign Ministers will give their special attention to what is generally referred to as "Ostpolitik". This problem is common to all members of the Community, a fact which President Pompidou was entirely right in emphasizing on his recent visit to Moscow. Relations with the Soviet Union and the other members of the Warsaw Pact should not be regarded as channels for rival approaches by individual members of the European Community. It is in the interest

of all concerned that nobody should allow himself to be played off against anyone else. The unification of Western Europe is intended not only to serve the interests of those directly concerned but also to further peaceful relations between East and West, and hence a framework for peace in Europe which needs to be found and organized.

Ladies and gentlemen, on my brief visit to Moscow in August I had the impression that the Russian leaders appreciate the fact of the progression of the Western European Community to unification. Logically, therefore, this ought to lead to formal relations with the Community and would promote that sort of co-operation which would be in the interest of all States and people in Eastern and Western Europe and thus would help to make peace more secure and one day, perhaps, a less expensive investment.

For the rest, there is hardly any need for me to emphasize how much importance we attach to continued close links between the Community and the United States, but not only that; we want to see that relationship develop within the most suitable framework. It would be wrong to assume that the American government has lost interest in European unification. Indeed, the United States would like to see Western Europe develop, through integration, into a fully fledged partner in the campaign to safeguard peace in Europe and elsewhere.

Our readiness for co-operation is part of the European readiness and implies co-operation not least with the Third World. By concluding association agreements with African countries the Community has fulfilled a dictate of history. Our willingness for partnership encompasses all countries interested in good relations with the

Community. Europe will not be meeting its responsibilities unless it can offer its partners in the Third World the kind of co-operation that will hold out good prospects for the future.

At this point I should like to make one or two suggestions which I hope will prove useful for the discussion of these matters in the Federal Republic. First, I think it would be extremely harmful to "ideologize" European policy. It would be just as foolish to depict a "Socialist" Europe as a bugbear as it would be to be scared of a "Christian Democratic" or a "conservative" Europe. European unification is far too valuable than that it should be encumbered by ideological differences. The ideal foundation for Western European unification would be that members, irrespective of their political groupings, should uphold the principles of a free and democratic society based on the rule of law.

This is the criterion not only for the extension and the development of the European Community but also for our own efforts to safeguard peace in Europe and throughout the world. Only if all democratic people show this kind of solidarity will they be able to fulfil the tasks ahead of us.

Second, nobody should try to invent controversies where there is no need for them. To be more specific, the Federal Government has left no doubt, neither internally nor in public, both before and after the signing of the Moscow treaty on 12 August, that it will not affect or impair our sovereign right to build Europe, to eliminate

sovereign elements, and to convert the existing frontiers between the members of the European Community into administrative boundaries.

Third, even though the road to Europe will not be passable without concessions by all concerned, we are surely agreed that the Federal Republic must show determination in guarding its interests in the same way that others do. Yet we must not create an internal contradiction by evoking the future when dealing with the West and the past when dealing with the East.

The wider the European Community becomes and the closer it grows together, the more irrevocable decisions and developments are taken, the more unrealistic will be attitudes the sole logic of which is the restoration of a self-sufficient Reich. We must seek to build a Europe in which frontiers will not be harmful, in other words a Europe that forgoes the use of force, a Europe of co-operation among nations. Only in such a Europe will it be possible for our people to exercise their right of self-determination without disturbing the balance that ensures peace and without giving our neighbours cause for concern.

And finally, the Federal Republic will remain a member of the European family only as long as it keeps the record of democracy clean. I am sure that the overwhelming majority of this Assembly share these views and convictions.

Turning to the European Economic Community,
M. Giscard said that he had discussed the Werner Report
at his meeting with the Chancellor of the Exchequer. He
thought that the E.E.C. would move into joint monetary
action next year. The first stage would be joint action

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of a technical nature, in reducing market fluctuations. There would be expressions of good intentions for the future, but these would be in vague terms. The Germans might try to insist on formulating more definite aims, but he doubted whether the French and other members of the Community would agree. In the end the final responsibility rested on Governments, and the final stage would be joint action by Governments, and the decision would be taken by a common structure of the national Governments. It might well seem to be a rather limited degree of progress in European cooperation; but he believed that it was better that cooperation in these matters should emerge as a gradual process rather than that progress should be forced.

The Prime Minister agreed that the right course was to work through the first stage suggested by the Werner Report and see where that led before taking final decisions about the second stage. M. Giscard did not disagree, but commented that progress towards joint cooperation and joint action in this field was inevitable.

On negotiations for British entry into the E.E.C., M. Giscard said that he had heard of the strong desire in Britain for reaching agreement before the end of the summer. The French Government did not think that progress would be so fast, not because they were pessimistic about the outcome, but because they thought that some aspects of the matter were so complicated that the negotiations would inevitably take longer. M. Giscard

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thought that, if agreement could be reached on the question of the transitional period, the only remaining problem would be Community financing, and the British share of that during the intermediate period. He did not think that this would be a breaking point in negotiations, and he thought that agreement would be reached; and he believed that, even if final agreement had not been reached by the summer, it would by then be possible to see clearly the main outlines of an eventual agreement.

The Chancellor of the Exchequer said that

M. Giscard had expressed concern about British public opinion. Most people in Britain, including the commentators, had been thinking and hoping in terms of knowing where we stood in the negotiations by the summer, and there could be a problem of handling public opinion if the negotiations dragged on into the autumn. British public opinion was uncertain about the matter, because they saw it as a leap in the dark. As negotiations continued, and it became clearer what the arrangements would be, opinions would begin to polarise.

The Prime Minister said that he thought that, after two unsuccessful attempts to enter the Community, British public opinion was disillusioned and perhaps sceptical about anything emerging from a third attempt. The French Ambassador was inclined to disagree with this. He thought that British public opinion was more frightened than sceptical. He suggested that there had been very little attempt by the Government to influence public opinion in this matter. The Prime Minister thought that

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after all that had passed there would be little point in conducting a campaign to influence public opinion on the subject until it was possible to demonstrate the result of the negotiations. If agreement were reached, a treaty would be signed and the Government would put it to Parliament for ratification. At that stage it would clearly be important to have a major public relations exercise. Ratification would take much longer in other countries than in Britain, and one of the questions which would have to be considered was whether, on the assumption that Britain ratified in advance of other countries, Britain should proceed to pass the consequential legislation necessary here before the process of ratification in other countries was complete.

RA

November 26, 1970

c.c.
Private Secretaries to:
Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Chancellor of the Duchy of Lancaster
Sir B. Trend

lc

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Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in the Public Record Office.

HOUSE OF COMMONS HANSARD,

25 NOVEMBER 1970, COLUMNS 428-442

"EUROPEAN ECONOMIC COMMUNITY"

Signed

A. Wayland

Date

19/5/00

Alan Sincock,
To note Mr.

European Taxing
JCS

25/11

EEC NEGOTIATIONS

I note that the Prime Minister wishes to discuss our assessment of the proposals in the Commission's "vue d'ensemble" as soon as the inter-departmental assessment is ready. Now that the Ministerial Committee will not meet before Monday 7 December we have time for a more thorough examination during this current week: I think our assessment should be ready on Monday 30 November or Tuesday 1 December. I will send it forward as soon as it is available.

~~W.N.~~

(WILLIAM NIELD)

Topcopy filed on January
June 1970

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Foreign and Commonwealth Office

London S.W.1

Prime Minister 24 November. 1970.
? Approve this message
to Herr Brandt, to be telegraphed
to Bonn.

Dear Peter,

PM.
24/11

Approved
AS/12

In your letter of 16 November about the German Ambassador's call, you asked us to let you have as soon as possible a draft reply to Herr Brandt's message to the Prime Minister. This I now enclose. It has been agreed by the Chancellor of the Duchy of Lancaster.

The Foreign and Commonwealth Secretary feels it would be appropriate if the reply to Herr Brandt's message were conveyed to him personally by H.M. Ambassador in Bonn. You will notice that the last paragraph is drafted as a lead-in for Sir Roger Jackling to follow up the question of a visit to Bonn. If you will let me know whether the Prime Minister approves we will make the necessary arrangements.

Yours ever
Nicholas

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

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DRAFT MESSAGE TO HIS EXCELLENCY HERR WILLY BRANDT FROM THE

PRIME MINISTER

more warmly for
~~Your Ambassador in London brought me your letter of 10~~
~~November, with which you enclosed a copy of your speech in the~~
~~Bundesrat on 6 November. I should like to thank you for the~~
your letter of 10 November with which you sent me a copy of your speech in the
~~thought which prompted you to write to me and to offer you my~~
Bundesrat on 6 November and to congratulate you on this,
~~congratulations on a speech which so forcefully and lucidly sets~~
statement
~~out your European policies. I was much impressed by the clarity~~
what you said with regard to
~~with which you expressed the view, which I know you held strongly,~~
being
~~that your "Ostpolitik" can only be successful if solidly based~~
And
~~on the Atlantic Alliance and an enlarged European Community,~~
this is a view you held strongly. I also
~~and particularly welcomed the terms in which you express your~~
~~determination to seek a speedy and satisfactory conclusion of the~~
~~negotiations for the enlargement of the European Community. You~~
~~and I share in common the vision which successful enlargement~~
~~offers to the people of Western Europe.~~

May I in return give you an indication of the way I view the prospect for the success of these negotiations? We are pleased with the way matters have begun and with the evident wish of all concerned to tackle the main problems seriously and quickly. A good deal of satisfactory progress has already been made under Herr Scheel's chairmanship of the Ministerial meetings and at the level of Deputies under Herr Sachs. It is particularly reassuring that, in addition to the points which have already been settled, agreement has been reached both on broaching all
/the main

the main topics for negotiation this year, and on the timetable of Ministerial meetings for the first half of next year. ^{But} ~~would be less than frank if I did not tell you~~, now that we are entering the critical phase of the negotiations, ^{I should also tell you} of our pre-occupations for the future. My fear is that the ~~further the Community position goes towards the doctrinaire end of the range~~ ^{more rigid the Community's position becomes on any} of possible solutions of a given problem, and the less flexible ^{this} the Community's approach, the more difficult it will be, at the end of the day, to reach a compromise of the sort which we are able to accept. I can give you my firm assurance that the British Government will not waver in its commitment to enter the Community provided that we can agree on terms which I and my colleagues can recommend to Parliament in good conscience and with a fair prospect of securing Parliament's approval. But we must be able to convince Parliament that the terms of entry are fair. This involves putting to them an agreement which we can demonstrate to be beneficial to the enlarged Community as a whole, including the United Kingdom.

In your letter you suggested that we should remain in close touch.
~~It gave me a great pleasure to receive your message and I was especially pleased by your suggestion that we should remain in close touch.~~
I very much agree. We have much that we can usefully discuss, both on matters of European policy and matters of common interest outside Europe. This leads me to ^{raise} ~~wonder whether~~ ^{think about} the time is not approaching when we should ^{consider the possibility} have a personal meeting ^{and I am asking} to exchange views. If you agree, we might ^{perhaps think in terms of} such a meeting in the spring. ^{This} Sir Roger Jackling ^{will be in touch with you, about dates.}

[I shall send you a further message in reply to your letter of 22 November as soon as we have been able to consider your proposals.]

European Policy



Chancellor of the Duchy of Lancaster

Foreign and Commonwealth Office
Downing Street London SW1
Telephone 01-930 8440

24 November, 1970.

Prime Minister
X/ is the main point
in this record.

Dear Peter,

I enclose a record of the conversation between the Chancellor of the Duchy and the French Prime Minister at the Hotel Matignon in Paris on 19 November. M. Chaban-Delmas put himself out to be as friendly as possible, and clearly registered Mr. Rippon's point about the usefulness of French Ministers saying in public what they say in private about their wish to see Britain join the Community - and ridiculed that he would see what he could do on this.

M.
25/11

Yours sincerely

Crispin Tickell

(C. C. C. Tickell)

P. J. S. Moon Esq.

RECORD OF MEETING BETWEEN THE
CHANCELLOR OF THE DUCHY OF LANCASTER AND THE
FRENCH PRIME MINISTER

HOTEL NATIGNON, PARIS

19 NOVEMBER, 1970 AT 10.45 hrs.

The Rt. Hon. Geoffrey Rippon Q.C., M.P.	M. Jacques Chaban-Delmas
H.E. The Rt. Hon. Christopher Scanes	M. Simon Mora
	M. de la Fournière
Mr. Tickell	

Mr. Rippon said it was a great pleasure to see M. Chaban-Delmas again. They had been associated for many years on European questions. It was now time that what they had said out of office about the need to create a united Europe should be put into effect now they were in a position to do something about it. The negotiations for enlargement of the European Communities were going well, but greater political impetus was desirable. M. Chaban-Delmas welcomed Mr. Rippon to Paris. He recalled the days when Mr. Rippon and he had had no responsibilities and could say what they liked. There was an element of poetry about it. Now they faced the problem of how to translate poetry into reality.

2. Mr. Rippon said he wished to make two main points. First the negotiations should go quickly and be concluded as soon as possible. No-one should have the occasion to say that they were interminable. Secondly all concerned should avoid giving the impression that the negotiations were a sort of battle between adversaries, rather than, as was the case, a dialogue between friends and allies who were agreed on the end and had to find means to arrive at it. Some of the lesser problems, such as over pig meat, eggs, liquid milk and the

/agricultural

agricultural review, were now out of the way, and the four basic problems remained: transitional arrangements, New Zealand dairy products, sugar from the developing Commonwealth countries and the British contribution to Community finance. He himself believed that provided no new issues or obstacles were raised, decisions could be reached on these essential points by the middle of next year. During these six crucial months there would be a French Chairman of the Council of Ministers, and he hoped very much he would preside over a successful outcome.

3. M. Chaban-Delmas agreed on the need for speed. Slowness was always a bad sign. He also agreed on what Mr. Rippon had said about the atmosphere of the negotiations and the need to conduct them in the right spirit. If Mr. Rippon noticed any Frenchmen behaving otherwise, he should let M. Chaban-Delmas know. On the four problems mentioned by Mr. Rippon, progress was already being made. All concerned wanted to reach solutions to these problems. With so redoubtable a negotiator as Mr. Rippon, solutions would no doubt be found.

4. Mr. Rippon said that with a French Chairman of the Council of Ministers and with support from the French Government and French public opinion all would be possible. He sometimes wished that French Ministers could say in public what they said in private about their wish to see Britain join the Community. The British wanted to feel wanted. Above all he hoped that no new obstacles would be raised. If any were, they could not fail to prejudice the negotiations and have a bad effect on British public opinion. M. Chaban-Delmas replied he would take the next opportunity to say something on the lines suggested by Mr. Rippon. He well understood H.M.G.'s difficulties with public opinion, but it was hard to know what to say. No one would find that everything was all right. On the French

/Chairmanship

Chairmanship of the Council of Ministers, he reminded Mr. Rippon that the Chairman was only one out of Six and too much should not be expected of him, even his friend M. Schumann. Mr. Rippon said that he did not want to make too much of this. But he would like M. Chaban-Delmas to know how much pleasure it would give him personally if the essentials of the negotiations could be settled under French chairmanship. He agreed that we had to negotiate with the Six as a whole and was happy with this procedure, which was indeed the only one possible in the circumstances. H.H.G. had not tried to divide the Six and would not do so. This was not the way to a successful outcome of the negotiations.

5. M. Chaban-Delmas asked about the state of British public opinion. Mr. Rippon replied that the mood was of hesitancy rather than anything else. But as he had said earlier, anything which M. Chaban-Delmas or his colleagues could do to indicate that Britain was really wanted in the Community would have a great psychological impact.

M. Chaban-Delmas said that on reflection he thought he had said something to this effect in the National Assembly in his declaration of the general policies of the Government in October. Mr. Soames said he thought this was so.

M. Chaban-Delmas said he would nevertheless look at the point again and see what could be done.

6. As the meeting broke up, Mr. Soames invited M. Chaban-Delmas to visit London as the guest of the Prime Minister on the occasion of the France-England rugby match on 27 February. He could then stay the night at Chequers and have talks thereafter. Mr. Soames added that the Foreign and Commonwealth Secretary would some time like to invite M. Schumann to return the visit he paid to Paris last July. But if M. Chaban-Delmas wished to bring M. Schumann with him, the Prime Minister would be delighted. This was however for M. Chaban-Delmas. M. Chaban-Delmas said he was very grateful for this invitation. He would let the Ambassador know if he could come as soon as possible

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Mr. Kearns (IAFF)

Mr. Shovelton (Dept. of Trade and Industry)

H.M. Representatives at:

Paris

UNDEL Brussels

European Policy
SECRET 18 Feb

SIR WILLIAM NIELD

E.E.C. Negotiations

The Prime Minister has seen your minute Y 0429 of November 20 on the E.E.C. negotiations. He wishes to discuss with you as soon as inter-departmental assessment to which you refer in paragraph 10 is available.

I am sending a copy of this minute to Mr. Norbury (Cabinet Office).

(sgd) P. J. S. Moon

November 23, 1970

SECRET

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CONFIDENTIAL

ROUTINE PARIS TO FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NO 1197 23 NOVEMBER 1970
CONFIDENTIAL 231940Z

In Noon
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MY CALL ON PRESIDENT POMPIDOU ON 20 NOVEMBER:

I BEGAN BY TELLING THE PRESIDENT HOW MOVED THE BRITISH QUOTE DELEGATION UNQUOTE HAD BEEN AT GENERAL DE GAULLE'S MEMORIAL SERVICE. HE SAID THAT HE HAD BEEN DELIGHTED TO SEE NOT ONLY THE PRINCE OF WALES AND THE PRIME MINISTER BUT ALSO LORD AVON AND MR. MACMILLAN. IT HAD GIVEN THE FRENCH PEOPLE MUCH PLEASURE THAT THEY HAD COME TO THE MEMORIAL SERVICE.

2. I THEN TOLD M. POMPIDOU THAT LORD CARRINGTON HAD HAD AN INTERESTING MORNING WITH M. DEBRE AND THAT AS AN OBSERVER I HAD BEEN MUCH STRUCK BY THE SIMILARITY OF THEIR VIEWS ON LONG-TERM PROBLEMS. ON THE FUTURE OF EUROPEAN DEFENCE THE MAIN DIFFERENCE BETWEEN THEM SEEMED TO BE ONE OF EMPHASIS: THAT WHILE BOTH AGREED THAT EVENTS AND SELF-INTEREST WERE LIKELY TO DRAW US INTO A GREATER DEGREE OF EUROPEAN DEFENCE COOPERATION, LORD CARRINGTON SAW THIS IN A MULTILATERAL SETTING WHILE M. DEBRE'S APPROACH WAS ESSENTIALLY A BILATERAL ONE. I ADDED THAT M. DEBRE HAD TOLD US THAT HE HAD DISCUSSED THIS WITH M. POMPIDOU BEFORE HE HAD SEEN LORD CARRINGTON. THE INTERPRETATION THAT I PUT ON THE REMARKS WHICH M. POMPIDOU THEN MADE WAS: "DEBRE IS BOUND TO TALK IN TERMS OF BILATERAL COOPERATION, BECAUSE THIS HAS BEEN HIS THEME FOR GOODNESS KNOWS HOW LONG". WHAT HE SAID, WITH A SHRUG OF HIS SHOULDERS, WAS THAT OF COURSE THERE ARE DANGERS AND DIFFICULTIES IN MULTILATERAL COOPERATION. THE MORE PEOPLE YOU HAVE TO AGREE WITH THE MORE DIFFICULT IT IS. BUT THE HARD FACT IS THAT WE ARE THE ONLY TWO NUCLEAR POWERS IN EUROPE AND EVERYTHING WILL IN THE EVENT DEPEND UPON OUR COOPERATION. GERMANY CAN NEVER BE ALLOWED TO BECOME A NUCLEAR POWER BECAUSE THIS IN HIS VIEW WOULD BE A (NEXT TWO WORDS UNDERLINED) CASUS BELLI AND ONE CANNOT CONCEIVE OF ANY OTHER EUROPEAN COUNTRY BECOMING ONE.

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13. I THEN

3. I THEN REMINDED M. POMPIDOU THAT SINCE WE HAD LAST MET HE HAD MADE TWO VOYAGES. HE REPLIED THAT IT WAS NOT NECESSARY FOR HIM TO SAY ANYTHING ABOUT HIS VISIT TO THE UNITED STATES. HE HAD BROUGHT BACK SOME VERY DEFINITE IMPRESSIONS FROM HIS RUSSIAN VISIT. THE MOST IMPORTANT WAS THAT THEY WERE VERY CONSCIOUS AND PROUD OF THEIR MILITARY STRENGTH. THEY THOUGHT THAT THEIR MISSILES WERE EVERY BIT AS GOOD AS AND IN SOME WAYS BETTER THAN THE AMERICANS' AND THE EFFECT OF THIS WAS TO MAKE THEM THINK THAT THEY HAD NO REASON TO YIELD AT ANY POINT.
4. HE FELT THAT THE RUSSIANS WERE NOT SEEKING TO ALTER ANY FRONTIERS. THEY HAD OF COURSE THEIR CONFRONTATION WITH CHINA. IT WAS IMPOSSIBLE TO THINK OF CHINA ATTACKING RUSSIA FOR AS FAR AHEAD AS WE COULD SEE, BUT NEVERTHELESS THE RUSSIANS FELT CERTAIN THAT THE CHINESE WERE NOT GOING TO GIVE UP THEIR DEMANDS FOR THE REVISION OF THE RUSSO-CHINESE FRONTIER AND WERE EQUALLY SURE THAT THE RUSSIANS WERE NOT GOING TO YIELD ON THIS. HE THOUGHT A LONG DRAWN OUT CONFRONTATION WAS INEVITABLE HERE.
5. HE HAD BEEN FASCINATED TO SEE HOW PARTY POLITICS IN RUSSIA TOOK THE FORM OF DISSENSION BETWEEN FACTIONS OF THE COMMUNIST PARTY AND HE HAD BEEN PARTICULARLY STRUCK BY THE PAINS M M. PODGORNYY HAD GONE TO WHEN TRAVELLING WITH HIM TO INDULGE IN STRAIGHT ELECTIONEERING. HE THOUGHT THE TROIKA LOOKED FAIRLY SECURE, BUT IF HE HAD TO MAKE A BET HE WOULD BACK BREZHNEV AS THE ONE OF THE THREE MOST LIKELY TO LAST THE LONGEST. THE COMMUNIST SYSTEM WAS WORKING EXCEPTIONALLY BADLY. INDEED HE WOULD NOT EXPECT IT TO BE OTHERWISE. HE WISHED THAT THE SO-CALLED COMMUNISTS OF THE WESTERN WORLD COULD SEE MORE OF IT.
6. I TOOK HIM UP ON WHAT HE HAD SAID ABOUT RUSSIA NOT SEEKING TO EXTEND HER FRONTIERS BY ASKING IF HE DID NOT AGREE THAT SHE WAS CERTAINLY DOING ALL SHE COULD TO EXTEND HER INFLUENCE IN THE THIRD WORLD. HE SAID THAT THIS WAS TRUE AND SOMETHING THAT WE WERE GOING TO HAVE TO CONTINUE TO BE AWARE OF. HE THOUGHT THAT THE RUSSIANS WOULD MUCH REGRET NASSER'S DEATH. THEY NO LONGER HAD ANY (NEXT TWO WORDS UNDERLINED) INTERLOCUTEUR VALABLE IN THE ARAB WORLD.

CONFIDENTIAL

PARIS TELNO. 1197 TO FCO

-3-

7. I ASKED HIM HOW HE SAW THE PROBLEM OF THE MIDDLE EAST DEVELOPING. HE SAID THE PITY WAS THAT THE SIX-DAY WAR WAS EVER ALLOWED TO START. WE WERE NOW FACED, HOWEVER, WITH AN EXTREMELY COMPLEX AND DANGEROUS SITUATION BUT HE WAS GLAD TO SEE THAT OUR POLICIES SEEMED TO BE VERY SIMILAR. I SAID THIS WAS INDEED SO AND I THOUGHT THIS APPLIED GENERALLY THROUGHOUT THE WORLD. IT WAS HARD TO THINK OF ANY PART OF THE WORLD WHERE THE DIFFERENCE BETWEEN OUR POLICIES WAS ANYTHING MORE THAN ONE OF EMPHASIS. HE SAID HE WOULD AGREE WITH THAT; BUT ON THE OTHER HAND HE WOULD NOT LIKE TO READ TOO MUCH INTO IT. ONE OF THE REASONS FOR THIS WAS THAT WE WERE BOTH VERY CONSCIOUS OF OUR WEAKNESS AND THIS TENDED TO DRAW US TOGETHER. I SAID THAT I TOOK HIS POINT, BUT I DID NOT THINK ONE SHOULD PUSH THAT TOO FAR. AFTER ALL, WE WERE NEITHER OF US MUCH WEAKER IN RELATION TO THE WORLD TO-DAY THAN WE WERE FIVE YEARS AGO, WHEN MANY MORE DIFFERENCES DIVIDED US THAN WAS THE CASE TO-DAY. I THOUGHT THAT THE FACT THAT NEGOTIATIONS HAD NOW OPENED, WITH THE BEST OF POLITICAL INTENTIONS, TO ENLARGE THE COMMUNITY HAD A LOT TO DO WITH IT; AND ONE THING WHICH WAS QUITE CERTAIN WAS THAT THE OUTCOME OF THESE NEGOTIATIONS WAS GOING TO MAKE ALL THE DIFFERENCE TO OUR RELATIONS ACROSS THE BOARD IN ECONOMIC, POLITICAL AND MILITARY TERMS. THINGS WERE NOT GOING TO STAND STILL. IF THE NEGOTIATIONS WERE SUCCESSFUL, THINGS WOULD INEVITABLY GET MUCH BETTER BETWEEN US; IF THEY FAILED, THEY WOULD INEVITABLY GET MUCH WORSE. THIS LED ME ON TO REMIND HIM OF WHAT MR. RIPPON HAD SAID TO M. SCHUMANN ABOUT HOPING THAT THE BACK OF THE NEGOTIATIONS COULD BE BROKEN IN THE NEXT SIX MONTHS; DID M. POMPIDOU REGARD THIS AS A POLITICAL REALITY?

8. HE HAD PLAINLY BEEN WAITING FOR THIS. HE LEANT FORWARD ON TO HIS DESK AND SPOKE WITH GREAT VIGOUR. HE SAID WE REALISED OF COURSE THAT M. SCHUMANN WAS GOING TO BE IN THE CHAIR FOR THE NEXT SIX MONTHS AND ONE THING HE WAS DETERMINED SHOULD NOT HAPPEN WAS FOR THE NEGOTIATIONS TO BECOME A BATTLE BETWEEN

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BRITAIN AND FRANCE. HE SAID HE THOUGHT IT WOULD BE A GREAT MISTAKE TO ALLOW THE END OF JUNE TO GROW INTO A FIXED TARGET DATE; MAYBE THE NEGOTIATIONS WOULD BE CONCLUDED AT THE END OF MAY OR AT THE END OF JULY. IF WE WERE ANXIOUS TO GET ON WITH THEM - AND HE UNDERSTOOD THIS AND WANTED TO ASSURE ME THAT THE LAST THING FRANCE WANTED WAS TO DRAG HER FEET - WE SHOULD TACKLE SOME OF THE MAJOR TOPICS BEFORE THE END OF DECEMBER AND THEREFORE BEFORE FRANCE WAS IN THE CHAIR. HE SAID HE WISHED ME TO BE QUITE CLEAR THAT HE WANTED THESE NEGOTIATIONS TO SUCCEED. I ASSURED HIM THAT THE LAST THING WE WANTED WAS A BATTLE BETWEEN BRITAIN AND FRANCE OR INDEED BETWEEN BRITAIN AND THE SIX AS A WHOLE. I REMINDED HIM THAT MR. RIPON HAD MADE THE POINT THAT THE NEGOTIATIONS SHOULD NOT BE REGARDED AS A JOUSTING MATCH BUT RATHER AS A JOINT EFFORT BETWEEN FRIENDS AND ALLIES TO BRING ABOUT SOMETHING WHICH WE ALL DESIRED. AS TO THE TIMING, NOTHING WAS FURTHER FROM OUR MINDS THAN TO TRY TO KNOCK THE FRENCH GOVERNMENT, WHO WOULD HAVE THE CHAIRMANSHIP DURING THE CRUCIAL PERIOD. FROM OUR OWN INTERNAL POINT OF VIEW, IT WAS VITAL FOR PUBLIC OPINION THAT THE NEGOTIATIONS SHOULD BE SEEN TO BE MAKING GOOD PROGRESS AND TO HAVE PRODUCED CONCRETE RESULTS BEFORE THE SUMMER HOLIDAYS. M. POMPIDOU REPLIED THAT THERE WAS NO DOUBT IN HIS MIND THAT THIS WOULD IN FACT COME ABOUT.

9. I SAID THAT I REALISED OF COURSE THAT HE WOULD NOT WANT AT THIS POINT OF TIME TO DISCUSS ANY DETAILS ABOUT THE NEGOTIATIONS. BUT THERE WAS ONE POINT I WOULD LIKE TO PUT TO HIM. THERE WERE ENOUGH DIFFICULT JUMPS TO GET OVER ON THE COURSE; AND WE HAD NO DESIRE TO SEE OTHERS ADDED NOW THAT THE RACE HAD STARTED.

10. I SAID THERE HAD BEEN A LOT OF TALK LATELY ABOUT DISCUSSIONS IN THE FRAMEWORK OF E.E.C. NEGOTIATIONS ON THE POSITION OF STERLING. WOULD THE PRESIDENT TELL ME WHAT WAS IN HIS MIND ABOUT THIS? M. POMPIDOU SAID THAT WHAT HE DID NOT LIKE WAS THE RESERVE ROLE OF STERLING. HE REMINDED ME THAT THE GENERAL HAD SAID TO HIM (POMPIDOU) SHORTLY AFTER HIS RETURN TO POWER IN 1958 THAT ONE

CONFIDENTIAL

PARIS TELNO. 1197 TO F.C.O.

-5-

OF THE TROUBLES ABOUT THE COMMON MARKET TREATY WAS THAT IT WAS GOING TO BRING FRANCE INTO CONFLICT WITH BRITAIN. HE NOW FELT THAT WHEN BRITAIN CAME IN, IT WAS GOING TO BRING EUROPE INTO CONFLICT WITH THE UNITED STATES. WE MUST NOT UNDER-ESTIMATE THE IMPORTANCE OF THIS. THE REALITY OF THINGS TO-DAY WAS THAT THERE COULD BE ONLY ONE RESERVE CURRENCY AND THAT WAS THE DOLLAR. THE LAST THING HE WANTED TO HAVE WAS A MONETARY WAR WITH THE UNITED STATES. WE NEEDED THE AMERICANS FOR OUR DEFENCE AND WE DID NOT WANT TO CREATE ANY MORE DIFFICULTIES WITH THEM THAN WAS INEVITABLE ANYHOW WITH THE MARKET BEING ENLARGED. HE SAW NO ROLE FOR ANOTHER RESERVE CURRENCY BASED EITHER ON STERLING OR AN A EUROPEAN CURRENCY. TO HAVE FREELY CONVERTIBLE CURRENCIES WAS A GOOD THING, BUT HE WAS CONVINCED THAT IT WOULD BE WRONG TO SEEK TO CREATE A EUROPEAN RESERVE CURRENCY.

11. I REMINDED HIM THAT IT WAS NOT WE WHO SOUGHT A RESERVE CURRENCY; IT WAS SOMETHING THAT HAPPENED TO US. I HAD UNDERSTOOD FROM WHAT I HAD SEEN IN THE PRESS RECENTLY THAT THE FRENCH GOVERNMENT THOUGHT OF STERLING IN ITS RESERVE CURRENCY ROLE AS GIVING AN UNDUE COMPETITIVE ADVANTAGE TO BRITAIN; AND THAT THIS WAS THE REASON FOR THEIR WANTING TO SEE A CHANGE. M. POMPIDOU SAID THAT HE WANTED TO ASSURE ME THAT THIS WAS CERTAINLY NOT HIS VIEW; INDEED, HE SAW IT MUCH MORE AS A DISADVANTAGE. BUT IT WAS FOR THE REASONS HE HAD GIVEN ME THAT HE WISHED TO SEE NO CURRENCY OTHER THAN THE DOLLAR AS A RESERVE CURRENCY. HE REPEATED THAT HIS PERSONAL POSITION WAS TO DO EVERYTHING POSSIBLE TO PREVENT EUROPE BEING SADDLED WITH A RESERVE CURRENCY. IT WOULD BE NECESSARY TO HAVE TALKS IN DEPTH ABOUT THIS IN THE CONTEXT OF OUR NEGOTIATIONS.

CONFIDENTIAL

/12.

CONFIDENTIAL

-6-

12. I HAD HAD MY THREE-QUARTERS OF AN HOUR AND IT WAS TIME TO GO. I TOLD M. POMPIDOU THAT I HAD YESTERDAY DELIVERED TO M. CHABAN-DELMAS AN INVITATION FROM MR. HEATH TO GO TO THE RUGGER MATCH IN FEBRUARY AND TO SPEND THE WEEKEND AT CHEQUERS. HE SAID WITH A SMILE HE KNEW OF THIS AND HAD WARNED HIS PRIME MINISTER TO BEWARE, FOR THE BRITISH WERE VERY (NEXT WORD UNDERLINED) SEDUISANTS.

FCO: DISTRIBUTION AS INDICATED BY THE RECIPIENT OF
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MR. SOAMES

FCO(SECRET)/WHITEHALL(SECRET)
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W.E.D.
E.I.D.
E.E.S.D.
F.P.A.D.

CONFIDENTIAL

SIR WILLIAM NIELD

The Prime Minister has seen your minute of November 20 about the programme of Ministerial meetings needed to fit in with the timetable of the Economic Community negotiations. He is content with these and I have noted the dates which you mention that involve him in his diary.

I am sending a copy of this minute to Mr. Norbury (Cabinet Office).

Signed A.J.C. SIMCOCK

November 23, 1970

E.R.

SECRET

17

Ref: Y 0429

PRIME MINISTER

Handwritten notes:
The type he was discussing
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EEC NEGOTIATIONS

Now we have passed from factual exploration to definitive negotiation you may wish to have a quick provisional view of any major development to cover the period in which a considered assessment is being prepared. We now have such a development; an official assessment is being prepared as rapidly as possible.

2. The Community's reaction to Mr Rippon's stress on getting the negotiations settled as soon as possible was to ask the Commission to put together a "vue d'ensemble" of the main problems of the negotiations. This "vue d'ensemble" was completed on 16 November and has become public property during the last 48 hours.

3. If the Community's Committee of Permanent Representatives and the Ministerial Council substantially and quickly accept the Commission's "vue" we shall shortly have the Community opening position on all the four crucial issues - Community Financing, Transitional Periods, New Zealand Dairy Products and Commonwealth Sugar and ignoring secondary issues, only on our economic prospects and economic and monetary harmonisation will the Community's attitude remain open and these issues are for discussion, not negotiation, though none the less very important.

4. On Community Financing and Transitional Periods (related subjects because, very broadly, the former settles our net contribution to Community funds and the latter the period of years over which it is phased in). The Commission proposals are complex, and on Community Financing involve two alternatives, one clearly worthless (a 21 1/2% initial "key" or maximum gross contribution of £350m rising to £450m a year) and another which, at time of writing, will take some hours more to cost. But on the likely hypothesis that the first and the second bids add up to the same sum, both proposals would involve a net contribution of £350m a year in 1978 - an oriental opening bid.

5. On transitional periods our opening bids of 6 years for agriculture and 3 for industry were inevitably tactical - for internal (NFU and CBI) and external (New Zealand and Commonwealth Sugar) reasons, and because they had to be made when the Community was still mouthing the stock formula of "accept our rules subject only to short transitional periods". But now, in the new negotiating atmosphere, we shall have to move 6 years and 3 years closer, and the Community have hit on 5 years, because their financial arrangements, based on Community receipt of levies and duties, interlock 100% in 1975.

6. On Commonwealth Sugar, the Community say in effect "let the Commonwealth Sugar Agreement (CSA) continue until end-1974 by when the British will have been in for 2 years, and let the enlarged Community in that period determine the sugar required for 1975 onwards: meantime the Six and the candidates would give assurances to the CSA countries about the post-1975 period in terms of arrangements under the International Sugar Agreement and/or association (Yaounde-type or Part II-type) and/or Community arrangements. If the British wish to settle post-1975 arrangements now, that can be done: but it would be less "opportune". This is a very sensible proposal to make, since we can do more for the CSA countries as members of EEC than we can as applicant non-members.

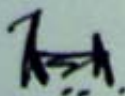
7. On New Zealand dairy products, the Commission propose for butter the principle of our own solution - the preservation of New Zealand's export earnings by decreasing tonnages (by half) over the transitional period and increasing prices correspondingly - but for cheese the decline in volume would be to zero. In addition the Community would, during the transitional period, try for an international commodity agreement, but if this failed would examine the situation and the measures called for (ie a review clause). This again affords a basis for negotiation.

8. In sum, the Commission's package, if substantially approved by the Six, will present us, possibly by 8 December, with -

- (a) their opening position on all four crucial issues for negotiation,
- (b) an opening bid on Community Financing which is so blatantly oriental as to invite a counter-bid,
- (c) an opening bid on transitional periods which is tough, but logical from their viewpoint, and not unrealistic from ours,
- (d) realistic proposals on New Zealand dairy products and Sugar which again afford a basis for negotiation.

9. Save on (b) the Commission might have done a lot worse. If indeed they really expect a counter-bid on (b) the Commission's proposals could make it possible to cut six months off our previous estimate of the negotiating period, so far as these four crucial issues are concerned. But we should still have to "satisfy the examiners" on the position and prospects of our economy and on the future of sterling in a Werner-type setting.

10. An agreed interdepartmental assessment of the Commission's proposals will be completed on Monday or Tuesday 24/25 November.



(W.A. NIELD)

Approved
A.M.L.PRIME MINISTER

Sir Burke Trend mentioned to you on Thursday the problem of fitting into the Cabinet and Cabinet Committee timetable, meetings to consider our line at the Ministerial meeting in Brussels on December 8 on Transitional Periods and Community Financing.

2. Officials were working to present a report on these subjects to the Ministerial Committee on Europe next Monday November 23. The receipt on Thursday last of a copy of the Commission's complex proposals on this subject made this impossible: and the Foreign Office were asked to seek Mr. Rippon's views on how he would now wish to proceed. Sir Burke Trend has asked me to let you know the outcome.

3. Mr. Rippon has tonight confirmed to me his views as follows. It is imperative that Cabinet have ample time to consider the crucial subject of Community Financing. The issue of Transitional Periods can be separated from this if the necessary moves from six years for agriculture and three for industry to five years for both are accompanied by clear reservations about the phasing of levy and duty steps within those periods: and about a separate transitional period for financing arrangements, plus any other reservations we may think appropriate.

4. Mr. Rippon would therefore wish to proceed as follows:

- 2 -

- December 7 Ministerial Committee on Europe (AE) takes papers on Transitional Periods and Community Financing, and decides on the former but not the latter.
- December 8 Mr. Rippon in Brussels presents our position on Transitional Periods (only) to the Six - and other minor matters of current business.
- December 10 and 15 etc. Cabinet considers Community Financing.
- December 18 (say - or later) at Deputies we present our proposals on Community Financing to the Six (or deliver it through our post). Mr. Rippon makes a public statement on it in London to forestall the inevitable leaks.

5. This procedure would give Cabinet ample time for consideration of Community Financing, as is essential. AE would deal with Transitional Periods in the light of a full paper on Community Financing, taking into account whether and how far there is any risk in separating these two issues by reservations as in paragraph three. This latter question is difficult to determine until a full analysis of the Commission's proposals on both heads has been completed. Officials are working on this very urgently, and will report on it to the next meeting of AE which will now be on December 7.

SECRET

- 3 -

6. Instructions are sought whether the programme of Ministerial meetings may be fixed on the basis of the timetable in paragraph 4.

WJ (Duty clerk)

pp. William Nield

November 20, 1970

BF23/11/70

FILE

European Policy
LAP

November 18, 1970

I wrote to you on November 9 following your letter of November 6 about the timing of the legislation involved in our entry into the European Communities, saying that the Prime Minister would be grateful to have further clarification of certain points.

I should be grateful to know whether you will be able to let me have a reply soon.

PSSM

C.C.C. Tickell, Esq., M.V.O.,
Foreign and Commonwealth Office.

[Handwritten mark]

cc MOD
DTI
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CO

November 16, 1970

The German Ambassador called on the Prime Minister at 3 o'clock today and delivered the enclosed letter conveying a personal message to the Prime Minister from Chancellor Brandt together with a copy of Herr Brandt's speech in the German Bundestag on November 6.

In delivering the message, the Ambassador said that he had been asked to stress the importance which Herr Brandt attached to keeping in close touch with us on the question of the enlargement of the European Communities. He referred to the strong support in Germany for our entry into the Communities. The Prime Minister said that we certainly wished to keep in close touch. He would study the message and reply as soon as possible.

The Ambassador went on to mention the following further matters:-

NATO Infrastructure

The Ambassador said that Herr Brandt was worried that we alone had failed to support the proposals on NATO Infrastructure put forward at the Euro Group Defence Ministers' meeting on November 10. Herr Schmidt would be calling on the Secretary of State for Defence on Thursday to talk about this. The Germans very much hoped that we would be prepared to reconsider the proposal since the whole package depended on our participation.

The Prime Minister told the Ambassador that we did not believe it was right to subsidize the United States, the richest country in the world. And we did not think that the United States themselves wished to be put in the position of mercenaries. We were making an increased contribution to NATO through additional forces. We already made a proportionately larger financial contribution than others. We had no objection to the infrastructure proposals and would be happy to see the other members of NATO go ahead. We did not consider that a British contribution need be a condition of others contributing.

German-Polish Agreement.

The Ambassador said that our Ambassador had been briefed on the German/Polish talks in Warsaw on November 14. There would be a further briefing meeting in Bonn tomorrow. The Treaty was likely to be initialled this week. The Germans attached great importance to co-ordinating comment and reaction to the Treaty. This was important for them for their handling of the process of ratification in the Bundestag.

The Prime Minister thanked the Ambassador for what he had told him. We were much in favour of close co-ordination on this question just as we had been in the case of the German Soviet Treaty when we had supported Herr Brandt's proposal for a summit meeting.

Post-Apollo Programme

Finally, the Ambassador said that he wished to mention how much the German Government regretted that we were not going to share in the Post-Apollo Programme. He had instructions to inform Mr. Corfield of this and he wished the Prime Minister to know.

The Prime Minister replied that no responsible government could have agreed to a project of such enormous cost in the form in which it had been presented to us. For there to be consideration of such a project it must be put forward in a business-like manner with proper information and preparation.

I should be grateful if you could let me have as soon as possible a draft reply to Chancellor Brandt's message to the Prime Minister.

I am sending copies of this letter to Jaffray (Ministry of Defence), Manley (Department of Trade and Industry), Northrop (Ministry of Aviation Supply) and to Norbury (Cabinet Office).

PJM

del

Top copy filed on Germany
June 1970.

London, November 14th, 1970

DER BOTSCHAFTER

DER BUNDESREPUBLIK DEUTSCHLAND

Karl-Günther von Hase

My dear Prime Minister,

On instructions from the Chancellor of the Federal Republic of Germany, Herr Willy Brandt, I have the honour to transmit to you a personal message and the speech he delivered before the German Bundestag on November 6th, 1970.

Due to the Chancellor's illness, from which he is recovering in the mean-time, the letter has been delayed for several days.

I have the honour to be, Your Excellency,

*Yours sincerely
Karl-Günther von Hase*

His Excellency

The Right Honourable Edward Heath, M.B.E., M.P.,

Prime Minister and First Lord of the Treasury

10, Downing Street

London

Bundesrepublik Deutschland
DER BUNDESKANZLER

Bonn, November 10th, 1970

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. _____**

My dear Prime Minister,

I would like to seize upon the opportunity offered by the German Bundestag's debate on European questions on November 6th, 1970 to bring to your personal knowledge the main points of the Federal Government's European policy as I have outlined them on this occasion. In doing this I am aware of our agreement on the general aims of this policy.

One of the five tasks the Federal Government have set themselves is, as you will gather from the attached declaration, the speedy and satisfactory conclusion of the negotiations on the entry of the United Kingdom, Ireland, Denmark and Norway. I am pleased that, in the mean-time, we have by and large concluded the fact-finding phase of these negotiations and have started discussing the real problems. I share the opinion of your government that as soon as possible in the course of the next year the solutions required for the different problems will have to be defined.

The decision by Her Majesty's Government to start adapting their system of agricultural support to that of the Community constitutes a very constructive contribution which I fully appreciate.

I hope, my dear Prime Minister, that we will continue the exchange of views on these questions.

Yours sincerely,

sgd.: Willy Brandt

His Excellency
The Rt. Hon. Edward Heath, M.B.E., M.P.
Prime Minister and First Lord of the Treasury
L o n d o n



Chancellor of the Duchy of Lancaster

Foreign and Commonwealth Office
Downing Street London SW1
Telephone 01-930 8440

e/ 12 November, 1970.

COVERING CONFIDENTIAL

Dear Peter,

Am.
12/11

I attach as promised final
versions of the records of the
Chancellor of the Duchy's two private
conversations with the French Foreign
Minister in Paris on 9 November.

Yours sincerely

[C. C. C. TICKELL]

P. J. S. Moon, Esq.

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

PARIS. 9 NOVEMBER 1970 AT 1000 hrs.

Rt. Hon. Geoffrey Rippon
G.C., M.P.

Mr. Tickell

M. Maurice Schumann

M.E. M. Geoffrey de Courcel

M. Cuvillier

M. Schumann welcomed Mr. Rippon to Paris. He had read Mr. Rippon's recent speeches with admiration. Mr. Rippon said he could say the same of M. Schumann's to the National Assembly last week. M. Schumann said he had then spoken at length about Europe but had also put in a passage about Anglo/French co-operation generally. This was particularly important over the Middle East, and he greatly appreciated the working relationship he had established with the Foreign and Commonwealth Secretary. A common Anglo/French policy in the Mediterranean was essential. Mr. Rippon said he had particularly noted M. Schumann's remarks about supra-nationality and the Devignon Report. Our positions were very similar.

2. Mr. Rippon said that he was much looking forward to M. Schumann's chairmanship of the Council of Ministers in the first half of 1971. He hoped that the essentials of the negotiations could be decided by the end of this period. M. Schumann said this would be a test for him. He would do all he could. It was not easy for the Community to negotiate through a single spokesman, but it was the only sensible way to proceed.

3. Mr. Rippon said he hoped that M. Schumann might be

/able to

able to arrange greater discretion in the conduct of the negotiations. The fact that everything leaked within minutes meant that the press could represent the negotiations as a series of confrontations between one side and the other. The ideas put forward by the British side should be regarded as suggestions rather than demands or conditions. He himself had tried to be as flexible as possible, and would continue to be so. The vital point, as he had said several times in public, was that we were negotiating between friends, not litigating between opponents. H. Schumann agreed. This was very important. Mr. Rippon said that some of the present argument was artificial. Where the Community had rules we would respect them. References to a breach of rules that were not rules confused the issue. H.N.G. would not attempt to tinker with what the Community had achieved or seek permanent derogations from its regulations. He had explained this clearly in his speech to the Conservative Party Conference at Blackpool.

4. H. Schumann said that during his recent visit to Moscow, President Pompidou had reminded the Russians that France belonged irrevocably to the West. With the other countries of Western Europe she was pursuing close political co-operation as well as economic integration. He had been struck by the fact that the Russians had not attempted to question this proposition. He understood that a Norwegian Minister had recently said on his return from Moscow that the enlargement of the Community was no longer in question with the Russians. Moreover he believed that Mr. Gromyko had said nothing to suggest the contrary in London. Mr. Rippon agreed that the Russian attitude was changing. They also had to have a Westpolitik as well as an Ostpolitik. H. Schumann warmly agreed.

5. Mr. Rippon said he did not know how much progress could be made at the next Ministerial Meeting of the enlargement conference on 8 December, but he hoped it would be possible