

170  
Prime Minister

F. S. P. M.

Weekend box

(2)

CONFIDENTIAL



Selfish, wilful and short sighted though <sup>our</sup> ~~our~~ partners are, they are so far as I can see the only partners we have. I therefore agree with paras 28 + 29 & believe that you personally could play a major role in pointing the Community in ~~the~~ the right direction.

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P. M. 2/4

Four years ago the mood of the Community was one of sober optimism. Several developments have significantly affected its internal structure and external relations. Today the Community stands on the verge of a major crisis. (Paragraphs 1 - 2)

The European Council has emerged as the main motive force in the Community. Its role is likely to develop further. (Paragraphs 3 - 6)

The standing of the Foreign Affairs Council has declined. So has the prestige of the Commission. Nevertheless it is important that the Commission should retain its right of initiative. (Paragraphs 7 - 8)

Relations between the Council of Ministers and the European Parliament have deteriorated and decisions by the Court of Justice which extend Community competence pose problems. (Paragraphs 9 - 10)

Arguments over the future shape of the Community (federal or otherwise) are largely dead. (Paragraph 11)

A healthier attitude to criticism of Community policies now exists. The UK is in the vanguard of those pressing for change (largely because we joined late and had to accept existing policies), but we are making headway in securing acceptance of the need for a new balance of interests (Paragraphs 12 - 16)

A crisis within the Community over our contribution to the budget is approaching. Our commitment to the Community could compensate for the relative disadvantage of our negotiating position on many issues. (Paragraph 17)

The UK is not less skilful in negotiation than its partners. All member states doggedly defend interests of particular concern to them. We, especially as the advocates of reform, cannot and should not imitate our partners' methods; we could, however, concentrate our effort more on our main objectives and pick fewer nits off proposals of minor concern. (Paragraphs 18 - 25)

The founders of the Community drew on existing patterns when devising a basis for the integration of Western Europe. The problems we face require us to construct a wider basis. We should consider taking the lead in proposing that the area of cooperation be widened. (Paragraphs 26 - 30)

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31 October 1979

The Right Honourable  
The Lord Carrington KCMG, MC  
etc etc etc

My Lord,

1. When I arrived in Brussels in 1975 I found a mood of sober optimism. Everyone I met was preoccupied with the gulf between the economically strong and the weaker members of the Community which was wider than when the Treaty of Rome was signed. Yet they regarded the emphatic result of the British referendum a few months earlier as a clear statement of the United Kingdom's commitment to work wholeheartedly within the Community to solve its problems. That, they felt, was a great gain. Now, as I leave Brussels four years and 30,796 telegrams later, the optimism has evaporated. The mood is sober, if not sombre. The Community faces a range of challenges, many of them familiar, and stands on the verge of a major internal crisis.

2. During the past four years several events have significantly affected the Community's internal structure and cohesion and its external relations. These developments - and notably the applications for membership by Greece, Portugal and Spain and the signature of the Greek Accession Treaty; the virtual conclusion of the Tokyo Round of Multilateral Trade Negotiations; the decision that the Community as such should be represented at Economic Summit meetings; the negotiation of a successor to the Lomé Convention with 58 African, Caribbean and Pacific countries; the first direct elections to the European Parliament, indeed the first multinational direct elections

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CONFIDENTIAL



in world history - these developments have been so well chronicled that there is no need for me to retell the story.

3. In a number of less obvious ways the Community has changed over the same period.

4. The most important of these is the emergence of the European Council as the main motive force in the Community. It is now accepted as normal that the conclusions which emerge from its meetings will entrust the Council of Ministers and the Commission with specific tasks, and sometimes with precise timescales within which these are to be accomplished. The European Council has also become the great conciliator. In 1977 the question was raised whether meetings of the European Council should be "a fire-side chat" about the major issues confronting Western Europe, or a court of appeal where problems which the Council of Ministers in any one of its formations had been unable to settle might be resolved. After months of debate the startlingly obvious conclusion was reached that the European Council was bound to be both, and the programmes for its meetings have been arranged accordingly.

5. Whether or not a particular meeting of the European Council is successful depends on circumstances at the time. But it is inevitable that the role of the European Council will grow in importance. Coordination of policies is still the weak spot in the Community's procedures. This is likely to be highlighted by the report of the Three Wise Men, who will no doubt suggest how the problem might be overcome. For myself I wonder whether the remedy  
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might not be for the European Council, at its final meeting of the year, to establish broad priorities for the next period ahead on the basis of suggestions put forward by the Commission. These broad priorities could constitute guidelines for the Commission when it comes to elaborate its proposals for the Community budget.

6. The role of the European Council has been enhanced at the expense of the Foreign Affairs Council which, under its informal title of General Affairs Council, was supposed to (but never did) coordinate Community policies and moderate the ambitions of colleagues who met in other formations of the Council. The influence of the Foreign Affairs Council had already been diminished by another development. In the early years, when the Community was being constructed on the basis of the Treaties of Paris and Rome, it was natural for Foreign Ministers to occupy the driving seat. But the Community has long since moved into uncharted territory such as energy policy, the environment and social affairs. More and more of the important problems are now discussed in the so-called specialist councils. Increasingly specialist Ministers even attend the Foreign Affairs Council to cover particular agenda items. In recent months, apart from the renegotiation of the Lomé Convention and the enlargement negotiations, there have been no major Community issues for Foreign Ministers themselves to discuss. No wonder then that Foreign Ministers have become increasingly reluctant to attend meetings of the Council and that so many are represented by a Deputy.

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7. For various reasons the standing of the European Commission has diminished over the past few years. The emergence of the European Council as the principal motor is one factor. Another is that, inasmuch as the Community operates increasingly beyond the limits of the Treaties, the decisive word rests more often than in the past with the Council rather than with the Commission. Public impatience with the Commission's fussy interventionism and the publicity given to instances of personal extravagance on the part of certain Commissioners have also played their part. Mr Roy Jenkins was amongst the first to appreciate the need for the Commission to react to these trends. His invitation to Mr Dirk Spierenburg and his colleagues to "examine how the Commission's organisation and staff resources can best be adjusted to meet future needs, and thus cope with a rapidly changing workload in the light of defined priorities" was one part of his response. Another was his insistence, at the Commission's week-end retreat at Comblain la Tour in September 1978, that any future proposals presented by the Commission to the Council of Ministers must be tested against certain criteria to ensure their relevance and desirability.

8. It remains to be seen how many of the generally sensible recommendations of the Spierenburg Committee and of the Three Wise Men on wider institutional questions will in the end be put into effect. While the Commission must clearly adapt its role to conform with new realities, it is important both for the Community and for our interests that it should retain the formal right of initiative. Commission proposals have the immense benefit of neutrality and hence

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of respectability. The dialectic between the Commission, representing the Community interest, and the Council of Ministers, representing the interests of Member States, has proved its worth time and again. Our own ideas for the redress of inequities and the removal of anomalies in Community policies will have far more chance of success if they emerge in the form of proposals from the Commission.

9. In two other institutional fields developments over the past years have not been auspicious. Relations between the European Parliament and the Council of Ministers have deteriorated. The fact that it is the Council of Ministers which legislates in the Community is a natural source of frustration for the Parliamentarians. It is difficult for them to accept that for the foreseeable future democratic control over decisions in the Community will continue to rest with national Parliaments. The directly elected European Parliament will no doubt use its ingenuity (as proposed for example in the Dankert Report on the 1980 Budget) to wrest more control from the Council as its predecessor did in 1975, both over the conciliation procedure and later over the budget. From the point of view of the Council of Ministers these two concessions now seem to have been unwise, and the Council will undoubtedly be more wary in future.

10. In relations between the Council and the Court of Justice the seeds of future controversy have been sown. The Court's ruling in November 1978 on Community competence with regard to the draft convention on physical protection of nuclear materials provoked a

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strong reaction from the French. For their own purposes the French exaggerated; but they have a point when they argue that, since any reference to the Court seems invariably to result in a decision extending Community competence, the Court is threatening to usurp the prerogatives of the Council of Ministers.

11. Another of the less obvious changes over the past few years has been in attitudes to the future development of the Community. Since the Tindemans Report of December 1975, which may have been the federalists' last throw, the sterility of the argument has been increasingly recognised. In his lecture in September 1977 in Florence, which hit the headlines with its proposals for a leap towards economic and monetary union, Mr Jenkins made a statement on the evolution of the Community which received little attention at the time but which, because it was made by the President of the Commission, has since acted as yeast. He said then:

"Some support the federal model, others would prefer something confederal; others like neither .... we must only give to the Community functions which will, beyond reasonable doubt, deliver significantly better results because they are performed at a Community level .... we must equally leave to Member States functions which they can do equally well or better on their own."

Few today would question that recipe. Not only does it prescribe a sensible ordering of the Commission's resources day by day, but it would also serve to eliminate proposals which individual Member States would find unacceptable and which, when taken before the Council, would lead them to invoke the Luxembourg Compromise.

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CONFIDENTIAL



- 7 -

Experience has shown that advance in the direction the federalists would wish will do nothing to solve the Community's current problems. And with the second enlargement any hope of reviving the intimacy which bound the original Six will have gone forever.

12. Likewise there is far less disposition to regard criticism of Community policies as heresy. Those Member States who benefit substantially from the Common Agricultural Policy (CAP), and notably France and Denmark, can still be relied on to misrepresent our criticism of the CAP as an attempt to dislodge a cornerstone of the Community. But their argument has become less credible as Italy and Germany - and it was Chancellor Schmidt who called for a stocktaking four years ago - have joined in the attack on how the Policy works, and as the absurdities it produces have become so evident. This more objective, even sceptical approach to the CAP is one of the healthier developments of the past few years, not least because it has loosened attitudes to other Community policies.

13. Far and away the most important trend over the past few years has of course been the increasing perversity of the operation of the Community budget. Resources have been transferred in increasing volume from poor to rich. Unlike the other trends I have mentioned this directly and most adversely affects United Kingdom interests.

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.../14.

CONFIDENTIAL





14. For historical reasons the task of safeguarding and furthering United Kingdom interests in the Community is far from easy. The fact that we were not ready to join in the European endeavour in the Fifties allowed the original Six to strike a balance which suited their interests. This balance was enshrined in the Treaties of Paris and Rome. In the interval between the veto of our first application to join the Community in 1963 and the successful conclusion of our negotiations in 1971, the original Six established the CAP, devised the Own Resources system of funding the budget, and evolved a common fisheries policy. All three policies were appropriate to their circumstances. The Six, and particularly the French, were well aware of what they were doing. Indeed their insistence on "deepening" the Community before "enlarging" it betrayed their intention of presenting the United Kingdom with a fait accompli. The train deliberately accelerated just as we were hoping to board it.

15. History will judge whether these were wise tactics on the part of the Six. Anyone called on to carry a disproportionately heavy burden will go on trying to ease it. The Six should therefore have known that the United Kingdom would not tolerate for long arrangements which were clearly detrimental to its national interests. Whatever the judgement of history, the fact is today that it is for the most part we who press for change, and on many occasions we start the negotiation at a corresponding disadvantage.

16. Despite this disadvantage we have made progress. The trends of opinion which I described earlier and which in due time will turn the Community into something closer to what we would wish it to be, owe much to our advocacy. That there is a serious problem over our net contribution to the budget is more widely accepted today than



even a year ago. The Community cannot now escape the problem of the unrequited transfer of resources from the poorer regions of the Community to the richer through the operation of the Community budget. In the longer term the problem of economic divergence and the central role of the budget as an instrument of Community economic policy rather than a traditional money-raising device will come under scrutiny. And many of those involved here in the work of the Community recognise that a new balance of interests will have to be struck before long.

17. This will not happen overnight. Nevertheless circumstances seem certain to combine very soon to create a crisis within the Community. This could arise from an unreasonable delay in solving our budgetary problem on satisfactory terms; or later when the 1% VAT limit on contributions to the Own Resources is reached. We should be ready to seize these opportunities and the disturbance which will inevitably follow the enlargement of the Community to work with our partners to amend existing policies and, where appropriate, to develop new ones in a way which will produce a better balance of interests and incidentally serve our own. In equity and in common sense we will have a strong case. But, as any rebalancing of interests will reduce the benefits some of our partners now derive from the Community, the going will be rough. Though we will in some cases be the demandeurs we will have one strong card in our hand - our commitment to (and not merely our membership of) the Community. The importance of this commitment to our partners who have been longing for us to play our appropriate role in the Community should not be

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underestimated. In my view, together with the approach of the 1% VAT limit, this could go a long way to compensate for the relative disadvantage of our negotiating position in the Community on many of the main issues.

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18. In the day to day task of protecting and advancing United Kingdom interests we learn all the time by experience. When you took office I sent you a list of do's and don'ts about the conduct of business in the Council of Ministers. It may be helpful to amplify these.

19. The United Kingdom Presidency in the first half of 1977 completed our Community experience and enabled us to see more clearly than before how the Community works. From the President's chair in the Council chamber, as from the schoolmaster's, the motives and tactics of those who sit in front are unusually transparent. Holding the Presidency also gives one a special insight into the relationship between the Community institutions.

20. It is often alleged that we are less adept at looking after our interests than are our partners. The French are normally held up as paragons of how to get your way in the Community without tears. In commentaries on the French Presidency in the first half of this year I saw two conflicting views expressed. On the one hand it was said that the French had got away with murder; on the other, the French were credited with superior diplomatic skills.

.../21.

CONFIDENTIAL



- 11 -

21. My experience over the past few years leads me to take a somewhat different view of our partners' tactics and performance. So many of the interests of the Benelux countries can be identified with those of the Community that it is relatively easy for them to give the impression of being communautaire. But when one of their important national interests is at stake they can be persistent and obstinate, as for example the Dutch over relations with the third world, and the Belgians on nuclear issues. Talk about the site of the European Parliament - and the Luxembourg Jekyll becomes Hyde. The Irish like things as they are: and why not, when they are doing so well? Any derogation from the CAP gets their blood up, whether it is New Zealand butter or Botswana beef. The Danes too react fiercely to suggestions that the CAP should be reformed. They are also especially concerned about the Community's energy prospects and nurse a rather incoherent ambition for a common energy policy which might well alarm their partners if it were more explicit.

22. Like ourselves the Italians have a genuine grievance. It is difficult to understand how the Italian Government of the day could have accepted the terms on which the CAP was established, so weighted is it in favour of the northern producers. Over the past few years, by resolutely opposing any concessions in the agricultural field to the Community's Mediterranean partners, the Italians have received some measure of compensation for their own producers. All the signs are that they will persist with and intensify these successful tactics.

.../23.

CONFIDENTIAL



23. German attitudes even up to and including the level of the Council of Ministers can be curiously incoherent. Six weeks ago State Secretary Lahnstein told the Finance Council that the United Kingdom's budget problem should not become entangled with subjects such as North Sea oil or fisheries. Two days later he was being disavowed in Bonn. This incoherence was especially noticeable during the last two months of the German Presidency in 1978. At the time we put this down to the lack of close control by Herr Genscher and to poor coordination between the ministries in Bonn and between Bonn and Brussels. But, even when their policies are clear, for historical reasons the Germans are disinclined to throw their considerable weight around and they try hard to avoid finding themselves in a minority of one. The close personal relationship between Chancellor Schmidt and President Giscard is not reflected in Brussels, even at the level of the Council of Ministers. Indeed, more often than not the French and Germans find themselves on opposite sides of the argument. One is left to conclude that the hard-headed opinions of the individual ministries in Bonn still prevail so far as routine Community business is concerned.

24. The French neither get away with murder, nor are they outstandingly skilful. They pursue their objectives in the Community with rare singlemindedness, even ruthlessness, and they can count on the support of a patriotic press. They pay little regard to the wishes of their partners and even less to their feelings. No-one for example was consulted before President Giscard announced that the Greek Accession Treaty, contrary to precedent, would be signed in Athens.

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CONFIDENTIAL



- 13 -

Although they dislike being isolated as much as every other member of the Community, the French are prepared to accept this for long periods. For reasons I have never had satisfactorily explained the other Member States seem in some way to be mesmerised by the French. They vituperate in the corridors about the more offensive aspects of French behaviour; but they will not speak out in the Council chamber unless the British give a lead. Nor are the French particularly successful or efficient. Over energy policy for example they have made no headway with their efforts in recent months to undermine the International Energy Agency or to curb the operation of the Rotterdam spot market. Indeed in this field they have recently had a long run of failures. It is also argued that the French have a special talent for dressing up their national interests in Community clothes and that this in some way immunises them from criticism. No-one here is so easily deceived. By now the original Five know their French partner very well and have developed a special tolerance and scepticism.

25. It is not open to us to imitate the conduct of our partners, least of all the French, and it would be foolish of us to try. For one thing, as I have said, we are the advocates of reform and, with the exception of the Italians, our partners are the defenders of the status quo; so our posture is fundamentally different. For another, we cannot in the English language talk with a straight face about our European vocation or our fidelity to our European destiny. Yet there are two ways in which we can learn from the French. We could well

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CONFIDENTIAL



borrow some of the ruthlessness and dedication with which they concentrate their diplomatic effort on their main objectives for the time being. Like the French we could also more often leave it to others to defend our interests, thereby conserving ammunition for the big battles. The service this Office has received from Whitehall over the years has been admirable. Instructions for meetings of the Committee of Permanent Representatives and its working groups invariably arrive in time (sometimes only just) and for the most part they are pertinent and clear. But I have sometimes wished that our instructions were less insistent. It is easy to find one or two short-term or detailed objections to almost any proposition. But there are cases where it might well be asked: compared with what we have at stake elsewhere in the Community, does this particular consideration really matter? Or, at least, could we not wait to see whether some other Member State is not just as unenthusiastic as we are about what is proposed? It does nothing to still the remaining doubts about our commitment to the Community that, when a new proposition comes to be discussed, we are so often the first to administer the cold douche.

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26. Much of the work of the Committee of Permanent Representatives and the Council of Ministers is concerned with points of detail; and it is not always easy to keep in mind the underlying political considerations. It is even more difficult, given the volume and pace of work in the Community, to place these issues correctly in the

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context of the Community's development. Neither the thirteen Commissioners nor the Council of Ministers have the time constantly to assess the validity or relevance of what they are doing. Part of the problem is historical.

27. When they sat down to devise an instrument for integrating the countries of Western Europe, the founding fathers did not start with a blank page. A generation before Robert Schuman won his place in European history, another French Foreign Minister, Louis Loucheur, had proposed a coal and steel community. Loucheur's suggestion formed part of the movement for European cooperation inspired by Briand and Herriot. They in turn had followed the course already charted in the pan-European union of the early 1920s, which looked to what the Treaty of Rome thirty years later was to proclaim as the foundation of an ever closer union among the peoples of Europe. The Europeans of the Fifties had this lead to follow. And when they chose as their instrument a common market and a community based on a customs union, they were drawing on the historical and empirical experience of the binding force - both economic and political - of a Zollverein, as well as the perceived economic benefits of other forms of trade liberalisation as in the OEEC and the Benelux.

28. Given the complexities of our societies and the fact that the solution to so many of our problems lies beyond our control, a common market and a community based on a customs union clearly constitute an inadequate basis on which to face the challenges of today, let

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alone tomorrow. That is why the Community long since moved into territory uncharted in the Treaties, almost always in response to external events. This empirical approach has much to commend it. Yet I doubt whether the common market (even when it has been completed), the customs union, the subsequent decisions which constitute the rest of the Community's patrimony - the so-called acquis communautaire - together with the coordination of foreign policy through the Political Cooperation system will provide a sufficient platform on which to mobilise Europe's potential. These are of course all essential ingredients. But, against the background of uncertain US leadership, the threat to our security, to our economic prosperity and to the stability of our societies is such that we will need to construct a wider basis. In our democratic institutions, our freedoms and our respect for the individual, we have priceless attributes which we share with other states in the industrialised world. It is no doubt still too early to see even the outlines of an eventual political community in Western Europe based on these attributes which, one would hope, would have the same essential evolutionary characteristics as its existing economic counterpart. One would also hope that such a community would appear to the rest of the world less preoccupied with the material and less often in disarray. If this is premature it is surely not too early to add a dimension to the existing basis by extending the area of cooperation not only within the Community, for example, in the fields of industry and energy, but also outside. I do not believe that close collaboration particularly with the French and Germans in East/West relations, in European/United States relations or in the

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CONFIDENTIAL

- 17 -



field of defence would, if handled with tact and prudence, create difficulties either with the Americans or with our other Community partners.

29. If, once the present inequitable situation over our contributions to the Community budget has been remedied, we could take the lead in proposing that a wider basis be established through cooperation in these fields, we would not only be playing the full role for which our partners have been waiting, but we might also, in the process, rid ourselves of some of the complexes from which our handling of our interests in the Community still suffers.

30. I am sending a copy of this despatch to Her Majesty's Representatives in EEC posts, Washington, UKMIS New York, UKMIS Geneva and UKDEL NATO.

I have the honour to be  
My Lord  
Your obedient Servant

*Donald Maitland*

Donald Maitland

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