



LUXEMBOURG EMBASSY
LONDON

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25th February 1967.

L'Ambassadeur du Luxembourg à Londres

à

Monsieur le Ministre des Affaires Etrangères.

Objet:- British Adhesion to the Common Market.

Since Britain's initial approach to Europe and the breakdown of the 1961/63 negotiations, there have been many changes and developments in Britain, in the Six, in the Commonwealth and in Europe which have brought with them significant transformations of attitudes, except perhaps in those of de Gaulle.

Then, a Conservative Government was negotiating entry into Europe against a Labour Party committed to oppose this policy unless the five conditions laid down by Gaitskell in 1962 were fulfilled, namely safeguards for the trade and interests of the Commonwealth, for the interests of Britain's EFTA partners, for British agriculture, and the freedom to pursue an independant foreign policy and to plan the national economy.

Labour won the General Election of October, 1964, by a small majority and in the Election of March, 1966, were returned to power with an increased majority of 100 (Labour 363, Conservative 253, Liberal 12).

The question of Britain's entry into Europe had become an election issue for the first time in 1966. Both the Conservative and the Liberal parties were committed to a policy to enter Europe "at the earliest possible moment", whilst in Labour's manifesto the five principles had been reduced to the statement that:-

"Britain in consultation with her EFTA partners should be ready to enter the EEC provided essential British and Commonwealth interests are safeguarded."

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LUXEMBOURG EMBASSY
LONDON

Meanwhile a Great Britain which in the words of Dean Acheson "had lost an Empire and not yet found a role", was facing constantly recurring economic difficulties. Britain's proportion of world trade was diminishing; the growth rate of the economy was far less than in the Community, wages ran ahead of productivity; there was an excessive level of internal demand and public expenditure at home and abroad; all factors which led to recurrent balance of payments difficulties and sterling crises.

There was an increasing awareness also of the progressively weakening ties of Commonwealth, politically and economically. Britain's trade with the Commonwealth was declining; inter Commonwealth trade was declining, with Canada trading increasingly with the U.S.A. and Australia with Japan. Nigeria had negotiated association with the Community; Kenya, Uganda and Tanzania were seeking links with it. The Commonwealth could no longer be regarded as an alternative to the Common Market, as it was even as late as 1963.

Meanwhile the prospects of a 'bridge' between EFTA and the EEC faded and those of a growing division of Europe increased as the two groups developed.

The Community had also developed its institutions and its method of operation, its agricultural policy had taken shape; the conditions of possible entry for Britain could be evaluated more precisely.

The fears based on the eventual loss or renunciation of sovereignty diminished, as de Gaulle demonstrated France's freedom of foreign policy and of economic planning though a member of the Community.

Thus perhaps without enthusiasm, perhaps with a sense of disillusionment with the possible alternatives (an as yet unformulated Atlantic grouping, or going it alone), and perhaps with a sense of inevitability, British opinion moved progressively towards the idea that Britain's destiny led to

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LUXEMBOURG EMBASSY
LONDON

joining a uniting Europe, to which it was felt England had much to contribute.

The opinion polls reflected this opinion: an opinion poll taken in November last indicated that 65% of the British were in favour of Britain's entry into the EEC, as against 40% four years ago. Amongst Labour voters the total reaches 66%.

In the latter half of 1966, the Government conducted a deep and searching review (through Government departments; universities; financial, commercial, industrial and agricultural organisations; Trade Unions, etc.) of the whole problem of Britain's relations with the EEC, with EFTA and with the Commonwealth.

Every aspect of the Treaty of Rome itself, of decisions taken after its signature and all the implications and consequences which might be expected to flow from British entry were examined in depth.

The Confederation of British Industries, the most influential business organisation in Britain, representing 13,000 companies and 300 trade associations, reported in favour of entry "as soon as possible", subject to certain reasonable transitional arrangements.

The Farmers Union were not opposed to entry but considered some adjustment essential to the Community agricultural regulations to ensure that their application in a wider community would not be detrimental to British agriculture and horticulture, and insisted on the necessity of annual reviews of agricultural prices.

It is against this general background that on 10th November, 1966, Mr. Wilson announced in the House of Commons the British Government's decision to make a new high level approach to see whether Britain could enter the Common Market on acceptable terms.

Following a conference with the EFTA Heads of Government, the Prime Minister declared that he and the Foreign

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LUXEMBOURG EMBASSY
LONDON

Secretary intended:-

"to engage in a series of discussions with the Heads of the Six for the purpose of establishing whether it appears likely that essential British and Commonwealth interests could be safeguarded if Britain were to accept the Treaty of Rome and join the EEC."

"In the light of these discussions the Government will then take its decision whether or not to activate arrangements for negotiating entry and what the appropriate time for such negotiations would be."

"Commonwealth and EFTA Governments have been informed and we shall maintain the closest degree of consultation with them throughout."

"It is vital that we should enter only when we have secured a healthy economy and a strong balance of payments with the £ standing no less firm and high than it is today."

"I want the House, the Country and all friends abroad to know that the Government are approaching the discussions with the clear intention and determination to enter the EEC if as we hope our essential British and Commonwealth interests can be safeguarded. We mean business."

In reply to a question, the Prime Minister added:-

"The Government would be prepared to accept the Treaty of Rome, subject to the necessary adjustments consequent upon the accession of a new member and provided we receive satisfaction on the points about which we see difficulty."

This carefully drafted declaration had been agreed "unanimously", by the Cabinet, that is with the concurrence of Ministers such as Mr. Jay (Board of Trade), Mr. Peart (Agriculture), Mrs. Castle (Transport) and others known to be opposed or at least to have strong reserves about British entry.

This is the basic text of Government policy to which the Prime Minister constantly refers, and it is this text that governs the character and limitations of the round of exploratory visits undertaken by Mr. Wilson and Mr. Brown to the capitals of the Six (Rome, 16-17 Jan.; Paris, 24-25 Jan.; Brussels, 31 Jan.-1 Feb.; Bonn, 14-16 Feb.; The Hague, 26-27 Feb.; Luxembourg, 8 March).

Four days later, in his traditional speech at the Lord Mayor's Banquet, Mr. Wilson referred to the above declaration and added:-

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LUXEMBOURG EMBASSY
LONDON

"To join the EEC means joining ECSC and Euratom, and few countries have more to contribute than Britain in the fields covered by these communities."

"I would like to see a drive to create a new technological community to pool within Europe the enormous technological inventiveness of Britain and other European countries to enable Europe on a competitive basis to become more self-reliant and neither dependant on imports nor dominated from outside."

In the subsequent House of Commons debate on Europe (November 15th and 16th), the Foreign Secretary, Mr. Brown, indicated some of the problems which would have to be dealt with in any eventual negotiations, as follows:-

The Common Market Agricultural Policy. This would cause significant distortions in the pattern of U.K. food production and would increase the U.K. cost of living and thereby reduce U.K.'s competitive position.

It would adversely affect the balance of payments in consequence of the higher cost of imported foodstuffs, the levies Britain would have to pay to the Community agricultural fund, and the additional costs of financing the fund.

It would seriously affect U.K. trading relationships with the Commonwealth, particularly New Zealand.

The Movement of Capital. The Community requirement to permit unrestricted direct and portfolio investment, if applied in full and immediately on entry, might have an adverse effect on the flow of capital.

Regional Policies. The Government attached great importance to maintaining their present regional policies for the re-location of industries, which could conflict with Community policy in this field.

The Problem of Sterling. Mr. Brown felt that by the time U.K. entered Europe, British internal policies will have ensured that "sterling rides high and is impregnable."

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LUXEMBOURG EMBASSY
LONDON

Britain's relationship with the Community was also discussed in the recent WEU ministerial Councils held in Brussels, Paris and Bonn on 28th June 1966, 30th September 1966 and 20th December 1966 respectively. The British Minister, Mr. Thomson, outlined the motives of Britain's new approach to the Community, pointed to the developing strength of the British economy as a result of the stringent measures taken by the Government since July 1966 to restore the British economy and balance of payments and the strength of sterling. He indicated in broad terms what the British meant by safeguarding their essential interests. For the substance of the relevant declarations and discussions I would refer you particularly to the Documents CR (66) 13 Part II, CR (66) 19 Part II and CR (66) 26 Part II.

Mr. Thomson had stressed that Britain could not afford a second failure in the negotiations of the kind that arose in 1963, and that before Britain could apply to join the Community, the Government would need to be sure that all parties to the negotiations were equally determined to bring them to a successful conclusion.

These and other statements of the British position led the Six to seek further clarification on the following points:-

1. Did Britain want changes only in the institutional arrangements of the Community inevitable on the accession of a new member or does she want any changes of substance?
2. Would Britain ask for a special protocol to the Treaty as other members have had?
3. Does Britain accept all the decisions of the Council since the Treaty came in force?
4. Which of the results of the previous negotiations does Britain regard as still valid?

Just as the 1961/63 British attempt at entry to the Common Market may be said to have foundered on the hidden reef of British-American relations and nuclear defence policy rather than because of problems directly connected with the negotiations, so also today this question and the problems of

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LUXEMBOURG EMBASSY
LONDON

European political unity and its objectives; European defence (collective in Atlantic Alliance or independant); nuclear disarmament and non-proliferation; European technological co-operation, monetary policy, international liquidity, the role of the IMF and of sterling, though not directly related to the Rome Treaty, are all highly relevant to the negotiations and obviously present serious difficulties.

You will have received reports of the visits hitherto undertaken by Mr. Wilson and Mr. Brown both from the British Ambassador in Luxembourg and from the Ambassadors of the Six or their respective capitals.

In London the visits were said to have gone well. The Ministers had returned from each capital "much encouraged by their visit".

In ROME, Signor MORO concluded - "though there were difficult problems and though there were easy problems, the path to British entry of the Community is open".

In PARIS, the visit had gone in some respects better than had been expected; General de Gaulle appeared less negative than anticipated. After the meeting, Mr. Wilson expressed the belief "that our hosts were impressed with the depth of purpose shown in everything we said".

In BRUSSELS, the atmosphere was more positive. Mr. vanden BOEYNANTS expressed his belief that the EEC could not be complete without British membership: "You belong to Europe and Europe needs you". For his part Mr. Wilson said "the Government are now far clearer how the issued could be resolved given the necessary good will".

It was already clear before the BONN visit that for their economic interest Germany wanted Britain and EFTA countries to join the Common Market, but that the New Government's political bonds with France would at present predominate. Although the

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LUXEMBOURG EMBASSY
LONDON

visit had increased Dr. KIESINGER's conviction that Britain should enter the Common Market, it was not thought that he would press his support to the extent of alienating the General. "We hope", Dr. Kiesinger said, "that future conversations and endeavours on British entry will lead to a positive result".

In general it is felt that the visits have done much to convince the capitals visited of Mr. Wilson's conviction and the seriousness of the British intentions.

As you will have noted in the declaration of 10th November, Mr. Wilson went further than announcing a probe. He spoke of the Government's "clear intention and determination" to enter the EEC if conditions allowed: "We mean business".

In his Strasbourg speech to the Council of Europe he said

"We mean business in the political sense because over the next year, ten or twenty years the Unity of Europe is going to be forged and geography, history, interest and sentiment alike demand that we play our part in forging it and working it."

There is in my view no need to doubt that Mr. Wilson now believes that entry to Europe, is Britain's best solution. This was no so until fairly recently. Nor, according to some who hold that Mr. Wilson's words are not an infallible guide to his thoughts, need this be because he says so.

But he has increasingly involved his personal commitment to this policy and (with elections in view 1969/70) I doubt if a Prime Minister could risk so much his personal prestige if he did not mean business. On the other hand he has prepared his ground: "If we do fail the fault will not lie at Britain's door".

Whilst Mr. Wilson's European policy meets criticism in his Cabinet and in the party (approximately one third are for, one third against and one third uncommitted), there is no doubt that if the Cabinet decides to make an application to join this summer, the present opposition in Government and party would prove no obstacle. .../...

LUXEMBOURG EMBASSY
LONDON

From my Telex of 24th February, you will have seen that the British have no particular points to raise for discussion at the Luxembourg meeting but will be ready to discuss any subject that Luxembourg may wish to raise relevant to British adhesion to the Communities.

Apart from the major three problems - the Common Agricultural Policy and financial regulations, Commonwealth-particularly New Zealand, and the Free Movement of Capital - I presume that Luxembourg may wish to discuss :-

In the political field: British attitudes to European Political Union; the role of the Community Institutions and the British approach to majority voting.

In the financial and monetary field: The Free Movement of Capital; the role of Sterling as a reserve currency; harmonisation of taxes.

In the economic field: Development of Technology; Free Circulation of Labour; application of the agricultural guidance fund (Section orientation du F.E.O.G.A.)

C.E.C.A.

The consequences of British adhesion to CECA have not been discussed elsewhere. The British Ministers will be meeting the CECA informally in Luxembourg, and I do not know whether there are problems to be discussed at Government level. Since Britain's coal production is about equal to that of the Community and is nationalised, Art. 66 paragraph 7 may well present problems. There may be problems also in the field of Steel Price Policy. I can only leave these questions to your appreciation.

The Luxembourg meeting will be very short. I would be pleased to learn at your earliest convenience what questions the Luxembourg Government propose for discussion and which of them they wish to reserve for informal discussion, and which they propose for the agenda of the formal meetings.

I look forward to your instructions on this point and would be pleased to know of any other question on which you desire fuller information before the meeting with the British Ministers on March 8th.

A. Clouse