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RETHINKING THATCHER AND EUROPE.

AN ALTERNATIVE READING

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Abstract

The goal of this doctoral dissertation is to establish the *raison d'être* of the policy options that Margaret Thatcher adopted on European integration in the years of her premiership. She was the Prime Minister of the United Kingdom from 1979 to 1990, years of major developments in European integration. The thesis wishes to clarify the expectations Thatcher had over the European Community and the decisions she took as British Prime Minister about the integration process through archival research and by placing Thatcher's European options within the broader context of the 1980s. I aim to show that she balanced ideology and pragmatism when reacting to the positions of the other European leaders, often very different from hers, and to the proposal and decisions of the main institutions of the Community. This research is original to the point it deconstructs the mainstream narrative of Thatcher as Eurosceptical and reconstructs a more comprehensive and nuanced outlook of her as British Prime Minister, pragmatic in her adapting to circumstances but not incoherent in her overall attitude.

El objetivo de esta tesis doctoral es establecer la razón de ser de las opciones políticas que Margaret Thatcher adoptó sobre la integración europea en los años de su presidencia. Fue primera ministra del Reino Unido de 1979 a 1990, años de importantes avances en la integración europea. La tesis desea aclarar las expectativas que Thatcher tenía sobre la Comunidad Europea y las decisiones que tomó como primera ministra británica sobre el proceso de integración a través de la investigación de archivos y colocando sus opciones europeas en el contexto más amplio de la década de 1980. Mi objetivo es demostrar que ha equilibrado la ideología y el pragmatismo al reaccionar ante las posiciones de los demás dirigentes europeos, a menudo muy diferentes de la suya, y ante la propuesta y las decisiones de las principales instituciones de la Comunidad. Esta investigación es original hasta el punto de que deconstruye la narrativa dominante de Thatcher como euroescéptica y reconstruye una perspectiva más comprensiva y matizada de ella como primera ministra británica, pragmática en su adaptación a las circunstancias, pero no incoherente en su actitud general.

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INTRODUCTION

On 31 January 2020 the United Kingdom eventually left the European Union. This event, which went down in history as Brexit, has been interpreted in several ways and has grabbed the attention of numerous disciplines. Economists, political scientists, lawyers, and sociologists have approached the question, with a predominant focus on current affairs. Many events and issues have been recognised as participating in making the decision: Brexit has been seen a possibility to regain a world role, emancipating from a membership which had failed to replace the lost Empire and never made the UK gain a primary international position. It has, otherwise, been interpreted as the peak of a Eurosceptic trend combining the disillusionment with the political establishment with the consequences of the 2008 financial crisis and the populist element of immigration, which seemed to have been factored upon the ancient motif of British exceptionalism and the discontent for the global neoliberal economic system.

What the term Euroscepticism means is hard to determine. The Oxford English Dictionary witnesses the use of its adjective since 1971, the year before the UK entered the European Community, and reports two different meanings: “a tendency to have doubts or reservations regarding the supposed benefits of increasing cooperation between the member states of the European Union (and formerly the European Economic Community); opposition to greater political or economic integration in Europe”.¹ Both the meanings refer to criticism of the European institutions, leadership, ideas, policies, practices, purposes,

¹ Oxford English Dictionary, ‘Euroscepticism’:
https://www.oed.com/dictionary/euroscepticism_n?tab=meaning_and_use#5097044.

decision-making processes, or to the unwillingness to deepen European integration, but not to the possibility to withdraw from it – which, in fact, occurred just in the recent past. Varsori (2020) argued that the term may suggest that, for some years, there seems to have been some reticence in accepting the idea that feelings of ‘hostility’ or an open ‘opposition’ to the integration process, narrated as a necessary and successful story, could be possible; “at most, it would be possible to admit the existence of some ‘scepticism’, some ‘doubt’ towards the European ideal and the European institutions as well”.²

Numerous scholars tried to explain the nature of Euroscepticism, starting with Taggart (1988), who defined it as a tendency to express “the idea of contingent or qualified opposition as well as incorporating outright and unqualified opposition to the process of European integration”, differentiating between ‘hard’ and ‘soft’ Euroscepticism, which Gilbert (2020) associated respectively with anti-Europeanism and other-Europeanism.³ For Agnès Alexandre-Collier (2002), a Eurosceptic is someone who doubts the utility and viability of Economic and Political Union, while Vasilopoulou (2009) argued that Euroscepticism is not a monolithic entity, but it exists in varieties and can oppose the integration process over the three dimensions of principles, practices, and future of the Union.⁴ Others proposed

² Antonio VARSORI, “Euroscepticism and European Integration: A Historical Appraisal”, in Mark GILBERT and Daniele PASQUINUCCI (eds.), *Euroscepticisms. The Historical Roots of a Political Challenge*, (Brill, 2020), 10.

³ Paul TAGGART, “A Touchstone of Dissent: Euroscepticism in contemporary Western European party systems”, «European Journal of Political Research», 1988, Number 33, Volume 3, 366; GILBERT and PASQUINUCCI, *Euroscepticisms*, 3.

⁴ Agnès ALEXANDRE-COLLIER, “Le phénomène eurosceptique au sein du parti conservateur britannique”, «Politique Européenne», No. 6, 53-73; Sofia VASILOPOULOU, “Varieties of Euroscepticism”, «Journal of Contemporary European Research», 2009, Vol. 5, No. 1, 3.

alternative conceptualisations, based on a spectrum between Euro-enthusiast, Europragmatic, Eurosceptic and Euroreject, or ranging from EU-reject to EU-maximalist, or identifying the type of Euroscepticism if driven by economic, democratic, sovereignty-linked or socio-political issues.⁵

It can be argued that before 1992 Euroscepticism was a tendency confined to the margins or directed towards specific policies: within the Member States, politicians, even the most critical, did not question the membership of the European Community, although having different ideas on its further development. Europe was regarded as a model of democracy and an instrument of economic development and social and political progress. After the Maastricht Treaty, as the European Union accelerated in evolving and expanding its competences, the EU and its decisions has become increasingly important in Member States' national politics, and Euroscepticism more embedded. With the completion of EMU and the adoption of Euro, the European Union accepted the logic and ideals of both a globalised economy and a neo-liberalist approach, creating a contradiction with the 'Social Europe' rhetoric which had characterised the Community so far; on the other hand, the EU's leader low capacity of intervention in world politics and political correctness made the so-called European élite more and more detached from the several national public opinions, and in particular from some sectors of the conservative electorate. The Eurozone crisis of 2008 and the

⁵ see respectively Petr KOPECKY and Cas MUDDE, "The Two Sides of Euroscepticism. Party positions on European integration in East Central Europe", «European Union Politics», 2002, Vol. 3, No. 3, 297–326; Chris FLOOD, "Dimensions of Euroscepticism", «Journal of Common Market Studies», 2009, Volume 47, No. 4, 911–917; Catharina SØRENSEN, *Love Me, Love Me Not... A Typology of Public Euroscepticism*, (SEI Working Papers, 2008).

response of the EU institutions, based on the principle of ‘austerity’ and the widening perception that Germany had become the leader nation, able to preserve its interests despite the other countries’ – in particular, against Greece – made the European Union become a target of open criticism, while Euroscepticism was configuring as a legitimate and salient topic in national politics.

	1979	1984	1989	1994	1999	2004	2009	2014
Socialist Gr.	28.5%	32.0%	38.2%	34.2%	29.4%	27.7%	25.5%	24.7%
PPE	27.0%	21.8%	31.2%	32.1%			35.7%	28.9%
European Dem. Gr.	14.5%	12.7%			37.4%	36.7%		
Communist Gr.	11.0%	9.2%						
Liberal and Dem. Gr.	8.7%	8.7%	8.7%	6.7%	8.5%	12.7%	10.86%	9.2%
Progr. Dem.	5.0%							
Independent	2.7%							
Non-attached	2.3%	3.1%		6.1%	5.6%		4.3%	2.67%
Eu. Dem. Alliance		5.8%	3.9%					
ARC		3.9%	2.7%					
European Right		3.1%	2.3%					
Left Unity			2.5%					
GUE/NGL				5.5%	6.98%	5.1%	4.58%	6.94%
Union for Europe				5.0%				
Greens				4.3%	5.96%	5.5%	7.46%	6.94%
Eu. Radical All.				3.35%				
Europe of Nations				2.0%	3.8%	5.6%		
Indep./Dem. Gr.						2.8%		
Conserv. and Reform.							7.46%	10.3%
Eur. of Freedom and							4.06%	5.6%
Direct Democracy								
Eur. of Nations and								4.8%
Freedom								

Table 1 – European Parliament Elections Results, 1979-2019. Source: European Parliament: <https://www.europarl.europa.eu/news/en/press-room/press-tool-kit/4/european-elections-results-1979-2019>

If part of the political world tended to react labelling these tendencies as forms of ignorance and emotional positions, there were some other ‘populist’ politicians who were able to exploit the

Eurosceptic wave and to couple it with the issue of mass immigration, founding parties openly aimed at questioning the European Union. The results of the European Parliament elections can help understand how much, since 2014, these parties gained better and better percentage of votes, while the pro-EU groups were declining, altering, together with the enlargement process, the dynamics of the Parliament itself.

But to claim the EU's lack of democracy and its need to be reformed is not a new tendency and does not mean Euroscepticism is implied. It was the spirit in which the Prime Minister Cameron, far removed from willing to leave the European Union, proposed the referendum through which the UK eventually left the European Union, after four and a half decades of – not always easy – membership.

Today, with the Brexit eventually done and in a context in which Euroscepticism is presented as to have become a typical feature of national politics, it is worth employing a historical perspective to study the period in which the European Union became what it is – and what the British decided to renounce to.

In particular, it is worth focusing on the most European-effective of British leaders: Margaret Thatcher, who was instead accused of being the master of British Euroscepticism, “the key ingredient in UK's often fraught relationship with the European partners”.⁶ In any case – this thesis will try to argue – the roots of Euroscepticism were far older than, and far distant from, Thatcher: “all the principal arguments for leaving the EU were first advanced in the late 1960s and early 1970s as reasons

⁶ Stephen WALL, *The Official History of Britain and the European Community, Volume III: The Tiger Unleashed, 1975-1985* (Routledge, 2018), 335.

for not joining the European Community in the first place”.⁷ Margaret Thatcher, as a politician, rather than being a victim of Euroscepticism, used some of its arguments to remain in the European arena, to reclaim what she thought best for the country she represented, to help drive the Community, to defend Britain’s interests, and to remain in power in her own country, as a Prime Minister, for eleven years and a half.

If judging Thatcher with the category of Euroscepticism, hers was limited to rhetoric and divisive style. On the other hand, Thatcher – who turned more and more sceptical towards the project of integration as developed during 1990s, but never claimed for anything similar to Brexit – paved the way for the radicalisation of Euroscepticism in the United Kingdom, offering both arguments and the attitudes which she had never, in fact, reflected into political practices. Euroscepticism intended as today emerged indeed after the ratification of the Maastricht Treaty, after Thatcher’s departure – reason why, if she has a role in the history of British Euroscepticism it has to be traced in her post-premiership career, and in a late reinterpretation of her attitude towards European integration. Thatcher’s continuous isolation among the other European leaders for the most part of her career has instead been interpreted as the peak of a relationship between the UK and the EU which has never been smooth, many having accepted Stephen George’s thesis (1990) of the United Kingdom as the eternal *awkward partner* in the European integration process.

⁷ Mark GILBERT, “The Intellectual Origins of Brexit: Enoch Powell, Douglas Jay and the British Dissenting Tradition”, in GILBERT and PASQUINUCCI, *Euroscepticisms*, 121.

The history of the European Communities, though, had begun long before the United Kingdom obtained the membership. And, if the process of European integration was not driven by the American genius, it was nonetheless induced by some American initiatives, first of all the implementation of the Marshall Plan, itself a consequence of the intention to make the Bretton Woods system – and thus, an American-driven globalization – effective.⁸

The United States came out from the Second World War in a privileged position, and they intended to preserve it by maintaining and reinforcing their hegemony. A year before the ending of the conflict, when it clearly appeared the Allies would win the war, the Bretton Woods Conference, officially known as the United Nations Monetary and Financial Conference, took place. According to the U.S. Department of State Archival documents, it was “a gathering of delegates from 44 nations that met from July 1 to 22, 1944 in Bretton Woods, New Hampshire, to agree upon a series of new rules for the post-war international monetary system”.⁹ The conference aimed at building a US-designed globalization, based on the removal of tariffs protection and a regime of non-discrimination in a free global market; the retreat in state intervention; exchange-rate stability; and nominal convertibility of currencies. To reach these goals – which were not intended so much as a re-construction of the pre-war world, but as the construction of a new, US-driven world – the Americans needed to foster the rescue of the European continent.

⁸ Most of the information here elaborated comes from Professor Guirao’s course on European Economy, followed between January and March 2022.

⁹ *The Bretton Woods Conference, 1944*, U.S. Department of State Archive <https://2001-2009.state.gov/r/pa/ho/time/wwii/98681.htm>

Many factors were involved in this process, which configured as a long-term commitment in need of a large consensus; moreover, all the Western countries, in the post-war period, were subject by their citizens to new political duties, made of welfare and full employment demands. This brought most of these nations to turn to coalition governments and to what, during the late 1970s, would be known as ‘consensus politics’: a regime in which electoral disputes were overshadowed by the general support to an economic reconstruction based on the active role of the state in the economy, peaceful industrial relations, and the boost of welfare. The goal was to promote productivity and modernization of the national economy in order to build up a system viable within the designed Bretton Woods scheme, this to be implemented as soon as the world would be ready to it.

During the conflict, the US had reached unprecedented levels of auto-sufficiency; but after 1945 all the people employed in the war economy had to be re-placed in productive activities, and the products had to be sold. Thus, in order to maintain the high levels of employment of the war period, the US designed to keep the world market free and open, to export as much as it was needed; and, through this, speeding up European recovery. Thus, the Americans’ need for export encountered the demand for a speedy modernization Western Europeans were advancing to satisfy their population; this would permit the enforcing of the Bretton Woods system, which promised to help the world recover from devastation and chaos and to foster long-term growth.

The Bretton Woods Agreements aimed at implementing a market economy based on non-discriminatory and international agreements, which ideological justification was that free trade would make the West free by reducing the need for military occupation via removal of tariff protection; free access to resources; increased productivity; retreat in state intervention; and exchange rate stability.

The system design was based on an exchange-rate regime built around dollar as reserve currency with a fixed price (1 ounce of gold = 35\$), and all the other currencies pegged to it. It also envisaged the convertibility of sterling by July 1947, and this meant that the European countries, needing to speed up modernization and to compete in an open economy, boosted the imports of capital goods from the US before that date, and did it on a credit basis. But the deficit in balance of payments the European countries had with the US by mid 1947 must be paid to equilibrate the system, this being a condition to the implementation of the Bretton Wood system itself, which would hold between January 1960 and August 1971.

With a speech at Harvard, on 5 June 1947 General George C. Marshall announced a European Recovery Program thought as an emergency program to rescue Europe from chaos. In fact, it was a project of self-rescue designed by the US, based on a massive assistance for European reconstruction and the temporary derogation of the Article 1 of the Bretton Woods Agreements – the principle of non-discrimination, with the long-term aim of implementing the system itself. Applied between 3 April 1948 and 30 June 1952, the Marshall Plan pursued several goals: avoiding a domestic crisis in the US, due to the incapacity of the European states to pay for the commodities they imported; making Germany “stable and productive for an orderly and

stable Europe”;¹⁰ strengthening European recovery and preserving the commitment to the Bretton Woods system, in the strain to contain Communism. The European countries embraced very willingly the offer, which allowed them to delay the implementation of nominal convertibility and to get assistance to support public investment and modernization.

The Marshall Plan was based on a conditional program directed by the Organization for European Economic Co-operation (OEEC) which decided an annual allowance of commodities to be received by European countries on their request, and to be paid in national currencies deposited in counterpart funds. The key element of this design was to continue trading between US and Europe without involving or damaging the dollar, of which there was a shortage.

The Marshall Plan was successful because it permitted to virtually involve no money; it reinforced national peculiar investment patterns tailored to specific circumstances; it ‘normalized’ Germany, transforming it in the engine of European recovery; but most of all it triggered economic cooperation within Europe by conceding an enormous trade pattern exceptionality. The possibility to discriminate the dollar area through a mechanism of preference within Europe and to postpone currencies convertibility until 1959 would lead the European countries to the will to transform a temporary concession into permanent and legal through what would become the European integration process: something which was not driven by the US, but certainly induced by the Marshall Plan. With the benefit of hindsight, it

¹⁰ Directive nr. 1779 issued by the Joint Chiefs of Staff (JCS) to the Commander in Chief of US Forces of occupation Regarding the Military Government of Germany, 11 July 1947, JCS 1779, <https://history.state.gov/historicaldocuments/frus1948v02/d470>.

could be said that it permitted the first step in the path of European integration: the creation, with Treaty of Paris of 18 April 1951, of the European Coal and Steel Community.

Since the beginning of the ECSC existence, Germany had represented a threat to the other European states; but these had now understood that economic normalization would bring political normalization; and that Germany, which had the potential to become the engine of Europe, would benefit them through its expansion. The solution was thus announced in the Schumann Declaration of 9 May 1950: the French foreign minister Robert Schumann proposed to transfer the control of Germany's key sectors – coal and steel – to a High Authority in exchange for France to do the same, transferring the sovereignty on a precise but fundamental sector of their economy – the one most strictly associated with war, but also with energy and manufacturing – to a supranational entity entitled to administer it in the common interest of the parts involved.

The main aim being the maintenance of peace in Europe, what would become the European Coal and Steel Community configured as a bilateral agreement between France and Germany, which had long been enemies, open to the other countries. On the one hand, France obtained privileged access to German resources, as the High Authority had to guarantee equal production and distribution of raw materials between the two countries; that is, to guarantee, at a much lower political cost, the same output France had with the military occupation of the Rhineland she would stop in exchange. On the other hand, West Germany, at the price of losing control over resources, saw its territorial sovereignty re-established and the recognition to be a fundamental political partner guaranteed. The other members – The Netherlands,

Belgium, Luxembourg, and Italy – benefited in industry expansion and modernization.

The cost of pulling up sovereignty was accepted by all the members because they all felt it as a win-win situation where none was not *really* losing anything: West Germany had just re-acquired sovereignty over its territory, so it had nothing to lose but just to acquire the control over its industries and to stabilize the democratic regime; France did have to end the territorial occupation of the Rhineland, and this way gave it the same advantages at zero military cost; the other countries did not concede anything to get preferential access to German resources, and imposed the creation of a Council of Ministers to flank the High Authority led by France – which first President was Monsieur Jean Monnet; and a Court of Justice; and a Common Assembly; also, Consultative Economic and Social Committee was established alongside the High Authority, as a fifth institution representing producers, workers, consumers, and dealers.

The main impact of the ECSC, unable to impose economic regulation over foreign trade, was to initiate the dialogue and cooperation among the European countries, and to foster intra-economic trade. It was thus successful in providing a mechanism able to solve a fundamental issue to the reconstruction of democratic regimes in Europe, as Germany was, at this time, really felt as a threat to Europe; and in transforming it in an occasion to share some competencies to reinforce states' own capacity to provide for their citizens.

Parallel to the ESCS, another institution was created in 1949 with the support of the US, in order to speed up the European economy and to create the conditions to implement the Bretton Woods system. The

aim of the Organization for European Economic Co-operation (OEEC) was indeed to maximize the beneficial effects of American assistance – namely, the Marshall Plan – bringing Germany back to trade in an intra-European system; that is, a temporary suspension, again, of the assumptions of the Bretton Woods system: globalization without discrimination. The OEEC was the mechanism settled by the US to manage the Marshall Plan; a set of transformations designed to overcome the system of bilateral trade agreements among European countries through co-operation, to speed up recovery and to obtain a sustainable growth which, the US hoped, would bring soon to the suitable conditions for the implementation of the Bretton Woods system.

	(A)	(B)
Austria	21.3	6.7
Belgium-Lux.	13.8	1.8
Denmark	13.9	3.2
France	16.2	2.6
Italy	16.4	4.4
Netherlands	12.6	7.7
Norway	12.7	2.7
Sweden	8.1	3.1
Switzerland	15.7	5.1
United Kingdom	13.9	3.5

Table 2 - Average annual percentage increase of the valued of exports to (A) the FRG and (B) the rest of Western Europe, 1951-58. Source: A. Milward, The European Rescue of the Nation State, Routledge (2000), p. 120, on indication of professor Fernando Guirao.

Europe was then allowed special conditions for a limited period – until 1958 – to get a preferential system in terms of trade and payments. The initial project envisaged the creation of a single market, downgraded to a macro-economic planning, and then to a custom

union, and again to the realization of the removal of quantitative restrictions on private trade. While the control of foreign exchange was maintained, the creation of this European economic order, based on the principle of non-discrimination (Art. 4 of the OEEC convention) among the members of the organization, no matter the behaviour of the others; it meant not only the elimination of quotas, but also a strict commitment to maintain liberalization and to trust the functioning of the system, the key principles being flexibility above common targets; solidarity, with the possibility to suspend liberalization in case of difficulty; and assistance. The objective of this non-irreversible and not very demanding plan was stability, which would bring investments and growth; its merit was to represent a mechanism of persuasion to initiate liberalization and to boost intra-European trade. By 1954, 76,7% of total 1948 trade was liberalized, and the process was dealt with automatic licensing and foreign exchange allocation.

These higher levels of trade raised issues of payments, as there was a situation of dollar shortage, the European currencies were not convertible, and there must be no deficits in payments. In September 1949, a European Payment Unit was created; designed in order to function for a limited period of two or four years, it would last until 1958. The EPU overcame the bilateral setting providing for cumulative and multilateral compensation among all the seventeen members of the Organization, automated through the Bank for International Settlement; it also envisaged intra-European currency transferability, that is a *de facto* currency convertibility among European currencies to avoid the use of dollar as a response to its shortage. The EPU eliminated almost 70% of payments transactions and guaranteed credit without conditionality, the 69,7% of which was owned by West Germany,

covering that percentage of European deficit. Thus, while West Germany wanted to move towards convertibility to become a world economy, the other European countries realized they could maintain the system to maximize the effects of the German miracle.

A new order, safe, flexible, and built on solidarity, promoting trade expansion within Europe with Germany at its core had been created; and the Europeans realized they needed to transform it in a permanent system, even though it seemed incompatible with the premises of the Bretton Woods system they had accepted to implement, sooner or later.

By its side, West Germany configured, during the first post-war decade, as the most dynamic of European economies both in manufacture and foreign trade. Although its own most important export market was the dollar area, it nonetheless represented the fundamental partner both in import and export for almost all the Western European countries, being able to foster all the other national economies and to represent a stabilizing element for the whole continent.

The US had conceded a limited suspension of the prerequisite of the Bretton Woods system in order to 'normalize' West Germany and to render it a balance element in world economy, creating a European economic order as a prerequisite to the implementation of an American-driven global order. But at this point some European countries participating in the OEEC, first Belgium, The Netherlands, and Luxembourg, which had already created a customs union in 1948, known as Benelux, understood the need to persuade West Germany to renounce to a potential international role, and to find a legal way to make the temporary discrimination of the OEEC legal and permanent.

The path which brought to the signing of the Treaties of Rome in 1957 was made of several compromises that tried to please all the six founding members, with the shared purpose to create a system based on common protection and trade policy for the implementation of a free trade area with a pre-negotiated timetable.

The only way to convince Germany to renounce to its international targets was to root this European system, born within an American, temporary, concession, in a stable, guaranteed, irreversible open market with a continental scale, not subjected to potential unilateral closures – as it was in the OEEC. Moreover, in 1954 Italy and France represented the hugest share of German export within Europe; they remained two huge and highly protected markets, and for this reason the largest potential partners in German foreign trade expansion in the continent.¹¹

France, which was recording the worst performance within the OEEC, initially opposed the negotiations both for a customs union and a common market, being only interested in nuclear energy, which saw as a symbol of modernization. In that period, the US gave no assistance to France in launching their atomic energy program, and West Germany was the only power developing a serious nuclear investigation for civil purposes. Attracted by the possibility to have unilateral access to German scientific development, France agreed to negotiate a customs union in exchange for Germany negotiating what would be the European Atomic Energy Community (EURATOM), an organization to coordinate the research programs of the EU Member States for the peaceful use of nuclear energy.

¹¹ Alan MILWARD, “The Marshall Plan and German Foreign Trade”, in Charles S. MAIER, *The Marshall Plan and Germany* (Berg, 1991), pp. 452-487, table 4.15, a kind suggestion of professor Guirao.

For their part, the Dutch had been the first to propose a custom union, to which Belgium had added the assertion of its social policy. What led to the creation of the European Economic Community was the awareness of the importance of intra-European trade in sustaining growth, social cohesion and political stability in a Europe which stood – physically – in the middle of the Cold War; the need to make the discrimination to the US and the rest of the world market permanent; and the necessity to lock West Germany into a European block to provide it stability and political credibility.

The UK was invited to the conference they held in Messina on 1-3 June 1955; as the discussion would focus on the possibility to create a free-trade area, Macmillan's government sent Russell F. Bretherthon, Under-Secretary in the Board of Trade, who left the conference saying

The future treaty has no chance of being agreed; if it was agreed, it would have no chance of being ratified; and if it was ratified, it would have no chance of being applied. And if it was applied, it would be totally unacceptable to Britain. You speak of agriculture, which we don't like, of power over custom, which we take exception to, and of institutions, which frighten us. *Monsieur le president, messieurs, au revoir et bonne chance.*¹²

The Treaties of Rome, signed on 25 March 1957, brought to the creation of the Euratom and the European Economic Community, a trade liberalization system based on a pre-negotiated timetable “to work towards integration and economic growth, through trade”. Its aim was “to transform the conditions of trade and production on the territory of its six members and [...] to lay the foundations of an ‘ever closer

¹² Jean François DENIAU, *L'Europe interdite* (Paris: Seuil, 1977), 59.

union’ among the peoples of Europe’’: an underestimated but essential aspect for future developments of the Community.¹³

The Treaty on the EEC established a common market, in which the signatory countries agree to gradually align their economic policies; created a single economic area with free competition between companies; broadly prohibited restrictive agreements and government subsidies which can affect trade between the six countries; included the six members’ overseas countries and territories in these arrangements and the customs union, to promote their economic and social development – a condition which facilitated France but which would not be applied to the UK at the time of its membership. The treaty abolished quotas (i.e., ceilings on imports) and customs duties between its six signatories; it established a common external tariff on imports from outside the EEC, replacing the previous tariffs of the different states. It also established certain policies from the start as joint policies among the member countries, including a common agricultural policy (Articles 38 to 47) and a common trade policy (Articles 110 to 116); transport policy (Articles 74 to 84); and allowed for the creation of other joint policies, should the need arise, as it happened after 1972, when the EEC established joint action in the fields of environmental, regional, social, and industrial policy. Institutions and decision-making mechanisms were created to make it possible to express both national interests and a joint vision. The main institutions were the Council of Ministers, the Commission, the Parliamentary Assembly (later to become the European Parliament), and the Court of Justice.

¹³ A summary of the *Treaty establishing the European Economic Community* (EEC Treaty) <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Axy0023>.

The EEC can be defined as a process of ‘protected liberalization’: a custom union implied the establishment of a preferential trade bloc which involved internal liberalization combined with external discrimination. Despite the initial commitments, most of the policies were not effective until the 1990s; but in the meantime, the EEC configured as a custom union outward, and an industrial free-trade area among member states, with the significant exceptional case of the Common Agricultural Policy. It envisaged an automatic and irreversible – at the time, it did not provide any exit clause – opening of markets to ‘competition à Six’, based on external liberalization to be managed in common through the European Commission and a parallel progressive removal of internal tariff and non-tariff protection and movement towards a customs union according to previously-negotiated percentages. The alignment of the countries to a same common external tariff provoked the rise in tariffs level in some countries – such as, Germany, and a high tariff protection policy which would be progressively reduced – with exceptions for agricultural products and other key sectors, by successive GATT rounds.

The EEC also provided for the breaking down of the OEEC, which included all the seventeen European countries, and the split of Western Europe in two trading blocs. Thus, with the Treaty of Stockholm, Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the UK created the European Free Trade Area, an alternative network which envisaged less transfer of sovereignty and no agricultural protection.

The EFTA was vanquished by the EEC, as it was demonstrated by the fact that most of its members would enter the Treaties of Rome in the next decade. But it was not irrelevant as it further enhanced intra-

European trade and it accelerated the EEC tariffs removal scheme, which was implemented by 1968, being the term 1970.

The main advantages of the EEC were its stability and reliability, which fostered investments of the member states; and the fact that its membership gave access to a broad preferential system on a continental scale, a very large and relatively protected market which could assure better international deals through its Common Commercial Policy. The price to be paid, for belonging to what would become, in few decades, the most important world trade power, was to transfer national sovereignty over certain sectors to supranational institutions, such as the Commission, entitled to carry out negotiations with third parts on behalf of the general interest of the member states and under the political indications of the Council of Ministers.

Britain entered the Community on 1 January 1973, after more than fifteen years of existence of the Community itself and two rejected membership application. A selective pooling of sovereignty was the method chosen by the European states – with the ideological and economic support of the United States – to ensure the peace and the stability of the continent. A process which envisaged “the recombination of national sovereignty for more effective partnership under modern conditions”.¹⁴

After various efforts of managing cooperation, the path which brought to the Treaty of Rome, in the immediate aftermath of the Second World War, when stability was seen as the greatest common

¹⁴ John PETERSON, “Sovereignty and Interdependence” in HOLLIDAY I., GAMBLE A., PARRY G. (eds.), *Fundamentals in British Politics* (London: Macmillan Press LTD, 1999), 262.

good, was driven by the opportunity of managing interdependence through the development of supra-national organizations. The goal of forging “an ever closer Union among the peoples of Europe”, as stated in Article 1 of the Consolidated Version of the Treaty on European Union currently in force, suggests that the EU exists to make European states ever more interdependent, by voluntarily embracing economic and political integration, which imply forming, coordinating, and blending national economies and policies into unified and functioning wholes, but also reducing the price of these obligations by facilitating collective actions. That is not to reduce the importance of the nation state or “to challenge the existing Westphalian model of an international system based on sovereign states”.¹⁵ Indeed, as Milward demonstrated, there is no antithesis between the nation-state and the European Community, as “the evolution of the EC since 1945 has been an integral part of the reassertion of the nation-state as an organisational concept”.¹⁶ The process of integration has justified the survival of the nation-state and the extension of its functions and ambitions, but has provided for the surrender of limited areas of national sovereignty. This specific phenomenon of voluntary surrender was an act of national will by nation-states for their own purposes; and the initial rejection to participate in this project by the United Kingdom was due to a pragmatic strategy “primarily based on the long past history and contemporary reality of the United Kingdom as a great trading power, which constituted the most durable and powerful of its advantages”.¹⁷ It was once this strategy failed that the British accepted the membership

¹⁵ Ivi, 268.

¹⁶ Alan S. MILWARD, *The European Rescue of the Nation State* (Routledge, 1999), 2.

¹⁷ Ivi, 306.

of the European Community as an alternative to their lost primary world role.

Many scholars (Peterson, 1999; Holliday, Gamble, and Parry, 1999; Gamble, 2003; Gifford, 2015) argued that from the very beginning the UK approached the European Community as a way to compensate for the loss of their Empire and for their incapacity to play a key role at the international level. The British Empire has been recognised not as contingent to the nature of the British state but fundamental to it: not only because the means through which Britain obtained the expansion of its hegemony throughout the world, but because this experience of hegemony “created the view that Britain could only be Britain if it was the centre of a wider network of economic and political relationship and exercised leadership”.¹⁸ Once lost it, following these scholars, Britain applied to the EC “to turn a declining imperial state into the leading capitalist state within an association of nation-states in order to renew the global authority of Britain and reinvigorate the domestic economy”.¹⁹

On the wake of George (1990), the vast historic production about the European integration has depicted the United Kingdom as the ‘awkward partner’ *par excellence*. Though, apart Thatcher’s style, the methods adopted by the British Government in the pursuit of its objectives played the traditional Community ‘game’ of making compromises and accepting deals. Britain was not as isolated as it appeared, if it had not been for the willingness of Thatcher to speak out

¹⁸ Andrew GAMBLE, “State, Economy and Society” in HOLLIDAY, I., GAMBLE, A., PARRY, G., (eds.) *Fundamentals in British Politics* (Macmillan Education UK, 1999), 39.

¹⁹ Chris GIFFORD, *The making of Eurosceptic Britain. Identity and Economy in a Post-Imperial State*, (Ashgate, 2008), 41.

forcefully on issues with her typical confrontational style. It represented a very dangerous bargaining technique, although “by making loud public statement of her unwillingness to compromise, she extracted larger concessions from her opponents than would otherwise been available”.²⁰ Thatcher’s rhetoric was designed for her domestic electorate, and “intended to throw up a smoke-screen of publicity prior to the Government taking further major steps down the road of transferring sovereign power away from Westminster”.²¹ This confirms the need to understand Thatcher’s attitude towards the process of European integration through the lens of domestic policy; that is not to say that the international or European context has to be ignored. On the contrary, and in particular during Thatcher’s premierships, British policies within and towards the European Community were determined by a complex interaction of domestic and international considerations. But Thatcher always acted as a British Prime Minister and her attention was entirely for her domestic electorate, that would have to confirm or reject her in the successive mandate. In this perspective her outlook needs to be studied and explained, and only by this point of view it acquires coherency.

Thatcher’s attitude towards European integration lived different ‘periods’: she was a member of the Cabinet which took the country into the Community in 1973 and she campaigned favourably in the 1975 referendum on EEC membership; she won the two General elections of 1979 and 1983 as a pro-European leader of the pro-EEC Conservative Party, and as a premier she had to immediately confront

²⁰ Stephen GEORGE, *An Awkward Partner. Britain in the European Community* (Oxford: Oxford University Press, 1990), 206.

²¹ Ivi, 207.

two key policies: the EEC budget and the Common Agricultural Policy. From 1984, having obtained the budget rebate, she was amongst the authors of the single market project; she apparently turned Eurosceptic when the Community got on the road to the European Union.

Nevertheless, contrarily to what is the mainstream narrative, the hypothesis here assumed is that Margaret Thatcher stopped being, after 1988, politically effective, but she never changed her mind about the European question. Her policies – and her view of the kind of Europe Britain wanted the Community to be – were not only coherent, but also in a direct line of continuity from the last Prime Ministers, both Conservative and not, such as Macmillan, Wilson, Heath, Callaghan: in 1962, as a PM, Macmillan wrote he wanted “a Europe which preserved and harmonised all that is best in our different national tradition”.²²

The topic to investigate, from a historical perspective and on the basis of archival material, is the outlook Margaret Thatcher adopted towards the changes of the European Community between 1979 and 1990, that is from the beginning of her premiership, through the preparation of the first amendment to the Treaty of Rome – the Single European Act – until her resignation in 1990.

This focus on the attitude of the British Prime Minister can shed light on how the changes the Community sustained during this period were conceived, but also on the way in which Thatcher formed her opinion on the EEC and decided her policy about the Community. The aim is to deconstruct the mainstream narrative about Thatcher as Eurosceptic and render a more comprehensive and punctual outlook of

²² Harold MACMILLAN, *Britain, the Commonwealth and Europe*, 20 September 1962, http://www.cvce.eu/obj/address_given_by_harold_macmillan_london_20_september_1962-en-22549d81-8281-4ab8-a070-289c424f2f79.html.

the most controversial but also the most European of British Prime Ministers. The aim of this thesis is to fight the mainstream narrative of a sudden U-turn in Thatcher's attitude towards the European issue, and to demonstrate, through a comprehensive historical account, that Thatcher may have lost effectiveness in her last year as Prime Minister, but she was never too incoherent in her attitude towards European integration. Indeed, a combative posture was the distinctive character of her whole career, and her oppositive outlook was the consequence of a set of elements, the key reason being her performance as premier of the United Kingdom.

Thatcher, thus, was a politician; and albeit she was the most conviction politician Britain remembers, she was driven by the necessity to adapt to contingences to remain in power. Many definitive texts such as the three volumes of the *Official History of Britain and the European Community* by Milward (2002) and Wall (2012; 2018) have well outlined how the strategies adopted by successive British governments during the whole permanence of the United Kingdom in the European Community and Union have been driven by a pragmatic adaptation to the circumstances rather than adhering to an ideological grand scheme.

In principle, Thatcher stuck to the inherited Conservative pro-European route, and used her confrontational style to obtain as much as she could for the nation she represented. But as a conviction politician, every time the integration process turned in something incompatible with her values and vision, she built her oppositive outlook on a shared background mobilising concepts such as sovereignty, nation, freedom, and British exceptionalism to demonstrate her consistence with the role the British voters had entrusted her. The key issue in this discourse was the one which seems

to have characterised the whole confrontational relationship between the UK and the EC: sovereignty. A precise and opportunistic interpretation of this concept was mobilised: because of Britain's proclaimed exceptionalism, based both on geography and history – the fact of being an island and of having the longest monarchy and a functioning parliamentary system without any written constitution – British politicians claimed to assume “that sovereignty and independence are interchangeable synonyms. [...] in British political discourse ‘sovereignty’ is associated with the notions of power, authority, independence and the exercise of will”.²³ Since the Glorious Revolution in 1688, it is Parliamentary sovereignty, that is the idea that the power of Parliament as the whole of representatives of the will of the people faces no limitations, which is at the heart of the British system; and this belief in the absolute superiority of Westminster is one essential element of this supposed concept of Britishness (Letwin, 1992). On the other hand, the fact that in legal terms the membership of the European Community meant the acceptance of the European decisions are preponderating to national law made it possible to present, at convenience, European integration as a zero-sum process in which each new power gained by Europe was lost to the nation state. On most of the occasions, though, coherently with their ‘official’ pro-European attitude, Tories had proved to believe Britain's role in the world order would be best achieved by joining the EC project as a strategic necessity to be part of a political and economic actor able to play in the world economy. In the meanwhile, “the attempt to revive an England strong and free was pursued [also] through the strengthening of the

²³ PETERSON, “Sovereignty and Interdependence”, 252.

partnership with the US both in the battle against the USSR and in the attempt to restore a liberal model of capitalism”.²⁴ The ‘special relationship’ with the US was perceived as another, parallel, way to sustain Britain’s traditional role in the world, although marked by a huge asymmetry in power, and a way to restore a free trade area in which the United Kingdom could express in its traditional liberal vocation, although never meaning the possibility to leave the European Community.

Indeed, as Gamble (2003) demonstrates, Thatcher talked radically and acted pragmatically, and her policies were not as Eurosceptic as her attitude. Until 1990, she was able to compromise with her European partners. To the understanding of Thatcher’s outlook towards the path of the Community during the 1980s, it is crucial to clarify to what degree her action was driven by ideology or pragmatism, and what was the interest of the nation as she – and her cabinet – understood it as performing as Prime Minister of the United Kingdom. The expected result is to demonstrate Thatcher was not Eurosceptical in a strict ideological sense, and that, even in the necessity to adapt to circumstances, she never changed her real substantial attitude towards European integration.

Also, the reservations she had towards the transformation of the Community in a supranational entity with particular characteristics and to which to devolve national sovereignty in many areas can help us understanding the results of the 2016 referendum on the permanence of the UK in the EU. That is not to say, though, that the roots of the Euroscepticism which brought to Brexit can be found in Thatcher’s

²⁴ Andrew GAMBLE, *Between Europe and America: The Future of British Politics* (London: Palgrave, 2003), 226.

premiership; historical events are not foreordained, but in fact highly contingent. On the other hand, it is true that both Thatcher and the Brexiteers mobilised some concepts and ideas that belonged to the British political culture, in order to obtain the support of the electorate.

As well as for Thatcherism as a whole, Thatcher's attitude towards the process of European integration was part of a political project based on precise ideas which were adapted to the circumstances in order to maintain her government in office and to build a narrative which was rooted in a precise national framework. Nonetheless, the thesis here sustained is that Thatcher cannot be defined Eurosceptic in today's mainstream meaning, especially not after Brexit: she was not Euro-enthusiastic, but she always fought both to preserve the United Kingdom's interests and to maintain it at the head of the integration process. As Alexandre-Collier claimed (2015), the meaning of the term 'Eurosceptic' is now totally different from what was before 1992, as today's so-called Eurosceptics are clearly anti-EU, while yesterday's Eurosceptics are more comparable with what are today known as the 'Eurorealists'.

It is very easy, with hindsight, to read both Europe and the UK's recent history as a dialectical process; and the recent developments of European politics easily allow to read the result of the 2016 referendum as the culmination of Thatcher's perplexities about the Community. But the process of European integration has been the result of precise political choices taken in precise times in history. It is "not either irresistible or irreversible, but the result of decisions made by national governments in line with their perceived interests and in response to

changing political and economic conditions in the national economy”.²⁵ Which is exactly the outlook Thatcher proved, during eleven years of premiership: she performed as a non-Eurosceptical but Euro-pragmatic British Prime Minister, with her reasons in dealing with the most important changes of the nature of the Community, acting as a passionate politician able to exercise – often with success – the pragmatism which distinguished her temper and career.

This research was firstly aimed at making a truthful profile of Margaret Thatcher’s relationship with European integration. It contributes to the de-construction of the mainstream narrative of Thatcher as the pioneer of Eurosceptic trends in Britain, and to the restitution of a more accurate and coherent historical profile.

Margaret Thatcher was – in many regards – a radical personality in Britain’s history, and for sure she contributed to its making. But it is precisely avoiding a direct link between Thatcherism and Brexit, and problematising what seem to be the common features, that this research would be useful in contributing to the premises of a better understanding of the referendum on the permanence in the European Union held on 23 June 2016, which solved in the decision taken by the British to implement Brexit.

The first point around which this research progressed is the outlook Margaret Thatcher developed towards the European Community before 1979; that is, through Thatcher’s first assignment as member of the government, the United Kingdom European Communities membership referendum promised in the Labour Party’s Manifesto for

²⁵ GAMBLE, *Between Europe and America*, 126.

the 1974 elections and held on 5 June 1975, her designation as Leader of the Conservative Party; until her first appointment as Prime Minister the day after the General Election of 3 May 1979. This analysis, which constitutes the first chapter of the thesis, was fundamental in order to follow the development of Thatcher's attitude towards European integration from a 'privileged' position, as she did not have to compromise with pragmatic politics yet. What emerged from her interventions, and coherently with the Tories' stance of the period, is that the EC interested Thatcher as a stepping stone for the relaunch of British potential in the world, to the point of considering "to enter into commercial obligations and treaties [with the EC] an exercise of sovereignty, not a derogation from it".²⁶ But she was always very clear on the kind of Community she wanted, stressing, whenever possible, her perplexities about the Common Agricultural Policy and her preference for "mutual understanding and the art of voluntary agreement" rather than policies "achieved through institutions and bureaucracies".²⁷

The second chapter was developed mostly on the basis of archival material about the British budget question, which represented the core issue for Britain between Thatcher's going on scene as Prime Minister until the Fontainebleau European Council summit on 25-26 June 1984. As Thatcher remembered in her memoirs, Britain had obtained particularly hard negotiation terms, which "came to dominate Britain's relations with the EEC for more than a decade afterwards, and it did

²⁶ Margaret THATCHER, *Speech to Finchley Conservatives*, Finchley, 14 August 1961, Thatcher Foundation Archive (TFA) 101105.

²⁷ Margaret THATCHER, *Article on the European Community – England and the EC*, 1 February 1977, TFA 103310.

not prove so easy to reopen”.²⁸ This second section of the thesis, thus, determines the way how, conscious of the impossibility for Britain to play a “vigorous and influential role in the European Community until the problem of unfair budgetary contribution would be resolved”,²⁹ Thatcher transformed the question in a five-year tightened conflict which allowed her to show her combative attitude and all her commitment to the defence of British interests. As it can be demonstrated through the analysis of the papers relative to this period, the resolution of the British rebate at the European Council in Fontainebleau on 25-26 June 1984 represented for Thatcher a huge test for her political talent, but also forced her to compromise with the other European leaders and even with her own Cabinet.

The third step centred around the Single European Act as the main change the European Community sustained since the Treaty of Rome. The focus was on the way in which Thatcher supported such a plan, her expectations and perplexities, her relationship with the British European Commissioner Lord Cockfield, with the President of the European Commission Jacques Delors and the confrontation with Presidents Mitterrand and Kohl. The aim was to shed light on the premises Margaret Thatcher dealt with as a Prime Minister and the pragmatism she used when she pushed for implementing the single market at European level, dealing, in the meantime, with domestic issues, demonstrating that the Single Act was not only coherent with Thatcher’s domestic policies, but also with the Treaty of Rome, which the UK had committed itself to in 1972.

²⁸ Margaret THATCHER, *The Path to Power* (HarperCollins, 1995), 222.

²⁹ Margaret THATCHER, *The Downing Street Years* (HarperCollins, 1993), 24.

The fourth and core question which matters with the delineation of the most accurate profile of Margaret Thatcher dealing with Europe until her resignation is the consideration of her alleged change of attitude towards the issue of European integration in the last years of 1980s, which culminates, according to the mainstream narrative, in the notorious Bruges Speech, given on 20 September 1988 at the College of Europe. No doubt this is a milestone in the understanding of Thatcher's attitude towards the changing of the Community; but this research aims to demonstrate the profile this speech delineates is not dissimilar from what she demonstrated in the previous years. And a more accurate analysis of the reasons why Thatcher did not align with the direction the Community was taking must consider the historical events were happening in that period and the path the Community was taking under the lead of President Delors.

The fifth and last chapter faced the last two years of Thatcher's premiership, trying to focus on the way her attitude, in Europe, tried to be coherent with her own ideas and ideals on the Community but also pragmatic in adapting to such critical events which overturned the world history such as the end of the Cold War, and in meeting the duties of being the British Prime Minister with a difficult domestic situation.

Methodologically, this project stands on a large secondary bibliography but more prominently on archival research: the aim was to find, for every fundamental event which involved Thatcher and the Community, the related material about what the Prime Minister thought or said, and how her attitude evolved. To assume her point of view as the privileged one to deconstruct the prominent narrative of her as suddenly Eurosceptic and to reconstruct her outlook as a pragmatic politician making decision as a Prime Minister in the – perceived –

interests of the nation she represented. To this goal, archive intensive research was conducted through the astounding documentary heritage of the Margaret Thatcher Foundation online Archive, which contains declassified files from Thatcher's core archive as Prime Minister at the UK National Archives in Kew, but also private files or documents from her personal papers in Cambridge or the Reagan Library in Los Angeles, and almost all her speeches, interviews, and statements, which are fundamental to understand her official outlook. During summer 2020 and again, thanks to the *Vibeke Sorensen Grant*, during summer 2022, a one-month research period was conducted in Florence, inside the Historical Archives of the European Union at the European University Institute. Among the papers of the HAEU, very interesting was the DORIE collection about the activities of the European Council, which is also visible online, and the CM2/ series containing the records of the meetings of the Council of the European Union. Another interesting fund was represented by the CPPE of the General Direction for the archival research of the European Parliament. At the EUI it was possible to work on one of the very few copies of the *Margaret Thatcher: Complete Public Statements 1945-1990 on CD-ROM* which includes material not available on the website of the Margaret Thatcher Foundation yet. Fundamental sources were the House of Commons Hansard; the COM series, holding the papers of the European Commission; and the PREM/19 series, recently made available online by the National Archives at Kew.

In August 2021, the Henri Rieben scholarship allowed a one-month research period at the *Fondation Jean Monnet pour l'Europe* in Lausanne, where the consultation of the Jacques Delors fund and the comparison of those papers with Thatcher's ones permitted to understand the main

differences, in assumptions and expectations, between these two alternative visions of Europe.

A co-tutorship with the Political Science Department of the University of Bologna allowed a collaboration with the Punto Europa – Forlì, Centro di Eccellenza Jean Monnet / Centro di Documentazione europea / Network Europe Direct and the co-supervision of Professor Giuliana Laschi, who has been supporting this research for its entire duration.

The possibility to present this work was given by the *Europaem Spring School 2021 – Europe in the World, the World in Europe*, held online on 22-24 April 2021, where it received very interesting remarks. Other interesting occasions were the *III Congreso Internacional de Jóvenes investigadores sobre la Unión Europea – European Union Young Researchers Conference*, held at the Instituto Universitario de Estudios Europeos of the Universidad de Valladolid on 7-8 October 2021, and the 18th HEIRS Conference on 15-16 September 2022 at the University of Glasgow. An extract of this thesis was finally presented in the IISES International Academic Conference in London on 5 June 2023 and published as an article within the *Proceedings of the 61th International Academic Conference* (ISBN 978-80-7668-003-6).

The expected result of this research was the possibly most accurate account of Margaret Thatcher's outlook towards the process of European integration in years of her premiership, to render a truthful and thoughtful outline of one of the most fascinating and influential political personalities of the last decades.

RETHINKING THATCHER AND EUROPE

AN ALTERNATIVE READING

This woman is headstrong, obstinate and dangerously self-opinionated.
(ICI personnel department assessment, rejecting
job application from Margaret Roberts, 1948)

1. THATCHER ON EUROPE

Margaret Thatcher had an overall coherent attitude towards the process of European integration throughout her political career. She can be defined as a determined – rather than a persuaded – Europeanist: she did want Britain to participate into and even to lead the process of European integration, but within a precise framework. As she remembered in her autobiography,

[T]he Community provided an economic bond with other Western European countries, which was of strategic significance; and above all I welcomed the larger opportunities for trade which membership gave. I did not, however, see the European issue as a touchstone for everything else.³⁰

From the beginning of her career, Thatcher saw the European Community as

[E]ssentially a trading framework – a Common Market – and neither shared nor took very seriously the idealistic rhetoric with which ‘Europe’ was already being dressed in some quarters.³¹

The mainstream narrative, while talking about a sudden, Eurosceptic U-turn in her attitude in 1988, has nonetheless recognised Margaret Thatcher as favourable for the Community, at least as long as the integration process coincided with her idea of an arena where to express British economic and political potential.

In this initial chapter, the first years of Thatcher’s political career will be examined, in order to underline how her mindset towards the European Community developed before 1979; that is, through

³⁰ THATCHER, *The Path to Power*, 355.

³¹ Ivi, 136.

Thatcher's first assignment as member of the government, the United Kingdom European Communities membership referendum promised in the Labour Party's manifesto for the 1974 elections and held on 5 June 1975; her designation as Leader of the Conservative Party; and until her first appointment as Prime Minister the day after the General Election of 3 May 1979. This represents a fundamental analysis of Thatcher's attitude before she needed to adapt to the compromise the leading of a nation would require.

1.1. Early political career

Thatcher's political career began long before she became the first female leader of the Conservative Party on 2 February 1975. She held the first engagements of political militancy during her period at the University of Oxford, where she became leader of the OUCA, the college's Conservative student association. During the electoral campaign for the 1945 General Election, Margaret Roberts – this is her name before she married Denis Thatcher in 1951 – became actively engaged, volunteering as warm-up speaker for the conservative candidate of Grantham, her town. After the Labour Party had won the first post-war General Elections, she participated in the designing of the Oxford University Conservative Association Report, *“Reacting to 1945 Electoral Defeat”*:

Conservatism as an attitude of mind is [...] an empirical approach to practical problems. [...] Individual enterprise is the mainspring of all progress.

Private Property is desirable in the following grounds: (a) It encourages Individual Enterprise. (b) It induces a sense

of responsibility in the individual. (c) It is the most effective safe guard of personal liberty. (d) It encourages stability in society.

[...] Society is composed of a number of interlocking associations of which the State is the chief. The power of the State and state-controlled organisations shall not be greater than the sum of the powers of the other associations.³²

This document – that is considered the first manifestation of what would be defined as Thatcherism – outlined the basic principles and the essential meaning of belonging to the Conservative Party with a typical Tory approach “focused on the use of practical reason and *common sense*, rather than political theory, whose essential corollary is an empirical approach to the formulation of strategies as solutions to concrete problems”.³³ Above all, great emphasis was placed on the need to put at the centre of the political debate the traditional values of the nation, recognized in freedom and individual responsibility, and on the need for a relaxation of state control over the economy.

In 1950, a 24-year-old Margaret Roberts was chosen for the first time as the Conservative candidate for Dartford, personally supported by Churchill himself. She was described as “brilliant, with a remarkable predisposition for public discourses and a considerable experience in the world of politics but above all devoted to the cause of the Conservative Party and its values”.³⁴ Thatcher was defeated by the local Labour candidate, despite a good success among the electors of the district, traditionally a safe Labour seat.

³² OXFORD UNIVERSITY CONSERVATIVE ASSOCIATION, *Report - reacting to 1945 electoral defeat*, 1 December 1945, TFA 109911.

³³ Eva GARAU, *Margaret Thatcher. La formazione e l'ascesa* (Carocci, 2020), 32.

³⁴ Ivi, 36.

Moved to London, between 1951 – year in which she was defeated again for Dartford during the General Elections, and resigned as candidate for the constituency – and 1959, Margaret Robert’s life went on among several events: a job in the chemical sector – she had graduated in Chemistry at the University of Oxford; the marriage with Denis Thatcher in 1951; the birth of their twins, Carol and Mark; a second degree in Law; and the beginning of her legal career as a forensic practitioner.

For what concerns British politics, this decade is known as ‘the years of consensus’, due to the climate of stability and dialogue between Tories and Labour, and the increasing levelling of differences in their political action based on the interaction between the government and the main economic actors: firms, trade unions and financial lobbies. As Garau (2020) points out, this consensus, which would end in 1970, was linked to the promotion of a Keynesian approach to economy but was rather a *procedural* than a *substantial* convergence: it was based on a general disposition to the accordance of policy-making processes among ruling classes without any more profound common ideals and objectives or shared electoral basis. This approach was founded on the necessity to rebuild the country and on the consciousness alternative manoeuvres were hard to implement in such an economic situation. The main goal was to reassure both the domestic public opinion and the foreign allies and “both left and right the end of the Empire and the progressive transition of the colonies towards the creation of independent states was considered physiological and inevitable”.³⁵

³⁵ GARAU, *Margaret Thatcher*, 53.

Thatcher's first election as Member of Parliament came in 1959, as representative for Finchley, a large district of north London she would represent until 1992. On that year, the third consecutive victory for the ruling Conservative Party was led by Harold Macmillan. During his six years in power a period of unprecedented change happened to Britain's geopolitical status, as the Commonwealth nations were searching for independence; the Suez crisis of 1956 demonstrated Britain was no longer a superpower in comparison to the US or USSR; and the Free Trade Area proposal put forward the United States and France dawned fast.³⁶

By the end of the decade, Britain's imaginary was encountering a as a difficult period as British economy. In November 1959 the UK was among the founding members of the European Free Trade Area (EFTA) which would be effective on 1 January 1960. Alas, although with no political implications, the EFTA was not able to represent a valid alternative version to the EEC.

	Exports to EFTA as % of total exports	Exports to EEC as % of total exports	Growth of Exports to EFTA as % of total exports	Growth of Exports to EEC as % of total exports
1958	9.36	14.1		
1959	9.85	14.0	12.6	12.2
1960	10.2	14.5	12.7	19.9
1961	7.9	15.4	-8.5	0.3
1962	10.3	15.8	-2.3	4.4
1963	10.5	16.0	1.3	18.6

Table 3 - British export to EFTA countries and to EEC as a proportion of Total Exports and of Total Exports Growth, 1958-63. Source: Milward, The Rise and Fall of a National Strategy, 313.

³⁶ Alan S. MILWARD, *The Official History of Britain and the European Community, Volume I: The Rise and Fall of a National Strategy* (Routledge, 2002), 303.

Already in 1959, the EFTA countries accounted for 9.85% of the UK's total exports by value, while the EEC countries for 14%, and with a greater growth potential, if after that year the EEC's contribution, despite its tariff and discrimination against British goods, surpassed that of the EFTA of which the UK was a full member of.

In 1961, hoping an EEC membership could solve Britain's economic decline and supported by the US, the UK started its first application for the membership of the European Communities. Thatcher was part of the government of the country led by Harold Macmillan, and she had just been promoted as Parliamentary Undersecretary at the Ministry of Pensions and National Insurance – the youngest woman in history to receive such a post. She pronounced several speeches to her electoral community, addressing the issue of application, and what seemed to interest her was the possibility to use the Community as a steppingstone for the relaunch of British potential in the world:

[W]hether or not Britain finally joins E.E.C. will depend upon the terms we can obtain from these negotiations to suit our special needs. [...] a change of scale has come about in world affairs. This applies to weapons and to economics. If we join the Six, there would be a European community with a population a good deal larger than that of Russia or America.³⁷

Nonetheless, Thatcher hoped the membership could give Britain the possibility to influence the priorities of the Community, including the Common Agricultural Policy, which was set out at the 1958 Stresa Conference but would be implemented only in 1962 to provide affordable food for European citizens and ensure Europe's food

³⁷ Margaret THATCHER, *Speech to Finchley Conservatives*, 14 August 1961, TFA 101105.

security. Had Britain entered the EC, it would have had the possibility to influence the policy; however, Thatcher was already right in considering it a central issue to the integration process:

On the question of agriculture, a common policy has not yet been worked out for the European Community. We all have this much in common – all agricultural systems require support or assistance of some kind from the Government. If we join the Common Market fairly soon, we have some chance of working out an agricultural policy which will be suited to our own needs.³⁸

The other interesting point in these early career speeches is that of sovereignty. Before and during the membership application there were fears, within the Conservative Party, that the effective membership of the EC would have impinged the sovereignty of the United Kingdom – and this would be an argument Thatcher herself would use in late 1980s, when an effective plan to implement political integration would take shape.³⁹ But at this stage of her career Thatcher seemed pretty sure being a member of the European Communities did not entail any danger for Westminster:

Some fears have been expressed that if Britain joins the Common Market, she will cease to be able to formulate her own foreign policy and will lose her separate identity.

Looking at the European Community at present, it does not appear that its separate members have lost either their identity or their sovereignty. Most people when they talk of sovereignty mean the effective control over the destiny of the nation by Parliament. But today we have entered into many Treaties and military alliances which limit our freedom of individual action. More and more we are becoming dependent for our future, on action in concert

³⁸ *ibid.*

³⁹ MILWARD, *The Rise and Fall of a National Strategy*, 344.

with other nations. To enter into commercial obligations and treaties is an exercise of sovereignty, not a derogation from it. Under treaties we accept obligations which we ourselves help to formulate.⁴⁰

The same belief that a right exercise of sovereignty would be, for British leader, to take the decision to join the European Community, can be found in other Tory leaders' speeches, for example Prime Minister Harold Macmillan's pamphlet of late 1962:

Are we now to isolate ourselves from Europe, at a time when our own strength is no longer self-sufficient and when the leading European countries are joining together to build a future of peace and progress, instead of wasting themselves in war? We have to consider the state of the world as it is today and will be tomorrow, and not in outdated terms of a vanished past.

[...] By joining this vigorous and expanding community and becoming one of its leading members, as I am convinced we would, this country would not only gain a new stature in Europe, but also increase its standing and influence in the councils of the world. [...] For Britain to stay out and isolate herself from the mainstream of European strength would, I believe, have very damaging results both for ourselves and for the whole of the Commonwealth. [...] It is sometimes alleged that we would lose all our national identity by joining the European Community.

[...] It is true, of course, that political unity is the central aim of these European countries and we would naturally accept that ultimate goal. But [...] accession to the Treaty of Rome would not involve a one-sided surrender of "sovereignty" on our part, but a pooling of sovereignty by all concerned, mainly in economic and social fields. In renouncing some of our own sovereignty we would receive in return a share of the sovereignty renounced by other members. Our obligations would not alter the

⁴⁰ THATCHER, *Speech to Finchley Conservatives*, 14 August 1961, TFA 101105.

position of the Crown, nor rob our Parliament of its essential powers, nor deprive our Law Courts of their authority in our domestic life.

The talk about loss of sovereignty becomes all the more meaningless when one remembers that practically every nation, including our own, has already been forced by the pressures of the modern world to abandon large areas of sovereignty and to realise that we are now all inter-dependent. [...] Britain herself has freely made surrenders of sovereignty in NATO and in many other international fields on bigger issues than those involved in the pooling of sovereignty required under the Treaty of Rome.⁴¹

If Thatcher's speech can be considered perfectly consistent with her Prime Minister's, from the other side of the barricade, on 3 October 1962, Hugh Gaitskell, Labour leader, moved the party to a position of hostility towards the European Community:

What exactly is involved in the concept of political union? [...] we are told that the Economic Community is not just a customs union, that all who framed it saw it as a steppingstone towards political integration. [...] It does mean the end of Britain as an independent nation state.⁴²

The situation would be reversed in September 1988, when the Labour Party's hostility towards the EC would be wiped out by President Delors' speech at the Trade Union Conference and the consequent Labour endorsement for the integration process, in the very moment in which Thatcher was placing herself in a more sceptic idea, not as much as towards the European project – it is the thesis of this

⁴¹ Harold MACMILLAN, *Britain, the Commonwealth and Europe*, 20 September 1962.

⁴² Hugh GAITSKELL, *Speech against UK membership of the Common Market*, 3 October 1962,

https://www.cvce.eu/en/obj/speech_by_hugh_gaitskell_against_uk_membership_of_the_common_market_3_october_1962-en-05f2996b-000b-4576-8b42-8069033a16f9.html

research – as towards a certain idea of integration the Commission embodied and the Labour would support. Despite the difference of intentions, the arguments Gaitskell used herein should be compared to later Thatcher’s speeches – not to say with Prime Minister David Cameron’s one in January 2016:

The Community is not an end in itself. [...] working more closely together does not require power to be centralised in Brussels or decisions to be taken by an appointed bureaucracy. [...] We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level with a European super-state exercising a new dominance from Brussels.⁴³

[W]e come to the European Union with a frame of mind that is more practical than emotional. For us, the European Union is a means to an end – prosperity, stability, the anchor of freedom and democracy both within Europe and beyond her shores – not an end in itself.⁴⁴

Back in 1962, Thatcher saw the EEC as the only solution to Britain’s economic decline, and membership the means to prevent that:

What we are going to achieve is something we could not achieve in any other way. A market without tariff barriers with 170 million people. We are desperately in need of a larger market which we can reach without tariff barriers. [...] The main benefit we get from this is a larger market and a higher standard of living. [...] We must accept the role of being a powerful partner in Europe.⁴⁵

⁴³ Margaret THATCHER, *Speech to the College of Europe, “The Bruges Speech”*, 20 September 1988, TFA 107331.

⁴⁴ David CAMERON, *The Bloomberg Speech*, 23 January 2013. Source: <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>.

⁴⁵ Margaret THATCHER, *Remarks at Conservative Association meeting*, 10 August 1962, TFA 101156.

This definition of sovereignty is interesting to be compared to the idea Mario Draghi, at that time President of the Central European Bank, exposed in 2019:

Rather than taking away countries' sovereignty, the EU offers them a way to regain it. [...] The free movement of people, goods, and services – that is, the Single Market – is routinely seen by citizens as the EU's most positive achievement. [...] The tension between economic integration and political cooperation is fuelled by a powerful belief that there is an inherent trade-off between EU membership and the ability of countries to exercise sovereignty. In this way of thinking, if citizens want to be able to exert more control over their destinies, they have to loosen the EU's political structures. But this belief is wrong. It is wrong because it conflates independence with sovereignty. True sovereignty is reflected not in the power of making laws – as a legal definition would have it – but in the ability to control outcomes and respond to the fundamental needs of the people. The ability to make independent decisions does not guarantee countries such control.⁴⁶

Or, to the speech Mario Draghi gave as neo-nominated Prime Minister of Italy on 17 February 2021:

Gli Stati nazionali rimangono il riferimento dei nostri cittadini, ma nelle aree definite dalla loro debolezza cedono sovranità nazionale per acquistare sovranità condivisa. Anzi, nell'appartenenza convinta al destino dell'Europa siamo ancora più italiani, ancora più vicini ai nostri territori di origine o residenza. Dobbiamo essere orgogliosi del contributo italiano alla crescita e allo sviluppo dell'Unione europea. Senza l'Italia non c'è l'Europa. Ma, fuori dall'Europa c'è meno Italia. Non c'è

⁴⁶ Mario DRAGHI, *Sovereignty in a Globalised World*, Speech of the President of the European Central Bank on the award of Laurea honoris causa in Law from the University of Bologna, Bologna, 22 February 2019. <https://www.ecb.europa.eu/press/key/date/2019/html/ecb.sp190222~fc5501c1b1.en.html>.

sovranità nella solitudine. C'è solo l'inganno di ciò che siamo, nell'oblio di ciò che siamo stati e nella negazione di quello che potremmo essere.⁴⁷

Thatcher never heard these speeches; but Mario Draghi cannot be defined Eurosceptic at all. Otherwise, Thatcher was accused of Euroscepticism in 1988; if we read her declarations today, they seem if not Europhilic, at least Euro-realistic, to us. Why?

Since the beginning, in the discourse about Europe, the elements politicians mobilise are the same – and the same as in national politics: the issues of sovereignty, peace, security, belongingness, and money.

The difference between what have been defined, in the last six decades, – and sometimes, such as in Thatcher's case, alternatively – Euro-sceptics or Euro-enthusiasts, lies in how much these men and women have used Europe like a lifesaver – and it is the case of the Conservative governments in applying to the EC during the 1960s and 1970s – or like an adversary, against which to present themselves as the defenders of national interest. There is a fine line between these two faces of the same coin, because the discourse on one or the other side may have to be reversed – it depends on the historical period and the interests at stake at that time, and, above all, on the position the politician is holding.

⁴⁷ “The nation states remain the point of reference for our citizens, but in the areas defined by their weakness they give up national sovereignty to acquire shared sovereignty. Indeed, in belonging convinced to the destiny of Europe we are even more Italian, even closer to our territories of origin or residence. We must be proud of Italy's contribution to the growth and development of the European Union. Without Italy there is no Europe. But, outside Europe there is less Italy. There is no sovereignty in solitude. There is only the deception of what we are, in the oblivion of what we have been and in the denial of what we could be”. Mario DRAGHI, *Comunicazioni del Presidente del Consiglio al Senato della Repubblica sulle dichiarazioni programmatiche del Governo*, 17 February 2021. <https://www.governo.it/it/articolo/le-comunicazioni-del-presidente-draghi-al-senato/16225>.

Margaret Thatcher was the most European of British Prime Ministers, if considering the extent of the changes that occurred during her mandates and the degree of participation of her government in the decision-making process. But she never forgot she was the British Prime Minister, acting in the European arena in order to preserve British interests in what she always considered “a family of nations”.⁴⁸ For this reason, her attitude towards the EC varied balancing ‘ideology’ – as she always had strong ideas about the world she would like – and pragmatism, reacting to the several positions of the other European leaders, often very different from hers, and to the proposal and decisions of the other bodies of the Community. And Thatcher, as British Prime Minister, was certainly prompt in her adapting to circumstances and even making concessions she would later regret; but she was not incoherent in her overall attitude, as long as she demonstrated to consider the EC as a steppingstone for the relaunch of British potential in the world.

In her autobiography, years later, she would comment, about her experience in government at the time of Britain’s first application – which was vetoed in 1963 by President of France Charles de Gaulle:

No great popular passions about Europe were aroused at this time in Britain. There was a general sense, which I shared, that in the past we had underrated the potential advantage to Britain of access to the Common Market, that neither the European Free Trade Association nor our links with the Commonwealth and the United States offered us the trading future we needed, and that the time was right for us to join the EEC.⁴⁹

⁴⁸ THATCHER, *The Bruges Speech*, 20 September 1988.

⁴⁹ THATCHER, *The Path to Power*, 137.

The Conservative manifesto for the 1964 General Election, which the Tories would lose, was named *Prosperity with a Purpose* and focused on modernisation and development to reaffirm the greatness of a nation which “identifies in work and individual responsibility the core of British national character and the premise on which to base the greatness of a nation that still wants to reaffirm its position of strength in the global scenario”.⁵⁰ Concerning British international role, the Tories insisted on “keeping the country in her rightful place at the centre of international affairs” and not to cast away the vital contribution to Britain’s diplomacy and defence represented by its nuclear power, without which “there would have been no British role to play, without influence and without voice”. Although reaffirming the central importance of the Commonwealth, they remained

convinced that the political and economic problems of the West can best be solved by an Atlantic partnership between America and a united Europe. Only in this way can Europe develop the wealth and power, and play the part in aiding others, to which her resources and history point the way”.⁵¹

After the Conservatives lost the 1964 elections, Thatcher became spokeswoman on Housing and Land, in which position she advocated her party’s policy of giving tenants the “Right to Buy” their council houses. She moved to the Shadow Treasury team in 1966 and, as Treasury spokeswoman, opposed Labour’s mandatory price and income controls, arguing they would unintentionally produce effects that would distort the economy.

⁵⁰ GARAU, *Margaret Thatcher*, 67.

⁵¹ 1964 Conservative Party General Election Manifesto, “*Prosperity with a Purpose*”, <http://www.conservativemanifesto.com/1964/1964-conservative-manifesto.shtml>.

In 1966, during her first speeches in Finchley as re-elected MP, Thatcher declared:

Europe has become a cornerstone. [...] I believe together we could form a block with as much power as the USA or Russia. [...] I don't like the idea of a Europe without us there, directing and guiding its power.⁵²

Interviewed for the «Houston Post» on 9 March 1967, she declared:

the Common Market is political as well as economic. If we went in for political reasons – the concept of a united Europe or prolonged peace – I believe we should.⁵³

But in 1967 President De Gaulle vetoed the second application to the EC the Labour government of Prime Minister Harold Wilson had tried. So, in 1971 the third application for the membership of the European Community revived the debate, and Minister for Education Thatcher went along with Heath's belief in Britain's European destiny. She spoke in favour of entry: “in the long term it would be in the best interests of the country if we have a successful conclusion to negotiations”.⁵⁴ She said:

[O]ur traditional markets are failing. [...] We have a tendency to be isolationist, and yet we expect to be listened to in the world. Europe wants Britain in the Community and we are now knocking on an open door with terms we can accept. [...] We should have access to Europe and its expanding markets. We have a good deal to bring to the Economic Community. I would rather we were there to affect the decisions. [...] France is no less French or Holland less Dutch for joining. Britain would

⁵² Margaret THATCHER, *Speech in Finchley - "Europe has become a Cornerstone"*, 18 March 1966, TFA 101466.

⁵³ Charles MOORE, *Margaret Thatcher, The Authorized Biography Vol. 1: Not for Turning* (Allen Lane, 2013), 256.

⁵⁴ Margaret THATCHER, *Written Statement urging entry into the Common Market*, 11 June 1971, TFA 102118.

have to change a few laws, a few prices would rise...
[...] Churchill's vision of a European alliance to prevent further wars, and the need for expanding trade markets, are the background reasons for our application. It is important that we have access to these expanding markets, and not be on the outside looking in. [...] We have a very great deal to contribute to the development of Europe – our experience, our calm, will add a great deal.⁵⁵

Writing *ex post* in her memoirs, she demonstrated a certain consciousness about the hard negotiation terms:

[In 1970] I was wholeheartedly in favour of British entry into the EEC. There was never any doubt what the incoming Conservative Government's position would be. [...] There was no doubt that the financial cost of entry would be high [...] but we seemed to attach little significance to it, and assumed that we could reopen the question whether there was a formal review mechanism or not. No one was arguing that the burden would be so intolerable that we should break off negotiations. But this whole question of finance should have been considered more carefully. It came to dominate Britain's relations with the EEC for more than a decade afterwards, and it did not prove so easy to reopen.⁵⁶

Mr. Edward Heath did finally succeed. He had placed the entry at the top of his agenda, and presented it as an opportunity for a challenge to the past; and the membership, when it came on 1 January 1973, was promoted by the Tories as a great achievement. But the membership conditions the UK accepted in that occasion would soon cause trouble to the relationship between Britain and the Community.

⁵⁵ Margaret THATCHER, *Speech in Finchley (urging Common Market entry)*, 7 August 1971, TFA 102136.

⁵⁶ THATCHER, *The Path to Power*, 222.

1.2. Tory Thatcher

During 1973, Heath's government found itself in a series of crisis, due to the difficult economic situation, exacerbated by inflation; the unsolved crisis in Northern Ireland; and a new season of miners' strikes. Thatcher was Minister for Education and became famous as 'Thatcher the milk snatcher' because of her decision to eliminate the free milk program for students over the age of seven.

When the Conservative Party lost the General Elections called in February 1974, Heath's leadership started to be questioned, in particular by Keith Joseph who, in the same year, announced the birth of the Centre for Policy Studies. On the one side, the patronage of Keith and the participation in this think-tank "was the occasion for Thatcher to enlarge her political vision and to express herself on wider issues; to enter the *magic circle* of the Conservative Party; to contribute to the redefinition of the soul of the party itself".⁵⁷ On the other, the CPS equipped her with a theoretical basis for her pragmatic political ideas, redefining her attitude and providing a fire bounce for her nomination as party leader. Until January 1975 Thatcher's name was not even a possibility to be considered to challenge Heath's leadership. But the two consecutive defeats in the 1974 double round and the loss of the Tory strongholds in South England were symptomatic of an identity crisis for the Party. Keith Joseph had started to be considered an awkward and inappropriate candidate, and Thatcher became the representative of his ideas, and of a new Conservatism.⁵⁸ While having exploited, until this

⁵⁷ GARAU, *Margaret Thatcher*, 156.

⁵⁸ Keith Joseph had pronounced an embarrassing speech in Birmingham on 19 October 1974 talking about 'proposals to extend birth-control facilities to these classes

moment, her middle-class-woman attitude as a guarantee of her own reliability, she began to show the determination and aggressiveness that would distinguish her later. As it was to happen four years later when she would become Prime Minister, in this occasion “her success, of which the presuppositions already existed in 1975, would be judged sudden, almost inexplicable, and due to a series of fortuitous circumstances linked to the particular historical contingency and the lack of other charismatic figures in the Party”.⁵⁹ In spite of this, Thatcher, who would soon become ‘The Iron Lady’, was elected as the Leader of the Tory Party on 11 February 1975, first woman in history. She would be Leader of the Opposition for Harold Wilson’s and James Callaghan’s Labour government until 1979, when she would be elected Prime Minister herself.

1.2.1. The 1975 Referendum

The first major political challenge Thatcher faced on becoming leader of the Conservative Party was the 1975 referendum about the permanence of the United Kingdom in the European Community, called by the Labour government for 5 June 1975.

In 1971, Thatcher had expressed in favour for the negotiation for the British membership of the EEC; and during the 1975 campaign she subscribed to the prevailing Tory view of the time that the EC could be made to work as a bulwark against Communism, expressing herself as

of people, particularly the young unmarried girls, the potential young unmarried mothers [...] to remoralise whole groups and classes of people’; known as the *Speech at Edgbaston*, 19 October 1974 TFA 101830.

⁵⁹ GARAU, *Margaret Thatcher*, 187.

a supporter of the 'remain' option. Thatcher defended membership on the grounds that British loss of sovereignty was "largely technical and the nation was getting far more than you're giving up".⁶⁰ She saw the EEC as a chance to gain access to broader commercial opportunities for Britain as well as a means to contain Soviet Communism; also, the idea of Europe without Britain directing and guiding its powers did not please her at all.

Thatcher seemed to consider the referendum "a promise by Labour in Opposition as a way of keeping their party together".⁶¹ It did not worry her if not for its implications in political theoretical terms:

If one is considering a referendum [...] it would have to be considered against whether one should have a written constitution, under what circumstances one should have referenda, and how one would require to limit the power and curb the use of it by the Government of the day. [...] before embarking on a referendum, we, as a House, should consider its far-reaching consequences.

[...] There is no power under which the British constitution can come into rivalry with the legislative sovereignty of Parliament. To subject laws retrospectively to a popular vote suggests a serious breach of this principle.⁶²

The Conservative Party made its position very clear: to ask the referendum device needed to define to what it should apply. But it was hard to define cases of constitutional changes in British tradition, in absence of a written constitution. The Tories expressed profoundly worried for the implications of an eventual referendum, with regards to

⁶⁰ Margaret THATCHER, *TV Interview for BBC1 Talk In*, 15 May 1975, TFA 102520.

⁶¹ THATCHER, *The Path to Power*, 355.

⁶² Margaret THATCHER, *Intervention on EEC Membership (Referendum)*, 11 March 1975, Hansard of the House of Commons (HC Hansard) [888/304-17].

parliamentary sovereignty; an issue that proved fundamental to what would become Thatcherism and its attention to the supposed re-priming of 'traditional' institutions. With referenda, the doctrine of collective responsibility, on which the relationship Parliament-government is based, would be suspended prior to the poll; that is to say, the task of the government, which is to make decisions, would be rebounded to the electorate – and the government would not make sense to exist. Moreover, a referendum would be in any case useless or dangerous: it would be of no means with an unclear result; or it would threaten Parliamentary sovereignty in case of a clear result, as it would be neither consultative or advisory but binding for the government in charge, surpassing the power of Parliament to express itself through its elected members.

But although the position she inherited was that of outright opposition to the whole idea of a referendum on the grounds that it was an unconstitutional and un-British practice,

[T]here was the obvious practical point that, whatever protests the Conservative Opposition made, we were to have a referendum anyway, we would soon have to take it seriously – and be seen to do so – if we wanted to secure the right result?⁶³

So, the intervention Thatcher made to the House of Commons on 8 April 1975 sustained the official Conservative position, but also clearly showed an idea of Community which would change little through her years as Prime Minister:

[T]he case for being in the Common Market [...] is the political case for peace and security. [...] the Community is the largest trading and aiding unit in the world. [...] At

⁶³ THATCHER, *The Path to Power*, 357.

present, on the trading point, half of our trade is with Western Europe as a whole. Through our membership of the Common Market, we have preferential access to all those countries. [...] another reason for us being in the Common Market is to provide a world role for Britain. [...] The Community opens windows on the world for us which since the war have been closing. It is already strong and already a major influence in the world. [...] The last reason for staying in is that it would be traumatic to come out. When we went in, we knew exactly what we were going into.

[...] The choice is whether to be outside the Community and yet have to accept everything which it decides on trading provisions, including standards and safety provisions and prices of steel, or whether to stay in the Community and have an influence over all those decisions which will seriously and closely affect the whole of our industrial life.

[...] Being in the EEC will not, of course, solve all our economic problems, or anything like it. For Britain to abrogate a treaty is bad for Britain, bad for our relations with the rest of the world and bad for our future trading relationships. I believe that Britain has always played a major role in the world and still has a major role to play. I do not believe it can play that role to best advantage on its own, and if we wish to give our children maximum peace and security in a very uncertain world, our best course of action is to stay in the Common Market.⁶⁴

Few weeks later, speaking in Hendon – a London urban area in the Borough of Barnet, near Finchley – for the European Referendum campaign, Thatcher wanted to “look at some facts”:

[T]he Community gives us access to secure supplies of food, helps us to obtain the industrial raw materials we need, provides us with a large home market for our

⁶⁴ Margaret THATCHER, *Intervention on EEC Membership (Referendum)*, 8 April 1975, HC Hansard [889/1021-33].

exports, gives us a greater chance of attracting foreign investments into Britain.

[...] That is not to say that if we stay in Europe it will all be plain sailing. It will be hard work. But [...] if we leave the Community, there will be fewer jobs. But the dangers do not end there. To come out of the Common Market could lose us influence and standing, not only in Europe but in the Commonwealth as well.

The speech she delivered on this occasion already followed a precise pattern, which she would use in many of her public intervention – with the best example of the Bruges Speech of 1988. First, some hints at the history of Great Britain and its “practice to record the history and development of mankind”; the acknowledgment that “the Old Empire has evolved into a new Commonwealth”, although “it is still true, in the most literal sense of the term, that Britain’s business is in the world”; then, the avowal that Europe is the alternative to recover British *malaise*. In all this, Thatcher uses some practical arguments to address her voters directly, such as, in this occasion – as a good daughter of the Second World War, that of food shortage. Again, Thatcher showed aware that in the post-war context it is necessary for a nation to surrender some degree of sovereignty; but she was at the same time confident that the European Community, as it was being built in the 1970s, was not in danger of jeopardizing the decision-making power of Parliament:

But say the anti-marketeters, if you vote No in the Referendum, you will get back your sovereignty. The truth about sovereignty is that in the European Community each of the member states continues to enjoy all its individual traditions – constitutional, administrative, legal, and cultural.

What it believes to be its vital national interests are safeguarded in principle by a right of veto, and in practice

by a continuous process of compromise and accommodation. Naturally, any international treaty or agreement or convention involves some derogation of sovereignty in the juridical sense of the word.

[...] That Treaty carefully defines the areas of economic and social policy where decisions are pooled. Such areas cannot be extended without unanimous agreement of the member states. Within these areas the main responsibility rests with Ministers of democratic countries. In our case with British Ministers responsible to Parliament at Westminster.

[...] we must keep Britain in Europe.⁶⁵

The fear not to safeguard British interests would be exactly the reason why Thatcher would oppose the European project as it would be conceived in the second half of the 1980s. It is not so much her position that changed, but the type of Community the member state would decide to build.

The points Thatcher made in these occasions are, thus, the same which would lead her performance as Prime Minister dealing with Europe; she showed awareness not only of the advantages the membership would give Britain, but also of the challenges it would bring. Nonetheless, although the revolutionary stand she acted, Thatcher did never get too far from Conservative's traditional attitude towards the Community. Peace and security under the shield of the Atlantic Alliance; opportunities for trade; the search for a world role; and the belief that, even not the perfect situation, membership represented the least bad for Britain; these are the furthermore the same

⁶⁵ Margaret THATCHER, *Speech in Hendon*, 19 May 1975, TFA 102692.

arguments Prime Minister David Cameron would use in his Bloomberg Speech on 23 January 2013:

[T]he first purpose of the European Union – to secure peace – has been achieved and we should pay tribute to all those in the EU, alongside NATO, who made that happen. But today the main, overriding purpose of the European Union is different: not to win peace, but to secure prosperity. [...] If we leave the EU, we cannot of course leave Europe. It will remain for many years our biggest market, and forever our geographical neighbourhood. We are tied by a complex web of legal commitments.

[...] decisions made in the EU would continue to have a profound effect on our country. But we would have lost all our remaining vetoes and our voice in those decisions. We would need to weigh up very carefully the consequences of no longer being inside the EU and its single market, as a full member. Continued access to the single market is vital for British businesses and British jobs. [...] that does not mean we should leave – not if the benefits of staying and working together are greater. We would have to think carefully too about the impact on our influence at the top table of international affairs.

There is no doubt that we are more powerful in Washington, in Beijing, in Delhi because we are a powerful player in the European Union. That matters for British jobs and British security. It matters to our ability to get things done in the world. It matters to the United States and other friends around the world, which is why many tell us very clearly that they want Britain to remain in the EU. If we left the European Union, it would be a one-way ticket, not a return.⁶⁶

With this speech, a new membership referendum – which would take place on 23 June 2016 – was promised; and it ended with the

⁶⁶ CAMERON, *The Bloomberg Speech*.

decision, for Britain, to leave the European Union. But in that same speech Cameron did also defend Britain's membership, resuming arguments Thatcher used on several occasions, such as – again – the address at the College of Europe in Bruges:

The European Community belongs to *all* its members. It must reflect the traditions and aspirations of *all* its members. [...] The European Community is a practical means by which Europe can ensure the future prosperity and security of its people in a world in which there are many other powerful nations and groups of nations.

[...] The aim of a Europe open to enterprise is the moving force behind the creation of the Single European Market in 1992. By getting rid of barriers, by making it possible for companies to operate on a European scale, we can best compete with the United States, Japan and other new economic powers emerging in Asia and elsewhere.

And that means action to *free* markets, action to *widen* choice, action to *reduce* government intervention. Our aim should *not* be more and more detailed regulation from the centre: it should be to deregulate and to remove the constraints on trade.

[...] Let Europe be a family of nations, understanding each other better, appreciating each other more, doing more together but relishing our national identity no less than our common European endeavour.

Let us have a Europe which plays its full part in the wider world, which looks outward not inward, and which preserves that Atlantic community – that Europe on both sides of the Atlantic – which is our noblest inheritance and our greatest strength.⁶⁷

⁶⁷ THATCHER, *The Bruges Speech*.

Arguments, those taken from the Bruges Speech, which in 1988 were condemned as Eurosceptic, and that Cameron used to defend Britain's belonging to the European Union:

We believe in a flexible union of free member states who share treaties and institutions and pursue together the ideal of co-operation. [...] And we believe in our nations working together to protect the security and diversity. [...] This vision of flexibility and co-operation is not the same as those who want to build an ever closer political union – but it is just as valid. [...] Countries are different. They make different choices. We cannot harmonise everything. [...] It is national parliaments, which are, and will remain, the true source of real democratic legitimacy and accountability in the EU. [...] Those are the parliaments which instil proper respect – even fear – into national leaders.

[...] We need [...] a new settlement in which Britain shapes and respects the rules of the single market, [...] in which Britain is at the forefront of collective action on issues like foreign policy and trade, [...] subject to the democratic legitimacy and accountability of national parliaments where member states combine in flexible co-operation, respecting national differences and in which some powers can be returned to member states.⁶⁸

Cameron called a referendum, the second in Britain's history, “as a British prime minister with a positive vision for the future of the European Union to be a success”.⁶⁹ It did not have the intended outcome: on a turnout of 72%, 52% of the public voted to leave the EU, with 48% supporting remain. In 1975, based on a turnout of 64%, two-thirds of British voters decided to stay in the EEC, cementing Britain's place in Europe for the next four decades. Comparing the

⁶⁸ CAMERON, *The Bloomberg Speech*.

⁶⁹ *ibid.*

patterns of voting between the referendum the Labour Party held in 1975, and the one which brought Britain outside the European Union in 2016, the only common feature was support for membership concentrating amongst higher socioeconomic status people. In 1975 pro-leave voters were in younger age groups and of left-wing disposition; the opposite in 2016, when the decision to leave was mainly supported by the forces of political right – the United Kingdom Independence Party taking the lead.

During this early season of her leadership, Thatcher proved consistent with the traditional pro-Europe Conservative line which had brought Britain within the European Communities. Just as in 1971, as member of the government, she had sustained British accession to the EEC, during the 1975 campaign she came out as a supporter of the “remain” option, on the grounds that what the country would gain was worthy the loss of British sovereignty.

Thatcher saw the Community as an opportunity to gain access to wider business opportunities for Britain, as well as a means of containing Soviet communism; moreover, she did not like the idea of a Europe without Britain directing and guiding her powers. If Britain had chosen Europe as the arena where to recover itself, it was better not to stand and watch. “The issue of whether Britain should or should not be a member of the European Community had been settled for the foreseeable future. But the real question now was what *sort* of Community should that be?”⁷⁰

⁷⁰ THATCHER, *The Path to Power*, 360.

1.2.2. The Atlantic Alliance

Throughout her career, Thatcher never doubted the European project had to be developed within the Atlantic Alliance; in keeping with Conservative tradition, she thought the membership of the two organisations not identical, though overlapping, as she said in 1976:

We look at our alliance with American and NATO as the main guarantee of our own security and, in the world beyond Europe, the United States is still the prime champion of freedom. [...] our foreign policy should continue to be based on a close understanding with our traditional ally, America. This is part of our Anglo-Saxon tradition as well as part of our NATO commitment, and it adds to our contribution to the European Community.⁷¹

This matched perfectly with her idea of the Community as a trading framework, an economic body, coincident but subordinate the political choice of the Atlantic alliance, and a bulwark against the Soviet Union:

We took Britain into Europe – Conservatives more than anyone else kept Britain in Europe. In joining as full partners in the European Community we did not, and we shall not, turn our back on the Atlantic world. [...] It is just as much our duty to help keep America in Europe as it is to help Europe maintain its close links with America. The Atlantic Alliance is the formal expression of the common interest of the nations of Free Europe and North America. NATO, a part of it, was formed and is maintained to counter any threat of Soviet expansion.⁷²

⁷¹ Margaret THATCHER, *Speech at Kensington Town Hall, "Britain Awake"*, 19 January 1976, TFA 102939.

⁷² Margaret THATCHER, *Speech to Chelsea Conservative Association*, 26 July 1975, TFA 102750.

The same framework had also been clearly stated in *The Right Approach*, the Conservative electoral manifesto of 1976, the first one to be written under Thatcher's leadership:

[T]he NATO alliance [is] the indispensable guarantors of a free Europe [...] As NATO provides the framework within which we plan and implement our defence policies, so the European Community provides the framework not only for many of our domestic policies but also increasingly for the development of our foreign policies.

[...] Europe, through NATO and the European Community, should be able to help the United States in achieving this objective and safeguarding our mutual interests, but in order to do so the Community will have to speak with one voice much more often than it has in the past. A more constructive and co-ordinated Community role might be welcome in many parts of the world [...] as a source of economic power and political influence.⁷³

The North Atlantic Treaty Organisation was, for a British Prime Minister living and working in a Cold War environment, the *conditio sine qua non* for the existence of the European Community and for the West itself, against the threat of the USSR, as she had repeated in January 1976 during the speech which gave her the nickname "The Iron Lady":

We look to our alliance with American and NATO as the main guarantee of our own security and, in the world beyond Europe, the United States is still the prime champion of freedom.

[...] it is more vital th[a]n ever that each and every one of us within NATO should contribute his proper share to the defence of freedom. Britain, with her world-wide experience of diplomacy and defence, has a special role to

⁷³ *Conservative Party's Policy Statement, "The Right Approach"*, 1976, TFA 109439.

play. We in the Conservative Party are determined that Britain should fulfil that role.⁷⁴

Following Thatcher, Britain could find again a world role, economically, within and through the European Community; politically and militarily, through the Atlantic Alliance:

We're not harking back to some nostalgic illusion about Britain's role in the past. We're saying – Britain has a part to play now, a part to play for the future.

[...] In the Conservative Party we believe that our foreign policy should continue to be based on a close understanding with our traditional ally, America. This is part of our Anglo-Saxon tradition as well as part of our NATO commitment, and it adds to our contribution to the European Community.

[...] Within the EEC, the interests of individual nations are not identical and our separate identities must be seen as a strength. [...] We should seek close co-ordination between the police and security services of the Community, and of NATO. [...] Our capacity to play a constructive role in world affairs is of course related to our economic and military strength. Britain has an important role to play on the world stage.⁷⁵

This double setting matched perfectly with Thatcher's concept of Europe as an *economic* community where every country could express its peculiarities, working together to boost their potential - under the shield of the Atlantic alliance and representing a bulwark against Communism:

She understood, and believed in, the importance of the EEC as an instrument of peace and prosperity and as a bastion of democracy when half of Europe was under Soviet tyranny. But, for her, integration meant practical steps towards economic liberalization and a degree of

⁷⁴ Margaret THATCHER, *Speech at Kensington Town Hall*.

⁷⁵ *ibid.*

foreign policy cooperation, provided that they were led and conducted by national governments.⁷⁶

On 1 February 1977 – the semester of the British presidency of the Council of Ministers had just started in January – Thatcher wrote an article for the German volume *Welches Europa?*, which clarified her idea of European integration, confirming her past and future position:

For many years I have firmly believed in the European idea and considered it as one of the most hopeful and exciting developments of this century. [...] Obviously common institutions are needed to satisfy the requirements. However, there are limits to what can be achieved through institutions and bureaucracies.

[...] In my lifetime, in my opinion, there will be no central European government accountable to a central European parliament. [...] On the basis of our history, even in the future the national governments and national parliaments will play a greater role in Europe. [...] To bring national interests completely into harmony with the interests of Europe is the key to success in Europe. [...] Naturally, each country will haggle with emphasis for its vital national interest. [...] I am certain that there is no quick route to a rapid monetary and economic union. [...] Within the Community, all must subordinat[e] short-term individual interests to the long-term advantages of the Community. We must learn the art of voluntary agreement.⁷⁷

This intervention was fundamental as it repeated an idea Thatcher would never change; that, first of all, the Community was to be an *Economic* Community taking decision through cooperation among

⁷⁶ Stephen WALL, *Reluctant European. Britain and the European Union from 1945 to Brexit* (Oxford: Oxford University Press, 2020), 154.

⁷⁷ Margaret THATCHER, *Article on the European Community, "England and the EC" ("England und der EC")*, originally published in Gerhard MAYER-VORFELDER and Hubertus ZUBER, *Welches Europa?* (Stuttgart Seewald, 1977), TFA 103310.

member states, everyone working to preserve its own interests, and then to harmonize them with other's.

Again, in giving the speech *Europe as I see it* in Rome in 1977, Thatcher declared herself, the Conservative Party and Britain, fully committed to the project of European integration; but demonstrated very clear-headed about one of her future favourite targets, the Common Agricultural Policy; and presented the issue with her usual smarty way, and with references to everyday life:

We negotiated entry on the only possible basis – namely that we accepted the basic rules and arrangements which the Community had already made. But we made it clear that once we were members we would work to persuade our partners that some policies needed to be adjusted to take account of our entry. This is the way the Community works. Its policies are not sacred or static. They evolve year by year as the needs of its members change. [I]t is fair to point out that the C.A.P. has been administered in a way which for us has produced some damaging results. [...] Too high a proportion of the Community's budget has gone in guaranteeing these prices, too little in making it easier for the farmer whose costs are high, to find a better livelihood in another way. [...] The reform of the C.A.P. is therefore a major objective of any British government. It is also a major interest of the whole Community, as the Commission has recognised. [...] I believe it can succeed.⁷⁸

During the following years, Thatcher would perfect her posture, making her confrontational style a sign of recognition. But the peculiar characteristics of her character were all already present in this period; a sign that Thatcher, although a pragmatic politician, was coherent throughout her career.

⁷⁸ Margaret THATCHER, *Speech on Europe, "Europe as I see it"*, 24 June 1977, TFA 103403.

1.2.3. The European Monetary System

During 1978, Chancellor Helmut Schmidt of West Germany and President Valéry Giscard d'Estaing of France took the decision to proceed with the implementation of the European Monetary System, formally created on 1 January 1979, which all EEC member states joined from the start, and of the Exchange Rate Mechanism, the participation in which was voluntary.

The European Monetary System (EMS) was an exchange rate regime, which would end in 1999, created to foster closer monetary policy co-operation between the central banks of the member states of the European Economic Community, with the objective of promoting monetary stability in Europe. It was built on the concept of stable but adjustable exchange rates defined according to a European Currency Unit (ECU), a currency basket based on a weighted average of EMS currencies. Within the EMS, currency fluctuations were controlled through the Exchange Rate Mechanism (ERM). Within the EMS, exchange rates could only be changed by mutual agreement between participating member states and the European Commission, with an unprecedented pooling of monetary sovereignty. The aim of establishing a zone of monetary stability within the EC was a response to inflationary shocks and the wide currency fluctuations the European economy was undergoing after the demise of Bretton Woods. Founded upon the remnants of the "snake", an unsuccessful attempt at European monetary coordination begun in March 1972, the Exchange Rate Mechanism of the EMS was to be a system of fixed but adjustable exchange rates between member countries. Each participating currency had a central rate relative to the ECU – a basket of defined amounts of

each of the member states' currencies – which could be changed by a commonly agreed realignment. Currencies were required to remain within a plus/minus 2.25 percent fluctuation band against other ERM currencies – except for Italy which was initially allowed a 6 percent band. Whenever one currency hit its outer margin of fluctuation against another, both countries were obliged to intervene on the foreign-exchange markets to prevent the rate from going further.

The EMS is often considered the predecessor of the European Monetary Union, and the ECU is seen as the predecessor of the Euro. But when the EMS was launched it was not seen as a step leading necessarily to a monetary union. Its design was the outcome of the particular circumstances of the second half of the 1970s, and an attempt to address the causes of the extremely high inflation rates. In fact, the EMS did have an impact on the developments of European monetary integration and eventually determined an institutional design that was intended to be permanent and irreversible.

Although in 1979 the choice whether to join the ERM fell on the Labour government in office, the Tories had to take up a position on the subject; and this position had to be expressed by their leader, namely Thatcher.

The first one to write a memo to Thatcher regarding the EMS was Adam Ridley. The deputy director of the Conservative Research Department and future special adviser to the Chancellor of the Exchequer presented the choice on the ERM as being between Britain playing “a constructive and positive part or increasing obscurities on the fringes”:⁷⁹

⁷⁹ MOORE, *Not for Turning*, 461.

[T]he EMS is 95% about politics. [...] a several-tier Community might evolve in several ways. The first and most obvious i[s] a division between EMS countries and the rest. [...] While this need[s] not amount to a great deal initially, it would become of very substantial and growing importance if, and as soon as, the EMS evolved a “Monetary Fund”, an associated range of economic policy co-ordination decision and so on.

[...] Economically we know we are weak, and are perhaps to move from relative to absolute decline [...] Conservatives seem to be [...] unable to take or even support any political initiative in the Community, and fearful of speaking up in its defence. [...] the chances of significant amelioration in the near future will remain slender unless we join the EMS (unless or until the EMS itself collapses). Why should other Community countries wish to make concessions to the Government of a partner whose heart is increasingly not in the whole venture and who will probably feel compelled to continue to grumble and create trouble even after these big abuses are remedied.

[...] unless the whole scheme is so badly designed as it collapse swiftly – a possibility which naturally cannot be totally ruled out. Should things work reasonable well next year, we can either join later – which a much diminished stature and a smaller role in the new scheme of things. Or we can choose to remain permanently outside the new arrangement and suffer from indefinite second-class membership of the Community. [...] what is at issue today is not a particular scheme, but the future evolution of the Community and our determination and willingness to play a constructive and positive part in it as contrasted with our possible desire to remain in increasing obscurity on the fringes. [...] To our friends in the Community, the initiative is primarily a political one.⁸⁰

⁸⁰ Adam RILEY, *Note on EMS (briefing for Conservative shadows stressing political nature of proposals)*, 23 October 1978, Churchill Archives Centre, THCR 2/12/2/4.

Of the same opinion about the possible failure of the scheme – that “the ERM conditions might render the EEC so unpopular as to make support of continuing the EEC membership political suicide” was Nigel Lawson, who wrote her:

[W]e should avoid committing ourselves to any firm position on the EMS for as long as possible. [...] it is a hideously complex and awkward issue, both economically and (more important) politically. [...] the situation is a rapidly moving one, and we are not privy to the negotiations going on: this makes it all the more important to avoid taking a position. [...] as a nation, we are now paying a high price for the present Government’s wholly negative and passive attitude to Europe. Had we adopted a more positive and constructive approach, we could have been promoting a new European initiative of our own, possibly outside the monetary field altogether⁸¹, and one that harmonised with our own national interest.

[...] we are obliged to react – in the knowledge that a hostile reaction would inevitably be construed as hostility not to the proposed means, but to the professed end, simply because we have not put forward any alternative means towards the further progress of European unity.

[...] a Conservative Government would have been thinking in terms of a UK-designed European initiative, rather than simply reacting, belatedly, to Franco-German initiatives as and when they arise. [...] both Schmidt and Giscard see the EMS as the next stage in the progress of European unity.

[...] *there is an important difference between France and the UK here.* [...] in practice, the desire to maintain a fixed parity, and to avoid devaluation, reinforces the case for avoiding inflationary policies, and makes the initially unpleasant measures required to squeeze inflation out of the system more acceptable to the electorate. But the difference is

⁸¹ italics is the portions underlined by Lawson in the original; underlined is the portions underlined by Thatcher in the original.

this. In France membership of the European Community is wholly, non-controversial, and taken for granted; thus a new Euro-discipline is readily acceptable.

In the UK, however, sentiment towards EEC membership is so different that the introduction of a harsh discipline – however beneficent – might well serve merely to reinforce hostility to EEC membership and make the pursuit of disinflationary monetary policy if anything less rather than more acceptable to the electorate. *Certainly, those who support UK membership of the EMS as a part of their devotion to the EEC cause should pause to reflect whether adherence to the discipline which is its sole merit might not in practice prove so unpopular as to make support of continuing EEC membership political suicide.*

[...] So, should the UK join? One thing we clearly cannot do is lay down prior conditions – for example the renegotiation of the CAP, or a reduction in our excessive Budgetary contribution to the EEC. However desirable these may be, our bargaining strength (in the EMS context) is zero, since both France and Germany are wholly indifferent as to whether we join or not – indeed, on balance, they would probably prefer us not to join.

[...] It is also necessary to consider whether the scheme can possibly work irrespective of whether the UK joins or not. [...] A greater degree of convergence of European inflation rates is clearly desirable. [...] There are also obvious dangers in the UK, alone, staying out. It would risk abdicating for good the leadership of Europe and more precisely the direction of the EEC and its policies, to an exclusive Franco-German axis. It would appear to be a public declaration, not merely of the irremediable weakness of the UK economy, but – worse still – of our unwillingness to undertake the disciplines necessary to restore it to strength. [...] Reluctantly, therefore, I reach the conclusion that, faced with the unpalatable choice, *we should join*. The best hope is that the system would shortly collapse thereafter [...] and that we could then propose some alternative and more sensible framework for European economic convergence.

[...] it would be far better if Labour were to take us into the EMS. [...] a decision to join by a Labour government would be an inestimable prize, and *would effectively prevent Labour playing the anti-European card with any conviction in the future. Moreover, bipartisanship on this issue would be redolent of statesmanship.* If, however, Callaghan decided in the end not to join, despite the bipartisan support we had given him over his controversial issue, we could and should then turn on him. But we should *not* give any undertaking that, as soon as we are re-elected, *we* will bring Britain into the EMS.⁸²

Geoffrey Howe, at the time Thatcher's closest supporter but also a strong pro-European for his whole career, supported the ERM both economically and politically:

This is not, and should not be presented as, a straight pro- or anti-European issue. [...] We should pronounce *in favour* of the EMS – not as the ideal way ahead, but nevertheless to be welcomed for providing greater currency stability and encouraging convergence of economic policies.

“Why?” is Thatcher's comment at this point.

The political case for this conclusion is a strong one: the alternative means surrendering the direction of the EEC and its policies to the Franco-German high table.

“No”, she wrote.

Radical reform of the CAP and a reduction in our net budget contribution to the EEC (this is what “transfer of resources” is really about) cannot be linked with, or made conditions precedent of, our accession to the EMS. Our bargaining position is far too weak. But we are unlikely ever to be able to make progress on those fronts unless we are participants rather than spectators of the EMS.

⁸² Nigel LAWSON, *Note on EMS*, 30 October 1978, THCR 2/1/2/12a.

Her comment here is “Can’t do it afterwards”. “There is a case”, noted Thatcher on the bottom of the document, as Nigel [Lawson] and John [Nott] would argue, for caution on timing – but we must consider our credibility in Europe”.

[...] there are dangers in entering EMS as we are, and [...] We should be highly critical of Callaghan’s mishandling of the issue up to now. [...] Callaghan/Labour are largely responsible for the unpalatable nature of the choice now facing us, because economically we are now so weak that the choice is scarcely open to us and even now they are unwilling to undertake the disciplines necessary to restore it to strength. [...] a Conservative Government elected this October could, and would have been able to, join because of the credibility and confidence with which we could have committed ourselves to the right economic and monetary disciplines and to the liberalisation of exchange control. [...] we should continue to push them in the direction of joining, partly because [...] it would be hugely advantageous for that decision to be taken by Labour and partly because we need to maintain our Party’s stock of European goodwill.⁸³

As Thatcher remembered in her autobiography, at the end of 1978 the Conservative leadership believed that joining the EMS was the least bad choice, as the alternative meant “surrendering the direction of the EEC and its policies to the Franco-German high table”.⁸⁴ The general “best hope” was that the system would collapse shortly thereafter, giving Britain the possibility to propose some more sensible – to British interest – framework for European economic convergence. Waiting for the Labour to decide, the best was to adopt a positive general approach

⁸³ Geoffrey HOWE, *Letter to the Prime Minister (Conservative line)*, 31 October 1978, Thatcher MSS (2/1/1/32).

⁸⁴ *ibid.*

to the EMS in order to maintain the Tory Euro-positive stance, while avoiding making any specific commitments.

On 6 December 1978, Prime Minister Callaghan reported the House of Commons his decision not to entry into the ERM. Britain would participate in joint arrangements for reserves and the other components of the EMS, but would stay out of the fixed rate system at its heart, alone among the Community. Future membership of the ERM was not ruled out. Thatcher, although conscious that British bargaining position was too weak to be linked to any condition, reacted accusing the Labour of the umpteenth failure:

[...] has not the Prime Minister come back from Brussels with the worst of all worlds – no reduction in the budget contribution, about which he himself has been complaining but which he himself negotiated and commended to the country in 1975; no reform of the common fisheries policy; no reform of the Common Agricultural Policy; and no membership of the EMS? Just what did the Prime Minister achieve for Britain in Brussels?⁸⁵

On this day, having Thatcher to act as Leader of the Opposition, she attacked the Labour decision. But this opportunity for economic integration remained on the table for the whole of the Conservatives' time in government, while Thatcher and her collaborators would repeat, in many occasions, the UK would join the ERM "when the time is right".⁸⁶ Until 1984, the main European issue would be the determination to solve Britain's budgetary issue; but soon "Thatcher's position on the ERM became increasingly sceptical and vocal as she

⁸⁵ Margaret THATCHER, *Statement to the House of Commons*, 6 December 1978, HC Hansard [959/1421-38].

⁸⁶ THATCHER, *The Downing Street Years*, 692.

grew more and more concerned about the general direction in which Europe was being led by Jacques Delors”.⁸⁷

1.3. Prime Minister Thatcher

*It is radical, because at the time when I took over we needed to be radical.
You call it populist. I say it strikes a chord in the hearts of people.*
(Margaret Thatcher interviewed for «BBC Radio 3»,
17 December 1985, TFA 105934)

On 4 May 1979, Margaret Thatcher became the first female Prime Minister of the United Kingdom of Great Britain and Northern Ireland. She would be the most lasting Prime Minister of the history of the nation. Her election as a leader of the Conservative Party in 1975 before, and as a Prime Minister later, has often been considered the casual result of a series of fortunate events. Nonetheless, the 1979 electoral campaign involved professional figures of various kind, including an advertising agency and television. The decision to call on the advertising agency Saatchi and Saatchi inaugurated the era of political marketing and allowed the possibility, for Thatcher, to realise that aggressive political style that would always characterise her character. This is the occasion to make up Thatcher’s image as the champion of the rule of law and the defence of individual liberty, seasoned with the ‘confrontational style’ which would represent her political attitude from this time on. Moreover, the year 1979 had opened for Britain with ‘the winter of discontent’: the United Kingdom was ‘the sickest man in Europe’ and

⁸⁷ Matthew SMITH, *Policy Making in the Treasury. Explaining Britain’s Chosen Path on European Economic and Monetary Union* (London: Palgrave Macmillan, 2014), 72.

experienced a sudden rise in unemployment and inflation; a new violent offensive by the IRA; an unprecedented series of strikes agitated by the power of the Trade Unions; the unpopularity of the Prime Minister Callaghan and the cuts on public spending, with the burden of the loan asked to the International Monetary Fund in 1976. It can be argued that Thatcher's tough stance was both a personal trait and the consequence of the plight which affected her country in those times. Either way, during the 1979 campaign she was able to build herself both as an intransigent leader and a pragmatic, reassuring middle class woman, gaining the preference of 13,697,923 voters, the 43.9% of the total.

The Conservative General Election Manifesto of 1979 included almost all the program put forward in the 1976 *The Right Approach* proposal; but in the foreword, Thatcher personally expressed her wish to focus on reforming the trade unions, controlling inflation, cutting income tax, restoring the supremacy of Parliament; the aim was the creation of a 'property-owning democracy' as the main tool to recover the country from a very bad period of malaise.

Among the strategies to regain "a strong Britain in a free world", the manifesto – perfectly in the wake of Thatcher's previous statements – claimed:

If we wish to play our full part in shaping world events over the next few critical years, we must also work honestly and genuinely with our partners in the European Community. There is much that we can achieve together, much more than we can achieve alone.

There are some Community policies which need to be changed since they do not suit Britain's - or Europe's - best interests. But it is wrong to argue, as Labour do, that Europe has failed us. What has happened is that under Labour our country has been prevented from taking

advantage of the opportunities which membership offers. [...] the frequently obstructive and malevolent attitude of Labour Ministers has weakened the Community as a whole and Britain's bargaining power within it. By forfeiting the trust of our partners, Labour have made it much more difficult to persuade them to agree to the changes that are necessary in such important areas as the Common Agricultural Policy, the Community budget, and the proposed Common Fisheries Policy.

The next Conservative government will restore Britain's influence by convincing our partners of our commitment to the Community's success. This will enable us to protect British interests and to play a leading and constructive role in the Community's efforts to tackle the many problems which it faces.

We shall work for a common-sense Community which resists excessive bureaucracy and unnecessary harmonization proposals, holding to the principles of free enterprise which inspired its original founders.

Our policies for the reform of the CAP would reduce the burden which the Community budget places upon the British taxpayer. We shall also strive to cut out waste in other Community spending programmes.

National payments into the budget should be more closely related to ability to pay. Spending from the budget should be concentrated more strictly on policies and projects on which it makes sense for the Community rather than nation states to take the lead.

We attach particular importance to the co-ordination of member states' foreign policies. In a world dominated by the super-powers, Britain and her partners are best able to protect their international interests and to contribute to world peace and stability when they speak with a single voice.⁸⁸

⁸⁸ 1979 *Conservative General Election Manifesto*, TFA 110858.

What would never change, in following years, would be Thatcher's idea of a European *Economic* Community of "proud, independent nations, united by their commitment to democracy, the rule of law and a market economy within a broad framework of co-operation".⁸⁹

⁸⁹ Margaret THATCHER, *Article for Inside the New Europe*, 19 October 1990, TFA 108225.

2. THATCHER IN EUROPE

The Europe which we have joined is not fixed and unalterable for all time, but rather evolving and open to new initiatives. Choices involving changes are being made every day on issues which are vital for Britain and for the whole Europe.
(Roy Jenkins, *Britain and the EEC*, 1)

Margaret Thatcher became Prime Minister on 4 May 1979. That year, the Conservative manifesto had asked for a reform of the Common Agricultural Policy (CAP) and a revision of the contribution system, but had declared there was no alternative to Community membership:

There are some Community policies which need to be changed since they do not suit Britain's – or Europe's – best interests. But it is wrong to argue that Europe has failed us. [...] The next Conservative government will restore Britain's influence by convincing our partners of our commitment to the Community's success. This will enable us to protect British interests and to play a leading and constructive role in the Community's efforts to tackle the many problems which it faces.

[...] Our policies for the reform of the CAP would reduce the burden which the Community budget places upon the British taxpayer. We shall also strive to cut out waste in other Community spending programmes. National payments into the budget should be more closely related to ability to pay. Spending from the budget should be concentrated more strictly on policies and projects on which it makes sense for the Community rather than nation states to take the lead.⁹⁰

Thatcher was conscious of the impossibility for Britain to play a “vigorous and influential role in the European Community until the

⁹⁰ 1979 *Conservative Party General Election Manifesto*, TFA 110858.

problem of unfair budgetary contribution would be resolved”.⁹¹ Thus, at a European level, the first issue Thatcher wanted to face was the mechanism of Britain’s contribution to the Community, well aware that the membership agreement had been set – by a government she was part of – with very unfair conditions for the United Kingdom:

The whole question of finance [...] came to dominate Britain’s relations with the EEC for more than a decade afterwards, and it did not prove so easy to reopen [...] but at the time none of us foresaw how large the burden would turn out to be.⁹²

The United Kingdom had to play an influential role in Europe, and the premise to this influential role was the arrangement of a more equitable agreement on the budget, which was “unfair, unreasonable and unjust”.⁹³

This chapter will describe how Thatcher faced the process of European integration as Prime Minister of the United Kingdom in the first years of her premiership, mostly dealing with the resolution of the budget issue, which she faces as a battle for equity for the whole Community. The budget rebate was the occasion, for the Prime Minister, to show both her combative attitude and the way she interpreted her role as a British Prime Minister in the European arena.

⁹¹ THATCHER, *The Downing Street Years*, 24.

⁹² Ivi, 223.

⁹³ *Conversation between the Prime Minister, the Foreign and Commonwealth Secretary and the Lord Privy Seal in 10 Downing Street*, 8 May 1979, The National Archives, Records of the Prime Minister’s Office (PREM) 19/53 f151.

2.1. The British budget rebate

The Treaty of Paris (1952) had empowered the High Authority “to procure the funds necessary to the accomplishment of its mission: by placing levies on the production of coal and steel; [and] by borrowing. It might also receive grants”. The levies, to be “assessed annually on the products according to their average value”, were intended to cover the several expenses of the ECSC and their rate “may not exceed one per cent unless previously authorized by a two-thirds majority of the Council”, composed by representatives of national governments of the Six.⁹⁴ The Treaty of Rome creating the European Economic Community established a different system, where revenues were based on national contribution, according to a scale which could be amended by the Council at unanimous vote.⁹⁵ Article 201 of the Treaty foresaw, though, the possibility of later introducing other resources to replace national contributions, obtained “by revenue accruing from the common customs tariff when the latter has been definitely introduced”.⁹⁶ The proposal should be submitted from the Commission to the Council, approved here by unanimous vote and adopted by member states in accordance with their respective constitutional rules. The Council was also to establish the annual budget by Qualified Majority Voting.

The Common Agricultural Policy was established in 1962, together with a three-years temporary agreement stipulating that the CAP would

⁹⁴ *Treaty establishing the European Coal and Steel Community*, Ch. II, Art. 49, 18 April 1951: <https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/treaty-of-paris>.

⁹⁵ *Treaty establishing the European Economic Community*, 25 March 1957, Art. 200: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:11957E/TXT>.

⁹⁶ *Ivi*, Art. 201.

be financed through levies imposed on agricultural products entering the EC market. In 1967, the Merger Treaty made it possible to speak about the European Community (EC).

In 1970, the six member states of the European Communities adopted the so-called ‘Own Resources System’, defined as “revenue allocated irrevocably to the [Community] to finance its budget and accruing to it automatically without the need for any subsequent decision by the national authorities, to be agreed unanimously”.⁹⁷ For the moment, the revenues the member states due to the System were calculated on the basis of custom duties collected on imports from outside the Community and agricultural resources.

When the United Kingdom obtained the European membership in 1973, all the *acquis communautaire*, “the body of common rights and obligations that are binding on all European countries, as EC Members”, had to be accepted.⁹⁸ The United Kingdom had stood aside from the early beginnings of the European Communities during the 1950s. In this way, it had lost the opportunity to shape the direction and policies of both the European Coal and Steel Community (ECSC) created in 1952 through the Treaty of Paris (18 April 1951) and the European Economic Community (EEC) born through the Treaties of Rome of 25 March 1957. But its economic fortunes during the 1960s did not prosper, and by the beginning of 1970s Britain was amongst the poorest countries in the continent. As Backhouse (1991) reported, the

⁹⁷ *European Union Public Finance, 4th edition*, (Luxembourg, Office for Official Publications of the European Communities, 2008), 128. A 1% share of a uniform value added tax (VAT) on traded goods and services within the common market, would become an EC budget revenue source for all nine member states on 1 January 1979.

⁹⁸ Glossary of EU legislation: <https://eur-lex.europa.eu/eli-register/glossary.html>.

main features of UK critical economic performances were shared by other countries, but Britain differed for a longer lasting recession and a much higher inflation.

At the time, the United Kingdom was highly dependent on cheap food imports from the Commonwealth countries; food security was a high priority also for the six founding members of the European Communities, to the point they had decided, in 1962, that the CAP was to be financed through the Community budget. This policy, which allowed agricultural matters to be managed at a European level, associated a greater stability in food prices with the encouragement of agricultural production, which was considered an indispensable element of economic recovery. It “became a symbol of a union that would go beyond a traditional international organisation, with contributions not necessarily in line with gross national product (GNP) but rather reflecting the benefits of the policies pursued together, within a context where the goal was an ever closer union”.⁹⁹ Between 1965 and 1970 the share of the whole Community’s budget destined to the CAP had risen from 8.5 to 86.9%, while regional and social development aid, or structural funds, conceived to tackle the several and notable disparities between member states and even between their regions, rose from 1.4 to 2.7% of all Community expenditure.¹⁰⁰

After two failed attempts, the United Kingdom was eventually agreed the membership of the European Communities on 23 June 1971, with effect from 1 January 1973. But the accession agreement’s

⁹⁹ James SPENCE “A high price to pay? Britain and the European budget”, «International Affairs» 2012, Vol. 88, No. 6, 1240.

¹⁰⁰ *EU budget Financial Report 2008*, <https://op.europa.eu/en/publication-detail/-/publication/62b35296-3e41-4ebc-8f4e-ecba29b71657/language-en/format-PDF/source-207987490>.

contribution conditions would be judged unacceptable for Britain, and before the 1975 referendum on the European Communities the Labour government had already renegotiated the UK's terms of membership.

The attitude the Labour Party exponents demonstrated at this juncture, and the issues they mobilise to speak about the EC, are very similar to Thatcher's in late 1980. Until 1984, the most urgent issue between the UK and the EC was the budget and the unfair membership conditions. And while in office, Labour and Tories alike were acting to defend British interests, bearing in mind their first and most important target were British national electorate.

For example, on 1 April 1974, the British Secretary of State for Foreign and Commonwealth Affairs, future leader of the Labour Party and future Prime Minister, James Callaghan made a statement to the Council in Luxembourg about his government's policy towards the Community. Among other things, he remarked the conditions under which Britain would not ask for the withdrawal from the Community:

[T]he terms that were negotiated at the time of our entry in January 1973 did not provide for a fair balance of advantages in the Community. [...] We are immediately seeking a fundamental renegotiation of the terms of entry, for which we have spelled out our objectives in the following terms: major changes in the Common Agricultural Policy [and] new and fairer methods of financing the Community Budget. Neither the taxes that form the so-called 'own resources' of the Communities, nor the purposes, mainly agricultural support, on which the funds are mainly to be spent, are acceptable to us. We would be ready to contribute to Community finances only such sums as were fair in relation to what is paid and what is received by other member countries

[T]o the Community budget fundamental changes are required. [...] We are not asking for charity. We seek a fair

deal. [...] Our aim will be to get an agreement which can be regarded as providing a fair balance of advantage for each of our countries. If this can be achieved successfully, renegotiation will not damage the Community but will strengthen it.¹⁰¹

At the Paris Summit of Heads of State or Government in December 1974 and the Dublin European Council on 10-11 March 1975, the UK Government led by Labour Prime Minister Harold Wilson successfully negotiated with the other eight member states, along with market access for New Zealand dairy products, the introduction of a regional policy and a budgetary correction mechanism, which would provide no relief for the UK. In fact, the Financial Mechanism agreed was based on the principle that a country with below average GNP making excessive contribution to the EEC budget should have part of its contribution reimbursed. Until 1979, it had not applied; and it was not due to be reviewed before 1981, unless an ‘unacceptable situation’ would arise. But there was no clear definition of ‘unacceptability’, and this made it a recurrent issue in British government’s claims before the rebate of 1984.

2.1.1. “Our own money back”

In 1979, when Thatcher took office at No. 10 Downing Street, the system of contribution to the Community was still plainly unsatisfactory. The indication made, before Britain’s accession, both by the member states and the Commission to shift the balance of EEC spending from agriculture to other priorities had not been followed.

¹⁰¹ James CALLAGHAN, *Statement by the British Secretary of State for Foreign and Commonwealth Affairs*, Luxembourg, 1 April 1974, «Bulletin of the European Communities» 1974, No. 3, 14-19.

The CAP remained the costliest among Community's policies, absorbing 72.2% of the whole budget.

	1973	1974	1975	1976	1977	1978	1979
CAP	77.0 %	69.1 %	72.2 %	72.8 %	73.8 %	72.0 %	72.2 %
Other Structural Funds	5.3%	4.9%	4.9%	6.5%	6.4%	8.5%	8.4%
Research	1.5%	2.2%	1.9%	1.6%	2.0%	2.1%	1.8%
External action	1.3%	7.1%	4.1%	2.6%	2.1%	2.5%	3.0%
Administration	5.2%	6.1%	6.0%	5.5%	5.5%	5.5%	5.2%
Other	5.4%	6.1%	6.3%	6.9%	6.5%	5.7%	5.6%
European Defence Fund	3.4%	3.4%	3.4%	3.1%	2.7%	3.2%	3.1%
ECSC	0.9%	1.1%	1.2%	1.1%	1.1%	0.5%	0.6%

Table 4 - EC budget expenditure, 1973-1979. Source: EU budget Financial Report 2008.

Britain had a relatively small and efficient agricultural sector, which received low subsidies from Brussels; and paid out more revenues than anyone else on non-European imports, mostly from the Commonwealth partner. This resulted in Britain making a substantial contribution to the Community's budget, while receiving not much in return. The Accession Treaty of 22 January 1972 had provided for the British contribution to rise from 8.8% of Community resources in 1973 to 19.2% in 1977.¹⁰²

	EC-9								EC-10						EC-12				
	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	
Belgium	7.4	7.1	6.7	6.5	6.3	6.5	6.7	6.2	5.5	5.4	5.3	5.0	5.0	4.4	4.8	4.5	4.1	4.1	
Denmark	1.1	1.4	1.7	2.1	2.4	2.3	2.4	2.2	2.0	1.9	2.1	2.1	2.4	2.4	2.4	2.3	2.0	2.0	
FRG	29.0	28.5	28.1	27.3	25.8	31.1	30.7	29.9	28.1	26.9	28.1	28.4	28.8	26.2	26.5	28.2	25.0	26.0	
Greece									1.4	1.8	1.6	1.4	1.5	1.9	1.0	1.1	1.3	1.3	
Spain														7.0	4.8	6.6	8.1	8.0	
France	24.8	24.0	22.8	21.4	20.3	19.3	20.1	19.4	19.4	20.0	19.6	19.3	20.4	20.7	20.7	22.2	19.5	19.9	
Ireland	0.3	0.3	0.4	0.5	0.6	0.6	0.7	0.9	0.9	1.0	1.2	1.2	1.1	1.0	1.0	0.8	0.8	0.9	
Italy	19.0	18.4	17.5	17.1	16.7	14.4	12.5	12.5	14.0	11.8	13.0	13.8	13.9	14.2	14.7	13.3	17.1	15.2	
Luxembourg	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Netherlands	9.4	9.1	9.0	8.8	8.6	10.3	9.3	8.3	7.1	6.9	6.8	6.8	7.2	6.7	6.7	6.8	6.1	6.2	
Portugal														0.8	1.0	1.0	1.0	1.2	
UK	8.8	11.0	13.6	16.2	19.2	15.4	17.5	20.5	21.5	24.2	22.1	21.8	19.5	14.5	16.2	13.0	14.8	15.0	

Table 5 - Member States' contributions under the Own Resource System, 1971-1990. Source: Strasser, The finances of Europe, 350.

¹⁰² Treaty of Accession of Denmark, Ireland and the United Kingdom, «Official Journal of the European Communities», L 73, 27 March 1972.

The 1974 renegotiation of UK membership was based on a corrective mechanism proposed by the Commission for “member states in a special economic situation whose economies bear a disproportionate burden in the financing of the budget”.¹⁰³ In 1980, a year in when the UK’s GNP represented 15.5% of the EEC total, the United Kingdom would contribute for 20.5% of Community revenue – in particular: 25% of all customs receipts received by the EEC, 17.5% of all levies, 18% of VAT receipts – while enjoying only 12% of its expenditure.¹⁰⁴

To the incoming brief Thatcher received from the Cabinet Office on the day of her settlement in No.10 Downing Street, there was an attachment entirely dedicated to ‘European issues’.¹⁰⁵ It gave the Prime Minister important suggestions about the urgent matters to be faced and about the attitude the new government would have to show in the European arena. First of all, following the indications of Baron John Hunt, Cabinet Secretary from 1973 – that is, in office under Heath’s Conservative government, through Wilson’s and Callaghan’s:

[A] greater commitment to Europe expressed publicly and in direct contact with our partners will ensure a more sympathetic hearing. [...] Tactics will be very important. There are a number of areas where we could show a more forthcoming attitude without any detriment to our substantive negotiating objectives.¹⁰⁶

¹⁰³ *Council Regulations 1172/76*, «Official Journal of the European Communities», L131, 20 May 1976, 7.

¹⁰⁴ Daniel STRASSER, *The finances of Europe* (European Commission Publications Office, 1991), 350.

¹⁰⁵ *Cabinet Secretary’s incoming brief for the new Prime Minister*, “Summary and Timetable of Urgent Economic issues”, 4 May 1979, PREM 19/24.

¹⁰⁶ *Cabinet Secretary’s incoming brief for the new Prime Minister*, “European issues”, 4 May 1979, PREM 19/53 f155, annotated by Thatcher.

The suggestion of the Cabinet Office was to soften the tones about the major topics which made it difficult the relationship between the UK and the EC, showing willingness to cooperate, even maintaining a firm position in the defence of British interests:

There is a strong case [to] set a new tone from the outset and establish a momentum towards solving problems rather than digging into opposing trenches [...] showing a genuine wish to co-operate with our partners combined with firmness on matters which are of real importance to us. [...] The policy priorities need to be set clearly and pursued consistently; and negotiating capital saved for issues which are of real importance to British interests.¹⁰⁷

That is, the attitude Thatcher would show in the successive months; she would make concessions to the other member states, but she would never retreat on what she thought it represented a fundamental British interest:

There are a number of issues which are not intrinsically of great importance but where the United Kingdom is blocking otherwise unanimous Community decisions simply because they imply an extension of the Community's role. [...] The fact that, in the last two or three years, the mood of the Community has changed and there is less emphasis on supranationalism, and a greater readiness to accommodate different national requirements, makes it easier for us to move on all these fronts.¹⁰⁸

Thatcher underlined the last paragraph annotating “good”, while she “agreed” about the necessity to give regard to the major objectives on the CAP and the Budget, without giving the impression that the

¹⁰⁷ *ibid.*

¹⁰⁸ *ibid.*

United Kingdom was rising exaggerated expectations.¹⁰⁹ Thatcher seemed to promise a determined but positive attitude towards the EEC, although aimed at securing British interests. She adopted “a nationalist approach to EEC issues to secure popular support at home and wanted to be seen ‘winning’ arguments rather than seeking compromises”.¹¹⁰

Nonetheless, the path Thatcher followed, acting as a British Prime Minister facing this and other steps of European integration, is not different from her predecessors, even though with a different style which would become, as she found more and more support in Britain, more and more confrontational. What was always stressed is the British point of view about the budget issue, complaining about an unequal agreement and asking for a fairer rebate which could give the UK a possibility to recover. British official position throughout parties and administrations did not change.

The first European official event Thatcher participated in as British Prime Minister was the Strasbourg European Council on 21-22 June 1979, where she tried to bring the attention of the other European leaders on the British budgetary issue. The Cabinet had suggested that the objective was

to get agreement that a problem exists, that a specific solution is required in terms as close as possible [...] to secure acceptance of the principle that net resource transfers resulting from Community policies, taken as a whole, should contribute to convergence by being properly related to the relative economic strengths of member states.¹¹¹

¹⁰⁹ *ibid.*

¹¹⁰ Hugo YOUNG, *One of Us* (Macmillan: 1993), 137.

¹¹¹ *European issues.*

Once this principle was secured, the UK would accept “a variety of ways in which the alleviation of the UK budgetary burden [could] be sought”.¹¹² In preparation for the European Council, both the Cabinet Office and the Ministers sent several minutes to No. 10 Downing Street. On 29 May, the start of bilateral ministerial contacts was suggested, while the Foreign and Commonwealth Office (FCO) insisted on the necessity to make it urgent the budgetary issue:

The Government is committed to the Community and is not seeking to re-negotiate the terms of UK membership. But Community policies have developed in such a way as to produce an inequitable and unacceptable pattern of transfers. In 1971 the original Six recognised that if unacceptable situations over the budget should arise, ‘the very survival of the Community would demand that the institutions find equitable solutions’.

The UK is seventh in terms of living standards, as measured by GDP per head. The UK net Budgetary transfer 1978 was £625 million, after all adjustments. [...] In 1980 when the transitional period has ended the net contribution will be over £1000 million. These inequities are a problem for the whole Community, as well as for the UK; until they are removed, the Community will remain unbalanced, and the commitment of Governments to Europe will be hampered by the effects on public opinion in the countries most adversely affected. [...] We are not arguing for a *juste retour*; i.e. that we should get out of the EEC precisely what we put in. Nor that member States net contributions or receipts should precisely reflect their relative position in relation to average Community GDP per head. But we do not consider that it is right for countries with below average GDP per head to be net contributors to the Budget.¹¹³

¹¹² *ibid.*

¹¹³ *Foreign Secretary minute to the Prime Minister, “Community Budget”, 29 May 1979, PREM 19/53 f118.*

The Prime Minister was advised to put “more emphasis on the basic argument of equity [...] and concentrate essentially on the imbalance and inequity of the Budget”.¹¹⁴ The matter of this not-better-defined principle of ‘equity’ would often return in Thatcher and her government’s declarations as the foundation of their claims; but the possibility to recognise “a very unacceptable solution” was in fact advanced in 1971, during the membership negotiation, and a mention can be found in the *White Paper on ‘The United Kingdom and the European Communities’* published by the Government in 1971.¹¹⁵

The Strasbourg European Council did not bring the desired results; the formulation Britain would have liked the Council to adopt at the end of the Strasbourg meeting declaimed:

The European Council recognised that at present the financial consequences of the Community budget create difficulties for two of the three member States with below-average GNP per head. Reductions in agricultural surpluses should reduce the cost of the CAP that in itself will lighten the budgetary burden and should make it easier to switch expenditure to policies designed to reduce regional disparities. Meanwhile solutions are urgently required to ensure that the Community budget produces a fair balance of costs and benefits for all member states and, in particular, does not continue to hinder member States with below-average GNP per head in their efforts to improve their economic performance. The European Council invited the Commission to make proposals before the end of September to deal with this problem in order to permit decisions to be taken at the next European Council in Dublin.¹¹⁶

¹¹⁴ *Cabinet Secretary’s minute to Prime Minister*, 13 June 1979, PREM 19/53 f61.

¹¹⁵ THE EUROPEAN COMMISSION, *The unacceptable situation and the Correcting Mechanism*, Commission communication to the Council, 30 January 1975, COM(75) 40. For the *White Paper*: HAEU, UWK/NS-546.

¹¹⁶ *Foreign Secretary minute to Prime Minister*, 8 June 1979, PREM19/53 f74.

The procedure agreed among the European leaders provided first for the Commission to describe the consequences for each member state of applying the existing budgetary system; then for the member states to advance proposals based on that report; and then for the Commission to present in light of this debate.

In her press conference, Thatcher would put emphasis on her having brought the British budgetary issue to the attention of the other European leaders. Nonetheless, the Presidency Conclusions of the Council barely mentioned the budgetary issue:

[We] asked the Commission to submit to the Council a reference paper describing the financial consequences of applying the budgetary system on the situation in each Member State, especially in 1979 and 1980. The study will have to take into account the economic, financial and social effects of each Member State's participation in the Community and the Community nature of the components contributing to the formation of own resources. For 1980, it will take account of the agricultural prices for the 1979/80 marketing year.

The Commission will at the same time examine the conditions under which the corrective mechanism decided on in 1975 can play its part in 1980 and the extent to which it fulfils the objectives assigned to it.

The Commission will submit its study to the Council so as to enable the member states to give their opinions and present their requests in concrete form. In the light of the debate and of any guidelines which may emerge from the Council the Commission will present proposals sufficiently early to enable decisions to be taken at the next meeting of the European Council.¹¹⁷

¹¹⁷ *Strasbourg European Council, Presidency Conclusions*, 22 June 1979, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

With a completely different stand, at the press conference right after the end of the meetings, Thatcher indeed declared:

It was as much as we could ask for this time, a consideration of the full facts, coupled with proposals for their solution. [...] we have achieved everything we came here to achieve on the Budget.¹¹⁸

She returned on her firm belief that there was a connection between the inequality of British contribution and the disproportionate amount destined to the CAP:

There are two problems. First, whatever the Budget, whatever the size of the Budget, there is the way you finance that Budget. And the result of that method on the Community countries. Now that is the particular aspect I've gone for at the moment. But whatever the method, if you look at the results, the results are inequitable, and the Community is not an equitable body. Therefore, it will seek to restore the inequity to an equitable position. [...] and the size of [the Budget] goes really to the Common Agricultural Policy. [...] we do try and seek to reform the CAP.¹¹⁹

When asked about predicting the future of Britain in Europe, Thatcher answered as follows:

[Our] home budget was intended as an incentive Budget, really to give our small business a chance to grow, and to give people some incentive to work harder. And it is no part of my case to be the 7th out of the Nine as far as GDP is concerned, but in the meantime the fact that we in Britain have such a large contribution to the European Budget means that we can't do as much on tax relief as we would have wished. You've heard me say in Britain, I wish we had some more of this budget, the contribution

¹¹⁸ Margaret THATCHER, *Press Conference after Strasbourg European Council*, 22 June 1979, TFA 103880.

¹¹⁹ *ibid.*

to the European budget, for our Budget at home which would enable me to cut income tax rather more than we were able to this time. So there's a lot of linkage between our performance at home and our contribution to the Budget.¹²⁰

In particular, this last passage illustrates not only that Thatcher did not deviate from her predecessor's line, but also that she was coherent in her attitude towards the process of European integration, as long as we consider her speaking as *British* Prime Minister. As it can be understood from the elements she mobilised, this press conference was aimed at presenting herself as a strong leader battling for British interests rather than at impressing the other European leaders. And the move of linking her claims about reducing British contribution to the Community and the intention to cut income tax demonstrates this intention. In any case, the solving of the budgetary issue was to be postponed to the next European Councils.

During that year, Thatcher continued mentioning the matter of reducing the budgetary pressure as fundamental to British politics. In this sense, she was often gifted by the Foreign Office with some arguments she would use in diverse occasions, as it can be seen in some of the speeches she gave in her first year as Prime Minister.

For example, in the occasion of the Churchill Memorial Lecture on 18 October 1979, Thatcher insisted on Britain's commitment to the European project, but she did not renounce to assert her intention to claim for a better deal for her country:

Britain [...] has met all her obligations. [...] But for Britain the tangible benefits have been more limited. The bargain remains unequal. Some of the Community's

¹²⁰ *ibid.*

policies bear on Britain with manifest inequity. Because of the way the Community budget operates, Britain will next year be making a net contribution to the budget of over £1,000 million. This is much more than any other member will pay. Yet only two of the other eight Members of the Community are less prosperous than we are: both will next year be net beneficiaries from the budget.

These facts have been starkly confirmed by the European Commission. [...] Indeed, during the British accession negotiations in 1970 the Community recognised that if “unacceptable situations” arose on our budget contributions - and I quote, ‘the very survival of the Community would demand that the institutions find equitable solutions’.¹²¹

To sustain her point, Thatcher alluded to a note the European Commission had made on 9 November 1970, during the initial negotiations between the UK and the EC, and explained it in a communication to the Council in 1975, affirming that a solution would be found for any unacceptable situation, defined as “the simultaneous occurrence for a Member State of a certain economic situation and of a disproportionate contribution to Community financing”.¹²²

What is fundamental to understand is that Thatcher always spoke as a British Prime Minister, making reference to a national dimension, acting as representing and defending British interest:

I must be absolutely clear about this. Britain cannot accept the present situation on the Budget. It is demonstrably unjust. It is politically indefensible: I cannot play Sister Bountiful to the Community while my own electorate are

¹²¹ Margaret THATCHER, *Winston Churchill Memorial Lecture*, “Europe - the obligations of liberty”, 18 October 1979, TFA 104149.

¹²² THE EUROPEAN COMMISSION, *The unacceptable situation and the Correcting Mechanism*, Commission communication to the Council, 30 January 1975, COM(75) 40.

being asked to forego improvements in the fields of health, education, welfare, and the rest. The imbalance is not compatible with the spirit of the Community. Its continuation would undermine the sense of solidarity and common obligation which lies at the basis of Community endeavour. We seek a remedy which will restore a broad balance, and which will last as long as, but no longer than, the problem.¹²³

In this occasion, Thatcher also made it clear her attitude towards the Common Agricultural Policy, which had been indicated by the whole Cabinet as one of the most urgent issues to be faced since the settlement of Thatcher's government in May.¹²⁴ She defined it "a longer term but deeply worrying problem", for which "enormous sums of money are wasted", using practical and daily-life references:

It is not easy to explain to a housewife why she should help sell butter to the Russians at a fraction of the price she pays herself. Britain fully accepts the importance of the CAP as one of the Community's central policies. But the CAP cannot go on as it is going at present. I therefore welcome the growing determination of other Community governments to cut wasteful expenditure on agricultural surpluses.¹²⁵

Thatcher also underlined the firm willing of her government not to permit the Budget to be raised without a reform of the CAP:

Expenditure on the CAP must therefore be curtailed and the policy itself reformed. [...] Wasteful surpluses must disappear. Policies are made to meet circumstances. They must change as the circumstances change. The reform of the CAP can only strengthen the Community.¹²⁶

¹²³ THATCHER, *Winston Churchill Memorial Lecture*.

¹²⁴ *European issues*.

¹²⁵ THATCHER, *Winston Churchill Memorial Lecture*.

¹²⁶ *ibid.*

As it can be seen, Thatcher never renounced to make it clear her vision of the Community, which coincided with the definition Prime Minister Heath gave in the occasion of the negotiation for the membership: a community of great and established nations, each with its own personality and traditions. “In its sense of common purpose lies its strength; in its variety its richness”.¹²⁷ This idea which would return later in other famous speeches, such as the 1988 Bruges Speech:

The European Community belongs to *all* its members. It must reflect the traditions and aspirations of *all* its members. [...] willing and active cooperation between independent sovereign states is the best way to build a successful European Community.¹²⁸

Thus, Prime Minister Thatcher was coherent in her attitude towards integration: despite the concessions she would make in the following years, her idea of a Community of nations where to express British national potential never changed. Her duty was to represent and defend her nation, and Thatcher never avoided the occasion of speaking about the bothersome issue of the European budget. For example, on 12 November 1979, she said, again:

Despite our world-wide trading interests, our nearest preoccupation is Europe. In Europe we are seeking with our partners to create a Community inspired by mutual obligation and a sense of common purpose. The present British Government is deeply committed to this European ideal. We are less committed to some of its present policies. My predecessor spoke here last year of the need to reduce the unjustly high net contribution we pay to the Community Budget. We can't go on any longer being Europe's most bountiful benefactor. The present situation is unacceptable and, in language adopted by the

¹²⁷ *ibid.*

¹²⁸ THATCHER, *The Bruges Speech*.

Community itself in 1970, “the very survival of the Community” demands “that the Institutions find equitable solutions”. [...] Some of the Community’s policies must be changed, and the change must be put in hand soon.¹²⁹

That year, in view of the next important summit, the Dublin European Council meeting of 29-30 November 1979, Thatcher’s entourage worked hard to put the budget issue at the centre of the occasion. The Cabinet’s belief was that, in the Council,

The main issue would be the United Kingdom’s budgetary problem. Our Community partners had not yet accepted the seriousness of our intentions. In public expenditure terms it was impossible to justify a situation in which the United Kingdom, as one of the less prosperous members of the Community, would be subsidising other and mostly richer countries of the European Economic Community.

[...] If, as seemed likely, we were not offered a reduction in our net contribution which we could accept, the argument would have to continue. We had no wish to disrupt the Community, and no intention of coming out of it, but our partners would have to realise that if, after reflection, they were not willing to correct the basic inequity, the inevitable impact on the future development of the Community would be their fault rather than ours.¹³⁰

Thatcher’s government was expecting an offer for a considerable reduction of UK net contribution; but they were aware a balance between the intention not to appear anti-European toward the other European leaders and the positive perception of British citizens had to be maintained:

¹²⁹ Margaret THATCHER, *Speech at Lord Mayor’s Banquet*, 12 November 1979, TFA 104167.

¹³⁰ *Minutes of Full Cabinet - CC(79) 23rd*, 28 November 1979, The National Archives, Records of the Cabinet Office (CAB) 128/66.

It would be important not to play the hand in such a way as to make the Conservative Party appear to be anti-European. The present situation was indefensible, and it was vital not only for the EEC but in domestic political terms for the Government to stand firm on the Budget.

[...] We had a strong case based on the moral commitment which the Community had made in 1970 that if an unacceptable situation of this kind occurred the very survival of the Community would demand that the institutions should find equitable solutions. There could be no doubt that the Community would face a crisis, which our partners would welcome no more than we should, if this problem were not speedily resolved.¹³¹

Aware that the reduction in contribution would depend in the end on Germany and France, and “in order not to create difficulties with the French in advance of the Dublin meeting”, in the Council of Ministers the UK had voted against amendments proposed by the European Parliament to the 1980 Community Budget, the effect of which would have been to reduce provision for expenditure on milk surpluses under the CAP. This manoeuvre not only “upset United Kingdom Members of the European Parliament (MEPs) who had been instrumental in getting the European Parliament to attack the high cost of agricultural surpluses” but also demonstrated Thatcher’s government naivety in supporting a Franco-German initiative, while the two would combine, during the Dublin meeting, “to take a restrictive view on the alleviation of our net budgetary contribution”.¹³²

This “moral commitment the Community had made in 1970”, already quoted during the Churchill Memorial Lecture the month

¹³¹ *ibid.*

¹³² *Minutes of Full Cabinet - CC(79) 24th*, 6 December 1979, The National Archives, Cabinet Office files (CAB) 128/66.

before, was the central issue of the address Thatcher offered at the Dublin European Council on 30 November 1979. With a combative and firm attitude, and having said, during the Council, to be “fully committed to the EEC” but to be determined to ‘get her money back’, she presented herself ready to fight over the budgetary issue, even at a cost of producing a crisis in the Community by refusing to compromise on the “unique problem in the Community” for which the UK was seeking “a just and fair solution”.¹³³

In Dublin, a solution was not found, as Thatcher refused the offer of a £350 million rebate, which would have left the UK a net contribution of £650 million. Due to a change in the calculation of Own Resources, a 1% share of a uniform value added tax (VAT) on traded goods and services within the common market would become an EC budget revenue source for all nine member states on 1 January 1979; and, as Thatcher had remembered in her Churchill Memorial Lecture on 18 October 1979, in 1980 Britain would pay the Community a net contribution of £1,000. Moreover, deluded with the rebate granted in 1975, Thatcher was also determined to obtain a permanent solution. Her firm stand only earned her that

the Commission’s proposals [of 1970] concerning the adaptation of the financial mechanism could constitute a useful basis for a solution which would respect Community achievement and solidarity [...] and which will also lead to a greater participation by the United Kingdom in Community expenditure.¹³⁴

¹³³ Margaret THATCHER, *Speech to Dublin European Council*, 30 November 1979, THCR 1/17/58.

¹³⁴ *Dublin European Council, Presidency Conclusions*, 30 November 1979, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

At the press conference right after the end of the meeting, Prime Minister Thatcher insisted on the inequality of Britain's treatment and on the necessity to revise the agreements on the basis of previous declarations. She affirmed:

We are not asking for a penny piece of Community money for Britain. What we are asking is for a very large amount of our own money back. [...] it is not asking the Community for money; it is asking the Community to have our own money back.

[...] Britain has a very just and equitable case. It is a case which was in line with one of the assurances given us when we entered the Community and which is committed to writing: that if inequitable situations arose, then it would be up to the Community to find a solution. Such a situation has arisen. We are asking the Community to find a solution.

I am only talking about our money, no-one else's. [...] Please do not think we are asking for money from other European nations. We are not. We just cannot go on financing the rest of the European Economic Community to the tune that we are or anything like it. [...] We believe that it is better for Britain to be in the Community and better for the Community to have Britain and highly damaging to the Free World if the Community – a community of free nations based on free movement of capital and ideas and people – cannot get on together and solve our problems within.

[...] Some people think I am asking for other people's money. I am not. We in Britain, together with Germany, are the financiers of the European Economic Community. We are a poor country. We are saying we cannot go on financing the Community; we cannot go on putting money in the Community's coffers. We are giving notice of that and we want a very large proportion of our own money back, because we need it at home and we are having to cut expenditure at home. The first difficulty

here has been to get over that fundamental thing to the Community, that all we are doing is asking for our own money back because we cannot go on being Europe's biggest benefactor.

[...] if we had the kind of Community spending policy that gave a fair deal to Britain, we would get that money back by way of Community expenditure on things in Britain. [...] We are in the Community and we are staying in and no-one has the right to turn us out. We are in the Community and staying in, because I believe it is for the good both of Britain and for the larger world that what I call the free nations of Europe are able to work together.¹³⁵

During the meeting, Thatcher's determination to have 'her money back' caused outrage in other European leaders. She was accused not to understand the spirit of the Community, while she claimed she was acting as a British Prime Minister, acting in the interest of British people. After all, her attitude, just as the press conference, was predominantly directed to her domestic electorate. Thatcher was attentive to mobilise the elements her compatriots would be responsive to, such as the link between a fair deal in the Community and more money available for 'things in Britain'. Her stand, dismissed by other leaders, was "mightily popular among 'her' people in Britain, the only constituency in which she was truly interested".¹³⁶

The following European Council was held in Luxembourg on 27-28 April 1980 and, again, could not find solutions to the basic problem on its agenda: the British contribution to the Community budget. In the view of other European leaders, the solution was not found due, so

¹³⁵ Margaret THATCHER, *Press conference after Dublin European Council*, 30 November 1979, TFA 104180.

¹³⁶ Eric J. EVANS, *Thatcher and Thatcherism* (Routledge, 1997), 83.

much to change, to Thatcher's attitude, as she insisted for an agreement to be settled for a period of at least three years, subject to review at the end of that time. In the end, she rejected, after a series of meetings, also the £760 million offer; the cut in British contribution remained defective, in her eyes, being only a two-year deal.

At the press conference after the meeting in Luxembourg, President of the European Commission Mr. Jenkins, a British, said:

This was the most tantalizingly disappointing European Council I have attended [...] because we came so near to agreement, nearer than I had believed possible, but we just failed, and the opportunity was missed. [...] It was inevitable, perhaps, that given this concentration, in two successive European Councils, on the British budgetary problems, we were not able to make much progress on other issues.¹³⁷

Mr Giscard d'Estaing, President of the French Republic, commented on the 'Luxembourg crisis':

[O]ne of our partners, the United Kingdom, was asking for changes in the existing rules, in the ratified rules, establishing the amount of its contribution, which it considered too large and which it wanted us to reduce. What struck me in the British demands at the last meeting was that they were not just for one or two years to get over temporary difficulties. They were designed to secure a lasting benefit. What they really amount to is a renegotiation of the financial rules.¹³⁸

Chancellor Schmidt of West Germany did not hide his disappointment, having the depressing impression that the Community had that day taken a long step backwards due to "the British demands,

¹³⁷ *Luxembourg European Council, Presidency Conclusions*, 28 April 1980, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

¹³⁸ *ibid.*

considered to be unrealistic by the other eight countries, [while] the series of compromise solutions proposed [...] had been deemed inadequate by the United Kingdom”.¹³⁹ After this failure it had been agreed not to continue the discussion of these same problems at the Venice European Council in June, referring the ‘problem’ to the Council of Ministers.

From a totally different standpoint, having emphasized that the discussion at the European Council had been extremely positive, the British Prime Minister had the impression that “the United Kingdom’s eight partners had linked this problem to others and were thinking in terms of a package deal”. Thatcher explained why the United Kingdom had been obliged to reject the compromise solutions proposed:

Concessions had been made by both sides. Compromise solutions had been worked out which covered both the amount of compensation and, what was very important, its duration. But when the amount was seen to be almost satisfactory, the duration was reduced to a single year; conversely, if the compensation covered a period of five years, the amount was clearly altogether inadequate.

[...] The 150 million EUA which separated the two positions represented a large sum for the United Kingdom, but if split between the other eight member states, it was not all that much.

[...] the British Government would not accept a compromise agreement on the agricultural prices as long as a satisfactory solution had not been found for the British contribution to the Community budget. It was not a question of obstruction. [...] It was a question of mutual assistance.¹⁴⁰

¹³⁹ *ibid.*

¹⁴⁰ *ibid.*

A mutual assistance that had not come for Britain during the last two Council meetings; before the Dublin European Council in November, and hoping for some support on the budget rebate, Thatcher had asked her officials to endorse the Franco-German axis during the Council of Ministers. But the two did not return the favour, and the budgetary issue, for the moment, was to remain open.

In return, Thatcher was then, in a way, allowed to act accordingly, focusing on her hard and uncompromising attitude, unwilling, at least apparently, to any kind of compromise; and earning, on the one hand, the dislike of her colleagues in Europe, but also the appreciation of her British voters. On many occasions she had reasserted her belief that it was not only in Britain's, but

[i]n the interests of Europe as a whole, that Britain should remain a member of the Community. I believe that the Community would be very much less effective without Britain. Nothing will move me from that belief.¹⁴¹

Nonetheless,

[At] the time our entry into the EEC was negotiated it was said that if unacceptable positions should arise it would be for the Community to find a solution to the problems. An unacceptable position has arisen, and it is for the Community to find that solution.¹⁴²

For her part, after the Luxembourg European Council Thatcher addressed her peers in the House of Commons as follows, receiving “the united support of the House of Commons on this matter”.¹⁴³

¹⁴¹ Margaret THATCHER, *House of Commons PQs*, 11 March 1980, Hansard HC [980/1146-52].

¹⁴² *ibid.*

¹⁴³ James CALLAGHAN MP, Labour leader, during the House of Commons debate on 29 April 1980, HC Hansard [983/1151-65].

In spite of intensive efforts to reach a satisfactory compromise, it proved impossible, in the time at our disposal, to find an acceptable combination of both amount and duration. [...] I regret that it proved impossible to make more progress on the Community's internal problems, but since our partners have brought these several issues together, I believe that it is understood that they cannot be dealt with unless at the same time the budget problem is solved. [...] We shall not get agreement on the agricultural price settlement, or any other major matter, unless our budget problem is satisfactorily solved.

[...] a solution that is both fair and durable and avoid the squabble that goes on year by year and month by month has been our objective. [...] we must secure a settlement that is likely to endure as long as the problem itself. [...] there are no plans for withdrawing from the EEC. [...] I do not agree with the assertion that it is contrary to the interests of this country to be in the EEC. It is wholly in the interests of this country to be in, and remain in, the EEC. On trade arrangements, we negotiate as part of the biggest trading bloc in the world. By virtue of being in the EEC we secure many investments in this country from overseas – investments that would not come to us unless we were also part of the EEC. About 42 per cent. of our exports go to the EEC, which is a very considerable factor. There will be no further agreement on other major matters within the Community unless and until our own problem is settled. [...] It is my job to put Britain's interests in the Council of Ministers and to go on putting them, no matter how long and how difficult it is to secure the required settlement. That I shall do. It is very difficult. The British people deeply resent the fact that they are asked to contribute such large sums to surpluses. First, it is unfair that they should have to contribute such large sums. Secondly, they disagree with the policy of building up huge surpluses. I repeat that we have no intention of coming out of the Community.¹⁴⁴

¹⁴⁴ Margaret THATCHER, *House of Commons Statement*, 29 April 1980, HC Hansard [983/1151-65].

The Labour congratulated about

the abrasive fashion in which she conducted the negotiations [which] are progressing absolutely in the right direction [for] her firm stance having spoken so effectively for Britain [...] with unabated vigour and enthusiasm [...] declining to fall into the trap of prejudicing our interests to attain a purely alleviation of the budget [...] by this grotesque organization [...] even if she has isolated us from some of our friends in Europe, she has united the nation”.¹⁴⁵

A sign that the issue was so urgent that, at least towards the question of reforming the budget, it united the nation.

An outline agreement between Britain and the European Community was reached – in absence of the Prime Minister – in Brussels on 30 May 1980, by Lord Carrington and Ian Gilmour, respectively Secretary of State and spokesman for Foreign and Commonwealth Affairs.¹⁴⁶ It was a three-year arrangement which brought Britain “back to a tolerable financial position within the Community”.¹⁴⁷ The agreement, according to Lord Carrington, did not give full satisfaction to the British, but it brought “a very marked improvement in our budgetary position and does not involve us in damaging concessions in other fields”.¹⁴⁸

Thatcher insisted that “it was an unacceptable disaster”,¹⁴⁹ also because it left the UK with a net contribution which was not completely

¹⁴⁵ Several MPs (Labour) during the House of Commons debate on 29 April 1980, HC Hansard [983/1151-65].

¹⁴⁶ *The United Kingdom Embassy (UKE) in Brussels to the Foreign and Commonwealth Office (FCO)*, 30 May 1980, THCR 1/8/5 (34).

¹⁴⁷ *Briefing for the Prime Minister, “United Kingdom Community Budget Contribution and Related Questions”*, 31 May 1980, PREM19/226 f17.

¹⁴⁸ Peter CARRINGTON, *Memo to the Cabinet*, 31 May 1980, CAB 129/209.

¹⁴⁹ YOUNG, *One of Us*, 189.

predictable, and which rose from year to year, as it had not introduced a fixed ceiling. Notwithstanding this, she was suggested to present it to Parliament

[W]hile not ideal, as much as can be extracted by negotiation [...] as a solid achievement bringing substantial financial relief, the prospect of a major review of the Community's policies. The settlement is not the end of the story: we shall have to exploit the review in order to bring about lasting improvements in the Common Agricultural Policy so that the Community can develop other more productive policies without raising the limit on its financial resources.¹⁵⁰

In the end, she accepted the agreement, to which another *interim* deal was added in June 1982, before the solution of the issue at Fontainebleau in June 1984. Her determined attitude toward the European partner made much of her image of patriotic value and strong leader, which she confirmed on 10 October 1980 with her speech to the Conservative Party Conference that Garau (2020) considers the political manifesto of Thatcherism:

In foreign affairs we have pursued our national interest robustly while remaining alive to the needs and interests of others. [...] In Europe we have shown that it is possible to combine a vigorous defence of our own interests with a deep commitment to the idea and to the ideals of the Community.

The last Government were well aware that Britain's budget contribution was grossly unfair. They failed to do anything about it. We negotiated a satisfactory arrangement which will give us and our partners time to tackle the underlying issues. [...] We face many other problems in the Community, but I am confident that they too will yield to the firm yet fair approach which has

¹⁵⁰ *United Kingdom Community Budget Contribution and Related Questions.*

already proved so much more effective than the previous Government's five years of procrastination.¹⁵¹

While declaring the guiding principles of what would be defined as Thatcherism – a “property owning democracy”, monetarism and the belonging to NATO – Prime Minister Thatcher did not miss the occasion to confirm her commitment to the European Community, even with the difficulties of the case. She did repeat the firm belief in this process on every occasion she could:

[O]ur future is inextricably involved with the fate of our neighbours in Europe. [...] If we walk out of Europe, our trade, of which more than 40 per cent. is with other members of the Community, will suffer; our economy will be damaged; and our international effectiveness will be diminished. Today our major problems with the Community are on the way to being solved; our trade with the Community is moving into surplus; and the prospective accession of three newly restored democracies – Greece, Spain, and Portugal – demonstrates the appeal of the Community for those who wish to remain free.

[...] we in Britain [...] intend to see that our influence is maintained. Since coming into office we have combined a firm commitment to the ideal of the Community with a vigorous determination to defend our national interests. Through tough negotiation, we have achieved a fair deal for Britain on a number of issues [for example] on the budget.¹⁵²

For the year 1981, the budget issue had been solved; but the question of the ‘unacceptable situation’ was not yet settled.

¹⁵¹ Margaret THATCHER, *Speech to Conservative Party Conference*, 10 October 1980, TFA 104431.

¹⁵² *Debate on the Address*, 20 November 1980, HC Hansard [994/18-28].

Thatcher returned to the issue of British contribution the following year; the Foreign Ministers Council had indeed asked the Commission to put forward proposals by the end of June 1981 “to solve the problem for 1982 onwards by means of structural change [...] but without calling into question the common financial responsibility for these policies which are financed from the Community’s Own Resources or the basic principles of the Common Agricultural Policy”.¹⁵³

Indeed, there was the urgency to settle the dispute. Because of an explosive rise in the cost of the CAP, the Community was threatened with bankruptcy unless the ceiling of 1% on VAT revenues was raised. The situation of financial crisis of the Community gave Britain an opportunity to force the settlement of its budgetary issue, as the raising of the VAT ceiling had to be approved in each of the national parliaments.

The British declared themselves not ready to agree to any such an increase until a permanent and satisfactory settlement to the budgetary imbalance was found for themselves, as long as “a direct and organic link between the price-fixing decision and the budget negotiations had been recognised by all member states in their agreement that should proceed in parallel”.¹⁵⁴

A first attempt to hold up the agreement on agricultural prices for 1982-83 to the decision of a permanent settlement on the UK budgetary issue failed on 18 May 1982. The British were impeded from applying the Luxembourg Compromise when the Belgian presidency called a majority voting in the Council of Agricultural Ministers on the price

¹⁵³ «Bulletin of the European Communities» 1981, No. 6, 11.

¹⁵⁴ *EEC: Council of Agriculture Ministers – Price Fixing*, 19 May 1982, House of Lords Debate (HL Deb) [430 cc719-27].

levels for the following year.¹⁵⁵ On 20 May, during the parliamentary session, Thatcher declared her disappointment but insisted on her firm will to remain in the Community, also in response to the new French President Mitterrand's public suggestion that Britain should cease to be a full member of the Community:

Our role in the Community is to be a full and equal partner and to be fully entitled to equitable and fair treatment. [...] We are full members of the EEC. We intend to remain full members of the EEC and we intend to make our views known and see whether we can reverse that decision about the Luxembourg compromise. [...] We are a member of the European Community. I believe that it is in our interests to continue to be a member of the European Community. [...] We are entitled to reasonable and fair treatment. [...] We must now get changes in the structure of the budget to Britain's advantage.¹⁵⁶

Thatcher had no doubts on Britain's destiny in Europe, but among British ministers, the impression was that

France now dominated the Community. They could secure the co-operation of both Germany and the Commission [...] to force through decisions in their national interest and against the United Kingdom's. [...] President Mitterrand had now achieved the change in the

¹⁵⁵ The so-called Luxembourg compromise was agreed in January 1966, after the so-called "empty-chair crisis", where the French President Charles De Gaulle instructed his ministers not to take part in Council meetings to oppose increased powers to the Assembly and Commission. It provided to call a unanimous vote if very important interests of one of the Member States were at stake: "Where, in the case of decisions which may be taken by a majority vote on a proposal from the Commission, very important interests of one or more partners are at stake, the Members of the Council will endeavor, within a reasonable time, to reach solutions which can be adopted by all the Members of the Council while respecting their mutual interests and those of the Community". *Council Agreement of 30 January 1966 on cooperation between the Council of Ministers and the Commission*, 30 January 1966, <https://op.europa.eu/en/publication-detail/-/publication/6ce0e129-d41b-4dc7-b9ec-a0ba1708daf0/language-en>.

¹⁵⁶ *House of Commons PQs*, 20 May 1982, HC Hansard [24/467-72].

Common Agricultural Policy which he wanted [...] but had blocked progress on the United Kingdom's part of the agreement.¹⁵⁷

At the end of 1981, after two years in office, the government was trying a series of harsh reforms at home; the economy was not going well. The government had introduced some deflationary measures, but it had also almost doubled VAT from 8 to 15% and increased interest rates. Also due to Thatcher's aim to dismiss inefficient nationalised industries, unemployment was soaring at unprecedented heights, the increase accelerating to an average of 100.000 per month;¹⁵⁸ and in spite of her commitment to combat it, also inflation was rising: in March, the year-on-year increase in the retail prices index fell to 10.4% in the United Kingdom, compared with an average level of inflation in all OECD countries of 8.5%.¹⁵⁹ Britain was 'the sickest man in Europe', and Thatcher's popularity was falling.

But then came the Falklands war.¹⁶⁰ The attempt of the Argentinian government to claim these 780 islands and their 1800 inhabitants 8000 miles away from the UK which had not any economic neither strategic value for the motherland, was – and was lived by the British as – an invasion, and “provided Thatcher with an opportunity to demonstrate her resolve and patriotism”.¹⁶¹ The war was fought between April and June 1982. The victory was a blessing for Thatcher's position within the

¹⁵⁷ Minutes of Full Cabinet - CC(82), 20 May 1982, CAB 128/73 f250.

¹⁵⁸ OECD Economic Surveys: https://doi.org/10.1787/eco_surveys-gbr-1981-en.

¹⁵⁹ *Debate on the Address*, 13 May 1982, HC Hansard [23 cc932-3].

¹⁶⁰ Ipsos MORI reports that satisfaction for how the government was running the country was at 23% in January and February, while Thatcher's personal popularity was between 30 and 32%. They would both rise in May 1982 due to the turn of the Falklands war. Source: <https://www.ipsos.com/ipsos-mori/en-uk/political-monitor-satisfaction-ratings-1977-1987>.

¹⁶¹ GEORGE, *An Awkward Partner*, 146.

Conservative Party, that “ceased to see her as an outsider and began to accept her as a proper leader”.¹⁶² But it also provided for reviving a patriotic sentiment which was functionally exploited to present Thatcher as the advocate of the interests of the whole nation:

The lesson of the Falklands is that Britain has not changed and that this nation still has those sterling qualities which shine through our history. [...] then we British are as we have always been: competent, courageous and resolute. [...] We have ceased to be a nation in retreat. We have instead a new-found confidence. [...] That confidence comes from the re-discovery of ourselves, and grows with the recovery of our self-respect.¹⁶³

This factor would be a precious help in the 1983 elections, which Thatcher would win with a large majority of seats, 397 over 650, on 42.4% of the votes. By 1983, Thatcherites had invested the economy with an important restructuration. Also, the rising strength of the dollar and the world economic upturn would benefit Britain more than the other European countries; in particular, the Southeast of England – a traditional Tory basin – would take advantage of the deregulation of capital movements of the City of London and of the choice taken by some Japanese firms to seat their manufactures in England, to exploit the advantages of the Community internal market.

Strong of her success in the international arena and of the renewed support at home, Thatcher could return back to the charge on a European level, speaking about the budget issue at the end of the year:

[T]he Government now look to their European partners to make a serious, fresh attempt to solve the more fundamental budget problem. Equity and common-sense

¹⁶² VINEN, *Thatcher's Britain*, 204.

¹⁶³ Margaret THATCHER, *Speech to Conservative Rally at Cheltenham*, 3 July 1982, TFA 104989.

demand that a long-term solution be found – and soon.
The present situation cannot and will not continue.¹⁶⁴

Thatcher would not give up until she would grant Great Britain an annual ‘compensation’ within a permanent agreement, as the Fontainebleau European Council of 25-26 June 1984 would enable. She was obstinate in willing to reach a permanent solution for many reasons. Britain’s membership conditions had been decided to impede the possibility that the country could represent a leader nation in the Community; but Thatcher wanted the UK to be the leader country in the Community, being also aware that it was not possible until its disproportionate contribution was not reduced.

Thatcher government was aware that the expectations the British had in 1973, entering the Community, had not been complied, neither from an economic nor from a politic point of view; they thought it depended on an unfortunate economic conjuncture of the 1970s, which had curbed the growth of world economy, but mainly on Labour leadership, which the Thatcherites considered a complete failure. It was then time to demonstrate a change in British leadership had happened, assertive and effective both in defending national interests and in transforming the country in a proactive leader, able to define a global Community strategy. Thatcher’s European attitude cannot be defined if detached from her domestic one; because her interest, as a Prime Minister, was to be re-elected; and to be chosen again by the electors, as a politician she needed to prove her choices had a meaning, even though they were painful; also, she had to demonstrate she was the defender of her nation’s interests in the international arena.

¹⁶⁴ *Debate on Address*, 3 November 1982, HC Hansard [31/17-27].

The Community was seen by Thatcher as the place where Britain could express its economic potential, provided that it could be reformed in a more liberal sense, through a budget restructuring, the reduction of CAP expenditures, and the realisation of a proper common market. At the same time, Thatcher's Cabinet was able to exploit Britain's participation in the EC to justify some decisions in home politics which were aimed at restoring the economy but could have painful short-term consequences. For example, given the strong competition from continental and Asian productions, Thatcher's Cabinet thought it would be strategic to reduce the share of the GDP dependent on the manufacturing sector, of ancient tradition, but that suffered the most from the present international situation. Britain's economy needed a shake, and her strategy was to remove its dependence on unsophisticated production and turn the country into a provider of services, offering capital and services to the European and world markets. A project that was, on the one hand, part of the long tradition of United Kingdom to be at the forefront of global economic and industrial transformations; and, on the other, only possible with a more comprehensive economic reform at a Community level – which would happen, in few years, with the Single European Act.

But, again, a British initiative within the Community could only be possible if the budget issue was solved; and it had to be solved for another reason, namely the fact that, if the British were accepting a reformist policy within the country to reshape the national economic structure, it was logical also to reduce, on the one hand, the national contribution to Europe and making savings; on the other, to restructure EC spendings, objectively unbalanced in favour of the CAP. At the same time, the CAP, as well as the EC increasingly pervasive

bureaucracy, could be used by Thatcher as polemical objectives easy to attack to gain consensus with their electorate, and to present herself as the defender of the nation's interests. Although Thatcher's obstinate attitude would cause a damage in the relationship with the other European partners, the issue was real – Britain contributed in a disproportionate way to the Community budget. But Thatcher was also able to use it as a propaganda device to demonstrate to British national public opinion and continental allies that the British government was no longer willing to bear such exorbitant sacrifices made in favour of the EC while trying to solve their own difficulties in domestic economy.

During the following years, she would allow compromises both with her collaborators and the other European leaders, but she would never renounce to the combative attitude she demonstrated in her first round in Europe. It would characterize her entire career as Prime Minister and would earn her the nickname of the Iron Lady.

2.2. The Solemn Declaration on European Union: a mislead step?

On 9 June 1983, the General Elections – which she called a year before the natural term of the mandate – gave Thatcher a large majority of 397 out of 650 seats, a success was preceded and prepared by the Falklands victory.

There is no doubt that the neoliberal revolution Thatcher chose to give a change to the British economy which, during the 1970s, was considered 'the sick man of Europe', changed the British society in

many ways.¹⁶⁵ There has been a lot of discussion about how much this action has gone to the detriment of the weaker groups of the population.¹⁶⁶ Structural reforms of labour market and privatizations – of television, radio, aerospace, gas and electricity, steel companies, but also the sale of one million public housing units – laid the foundations for the increase in productivity, which even allowed for wage increases.

But with the Gross Domestic Product was also rising the unemployment rate, which passed from 7.1 to 9.7% between 1980 and 1981, to peak at 11.9% in June 1984 as a result of the Employment Acts of 1980 and 1982, which had undermined the power of trade unions and subjected the manufacturing sector to a painful reorganisation.



Figure 1 - Gross Domestic Product on *Quarter growth*. Source: Office for National Statistics.

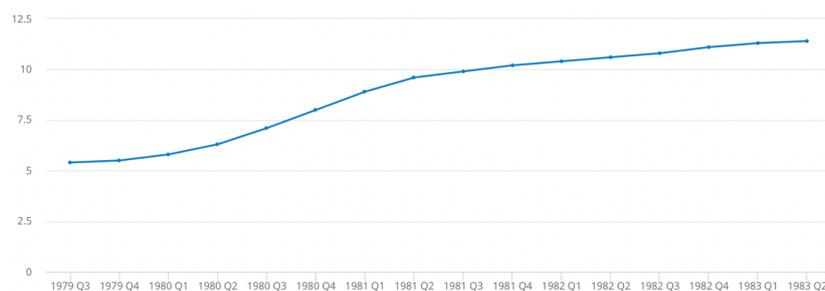


Figure 2 - Unemployment rate (aged 16 and over). Source: Office for National Statistics.

¹⁶⁵ Before World War I, Tsar Nicholas I of Russia reputedly coined the phrase to describe the Ottoman empire.

¹⁶⁶ see EDGELL S. and DUKE V., *A Measure of Thatcherism*, Harper Collins Academic, London, 1991; FARRALL S. and HAY C., *The Legacy of Thatcherism. Assessing and Exploring Thatcherite Social and Economic Policies*, Oxford University Press, 2014.

Addressed in the House of Commons, Thatcher would justify these data explaining that unemployment was a – albeit painful – symptom of the inflation her government was trying to fight, but

[T]he problems of decades could not be solved in the lifetime of one Parliament. [...] production has risen, and productivity has reached new record levels.

[...] The Government have an important, indeed a vital, role. It is to create the conditions and framework which encourage recovery and growth to take place, and which, if sustained, will lead to the generation of new jobs.¹⁶⁷

For what concerns the European issue, the Conservative manifesto of 1983 had committed the future government to the European Community as “vital in cementing lasting peace in Europe and ending centuries of hostility”. Tories had come to office “determined to make a success of British membership of the Community” and promised to continue “both to oppose petty acts of Brussels bureaucracy and to seek the removal of unnecessary restrictions on the free movement of goods and services between member states, with proper safeguards to guarantee fair competition”.¹⁶⁸

In April 1983, for the fourth anniversary of her becoming Prime Minister, Thatcher had given an interview with the «Observer», declaring:

[W]e must continue to be a member of the EEC and we and the whole of the EEC must continue to be strongly allied to the United States, very strongly. [...] In an uncertain world it is absolutely vital that Western Europe, free Europe, works together and we work much better in the Community. It doesn't mean to say everything is right

¹⁶⁷ Margaret THATCHER, *Statement to the House of Commons Statement*, 22 June 1983, TFA 105404.

¹⁶⁸ *1983 Conservative General Election Manifesto*, TFA 110849.

in the Community. And that we keep very, very close to the United States, and the United States keeps close to us. Don't forget, the United States puts a quarter of a million of her soldiers in Germany, right up front because much of her weapons in Europe and with her own soldiers there, she recognises that we all have to stick together, and never forget the generosity of the United States, the Marshall care, – how marvellously generous they were, and how marvellously they worked with us during the Falklands – everything we wanted. She's fantastically generous, fantastically expert, and we must always bear this in mind, and that so many of her people were European anyway. So, we have a natural thing together. That is the single, most important thing.¹⁶⁹

Nonetheless, after four years being Prime Minister, Thatcher had not solved the budget issue yet, and perceived it as the most urgent question in Britain's relationship with the EC:

If we don't get a budget settlement, yes, it does cost quite a bit but nothing like what it would cost us if freedom and liberty flung apart, that of course is a matter for NATO. [...] Certainly we have some differences in Europe. [...] Isn't it that we each have our own characteristics and part of the essence of the freedom of nations is that you keep your own characteristics, you keep your own variety? That's why I've always been saying that it is a Community of nine, ten nations. I don't think that we'll ever get to a United States of Europe. It just doesn't... I don't think that they were any different from any of the others. We each have our own characteristics...¹⁷⁰

Thatcher perceived being part of the Community as a vital condition for Britain, but once again she remarked her particular idea of a 'Europe of nations', where Britain maintained a 'special relationship' with the United States:

¹⁶⁹ Margaret THATCHER, *Interview for Observer*, 11 April 1983, TFA 105127.

¹⁷⁰ *ibid.*

[With the United States] there is still a special relationship. [...] Washington was after all an Englishman. The constitution of the United States was founded, was born out of the best they learnt from Britain. Born out of it, a system of justice born out of it, and the English-speaking peoples of the world have a role too. [To take Britain out of Europe] the disruption would be enormous. Most of our companies now have geared themselves to exports to Europe. A lot of investment we get in this country is because it is a springboard from Europe, and I must say that, whatever they say, I do not think they would find it possible and I think they'll find a way to stay in.¹⁷¹

Thatcher did not question Britain's European membership; she always thought the Community as an *economic* community where to develop *Britain's* economic potential, especially now that the country was recovering from a two-decade-long crisis that Thatcher blamed on that consensus politics she was called upon to dismantle.

On the other hand, in the context of the Cold War, the European Community would represent a bulwark against Communism in the orbit of NATO. This was her firm idea of Europe she would, and she did, never change, even though she agreed to the Solemn Declaration of Stuttgart, a decision which would have unintended consequences and which she would justify, years later, saying "I could not quarrel with everything, and the document had no legal force".¹⁷²

Indeed, with the beginning of the new decade, talk of the need to get the Community moving had increased. Also, between 1981 and 1982 both the German Chancellor and the French President had been succeeded respectively by Helmut Kohl, belonging to the centre-right party of Christian Democrats (CDU), who would remain chancellor

¹⁷¹ *ibid.*

¹⁷² THATCHER, *The Downing Street Years*, 314.

until 1998; and François Mitterrand, the Socialist president who would remain in office until 1995. Thatcher hoped, for a while, that the differences between the two leaders would permit Britain to take the lead of the Community. The understanding with Chancellor Kohl would be relevant for the furthering of the British cause during the Stuttgart meeting; but Thatcher would realise soon that the Franco-German axis was to lead Europe as usual, with a renovated impetus indeed. It would be demonstrated both by symbolic moves – the commemoration of the battle of Verdun, on 22 September 1984, when Kohl and Mitterrand stood together, hand in hand, to symbolize the reconciliation of France and Germany – and political ones, such as the Franco-German appropriation of a paper, *Europe – The Future*, Britain would give to European Community Heads of State or Government as a contribution to discussion at the Fontainebleau European Council held in June 1984. Nonetheless, her aspirations did not change:

At this time, I genuinely believed that once our budget contribution had been sorted out and we had set in place a framework of financial order, Britain would be able to play a strong positive role in the Community. [...] I want to rebuild the foundations. A Community striving for freer trade, breaking down the barriers in Europe and the world to the free flow of goods, capitals, and services.¹⁷³

It was in the spirit of furthering integration that the West-German and Italian Foreign Ministers had presented, in November 1981, a document, the so-called “Genscher-Colombo Plan”, to set the sights “of the political unification of Europe” and calling for a “European Act” to advance it.¹⁷⁴ And it was in the same spirit that the European

¹⁷³ THATCHER, *The Downing Street Years*, 452.

¹⁷⁴ «Bulletin of the European Communities» 1981, No. 11, point 1.2.2.

leaders returned to it in 1983, to agree a solemn declaration on the future of Europe. But at the beginning of 1980s the EC finances were in a parlous state, as expenditure on the CAP continued to rise and the impending entry of Spain and Portugal intensified the need for reform.

In January 1983 the European Commission, presided by Mr. Gaston Thorn, published a green paper on EC financing, which suggested an increase in the Community's Own Resources – an event which would exacerbate Britain's position as the second largest contributor in the Community – and considered “inadequate, given its incompatibility with the spirit of the Treaties, any solution based on the concept of a fair return, calling into question the principle of own resources” while recognising, though, that “the financial imbalances which characterize the present situation and the burdens which they place on certain member states are a serious problem which calls for an immediate solution”.¹⁷⁵

At the time of the Stuttgart European Council on 19-20 June 1983, the EC was on the edge of bankruptcy and could only retrieve the situation by raising the 1% ceiling on VAT receipts from with a large part of the Community's 'own resources' derived. As this could only be done by unanimity, Thatcher was willing – now that the other European leader knew they would have to deal with her for five more years – to link her approval to a satisfactory outcome to negotiations on the British rebate; as she would state some days later, “without effective control and a more equitable and fair distribution of the burden of contributions, we could not possibly consider agreeing to an increase in

¹⁷⁵ THE EUROPEAN COMMISSION, *The future financing of the Community*, Communication from the Commission to the Council and to the European Parliament, Green Paper, COM (83) 10 final, 4 February 1983, HAEU EN-951.

own resources”.¹⁷⁶ Before the meeting, the Foreign Office briefed for the Prime Minister, announcing, among the other topics, that in the meeting there should be some pressure for the adoption of the Solemn Declaration on European Union, but the main UK objectives were “to secure an interim solution to cover the period until a lasting solution is in place, without accepting an advance commitment to increase own resources”:

We cannot agree to any advance commitment on increasing own resources, [...] since other member states will not otherwise be prepared to work seriously on limiting CAP expenditure and dealing with budget imbalances.¹⁷⁷

In hindsight, Thatcher would define what happened at the Council “some of the toughest negotiating I’ve ever done, [but] the result exceeded anything I had expected to achieve”.¹⁷⁸ In fact, despite the other European leaders were not interested in reaching any agreement, Chancellor Kohl was aware that “this, the culminating event of the German Presidency, should be a success and that the key to success is to secure agreed conclusions on Community financing, and the interim settlement” on British budget.¹⁷⁹ He then determined “to get a settlement, both of the short term and guidelines for the long-term financing of the Community”; the problem, for the rest of the Community, was that the expenditures were to exceed the income.¹⁸⁰ An increase in the so-called Own Resources was needed, and it had to

¹⁷⁶ Margaret THATCHER, *Statement on the Stuttgart European Council to the House of Commons*, 23 June 1983, HC Hansard [44/145-54].

¹⁷⁷ *Brief by the FCO*, 13 June 1983, PREM19/1030 f30.

¹⁷⁸ Margaret THATCHER, *TV Interview for ITN*, 19 June 1983, TFA 105402.

¹⁷⁹ *Brief by the FCO*.

¹⁸⁰ THATCHER, *TV Interview for ITN*.

be approved by all the national Parliaments. Thus, Thatcher was successful in linking her claims to reach a long-term settlement for Britain's budget rebate and the survival of the Community itself:

They're running out of money, their expenditure is going to exceed their income if they carry on like this. So they've got to look at new methods of financing altogether and in looking at new methods of financing they have to look at how they're spending existing money and how the burden is formed between those who contribute. Now we've got agreement on to how we shall look at that and we've got agreement without my having to agree with any increase in what are called own resources. [...] for the first time they have to agree to limit the increase in agricultural expense.¹⁸¹

Thatcher referred to the other European leaders, participating in the European Council with her same institutional position, as a close-knit group, 'they', perceiving herself as an isolated warrior, fighting for defending Britain's interests from their usurpations:

I don't think any of us think of breaking up the Community, Good Heavens no, it's too valuable to all of us, it's very very important for the future of jobs in Britain. [...] Yes we do fight our corner. I fight Britain's corner and I fight it hard.¹⁸²

Again, in another interview that day – in another intervention directed to her national electorate, Thatcher said:

[I] had a tremendous mandate from the British electorate to sort out the whole matter out. [...] Now they're running out of money, their expenditure has gone up far too fast. Partly because of the way they've run the Common Agricultural Policy, [...] in spite of the fact that we in our home budgets are having to economise. [...] as

¹⁸¹ Margaret THATCHER, *Radio Interview for IRN*, 19 June 1983, TFA 105403.

¹⁸² *ibid.*

any man or any woman at home, if you're running pout of income to meet your expenditure, you've got to fight your expenditure down.¹⁸³

Thatcher expressed herself as a British Prime Minister addressing her national electorate, insisting on a 'we', the British, restructuring the economy at home, opposed to a 'them', the Europeans unable to control their spending; and added a reference to the common-sense of any 'woman or man at home', in her usual effort to present herself as a middle-class woman running the country like any housekeeper in her right mind.¹⁸⁴

At the press conference after the European Council meeting in Stuttgart, on 19 June 1983, Thatcher enthusiastically presented her success, following rigorously the indications her Press Secretary Sir Bernard Ingham had sent her that day.¹⁸⁵ She focused on a consistent rebate for the year 1983, which she presented as an act of justice for her country, but most of all on the promise she won of a reform of Community's financing methods:

Stuttgart has been a good weekend's work for Britain and for the Community. First, the deal we have achieved [...] has secured for Britain refunds totalling over two thousand five hundred million pounds. [...] It has been

¹⁸³ Margaret THATCHER, *TV Interview for BBC*, 19 June 1983, PREM 19/1029 f58.

¹⁸⁴ Dubious strategy if we consider that within the Ipsos MORI reports <https://www.ipsos.com/ipsos-mori/en-uk/political-monitor-satisfaction-ratings-1977-1987> the satisfaction ratings show that she was the second least popular prime minister since the war, surpassed only by Edward Heath. Despite this, Thatcher marked the century for the kind of politician she was, a "conviction politician", very different from the consensus politicians that preceded her. And for these characteristics she won high scores for qualities like determination, courage, the ability to earn respect abroad and leadership, while she remained low for healing qualities such as compassion, capacity to compromise and the ability to understand the problems of the people, in spite of her efforts to insist on her middle-class origins.

¹⁸⁵ Bernard INGHAM, *Minute to the Prime Minister, "Press Conference" [post-European Council Stuttgart: 17-19 June 1983]*, 19 June 1983, PREM 19/1029 f110.

won for Britain by a determination to secure justice for our country. [...] And even more important, for the longer term, we've also secured agreement to tackle the rest of the problem, namely, the Community's method of long-term financing. We've been waiting to do this in Britain for some time.¹⁸⁶

The budget issue had been the most important one for both Labour and Tory governments, since Britain entered the Community in 1973; finally, Thatcher obtained the commitment to achieve a permanent solution, and without surrendering to raising the VAT ceiling.

We would be prepared to consider an increase in Own Resources provided there was effective control and limitation on agriculture and on other policies expenditure and also provided there was a further distribution of the financial burden. [...] I thought we had done an extremely good job, really throughout our membership and through the election, in demonstrating our loyalty to the European ideal and to the European Community.¹⁸⁷

About the other fundamental aspect of the meeting, the *Solemn Declaration on European Union*, Thatcher dismissed it as a simple “renewal of the principles and ideals which brought the Community together”, confirming her idea of ‘a European Community of ten nation states’ willing to co-operate:

I am absolutely against a federal Europe, so are most other people round the table. European Union as a term... has a meaning of its own in Europe which doesn't mean European Union.

[...] So I believe and I continue to believe in an European Community of ten nation states coming together because they have common beliefs in freedom, justice and democracy and they work together in common economic

¹⁸⁶ Margaret THATCHER, *Press conference*, 19 June 1983, PREM 19/1029 f58.

¹⁸⁷ *ibid.*

and trading matters in particular and try to get greater political co-operation but I've never departed from that and I think I am unlikely to do so.¹⁸⁸

But what Margaret Thatcher agreed in Stuttgart was more than the renewal of the principles and ideals which brought the Community together. While the Treaty of Rome called for an “ever closer union among the peoples of Europe”, the Solemn Declaration extended the commitment to “ever closer union among the peoples *and* member states of the European Community”, engaging the countries and their governments to “strengthen and continue the development of the Communities, which are the nucleus of European Union”.¹⁸⁹

The United Kingdom and Denmark made it clear, in the Declarations for the Minutes made on the signature of the Solemn Declaration, that they wanted to preserve the so-called Luxembourg compromise, and remained of the view that,

when a Member State considers its very important interests to be at stake, discussion should be continued until unanimous agreement is reached.¹⁹⁰

Nonetheless, the opening of the same document reported that

The Heads of State or Government stress the high political significance which they attach to this document which has the character of a solemn political declaration affirming the determination of the Member State to progress towards European Union.¹⁹¹

¹⁸⁸ *ibid.*

¹⁸⁹ “*Solemn Declaration on European Union*”, «Bulletin of the European Communities» 1983, No. 6, 24-29. Article 2.2.2 read: Within the Council every possible means of facilitating the decision-making process will be used, including, in cases where unanimity is required, the possibility of abstaining from voting.

¹⁹⁰ *ibid.*

¹⁹¹ *ibid.*

Thatcher, indeed, was agreeing to a Solemn Declaration which declared as objectives and scopes:

1.1. The Heads of State or Government, on the basis of the awareness of a common destiny and the wish to affirm European identity, confirm their commitment to progress towards an ever closer union among the peoples and Member States of the European Community.

[...] 1.4.1. to strengthen and continue the development of the Communities, which are the nucleus of the European Union, by reinforcing existing policies and elaborating new policies within the framework of the Treaties of Paris and Rome;

[...] 3.1.3. Strengthening of the European Monetary System, which is helping to consolidate an area of monetary stability in Europe and to create a more stable international economic environment, as a key element in progress towards Economic and Monetary Union and the creation of a European Monetary Fund.

[...] 3.1.6. Completion of the internal market in accordance with the Treaties, in particular in the removal of the remaining obstacles to the free movement of goods, capital and services.

3.1.7. Continued development of the common agricultural policy in harmony with other policies, respecting its objective as defined in the Treaty and the principles of unity of the market.

Thatcher signed it on the condition that the final provisions read:

European Union is being achieved by deepening and broadening the scope of European activities so that they coherently cover, albeit on a variety of legal bases, a growing proportion of Member States' mutual relations and of their external relations.¹⁹²

¹⁹² *ibid.*

In the following years, Thatcher would realise that the language that enabled her government to accept progress towards something called ‘European Union’ would be the means, used by President Delors and other European leaders, to advance the Community towards something that would be clearly identifiable as a political union of a kind which she would neither countenance nor accept. For the moment, she reported the House of Commons insisting on the fact that the rebate for the current year was more than reasonable –about £437 million net, and, in particular, that the United Kingdom received, for the four-year period 1990 to 1983, budget refunds for more than £2,500 million. Anyway, what Thatcher wanted to seem interested in was that a process of fundamental reform was launched:

First, the Community has agreed a programme for firm decisions on its future financing, including – and this is vital for us – a fairer distribution of the burden.

Secondly, we are now to examine in detail measures to curb the relentless growth in expenditure, especially on the common agricultural policy. [...] We are committed to considering it provided there is a more equitable arrangement for burden sharing of the contributions and strict budgetary control of agricultural and other expenditure. [...] Without effective control and a more equitable and fair distribution of the burden of contributions, we could not possibly consider agreeing to an increase in own resources.¹⁹³

To reach this rebate, however, Thatcher had indeed to sign the *Solemn Declaration on European Union*. She had long been sceptical about the document, and in April, asked if the Genscher-Colombo Plan was essential to the development of the Community, she had answered that

¹⁹³ Margaret THATCHER, *Statement to the House of Commons*, 22 June 1983, Hansard HC [44/53-62].

what was important in Europe was “to make progress on the practical matters outstanding, such as the budget problems, the problems of the internal market, the problems of having a market in services”.¹⁹⁴

She signed the Solemn Declaration in the hope to convince her partners that the United Kingdom did want to participate in the Community, but she had her personal interpretation of the document:

I signed the declaration on European Union. We strongly support the objectives of greater political co-operation which are set out in this declaration, and we welcome the reaffirmation of the wider objectives of the European Community. [...] European union is many different things to many different people. I must make it quite clear that I do not in any way believe in a federated Europe. Nor does that document. [...] The Genscher-Colombo deals mainly with greater political co-operation and how decisions are taken in the EC, but it does not make many changes. It is a reaffirmation of the ideals that led to the setting up of the Community. Those ideals are as valid today as they were when the Community was set up and when we joined.

The debate about British membership is over, once and for all. Now we shall turn our energies to developing the Community, so that it can better serve the interests of all its members and further those interests in the outside world. That process was launched at Stuttgart last weekend.¹⁹⁵

Words matter; and the British delegation won in changing the proposed name “Act” to “Solemn Declaration”. But the *Solemn Declaration on the European Union* still contained the word “union”; and would be used soon as a basis for an actual transformation of the

¹⁹⁴ Margaret THATCHER, *Joint Press Conference with West German Chancellor (Helmut Kohl)*, 22 April 1983, TFA 105297.

¹⁹⁵ Margaret THATCHER, *Statement to the House of Commons*, 22 June 1983, HC Hansard [44/53-62].

Community. Nonetheless, it was the first open evidence of a very different approach to the future development of the Community among the member states. It would become more and more clear in a couple of years, with the choice, in the Commission, of personalities such as Lord Cockfield and Jacques Delors – whose candidature was supported by Thatcher – with whom the Solemn Declaration would become the foundation of all the subsequent steps towards further integration, finally implemented in the Maastricht Treaty. The builders of Europe saw the EEC as a continuous progress in one direction, and used each treaty, declaration, protocol, directive and so on as the building block for the next. For her part, Thatcher was very suspicious of this method of proceeding, both because of the method and because of the nature of the Community, which she did not consider an end in itself.

The Prime Minister's point of view, both in relation to the idea of a community of nations and to its future developments, was confirmed some months later by the opinion expressed by Geoffrey Howe, former Chancellor of the Exchequer and just appointed Secretary of State for Foreign and Commonwealth Affairs:

The European Community was a radical experiment [...] resulted in a unique community of nations, attempting not just the coordination of national policies, but common policies, and a joint external role both politically and in trade.

[...] Britain was right in joining the Community. Our access did not constitute a renunciation of past ties. [...] The debate about whether we should be in or out is over; now the more fruitful debate about the future direction of our Community is under way.¹⁹⁶

¹⁹⁶ Geoffrey HOWE, "The Future of the European Community: Britain's Approach to the Negotiations", «International Affairs» 1984, No. 2, 187-192.

Howe, well aware that the budget issue had prevented the UK to fully participate in shaping the Community's direction, pondered the reasons why the British public, while accepting the European Community, was hardly enthusiastic of it:

This is partly an insular reflex. The European Community is a natural scapegoat for national failures and for the impact of world recession. [...] Until now, Britain has not encouraged the Community to face up to fundamental issues of this kind. It was perhaps diffident as a new member; since then, it has been inhibited by the sterile domestic debate over its own membership and absorbed in righting inequities which operated against it, particularly over the budget.

But let there be no doubt: this government believes in the European Community and wants it to work better. It has ideas as good, and as *communautaire*, as anyone else's. It wants to restore a sense of confidence and purpose to the Community; and this entails helping to steer the ship past the rocks of the present negotiation and into the sea beyond, with a clear idea of where it is headed.¹⁹⁷

The government was, then, committed to the participation in the integration process, although with a slightly different interpretation:

Several of Britain's partners want to introduce a fundamental change in what is called the Community *acquis* by increasing the Community's own resources. The Prime Minister has made clear that she would consider this provided that it is accompanied, first, by fair and lasting arrangements for the Community budget, and second, by effective control over the growth of agricultural and other expenditure. [...] Britain proposes, quite simply, that there should be an upper limit on the net budgetary burden which each member state should be expected to bear, according to its relative prosperity. This hardly seems a controversial proposition: it is, after all, the

¹⁹⁷ *ibid.*

approach which underlies the fiscal policy of all our democracies. [...] The Stuttgart declaration called for a 'relaunch' of the Community. [...] Britain has tabled a paper to help focus attention on what the Community was to set up to do, but has not yet done.¹⁹⁸

The fundamental goal of the British was the same which would drive, few years later, to the Single European Act: to create a real common market where to express the countries' economic potential.

The greatest single step the Community could take towards encouraging economic growth in Europe would involve almost no budgetary cost at all. The revolutionary British suggestion is that the Community should establish a common market. This does not exist at present. [...] Britain is urging, for example, free movement of goods vehicles, as of people, including simplification of frontier checks; fewer obstructions to trade (caused in particular by different technical standards used as non-tariff barriers); full and rigorous application of Community rules on state aids and the regulations governing public procurement, to eliminate distortion of competition; and a genuinely common market in capital and in service.¹⁹⁹

This claim was perfectly consistent with the government's aim to put a new spin on Britain's economy, through a recipe made of privatizations and private initiatives within a framework of clear rules:

With a healthy, more integrated and more competitive Community market an environment would be established in which a host of new policies and new initiatives, some public but many more private, would become viable. Community intervention must be used as the spark to ignite new private initiatives. It cannot and should not be the motor that drives them.

¹⁹⁸ *ibid.*

¹⁹⁹ *ibid.*

The Community must stop flirting with protectionism, however selective, in the name of 'Community preference' and emerge as a champion of economic liberalism, as the founders of the Community undoubtedly envisaged.

[...] What must be changed is the air of resignation and fatalism which has come to permeate Community thinking. It is right that the democracies of Western Europe should act together and stick together, for together they give democracy a louder voice in the world and reinforce the stability of the West. This government believes in Europe, and believes in Britain. For the sake of both, the successful completion of the Stuttgart negotiations must signal a new beginning.²⁰⁰

What this document demonstrates is that Thatcher always had a clear idea of what Europe meant to her, as she would soon demonstrate, once solved the budget issue, in proposing the next steps of integration.

2.3. Fontainebleau

The debate about a budget rebate for Britain had bothered the relationship of Great Britain with the EC since the membership negotiations in 1971. Tories and Labour, alternating in office, had tried to relieve the situation with a series of temporary agreements; but since the first days of her mandate, Thatcher had been asking a permanent settlement. At Stuttgart, she went as far as to link the issue to the effective block to any increase in EC funding, without which all the ambitious plans for reviving the European integration process would be impossible. Geoffrey Howe, former Chancellor of the Exchequer and

²⁰⁰ *ibid.*

appointed Secretary of State for Foreign and Commonwealth Affairs, had set the government's position in November, declaring to the House of Commons that Britain

[W]ould be prepared to consider an increase in Own Resources provided that two important conditions were met: first, that agreement was reached on an effective control of the rate of increase of agricultural and other expenditure; and secondly that it was accompanied by an arrangement to ensure a fair sharing of the financial burden.

The British government faced the European Council in Athens, on 4-6 December 1983, without expecting to reach an overall agreement on the budget.²⁰¹ Thatcher had clearly laid down her conditions at Stuttgart: in order to make the UK consider any increase in the VAT ceiling, a lasting and satisfactory solution to the British budgetary issue was necessary, as well as finding an effective way to control the Community's expenditure. On the other side of the trenches, President Mitterrand had demonstrated he was not helpful in making any compromise to reach an agreement. Following the impression of the FCO, Mitterrand seemed to believe he could postpone the resolution of main European issues during the incoming six months, when France would hold the Presidency of the Council, in order to capitalise them to his own political advantage.²⁰²

For their part, Thatcher repeated during her visit to Paris in January 1984, the British had proposed a safety net which was designed to deal with the issue of budget inequity. It would set limits on member states' net contribution to the Community budget based on their ability to pay.

²⁰¹ *Minutes of Full Cabinet - CC (83) 35th*, 1 December 1983, CAB 128/76 f331.

²⁰² John FRETWELL, Ambassador to France, *Telegram to the FCO*, 8 December 1983, PREM19/1225 f169.

The latter would be measured as a percentage of their GDP, with possible inequities corrected by reducing the VAT contributions the following year. What the French did not like was that this system would correct both the inadequate receipts the UK received from the Community budget and its disproportionate contribution from custom duties and levies to the Own Resources. What Thatcher wanted was “a strict financial guideline embodied in the budgetary procedures, and a new budgetary system to be contained in new Own Resource decision”.²⁰³

The dispute’s origin laid in the fact that Britain had been accepted in the Community only after the French had secured, with the Conference of the political leaders of the Six held in The Hague in 1969, the establishment of the Own Resource system in such a way to link the provision of the Community’s Own Resources to the protection and subsidisation of French agriculture. In particular, the Financial Regulation No. 25, imposed in 1962 as a temporary measure, provided for the frontier levies on food to be the main source of financing the Community; in this way, the main payers for the Community’s expenses were to be the greatest food importers, that is Germany and, in case of accession, the UK. Also, being the CAP the main cost item in Community’s balance, the UK would receive a proportionately smaller share of the benefits, being its agricultural sector almost irrelevant, employing no more than the 3.5% of labour force and contributing to a very small percentage of GNP. Given these conditions, the British should have been prevented at all from applying again for membership, given also that the French President De Gaulle – worried that the UK

²⁰³ *Record of conversation between the Prime Minister and the President of France at the Chateau de Marly*, 23 January 1984, PREM19/1242 f13.

would undermine France's power in the Community in more than one way – had vetoed its accession twice, in 1961 and 1967. But in 1969 the Labour government in Britain was convinced that the membership would bring the restoration of British economy and of its influence in the world, while the other member states were pushing the newly elected French President to enlarge the Community in order to balance France's power within it. The tactics of the British government had been to accept the *acquis* and to insist on a temporary corrective in Britain's contribution, until, in twelve or thirteen years, a review of the system of financing Own Resources would be decided.²⁰⁴ The time had thus come for a revision of the Community's financing system, and Thatcher was determined in obtaining the permanent resolution Britain need to become an active Member in the integration process.

It is true that both the meeting of the European Council in Athens on 4-6 December 1983 and Thatcher's visit in Paris were a fiasco for the resolution of the British budget rebate. But in January 1984, holding the EC presidency, the French government eventually gave a boost to the question. Some attribute this initiative to "reason of national prestige" which, in the case of Mitterrand, implied a chance "to enhance his own political standing".²⁰⁵

Whatever the reason, the French seemed determined to settle Britain's budget contribution during the six months of their EC presidency. Solving the European budgetary issue was becoming more and more fundamental to Britain as long as the government was

²⁰⁴ Alan S. MILWARD, "The Hague Conference of 1969 and the United Kingdom's Accession to the European Economic Community", «Journal of European Integration History» 2003, Vol. 9, No. 2, 116.

²⁰⁵ David GOWLAND, Arthur TURNER and Alex WRIGHT, *Britain and European Integration Since 1945. On the sidelines* (Routledge, 2010), 97.

pursuing a series of economic and tax reforms to control inflation and set the national economy on the road to growth. Elected with the goal of recovering British economy from its structural problems, Thatcher immediately introduced “revolutionary” economic policies which had a deep impact on the UK economy. Her action was characterised by a belief in free market, an effort to reduce state intervention in the economy, the desire to destroy the power of trade unions and the aim to tackle inflation. Thatcher’s main policies included monetarism, privatisation of state-owned assets, and deregulation in product markets and in finance. Monetarism would be abandoned by 1985, but it represented, in the first years in office, one of the flags of Thatcherism. It aimed at reducing inflation through the control of money supply and the reduction of government deficit. Therefore, deflationary policies were implemented, raising taxes, increasing interest rates, and cutting government spending.

Another key element of Thatcher’s economics was on supply-side; many policies were involved: sale of council houses and privatization of key public sector industries, such as British Petroleum, British Telecom, British Airways, which shares were sold to the general public, often below the market price, to create a “share-owning democracy”; deregulation in gas, electricity and telecoms; competitive tendering, which involved opening up council services to the market, based on the idea that the private firms would have incentives to be more efficient and less expensive; income tax cuts increase in VAT standard rate, from 8% to 15% already in 1979. As she would say in few months, this ‘British experiment’ consisted in providing “increasing freedom for markets to work within a framework of firm monetary and fiscal discipline”:

It stands in contrast to the post-war trend towards ever more *ad hoc* interference with free markets within a context of increasingly financial *indiscipline*.²⁰⁶

If all these reforms did have the effect of reducing inflation and, more of all, restructuring the British economy, it would be at a cost of lowering economic growth and rising unemployment – which, though, the trade unions would be blamed for.

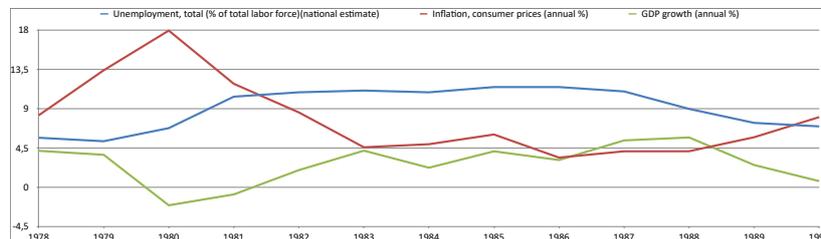


Figure 3 - Unemployment, inflation and GDP trend in Britain, 1978-90. Source: World Bank Data.

However, according to the Chancellor of the Exchequer, Nigel Lawson, they were designed “to stimulate enterprise and set British business on the road to profitable expansion, that will help to bring new jobs”.²⁰⁷ It was thus that British government’s discourses at national and European level were perfectly synchronised and inter-related. Thatcher felt that a more efficient Britain in a more efficient Community was the key to the future success of both, the British and the European peoples. There was not a hint of nationalist chauvinism in this attitude, as she explained to a dinner of Conservative MEPs in March 1984, on the verge of a European Council meeting in Brussels:

We in Britain are always wanting to play a role in the wider world. So, we want a European Community that works

²⁰⁶ Margaret THATCHER, *The Mais Lecture*, 18 June 1984, TFA 109504.

²⁰⁷ Nigel LAWSON, *Presentation of the 1984 Budget*, 13 March 1984, HC Hansard [56/286-304].

effectively and fairly. [...] We know what reforms are necessary. And we know how we must achieve them. [...] I don't want to paper over the cracks. I want to get rid of the cracks. I want to rebuild the foundations.²⁰⁸

Thatcher's recipe to boost the European integration process was made of equity in contributions – and this was the buck; a review of Community's spendings, which she considered out of control, in particular on agriculture; a change in the system of financing; and then, but only then, an increase in Own Resources, as asked by the Commission, to face all the new circumstances.

The principles are plain. First – equity. There has got to be a fair and lasting solution to the problem of budget contributions. The burdens and benefits of membership need to be shared between partners. The yardstick – and it is a fair one – must be ability to pay.

Second – economy. The Community lives beyond its means. Last year, spending on agriculture alone was up by almost a third. It cannot go on. No individual Community country would put up with that at home.

The reforms we need are clear. Everyone in the Community is asking for a change in the system of financing. [...] Only if there is a new and fair basis for contributions and only if there is strict control both of the total budget and of agricultural spending, can we seriously consider increasing the Community's resources.

They all go together. No increase in own resources without a fair and responsible system of financing. In the words of the song 'You can't have one without the other'.²⁰⁹

²⁰⁸ Margaret THATCHER, *Speech to Conservative MEPs*, 8 March 1984, THCR 5/1/4/66.

²⁰⁹ *ibid.*

Above all, the Prime Minister had enough of the unfairness of the financing system to be considered only as a British problem. She was aware that, in order to complete the common market and to fulfil the idea of Community envisaged by the Treaty of Rome – that is, in her mind, to make Europe the place where to express the potential of every Member State, the budget issue should be solved.

I am tired of this being described as a ‘British problem’. The problems are Europe-wide. I want to solve them, so that we can set about building the Community of the future – a Community: striving for freer trade, breaking down the barriers in Europe and the world to the free flow of goods, capital and services; working together to make Europe the home of the industries of tomorrow: seizing the initiative on world problems, not reacting wearily to them; forging political links across the European divide and so creating a more hopeful relationship between East and West; using its influence as a vital area of stability and democracy to strengthen democracy across the world.

[...] That is my vision. I am impatient to make it a reality. But we can only do it when the present problems are solved.²¹⁰

As Thatcher wished, the European Council in Brussels on 19-20 March 1984 placed the financing of the Community at the centre of the stage. This subject had three aspects: the budgetary discipline, the correction of budgetary imbalances, and the increase in Own Resources. In preparation for the Council, the Commission had sent proposals on the improvement of existing budgetary procedures, suggesting the introduction of specific rules for the various types of Community expenditure, and asserting that “guarantees that the management of

²¹⁰ *ibid.*

expenditure was subject to fair binding rules would act as a powerful stimulus for agreement on the financial resources” and other aspects.²¹¹ In particular, the Commission was interested in the consensus around the VAT ceiling, as its proposal to set it at 2%, instead of the current 1%, was rejected by the Council the previous year.

Although the French Presidency had pursued intense preparations to avoid a repetition of the failure in Athens, and although some progresses were made, the European Council was unable, in Brussels, to agree on a solution to the problem of the British contribution to the Community budget and postponed it to the following meeting in Fontainebleau. The Presidency did not even draw a conclusion document. It argued that “it would be inappropriate to make any political statements when no overall agreement had been reached on internal Community policy problems”.²¹²

Nonetheless, some progress was made with the confirmation of the compromise regarding the reform of the Common Agricultural Policy and the decision to keep the growth in agricultural spending below the rate of increase in the Own Resources base. On this basis, Thatcher conceded her intention to agree the maximum VAT rate to be 1.4% from January 1986, with the possibility to raise it to 1.8% from January 1988 if subject to a unanimous decision by the Council and ratification by the national parliaments.

The Ten agreed, first, that a mechanism for fixing the British rebate was necessary, and second, that the imbalance to be corrected – in every country necessary, and not only in Britain, as the British Prime Minister

²¹¹ *Preparations for the Brussels European Council*, «Bulletin of the European Communities» 1984, No. 2, 29.

²¹² «Bulletin of the European Communities» 1984, No. 3, 7.

had often repeated – was to be calculated by comparing its share of VAT receipts payments and its share of Community budget expenditure, without taking account of agricultural levies and customs duties deriving from purchases made outside the Community and belonging to the Community, as part of its Own Resources. Any imbalance above a certain threshold would be corrected to an extent varying with the relative wealth of the Member State in question, by a deduction from the VAT payments due the following year. One of the main difficulties was that Britain maintained that the amount of proceeds from the tariffs and import levies that it paid to Brussels – a large one, as the UK imported considerable agricultural imports from outside the Community – should be counted as part of its gross budget contribution, and not as part of the EC's Own Resources, as the other countries claimed.

So, in order to ease the negotiation, during previous informal chatting, although the French were not prepared to compensate the UK for the total of the levies and duties it collected, a partial compensation for the gap between Britain's share of expenditure and its VAT contribution to the budget was proposed by the French Minister for European Affairs Roland Dumas and informally accepted by Britain.²¹³

During the official meeting in Brussels, though, it was impossible to reach an agreement on the corrective mechanism, and the discussion about this issue was postponed to the next Council meeting in June. As she reported in the press conference right after, during the European Council in Brussels Thatcher was put in a nine-to-one minority on the matter of budgetary contributions; this was not surprising, as long as

²¹³ *Record of the conversation, between FCO Secretary Geoffrey Howe and the French Minister for European Affairs Roland Dumas, 24 February 1984, PREM19/1226 f27.*

most of the other member states were substantial net beneficiaries from the Community budget. Moreover, after five years of bargaining, Thatcher wanted a permanent arrangement assured:

No-one struggled harder than we did to try to get an acceptable arrangement: [...] if we were going to ask the British Parliament to increase the resources to the Community, that could only be on condition that we got a fairer sharing of the burden of the budget, we did not get that fairer sharing, therefore we cannot ask for an increase in own resources. [...] we were not successful, but we live to fight another day.²¹⁴

Back from Brussels, and after France and Italy had blocked the refunds to the UK for the year 1983 agreed at Stuttgart, Thatcher reported to the House of Commons. Here, she was accused by the Opposition of being isolated from the other member states and of being even further away than nine months before from “securing agreements to end the injustice of the British budget deficit, safeguard our interests and get our money”.²¹⁵ She rebated:

[T]o seek a permanent solution to the budget problem is to be both patriotic and a good European. How can there be a prosperous and ongoing Community if one of the leading members is continually rankling under a sense of injustice? [...] we shall not get a stable or effective Community until the budgetary contributions are related to economic circumstances and ability to pay.²¹⁶

She gained, though, the support of the Conservative backbenchers:

[H]er stance at Brussels corresponded, as it often does, with the instincts and wishes of the British people, and

²¹⁴ *ibid.*

²¹⁵ Neil KINNOCK, *Statement to the House of Commons*, 21 March 1984, Hansard HC [56/1049-63].

²¹⁶ Margaret THATCHER, *Statement to the House of Commons*, 21 March 1984, Hansard HC [56/1049-63].

she will have the full-hearted consent of Parliament and people to her insistence that Britain shall have its rightful needs. [...] to have reached broad agreement on three out of the main factors in the discussion at the summit is a remarkable achievement. To have reached agreement on a system of financial discipline, for which we have rightly been pressing, although it may not be everything to which we are accustomed in the House, is a major step forward. [...] and to have reached broad agreement on our own resources in the Community being increased to 1.4 per cent, is a major achievement.²¹⁷

To them, she concluded:

I believe that the interests of the British people are that we should pursue a fair and reasonable budgetary system for British contributions, and indeed, for the contributions of other member states. I believe that those contributions to the European budget must take account of economic circumstances if we are to have a stable Community that is able to survive and play an effective role in the wider world. [...] We need a permanent system and reasonable refunds. We have always played a very constructive part in the Community and shall continue to do so. [...] I believe that it is in the best interests of this country to continue to belong to the Community. However, the Community will not be effective unless we obtain a fair and equitable agreement.²¹⁸

Interviewed by *News of the World* – although she defined her job “to stand up for Britain. If I don’t no one else will” – Thatcher insisted on the fact that the deal she was determined to negotiate was needed by the Community as much as by Britain. Thatcher confirmed that “without a lasting method of controlling expenditure and of sharing the burden there can be no question of our agreeing to an increase in the

²¹⁷ Enoch POWELL, *Statement to the House of Commons*, 21 March 1984, Hansard HC [56/1049-63].

²¹⁸ THATCHER, *Statement to the House of Commons*, 21 March 1984.

Community's income'', she returned on her claim that the British budget rebate was not a British problem, but a Community's one.

The Community is running out of money because it is spending too much supporting agricultural production. This system is building up huge surpluses which we don't want and can't eat. So, what the Community is first seeking is a system which imposes effective control over agriculture – indeed all Community spending. Within that, the Community – because it accepts the justice of our claim that we are paying in far too much – is trying to find a lasting method of sharing the burden more fairly.²¹⁹

A glance to the Community's spending can demonstrate that, in 1984, the CAP was still by far the largest single cost:

	1980	1981	1982	1983	1984
CAP	70.5 %	62.6 %	60.7%	64.4%	67.5%
Other Structural Funds	9.1%	16.3%	18.4%	13.7%	9.4%
Research	2.2%	1.7%	2.1%	5.3%	5.9%
External action	3.7%	4.0%	4.2%	3.5%	3.6%
Administration	5.0%	5.1%	4.9%	4.4%	4.3%
Other	5.8%	6.0%	5.9%	5.0%	5.9%
European Defence Fund	2.9%	3.6%	3.0%	2.8%	2.5%
ECSC	0.7%	0.8%	0.9%	0.8%	0.9%

Table 6 - EC budget expenditure, 1980-1984. Source: EU budget Financial Report 2008.

On the occasion of the interview, though, once again Thatcher was confirming her vision of Europe, insisting on a precise idea of an efficient and effective Community, based on equity and willing to cooperate, which she was sure Britain had to be part and leader of:

I know where I want to go. I want the Community to seize the initiative on world problems, not react wearily to them. To forge political links across the European divide

²¹⁹ Margaret THATCHER interviewed by Paul Potts, «News of the World», 25 March 1984, TFA 105537.

and so create a more hopeful relationship between East and West. To use its influence as a vital area of stability to strengthen democracy across the world. To strive for freer trade breaking down barriers in Europe and the world to the free flow of goods, capital, and services. To make Europe the home of the industries of tomorrow – and the jobs that go with them. What is what we can together strive for when we settle our internal problems – as we must soon.²²⁰

Although Thatcher's claims were lived as a matter of principle and equity for all member states, Britain was perceived, at a European level, as a disturbing factor for the integration process. Thatcher's government was accused, among the others by the President of the Commission, the former Prime Minister of Luxembourg Gaston Thorn, of "a slow but sure deterioration of political will":

It also reveals an inability on the part of certain Member States to look beyond their national interests or at least to put them in second place behind the maintenance of an efficient and dynamic Community.²²¹

Despite that, on 14 June 1984, the government faced a satisfactory result at the elections of the European Parliament gaining 60 seats, compared with 17 for Labour. Thatcher was then ready to attend, ten days later, the European Council as a Prime Minister with a large support at home, ready to fight for her country.

Thatcher arrived in Fontainebleau for the European Council meeting with the suspect that Mitterrand had postponed the solution of the British rebate after the European elections, because otherwise "it

²²⁰ *ibid.*

²²¹ Gaston THORN, President of the Commission, *Statement to the European Parliament*, 28 March 1984, «Bulletin of the European Communities» 1984, No. 3, 9.

would have been difficult for him in electoral terms. But a solution would be a triumph for France in the chair”.²²²

The first day, on 25 June, found both France and the UK proactive in finding a solution to the British rebate, for different reasons. But they found not possible to reach an agreement on the percentage of refund between Britain’s contribution and resource share. The UK wanted it to be the 70% and the other member states – namely, France and West Germany – did not want to go above 60%.²²³ Nor could they agree on the method to compensate the VAT share / expenditure share gap.

On the next day, a series of bilateral meetings with the representatives of France and West Germany permitted to reach an agreement on a durable mechanism refunding the 65% of the British net contribution; at this point, it was easy for Thatcher to obtain an extra 1% point – although in exchange for the concession for an increase from 1 to 1.4% of VAT receipts due to the Community. This way, she could claim she obtained the same percentage as in the 30 May 1980 agreement originally negotiated by Carrington and Gilmour, plus this being a lasting one, which would be worth £15 million a year to the UK. It was “essentially a form of shadow boxing, in which the amounts of money involved were less important than the need to impress domestic opinion”.²²⁴ In terms of domestic political presentation, Thatcher did not reach the 100% cashback deal she had been demanding, and neither the ideal formula Britain had proposed to secure the refund of the whole VAT share/expenditure share gap. The

²²² Margaret THATCHER, *Memories of the Fontainebleau European Council*, 26 June 1984, THCR 1/20/4.

²²³ FCO “*informal record*” of *Fontainebleau European Council*, 26 June 1984, TFA 139074.

²²⁴ GOWLAND, TURNER and WRIGHT, *Britain and European Integration Since 1945*, 99.

“fair compromise between 1000 and 1250 million ecu on 1983 figures” envisaged in a Cabinet meeting right before the European Council was satisfied.²²⁵ And the 1 extra percentage point torn from the other partners permitted Thatcher to speak of a rebate of two-thirds and present herself as the defender of British interest. Her obduracy and determination relied on the fact that this was her stance, at home and in Europe; but also, on her belief of being right: the electoral results had proved her again and again that the British people understood her motives and backed her up. Moreover, this precise battle she fought as a Conservative Prime Minister, was though bipartisan. British contribution to the EC budget was, objectively talking, a fraud, which the UK had been compelled to accept as the price of accession. It took four Prime Ministers and more than a decade to achieve an equitable settlement; in the end, Thatcher’s strategy, which depended both on her convictions and her attitude – both at home and in Europe – proved winning, and eventually reached a successful outcome, which gained a massive improvement on the £350 million offered in 1979.²²⁶

The final agreement reached in Fontainebleau provided for a flat rate rebate of 1,000 million ecu – corresponding to £590 million – in respect of 1984; in thereafter, the new formula would be applied, and the annual rebate set at 66% of the gap between Britain’s VAT share and the share of expenditure from the allocated Community budget; it would imply no transfer of money, as the amount would be reduced from the next year contribution.²²⁷

²²⁵ Charles David POWELL, *Minute to the FCO*, 22 June 1984, PREM19/1229 f31.

²²⁶ *Minutes of Full Cabinet*, 28 June 1984, CAB 128/79 f13.

²²⁷ Margaret THATCHER, *Written Answers on the EC Rebate*, 2 July 1984, HC Hansard [vol. 63 cc6-7W].

There were several practical advantages in the final agreement settling the budget dispute. First, there was the fact that the system for correcting the budget inequity was linked for the first time with the level of Community's Own Resources. Also, that the refund would be automatically deducted from the British contribution to the VAT in the following year, overcoming the need to create special measures requiring the agreement of the European Parliament. Third, the resulting cost for the other member states would be shared among them according to their normal VAT share. In the end, the UK's refund would be 66% of the gap between the VAT share and the expenditure share, covering the whole of the UK's net contribution, except the excess element of custom duties and levies. In 1983, for example, customs duties and levies on British extra-EEC food imports that London transferred to the Community budget had amounted to about £170 million (291 million ecu). These items remained under the consideration of Community Own Resources, as the other member states had always claimed.²²⁸ Moreover, Fontainebleau made the system of refunds a treaty commitment, unchangeable without British agreement, meeting Mitterrand's requirements to increase the Community's Own Resources and Thatcher's requirement that the solution lasted "as long as the problem".²²⁹

Writing her memoirs right after the meeting, Thatcher remembered of being "in despair", during the meeting, for the difficultness of the negotiations; but aware that

²²⁸ Fontainebleau European Council, *Presidency Conclusions*, 26 June 1984, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

²²⁹ Margaret THATCHER, *Statement to the House of Commons*, 29 April 1980. HC Hansard [983/1151-65].

If no agreement was reached, we were going to be in some difficulty because it was Mitterrand's last meeting in the chair. After that the Presidency went to Ireland and Mitterrand would be likely to be much more difficult as an ordinary colleague than he would be if he could have the praise for reaching a settlement of this vexed question.

[...] Nevertheless, we could not agree to an unfair settlement because it would be unfair, nor would we bargain a permanent increase in own resources for only a temporary gain. Moreover, unless an agreement were reached the whole community would be in financial difficulties in a matter of months with totally unknown consequences.²³⁰

Thatcher retraced the process of reaching the rebate, which was successful for her part; but she underlined:

once again, we were alone in our opposition although our reasons were sound. [...] With regard to the larger matter of control of expenditure, the battle continues. I suspect again it will be 9:1 with only us wanting the controls embodied in budgetary procedures. But at least now we can reassess our European strategy. So much will depend upon its cohesion in the coming years.²³¹

Back to London, on 27 June 1984 the Prime Minister participated in a debate in the House of Commons, declaring to be

glad to tell the House that the European Council reached agreement on a fairer and more soundly based system for the United Kingdom's financial contribution to the Community. This is a successful culmination of our long and persistent efforts to correct the budget inequity and to put the United Kingdom's refunds on a lasting basis.²³²

²³⁰ Margaret THATCHER, *Memoirs on the Fontainebleau European Council*.

²³¹ *ibid.*

²³² Margaret THATCHER, during the House of Commons Debate, 27 June 1984, HC Hansard, [vol 62 cc993-1009].

Many were the congratulations by the Conservative backbenchers, cherishing her “on the tenacity demonstrated by a Prime Minister who fought and led to an agreement good for Britain and good for Europe, that opens the way to implementing the policies set out in the Stuttgart declaration”.²³³ Her concerns were related to Western peace and security – through NATO – and economic discipline:

Part of the reason for the increase in own resources is to enable Spain and Portugal to enter the community. It is very important to us all that Spain and Portugal remain within the democratic comity of nations and that they both stay in NATO. It might be worth spending a little money on that, even though our own contributions to the Community under the 1.4 per cent would be less than we are now liable to pay under the 1 per cent VAT contribution. [...] We shall be here arguing for the maximum control, I hope, in the budgetary procedures.²³⁴

Thatcher expressed her satisfaction but also her commitment to the Community, with a very clear idea of its priorities:

We should not have got this agreement unless it had been known that we were very pro-European and that Britain makes considerable contributions to the life of the Community and believes that it is right to be in the Community. [...] In the treaty, the aim of having a common market in services comes before the aim of a common agricultural policy.²³⁵

The British budget problem had been “a ball and chain round to the Community’s ankle”.²³⁶

²³³ Geoffrey RIPPON, during the House of Commons Debate, 27 June 1984, HC Hansard, [vol 62 cc993-1009].

²³⁴ *ibid.*

²³⁵ THATCHER, during the House of Commons Debate, 27 June 1984, HC Hansard, [vol 62 cc993-1009].

²³⁶ Christopher TUGENDHAT, *Making Sense of Europe* (Viking, 1986), 122.

From Dublin in November 1979 until its final solution at Fontainebleau in June 1984 it had featured prominently and practically every meeting of the European Council. Thatcher, as a British Prime Minister, had posed a rightful problem; but the incapacity to solve it, which depended on the unwillingness of the major member states to solve it, had far reaching consequences. The longer it lasted, the more isolated Britain became, and the more the single issue came to dominate British European policy, subordinating everything else to that.

The financial gains were secured at a heavy political cost in Europe, as Britain's – and, in particular, Thatcher's – relations with other European leaders had been tried hard. But she was right in her claims, and this became a crucial moment both in Thatcher's career and in Britain's relationship with the Community. The new position Britain had gained thanks to the determination of its prime minister would then allow it to be an active member in the Community, able to shape its sort as better integrated in it. This because Thatcher had an idea, however different from what would eventually be, for furthering European integration; and it was part of “a continuum in which British leaders believed that the European Community should be primarily about cooperation between Governments, with Britain, Germany and France taking the lead”.²³⁷ But what Thatcher thought Britain could be in the Community was much more than that: it was leading Western Europe in shaping the World according to true liberal instances. In fact, alongside the claims on the budget rebate, Thatcher's government had begun to push for the development of a genuine Community-wide internal market. For this reason, she had presented a document to the

²³⁷ WALL, *The Tiger Unleashed*, 286.

European Council meeting where she resumed her practical ideas for the evolution of the European Community. The paper, titled *Europe – The Future*, would anticipate the premises of the Single European Act setting several objectives, among which the most important was “to complete the internal market, particularly in the service sector”.²³⁸ Thatcher was ready to co-operate with the other leaders of the European Community in “determining the course of its future development [...] and working on a series of new policies to promote [its] economic, social, and political growth”.²³⁹

After decades of a fraught relationship between the United Kingdom and the European Community, the resolution of the budget rebate had “liberated the British genius”.²⁴⁰

²³⁸ *Europe – The Future*. Paper circulated by the UK Government during the European Council meeting in Fontainebleau on 25-26 June 1984, PREM 19/1229 f38.

²³⁹ *ibid.*

²⁴⁰ Professor Fernando GUIRAO, 14 February 2022.

3. THATCHER FOR EUROPE

Politics, as conservatives recognize, is about making the best of the world which exists, not in vainly devising blueprints for what it cannot become.
(Margaret Thatcher, *The Path to Power*, 552)

The Single European Act, signed by the Heads of State or Government of the Member States of the European Communities on 17 and 28 February 1986, was the first major revision of the Treaties of Rome.²⁴¹ It helped codify European Political Co-operation (Po-Co) and set the objective of establishing a single market by 31 December 1992. The Single Act and its consequences are the main aspect of European integration that has never been questioned since its entry into force, on 1 July 1987. Jacques Delors, President of the Commission from January 1985, and Lord Cockfield, the European Commissioner responsible for the Single Market, are rightly credited with the drive to complete the Single Market. But “it became a Community priority only because Margaret Thatcher put it there”.²⁴²

²⁴¹ The political agreement was reached, and the text finalized, on 3 December 1985 at the European Council held in Luxembourg. It had been originally intended to have the Single Act signed by the Heads of State or Government of the member states and ratified by the national parliaments by the end of 1986, so that it would come into force on 1 January 1987. Only nine countries (Belgium, the Federal Republic of Germany, France, Ireland, Luxembourg, the Netherlands, Portugal, Spain, and the UK) signed the Single European Act on 17 February 1986 in Luxembourg. Together with Denmark, which government needed a referendum (held on 27 February 1986 to) overcome the Treaty’s rejection by the Danish Parliament, Greece and Italy signed the Single European Act at The Hague on 28 February 1986. The deadline of 1 January 1987 for coming into force failed to be achieved when the Irish Supreme Court ruled that the Irish Constitution would have to be amended before the state could ratify the treaty. A referendum was ultimately held on 26 May 1987, and Ireland formally ratified the Single European Act in June 1987, allowing the treaty to come into force on 1 July.

²⁴² Stephen WALL, *A Stranger in Europe, Britain and the EU from Thatcher to Blair* (Oxford: Oxford University Press, 2008), 25.

Although ambitious for the European Community, which she saw as a vehicle for peace and prosperity through shared economic policies, Thatcher's attitude was always subordinated to her role as Prime Minister and pragmatically framed by her own domestic goals. The Single Act not only is coherent with Thatcher's domestic policies, but also the means to implement the goals provided by the Treaty of Rome, which the UK – driven by a Cabinet where Thatcher participated – had committed itself to. The path from the budget issue resolution to what has been called Thatcher's greatest success in Europe is the subject of this chapter.

3.1. Europe – The Future

Although Britain's potential in driving the Community had been inhibited until that moment by the tough budget issue, Thatcher did want, in fact, Britain to shape the European Community, and for this reason she made her ideas very clear in two occasions.

The *Paper on the Future Development of the Community* was the contribution sent by the British Government to the European Council after the meeting of Stuttgart (17-19 June 1983) had agreed to “relaunch” the EC. What can be understood from the comments the Cabinet produced in that period, the paper called for liberalisation in transport and a common market in services.²⁴³ Reiterating the same claims, and willing both to appear well-disposed to the meeting and to prepare her partners on her expectations, Thatcher sent a second paper

²⁴³ This file is contained in the National Archives folder PREM 19/1022 TNA which has not been released yet.

to the European Council meeting in Fontainebleau on 25-26 June 1984, titled *Europe – The Future*, with “a great deal of generally constructive publicity”.²⁴⁴ Nonetheless, it was given little attention by the European leaders, to the point Thatcher remembered, that they “knew our memorandum by the curious title of *Citizens Europe!*”.²⁴⁵ It was divided in a well-organized and clear bullet list of 27 points, and represents the most genuine vision of Margaret Thatcher’s Cabinet on the future development of the European Community.

On the other hand, *Europe – The Future* was, in some ways, the British response to a couple of events of that year. First, in February 1984 the European Parliament had adopted a draft treaty on European union, also known as *The Spinelli Treaty* after the Italian inspirator and author. It envisaged the extension of the possibility to propose draft laws to both the Council of Ministers and the European Parliament, removing from the Commission the sole right of initiative; the elimination of the Luxembourg Compromise within ten years; the obligation to participate in full monetary union for all member states; the creation of a common foreign policy approach; the distinct legal personality of the Union, an issue which would have caused not few problems to the United Kingdom, which did not have a written constitution. Moreover, a paper on UK’s views about the future of the European Community was felt as needed by the Cabinet Office as President Mitterrand had delivered a speech to the European Parliament on 24 May, calling for a step forward in the integration process, and a draft treaty on European Union with the *Solemn Declaration* signed in Stuttgart as a basis:

²⁴⁴ FCO Private Secretary’s letter to No. 10, 20 June 1984, PREM19/1229 f3.

²⁴⁵ THATCHER, *Memories of the Fontainebleau European Council*.

[I]t is vital to consolidate the main Treaty that binds the European countries together and constitutes their fundamental law – the Treaty of Rome. [...] A new situation calls for a new treaty which must not, of course, be a substitute for existing treaties, but an extension of them to fields they do not currently cover. This is the case with the European political Community.

France, ladies and gentlemen, is available for such an enterprise. I, on its behalf, state its willingness to examine and defend your project, the inspiration behind which it approves. I therefore suggest that preparatory consultations, perhaps leading to a conference of the Member States concerned, be started up. The project on European Union and the solemn declaration of Stuttgart will be a basis for this.²⁴⁶

The Prime Minister's Cabinet interpreted this speech as talking about "moves to European Union and about more areas of cooperation in Europe and between France and Germany [...] with the implication that Britain might be left outside".²⁴⁷ It then suggested the UK's strategy to make clear to be "ready to examine any new or specific ideas for greater co-operation within the Community" and to stress that Britain will put forward its own ideas for making the Community work better, both externally as a greater force in the world and internally by making the common market more real and more effective.

The emphasis was on the need of *practical* improvements to fulfil Britain's interest and to counterbalance the tendency of other member states to push for harmful initiatives:

²⁴⁶ François MITTERRAND, *Speech to the European Parliament*, 24 May 1984, «Official Journal of the European Communities» (OJEC) 1984, No. 1: https://www.cvce.eu/en/obj/speech_by_francois_mitterrand_to_the_european_parliament_24_may_1984-en-cdd42d22-fe8e-41bb-bfb7-9b655113ebcf.html.

²⁴⁷ David WILLIAMSON, Head of the European Secretariat in the Cabinet Office, *Letter to Sir Arthur John Coles*, Prime Minister's Private Secretary, 1 June 1984, PREM19/1229 f279.

[T]he message is that we ought to strengthen the internal market, to make better use of the Community's weight in foreign policy and trade, strengthen the European pillar of the Alliance, and make some improvements in the organization of the Community's business [...] to create the genuine common market in goods and services; to do more to make actions undertaken within the Community relevant to people's daily lives.

[...] If and when the reform of the financing system and the correction of the budget inequity is achieved in the Community, we can begin to win quite wide support in all member states for the message that we want to make the Community a better place.²⁴⁸

The position of the Cabinet Office was coherent with Thatcher's one; in 1984, the British government potential in leading European integration was inhibited by the budget rebate issue but held a very precise position. They did not see greater political integration as a possibility to the development of the Community; what Britain called for the EC to be effective in the world, with the paper *Europe – The Future* they circulated in June 1984, was the creation of “the genuine common market in goods and services [already] envisaged in the Treaty of Rome” through the “harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living” the founding members called for in 1957.²⁴⁹

The necessary actions, which goal was to “build on the potential of the existing treaties and to make the existing institutions work better”, ranged from harmonizing standards and preventing their use as barriers

²⁴⁸ *ibid.*

²⁴⁹ *Treaty establishing The European Economic Community*, Part One - Principles, Article 2 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:11957E/TXT>.

to intra-Community trade; to making custom procedures more rapid and better coordinated; to the liberalization of trade in services, including banking, insurance, and transportation of goods and people.²⁵⁰ In promoting European integration, Thatcher wanted the Community to fulfil “its potential as the largest single market in the industrialized world”.²⁵¹ Nonetheless, this kind of claims was coherent with her domestic economic policy.

On 18 June, in view of the Fontainebleau meeting, the newly appointed Chancellor of the Exchequer, Nigel Lawson, explained Thatcher’s domestic revolution:

[W]hat we are seeking to do is to change a psychology, to change a business culture. The abolition of pay controls, price controls, dividend controls, foreign exchange controls, bank lending controls, hire purchase controls, industrial building controls – all these have been beneficial in themselves, but will bring even greater benefit to the nation as part of the process of rediscovering the enterprise culture. [...] It is the rediscovery of the enterprise culture, operating within the framework of markets progressively liberated from rigidities and distortions, that will provide the only answer to the curse of unemployment, and the only true generator of new jobs.

[...] That experiment consists of seeking, within an explicit medium-term context, to provide increasing freedom for markets to work within a framework of firm monetary and fiscal discipline. It stands in contrast to the post-war trend towards ever more *ad hoc* interference with free markets within a context of increasingly financial *indiscipline*.²⁵²

²⁵⁰ WALL, *A Stranger in Europe*, 44.

²⁵¹ *Europe – The Future*.

²⁵² Nigel LAWSON, Chancellor of the Exchequer, *The Mais Lecture*, 18 June 1984, TFA 136308, italics in the original.

Thatcher was elected Prime Minister of the United Kingdom for the first time in 1979 and had recently won a second mandate. In 1981 she had declared: “Economics are the method; the object is to change the heart and soul”.²⁵³ And despite the disastrous consequences of the first phase of her monetarist policies, the riots, the rising inflation, “the lady [who was] not for turning” had revolutioned Britain through a series of reforms which had defeated consensus politics and Trade Unions, and “rolled back the frontiers of the State” creating a property-owning democracy based on the privatisation of national firms and the sale of council estates. Thus, coherent with her domestic policy was also the claim that the upcoming of Community’s priorities must be to “create the right conditions for the development of a vigorous, efficient and cost-effective industrial sector able to compete with the United States, Japan and the newly industrialized countries, through the liberalization of the Community’s trading practices within the framework of the GATT trading system”.²⁵⁴

The collapse of the Bretton Woods System of fixed exchange rates in 1971-1973 had introduced a new source of price volatility in the internal market, and the US had responded to the Japanese competition by imposing trade barriers and discriminatory trade policies based on preferential trade agreements, which were against the spirit of world trade liberalization embodied in the GATT. Moreover, the Cassis de Dijon case had highlighted the importance of non-tariff barriers to trade that protected national markets from competition even within the customs union of the European Community. On the other side, a new impetus to the completion of the internal market came from the need

²⁵³ Margaret THATCHER, *Interview for Sunday Times*, 1 May 1981, TFA 104474.

²⁵⁴ *Europe – The Future*, point no. 9.

to foster growth through market efficiency: the means should be privatization, industrial restructuring, and de-regulation; the same recipe Thatcher was using at home. In foreign policy, the British wanted a common approach among the member states to be achieved only progressively, with the US to remain “an irreplaceable guarantee of Western security, the management of East-West relations, and no less so in the management of the problems of the world economy and trade”.²⁵⁵ In the paper *Europe – The Future*, any expression of pessimism about the future of the Community was judged as unjustified by Thatcher’s Cabinet, that wanted the Community to advance its internal development, to the point that “the progress that has been made towards *an ever-closer union [among] the peoples of Europe* of which the Treaty of Rome speaks in its first paragraph” was considered “unlikely to be reversed”.²⁵⁶ Although believing in a Community made up of independent nation states willing to cooperate, the British Government was firm in stating that many issues, such as those regarding the environment, would require actions going beyond the capabilities of individual member states. Nonetheless, each country had its priorities and national interests at stake; they should be able “to see, in each case, whether greater progress could be made by a cooperative approach at the Community level”.²⁵⁷

For this reason, the paper described the UK government as open to the possibility for a flexible Europe, where actions undertaken in the Community framework would continue to be on a basis of equal rights and equal obligations. But a certain flexibility of approach was invoked

²⁵⁵ Ivi, point no. 16.

²⁵⁶ Ivi, point no. 26.

²⁵⁷ Ivi, point no. 13.

in the next future, when the Community would become larger and the interests of member states more varied. Remaining the strengthened internal market the common, unifying element, participation in new policies would be optional, with decisions taken on a case-by-case basis “between those member countries with the capacity and wish to undertake them”.²⁵⁸

This paper, which priority was to complete the internal market, particularly in the service sector, represents the most genuine vision on the European integration process had Thatcher ever expressed. It was prepared with the collaboration of the FCO and the Cabinet, and reflected, both in principles and in practice, the revolution Thatcher and her government were pursuing in Britain. Once they had fostered British economy, the Conservatives wanted to hasten European integration because they believed Britain needed an enlarged market to fulfil its economic potentials.

As Thatcher remarked in a letter to Chancellor Kohl on 7 November 1984, she was really interested in proposing ideas

to move forward in practical ways [...] to improve the workings of political cooperation and to see it become a matter not just of making declarations but of acting together. I attach particular importance to the internal market.²⁵⁹

There is no better confirmation that Thatcher was an engine for European integration than to fully understand her commitment to the realisation of a genuine common market as envisaged in the Treaty of Rome. On the basis of *that* treaty her country had committed itself to

²⁵⁸ *ibid.*

²⁵⁹ Margaret THATCHER, *Letter to Chancellor Kohl*, 7 November 1984, PREM 19/1764 f242 T185/84.

the European Community. Thatcher's ideas did not change during two decades, as can be understood comparing two speeches given at a distance of two decades. For example, in October 1979, on the occasion of the Winston Churchill Memorial Lecture in Luxembourg, she had showed a conscientious and consistent vision of the European Community, seen as a dynamic and evolving organization where the countries of Europe had not been submerged but given "a larger and more distinctive role". The basic principles of this Community was liberty, enabled and reinforced by institutions, economic freedom, the Rule of Law, and a sense of common obligation. These elements allowed national governments to exercise their responsibilities towards their own electorates – and no one expected Thatcher or her colleagues to be backward in defending their nation's interests. Nonetheless, Thatcher wanted to confirm her "and the British Government's whole-hearted commitment to the success of the Community". It was, she affirmed on mostly economic basis, "natural", for Britain, to be a member of the Community; indeed,

the Community is a market [which] ought to provide for its members vital support in coping with social, economic, and financial problems. [...] Fortified by its existing commercial and development policies, it ought, through the machinery of political co-operation, to speak more effectively with one voice on the great issues of world affairs. [...] As it develops the Community must continue to reflect the interests and the aspirations of the democratic nation states which make it up. In its sense of common purpose lies its strength; in its variety its richness. Above all the Community must remain true to the principles and to the obligations of liberty.²⁶⁰

²⁶⁰ THATCHER, *Europe – The obligations of Liberty*, 18 October 1979.

In late November 1984, having won another electoral round and having solved the budget issue, she confirmed her stance during a Franco-British meeting, emphasizing the economic foundation of freedom, and her belief in cooperation between sovereign member states, within the framework of the Treaty of Rome:

[T]he Treaty of Rome embodies the economic structure of a free society. The very first paragraphs of that Treaty speak of ‘the progressive abolition of restrictions on international trade’, of ‘elimination of the barriers which divide Europe’, of ‘abolition of obstacles to freedom of movement for persons, services and capital’, of ‘a system ensuring that competition in the Common Market is not distorted’, of ‘the association of the overseas countries and territories in order to increase trade’. [...] economic freedom is the foundation for political freedom and that neither are in danger. [...] Europe will only be strong and able to play rightful part in the world when it attains the economic freedom which was the vision of the authors of the Treaty of Rome. Let me say at once: I do not believe that we shall ever have a United States of Europe.

[...] I do believe however that for Nations of the European Community freely to work together and to strengthen their cooperation is just as worthy a purpose. [...] It is on the basis of working towards common goals, of using our strength and influence together that you will find Britain a strong advocate for a more united Europe. We want to see greater unity of the Community market, greater unity of Community action in world affairs, greater unity of purpose and action in tackling unemployment and the other problems of our time and greater unity in the development and application of new technology. That is what I understand by a united Europe.²⁶¹

²⁶¹ Margaret THATCHER, *Speech at Franco-British Council Dinner*, 30 November 1984, TFA 105804.

3.2. Nineteen eighty-five

With privilege of hindsight, there are many reasons why the year 1985 represented a watershed for European integration. First of all, after more than ten years from the accession, Britain had solved the budget issue and could participate fully and proactively in further integration. A process which Thatcher had demonstrated was very interested in:

At this time, I genuinely believed that once our budget contribution had been sorted out and we had set in place a framework of financial order, Britain would be able to play a strong positive role in the Community. I considered myself a European idealist, even if my ideals differed somewhat from those expressed with varying degrees of sincerity by other European heads of government.²⁶²

Moreover, on 7 January 1985 Monsieur Jacques Delors was appointed President of the European Commission, an office he would maintain for ten years, until January 1995. He represented an asset in the process of European integration as, under his presidency, most relevant events in European integration would take place: the institution of the single market, the reform of the CAP, the signature of the Single European Act, the Schengen Agreements, the Treaty of Maastricht, and the institution of the European Union.

The other relevant event of 1985 was the election, on 11 March 1985, of Mikhail Gorbachev, the eighth and final leader of the Soviet Union, as General Secretary of the Communist Party. He would prove a radical reformer, embracing a complex series of policies to restructure not only USSR's society and economy, but also its foreign policy.

²⁶² THATCHER, *The Downing Street Years*, 536.

On the other side, following Brown (2021), Thatcher's relationship with Gorbachev played a significant role in the last years of the Cold War. Since the appointment of Howe as FCO Secretary in 1983, the Prime Minister decided to speak of a new policy of engagement towards the USSR, which would be pursued but not publicly announced. Aimed at presenting the UK as a privileged interlocutor both for the US and the USSR, this approach started with the hosting of Gorbachev at Chequers, three months before he became leader of the Soviet bloc, and continued until the end of the Cold War and the reunification of Germany, a capital event which would change both world history and Thatcher's personal story.

3.2.1. Delors Commission, I

Jacques Delors, born in 1925 in Paris, former Minister for Finances of France, was chosen as President of the Commission after Thatcher expressed a veto for Claude Cheysson, former French Foreign Minister, on the basis he had tried to ask Mitterrand's government to support Argentina in the Falklands war and, moreover, he had caused difficulties to the British budget rebate at Fontainebleau.²⁶³

Delors' career had begun at the Banque de France; and here he had come back, after other posts, as a Member of its Board in 1973-79. Socialist Party's National Delegate for international economic affairs 1976-81, he was elected a Member of the European Parliament in 1979, becoming President of the Economic and Monetary Commission of the European Parliament. Mitterrand's principal adviser on economic

²⁶³ THATCHER, *Memories of the Fontainebleau European Council*.

affairs during the 1981 Presidential election campaign, Delors was appointed Minister for the Economy and Finance from 1981 to 1983, with an additional assignment for the Budget from 1983 to 1984. Thatcher looked forward to Jacques Delors taking over as President of the Commission, on the basis that

He has been very strict with the French budget. It was he who suggested strict guidelines for the European budget. Now he is going to be in the Presidency of the Commission, and it will be very interesting to see if the Commission is run better as far as its financial budget is concerned than it has been in the past.²⁶⁴

On 11 October, briefing for the Prime Minister's meeting with Delors, the Cabinet Office pointed out "his handling of the French economy as an advocate of budget rigour" and his being sympathetic to Britain's objectives as set in the paper *Europe – The Future*. Thatcher was invited to take the opportunity

to tell him of our ideas for the Community's future development and to get across the importance of budgetary discipline if the Community is to have resources to devote to new policies and if it is to stem the current excessive growth of agricultural guarantee expenditure.²⁶⁵

Fontainebleau had to be presented by Thatcher as a major success for the French Presidency of the European Council and for the Community. Now that Britain had reached the goal of setting the Community's finances – with a particular stress on *Community's*, and not only Britain's, finances – on a sound basis, the government was ready

²⁶⁴ Margaret THATCHER, *TV Interview for BBC2 Newsnight*, 27 July 1984, TFA 105565.

²⁶⁵ *European Community Department briefing before Thatcher's meeting with Delors*, 11 October 1984, PREM19/1220 f139.

to implement its ideas, which were “practicable but nonetheless far-reaching”, with priority to the internal market, an European industrial and innovation policies, a revision of the relationships among the European institutions, and more cooperation in external affairs. The critical point was budget discipline, based “on the sound principle that finance should determine expenditure, not expenditure finance”. The Cabinet Office was confident that Delors would remain “receptive to the argument that control of the expenditure was essential if the Community was to have adequate resources to enable it to develop new policies”.²⁶⁶ Indeed, on 15 October 1984, during a dinner at 10 Downing Street with Delors, Thatcher said she was anxious to take the moment of opportunity 1985 would represent for the EC, but

it was necessary to be practical. There was a tendency to talk in terms of concepts rather than action. For instance, there were constant references to European unity, something which would never come about. It was no less worthy to set the aim of working together as nation states for the common good. It was absurd to talk about a new Treaty. A great deal of the existing Treaty had not yet been put into practice. Grand schemes were almost invariably a substitute for action to deal with real problems.²⁶⁷

The two of them found considerable identity of view in seeing the completion of internal market as a priority, for which the British proposed the minimum of harmonisation of rules, considered that there were “far too many unnecessary directives”. They also agreed that the Dooge Committee was setting its goals too ambitious, while “its basic task should be to facilitate the work of Heads of Government”.²⁶⁸

²⁶⁶ *ibid.*

²⁶⁷ *No.10 record of conversation between Thatcher and Delors at 10 Downing Street, 15 October 1984, PREM19/1220 f95.*

²⁶⁸ *ibid.*

In his memories, Delors remembered that night Thatcher calling him “Monsieur Delors” instead of “President of the Commission”,

parce qu'elle n'aimait pas ce titre. Elle n'avait pas beaucoup d'égards pour la Commission, mais elle me faisait confiance. Elle était tout à fait d'accord avec l'Objectif 92. Je lui ai dit qu'un grand marché ne pouvait pas aller sans coopération industrielle, elle m'a répondu que l'Europe ne devait pas servir à figer le marché, mais qu'il y avait quand même du pain sur la planche. Pour elle, la coopération sans doute devait prendre une forme intergouvernementale et non pas communautaire. Sur la monnaie européenne, elle fut tranchante : « *Never !* ». ²⁶⁹

The same position was confirmed in a meeting between Delors and FCO Secretary Geoffrey Howe on 16 October. The two agreed on “the priority that should be given to completing the internal market”, and on the need for the Dooge Committee to focus “on practical ways of improving the detailed working of the Commission and Council”. Delors reaffirmed the need for Treaty amendments to better implement the single market, without encountering the endorsement of Howe.²⁷⁰

Since the Merger Treaty, signed in Brussels on 8 April 1965 and in force by July 1967, the European Commission's members had been proposed by their member state governments, one from each, even though they were bound to act independently. In 1973, with the first enlargement, the College of Commissioners increased to thirteen

²⁶⁹ Jacques DELORS, *Mémoires* (Plon, 2004), 191. “Because she didn't like the title. She didn't have much regard for the Commission, but she trusted me. She was in full agreement with Objective 92. I told her that a large market could not go without industrial cooperation, she replied that Europe should not be used to freeze the market, but that there was still work to be done. For her, cooperation must have taken an intergovernmental form, not a Community one. On the European currency, it was sharp: «Never!»”.

²⁷⁰ *Record of conversation between the FCO Secretary Howe and Mr. Delors, President-Elect of the EC Commission*, 16 October 1984, PREM 19/1220 f85.

members, and the UK, as a large country, was granted two Commissioners. The British government appointed Lord Arthur Cockfield, former Secretary of State for Trade. Cockfield would be then chosen by President Delors as Commissioner for Internal Market, Tax Law, and Customs. Stanley Clinton Davis, a former British Labour Minister, would be chosen as Commissioner for the Environment, Transport and Nuclear matters.

The former Commissioner the British government had appointed, who had served for two mandates (1977-84), was Christopher Tugendhat, who, Thatcher though, “did not always fight his corner in the Commission as hard as we would have liked”.²⁷¹ Given the frictions with the government, especially during the budget rebate, while he was bound in a difficult position as Budget Commissioner during the years of negotiation, Tugendhat had sent a letter to Thatcher, explaining his position about the relationship between national governments and the Commission’s members,

[I]n the belief that the British Commissioners will always be assiduous in trying to ensure that the Commission takes due account of British interests [...] but also in the believe that those interests will be helped if those who make representation to the Commissioners are fully aware of the nature of the Commission as an institution.

The Commission is a strange institution for which there is no parallel in British public life, with [...] a collegiate decision-making procedure, [...] which tends to lack the sense of collective self-interest that characterises a Cabinet drawn from a single party.

[...] The Commission job, when there is deadlock in the Council, is to try to find a way through, consistent with its

²⁷¹ Colin BUDD, Howe’s Private Secretary, *Letter to Charles D. Powell*, Thatcher’s Private Secretary for Foreign Affairs, 12 November 1984, PREM 19/1220 f36.

own appreciation of the wider Community interest. Finding a way through will usually mean making a proposal which is not identical with the positions of any of the principal Member States involved but around which, it is hoped, they might all be prepared to rally. By its very nature, the Commission cannot be expected to make proposals which reflect the interests, however deeply felt, of one Member State but which are known in advance to be likely to be anathema to nine others. [...] If therefore a specifically British objective is proving impossible to secure in the Council, the same is likely to be true in the Commission.

[...] When we assume our appointment at the beginning of each Commission, we take an oath committing us to independence from national governments or indeed from outside pressure of any kind. [...] each of us can and I believe should seek to interpret our own country to the College as a whole and to ensure that Commission proposals take proper account of its interests.

[...] A Commissioner who is perceived by his colleagues as merely reflecting views which could just as easily be obtained from a Permanent Representative will soon find his opinions discounted. [...] if a Commissioner wishes to be part of such a group, he must be recognised as having an independent and impartial mind and as being prepared to judge issues in a broad Community perspective. This is all the more important when the subject matter in question touches on the particular interests of the Member State of which he is a national. [...] I, as a British Commissioner, must consider the wider Community interest as well as the more specific British one.²⁷²

Interviewed in 1993, Tugendhat would instead lay claim for the Commission on the British budget rebate, declaring that

[P]roposals on the British budget were designated to facilitate the resolution of the problem, not to declare

²⁷² Christopher TUGENDHAT, *Letter to Thatcher*, 12 November 1984, PREM 19/1220 f36, underlined as done by Thatcher in the original.

Mrs. Thatcher a winner or loser, but to resolve a problem for Europe. In fact, no Commission proposal was improved upon in the Council. In practice Britain never got better terms out of the Council than Commission suggested. [...] Mrs. Thatcher made a fetish of couching her demands in a way as counter to the European theology as possible, [but] could have got better results if only had a softer approach.²⁷³

This softer approach did not belong to Thatcher, who always made her combative stance the hallmark of her political style. Nonetheless, once solved the budget rebate, she had the ultimate goal to complete the internal market, and she wanted to do it according to her rules.

The British government had begun to discuss Lord Cockfield's nomination in July 1984. He was immediately identified, by the Prime Minister herself, as the ideal person, being "the key thing to send someone who would ensure tight control of the Community's budget".²⁷⁴

Lord Cockfield was born in 1916 and graduated in both Law and Economics from the London School of Economics before being called to the Bar in 1942. With a long experience in the field of Public Finance (Commissioner of Inland Revenue 1951-52, Adviser on Taxation Policy to the Chancellor of the Exchequer 1970-73, Chairman of the Price Commission 1973-77, Minister of State HM Treasury 1979-82), Industry (Managing Director and Chairman of the Executive Managing Committee of Boots 1961-67, Founder Member of the National Economic Development Council, on which he served 1962-64 and 1982-83) and Trade (Secretary of State for Trade 1982-83), as a Cabinet

²⁷³ Christopher TUGENDHAT, *Interview*, 24 February 1993, HAEU MID-336.

²⁷⁴ *No.10 record of conversation*, "British Commissioners for the next EC Commission candidates", 9 July 1984, PREM 19/1220 f338.

Minister since 1982, he participated in the formulation and presentation of the whole range of Britain's economic policies. And, despite FCO Secretary Howe's reservations on his capacity to "get into the inevitable inner circle of senior Commissioners", he was described as

a senior Cabinet Minister, expert in financial matters and with his experience of business in the highest level. A man who knows intimately many of the issues which concern the Community. A person whom you can be confident shares views of the need to constrain Community expenditure and will fight hard for his goal.²⁷⁵

Although Delors had said he would not discuss the allocation of portfolios in the new Commission with national governments, this did not mean that national governments would not try to influence the decision on the allocation of posts. On a letter to No.10, Howe's Private Secretary suggested:

[W]hen M. Delors comes to London he should be told firmly that we expect one of the key portfolios and a Vice Presidency of the Commission for our senior Commissioner, [...] a really major portfolio – budget, agriculture, or industry plus the internal market. We should make a bid to keep the Budget portfolio. [...] M. Delors will not be in a position to make firm promises. This is done by collective decision of the whole new Commission.²⁷⁶

In a meeting at No.10 with Lord Cockfield, Thatcher said that her highest priorities were financial discipline in the Community – but, they considered, it was the Council that was increasingly making the running on budgetary measures – and the internal market completed. She then

²⁷⁵ Charles D. POWELL, Prime Minister's Private Secretary for Foreign Affairs, *Minute to the Prime Minister*, 28 August 1984, PREM 19/1220 f198.

²⁷⁶ Colin BUDD, *Letter to C. D. Powell*, 7 September 1984, PREM 19/1220 f166.

recommended him “to fight hard for them himself with Delors: in her experience, those who behaved reasonably in the Community rarely got their way”.²⁷⁷ So, despite some in the British government would have preferred him to secure the Budget portfolio, Lord Cockfield would be finally accommodated with his preference for internal market.²⁷⁸

As he remembered during an interview,

I took the Single Market portfolio on the ground that I'd agreed with Thatcher that that's what I would do, and we had Delors to dinner at Number 10 Downing Street [...] She just said to him “And Mr Delors, Lord Cockfield will be taking the Single Market” or the internal market as we then called it. End of discussion.²⁷⁹

It can be assumed that Thatcher chose to appoint Lord Cockfield as candidate commissioner based on the trust she had for him as a British, Conservative, politician. Also, the single market project was in line with the British Conservative government's free-market goals:

The thrust of the Community should be towards achieving the genuine Common Market envisaged in the original Treaty, a force for free trade, not protectionism. To do this I would have to seek alliances with other governments, accept compromises and use language which I did not find attractive. I had to assert persuasively Britain's European credentials while being prepared to stand out against the majority on issues of real significance to Britain.²⁸⁰

²⁷⁷ *No. 10 record of conversation between Prime Minister Thatcher and Lord Cockfield*, 15 October 1984, PREM 19/1220 f99.

²⁷⁸ Charles D. POWELL, *Letter to Chancellor of the Exchequer's Private Secretary*, 21 September 1984, PREM 19/1220 f146; Colin BUDD, *Letter to C. D. Powell*, 12 October 1984, PREM19/1220 f139.

²⁷⁹ Alan CROZIER, *Interview to Lord Cockfield*, 24 August 1998, Voices on Europe Collection, HAEU INT567.

²⁸⁰ THATCHER, *The Downing Street Years*, 548.

In hindsight, Thatcher declared herself willing to compromise for the implementation of the common market envisaged in the Treaty of Rome. But for the British government the single market was an end in itself, or, as they put it in the paper *Europe – The Future* they had circulated in Fontainebleau,

a means to an end, described in the Treaty itself as a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard living.²⁸¹

On the contrary, the European Commission intended it as “a signpost for the future”:

The Single Market Programme was no[t] only important in itself but also in pointing the way forward – as the ‘Signpost for the Future’. The Single Market is not the end of the road but the road that lead somewhere: after the Single Market would come the Single Currency; and after the Single Currency would come the Single Economy.²⁸²

Lord Cockfield was immediately recognised, and is still remembered, as the main architect of the programmatic document which helped to relaunch the process of European economic integration during the 1980s. Thatcher credited his “absolutely key role in Brussels and the great deal of the credit for initiating the drive to complete the European Community’s single internal market”.²⁸³ Delors himself, in his memoirs, referring to the British Deputy Commissioner, recalled how he had been the true “architect of the White Paper”:

À vrai dire, lord Cockfield fut la grande révélation de la Commission et ses positions l’amenèrent à rencontrer des

²⁸¹ *Europe – The Future*.

²⁸² Lord A. F. COCKFIELD, *The European Union. Creating the Single Market*, (London: Wiley Chancery Law, 1994), 4.

²⁸³ Margaret THATCHER, *Letter to Lord Cockfield*, 22 July 1988, THCR 3/2/244 f156.

difficultés, y compris avec Margaret Thatcher. [...] Et dépit de nos orientations différentes, notre entente fut totale. [...] Il mena à bien cette tâche gigantesque, la rédaction de ce Livre blanc sur le marché intérieur, en rappelant sans cesse l'essentiel, à savoir la suppression des frontières, condition de la réalisation du Grand marché.²⁸⁴

Early as 14 January 1985 Delors declared to the European Parliament that the Commission intended to eliminate EEC internal frontiers by the end of 1992. To facilitate this programme, and to overcome the institutional paralysis, the President of the Commission thought a new treaty was needed to bring the Community out of its sclerosis:

[T]he institutional framework put in place by the Treaty of Rome has, to put it mildly, been operating less and less effectively. [...] it has failed to bring about the economic, social, and monetary integration which is vital to the advancement of our 10 nations. [...] it may not be over-optimistic to announce a decision to eliminate all frontiers within Europe by 1992 and to implement it.²⁸⁵

In particular, Delors had identified in the misuse of the concept of vital interest and the rule of unanimity the main reasons why the implementation of the internal market had been held up. For this, the priority of the new Commission would be to “make full use of all the possibilities offered by the Treaty to overcome these obstacles”. Beyond that, as long as Delors believed it was not possible to retreat in other –

²⁸⁴ DELORS, *Mémoires*, 204. “Indeed, Lord Cockfield was the great revelation of the Commission and his positions led him to encounter difficulties, including with Margaret Thatcher. [...] And despite our different orientations, our agreement was total. [...] He carried out this gigantic task, the drafting of this White Paper on the internal market, constantly recalling the essential, namely the abolition of frontiers, condition for the realization of the Single Market”.

²⁸⁵ Jacques DELORS, *The thrust of Commission policy*, Statement of the President of the Commission to the European Parliament, Strasbourg, 14 January 1985, «Bulletin of the European Communities» 1985, Supplement 1.

namely, political – fields while advancing on the internal market, the Commission would do “all in its powers to identify the improvements to be made within the framework of existing rules and then decide what can be done beyond the Treaty of Rome”.²⁸⁶

Interviewed by Mr. Guatelli from the Italian newspaper *Corriere della Sera* on 4 March 1985, Delors continued to express his vision of Europe very clearly, speaking openly of economic union as a preamble to political union, within a “European Union” where the proper functioning of the market, public interventions and negotiation between the social partners would be combined:

[D]eux précautions doivent être prises, ne pas croire qu’une poussée politique indispensable ne sera qu’un geste historique en faveur de l’union européenne out que la marche vers l’union politique sera suffisante. Ce ne sera pas suffisant pour transcender les égoïsmes nationaux ou accélérer l’adaptation des structures économiques. Ensuite, ne pas considérer un seul des aspects de la coopération économique comme ouvrant la clé au progrès futurs. À cotes des changements institutionnels permettant de décider mieux et plus vite, il convient donc de faire progresser simultanément le démantèlement des barrières qui empêchent le fonctionnement du grand marché, le renforcement graduel du système monétaire européen, l’utilisation de marges de manœuvre pour faire un peu plus de croissance et un peu plus d’emplois, la modernisation des structures économiques.

[...] non pas par un gout immodéré du gradualisme, mais parce qu’elle aurait l’avantage de concilier ce qui, a priori, apparait inconciliable. Les positions de ceux qui mettent le retour à la sante économique avant tout progrès du SME, et ce qui considèrent les progrès de l’intégration monétaire comme un préalable, et de même les positions de ceux qui croient d’abord aux vertus du grand marché.

²⁸⁶ *ibid.*

[...] ce que je propose comme stratégie de progrès est fondée sur l'originalité de l'Europe, c'est à dire la recherche de compromis dynamiques entre les doctrines, entre les nations, entre les groupes sociaux. [...] Il ne peut y avoir d'attrait pour le grand marché que dans la mesure où nous restions dans un système d'économie mixte qui combine le bon fonctionnement du marché, les interventions publiques et la négociation entre les partenaires sociaux.

[...] L'objectif s'appelle l'union européenne.²⁸⁷

These statements demonstrate that all the assumptions underlying the policies that Delors would pursue in the next years were clear from the beginning of his mandate, as well as Thatcher's ideas would always be coherent. But in the last thirty years the Community had suffered from immobility. It could be assumed that the Prime Minister, once solved the budget rebate and committed to assure the internal market goals, did not take Delors' declarations *verbatim*. Moreover, in

²⁸⁷ Arturo Maria GUATELLI, *Intervista a Jacques Delors*, 4 March 1985, «Corriere della Sera», Fond Jacques Delors (JD) at the HAEU, JD-25. "They must take precautions, not believe that an indispensable political push will only be a historic gesture in favor of the European Union out that the march towards political union will be sufficient. This will not be enough to transcend national selfishness or accelerate the adaptation of economic structures. Secondly, we should not consider only one aspect of economic cooperation as opening the door to future progress. Alongside the institutional changes making it possible to decide better and faster, it is therefore necessary to make simultaneous progress in dismantling the barriers which prevent the functioning of the single market, the gradual strengthening of the European Monetary System, the use of room for manoeuvre to make a little more growth and few more jobs, the modernization of economic structures. [...] not by an immoderate taste for gradualism, but because it would have the advantage of reconciling what, a priori, appears irreconcilable. The positions of those who put the return to economic health before any progress of the EMS, and what consider the progress of monetary integration as a prerequisite, and likewise the positions of those who first believe in the virtues of the single market. [...] what I propose as a strategy for progress is based on the originality of Europe, that is, the search for dynamic compromises between doctrines, between nations, between social groups. [...] There can be no attraction for the single market unless we remain in a mixed economy system that combines the proper functioning of the market, public intervention and negotiation between the social partners. [...] The objective is called the European Union."

accordance with the FCO insights, she needed to impress her European counterparts demonstrating her government to be fully involved in advancing the process of integration.

During this period, and in particular for what concerns the Single European Act, Thatcher was very keen to negotiate with her colleagues in the Council, being her priority to complete the internal market as a means to restore British economy and to find a role for the Community within a bipolar international order. Endorsing the point of view of the FCO and trusting the reports and briefings which came from Whitehall, Thatcher demonstrated, between 1984 and 1986, a very positive attitude, showing, indeed, willingness to overlook some 'minor' issues which she would regret later.

The decision to appoint Lord Cockfield as Commissioner for Internal Market had great consequences on the history of European integration. He believed that unity and freedom of the market between the countries of the European Community could bring advantages not only to Great Britain but also to other countries. Convinced of the need for close collaboration between the members of the Commission and of its uniquely "European" function, far beyond narrow national interests, he committed himself without reservations to the accomplishment of this objective. He also managed to overcome any external political conditioning, often placing himself in opposition to the line adopted by the British government; probable reason why, at the end of his mandate, in 1988, he was not reconfirmed to the European Commission by the British government, even though the official explanation would be that "as a general rule, people should not serve as

Commissioners for too long”.²⁸⁸ As Lord Cockfield pointed out during an interview,

Margaret decided not to reappoint me. [...] I never expected, when I took the job on, that I would ever be there for more than one term. [...] I was never sacked. [...] I was damned if I was going to be removed by Jacques Delors with whom I’d cooperated loyally, effectively, and very amicably over a long period of time. [...] In the Treaties there is the statement that the Member States must not seek to influence the members of the Commission in the performance of their tasks.²⁸⁹

Decades later, in her autobiography, Thatcher would remember:

Cockfield was a natural technocrat of great ability and problem-solving outlook. Unfortunately, he tended to disregard the larger questions of politics – constitutional sovereignty, national sentiment, and the promptings of liberty. He was the prisoner as well as the master of his subject. It was all too easy for him, therefore, to go native and to move from deregulating the market to reregulating it under the rubric of harmonisation.²⁹⁰

Indeed, Cockfield had soon demonstrated to be in line with the Commission’s lively and proactive approach, showing not only a pro-European spirit, but also becoming himself one of the most valuable collaborators of Delors during his first term in office, unreservedly committed to the completion of the single market; which was intended, in Thatcher’s mind, “to give real substance to the Treaty of Rome and to revive its liberal, free trade, deregulatory purpose”.²⁹¹

²⁸⁸ Margaret THATCHER, *Letter to Stanley Clinton-Davies*, 22 July 1988, THCR 3/2/244 f147.

²⁸⁹ *Interview to Lord Cockfield*.

²⁹⁰ THATCHER, *The Downing Street Years*, 547.

²⁹¹ *ibid.*

3.2.2. Reports, White Papers, *et cetera*

Right after Fontainebleau, on 26 June 1984 the European Council had instructed two committees. One was the Ad Hoc Committee on a People's Europe, also known as the "Adonnino Committee", which sought "to strengthen and promote the identity and image of the Community for both its citizens and for the rest of the world". The other one, the Ad Hoc Committee for Institutional Affairs, consisted of personal representatives of the Heads of State or Government, soon known as the "Dooge Committee" from its president, the Irish politician James Dooge. It had the task, following the Stuttgart *Solemn Declaration*, and on the lines of the Spaak Committee, to "make suggestions for the improvement of the operation of European cooperation in both the Community field and that of political, or any other, cooperation".²⁹² To the Dooge Committee, Thatcher had appointed Malcolm Rifkind, instructed to put forward ideas on the internal market through the paper *Europe – The Future*.²⁹³

In order to make proposals which could be accepted without yielding what she thought Britain's vital interests were, Thatcher was particularly interested in knowing the position of the other member states, made clear in the papers circulated in the Dooge Committee by their representatives. For this reason, during the period in which the Dooge Committee was active, the correspondence between the Prime Minister's closest collaborators and the FCO was dense, especially concerning the Ruhfus proposals on Political Cooperation, presented by the Germans, and the Faure draft report prepared by the French.

²⁹² Fontainebleau European Council, *Presidency Conclusions*.

²⁹³ UKE BRUSSELS, *Telegram to the FCO*, 1 October 1984, PREM19/1231 f133.

In setting her position, Thatcher was firm in stating that the UK could not accept majority voting on political cooperation, extensions of the powers of the European Parliament; a new European Treaty, new Community social legislation, and UK participation in the ERM. She was also hard to convince that, in order to dissuade other Members from their unacceptable positions – such as the need for a new Treaty, or the discourse on a political entity, the UK should move a little way towards its expectations, even placing very clear limits, on two points: majority voting, although maintaining the Luxembourg Compromise, and an agreement formalising existing commitments in political cooperation. Nonetheless, the official position notified to the FCO was that the Prime Minister agreed to adopting “a slightly more open position than hitherto” on these proposals subject to the following qualifications:

(i) on PO-CO, we should not agree to do more than formalise existing informal arrangements. We should not accept any new obligations which would hinder our ability to promote our interests as we think best.

(ii) On majority voting, the key requirement is that the Luxembourg Compromise should be preserved intact. The Prime Minister is against the extension of majority voting, but understands that other countries would also argue fiercely against particular cases, as they arise.²⁹⁴

Following Sir Colin Budd, former Private Secretary of the FCO Secretary Howe, the impression that the Foreign Office stance was often softer, and that the Prime Minister’s one should not be exaggerated. The FCO Ministers involved, in particular Howe and

²⁹⁴ Charles D. POWELL, *Letter to Colin Budd*, 21 November 1984, PREM 19/1478 f374.

Rifkind, were an integral part of Thatcher's government, although both more enthusiast Europeans than her. What the FCO collectively wanted, albeit subject to the satisfaction of the key UK interests at stake, was to reach an agreement with the other member states, which was not always Thatcher's prime concern.²⁹⁵

At the European Council in Dublin on 3-4 December 1984, the French representatives presented a paper, the so-called Faure draft Report, which had some features that pleased Thatcher. It placed the aim of the "European Union", described as "the cohesiveness and solidarity of the countries of Europe, to be achieved by stages and by paying special attention to the different situation of the member states", within the larger framework of the Atlantic Alliance. It proposed to reduce the number of members of the Commission to one per State, to render it smaller and more effective, as long as the member states must be confident that their Commissioner represented their interest.²⁹⁶

What instead worried Thatcher was the codification of political cooperation in the form of a Treaty (Thatcher's comment: "No"), the possibility to take decision at a lower level than that of the Council ("Why? We have to answer to Parliament"), the increase in powers of the European Parliament in area such as the participation in legislative power ("No"), control over the policies of the Union ("No").²⁹⁷

In the Faure paper there already was the proposal for an Inter-Governmental Conference (IGC) "to negotiate a draft European Treaty based on this report and the Genscher/Colombo Solemn Declaration

²⁹⁵ From a personal conversation with Sir Colin Budd, 30 October 2022.

²⁹⁶ *Analysis of the Faure draft report to the Dublin European Council on the work of the Dooge Committee*, 16 November 1984, PREM19/1478 f374.

²⁹⁷ *ibid.*

and guided by the spirit and method underlying the draft Treaty adopted by the European Parliament”, to which the FCO commented with the need to “make reality of the existing Treaties”; a scenario which would realise soon, although Britain’s attempts to avoid it. Moreover, the initiative of setting up a “true political entity of European states” would, following Thatcher’s comment on the FCO analysis, “not provide a remedy – merely a new and impressive problem; no such a thing”, also considering that in the previous years the Community had shown its ability to take major decisions which had been hanging over the Community for years. Instead, the first priority ought to be to aim from practical results from the Dooge Committee.²⁹⁸

And an interim report was submitted by the Dooge Committee to the European Council in Dublin, “as to enable the Council to indicate the Committee along what lines it should continue its work”.²⁹⁹ The preface of the document pointed out the urgency, after a decade of immobility in the Community, to set up that “political entity” already envisaged in the Faure paper, overcoming the practice “to draw up a simple catalogue of measures to be taken”:

We must now make a qualitative leap and present the various proposals in a global manner, thus demonstrating the common political will of the Member States. In the last analysis that will must be expressed by the formulation of a true political entity among European States, i.e., a European Union:

(i) with the power to take decisions in the name of all citizens, by a democratic process according to their common interest in political and social development,

²⁹⁸ *ibid.*

²⁹⁹ AD HOC COMMITTEE ON INSTITUTIONAL AFFAIRS, *Interim report to the European Council of Dublin, 3-4 December 1984*, Office for Official Publications of the European Communities, 1985), known as *The Dooge Report*.

economic progress and security and according to procedures which could vary depending on whether the framework is that of intergovernmental cooperation, the Community Treaties, or new instruments yet to be agreed;

(ii) in keeping with the personality of each of the constituent States.³⁰⁰

No formal objection to this point, or to the words involved, although significant, was presented – although in written form – by Thatcher’s representative, Mr. Rifkind, to the text presented to the Council, being it just a draft version. He had though informed the Prime Minister, with a telegram, that, in spite of his readiness to be flexible on many points, the majority had remained firm on important issues such as majority voting and powers of the Parliament, forcing him to record his dissent on these subjects, as well as on the need for an IGC. In particular, he dissented on a section of the EMS text, calling for “the participation of all the member states both in the EMS and in the exchange rate mechanism, provided that the necessary economic and monetary conditions are met”.³⁰¹ Mr. Rifkind also outlined not to be completely satisfied with the interim report, but also of being trying not to isolate the UK and working to reach agreement on shared purposes.

The official version of the report of the Ad Hoc Committee for Institutional Affairs presented to the European Council in Brussels on 29-30 March 1985 had few differences from the draft sent to Dublin in December. One, substantial, was the addition, at the end of the preface, of this *caveat*:

³⁰⁰ *ibid.*

³⁰¹ Michael RIFKIND, *Minute to the Prime Minister*, 30 November 1984, PREM19/1478 f232.

The Committee has placed itself firmly on the political level, and without purporting to draft a new Treaty in legal form, proposes to set out the objectives, policies and institutional reforms which are necessary to restore to Europe the vigour and ambition of its inception.³⁰²

It was the Danish representative, Mr Jørgen Ørstrøm Møller, that felt that the difficulties facing the construction of Europe resulted from a failure to implement the existing Treaties fully and could be remedied by the strict application of the Treaties. Thus, the priority objective of the Report was to create

a homogeneous internal economic area, by bringing about the fully integrated internal market envisaged in the Treaty of Rome as an essential step towards the objective of economic and monetary union called for since 1972, thus allowing Europeans to benefit from the dynamic effects of a single market with immense purchasing power.³⁰³

This aim had to be pursued through the completion of the Treaty of Rome, by creating a genuine internal market by the end of the decade on the basis of a precise timetable, by increasing competitiveness of the European economy and through the promotion of economic convergence. Among the invoked measures, particular interest can be given to “the effective free movement of European citizens”; stability in economic, financial, and monetary policies of the member states; “pending the adoption of European standards, the immediate mutual recognition of national standards by establishing the simple principle that all goods lawfully produced and marketed in a Member State must be able to circulate without hindrance throughout the Community”; the creation of a genuine common market in financial services, including

³⁰² *The Dooge Report.*

³⁰³ *ibid.*

insurance; the strengthening of European financial integration, inter alia through the free movement of capital and the creation of a European financial market, hand in hand with the strengthening of the European monetary system; the liberalization of capital movements and the removal of exchange controls.

All these goals were shared by Thatcher's government, and, following a letter she sent to the President of the European Parliament, Monsieur Pflimlin, on 24 December 1984, a large number of the practical proposals advanced by the Dooge Report had been put forward by Rifkind himself:

The Committee endorsed our views on the need for completion of the internal market for goods and services, and on changes to give a more strategic role to the European Council. During the next stage we want to see realistic proposals put forward on the future development of political cooperation; the implementation of the Treaty provisions in relation to the common market; and the improvement of decision-making procedures.³⁰⁴

The British government, agreeing that "Europe need[ed] to advance its internal development, as the progress that had been made towards 'an ever-closer union of the peoples of Europe' of which the Treaty of Rome speaks in its first paragraph is unlikely to be reversed", had given a paper, *Europe – The Future*, to European Community Heads of State or Government at the European Council in Fontainebleau the previous summer; the same paper was circulated by Mr. Rifkind since the very first meeting of the Dooge Committee. Comparing this document with the Dooge Report, it is interesting to see the remarkable convergence

³⁰⁴ Margaret THATCHER, *Letter to the President of the European Parliament, Monsieur Pflimlin*, 24 December 1984, PREM19/1223 f6.

between the proposals in several areas, from the harmonisation of standards to the relaunch of competitiveness, from the freedom of movement for European citizens to the attention to environment and education, or the common approach to external affairs. Where the two documents differed is in remarking the centrality of NATO to “European security and the management of the East-West relations, and no less so in the management of the problems of the world economy and trade”; and, given that “the European Communities, with their corpus of institutional and legal structures, and their own resources, are and must remain the framework within which Community law applies”, on the idea of a “flexible Europe”, where “it may sometimes make sense for participation in new ventures to be optional, without this leading to rigid distinctions between different groups of participants”.³⁰⁵

In particular, on the voting provisions, the British paper announced:

The voting provisions of the Treaty must be fully honoured. Unanimity must be respected in all cases where the Treaty so provides. The same applies for majority voting. At the same time, Member States must be able to continue to insist where a very important national interest is at stake on discussion continuing until agreement is reached. But they should be required in each case to set out their reasons fully.³⁰⁶

Accordingly, as it was indicated in its letter of presentation to the Council, the Dooge Report reflected a broad consensus. But in the paragraph about “the suggestions for easier decision-making processes in the Council”, which was “considered to be of particular importance”,

³⁰⁵ *Europe – The Future*, point no. 13.

³⁰⁶ *Ivi*, point no. 24.

two options were included. The first one, supported by the majority of the Committee, favoured the adoption qualified or simple majority as the new general principle of decision taking, with unanimity required in certain exceptional cases. The minority of the Committee – namely: the UK, Denmark and Greece – agreed to the use of majority voting provisions where laid down in the Treaties; but where the Treaties required decisions to be taken by unanimity member states should also make greater use of the possibility of abstention in accordance with Articles 148 (3) (EEC), 118 (EAEC) and 28 (ECSC); and, even more significantly for the UK, when a Member State considered that its very important interests were at stake, they claimed the discussion should continue until unanimous agreement was reached. To this, Mr. Rifkind also considered that “in order to prevent abuse, a member of the Council insisting that discussion should continue in this way should, through a special procedure of the Council, explain fully and formally why his government considers that a very important interest is at stake”.

Another objection was advanced by the UK representative in the section about the European Commission. Mr. Rifkind agreed that “the Commission must be acknowledged as an organ with full powers of initiative, implementation and administration [which] guarantees autonomous representation of the common interest and cannot be identified with individual national interest” and that “its power must be increased, in particular through greater delegation of executive responsibility in the context of Community policies”. He considered, however, that the members of the Commission, which the report suggested, with reservations from the FRG, being one per Member State, should be nominated by member states. Again, the British, Greek,

and Danish representatives advanced objections to the final paragraph of the report, in which

the committee propose[d] that a conference of the representatives of the Governments of the Member States should be convened to negotiate a draft European Union Treaty based on the *acquis Communautaire*, the present document and the Stuttgart Solemn Declaration on European Union and guided by the spirit and method of the draft Treaty voted by the European Parliament; it would represent the initial act of the European Union.³⁰⁷

All the moves of Mr. Rifkind were coherent with the briefing that circulated in the Cabinet at the end of November 1984, insisting on the need to obtain a commitment to completion of the internal market, preferably with a timetable; progress report on the above by June 1985; agreement that there should be only one Commissioner per Member State after enlargement; and reduction of Council meeting to two per year. The FCO had declared that government could accept greater use of majority voting where the existing Treaty so provides, subject to maintenance of the Luxembourg Compromise; but it should refuse any formalisation of political cooperation arrangements which further constrained own's independence of action on important national interest.³⁰⁸

The European Council meeting in Brussels on 29-30 March 1985 completed the enlargement negotiations with Spain and Portugal. Thatcher had been supportive of the process, convinced that the two countries needed to be anchored firmly into the West European

³⁰⁷ *The Dooge Report*.

³⁰⁸ *UK objectives for Dublin European Council*, 28 November 1984, PREM19/1223 f6.

democratic system. Nonetheless, she was aware that the justification for enlargement was mainly political, and that the enlargement would have inevitable costs: while Portugal, with a GDP per capita equal to only 44% of the Community average, was to be a substantial net beneficiary from the membership; Spain, with a GDP per capita of 62% of the Community average, had the highest unemployment rate in Western Europe (21%), and would probably cause frictions on agriculture and fisheries; but the opening up of its highly protected market was considered a major advantage for the UK, which would be protected by the Fontainebleau mechanism against much of the budgetary cost of enlargement.

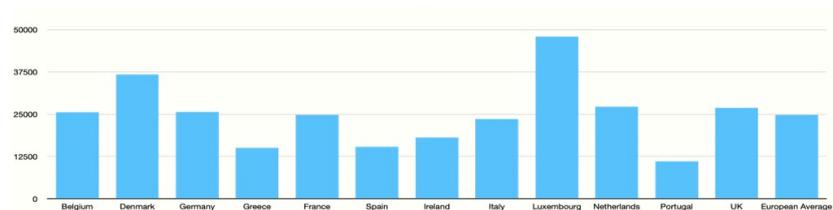


Figure 4 - GDP per capita, in \$, year 1985. Source: World Bank Data.

The UK goals were, according to the paper prompted to the FCO, to work with France and Germany to ensure that expenditure was kept within bounds and made more cost-effective; fact that also meant giving priority to the objective of opening up the internal market, particularly in those sectors (especially financial services and transport) where the UK could maximise its economic performance and secure great opportunities for exporting.

For these reasons, given the current debate on the development of the Community, accordingly to what Mr. Rifkind had advanced to the Dooge Committee, the FCO agreed that the UK should push for the increase of majority voting on non-vital issues – without questioning

the appeal to the Luxembourg Compromise – to bring about key reforms on a reasonable timescale. As anticipated in the paper *Europe – The Future*, some measure of variable geometry was considered inevitable, and even desirable, in an enlarged Community, for several reasons:

[W]e shall probably not want to participate in everything: it may sometimes be the most effective way to get things done, and it will counter movement towards “union”. What we must avoid, though, is the appearance of a two-tier Community with us in the second division.³⁰⁹

With the European partners, Thatcher must then demonstrate not only Britain’s willingness to participate in the advancing of the Community, but also her capacity to shape the path of the integration process, whereas

our ability to get things done in the enlarged Community and to establish a new equilibrium in it will depend crucially on the effectiveness of our cooperation with the French and German, separately as well as jointly.

[...] Our own influence with other countries, including the United States, will be affected by the extent to which we are seen to be playing a central role in the Community.³¹⁰

In her press conference after the Brussels European Council meeting, on 30 March 1985, Thatcher commented:

[W]e can now look forward to a serious discussion of the future development of the Community in Milan in June, in the light of the Dooge Committee’s Report. We in the

³⁰⁹ Charles D. POWELL, *Letter to Colin Budd*, 13 May 1985, PREM 19/1486.

³¹⁰ *The Enlarged Community*, an FCO paper requested by Thatcher, 13 May 1985, PREM 19/1486 f33.

United Kingdom are enthusiasts for the completion of the Common Market and will be working very hard for that.

[...] The communique charges the Commission with coming up with an action programme. [...] we are not interested in changing the Treaty as far as majority voting is concerned and obviously, the unanimity will have to remain for major things, and also where there is a vital national interest on any particular matter, I think we would most of us agree that we must continue the debate until that vital national interest is taken into account. But once you have said that, there are quite a number of things that can be done within the present treaty.³¹¹

The Brussels meeting conclusions laid particular emphasis on actions to achieve a single large market by 1992, not expressing Mr. Delors' siege on the need to choose the options which would enable the Community to go beyond the Treaty of Rome but calling "upon the Commission to draw up a detailed programme with a specific timetable before its next meeting" in June.³¹² Thus, there was much for the UK to play for, and for the British to demonstrate they had clear ideas on where they want the Community to go.

To "maintain a close partnership between the British and German governments", an Anglo-German summit had been organised in Bonn on 18 January 1985, with no substantial agreement but on the completion of the internal market.³¹³ Chancellor Kohl was then invited to Chequers before the European Council meeting in June. Guidelines for the discussion with the German representatives before the June

³¹¹ Margaret THATCHER, *Press Conference after Brussels European Council*, 30 March 1985, TFA 106004.

³¹² *Brussels European Council, Presidency Conclusions*, 30 March 1985, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

³¹³ *No.10 record of conversation*, 18 January 1985, PREM 19/1765 f64.

European Council meeting in Milan had to be, following Thatcher's Personal Advisor for Foreign Policy,

priority for completing the internal market; no more powers for the European Parliament; more use of majority voting where the Treaty already provides for it, subject to the Luxembourg compromise being formalised. [...] whether we succeed in channelling the debate on the future of the European Community. [...] On the one hand we have to convince the Euro-enthusiasts if not the Euro-fanatics that Britain is prepared to move ahead. On the other we don't want to succumb to the drivel about European union.³¹⁴

Britain had already got the Community moving on the internal market; political co-operation was the other area where Thatcher's government hoped to be able to "give a lead and conduct the debate without giving away anything essential".³¹⁵ Thatcher's entourage had long been aware that Chancellor Kohl was deeply interested in fostering political cooperation, as demonstrated by the paper presented to the Dooge Committee by the German representative Jürgen Ruhfus, which had been deeply analysed by the British.³¹⁶

During Chancellor Kohl's visit at Chequers on 18 May, with these suggestions in mind, Thatcher, aware that the future development of the Community would be the main issue for the European Council at Milan in June, insisted that the areas where substantial progress was possible were two: the completion of the internal market, on which the Commission was also working, and for which the government had prepared a timetable; and political co-operation, for which she handed over the German officials a British draft of agreement, not yet shown

³¹⁴ Charles D. POWELL, *Letter to the Prime Minister*, 3 May 1985, PREM 19/1468 f254.

³¹⁵ *ibid.*

³¹⁶ Colin BUDD, *Letter to Charles D. Powell*, 12 November 1984, PREM19/1478 f374.

to anyone else, which Kohl urged to put to the French as well, hoping that “the UK, France, and the FRG could get together to work up ideas which all three of them could sponsor at the Milan European Council”, very much agreeing “on the desirability of a formal Agreement on Political Co-operation”.³¹⁷

Conscious of the several positions of the other member states, ranging from the Italians and Benelux wanting to see a conference launched to amend the treaties with “some catch-all treaty on European Union”, to the French, interested in portraying themselves as willing to intensify European cooperation, great importance was attached to this paper. In the intent of the Foreign Office, which set the document, the aim would be to ensure that the discussion “which will be engaged anyway on the formalisation of political cooperation” would take place on the basis of British ideas: “by giving the Milan summit a substantial programme of work in this area, it could also reduce the pressure for progress on other parts of the Dooge Committee Report which are less acceptable to us”.³¹⁸

This would be an agreement between member states which would leave political cooperation in the same relationship to Community activity as present; and not part of the Community law “the provisions of this agreement shall not affect the provisions of the treaties establishing the European Communities”.³¹⁹

Following the FCO, the purpose of the European Political Cooperation, although it took place outside the framework of the

³¹⁷ *No.10 record of conversation between Prime Minister Thatcher and Chancellor Kohl*, 18 May 1985, PREM 19/1507 f194.

³¹⁸ Geoffrey HOWE, *Letter to the Prime Minister*, 26 April 1985, PREM 19/1507 f292. Underlined in the original.

³¹⁹ *Draft agreement on Political Cooperation*, PREM 19/1507.

Community Treaties, had been to maximise the influence in international affairs of the member states. At the time, political cooperation took place at four levels: working groups of experts from the Twelve foreign ministries and the Commission prepared reports and recommendations for the Political Committee; this met once a month to consider those reports and to prepare for Ministerial discussions; Foreign Ministers held four meetings a year, to agree on joint statements or common actions and to deal with urgent Community business, plus two meetings a year to discuss issues of broader political significance; and then there was the discussion about Political Cooperation being conducted by Heads of State or Government within the European Council meetings, to lay down general political guidelines. The British Government judged, at a time when the working of the Community was coming under scrutiny, “the member states should also seek to build on what had been achieved in Political Cooperation and set it on the firmer foundation of a formal international agreement”.³²⁰

This draft “simply codified and set down in formal language what was being already done, without restricting the national independence of action”, nor providing for any amendment to the existing Treaties.³²¹ A coherent position Thatcher would maintain at Milan, refusing any Treaty amendment, and insisting on the furthering of European integration following the Treaty of Rome the UK had devoted itself to, becoming Member of the Community in 1973.

Recognising the fact that the Council needed an improvement in decision-making procedures, the Conservatives supported the increased

³²⁰ *European Political Cooperation*, Memorandum by the Foreign and Commonwealth Office, 5 December 1985, FCO/FAC/15/85, HAEU HW25.

³²¹ Charles D. POWELL, *Letter to the Prime Minister*, 3 May 1985, PREM 19/1468 f254.

use of majority voting, *where the Treaties so provided*; but they had committed themselves insisting, in the Conservative Manifesto for the European elections of 1984, that

Member States should retain the right to protect their vital national interests in the Council of Ministers by being able to invoke, where necessary, the principle of unanimity [...] however to be used only as a last resort.³²²

At this point, the FCO pragmatically suggested to emphasise that the fundamental political reality was that no government was actually prepared to permit itself to be voted down in the Council on a matter of major importance to it. Moreover, this would be “fatally damaging to the cohesion of the Community”, and for this reason, Thatcher’s government declared ready to see established a procedure to prevent abuse, the same Mr. Rifkind had introduced in the Dooge Report: it would require any government which invoked the Luxembourg Compromise to explain fully and formally what very important national interests were to be at stake.³²³ What was required, in the UK’s view, was not to amend the Treaties but to apply them, reinforcing political cooperation, improving decision taking in real and practical ways; and completing the common market. At the same time, the UK proposal would appeal to the Germans because it was an agreement and should be ‘a step forward’, demonstrating that Britain was not “a backmarker on European union”.³²⁴ In the end, the paper was considered so pro-Europe that it would have been a surprise in Milan.

³²² 1984 Conservative General Election Manifesto, THCR 2/7/4/5/£3.

³²³ FCO European Community Department briefing for Prime Minister before the meeting with Chancellor Kohl, 16 May 1985, PREM 19/1507.

³²⁴ POWELL, Letter to the Prime Minister 3 May 1985.

Few days before the Milan meeting, FCO Secretary Howe briefed the Prime Minister with the impressions he received at an informal meeting of Community Foreign Ministers at Stresa, on 8-9 June 1985. He had there circulated the same paper Thatcher had given to Kohl, and felt confident for having had a good deal of success:

[I]n more realistic directions we could accept, and have indeed been able to gain the initiative by putting forward practical proposals of our own. [...] In all my colleagues I have found keen interest in our ideas and a recognition that we are making an important and positive contribution which has made a real impact on others.³²⁵

In Stresa, the Italians had adopted “a maximalist position”, proposing to call an IGC to conclude a new treaty on progress towards European union. This was a position that Howe thought would not find general acceptance, reason why he suggested to insist that “final agreements could be reached at the European Council (which might itself be described as a ‘conference’ for this purpose) on 3-4 December in Luxembourg”. The FCO Secretary suggested to promote their decision taking procedure on the basis that

it would enable the Community to improve its decision-making procedures without having to go through the immensely difficult and laborious process of Treaty amendment which would require the agreement of all twelve governments and all the national parliaments.³²⁶

On the Common Market, the UK had got it accepted that its completion must be the highest of all the Community’s priorities, also given Delors’ support and the fact that

³²⁵ Geoffrey HOWE, *Minute to Prime Minister Thatcher*, 25 June 1985, PREM 19/1491 f105, underlined as done by Thatcher in the original.

³²⁶ *ibid.*

the Commission, prompted by Arthur Cockfield, have come forward with proposals which are excellent in many respects, but unduly ambitious and unrealistic in others [as they] will pose substantial difficulties for all Member States, particularly in relation to tax approximation and the ultimate goal of abolishing intra-Community frontiers.

We must use the European Council and the Commission's White Paper to keep up the momentum in the areas of interest to us. [...] We must not permit our own reservations on parts of the Commission's paper to be used as an alibi by others (including the Germans) to frustrate progress towards completion of the internal market in other areas.

We will not agree on Treaty amendment or any extension of the Parliament's powers. [...] Other heads of government, including Kohl and led by Craxi, will be under their own political pressures to demonstrate that the Parliament is being taken seriously and will contend that a directly elected body cannot be confined to a largely consultative role. Most of them, however, want to change the appearance rather than the reality, since others share our concern that ideas of joint decision-taking would result in no decisions being taken at all.

[...] The French would be glad to portray us as the main opponents of doing anything for the Parliament, though they do not want to do much for it themselves.

[...] Others of course will claim that they could go further. There will be calls for further steps towards 'European Union' etc and strong pressure for the extension of majority voting.³²⁷

Howe came back from Stresa with the best hopes for the Milan European Council. His impression was that, with the perspectives opened by the Dooge Report and the support of the Commission the

³²⁷ *ibid.*

objectives the UK had for the completion of the internal market were to be fulfilled soon.

Overall, his advice was to place emphasis on what could be accepted rather than what Thatcher thought could and should be done; and this suggestion would permeate the whole attitude of the FCO and the insights this office would give to Thatcher who, though, had those days a very clear idea of what Britain should achieve in Milan:

The European Council's forthcoming meeting at Milan will be of great importance for the future development of the European Community. The United Kingdom will do everything possible to achieve progress in several areas.

[We] need to complete the common market for goods and services as laid down in the EC Treaty. This is vital for wealth and job creation. We need a specific timetable covering the removal of obstacles to the free movement of goods, a free market in financial and other services, full freedom of establishment and a liberalised, freely competitive transport market.

We also believe the time has come to strengthen the co-operation in foreign policy. I hope the Milan European Council will decide on a binding agreement on political co-operation. This agreement would include a commitment to consult on major foreign policy issues including political aspects of security.

Practical improvements in decision making will be needed in a Community of Twelve. We believe the Council should have greater recourse to majority voting where the treaty so provides; that Member States should make greater use of the abstention procedures under Article 148; that where the European Council decides on particular objectives it might also agree that Member States would aim not to impede progress by invoking the unanimity requirements; and that any Member State asking for a vote to be deferred should be required to explain in a special and formal procedure of the General

Affairs Council why it considers a very important interest to be at stake.

We have a real opportunity at Milan to take decisions which will strengthen the Community's competitive position, improve the working of the Community's institutions, including the relationship between the European Parliament and the Council and lead to greater unity, both internally and externally in practical ways. We know that needs to be done. We now need the political will to take decisions in those areas. I am ready to take decisions at Milan.³²⁸

It can be argued that, in this phase, the Prime Minister was willing to compromise with the other European leaders, mainly thanks to the support of the FCO; but, on the long run, the attitude of Whitehall or the pragmatism she needed as a politician could have pushed her to accept several, minor, aspects of the European integration process which, at the moment, she accepted for the internal market's sake, but that she would regret in the late years of her premiership.

Unfortunately, on the afternoon of 27 June, less than 24 hours before the beginning of the Milan meeting, the German government announced they had prepared the text of a draft Treaty on European Union, agreed with the French Government, to be tabled at the European Council the following day. The draft paper was entirely based on the draft agreement on Po-Co Thatcher had handed to Kohl in May with little modifications and a change of title.³²⁹ On the two "vital" questions of decision-taking and the European Parliament the substantive suggestions were very closely in line with those of the UK,

³²⁸ Margaret THATCHER, *Letter to Professor Karl Carstens*, Chairman of the Action Committee for Europe, 25 June 1985, PREM19/1492 f5.

³²⁹ *Draft Treaty o[n] European Union*, Franco-German version circulated before the European Council in Milan, 27 June 1985, PREM 19/1492 f107.

with no indication of any increase in the powers of the Parliament.³³⁰ Fact that would make the proposal in large part acceptable to the UK, but would also show that it was France and Germany in the driving seat, if it true that, as a German colleague commented to the British ambassador to the Netherlands, “it was politically impossible for Germany to be seen accepting Britain as wresting the leadership of Europe from France and Germany”.³³¹

The intergovernmental approach, though, which insisted on keeping the decision making at the level of the Heads of State or Government and would set up – both in the UK’s and Franco-German proposals – a political secretariat, external to Community’s institutions, did not please Delors, nor the Benelux countries, which expected a more ‘communitarian’ approach, and would support the Treaty amendment. The same day, another memorandum was circulated by the French, who were anxious to demonstrate they were an asset in terms of integration. It focussed on the improvement of European institutions and decision-making processes as a prerequisite “vers l’Union Européenne définie at Stuttgart”, which the British never envisaged, and the proposal “par une modification formelle des traités soit par simple décision du Conseil Européen”:

la France souhaite que soit créée, sans plus tarder, une Union Européenne réunissant les communautés fonctionnant selon leurs règles propres et la coopération politique entre les États members”.³³²

³³⁰ David WILLIAMSON, *Letter to C. D. Powell*, 27 June 1985, PREM19/1492 f213.

³³¹ UK REPRESENTATIVES (UKREP) LE HAGUE, *Telegram to the FCO*, 5 July 1985, PREM 19/1492 f21.

³³² *Mémoire pour un progrès de la construction de l’Europe*, 27 June 1985, PREM19/1492 f213. “By a formal amendment of the Treaties, or by a simple decision of the

The European Council meeting at Milan on 28-29 June 1985, where the Heads of State or Government were accompanied by their Foreign Ministers and the Commission was represented by President Delors and Vice-President Lorenzo Natali, was described by the UK Representatives in Milan as “a long and increasingly bad-tempered Council from which the Presidency secured a Pyrrhic victory in the form of an inter-governmental conference, [...] helped by uncertain French and German tactics forced through a [majority] vote”.³³³

It opened, following the informal record presented by the FCO, which circulated for the staff’s own background information, with a discussion on the institutions.³³⁴ The Italian Prime Minister Craxi, who held the Presidency of the Council for the semester, pointed out that, although everyone agreed on the need for more efficient decision-making procedures, there was an exaggerated degree of differences of opinion on the methods; for this reason, negotiations at the political level could take the form of an inter-governmental conference, to which German Chancellor Kohl appeared open to, together with the representatives of Belgium, Ireland, The Netherlands, Luxembourg and France; who saw no need for postponing decisions were Greece’s and Denmark’s delegations, who supported UK’s proposal also about political cooperation and the European Parliament.

On the contrary, the speech given by President Delors stressed the need for a Treaty amendment as a condition to progress on the

European Council: with many others, France wants to create, without further delay, a European Union bringing together communities operating according to their own rules and political cooperation between Member States”.

³³³ UKREP BRUSSELS, *Telegram to the FCO*, 29 June 1985, FCO30/6306 f23.

³³⁴ *FCO informal record of conversation of the Milan European Council (28-29 June 1985)*, 28 June 1985, FCO30/6307 f22.

implementation of proposals for the internal market; in particular, an amendment which should be done following the Dooge Report and decided with an IGC. Thatcher's intervention followed the briefing she received by her collaborators, remarking her impression that

the Community had shown its capacity to take decisions over the last year. The Milan Council was the occasion to strengthen its unity internally through completion of the Common Market and improved decision taking and externally through the strengthening of political co-operation. The internal market was now a priority objective. The Commission's White Paper was a major contribution to this. [...] the priorities were the removal of obstacle to free movement of goods; the creation of a free market in financial and other services; full freedom of establishment; and a liberalised transport market. There were feasible near-term priorities compared with tax approximation, which would pose enormous difficulties for all Member States, and the abolition of frontier controls, where action had to be reconciled with the need for protection against terrorism, drugs, and illegal immigration.³³⁵

The Prime Minister widely remarked the fact that the European Council, if used to full advantage, should give strategic direction by setting the Community's priorities and taking decisions during its meetings; there was thus no need to remit to an IGC, neither to amend the Treaty.

Following the UK representatives' telegram to FCO, the Prime Minister took a quiet line, only criticising some ideas of the "revised version" of a paper which, it was remarked, received a generally favourable reception.³³⁶ A further report of the FCO said Thatcher "did

³³⁵ *ibid.*

³³⁶ UKREP BRUSSELS, *Telegram to the FCO*, 29 June 1985.

not exclude agreeing on the title provided the content was satisfactory”.³³⁷

Thatcher also advanced a comment of that Franco-German proposal the two delegations had, in everyone’s opinion, stolen from the British, and based pretty well verbatim on the UK proposals.³³⁸

The main difference between the two versions was the preamble, where the Franco-German paper stated that the aim was “to transform without further delay the body of relations between the [Member] states into a European Union” and “to implement European Union, of which this Treaty constitutes a new milestone”.³³⁹

The debate among the Heads of State or Government and the Foreign Ministers continued for two days, with the Italians, backing the Germans’ proposal, insisting on calling an IGC to prepare a draft Treaty on European Union by 31 October for discussion at Luxembourg, even if it needed to be called at majority. The UK delegation, including the Prime Minister and the FCO Secretary Howe, restated their position, claiming that the Council should concentrate on the specific decisions which could be reached in the four areas under consideration, with no need for Treaty amendment or an IGC; what they wanted to see was the Treaty implemented.³⁴⁰

Thatcher’s protests were of no worth, neither about the fact that, being the only purpose of an IGC under Article 236 of the Treaty was to make Treaty amendment, the formal procedures had not been followed and the Parliament had to be consulted; not about her claim

³³⁷ Robin RENWICK, Assistant Under-Secretary of State for European affairs, FCO, *Letter to Michael Butler*, UK Representative to the EC, 5 July 1985, FCO30/6307 f60.

³³⁸ FCO *informal record of conversation of the Milan European Council (28-29 June 1985)*.

³³⁹ *Draft Treaty o[n] European Union*, Franco-German version.

³⁴⁰ RENWICK, *Letter to Michael Butler*.

that the Council had so far reached its conclusions by unanimity. The President of the Council, Mr. Craxi, concluded that a conference must be called, action which could be arranged by majority vote, at discretion of the Presidency, with the Italian Foreign Minister Andreotti suggesting Thatcher that the UK could always abstain under Article 148. Mr. Andreotti then called a formal vote, for the first time in the history of the European Council. The representatives of the UK, Greece, and Denmark voted against.

Agreements were reached on technology, for which an ad hoc committee was instituted, and on the internal market, with a mandate for the Foreign Affairs General Council to draw up precise action programme to complete single market by 1992 on the basis of the Commission's White Paper. There was not time to face any political cooperation issue, as long as the Italians, with Thatcher completely disagreeing, were determined to keep discussion both of political cooperation and Treaty amendments in the same IGC.

The conclusions of the meeting, which the Heads of State or Government spent half of 29 June to agree,

confirmed the need to improve the operations of the Community in order to give concrete form to the objectives it has set itself, in particular as regards the completion of the internal market by 1992.

The European Council discussed in detail the convening of a conference to work out the following with a view to achieving concrete progress on European Union: [...] the amendments to the EEC Treaty in accordance with Article 236 of that Treaty, required for the implementation of institutional changes concerning the Council's decision-making procedure, the Commission's executive power and the powers of the European Parliament and the extension to the new spheres of

activity in accordance with the proposals of the Dooge Committee and the Adonnino Committee.³⁴¹

There was no way, having been the discussion about the decision-making postponed to the IGC, to include any of the suggestions the UK delegation had circulated, regarding the possibility to prefer “a pragmatic procedure based on undertakings to be given in the context of the European Council” to the Treaty amendments; the greater use of abstention “as provided for by Article 148(3) of the EC Treaty so as not to prevent the adoption by the Council of Acts which require unanimity”; the maintenance of the Luxembourg Compromise for the defence of a vital interest of a nation, with the need to “explain fully and formally why the Government considered very important interests in fact to be at stake”.³⁴² In this document, regarding the suggested adjustments to the conclusions, it can be found the same label, “European Union”, which would be present in the official conclusions and which the UK delegations had condemned in the French memorandum and in the Franco-German draft Treaty. Thatcher did not like that term, but she would dismiss it, during the parliamentary debate, as a minor point, “a term that is used very loosely. It causes great confusion. Its meaning is not precise”.³⁴³

During the European Council in Milan, “after rushed discussion”, the Heads of State or Government welcomed and approved the Commission’s White Paper on completing the internal market.³⁴⁴ Since

³⁴¹ *Milan European Council, Presidency Conclusions*, 29 June 1985. <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

³⁴² *European Council draft Conclusions: suggested amendments by the United Kingdom – Institutional Affairs*, 1 July 1985, PREM 19/1492 f150.

³⁴³ Margaret THATCHER, *Statement to the House of Commons*, 2 July 1985, Hansard HC [82/185-99].

³⁴⁴ UKREP BRUSSELS, *Telegram to the FCO*, 29 June 1985, FCO30/6306 f23.

the very beginning of his mandate, Lord Cockfield had devoted himself to the writing of this paper, titled *Completing the Internal Market*, which listed and defined the essential steps for the completion of a European single market to be implemented before the end of 1992. The paper was divided into two sections with 222 points and was guided by three fundamental directives: 1) the implementation of commercial transactions between member states with the same criteria as transactions carried out within each State; 2) the harmonization of indirect taxation; 3) the elimination of distortions in the competition regime and the fight against tax fraud. The document concluded with a detailed agenda of measures and functional stages to the process, which aimed at the gradual removal of physical, technical, and fiscal barriers between the member states of the EEC with a precise timetable described in the annex.³⁴⁵ The plan was, for President Delors, part of a strategy aimed at relaunching the European integration process that had stalled during the 1970s. Delors himself remembered in his *Mémoires* that, in the preface to the *White Paper*, the Commission referred to

indispensables politiques d'accompagnement, comme le renforcement du Système monétaire européen, la relance du dialogue social, la convergence des politiques économiques, la solidarité entre les régions. J'avais insisté sur cette introduction en prévision des batailles qui allaient être menées pour la réforme du traité et pour le renforcement des politiques communes.³⁴⁶

³⁴⁵ THE EUROPEAN COMMISSION, *Completing the Internal Market*, White Paper from the Commission to the European Council, Milan, 14 June 1985, COM (85) 310.

³⁴⁶ DELORS, *Mémoires*, 205. "Essential accompanying policies, such as the European Monetary System, the revival of social dialogue, the convergence of economic policies and solidarity between the regions. I insisted on this introduction in anticipation of the battles that would be waged for the reform of the treaty and for the strengthening of common policies".

The fields and measures which the Council considered to be of high priority were the same as indicated by the British: (i) the removal of physical barriers to the free movement of goods within the Community; (ii) the removal of technical barriers to the free movement of goods within the Community (in particular the adoption of common or compatible standards for major new technologies in order to open up public purchasing and satisfy the needs of the economy); (iii) the creation of a free market in the financial services and transport sectors; (iv) the creation of full freedom of establishment for the professions; and (v) the liberalization of capital movements. As regards to the method, the Council recommended

the application whenever the situation permits of the principle of the general equivalence of the Member States' legislative objectives and of its corollaries: the fixing of minimum standards, mutual recognition, and monitoring by the country of origin; an undertaking on the part of the Member States not to take measures, throughout the realization of the programme, that would have the effect of delaying the Community's achievement of the above objective.³⁴⁷

Several governments connived at a watering down of the Commission's ideas on tax harmonisation, which did not feature among the priority targets set by the Council; the Economic and Financial Affairs Council (ECOFIN), composed of the economics and finance ministers of the member states, was tasked with "examining the measures which could be necessary to achieve the objectives of a single market and a possible time-table for the implementation of these

³⁴⁷ *European Council in Milan (28-29 June 1985), Conclusions of the Presidency*, Bulletin of the European Communities, No. 6/1985.

measures”.³⁴⁸ Overall, the opinion of the British representatives on the European Council meeting in Milan was that

the vote on IGC had given the Italian Presidency the only institutional decision which they wanted to get out of Milan, [realising] that Article 236 provided a means of isolating the UK, Denmark, and Greece. [...] The French and Germans had remained fatally ambivalent, actively discussing a package of decisions while at the same time concerned to ensure that they were not sold as British triumph.³⁴⁹

Nonetheless, at the press conference after the meeting, Thatcher confirmed her disappointment that there should be a conference to discuss treaty amendment and political cooperation, subjects that, she had made clear during the discussion, should be kept separate, while the Benelux and Italy had taken the line that they would not agree to a new Treaty on political cooperation unless there were also some changes to the Treaty of Rome. Nor did she agree that any treaty amendment was necessary or likely to be reached in a conference if it could not be reached between the Heads of State or Government themselves.

Her notes for the press conference insisted on Britain’s proactive attitude, demonstrated by the paper the French and the Germans had modified and circulated. She aimed at taking decisions, “or at the very least, providing strategic direction for final decisions in Luxembourg in December”, in any case within a European Council meeting.³⁵⁰ When she referred to the impetus, she meant real progress towards completing the internal market, for which, as she had said in several occasions, the

³⁴⁸ *ibid.*

³⁴⁹ FCO *informal record of conversation of the Milan European Council (28-29 June 1985)*.

³⁵⁰ Margaret THATCHER, *Notes for Milan European Council press conference*, 29 June 1985, THCR 1/8/10 f8.

Treaty laid the requirements for – what missed was the full implementation of the Treaty itself.

With the press, Thatcher reiterated her positive and pragmatic approach for realising the priority objectives set by the Council, without the need for any Treaty amendment or procrastination:

We from Britain came here with high hopes. We are a very practical people. We had negotiated with our partners and were prepared to take decisions which would have meant progress in the Community on practical steps forward – practical steps within the existing Community on how best to take decisions; practical steps on the internal market; practical steps on cooperation technologically; practical steps on how better to cooperate politically. [...] but as far as decisions on taking the Community forward is concerned, on the practical proposals we could have implemented and on the political cooperation we could have agreed, we have not in fact made the progress we sought and would have wished.

Others have postponed it to another conference. We have taken the view that if we, as Heads of Government, cannot decide why should another conference which consists of people far less than Heads of Government elsewhere, how should they be able to decide? Nevertheless, the other view prevailed, and we must go to that intergovernmental conference.³⁵¹

The Prime Minister insisted on the need to implement the Treaty of Rome at the full of its capacities. She had committed herself to that Treaty, being a Minister of the Government that signed it in 1971 and supporting the ‘Remain’ option at the Referendum in 1975; and she was convinced the internal market could be completed with practical

³⁵¹ Margaret THATCHER, *Press Conference after Milan European Council*, 29 June 1985, TFA 106082.

proposals deduced from that Treaty, without the need for any amendment or further institutionalisation:

My view of it is this: it will try to tackle amendments to the treaty. We do not believe you need amendments to this great treaty. The treaty itself is not yet fully operative. Let us explore and make it fully operative. If you go for a conference to change the treaty, any changes have to be endorsed unanimously and go before each of the parliaments. We do not believe that is necessary.³⁵²

In her opinion, although at Milan it was placed once again squarely in a minority, Britain had proved its credentials as a good European partner, demonstrating to be ready and fully convinced to participate in the integration process with an active attitude, as the government had been demonstrating since the Fontainebleau European Council of June 1984, with the circulation of papers and proposals for the advancing of European integration.

We British have occasion to be very very European. We have been part of Europe over the centuries. We believe that Europe could play a far larger, more significant, more influential part in the affairs of the world than she is playing now. It was our objective to achieve that. [...] our objectives [are]: to make Europe more influential, to make Europe more prosperous, to make Europe more important technologically, to make Europe have a higher standard of living and create more jobs.³⁵³

Thatcher also remarked her belief that it was to the Heads of State or Government, in representation of their citizens, who had chosen to elect them, to decide for their countries – coherently with her view of a European Community made of sovereign states working together for a

³⁵² *ibid.*

³⁵³ *ibid.*

common purpose but preserving their single interests, but also with her strong idea of democratic representation:

To make progress, we do not need amendments to the treaty – we need to use the treaty to the full extent, particularly on the internal market, and to use it to the full extent on majority voting, rather than to a fuller extent, than it is now, but also to honour the Luxembourg compromise.

Treaty amendments, as you know, can only be made by unanimous decision. There is not unanimity in the decision to call an intergovernmental conference. I do not think that bodes well for the future of the conference. I think it will delay decisions which we could have taken today. I am not a procrastinator. I believe in taking decisions with Heads of Government now.³⁵⁴

During the interviews she gave right after the Council meeting, addressed to her national audience, Thatcher reaffirmed the same issues, emphasising, in particular, her capacity to defend Britain's interests, without resulting parochial:

I have been firm. I have been firm in what I believe are Britain's interests. Firm in what I believe is best for Europe and instead of putting forward airy-fairy things and pushing off everything else to some conference over there. [...] I want to make the existing treaty work. I want to make it work because if we do make it work properly there are more jobs, there is a bigger market, there are more jobs for our people. I am practical. Let us make steady progress. They somehow wanted some great new objective.³⁵⁵

[W]e are very practical people we British and so we came with very practical proposals. The important thing was to make progress. Others did not take that view. They

³⁵⁴ *ibid.*

³⁵⁵ Margaret THATCHER, *TV interview for ITN*, 29 June 1985, TFA 106083.

wanted to put it all off to some great conference I am afraid, which will waste a lot of time and forego the progress we could have made this time.

[I]f you are really to get on with ten nations or twelve nations in Europe, you have got to be certain that your own really vital national interests are not only considered, but they could hold up an agreement, and I go there as representative of the British Parliament. I go there because I am responsible to the British Parliament and everyone else there was there because they are responsible to their Parliaments. [...] if there is something that is vital in our national interest, then the fact is that apart from the rhetoric it does not matter whether you are French, German or British, if there some vital national interest you will say: "We cannot agree!"³⁵⁶

Few days later, in her statement in Parliament, being accused, from the Labour opposition, to have put Britain in an awkward position, Thatcher made clear the UK would participate constructively in a conference, even though her government thought any treaty amendment was unnecessary. Rather than attempting to change the constitution, their proposals were intended to implement the framework in which it operates. In particular, she outlined how much the British proposals had been useful for the positive advancing of discussion on what she considered the priority objective both for Europe and for British interests to be fulfilled: the completion of the internal market.

[T]here is a very large report before us, put up by our own Commissioner, on the internal market. It is absolutely vital that the European Council decides what priorities in that report be pursued first. [...] If the internal market is completed, it will provide more jobs for this country, in both financial services and insurance. [...] Mr. Delors is

³⁵⁶ Margaret THATCHER, *Radio Interview for BBC*, 29 June 1985, TFA 105889.

proposing to put forward a new report along the lines that I have outlined.

[...] We had two proposals before us in Milan, one from ourselves for a treaty on political co-operation and a Franco-German proposal that was almost identical save in regard to three minor points, entitled “A Treaty on European Union”. It was not that at all but an agreement on political co-operation. [...] the proposals on the internal market, and the priorities which the European Council decided upon, were those that we put forward to the European Council and which it accepted. Those are the proposals which together with minor modifications by France and Germany, are likely to be accepted. That is really not a bad start.³⁵⁷

What she was, and always was, devoted to was what she perceived as the interests of the British, who had elected her twice, would elect her for a third time soon, and she represented as Prime Minister.

Thatcher strongly believed that it was in Britain’s interest, not only on the trading side, to be in the European Community and, in particular, in the Common Market to secure the full working of the EEC Treaty, especially with regard to the internal market, but also to enhance the influence of Europe throughout the world.

This was her objectives. She claimed to pursue her goals without the great deal of rhetoric that the other European partners often used in the official meetings: “when we look at specific examples and specific cases most countries take into account their own interests and their accountability to their sovereign Parliaments”.³⁵⁸

Exactly as Thatcher wanted to do, in a way she reclaimed genuine. As a politician, though, she needed to adapt her objectives pragmatically

³⁵⁷ Margaret THATCHER, *Statement to the House of Commons*, 2 July 1985, Hansard HC [82/185-99].

³⁵⁸ *ibid.*

to the expectations of her Cabinet, first, to those of the other European leaders, secondly; and to her electorate, in the ultimate. What she obtained, and what she was forced to compromise, depended on her capacity to balance ideology and pragmatism in trying to pursue the objectives and to safeguard the interests she considered vital for the country she served.

3.2.1. The Milan European Council and the IGC – Diggin’ her heels in

Thatcher loved to seem coherent and combative, even at the cost of appearing isolated; situation that, although difficult to manage, often increased her aura of a hero who fought to defend the interests of the nation and was therefore very useful to his fame as the Iron lady. Nonetheless, she must reckon with her collaborators and with the claims of the political actors she dealt with, whose attitudes were, very often, more conciliatory than hers.

In mid-1985 everyone in the government agreed that, after Fontainebleau and in sight for the completion of the internal market, the UK needed to be able to exercise effective influence over the European partners, showing a positive attitude, to ensure Britain remain a core member of the enlarged Community, able to preserve its interests as long as to shape Community policies. As she remembered in her memoirs, although “annoyed with what happened in Milan”, and not agreeing with the decision to organise an IGC, Thatcher was willing to take an active part in it, in order to secure Britain’s interests at best:

[W]e agreed with the aims of enhanced political cooperation and the Single Market; we disagreed only with the means (i.e., the IGC) to effect them. I believed that it was better to argue our case at the earlier stage, either in the Council or in the IGC, rather than in the last ditch, when the proposal had become an amendment to the Treaty of Rome. My calculations here, however, depended upon fair dealing and good faith in discussion between heads of government and the Commission. As time went on, I have reason to question both.³⁵⁹

Sending his reflections to the Prime Minister after the European Council meeting in Milan, where he had participated with her, FCO Secretary Howe admitted his impression that France and Germany were determined to isolate Britain showing themselves ready to go further than the UK on European integration. For this reason, Howe agreed that they

shall of course participate fully and put forward our own ideas in the further discussions, though what is required in our view is decisions on changes that would make a practical difference to the functioning of the Community and enable it to achieve the goals set out in the Treaties.³⁶⁰

It can be argued that Howe was questioning Thatcher's intransigent attitude and asking her to be more indulgent in form if not in substance. For example, during the press conference right after the Milan European Council Thatcher had affirmed more than once that she did not believe any Treaty amendment was necessary; nonetheless, during the Parliamentary debate, to a Labour MP asking whether she would oppose, at the IGC, *any* amendments to the Treaty of Rome, the Prime Minister's answer had been pretty nuanced:

³⁵⁹ THATCHER, *The Downing Street Years*, 551.

³⁶⁰ Geoffrey HOWE, *Letter to the Prime Minister*, 1 July 1985, PREM 19/1492 f71.

We must go to that intergovernmental conference and consider what is put before us. The statement I made at the European Council was on the matters before us. I saw no reason for amendment of the Treaty.³⁶¹

Thus, already on 17 July, C. D. Powell, Thatcher's Private Secretary for Foreign Affairs, was trying to convince her to smooth her position:

It was suggested that you and the Foreign Secretary had different views on amendment to the Treaty of Rome. It was felt that while the Foreign Secretary had carefully not closed the door to amendment, you had comprehensively ruled it out. You have certainly said in the House that you do not see a need to amend the Treaty in order to improve the functioning of the Community. You have also spoken against specific proposals for amendment to Articles 57(2), 99 and 100. [...] But I cannot find any record of you having *absolutely* excluded amendment.

In my view, this is wise. We do not want to go into an inter-governmental conference with our hands completely tied. [...] there is no immediate need for any comment or statement. But it would be helpful to have confirmation that your view is that we see no present need for Treaty amendment [as presented] at Milan, but we are ready to examine any proposals which may be put forwards in future on their merits.³⁶²

This strategy was meant to obtain a better position in the IGC, as it was recognised that any country has more influence on the debate if it shows itself not totally intransigent.

The day after, to the question "Prime Minister, were you content with this?", Thatcher's answer would be: "More or less".³⁶³ Once again, she would surrender another minor point in order to show Britain was

³⁶¹ THATCHER, *Statement to the House of Commons*, 2 July 1985.

³⁶² Charles D. POWELL, *Letter to the Prime Minister*, 17 July 1985, PREM 19/1480.

³⁶³ Charles D. POWELL, *Letter to the Prime Minister*, 18 July 1985, PREM 19/1480.

committed to European integration, not only for what concerned the completion of the internal market, but with this very goal in mind. Following Sir Colin Budd, former Private Secretary of the FCO Secretary Howe, this strategy is not to be interpreted as yielding but simply, to a degree, as keeping an open mind – in the best tradition of British pragmatism.³⁶⁴

Following Howe, the UK must show itself willing to negotiate and accept compromises, in order not to be put aside by the other member states which might aim, at that point, to pursue ambitious proposals Britain could not accept. By participating fully in the IGC, they should draw attention on the issues Thatcher's government thought were important, trying to convince the European partners that Britain's European goals were perfectly compliant with the Treaty everyone had signed, without need for any amendment.

As Foreign Secretary, the participation in the IGC fell to Howe. Reporting on the first meeting of 9 September 1985, he pointed out

There is a desire on the part of most Member States for some form of "Final Act" which might cover both the political cooperation treaty and any treaty changes which could be agreed, but firm commitment with our view that political cooperation cannot be brought within the Community framework.

[...] I said that we remained to be convinced that treaty amendment was necessary. [...] our approach would be an empirical one. We should consider specific proposals on their merits and judge them on whether they would be likely actually to promote improved decision-taking and completion of a genuine common market.³⁶⁵

³⁶⁴ From a personal conversation with Sir Colin Budd, 30 October 2022.

³⁶⁵ Geoffrey HOWE, *Letter to the Prime Minister*, 13 September 1985, PREM 19/1480.

The Prime Minister received the file without commenting. Her – at least apparent – intransigent position had thus to be softened by several of her collaborators. As his ultimate task before retiring as Permanent Representative to the European Communities in Brussels, Sir Michael Butler prepared a report, summarising the first two meetings of the IGC, on 9 September and 21 October. One of the key issues of the document was the urging support for a limited extension of the majority voting related to specific internal market objectives, on the ground that

If we appeared to be opposing changes in decision-taking on the removal of direct obstacles to trade in goods and services, we should risk defeating our own objectives on the internal market.³⁶⁶

On 22 July, on the day of the convening of the IGC, the Commission had published an opinion, advancing its proposals and expectations on an initiative felt as “a logical extension of the project set in train many years ago, necessary [...] in the general context of transition to European Union, to make fresh progress” both on economic and social integration and on foreign policy; two parts of an indivisible whole which should be recognised “by incorporating the proposed new provisions in a single framework”.³⁶⁷ The proposal included institutional changes to increase the involvement of the European Parliament; the extension of majority voting to improve decision making within the Council; and increased executive powers to the Commission, with a particular insistence on the label European ‘Union’.

³⁶⁶ Sir Michael BUTLER, *Report on the Inter-governmental Conference*, 25 October 1985, PREM 19/1480.

³⁶⁷ THE EUROPEAN COMMISSION, *Opinion on the convening of an intergovernmental conference*, 22 July 1985, «Bulletin of the European Communities» 1985, No. 7.

The report had soon been complemented by a speech President Delors gave to the first meeting of the IGC, on 9 September, which he considered an opportunity to take sides concerning the internal market, economic and social cohesion and “a certain degree of solidarity between our member countries”, stating that a “new Act” was needed:

[It] would begin with a Preamble affirming that the European Communities on the one hand and European political cooperation on the other share a single goal, namely, to contribute to the unification of Europe. [...] the adoption of a single Treaty strengthening the concept of European Union would be a valuable symbol of the resolve to attain European Union.³⁶⁸

This preamble, with the hindsight, should have worried the British; but at that time the label ‘European Union’ did not mean anything – or, at least, anything unambiguous to everyone; and Thatcher just thought she had to avoid “this phrase, which allows both nations to pursue their own national interests with respectability”.³⁶⁹

Besides codifying political cooperation, the essential objective was, in Delors’ aim, “to create the conditions for the achievement of a pertinent and efficient economic entity with four essential prerequisites, which ma[d]e up a coherent and interdependent whole”: a genuine large internal market; a command of technology to serve Europe’s productive and social life; economic and social cohesion to limit the negative aspects of the large market; and “a certain monetary capacity”. He would not regret a two-tier Community, where the countries which wished to go further or faster to attain an objective should not be stopped from doing so, seeing this aspect as “a form of positive

³⁶⁸ Jacques DELORS, *Speech in Luxembourg*, 9 September 1985, «Bulletin of the European Communities» 1985, No. 9.

³⁶⁹ THATCHER, *The Downing Street Years*, 553.

differentiation absolutely essential” within an entity which was going to enlarge in few months. Then, defining unanimity as “the dead weight which is crushing the whole Community system”, a “menacing presence producing paralysis”, he proposed to shift to qualified majority voting in relation to the single market, technology, economic and social cohesion, and currency, and whenever “the aim is to attain objectives agreed to in principle by all”.³⁷⁰

Delors’ speech did in fact make it very clear what his expectations and goals were. On the British side, it can be argued that, to complete the internal market, the tactics Butler proposed was to shrink the package on the table of the European Council in December, getting it as close as possible to something Britain could accept, avoiding France and Germany to advance themselves an appealing solution to the other players. He also recommended, in view of the events in Milan, the UK representatives should keep the other member states in the dark about their real intentions, while officials should be allowed to negotiate without commitment to see what was the minimum package which could be achieved. To this, Thatcher’s Private Secretary suggested to keep officials in the dark about their intentions: “They will negotiate the harder if they are uncertain how far you will be ready to go, but suspect it is not very far!”.³⁷¹

This comment accompanied the realisation that Thatcher would want to keep a tight personal control on negotiations, which in fact Howe remembered “she handled all at one remove”. Whether her intransigence was a tactical attitude to push her representatives to fight hard for what she perceived as British interests, or her real position, is

³⁷⁰ DELORS, *Speech in Luxembourg*, 9 September 1985.

³⁷¹ Charles D. POWELL, *Letter to Thatcher*, 25 October 1985, PREM 19/1480.

not possible to clarify. But the perception of her collaborators was, even years later, that EC affairs were hard to handle calmly and constructively under Thatcher, with the FCO eventually standing alone between a parochial Prime Minister and the other European partners made hostile by her attitude. Nonetheless, although different in attitudes – fact which often put Howe in a difficult corner in his European meetings, “devaluing his credibility with other member states with her noise”, and although he felt he had to occasionally manipulate her – at this stage the Prime Minister and her FCO Secretary hold common views on Britain’s position within the Community.³⁷² Howe believed that *an effective* EC was a vital Britain’s interest, and that British participation in the shaping of the Community was essential to make sure that the other players were not hostile, not to Britain nor to its government’s concerns. He wanted Britain to be seen as a committed player which could shape it in a certain direction; that was not a selfish position, and a realistic assessment of Britain’s interests. Following a report prepared by the European Secretariat of the Cabinet Office, the main proposals submitted to the IGC affecting voting procedures were concerned with environment – for which unanimity should be the rule; technology, where the UK wanted unanimity on the overall programme but could accept qualified majority voting for some of the implementing measures; new policies, where no change should be agreed; and the internal market, where unanimity should be maintained, to protect British interests, in taxation, “social engineering”, movement of persons, and public, animal and plant health.³⁷³

³⁷² Geoffrey HOWE, *Interview*, July 1993, HAEU MID-88.

³⁷³ *European Community: Intergovernmental Conference Proposals for Majority Voting*, Note by the European Secretariat, Cabinet Office, 13 November 1985, PREM 19/1480.

This was the line the British would follow in the next meetings, in full accordance with Thatcher's position:

I knew that *I* would have to fight a strong rear-guard action against attempt to weaken Britain's own control over areas of vital national interest to us. I was not going to have majority voting applying, for example, to taxation, which [...] is a crucial element of national sovereignty. I was not prepared to give up powers to control immigration, to combat drug, terrorism, crime, and drug trafficking and to take measures on human, animal and plant health, keeping out carriers of dangerous diseases – all of which required proper frontier controls.³⁷⁴

This mania to present her stance as a lone fighter against Europeans' menace was a later attitude maybe due to the decision to revise all matters concerning the relationship with the EC in a very sharp black or white mood. Nonetheless, the founding reasons for her stance and resistance to certain aspects were, as usual, rationally justified and consistent not only with her belief in the rule of law, but also with her behaving as a British prime minister who believed in a Europe of nation states cooperating for a common interest:

There was, I felt, a perfectly practical argument for this: as an island, it was natural that we apply the necessary controls at our ports and airports rather than internally. Again, this was an essential matter of national sovereignty, for which a government must answer to its Parliament and people. I was prepared to go along with some modest increase in the powers of the European Assembly, which would shortly and somewhat inaccurately be described as a Parliament: but the Council of Ministers, representing governments answerable to national Parliaments, must always have the final say.³⁷⁵

³⁷⁴ THATCHER, *The Downing Street Years*, 555. Italics in the original.

³⁷⁵ *ibid.*

As the matter was still being considered separately, the working paper of the draft Treaty on Political Cooperation presented at the IGC meeting of 19 November 1985 was considered, by the FCO, to command a wide measure of agreement and to be based on Britain's proposals. It retained the essential features of the draft agreement Thatcher had handed to Kohl six months before, the same which was 'stolen' by the French and the Germans to be presented, with another title, at Milan. Following the suggestions already incorporated in that paper, the text now on the table of the IGC formalised existing informal arrangements on political cooperation; avoided any commitment to majority voting "or any other procedure which might hinder us from acting in defence of or promoting essential British interests"; gave no greater role to the European Parliament; did not in any way constrain Britain's freedom of action at the UN Security Council, overcoming the implication in the Franco-German rival draft of the need to coordinate a common position among the Ten in international institutions.

One point which bothered Thatcher was the ultimate aim of the treaty, defined in Article 1 as being "the formulation and implementation of a European foreign/external policy". Although she had expressed a preference for the term 'external' all the other European partners insisted on 'foreign', which also FCO Secretary Howe then considered advantageous, for example to ensure Britain's freedom of manoeuvre in international bodies. Moreover, the briefing paper said, agreement to a general objective related to foreign policy concertation alone would commit the UK "to no more than what is in the subsequent Articles of the treaty, i.e., formalisation of the present

informal arrangements”, while it would leave better place to press for early agreement on the treaty as a whole.³⁷⁶

Thatcher objected the proposed reference in the draft Treaty as follows: “There is no way you can have a European foreign policy without a European defence policy”. But her Private Secretary tried to persuade her on the basis that there would not be any actual common foreign policy, and no legally binding obligations on the foreign policy field. Being the question “really one of Euro-speak”, she could agree to refer to a goal like a European foreign policy knowing it was an unrealisable goal. Both the Milan Conclusions and the Stuttgart Declaration she had signed spoke respectively of “joint action on all main foreign policy questions” and of convening a conference to work out “a Treaty on a common foreign and security policy on the basis of the Franco-German and United Kingdom drafts”.³⁷⁷ In fact, she was never worried about foreign policy cooperation, since it was based on unanimity. The official position on Article 1 of the draft Treaty, notified to Howe’s Private Secretary the day after, was that Thatcher, although convinced that “the notion of a European foreign policy, to which for instance the UK and the Republic of Ireland could both subscribe, was bizarre and borne no relation to reality” and that it made no sense to have a foreign policy without a defence policy, acknowledged that the question was one of Euro-speak, with an ultimate and no doubt distant aim, and a statement to which no legally binding obligations were attached. Her preference was then to achieve some watering down of the draft Article 1, inserting the word ‘ultimate’ before ‘aim’, or putting

³⁷⁶ Colin BUDD, *Letter to Charles D. Powell*, 15 November 1985, PREM 19/1480.

³⁷⁷ Charles D. POWELL, *Letter to the Prime Minister*, 18 November 1985, PREM 19/1480.

the aim of a common foreign policy itself in the preamble rather than a substantial article.³⁷⁸ This suggestion would find the Italian support during a further IGC meeting, on 26 November, when it was added to Article 1 that the Member States “set as their objective to seek the joint formulation and implementation of a European foreign policy”.³⁷⁹

At this stage, the majority of member states, including France, Germany and the UK, would like to see the conference concluded and the main issues settled at the European Council in Luxembourg on 2-3 December, and one of the concerns of the British representatives was to ensure there were progress towards Britain’s key objectives on the internal market, without jeopardising on institutional aspects, for example making sure that the French draft preamble, circulated in that occasion, spoke about a ‘European Union’ which was nothing different from what already existed.³⁸⁰ Who was not content with the performance of the IGC was indeed Delors, for whom it was imperative that the conference should produce a clear result. To him, the most important issue was the completion of the internal market; nonetheless, he felt that the compromise package which was being discussed would not meet the needs of the Community, nor fulfil the “provisions needed to achieve concrete progress on European Union with regard to a common foreign and security policy, changes to be made to the decision making process and the inclusion of new spheres of activity in Community competences”.³⁸¹

³⁷⁸ Charles D. POWELL, *Letter to Colin Budd*, 19 November 1985, PREM 19/1480.

³⁷⁹ David HANNAY, Ambassador and Permanent Representative to the European Economic Community, *Telegram to the FCO*, 26 November 1985, PREM 19/1480.

³⁸⁰ David F. WILLIAMSON, Head of the European Secretariat in the Cabinet Office, *Letter to the Prime Minister*, 20 November 1985, PREM 19/1480.

³⁸¹ THE EUROPEAN COMMISSION, *Opinion on the convening of an intergovernmental conference*, 22 July 1985.

In October 1985, a paper titled “The inter-governmental Conference – Background and issues” had been circulated by the London Delegation of the Commission. It depicted the IGC as an event which marked an epoch in the history of Europe, an event brought about by a gradually strengthening feeling among member states that improvements would be needed to deepen European integration and to “resolve the incipient institutional crisis of the Milan European Council”.³⁸²

The paper summarised the proposals for institutional reform made until that moment, presenting the IGC as the last act of a process that started years earlier and included: the draft Treaty on European Union proposed by the Italian federalist Altiero Spinelli and adopted by the European Parliament on 14 February 1984, which called, among other things, for an increase in majority voting; President Mitterrand’s speech to the European Parliament on 24 May 1984, asking for a new treaty; the decision taken by the European Council in Fontainebleau to set up the Dooge and the Adonnino Committees; the report of the Dooge Committee presented to the European Council in March 1985, which stressed the importance of progress in creating a genuinely free internal market and in developing political cooperation, but also called for the strengthening of Commission’s and Parliament’s powers, along with the widening of Qualified Majority Voting (QMV); the British, French and Germans proposals about political cooperation and the creation of a Political Secretariat; and the decision taken in Milan to approve the Commission’s White Paper on the completion of the internal market and to call for an IGC.

³⁸² UK DELEGATION TO THE EUROPEAN COMMISSION, *The inter-governmental Conference – Background and issues*, October 1985, HAEU HW-27.

Seeing that negotiations had reached an impasse, on 25 November Delors said that the Commission would take no further part in the work of the Conference, and would dissociate from its Conclusions.³⁸³ This gesture, which was not taken very seriously, was considered as ‘typical Delors’ by the UK representatives in Brussels, who believed that “he must occasionally make a dramatic gesture in order, as he sees it, to force others to face up to their responsibilities”.³⁸⁴

What the Commission had proposed, by mid-November, encountering the opposition of the British, the Dutch and the Germans, was to add economic and monetary union to the aims of the EEC as defined in Article 2 of the Rome EEC Treaty:

L’objectif est de réaliser, entre les États membres, une union économique et monétaire, notamment dans les conditions prévues [...] assurant ainsi le parallélisme entre la convergence des économies et la coopération monétaire.³⁸⁵

In this respect, with a new drafting of Article 107, the Commission placed the EMS as a main tool for policy coordination and the ecu at its core. It would be administered by the European Monetary Cooperation Fund, to be subsequently transformed into the European Monetary Fund.

³⁸³ David HANNAY, *Telegram to the FCO*, 25 November 1985, PREM 19/1480.

³⁸⁴ UK EMBASSY IN BRUSSELS, *Telegram to the FCO*, 27 November 1985, PREM19/1752 f281.

³⁸⁵ THE EUROPEAN COMMISSION, *Note de la Commission à la Conférence des Représentants des Gouvernements des États Membres, Objet : Dispositions monétaires*, 27 November 1985, CONF-RGEM 80/85, HAEU EN-997, underlined in the original. “The objective is to achieve economic and monetary union between the Member States, in particular under the conditions laid down [...] thus ensuring the parallelism between economic convergence and monetary cooperation”.

L'article 107 du Traité CEE est complétée de la façon suivante :

1. Les États membres s'efforcent par leur politique économique et monétaire de réaliser progressivement une union économique et monétaire et coopèrent à cet effet, notamment dans le cadre du SME. Le SME comporte un mécanisme de change et d'intervention entre les monnaies communautaires auquel participent les États membres en mesure d'assurer les obligations. L'unité monétaire européenne (ECU) est le pilier du système ; elle est notamment utilisée pour les règlements entre les autorités monétaires de la Communauté.

[...] 3. Le Fonds Européen de coopération monétaire est l'organe chargé de la gestion du SME. Il est doté de l'autonomie nécessaire pour l'accomplissement de ses tâches. Son conseil d'administration est composé des membres du Comité des gouverneurs des banques centrales des États membres et d'un représentant de la Commission.

4. Le Fonds européen de coopération monétaire sera remplacé, le moment venu, par un Fonds monétaire européen doté de l'autonomie institutionnelle.

A cette fin, le Conseil, statuant à l'unanimité, sur proposition de la Commission, après avoir consulté l'Assemblée, arrêtera les dispositions dont il recommandera l'adoption par les États membres conformément à leurs règles constitutionnelles respectives.³⁸⁶

³⁸⁶ *ibid.* "Article 107 of the EEC Treaty is supplemented as follows: 1. The Member States shall endeavour, through their economic and monetary policy, progressively to achieve economic and monetary union and shall cooperate to that end, in particular within the framework of the EMS. The EMS comprises an exchange rate and intervention mechanism between the Community currencies in which the Member States able to insure the bonds participate. The European Monetary Unit (ECU) is the pillar of the system and is used in particular for settlements between the monetary authorities of the Community. [...] 3. The European Monetary Cooperation Fund is the body responsible for the management of the EMS. It shall have the autonomy

It was crucial, for the President of the Commission, that the Treaty mentioned a European Monetary Unit as an aim of the Community, although the chapter on “monetary capacity” of the Single Act would show that the European monetary union was not in sight in the near future. Within the provision on EMU, there also was a commitment to join the ERM; and Thatcher was absolutely opposed to any such a thing, as can be argued following the notes made on the Treasury briefing she had received on 6 November.³⁸⁷ To the point that, that week, during a meeting with the Cabinet, although all the others gave their favourable view on Britain’s membership of the ERM, the Prime Ministers argued strongly against joining, saying she had not been convinced by their arguments and agreeing that it would be right to maintain rigidly the line which had been taken so far, that the UK would join when the time was right.³⁸⁸

Few days later, the Chancellor of the Exchequer sent the Prime Minister a note, stressing out the possibility that if any EMS proposal was passed in the conclusions of the IGC, it would be essential that the language used in the Treaty contained no legal obligations to join the ERM and that any reference to EMU was avoided, on the basis that

the inclusion of EMU as a Treaty objective would be a political commitment going well beyond previous references to EMU, which have been in non-binding

necessary for the performance of its tasks. Its Board of Directors is composed of the members of the Committee of Governors of the Central Banks of the Member States and a representative of the Commission. 4. When the time comes, the European Monetary Cooperation Fund will be replaced by a European Monetary Fund with institutional autonomy. To this end, the Council, acting unanimously on a proposal from the Commission, after consulting the Assembly, shall lay down the provisions to be adopted by the Member States in accordance with their respective constitutional requirements”.

³⁸⁷ *Treasury briefing for the Prime Minister*, 6 November 1985, PREM 19/2162 f48.

³⁸⁸ *No.10 record of conversation*, 13 November 1985, PREM 19/2162 f28.

European Council resolutions or solemn declarations. It would be perceived in political terms as a major change.³⁸⁹

In addition, in order to try to strengthen their – presumed, by the British – alliance against Delors’ proposal, an Anglo-German meeting was organised on 27 November. Here, Thatcher thought she could convince Chancellor Kohl to support her in opposing any mention of the EMS and economic and monetary union in the revision of the Treaty, which she had, at this point, accepted, on the basis that QMV – which was needed to implement the single market – could not be possible without a Treaty amendment.

At this point, Thatcher, chasing the objective of the single market, was willing to be persuaded to the move to QMV, provided for keeping unanimity on all matters concerning taxation, the free movement of persons and the so-called social engineering, i.e., the rights and interests of employees – matters that would still be considered of vital interest in 1992, at the signing of the Maastricht Treaty.³⁹⁰

I had one overriding positive goal. This was to create a single Common Market. [...] British businesses were among those most likely to benefit from an opening-up of other countries’ markets.

[...] The price which we should have to pay to achieve a Single Market with all its economic benefits, though, was more majority voting in the Community. There was no escape from that, because otherwise particular countries would succumb to domestic pressures and prevent the opening-up of their markets. It also required more power

³⁸⁹ Nigel LAWSON, Chancellor of the Exchequer, *Minute to the Prime Minister*, 14 November 1985, PREM 19/1480.

³⁹⁰ *European Community: Intergovernmental Conference Proposals for Majority Voting*, Note by the European Secretariat, Cabinet Office, 13 November 1985, PREM 19/1480.

for the European Commission: but that power must be used in order to create and maintain a Single Market, rather than to advance other objectives.³⁹¹

Both FCO Secretary Howe and Professor Christopher Collins of the Margaret Thatcher Foundation confirmed that Thatcher, although hostile to Treaty change, recognised that QMV could not be obtained without Treaty change; the Single Market was a great prize in her view, and QMV was necessary in order to implement it.³⁹² She also knew that any concessions she made here would limit the future power of the other large member states. But what she would later resent was how the Commission would use the provisions of the Single Act to go beyond and to grow its own power and influence:

Commission's power built up during the '80s parallel to the EMS agenda. It was not a conspiracy; once Member States had given their consent to the SEA, the timetable increased the Commission's effective power and higher profile.³⁹³

Meeting bilaterally on 27 November, Thatcher and Kohl agreed they did not want any other Treaty amendment on the monetary issue, and that unanimity must be preserved on all taxation matters. On the internal market, recognised as a priority, the two supported their Foreign Ministers in stating that the aim should be to establish a "market (rather than 'area') without internal frontiers", that is to say they were concerned with an economic entity rather than questions of frontier control.³⁹⁴ During the joint press conference, Thatcher insisted

³⁹¹ THATCHER, *The Downing Street Years*, 553.

³⁹² Personal conversation with Professor Christopher Collins from the Margaret Thatcher Foundation, 5 July 2022.

³⁹³ HOWE, Geoffrey. *Interview*, July 1993.

³⁹⁴ *No. 10 record of the plenary session of the Anglo-German Summit*, No. 10 Downing Street, 27 November 1985, PREM19/1507 f5.

that Britain wanted to do “as much as possible without amendments to the Treaty of Rome”, while Kohl maintained a more nuanced stance, declaring he hoped for “a considerable step to be taken forward in Luxembourg in two or three fields”, agreeing with the Prime Minister that the time was not right for treaty amendments on monetary issues. Then, urged on by a question on Britain’s full participation in the EMS, Thatcher wanted to “set out the position clearly”:

Chancellor Kohl and I agree on the need to get the completion of the internal market. We agree on wanting to preserve unanimity for all important decisions. We agree that decisions must remain with the European Council, though there can be approved procedures for the Assembly’s views to be considered. And we agree that there is no need for monetary amendments to the Treaty.

As you know, Britain is already a member of the European Monetary System, though not of the exchange rate mechanism. The decision that no treaty amendments on the monetary field are necessary would not affect any decision on our part whether or not to join the exchange rate mechanism.³⁹⁵

Under these premises, Thatcher approached the Luxembourg European Council convinced that wide would be “the potential gains for the British economy from opening up the internal market by better decision-making, provided certain essential interests to be protected”.³⁹⁶

Nonetheless, in light of the last bilateral meeting, she thought she could rely on Germany’s support, forgetting there was the usual, “inherent tensions between, on the one hand, the German desire to

³⁹⁵ Margaret THATCHER, *Joint Press Conference with West German Chancellor Kohl*, 27 November 1985, TFA 106183.

³⁹⁶ Robert ARMSTRONG, Cabinet Secretary, *Letter to the Prime Minister*, 27 November 1985, PREM 19/1480.

retain control over themselves and, on the other, to demonstrate their European credentials by pressing further towards economic and monetary union”.³⁹⁷ An aspect that would, again on the part of the Germans, reserve surprises during the next European Council; but the practice of France and Germany agreeing on major issues and being very rarely separated can be explained with the Franco-German Elysée Treaty, which has bound the two major countries since 1963 – and was recently renewed by the Aachen Treaty, signed in 2019. It called for regular consultations between France and West Germany on important issues concerning defence and education, requiring regular summits between high-level officials. Notably, it implied that Heads of State or Government had to meet at least twice a year, and the Ministers of Foreign Affairs every three months, to ensure close collaboration between the two states.

Following the briefing paper Thatcher received by her personal adviser, the posture she had to keep in the next European Council, planned for December 1985 in Luxembourg, would be the same as in June, showing support to complete the internal market by 1992 but wish to keep unanimity on national vital interests; to formalise existing political cooperation arrangements; to accept improved consultation procedures with the European Parliament (which she still called ‘Assembly’), without any actual increase in its powers; and to reject tax harmonisation. Focusing on what was realistically expected to be achieved, Thatcher would credibly and with justice claim that in substance she had achieved in December what she wanted to achieve in

³⁹⁷ THATCHER, *The Downing Street Years*, 554.

June, and that, even it would have been far simpler to make the various improvements without Treaty change. It was in the end only a procedural question brought by events. It would be for national parliaments to decide whether to accept the proposed amendments. Once again, this position clearly highlighted the concerns of the Prime Minister, whose first objective was to obtain a positive outcome for her nation, which she should be able to defend in front of the British Parliament which was her only source of power.

Nonetheless, receiving a draft letter from the President of the European Council Jacques Santer on 27 November, which anticipated his willing to amend the Treaty of Rome with provisions on monetary questions, Thatcher commented “Looses vary bad. A difficult summit”.³⁹⁸

Although Britain had consistently made it clear, in the first phase of the IGC, that they were not committed to any amendments, the main proposals before the conference had been to make change to Article 57(2), covering the professions and services; Article 99, on indirect taxation, where the Member State decided to retain the rule of unanimity; and Article 100, concerning the internal market, then requiring unanimity. In this phase, willing to compromise, Britain could accept changes to Article 57(2) and Article 100, this provided it was clearly established that all matters affecting the approximation of laws or regulations having the force of law must be via directives. The main difference, which had a huge political impact, was that while regulations have binding legal force throughout every Member State and enter into force on a set date in all the member states, directives lay down certain

³⁹⁸ Thatcher’s comment on a draft letter from the President of the European Council Jacques Santer, 27 November 1985, PREM19/1752.

results that must be achieved, but each Member State is free to decide how to transpose directives into national laws. Significantly for the future choices of the UK within the Community, vital national interests were also perceived the issue of free movement of persons and social policy, on which Britain could not agree to any provision without maintaining unanimity.³⁹⁹

On 2 December 1985, the European Council, meeting in Luxembourg, received the Presidency report of the IGC, with a summary note with the principal questions requiring a decision by the Heads of State or Government, and the draft Agreement on political cooperation on which they had to decide. The premises were meaningful in pointing out the belief, for the participating actors, of being at a turning point for the Community:

Among the questions dealt with by the Conference, some have emerged as the centre pieces in an operation which is designed above all to fit the Community for its future tasks, to strengthen its institutional structures for this purpose and to extend the area of its activities in keeping with the demands of our age.

[...] A reform of the Treaty is an important event in the history of the Community. The way in which the European Council conceives of the common future of the people of the Community will serve as a signal to our fellow citizens, whose support is needed if the Europe of tomorrow is to be up to its tasks and to the hopes which have been placed in it.⁴⁰⁰

³⁹⁹ Charles D. POWELL, *Briefing for the Prime Minister*, 29 November 1985, PREM 19/1752 f22.

⁴⁰⁰ *Conference of the Government of the Member States, Presidency Report to the European Council*, 2 December 1985, PREM19/1752 f221.

Several issues had not been solved, but there was wide consent that the Conference should not extend beyond the European Council, as stated in Milan; as extension of the discussion was not considered guarantee of improved results, the Presidency felt appropriate to propose that the European Council declared the outcome of its discussion to be regarded as the final decision on the questions involved. On that same day, Thatcher's opening intervention insisted on the common aim of seeking to make the Community work better in the interests of all the citizens, and on the full part played by Britain, in accordance with the obligations under Article 236 of the Treaty, in the discussions of the IGC. Remarking her usual priorities, she declared:

We have to complete the common market if we are to create wealth and jobs; we have to make ourselves competitive in the new technologies; we have to sustain the process of reform of the Common Agricultural Policy, because its costs deny us resources for other policies. [...] Any institutional changes must serve the purpose of real reform. [...] I hope we can concentrate first and foremost on establishing the essential objectives and means of achieving them.

[...] We all agree that the key to the prosperity of the Community is the development of the internal market. We agree on the need for faster progress to create growth, prosperity and jobs in Europe and to strengthen our competitive position on world markets.

Any changes must advance these objectives while taking account of the legitimate concerns of member states. I am prepared to see more majority voting to help complete the internal market. But the United Kingdom, as an island, has special concerns [...] and I could therefore not agree to voting provisions that could overrule our ability to maintain essential safeguards related to the protection of the life and health of humans and animals.

[...] in Research and Environment institutional change must be at the service of member states, not the other way round.

[...] Similar practical considerations need to guide us in addressing the role of the European Parliament. We therefore favour better and earlier consultation with the Parliament. We favour encouraging the Parliament to make its input to decision-taking. But we must do this without upsetting the institutional balance or making decision-taking slower or more difficult. [...] We have to take decisions for our own countries and, in the Council, for the Community as a whole.

[...] I would have liked to see decisions taken in Milan. I have come to this meeting ready to take decisions here in Luxembourg. We must do so if the Community is to deal with the real challenges we face.⁴⁰¹

Very ambitious were the Presidency Conclusions of the Council, which talked about “agreement in principle on a reform of the Community’s institutions designed to improve its efficiency and extend its powers and responsibility [...] as the basis of the Community’s revival”.⁴⁰² The text agreed by the European Council was divided into subject sections and stated that the Community should “adopt measures intended progressively to establish the internal market” before 31 December 1992. This was defined as an ‘area’ (and not, as the British would like, a ‘market’) “without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of the Treaty”. It was the instance advanced by the British and included in the Act, which required to allow

⁴⁰¹ Margaret THATCHER, *Opening intervention at the European Council*, Luxembourg, 2 December 1985, PREM19/1752 f221.

⁴⁰² *Luxembourg European Council, Presidency Conclusions*, 3 December 1985, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

the control of “immigration from third countries, terrorism movements and drug trafficking” which gave Thatcher the most satisfaction.⁴⁰³ Though, the free movement of ‘persons’ would prove a delicate issue until Britain secured an ‘opt-out’ from the EU’s frontier-free provisions signing the Treaty of Amsterdam, which incorporated the Schengen Agreement, signed on 14 June 1985 by five of the ten member states of the EEC, intended to gradually abolish border checks at the frontiers and the harmonisation of visa policies.

The two days of meetings were defined by the local UK Embassy as “a gruelling marathon” made of “thirty hours of relentless discussion”, longer than any other previous European Council. It required the involvement of the Heads of State or Government in the detailed drafting of Treaty texts, given that the sensitive issues there settled were to be directly applicable law in the member states. In the end, nonetheless, the impression among the British delegation was that the outcome could be considered satisfactory:

[A] continuation of the negotiating process or its breakdown would have been damaging to the Community and its Member States and an unacceptable distraction from the pressing practical matters to which the Community must find answers in the months ahead. [...] We never wanted to get into the Treaty reform exercise and our reasons are better and more sympathetically understood than in the aftermath of Milan. But our willingness to work constructively throughout the IGC and in the end to accept some modest Treaty amendment showed our absolute determination not to be marginalised in the formulation of Community policy. This should stand us in good stead in the future.⁴⁰⁴

⁴⁰³ THATCHER, *The Downing Street Years*, 555.

⁴⁰⁴ UKE LUXEMBOURG, *Telegram to the FCO*, 4 December 1985, PREM 19/1752 f42.

The British hoped that, once drawn the line under the long institutional debate which had caused so much difficulty for them, with the Presidency of the Council falling to the Dutch and the British, the Community could, for a period, concentrate on more pressing, practical business. Eventually, all Britain's key objectives were secured, as Thatcher was able to declare during the press conference:

First, I wanted to be certain that the Commission were going to take forward their plans for deregulation.

Second, we were particularly anxious, for the benefit of trade, to complete the internal market. It will help particularly with British commerce because there are many things that we are good at, which we are not able to move freely about in the Community with regard to things like insurance and various other services. It was therefore particularly important for us that we took action to complete the internal market. That did mean going from unanimous voting to majority voting on a number of things – and it does help us very much.⁴⁰⁵

She would rather define the rate of success of this conference as “modest”, as she thought the same goals could have been reached at Milan, without Treaty amendments. In this occasion, the main British goal was to reduce other's exaggerated expectations to something workable and reasonable.⁴⁰⁶

We could have done a great many of the things which have been done here with treaty changes, we could have done without treaty changes, had we agreed to go about it that way. Now, people very much wanted an Inter-Governmental Conference, so they had one.

⁴⁰⁵ Margaret THATCHER, *Press Conference after Luxembourg European Council*, 4 December 1985, TFA 106187.

⁴⁰⁶ Margaret THATCHER, *TV Interview for ITN*, 4 December 1985, TFA 106188.

[...] So, we have gone along and cooperated. I think what we have got out of it is that we hope now that the internal market can be completed within about seven years. It is particularly important for us, because of our pre-eminence on services. [...] it will be of great advantage to Britain. So, we had something to go for and, of course, if you have something to go for then you have to give on the things which other people want.⁴⁰⁷

For what concerns the monetary issue, for example, Thatcher had approached the European Council confident of having the German support in opposing the Commission's proposal. But after Kohl, pushed by Delors, had collapsed, Thatcher, in order not to fight alone and very probably to break up the conference in deeply damaging way for her country, had to agree to a text which contained a reference to monetary cooperation which "did not represent anything new at all, but describes the existing position". This was Howe's position on the issue, that "the SEA commitment to EMU was not a pledge, only a title, not even a statement of objectives".⁴⁰⁸

On 27 November, the UK Representative David Hannay countered this argument, expressing concern against a reference to monetary issue in the Treaty:

We were simply not prepared to give treaty force to a concept like EMU which no one was capable of defining or describing and which appeared to imply a fundamental shift in the relationship between the Member State and the Community.⁴⁰⁹

⁴⁰⁷ Margaret THATCHER, *Press Conference after Luxembourg European Council*, 4 December 1985.

⁴⁰⁸ HOWE, Geoffrey. *Interview*, July 1993.

⁴⁰⁹ UKREP PARIS, *Telegram to the FCO*, 27 November 1985, PREM 19/1752.

The same position had been assumed by the Chancellor of the Exchequer, who had warned his colleagues, some weeks before, that the inclusion of any EMU Treaty objective could be a political commitment – and this would prove right, not because it *needed* to be this way, but because the European players, for different reasons, would choose to exploit that commitment to improve Delors’ drive to monetary union. On 28 November, the Treasury sent a note to the FCO about the implications of an amendment to Article 99 of the EEC Treaty, stating that the United Kingdom should refuse it. The FCO declared to be “very much opposed to that idea: the amendment would appear to entail three changes from the existing Article 99 which are particularly unwelcome”:

- (a) It would give the European Parliament a role in decisions on indirect tax matters [...] unwelcome to the House of Commons as an infringement of one of their most cherished privileges.
- (b) It implies a commitment to the principle of harmonization. [...] It would almost certainly be unwelcome and difficult to defend before our Parliament.
- (c) Once the possibility of moving to qualified majority voting on certain matters is written into the Treaty, some member states would be bound to wish this provision to become effective. Although formally the United Kingdom would retain a veto over any such a move, the practical effect could well be that pressure would be applied to persuade us to agree to a move to qualified majority voting in some areas.⁴¹⁰

⁴¹⁰ Rachel LOMAX, Principal Private Secretary of the Chancellor of the Exchequer, *Letter to Len Appleyard*, Private Secretary to FCO Secretary Howe, 28 November 1985, PREM19/1752 f272.

The answer came soon, and shows all the differences between the positions of the two Ministries:

The Foreign and Commonwealth Secretary has made clear in discussion in the Conference that we regard changes to Article 99 as unnecessary [and] doubts whether the proposed amendment to Article 99 amounts to a significant change in the present position:

- (a) The Commission already has the power under existing Article 99 to make proposals on tax harmonization.
- (b) In one important respect the new text is more restrictive on substance than the old. It limits the Commission's freedom to make proposals to those "necessary to ensure the establishment and the operation of the internal market":
- (c) The insertion of the reference to consultation of the European Parliament merely codifies existing practice and does not give the Parliament any new role in decision making.
- (d) The provision for decision taking by the Council on the basis of unanimity is clearly maintained. Only a unanimous decision of the Council could lead to a majority voting.

In the light of the above, the Foreign Secretary does not think we should refuse to agree to the amendment if all others can accept it. [...] if this became the issue on which the conference failed, we would be hard pressed to explain what significant British interest we had been defending – at the cost of the much more important interest[s] which are at stake.⁴¹¹

Years later, Nigel Lawson would claim that Thatcher was, in that occasion, persuaded by the FCO that to include a reference to EMU

⁴¹¹ Len APPLEYARD, *Letter to Rachel Lomax*, 29 November 1985, PREM19/1752 f228.

was just a ritual form – they were, he said, “being economical with the truth”.⁴¹² On the contrary, Bernard Ingham, as Margaret Thatcher’s chief press secretary 1979–90, thought – and this position is sustained by Sir Colin Budd, former Private Secretary of the FCO Secretary Howe – that Thatcher knew at the time she was taking risks, “but she was taking calculated risks with a very clear view in mind that it was the completion of a single internal market that was what she was pursuing”.⁴¹³ Moreover, the preamble to the Single Act read “Whereas at their conference in Paris from 19 to 21 October 1972 the Heads of State or of Government approved the objective of the progressive realisation of Economic and Monetary Union”, and Thatcher could not object to the historical fact that Prime Minister Heath had signed up to that. And – following Stephen Wall, then Head of the Foreign Office’s European Community Department, “the Prime Minister felt she had circumscribed the meaning of the reference by securing, in the substantive part of the Single Act, a heading: Co-operation in Economic and Monetary Policy (Economic and Monetary Union)”.⁴¹⁴

In the opinion of Charles Powell, Thatcher’s Private advisor on EC affairs – who had much influence on the Prime Minister at the time – that reference had no great significance. For the time being, Thatcher was convinced to have been able to reduce the formula on monetary matters to what she considered “insignificant proportions which merely described the *status quo*, rather than set out new goals”; in fact, to the phrase ‘Economic and Monetary Union’, official objective of the Community since 1972, it was added the gloss “co-operation in

⁴¹² Nigel Lawson interviewed for *The poisoned chalice*, a BBC documentary on the impact of Europe on British politics, 1996.

⁴¹³ Sir Bernard Ingham interviewed for *The poisoned chalice*, 1996.

⁴¹⁴ WALL, *A Stranger in Europe*, 69.

economic and monetary policy”, in order “to signal the limits the act placed on it”.⁴¹⁵

Instead, in a later interview Delors would declare that he had a clear vision of where he wanted the Community to go. He would remember that Thatcher hesitated for a while before signing the Single Act, as she had followed with great attention the discussion on the Treaty, and she fully understood its importance:

She would say later perhaps that she had not grasped its full importance, but she had the intuition that this text was important, and she asked for several extra minutes to think about it. [...] It was me who insisted that there had to be this reference because I was thinking of the future. I wanted to indicate by this mention [of EMU] in the Treaty that the objective of the Community was to bring about economic and monetary union.⁴¹⁶

In his memoirs, he would state:

C'est un traité court, qui dit bien ce qu'il veut dire et se prête peu à des controverses sur sa portée ou son interprétation. Avec ce texte, la Commission avait l'outil politique dont elle avait besoin, non seulement pour mettre en place le marché intérieur, mais aussi pour appliquer des politiques qui donneraient à la Communauté le visage d'un modèle européen de société, un équilibre entre marche et régulation, une dialectique subtile entra compétition, coopération et solidarité.⁴¹⁷

⁴¹⁵ THATCHER, *The Downing Street Years*, 555.

⁴¹⁶ Jacques Delors interviewed for *The poisoned chalice*, 1996.

⁴¹⁷ DELORS, *Mémoires*, 228. “It is a short treaty, which says what it means and lends itself little to controversy about its scope or interpretation. With this text, the Commission had the political tool it needed, not only to set up the internal market, but also to implement policies that would give the Community the face of a European model of society, a balance between walking and regulation, a subtle dialectic between competition, cooperation and solidarity”.

On the same line, Kohl was able to declare to the Bundestag that the EMS was “a half-way station on the way to European Union, not a final goal in itself. A perspective had been opened up”.⁴¹⁸ In her statement to the House of Commons, Thatcher claimed:

The United Kingdom’s position and the position of this Parliament are properly protected on such vital questions as frontier controls in relation to terrorism, crime, drugs and immigration from outside the Community; and on essential controls in health. The Luxembourg compromise, whereby a member state can invoke a very important national interest to prevent a decision being taken, is unaffected.⁴¹⁹

Moreover, although she thought what she had obtained was a modest achievement, very compromised by her partners’ goals, it was important for her to defend it and to point out her coherence:

In my statement in this House following the last European Council in June, I made it clear that we would have been ready then to take the steps necessary to complete the internal market, to improve decision taking, to formalise foreign policy co-operation and to improve procedures for consultation with the European Assembly.

Those objectives are now embodied in the conclusions of the Luxembourg European Council together with some tidying up of the treaty to reflect the Community’s development. The amendments to the treaty have to be approved by each sovereign Parliament and accordingly will be submitted to this House.

I believe that the conclusions on completing the Common Market and reducing the burden of regulations will be of long-term benefit to British firms selling their goods and services in the European Community. Together with the

⁴¹⁸ UKE BONN, *Telegram to FCO*, 5 December 1985, PREM 19/1752 f34.

⁴¹⁹ Margaret THATCHER, *Statement to the House of Commons*, 5 December 1985, Hansard HC [88/429-39].

arrangements to reduce the scale of Britain's budgetary contribution agreed last year, they will be an important step towards enabling this country to realise more fully the benefits of our membership of the European Community.⁴²⁰

The UK membership of the European Community was not to be put in discussion: the Single European Act was good for Britain, as it was getting the Community back on course, concentrating its role as a huge market, "even though harmonization and standardization regularly threaten[ed] to become ends in themselves. The trouble was that the new powers of the Commission received only seemed to whet its appetite".⁴²¹ Thatcher's ideas on what had to be the Community's significance for the nation that had chosen her as Prime Minister was always coherent. She had the ultimate goal of a real single market in mind, and to this goal she pursued in the belief what she was conceding to the continentals, that is the possibility of a – future, prospective – progress towards political integration, was worth what she was gaining for her country: a single market where to express Britain's potential. On the paper, the SEA was perfectly in line with Thatcher's goals of completing the internal market; "it was the treacherous Europeans who undermined it":

Some of the declarations in the margins of the Single Act solemnly entered into by Heads of Government in Europe on which anyone could feel entitled to rely have not subsequently been honoured. People have tried to get around of them, the Commission in particular, by using other articles of the Treaty when they were clearly not intended to be used.⁴²²

⁴²⁰ *ibid.*

⁴²¹ THATCHER, *The Downing Street Years*, 556.

⁴²² Charles D. Powell interviewed for *The poisoned chalice*, 1996.

The Single Act would be considered a great success by all the European players; what would indeed change, in few years, was the British and Continental visions of what Europe meant:

It would have been better if, as I had wanted originally, there had been no IGC, no new Treaty and just some limited practical agreements. Looking back, I was wrong in thinking who talked about European and political union meant a good deal less than some people in UK though they meant. But I still believe it was right to sign the Single European Act, because we wanted a Single European Market.⁴²³

3.3. The Single European Act

[M]uch of what is happening in Western Europe is excellently Thatcherite, and will continue to be if only she has the sense to embrace it [...]. The idea of creating a single market in Western Europe has origins that were pure Thatcher. (The reluctant European, «The Economist», 10 June 1989)

The Single European Act was signed on 17 and 28 February 1986, in Luxembourg and The Hague respectively, by the Foreign Ministers of the Twelve Member States, and it was the result of lengthy negotiations. As declared in the preface, the SEA had the express aim to implement a European Union through actions based on the work of the Dooge Committee in 1984-85, the *White Paper on the completion of the internal market*, presented in Milan on 29-30 June 1985, and the IGC called in the same occasion.

⁴²³ THATCHER, *The Downing Street Years*, 555.

The first step to the finalization of the SEA was the European Council of 2-3 December 1985, which resulted in an agreement on a package coming forward from that IGC. On internal market, there was agreement to move to QMV, amending Article 57 and Article 100 of the Treaty of Rome. Unanimity was retained – as Thatcher insisted – on taxation, movement of persons and social engineering, while decisions taken by QMV on health issues did not preclude national measures. Unanimity was chosen for main decisions on new articles on technology, environment, and the regional fund. A new procedure for consultation of the European Parliament was applied to a limited number of Articles but left the last word to the Council. The UK had a reserve only on one specific point, a proposed Article on working conditions; overall, the British delegation felt satisfied by the outcome of the agreement.⁴²⁴ The IGC continued with several meetings the various Ministers until 20 December, but the main event was the Foreign Ministers forum on 16-17 December, organised to set a number of matters left unresolved and to consider amendments to the EEC Treaty and the text on political cooperation. During this forum, it was agreed that the results of the Conference would not be called a Treaty of European Union but only a European Act. Delors convinced the other European players to call it the *Single* European Act to stress the coherence of its two parts; as the Commission had already emphasised in months before, the title pointed out the need “for a single institutional framework to contain both present Community activities and those connected with political cooperation”.⁴²⁵

⁴²⁴ *Cabinet Office briefing for the Prime Minister*, 4 December 1985, PREM19/1748 f405.

⁴²⁵ *The inter-governmental Conference – Background and issues*, paper set by the London Delegation of the European Commission, October 1985, HAEU HW-27.

Pourquoi, dira-t-on, ce titre abscons d'Acte unique ? Parce que la Commission, avait la hantise que l'on coupe en deux organisations européennes, d'un côté l'économie sur la base du Traité de Rome et de l'autre, une nouvelle architecture traitant de la politique étrangère et de la sécurité. Après bien des discussions et des polémiques, j'ai obtenu satisfaction : le traité s'appellerait l'Acte unique. [...] la Commission a mené une bataille permanente pour l'unicité du schéma institutionnel, tant dans ses fonctions que dans ses objectifs.⁴²⁶

Aiming at realising the potential of the Common Market established by the Treaties of Rome by the end of 1992, and enabling the Community's institutions to operate more efficiently, the Act combined then in a single document all the provisions relating to institutional reform, to the extension of Community powers and to European Po-Co, setting as its goal the establishment of a European Union.

With regard to institutional reforms, the SEA provided, for the first time, a legal basis for the European Council in force, since 1974, outside the Treaties (Art. 2). The Act extended the possibility for the Council of Ministers to use QMV in several areas, facilitating, in particular, the decisions which should lead to the completion of the single market (Art. 6.1). It also formalised the official name "European Parliament", adopted by the European Parliamentary Assembly since 1962 (Art. 6.2); it increased the European Parliament's role in the Community's legislative process, enabling Parliament to reject the Council's decision with an absolute majority, to make limited amendments to

⁴²⁶ DELORS, *Mémoires*, 217. "Why, it will be said, this unanswered title of the Single Act? Because the Commission, had the fear that one cuts into two European organizations, on the one hand the economy on the basis of the Treaty of Rome and on the other, a new architecture dealing with foreign policy and security. After much discussion and controversy, I was satisfied: the treaty would be called the Single Act. [...] the Commission waged an ongoing battle for the uniqueness of the institutional scheme, both in its functions and in its objectives".

Commission's proposals, and to participate in decisions with regards to accession treaties and association agreements (Art. 7); it provided for the creation of the Court of First Instance (CFI) to establish a second level of jurisdiction beyond the Court of Justice (Art. 11).

With the completion of the Single Market as one of its main goals, the Single European Act envisaged the establishment of a European area without internal frontiers for the free movement of goods, persons, services and capital by 31 December 1992 (Art. 13). This followed on from the 'White Paper' presented by the European Commission in 1985 and called for common policies to be strengthened and implementing directives to be adopted, primarily concerned with services liberalization (Art. 13), equivalence of diplomas and professions (Art. 15), the abolition or simplification of customs formalities for the movement of persons and goods (Art. 16), elimination of tax frontiers and the standardization of excise duties and VAT rates (Art. 17).

With regard to the social sphere, a particular attention was reserved to the conclusion of national multi-industry agreements and to the promotion of improvements and harmonization of the environment, health and safety of workers (Art. 21.1). In order to facilitate the joint pursuit of social policies, the Commission was instructed to promote dialogue between the social partners (Art. 22) and to reform of the Community's structural funds (Art. 23). It was also decided that Community social policy would be developed with the help of directives adopted by the Council, by qualified majority, on a proposal from the Commission, following consultation of the Economic and Social Committee. (Art. 23)

About European Political Cooperation (EPC), the Single Act codified, for the first time, the practices and procedures developed since

the early 1970s, also formalizing the obligation for States to consult one another before adopting a final position (Art. 30.2) and enabling the participation of the Commission in political cooperation (Art. 30.3b). In addition, the SEA introduced the concept of ‘European security’ and created a permanent Political Secretariat in Brussels (Art. 30.10).⁴²⁷

In her autobiography, Thatcher remembered:

I was pleased with what had been achieved. We were on course for the Single Market by 1992. I had had to make relatively few compromises as regards wording; I had surrendered no important British interest.⁴²⁸

The only reservation she expressed was about one aspect of social policy, and Britain and Ireland, as island countries, were permitted to retain or take new measures on grounds on health, safety, environment and consumer protection. Her greatest satisfaction, she stated, derived from the inclusion in the official record of the conference of a ‘general statement’ recording that

Nothing in these provisions shall affect the right of Member States to take such measures as they consider necessary for the purpose of controlling immigration from third countries, and to combat terrorism, crime, the traffic in drugs and illicit trading in works of art and antiques.⁴²⁹

Into force from 1 July 1987 (Art. 33.2), the Single Act would transform the Community into the world’s largest trading area, by permitting the free movement of goods, capital, labour, and services

⁴²⁷ *The Single European Act*, «Official Journal of the European Communities» 1987, No. L169/1, 29 June 1987.

⁴²⁸ THATCHER, *The Downing Street Years*, 468.

⁴²⁹ “General Declaration on Articles 13 to 19 of the Single European Act”, *The Single European Act*, Official Journal of the European Communities, No. L169/1, 29 June 1987.

between and among member states. The *26th Report on Competition Policy 1996* published by the European Commission in 1997 estimated that the impact of the single market on the European countries between 1987 and 1994 marked an increase of their Gross Domestic Product (GDP) of 1.1–1.5% and the creation of 300,000 to 900,000 jobs.⁴³⁰

Following Lord Cockfield, the Single European Act was “a direct child of the Solemn Declaration”, with a dual provenance:

It was a major programme which would take the Community forward in the direction which had been signposted by the Treaty of Rome but never fulfilled. [...] Delors had a very clear vision; his vision was one of Economic and Monetary Union essentially leading to European Union. [...] his priority was always Economic and Monetary Union, the Citizen’s Europe and European Union. It was this broad political project. The internal market was simple underpinning it because he realised that if you were going to have Economic and Monetary Union then of course you’d got to complete the original agenda of the Treaty of Rome but at the same time he felt that if the Brits were prepared to take this one on board, something which suited them, then at least they were not going to be a nuisance in the Community, there was not going to be a repeat of the British budget row.⁴³¹

In fact, a reference to a European Monetary Union can be found in the preface to the Act, whereas “at their Conference in Paris from 19 to 21 October 1972 the Heads of State or Government approved the objective of the progressive realization of Economic and Monetary Union”. Likewise, Art. 20 invites the Member States to cooperate “in order to ensure the convergence of economic and monetary policies which is necessary for the further development of the Community”

⁴³⁰ THE EUROPEAN COMMISSION, DIRECTORATE-GENERAL FOR COMPETITION, *26th Report on Competition Policy 1996*, Publications Office, 1997.

⁴³¹ CROZIER, *Interview to Lord Cockfield*.

which “may necessitate institutional changes”.⁴³² Asked in the House of Commons, Thatcher had dismissed these words as a claptrap that could safely be ignored, saying

I wish that they would talk less about European and political union. The terms are not understood in this country. In so far as they are understood over there, they mean a good deal less than some people over here think they mean.⁴³³

The same had happened after signing the *Stuttgart Solemn Declaration* in 1983, when her Cabinet had debased the document as “something without legal force”.⁴³⁴ Then, the resolution of the budget rebate had brought back ‘our money’ but opened the way for new developments in integration, until the SEA. This was the culmination of her idea of Europe as an economic community, and the “concession” of QMV a means to implement the single market, and no more. Over time, Delors, supported, for different reasons, by the main European partners, would interpret the Act as a stage in the development of a specific interpretation of European integration.

[T]he Single Act is set to become the economic and social cornerstone of European revival. All these objectives are inextricably linked: the large market, strengthening the European monetary system, economic and social cohesion [...] to make our economic policies converge and lead us towards European union”.⁴³⁵

⁴³² *The Single European Act*, preface.

⁴³³ Margaret THATCHER, *Statement to the House of Commons*, 5 December 1985, Hansard HC [88/429-39].

⁴³⁴ THATCHER, *The Downing Street Years*, 314.

⁴³⁵ Jacques DELORS, *The Single Act and Europe: A Moment of Truth*, 9th Jean Monnet Lecture, Florence, European University Institute, 21 November 1986, (Office for Official Publications of the European Community, 1986), 30.

It is unlikely that she did not understand what she signed, as more than one of her collaborators testified.⁴³⁶ Thatcher was determined in obtaining the single market, and the SEA was the means to that. Perhaps, her later rethinking depended on the realization that her interpretation of the Act had not been the same as her European partners. What happened soon, in Thatcher's view, is that "the new majority voting provisions intended solely to implement the single market were used by the Commission to extend its regulatory powers".⁴³⁷

⁴³⁶ YOUNG, *This blessed plot*, 336.

⁴³⁷ THATCHER, *The Path to Power*, 497.

4. THATCHER AGAINST EUROPE?

But as I say, I believe passionately in the Common Market, in the Community, so passionately that I am prepared to get all sorts of reputations of being tough.
(Margaret Thatcher interviewed for «Der Spiegel», 8 September 1987, TFA 106679)

The Single European Act can be considered at the same time the apex of Thatcher's liberalising project in Europe and "the high point of Britain's involvement in the EEC", which has been defined "Thatcherisation of Europe".⁴³⁸ The single market had in fact been Thatcher's main goal in Europe; and she obtained it through the Single European Act, even though at the price of several concessions – for example, the extension of qualified majority voting, which she would regret as soon as the Commission decided to use it for strengthening economic and monetary union.

Since her first mandate, started in 1979, Thatcher had demonstrated her temperament, fighting in the European arena and achieving a significant and lasting budget rebate, which opened the way for a proactive role of the UK in the Community and the implementation of the single market. In June 1987, she won the third consecutive General Election, with her popularity rating peaking at 51 and then 54%.⁴³⁹ In the meanwhile, public support for EEC membership peaked at 66% in the UK.⁴⁴⁰

⁴³⁸ Nicholas SOWELS, "From the 'Thatcherisation of Europe' to Brexit", in «Revue Française de Civilisation Britannique» 2019, Vol. XXIV, No. 4: <http://journals.openedition.org/rfcb/4819>.

⁴³⁹ *Political Monitor - Satisfaction Ratings 1977-1987*, IPSOS digital platform: <https://www.ipsos.com/en-uk/political-monitor-satisfaction-ratings-1977-1987>.

⁴⁴⁰ THE EUROPEAN COMMISSION, *Standard Eurobarometer 28 – Autumn 1987*, December 1987, 11.

Nonetheless, although she had obtained her main goal in Europe, the Prime Minister – as the minutes of Cabinet meetings demonstrate – was still worried about the Community budget, which had doubled in six years, from 18 400 million ecu for the year 1980 to 36 200 million ecu for 1987 – which meant, being at the time £1 = 1.35 ecu, that Britain contributed for £26 814 million to the Community, while the value added tax was raised from 1 to 1.4%.⁴⁴¹ Thatcher still insisted on a reform of the CAP, which had remained untouched by the SEA and was causing troubles on the Community financial ceiling. It still accounted for more than 70% of the share of EC total budget and was becoming more and more expensive due to chronic overproduction.

During 1986 and 1987, several episodes of intransigence would cost her accusations of being isolated, even from her ministers – for example, her attitude at the Brussels European Council on 29-30 June 1987 set, following FCO Secretary Howe, “a dangerous and unnecessary precedent”.⁴⁴² This does not mean that Thatcher was Eurosceptical or not well disposed towards European integration. Rather, due to her expectations, aims and ideals, different from the others’, Thatcher would demonstrate impatient to the ambitions of the European Commission and some of the member states, the most divisive issues being the budget and EMU.

Thatcher was not, in substance, significantly different from previous British Prime Ministers. She certainly had a different, more assertive and turbulent style, which characterized the leader she was. Moreover, at this time she had won three consecutive General Elections, which made her the most resilient premier of modern British history. This element

⁴⁴¹ also see CAB 128/85-87.

⁴⁴² Geoffrey HOWE, *Conflict of Loyalty* (London: Macmillan, 1994), 530.

should not be underestimated in trying to understand her attitude when pursuing what she perceived as Britain's interests: a fair budget settlement, economic liberalisation and the realisation of a single market, and reform of a wasteful CAP. All these aims were perfectly coherent with her domestic policies and with the effort to make Britain able to shape European integration.

In this chapter, the focus will be the events which brought Thatcher to assume a more and more divergent position from the other European leaders, until the Bruges Speech of September 1988. This event, far from representing the U-turn in Thatcher's attitude towards the European integration process, is the most complete and comprehensive description of her idea of Europe. And, by no means a Eurosceptic cornerstone, needs to be read as the manifesto of a precise idea of Europe, coherent with the assumptions of her whole political action.

4.1. The UK Presidency of the European Council

On 1 January 1986, Spain and Portugal joined the European Communities, increasing membership to 12 countries. The Member States spent the first half of the year mostly interested in the signing of the Single Act. However, on 1 July the United Kingdom would have the Presidency of the European Community's Council of Ministers passed by the Netherlands.

Thatcher intended the event as a great occasion to make “faster progress in completing the internal market” and the reform of the Common Agricultural Policy.⁴⁴³

Before the European Council meeting of 26-27 June in The Hague, the Commission sent the Council two notes. The first one, titled “A People’s Europe”, urging the Council to “provide fresh political impetus to the pending initiatives, making it possible to implement new ideas for bringing Europe closer to its citizens”.⁴⁴⁴ The other one, “Progress towards the creation of an area without frontiers” complaining that

the timetable proposed by the Commission in the Annex to the White Paper has not been adhered to, [...] and the Council has not shown the necessary sense of urgency or determination to see the programme through on time.⁴⁴⁵

During the press conference after the European Council meeting, Thatcher declared her priorities for the UK Presidency, to start in few days: to direct the resources of the Social Fund to the creation of jobs and new enterprise, to fight unemployment through the creation of a really functioning internal market, and to reform the CAP and erase agricultural subsidies.⁴⁴⁶

The attention of the media was, though, entirely directed towards the South Africa issue, discussed in the meeting: the European Council

⁴⁴³ Margaret THATCHER, *Personal message to R.F.M. Ludders*, Prime Minister of the Netherlands, 21 July 1986, serial No. T138186, PREM19/1745, f1.

⁴⁴⁴ THE EUROPEAN COMMISSION, *A People’s Europe*, Note from the Commission to the European Council of 26-27 June 1986, COM (86) 371 final.

⁴⁴⁵ THE EUROPEAN COMMISSION, *Progress Towards the Creation of an Area Without Frontiers*, Note from the Commission to the European Council of 26-27 June 1986, COM (86) 372 final.

⁴⁴⁶ Margaret THATCHER, *Press Conference after Hague European Council*, 27 June 1986, TFA 106431.

urged the South African Government to release unconditionally Nelson Mandela and other political prisoners and to lift the ban on the African National Congress and other political parties, but no agreement was reached on immediate and automatic sanctions, as Thatcher resisted them. It was agreed, though, to send a diplomatic mission to South Africa of Sir Geoffrey Howe, the UK Foreign Secretary and incoming Council President, and to undertake “consultations with the other industrialized countries on further measures which might be needed, including a ban on new investments and on imports of certain products from South Africa”.⁴⁴⁷ Thatcher, widely criticized for her opposition to economic sanctions to South Africa, justify her decision saying they would be “damaging not helpful [...] in persuading the government of South Africa on the path of dialogue”.⁴⁴⁸ Furthermore, on 30 June Thatcher sent a personal message to the President of South Africa, Pieter Willem Botha, to reassure him that the Council’s Conclusions, “and nothing else, are what all twelve governments agreed and put their names to, whatever other claims”. She underlined the desire of the Council “to help find a peaceful way forward in South Africa”; she resisted the measures against the country, but she did insist with President Botha that she hoped him

to avoid any actions that might hazard the delicate process [...] and to adopt tangible measures to demonstrate that reformist policies [were] still on course, particularly the intention to grant political rights to black South Africans.⁴⁴⁹

⁴⁴⁷ *The Hague European Council, Presidency Conclusions*, 27 June 1986, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

⁴⁴⁸ Margaret THATCHER, *TV Interview for TV-AM*, 27 June 1986, TFA 106208.

⁴⁴⁹ Margaret THATCHER, *Prime Minister’s personal message to President Botha*, serial No. T11TB/86 46547-1, 30 June 1986, PREM19/1745.

Thatcher thought peaceful negotiations – and not economic sanctions, which would probably damage her country – could represent the way to reach a solution. She did not, anyway, take a soft touch on the South African President, if she concluded underlying that “the step which would do more than anything to reassure the international community would be the release of Mr. Mandela”.⁴⁵⁰

Assuming the Presidency of the European Council, Thatcher expected the main achievement of the British to be “undoubtedly [...] the adoption of or agreement to a record number of measures to implement the Single Market. This was the sort of solid progress the Community needed”.⁴⁵¹ For this reason, in her statement to the House of Commons on 1 July, the Prime Minister declared as a priority for the United Kingdom Presidency – which started on that day – to find a more rapid method of decision taking for the European Council on the Common Market and to implement practical measures to realise it.

Thatcher was satisfied that the Council had selected as areas for early progress in liberalisation those of particular interest to the United Kingdom, such as transport and capital movements, and the creation of jobs. On agriculture, she recognised that

agricultural production in the European Community should be better adjusted to the market situation so that the share of public expenditure claimed by agriculture can be reduced; and that there should be bilateral discussions with other major agricultural suppliers to try to eliminate the problems of chronic surpluses and competitive subsidies.⁴⁵²

⁴⁵⁰ *ibid.*

⁴⁵¹ THATCHER, *The Path to Power*, 469.

⁴⁵² Margaret THATCHER, *Statement to the House of Commons*, 1 July 1986, Hansard HC [100/823-34].

On 8 July 1986, FCO Secretary Geoffrey Howe gave a speech to the European Parliament, presenting the government's plan for the next months ahead in several areas, beginning with economy but insisting on the reform of CAP managing as a priority for the next months:

The validity of the Common Agricultural Policy has not changed. But the conditions in which it must operate have. [...] None of us wants to see the continuation of the present situation in which half of the total Community budget is devoted to the storage and disposal of surpluses. None of us wants to see more of our resources preempted when the beneficiary is not the consumer, not the taxpayer and not even the farmer.

[...] There is widespread consensus within the Community on the need for adaptation [...] through reform of the operation of the CAP.⁴⁵³

Howe did not ignore another issue which he, as Foreign Minister, and the British government, did consider as fundamental: the importance of cooperation in foreign policy among the Member States of the Community – which he reclaimed as a British success – and in any case within the Atlantic Alliance:

In a world of harsh competition is all too easy for trade tensions to turn into trade wars. Of course the Community must protect its legitimate interest. [...] But the Community on the one hand and the United States on the other are not just powerful trading blocks with trade interests that sometimes conflict.

[...] The security of the West depends upon a strong United States committed to the defence of Europe and the security of Europe depends upon a strong and prosperous Community.

⁴⁵³ Geoffrey HOWE, *Speech to the European Parliament by the Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom*, 8 July 1986, HAUE HW25.

The Community is one of the leading political, as well as economic, power groups in the democratic West. We should all be equal partners with our American allies in sharing responsibility for upholding and protecting Western values. Such a Europe has long been recognized as a vital US interest.

[...] If we are equal partners with the United States we are also equal interlocutors with the Soviet Union and the countries of Eastern Europe. [...] Moreover, the improvement of relations between East and West which we all seek does not depend exclusively on the behaviour of the super powers. All of us can help build the relationships that make these achievements possible.

We cannot hope to respond as a Community to events which affect our vital interests unless the growing habit of cooperation in foreign policy becomes second nature. The new Treaty provisions in the Single European Act – which are the result of a British initiative – are designed to reinforce our ability to act together.

[...] There will be no Euro-pessimism from the British Presidency. We should be proud of what we have achieved together over the past few years. [...] Together, we must be sure that these advances pave the way to the next stage of European unity. Together, because the Community is a partnership – a partnership of institutions each with its distinct role. It is our enterprise. In our Presidency, we shall devote ourselves to that our common cause.⁴⁵⁴

Howe's speech was accompanied by a Memorandum which stated that, carrying forward the Community's work during the next six months, the Presidency will pay particular attention to the Community's commitment to "creating a Europe which responds to the need of citizens in the 1980s, in particular through measures designed to

⁴⁵⁴ *ibid.*

promote prosperity and jobs”.⁴⁵⁵ To fulfil the goal of achieving a single European market by 1992, Britain had drawn up a rolling programme of measures based on the Commission’s White Paper, together with the Netherlands and Belgium, past and future Presidencies. The paper set a number of objectives in several areas, with insistence on *concrete* measures as a distinguishing feature of the British Presidency, and mentioned as such:

which will be of direct benefit to European industry and business, and will produce a qualitative improvement in the lives of Europe’s citizens in many fields including food law; trademarks; simplified frontier controls for goods, and for the vehicles which carry them; veterinary and phyto-sanitary controls; the free movement of services; more open policies on public purchasing; the development of common policies for air, sea and inland transport, and rights of establishment including mutual recognition of diplomas and measures enabling certain categories of skilled European workers to operate freely through the Community [...] – to make Europe a concrete reality both for business and for its citizens.⁴⁵⁶

Along with participating in drawing up that programme, and to confirm collaboration between the two Presidencies, the Dutch Prime Minister had sent the British a report, entitled “The Unfinished European Integration”, an analysis of the practical problems of economic integration in Europe which was judged as “practical and generally realistic [...] mostly in line with our own policy in the Community and an illustration of the extent to which ideas we have

⁴⁵⁵ *Memorandum on the Objectives of the United Kingdom’s Presidency of the European Community (July-December 1986) to accompany the speech delivered to the European Parliament by the Secretary of State for Foreign and Commonwealth Affairs, 8 July 1986, HAEU, Hellen Wallace Collection HW25.*

⁴⁵⁶ *ibid.*

been pursuing in the Community for years have come to be more widely accepted”.⁴⁵⁷ Thatcher declared she thought the paper combined “a clear sense of direction about what the Community need[ed] to achieve with a realistic appreciation of what [was] likely to prove politically possible”.⁴⁵⁸ The basic message in the report was that economic integration needed to be fostered if the Community was to compete with the US and Japan, that different speeds in integration should be permitted, and certain powers left to the Member States, particularly in areas where the potential economic benefit, for the country involved, were not worth the effort involved, that the internal market for industrial products would not function properly until freedom of establishment and free movement of services had not been achieved, that faster progress on the internal market required abandonment of the unanimity principle in decision-making by the Council of Ministers – something which the SEA did not go far enough. On the CAP, which interested Thatcher particularly, the paper stated the need to contain it through “a progressive shift towards a more market-oriented policy, [and] a general reduction of prices towards world levels”.⁴⁵⁹

The European Council meeting organised in London on 5-6 December 1986, which concluded the British presidency, could, in Thatcher’s own words, “only be a modest success” as Chancellor Kohl would not, as he made it clear to Thatcher’s Private Secretary Charles

⁴⁵⁷ Colin BUDD, Private Secretary to the FCO, *Letter to C. D. Powell*, Private Secretary to the Prime Minister, 17 July 1986, PREM19/1745, f2.

⁴⁵⁸ Margaret THATCHER, *Letter to Prime Minister of the Netherlands*, 21 July 1986, PREM 19/1745.

⁴⁵⁹ THE NETHERLANDS SCIENTIFIC COUNCIL FOR GOVERNMENT POLICY, *The Unfinished European Integration*, Report to the Government, No. 28/1986, 26 March 1986, <https://english.wrr.nl/publications/reports/1986/03/26/the-unfinished-european-integration>.

D. Powell, being able to take major decisions on agriculture – one of the issues that interested Thatcher most – before the forthcoming elections.⁴⁶⁰ Indeed, the Presidency Conclusions stressed “the concrete, if not spectacular nature of discussions, describing the meeting as very constructive and very practical”:

The Community must be a major force for growth in the 1980s and 1990s as it was in the 1960s. [...] To create the conditions for this, the Community must work to break down the remaining barriers to trade between Member States, reduce red tape and open up opportunities so that European enterprise can flourish in all Member States.⁴⁶¹

In the press conference right after, Thatcher reaffirmed the “very constructive and very practical nature of the European Council, [...] although no dramatic”.⁴⁶² The meeting demonstrated, in her opinion, “the relevance of the Community to ordinary people in Europe [...] and the increasingly successful cooperation within the Community”.⁴⁶³

In fact, however, the summit avoided – as Alan Osborne from the *Daily Telegraph* pointed out during the press conference question time – “some of the major issues facing the Community, notably its lack of resources next year and the excesses of the common agricultural policy”. Thatcher replied:

We are very much aware that major problems will arise on the Common Agricultural Policy and on the financing of the Community as well as on cohesion, and we discussed them in a general way. [...] I think it is because we are aware of the magnitude of the task that really very special

⁴⁶⁰ THATCHER, *The Path to Power*, 469.

⁴⁶¹ *London European Council, Presidency Conclusions*, 6 December 1986, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

⁴⁶² Margaret THATCHER, *Press Conference after London European Council*, 6 December 1986, TFA 106530.

⁴⁶³ *ibid.*

efforts are being made in consultation and in identifying options before any proposals are brought before us.⁴⁶⁴

As President in office of the European Council, Thatcher was accompanied at the Press Conference by President Delors. An awkward scene happened between the Prime Minister and the President of the Commission, solicited to intervene:

[Prime Minister:] Monsieur Delors I am sure you would like to say something about that. If not, would you say it anyway?

[Mr. Delors:] No, no, I am obliged to such a discretion.

[Prime Minister:] You mean you can refuse to talk to them? Would you very kindly confirm that what I said was absolutely strictly accurate and that you are looking forward to this and rising to the challenge it represents and you will hope to solve it during your coming two years of Presidency of the Commission.

[Mr. Delors:] I hope.

[Prime Minister:] I had no idea you were such a strong silent man.⁴⁶⁵

In her autobiography, she remembered the London European Council as

notable for the emergence of M. Delors as a new kind of European Commission President – a major player in the game. I had a brief foretaste of this at the first evening's dinner, when, to my surprise and unconcealed irritation, he used the discussion period before dinner to launch into a long speech about the parlous financial state in which the Community found itself as a result of the CAP and to put forward a range of quite detailed suggestions. I replied that we should have all been told this before: it was plain

⁴⁶⁴ *ibid.*

⁴⁶⁵ *ibid.*

from what he said that the Community was broke. [...] this sort of thing ought not to be repeated. [...] it illustrated all too well what was wrong with the Commission – that it was composed of a new breed of unaccountable politicians.⁴⁶⁶

From his side, Delors remembered it was the Prime Minister to invite him to explain that the difficult financial situation of the Community during the aperitif preceding the dinner of the Heads of State or Government on the first day of the meeting. Following the President of the Commission, a misunderstanding arose, and he had the sensation that they were, since the Luxembourg meeting one year before, entering a phase of deterioration:

At the end of the European Council, Mrs. Thatcher gave the usual press conference [...] and, in conclusion, gave me the floor, I said, as if embarrassed, that I had not nothing to add. Which earned me a tease from her. She no doubt took her revenge for the next step, as, when we went to report the Council meeting to the European Parliament, she found me very wordy, very critical and very caustic. [...] In Strasbourg we reached a level of tension that would never be seen again.⁴⁶⁷

The quarrel between the two continued indeed few days later, in Strasbourg. Holding, yet for another month, the Presidency of the European Council, Thatcher reported to the European Parliament on the outcome of the European Council. In that occasion, she addressed the “Assembly” – as she never desisted to call the European Parliament – with a speech she judged “could not have been more *communautaire*”.⁴⁶⁸ She seized the opportunity to speak about the Community budget for

⁴⁶⁶ THATCHER, *The Path to Power*, 470.

⁴⁶⁷ DELORS, *Memoires*, 218.

⁴⁶⁸ THATCHER, *The Path to Power*, 470.

1987, besides the “direct and practical measures” deployed under the guidance of the United Kingdom Presidency

to make the Community work better for the benefit of individual citizens. Some may say that we have our eyes too much on the ground rather than on the distant horizons. But you do not reach the distant horizons unless you build solid ground on which to tread”.⁴⁶⁹

Among these, “a new programme for business and jobs and [...] more help to the small and medium-scale firms which are so often the engine of economic growth” to tackle unemployment and to make “the Community the major force for growth in the 1990s that it was in the 1960s”.⁴⁷⁰ Likewise, the adoption of an action plan for employment growth, based on policies directed to tackle inflation as the main instrument – along with specific training – for creating new jobs, efforts to remove the remaining barriers to trade between member states, and several other technical measures, including policies on telecommunications equipment and transport.

On the other hand, confirming her the idea of the Community as a common project for nation states aimed primarily at the economic success, once again Thatcher emphasised her belief that the Single Act was a means to realise “one of the Community’s original goals: the creation of a genuine Common Market without barriers to trade between its members”.⁴⁷¹

[T]he Community is not an intellectual concept but an institution to serve our citizens. That in turn has produced in governments a welcome determination to concentrate

⁴⁶⁹ Margaret THATCHER, *Speech to the European Parliament*, 9 December 1986, «Official Journal of the European Communities», Annex: *Debates of the European Parliament*, No. 2-346 (English edition), 1986/87 session, 41-68.

⁴⁷⁰ *ibid.*

⁴⁷¹ *ibid.*

on practical goals. One consequence in Britain is that debate about whether we should belong to the Community has been replaced by lively discussion of how to improve its working.

[...] As individual countries we have the talent, we have the skills, we have the resourcefulness. What we need are strengths which we can only find together. We must be stronger in new technologies. We must have the full benefit of a single large market. We must have policies for sustained economic growth. We must have a strategy for encouraging enterprise which will create new jobs. We must face together the problems which we can only tackle effectively together.⁴⁷²

The prerequisite for a good functioning of the Community was the reform of the CAP, which represented a very difficult issue for Thatcher, as it embodied all the features she did not like in a policy.

First, CAP did not follow the market nor directly support farmers:

We must also adapt old policies to suit the changing times, so that they are not an unnecessary drain on Europe's vitality or its resources. This means above all action to deal with agricultural surpluses and to put agriculture on a more stable footing for the future.

[...] The problem today is unmarketable surpluses. Half the Community's total budget goes *not* for support which directly helps the farmer, but on storage and disposal of these surpluses. At the same time, those surpluses depress world prices and remove the incentive for farmers in developing countries to produce the food those countries need. That was no part of the original concept of the common agricultural policy.⁴⁷³

⁴⁷² *ibid.*

⁴⁷³ *ibid.*

Second, the CAP represented a policy which was very important, in electoral terms, for several member states, first being France, and this meant it was very hard to reform. Thatcher insisted:

We cannot as a Community, any more than as a family, escape difficult choices between priorities. [...] difficult decisions have to be made about the common agricultural policy. Of course we all accept the need to preserve the health and vitality of a rural Community and the prosperity of Europe's countryside but we have to do so in ways which make more sensible use of the very large resources that we are devoting to the common agricultural policy.

[...] It is no good believing that decisions will become easier if we postpone them. There are no easy decisions. We have to take hard decisions and take them soon, or events will overtake us and the money will run out. Then, instead of well-ordered decisions for a coherent policy, we risk seeing a disorderly retreat into a series of national measures.⁴⁷⁴

Among the successes of the British Presidency, Thatcher enlisted cooperation against drug traffics, terrorism, and illegal immigration as a prerequisite for implementing the free circulation of the European citizens:

Only by strengthening controls at the Community's external frontiers in this way can we safely press ahead with simplifying frontier procedures within the Community. We want free movement for our citizens but not for terrorists or other criminals.⁴⁷⁵

As is traditional, Heads of Governments and Foreign Ministers had discussed a number of issues in political cooperation, which Thatcher

⁴⁷⁴ *ibid.*

⁴⁷⁵ *ibid.*

took as an opportunity to reaffirm her commitment to the Atlantic Alliance and the importance of Europe's security:

Mr President, within the institutions of the European Community there may be an inclination to see relations with the United States through the prism of commercial disputes. Certainly, they are important, and we must stand up strongly for Europe's interests when they are threatened.

But Europe must also take a wider view. There are new hopes and prospects for reducing nuclear weapons. But we must ensure that they are realized without damage to Europe's security.⁴⁷⁶

In particular, she was worried that the new generations, who had not lived through World War II in person, would pay less attention to the Atlantic Alliance, although "working together across the Atlantic has never been more necessary than it is now".⁴⁷⁷ For this reason,

My conclusion is that in building the European Community we must not only look inwards to our own institutions and policies but also outwards to building up the Atlantic relationship. And let us never forget that the aftermath of war produced two great ideas which have shaped our destiny ever since. One was the NATO Alliance, the other the European Community.

[...] I would like to see us find that courage, courage to face up not only to the challenges *within* our societies, such as unemployment, and the challenges to our societies from outside, such as terrorism and drugs, but also the challenge of realizing our common European strength to ensure the further spread of democracy and freedom and justice in the wider world.

⁴⁷⁶ *ibid.*

⁴⁷⁷ *ibid.*

I hope that the British Presidency and the London European Council have taken us a further step down that road.⁴⁷⁸

President Delors delivered a speech right after, insisting on the fact that the absence of decisions in the Council “would compromise the steady progress and balance of the construction of Europe”. He recognised that “by trying to scale down the role of physical barriers within the Community and shifting the emphasis in controls to our external frontiers, the British Presidency has made a signal contribution towards completion of the internal market”. He, however, did not refrain from accusing Thatcher of the limits of her action in the last semester and underlining frictions within the European Council:

If we had focused on the internal frontiers a permanent obstacle might have been put in the way of completion of the internal market. [...] With regard to the campaign against unemployment, I have to acknowledge that there are divergences between Member States and also between the British Presidency and the Commission. For my own part, I feel that, if action in this field is to be really effective, it is necessary to get the cooperative strategy for growth under way, intensify social dialogue – an area where we have in point of fact achieved some progress during this half-year.

[...] Of course, the European Council, as the Commission sees it, is also a body responsible for assessing progress in the construction of Europe and stimulating further action. On three points, frankly, some of the results of recent Council meetings have been disappointing.⁴⁷⁹

⁴⁷⁸ *ibid.*

⁴⁷⁹ Jacques DELORS, *Speech to the European Parliament*, 9 December 1986, «Official Journal of the European Communities», Annex: *Debates of the European Parliament* No.2-346 (English edition), 1986/87 session, 41-68.

In particular, Delors accused the Council of being responsible of the delaying in the implementation of the needed measures for growth and employment:

[T]he Finance Ministers, I hope, can come out of their isolation and do something other than pay lip service to this text without doing anything about it.

I should like to point out that if this cooperative strategy for growth had been put into effect a year ago we could have looked forward – and this can be demonstrated – to an extra point on the growth rate in 1987, which would have meant an appreciable fall in unemployment. Moreover, we would have given a measure of hope to the developing countries, since every additional point on the growth rate in Europe will be reflected by stronger growth in the developing countries. But it is never too late to do the right thing.⁴⁸⁰

On the conditions for effective application of the Single Act, which represented an issue for the Council and the British Prime Minister in particular, Delors presented the Commission's analysis on the state of the Community. He insisted on the need for guaranteeing a stable system for better using the resources and for overcoming the current budget management:

Such expedients can no longer be used, they are no longer adequate. [...] That is just saving face. These methods, these expedients, no longer measure up to the situation.⁴⁸¹

Then he mentioned the need for reforming the CAP:

Because of our position in the world, we have no option but to undertake reform of the common agricultural policy on a more drastic scale, whether we like it or not, because the situation worldwide is as it is, and it is not in

⁴⁸⁰ *ibid.*

⁴⁸¹ *ibid.*

our power to remodel it as we please. [...] the volume of supply is constantly expanding while demand remains stable. [...] That is unacceptable, in terms of the Community's image and its political influence in the world as well.⁴⁸²

Finally, the third dimension: cohesion. "I'm sorry", he said, "but I have to be blunt about this":

Cohesion was central to the discussions among the Heads of State or Government. The fact is that, with the Single Act, we now have a choice between two formulas, or rather three: the first is a free-trade area in name only, with each country hanging on to its privileges; next there is a real free-trade area, but one with redistribution of budget resources to offset the hardship caused to the more backward countries; the third option, which is embodied in the Single Act and is the only sure course towards achievement of the European Union, is a common economic space. It is along the lines of this last opinion that the Commission is working. [...] I am looking on this mission as that of a mediator trying to ensure that countries do not publicly adopt unduly entrenched positions and do not plunge the Community back into one of those periods of lethargy that have regrettably punctuated its history.

The Commission is getting on with its work. It will have completed its broad guidelines, with a limited range of options, by the end of the year, as planned.⁴⁸³

The day after, the FCO Secretary Geoffrey Howe delivered a speech to the European Parliament to make an assessment about the mandate. He insisted on the need, for the Community, to fulfil their potential not only as some of the world's leading democracies, but also as the

⁴⁸² *ibid.*

⁴⁸³ *ibid.*

“potential most powerful economic grouping in the world”.⁴⁸⁴ Using those ‘domestic’ examples so dear to Thatcher, such as “the European housewife”, to insist on the “practical measures” adopted under the British Presidency to make the Community a better place for common people, Howe claimed the need to “co-operate effectively within Europe before we can cooperate really effectively outside Europe”.⁴⁸⁵

In this mutually interdependent age, the progress we make in strengthening our internal unity and developing our internal market is crucial to our ability to make Europe’s full influence felt outside throughout the rest of the world.

[...] European unity is being built day-by-day, action-by-action, policy-by-policy. We may not be building as fast as you would like, as fast as I would like, but we are building and we have built strongly and we must go on doing so.⁴⁸⁶

This speech – together with the one given on 8 July, at the beginning of the semester – was attached to *Developments in the European Community. The United Kingdom Presidency: July-December 1986*, issued by the government and published on 6 April 1987 as “a special effort to get the message of our Presidency of the Council across in public”.⁴⁸⁷ It consisted of a massive 182 pages document, explaining in detail the expectations, operating guidelines and claimed results of the British Presidency, “characterised by a desire to make practical progress on a wide range of issues, and in particular in areas which would directly benefit the people of the Community as a whole”.⁴⁸⁸

⁴⁸⁴ Geoffrey HOWE, *Speech to the European Parliament*, 10 December 1986, PREM 19/2165.

⁴⁸⁵ *ibid.*

⁴⁸⁶ *ibid.*

⁴⁸⁷ Geoffrey HOWE to the Prime Minister, 3 April 1987, PREM 19/2165.

⁴⁸⁸ *Developments in the European Community. The United Kingdom Presidency: July-December 1986*, White Paper issued by Thatcher’s government for the British Presidency of the European Council, 6 April 1987, section I: Introduction, PREM 19/2165.

Formulas such as “practical progress” had been used very often in the previous months, also by the Prime Minister herself, and had, after all, characterised both her rhetoric and approach to the Community. The paper claimed that the UK Presidency gave priority to the completion of the common market and the removal of barriers to trade in goods and services – obtaining the agreement of other Heads of Government to a package of “48 separate measures to open up the Community’s internal market [...] a substantial acceleration over the progress achieved in earlier presidencies”.⁴⁸⁹ The other focus areas were the reform of the CAP – “the single largest measure of reform yet achieved in the operation of the CAP” itself; the maintenance and strengthening of the open trading system, with particular insistence towards Japan and the US; measures to stimulate employment in the Community; intensified co-operation between the member states against terrorism, drugs and illegal immigration; the achievement, in political co-operation, of a common position on several issues, with particular attention to South Africa and East/West relations, recently revived by the meeting between President Reagan and Mr. Gorbachev in Reykjavik and anticipated by a meeting in Camp David, where Thatcher had participated.⁴⁹⁰ Thatcher’s government’s main goal was to complete the single market: half of the country’s total international trade (exports plus imports), amounting to £78 billion, was, in 1986, accounted for by the other eleven members of the EC, and the proportion was rising fast, considered the 49% of 1985 and the 33% prior to membership.⁴⁹¹

⁴⁸⁹ Ivi, point 1.2.a.

⁴⁹⁰ Ivi, section I.

⁴⁹¹ “United Kingdom Trade with the European Community”, in *Developments in the European Community*.

In other words, the British Presidency of the European Council reflected, under the terms and conditions, the same attitude Thatcher demonstrated in home politics, and was coherent with her overall approach to the Community.

4.2. A renovated impetus

Making Europe work better will never seem glamorous and will often be painful to those whose job is to keep the wheels turning.
(Sir Michael Butler, *Europe: more than a Continent*, Heinemann, 1986, 171)

On 5-6 December, during the European Council, President Delors was tasked with a visit to the European capitals, which he accomplished in London on 5 February. For the occasion, although Delors considered that “his visits are private talks without any public statement”, the Cabinet had prepared a potential press line which remarked that

the Community’s first priority must be to agree new and more effective budgetary control arrangements. [...] There must be effective stabilising mechanisms to stop CAP expenditure in future overshooting its budgetary allocation.⁴⁹²

Thatcher should insist, if necessary, that any supplementary budget would be adopted later in the year but within the 1.4% VAT ceiling. As remarked, the Fontainebleau Agreement provided that “the maximum rate may be increased to 1.6% on 1 January 1988 by unanimous decision of the Council”, and Britain was “not willing to provide yet more

⁴⁹² David F. WILLIAMSON, *Press line for Mr. Delors visit in London*, 4 February 1987, PREM 19/2165.

resources without reform of the CAP”.⁴⁹³ No possibility, from the British side, of providing additional finance outside the own resource, for example through an inter-governmental agreement.

Following the telegram coming from the UK Representatives in Brussels, during Delors’ visit in Paris the French Prime Minister Chirac adopted Thatcher’s line, making it clear to Delors

that there was no question of the French Government agreeing to such an increase [in the EC’s budget share of the Community’s combined GDP] at a time when the governments of all industrialised democracies were seeking to keep public expenditure under control: 1.4 per cent of the EC GDP was out of the question.⁴⁹⁴

On the other hand, although this was not put to Delors, the French thought that a move to 1.6% of VAT could not be avoided, given that EC spending was, in reality, already at that level. This difference between VAT and GDP percentage can confuse profanes, but, for this reason, is often fundamental to reach agreements and, most of all, to present the outcomes of negotiations to the public. In fact, 1.4% of GDP corresponded to 2.1% of VAT – that’s why France was prepared to settle at 1.6% of VAT from 1 January 1988.

Accordingly, during Delors’ visit in London, the British side – Thatcher and the other Ministers he met, emphasised that

the real problems of the Community arise through the failure to control expenditure rather than from a lack of revenue; that there could not be no question of an increase in own resources to 1.4 per cent GDP; no

⁴⁹³ *ibid.*

⁴⁹⁴ UKREP BRUSSELS, *Telegram to the FCO*, 30 January 1987, PREM 19/2165.

question of doubling the structural funds; and no question of decisions before the British General Election.⁴⁹⁵

Thatcher would call the General Election for 11 June only on 11 May, but to agree to an increase in Community's resource, perceived as an increase in Britain's expenditure for the Community, was not a good move for a Prime Minister who hoped "to go on and on".⁴⁹⁶

As promised, after President Delors' European tour, on 15 February 1987 the European Council received a communication, titled "Making a success of the Single Act – A new frontier for Europe", issued by the Commission and commonly known as the "Delors I Package" – which reforms would be continued, in 1992, by a further communication from the Commission known as the "Delors II Package". The plan aimed at providing the Community with effective means to implement the measures contained in the Single European Act, which would come into force on 1 July 1987. The communication recognized these policies in

the establishment of a large market without internal frontiers, economic and social cohesion (in other words greater convergence as regards both the methods used and the results obtained), a common policy for scientific and technological development, the strengthening of the European Monetary System, the emergence of a European social dimension and coordinated action relating to the environment.⁴⁹⁷

⁴⁹⁵ Robert ARMSTRONG, *Cabinet brief*, 11 February 1987, PREM 19/2165.

⁴⁹⁶ Margaret THATCHER, *TV Interview for BBC*, 11 May 1987, TFA 106615.

⁴⁹⁷ THE EUROPEAN COMMISSION, *Making a success of the Single Act – A new frontier for Europe*, Communication from the Commission to the Council, 15 February 1987, COM (87) 100, «Bulletin of the European Communities» 1987, Supplement, No. 1, often quoted as "Making a success of the Single Act" or "The Single Act: A new frontier for Europe".

It assumed that, in order to succeed in the new responsibilities brought by the Single European Act, the Community should “adapt its old policies to the new conditions”:

the reform of the common agricultural policy to take account of new production and trade conditions, the reform of the structural funds to make of them instruments of economic development, and the reform of the financing rules to ensure a budgetary discipline as rigorous as that which the Member States impose upon themselves. Once these reforms have been implemented, the Community will have to have the resources needed to be in a position to achieve the objectives of the Single Act.⁴⁹⁸

The Delors I Package had two overriding objectives, the first being to guarantee the financing of the Community budget: at the time, the ‘traditional’ own resources were decreasing. The Commission proposed to introduce a fourth Own Resource, based on the GNP of the member states. The second objective aimed at improving the annual budgetary procedure, introducing a five-year rather than just an annual budget.⁴⁹⁹ There were, though, many particulars that resulted critical to Thatcher, such as the reminder that, if

the single economic area is the only outcome compatible with the overriding idea of European Union, as formally restated in the preamble to the Act, [...] it implies strengthening the European Monetary System in such a way as to enable capital markets to be regulated and imbalances to be corrected.⁵⁰⁰

⁴⁹⁸ Ivi, Introduction.

⁴⁹⁹ Pierre GERBET, *Reform of the Community budget*, http://www.cvce.eu/obj/reform_of_the_community_budget-en-ad39fbfd-edc4-454d-bcea-553ae7170535.html.

⁵⁰⁰ THE EUROPEAN COMMISSION, *Making a success of the Single Act – A new frontier for Europe*, section I.

The Commission proposed adjustments to ensure that

the necessary impetus is provided. The principle of mutual recognition of standards and rules should be adopted in the place of an endless and fruitless search for agreement on common standards and rules.⁵⁰¹

Moreover, a clear commitment to strengthened budgetary discipline, given that, as suggested both by the French and the British Prime Ministers,

[a]t a time when, rightly or wrongly, the member countries are keen to reduce their budgetary expenditure and cut public deficits and, in some cases, to lower taxes, it is no easy task to persuade public opinion that the Community needs more money.⁵⁰²

Thatcher could well agree where the ‘Reforms needed’ section proposed “a common agricultural policy adapted to the world context” and more rationale. Less, when, in the section II.C – ‘Sufficient, stable and guaranteed financial resources’ – the paper warned that the limit of traditional own resources (customs duties and agricultural levies, and a 1.4% rate of VAT for each Member State) had been reached and was not possible “for 1987 expenditure to be financed in full within these limits”.⁵⁰³ The Commission took the view that

the Community must have a system of own resources which is adequate, stable and guaranteed, giving it a long enough period of ‘budgetary security’ to allow it to plan its own development, especially while the internal market is being completed.⁵⁰⁴

⁵⁰¹ *ibid.*

⁵⁰² *ibid.*

⁵⁰³ *Ivi*, section II.C.

⁵⁰⁴ *ibid.*

Being, following the Commission, the present system of own resources inadequate – especially with the commitment to the reforms decided with the Single Act – it expected a further increase in Community's expenditure, which made it

clear that the 1.4% [of GDP] ceiling is already outdated. Even raising the rate [of VAT] to 1.6% would offer no lasting solution to the financial problem. The retention of this system of financing would mean perpetuating improper practices in order to conceal a deficit which now has a structural character.⁵⁰⁵

The present system had in fact a key, structural defect: the basis of the resources was gradually being eroded, because traditional own resources (customs duties and agricultural levies) were steadily diminishing as a result of multilateral tariff reductions and the Community's growing self-sufficiency in farm products; the VAT base itself was increasing more slowly than economic activity in the Community, because of a decline in the share of consumer expenditure in the GNP. "The existing revenues provide neither the volume, nor the stability, nor the flexibility which the Community needs now and in the future": the Commission proposed a fourth resource in addition to customs duties, agricultural levies, and VAT to cover the whole of the budget: 1% of the difference between the GNP of each country and the basis of assessment of VAT, with a ceiling in the form of a 'maximum rate of the compulsory Community levy', fixed by reference to the Community GNP – set at 1.4% of the Community's GNP until at least 1992. Lastly, the Commission wished to retain the possibility of adding a further resource between now and 1992 to those indicated above,

⁵⁰⁵ *ibid.*

within the ceiling of 1.4% of GNP, which implementation would require unanimous endorsement of the member states and ratification by their parliaments.⁵⁰⁶ The Commission's analysis proceeded identifying in the CAP the main source of disequilibria, applying

particularly to the United Kingdom where agriculture, although very efficient, makes only a modest contribution to GNP. There is thus a very large gap between the UK's share of Community GNP and its share of agricultural guarantee[d] expenditure, which entails a specific burden which it is very difficult for a country whose relative prosperity is only slightly above the Community.⁵⁰⁷

The Commission proposal for a rate of 50% of reduction in the charge to the United Kingdom was not welcomed positively, as it was interpreted as less convenient than the Fontainebleau rebate, which represented, for Thatcher's government, a prerequisite to any other agreement. The UK's budget imbalance was measured on the VAT-expenditure share gap, calculated as follows: the difference between the UK's percentage share of VAT payments and its percentage share of receipts from the allocated budget (that is, Community budget destined to the member states for several measures and policies) is applied to the whole of allocated budget; the UK received an abatement of VAT contribution equal to 66% of that gap:

UK share of VAT	20%
UK expenditure share	10.5%
Difference	9.5%
Total allocated budget (1987)	35,000 million ecu
VAT - expenditure share gap	9.5% of 35,000 mecu = 3,325 mecu
UK abatement	66% of 3325 mecu = 2,200 mecu

Table 7 – UK Abatement calculations. Source: Developments in the European Community. The United Kingdom Presidency: July-December 1986, White Paper issued by Thatcher's government for the British Presidency of the European Council, 6 April 1987, section I: Introduction, p. 1, PREM 19/2165.

⁵⁰⁶ *Cabinet brief*, 11 February 1987, PREM 19/2165.

⁵⁰⁷ *Developments in the European Community*, ii.

The effect of the abatement was to reduce the VAT contribution the UK had to make to the Community, reducing it to one third of its otherwise import. The Commission proposal COM(87) 101 suggested to replace this system with a new abatement mechanism which would provide the UK with a 50% refund of the difference between its percentage share of GNP and its percentage share of receipts of the agricultural budget only. Following the estimated provisions, this ‘GNP-agricultural expenditure share gap’ system would provide a refund in respect of 1987 about half the size of that provided by the Fontainebleau mechanism.

UK GNP share	17.53%
UK share of agricultural exp.	9.65%
Difference	7.88%
Total agriculture budget	22,960 million ecu
VAT - expenditure share gap	7.88% of 22,960 mecu = 1,809 mecu
UK refund = 50% of	50% of 1,809 mecu
VAT – expenditure share gap	= 905 mecu

Table 8 – David F. WILLIAMSON, Effect of Commission Proposals on UK Abatement, 3 June 1987, Q₂: 05854, PREM 19/2166.

Moreover, on 10 April, like the other members of the European Council, Thatcher received a letter from President Delors about the 1987 budget, warning of a large deficit of over 5,000 million ecu – corresponding, as converted at the 1 December 1986 market rate of 1.35 ecu = £1, to £3,700 million.⁵⁰⁸ The missive remarked, in a way that pleased Thatcher very much, that it was “the spirit of discipline which need[ed] to be displayed in the management of the Community budget as in the management of national budget”.⁵⁰⁹ Then, Delors invited the Member States to assume their political responsibilities and

⁵⁰⁸ *Developments in the European Community*, ii.

⁵⁰⁹ Jacques DELORS, *Letter to the Prime Minister*, 10 April 1987, PREM 19/2165.

to take action to deal with this serious state of affairs which will very shortly endanger the normal operation of the Community and its main common policies. [...] to resort to makeshifts cannot be allowed to continue. [...] The Community must now be given the resources it needs to achieve the objectives it set itself in the Single Market. [...] Everything points to the need for the Community to have a system of own resources which is adequate, stable and guaranteed. It must also be given a sufficiently lengthy period of budgetary security, subject to real budgetary discipline and strict management.⁵¹⁰

From the Cabinet papers it can be understood that the Government agreed with the proposal to change the system of financing the CAP to replace advances by reimbursements to the member states, which “will give a substantial one-off saving to the Community budget in 1987 and which is desirable on budget discipline ground”.⁵¹¹ What Thatcher referred to, on the other hand, saying she would not agree to any “extra funding”, a proposal for an intergovernmental agreement, a form of financing outside the own resource system, which the Commission had proposed to amend the budget for the year 1987 and the Cabinet judged “unnecessary as well as unacceptable on policy grounds”.⁵¹²

The whole position of Thatcher’s government towards the Commission proposal was delineated by the Cabinet in the press line:

We have consistently campaigned for effective control of Community expenditure, especially agricultural expenditure. Community spending has to be subject to the same discipline as national expenditure. Resources must determine expenditure not vice versa.

⁵¹⁰ *ibid.*

⁵¹¹ Robert ARMSTRONG, *Cabinet memo*, Ref. A087/1104, PREM 19/2165.

⁵¹² Lyn PARKER, Civil servant to the FCO, *Letter to the Prime Minister*, 16 April 1987, PREM 19/2165.

We have advocated from advances to reimbursements. Apart from making savings in 1987, this will improve budgetary control. An IGA would require unanimity. Ministers have made clear that the UK will not agree to any funding outside the own resources.⁵¹³

Britain had indeed previously agreed to IGAs, but that was before the Community increased the VAT ceiling to 1.4%; then, it was made clear that no additional finance outside the own resource would be agreed. The British solution to cover the 1987 deficit was to use the remaining resources within the 1.4% ceiling, to maximise savings in price fixing, and to change from advances to reimbursements in agriculture. Payments to farmers, if the money runed out, would be sustained by national governments in their own country; in this way, on a short term, the UK would save money, because it would finance only the cost of its own agricultural sector. However, permanent renationalisation of the CAP would not be a good thing, as “absence of a common market in agriculture would require very expensive subsidisation to keep [British] agriculture competitive. Answer is to rationalise CAP, not renationalise it”.⁵¹⁴

On 22 April, one week before the European Council meeting, Thatcher replied briefly and concisely to President Delors, remarking her belief that expenditure had to be contained within available revenue:

Community spending must be subject to the same disciplined as national expenditure; and we must take that necessary steps to ensure effective control. [...] We see no need for, and I have already made clear that we will not agree to, any extra funding outside the own resources.

⁵¹³ David F. WILLIAMSON, *Cabinet Press Line*, 14 April 1987, PREM 19/2165.

⁵¹⁴ *ibid.*, italics in the original.

The key to the Community's future financing must be to ensure that agricultural production, and thus spending, is brought and kept under control and that more effective controls are agreed over Community spending as a whole.⁵¹⁵

On 24 April, a telegram from Brussels informed the government about the conclusions of the report of an independent study group of economists, chaired by the Italian Tommaso Padoa-Schioppa, the Vice-Director General of the Bank of Italy, invited by Delors to study the implications for the Community's economy of the decision to complete the internal market. The paper concentrated on the complementary actions necessary for the implementations of that decision and invited the Member States to opt for a wider application of the principle of mutual recognition of standards and regulations, rather than by harmonization – a standpoint which matched the British preference. The second aspect concerned the strengthening of the EMS, considered an essential support for the internal market, without the need for immediate monetary union, to which closer coordination of national monetary policies was preferable.⁵¹⁶

The report pleased Thatcher also in the evidence that

budgetary reform, necessary to correct budgetary and regional economic imbalances [...] should be based on considerations of efficiency. [...] Money should be concentrated on programmes in areas of industrial decline. The agricultural budget had become an

⁵¹⁵ Margaret THATCHER, *Letter to President Delors*, 22 April 1987, PREM 19/2165.

⁵¹⁶ Tommaso PADOA-SCHIOPPA, *Efficiency, stability, and equity: a strategy for the evolution of the economic system of the European Community* (Oxford University Press, 1987), previously circulated as “*Efficiency, stability, and equity: a strategy for the evolution of the economic system of the European Community*”. Report of a study group appointed by the Commission of the European Communities, Brussels, Commission of the EC, 1987, available at the HAEU, ARCHV 338.914 PAD.

instrument of income redistribution rather than efficient resource allocation.⁵¹⁷

During the Foreign Affairs Council on 26-27 April the United Kingdom was accused by President Delors of being “alone in blocking changes” for having “laid down very firmly the UK’s objectives for getting control of agricultural spending and for effective budget management” and rejected the intergovernmental agreement outside the own resources system.⁵¹⁸ In the related Cabinet memo, the Commission’s attitude was defined “a parody”: several Member States, among which France and Germany, rejected the Commission’s proposal for the increase in the own resources ceiling to 1.4% GNP (about 2.1% VAT), although prepared to move – envisaged as a possibility by the Fontainebleau agreement – to a 1.6% VAT ceiling, as anticipated by the rumours circulated in the previous weeks.⁵¹⁹

While the European Parliament was discussing a resolution calling for higher resources, the Commission was expected by the British government to present a draft budget for 1988 in excess of the 1.4% VAT ceiling – which cannot be financed without unanimity.

At that moment, a legally established budget for the year 1987 was in force, with a margin of 630 million ecu below the own resources ceiling, but the Commission had estimated – Delors had informed the members of the Council with the letter on 10 April – that the expenditure would exceed the budget by 5,000 million ecu, the principal

⁵¹⁷ UKREP BRUSSELS, *Telegram to the FCO*, 24 April 1987, PREM 19/2166, underlined and emphasized as done by Thatcher in the original.

⁵¹⁸ Robert ARMSTRONG, *Cabinet memo*, 29 April 1987, Ref. A087/1202, PREM 19/2166.

⁵¹⁹ *ibid.*

causes being agricultural spending expected to be 3,900 million ecu above the budget and the Community's revenue from customs duties and VAT expected to be about 1500 million ecu below the budget.

To deal with the 1987 Community budget shortfall, notwithstanding the opposition to any new IGA financing, the British proposed to focus on agricultural savings and to move to reimbursement rather than advance payments for agricultural guaranteed expenditure; a measure that they expected France would object, having concluded "rightly that the change is less favourable to themselves (and much more favourable to the United Kingdom) than an IGA".⁵²⁰ For the 1988 budget, the Commission was expected to publish a proposal based on a 1.69% VAT rate, even exceeding the Fontainebleau possibility to reach a 1.6% ceiling.

The best option for Britain – an agreed 1988 budget within the 1.4% VAT ceiling – was unrealistic for the awareness of the Community's need for more resources. The government, which expected to have to agree on a 1.6% ceiling, should now insist on preconditions of better public expenditure control and reform of the operation of the CAP, together with the maintenance of the Fontainebleau rebate. This scenario was, anyway, better than the 1.4% VAT plus provisional twelfths which the Commission would have adopted without an agreement, foreseeing a contribution of £1150 million versus the 513 estimated with the reform. Anyway, if the 1.6% VAT ceiling would be agreed, the British forecasted a rise in Community's revenue of about 3400 million ecu (about £2400 million) a year, with a rise in Britain's net

⁵²⁰ David F. WILLIAMSON, *Memo to Mr. Powell*, 12 May 1987, Qz. 05799, PREM 19/2166.

contribution about £70 million, “demonstrating the effectiveness for the British taxpayers of the Fontainebleau abatement mechanism”.⁵²¹

This standing was also, for a government which had, in the same days, called the General Election, perfectly defensible in front of the electorate. Thatcher was not going to agree any extra money for the Community, for 1987, outside own resources; on the contrary, she was pressing for moving to a reform of the CAP to finance the shortfalls. For 1988, she was standing by the terms of Fontainebleau – “the ceiling *may* be raised to by unanimous consent” – with the preconditions of effective control spending. If reached, the reform would demonstrate that Fontainebleau was, in fact, a good deal, which saved Britain £4.5 billion since 1984, most of all if compared with the arrangements negotiated by Labour.⁵²²

On 11 June, Thatcher reported a wide victory in the General Election, with the 42.2% of the total share of votes and 375 MPs elected, which represented an important support for her, also in the European arena.⁵²³ Few days later, the feeling of the government was that of a *déjà-vu*: as in 1983,

a British General Election had to be followed by a European Council at which the parlous state of the Community’s finance will be the centrepiece. As in 1983 the Community is out of money, the Agricultural Policy is costing too much, the poorer member states want more social and regional spending, and the Commission wants more than the Council wants to give it.⁵²⁴

⁵²¹ *ibid.*

⁵²² *ibid.*

⁵²³ HOUSE OF COMMONS PUBLIC INFORMATION OFFICE, *Factsheet No 47*, 11 June 1987, House of Commons Library Research Note 353.

⁵²⁴ UKREP BRUSSELS, *Telegram to the FCO*, GRS 2000, 15 June 1987, PREM 19/2166.

Nonetheless, the British diplomats in Brussels saw the Commission as more firmly committed to reform the CAP, and the UK's position more comfortable thanks to the Fontainebleau agreement – and “the much better working relationship with France and Germany”.⁵²⁵

This, and the recent success at the General Election, gave the government the feeling of being “in a strong negotiating position” and the possibility to assume a firm stance against various proposals of the Commission:

We oppose the proposal for an intergovernmental agreement to cover 1.5 billion ecu of the deficit for 1987, which would be a decision to provide finance outside the own resources system. We reject the doubling of the size of the structural funds and changes in the system of own resources and in our abatement mechanism which could probably lead to a doubling of our already large net contribution. We have made it absolutely clear all along that before we can consider any increase in the VAT ceiling we must see clear improvements in overall control of the Community's budget and further reform of the common agricultural policy.⁵²⁶

As expected, the Brussels European Council of 29-30 June 1987 was given over, on the very eve of the entry into force of the Single European Act of 1 July, entirely to consideration of the Commission's communication “Making a success of the Single Act – A new frontier for Europe”. It concluded, without the British approval, that

the recent enlargement, the 1992 deadline for the achievement of the single market, the undertaking to strengthen cohesion and develop common policies and the signing of the Single Act open up new prospects for the Community. To make allowance for those changes

⁵²⁵ *ibid.*

⁵²⁶ Geoffrey HOWE, *Letter to the Prime Minister*, 22 June 1987, PREM 19/2166, underlined as done by Thatcher in the original.

and in order to address this new stage in the Community's development under the best conditions, a number of concrete guidelines must now be set and a procedure laid down enabling the various decisions required for their attainment to be adopted swiftly.⁵²⁷

The European Council ended with unanimous agreement on the short-term issues, such as the research programme and the 1987 Community budget, which was solved on the UK lines, i.e. no intergovernmental agreement but a change from advances to reimbursement of agricultural support expenditure. For what concerns the agricultural issues, a compromise was reached on Monetary Compensation Amounts (MCAs) for agricultural trade, on the basis of a Franco-German agreement. The United Kingdom refused, though, to endorse decision – reached on the part of the other eleven Member States – on the guidelines for acting on the Commission's communication "Making a success of the Single Act". The British did not agree to the conclusions,

because they included an immediate decision to increase the base of the agricultural guideline to include current over-spending and because they pre-judged the decision on an increase in own resources. We have consistently taken the view that we will not consider an increase in the level of own resources until we are satisfied on enforceable budget discipline and further improvements in the control of agricultural spending.⁵²⁸

France's plan for a tax on oils and fats was taken down by the Prime Minister – as widely announced, since January 1987, in several Cabinet

⁵²⁷ *Brussels European Council, Presidency Conclusions*, 30 June 1987, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>, point 1.1.4. *et seq.*

⁵²⁸ Robert ARMSTRONG, *Cabinet memo*, 1 July 1987, Ref. A087/1947, PREM 19/2166.

meetings, with the reason that “it would put up consumer price and exacerbate international trade relations”.⁵²⁹ In the hopes of the British, Thatcher’s intransigence should have been – as it had already happened in a Foreign Affairs Council on 16 March – “strongly supported by the FRG and Portugal and slightly less strongly by the Netherlands and Denmark”.⁵³⁰ Instead, as also expected by the Cabinet, there might be “pressure on the FRG, which was particularly concerned with agri-monetary proposals, to change its view on the tax in order to achieve its other objectives”.⁵³¹

Thus, the Prime Minister’s attitude costed her a blame, by the French Prime Minister Jacques Chirac, of being undermining the basic mechanism of the CAP, in direct contravention to the Treaty, having a housewife’s approach to the whole issue.⁵³² An accusation that, for Thatcher, represented an occasion to demonstrate how much she cared about her country’s interests – with the concern for possible Third World countries’ protests, but also for measures which went against liberalization – but also how much she knew *real* economy and what would be the *real* effects of the adopted policies on *real* people; which allowed her, once again, to make use of the rhetoric of the grocer’s daughter, attentive to the needs of the middle class:

⁵²⁹ *Minutes of Full Cabinet – CC(87) 6th*, 19 February 1987, CAB 128/85.

⁵³⁰ *Minutes of Full Cabinet – CC(87) 11th*, 19 March 1987, CAB 128/85.

⁵³¹ *ibid.* Otherwise, on 18 June, the Agriculture Council could reach agreement because of “the blocking minority – the United Kingdom, the Federal Republic of Germany and the Netherlands” which refused the oils and fats tax and postponed the discussion to the next European Council of 29-30 June. On that occasion, the UK representatives make it agree “that the objections to the proposed tax were very soundly based. It would add to food costs, with the greatest effect on the poorest consumers. It would affect trade, including trade from developing countries, and aggravate the risk to the open trading system” (*Minutes of Full Cabinet – CC(87) 20th*, 18 June 1987 CAB 128/86).

⁵³² Stephen WALL, *A Stranger in Europe*, 74.

[I]t would give a lead to the world that we are going in for protectionist policies and if we do that then the consequences for retaliation for us would be enormous and secondly, many of the Third World countries export oils and fats to us and they have been bombarding us with protests about it – it is no earthly good saying you want to help the Third World and then stopping them from selling the only thing they have got to you, and thirdly, it would put up the price to the housewife in this country. A 32 pence package of margarine would go up by 10 pence – that is a lot – about 30%! and also the price of some cooking oil would go up similarly and I just said to them, “Is there no-one else in this room who actually is prepared to look after the interests of the housewife because I am not prepared to agree to that sort of increase?”⁵³³

Agricultural expenditure and the Community budget represented the issues of major attention for the British, who had already stated, more than once, that they would “consider additional resources for the Community only when clear improvements in financial management and control, particularly in the control of agricultural spending, were assured”.⁵³⁴

During the European Council a high degree of accord was found among the other partners over the Conclusions. Nonetheless, Thatcher refused to agree, confirming, in someone’s view, “brutally the Thatcher style”.⁵³⁵ Accused of an “eleven-to-one-split” – which her FCO Secretary Howe judged “unnecessary” – the Prime Minister replied that she could not accept a decision to increase the Community’s resources before an effective and binding control over the use of that money was

⁵³³ Margaret THATCHER, *Radio Interview for IRN*, 30 June 1987, TFA 106904.

⁵³⁴ *Minutes of Full Cabinet - CC(87) 21st*, 24 June 1987, CAB 128/86.

⁵³⁵ Quentin PEEL, «Financial Times», 2 July 1987.

established. She could not “simply increase the Community’s resources without agreement on an effective budgetary discipline”.⁵³⁶

Thatcher’s refusal depended on an attitude which “has stood Britain in very good stead, and will continue to do so”; that is, to “going over it very very carefully” before agreeing to any document, since, as a Prime Minister, she had to go back to her own Parliament and explain to what she had agreed to, and what the effect was going to be in the country.⁵³⁷ To her, the Commission’s communication lacked the exactitude needed by such an important document, that’s why she refused to agree:

[W]e do not do things like that in Britain, what I want to do is go through all of the small print because I am committing by country, it is taxpayers and it is people and I am not prepared to agree this without full and proper discussion.

[...] Good housekeeping is not a bad description of what I try to do whether at home or in the nation’s finances as a result of which Britain is in no trouble over a deficit and its economy is growing well; yes, I do plead guilty to good housekeeping, whether it be at home or in the nation’s finances.⁵³⁸

The Cabinet had more than once set that “it was vital to maximise the amount of common ground with France and the Federal Republic of Germany” to “resist the pressure for a very large increase in the resources available to the Community [through] a move to a 1.6% value added tax ceiling [...] as requested by the southern member states”.⁵³⁹ But, again, what was fundamental to Thatcher, as much as a Prime

⁵³⁶ *Minutes of Full Cabinet - CC(87) 22nd*, 2 July 1987, CAB 128/86.

⁵³⁷ Margaret THATCHER, *Press Conference after Brussels European Council*, 30 June 1987, THCR 5/1/5/474 f3.

⁵³⁸ Margaret THATCHER, *Radio Interview for IRN*, 30 June 1987, TFA 106904.

⁵³⁹ *Minutes of Full Cabinet - CC(87) 16th*, 30 April 1987, CAB 128/86.

Minister and a European leader, was sound finance – which coincided with one of the three goals stated by the Commission in the Introduction to “The Single Act: A new frontier for Europe”. Unlike her partners in the Council, though, who brought an approach to Community finance totally different from their approach to national finance, she was, according to her, very aware of the fact that “any community or any organisation which you respect and want to flourish on to a sound footing [needs] to get sound finance”.⁵⁴⁰ That was her reply, during the press conference, to a “pretty negative and certainly critical attitude towards the Community” which – it was said – might have suggested to some people that she had “less of an interest in the evolution of the Community than others”.⁵⁴¹

What has been happening is that the Community at the moment is broke. We are overspent. As Mr. Delors would say, we are virtually bankrupt. Now when you are virtually bankrupt you do not embark on extra expenditure; you try in fact to meet your debts first and what the Commission was doing and other people were doing was to say, “Nevertheless, although we are nearly broke we can go on with increased research and development expenditure,” and I said, “No, you cannot until we have got our finances sorted out”.⁵⁴²

Again, it is worthy specifying Thatcher’s attitude was not Eurosceptic. The same day, during a TV interview, answering the question “Why bother with [the Community]? It is seventeen years, what have we got out of it?”, she declared:

⁵⁴⁰ Margaret THATCHER, *Press Conference after Brussels European Council*, 30 June 1987, THCR 5/1/5/474 f3.

⁵⁴¹ *ibid.*

⁵⁴² Margaret THATCHER, *Radio Interview for IRN*, 30 June 1987, TFA 106904.

A very great deal. It is the largest single trading block in the world and therefore it has a very great influence both on Third World countries and in all our trading relations with the rest of the world and also, don't forget, it is Europe that has been the world's battleground, Europe because it did not get together in the inter-war years and that is one reason why we are getting together now and continue to get together and try to grow more closely together because it helps the whole peace process.⁵⁴³

What she was arguing, instead, was the Community's way to manage money:

At Fontainebleau we agreed to spend more but the more we agreed to spend then, they have now run out; they have used it all far ahead of time and they are coming to ask us for more and I am saying "No, not unless I am certain it is going to be better used than the last lot was".⁵⁴⁴

In fact, the Fontainebleau agreements had envisaged the possibility of an increase in the Community's own resources from 1.4% VAT rate to 1.6% from 1 January 1988, but this could only be agreed by unanimity. This had given the UK the opportunity to insist that before any increase in the Own Resources there must be improved budgetary control and a revision of agricultural spending, which had been steadily rising since the creation of the CAP. Thatcher's duty, as British Prime Minister, was to defend Britain's interests:

my third term will be constantly always battling for Britain's interests and I shall go on battling for Britain's interests and I will not commit the British taxpayer just on generalities; I will look at the figures, I will look at the details and I shall continue in that way.⁵⁴⁵

⁵⁴³ Margaret THATCHER, *TV Interview for TV-AM/Channel Four*, 30 June 1987, TFA 106563.

⁵⁴⁴ *ibid.*

⁵⁴⁵ *ibid.*

Willing to reach a settlement in December, the Cabinet spent the second part of the year in preparing the ground for the Copenhagen European Council, considering the further papers tabled by the Commission, in particular on budget discipline and on agricultural stabilisers. The impression was that these new “serious papers shift the negotiations more on our terms”, dealing directly with the agricultural and budget issues the British had often raised in discussion and including some elements “to meet United Kingdom demands”.⁵⁴⁶

During the several meetings before and preparing the European Council of December at Copenhagen, the British reaffirmed their intransigence on remaining within the 1.4% VAT ceiling for the 1988 Community budget – unless the Council itself had taken a unanimous decision to raise it. Also, they continued to consider the consent to the Commission’s request for extra resources upon “getting the reforms to enforce budget discipline and control agricultural spending introduced. [...] There was no question of any increase in own resources without effective and legally binding arrangements for budget discipline”.⁵⁴⁷

“Excellent” was the result, following Thatcher, of the Budget Council meeting in Brussels on 17-18 September, which did not reach any agreement on exceeding the 1.4% VAT ceiling. It was indeed made clear by the British representatives that the United Kingdom could not

accept any draft budget which assumed that additional resources would be made available when no decision on future financing had yet been taken by the European Council.

⁵⁴⁶ David F. WILLIAMSON, *Memo to Mr. Powell*, Qz. 05941, 27 August 1987, PREM 19/2166.

⁵⁴⁷ Charles D. POWELL to Lyn Parker, *Prime Minister’s meeting with the European Community Budget Commissioner*, 10 September 1987, PREM 19/2166.

I[t] also argued strongly against the use of artificial devices to conceal the underlying illegality of a draft budget which went beyond the Community's available resources.⁵⁴⁸

The failure of the meeting was reputed “the best available one from the United Kingdom's point of view”, given the readiness of all other Member States to accept budget proposals “which would have prejudged the future financing negotiations”.⁵⁴⁹ Another meeting was called by the Danish Presidency in a last-minute attempt to secure a draft budget for 1988 before 5 October, but it failed again. For the first time the Council failed to meet the Treaty deadline for the presentation of a draft budget to the European Parliament, but “the absence of a draft budget appare[d] to do no harm to UK interests as such”.⁵⁵⁰

Following Thatcher, the whole discussion was a demonstration of “how thoroughly the Community's finances are” and a confirmation that more financial discipline was needed.⁵⁵¹ The British instead again and again, also during the Foreign Ministers' meeting in Nyborg on 5 October, that it would be irresponsible to agree on a draft budget considered that it could not be legally adopted above the 1.4% own resources ceiling without unanimity:

There will be no doubt be much talking of a Community crisis. But we should point out that it is not the absence of a draft budget which is critical: what is critical is the underlying state of the Community's finances – which is why we insisted, and others agreed, at the European Council in June that decision on all the key issues,

⁵⁴⁸ Peter BROOKE, Paymaster General, to the Prime Minister, *European Community Budget Council*, 18 September 1987, PREM 19/2166, underlined by Thatcher.

⁵⁴⁹ *ibid.*

⁵⁵⁰ UKREP LUXEMBOURG, *Telegram no. 178*, 11 October 1987, PREM 19/2167.

⁵⁵¹ Margaret THATCHER, comment on Peter Brooke's report about 1 October's Budget Council, 2 October 1987, PREM 19/2167.

including, in particular, control of expenditure, have to be taken together.⁵⁵²

The three overriding objectives remained, in the negotiations,

to secure effective and binding control over Community spending; to use the need for our agreement to any increase in EC resources to achieve our budgetary aims [...] on the basis it is likely to last through to 1992 or beyond; and of unique importance to us, to maintain our abatement.⁵⁵³

The British had always made it very clear in the negotiations so far that they were “not prepared to address the question of any increase in own resources unless agreement [was] reached on effective and binding measures to strengthen expenditure”.⁵⁵⁴

However, as the European Council approached, the FCO started to suggest, through a two-hundred-pages complete report, that the UK could accept the introduction of the “fourth resource”, based on the difference between member states’ GNP and VAT bases, which was judged as “likely to benefit” Britain, and was preferable to the denomination of the own resources ceiling in future terms of GNP rather than VAT. In fact, this fourth resource was expected to eventually grow to constitute about half of own resources, with the share of VAT falling; and since Britain’s GNP share could be expected to remain less than the VAT share, this solution worked to the UK advantage, reducing Britain’s net contribution to the Community budget. The concern, following the Chancellor of the Exchequer, was

⁵⁵² Geoffrey HOWE to the Prime Minister, *1988 European Community Budget*, 5 October 1987, PREM 19/2167.

⁵⁵³ Geoffrey HOWE to the Prime Minister, *Future financing of the Community*, 12 October 1987, PREM 19/2167, underlined by Thatcher.

⁵⁵⁴ Lyn PARKER to Charles D. Powell, *EC Future Financing*, 26 October 1987, PREM 19/2167, underlined in the original.

now that, “because of the possibility of a substantial benefit”, other member states would be “unlikely to agree both to the introduction of the diff tax – the “fourth resource” – and to continuing the Fontainebleau abatement system in precisely its current form”.⁵⁵⁵

Anyhow, although the reduction in the abatement as proposed by the Commission would erase much of the benefit of the introduction of the fourth resource, the British were confident of ending up “with some net advantage”.⁵⁵⁶ As expected, during the Foreign Affairs Council of 24 November, in preparation for the European Council of 5-6 December, there was “a strong German attack on the continuation of UK’s compensation and a widespread demand for a degressive or time-limited system”, while President Delors stated that the UK, as a member state of average prosperity, “should participate more in the financing of the Community policies. It should in particular pay a fairer share of the costs of enlargement then foreseen in the Fontainebleau agreement, which had been conceived for a Community of 9”.⁵⁵⁷

The brief paper prepared by the Paymaster General on the eve of the European Council suggested the Prime Minister not to agree to provide any additional resources to the Community if there was no agreement on future financing at Copenhagen, and to consider legal action to prevent implementation of a budget which sought to go beyond the current ceiling.

On the contrary, if agreement was reached,

⁵⁵⁵ Nigel LAWSON, Chancellor of the Exchequer, to the Prime Minister, *How the Fontainebleau System might be combined with the diff-tax*, 19 November 1987, PREM 19/2167.

⁵⁵⁶ *ibid.*

⁵⁵⁷ David HANNAY, UK Permanent Representative to the EC, to the Prime Minister, 24 November 1987, PREM 19/2167.

the UK could agree to an IGA in 1988 as a technical device for spending implementation of the wider agreement, provided that the new own resources ceiling and discipline were fully respected and full provision made for the UK abatement.⁵⁵⁸

It is with these premises, and with the reminder that “to maintain the abatement” was Britain’s main goal, that Thatcher participated in the European Council meeting held on 4-5 December 1987 in Copenhagen.⁵⁵⁹

The occasion represented another failure, this time due to France and Germany, as envisaged by the Thatcher’s entourage:

Most member governments are still not facing up to reality i.e. that there must be really fundamental reform of the Community’s finances and that it will be painful for them. Personally I doubt that they will do so until the shortage of funds for 1988 is staring them in the face. [...] in reality the prospects of success is probably not there. The fact is that it will probably need the Germans in the chair to achieve a solution.⁵⁶⁰

The Private Secretary had also suggested that a failure at Copenhagen, due to those partners, would suit Thatcher, because she would need to avoid “any impression of having settled too easily and without a really hard slog”.⁵⁶¹ And eventually, at the European Council meeting, Thatcher showed a reassuring attitude, to the point that, as Howe reports in his autobiography, the foreign press spoke of

⁵⁵⁸ Peter BROOKE to the Prime Minister, *Community Finances in 1988*, 27 November 1987, PREM 19/2167, underlined as done by Thatcher in the original; “provided” bold in the original.

⁵⁵⁹ Robert ARMSTRONG, *Cabinet brief*, 2 December 1987, Ref. A087/3413, PREM 19/2168.

⁵⁶⁰ Charles D. POWELL to the Prime Minister, 27 October 1987, PREM 19/2167, underlined as done by Thatcher in the original.

⁵⁶¹ *ibid.*

Thatcher's goodwill, portraying her as "restrained but firm, and commended the clarity and consistency of her views and particularly the way in which her soft approach contributed to showing divisions among others".⁵⁶² As expected by Thatcher's Cabinet, the Council, "since total agreement could not be reached", decided not to issue any conclusions, although "some substantial progress in the preparation of a full agreement on the three reforms proposed by the Commission (of the common agricultural policy, the structural Funds and the Community budget)" was achieved.⁵⁶³

Indeed, although the failure of the Council meeting, Thatcher's attitude was widely appreciated. During the press conference right after the end of the meetings, Thatcher made her statement insisting on her duty to achieve objectives which belonged to the whole Community:

As you know, agricultural spending is up from £9 billion in 1984 to £19 billion in 1987. It now takes about two-thirds of all Community money and against that background, the Foreign Secretary and I came here to try to achieve the objective first set in Stuttgart in 1983, then reaffirmed in The Hague in 1986 and finally confirmed at our meeting in Brussels last June, namely that the Community must submit the use of its resources to effective and binding discipline – everyone now knows the words, they just come out automatically; effective and binding discipline – and to adopt regulations to keep the level of expenditure within the budget framework.⁵⁶⁴

⁵⁶² HOWE, *A Conflict of Loyalty*, 532.

⁵⁶³ *Copenhagen European Council, Presidency Conclusions*, 5 December 1987, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

⁵⁶⁴ Margaret THATCHER, *Press Conference after Copenhagen European Council*, 5 December 1987, TFA 106977.

Thatcher ascribed the failure of the Council to the difficulty of the technical measures to be agreed, and demonstrated optimistic for a success in the next meeting in February 1988:

We were under no illusions that the task in Copenhagen would be easy. Bringing Community spending under control is painful for many countries, including Britain. [...] We have not succeeded this time round. We have, however, made progress. [...] There has been a significant move in the right direction at this meeting at Copenhagen [...] the time spent has been well spent, the atmosphere very good, and it does give us a very good basis, I hope, for agreement in the coming eight or so weeks. [...] yes, we have still a long way to go, but in life it is best to accentuate the positive. You are quite fortunate if you like to look at it that way, aren't you? [...] You know, you are quite lucky! Smile! So am I!⁵⁶⁵

Interviewed, Thatcher claimed her victories:

I came here with a certain number of objectives: first, to try to deal with the surpluses. [...] Secondly, to get a reasonable deal on structural funds. [...] Thirdly, how the Community should be financed during the coming years, because obviously we are going to have increased expenditure, and to keep that expenditure to the minimum. [...] And fourthly, to make certain what is called our own "rebate" – our famous rebate – continues, because without that we could not agree to the other things. [...] one of the things which I have been saying to them is: "Look! There is no question of an oils and fats tax because of what it would do to the consumer!". We practically won that one at the last meeting [...] that was another quiet battle that on the whole we won. [...] I was not going to give an inch on what I wanted and we did not, and we are steadily winning through to that effective and binding control which we seek.⁵⁶⁶

⁵⁶⁵ *ibid.*

⁵⁶⁶ Margaret THATCHER, *TV Interview for ITN*, 5 December 1987, TFA 106978.

About the language the other European leaders had used in Brussels – the word “housewife” in a derogatory sense – she had already revindicated her position, and she repeated:

I do not find being called a housewife is derogatory at all. I am quite pleased. I think it is a very human thing to be called. Also, housewives know a lot about managing finance – a lot more than some men do sometimes – as I do remind them. [...] At no stage did I have to give an inch or a pound. [

...] That, after all, has been the whole of the burden of our argument for a very long time: that we simply could not go on growing food that no-one wanted, that they could not eat and we could not sell, and that we simply must also, when we agreed budget, have a way of keeping within the budget, and they were not keeping within the budget. Every time we agreed it, they overspent it, and I got fed up with this. Housewives have to keep within their budget, as I used to tell them. So we are getting effective and binding budgetary control.⁵⁶⁷

Thatcher confessed she was pleased the atmosphere seemed to be very different from the previous European Council, and the other European leaders more likely to accept the British position:

We have been arguing for years for effective financial discipline and effective control of surpluses and stopping new surpluses developing [...] and for the first time [...] the Community has come a very long way towards our view.⁵⁶⁸

Reporting to the House of Commons few days later, she claimed her successes in the area where she had set her goal: effective financial discipline, and stressed the firm and coherent position held by Britain

⁵⁶⁷ *ibid.*

⁵⁶⁸ Margaret THATCHER, *Radio Interview for IRN*, 5 December 1987, TFA 106979.

throughout the negotiations before and during the European Council meeting:

At the previous European Council in June, we had decided that “the Community must submit the use of its resources to effective and binding discipline” and adopt regulations “to keep the level of expenditure within the budget framework.” Our principal task this time was to consider practical measures to give effect to these objectives.

[...] Decisions on the future level of the Community’s own resources will be taken only when improved budget discipline arrangements have been worked out in detail. I made it absolutely clear.

[...] In conclusion, the Council represented a significant move in our direction, namely towards effective and binding control of Community spending. A great deal of work remains to be done before the next Council, but the United Kingdom’s determination to secure such control is very well understood and will not change.

[To the next European Council meeting] I shall go with the same determination. Not all our colleagues are as committed to financial discipline as we are. [...] We shall go with the same determination.

[...] there is a tendency to make extra demands on the Community budget. [...] we cannot have effective financial discipline if considerable demands are made. We must watch that expenditure as closely as we watch expenditure on our national budget.⁵⁶⁹

As stressed by the Permanent UK Representative to the European Communities in a letter to the FCO Secretary at the beginning of 1988,

⁵⁶⁹ Margaret THATCHER, *Statement to the House of Commons*, 8 December 1987, Hansard HC [124/167-78].

1987 was “not a vintage year for the European Community”.⁵⁷⁰ It was “dominated by the complex negotiations over future financing, with its inextricably intertwined themes of agricultural policy reform, budget discipline and spending on regional and social policies”, still unresolved.⁵⁷¹ Although “for the UK, as for the other member states, there was more hard slog than achievement”, Britain avoided “slipping back into the trench warfare of earlier years and continued to expand [its] capacity to influence the development of Community policy”.⁵⁷² It recognised that the Community’s finances were in a parlous state, the cause being principally agricultural, and Britain had succeeded in “establishing CAP reform as a *sine qua non* for any increase in the Community’s financial resources”, which had been effectively subjected – thanks to the Commission’s help – to budget discipline. And Hannay felt giving advice on this very issue:

1988 will be the last year of the present Commission and the year in which its successor is chosen. Commissions, like US presidents, are prone to lame-duck symptoms in their last year. This one will be no exception. Our own interest will be to give them firm, if critical, support, particularly in those fields such as agricultural reform, the single market and external trade policy, where we share the same objectives and stand to benefit from the direction in which the Commission is seeking to move Community policy.⁵⁷³

Nonetheless, there is, within the PREM 19/2168 archive folder, an interesting document to understand Britain’s and Thatcher’s attitude

⁵⁷⁰ Sir David HANNAY to FCO Secretary Howe, *Annual Review for 1987*, 6 January 1988, PREM 19/2168.

⁵⁷¹ *ibid.*

⁵⁷² *ibid.*

⁵⁷³ *ibid.*, underlined as done by Thatcher in the original.

towards the Community at the beginning of 1988. It is the *Overall Assessment of UK objectives* prepared by the UK Representative in Brussels and attached to Hannay's letter. Among the 'General objectives', the priority was "to maximise UK influence on decisions and activities of Community institutions, in particular the [European] Council" and "to ensure that the effect of developments in the EC on UK interests is identified and evaluated in time for action to be taken to protect and promote these interests".⁵⁷⁴ This, because the European Council gathered the Heads of Government or State democratically elected by the people of the nations forming the EC, and Thatcher considered herself participating in the Council as the defender of *British* interests. Related to this goal, the main functional objective for 1988 was

to negotiate in the Council machinery and directly with the Commission to ensure that the UK's position and objectives are understood and reflected in all Commission proposals/actions and all Council decisions.⁵⁷⁵

Another interesting point of view on the European Communities comes from the speech delivered to the American Chamber of Commerce by the Home Secretary on 15 February, while Thatcher was occupied with the consequences of the Brussels European Council:

The development of the Community is a question of vital concern for all members of the Cabinet. [...] Britain is wholly committed to the creation of a strong and dynamic political and economic Community. We fully endorse the creation of an "ever closer union among the peoples of Europe" referred to in the Treaty of Rome. [...] We have given impetus to the drive for a Single European market.

⁵⁷⁴ David HANNAY, *Post Objectives: Overall Assessments*, attached to a letter to FCO Secretary Howe, 6 January 1988, PREM 19/2168.

⁵⁷⁵ *ibid.*

[...] In this situation, we accept that we cannot both want change and stand pat [to] ourselves. Each Member State, including Britain, has to be ready to make concessions on difficult points and be ready to change its traditional ways of doing things. [...] In the creation of a Single Market it is important that public opinion can be persuaded of the practical benefits to be achieved. [...] But we must ensure that in putting in place each element of a single European market we are seen to act in accordance with the facts as they are and not as we might wish them to be. [...] We stand ready to play our part in designing realistic and workable alternatives.⁵⁷⁶

In accordance with this spirit, the Commissions' proposal for further financing of the Community would not be approved before a long series of meetings, culminating in the European Council at Brussels on 11-12 February 1988, under the German Presidency, which was "resolved at all costs to get results" on the budget issue and which demonstrated "steady determination to push forward realization of the single market".⁵⁷⁷ Thatcher herself had demonstrated optimistic, in the previous months, that the single market would be completed by 1992:

One of the main things of setting up the Community was the aspect of a genuine single market so that we could have as large a mass market of people as the United States. But there are still a lot of barriers and it is taking a long time to get those down and we were trying genuinely by practical means to reduce those so that we had the original aspiration of those who came together on the Treaty of Rome fulfilled.⁵⁷⁸

⁵⁷⁶ John PATTEN, Minister of State for Home Affairs, *Speech to the American Chamber of Commerce*, 15 February 1988, 19/2168.

⁵⁷⁷ Julian BULLARD, British Ambassador to West Germany, to the Prime Minister, *The German Presidency in the EC*, 8 January 1988, PREM 19/2168.

⁵⁷⁸ Margaret THATCHER, *Interview for L'Express magazine*, 22 January 1988, TFA 107027.

The main issue for Britain, during the negotiations at Brussels, had been the maintenance of the Fontainebleau abatement mechanism: several member states, among which Denmark and Luxembourg beyond Germany, claimed that the UK's compensation should be adjusted to take account of changes since 1984, if not degressive and time limited. The result was though reached through the insistence on the fact that Britain's budgetary imbalance had suffered a 200% increase even within the agreed system, and the UK remained the second largest contributor to the budget despite being far from the second most prosperous member state. Moreover, as the UK's budgetary burden was increasing more rapidly than anyone else's, it accepted the increase parallel to the budget growth, but "could not accept an arbitrary extra charge from a change in the Fontainebleau mechanism".⁵⁷⁹

Eventually, during the European Council in Brussels an agreement was reached and rightly endorsed by the Commission and the Parliament, as it did not "water down or impair the coherence of the Commission's proposal as a whole".⁵⁸⁰ It regarded the Community's resources, budgetary discipline and budget management, the Own Resources system, the reform of the Structural Funds, a reform of the Common Agricultural Policy, and a correction of budgetary imbalances.

In her autobiography, Thatcher's verdict on the European Council meeting was positive:

I was right to settle when I did. I had secured my basic aims: effective and legally binding controls on expenditure, measures to reduce agricultural surpluses, no Oil and Fats tax, and Britain's rebate secure. I had had to

⁵⁷⁹ Geoffrey HOWE during the Foreign Affairs Council of 25 January 1988, as reported by Hannay's telegram to the FCO, 25 January 1988, PREM 19/2168.

⁵⁸⁰ *Joint Statement by the Commission and the Parliament*, 13 February 1988, «Bulletin of the European Communities» 1988, No. 2, point 1.1.9.

concede a little. I had had to compromise. I had reluctantly agreed a new ceiling for Community 'own resources'. But it was much better than a draw. [...] within its limits the February 1988 Brussels Agreement was not at all bad.⁵⁸¹

In fact, following the other participants, the Council meeting was not easy for Thatcher, who risked that eleven Member States had adopted a text without Britain. The Prime Minister, thus, risked marginalization, but she felt as she was standing up for important interests, and even principles, "and not caving into the bullying of others or even the tendency of the majority She was incapable of being tough without talking tough".⁵⁸² Straight talking had been her stock-in-trade and was one of the reasons why the British electorate kept returning her to Downing Street.

As time went on, among some of her Ministers a sort of discontent began to spread. For example, in October 1987, Britain's ambassador in Bonn, Julian Bullard, had written a letter to the FCO which vividly expressed this feeling of Britain's isolation against an ever more vivid Franco-German axis:

Here we have a Prime Minister in her ninth year in office, with vast international experience, presiding over a country whose economy, thanks largely to her, is turning out enviable statistics... You would think, wouldn't you, that in these circumstances Britain would be giving the lead in Europe and the Continentals would be following it. But is this happening? I think not. Why not? Because we don't seem to be interested in any particular objective except the Internal Market in which Smarties can be sold in the same packet everywhere from Copenhagen to

⁵⁸¹ THATCHER, *The Downing Street Years*, 621.

⁵⁸² WALL, *Reluctant European*, 75. Sir Stephen Wall was, between 1988 and 1990, Head of the European Community Department in the FCO and Principal Private Secretary to Geoffrey Howe.

Constancia... What I think is missing: Vision... I see two results... The first is that we reduce our ability to trade points in the negotiating marketplace... Second, and much more important, is the danger which the Secretary of State has identified and termed “self-marginalisation” in those subjects where we cannot block but will not cooperate. Meanwhile, in the ground already occupied, fraternisation continues apace and gaps in Franco-German joint activity are steadily filled in, to the point where others find it difficult even to get a place in the diaries of the two privileged partners. I would plead that at least more thought be given to the style of British policy in Europe. The plain speaking of the House of Commons does not translate well into Continental languages.⁵⁸³

From another position, two months later, in December, after the Copenhagen European Council, the UK Permanent Representative David Hannay wrote:

It has long suited other member states to caricature our insularity and our narrowness of vision since our main message – budgetary rigour and a fairer budget burden – were respectively electorally unpopular and financially onerous to them. It has been politically convenient for them to explain to their public opinion that HMG were to blame for the medicine they knew we would all have to swallow sooner or later... Copenhagen showed the reality that all member states will if necessary defend their national interest at the expense of the Community interest. The other three large member states, in particular, were just as ready to forget their rhetoric – their Genscher/Colombo declarations and the like – when sectoral and Community interests conflicted...

[...] Viewed from the continental angle, our problem is that we are more effective in blocking other peoples' ideas than in putting forward ideas of our own... There is a market for ideas... The more we can generate positive

⁵⁸³ Julian BULLARD, *Letter to the FCO*, October 1987, quoted in WALL, *A Stranger in Europe*, 77.

suggestions the less we will find ourselves reacting defensively to other peoples'.⁵⁸⁴

This attention to the protection of national interest is something Thatcher never hid. Rather she always presented herself as a British Prime Minister, elected by the people of the United Kingdom and chosen by her Party to represent her nation and to defend its interests. She always did that, acting strongly and firmly in stating what she thought was right for her country, but never to the detriment of the other Member States or the Community, in which she believed as an economic space to build with following her own principles and where to express the several nations' economic and international potential.

Following Hannay, the key lesson to learn from the German Presidency was what it showed about the Federal Republic's attitude towards the Community and its future development:

That the Community remains for them an absolutely vital focus of their national policy cannot really be in doubt. That they are willing to pay a price for its success in terms of money spent and national positions forgone is also not in doubt.⁵⁸⁵

On 13 February, during the press conference after the European Council, Thatcher underlined the fact that, if "some" of their major objectives in Europe had been achieved, the interests of the British – first of all, the rebate agreed in Fontainebleau – were safe:

This has been a very tough European Council but I am glad to say that we have achieved some of our major objectives. [...] We have been setting in place, across the

⁵⁸⁴ David HANNAY, *Letter to the FCO*, October 1987, quoted in WALL, *A Stranger in Europe*, 77.

⁵⁸⁵ David HANNAY, *Letter to the FCO*, July 1988, quoted in WALL, *A Stranger in Europe*, 77.

board of agricultural production, the mechanisms necessary to get that production expenditure under control and what is more – which is particularly important to us – under effective and legally binding control.

[...] and for Britain [...] as agreed at Fontainebleau [a refund of] 66% of the [net contribution] comes through for compensating us for our excessive contribution to Community funds and it is absolutely intact. This system of rebates has saved the British taxpayer £3,000 million over the last three years. It will continue to operate in precisely the same way and with similar beneficial results.⁵⁸⁶

The agreement on the increase of Community's resources – strongly backed by the Commission and the other Member States – was reached, following Thatcher, on the basis that the other countries respected Britain's conditions:

I have made it clear that we were not prepared to reach agreement unless we had [agricultural] stabilisers that mainly involved price cuts. [...] so the Dutch and ourselves have made our agreement to this package here at Brussels conditional on the adoption of those seven/eight stabilisers in their present form. So it is on that basis that we have agreed in principle to an increase in the Community's resources.

[...] So we therefore achieve control over agricultural production and Community spending, continuation unchanged of the United Kingdom rebate for as long as the new Own Resources decision continues.

[...] The way is now clear for the Community to concentrate on its development, not least the completion of the single internal market by 1992.⁵⁸⁷

⁵⁸⁶ Margaret THATCHER, *Press Conference after Brussels European Council*, 13 February 1988, TFA 107168.

⁵⁸⁷ *ibid.*

Thatcher thus presented the outcome of the Council as a complete success for Britain but was accused by the press of “having been presented with an ultimatum by the other eleven Member States that if there was not an agreement in principle, the other eleven were willing to go ahead with an Inter-Governmental agreement and finance the Delors package themselves”, which she denied, as well as she denied the attacks of the Opposition, reporting to the House of Commons few days later.⁵⁸⁸

In London, Thatcher triumphally insisted on the fact that her government had achieved all the objectives it had set, plus “a major and far-reaching review of the Community’s finances and policies”.⁵⁸⁹ The United Kingdom had eventually accepted an increase in Community resources, but at the condition of “effective and legally binding controls on expenditure, effective measures to reduce agricultural surpluses” and the maintenance of the system of abating Britain’s budgetary contribution agreed at Fontainebleau in 1984”.⁵⁹⁰ She could now state:

Our achievement in securing more effective control of farm spending should benefit consumers, through lower prices, and farmers, through greater certainty about future market conditions. The share of agriculture in the Community’s budget will decline. The British taxpayer will continue to get the full benefit of the Fontainebleau abatement.

The way is now clear for the Community to concentrate on its most important goal – the creation of a genuine single market by 1992.⁵⁹¹

⁵⁸⁸ *ibid.*

⁵⁸⁹ Margaret THATCHER, *Statement to the House of Commons*, 15 February 1988, Hansard HC [127/705-17].

⁵⁹⁰ *ibid.*

⁵⁹¹ *ibid.*

But the Opposition attacked the Prime Minister for having been too concessive as compared to previous declarations, to the point that the ultra-loyal «Daily Telegraph» described the outcomes of the European Council as “[a] British retreat on several fronts”.⁵⁹²

The Prime Minister replied saying that the foreign press did appreciate her attitude at Brussels, and that Britain got a good deal indeed. It could be argued that the Prime Minister found herself stuck in a paradox: whatever her attitude in Europe, as it is “normal” for a politician in office, she was attacked. By the ‘Europeans’, if she insisted in being a British Prime Minister defending her country’s interests because she would be too harsh; by the Opposition, if she was accommodating with the other European partners. What remains true – and fundamental to this research – is her attention to her domestic political arena, the one by which she was chosen as a Prime Minister and the one to which she would respond, *in primis*, of her decisions, and her interests in the realization of the single market.

While the Conservatives congratulated “that this is a major step forward in controlling the common agricultural policy and is to be warmly welcomed”, Thatcher accepted the support of the Liberal Party:

Some of us who have been critical of the CAP recognise that this agreement represents significant progress towards control over the agricultural budget [...] a step in the right direction.

[...] the collapse of the summit would have been much more costly to our national interests. The failure to reach a common market by 1992 would have been far more expensive for the Community as a whole than the present budget. Thank goodness that for once the lady was for

⁵⁹² Referred by Roy HATTERSLEY *Statement to the House of Commons*, 15 February 1988, Hansard HC [127/705-17].

turning. [...] The overwhelming interest to the United Kingdom in the Community is the pursuit of the genuine internal market. [...] the compromises she made, however reluctantly, are an important contribution to that.⁵⁹³

Although “the bill was a big one”, with a 25% increase, the Cabinet’s judgment on the outcomes of the European Council was positive: the future expenditure of the Community for 1988 was less than what it was actually spending in 1987, and half what the Commission bid for with its original proposal.

Moreover, Britain’s central objectives were achieved: to secure radical, and binding new measures to control agricultural expenditure – above the others, “limiting its share in future growth of total expenditure was probably the most important”; and to keep the abatement intact, which reduced the burden to a reasonable amount.⁵⁹⁴ The European integration process – that is, for Thatcher, the implementation of the single market, could run its course.

Following the positive outcomes of Brussels, the European Council in Hanover in June had to be “a fairly gentle occasion” to adopt the package of internal market measures put forward by the Germans, which the Cabinet had expected to contain “two measures important” to Britain: liberalisation of capital movements and recognition of diplomas.⁵⁹⁵ The other main issue likely to come up was financial and monetary cooperation, as the UK representatives expected some of the Member States to “want to see the Community take a great step forward” by agreeing in principle to a European Central Bank in 1993,

⁵⁹³ David STEEL, *Statement to the House of Commons*, 15 February 1988, Hansard HC [127/705-17].

⁵⁹⁴ Robin BUTLER, *Cabinet brief*, 17 February 1988, Ref. A088/592, PREM 19/2168.

⁵⁹⁵ Charles POWELL, *Note to the Prime Minister, “European Community”*, 18 April 1988, PREM 19/2168.

on the input of Genscher, and by setting up a group of leading bankers to study the practicalities of the proposal and report.⁵⁹⁶

The last weeks of the German presidency were expected to be frenetic. On 20 May, the Chancellor wrote – in German – to the Prime Minister:

The completion of the internal market is one of the most important goals the European Community has set itself. Without this large scale market Europe will not be able to develop its full economic and political potential. In the Single European Act we therefore not only committed ourselves unanimously to this goal but also set ourselves an ambitious date: the year 1992. [...] there is still a lot of work to be done.⁵⁹⁷

Kohl was determined to implement the German programme for advancing in the single market “as far as possible in the time available” and enclosed a complete list of the proposals to be adopted by the end of June “if all those concerned make the necessary efforts”. He was thus writing to Thatcher to ensure her contribute “through constructive cooperation and a willingness to compromise, towards achieving the goal we are all aiming for [...] to ensure that rapid progress is being made on the chosen path”.⁵⁹⁸

Thatcher’s reply insisted on Britain’s agreement on Germans’ priorities, and on the need to show that “progress towards the completion of the Single Market is now irreversible”.⁵⁹⁹ This aspect would be easily recognised by all the Member States and incorporated

⁵⁹⁶ *ibid.*

⁵⁹⁷ Helmut KOHL, Chancellor of the Federal Republic of Germany, *Letter to the British Prime Minister*, 20 May 1988, PREM 19/2168.

⁵⁹⁸ *ibid.*

⁵⁹⁹ Margaret THATCHER, *Reply letter to Chancellor Kohl*, 1 June 1988, PREM 19/2169.

in the Presidency Conclusion of the Hanover European Council on 27-28 June 1988.

A great ferment developed instead, within the British Cabinet, during the preparation of the meeting, around the inter-institutional agreement negotiated with the European Parliament, which Charles Powell described as overall “difficult”: the purpose to establish a procedural framework for implementing the expenditure decision of the Brussels European Council was “not desirable”, as it would involve political agreement by the Council, the Parliament and the Commission to respect the ceilings set out in the financial perspectives and a mechanism permitting their revision.⁶⁰⁰

Moreover, the draft could enable agricultural guarantee spending to be increased by qualified majority, while Thatcher thought was “necessary” to have a reference to the Council’s undertaking that non obligatory expenditure other than the structural funds and multi-annual programmes will remain within the maximum rate; to press for a further Council declaration making clear that decisions on agricultural spending must be unanimous; to observe the principle of annuality in Budget management – as ruled by the Council; and to state that the UK could not accept the agreement unless the Parliament endorsed the Budget Discipline decision. If, following Lawson, the UK had to avoid being seen as responsible for the failure in endorsing the agreement, not to “incur considerable political odium for holding up the entire future financing package”, Thatcher rather thought that those points were “too significant, both in themselves and to prevent any further process of erosion of the Brussels European Council’s Conclusions, to let go”.

⁶⁰⁰ Nigel LAWSON, *Letter to the Prime Minister, “EC Finances: Inter-Institutional Agreement”*, 10 June 1988, PREM 19/2169, hand-noted by Powell.

In preserving what had been decided by the Heads of Government or State – which were, following Thatcher, the only people justified in making decisions, because they had been democratically elected to represent their nations – the UK was showing “integrity against the others” in its attitude. Now, to confirm the ultimate authority in the Community was represented by the European Council, the goal was to achieve “consistency with what was agreed at the Council” in Brussels.⁶⁰¹

The Presidency Conclusions stated that the Single Act had, by then, “reached the point where it is irreversible”, but some areas where it should be completed “as soon as possible” remained. In this sense, the European Council recalled that, in adopting the Single Act, “the Member States confirmed the objective to *progressive* realization of economic and monetary union”, setting the deadline for the decision on the means of achieving it to the European Council meeting in Madrid in June 1989, in 12 months.⁶⁰²

To that end, a committee for studying and proposing concrete stages “leading towards this union” was entrusted, chaired by President Delors, to whom the mandate was renewed in that occasion for other two years. Also, with the interinstitutional agreement between the Council, the Commission and the European Parliament of 29 June 1988, as requested by the Commission, the so-called “Delors I Package” would introduce a fourth Own Resource, based on the GNP of the Member States; it was calculated by reference to the difference between expenditure and the yield of the other Own Resources. The combined

⁶⁰¹ *ibid.*, hand-noted by Thatcher.

⁶⁰² Hanover European Council, *Presidency Conclusions*, 28 June 1988, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

total of the Community's resources was henceforth given an upper limit, set at a percentage of the GNP: 1.15% in 1988, increasing to 1.20% in 1992. The agreement modified the budgetary procedure by instituting the practice of having five-year financial frameworks, indicating the maximum amount and the composition of Community expenditure for a five-year period, rather than just an annual budget. Within the reinforced budgetary discipline, as a first round of decision upon the five-years financial perspective, the growth rate of agricultural guarantees was limited to 74% of the annual growth rate of the Community's GNP for the period 1988-1992, while allocations for structural policies were almost doubled under the European Regional Development Fund, increasing from 17.2 to 27% of expenditure.⁶⁰³

With the support of Chancellor Kohl, this meeting of the European Council represented a real success for President Delors, as he had remarked in the Press Conference before the summit – somehow willing to mark the agenda:

the arrangements for recovery in the building of Europe have really been established. [...] Under the German Presidency an exceptionally large number of important decisions have been taken. [...] The Council of Ministers adopted decisions on own resources, budgetary discipline, the financial regulation and [...] the Structural Funds. On the other side, an Inter-Institutional agreement was reached, I would remind you on the basis of a proposal from the Commission, which met with a certain amount of distrust and scepticism but fortunately leads to an agreement [...] on the budget.⁶⁰⁴

⁶⁰³ Pierre GERBET, *Reform of the Community budget*, http://www.cvce.eu/obj/reform_of_the_community_budget-en-ad39fbfd-ede4-454d-bcea-553ae7170535.html.

⁶⁰⁴ Jacques DELORS, *Press Conference before the European Summit in Hanover*, 23 June 1988, TFA 114164.

Delors insisted on the fact that the monetary question was put on the agenda, and the economic and monetary union became “explicitly among the objectives of the Treaty”, as the Single Act expressly refer to. He also declared:

the time has come to take a decision to create a European Central Bank even if this only sees the light of day in four, five or N years. ‘Why do it now?’ they say. Because the Community requires a new political impetus above and beyond what has been given by the Commission over the last three years.⁶⁰⁵

On the other side of what would soon become a curtain, Thatcher insisted, during her press conference, on her appreciation for the progresses in the completion of the Single Market, and made no mystery about her consciousness that the progressive realisation of an economic and monetary union was written in the Preamble to the Single European Act, which had gone through all the Parliaments of the Member States.

Unlike President Delors, though, Thatcher thought that neither a central bank nor a common currency was necessary:

you do not even need a single national currency to achieve monetary union and you certainly do not need a European central bank.

[...] the objective we have chosen is one that is in the Single European Act. It is an objective of economic and monetary union and with progressive realisation by practical steps towards that, and the other things are not necessary to that, although we are not obviously putting limits upon anything which they wish to discuss, but that is the objective which they will seek.

[...] single currency is not necessary for monetary union. The creation of monetary union does not necessarily

⁶⁰⁵ *ibid.*

demand either a European system of central banks. [...] If one had a European central bank which would mean giving up many many national powers, being clear of national governments, being clear of the European Central Council and also being clear of the Commission.⁶⁰⁶

The Prime Minister was not against economic and monetary union, and she thought Britain was ahead the other Member States “on freeing up capital movements, on abolishing foreign exchange control, on having varied European currencies in our reserves or in actually dealing with the Ecu”.⁶⁰⁷

Nonetheless, although wrong in stating “I see no possibility of that during my lifetime”, the main reason why Thatcher opposed the idea of a central bank was that it would contemplate “an identical economic policy and effectively one government”: a possibility that, for her personal idea of what a democratic elected government represented, could not be even imagined. For this reason, she was convinced that what the Committee had to discuss was not a plan for a central bank, but “very practical steps to closer monetary union. That is, to make it easier for us to exchange currencies across Europe in a much more certain atmosphere than we have now”:

It is quite a frequent device in Europe for people who are unwilling to take present practical steps to put up some kind of grandiose thing way into the future. I am not aware that Germany wants a European central bank at all.⁶⁰⁸

⁶⁰⁶ Margaret THATCHER, *Press Conference after Hanover European Council*, 28 June 1988, TFA 107277.

⁶⁰⁷ Margaret THATCHER, *TV Interview for ITN*, 28 June 1988, TFA 107278.

⁶⁰⁸ *ibid.*

The discussion on economic and monetary union bailed out the issue the ERM again. The United Kingdom was part of the European Monetary System, but Thatcher had delayed its incorporation in the Exchange Rate Mechanism to an unspecified moment, “when the time is right”.⁶⁰⁹ She confirmed her view stating:

We have done very much better being outside the exchange rate mechanism than we would have done in it. We have grown far faster in the last six years in Britain than they have on the continent of Europe and I think that has something to do with being outside the exchange rate mechanism and therefore being able to vary somewhat independently of Europe against the dollar. [...] So it has served our purpose well.⁶¹⁰

The problem, for Thatcher, lied in the fact that the functioning of the ERM did have great consequences on inflation, and inflation was the enemy she promised to fight since the first year in office; and it would inevitably influence the government’s economic policy:

if your currency goes up too fast compared with another, then you are committed to pour money in – usually you pour your own money in usually by printing it – and take the value of your own down. [...] If you are down right at the bottom and you are committed to pour in your slender reserves to try to maintain its value against others and if you cannot do that you go for a change in the valuation.⁶¹¹

Thatcher was content with the Hanover European Council meeting, where she was able to note with satisfaction “that the important decisions taken at the meeting of the European Council in February on

⁶⁰⁹ THATCHER, *The Downing Street Years*, 692.

⁶¹⁰ *ibid.*

⁶¹¹ *ibid.*

budget discipline and agriculture have now been translated into binding legal instruments”.⁶¹²

From the UK point of view, indeed, “the outcome was very satisfactory”, as, on the single market, the priorities identified were UK priorities. But in the same occasion a committee of Central Banks Governors was set up, chaired by the President of the Commission Delors, to report on the next steps to EMU. The Cabinet did not judge this stride as problematic, as their mandate was “a broad one, without reference to a European Central Bank”, and the emphasis was “to be on practical, concrete action”.⁶¹³ Accordingly, during the debate in the House of Commons Thatcher, accused of being blind in front of the French President Mitterrand declaration that “a central bank follows from monetary union”, confirmed her view:

We have taken part of the Single European Act, which went through the House and which said that we would make progressive steps to the realisation of monetary union, and we have set up a group to consider that. Monetary union would be the first step, but progress towards it would not necessarily involve a single currency or a European central bank. Long before European monetary union could be achieved, many other countries would have to come up to the level that we have reached. We have freedom of capital movement; most of them do not. We have no exchange control; most of them have. We have a variety of currencies in our bank reserves; most of them have not. We also deal in the ecu; most of them do not. So they have a long way before they go nearly as far as we have gone on these matters.⁶¹⁴

⁶¹² Margaret THATCHER, *Statement to the House of Commons*, 30 June 1988, Hansard HC [136/525-35].

⁶¹³ Robin BUTLER, *Cabinet brief*, 29 June 1988, Ref. A088/1987, PREM 19/2169.

⁶¹⁴ Margaret THATCHER, *Statement to the House of Commons*, 30 June 1988, Hansard HC [136/525-35].

Indeed, with the privilege of the hindsight, Thatcher seemed, at this point, locked in her belief that just what had been *legally* approved – that is, the commitment to economic and monetary union would be fostered – and ignored the (albeit) evident signals that Delors, Mitterrand, and Kohl were moving towards another direction: a central bank. Also, she was confident that the Chairman of the German Bundesbank, Karl-Otto Pöhl, one of the members of the just appointed committee, had “considerable reservations about the wisdom of a European single currency, and she Thatcher hoped that he would deter Kohl from going ahead”.⁶¹⁵ Instead, the Prime Minister would soon realise what the expectations on the Community were becoming, and that she was pretty lonely to fight on her side.

4.3. 1988: Epiphanies on Europe

There was no option but to stake out a radically different position from the direction in which most of the Community seemed intent on going, to raise the flag of national sovereignty, free trade and free enterprise – and fight.
(THATCHER, *The Downing Street Years*, 613).

The relationship between Britain and the EC had been troubled since the 1960s, but the resolution of the budget rebate in 1984 had permitted the UK to play a relevant role in the definition of the policies of the Community. The engineer of the Single Act was a British Commissioner, and the merit of its implementation had been devoted to Thatcher throughout Europe. The year 1988 represented, though, a

⁶¹⁵ WALL, *Reluctant European*, 189. See also TFA 107278.

watershed, because it is the moment when two – radically – different visions on the future of the Community became clear and explicit.

This does not mean that, as many have observed, 1988 is the moment when Thatcher, after two decades of support to the European project, became Eurosceptic: this is the moment when she clarified, driven by several factors, her precise idea of Europe, which had not changed through the last two decades, although it was not compatible with the other partners' anymore.

The path to what was considered the turning point, recognized in the Bruges Speech of 20 September 1988, began on 6 July 1988, when Chancellor Kohl participated, with President Delors, in the European Parliament plenary of 6 July, on the outcome of the Hanover European Council, to conclude its mandate with an enthusiastic assessment of its semester. To celebrate it, Kohl declared:

'Europe is back'. We must ensure that this continues. [...] We need to maintain this new dynamism in all areas. We must continue resolutely on the course charted by the Single European Act and do all we can, regardless of the difficulties to be surmounted along the way and occasional sacrifices, to achieve our goal. European Union, to which all Member States committed themselves in that Act, is now no longer just a distant vision. In 1992 we shall review the internal reforms decide on the further steps in integration leading to European Union.

Let us together approach the tasks that lie ahead of us realistically, with an eye to the possible, with courage and in a spirit of mutual trust. In doing so, let us be guided by Jean Monnet: 'Go on, go on, for the people of Europe there is no other future but union'. Then we shall discharge our duty to history.⁶¹⁶

⁶¹⁶ Helmut KOHL, *Speech to the European Parliament*, 6 July 1988, «Debates of the European Parliament» 1988, No. 2-367, 137-161.

Chancellor Kohl seized the opportunity to face some issues President Delors would develop on that day but also in a later speech at the Trade Union Congress (TUC), next September:

Among the other subjects that will be dealt with we have, at the request of the Commission, the social dimension to European construction. We hope and desire that the European Council will give a political signal to workers and trade union organizations to indicate that what we wish to create a common economic and social area rather than just one big market. [...] The Community had not just recovered its capacity for action internally and externally; it has also shown that it is capable of continuing on the way to becoming a Community of genuine solidarity.⁶¹⁷

On this same occasion, Mr. Delors, who had been recently reappointed to the Presidency for two further years, gave a speech to celebrate the fact that “the Community has taken more decisions in the past six months than in the whole time from 1974 to 1984”.⁶¹⁸

What triggered Thatcher very much was the celebration of what Delors considered the two most strategic breakthroughs brought by the European Council in Hanover: the progress towards what he called “the European social area”, and the other towards monetary union. President Delors’ main achievements were the measures which Thatcher felt as side effects in the implementation of the single market.

In particular, he declared that “the market cannot function properly without a basic set of common rules, and Europe will not make progresses unless it preserves the social progresses achieved in various

⁶¹⁷ *ibid.*

⁶¹⁸ Jacques DELORS, *Speech to the European Parliament*, 6 July 1988, «Debates of the European Parliament» 1988, No. 2-367, 137-161.

of its Member States”.⁶¹⁹ But what infuriated Thatcher even more was the statement about the future development of the Community:

My own feeling is that we are not going to manage to take all the decisions needed between now and 1995 unless we see the beginnings of European government, in one form or another. Otherwise, there will be too many decisions to take, too many complications, too many sources of delay. Quite what form this might take remains a matter of conjecture. As for the displacement of the centre of decision-making, [...] ten years hence, 80% of our economic legislation, and perhaps even our fiscal and social legislation as well, will be of Community origin.⁶²⁰

The reaction of Thatcher’s Cabinet was incredulous. She considered Delors’ suggestion that in 10 years 80% of economic and social legislation of member states would in effect be EC legislation being “pure speculation”, given that “Treaty amendment would require unanimity”.⁶²¹ But someone was starting to understand the manner of President Delors, if, on 7 September, a letter by the FCO Secretary Howe warned the colleagues of the custom to use informal meetings among Ministers, alongside the official ones,

by the Commission and like-minded Presidencies for the creation of an informal ‘consensus’ which can later be prayed in aid by the Commission to justify their putting forward a given proposal, especially where they are seeking to extend Community activity.⁶²²

Thatcher’s first public reaction to Delors’ intervention was an interview she gave to BBC Radio 2 on 27 July, which described fully

⁶¹⁹ *ibid.*

⁶²⁰ *ibid.*

⁶²¹ Margaret THATCHER, *Memo for Mrs. Chalcker*, Conservative MP, 7 July 1988, PREM 19/2169.

⁶²² Geoffrey HOWE, *Arrangements for Informal EC Ministerial Meetings*, 7 September 1988, PREM 19/2169.

and deeply her idea on Europe, responding to current issues but coherently with what she has always said before. The interview was quite entirely devoted to Europe, as the radio host thought “it is a very important subject and I really do think that we are at something of a crossroads. We are being exhorted on television and newspapers to prepare for this thrust into Europe in 1992”.⁶²³

The first question regarded an accusation to Thatcher to have “only one foot in Europe”. Thatcher replied reiterating one fundamental concept which drove her entire path in Europe: her being the British Prime Minister, acting in the Community to defend her nation’s interests:

Of course I have at least one foot at home. I represent Britain in Europe and it is my job to get a fair deal for Britain in a Europe which is coming closer together and it would be something very strange if I had both feet and my head in Europe and were not answerable to the Parliament here, which I am.⁶²⁴

The interview continued facing the main issues related to current European affairs. Asked about what worried her most “about us becoming part of a fully united but what some people are now referring as a federal Europe”, she replied:

Europe has a totally different history [from the US]. [...] It is not possible to have a United States of Europe. What is possible is for the twelve countries of Europe steadily to work more closely together on things we do better together, so that we can trade more closely together and have fewer formalities across borders – but not to dissolve our own infinite variety, our own nationality, our own identity. I think Europe will be stronger because it

⁶²³ Margaret THATCHER, *Radio Interview for BBC Radio 2 Jimmy Young Programme*, 27 July 1988, TFA 107075.

⁶²⁴ *ibid.*

has Britain in as Britain, France in as France, Spain in as Spain. I do not wish them to dissolve into some common sort of neutral personality.⁶²⁵

Receiving an explicit question about Delors' speech at the European Parliament, the Prime Minister revealed her worries but also her belief in the rule of law and in the prominence of national Parliaments:

Yes, I think Jacques Delors was wrong. I think he went over the top, and I do not think he should have said it.

I cannot see as I go to the Council of Europe and start to talk with other Heads of Government, any Head of Government whom I am with going back from one of those meetings to his own parliament and saying: "Well, boys! You are not going to have any more powers in the future! All of the decisions are not going to be taken here - they are going to be taken somewhere else!"

I cannot see proud France saying that; I cannot see Germany saying it; I cannot see Spain saying it. Can you? No, of course not! Neither can I! And therefore, I do not think it helps to talk in that way at all.

In the end, any change of treaty has to be agreed by each of our parliaments and when I go to Europe, I am answerable to my own Parliament and therefore to my own people for what I do.⁶²⁶

Provoking her, the host asked:

So, do you see it then as your task to resist what seems to be - and there certainly is a big lobby going at it - this rapidly developing movement towards, if you like, the downgrading of our national decision-making, of our national government, in favour of European decision-making and a single European Government?

⁶²⁵ *ibid.*

⁶²⁶ *ibid.*

[...] You are going to come to a crunch pretty soon. Are there no circumstances then in which you would agree to the vast majority of the social and economic decisions being handed over from this country to Europe, nor to a European Government being superior to and in a way taking over from, if you like, Westminster?⁶²⁷

The Prime Minister's answer was, once again, a clear explication of what she intended as integration:

No circumstances in which I would do it. [...] There is a way in which we go, as you do with any country you make a treaty with, and say: "We will do certain things jointly!" but doing them jointly means that you go there and you thrash them out and you do negotiate, but that means that you recognise the other person, other countries. They have to have a fair deal for their people and we have to have a fair deal for ours. That is quite different from handing over all powers to another parliament.⁶²⁸

Then, an attack to the idealistic approach of Delors' supporters, well away from Thatcher's proverbial pragmatism:

They spend far too much time talking about these airy-fairy ideas. [...] What they then do not do is get down to the practical consequences of making further progress now, so we are[,] really are[,] in many ways very different. They talked for a long time about European unity and I said: "What do you mean? Do you mean a United States of Europe?" "No. We mean European union" "What do you mean?" I have rather got them out of that.

[...] So here they are, talking in an airy-fairy way about monetary union and I say: "Well look! As a first step you had better have free movement of capital! [...] You are not doing that and saying you are much more European because you are talking about some airy-fairy concept

⁶²⁷ *ibid.*

⁶²⁸ *ibid.*

which in my view will never come in my lifetime and I hope never at all!

I am proud of being British. I think Britain has something unique to contribute to Europe - so do some of the other countries - and I do not think you try to get standardisation - variety is much better.⁶²⁹

On this concept of variety and diversity as richness for the Community Thatcher would insist in this occasion as much as in the Bruges Speech. But she also had to defend herself from the accusation “of being half-hearted in this business of having only one foot in Europe because they say you are willing to take the benefits of the trade and the commerce - you like the good bits - but you are not willing to make a full social and political commitment to Europe”.⁶³⁰

I am committed to the kind of Europe which I have in fact described, because I think that is a much stronger Europe than a Europe where you are trying to dissolve nationalities, boundaries, borders, and with infinitely different history trying to say: “Well, we have all got to be the same!” That, to me, would be a grey, unattractive Europe.

I am committed to Europe - and committed to it politically - in this sense:

The cradle of democracy is in Europe. The cradle of the great religions came to Europe and became the importance of the individual, the importance of the freedom of the individual - came and flowered in Europe. The importance of liberty, the importance of a rule of law, flowered under Roman law and then, as it went to the Eastern Roman Empire in Constantinople.

⁶²⁹ *ibid.*

⁶³⁰ *ibid.*

So all of these great concepts - liberty under the law, democracy - came from Europe.

All of the great scientific achievements turned to the advantage of people came from Europe. [...] The great flowering of science, the great flowering of the arts, all took place in Europe and, of course, I am the first to say that on many things Europe should speak with a single voice and we do speak strongly with a single voice, but I do not go on to say that that dissolves the British nationality. Britain will always have her own part to play in Europe.⁶³¹

Another provocation from the host:

Don't you think that there is going to come a time - and it seems to me as if it is going to be in the fairly near future - where even at the risk of being called a "Little Englander," and I have no doubt you will be, will you not have to set out very clear limits now as to how much of our economic, political and social life we are willing to see taken over by the Community? The only reason is so that nobody could come back later on and say that you did not in 1988 say: "This far, but no farther!" [...] You are already spelling out what you will and will not have.⁶³²

And the Prime Minister:

I am already spelling out. [...] But may I make it quite clear I really was very much with de Gaulle: this is a Europe of separate countries working together and it is just as laudable an objective, just as idealistic to say: "Look! Let us work together!" as it is to try to say: "Let us dissolve our nationality, our borders, into one Europe": it would not work. Europe has only been single under tyranny, not under liberty.

[...] So you see, we are the practical ones. We were the ones who first sorted out the budget. We are the ones who

⁶³¹ *ibid.*

⁶³² *ibid.*

have now sorted out agriculture. We are the one[s] who are now sorting out the free movement of goods, investment. [...] Britain is very influential in doing the things which it is proper and right and in the interest of all our peoples to do!⁶³³

There is, among the papers related to the Community affairs dating back to September 1988, a document titled “The Future Development of the EC and the Role of the Commission”, which was commented by someone in the Cabinet as “overtaken” but describes the expectations of the British on the evolution of the Community, “in terms of their acceptability to the United Kingdom”.⁶³⁴

The paper started from the recognition of the role of the Commission which, although some of its actions could be unacceptable to the Member States, has “an independent and distinctive role in ensuring that the provisions of the Treaty and of Community legislation are applied and in being the source of formal proposals of legislation”. On the other side, it was reaffirmed that “within the framework of the Treaty the Member States acting in the Council have the final say in the direction of the Community’s development, its pace and the setting of its priorities”.⁶³⁵ The document indicated 1984 as a turning-point both for the Community and for the development of UK influence within it, thanks to the Fontainebleau rebate, which brought about “a key shift in the internal equilibrium of the Community”, but also to the beginnings of the CAP reform and budget discipline. The Delors Commission was ascribed three major landmarks in the development of the Community: the White Paper on the Single Market of 1985 – which resumed the

⁶³³ *ibid.*

⁶³⁴ *The Future Development of the EC and the Role of the Commission*, Qz 06139, PREM 19/2169.

⁶³⁵ *ibid.*

objectives of the original provisions of the Treaty of Rome of 1957 and which implementation was ascribed, in particular, to the British and German presidencies of the Council, respectively in 1986 and 1988; the signature of the Single European Act in 1986 – which, it was specified, made clear that “any further developments requiring institutional changes in the monetary area would require Treaty amendment”; and the completion of the negotiations on the future financing of the Community, in 1988, which strengthened agricultural budget discipline and improved budget management, on the basis of the Commission’s paper “Making a success of the Single European Act” of February 1987.

The most difficult problems identified by the British were, in the White Paper, the Commission’s insistence on ‘Europe without frontiers’; of the revised methods of operation laid down in the SEA, the provisions for increased QMV, which enabled the Commission’s preference for using Articles which involved QMV rather than unanimity; the People’s Europe (Adonnino Committee) recommendations approved by the Milan European Council in June 1985, which “stimulated some attempts by the Commission to push forward the boundaries of both its own competence and that of the Community”.⁶³⁶

Overall, the balance of achievement since 1984 was judged broadly positive both for the Community and the United Kingdom, but the British were aware that the present Commission could try – or, better, was expected to try – “to make full use of its existing powers and to add to those powers”.⁶³⁷ In particular, of the areas sensitive to Commission aspirations and to potential increase in Community competence, the

⁶³⁶ *ibid.*

⁶³⁷ *ibid.*

British indicated the frontiers area as the most politically difficult. The Commission, in seeking extension of its competence, employed techniques such as the maximisation of QMV, the use of declaratory language and resolutions of a general nature, informal meetings and recommendations, which allowed the Treaty procedures to be bypassed, something which Thatcher did not like at all, devoted as she was to compliance with procedures.

Community action was welcome in areas where no effectively alternative was possible, such as external trade relations, implementation of the single market, management of the CAP; but it was “fundamentally objectionable to the UK on policy grounds” in areas such as the social dimension of the single market, and unacceptable on central areas of economic policy, such as primary health care, preventive border controls and tax harmonisation, where “there can clearly be no question of accepting the principle that the United Kingdom’s right to set its own tax levels should be any further constrained by European Community law” – that is, exactly the contrary of what Delors had said to the European Parliament: “ten years hence, 80% of our economic legislation, and perhaps even our fiscal and social legislation as well, will be of Community origin”.⁶³⁸

The paper concluded that over the last few years there was much to score as solid achievements in the UK national interest, such as more control of the Community’s expenditure for the CAP, the achievement maintenance of the Fontainebleau abatement mechanism, the liberalisation of capital movements. But there was the need to “remain alert to the hazards of evolution of Community activity throughout the

⁶³⁸ DELORS, *Speech to the European Parliament*, 6 July 1988.

policy spectrum”, considering that “others besides the Commission would be ready to strengthen the power of the centre: certainly, the European Parliament and also some member states, who do not share our views about the appropriate boundary between national and Community responsibility”.⁶³⁹

The conviction that President Delors was pushing in another direction from the British preference was confirmed by his speech to the Trade Union Congress in Bournemouth, Dorset, England, on 8 September, titled “1992: the Social Dimension”, which started with the bold statement of “Europe is again on the move”:

There will be more change. We are living through a peaceful revolution in which we must all participate. We must all adapt. This is why the change of 1992 is now being taken up by Trade Unions across Europe. The Commission will respond.

[...] There is a great challenge before us. The potential benefits of completing the internal market by 1992 are very large. But we must [...] maximise these benefits while minimizing the costs. We must also preserve and enhance the uniquely European model of society. [...] A model based on a skilful balance between society and the individual, [...] mechanisms of social solidarity, of protection of the weakest, and of collective bargaining. This model [...] in recent years has been threatened by adverse economic developments, some of which have external origin.

[...] Measures adopted to complete the large market should not diminish the level of social protection already achieved in the Member States.

⁶³⁹ *The Future Development of the EC and the Role of the Commission*, PREM 19/2169.

The internal market should not be designed to benefit each and every citizen of the Community. It is therefore necessary to improve workers' living and working conditions, and to provide better protection for their health and safety at work.

The measures to be taken will concern the area of collective bargaining and legislation. Now we have to make concrete progress. I made three proposals: the establishment of a platform of guaranteed social rights; the creation of a Statute for European Companies, which would include the participation of workers or their representatives; the extension to all workers of the rights to life-long education.

[...] In my opinion social dialogue and collective bargaining are essential pillars of our democratic society and social progress. [...] Europe is reaffirming itself by managing its diversity. You will remain British. [...] Thanks to co-operation and solidarity between Europeans, we will succeed in preserving our identity and our culture. Through the richness of our diversity and our talents,⁶⁴⁰ we will increase our capacity for decision and action.

It was then clear that Delors wanted a Community which could take an active interest in arrangement for worker participation, and proposed an optional European company statute, while calling for worthwhile training for all workers; something which, for the Prime Minister who waged war to the Trade Unions, was really triggering. Following Charles Powell, the participation of Delors in the Trade Union Congress in Bournemouth caused “the pitch of her indignation”:

It was a turning point for her attitude to Europe. Until then, she was prepared to seek compromises which would

⁶⁴⁰ Jacques DELORS, 1992: *The Social Dimension*, Address to the Trade Union Congress, Bournemouth, 8 September 1988: https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_88_66.

enable Britain to join common positions even when she was not really convinced they were in our interests, and that indeed remained the official policy of our own government throughout the period. But in her mind, and Rubicon had been crossed. The pragmatism of her earlier years as Prime Minister gave way to conviction that any further integration was no longer compatible with our sovereign statehood. Either Europe would have to change direction and slow down progress towards integration, or Britain would find itself increasingly distancing from common European positions, as it already had in the past.⁶⁴¹

About this proposal, Thatcher would receive the opinion of the Institute of Directors (IOD), a British professional organisation for company directors, senior business leaders and entrepreneurs, reflecting the government's fears on such a matter:

The European Company Statute is an early example of the type of Community initiative which will become increasingly common as the enlargement of the Community's scope and functions foreshadowed in the Single European Act takes effect, and as its activities move from the narrowly economic remit of the original Treaty to the wider social and political aspirations expressed in the Act. The reactions of member states' governments to these initiatives will largely determine the economic, social and political direction that Europe will take.

The IOD would be profoundly disappointed if the hard-won and as yet incomplete restructuring of the UK economy that the present government has achieved were to be overturned by a corporatist and dirigiste Community. It would also be fearful of Europe's ability to compete in world markets if it were uncritically to

⁶⁴¹ Charles D. POWELL, *Margaret Thatcher*, Hertford College Series Lectures "Prime Ministers and Europe since Margaret Thatcher", 31 October 2017, University of Oxford Podcasts, <https://podcasts.ox.ac.uk/margaret-thatcher>.

adopt the economic and social policies which brought this country so close to disaster in the post-war period.

It is particularly important to be aware of this danger when many aspects of those policies are likely to prove congenial to Europe's strong central bureaucracy operating under relatively weak and divided political control.

[...] Under the cloak of progress towards 1992 the Commission is pressing ahead with many proposals which are not directly necessary for the creation of a common market but which could lay the foundation for a centrally regulated and interventionist community in the twenty-first century. [...] The UK is withdrawing from collectivism; it should not be reimposed on us through Europe.⁶⁴²

Some of the claims of the IOD coincided with the government's position and would represent a suggestion for the construction of the Bruges Speech, which came to represent the most famous Thatcher's intervention and was to have a great importance on the successive evolution of the relationship between the UK and the EC.

4.3.1. The Bruges Speech

The Bruges Speech transformed the British debate on Europe. It has been considered "the turning point, the watershed that marked the departure of Britain from the EU, starting that seemingly irreversible process of separation that resulted in Brexit".⁶⁴³ This opinion, which is

⁶⁴² John HOSKYNS to Lord Young, Minister for Trade and Industry, *The European Company Statute*, 19 September 1988, PREM 19/219.

⁶⁴³ David WILLETS, "How Thatcher's Bruges Speech put Britain on the road to Brexit", «Financial Times», 31 August 2018.

widespread today, can be nuanced through an attentive analysis of the construction of the speech and of the several drafts the Cabinet produced and asked several Departments, in particular the FCO, to produce.

The Bruges Speech was noisily received in the press and by the political environment, with the consequence that it was considered a legitimisation of Euroscepticism, with important consequences on both the European and the domestic course of Thatcher's career. It was, though, *just* an attempt to put forward an alternative idea of European Community, rather than a disavowal of previous commitments. What would reinforce Thatcher's concern – and tone – about the pace of European integration, beyond the economic dimension she had pushed so hard for, were Delors' claims, expressed in his last speeches at the European Parliament and the TUC.

Having secured the Single European Act, Thatcher had demonstrated she was committed to the practical achievement of a free internal market and to co-operation among Member States. Though, whereas she thought the SEA was an end in itself, the President of the European Commission saw it as a means to an end: Delors used the SEA as “the basis for spill-over initiatives, and the British guard was lowered by playing to Thatcherite neo-liberalism. It was because she believed that her free-market agenda had been victorious Thatcher underestimated the expansionist elements of the SEA”.⁶⁴⁴ As Delors began to outline his visions of deeper integration, including the

⁶⁴⁴ Andrew ROE-CRINES and Tim HEPPELS, “Legitimising Euroscepticism? The construction, delivery and significance of the Bruges speech”, «Contemporary British History» 2020, Vol. 34, Issue 2, 4.

promotion of the social dimension, Thatcher realised she had to draw a line in the sand and to express her own, alternative, vision on Europe.

The occasion was an invitation for the opening ceremony of the academic year 1988 on the part of the College of Europe in Bruges. It represented the oldest postgraduate institute of European studies, established on the initiative of the Hague Congress in 1949, with the active part of Winston Churchill, which would be celebrating its fortieth anniversary.

Thatcher was advised to accept the invitation by several collaborators. Lord Henry Plumb, President of the European Parliament, but also David Hannay, Permanent Representative to the EC, supported the idea that the speech would represent “an opportunity to spell out her own vision of the future development of Europe rather than leaving the field clear to others who chose to propagate the myth that her attitude was an entirely negative one”, an impression due to Thatcher’s recent intransigence on the reform of budget management.⁶⁴⁵

FCO Secretary Howe, on his part, was convinced that the occasion would “enable the Prime Minister to make a major speech setting the seal on the reforms we have secured in the Community, looking forward the Single Market in 1992 and bringing Britain’s economic success to the attention of a wider European audience”.⁶⁴⁶

The preparation of the speech began in April, and much help came from Charles Powell, Thatcher’s Private Secretary for Foreign Affairs; the FCO; and the Centre for Policy Studies (CPS), a Conservative think

⁶⁴⁵ David HANNAY to John Kerr, 29 March 1988, Chancellor of the Exchequer’s Private Office files, T640/1006 f3, also available in TFA 207803.

⁶⁴⁶ Lyn PARKER to Charles D. Powell, *Invitation to the Prime Minister from the College of Europe, Bruges*, 27 April 1988, FOI 0242-09, TFA 111774.

tank actively involved in researching and promoting ideas associated with “Thatcherism” since the years in Opposition. These represented a Europhile entourage to Thatcher, and this is no odd that they played an important role in the building of the Bruges Speech, although it later became a milestone for Euroscepticism. In their conception, Bruges was never intended to be an anti-European speech: anti-*federal*, certainly, but it is the whole point of the speech. The principal argument was that you can be anti-federal without being anti-European: the intention was to lay out an alternative idea of European cooperation.

Before the process of construction of the Bruges Speech began, on 28 April Thatcher had given a speech at the Annual General Meeting of the Centre for Policy Studies, which was the occasion to make the point on the principles that guided her career – coinciding with “the three beliefs with which we started the Centre and from which we gradually spread out to make the principles and policies which have been successful”.⁶⁴⁷ With very similar structure to the following Bruges Speech, this address identified three founding elements of her political belief: the existence of a ‘British character’ made of enterprise and initiative and generosity, “pushed down and overlaid by years of Socialism”; suspicion of “over-weaning power in governments, [...] one of the reasons that led us to cut the power of government in order to release more power back to the people believing in the British character”; and “the human being’s fundamental right to liberty”, which “would only work under a rule of law because it is the order of the law which enables freedom to work”.⁶⁴⁸ After a passage on defence, which confirmed the vital boundary of NATO (“Yes, we believe that Mr.

⁶⁴⁷ Margaret THATCHER, *Speech to Centre for Policy Studies*, 28 April 1988, TFA 107228.

⁶⁴⁸ *ibid.*

Gorbachev's reforms are bold. We hope they will succeed. The reason we can say that is because we in this country, and we will see that NATO holds to the same, will never let down our defences so that whatever happens the defence of liberty is sure"), the speech concluded:

When we tackle it on the international sphere it is precisely those same things together with a certain persistence and persever[ance] which in fact has commanded respect and has led us to having achieved a pretty good reputation for honesty, integrity and success abroad.⁶⁴⁹

It was the chairman of the CPS, Hugh Thomas, to suggest Thatcher to begin the Bruges Speech with a historical section which

might say something to the effect that ever since the Middle Ages we have known that Europe should be united (or re-united). The trouble has been that the previous efforts at 'collaboration' would always have resulted in the dominance of a single power, resulted in the destruction of all individuality and necessitated the extinction of all local freedoms. That is why Britain fought against those attempts (that's not the only reason but it's a reasonable thing to say).

Now we have a real chance of a European union (?) which will preserve both diversity and liberty.⁶⁵⁰

Thomas continued underlining that "Britain determined to enter the Community and make the best of the institutions which were there, and we are doing well"; but the "Europe of Nations" has never been carefully worked out, and suggested to rework a section of one of his former speeches, delivered recently in Madrid:

⁶⁴⁹ *ibid.*

⁶⁵⁰ Hugh THOMAS, *Memo for the Prime Minister*, 2 June 1988, TFA 208615, underlining and question mark as done by Thatcher in the original.

Europeans as I understand it want to maintain their national differences, their national eccentricities, their national languages, but at the same time create a common European identity. The preservation of differences is as important as the insistence on collaboration. The essence of Europe is surely diversity. We all find perfectly possible to be loyal to several foci of affection: to the family, to the old school or university perhaps, to the pueblo, to the province or region, and to the nation – perhaps also the civilization (the West for example). Europe is a new line of affection, with the originality that it is neither national nor supernational but intranational. Whether this intranational focus is at a superior or lower level than that of the state depends on the subject under consideration. [...] the European Community does offer the possibility of independence alongside international co-operation. Our originality too can easily be a model for other groups of nations. [...] However, we should take the need to preserve diversity in unity just as seriously as we have taken the need to achieve harmony.⁶⁵¹

The Foreign Office, in turn, interpreted the speech at Bruges as the opportunity for Thatcher to make a “positive and constructive speech” on Europe. On their intentions, the speech would focus on economic issues, stressing British-inspired reforms within the Community and bringing Britain’s economic success to the attention of a wide European audience. The very first draft outline proposed by Stephen Wall, then working at the FCO European Community Department, was titled “Europe Enterprise and the Individual”, and was centred on the concept of individual liberty, under attack in a centralizing Europe, and on the rediscovery of spirit of enterprise in the UK. The goal, for the Community of 1980s, was “more liberalization than harmonization:

⁶⁵¹ Hugh THOMAS, *Where is Europe going?*, section of a speech recently given by Thomas to Spanish businessmen and attached to the *Memo for the Prime Minister*, underlined as done by Thatcher in the original.

increasing liberalization within the Community framework”: the creation of a single European market would enhance European unity without sacrificing national identity. The Community “incorporates a great ideal, but is about practical goals”.⁶⁵²

After a month, with Delors’ address to the European Parliament and Thatcher’s response, particularly given that “the Jimmy Young Show shows that the No. 10 market for constructive language on the Community may still be poor”, the FCO wanted to play “on two firmly held Prime Ministerial views: the need for an ‘enterprise Europe’, and for the maintenance of European defence efforts”.⁶⁵³

The draft sent from the FCO to No. 10 on 29 July had the title “The Europe You Will Inherit: Enterprise, Freedom, and the Individual” reworked some issues proposed by Wall, insisted on the fact that “UK recovery is built on respect for the individual, encouragement of diversity and enterprise”, but also introduced more space for the theme of defence. It indicated to reject, being Europe playing its proper role on the world stage, the idea of a bi-polar world, also in matters of defence. The vision of Europe Thatcher would give with the speech would be “economically strong, built on respect for the individual, firm in the defence of freedom. A Europe of which the United Kingdom will remain a proud member”.⁶⁵⁴ Britain should reject the accusation of insularity but should regard that of being pragmatic rather than

⁶⁵² Stephen WALL, *Europe: ‘Enterprise and the individual’, Draft Outline Of Prime Minister’s Bruges Speech*, 29 June 1988, FOI 0242-09, TFA 111778.

⁶⁵³ John KERR to Patrick Wright, Official Head of the Foreign Office, 28 July 1988, FOI 0242-09, TFA 111779.

⁶⁵⁴ Lyn PARKER to Charles D. Powell, *John Kerr’s Draft for the Bruges Speech*, 29 July 1988, FOI 0242-09, TFA 111780.

visionary as a strength. The draft concluded with a passage that was perfectly Thatcherite:

That is why the personal vision I have explained today needs no new document: the texts already exist, in the North Atlantic Treaty, and the Treaty of Rome. [...] Let theirs be your vision; pursue it pragmatically.⁶⁵⁵

It took a month for No.10 to work on the sketches received and to produce a first draft, which was shared with the FCO on 31 August, asking for further comments and suggestions. The annotations taken by John Kerr, FCO Assistant Under Secretary responsible for the EC, on the draft show some resistance to Thatcher's formulation, rejecting the hardest expressions and trying to soften the tone. For example, he proposed to substitute "My first guideline is: forget a United States of Europe, it will not come!" with this sentence:

First, strength comes through diversity. We should welcome the differences in our national traditions and ways of thinking, rather than strain to homogenise them in a United States of Europe".⁶⁵⁶

Also, Kerr rejected the attack on the "European super-state", pointing out that federalism did imply decentralization and economic liberalization, and the explicit reference to Delors' recent comments. On the contrary, he suggested to demonstrate that all measures to facilitate economic convergence and to liberalise markets were done, under the Single European Act, by reducing governments' intervention.

Overall, the intervention of Kerr, which belonged to the FCO, aimed at softening the tone of Thatcher's intervention, proverbially

⁶⁵⁵ *ibid.*

⁶⁵⁶ John KERR, *Annotations on No.10 draft of Thatcher's Bruges Speech*, 1 September 1988, FOI 0242-09, TFA 111783.

hard in tones and “unnecessarily provocative”: the goal was to “avoid the trap of being so controversial to evoke replies or rebuttals”.⁶⁵⁷ Ironically, Kerr’s revision moves a step closer to the very phrase in the speech later judged most provocative:

I believe it is widely understood and accepted in the Community that we have not embarked on the business of throwing back the frontiers of the state at home, only to see them reimposed at a European level. We must be vigilant against the temptation to see more regulation as an easy way out of old or new problems.⁶⁵⁸

Kerr accepted the idea that it was “absolutely crucial for the European Community’s success” that

at each stage of its development, it should act with the full consent of the people. It will require decisions reached by negotiation between sovereign governments, each elected by their people, with those decisions subject to confirmation by national Parliaments.⁶⁵⁹

On the second section, “Europe open to enterprise”, Thatcher’s draft reworked the same concept and the same words used in the BBC interview of 27 July, those which the FCO had judged “not constructive”, Kerr tried to soothe the tone adding to this passage “Rather than setting grandiose objectives such a European Central Bank for the sake of having yet another European institution, let us proceed by considering at each stage what is necessary” the sentence: “by all means, let us find practical ways of cooperating” and substituting “We need to suppress the tendency towards inflated oratory” with “My third guideline is that we should avoid rhetoric and define practical steps

⁶⁵⁷ John KERR to Patrick Wright, 6 September 1988, FOI 0242-09, TFA 111793.

⁶⁵⁸ KERR, *Annotations on No. 10 draft of Thatcher’s Bruges Speech*, TFA 111783.

⁶⁵⁹ *ibid.*

towards closer cooperation and concentrate on achieving them”.⁶⁶⁰ Kerr would later write Wright, Permanent Under-Secretary – the official head of the FCO – it was better not to reveal No.10 that several departments, such as Treasury, Trade and Industry, and Cabinet Office officials preferred his version to Thatcher’s.⁶⁶¹

From his side, Howe was far more critical, in particular on the reference to Britain’s preference for decisions reached by negotiations by sovereign governments – as it overlooked the Treaty provisions, recently extended, for QMV; and on those to Central Bank, judged as “too absolute”.

The Secretary of State’s overall comment is that there are some plain and fundamental errors in the draft and that it tends to view the world as though we had not adhered to any of the treaties. Nor does the speech accommodate the diversity of visions of Europe - even in one country.⁶⁶²

Moreover, the most controversial point was the absolute disagreement on sovereignty: the Prime Minister stated that

working more closely together does *not* require a sacrifice of political independence or of the rights of national Parliaments. It is perfectly possible for countries to work together while preserving their national sovereignty to obtain the advantages of economic union without the sacrifice of political independence.⁶⁶³

Another draft was prepared by the FCO and sent to No.10 on 7 September, with the suggestion to include “a short additional passage

⁶⁶⁰ *ibid.*

⁶⁶¹ John KERR to Patrick Wright, 6 September 1988, TFA 111793.

⁶⁶² Stephen WALL, *Minute on Geoffrey Howe’s criticisms of No.10 Draft of Thatcher’s Bruges Speech*, 1 September 1988, FOI 0242-09, TFA 111785.

⁶⁶³ *No. 10 first draft of Thatcher’s Bruges Speech*, 31 August 1988, FOI 0242-09, TFA 111782.

on future negotiations and explaining why it, and further CAP reform, matters”, also considering Thatcher’s recent battle for a stricter budget management. Howe’s concerns regarded the fact that some too provocative issues would “detract from the powerful message of the speech”.⁶⁶⁴

While a great ferment was happening within the several departments involved in the preparation of the Bruges Speech, on 8 September Delors won a standing ovation at the Trade Unions Conference in Bournemouth by urging that collective bargaining *should* take place at European level. Thatcher felt the speech was “an intolerable, political interference”.⁶⁶⁵ That same day, Delors announced Mr. Hannay “his great regret that he will not be able to attend the Prime Minister’s speech at Bruges”.⁶⁶⁶

As the Minister for Trade wrote the Prime Minister on 14 September, “Delors, by coming over here and addressing what to all intents and purposes is an Opposition Conference [the TUC of 8 September], has put himself outside any immunity that might attach to his position as President”.⁶⁶⁷ Trade Minister Alan Clark opposed “any changes that reduced the vivid illustration and punchy phrases which are characteristic” of Thatcher’s style and were *expected* by her audience: “if you are yourself we shall all be the stronger for it”.⁶⁶⁸

Delors’ TUC speech must be considered to fully understand the scope of Thatcher’s Bruges speech, which was intended to be, on one

⁶⁶⁴ Stephen WALL to Charles D. Powell, *Howe comments on No.10 draft and FCO counter draft*, 7 September 1988, FOI 0242-09, TFA 111798.

⁶⁶⁵ WALL, *A Stranger in Europe*, 78.

⁶⁶⁶ *Memo from the FCO to Charles D. Powell*, 8 September 1988, PREM 19/2169.

⁶⁶⁷ Alan CLARK, *Minute for the Prime Minister*, 14 September 1988, THCR 5/1/5/569 f251.

⁶⁶⁸ *ibid.*

side, the response to what was perceived an attack, in the homeland, by President Delors, but also an occasion to paint it clearly an alternative to the Commission's way to European integration. Thatcher's political style, which had proven victorious for nine years, was built on a confrontational style which was the triumph card of her whole career.

At this point, the FCO's hope of avoiding controversy seemed almost absurd. Yet, on 16 September, it seemed as if their "damage limitation exercise is heading for success":

While it isn't going to pick up many tricks across the Channel, I don't think that the Bruges speech is now likely to cause trouble with Community partners.⁶⁶⁹

Thus, even though the Foreign Office had intended Thatcher to make a "positive" speech about Britain's place in Europe, Delors' interventions had made it all but impossible for Thatcher, who amended the final version herself, to present a response anything other than incendiary.

The Bruges Speech was delivered on 20 September 1988. More than the manifesto of Thatcher's Euroscepticism, it can be considered the manifesto of Thatcher's European ideal. In many respects, it is a classic exposition of British views. In fact, it is "the fullest statement of [Thatcher's] views on Europe and the European Community that she ever gave [...] actually far from being the Euro Sceptic Charter".⁶⁷⁰

Being the British Prime Minister who achieved most in terms of integration policies, Thatcher was, for sure, more minded to compromise than what she claimed to be. But her view on European

⁶⁶⁹ John KERR, *Note for Patrick Wright*, 16 September 1988, FOI 0242-09, TFA 111810.

⁶⁷⁰ POWELL, *Margaret Thatcher*.

integration had never been hidden in public, nuance or uncontroversial. The Bruges Speech did not deny any of Thatcher's previous decisions or commitments to Europe; it responded to the current situation.

The same rhetoric capacities which made her decide to begin the Bruges Speech with an ironic effort to remove the false myth of her being a fierce anti-European; then, the first section, titled 'Britain and Europe', started "by disposing of some myths about my country, Britain, and its relationship with Europe and to do that".⁶⁷¹ Right after, she stated her vision very clearly:

Europe is not the creation of the Treaty of Rome.

Nor is the European idea the property of any group or institution.

We British are as much heirs to the legacy of European culture as any other nation. Our links to the rest of Europe, the continent of Europe, have been the dominant factor in our history.⁶⁷²

Thatcher resumed then the ancient and recent history of Britain, from the Roman Empire to the Celts, Saxons, Danes who came from the Continent to the "restructuration" under the Norman and Angevin rule in the eleventh and twelfth centuries. One point of pride was Magna Carta, in the year 1215, which pioneered and developed representative institutions to stand as bastions of freedom.

Curious was her interpretation of the idea of Christendom, for long synonymous with Europe and with its recognition of the unique and spiritual nature of the individual: "on that idea, we still base our belief

⁶⁷¹ THATCHER, *The Bruges Speech*.

⁶⁷² *ibid.*

in personal liberty and other human rights”.⁶⁷³ Controversial, for a reader of the XXI century, the passage on “the story of how Europeans explored and colonized – and yes, without apology – *civilised* much of the world is an extraordinary tale of talent, skill and courage”.⁶⁷⁴

Then, the reference to British contribution to Europe, in the fight “to prevent Europe from falling under the dominance of a single power”, from the First World War to “the support to resistance movements throughout the last War that helped to keep alive the flame of liberty in so many countries until the day of liberation. [...] All these things alone are proof of our commitment to Europe’s future”.⁶⁷⁵

The speech is remarkable saying that “the European Community belongs to *all* its members”. Europe, she said, was more than the EC:

The European Community is *one* manifestation of that European identity, but it is not the only one.

We must never forget that east of the Iron Curtain, people who once enjoyed a full share of European culture, freedom and identity have been cut off from their roots.

We shall always look on Warsaw, Prague and Budapest as great European cities.

Nor should we forget that European values have helped to make the United States of America into the valiant defender of freedom which she has become.⁶⁷⁶

Today, that statement would be perfectly acceptable. Then, it was almost radical: it was seen “not so much as a call for a Europe whole and free, as an invitation to a Europe that would be wider, not deeper”.

⁶⁷³ *ibid.*

⁶⁷⁴ *ibid.*

⁶⁷⁵ *ibid.*

⁶⁷⁶ *ibid.*

The section titled 'Europe's Future' insisted on "nearly two thousand years of British involvement in Europe, cooperation with Europe and contribution to Europe, contribution which today is as valid and as strong as ever".⁶⁷⁷

Thatcher did not deny Britain's interest in the Commonwealth or in the Atlantic Alliance, but interpreted it as a good thing for the Community and intended Europe as more than the EC:

Yes, we have looked also to wider horizons – as have others – and thank goodness for that, because Europe never would have prospered and never will prosper as a narrow-minded, inward-looking club.

The European Community belongs to *all* its members.

It must reflect the traditions and aspirations of *all* its members.⁶⁷⁸

At the same time, she reaffirmed her intention to remain in the Community and to play an active part in it:

Britain does not dream of some cosy, isolated existence on the fringes of the European Community. Our destiny is in Europe, as part of the Community.

That is not to say that our future lies only in Europe, but nor does that of France or Spain or, indeed, of any other member.⁶⁷⁹

Another remarkable passage in the speech was a response to Delors' speeches and an occasion to affirm her own vision on Europe:

The Community is not an end in itself.

⁶⁷⁷ *ibid.*

⁶⁷⁸ *ibid.*

⁶⁷⁹ *ibid.*

Nor is it an institutional device to be constantly modified according to the dictates of some abstract intellectual concept.

Nor must it be ossified by endless regulation.

The European Community is a practical means by which Europe can ensure the future prosperity and security of its people in a world in which there are many other powerful nations and groups of nations.

We Europeans cannot afford to waste our energies on internal disputes or arcane institutional debates.

They are no substitute for effective action.

Europe has to be ready both to contribute in full measure to its own security and to compete commercially and industrially in a world in which success goes to the countries which encourage individual initiative and enterprise, rather than those which attempt to diminish them.⁶⁸⁰

What has been defined Thatcher's harsh anti-European rhetoric cannot be considered a negative aspect of her attitude towards Europe. On the contrary, it was a fundamental feature of a political style which had secured her victories both at a domestic and at a European level.

The structure of the speech was then organized around five guiding principles. In order: the support for an inter-governmental relation among Member States; pragmatism; economic liberty, as the ultimate goal of the Single Act was to create a single market while reducing state intervention; the avoidance of protectionism; the confirmation of common defence strategy through and within NATO.

⁶⁸⁰ *ibid.*

The first one, as set out in the Bruges speech – “willing and active cooperation between independent sovereign states is the best way to build a successful European Community” – painted the Community as a group of nations that did not need more integration but more cooperation among them, in order to achieve common goals.⁶⁸¹ For this reason, to centralise power to the Commission was not needed but dangerous:

To try to suppress nationhood and concentrate power at the centre of a European conglomerate would be highly damaging and would jeopardise the objectives we seek to achieve.

Europe will be stronger precisely because it has France as France, Spain as Spain, Britain as Britain, each with its own customs, traditions and identity. It would be folly to try to fit them into some sort of identikit European personality.

[...] I am the first to say that on many great issues the countries of Europe should try to speak with a single voice.

I want to see us work more closely on the things we can do better together than alone.

Europe is stronger when we do so, whether it be in trade, in defence or in our relations with the rest of the world.

But working more closely together does not require power to be centralised in Brussels or decisions to be taken by an appointed bureaucracy.⁶⁸²

It followed the sentence which was perceived by Britain’s partners as the most hostile:

⁶⁸¹THATCHER, *The Bruges Speech*.

⁶⁸² *ibid.*

We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level with a European super-state exercising a new dominance from Brussels.

Certainly we want to see Europe more united and with a greater sense of common purpose.

But it must be in a way which preserves the different traditions, parliamentary powers and sense of national pride in one's own country; for these have been the source of Europe's vitality through the centuries.⁶⁸³

Wall's opinion is that this "dynamite" was, in part, "a correct perception that Delors was ambitious to put more power in the hands of the Commission, making it the executive of the EC, answerable to the EP. Part of it was the realisation that something was moving on the issues of economic and political union she did not like nor want".⁶⁸⁴

The second guiding principle could be nothing but pragmatism:

If we cannot reform those Community policies which are patently wrong or ineffective and which are rightly causing public disquiet, then we shall not get the public support for the Community's future development.⁶⁸⁵

Thatcher also made a reference to the pragmatic way British had recently insisted the Council to strengthen agricultural budget discipline and improve budget management:

And that is why the achievements of the European Council in Brussels last February are so important.

It was not right that half the total Community budget was being spent on storing and disposing of surplus food.

⁶⁸³ *ibid.*

⁶⁸⁴ WALL, *A Stranger in Europe*, 81.

⁶⁸⁵ THATCHER, *The Bruges Speech*.

Now those stocks are being sharply reduced.

It was absolutely right to decide that agriculture's share of the budget should be cut in order to free resources for other policies, such as helping the less well-off regions and helping training for jobs.

It was right too to introduce tighter budgetary discipline to enforce these decisions and to bring the Community spending under better control.⁶⁸⁶

Then, she restated the overriding goal, the Single Market:

And those who complained that the Community was spending so much time on financial detail missed the point. You cannot build on unsound foundations, financial or otherwise, and it was the fundamental reforms agreed last winter which paved the way for the remarkable progress which we have made since on the Single Market.⁶⁸⁷

The time was ripe to talk about the CAP, for which section Thatcher, considering the importance of the issue, had asked support to several departments outside the Cabinet.⁶⁸⁸

But we cannot rest on what we have achieved to date.

For example, the task of reforming the Common Agricultural Policy is far from complete.

Certainly, Europe needs a stable and efficient farming industry.

But the CAP has become unwieldy, inefficient and grossly expensive. Production of unwanted surpluses safeguards neither the income nor the future of farmers themselves.

⁶⁸⁶ *ibid.*

⁶⁸⁷ *ibid.*

⁶⁸⁸ Charles D. POWELL, *Letter to the FCO*, 2 September 1988, THCR 5/1/5/568 f143.

We must *continue* to pursue policies which relate supply more closely to market requirements, and which will reduce over-production and limit costs.

Of course, we must protect the villages and rural areas which are such an important part of our national life, but not by the instrument of agricultural prices.

Tackling these problems requires political courage.

The Community will only damage itself in the eyes of its own people and the outside world if that courage is lacking.⁶⁸⁹

The third guiding principle chosen by Thatcher was the need for Community policies which encourage enterprise; an argument she built over the fundament of the failure of government-driven economy and the principles inscribed in the Treaty of Rome:

The basic framework is there: the Treaty of Rome itself was intended as a Charter for Economic Liberty.

But that it is not how it has always been read, still less applied.

The lesson of the economic history of Europe in the 70s and 80s is that central planning and detailed control *do not* work and that personal endeavour and initiative *do*.

That a State-controlled economy is a recipe for low growth and that free enterprise within a framework of law brings better results.

The aim of a Europe open to enterprise is the moving force behind the creation of the Single European Market in 1992. By getting rid of barriers, by making it possible for companies to operate on a European scale, we can

⁶⁸⁹ THATCHER, *The Bruges Speech*, italics in the original.

best compete with the United States, Japan and other new economic powers emerging in Asia and elsewhere.

And that means action to *free* markets, action to *widen* choice, action to *reduce* government intervention.

Our aim should *not* be more and more detailed regulation from the centre: it should be to deregulate and to remove the constraints on trade.⁶⁹⁰

In opening its markets, Britain has been in the lead, and wanted to lead the process in Europe – as it could be seen with the Single Act. Regarding monetary matters,

let me say this. The key issue is not whether there should be a European Central Bank.

The immediate and practical requirements are: to implement the Community's commitment to free movement of capital – in Britain, we have it; and to the abolition through the Community of exchange controls – in Britain, we abolished them in 1979; to establish a genuinely free market in financial services in banking, insurance, investment; and to make greater use of the ecu.

[...] These are the *real* requirements because they are what the Community business and industry need if they are to compete effectively in the wider world.

[...] It is to such basic practical steps that the Community's attention should be devoted.

When those have been achieved and sustained over a period of time, we shall be in a better position to judge the next move.⁶⁹¹

⁶⁹⁰ *ibid.*, italics in the original.

⁶⁹¹ *ibid.*

Another passage about frontiers, which Thatcher did not want to abolish “to protect our citizens from crime and stop the movement of drugs, of terrorists and of illegal immigrants”.⁶⁹²

Then, a further response to Delors when she said:

If we are to have a European Company Statute, it should contain the minimum regulations.

And certainly we in Britain would fight attempts to introduce collectivism and corporatism at the European level – although what people wish to do in their own countries is a matter for them.⁶⁹³

The fourth guiding principle was the battle against protectionism, for which Thatcher invoked the prosecution of multilateral negotiations in the GATT, which would guarantee the less-developed countries “improved trading opportunities if they are to gain the dignity of growing economic strength and independence”.⁶⁹⁴

The last guiding principle concerned “the most fundamental issue” for a leader of the Cold War: the European countries’ role in defence. Although engaged in facilitating the relationship between the US and USSR, Thatcher was sure

Europe must continue to maintain a sure defence through NATO.

There can be no question of relaxing our efforts, even though it means taking difficult decisions and meeting heavy costs.

It is to NATO that we owe the peace that has been maintained over 40 years.

⁶⁹² *ibid.*

⁶⁹³ *ibid.*

⁶⁹⁴ *ibid.*

The fact is things *are* going our way: the democratic model of a free enterprise society *has* proved itself superior; freedom is on the offensive, a peaceful offensive the world over, for the first time in my life-time.

We must strive to maintain the United States' commitment to Europe's defence. And that means recognising the burden on their resources of the world role they undertake and their point that their allies should bear the full part of the defence of freedom, particularly as Europe grows wealthier.

[...] We must keep up public support for nuclear deterrence, remembering that obsolete weapons do not deter, hence the need for modernisation.

We must meet the requirements for effective conventional defence in Europe against Soviet forces which are constantly being modernised.

We should develop the WEU, not as an alternative to NATO, but as a means of strengthening Europe's contribution to the common defence of the West.

Above all, at a time of change and uncertainty in the Soviet Union and Eastern Europe, we must preserve Europe's unity and resolve so that whatever may happen, our defence is sure.

At the same time, we must negotiate on arms control and keep the door wide open to cooperation on all the other issues covered by the Helsinki Accords.

But let us never forget that our way of life, our vision and all we hope to achieve, is secured not by the rightness of our cause but by the strength of our defence.

On this, we must never falter, never fail.⁶⁹⁵

⁶⁹⁵ *ibid.*

Thatcher's European vision or ideal did know how to "chart the way ahead and identify the next steps".⁶⁹⁶ Unlike the Commission's, her approach did not require any new documents: "they are all there, the North Atlantic Treaty, the Revised Brussels Treaty and the Treaty of Rome".⁶⁹⁷ Thatcher's key word, in European politics as much as in national, was pragmatism: a pragmatic cooperation between different, sovereign states active and willing to cooperate to pursue their individual and collective interests:

However far we may want to go, the truth is that we can only get there one step at a time. And what we need now is to take decisions on the next steps forward, rather than let ourselves be distracted by Utopian goals. Utopia never comes, because we know we should not like it if it did.

Let Europe be a family of nations, understanding each other better, appreciating each other more, doing more together but relishing our national identity no less than our common European endeavour.

Let us have a Europe which plays its full part in the wider world, which looks outward not inward, and which preserves that Atlantic community – that Europe on both sides of the Atlantic – which is our noblest inheritance and our greatest strength.⁶⁹⁸

The Bruges speech is commonly spoken of as a something close to an anti-European manifesto. But, in the intentions of the authors, that was far from the case. It better articulates the fundamentals of Margaret Thatcher's view of Europe than anything else she said, boosted by

⁶⁹⁶ *ibid.*

⁶⁹⁷ *ibid.*

⁶⁹⁸ *ibid.*

positive proposals: it could hardly be the words of “a deep-rooted opponent of everything European”.⁶⁹⁹

Following Wall, “the shocked reaction to the speech in much of Europe at the time, as well as the iconic status it has achieved among Euro-sceptics, owed much to the way it was briefed to the Press by Mrs Thatcher’s spokesman, Bernard Ingham”.⁷⁰⁰ According to Powell, the Bruges Speech difficult reception was due to two factors. First, the speech was delivered too late:

Two or three years earlier, with Europe further away from the irrevocable steps on monetary union and other forms of integration, her manifesto for your future could have secured a better hearing and wider support.⁷⁰¹

But Thatcher was, then, “too occupied with other and to her mind, bigger, issues”.⁷⁰² Second, Thatcher had proved her brave in transforming Britain, and represents a possible threat to the European *status quo*:

I think the high priests of integrationist ideology genuinely feared the impact and the appeal of her ideas. [...] the European elite feared open debate about Europe’s future, which might threaten their plans. And the results of some of the subsequent referendums in several European countries on the Maastricht Treaty and later on the treaty establishing a Constitution for Europe, shows why they had cause to be worried: Margaret Thatcher’s doubts about Europe’s future course were, in their eyes disturbingly, widely shared in their own countries.⁷⁰³

⁶⁹⁹ POWELL, *Margaret Thatcher*.

⁷⁰⁰ WALL, *A Stranger in Europe*, 80.

⁷⁰¹ POWELL, *Margaret Thatcher*.

⁷⁰² *ibid.*

⁷⁰³ *ibid.*

The “bombastic statement” of Bruges demonstrated, once again, Thatcher’s “readiness to fight to the bones for Britain’s national interest within the European Community, and they rather give the impression that she was an aggressive critic of European integration”.⁷⁰⁴ But European integration process was undergoing, during the mid-1980s, a significant re-launch, and pushing for the Single European Act she was, in fact, a central architect of European integration.

The Bruges Speech represents a fundamental moment in Thatcher’s career. It had, for sure, two main consequences within the Conservative Party.

First, as Thatcher had been alerted on 12 September, some British deputies at the European Parliament would be “likely to react badly” to the Bruges Speech.⁷⁰⁵ Indeed, the Bruges Speech had caused “disarray among the Conservatives in the European Parliament”, in particular over the statement issued by the Institutional Affairs Committee which “lambasted Thatcher for her recent speech”.⁷⁰⁶ The following week, some MEPs “called for an urgent rethinking of British attitudes towards European integration and proposed a major debate on the shape the Community should take”, circulating a paper titled “1992: Implications and Potential”.⁷⁰⁷

⁷⁰⁴ Helene VON BISMARCK, “Margaret Thatcher: the critical architect of European integration”, «UK in a changing World», 4 May 2016, <https://ukandeu.ac.uk/margaret-thatcher-the-critical-architect-of-european-integration>.

⁷⁰⁵ John WHITTINGDALE, *Minute to Charles D. Powell*, 12 September 1988, THCR 5/1/5/568 f4.

⁷⁰⁶ David USBORNE, “Strasbourg Tories divided between EC and Thatcher”, «The Independent», 1 October 1988, JD-56, V22-D2.

⁷⁰⁷ Michael DYNES, Sheila GUNN, “MEP challenges Thatcher on Europe”, «The Times», 7 October 1988, JD-56.

Also, the reaction of the European press was as often happens when it comes to Thatcher, extreme, as it is understandable even just from the titles, from “Anger and Disbelief in Europe”, “Thatcher enters bullring”, to “Riding roughshod over Continental Hypocrisy”, “Euro-Maggie spells it out”, “Thatcher signals fight to stop EEC superstate”, “Thatcher sets our limits on unity in the EC”, “It’s forward into Europe, Maggie’s way”.⁷⁰⁸ The most interesting aspects were that Thatcher was compared to De Gaulle, something which she considered not an insult, and her reaction to other’s receptions of the Bruges Speech: “I am very pleased with the reaction to the speech. It’s making people think”.⁷⁰⁹

Second, more fundamental, aspect: some opposition arose between No.10 and the FCO over the European issue, as it is understandable from the tensions between the two factions in drafting the Bruges Speech. Following the removal of the ‘wets’ from key Cabinet positions in 1981, during the last six years in office the Conservative Party had been relatively able to contain the internal divisions because of the consensus on the free market and small state at the top of the party.⁷¹⁰

Moreover, Thatcher’s success in securing the budget rebate in 1984 and her prominent role in negotiating the Single Market in 1986 seemed to confirm that the UK was not anymore the awkward partner and was able to play a key role in the integration process. Moreover, “the SEA appeared to have aligned Thatcherism with core European integration” the single market being its main project and the Thatcherite agenda of

⁷⁰⁸ See JD-56.

⁷⁰⁹ Simon HEFFER, “Furore ignored as ‘roughing-up’ of EEC goes on”, «The Daily Telegraph», 22 September 1988, JD-74.

⁷¹⁰ ‘Wets’ is an epithet used by Thatcher for back-benchers who were outside Thatcher’s inner circle and who expressed opposition to her strict monetarist policies designed to tackle inflation, and her cuts to public spending.

deregulation, openness and competition consistent with the project of the European Community.⁷¹¹ But now Howe had challenged Thatcher's conception of national sovereignty, replying, among other things, that "a stronger Europe does not mean the creation of a new European super-state but does, has and will require the sacrifice of political independence and the rights of national parliaments. That is inherent in the treaties".⁷¹²

Reading the intense exchange over drafts between No.10 and the FCO, the latter seemed to be no critical of the Commission and its claims, being its narrative of the Community as "a highly effective vehicle for liberalization".⁷¹³

Thinking the Community as an evolving "voluntary association of states based on the common evolution of joint policies", Howe understood the implications of the integration process and accepted it as being consistent with Britain's liberalization agenda, in the aim of securing the British government a powerful position to contrast the claims of the Commission and influence the process of further integration.⁷¹⁴ On 6 October he launched a pamphlet titled "The Conservative Revival of Europe", where he affirmed, in much softer tones, that British European vision "accepted, indeed commended, loyalty to the member state as perfectly compatible with the pooling of our national efforts for our wider European gain".⁷¹⁵

⁷¹¹ Oliver DADDOW, Christopher GIFFORD, and Ben WILLINGS, "The battle of Bruges: Margaret Thatcher, the foreign office and the unravelling of British European policy", «Political Research Exchange» 2019, Vol. 1, Issue 1, 8.

⁷¹² WALL, *Minute on Geoffrey Howe's criticisms of No.10 Draft of Thatcher's Bruges Speech*.

⁷¹³ *ibid.*

⁷¹⁴ HOWE, *Conflict of Loyalty*, 683.

⁷¹⁵ Geoffrey HOWE, *The Conservative Revival of Europe*, Conservative Political Centre, 1988.

On the contrary, Thatcher had constructed the British approach as part of a sceptic conception of the European Commission and its agenda for further integration. She used the speech to state *her* idea on what to do about “a European integration process that she believed might be beginning to move in politically problematic directions for Britain”, even in contrast with the position of the FCO itself.⁷¹⁶

On the episode, Howe would conclude, in his own memoirs:

It was, I imagined, a little like being married to a clergyman who had suddenly proclaimed his disbelief in God. I can now see that this was probably the moment in which there began to crystallise the conflict of loyalty with which I was to struggle for perhaps too long.⁷¹⁷

At a different juncture, or given by a different leader, the Bruges Speech might have been read as a standard defence of an alternative idea for Europe. Given by a British Prime Minister who had always demonstrated to battle for her country, it was its most Eurosceptic aspects that were subsequently singled out for debate. The Bruges Speech came to play a potent role in the memory of Thatcher and Thatcherism, as well as in public discourse about Britain’s relationship with Europe, to the point it has been revived during the 2016 UK referendum on European Union leaving campaign. Plus, although in the intentions of its authors the Bruges Speech did not want to be Eurosceptic, it happened that, “drawing on some of the key language and imagery running through the Bruges speech”, some movements developed a ‘populist narrative’ of Euroscepticism.⁷¹⁸ Among these, the first major new Eurosceptic organization, the Bruges Group, was

⁷¹⁶ DADDOW, “The battle of Bruges”, 5.

⁷¹⁷ HOWE, *Conflict of Loyalty*, 683.

⁷¹⁸ DADDOW, “The battle of Bruges”, 2.

founded in February 1989; by 1991, it had 132 Conservative backbenchers as members – at the same time in which, courted by Delors’ rhetoric on “Social Europe”, the Labour Party was beginning to look at Europe as an opportunity.

Indeed, President Delors did not stop from going ahead, and “stroke back with vision of cohesive Europe”.⁷¹⁹ As a response to the Prime Minister’s speech in Bruges, he gave a speech, in German, to the German Trade Unionists and Industrialists in Cologne, on 23 September, calling for a Europe based on fraternity and solidarity, anchored in co-operation and dialogue between employers and trade unions – a ‘European model’ which 11 of 12 Member States accepted at Hannover. Playing a tribute to the social German model, Delors pointed out that he respected diversity as a key principle to enrich Europe, as long as the principle of taking as many decisions as possible at local rather than national or European level, the need to retain a minimum of regulation even with lower trade barriers and the importance of increased co-operation to achieve the benefits of competition. Delors reassured the German trade unionist that completion of the single market would not reduce the level of social protection or employee participation already achieved in Member States. The aims were to raise standards: “Il n’y a pas de progrès social sans réussite économique, mais il n’y a pas nonplus de prospérité économique sans cohésion sociale”.⁷²⁰ He then remarked that the social dimension of the European construction was not an invention of the

⁷¹⁹ David MARSH, *Delors strikes back with vision of cohesive Europe*, «Financial Times», 24 September 1988, JD-74.

⁷²⁰ Jacques DELORS, *Intervention au colloque “Grand Marche 1992 Pour une Europe sociale”*, 23 September 1988, JD-74. “There is no social progress without economic success, but there is no economic prosperity without social cohesion”.

Brussels bureaucracy, but a fundamental feature of the European identity and recent history.

And, as a response to Thatcher, Delors concluded reaffirming that, despite the champions of deregulation, economic prosperity and social cohesion were inextricably mixed:

Je voudrais dire aussi dans cette époque ou les chantres de la dérégulation commettent des excès verbaux jusqu'à l'agressivité qu'il n'y a pas de réussite économique [...] sans la participation des travailleurs. [...] L'Europe ne sera pas un instrument pour affaiblir les organisations syndicales et réduire le rôle des travailleurs dans la vie économique.⁷²¹

This European model needed the creation of a 'European dimension of social dialogue' where employers' organizations and trade unions could meet regularly and discuss. President Delors wanted to defend that European model, "un grand idéal de fraternité et de solidarité".⁷²² On 27 September, rightly supported by the Belgian Prime Minister Wilfried Martens, Delors gave an interview to the Belgian daily «Le Soir», to counterattack Thatcher's accusations as stated in Bruges. He adopted a conciliatory tone, insisting he or the Commission had no intention of "amputating the powers of the Member States but rather to help them manage their economies so as the benefit from co-operation", restating, though, the principles of establishing a common social policy and promoting monetary union.⁷²³

⁷²¹ *ibid.* "I would also like to say that in this era when the advocates of deregulation go so far as to be aggressive, there is no economic success [...] without the participation of workers. [...] Europe will not be an instrument to weaken trade unions and reduce the role of workers in economic life".

⁷²² *ibid.* "A great ideal of brotherhood and solidarity".

⁷²³ Jacques DELORS, *Interview for Le Soir*, 27 September 1988, JD-74.

Although Thatcher's vision would succumb, for many reasons, the Bruges Speech was a powerful intervention given within an emergent conflict over the direction of the integration process after the Single Act. Delivering it, Thatcher was not refusing European integration or the European Community. She was giving an alternative view to that process, in light of her ideals and convictions, and of the policies which had made her capable to transform – from her point of view and of those who had elected her Prime Minister for three consecutive times – Britain for the better.

5. THATCHER AND EUROPE

*There is nothing automatic to action in the future.
Nothing automatic. Nothing in the way of an ultimatum.
There is a way forward, a hopeful way forward.*
(Margaret Thatcher interviewed
for «ITN», 27 June 1986, TFA 106432)

Margaret Thatcher, the first female and longest-serving prime minister of the United Kingdom, resigned on 28 November 1990, after more than eleven years in Downing Street and sixteen as leader of the Conservative Party. She was forced to leave office after two internal challenges for the leadership of the Tories and the resignation of two key figures in her premiership: the Chancellor of the Exchequer Nigel Lawson and the former FCO Secretary Geoffrey Howe, who had declared their position was no longer compatible with Thatcher's position, first of all on Europe.

But, as Thatcher's Private Secretary Charles Powell stated, neither European nor British politics were all about the European Community:

Europe in the 1980s was much more about forcing the withdrawal of Soviet intermediate nuclear missiles, which threatened Europe's security. It is about bringing the Cold War to an end and liberating Eastern Central Europe from communism. It was about bringing down the Berlin Wall and reuniting Germany. In strategic and global terms, these achievements were a far greater significance for the future of the continent and developments in the European Community, which itself played only a peripheral role in them.⁷²⁴

In judging the performance of the British Prime Minister on Europe, thus, the relative importance of the European Community in

⁷²⁴ POWELL, *Margaret Thatcher*.

that wider context must be kept in mind. In those years, Thatcher was, for example, “more influential than commonly believed” in international politics, as demonstrated by her role as a conduit between Reagan and Gorbachev, with whom contacts began in June 1984, months before he became the Soviet leader.⁷²⁵

Thatcher was, moreover, primarily devoted to domestic politics, which consisted, following her government’s point of view, in

rebuilding a British economy on free market principles, reducing taxation, privatising nationalised industries, reforming industrial relations to break trade union power, retaking the Falklands. European affairs mattered. Of course they did. But not as much as the transformative changes being brought about within Britain.⁷²⁶

While Delors was trying to boost European integration, a lot was in fact going on for a British Prime Minister in international and domestic politics. During the last two years of Thatcher’s premiership, the world would know the end of the Cold War and the transformation of international relations, with the main consequence, for Europe, of the unification of Germany, which itself boosted the way to the creation of the European Union. In Britain, many air and rail incidents were shocking the population; after some years of quiet, the IRA attacks intensified; strikes had started again, and interested many public sectors, from postal employees to nurses; some protests were caused by the introduction of the Community Charge, the so-called Poll Tax, and by the Section 28 of the Local Government Act, which prohibited the local authorities to “promote” homosexuality.

⁷²⁵ Archie BROWN, *The Human Factor: Gorbachev, Reagan, and Thatcher, and the end of the Cold War* (Oxford: Oxford University Press, 2020), 3.

⁷²⁶ POWELL, *Margaret Thatcher*.

The European Parliament elections in June 1989 would mark the first victory of the Labour Party since 1979, as a consequence of the deterioration of economic conditions.



Figure 5 – Inflation in retail prices in the United Kingdom (1978-1990). Office for National Statistics (<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbb/mm23>)



Figure 6 – Unemployment rate in the United Kingdom (aged 16 and over, seasonally adjusted). Source: Office for National Statistics (<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/unemployment/timeseries/musc/lms>)

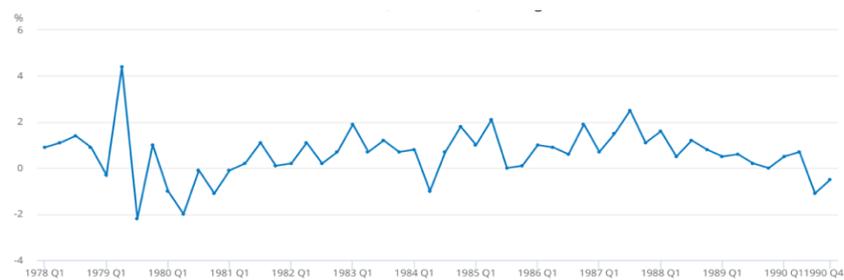


Figure 7 – Annual % of GDP growth in the United Kingdom (1978-1990, seasonally adjusted). Source: Office for National Statistics (<https://www.ons.gov.uk/economy/grassdomesticproductgdp/timeseries>).

Inflation, which had been enemy number one of the first Thatcher's mandate, after many years of good performance, had not stop to rise since 1988. Unemployment, after having reached the value of 6.9% (the minimum since July 1980), had begun to rise in the second part of 1990, due to a rapid deceleration in GDP growth.

The Bruges Speech of 20 September 1988, although far from being the manifesto of Euroscepticism, caused British isolation in the arenas of European politics, representing, for this reason, a turning point in the attitude the other European leaders demonstrated towards Thatcher, and thereby, in her own attitude towards them.

With these premises, the last chapter of this thesis investigates the last two years of Thatcher's premiership. The focus is on the way her attitude on Europe was coherent with her own ideas and the ideals of the Community but also pragmatic in adapting to critical events which overturned the world history and in meeting the duties of being the British Prime Minister.

5.1. Towards Madrid

The first European Council after Thatcher's Bruges intervention took place in Rhodes, on 2-3 December 1988. It was expected to be "a brief and low key" one, the hottest topic being the "Social Dimension". The government's plan was "to argue as necessary for a pragmatic programme [and to] oppose any moves to legislate for compulsory worker participation, while being ready to commend an approach which

simply offers a menu of alternative options”.⁷²⁷ The most interesting outcome was the Declaration of the European Council on the International Role of the European Community, stating:

1. The single market will be of benefit to Community and non-Community countries by ensuring continuing economic growth. [...] 1992 Europe will be a partner and not a “Fortress Europe”, contributing to greater liberalization in international trade on the basis of the GATT principles of reciprocal and mutually advantageous arrangements.

[...] 2. The Community and its member states will continue to work closely and cooperatively with the United States to maintain and deepen the solid and comprehensive transatlantic relationship.⁷²⁸

The European Community and the Twelve are determined to make full use of the provisions of the Single European Act in order to strengthen solidarity among them, coordination on the political and economic aspects of security, and consistence between the external policies agreed in the European Political Cooperation.⁷²⁹

Thatcher judged the Declaration “generally acceptable”, declaring her overall satisfaction with the Council’s work, and she considered the meeting as “a stock-taking by Heads of State and Government of the development of the Community and world issues”.⁷³⁰ What pleased her the most was the fact that the completion of the single market was in

⁷²⁷ Geoffrey HOWE to the Prime Minister, *Issues for the Rhodes European Council*, 24 November 1988, PREM 19/2161.

⁷²⁸ *Declaration of the European Council on the International Role of the European Community*, annex to the European Council Conclusions, 3 December 1988, PREM 19/2161.

⁷²⁹ Margaret THATCHER, Hand-written comment on a letter sent by Lyn Parker, Howe’s Private Secretary, to the Prime Minister, anticipating the *Declaration of the European Council on the International Role of the European Community*, 29 November 1988, PREM 19/2161.

⁷³⁰ Margaret THATCHER, *Press Conference after Rhodes European Council*, 3 December 1988, TFA 107401.

the making, and that the work had been recognized, by President Delors, as “a strong investment-led growth, throughout the Community”.⁷³¹ Thatcher could not hide her personal satisfaction with Delors’ recognition for “the kind of financial and economic policies we in the United Kingdom have long advocated and pursued. [...] The Community has explicitly set its face against the concept of fortress Europe, [...] strengthening the multilateral trading system through GATT”, while underlining the importance of discussing the frontiers issue to “combatting crime, drug trafficking and terrorism”.⁷³² Thatcher was presenting herself as the leader of free market in Europe, as suggested by Mr. Ian Bruce, Conservative representative for South Dorset to the House of Commons:

We have no mandate for bringing forward a united states of Europe. [...] When the British people voted in the referendum many years ago, they supported a free market in Europe. They still support that. The British people support my right hon. Friend as the leader within Europe of that free market principle.⁷³³

Answering “I accept that we signed up to a European Economic Community”, Thatcher confirmed, once again, that she thought the Community primarily as an economic space where to develop British potential. This did not mean that she denied or did not understand the implications of the Single Act, which she had pursued and promoted. For Thatcher, every step forward in European integration was, primarily, a step towards more economic integration.⁷³⁴

⁷³¹ *ibid.*

⁷³² *ibid.*

⁷³³ Ian BRUCE, *Statement to the House of Commons*, 30 June 1988, Hansard HC [136/525-35].

⁷³⁴ Margaret THATCHER, *Statement to the House of Commons*, 30 June 1988, Hansard HC [136/525-35].

The year 1989 was a very important one in history. For what concerns the European Community, the main scheduled event was the Madrid European Council of 26-27 June, where the Committee for the Study of Economic and Monetary Union, set up in Hanover during the European Council meeting of June 1988, would present the results of its working. Established with a mandate for “examining and proposing concrete stages leading to European Economic and Monetary Union”, the committee was chaired by Jacques Delors and consisted of the governors of the EEC member states’ central banks and some other personalities from academia and banking.⁷³⁵

At the time of its institution, Thatcher had not judged the committee as problematic, as its mandate was seen as being “a broad one, without reference to a European Central Bank”, and the emphasis was “to be on practical, concrete action”.⁷³⁶ Thatcher was then convinced that “monetary union would be the first step, but progress towards it would not necessarily involve a single currency or a European central bank”.⁷³⁷

On 12 April 1989, the Delors Committee fulfilled its mandate by launching its report, “Economic and Monetary Union in the European Community”. It presented “a pragmatic step-by-step approach which could lead in three stages to the final objective”, leading to a political decision when these stages should be implemented.⁷³⁸ The first section

⁷³⁵ *Hanover European Council, Presidency Conclusions*, 28 June 1988, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

⁷³⁶ Robin BUTLER, *Cabinet brief*, 29 June 1988, Ref. A088/1987, PREM 19/2169.

⁷³⁷ Margaret THATCHER, *Statement to the House of Commons*, 30 June 1988, Hansard HC [136/525-35].

⁷³⁸ COMMITTEE FOR THE STUDY OF ECONOMIC AND MONETARY UNION, *Report on Economic and Monetary Union in the European Community*, 12 April 1989 https://ec.europa.eu/economy_finance/publications/pages/publication6161_en.

of the paper was a short review of the history of economic and monetary co-operation in the Community which linked the present report to the Werner Report, commissioned by the European Summit in The Hague of 1–2 December 1969, and presented on 8 October 1970 as a plan for the establishment of an economic and monetary in two stages. The process of monetary integration regained momentum with the creation of the European Monetary System (EMS) and the European Currency Unit (ECU) in 1979. The EMS was presented to promote internal and external monetary stability with the fundamental role of the Deutschmark “as an anchor for participants’ monetary and intervention policies”.⁷³⁹ The EMS, in turn, was to be the basis for the launching of the internal market programme in 1985 and the signing of the Single European Act in 1986. At the same time, lamented the Delors Report, “the EMS had not fulfilled its full potential”: not all the EC member states participated in the programme. The lack of sufficient convergence of fiscal policies was reflected in large and persistent budget deficit in certain countries. Finally, the transition to the second stage of the EMS and the establishment of the European Monetary Fund had not been accomplished. The Report then noted that

The completion of the single market will link national economies much more closely together and significantly *increase the degree of economic integration* within the Community. [...] By greatly strengthening economic interdependence between member countries, the single market will reduce the room for independent policy manoeuvre and amplify the cross-border effects of developments originating in each member country. [...] The integration process thus requires *more intensive and effective policy coordination*.

⁷³⁹ *Report on Economic and Monetary Union*, chapter 1, section 2.5.

[...] economic and monetary union implies far more than the single market programme.⁷⁴⁰

The second chapter of the Report clearly stated that economic and monetary union was to represent the outcome of the process of economic integration in Europe, and would imply

complete freedom of movement for persons, goods, services and capital, as well as irrevocably fixed exchange rates between national currencies and, finally, a single currency. This, in turn, would imply a common monetary policy and require a high degree of compatibility of economic policies. Even after attaining economic and monetary union, the Community would continue to consist of individual nations with different economic, social, cultural, and political characteristics. The existence and preservation of this *plurality* would require a degree of autonomy in economic decision-making to remain within individual member countries and a balance to be struck between national and Community competences.⁷⁴¹

Given that the EEC Treaty of Rome, as amended by the Single Act, “provided the legal foundation for many of the necessary steps towards economic integration, but did not suffice for the creation of an economic and monetary union”, it was necessary, the Report continued, to develop an innovative and unique approach: the economic and monetary union would only be established on the basis of a *Treaty change* and consequently changes in national legislations, also given that the monetary union would require “a single monetary policy and responsibility for the formulation of this policy would consequently have to be vested in one decision-making body”.⁷⁴²

⁷⁴⁰ Ivi, chapter 1, section 4.

⁷⁴¹ Ivi, chapter 2, section 1, italics in the original.

⁷⁴² *ibid.*, italics in the original.

The conditions to be fulfilled for its implementation were the total and irreversible convertibility of currencies; the complete liberalization of capital transactions and full integration of banking and other financial markets; and the elimination of margins of fluctuation and the irrevocable locking of exchange rate parities – “the single most important condition for a monetary union”.⁷⁴³ Once permanently adopted, there would be the need for a common monetary policy, carried out through a new institution, in which “centralized and collective decisions would be taken on the supply of money and credit as well as on other instruments of monetary policy, including interest rates”.⁷⁴⁴

The adoption of a single currency, while not strictly necessary for the creation of a monetary union, “might be seen – for economic as well as psychological and political reasons – as a natural and desirable further development of the monetary union”, as long as it would demonstrate its irreversibility and would have a much greater weight relative to other major currencies than any individual currency.⁷⁴⁵

The Delors Committee had begun to meet in July 1988, and many drafts of the report had been circulated also to the British, with many actors interested in the issue, within and outside the Cabinet.

On 13 February 1989, reflecting on a draft of the report, the Chancellor of the Exchequer had noted that “full EMU would require massive shifts of economic and political sovereignty” and that “such a shift would require fundamental amendment to the Treaty”, noting that

⁷⁴³ Ivi, chapter 2, section 2.

⁷⁴⁴ *ibid.*

⁷⁴⁵ *ibid.*

“it is for Heads of State and Government to draw the constitutional consequences”.⁷⁴⁶

Charles Powell’s letter to the Treasury on 15 February had demonstrated how Thatcher was primarily concerned with three issues: the reiterated requirements of Treaty amendment, “which went beyond the Committee’s competence”; the language of the existing drafts of the Committee’s Report, which was prejudicial, as it made it look “as though the goals of a common currency and a Central Bank were already agreed and the Committee’s task was simply to prescribe the steps necessary to reach them”, which in her view went far beyond the mandate by the Hanover European Council; and the “dirigiste solutions”, which painted the expansion of the Community’s regional and social funds to be the inevitable concomitant of progress towards EMU.⁷⁴⁷ Thatcher, who had asked the Governor Leigh-Pemberton to prepare a paper to circulate in the next Delors Committee meeting, was not satisfied with his work, commenting that “the point about the massive transfer of powers away from national governments which would be involved in full EMU” was not made strongly enough, also preferring for the paper to stop at the end of the first stage.⁷⁴⁸

Moreover, the first phase of the plan envisaged the completion of the single market, closer coordination of economic policy and cooperation in monetary matters, and the participation of all currencies in the exchange rate mechanism of the EMS – including the United

⁷⁴⁶ Nigel LAWSON, Chancellor of the Exchequer minute to the Prime Minister, 13 February 1989, PREM19/2675 f36.

⁷⁴⁷ Charles D. POWELL to Alex Allan, HM Treasury, *Delors Committee: Economic and Monetary Union*, 15 February 1989, PREM 19/2675.

⁷⁴⁸ Charles D. POWELL to Alex Allan, *Delors Committee*, 2 March 1989, PREM 19/2676.

Kingdom. In fact, the exact text of the Report was: “It would be *important* to include all Community currencies in the EMS exchange rate mechanism”.⁷⁴⁹ How could Thatcher react, when the EMS’ Exchange Rate Mechanism had been the most disturbing issue of the last decade?

The Labour Government which led the UK in 1978 had refused to join the ERM, and since her first premiership tenure Thatcher had maintained that the UK would become a full member “when the time was right”.⁷⁵⁰ The argument for joining the ERM of the EMS had been resumed insistently by the Treasury from June 1987, when, in general, “the balance of arguments had shifted in favour of joining the ERM, with many of the difficulties seen in the past somewhat reduced”.⁷⁵¹ It was noted that that membership would give as much exchange rate stability as it was possible to achieve and would help business confidence.

In June 1987, on the edge of the third and last General Election Thatcher would win, her Private Secretary, (now Sir) David R. Norgrove, wrote in a secret note to the Prime Minister that there was “widespread expectation that we shall become full members of the EMS after the election. It will be a priority for the Chancellor [...] and to join now would show conviction in the new strength of the British economy”.⁷⁵² Among the arguments against membership, Thatcher feared, on the long term, reduced flexibility and higher unemployment; but, most of all, the fact that “EMS membership would cede to other

⁷⁴⁹ *Report on Economic and Monetary Union*, chapter 3, section 3.52.

⁷⁵⁰ see Margaret THATCHER, *Joint Press Conference with West German Chancellor Kohl*, 27 November 1985, TFA 106183, and THATCHER, *The Downing Street Years*, 692.

⁷⁵¹ *Joining the European Exchange Rate Mechanism*, 22 June 1987, PREM 19/2675, 15/3070F.

⁷⁵² David N. NORGROVE, *Briefing for the Prime Minister*, 10 June 1987, PREM19/2675 f322.

countries, particularly Germany, a major role in Britain's economic policy; this would be in some ways a sign of weakness, not strength. [...] if we can achieve stability outside the EMS, why do we need to join?"⁷⁵³

On 22 February 1987, after the "Louvre Accord" to halt decline in the dollar, the Chancellor of the Exchequer, Nigel Lawson had begun to shadow the Deutschmark but also the ECU and the French Franc, making the pound remain within 2.25% intervention limits, although not committing the £ to the ERM. During a meeting with the Prime Minister in July 1987, Lawson, who had previously expressed against the ERM, said "he was not himself a great believer in UK membership of the European Community, but this was one of the few areas where membership had benefits to offer".⁷⁵⁴ The Prime Minister had many points against, the first one being that membership "would amount to saying that we could not discipline ourselves, but we need restraint provided by Germany and the Deutschmark".⁷⁵⁵

Moreover, on 15 November 1988, Robin Leigh-Pemberton, Governor of the Bank of England, had given a speech at the Forex Club in Luxembourg, warning about the political implications of a monetary union which would require "a major transfer of decision-making power in the economic field, [...] and constraints on member states' fiscal policies".⁷⁵⁶ The reduction of inflation remained the main objective of the Bank and the government policies, and he agreed with Thatcher that it was still "not obvious that the conditions are yet right for United

⁷⁵³ *ibid.* Actually, the UK was part of the EMS, having not joined the ERM.

⁷⁵⁴ David NORGROVE, *Report of the meeting between the Prime Minister and the Chancellor of the Exchequer*, 27 July 1987, PREM 19/2675.

⁷⁵⁵ *ibid.*

⁷⁵⁶ Robin LEIGH-PEMBERTON, *The development of the European Monetary System*, 15 November 1988, PREM 19/2675.

Kingdom participation in the ERM”.⁷⁵⁷ Few weeks later, Leon Brittan, Vice President of the European Commission suggested to join the ERM as a strategy, “paradoxically, to check the movement towards Economic and Monetary Union and impede the consideration of radical proposals such as the creation of a common currency or a Central Bank.”⁷⁵⁸ But Thatcher remained “adamantly opposed to full membership – and the fundamental arguments have not changed”, although she was aware that her position could prove “exceptionally difficult”, being supported by her Chief Economic Adviser, Sir Alan Walters.⁷⁵⁹

The Prime Minister received the Report on Economic and Monetary Union attached to a letter from President Delors himself, who “had pleasure” in remembering Thatcher that

At its meeting on 27 and 28 June 1988, the European Council recalled that “in adopting the Single Act, the Member States confirmed the objective of progressive realization of Economic and Monetary Union” and decided “to examine at the European Council meeting in Madrid in June 1989 the means of achieving this Union” and to that end “to entrust to a Committee the task of studying and proposing concrete stages leading to this Union”.⁷⁶⁰

The first impression the Prime Minister had about the Delors Report was the one filtered by her Private Secretary Powell on 13 April 1989, for whom much of the contents of the request “relatively harmless, including its relatively harmless requirements for the first stage of economic and monetary union”. He though signalled some “problems” such as the insistence on the irrevocable commitment to

⁷⁵⁷ *ibid.*

⁷⁵⁸ Leon BRITTAN, *Letter to the Prime Minister*, 13 February 1989, PREM 19/2675.

⁷⁵⁹ *No.10 Downing Street record of conversation*, 1 July 1989, PREM19/2675 f320.

⁷⁶⁰ Jacques DELORS, *Letter to the Prime Minister*, 13 April 1989, PREM 19/2676.

the eventual achievement of full economic and monetary union, which “made a nonsense of the step-by-step approach and meant that the ideologues had won over the pragmatists”; the requirement for a new treaty; and “a great deal of stuff about regional and social policy which is coded language for the transfer of further huge sums to the poorer Community countries”. “Obviously”, he concluded, “we don’t like the report”.⁷⁶¹

Attached to the Report, Thatcher also found an “exculpatory letter” – this is the way Powell named it – from the Governor of the Bank of England, which described the Report as “reasonably balanced, and it generally avoids the prescriptive, almost hectoring tone of earlier texts”, although presenting many unresolved issues. On Treaty change, Leigh-Pemberton had proposed to postpone the discussion when, the moment of transition between stage 1 and 2, but “a majority of the members felt that stage 1 required a political signal of commitment to the concept of EMU, and that immediate treaty change would provide this”. Moreover, although “the report sets no date for the completion of stage 1”, it assumed, for its completion, that “all member countries should be full members of the ERM”.⁷⁶²

Thatcher’s particular objections to the Report were to paragraph 39 and 66, stating that the decision to enter upon the first stage of creation of an economic and monetary union should be a decision to embark on the entire process; and that preparatory work for a new treaty should start immediately. On 14 April, in a meeting with Howe and Lawson Thatcher had decided the line to take on publication of the report:

⁷⁶¹ Charles D. POWELL, *Note for the Prime Minister, Meeting on Economic and Monetary Union*, 13 April 1989, PREM 19/2676.

⁷⁶² Robin LEIGH-PEMBERTON, *Letter to the Prime Minister*, 13 April 1989, PREM 19/2676.

The report is a valuable piece of analysis, which brings out very clearly the fundamental nature of national sovereignty which it would involve. The report also makes clear that economic and monetary union are not possible within the existing Treaty. There is no question of the United Kingdom agreeing to further Treaty amendment, particularly when the Treaty has so recently been amended to conform with the Single European Act. The priority should be to concentrate on the successful completion of the single market. We have ourselves proposed a number of practical steps which could be taken in the field of monetary co-operation: indeed the United Kingdom is already doing more than others in this respect.⁷⁶³

The note insisted on the fact that Treaty amendment would require unanimity; that Treaty amendment is not a practical proposition – and the mandate of Hannover to the Committee was about practical propositions; and that the United Kingdom was “not prepared to surrender the degree of sovereignty and control over economic and monetary matters which would be involved in implementing the proposals in the Delors Committee Report”. Yes, with the Hanover communiqué “the Member States confirmed the objective of progressive realization of Economic and Monetary Union”, but no timetable had been set for that. While supporting “number of practical steps which Community can start to implement now” and without any treaty change, the UK was not ready to face the fundamental economic and political changes EMU would involve, which “raised very deep political questions which will have to be discussed in months ahead”. The government, which did not feel committed to the Delors Report by the fact that the Governor of the Bank of England had signed it, had

⁷⁶³ Charles D. POWELL, *Note to the Treasury*, 14 April 1989, PREM 19/2676.

not changed opinion on joining the ERM: “UK will join when time is right”. They insisted on the fact that talking of amending the EEC Treaty simply “diverted attention from what we should be doing – completing the single market”.⁷⁶⁴

The government put forward a critical position on EMU which coincided with what the Chancellor of the Exchequer presented at the Royal Institute for International Affairs at Chatham House in January 1989: EMU was felt as “a potentially much more significant diversion from the important but difficult work still needed to complete the Single market by 1992, [...] a dramatic leap forward beyond the Single Market” itself. Lawson condemned this

over-regulated, bureaucratic, protectionist Europe, where uniform standards are enforced by new directives and new regulations from Brussels, where outsiders are excluded, and where competition is seen as a threat, rather than a challenge to greater efficiency, a Europe in which “regulate and protect” might be the motto.⁷⁶⁵

According to Lawson, Britain was for “a deregulated, free-market, open Europe, one where competition is seen as the key to improved economic performance; one driven by consumer choice, by transferring sovereignty not to Brussels but to the people”. The Thatcherites were concerned that, after having “fought to break up barriers, to reduce protection, and to free up trade”, Europe would become a fortress, “increasingly isolated from the opportunities which the globalization of the world economy is bringing”. Britain had, Lawson claimed, been a

⁷⁶⁴ *ibid.*

⁷⁶⁵ Nigel LAWSON, Address to the Royal Institute for International Affairs, Chatham House, 25 January 1989, «Europe. Documents» 1989, No. 1545, http://www.cvce.eu/obj/address_given_by_nigel_lawson_on_the_delors_report_london_25_january_1989-en-25d45d02-4d31-4d5e-83cf-fa1cbd57f362.html.

strong advocate of greater use of ecu, and of “developing greater monetary co-operation”. In paving the way for the Single Market, “the UK took the lead in pressing for the adoption of the Directive on the Freedom of Capital Movement”. The EMS was an agreement between independent sovereign states whose economic policies remain distinct and different; ss such, it could help to achieve greater stability of exchange rates and reinforce the governments’ efforts to bring down inflation. On the contrary, Economic and Monetary Union was “incompatible with independent sovereign states with control over their own fiscal and monetary policies”. EMU “inevitably implies a single European currency, with monetary decisions taken not by national governments and/or central banks, but by a European Central Bank”. Lawson brought the issue to a matter of sovereignty: with EMU, individual countries would not be able to retain responsibility for fiscal policy. A single European monetary policy demanded central control over the size of budget deficits and, particularly, over their financing. Thus,

New European institutions would be required, to determine overall Community fiscal policy and agree the distribution of deficits between individual Member States.

These are not technical issues. The setting up of a European Central Bank or a new European institution to determine Community fiscal policies go to the very heart of nationhood. What organisation would really be the government? It is clear that Economic and Monetary Union implies nothing less than European government – albeit a federal one – and political union: the United States of Europe. That is simply not on the agenda now, nor will it be for the foreseeable future.⁷⁶⁶

⁷⁶⁶ *ibid.*

Reacting to the presentation President Delors made of the Report at the ECOFIN meeting on 17 April, the Chancellor of the Exchequer gave “HMG’s views and that included the PM’s” that “the eventual destination represents a concept of the EC which we do not share”:

EMU would be a quantum leap compared to anything agreed so far [and] would not be possible within the terms of the existing Treaty, so Treaty amendment would be needed. There would be a transfer of sovereignty from Member States to new central monetary and economic institutions.

[...] Our view of the Community is one of independent sovereign (nation) states working evermore closely together. We cannot accept the transfer of sovereignty which is implied by the Delors report.

EMU as spelled out in the report would in effect require political union, a united States of Europe. That is simply not on the agenda now or for the foreseeable future.

As regards Treaty amendment, we only recently amended the Treaty. [...] That was necessary to implement the Single Act and the single market. The completion of the single market by 1992 is the major task of the Community, to which the UK is totally committed. But there can be no question of further Treaty amendment along the lines of the Delors report.

[There is] a world of difference between the EMS which does not involve any loss of national sovereignty and EMU which would involve a common single community currency and the abandonment of individual national currencies. Our position on the ERM of the EMS, which is well within the existing treaty, is clear. We will join. The question is when.⁷⁶⁷

⁷⁶⁷ Nigel LAWSON, *Press Conference on Delors Committee Report on EMU*, 17 April 1989, PREM 19/2676, underlined as done by Thatcher in the original.

Reactions from the other member states were significantly different, starting from the favourable opinion of France, which “was always in favour of a step-by-step approach” to EMU, implying “close cooperation, then a transfer of sovereignty”.⁷⁶⁸ But while France was ready to discuss a new treaty, the FRG was “generally satisfied with the Delors report, and saw “progress towards EMU as a long term but unstoppable process”; nonetheless, they had reservations about the reserve fund, and thought “Treaty amendment should not be considered until after stage 1 had been completed”, and that “the process of movement towards EMU would go ahead whether or not the UK joined the ERM”.⁷⁶⁹

As declared by Sir Martin Jacobs, Chairman of Barclays, few days later, although refusal to agree to the Delors Report risked leaving Britain isolated and to start a two-tier Community, Thatcher’s idea of sovereignty was not compatible with the idea of EMU, as long as it involved a major transfer of national sovereignty. Moreover, a single currency would remove the uncertainties and expense of having to deal across the foreign exchange, and would be good for competition, trade and industrial investment. But it would need a single monetary policy – which would mean a limitation of member states’ sovereignty, a similar basic economic policy, and a broadly similar fiscal policy; and could not be contemplated “without ensuring that goods, labour, services and capital are able to flow without restrictions throughout the community” – that is, without having completed the single market.⁷⁷⁰

⁷⁶⁸ UKREP PARIS, *Telegram to the FCO*, 18 April 1989, PREM 19/2676.

⁷⁶⁹ UKREP BONN, *Telegram to the FCO*, 21 April 1989, PREM 19/2676.

⁷⁷⁰ Sir Martin JACOMB, *Speech to the David Hume Institute*, “*Monetary Union and European Currency: a Target or a Trap?*”, Edinburgh, 24 April 1989, PREM 19/2676.

The publication of the Delors Report had the effect to raise again the issue of UK membership of the ERM. For the Downing Street advisors, on the one hand staying out of the EMS' ERM, which turned into "membership of a second-tier Europe" meant much less influence within the Community on the future of EMU. But "being on the fringe of the EMS might be positively helpful" if the system had to be built as a D-Mark area, where it was "open to question whether a future German social democratic government would give priority to controlling inflation".

The No. 10 Policy Unit suggestion concluded that "the essentials of the case for being outside the ERM [were] as strong as ever": full membership would reduce UK flexibility, change the sterling nature as a world currency, transfer to Germany determination key elements of the UK economic policy.⁷⁷¹

Meeting Thatcher on 3 May, the Chancellor of the Exchequer had said that the Delors Report presented the UK with "serious risks in relation to the future development of the Community": a way of ensuring that the EMS stayed the same and of resisting pressure for further progresses was for the UK to join the ERM, within which downwards pressure on inflation would remain the paramount objective of the government's policy.⁷⁷² The Prime Minister had rebated that the government's over-riding priority was to get down the rate of inflation, and for this reason "it would be quite wrong to adopt a parallel objective of exchange rate stability, thereby giving up control over the monetary system". The experiment of shadowing the ERM tried in late

⁷⁷¹ Brian GRIFFITHS, Director of the Number 10 Policy Unit, *Note for the Prime Minister*, 27 April 1989, PREM 19/2676.

⁷⁷² *No.10 record of conversation between the Prime Minister and the Chancellor of the Exchequer*, 3 May 1989, PREM19/2676 f172.

1987 had revealed unsuccessful, and had “seriously compromised” the anti-inflationary objective. Now, the Delors Report did not alter the balance of argument about joining the ERM: given that the EMS would not stay the same, the UK “should not be drawn further into it”, neither to prevent undesired developments. “Everything that could be done inside the ERM could be done outside it; and by remaining outside the system the UK’s ability to act independently was maintained”.⁷⁷³

Would ever be the time, then, ripe to join the ERM? Thatcher’s Chief Economic Adviser, Alan Walters had a precise idea: the time would be ripe when all constituent countries had abolished all foreign exchange controls, all domestic banking system and financial and capital markets are deregulated and open to competitive entry from EEC countries. The other countries had in fact reiterated the aim of open, unregulated and competitive financial systems, but the reality was that they were backing off their commitments.

When Europe’s financial systems would be like ours, we would be in honour bound to join. [...] we would then want to belong fully to this vast liberal market. A free competitive financial system would destroy the corporatism of France, Italy, and Germany, and set such a dynamic supply-side revolution that all countries would gain enormously. [...] The cost of joining the ERM seem to be worth paying if we have open and uncartelised financial markets for us to exploit in the Community.⁷⁷⁴

On 12 June, two weeks before the European Council meeting at Madrid, Thatcher received a joint minute from the FCO Secretary Howe and the Chancellor of the Exchequer Lawson, urging a

⁷⁷³ Paul GRAY, *UK attitude towards the Delors Report and membership of the Exchange Rate Mechanism*, 3 May 1989, PREM 19/2676.

⁷⁷⁴ Alan WALTERS, *Secret note to the Prime Minister, “When ‘the time will be ripe’?”*, 10 June 1989, PREM 19/2676.

commitment to join the ERM by the end of 1992. There were indications that the Spanish presidency would propose that stage 1 of the Delors Report should start on 1 July 1990, even without commitment to the timing of a move to stage 2, nor the commitment to embark on the entire process. The main difficulty, the note stated, was that “they propose that there should be a reference, albeit of a non-legally binding kind, to all EC currencies being brought within the exchange rate mechanism by 1 July 1992”.⁷⁷⁵ The two Ministers worried that “a wholly dismissive” line of any progress on EMU would imply the risk of the French securing the votes necessary for an IGC, and press for “a grand gesture of new Treaty provisions with or without the UK”. Consequences of this would extend well beyond monetary issues and impact both on domestic politics – with Labour ready to exploit Tories’ weakness, European politics – with a reduction in UK’s influence on the Community’s policies, and international politics – with “less influence on the Bush administration if we were to have less influence within the Community”. They thus suggested that, along with setting a non-legally binding timetable for joining the ERM would represent a very little concession, being the ERM reference in the Report “entirely consistent with our formula about joining when the time is ripe”.⁷⁷⁶ They added:

At and after Madrid we should, while dismissing the two plainly unacceptable elements of the short-term prescription in the Delors Report, aim to convince our EC partner[s] that we are *genuinely* interested in greater economic and monetary cooperation, and willing to make progress. [...] we also need to make clear that we *are*

⁷⁷⁵ Geoffrey HOWE, and Nigel LAWSON, *EC issues, and Madrid*, 14 June 1989, PREM19/2665 f159.

⁷⁷⁶ *ibid.*

ready to move *some* way in the direction of closer monetary cooperation as set out in Stage 1 of the Delors Report.⁷⁷⁷

Thatcher's reaction, visible through her notes on a minute send by Charles Powell, was clear: “No” to any hypothesis of agreeing any binding reference to joining the ERM. Thatcher (and Powell) suspected that the two Ministers' proposal was “a ploy to increase pressure” on her to agree to early membership of the ERM:

to commit to a deadline just presents a target for speculators to shoot at as the deadline gets closer. [...] Once our concession is given, we cannot take it back. We might end up paying the price and purchasing nothing worthwhile.⁷⁷⁸

Nonetheless, Powell concluded that

to just stick out, accepting movement to Stage 1 but without any new or stronger commitment to joining the ERM would have a higher risk of leaving us isolated. [...] Should that happen, the long-term political cost to the Government might be higher than yielding a bit more flexibility now on eventual membership of the ERM.⁷⁷⁹

In a further note of 19 June, secretly briefing her for the meeting with Lawson, Powell underlined that he did not see necessary to say anything on the UK's position on the ERM if not requested, as long as the Delors Report did not make membership of the ERM an absolute condition of Stage 1 of EMU: “It would be *important* to include all Community currencies in the EMS exchange rate mechanism”.⁷⁸⁰

⁷⁷⁷ *ibid.*, underlined as done by Thatcher in the original.

⁷⁷⁸ Charles D. POWELL, *Minute to the Prime Minister*, 14 June 1989, PREM19/2665 f171.

⁷⁷⁹ *ibid.*, underlined as done by Thatcher in the original.

⁷⁸⁰ *Report on Economic and Monetary Union*, chapter 3, section 3.52.

Moreover, once the concession was made, Britain could not take it back, and there was no certitude that an amplification of Thatcher's position on the ERM would sterilize further discussion of Stages 2 and 3, with the risk that France would move for an early IGC. The Prime Minister liked, instead, the suggestion of "being left outside while the others go their own corporatist way on EMU", gaining by pursuing "much more free market policies outside it".⁷⁸¹ Thatcher was in no circumstances prepared to set a date or imply automaticity of joining the ERM: it had to be clear that any further elaboration on the UK's position on the ERM would be done "in order to achieve positive changes in the way the Single Market operates".⁷⁸²

On 20 June, the Prime Minister met the Foreign Secretary and the Chancellor of the Exchequer to discuss about the Delors Report at the Madrid European Council the following week. They agreed that the UK's objective should be to avoid any commitment to Stages 2 and 3 of EMU as set out in the Delors Report or to an IGC to consider Treaty amendment. They Argued that "a satisfactory outcome" would be to accommodate the Spanish presidency, whose aim was to obtain a commitment to implement Stage 1 within an agreed time frame, while remitting Stages 2 and 3 for further studies. Nonetheless, Thatcher was not prepared to give any clearer indication about the timing of the UK joining the ERM. The Ministers were persuaded that "a clear indication at Madrid of our intention to join the ERM by the end of 1992 provided other member states had implemented in full their obligations under the Capital Liberalisation Directive would be sufficient to secure agreement

⁷⁸¹ Charles D. POWELL, *Secret briefing for the Prime Minister*, 19 June 1989, PREM19/2665 f141.

⁷⁸² *ibid.*

on the outcome envisaged by the Presidency, and shunt away any decisions on Stages 2 and 3 into the future". From their point of view, this would be the only credible declaration to avoid the risk of the call of an IGC and a stronger commitment to the whole process of EMU. British isolation risked having decisions taken by others and imposed to the British. Moreover, to join "at the right time" was already a British intention, so "no major concessions was involved, only a further step towards defining *when* the time would be right".⁷⁸³

Thatcher remained "very wary" of setting a date for sterling's membership of the ERM. The recent Conservative Manifesto for the European Parliament elections had stated the old version of "joining when the time is ripe".⁷⁸⁴ Any commitment now would also constrain the Government in future. Moreover, the experience with the Community suggested that any concession would be made for no worthwhile return, and those member states enthusiastic to make faster progress would return to the matter at the Paris European Council in December.

During his traditional pre-European Council press conference, President Delors made it clear that he wanted member states to say whether they endorsed the totality of the Delors Report or not, and the process there envisaged, without any unacceptable wait-and-see tactics. Once a decision in principle had been taken, Delors would concede to agree transitional periods, for example for the UK, which faced a difficult decision, given its inflation of 8.5%, double the EC average. In case of a "partially positive attitude" by Thatcher, he would not expect

⁷⁸³ *No.10 record of conversation between the Prime Minister and the Foreign Secretary and the Chancellor of the Exchequer*, 20 June 1989, TFA 209790.

⁷⁸⁴ *Conservative Manifesto for the European Elections on June 15, 1989, "Leading Europe Into the 1990s"*, Conservative Central Office, 1989.

her to indicate a date for sterling's entry to the ERM. Indeed, he would advise her against this, given the possible effect on the money markets.⁷⁸⁵

Getting the European Council closer, Thatcher was given the state of mind of her closest collaborators, who were “dissatisfied with the outcomes of last week’s discussion” and felt “agitated” because they worried that isolation at Madrid would hurt the Government politically.⁷⁸⁶ In particular, the Foreign Secretary was worried about the outcomes of the recent European Parliament elections (on 15 June 1989, the Labour had obtained 45 over the 32 Conservatives seats, reporting the first defeat for the Tories since 1979); about Thatcher’s general tone on Europe; and about divisions within the party (which would lead, on next 5 December, to a challenge to Thatcher’s leadership). He thought it was “all badly handled”, running counter to what he had been doing in Europe, and judged that an agreed outcome on economic and monetary matters would stop Europe being a divisive issue within the party.

“Divisive”, to the point that, on the eve of the meeting, Howe and Lawson threatened to resign if Thatcher had not given the European Council an undertaking to join the ERM at a specific date, although under specific conditions – such as the completion of single market by the end of 1992, the abolition of exchange rate control and the reduction of inflation in the UK.⁷⁸⁷

⁷⁸⁵ Jacques DELORS, *Prospects for the European Council in Madrid*, 23 June 1989, University of Pittsburgh, Archive of European Integration: <http://aei.pitt.edu/1453/>.

⁷⁸⁶ Charles D. POWELL, *Briefing for the Prime Minister*, 24 June 1989, PREM 19/2666 f253.

⁷⁸⁷ Margaret THATCHER, *Note on meeting with Howe and Lawson*, 25 June 1989, THCR 1/9/18A-10 f3.

The Madrid European Council was opened by President Delors, who celebrated the goal of economic and monetary union as to be attained by a gradual stage-by-stage process, without the need to set precise deadlines; on the other hand, the Council should give, in his opinion, a political commitment to the goal of EMU and agree to that the first stage starting on 1 July 1990, the date on which the liberalisation of capital movement would come into force. Furthermore, he expected member states to agree to an IGC to decide treaty amendment, also in order to agree to a system of European Central Banks independent of national authorities.

Thatcher agreed to go for a staged approach, with Stage 1 “to be started soon”; she then drew attention to the reference in the Delors Report to the importance of all Community currencies joining the ERM during stage 1, to which she reacted positively, although she could not, at the moment, set a date for the sterling joining the Mechanism: the timing would depend on progress against inflation in the UK and progress in the Community on the single market, and would be on her Government alone to decide. She was ready to endorse Stage 1, but she thought more work had to be done to see whether there were any other possible models for reaching EMU, as alternative to Delors’ plan, because Stages 2 and 3 had far-reaching economic and political implications which would not be acceptable to the British Parliament.⁷⁸⁸ Overall, Thatcher had performed “a new, striking calm presentation of a much more positive position”, for which many of the other European leader came to her to congratulate, and “the whole occasion was

⁷⁸⁸ UKE MADRID, *Telegram to FCO: Summary of discussion of the Madrid European Council*, 27 June 1989, PREM 19/2666 f3.

perceived as a victory for the United Kingdom”, achieved “because of a significant, but entirely sensible, shift in position by Number 10”.⁷⁸⁹

Here in Madrid we have heard quite a different tone of voice and seen her pursue, for the first time, a constructive diplomacy aimed to ensure Britain’s proper part in the shaping of the future. Britain, at long, long last, may have found itself a valid role in the construction of Europe.⁷⁹⁰

The easy agreement reached at Madrid was felt as “the first practical result of the process started at Hanover, involving all the member states”: the European Council decided that the Delors Report represented “a basis for further work and launched the process leading to economic and monetary union”, which would start on 1 July 1990 and would require an IGC to decide for the next stages.⁷⁹¹

The incipit of the Presidency conclusions quoted the “progress towards European Union”, a label which Thatcher had never liked, welcoming “the vigorous turn taken by European cooperation”.⁷⁹² Among the two main issues of the meeting, in the previous weeks Thatcher had focussed on the EMU because her Cabinet accepted serenely. Britain would be isolated on any decision on a Community Charter on Fundamental Social Rights, whose draft was in fact accepted by the other eleven delegations. They considered the measures there contained as incompatible with the neoliberal revolution they were pursuing in domestic economy and their war against trade unions.

⁷⁸⁹ HOWE, *Conflict of Loyalty*, 583.

⁷⁹⁰ Peter JENKINS in «Independent», 28 June 1989, quoted in HOWE, *Conflict of Loyalty*, 583.

⁷⁹¹ «Bulletin of the European Communities» 1989, No. 6, 8.

⁷⁹² *Madrid European Council, Presidency Conclusions*, 27 June 1989, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

On EMU, the Council restated “its determination to progressively achieve Economic and Monetary Union as provided for in the Single Act and confirmed at Hanover”, to be seen “in the perspective of the completion of the Internal Market” and to be started, in its Stage 1, on 1 July 1990, with the requisite arrangements being adopted by the competent bodies, i.e. the EcoFin Council, the Commission, the Committee of Central Bank Governors and the Monetary Committee. Once the first stage had begun, preparatory work for the organization of an IGC to lay down the subsequent stages would start.⁷⁹³

The Prime Minister started her press conference with a reference to the “very difficult issues affecting the future of the Community” the Council had to face, and claimed the “very active part Britain played in arriving at Conclusions which we can all accept”, agreeing “on what can be done now and we have set the scene for further discussion of other issues over the next months and years ahead”.⁷⁹⁴

First of all, Thatcher was proud for the reaffirmation of the priority importance of completing the Single Market with the emphasis on the areas of particular interest to the United Kingdom – financial services, technical standards, transport and public purchasing; second, of the wide acceptance of the need to keep checks at frontiers, against drugs, terrorism and criminals, “while making free movement for law-abiding citizens a greater reality”. Thatcher recognized that on the economic and monetary matters the main practical achievement of the Council was to agree on the early implementation of Stage 1 of the Delors Report, with the condition of completing the Single Market, abolishing

⁷⁹³ *ibid.*

⁷⁹⁴ Margaret THATCHER, *Press Conference after Madrid European Council*, 27 June 1989, TFA 107711.

all foreign exchange controls, building a free market in financial services and strengthening competition policy: “these are all things for which the United Kingdom has campaigned strongly and where we are well ahead of other members of the Community”.⁷⁹⁵

The Prime Minister conceded that the Delors Report was accepted “as a good basis for this further work, but not the only basis. It will be possible to bring in other ideas and other approaches for the progressive realization of economic and monetary union”.⁷⁹⁶ Asked if she had any vision of her own of an economic and monetary union beyond Delors Phase 1 and different to his vision of it, Thatcher proved to be very ready to answer, and quite critical not only about the absence of alternative models (“clearly, Stage 2 is pretty well open and the Delors Report is only one basis on which Stage 2 has to be considered”), but also about the fact that Stages 2 and 3 required conditions that most of the member states would never reach, and a rigidity over economic policies that would put enormous pressure on governments.

Moreover, although having agreed the start of Stage 1 for 1 July 1990, she wanted to emphasize “that there is absolutely nothing automatic about going beyond Stage 1”, which had been left for “future decision”. In any case, she was convinced that

there is no need for a single currency in Europe. You can have your monetary policy by many other means and on the whole, we have gone with monetary and economic policy towards convergence by voluntarily adopting the same sound policies. I do not think there is any need for a single currency.⁷⁹⁷

⁷⁹⁵ *ibid.*

⁷⁹⁶ *ibid.*

⁷⁹⁷ *ibid.*

Then, in setting out Britain's views "clearly and vigorously", she declared that she accepted that there was "a social dimension to the Single Market", but the reason why she could not accept the proposed Social Charter is that she did not believe that would help job creation. On the contrary,

We believe that by imposing extra burdens on business, it would make the Community less competitive. There are very different traditions of how we handle these things in different member states and we do not accept the need to have it all determined from the centre.⁷⁹⁸

Thatcher defended the domestic reforms she felt as successes, and revealed her suspicion for the European declaration which, in her experience, could be considered a basis for whatever else:

Many things are not suitable at all for the Commission and should be left to the national countries. [...] it was quite clear that some people thought that it was only a solemn declaration which as you know it is not – it is the basis for many Directives.⁷⁹⁹

Moreover, Britain had its own social charter, and Thatcher considered it "much more advanced than some countries":

we are all at different stages of development, we all have a different history with regard to trade union matters. [...] it is a very good principle that you leave most of your social services to your national countries and do not have them dominated by Directives from the Commission.

When it comes to employment which of course is part of the social dimension, we actually have created more jobs – three million jobs since 1986 – than anyone else in the

⁷⁹⁸ *ibid.*

⁷⁹⁹ *ibid.*

Community. So we are actually, on practical achievement, well ahead of most.⁸⁰⁰

Among the objections she received during the question time, the first one regarded the concession on the need for an IGC which “might involve changing legislation in the UK”, but Thatcher defended her position:

A decision to convene an inter-governmental conference can be taken by a simple majority vote. So we may vote in the minority, but it will not stop an inter-governmental conference from being called. The Conclusions of that inter-governmental conference have to be reached by unanimity, [...] so in fact one is conceding nothing. [...] I have not the slightest shadow of doubt we shall vote against it at that time; I have equally not the slightest shadow of doubt that we shall be in the minority.⁸⁰¹

Asked if she was still convinced that “the Delors Report would effectively mean political union and a United States of Europe and that the Government did not believe there could be future treaty amendments based on that”, Thatcher replied harshly, but justified her decision to participate in Stage 1 claiming that it would not be interested by any transfer of national sovereignty, which was what she cared the most:

Yes. As the Delors Report is on Stages 2 and 3, yes, the number of fundamental issues that will be transferred from national parliament to a rather amorphous group of people whose duties and rights are not specifically defined but who are not publicly accountable, that transfer would be very considerable indeed. It would be the biggest transfer of national sovereignty that we have ever had and I do not think it would be acceptable at all to the British Parliament that we should transfer certain fundamental

⁸⁰⁰ *ibid.*

⁸⁰¹ *ibid.*

rights over the Budget, over the Budget Deficit, over economic structure and over monetary policy to another group.

But I think we have to remember – and it is brought in on me very vividly every time I come to these European Councils – that Parliament plays a very central position in the accountability of the Government to the people. [...] we really are the Mother of Parliament and Parliament is central and, of course, central to Parliament itself is control over the Executive as far as finance is concerned, so that goes to the heart of the Delors Report.⁸⁰²

On the ERM, she confirmed that any future decision would “to a large extent depend upon how much further they are prepared to go in freeing things up so that we have a fair basis upon which to join”. Accused of having had a softened tone and a positive approach due to the recent unsuccess in the Euro-elections, Thatcher demonstrated she had processed the recommendations of the Cabinet, declaring she did not want, in case of an IGC, to leave an empty chair: “to leave an empty chair means you have no influence over the discussion”.⁸⁰³

Thatcher’s preference was for “a minimalist goal of monetary union”, which “did not involve central control of budget deficits and other sorts of political superstructure”, and that commitment

comes from a phrase in 1972 before we actually joined. The phrase is: “The progressive realisation of economic and monetary union”. It goes right back to that. That particular phrase was repeated in the preamble to the Single Act and what we are committed to is not economic and monetary union but to its progressive realisation.⁸⁰⁴

⁸⁰² *ibid.*

⁸⁰³ *ibid.*

⁸⁰⁴ *ibid.*

Her last declaration was, together, a celebration of her role as a British Prime Minister and an active player in Europe:

Let me just remind you how much Britain has contributed to shaping the Community over the past few years: reform of the Common Agricultural Policy; establishing the Single Market; and getting the budget under control. We shall be just as active and just as vigorous in fighting Britain's corner in future discussions.⁸⁰⁵

Thatcher gave, in those days, several interviews to the principal TV channels and newspapers, affirming that she had not agreed, during the Madrid European Council, to anything different from what had been decided for the Community in 1972, before the UK entered the Community itself, something which “was there right from the beginning” and which was eventually defined in one version of the many possible. She was not satisfied with that version, because it did not suit the British Parliament nor her way to think a nation state:

the model which Mr. Delors has got arrogates far more power from nation states to a central body of something like twelve bankers who are not publicly accountable to anyone, takes away the power of nation states and takes away the power which is at the heart of Parliamentary democracy, power over the budget, power over the economy, so that other people can instruct you as to what to do. That will not suit the British Parliament.⁸⁰⁶

Asked if she had made “more concessions than her political instinct would have led her to”, she replied she did not, neither when she allowed the possibility of calling an IGC – something which could be done, at any rate, with a simple majority in the Council.⁸⁰⁷ Accused of

⁸⁰⁵ *ibid.*

⁸⁰⁶ Margaret THATCHER, *TV Interview for BBC*, 27 June 1989, TFA 107494.

⁸⁰⁷ Margaret THATCHER, *TV Interview for SKY-TV*, 27 June 1989, TFA 107495.

being “a brake on European unity - there are people who are saying you are putting up a smokescreen, you are sounding positive when you are being negative”, she replied the UK was the most advanced country for what concerned the liberalization required by the Single Act, which was, on her opinion, the Community’s main objective. Thatcher claimed her battles and her victories in the last decade, from the reform of the CAP to the Single Act, which she considered her main achievement in Europe:

Yes, we wanted a Single Market. We joined Europe so that we could join a Common Market of 320 million people. Have we? My goodness me, no! It has been full of barriers to trade.

We led the way on what is called the Single Market. We are doing very well. We are leading the way on some Directives. It is other people that are dragging their feet and I will tell you why: they do not like freedom, some of them - they prefer some of the controls which protect them.

So yes, of course I do battle.

[...] I am not the brake at all – I am the accelerator!⁸⁰⁸

Accused of being somehow anti-European, she replied:

It is totally misjudged. We are very much for the kind of Europe which we believe in which is a Europe of freer trade and freer movement of citizens, free movement of capital and taking away all of those tiny little constraints which people like to have because it protects their trade against other people’s trade and there are plenty of those!⁸⁰⁹

⁸⁰⁸ *ibid.*

⁸⁰⁹ Margaret THATCHER, *TV Interview for TV-AM*, 27 June 1989, TFA 107713.

During the usual address to the House of Commons, she reported that the Council reaffirmed the priority task of completing the single market with the emphasis on the areas of particular importance for the United Kingdom and reiterated her conviction that Stages 2 and 3 of the Delors report would involve a massive transfer of sovereignty which she did not believe would be “acceptable to this House”. The Delors Report she said, with a less conciliant tone than the one she had used during the press conference or the interviews, would “also mean, in practice, the creation of a federal Europe”.⁸¹⁰ Thatcher clarified to the British Parliament that

The Government support the objective of closer monetary co-operation but will work for solutions which leave crucial economic decisions in our own hands. Although Britain’s membership of the exchange rate mechanism of the European monetary system was not an issue at this Council, I reaffirmed our intention to join the ERM, but we must first get our inflation down. We shall look for satisfactory implementation of other aspects of the first phase of the Delors report, including free movement of capital and abolition of foreign exchange control.⁸¹¹

She concluded with a positive statement, reiterating her vision of Europe which, very different from Delors’ or the other European leaders’, was not, for this reason, Eurosceptic:

The main outcome of the Council – agreement to implement a first phase of economic and monetary union – is very much in the interests of British industry and the City of London, while fully protecting the powers of this House. Far from being isolated, as some have claimed, the United Kingdom was able to play an important role in

⁸¹⁰ Margaret THATCHER, *Statement to the House of Commons*, 29 June 1989, TFA 107716.

⁸¹¹ *ibid.*

bringing the Council to these sensible and practical conclusions. It is in the same spirit of determination to strengthen co-operation with other members of the European Community, while arguing always for cutting constraints on enterprise and free competition and leaving to member states those decisions which properly belong to them, that we shall approach the undoubtedly difficult discussions of the Community's future which lie ahead.⁸¹²

The Tories demonstrated united in supporting their Prime Minister, and expressed their admiration for “her courage in trying to make the Common Market more workable and sensible and less bureaucratic”.⁸¹³ The most important among their arguments about the refusal of Stages 2 and 3 of the Delors Report was the fact that, “over the centuries, the power of this House has rested on the control of money, both taxation and public expenditure”, while “monetary union”, as defined in that particular formula, “would require countries to abdicate control over fiscal policy”.⁸¹⁴

On the other hand, the debate in the House of Commons was the occasion for the opposition to target the Government about the recent frictions caused by the ERM issue between Thatcher, on the one side, and her two closest ministers, the FCO Secretary and the Chancellor of the Exchequer. Turning slowly towards a more Euro-willing position after Delors' intervention at the TUC in September 1988, the Labour Party accused her of being isolated and unwilling to participate in further integration:

⁸¹² *ibid.*

⁸¹³ Teddy TAYLOR, Conservative MP, *Debate in the House of Commons*, 29 June 1989, TFA 107716.

⁸¹⁴ Terence L. HIGGINGS, Conservative MP, *Debate in the House of Commons*, 29 June 1989, TFA 107716.

When will the Prime Minister realise that Britain's long-term best interests will be served by Britain helping to shape and being part of European integration rather than always being seen to be a block and barrier to it?⁸¹⁵

Why is the Prime Minister so reluctant to allow the British people to benefit from Europe's renaissance and play a part in the next European revolution? Does she not understand that the 20th-century notion of a nation state is becoming as irrelevant, tired and tiresome as she is?⁸¹⁶

And although she was trying to sell the House that the Delors Report was only a basis for further work, the agreement on Stage 1 did not mean agreement to Stages 2 and 3, and that her commitment to entry the ERM "when the time was ripe" would not mean any obligation, anyone who read the full text of the declaration of economic and monetary union and the conclusions of the presidency of the Madrid European Council would find that, along with the 11 other Heads of Government, Thatcher *had*, officially, agreed that

the Delors report was a good basis for further work on economic and monetary union, that it fulfilled the obligations laid down at Hanover, that it agreed that stage I should be launched on 1 July 1990 and that there would subsequently be an intergovernmental agreement to carry on with the second and third stages.⁸¹⁷

She was indeed being attacked by the Labour for it:

Does the Prime Minister ever read the small print of what she agrees to? [...] Why does she always bluff and bluster before conferences, and then give way when it comes to

⁸¹⁵ Paddy ASHDOWN, Leader of the Liberal Democrats, *Debate in the House of Commons*, 29 June 1989, TFA 107716.

⁸¹⁶ Brian SEDGEMORE, Labour MP, *Debate in the House of Commons*, 29 June 1989, TFA 107716.

⁸¹⁷ Win GRIFFITHS, Labour MP, *Debate in the House of Commons*, 29 June 1989, TFA 107716.

the crunch? [...] Is not the truth that, although the right hon. Lady is kicking and screaming, she is nevertheless being dragged along?⁸¹⁸

The Madrid European Council had raised another important issue. In the opinion of Thatcher's closest collaborators, the judgment of Howe and Lawson was "faulty on two points": although they pressed her – and menaced her threatening resignation, the Prime Minister had not set a date for joining the ERM, while her attitude had been recognised as positive, and she was not – as Delors had anticipated on his pre-Council press conference – pressed to go further.⁸¹⁹

On the other hand, following Howe's autobiography, the relationship with Prime Minister had become, above all on questions of European policy, more and more fragmented, to the point it resembled "one of those marriages which any stranger witnessing for the first time would think was headed straight for the divorce court – or the homicide court".⁸²⁰ Thatcher had begun insisting she "must prevail", and neither their effort to act jointly to try to tackle her had succeeded, as demonstrated by the threats of resignation, falling into the void.⁸²¹

This increasing conflict created an upheaval within the Cabinet, which culminated in the Prime Minister's request, on 24 July 1989, to Geoffrey Howe to leave the FCO, after ten years in office and six as Chief of the Foreign Office, in return for the roles of Deputy Prime Minister and Leader of the House of Commons.⁸²² The Chancellor of the Exchequer would resign few months later, on 26 October. Before

⁸¹⁸ Ron LEIGHTON, *Debate in the House of Commons*, 29 June 1989, TFA 107716.

⁸¹⁹ *No.10 minute to the Prime Minister*, 27 June 1989, PREM 19/2666 f180.

⁸²⁰ HOWE, *Conflict of Loyalty*, 570.

⁸²¹ Nigel LAWSON, *View from No. 11* (Bantam Press, 1992), 918.

⁸²² HOWE, *Conflict of Loyalty*, 594.

that, he prepared a memorandum, “The market approach to Economic and Monetary Union” (later published as “An Evolutionary Approach to Economic and Monetary Union”) which was circulated at the ECOFIN informal meeting in Antibes, on 13 October.⁸²³ It reacted to the Delors Report, rejecting the creation of a single currency and supporting rather the creation of a common currency circulating in parallel to national currencies, the so-called “hard ERM” version – different from Major’s later ‘hard ecu’ proposal, anyway abandoned before the Maastricht negotiations. The paper prepared by Lawson in the last weeks of his mandate put emphasis on the financial integration of the Community emerging from Stage 1 of the Delors Report, pushing for a wider use of the currency basket known as the ecu, which could be frozen permanently, converting the EMS into a system of more or less fixed exchange rates: in this way a practical monetary union would be achieved as a result of a gradual evolutionary process, and, most important of all, without stealing monetary sovereignty from the member states. Lawson did not even hope the memorandum would deflect the rest of the Community’s political leaders from the Delors path, on which they had already embarked. His aim was to set out

a series of measures desirable in themselves, to which the Community could return if and when the momentum for full-blooded monetary union faltered for other reasons.⁸²⁴

In the short term, the paper’s value was largely domestic, and might be seen as the last stroke by Lawson, from long time favourable to joining the ERM, towards Thatcher, before his resignation: it contained

⁸²³ *The market approach to Economic and Monetary Union*, 13 October 1989, PREM 19/3741 f353.

⁸²⁴ LAWSON, *Memoirs of a Tory Radical*, 654.

a firm, definitive Government commitment that sterling would join the ERM when the Madrid conditions, which were clearly spelled out in a perfectly acceptable form, were satisfied, without the possibility to retract. Lawson had the impression, in those last days of office, that his job was being made impossible: not much by the difference of visions with the Prime Minister over sterling's membership of the ERM, but because he felt to be "systematically undermined" by the fact that "Number 10 [was] constantly giving the impression that it was indifferent to the depreciation of sterling" – a question that could be solved, in his opinion, by joining the ERM – and, most of all, by "the persistent public exposure of that difference of visions".⁸²⁵

Thatcher was, following the Chancellor of the Exchequer, influenced by her economic adviser, Alan Walters, whose position seemed "to be 180° [away] from that of the Government": Walters was, in fact, totally opposed to EMS, but prepared to contemplate EMU.⁸²⁶

In practice, Thatcher was advised by Andrew Turnbull, the two positions were "a good deal closer": the Government wanted changes to the EMS, in particular the removal of exchange rate controls, before it considered joining the ERM, and this would change the nature of the EMS itself and allow it to evolve towards EMU via a long period in which current competition caused inflation rates to converge on the best, with exchange rate changes becoming rarer and rarer. Walters refused this phase, and wanted to move straight from floating rates to locked parities without the intermediate stage.⁸²⁷

⁸²⁵ Ivi, 664.

⁸²⁶ Alan WALTERS, *A Strategy and Tactics for European Monetary Union*, 2 October 1989, PREM19/3741 f296.

⁸²⁷ Andrew TURNBULL, *Minute for the Prime Minister*, 19 October 1989, PREM 19/3741 f305.

On 21 October «The Guardian» published an extract of Walters' *A Life Philosophy*, remarking that the possibility to join the ERM, at the present "half-baked system" conditions, "had never attained a minimum level of plausibility".⁸²⁸ The public opinion – and the House of Commons – was aware that Walters' view faithfully represented Thatcher's position: "she so completely concurs with everything he says, and everybody knows it".⁸²⁹ On the same day, the «Financial Times» insisted on the incompatibility between Walters' – that is, Thatcher's – position and the one of the Chancellor of the Exchequer, who "as a politician, liked, about the EMS, precisely that it is half-baked": it provided "an opportunity for cooperation, which is good, but it provides an escape as well, which is better".⁸³⁰

In summary, with sterling falling against other European currencies, British inflation and interest rates rising, and the highest mortgage costs in Europe, the governing majority was split over the ERM membership, with the pro-entry side including Lawson, the Treasury, the Bank of England, the President of the European Parliament Lord Plumb, the European Commissioner Leon Brittan, Sir Geoffrey Howe, some Tory backbenchers, and the Labour Party. These were convinced that joining the ERM would bring stability to the volatile sterling, which would be tied to the value of the other major European currencies, in particular the German Mark; that the membership of ERM would cease Britain's isolation, caused by Thatcher's attitude; that the pooling of individual sovereignty which it involved be matched by gains in collective sovereignty, creating a stable and powerful super-economy big enough

⁸²⁸ «The Guardian», 21 October 1989, PREM19/3741 f264.

⁸²⁹ Neil KINNOCK during the House of Commons PQs, 26 October 1989, Hansard HC [158/1044-48].

⁸³⁰ *The limits of co-operation*, «Financial Times», 21 October 1989, PREM19/3741 f264.

to compete in world markets; that inside ERM, sterling's value would remain stable and inflation would diminish; that the stabler exchange rates and lower interest rates would help British firms to do business in Europe. On the other hand, the anti-ERM arguments were that the pound was an internationally-traded petro-currency too big and too volatile to be confined within the ERM; that Britain's commitment to Europe was best expressed in the abolition of exchange controls and in the liberalisation of financial markets, areas in which the UK was ahead of Europe, while ERM was unnecessary to greater economic integration; that joining ERM would imply a loss of national sovereignty, as it would take away the freedom to decide own monetary policy; that high interest rates in Britain depended on high taxation, which made British firms uncompetitive, in its turn caused by high public spending, which also caused most of Britain's inflation: cutting public spending, and not joining the ERM, would be the best way to help business. In any case, Britain should not join ERM until Britain's inflation rate was as low as Europe's, and Europe had followed Britain's abolition of exchange rate controls.⁸³¹ So, on 26 October, Nigel Lawson, Chancellor of the Exchequer for the last six years, came to the Prime Minister to notify his intention to resign, unless she agreed to sack Mr. Alan Walters, explaining that his task was being made intolerable by Walters' incursions in the press.⁸³² Thatcher judged the fact "an absurd, indeed reprehensible proposition", replying that "no one could possibly resign on the basis of such a flimsy and unworthy proposal".⁸³³ The day after, she received a letter by Lawson, explaining that

⁸³¹ Christopher MONCKTON, *Keeping out of ERM's way*, «Evening Standard», 23 October 1989, PREM19/3741 f264.

⁸³² Margaret THATCHER, *Memoirs paper*, 26 October 1989, THCR 1/20/7 f4.

⁸³³ *ibid.*

the successful conduct of economic policy is possible only if there is, *and is seen to be*, full agreement between the Prime Minister and the Chancellor of the Exchequer. Recent events have confirmed that this essential requirement cannot be satisfied so long as Alan Walters remains your personal economic adviser.⁸³⁴

Thatcher replied underlying that there was no difference in their “basic economic beliefs”: Lawson had been, indeed, one of her closest collaborators in ten years in office, and one of the most important actors in Britain’s economic revolution.⁸³⁵

Lawson was the second chief minister Thatcher had lost, and it was because “differences of view emerged with the Prime Minister”:

for our system of Cabinet government to work effectively, the Prime Minister of the day must appoint Ministers whom he or she trusts and then leave them to carry out the policy. [...] I would only add that the article written by [Alan Walters] was of significance only inasmuch as it represented the tip of a singularly ill-concealed iceberg, with all the destructive potential that icebergs possess.⁸³⁶

The main issue of this disagreement was, Lawson said, “full United Kingdom membership of the EMS, to which, again, as my right honourable Friend the Prime Minister made clear at Madrid, this Government are committed”.⁸³⁷ Although not indispensable, participation in ERM would “signally enhance”, following the resigning Chancellor, the credibility of the Government’s anti-inflationary efforts and “facilitate the conduct of economic policy in general”.⁸³⁸

⁸³⁴ Nigel LAWSON, *Letter to Margaret Thatcher*, 27 October 1989, TFA 107805.

⁸³⁵ Margaret THATCHER, *Letter to Nigel Lawson*, 27 October 1989, TFA 107805.

⁸³⁶ Nigel LAWSON, *Resignation speech*, 31 October 1989, in *The View from Number 11*, 1062-64.

⁸³⁷ *ibid.*

⁸³⁸ *ibid.*

Britain's destiny lies in Europe as a member of the European Community – and let me be clear that I am speaking, as [the Prime Minister] speaks, of a Europe of nation states. Within that context, it is vital that we maximize Britain's influence in the Community so as to ensure that it becomes the liberal free-market Europe in which we on the Conservative Benches so firmly believe. I have little doubt that we will not be able to exert that influence effectively, and successfully provide the leadership, as long as we remain largely outside the EMS. So, for economic and political reasons alike, it is important that we seek the earliest practicable time to join, rather than the latest for which a colourable case can be made.⁸³⁹

Charged of being “not prepared to work as a team”, and being “too dominery”, Thatcher answered:

A leader must lead. A leader must lead firmly, must have firm convictions and see that those convictions are reflected in every single piece of policy. You cannot put someone in 10 Downing Street if they have no leadership qualities, if they have no convictions, if they have no convictions, if they rent a principle from anyone who has got one for sale.

[So you will not change Margaret Thatcher?]

Certainly not! How can I? I am what I am. I came here because I stood for certain things. I believe certain things. I have never faltered and I shall not and we have no difficulty in working as a team, none at all. The way I work is that we do have very vigorous discussions, of course we do, because that is the way in which you translate your principles into practical policies [...] in a way which does make it very clear that you are Prime Minister.⁸⁴⁰

⁸³⁹ *ibid.*

⁸⁴⁰ Margaret THATCHER, *Interview for Daily Express*, 27 October 1989, TFA 107531.

The resignation of the Chancellor of the Exchequer was not a trivial matter: the office was to be taken by John Major, replaced at the FCO, in such a critical time for international affairs, by Douglas Hurd, Thatcher's government was falling to pieces, in the very moment in which a lot was going on at international level: on 9 November, the Berlin Wall would fall, and on 3 December Thatcher, the US President Bush, and the USSR leader Gorbachev would announce the end of the Cold War – everything was going to change. Moreover, on 5 December Thatcher would be challenged for the leadership of the Conservative Party, winning the race but losing 60 votes among the backbenchers. She got her way, but it was the beginning of the end.

5.2. The reunification of Germany

During the year 1989 several events had interested the Eastern European countries of Hungary, Poland, Bulgaria, Romania, and Czechoslovakia, changing the world as it had been known in the previous decades. Nevertheless, the fall of the Berlin Wall on the night between 9 and 10 November 1989 represented a particular historical turning point, signalling the end of a 50-year Cold War and challenging the world balance as never before.

“Indeed, what now was ‘the West?’”⁸⁴¹

By the immediate, it was very clear that the German reunification was not just a German issue, but it interested the most important world powers for the impact it would have on the system of European and international relations, with the four victors of the Second World War:

⁸⁴¹ THATCHER, *The Downing Street Years*, 648.

the US, the USSR, France, and the UK as the most involved. The other important issue was – having been the FRG anchored in the European Community since its birth – whether the existing European structures were adequate to absorb the impact of an even more powerful Germany.

Thatcher's personal relationship with the USSR leader had begun in December 1984, before his appointment as Soviet leader, and she was recognised as one of the key actors in preparing the reapproaching between the two blocks: along with frequent visits at and contact with Moscow, she played a significant part in helping to persuade Gorbachev and Reagan, and the latter in particular, that East-West relations could be extricated from the deep freeze in which they had been locked in the previous decade.⁸⁴²

During the 1980s, Thatcher had pursued independent trade policies in Eastern Europe, combining trade expansion with the opening of a line of credit and the promotion of private investors.⁸⁴³ Thatcher's Bruges Speech had made it clear her belief that "East of the Iron Curtain, people who once enjoyed a full share of European culture, freedom and identity have been cut off from their roots. We shall always look on Warsaw, Prague and Budapest as great European cities" – although, in her view, the freedom the Eastern countries were looking for would pass through the widening of open market.⁸⁴⁴ Politically, the goal was "to contribute to the development of economic pluralism in

⁸⁴² Ivi, 134.

⁸⁴³ Ilaria POGGIOLINI, "Thatcher's Double-Track Road to the End of the Cold War. The Irreconcilability of Liberalization and Preservation", in Frédéric BOZO, and Marie-Pierre REY, Bernd ROTHER, and N. Piers LUDLOW, *Visions of the End of the Cold War in Europe, 1945-1990* (Oxford: Berghahn Books, 2012), 271.

⁸⁴⁴ THATCHER, *The Bruges Speech*.

Eastern Europe in the expectation that this would ultimately produce political liberalization”, in the belief that a combination of economic and political incentives could expose existing contradictions, with a progressive transformation which could be gradually embraced and managed, “from within a ruling Communist Party as well as through societal pressure”, rather than an uncontrolled destabilisation with direct repercussions on East-West relations.⁸⁴⁵

At the European Council meeting improvised in Paris on 18 November, the Prime Minister declared her support for the events in Eastern Europe, which happening she attributed to Gorbachev’s willing to reform the USSR and the West’s promptness in expressing solidarity. Nonetheless, she believed borders “should stay as they are, and all military matters must continue to be conducted through NATO and the Warsaw Pact, [...] to keep the background of stability and security”.⁸⁴⁶ This was coherent with the Council’s Conclusions, which priorities were

- (i) to back up and encourage democratic change;
- (ii) the wish to confirm the stability of existing alliances and borders;
- (iii) the desire to respond to non-member countries’ concern that the Community market should be opened up to them.⁸⁴⁷

One of Thatcher’s main concerns was Britain’s security, which she thought closely bound up with US-USSR arms negotiations, with a particular attention to nuclear weapons and their deterrent role.

⁸⁴⁵ Archie BROWN, *The Human Factor*, 117.

⁸⁴⁶ Margaret THATCHER, *Press Conference after Paris European Council*, 18 November 1989, TFA 107823.

⁸⁴⁷ *Paris European Council, Presidency Conclusions*, 18 November 1989, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

Between June 1987 and December 1988, the British combined a set of bilateral meetings both with the US President Reagan and the Soviet Secretary Gorbachev. With time, though, Britain's role in the triangular relationship with the US and the USSR was reduced, with Thatcher excluded from the main meeting between the two leaders. In particular, Thatcher was troubled by the Bush administration's approach, which had succeeded to Reagan's in January 1989, that not only supported but indeed pushed for German reunification.

Before his scheduled meeting in Malta with Gorbachev of 1-2 December, Thatcher met the US President Bush at Camp David on 24 November, expressing what "she thought should be the main lines of the West's approach to the enormous changes sweeping the Soviet Union and Eastern Europe".⁸⁴⁸ Considering seeing genuine democracy established the first and overriding objective, she believed the process should be carried out on the basis that NATO and the Warsaw Pact would both remain in existence, and that German reunification was not a matter to be raised at the moment, as it would undermine Gorbachev and raise fears in Western Europe:

To have a country of 80 million people at the heart of the European Community would fundamentally change its nature. Of course we could not prevent the issue arising eventually, if people in both the German States wanted reunification. But the sensible approach was to say that, if we eventually succeeded in getting full democracy in East Europe, then many of the fundamental differences between East and West would disappear and certain things could happen without raising the same fears which they would raise if they were proposed now.

⁸⁴⁸ *No.10 Record of Conversation between the Prime Minister and the US President*, 24 November 1989, PREM19/2892 f70

[...] we must give priority to establishing genuine democracy in Eastern Europe and then see what happened.⁸⁴⁹

Asked about her position towards the European Community, Thatcher affirmed she was

all for Europe but did not want a more centrally-controlled and bureaucratic Europe, nor one which was protectionist. Some of the proposals at present on the table created real risks that the Community would go down this path.

[...] The Delors proposals for economic and monetary union sought to take away powers from national parliaments and transfer them to a body which would not be democratically accountable. She was a passionate European, but she wanted a free Europe and would fight for it. [...] The key was to keep Europe outward-looking, on the side of free enterprise, and open to the rest of the world.⁸⁵⁰

On 28 November, Chancellor Kohl had set out in a speech to the Bundestag a ten-point plan about Germany's future, involving the development of a confederative structure and the "unity, reunification, reattainment of German state unity".⁸⁵¹ Two weeks later, the US Secretary of State James Baker replied in Bonn explaining the American approach to German reunification, which claimed Germany's inclusion in NATO – which Thatcher approved – and in an "increasingly integrated European Community" – which she did not.⁸⁵²

⁸⁴⁹ *ibid.*

⁸⁵⁰ *ibid.*

⁸⁵¹ Helmut KOHL, *Speech to the Bundestag*, 28 November 1989, http://www.cvce.eu/obj/address_given_by_helmut_kohl_on_the_state_of_the_nation_in_a_divided_germany_bonn_8_november_1989-en-6b6dd36a-1510-4852-b33f-29688069e1d8.html.

⁸⁵² THATCHER, *The Downing Street Years*, 670.

As Europe changes, the instruments for Western cooperation must adapt. Working together, we must design and gradually put into place a new architecture for a new era. This new architecture must have a place for old foundations and structures that remain valuable – like NATO – while recognizing that they can also serve new collective purposes. The new architecture must continue the construction of institutions – like the E.C. – that can help draw together the West while also serving as an open door to the East. And the new architecture must build up frameworks that can overcome the division of Europe and bridge the Atlantic Ocean.

This new structure must also accomplish two special purposes. First, as a part of overcoming the division of Europe, there must be an opportunity to overcome through peace and freedom the division of Berlin and of Germany.

[...] Second, the architecture should reflect that America's security – politically, militarily, and economically – remains linked to Europe's security. [...] As President Bush stated in May, the United States is and will remain a European power. And as he added last week, the U.S. will maintain significant military forces in Europe as long as our allies desire our presence as part of a common security effort.

[...] The future development of the European Community will play a central role in shaping the New Europe.

[...] As Europe moves toward its goal of a common internal market, and as its institutions for political and security cooperation evolve, the link between the United States and the European Community will become even more important. We want our trans-Atlantic cooperation to keep pace with European integration and institutional reform.

[...] I am confident that creative new arrangements can be devised to encourage and sustain the process of

political and economic reform in the countries of Eastern Europe, while at the same time preserving the integrity and the vitality of existing institutions. We need to offer the nations of the East hope, opportunities that can be seized as they take steps toward democracy and economic liberty.

[...] the vitality of the Economic Community depends in turn on its continued commitment to the goal of a united Europe envisaged by its founders - free, democratic and closely linked to its North American partners. A new Europe, whole and free, must include arrangements that satisfy the aspirations of the German people and meet the legitimate concerns of Germany's neighbors.⁸⁵³

Baker concluded reaffirming President Bush's support for the goal of German unification as announced in the last NATO summit of 28-29 November in Brussels, translated in four principles: self-determination without prejudice to its outcome; Germany's continued commitment to NATO and an increasingly integrated European Community; a peaceful, gradual, and part of a step-by-step process of reunification; and support for the principles of the Helsinki Final Act on the question of borders.

Following Robert Hutchings, the National Security Council's Director for European Affairs between 1989 and 1992, the US goal was what a sort of 'New Atlanticism', where, even in absence of the common threat of Communism, European integration was linked to a US-led security order in Europe. The US had to remain in Europe to balance Russian power and influence, and the security problem in East Europe could be solved promoting the deepening alongside the

⁸⁵³ James BAKER, *Upheaval in the East*, Excerpts From Baker's Speech on Berlin and U.S. Role in Europe's Future, «The New York Times», 13 December 1989, <https://www.nytimes.com/1989/12/13/world/upheaval-east-excerpts-baker-s-speech-berlin-us-role-europe-s-future.html>.

widening of the European Community, so that a more united Europe could open its doors to the Eastern countries and extend its zone of democratic stability eastward.⁸⁵⁴

From this moment, on the one hand, in practice, the UK's policies would align with those of the allies, and the British delegation would have an important role in the realisation of German reunification: forced by her relationship with Washington and the solid American support for the process, Thatcher was unable to do anything to stop it. She disliked German reunification as much as further European integration, and the situation did not provide any comfort to her. In Paris, asked if she considered that the events in Eastern Europe would help "in slowing down the monetary and economic integration of Europe", she answered repeating her belief that the economic and monetary reform as embraced by the Commission was

totally unaccountable democratically, it is moving powers over monetary reform and moving powers over the economy away from national Parliaments and those bodies are not democratically accountable to anyone. That, as you saw from the debate in Parliament, was totally unacceptable to our Parliament and you saw that view coming from all sides of Parliament.

[...] It really would be very ironic if while we are insisting that East Europe moves to full democracy and full human rights as a condition of aid, we ourselves take what is the heart of Parliamentary control out of democratic accountability.⁸⁵⁵

⁸⁵⁴ Robert L. HUTCHINGS, "The United States, German unification and European integration", in BOZO, REY, LUDLOW, and NUTI, *Europe and the End of the Cold War. A reappraisal* (Routledge, 2008), 119-132.

⁸⁵⁵ THATCHER, *Press Conference after Paris European Council*, 18 November 1989, TFA 107823.

Stuck between her beliefs and her institutional role, Thatcher ended acting in a way that undermined both the UK international reputation and her relationship with the FCO, as – while the British officials were collaborating in the realisation of the reunification – she never renounced to express her mistrust of Germany, speaking of a “historically dangerous power”, “by its very nature a destabilising rather than a stabilising force in Europe”.⁸⁵⁶

In the meanwhile, the European partners were determined to pursue a common policy, with the EC emerging as a key institutional actor in integrating Eastern Europe in the West. Thatcher had difficulties in accepting this new reality, which had changed so much from the Cold War scenario she was used – and fitted – to, to the point, she remembered, she was mocked as the last Cold Warrior.⁸⁵⁷

For his part, the President of the Commission Jacques Delors immediately reacted in a positive way to the end of the Cold War and to the perspective of a German reunification within the frontiers of the two current countries. Following him, once decided through auto-determination of the East-Germans themselves, political and economic reunification could serve as an accelerator for the process of European integration:

Je suis comme nos amis allemands ému jusqu'aux larmes, enthousiaste, heureux et aussi plein d'espérance. Parce que j'ai toujours considéré que les Allemands qui étalent de l'autre côté faisaient partie de la famille. [...] C'est extraordinaire : c'est comme en 1848 ou 1789 : le peuple qui fait l'histoire et les hommes politiques comme moi qui courons après. [...] la Communauté, c'est la référence...

⁸⁵⁶ Jacques LÉVESQUE, “In the name of Europe’s future. Soviet, French and British qualms about Kohl’s rush to German unification”, in BOZO, REY, LUDLOW, and NUTI, *Europe and the End of the Cold War. A reappraisal* (Routledge, 2008), 99.

⁸⁵⁷ THATCHER, *The Downing Street Years*, 649.

la référence en matière de liberté et de progrès économique. [...] Ce n'est pas l'Ouest qui dérive vers l'Est, c'est l'Est qui regarde vers l'Ouest.

[...] la réunification ne fait peur à condition que les Allemands de l'Est aient décidé eux-mêmes. Ce qui est important, aujourd'hui, c'est le droit à l'autodétermination des Allemands de l'Est. [...] la réunification économique, dans le cadre de l'Europe nantie d'Union économique et monétaire, n'est pas inquiétante.⁸⁵⁸

At first, the European Council reacted cautiously during the meeting in Strasbourg on 8-9 December 1989, trying to communicate an attitude of openness and support for Germany, but did not miss the opportunity to reiterate its plan for the future:

The Community is determined to carry out all the commitments contained in the Single Act in order to continue and extend the process of integration with a view to European union. This presupposes that the Community must finish off, within the time-limits laid down, the completion of the single market and that it should apply itself at the same time, to giving concrete form to large-scale projects which will signify a new stage in its development.⁸⁵⁹

⁸⁵⁸ Jacques DELORS, *Emission télévisée "Sept sur Sept" sur TF1*, 12 November 1989, JD-138, V-37-D26. "I am like our German friends moved to tears, enthusiastic, happy and also full of hope. Because I have always considered that the Germans on the other side were part of the family. [...] It's extraordinary: it's like 1848 or 1789: the people who make history and politicians like me who run after. [...] the Community is the reference to freedom and economic progress. It's not the west drifting east, it's the east looking west. [...] reunification is not frightening provided the East Germans decide for themselves. What is important today is the right of self-determination of the East Germans. [...] economic reunification, within the framework of the Europe of Economic and Monetary Union, is not worrying".

⁸⁵⁹ *Strasbourg European Council, Presidency Conclusions*, 9 December 1989, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

With this spirit, a majority existed in the Council for calling an intergovernmental conference under Article 236 of the Treaty charged with preparing an amendment with a view to the final stages of EMU, before the end of 1990.

At the end of the meeting, Thatcher repeated she was still convinced that an IGC was neither timely or necessary, but a majority of member states had called it and she accepted that; at the same time, she had made “very clear” that

Britain cannot accept the Delors Stage 2 and 3 proposals. [...] We are not prepared to see Parliament’s powers in the crucial areas of economic and financial matters diminished.⁸⁶⁰

On the matter of Eastern Europe, the Council confirmed the decisions on help for reform, and Thatcher agreed that

the Community and the twelve Member States, not least because of 1992, can act as the driving force in the development of the whole of Europe at a turning point in the continent’s history.

Despite our disagreements on some points, that is the real message of Strasbourg and it is a very positive one. The Community should be an example of how free and democratic nations can work ever more closely together while remaining open to the outside world. That is the way in which Britain wants the European Community to develop and this Council encourages us to believe that is how it will develop and Britain, I assure you, will play a very full part.⁸⁶¹

⁸⁶⁰ Margaret THATCHER, *Press Conference after Strasbourg European Council*, 9 December 1989, TFA 107841.

⁸⁶¹ *ibid.*

Thatcher was, during the whole press conference, quite able to avoid uncomfortable positions, but from the questions the journalists posed her it can be argued that she was perceived as being isolated and hard-pressed:

“Are you not worried at being portrayed as somewhat out of step with the rest of Europe and being shown to be dragging your feet and almost brought kicking, but not screaming, into line in the end?”

“Prime Minister, have you got any comment on a poll in today’s *Daily Telegraph* which suggests that your policies on Europe have become markedly less popular since June?”

“Well, do you think there is a message on Europe which you are failing to get across at the moment, if I can put it another way?”

“Can I take a slightly different tack and suggest that in your tone today and in the sort of noises we have been hearing coming out of the meetings, you were actually taking a slightly more conciliatory tone with your European partners?”

“Prime Minister, given your well-known opposition to calling the inter-governmental conference, what hope can you now hold out for changing the apparently unstoppable forward movement of the Delors Plan for which there seems to be considerable popularity among the eleven other states?”

“Prime Minister, in spite of his personal reassurances to you later in a telephone call, did you find that President Bush’s call for acceleration of European integration so that it could serve as a magnet to Eastern Europe weakened your position here in Strasbourg this week?”⁸⁶²

⁸⁶² *Press Conference after Strasbourg European Council*, 9 December 1989, TFA 107841.

Thatcher's isolated position was confirmed by an interview given in the same days by Jacques Delors, who had begun to speak about "une Europe à géométrie variable", where Britain's reticence on the Social Charter and on EMU did not prevent the Community from working "à douze. C'e n'est pas une tragédie":

Veut-elle l'union européenne comme elle l'a signé dans l'acte unique ? Si oui, cela suppose le perfectionnement politique de ce qui a été fait sur le plan économique. Je dirai la vie continue sans drame. Malgré tout, cela risque de donner lieu en Gran Bretagne a un grand débat comme celui qu'on a connu ces derniers mois à propos des positions européennes du gouvernement Thatcher.

[...] Je parlerai plus volontiers d'une Europe à géométrie variable, c'est à dire une Europe dans laquelle les pays n'acceptent pas tous la même intensité d'engagement mais sont liés par des passés communes.

[...] L'union européenne cela veut dire que nous allons vers un gouvernement européen qui prendra des décisions politiques, pas toutes les décisions, et qui sera bâti sur une structure fédérale mais pas dans sa version anglaise.⁸⁶³

From his side, Chancellor Kohl was working hard to gain support for his cause, winning from Gorbachev agreement on self-

⁸⁶³ Jacques DELORS, *L'Europe à géométrie variable*, interview for «Libération», 11 December 1989, JD-0142. "Does she want the European Union as it signed in the Single Act? If so, it involves political refinement of what has been done economically. I will say life goes on without drama. Nevertheless, this may give rise in Great Britain to a great debate like the one we have seen in recent months about the European positions of the Thatcher government. [...] I will speak more willingly of a Europe of variable geometry, that is, a Europe in which countries do not all accept the same intensity of commitment but are bound by common pasts. [...] The European Union means that we are moving towards a European government that will make political decisions, not all decisions, and that will be built on a federal structure but not in its English version".

determination for the citizens of the two German states.⁸⁶⁴ Then, he managed to reassure his main European partner that Germany and France would maintain, together, “the key role in the development of the Community”, as long as “the German home must be built under a European roof”:

The Federal Republic of Germany is today inseparably united with a free and democratic Europe, and in the future it will not be a question of re-establishing national state structures dating from the 19th century either.

The “German challenge” mentioned very recently by a major Parisian daily is in fact a European challenge. We should face these challenges together as Europeans. Our common European responsibility consists in committing ourselves with foresight and perseverance to the accomplishment of the tasks which fall to us.

[...] It is the people themselves who have pushed open the door of freedom and democracy.

[...] But this change would not have happened, and in any case would not have gone so far, if there had not been two decisive conditions: firstly, the solidity of the Atlantic Alliance during the harsh trials of the 1980s and the successful development of the economic and political integration of the European Community. These two elements allowed us to approach this decisive phase of change in cohesion and with a clearly defined political orientation. At the same time, the reform movements in Central Europe as well as in Eastern and South-Eastern Europe were also energized by the fact that the European Community presented itself to them as a successful model of the free grouping of European populations.

⁸⁶⁴ *Memorandum of conversation between Mikhail Gorbachev and Helmut Kohl*, 10 February 1990, <https://nsarchive.gwu.edu/document/16120-document-09-memorandum-conversation-between>.

[...] In response to this phenomenon, we must systematically and energetically develop the European Community. At no time can it be a question for us of slowing down or even reversing the process of integration of the European Community, because by doing so we would lose the decisive card which we hold to support the process of the development of whole of Europe which is beginning.

[...] In truth, German unity and European integration are in no way contradictory. These are not rival but complementary objectives which are imposed on us by the Basic Law, the preamble of which stipulates that the German people remain invited “to defend their national and political unity and to contribute to world peace as a full member of a United Europe”.

The Federal Republic of Germany will therefore not become - as has been claimed here and there - the “problem case” in the European Community. We have made our contribution to the development of the Community in the past and we will continue to do so in the future as well.

[...] The Federal Republic of Germany remains unconditionally faithful to its European responsibility because precisely for us Germans, Europe is our destiny.⁸⁶⁵

The effort to build an Anglo-French axis to slow down German reunification lasted for a while if, on 20 January, few days after Kohl's speech in Paris, President Mitterrand met Prime Minister Thatcher to make it clear that “what Kohl said in no way reflected France's views”.⁸⁶⁶

⁸⁶⁵ Helmut KOHL, *Die deutsche Frage und die europäische Verantwortung*, Address on the German question and European responsibility, Paris, 17 January 1990, http://www.cvce.eu/obj/rede_von_helmut_kohl_uber_die_deutsche_frage_und_die_europaische_verantwortung_17_januar_1990-de-0018ea81-0f2f-4184-92d0-54c99ef0f63f.html.

⁸⁶⁶ *No. 10 memorandum of conversation between the Prime Minister and the French President*, 20 January 1990, TFA 113883.

During the bilateral meeting, Mitterrand declared that he did not think Europe was yet ready for German reunification, and that he certainly could not accept it had to take priority over everything else:

The President continued that he thought West Germany was pushing for reunification harder than East Germany. [...] He was convinced that some of the demonstrations in East Germany in favour of reunification had been encouraged by West German 'agents', who had provided the banners and other material calling for reunification. But we had to recognise that the East German government was losing authority and there was a danger of disorder as well as economic breakdown. This could lead people to the conclusion that there was no alternative to reunification.

[...] The trouble was that the West Germans did not want to hear this. They treated any talk of caution as criticism of themselves. Unless you were wholeheartedly for reunification, you were an enemy of Germany.⁸⁶⁷

Mitterrand was aware there was no force in Europe which could stop it from happening, but Thatcher insisted on the possibility to slow down reunification, although the trouble was that other governments were not ready to speak up openly: she accepted that in the end reunification would come about, but she wanted to find some way to slow it down.⁸⁶⁸

Interviewed for the «Wall Street Journal», Thatcher faced the issues of German reunification and European integration, which she, as everybody, felt as being deeply intertwined. She explained her perplexities on German reunification, based on the difficulty to build, in East Germany, a rule of law with impartial administration of justice

⁸⁶⁷ *ibid.*

⁸⁶⁸ *ibid.*

binding the government and a market economy, conditions which represented, moreover, prerequisites to enter the EC:

M. Delors, before the European Parliament, said that if East Germany wanted to become a member of the Community before others then that would be all right. There was no authority for that. [...] no-one can join the Community unless they have a democracy in place and a rule of law and the greater part of their economy is a market economy.⁸⁶⁹

Thatcher openly declared she was worried that a reunified Germany, already dominant, might be an *even more* dominant economic power in Europe: “Yes, I think it would change the European Community if she were unified and if East Germany came in”.⁸⁷⁰ She also seized the opportunity to vindicate the text on political cooperation which she was robbed in 1985 – reason why she was cautious in trusting her partners:

And if I might say so, the text for political cooperation, which became a Treaty, was ours. It had a rather famous origin which everyone knew about at the time, we worked it out completely because there was no political cooperation on overseas affairs in what is an Economic Community. I consulted with Germany: “Would this be to your liking? If not we can change it before we draft it”. I consulted with France. Both agreed it would be a good thing and then I thought we will table it. The whole thing was tabled – our text – by Germany without any consultation with me.⁸⁷¹

The Prime Minister had not changed her idea of the Community, not even in front of recent events which were urging everybody else to

⁸⁶⁹ Margaret THATCHER, *Interview for The Wall Street Journal*, 24 January 1990, TFA 107876.

⁸⁷⁰ *ibid.*

⁸⁷¹ *ibid.*

accelerate on all fronts – and which she saw not in contradiction with, if as a confirmation of, her own point of view as expressed in Bruges: the Eastern Europe countries were liberating from a centralised power, while the Western countries, under the lead of the European Commission, were agreeing to impose a centralised power in Brussels.

What the Bruges speech was about was the kind of Europe we are searching for and of course it had to be made because the Commission is a kind of unique structure, none of it elected, with quite considerable powers and taking more and more powers unto itself which is the opposite of democracy.

And just as you have got Eastern Europe coming away from more and more centralised powers, it was very ironic to have a totally non-elected body taking more centralised powers and it has powers of initiation and was taking every opportunity to widen its power of influence.

So what I am after is the kind of Europe. [...] we are where we are and we have whole areas where we speak English, whole areas where we speak German, whole areas where we speak French and are French, whole areas where we speak Spanish and are Spanish, whole areas where we speak Portuguese and are Portuguese, whole areas where we speak Italian and are Italian. We have not that history and you cannot impose on it something which people, believe you me, would not take.

So yes, we do work more closely together, and it is astonishing to me that since 1956 [*sic*], when the Treaty of Rome was signed, we have not yet got a Common Market. And that is what people regard as the integration of Europe and that was what really has alerted them that once you get the barriers to trade down there will be a much more powerful economic unit there, much more powerful. That is the real integration of Europe.

But to try to impose a political integration, history is against it. Again, look at what was imposed on Central

Europe, and I do not think you can. Nor do I think it is necessarily a worthy objective.⁸⁷²

So, while the Commission was calling an IGC to study Stages 2 and 3 of the Delors Report, Thatcher confirmed her aversion to the plan, due to her belief in the rule of law exercised in Parliament and to her aversion to a Commission that would represent, in the plan of

the Delors Report, [...] a central body taking more powers away from democratic control. Now ours is the most ancient Parliament in Europe, by far. Its origin is to control the expenditure of the Executive by controlling the supply of money. That is the essence of democratic control, there is no way we would give it up, nor is it necessary to give it up. [...] The irony of West Europe going to more central, non-elected decisions at the same time as East Europe is crying out for democracy is too absurd for words.⁸⁷³

But Chancellor Kohl was gaining more and more consent, and with elections in East Germany due in March, Thatcher realised that “events were moving faster than ever”.⁸⁷⁴ She then declared that, considering the elections would lead to the unification of Germany,

[i]t is absolutely vital that there be a transition stage between that decision in principle and sorting out the full implications for NATO, for the Helsinki accords and for Berlin so that the unification of Germany does not come about at the expense of security and stability in central Europe.⁸⁷⁵

⁸⁷² *ibid.*

⁸⁷³ *ibid.*

⁸⁷⁴ Charles D. POWELL, *Letter to Foreign Secretary Hurd's Private Secretary*, 31 January 1990, PREM19/2998 f221.

⁸⁷⁵ Margaret THATCHER, *House of Commons PQs*, 8 February 1990, Hansard HC [166/1005-10].

Following a conversation between Thatcher's Private Secretary Charles Powell and his German counterpart Horst Telschik, Chancellor Kohl's Foreign and Security Policy Advisor,

She belongs to a different generation and is still marked by the time when there was a "cultural gap" between Great Britain and Germany. She feels uneasy at the thought of a big strong Germany.

For her, the consequences of the unification of Germany are therefore decisive. She wants the Soviet Union to be included. Powell describes the relations between Thatcher and Gorbachev as being of such a special sort. Therefore she desires a conference of the Four Powers with the participation of both German states. With this four-plus-two-dialogue, German unity should be embedded in the new European order.

Especially important for her are the effects on NATO, which would no longer have significance without Germany. The financial consequences for the EC also cause her concern. She advocates a CSCE summit, though it should not become a substitute peace conference. Semi-officially, Powell reports, the Soviet leadership has sounded her out about the neutralisation of a united Germany, but she decidedly rejects this. A conversation with the Federal Chancellor is desirable. She hates telephone conversations.⁸⁷⁶

From his part, President Delors did not stop making declarations on the feasibility of German reunification within a reinforced Community scenario – and launched the case for political union with a speech to the European Parliament which tuned perfectly with German sentiments and not at all with British ones:

The Community must speed up the pace of European integration if it is to remain a focal point, a rock of

⁸⁷⁶ Horst TELTSCHIK, *Diary*, 9 February 1990, TFA 111030.

stability, for the rest of the continent. This is not a role they have inherited from history but one they have earned by constant effort and resolve as the pioneers of European integration. Strengthening the Community means pressing ahead with implementing the Single Act.

But this alone is no longer enough. The pace of change is gathering momentum and we must try to keep up. Only a strong, self-confident Community, a Community which is united and determined, can truly hope to control that process. We need to progress on two fronts: Economic and Monetary Union and political cooperation.

[...] The Commission should be turned into a proper executive answerable for its actions. [...] The executive would, of course, have to be answerable to the democratic institutions of the future federation. And it would be appointed democratically, the other two authorities deciding initially on a mechanism for appointing its President, who should have a genuine power to influence the choice of the other members.

[...] To deal with the democratic deficit, Parliament would have to be given more powers. However, a better arrangement for democratic control will have to be devised: there must be an acknowledgement that the two reflections of the popular will – the European Parliament and national parliaments – are in partnership.

[...] Subsidiarity must be the watchword underlying any scheme for allocating responsibilities between the Community, the national authorities and the regional authorities. And in the federation of the Twelve – which will be unusual in that the central authority's primary role will be to provide impetus – the principle of subsidiarity will have to act as a constant counterweight to the natural tendency of the centre to accumulate power.⁸⁷⁷

⁸⁷⁷ Jacques DELORS, *The Commission's programme for 1990*. Address by Jacques Delors, President of the Commission, to the European Parliament, 17 January 1990, «Bulletin of the European Communities» 1990, Supplement 1.

Following Stephen Wall, at the time a close collaborator of the FCO Secretary Major, what flamed the suspicion of the British was the notion of the Commission as the executive body, which “smacked of an embryo government, answerable to the EP, with the Council of Ministers relegated to a relatively minor role”, and the national governments in power of doing only those things which had been left to them by Brussels.⁸⁷⁸ Which meant the complete contrary of Thatcher’s conception of the European Community, where member states were supposed to be free to decide to share a part of their sovereignty, and where the primary driver of power was the European Council, representing elected national governments. Again, Delors:

The EEC must go beyond economic and monetary union to equip itself with the tools to enable it to meet its new responsibilities. [...] the unification process will have a positive effect for the European Community. On the economic side, due to the needs of East Germany, there will be a stimulus to demand and growth. [...] On the political level, the community will be strengthened, to the extent that the German authorities respect the commitment assumed and reaffirmed according to which reunification can only take place in the context of a united Europe.

[...] the Community must rise to the heights of the new challenges of these months in order to move towards political union, as the twelve have already undertaken to do in the single act and to face the new international responsibilities. Europe must strengthen its political will and express itself in more solid institutions, in faster decisions and reactions, in a more effective execution capacity. [...] as history accelerates, the Community must accelerate its political and economic integration.⁸⁷⁹

⁸⁷⁸ WALL, *A Stranger in Europe*, 94.

⁸⁷⁹ Jacques DELORS, *Interview for La Repubblica*, 20 February 1990, JD-150, V40-D11.

Obstructionism on the issue of reunification was not an option, and most of the European Council members – coherently with the US expectations – ended to comfort themselves with the conviction that the solution to face a reunified and more powerful Germany would be to contain this new Germany within a new, more powerful European Union, to make it “a European Germany rather than a German Europe”.⁸⁸⁰ On 14 July, the Secretary of State for Industry Nicholas Ridley gave an interview to «The Spectator», saying the unsayable about the Germans – and this, indeed, was the title the journalist Dominic Lawson chose for the publication.⁸⁸¹ Ridley started defining the President of the Bundesbank’s opinion on monetary union

a German racket designed to take over the whole of Europe. It has to be thwarted. This rushed take-over by the Germans on the worst possible basis, with the French behaving like poodles to the Germans, is absolutely intolerable. The deutschmark is always going to be the strongest currency, *because of their habits*. [...] because of the *Germans*. [...] I’m aghast. Seventeen un-elected reject politicians, with no accountability to anybody, who are not responsible for raising taxes, just spending money, who are pandered to by a supine parliament which also is not responsible for raising taxes, already behaving with an arrogance I find breathtaking – the idea that one says ‘OK, we’ll give this lot our sovereignty’ is unacceptable to me. I’m not against giving up sovereignty in principle, but not to this lot. You might just as well give it to Adolf Hitler, frankly. [...] at least *he* was elected.⁸⁸²

⁸⁸⁰ N. Piers LUDLOW, “A naturally supportive environment? The European institutions and German unification”, in Frédéric BOZO, and Marie-Pierre REY, Bernd ROTHER, and N. Piers LUDLOW, *Visions of the End of the Cold War in Europe, 1945-1990*.

⁸⁸¹ Dominic LAWSON, *Saying the unsayable about the Germans*, «The Spectator», 14 July 1990, TFA 111535.

⁸⁸² *ibid.*, italics in the original.

The interview created great embarrassment throughout the Cabinet, and caused the removal of Ridley, whose beliefs were very much in line with those of the Government, as clear in his resignation letter:

I believe that the proposal of the European Commission for economic and monetary union in the Community would be a disaster, both for Great Britain, and for the wider Europe in which I passionately believe. It would be heartless after fifty years of subjugation, for the Community to exclude the nations of Eastern Europe from participating in the European Single Market. The opportunities must be open for the nations of the European free trade area to join. All the nations of Europe should be free to maintain their own political, economic, and national identities, while enjoying the benefits of a free and fair trade.

Great benefit will come to all from the completion of the Single Market free from internal barriers, subsidies, and restrictions, trading openly with the rest of the world. Nothing but harm will come from trying to force them into the straight-jacket of a single currency, with economic policy decided by people who are not accountable to the electors and taxpayers. It would result in economic domination by the country with the strongest currency in the Community.⁸⁸³

Two days later, Gorbachev, visited by Kohl, agreed to a united Germany to be affiliated with NATO. Thatcher congratulated for the

[m]ighty step forward in the interests of Europe and the West as a whole. We must hope the other external aspects of unification can now be dealt with rapidly in the Two plus Four Group so that the whole process can be brought to a successful conclusion by the end of the year.⁸⁸⁴

⁸⁸³ Nicholas RIDLEY, *Resignation letter*, 14 July 1990, TFA 108153.

⁸⁸⁴ Margaret THATCHER, *Letter to Chancellor Kohl*, 17 July 1990, THCR 3/2/291 f35.

Had she changed her mind? Thatcher was forced by the circumstances to accept the reunification of Germany, but she probably maintained all the perplexities she had expressed last March during a seminar on Germany, organised at Chequers “to reach an assessment of what a united Germany would be like [...] and to devise a framework for Europe’s future”:

Like other nations, [the Germans] had certain characteristics, which you could identify from the past and expect to find in the future: their insensitivity to the feelings of others (most noticeable in their behaviour over the Polish border), their obsession with themselves, a strong inclination to self-pity, and a longing to be liked. Some attributes were abiding part of the German character: angst, aggressiveness, assertiveness, bullying, egotism, inferiority complex, sentimentality.

[...] but today’s Germans were very different from their predecessors. [...] our basic perception of Germans related to a period of German history running from Bismarck until 1945. [...] Institutions had changed. Democracy was deeply rooted. There was an innocence of and about the past on the part of the new generation of Germans. We should have no real worries about them.

[...] But the way in which the Germans currently used their elbows and threw their weight about in the European Community suggested that a lot had still not changed. [...] We could not expect a United Germany to think and act exactly the same way as the Federal Republic which we had known. The Germans would not necessarily think more dangerously, but they would think differently. [...] There would be a growing inclination to resurrect the concept of Mittel-Europa, with Germany’s role being that of broker between East and West. [...] it was likely that Germany would indeed dominate Eastern and Central Europe economically. But that did not necessarily equate to subjugation. [...] the pressure for a

German economic presence came as much from the East European themselves as from the Germans.

[...] There was a tendency on the part of the Germans to take credit for unification themselves. In fact the real credit should go to the people of Eastern Europe and to Mr. Gorbachev. They were the ones who created the conditions in which unification could happen.

[...] We wanted Germany to be constrained within a security framework which had the best chance of avoiding a resurgence of German militarism. We wanted a continuing American military presence in Europe as a balance to Germany's power. [...] an accommodation could be found which would enable a united Germany to remain in NATO.

[...] German behaviour in the EC – ‘we pay so we must have our way’ – was seen by some as the harbinger of Germany's economic dominance over Western Europe. How genuine were Germans in saying they wanted a more integrated Europe in parallel with unification [?] Was it just a tactic to reassure others? Or a genuine desire to subsume the latent nationalist drive of a united Germany into something broader? [...] the structure of the EC tended to favour German dominance, particularly in the monetary area.⁸⁸⁵

Although her personal attitude had been more appropriated in a Cold War scenario, Thatcher's personal ideas did not diminish the historical importance of the wider contribution that Britain, led by her, made to one of the most important events of the late twentieth century. Her early vision of Ostpolitik was a fundamental factor in the creation of a Western dialogue with the Eastern bloc that eventually led to an easier dialogue between the US and the USSR and the end of fifty years of East/West opposition.

⁸⁸⁵ *Chequers Seminar on Germany*, Summary Record, 24 March 1990, TFA 111047.

5.3. European unions

In that period there were two issues which, at a European level, bothered Thatcher and which would cause, in some way, the end of her premiership: EMU and German reunification. It was France, in particular, to make it possible, for the Commission in particular, to link the two events. In the end, in fact, although worried about the new situation, once again the French President ‘betrayed’ what he had said to the Prime Minister, and chose “to move ahead faster towards a federal Europe in order to tie down the German giant”.⁸⁸⁶

On 18 April 1990, few days before the Dublin European Council meeting, Mitterrand and Kohl sent a joint statement – which would be more detailed on 6 December – to the European Council, calling for the need to accelerate progress on EMU and transform the political relations among the countries of the Community.⁸⁸⁷ They encouraged an intergovernmental conference on political union in order to strengthen the Community institutions and above all to define and implement a common foreign and security policy (CFSP).

With a very different spirit, preparing for the same summit, Thatcher had requested the Chancellor of the Exchequer, John Major, a strategy “for protecting against rapid progress towards Stages 2 and 3 of EMU and the erosion of national sovereignty, while ensuring that the UK was not excluded from the negotiating process”, on the basis that political union must not affect the powers of national parliaments, nor

⁸⁸⁶ THATCHER, *The Downing Street Years*, 673.

⁸⁸⁷ *Message conjoint de François Mitterrand, Président de la République française, et Helmut Kohl, chancelier de la RFA, adressé à Charles Haughey, Président du Conseil européen sur la nécessité d'accélérer la construction de l'Europe politique*, 18 April 1990, https://www.cvce.eu/obj/message_conjoint_de_francois_mitterrand_et_helmut_kohl_paris_18_avril_1990-fr-89369c53-5d93-4e56-8397-825ca92c86f5.html.

alter the role of the Council as the main decision-making body of the Community.⁸⁸⁸

The Prime Minister still did not take the view that the conditions for the UK's membership of the ERM had yet been met – first of all because inflation was expected to rise in the next months and “it was the Government's own responsibility to get inflation down”.⁸⁸⁹ The Chancellor had agreed with the Prime Minister it was “out of the question” to give a precise date by which the UK would join the ERM, which would leave the UK at the mercy of the markets, but he believed it was important to consider the options for the date to join. The issue was in fact “closely related to the necessary preparations for the IGC”: if, by the time of the Conference, the UK was still outside the ERM, it was unlikely that other member states would place much weight on the UK's views about the future development of European monetary arrangements. On the other hand, if the UK had joined the ERM, other member states would take the view that, since it had at last joined the mechanism, it would in due course drop its objections to further developments and accept moves towards Stages 2 and 3 of EMU.⁸⁹⁰

The other European partners were, indeed, “all determined to agree a Treaty for full EMU”, in contrast to Britain's wish for an evolutionary approach which avoided any Treaty change, and considered the British as unwilling to accept the ultimate goal of EMU.⁸⁹¹ Moreover, the other member states agreeing a separate treaty on EMU and thus creating a

⁸⁸⁸ *No.10 record of conversation between the Prime Minister and the Chancellor of the Exchequer*, 4 April 1990, PREM19/2982 f180.

⁸⁸⁹ *No.10 record of conversation between the Prime Minister and the Chancellor of the Exchequer*, 29 March 1990, PREM19/2982 f180.

⁸⁹⁰ *ibid.*

⁸⁹¹ *The market approach to Economic and Monetary Union*, paper circulated by Lawson at Antibes on 13 October 1989, PREM 19/3741 f353.

‘two-tier Community’ would be risky for investor confidence and divisive in political terms, both within the Conservative Party and at in the country in the run-up to a general election, and would give increased and unwelcome weight to German influence in the Community. The solution suggested by the Chancellor, based on the interdepartmental report asked by the Prime Minister, was to agree a treaty which gave the full definition of EMU and the institutions necessary for its final stage, but allowing an ‘opting in’ mechanism for the provisions of Stage 3, for example on a common monetary policy operated through a central monetary institution and a single currency. This solution needed a new treaty to be agreed but would maximise Britain’s negotiating position and would give possibility to refuse any currency union.

From his side, President Delors did not miss an occasion to celebrate the momentum, and embarked on a journey to the US, he gave several speeches affirming that, in the future of the Community, there was “more than economic and monetary union”. According to the American position, Delors believed that there was the “necessity of designing a new security concept and a new security system”, where the Atlantic Alliance remained the essential security framework, but “adapting its objectives and means to the new pattern of East-West relations”.⁸⁹²

He celebrated the dynamism in Community’s agenda, involving

building a Community roof for German integration, strengthening our links with other European countries, working out the changes in our institutional structure needed to achieve Economic and Monetary Union, and responding to the will expressed among our Member

⁸⁹² John MAJOR, *Minute for the Prime Minister*, 9 April 1990, PREM19/2982 f154.

States to take new steps in European Community integration, which will also imply institutional decisions.⁸⁹³

In accordance with US expectations, Delors insisted on the fact that the Community had acted “a role model for the emerging democracies of Central and Eastern Europe”, demonstrating “the benefits of democracy and market economies”, which the US and the Community itself had constructed and maintained.⁸⁹⁴

Few days later, just before the Dublin Council meeting, on 26 April, President Delors gave a press conference where he invited the Council to seize the moment to “dessiner ce que sera l’Europe de demain [...] avec une dimension politique qui permette de répondre aux aspirations des peuples et de préparer des développements futurs”.⁸⁹⁵ Repeating some arguments that he had used in Washington, he affirmed his belief that it was necessary to combine economic integration with political integration: the realization of the single market was going much more faster than political co-operation, creating problems to the coherence of Community action:

Je crois que la coopération politique doit se donner les finalités et les moyens qui correspondent aux ambitions de la Communauté, si l’on veut avoir plus de cohérence et de cohésion dans l’action Communautaire. [...] la construction ou l’aspiration à une grande Europe ne se fera pas en diluant la Communauté.⁸⁹⁶

⁸⁹³ Jacques DELORS, *Speech to the Trilateral Commission*, 23 April 1990, JD-1002.

⁸⁹⁴ *ibid.*

⁸⁹⁵ Jacques DELORS, *Conférence de presse avant le Conseil*, 26 April 1990, JD-158. “to design what the Europe of tomorrow will be [...] with a political dimension that makes it possible to respond to the aspirations of the peoples and to prepare future developments”.

⁸⁹⁶ *ibid.* “I believe that political cooperation must give itself the aims and the means which correspond to the ambitions of the Community, in order to have more

Eventually, at the end of April 1990, the European Council gave its official blessing to the process of German reunification, expressing “deep satisfaction at developments in Central and Eastern Europe” and applauding “the continuing process of change in these countries” which was bringing Europe ever closer.⁸⁹⁷ Moreover,

The Community warmly welcomes German Unification. [...] the result of a freely expressed wish on the part of the German people will be a positive factor in the development of Europe as a whole and of the Community in particular.⁸⁹⁸

Quoting the words of Kohl’s speech, the Council affirmed the satisfaction that “German unification is taking place under a European roof”, and that this integration, to be carried out without revision of the treaties, would “contribute to faster economic growth in the Community”.⁸⁹⁹ The Presidency conclusions underlined that, in this situation, the continued “dynamic development of the Community” had become “an imperative”, not only because it corresponded to “the direct interests of the twelve Member States” but also because it had become – as the US hoped – a crucial element in guaranteeing “a reliable framework for peace and security in Europe” through a wide range of measures. The approval of the Commission’s Communication “The Development of the Community’s relations with the countries of central and eastern Europe” was agreed, and the planned measures ranged from the agreement on the European Bank for Reconstruction

coherence and cohesion in Community action. [...] the construction or aspiration of a great Europe will not be achieved by diluting the Community”.

⁸⁹⁷ *Dublin European Council, Presidency Conclusions*, 28 April 1990, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

⁸⁹⁸ *ibid.*

⁸⁹⁹ *ibid.*

and Development, to the conclusion of trade and co-operation agreements between the Community and most of those countries, and the encouragement of transfers of private capital and investments, with basic conditions with regard to democratic principles and transition towards a market economy.⁹⁰⁰

The European Council claimed also for “further, decisive steps to be taken towards European unity as envisaged in the Single European Act”.⁹⁰¹ Indeed, in parallel with the process of German unification, the Community would continue its internal and external development, through an Intergovernmental Conference on EMU opening in December 1990, to conclude its work rapidly with the objective of ratification by member states before the end of 1992. Along with it, following the suggestion of Mitterrand and Kohl rather than another proposal the Belgians had circulated, confirmed its commitment to political union, postponing the decision on a second IGC to June but underlining that

a detailed examination will be put in hand forthwith on the need for possible treaty changes with the aim of strengthening the democratic legitimacy of the union, enabling the Community and its Institutions to respond efficiently and effectively to the demands of the new situation, and assuring unity and coherence in the Community’s international action.⁹⁰²

The press conference was the occasion, for the Prime Minister, to retract her position on German reunification, voicing satisfaction for its

⁹⁰⁰ *ibid.* See THE EUROPEAN COMMISSION, *The Development of the Community’s Relations with the Countries of Central and Eastern Europe*. SEC (90) 196 final, 1 February 1990.

⁹⁰¹ *ibid.*

⁹⁰² *ibid.*

incorporation in NATO and the agreement on association agreements between individual East-European countries on a British proposal. Being the main topic, in fact, political union – also over German reunification – the Prime Minister insisted on the “very wide range and variety of views” on what this meant: the term ‘political union’, in her opinion, raised “fears and anxieties among many people, that it would involve a loss of national identity and national institutions”.⁹⁰³

[W]e do not mean giving up our separate Heads of State or our national parliaments or legal systems or our defence through NATO or many other things.

[...] My own view is that this further work will underline the varying views of Community members as we tackle the practical problems. I suggest that what most of us are talking about is ever-closer cooperation and reform to make the Community’s existing institutions more effective and more efficient.

[...] Sovereignty does not come from the Community. The Community has come out of a certain delegation of sovereignty and that is the expression of sovereignty. You can say the Community is an expression of sovereignty but every single new proposal which impinges on sovereignty has to be agreed by not only each representative but by each parliament.⁹⁰⁴

While the other colleagues in the Council were working for an acceleration in the reform of the Community, Thatcher demonstrated – in her words – her loyalty to the idea she had always had. But there was emerging a mismatch between her words and actions which spread the suspicion that either she was incoherent in her attitude, or isolated

⁹⁰³ Margaret THATCHER, *Press Conference after Dublin European Council*, 28 April 1990, TFA 108074.

⁹⁰⁴ *ibid.*

in the Council and forced to accept the others' decisions, but in any case not reliable anymore, as demonstrated by questions like these:

In the past some people have complained that you have been a reluctant passenger on the train towards European and political integration, taking a seat in the last coach. As a result of today's statement saying that the European Council is committed to political union, does that mean that you have now established yourself in the front coach and perhaps even in the driving seat?⁹⁰⁵

If political union is such a vague, airy-fairy, not to say contradictory set of concepts, why did you lend your signature to the statement in the draft conclusions that you reaffirm your commitment to political union?⁹⁰⁶

Are you not the victim of a somewhat sleight of hand in the communique, which has added to the previous Strasbourg formulation about the Monetary Union Conference that there should be an objective of ratifying it by the end of 1992? And then that sleight of hand is redoubled by the words on the Political Union Conference, which says that it should take place in parallel and be ratified in the same time frame?⁹⁰⁷

The Prime Minister mitigated her position on political union, trying to prove that she had no problem with it, since it concerned something that already existed, or something that her colleagues did not want, and demonstrating Britain had "quite a lot of views to put up ourselves" about "making the European institutions work better with a view to closer cooperation":

⁹⁰⁵ John DICKIE, journalist from the «Daily Mail», during the press conference after Dublin European Council, 28 April 1990, TFA 108074.

⁹⁰⁶ John PALMER, journalist from the «Guardian», during the press conference after Dublin European Council, 28 April 1990, TFA 108074.

⁹⁰⁷ David BUCHAN, journalist from the «Financial Times», during the press conference after Dublin European Council, 28 April 1990, TFA 108074.

First, making the institutions work better – I have no difficulty with that, we would have a lot of proposals to put up; and then on political union it referred to having economic and monetary union – well, you cannot define political union by another sort of union; and then on the third part of it, common policy on foreign policy and security – well we already signed a Treaty in the Single Act on cooperation in foreign policy, it commits us to consulting with one another before we go firm upon any particular policy.

[...] I think that I have a good deal on my side when I say that most of them have no more intention of giving up their national identity or surrendering their national sovereignty on these matters than we have.

[...] So I think that the trouble is that there is quite a lot of rhetoric and far too little nitty gritty and I hope the Foreign Ministers will get down to the nitty gritty and come up with something which does improve the European institutions, which does look and see if we need any modification and see if that modification needs a Treaty reform.

[...] They could in fact do a model of political union which could be achieved on the basis of what we have now. [...] It is quite possible they could put up improvements that would not require a treaty amendment. It is also possible they could put other models which would.⁹⁰⁸

Another European Council meeting was set in Dublin on 25-26 June 1990, and the Cabinet prepared the meeting on the position that the UK would not, at Dublin or subsequently, hold out any prospect to be prepared to subscribe to a treaty amendment providing for a common currency or a central bank.⁹⁰⁹

⁹⁰⁸ THATCHER, *Press Conference after Dublin European Council*, 28 April 1990.

⁹⁰⁹ *No.10 record of conversation between the Prime Minister, the Chancellor of the Exchequer, the Foreign Secretary and the Trade and Industry Secretary*, 19 June 1990, PREM 19/2983 f81.

With Stage 1 of EMU coming into effect on 1 July 1990, the European Council was “determined to ensure the continued dynamic development of the Community at a time of great challenge for Europe and the world, agreed to intensify the process of transforming relations as a whole among member states into a European union”.⁹¹⁰ It decided the opening of the IGC on monetary union on 13 December, to determine the final stages of EMU and to be concluded rapidly with a view to ratification of the results by member states before the end of 1992. Once again, the Council renovated its devotion to

The fulfilment of the commitments contained in the Single European Act, fundamental to the process of integration and to the creation of a European union. Economic and monetary union and political union must be built on an area without internal frontiers in which the free movement of persons, goods, services and capital is ensured in accordance with the provisions of the Treaty. Where economic and social cohesion is assured, and where the necessary accompanying policies to the internal market are developed.⁹¹¹

The debate on political union, which origins were traced back to the Solemn Declaration of Stuttgart signed – by Thatcher among others – on 19 June 1983, was felt as needed as

the further dynamic development of the Community had become an imperative not only because it responds to the direct interests of the 12 Member States but also because it has become a crucial element in the progress that is being made in establishing a reliable framework for peace and security in Europe. [...] Political union will need to strengthen in a global and balanced manner the capacity of the Community and its member states to act in the

⁹¹⁰ *Dublin European Council, Presidency Conclusions*, 26 June 1990, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

⁹¹¹ *ibid.*

areas of their common interests. The unity and coherence of its policies and actions should be ensured through strong and democratic institutions.⁹¹²

But the transformation of the Community “from an entity mainly based on economic integration and political cooperation into a union of a political nature”, raised a number of questions which had to be faced in another IGC, this on political union, opening on 14 December, the results of which to be ratified, again, by the end of 1992.⁹¹³ Moreover, considered the Commission fundamental role in that historical moment, the term of office of President Delors was extended for two years.

Reporting about the Council in the House of Commons, the Prime Minister was contested by the Labour MP Neil Kinnock: she was showing “a two-faced performance”, which confused the House of Commons and did not even impress the Europeans, and she had once again signed the communiqué agreeing “to intensify the process [...] of European Union” in economic, monetary and political terms, and to secure “ratification by the end of 1992”.⁹¹⁴ She had then to reveal if “all along she has secretly been in favour of integration on that scale”, or if she had lost any effectiveness in the European arena, where “the influence of Britain is not advanced, and its interests are not served, by her tinpot, tin drum nationalism”.⁹¹⁵ Thatcher replied saying that detailed arguments would be discussed during the intergovernmental conference, and that

⁹¹² *ibid.*

⁹¹³ Ivi, Annex I, “Political union”.

⁹¹⁴ Neil KINNOCK, *Statement to the House of Commons*, 28 June 1990, Hansard HC [175/489-501].

⁹¹⁵ *ibid.*

to economic and monetary union we signed up before we joined, because it was part of the terms agreed in 1972 before we joined the Community, and it was still incorporated in those terms after the Prime Minister at the time, now the noble Lord Callaghan of Cardiff, had completed his renegotiation.

[...] It has been made clear at all times that this House would not accept a single European currency on the Delors plan because that would mean yielding up monetary and fiscal sovereignty; so we would not agree to Delors stage 3, and we have not agreed to stage 2. We were in favour of Delors stage 1, because we were already set on that course before he came out with stages 2 and 3.⁹¹⁶

In the meanwhile, the parallel discussion on EMU went on, and given the reluctance shown by Thatcher at the last European Council meeting, the President of the Bundesbank Otto Pöhl, who Thatcher believed still having considerable reservations about a European single currency, hinted the possibility that EMU could proceed with less than twelve members. It would need an integrated market and a system for fixing exchange rates (two elements already in place) plus co-decision, which could only be found through a European Central Bank (ECB) committed to maintain price stability and a common currency which should not be the ecu already in place. This ECB would be a body independent from political interference – a feature which would facilitate its anti-inflationary policies, as it would not pursue short-term effects – and had to have a monopoly on money creation, which would mean that governments would have to give up sovereignty in that area. As he had explained in a speech in January, monetary union would

⁹¹⁶ Margaret THATCHER, *Statement to the House of Commons*, 28 June 1990, Hansard HC [175/489-501].

require “the legal basis for the necessary responsibilities which now rest with the national authorities to be transferred to Community bodies”.⁹¹⁷

As a prerequisite, permanent convergence in economic policy had to be established through existing instruments and bodies, but

additional binding arrangements would be necessary, making unilateral action more difficult or impossible for member states and which set a minimum of ‘good conduct’ for them, particularly on fiscal policy. This will necessitate the surrender of sovereignty by the individual member states. [...] Only when those responsible in all member states are prepared to concede monetary stability this priority can an economic and monetary union succeed.⁹¹⁸

The ruling EC treaty did not provide for any Community responsibility for monetary policy, which sufficiently explained why “institutional steps towards monetary integration require an amendment to the treaty”, as reaffirmed by Article 102 A, which was added to the ruling EC Treaty the Single European Act in 1986.⁹¹⁹

Pöhl was determined to resist any diluted compromise, which would mean a central bank not able to pursue the right strict policies, “a tiger without teeth”, affecting directly and primarily the Bundesbank, considered that the DM had been the anchor of the EMS, providing the stability standards.⁹²⁰

What the British Government and Pöhl agreed was the need to proceed step-by-step towards Stages 2 and 3, while pressure was coming from France, which “wished both to bind Germany more closely to the

⁹¹⁷ Karl Otto PÖHL, *Speech by the President of Deutsche Bundesbank*, 16 January 1990, PREM19/2982 f324.

⁹¹⁸ *ibid.*

⁹¹⁹ *ibid.*

⁹²⁰ UKE BONN, *Telegram to FCO*, 14 May 1990, PREM19/2983 f361.

Community and to reduce the dominance of the Bundesbank in monetary policy”.⁹²¹ Many countries, like Greece, Portugal, Spain, or Italy, would not be ready for full union in the near future, but “there was a powerful commitment to produce a new treaty quickly, and it would be very damaging if the IGC failed”.⁹²² Moreover, if some countries would resist such a treaty, the alternative was “an agreement which allowed some countries to advance faster than others” or, even worse, a Franco-German agreement – in which Benelux would almost certainly participate – on the model of the EMS to set up their own joint central bank which other Community members could join when and if they wished to.⁹²³

To the Delors plan for EMU, the British had circulated an alternative scheme, the so-called ‘hard-ecu proposal’, which would allow the Community to move beyond Stage 1 in an evolutionary manner. The underlying belief was – as also expressed by the Bundesbank – that

without improved economic ‘convergence’, monetary union simply would not work – indeed it could not work. [...] At present there are still significant disparities in economic performance between the member states. Until that has been corrected, and economic performance converges, a rapid jump to a single currency and a single monetary policy would put an intolerable strain on the Community. The cost for less strong nations would be high, and would be expressed in lost output, lost jobs and a loss of asset values. This would undoubtedly lead to pressure for large budget transfers from richer nations, risking tensions between contributor and recipient nations.

⁹²¹ *Treasury record of conversation between the Chancellor of the Exchequer and the President of the Bundesbank*, 3 July 1990, PREM19/2984 f359.

⁹²² *ibid.*

⁹²³ *ibid.*

Surely this is not the kind of Europe anyone wants. Rather, we want an open Europe: open to trade and investment; and in due course open too to new members from Europe, East and West. [...] That argues powerfully for a gradualist and evolutionary approach.⁹²⁴

Following this scheme, the ecu would develop from a unit of account into a real parallel currency – a proposal which had come up during the 1970s and had always been strongly opposed by the Bundesbank – by issuing ecu bank notes for general circulation, administered by a new institution, a European Monetary Fund (EMF), also responsible for the managing of the ERM. Along the ‘original’ ecu, the British suggested the creation of an ‘hard ecu’, a new international currency in its own right, no longer a basket of the 12 national currencies, which would co-exist beside the existing currencies of the 12 member states and would never be devalued, being always at least as strong as any other community currency. The British proposal would leave a clear division of responsibility between the managing of the ecu, assigned to the EMF, and the national monetary policies, managed by national authorities, although affected by the existence of the hard ecu and the counter-inflationary pressure exercised by the EMF.⁹²⁵ This proposal provided, in British view, the advantage of a flexible route beyond Stage 1 in which all the twelve member states could participate, while the creation of the hard ecu would build in new pressure on European economies to converge on low inflation, while “the Delors route, by contrast, was dependent entirely on political will”.⁹²⁶

⁹²⁴ John MAJOR, *Economic and Monetary Union: the way ahead*, 3 July 1990, PREM19/2984 f364.

⁹²⁵ *ibid.*

⁹²⁶ *Treasury record of conversation between the Chancellor of the Exchequer and the President of the Bundesbank*, 3 July 1990.

As affirmed by the Prime Minister during a debate in the House of Commons a week before, the British proposal was aimed at preserving national sovereignty over monetary policy:

Our proposals would lead to a common currency which people could choose to use more or less as they wished, or they could continue to use their own currency. I do not believe that that formula could develop into a single currency. The Delors formula for a single currency involves a board of 12 bank governors with powers over monetary policy and some powers over budgetary policy. Once we surrendered all our powers over monetary and budgetary policy, we would not have a great deal of sovereignty left, and I do not believe that that would be acceptable to the House.⁹²⁷

The British proposal would be – although informally – rejected by the EcoFin meeting on 19 September in Rome, but it had the time to be interpreted, in a communication circulated by the Commission, as demonstrating that the UK’s position on EMU had evolved positively

by accepting, in its ‘hard ecu’ proposal, the necessity of a Treaty revision, the creation of a common monetary institution and that the ecu could eventually become the single currency in Europe.

[...] but the proposal is not seen as fitting easily into the general conception, based on the Delors Committee recommendations, on which widespread agreement had emerged not only between the other member states, in the Council as well as in the Committee of Central Bank Governors, but also in the European Parliament.⁹²⁸

⁹²⁷ Margaret THATCHER, *Statement to the House of Commons*, 28 June 1990, Hansard HC [175/489-501].

⁹²⁸ THE EUROPEAN COMMISSION, *Economic and Monetary Union*, Communication of the Commission of 21 August 1990, (Luxembourg: Office for Official Publications of the European Communities, 1990).

In this way, the Commissions' communication aimed at "attempting to build a consensus in bridging the several opinions" circulating among the member states, ended in misunderstanding the British proposal and reaffirmed the idea of EMU as "the natural complement of the full realisation of the Single European Act", which, to be fully effective, required "a qualitative institutional jump which will bring the Community considerably nearer to a political union":

Economic union would be founded on the internal market, on closer coordination of economic policies and on the development of common policies. This requires a reinforcement of multilateral surveillance and positive conditionality [i.e., for example, rules concerning budget deficits, multiannual guidelines for economic policy].

[...] the Community will not be able to put the plans of economic and monetary union and political union into effect, to take up these two challenges, internal and external, unless at the same time it reinforces the credibility of the objectives of the Single Act and lays the foundations for the new system of international relations in which history has reserved for it, if it had the will and the means, an important role alongside the other great world powers.⁹²⁹

The Commission wanted, clearly, to seize the moment to link the progress on EMU to the creation of a political union, built around a strong Germany to be locked in the European project, able to become the third pole in the international arena, now that the Cold War had destroyed the bipolar system of the last decades.

Being the Delors Plan the only remained option, the President of the Bundesbank gave a statement on the establishment of EMU, as he considered to be his duty "to draw attention to the consequences

⁹²⁹ *ibid.*

associated with this process, and to point out which conditions must be met if monetary stability is to be assured in future, too”.⁹³⁰ The Bundesbank drew attention on the considerable risks to monetary stability deriving from an early irrevocable fixing of exchange rates and the transfer of monetary policy powers to Community institutions in such a situation in which the German economy was being confronted with substantial transitional problems as a result of the intra-German unification process, developments in Eastern Europe were still unclear in many respects and many countries of Southern Europe had not the adequate criteria to participate in a EMU. Pöhl suggested to press, for the moment, on efforts to achieve greater convergence in the field of anti-inflationary policies throughout the Community, as initiated upon the commencement of Stage 1, with the aim that the same stability record registered in the FRG in the last years must be ensured at Community level in future, also through national financial policies orientated towards effective anti-inflationary and budgetary discipline, as complementary to the future ECB monetary policies.

The establishment of a Monetary Union signifies the irrevocable fixing of exchange rates between the currencies concerned (with the possibility of their consequently giving way to a single currency) under conditions of complete and durably guaranteed freedom of capital movements. At the same time, this implies the necessity of relinquishing autonomous national domestic and external monetary policies, and of transferring the responsibilities for such policies to Community institutions. In this way the participating economies will

⁹³⁰ Karl Otto PÖHL, *Statement by the Deutsche Bundesbank on the establishment of an Economic and Monetary Union in Europe*, 19 September 1990, published by the Deutsche Bundesbank Press Office and received by the Treasury Press Office, PREM19/2984 f213.

be inextricably linked to each other, come what may, in the monetary field.

The implications of this – especially for the value of money – will depend crucially on economic and financial policy and on the behaviour of management and labour in all member states. They will have to satisfy in full the requirements of an Economic and Monetary Union. In the final analysis, a Monetary Union is thus an irrevocable sworn confraternity – “all for one and one for all” – which, if it is to prove durable, requires even closer links in the form of a comprehensive political union.⁹³¹

This point was particularly important, as the President of the Bundesbank linked the overcoming of Stage 1 of Delors Plan to the creation of a political union. Moreover, he gave as a prerequisite that all the member states taking part in the monetary union must previously have participated, without any special arrangements, in the exchange rate mechanism of the EMS for a sufficiently long period. The only thing on which, at this point, Thatcher could agree, was that

the transition to another stage should be made solely dependent on the fulfilment of previously defined economic and economic-policy conditions, rather than on specific timetables. Hence the transition to another stage must not be linked to deadlines fixed in advance.⁹³²

Nonetheless, this was a ‘technical’ opinion, and then there was the political commitment, and the desire of the French to speed up the process in order “to bind Germany more closely to the Community and to reduce the dominance of the Bundesbank in monetary policy”.⁹³³

⁹³¹ *ibid.*

⁹³² *ibid.*

⁹³³ see *Treasury record of conversation between the Chancellor of the Exchequer and the President of the Bundesbank*, 3 July 1990.

For the French the central question was to move to a closer political union in Europe, and EMU was seen as a part of and a condition of closer political union. They feared the UK's approach might not lead to European union at all and had some doubts on whether the UK was committed to 'building Europe'. They were prepared, if the majority supported the European Commission proposal, to a breach with the UK, hoping the British would join the majority at the end of negotiations.⁹³⁴

The British position was, on the other hand, to play a full part in the IGC negotiations, not renouncing to their hard ecu proposal, and trying to secure there was not prior decisions before December. Moreover, following Major the way to avoid Germany to become too strong and too oriented to the East was to give the Eastern Europeans themselves the prospect of joining the Community in due course, a prize which would be at risk if an inner core proceeded to closer union, outpacing some member states. Ultimately, the British position was that

while we had come round in the end on other issues, that would not be true on EMU. If the other States pressed ahead with the Delors prescription, we would not join them.⁹³⁵

The Chancellor of the Exchequer did not agree, though, with the Prime Minister, on UK's membership of the ERM. He was persuaded, on the basis of Treasury's forecast, that Britain should join the mechanism, and that the 'right time' was getting closer, if not for economic but for political reasons.⁹³⁶ Thus, although the Prime

⁹³⁴ *Treasury record of conversation between the Chancellor of the Exchequer and the French Minister of Finance*, 24 September 1990, PREM19/2984 f181.

⁹³⁵ *ibid.*

⁹³⁶ *No.10 briefing for the Prime Minister*, 3 July 1990, PREM19/2984 f367.

Minister's official position was that the conditions had not been met yet, since the April European Council the Treasury had insisted on sending N. 10 a series of prospects containing possible timings for joining the ERM, while Major was circulating this idea.⁹³⁷

In the end, after years of tensions within the Cabinet, Thatcher was persuaded that membership of the ERM would provide a strong signal towards Britain's commitment to EMU, giving them the possibility to participate in the discussion while refusing any commitment to single currency. Sovereignty over currency and national economic and monetary policy represented, for her, the most substantial attributes of national sovereignty. The Prime Minister was convinced by Major to announce the UK's entry in the ERM with effect on October 1990, with a central rate of DM 2.95 and margins of 6%, at the condition of making it clear that there was no prospect of the UK adopting a single currency.⁹³⁸

During the press conference on 5 October, Thatcher declared she had done it "because the policy is right for the economy at present time", considered "the good deal of freeing-up of financial services in Europe and the good deal of freeing-up of competition".⁹³⁹

The decision was well welcomed by the Bank of England, which considered "entry into the ERM as a strong political signal" which would, in turn, provide "a good chance of an outstanding result and

⁹³⁷ *ibid.* See also *Treasury record of conversation between the Chancellor of the Exchequer and the President of the Bundesbank*, 3 July 1990.

⁹³⁸ *No.10 record of conversation between the Prime Minister and the Chancellor of the Exchequer*, 3 October 1990, PREM19/2984 f179.

⁹³⁹ Margaret THATCHER, *Press Conference announcing decision to join the ERM*, 5 October 1990, TFA 108212.

success for the Government”.⁹⁴⁰ Few days later, the European Monetary Committee communicated its warm welcome to the participation of the sterling in the ERM, “which marked a significant advance in economic and monetary integration of the European Community”.⁹⁴¹

On 9 October, also the former Chancellor of the Exchequer and former FCO Secretary Geoffrey Howe, who had been removed from office for his disagreement with the Prime Minister on European issues, expressed his satisfaction for the Government’s decision, underlying his vision of the EMS as framework for discipline,

entirely in line with the central thrust of the Government’s economic policy through the last decade. That is why I so warmly applaud the decision – one which I have long believed would be in the best interest of our nation. The defeat of inflation, the achievement of price stability, remains our central objective. The key instruments remain, as they must, monetary discipline and fiscal prudence. But from now, the exchange rate, always a factor in monetary policy, assumes a more prominent role. It does so, not as a substitute, but as a buttress, for monetary and fiscal policy. [...] The more explicit link within the ERM between the Pound Sterling and the Deutschmark should [not] be seen as some fresh or shameful ‘surrender of British sovereignty to the dominance of the Deutschmark’. Last week’s decision should be seen rather as a firm commitment to share the joint management of a system, which will give to Britain the best prospect of long-term price and exchange rate stability.⁹⁴²

⁹⁴⁰ Robin LEIGH-PEMBERTON, *Letter to the Prime Minister*, 4 October 1990, PREM19/2984 f140.

⁹⁴¹ THE EUROPEAN MONETARY COMMITTEE, *Communiqué*, 6 October 1990, PREM19/2984 f108.

⁹⁴² Geoffrey HOWE, *Speech to the Conservative Small Business Bureau*, 9 October 1990, PREM19/2984 f56.

Invited to set out her views on Europe in the year 2000, Thatcher wrote an article for *Inside the New Europe*, which would be published in 1991 in a book with the same title by Axel Krause, Corporate Affairs Editor of the «International Herald Tribune», which would include contributions on their respective visions of the ‘new Europe’ also from President Mitterrand, Chancellor Kohl, and President Delors.

Thatcher seized the opportunity to give one of her best portraits of her idea of the European Community and of the kind of Europe she would like to see by the end of the millennium. In their essence, her ideas had not changed since Bruges – but were even more noticeably diverse from the direction the Community was taking at the end of 1990.

Europe’s achievements down the ages have been those of proud and independent states, each with its own history and traditions. [...] That is the foundation on which we have to build.

We have the raw material there in the shape of our individual nations, now enlarged by the return to Europe of those Eastern European countries who, for forty years, were cut off by the Iron Curtain. Our task as governments is to ensure successful co-operation among them, so as to enhance the future prosperity and security of our peoples in an intensely competitive world. We shall not achieve that by trying to force them into a straightjacket. We have to preserve the different traditions, the Parliamentary powers and the sense of national pride which have been the source of Europe’s vitality through the centuries.

[...] the best way to build a successful European Community is through willing and active cooperation between independent sovereign states.

Indeed, my vision of Europe is reinforced by what has happened in these last twelve months in Eastern Europe

and by other world events. The revolutions of 1989 in Eastern Europe have shown how strong the feeling of nationhood is. As the people of Eastern Europe detach themselves from the aberration that is communism, they look to their own country as the focus of their loyalty and their sovereignty. So too – quite naturally – do the people of the newly united Germany. They talk of their sovereignty and independence. To take another example: when it came to sending forces to the Gulf, it was not WEU which first responded, it was the independent nations – above all Britain and France – which took rapid and decisive action.

Europe cannot be built successfully by ignoring or suppressing this sense of nationhood, or by trying to treat sovereign nations as no more than regions controlled by a central body in Brussels. There is sometimes talk of trying to achieve federation by stealth. It won't work because it runs against the grain of history.

So my vision is of a Europe where increasingly we speak with a single voice; where we work more closely on the things we can do better together than alone; and where the concept that the Community does those things – but only those things – which cannot better be done by individual nations, is rigorously observed. Europe is stronger when we act in this way, whether it be in trade, in defence or in our relations with the rest of the world. I want Europe to be more united and have a greater sense of common purpose. But it must be on the basis that we work with the grain of history and with the feelings of people. That is the way to achieve results.

That is my first point. My second is that Europe does not consist only of the twelve nations of the existing European Community. The new democracies of Eastern Europe want to join the institutions of Western Europe and we should encourage them. Some are already in the process of entering the Council of Europe, which we very much welcome. I have proposed that the European Community should declare unequivocally that it is ready to accept all the countries of Eastern Europe as members,

provided that democracy has taken root and their economies are capable of sustaining membership.

[...] My third point concerns the economics of Europe. I do not want Europe to be a tight little inward-looking, protectionist group which would induce the rest of the world to form itself into similar blocs. That could all too easily happen: indeed, we are already seeing some signs of it. It will be much better to create an outward-looking Europe, to reduce regulation and remove the constraints on trade, to allow the market to work and adopt policies which encourage enterprise.

The Single Market programme will take us a major step towards that. But there is still a very long way to go before we have genuinely fair competition in the European Community, with the present disparities in subsidies and state aids removed. And we cannot allow the distortions and the damage to world trade caused by the CAP to continue for another decade. The Treaty of Rome was intended as a charter for economic liberty: and it should be our aim to make Europe by the year 2000 a model of what free trade and open markets can achieve – and therefore an example to the rest of the world.

My fourth point is that we should concentrate on the practical measures which appeal, above all, to young people and will bring home to them the benefits of a more united Europe. We should make it easier to move around Europe, whether on business or for pleasure, with a minimum of inconvenience (while maintaining basic checks which are necessary against drugs, crime and terrorism). We should increase exchanges of young people. The best example of what I have in mind is the Channel Tunnel, due to be completed in 1993. By making trade and travel easier, it will bring Britain and the rest of Europe together in a very practical way.

My fifth point is that we should not make the mistake of seeing Europe as the creation or the preserve of the Treaty of Rome. If we really want to unite Europe, we need a wider vision. [...] Our aim should be to create, by

the end of the century, a great area of democracy stretching from the west coast of the United States right across to the Soviet Far East.

That leads me on to my sixth and last point which concerns the defence of Europe. [...] we in Europe shall continue to rely on NATO which have proved its worth. The partnership with the United States will remain just as essential as it has been these last forty years. But we cannot look to the Americans to display the same degree of commitment unless we Europeans take a greater share of defence burdens, not only in Europe but out-of-area as well. That was one reason why it was so important for European countries to respond quickly to the crisis in the Gulf and to send adequate forces to stand alongside the United States and the Arab nations to resist aggression. After all Europe is much more dependent than the United States on oil from the Gulf for its industries and its prosperity: we should be no less stalwart in defending our shared interests. That is the lesson which Europe will have to learn and where our performance will need to improve dramatically over the next decade.

[...] the essence of my vision of Europe in the year 2000 is here. I have not spoken of political or economic or monetary union, or of integration, or of a Federal Europe. They are labels. What matters is the reality: that the countries of our continent should be united by their commitment to democracy, the rule of law and a market economy; that they should remain proud, independent nations within a broad framework of co-operation; that by acting together they should ensure that the influence which our history, our experience and our civilisation have given us ensure that Europe's influence matches that of other great world powers; and that we should always act in close partnership with the great United States.⁹⁴³

⁹⁴³ Margaret THATCHER, *Article for «Inside the New Europe»*, 19 October 1990, TFA 108225.

Thatcher *was* coherent, throughout her career, on her position towards the European Community. The fact is that this attitude was compatible with the project of integration, as intended by all – or the majority of – the member states, until a certain time. After the Single Act, and in particular after the end of the Cold War, Thatcher’s opinion did not change, as long as the conditions of existence of the Community and the directions the Commission wanted to give it were changing very much. The Prime Minister remained coherent in her attitude, but she was not able anymore to make it coexist with what was happening around her and was increasingly resulting in interpreting the events in an accounting way comparing to other.

This was even more clear when, as soon as UK entered the ERM, the Italian Presidency of the Council called, as agreed at Dublin in June, for a special European Council meeting to be held at the end of October, to allow the member states to express their positions before the two IGCs to be opened in mid-December.⁹⁴⁴

In that period, the Prime Minister was concerned with several issues outside Europe, such as Saddam Hussein’s invasion of Kuwait, the GATT negotiations – which risked failing due to the CAP and the EC’s protectionist stance, and the future of USSR, and would have preferred the Council meeting to focus on these matters, “and not dwelling on the Community internal agenda”.⁹⁴⁵

In their bilateral meeting on 20 October, Thatcher made it very clear her position on all the issues the Italians wanted to face during the next

⁹⁴⁴ Giulio ANDREOTTI, *Messaggio dell’On. Presidente Andreotti indirizzato ai suoi Colleghi Capi di Stato e di Governo ed al Presidente Delors per indire un Consiglio Europeo Straordinario per il prossimo 27/28 ottobre a Roma*, 5 September 1990, PREM19/2979 f92 (T206A/90).

⁹⁴⁵ Richard H. T. GOZNEY, Hurd’s Private Secretary, *FCO briefing for the Prime Minister*, 18 October 1990, PREM19/3058 f38.

European Council. She said she had not much time for the term political union which, in practice, was a discussion “about how to make the Community’s institutions work better”. And although the concept of political union was embodied in the pre-amble to the Single European Act, in British view it meant closer cooperation. Moreover, in the preparations for the IGC it was becoming increasingly clear that it could not actually be further progress with EMU until there was a greater convergence of economies, and Britain’s membership of the ERM would contribute to that, but the UK did not accept Stage 2 of the Delors Plan and wanted her alternative proposal to be discussed and considered. There was no way Britain would agree to have a single currency imposed, and she found it “ironic at a time when countries in Eastern Europe were moving towards greater democracy, that many governments in Western Europe seemed ready to hand-over powers to non-elected bodies”.⁹⁴⁶ She did not want a European Central Bank nor additional powers for the European Parliament, and she was not prepared to see the powers of Westminster diminished. Cooperation between independent sovereign nations was a worthier goal than trying to suppress nationhood, and the best way to balance a united Germany was by preserving the traditional nation states of Europe, not to suppress them evolving the Community in a federal body under the thumb of the dominant nation.

Thatcher was resolute in participating in the discussion within the Council, but she was becoming more and more isolated towards her colleagues. And another step in this direction was made by the circulation, on 21 October, of the *Commission Opinion on the proposal for*

⁹⁴⁶ No.10 record of conversation between the Prime Minister Thatcher and the Italian Prime Minister Andreotti, 20 October 1990, PREM19/3058 f17.

amendment of the Treaty establishing the European Economic Community with a view to political union, which defined the main lines of the approach that the Commission would defend at the IGC on political union.

While the events of the recent past had convinced Thatcher that the Community as a body where ‘fully’ sovereign nation state could co-operated had to be preserved, the Commission developed “the awareness of the need to give the Community a genuine political dimension”, broadening its powers and improving its decision-making process, and arguing in favour of concentrating the revision of the Treaty on the integration of new objectives into a single Community”.⁹⁴⁷ This implied the creation of a single institutional structure, not yet definable in its final shape but “leading eventually to a federal-type structure”, to take account of the new challenges of the time and further institutional changes to accommodate a possible enlargement, but preventing “Europe degenerating into a mere free trade area”.⁹⁴⁸

An Opinion judged by the FCO as “not proposing any radical change in the present institutional plans of the Community – although it did contain a lot of other horrors”.⁹⁴⁹ But on 24 October the future Brexiteer British Prime Minister Boris Johnson, then correspondent in Strasbourg, published an article in the «Daily Telegraph» interpreted by the FCO as reporting Delors as saying that the Commission proposals for the IGC on political union (i.e. the Commission Opinion) were intended to pave the way for a Federation of Europe with the

⁹⁴⁷ THE EUROPEAN COMMISSION, *Commission Opinion of the 21 October 1990 on the proposal for amendment of the Treaty establishing the European Economic Community with a view to political union*, attached to President Delors’ Delors letter to FCO Secretary Douglas Hurd, 22 October 1990, FCO30/8835 f170 or TFA 216527.

⁹⁴⁸ *ibid.*

⁹⁴⁹ Richard H. T. GOZNEY, *Letter to No. 10*, 26 October 1990, THCR 5/1/5766 f259.

Commission Executive Government and the Council of Ministers as the Senate”.⁹⁵⁰ Here the article:

In advance of December’s treaty-changing conference on political union, Brussels yesterday unveiled sweeping plans for the acquisition of powers extending into virtually every area of policy.

M. Delors said the plans were intended to pave the way for a Federation of Europe, a superstate with the Brussels Commission as the executive government and the Council as a senate.

[...] Brussels would like to see the Treaty of Rome re-written next December [...] against the principle the EC is an exclusively economic and social organisation.⁹⁵¹

Words that were not present in the Opinion nor pronounced by Delors during his customary press conference before the European Council, which was expected to be difficult, likely leaving Thatcher in the familiar position of isolation.⁹⁵²

Something of Thatcher’s mood came from her annotations on the Carli Report on EMU, presented to the Council by the Italian Presidency to argue that preparation for the IGC were complete and to propose the commitment to start the Stage 2 of EMU on 1 January 1994. “No, No”, very very big and underlined, was Thatcher’s comment on a supposed “broad-ranging consensus” – excepting the UK – on the key aspects of EMU, its objective and the ways and means of achieving it, translated as follows:

⁹⁵⁰ *ibid.*

⁹⁵¹ Boris JOHNSON, “British right of veto faces axe in Delors plan”, «Daily Telegraph», 24 October 1990, attached to GOZNEY, *Letter to No. 10*.

⁹⁵² Jacques DELORS, *Conférence de presse avant le Conseil Européen de Rome des 27 et 28 Octobre 1990*, 28 October 1990, JD-1055.

agreement has been forthcoming on the ultimate aim of economic and monetary union, namely a single currency and a monetary policy based on price stability and conducted by a single monetary authority. Such an approach implies acceptance of a transfer of national sovereignty over monetary policy and acceptance of constraints on fiscal policy.⁹⁵³

Her speaking note for the Council started mentioning the GATT negotiations, which had been excluded from the agenda by the Italian presidency and which had failed, representing bad news for Community's reputation and relation with the US, and the world trade system, the destiny of the open world trade system.

What bothered Thatcher was that this event, which made "the Community look a closed and protectionist institution instead of a champion of great economic freedom", risked picking a quarrel with the US "when they [were] doing more than any of us to defend Western interests in the Gulf – not to speak of the tremendous support which they gave for German reunification". Also, as confirmed by the FCO record of conversation of the European Council meeting, she tried to widen the point of view, reasoning in more 'global' terms.⁹⁵⁴

It is also rather ironic that we should [be] planning to devote most of our agenda to political, economic and monetary union at the very moment when we are demonstrating our inability to take decisions on urgent current business. [...] It is even more ironic that those who are loudest in their protestations about European union are those who are most determined to defend their

⁹⁵³ *Report to the European Council by Mr. Guido Carli, Treasury Minister of the Italian Republic and President-in-office of the Council (Economic and Financial Affairs), 27 October 1990, THCR 5/1/5766 f277.*

⁹⁵⁴ *FCO record of conversation, 27 October 1990, FCO30/8835 f372.*

national interests and put aside the Community and its wider interests in this case.⁹⁵⁵

Germany, France, and Italy were the most fanatical in claiming for further integration, but the GATT round had failed for their intransigence over the CAP, causing troubles to the whole European Community. To fail on an agreed negotiating position on the GATT round would mean

not only to lose all credibility in the eyes of the world, the credibility of our other discussion on political union and EMU will look very threadbare indeed. It's no good taking refuge in the future and in grandiloquent declarations because we lack the will and the sense of responsibility to solve the problems of today.⁹⁵⁶

For what concerned political union, Thatcher repeated that

in Britain's case, we are not prepared to move towards a Federal Europe or one in which Commission becomes a sort of European Cabinet with the Council of Ministers being relegated to the position of a Senate. We intend to maintain our sovereignty, our nationhood and our institutions and to continue to govern ourselves, not to be governed from elsewhere. *We use our sovereignty constructively and in cooperation with the other sovereign nations in the EC, within the wider Europe and within NATO.*⁹⁵⁷

On foreign policy, Britain was willing to improve cooperation, but in respect of own's *national interests*, and intending to continue playing its single role in the world. The UK's proposals for implementing the functioning of the Community were all based on the principle – right the one the other member states wanted to overcome – that

⁹⁵⁵ Margaret THATCHER, *European Council - Speaking note*, 27 October 1990, THCR 5/1/5766 f302, underlined as done by Thatcher in the original.

⁹⁵⁶ *ibid.*

⁹⁵⁷ *ibid.*

sovereignty is and will remain for the individual member states. The Community's powers come only from what the member states grant it by their own sovereign decision. The basic rule should be that member states continue to do everything which can be done better by national governments; and the Community comes into action only when the member states themselves decide that we can be more effective by doing something together.

[...] we believe in the sovereignty of national Parliaments, and see a nation's currency as a crucial expression of its sovereignty, [we] simply cannot commit ourselves to give that sovereignty away. We would never get such a decision through our Parliament, nor would I purpose to abandon the pound sterling.⁹⁵⁸

For the first time since its birth, the European Council produced its conclusion without unanimity: Thatcher had not been able to take advantage in increasing the divisions amongst member states nor to build any alliance over the misgivings on practical aspects of the Delors Plan, as suggested by Powell.⁹⁵⁹ The 11:1 isolation Thatcher had faced during the meeting was not reproduced in the conclusions unless for the specification that “the United Kingdom delegation preferred not to pre-empt the debate in the Intergovernmental Conference” over a number of matters: the extension of the Community's powers, the development of the European Parliament's role in the legislative sphere, the definition of European citizenship, and the objective of a common foreign and security policy.⁹⁶⁰

⁹⁵⁸ *ibid.*

⁹⁵⁹ Charles D. POWELL, *Briefing for the Prime Minister*, 24 October 1990, PREM19/3340 f13.

⁹⁶⁰ *Rome European Council, Presidency Conclusions*, 28 October 1990, <https://www.consilium.europa.eu/en/european-council/conclusions/1992-1975/>.

Otherwise, “at this crucial time for Community integration, the European Council has decided to take a further step towards European unity”:

The European Council confirmed the will progressively to transform the Community into a European Union by developing its political dimension, strengthening its capacity for action and extending its powers* to other supplementary sectors of economic integration which are essential for convergence and social cohesion. European Union will be the culmination of a progressive process agreed by common accord among the member states, it will evolve with due regard being paid to national identities and to the principle of subsidiarity.⁹⁶¹

The other eleven member states agreed on an amendment of the Treaty directed to the creation of an Economic and Monetary Union, organised as an open market system, with the creation of a new, independent monetary institution, exercising full responsibility for monetary policy. The final phase of EMU would provide irrevocably fixed exchange rates and the creation of a single currency, “an expression of its identity and unity” of the Community.⁹⁶² Again without the agreement of the British, and although “further satisfactory and lasting progress towards real and monetary convergence would have to be achieved, Stage 2 of the Delors plan was decided to start on 1 January 1994, after the completion of the single market programme and the ratification of the new Treaty by the national Parliaments.

A further specification recalled:

The United Kingdom is unable to accept the approach set out. But it agrees that the overriding objective of

⁹⁶¹ *ibid.* The (*) refers to a note stating: “On these points the United Kingdom delegation prefers not to pre-empt the debate in the Intergovernmental Conference”.

⁹⁶² *ibid.*

monetary policy should be price stability, that the Community's development should be based on an open market system, that excessive budget deficits should be avoided, and that there should be no monetary financing of deficits nor the assumption of responsibility on the part of the Community or its Member State for one Member State's debts.

The United Kingdom, while ready to move beyond stage one through the creation of a new monetary institution and a common Community currency, believes that decisions on the substance of that move should precede decisions on its timing.⁹⁶³

During her press conference after the Council, Thatcher started with the matters "which were really urgent": questions on the Gulf, the hostages, the GATT Round and Hungary; no mention of any of the *real* issues of the Council.⁹⁶⁴ Then, she came "to the two things which took most of the time which were not the urgent things or the immediate things but they were the two inter-governmental conferences", confirming that the position of the United Kingdom was "basically unchanged, precisely the same as it was before this Council". Given the outcome of the Council, though, she also wanted to needle her colleagues pointing out that "the starting point which is in the communique, with which we do not agree, is one which will depend upon a treaty amendment, a treaty amendment will depend upon unanimity and of course getting the treaty amendment through each and every single Parliament".⁹⁶⁵

She also lamented that

⁹⁶³ *ibid.*

⁹⁶⁴ Margaret THATCHER, *Press Conference after Rome European Council*, 28 October 1990, TFA 108230.

⁹⁶⁵ *ibid.*

as you will have noted on the Uruguay Round where it is urgent we have not been able to reach a decision or unanimity or even majority. On matters which are not urgent and which are in the middle distance there has been a good deal of agreement on rather vague wording.

So on the urgent things on trade we have so far failed, on the non-urgent things it is much easier for some people to come to agreement.⁹⁶⁶

With regards to the goal of single currency, Thatcher said that, given the British idea of monetary sovereignty, it had been a great step to propose a European Monetary Fund and the 'hard ecu', and if it could be possible to have a *common* currency alongside national currencies, the UK would not have a single currency imposed.

I cannot see such a proposition going through the United Kingdom Parliament. I think it would be totally against the feeling of the people. The issue of a currency like sterling and support of it is one of the most powerful expressions of sovereignty which you can possibly have. And you know our view: a common currency, yes; but a single currency by imposition, no, you could not have it by imposition because it would have to be a decision by the United Kingdom to get rid of sterling. I would never put that before the United Kingdom Parliament and if anyone tried to do it I do not think it would get through either Parliament or people.⁹⁶⁷

The Prime Minister was accused to having failed to influence the thinking of *any* other single government on *any* issue and to having put Britain in a minority for the umpteenth summit and defended herself insisting – more than on the considerable differences of view on some

⁹⁶⁶ *ibid.*

⁹⁶⁷ *ibid.*

matters – on her caution over preliminary conditions to be met and a pragmatic step-by-step approach to be implemented.

Thatcher was used to being isolated in the European Council. She was before, at Fontainebleau, when she was fighting for the budget rebate; or in 1985, when France and the FRG had stolen and circulated her paper about the future of Europe. She was isolated almost in every European Council, and upon every topic she was interested in, first of all the reform of the CAP and the budget managing. Now, it was becoming clear, to her party colleagues as much as to the Labour opponents, that in Rome Thatcher had been left *more* isolated than ever before. Among her fellows in the Council there seemed a great determination to press ahead towards Union building on what had been decided – at unanimity – in the last years; and, if necessary, even without British involvement.

5.4. Not another happy ending

It is usual, for a British Government, to call for General Election before the 5 years' legal term. And the Conservative Party, which in 1987 had won the General Election for the third consecutive time, in October 1990 was already preparing the next electoral campaign.

That had been a tough year for Thatcher's Government. Several were the international issues to face, first of all the invasion of Kuwait by Saddam Hussein's Iraqi army of 2 August – which Thatcher had responded immediately. On the other hand, the domestic situation was not easy. As it has been already seen, unemployment, inflation, and interest rates were rising, with almost no growth in the economy for the

whole year, with a low GDP increase. The IRA question was not being solved; on 30 July, the Conservative MP Ian Gow, a close collaborator and friend of Thatcher's, was assassinated with a bomb under his car; the by-election held at Eastbourne to replace him was lost by the Conservatives. There was rising opposition to the so-called Poll Tax, a fixed, flat-rate charge for local services paid by those over the age of 18, aimed at making "everyone aware of the costs as well as the benefits of local services. This should encourage people to take a greater interest in the policies of their local council and in getting value for money".⁹⁶⁸

The Prime Minister had often seemed isolated in the last period, both at a European level and within her government, and the opinion polls reported a stable decline in approval rating for the Conservative Party, with satisfaction with Thatcher's performance to a record low of 20%.⁹⁶⁹ It was necessary that both the electorate and the party understood that she still was a strong Prime Minister, with a strong and united Cabinet – which instead had recently been reshuffled multiple times – able to defend the interest of the nation domestically and internationally, as well as she had revolutioned British society in the last decade.

During the Party Conference at Bournemouth, on 12 October, Thatcher had tried to defend her decade in power with a speech which may represent her political legacy, as it would be the last one at a Party Conference as Prime Minister and Leader of the Tories – and very similar to her eventual last speech to the House of Commons:

⁹⁶⁸ *Conservative General Election Manifesto 1987*,

<http://www.conservativemanifesto.com/1987/1987-conservative-manifesto.shtml>.

⁹⁶⁹ IPSOS, *Voting Intentions in Great Britain 1987-1997*, <https://www.ipsos.com/en-uk/voting-intentions-great-britain-1987-1997> and *Margaret Thatcher* <https://www.ipsos.com/en-uk/margaret-thatcher-1925-2013>.

Our principles: freedom, independence, responsibility, choice – these and the democracy built upon them are Britain’s special legacy to the world.

And everywhere those who love liberty look to Britain. When they speak of parliaments they look to Westminster. When they speak of justice they look to our common law. And when they seek to regenerate their economies, they look to the transformation we British have accomplished.

Principles and resolve: they are what changed Britain a decade ago. They are what the Conservative Party brings to Britain. And they alone can secure her freedom and prosperity in the years ahead.

[...] a decade ago we revived this country by setting out in a new Conservative direction. [...] So we cut taxes, reduced controls, denationalised state industries, widened share ownership. And we put the union bosses in their rightful place – under the control of their own members.

[...] joining the ERM will reinforce our own financial discipline against [inflation]. And it will require industry to remain competitive.

[...] our entry into the ERM has been warmly welcomed by our Community partners. But this Government has no intention of agreeing to the imposition of a single currency. That would be entering a federal Europe through the back-Door. Any such proposal involves a loss of sovereignty which Parliament would not accept. [...] Europe works better when we respect one another’s different national and Parliamentary traditions.

[...] Europe cannot be built by ignoring or suppressing this sense of nationhood, by trying to turn us into regions rather than nations. The way forward lies in willing cooperation between independent sovereign states.

Nor do we see the Europe of the future as a tight little inward-looking protectionist group which would induce the rest of the world to form itself into similar blocs.

We want a Europe which is outward-looking, and open to all the countries of Europe once they are democratic and ready to join.

We do not judge how European you are by how much you want to increase the power of the unelected Commission. Intervention, centralisation and lack of accountability may appeal to socialists. They have no place in our Conservative philosophy.

We shall resist unnecessary regulation and bureaucracy: but when rules have been agreed, our fellow members of the European Community will find that Britain has the best record for implementing them openly and honestly.

[...] we shall never accept the approach of those who want to use the European Community as a means of removing our ability to govern ourselves as an independent nation.

Our Parliament has endured for seven hundred years and has been a beacon of hope to the peoples of Europe in their darkest days. Our aim is to see Europe become the greatest practical expression of political and economic liberty the world over. And we will accept nothing less.⁹⁷⁰

It was not enough, if the Downing Street Press Secretary Bernard Ingham, on 22 October, wrote Thatcher that the impression her speech gave to the press was that she had lost her touch and drive; that the Government had run out of steam and was weary after eleven and a half years; that there was evidence of failure, notably on inflation; and that it had “very little left to offer the country other than more of the

⁹⁷⁰ Margaret THATCHER, *Speech to Conservative Party Conference*, 12 October 1990, TFA 108217.

same”.⁹⁷¹ Several policy units were organised to prepare recovery strategy “to recapture the public imagination with an agenda of innovative and popular policy proposals”.⁹⁷²

Then, there was the Rome European Council, where Thatcher found herself isolated as never before. Reporting to the House of Commons, the Prime Minister initially followed the same scheme as the press conference in Rome, focusing on what she considered the most urgent issues – insisting on how much “the Community’s failure in the GATT negotiation had harmed its reputation” – and complaining her colleagues in the Council had privileged discussion over the coming IGCs, trying to set guidelines in advance, while she wanted those issues to be further discussed in the appropriate forum.⁹⁷³ Having repeated the usual convictions on sovereignty, she claimed about the Community’s difficulty “to take the urgent, detailed decisions than to discuss longer-term concepts”, focusing on magniloquent communiques while “no one should underestimate the extent to which national interests prevail among those who most proclaim their Community credentials”.⁹⁷⁴ Then, once again she repeated her intention to “be part of the further political, economic and monetary development of the European Community”, just like the great majority of the other member states wanted – although, unlike them, she believed in finding “solutions which will enable the Community to go forward as Twelve”.⁹⁷⁵

⁹⁷¹ Bernard INGHAM, *Minute to the Prime Minister*, 22 October 1990, THCR 1/9/18A/14 f31.

⁹⁷² *No. 10 Policy Unit minute to the Prime Minister*, 7 November 1990, THCR 2/6/4/107 f53.

⁹⁷³ Margaret THATCHER, *Statement to the House of Commons*, 30 October 1990, Hansard HC [178/869-92].

⁹⁷⁴ *ibid.*

⁹⁷⁵ *ibid.*

Most importantly, she stated,

while we fully accept our commitments under the treaties and wish to co-operate more closely with other countries in the European Community, we are determined to retain our fundamental ability to govern ourselves through Parliament. I believe that that is the wish of this House.⁹⁷⁶

This opening statement followed the same speaking note prepared for the press conference in Rome and reflected the official position of the Government. Then, though, Labour MPs' attacks triggered the Prime Minister, accused of being isolated and dangerous for the nation:

On the central matter discussed in Rome, is it not clear that last weekend the Prime Minister managed to unite the rest of the European Community against her, to divide her own party and, more importantly, further to weaken the influence that Britain needs in order properly to uphold our national interests in the European Community?

Can the Prime Minister tell us why she was apparently taken by surprise by the proposals put by others in Rome? Does she not recall that in 1985 she whipped and guillotined the Single European Act through the House, in June 1989 at Madrid she formally agreed with other heads of Government to be determined to achieve the progressive realisation of economic and monetary union, and at the Dublin summit this year she agreed to intensify the process of European union in economic, monetary and political terms? Those were all steps which raised comment at the time. Did she not know what she was doing on those occasions, or was she living in cloud cuckoo land?

The Prime Minister says that the Government would not surrender the use of the pound sterling as our currency. [...] On the connection between currency and sovereignty, can the Prime Minister, who abandoned her

⁹⁷⁶ *ibid.*

own Madrid conditions before she put sterling into the exchange rate mechanism, tell the House what will be her conditions now for putting sterling into the narrow banding of the ERM? The Prime Minister could come to a debate and explain all these things from the Dispatch Box if she was willing to do so.

[...] She has no influence at all. When she conducts herself as she does [...] does she not realise that such an attitude makes the Heads of other Governments even less susceptible to listening to the sensible arguments that can be deployed in favour of sovereignty in the Community?

[...] Does the Prime Minister not understand that, with her method of conducting affairs, she is throwing away that sound argument and losing both potential allies and necessary influence? Does she not appreciate that, even now, her tantrum tactics will not stop the process of change or change anything in the process of change? All they do is strand Britain in a European second division without the influence over change that we need, the financial and industrial opportunities that we need and the sovereignty that we need.⁹⁷⁷

Will she bear in mind her humiliating experience when she was forced into the ERM against all her instincts and her declaration in Madrid? [...] Does she not think that she would have a far better chance of getting people to talk about a sensible and cautious approach if, in addressing her colleagues in Europe, she used the moderate language of a 21st-century European and not the intemperate language of a little Englander?⁹⁷⁸

Another fear was that, as reported to being said by an Italian Minister, Thatcher would “squawk and make a noise at the beginning but always come round and give way in the end”, leaving Britain out of

⁹⁷⁷ Neil KINNOCK, Labour MP, *Statement to the House of Commons*, 30 October 1990, Hansard HC [178/869-92].

⁹⁷⁸ Jim SILLARS, Labour MP, *Statement to the House of Commons*, 30 October 1990, Hansard HC [178/869-92].

the discussion and then forcing it to accept conditions imposed by someone else.⁹⁷⁹

These accusations are normal if made by the opposition. The problem was that these feelings were spreading within the Conservative Party, as it would be clear in forty-eight hours thanks to Howe's resignations, which – he wrote in his autobiography – were established by Thatcher's performance in the House on this day.⁹⁸⁰

In answering questions after the statement, in fact, Thatcher strikingly expressed with characteristic pungency her *own* views:

It is our purpose to retain the power and influence of this House, rather than denude it of many of its powers. [...] The Commission wants to extend its powers and competence into health matters, but we said no, we would not agree to that.

[...] economic and monetary union was agreed by the European Community before we went in. It is one of those things that we inherited. It was agreed in 1972. We went into the Community in 1973.

[...] There are some things for which there was majority voting within the Community when we went in, and we accepted that, and for the specific objective of achieving the Single European Act only, there have been more matters. Now there is an attempt to get far more things passed by majority voting. That means that we would have more laws imposed upon us, even if the House was flatly against them. We expect our people to obey the law, mainly because it has gone through all the legislative processes in this House, and we should be very slow to add to any majority competence on the part of the Community.

⁹⁷⁹ Ron LEIGHTON, Labour MP, *Statement to the House of Commons*, 30 October 1990, Hansard HC [178/869-92].

⁹⁸⁰ HOWE, *Conflict of Loyalty*, 644.

[...] on the clear and firm belief that those who dictate fiscal policy to the United Kingdom should be fully and directly answerable to its electors. [...] The Delors report is proposing that those people should be answerable to no one. It is very ironic indeed that, at a time when eastern Europe is striving for greater democracy, the Commission should be striving to extinguish democracy and to put more and more power into its own hands, or into the hands of non-elected bodies.

[...] The European monetary system to which we belong is designed for 12 sovereign states, in co-operation with one another, to come to an exchange rate mechanism. What is being proposed now – economic and monetary union – is the back door to a federal Europe, which we totally and utterly reject. We prefer greater economic and monetary co-operation, which can be achieved by keeping our sovereignty.⁹⁸¹

This did not mean in effect that she would prefer to withdraw from the EEC Treaty of Rome and the Single European Act. She was defending her opinion that she wanted to preserve the Community in the conditions and with the purposes it had when the UK had joined it.

We should like to have the kind of Europe that we believe in and the Europe that we went in to join. [...] we were absolutely assured that we should not be giving up sovereignty. That was the basis upon which we went in.

On 24 May 1971 the Prime Minister Heath said: 'We agreed in particular that the identity of national states should be maintained in the framework of the developing Community. This means, of course, that, though the European Commission has made and will continue to make a valuable contribution, the Council of Ministers should continue to be the forum in which important decisions are taken. [...] It provides a clear assurance [...] that joining the Community does not entail a loss of

⁹⁸¹ THATCHER, *Statement to the House of Commons*, 30 October 1990.

national identity or an erosion of essential national sovereignty'.⁹⁸²

EMU, she claimed, would lead to passing powers away from national parliaments to a non-elected body: that was the version of her European fellows.

But it is not the version that we have accepted. The Single European Act defined economic and monetary union as “Co-operation in Economic and Monetary policy”. That is all you need, in my view.⁹⁸³

Then, though, she ended up expressing her real opinion on Major’s ‘hard ecu’ proposal:

The hard ecu is a proposal that does not require a central bank, which would make it an inflation-proof currency and which could be used if people chose to do so. In my view, it would not become widely used throughout the Community – *[Interruption.]* – possibly most widely used for commercial transactions. Many people would continue to prefer their own currency.⁹⁸⁴

This undermined – in Howe’s opinion – the tightness of the Government’s position; but the Prime Minister, later, conceded that “by choice, if people used it, it could evolve into a single currency”.⁹⁸⁵

Then, the famous statement:

Yes, the Commission wants to increase its powers. Yes, it is a non-elected body and I do not want the Commission to increase its powers at the expense of the House, so of course we differ. The President of the Commission, Mr. Delors, said at a press conference the other day that he wanted the European Parliament to be the democratic

⁹⁸² *ibid.* For Heath’s speech, see the «House of Commons Official Report», 24 May 1971, Vol. 818, c. 32-33.

⁹⁸³ THATCHER, *Statement to the House of Commons*, 30 October 1990.

⁹⁸⁴ *ibid.*

⁹⁸⁵ *ibid.*

body of the Community, he wanted the Commission to be the Executive and he wanted the Council of Ministers to be the Senate. No. No. No.⁹⁸⁶

Delors had said something similar, during the last months.⁹⁸⁷ Thatcher knew he had not pronounced those words in this precise version, which had instead been spread by Boris Johnson's article. She had read and annotated the FCO minute where this was explained.⁹⁸⁸ However, considered the outcome of the Council, she decided to respond to that article, to what the British public opinion was saying and being said about Delors and his vision of Europe. It was a risky move: this speech passage, one of her most famous, triggered the events that would lead to her resignation, in less than one month.

Indeed, the day after, on 1 November 1990, Geoffrey Howe, former Chancellor of the Exchequer, former FCO Secretary, one of Thatcher's closest colleagues for the last sixteen years, and Deputy Prime Minister, resigned. He did so in the acknowledgment of "the growing difference which has emerged between us on the increasingly important issue of Britain's role in Europe".⁹⁸⁹ Howe's resignation letter criticized Thatcher's attitude towards EMU, underlining her eleven-to-one isolation and the risks her intransigence in the European arena would bring to Britain as a nation:

⁹⁸⁶ *ibid.*

⁹⁸⁷ see Jacques DELORS, *Address to the European Parliament, "The Commission's programme for 1990"*, 17 January 1990, «Bulletin of the European Communities» 1990, Supplement 1.

⁹⁸⁸ see Richard H. T. GOZNEY, Hurd's Private Secretary, *Letter to No. 10*, 26 October 1990, THCR 5/1/5766 f259 and the attached article Boris JOHNSON, "British right of veto faces axe in Delors plan".

⁹⁸⁹ Geoffrey HOWE, *Resignation letter*, 1 November 1990, TFA 108236.

Like you, I have fought too many European battles in a minority of one, to harbour any illusions on that score.

Our conduct of policy on the crucial monetary issue in Europe – first on ERM and now on EMU – has given me increasing grounds for concern.

[...] Now that we are finally inside the ERM, we have a great opportunity at last to shape Europe's monetary arrangements in the years ahead. We can only do that by being and staying firmly on the inside track.

We must be at the centre of the European partnership, playing the sort of leading and constructive role which commands respect. We need to be able to persuade friends as well as challenge opponents, and to win arguments before positions become entrenched.

The risks of being left behind on EMU are severe. All too much of our energy during the last decade has been devoted to correcting the consequences of our late start in Europe.

It would be a tragedy, not just for our financial institutions and our industrial strength, but also for the aspirations of a younger generation, if we were to risk making the same mistake again, by trying to draw an arbitrary line under our engagement in the European process.

I am deeply anxious that the mood you have struck – most notably in Rome last weekend and in the House of Commons this Tuesday – will make it more difficult for Britain to hold and retain a position of influence in this vital debate.

Of course, there are still huge questions to be considered and resolved in this discussion. None of us wants the imposition of a single currency, but more than one form of EMU is possible. The important thing is not to rule in or out any one particular solution absolutely. We should be in the business, not of isolating ourselves unduly, but

of offering positive alternatives that can enable us to be seriously engaged.

Cabinet government is all about trying to persuade one another from within. So too, within the unique partnership of nations that is making the European Community. Plain speaking certainly – but matched always by mutual respect and restraint in pursuit of a common cause.

The need to find and maintain common ground on the European issue within our own party will be crucial to our electoral success and the future of the nation. In all honesty I now find myself unable to share your view of the right approach to this question.⁹⁹⁰

In his letter, Howe underlined a vital issue: the European matter was becoming more and more important as a political issue in Britain, and disagreement within the Conservative Party would undermine the next General Elections' result. As well as Thatcher was seen as no longer able to persuade her European fellows, the same was applicable within the domestic Cabinet.

The reaction of the press was brutal, talking about a dangerous crisis of the government, which would be in shocked disarray.⁹⁹¹ Thatcher was perceived as no longer reliable and assertive, and this paved the way to the definitive crisis of her leadership.

On 7 November, a hard Debate on the Address waited the Prime Minister in the House of Commons, where she was often interrupted by the Opposition and repeatedly invited to leave her bench:

If there is such a degree of unanimity, why did the deputy Prime Minister resign? When the former Chancellor of the Exchequer resigned, the Prime Minister said on the

⁹⁹⁰ *ibid.*

⁹⁹¹ *No. 10 press digest*, 2 November 1990, THCR 3/5/104 f11.

Walden programme that she did not know why. Does she know why the deputy Prime Minister resigned, and will she tell us?⁹⁹²

Once again, Thatcher repeated her position:

We want Britain to be part of a successful, prosperous and free-trading European Community. We want to work closely with our European friends: all our instincts and our history lead us that way. We want the European Community to be strengthened by being open to all the countries of Europe, including those of eastern Europe as they embrace democracy and as their economies become strong enough.

However, we also want to preserve our national currency and the sovereignty of this House of Commons. That, I believe, is what Britain's interests require and what the people of Britain want. It is by setting out clearly what we believe in that we stand up for Britain's interests – as this Government have done over our budget contribution, over agricultural surpluses, over the single market and, most recently, over the GATT negotiations. [...] Had we behaved as France and Germany did, we would have been accused of being non-communautaire. We cannot secure that sort of Europe that we want through a policy of always going along with what others propose simply for fear of being left out. Nor can it be secured by the contortions and convolutions of the Opposition. The truth is that they know that our policy is right, but they dare not say so.⁹⁹³

This conviction of being right, and her strong belief in what she said and fought for, had always been one of Thatcher's winning features. She distinguished – her nickname confirmed so – as a strong-will politician, with a fighting stance, ready to defend what she was sure

⁹⁹² John REID, Labour MP, *Debate on the Address*, 7 November 1990, Hansard HC [180/22-34].

⁹⁹³ Margaret THATCHER, *Debate on the Address*, 7 November 1990, Hansard HC [180/22-34].

being the right thing. After eleven years in office as Prime Minister, this characteristic, and the related incapability to make compromises, was chosen as her weak point by her own party.

On 13 November, Howe gave his resignation speech to the House of Commons, centred on the European issue. It began with the recall to the disagreement which existed, for the last five years, with the Prime Minister over UK membership of the ERM which he had always considered, as Thatcher had acknowledged just two weeks earlier, “extra discipline for keeping down inflation”:

[A]s we moved on to consider the crucial monetary issues in the European context that I came to feel increasing concern. [...] I concluded at least five years ago that the conduct of our policy against inflation could no longer rest solely on attempts to measure and control the domestic money supply. We had no doubt that we should be helped in that battle, and, indeed, in other respects, by joining the exchange rate mechanism of the European monetary system. There was, or should have been, nothing novel about joining the ERM; it has been a long-standing commitment. For a quarter of a century after the second world war, we found that the very similar Bretton Woods regime did serve as a useful discipline. Now, as my right hon. Friend the Prime Minister acknowledged two weeks ago, our entry into the ERM can be seen as an ‘extra discipline for keeping down inflation’.⁹⁹⁴

Using the same arguments advanced by the Opposition during the House of Commons’ debate on 30 October, Howe was accusing Thatcher of having damaged the country with her firm denial to entry in the mechanism, while he and Lawson – who resigned one year before because of this disagreement – had tried to convince her for the better:

⁹⁹⁴ Geoffrey HOWE, *Resignation speech*, attached to Bernard Ingham’s *Note to the Prime Minister*, 13 November 1990, THCR 1/9/18A/15 f4.

However, it must be said that that practical conclusion has been achieved only at the cost of substantial damage to her Administration and, more serious still, to its inflation achievements.

[...] Indeed, the so-called Madrid conditions came into existence only after the then Chancellor and I, as Foreign Secretary, made it clear that we could not continue in office unless a specific commitment to join the ERM was made. As the House will no doubt have observed, neither member of that particular partnership now remains in office. [...] It is now, alas, impossible to resist the conclusion that today's higher rates of inflation could well have been avoided had the question of ERM membership been properly considered and resolved at a much earlier stage.⁹⁹⁵

The resigning Deputy Prime Minister feared that Thatcher's intransigence would damage Britain again, leaving the country isolated in the Council and excluded from the decisions over EMU – which it eventually agreed when it would be late, as she increasingly risked “leading herself and others astray in matters of substance as well as of style”:

There are, I fear, developing grounds for similar anxiety over the handling – not just at and after the Rome summit – of the wider, much more open question of economic and monetary union.

[...] I do not regard the Delors report as some kind of sacred text that has to be accepted, or even rejected, on the nod. But it is an important working document. As I have often made plain, it is seriously deficient in significant respects. I do not regard the Italian presidency's management of the Rome summit as a model of its kind – far from it. It was much the same, as my right

⁹⁹⁵ *ibid.*

hon. Friend the Prime Minister will recall, in Milan some five years ago.

I do not regard it as in any sense wrong for Britain to make criticisms of that kind plainly and courteously, nor in any sense wrong for us to do so, if necessary, alone. As I have already made clear, I have, like the Prime Minister and other right hon. Friends, fought too many European battles in a minority of one to have any illusions on that score.

But it is crucially important that we should conduct those arguments upon the basis of a clear understanding of the true relationship between this country, the Community and our Community partners. And it is here, I fear, that my right hon. Friend the Prime Minister increasingly risks leading herself and others astray in matters of substance as well as of style.⁹⁹⁶

Thatcher was accused of being, with her attitude, cutting herself out from the realities of power, and so diminishing her control over the country's destiny, repeating the experience of the 1950s and 1970s, when the other countries were founding a Community where Britain was admitted fifteen years later, and having to work hard to earn the right to a word:

It was the late Lord Stockton, formerly Harold Macmillan, who first put the central point clearly. As long ago as 1962, he argued that we had to place and keep ourselves within the EC. He saw it as essential then, as it is today, not to cut ourselves off from the realities of power; not to retreat into a ghetto of sentimentality about our past and so diminish our own control over our own destiny in the future.

The pity is that the Macmillan view had not been perceived more clearly a decade before in the 1950s. It would have spared us so many of the struggles of the last

⁹⁹⁶ *ibid.*

20 years had we been in the Community from the outset; had we been ready, in the much too simple phrase, to 'surrender some sovereignty' at a much earlier stage. If we had been in from the start, as almost everybody now acknowledges, we should have had more, not less, influence over the Europe in which we live today. We should never forget the lesson of that isolation, of being on the outside looking in, for the conduct of today's affairs.

We have done best when we have seen the Community not as a static entity to be resisted and contained, but as an active process which we can shape, often decisively, provided that we allow ourselves to be fully engaged in it, with confidence, with enthusiasm and in good faith. We must at all costs avoid presenting ourselves yet again with an over-simplified choice, a false antithesis, a bogus dilemma, between one alternative, starkly labelled 'co-operation between independent sovereign states' and a second, equally crudely labelled alternative, 'centralised, federal super-state', as if there were no middle way in between.

We commit a serious error if we think always in terms of 'surrendering' sovereignty and seek to stand pat for all time on a given deal—by proclaiming, as my right hon. Friend the Prime Minister did two weeks ago, that we have 'surrendered enough'.

The European enterprise is not and should not be seen like that – as some kind of zero-sum game. Sir Winston Churchill put it much more positively 40 years ago, when he said: 'It is also possible and not less agreeable to regard this sacrifice or merger of national sovereignty as the gradual assumption by all the nations concerned of that larger sovereignty which can alone protect their diverse and distinctive customs and characteristics and their national traditions'.

I have to say that I find Winston Churchill's perception a good deal more convincing, and more encouraging for the interests of our nation, than the nightmare image

sometimes conjured up by my right hon. Friend, who seems sometimes to look out upon a continent that is positively teeming with ill-intentioned people, scheming, in her words, to 'extinguish democracy', to 'dissolve our national identities' and to lead us 'through the back-door into a federal Europe'.

[...] These concerns are especially important as we approach the crucial topic of economic and monetary union. We must be positively and centrally involved in this debate and not fearfully and negatively detached. The costs of disengagement here could be very serious indeed. There is talk, of course, of a single currency for Europe. I agree that there are many difficulties about the concept—both economic and political. Of course, as I said in my letter of resignation, none of us wants the imposition of a single currency. But that is not the real risk. The 11 others cannot impose their solution on the 12th country against its will, but they can go ahead without us. The risk is not imposition but isolation. The real threat is that of leaving ourselves with no say in the monetary arrangements that the rest of Europe chooses for itself, with Britain once again scrambling to join the club later, after the rules have been set and after the power has been distributed by others to our disadvantage. That would be the worst possible outcome.⁹⁹⁷

The Prime Minister was also accused, beyond of being isolated because of her personal, intransigent attitude, of having ruined her own Government alternative proposal of 'hard ecu':

It is to avoid just that outcome and to find a compromise both acceptable in the Government and sellable in Europe that my right hon. Friend the Chancellor has put forward his hard ecu proposal. This lays careful emphasis on the possibility that the hard ecu as a common currency could, given time, evolve into a single currency. I have of course supported the hard ecu plan. But after Rome, and after the comments of my right hon. Friend the Prime

⁹⁹⁷ *ibid.*

Minister two weeks ago, there is grave danger that the hard ecu proposal is becoming untenable, because two things have happened. The first is that my right hon. Friend the Prime Minister has appeared to rule out from the start any compromise at any stage on any of the basic components that all the 11 other countries believe to be a part of EMU—a single currency or a permanently fixed exchange rate, a central bank or common monetary policy. Asked whether we would veto any arrangement that jeopardised the pound sterling, my right hon. Friend replied simply, “Yes.” That statement means not that we can block EMU but that they can go ahead without us. Is that a position that is likely to ensure, as I put it in my resignation letter, that “we hold, and retain, a position of influence in this vital debate”?

I fear not. Rather, to do so, we must, as I said, take care not to rule in or rule out any one solution absolutely. We must be seen to be part of the same negotiation.

The second thing that happened was, I fear, even more disturbing. Reporting to this House, my right hon. Friend almost casually remarked that she did not think that many people would want to use the hard ecu anyway – even as a common currency, let alone as a single one. It was remarkable – indeed, it was tragic – to hear my right hon. Friend dismissing, with such personalised incredulity, the very idea that the hard ecu proposal might find growing favour among the peoples of Europe, just as it was extraordinary to hear her assert that the whole idea of EMU might be open for consideration only by future generations. Those future generations are with us today. How on earth are the Chancellor and the Governor of the Bank of England, commending the hard ecu as they strive to, to be taken as serious participants in the debate against that kind of background noise? I believe that both the Chancellor and the Governor are cricketing enthusiasts, so I hope that there is no monopoly of cricketing metaphors. It is rather like sending your opening batsmen to the crease only for them to find, the moment the first balls are bowled, that their bats have been broken before the game by the team captain.

The point was perhaps more sharply put by a British businessman, trading in Brussels and elsewhere, who wrote to me last week, stating: ‘People throughout Europe see our Prime Minister’s finger-wagging and hear her passionate, No, No, No’, much more clearly than the content of the carefully worded formal texts’. He went on: ‘It is too easy for them to believe that we all share her attitudes; for why else has she been our Prime Minister for so long?’ My correspondent concluded: ‘This is a desperately serious situation for our country’. And sadly, I have to agree.⁹⁹⁸

Again, he underlined that Thatcher’s attitude towards Europe was endangering Britain’s future, as if she were incapable of controlling her impulsive self:

The tragedy is – and it is for me personally, for my party, for our whole people and for my right hon. Friend herself, a very real tragedy – that the Prime Minister’s perceived attitude towards Europe is running increasingly serious risks for the future of our nation. It risks minimising our influence and maximising our chances of being once again shut out. We have paid heavily in the past for late starts and squandered opportunities in Europe. We dare not let that happen again. If we detach ourselves completely, as a party or a nation, from the middle ground of Europe, the effects will be incalculable and very hard ever to correct.

In my letter of resignation, which I tendered with the utmost sadness and dismay, I said: “Cabinet Government is all about trying to persuade one another from within”. That was my commitment to Government by persuasion – persuading colleagues and the nation. I have tried to do that as Foreign Secretary and since, but I realise now that the task has become futile: trying to stretch the meaning of words beyond what was credible, and trying to pretend that there was a common policy when every step forward

⁹⁹⁸ *ibid.*

risked being subverted by some casual comment or impulsive answer.⁹⁹⁹

In the conclusion of his speech, Howe displayed how much the Conservative Party and the Cabinet was split, and invited the other backbenchers to consider their responsibilities:

The conflict of loyalty, of loyalty to my right hon. Friend the Prime Minister – and, after all, in two decades together that instinct of loyalty is still very real – and of loyalty to what I perceive to be the true interests of the nation, has become all too great. I no longer believe it possible to resolve that conflict from within this Government. That is why I have resigned. In doing so, I have done what I believe to be right for my party and my country. The time has come for others to consider their own response to the tragic conflict of loyalties with which I have myself wrestled for perhaps too long.¹⁰⁰⁰

Howe was sure that the Tories needed a change of leadership:

The poll-tax, her mounting unpopularity on the doorstep, personal dismay at her whole ‘style of government’: all these came ahead of concern about her attitudes towards Europe. They combined to strengthen the belief that Margaret was becoming unelectable.¹⁰⁰¹

The day after, Michael Heseltine announced his candidature to challenge Thatcher for the Party leadership. Thatcher had won every contest she had participate in since 1979, including the challenge posed, a year before, by Anthony Meyer, who was discarded with 33 votes.

Now, the situation was very different. The ballot took place on 20 November and the winner needed to satisfy two targets: the majority of the 372 voting MPs, that is 187 votes, and a 15% margin over the other

⁹⁹⁹ *ibid.*

¹⁰⁰⁰ *ibid.*

¹⁰⁰¹ HOWE, *Conflict of Loyalty*, 670.

candidate, that is 56. Thatcher knew the result of the first ballot from Paris, where she was participating in a Conference on Security and Co-operation in Europe summit which she considered fundamental to mark “the formal – though sadly not the actual – beginning of that new era which was termed by President Bush a ‘new world order’. In Paris far-reaching decisions were taken to shape the post-Cold War Europe which had emerged from the peaceful defeat of communism”.¹⁰⁰²

In the first ballot, Thatcher had failed for four votes an outright win, obtaining 204 votes against Heseltine’s 152, with 16 abstentions. She had won, but she had lost 45% of Tories MPs’ support. Howe then asked rhetorically:

What prospect now of being able to regroup the party with any chance of electoral success under Margaret Thatcher’s increasing beleaguered leadership? If even within the parliamentary party her ‘electability’ had diminished so far, what were the chances of it prevailing with the general electorate?¹⁰⁰³

In the immediate afterwards of the ballot, Thatcher had confirmed live on TV her intention to go forward for the second turn, having got “more than half the Parliamentary Party and disappointed that it is not quite enough to win”.¹⁰⁰⁴ In her memoirs, Thatcher reflected:

Though I had never been defeated in a general election, retained the support of the Party in the country, and had just won the support of the majority of the Party in Parliament [...] even my strongest supporters doubted I could win, and others believed that even if I succeeded in that, I would be unable to unite the Party afterwards for the general election. And hanging over all this was the

¹⁰⁰² THATCHER, *The Downing Street Years*, 715.

¹⁰⁰³ HOWE, *Conflict of Loyalty*, 671.

¹⁰⁰⁴ Margaret THATCHER, *Remarks outside the Paris Embassy*, BBC Television Archive, TFA 108251.

dread much-invoked spectre of humiliation if I were to fight and lose.

[...] I could, of course, have concentrated my efforts for the second ballot on winning over the backbenchers directly. Perhaps I should have done. But the earlier meetings had persuaded me that it was essential to mobilise Cabinet Ministers not just to give formal support, but also to go out and persuade junior Ministers and backbenchers to back me. In asking for their support, however, I was also putting myself at their mercy.¹⁰⁰⁵

In fact, all the Cabinet Ministers who came to visit her were of the opinion that, although they supported her policies, she could not win, and that it was better for the party, to come back unite, that she stood down and allow someone with a better chance – for example, John Major. Thus, Thatcher concluded:

I had lost the Cabinet's support. I could not even muster a credible campaign team. It was the end. I was sick at heart. I could have resisted the opposition of opponents and potential rivals and even respected them for it; but what grieved me was the desertion of those I had always considered friends and allies and the weasel words whereby they had transmuted their betrayal into frank advice and concern for my fate.¹⁰⁰⁶

On 22 November, she announced her intention to resign. First, to her Cabinet, saying she had concluded that the unity of the party and the prospects of victory in a general election would be better served if she stood down to enable the Tories to choose their new leader.¹⁰⁰⁷ As she put it,

¹⁰⁰⁵ THATCHER, *The Downing Street Years*, 716.

¹⁰⁰⁶ *Ivi*, 721.

¹⁰⁰⁷ Margaret THATCHER, *Resignation statement*, 22 November 1990, PREM19/3213 f212.

Party unity was vital. [...] Now that I had announced my departure, however, I would again enjoy the united support of the Tory Party. Now it would be roses, roses, all the way. And since this would be my last major parliamentary performance as Prime Minister, I determined to defend the achievements of the last eleven years in the same spirit as I had fought for them.¹⁰⁰⁸

The speech Thatcher delivered, on that day, to the House of Commons,

does not read in Hansard as a particularly eloquent one. It is a fighting defence of the Government's record which replies point by point to the Opposition's attack. [...] For me at the moment, however, each sentence was a testimony at the bar of History. It was as if I were speaking for the last time, rather than merely for the last time as Prime Minister.¹⁰⁰⁹

That day, the Labour had challenged the Government calling a vote of no confidence in the House of Commons; in the UK system, if such a vote of no confidence is passed, the incumbent government must resign, or call a general election. Thatcher defended, for the last time, both the present government and the eleven and a half years as Prime Minister, starting with "Britain's standing in the world, [t]hat is deservedly high, not least because of our contribution to ending the cold war and to the spread of democracy through eastern Europe and Soviet Union".¹⁰¹⁰ The Opposition's real reason for calling that motion, she claimed, was the leadership election for the Conservative party. But

The real issue to be decided is how best to build on the achievements of the 1980s, how to carry Conservative

¹⁰⁰⁸ THATCHER, *The Downing Street Years*, 723.

¹⁰⁰⁹ Ivi, 724.

¹⁰¹⁰ Margaret THATCHER, *Statement to the House of Commons*, 22 November 1990, Hansard HC [181/445-53].

policies forward through the 1990s and how to add to three general election victories a fourth, which we shall surely win.

Eleven years ago, we rescued Britain from the parlous state to which socialism had brought it. I remind the House that, under socialism, this country had come to [be] [...] one of the less prosperous countries of Europe. The prognosis for the foreseeable future was 'discouraging'.

Conservative government has changed all that. Once again, Britain stands tall in the councils of Europe and of the world, and our policies have brought unparalleled prosperity to our citizens at home.¹⁰¹¹

Asked why, if things were as good as the Prime Minister was outlining, were her colleagues dumping her, Thatcher explained it was a matter of party unity, preparing to win a fourth general election:

We have been down in the polls before when we have taken difficult decisions. The essence of a good Government is that they are prepared to take difficult decisions to achieve long-term prosperity. That is what we have achieved and why we shall handsomely win the next general election.¹⁰¹²

She went on celebrating her premierships, with a look to the future:

We are no longer the sick man of Europe – our output and investment grew faster during the 1980s than that of any of our major competitors. [...] Britain no longer has an overmanned, inefficient, backward manufacturing sector, but modern, dynamic industries.

Yes, in 1987 and 1988, the economy did expand too fast. There was too much borrowing, and inflation rose. That is why we had to take the tough, unpopular, measures to

¹⁰¹¹ *ibid.*

¹⁰¹² *ibid.*

bring the growth of money supply within target. Inflation has now peaked and will soon be coming down. Inevitably, the economy has slowed, but we firmly expect growth to resume next year. For the fundamentals are right. Our industry is now enterprising. It has been modernised and restructured. In sector after sector, it is our companies which lead the world – in pharmaceuticals, in telecommunications and in aerospace. Our companies have the freedom and talent to succeed – and the will to compete.¹⁰¹³

Ignoring the accusation of having increased inequality and widened the gap between rich and poor, (“One does not create wealth and opportunity that way. One does not create a property-owning democracy that way”), she continued:

Yes, our companies have the freedom and talent to succeed, and the will to compete. And compete we must. Our competitors will not be taking a break. There must be no hankering after soft options and no going back to the disastrous economic policies of Labour Governments. No amount of distance lends enchantment to the lean years of Labour, which gave us the lowest growth rate in Europe, the highest strike record and, for the average family, virtually no increase in take-home pay. Labour’s policies are a vote of no confidence in the ability of British people to manage their own affairs. We have that confidence. Confidence in freedom and confidence in enterprise. That is what divides Conservatives from socialists.

Our stewardship of the public finances has been better than that of any Government for nearly 50 years. It has enabled us to repay debt and cut taxes. The resulting success of the private sector has generated the wealth and revenues which pay for better social services – to double the amount being spent to help the disabled, to give extra

¹⁰¹³ *ibid.*

help to war widows, and vastly to increase spending on the national health service.

[...] That is the record of eleven and a half years of Conservative Government and Conservative principles. All these are grounds for congratulation, not censure.¹⁰¹⁴

Then, time came to speak about Europe – not the reason why she was forced to resign, but the one that triggered the end of her career as Prime Minister. Aware of that, she did not change anything of her attitude towards the European issue, demonstrating coherence – but also, one might say, once her career had gone, her uncompromising disposition: she had nothing to lose, nothing to gain, she was off her game.

Thatcher could have tried to reach a compromise with her Cabinet to keep the power still for a while, but she wanted to resign when *she* had decided it, and in grand style, without ever being defeated – at least formally. Besides, on Europe she really believed she was fighting for what was best for Europe, as demonstrated by the fact that she had never changed her ideas:

During the past 11 years, this Government have had a clear and unwavering vision of the future of Europe and Britain's role in it. It is a vision which stems from our deep-seated attachment to parliamentary democracy and commitment to economic liberty, enterprise, competition and a free market economy. No Government in Europe have fought more resolutely against subsidies, state aids to industry and protectionism; unnecessary regulation and bureaucracy and increasing unaccountable central power at the expense of national Parliaments. No Government have fought more against that in Europe than we have.

¹⁰¹⁴ *ibid.*

We have fought attempts to put new burdens and constraints on industry, such as the social charter which would take away jobs, in particular part-time jobs. For us part of the purpose of the Community is to demolish trade barriers and eliminate unfair subsidies, so that we can all benefit from a great expansion of trade both within Europe and with the outside world.¹⁰¹⁵

She was right in claiming that the UK – with her as Prime Minister – had been a shaping force in the European Community in the last decade. Thatcher had left her mark in Europe as much as in her country. What she had conceded, during the last decade – and which had, in some cases, been used by other members in ways that were not predictable – was to obtain what she thought to be the main goal: the single market, in order to make Britain express its economic potential and to recover the condition of the nation which had chosen her as Prime Minister:

The fact is that Britain has done more to shape the Community over the past 11 years than any other member state. Britain is leading the reform of the common agricultural policy, getting surpluses down, putting a ceiling on agricultural spending.

We have been the driving force towards the single market which, when it is completed, will be the most significant advance in the Community since the treaty of Rome itself.

We have done more than any other Government to resist protectionism, keep Europe's market open to trade with the rest of the world, and make a success of the GATT negotiations.

We have worked for our vision of a Europe which is free and open to the rest of the world, and above all to the countries of eastern Europe as they emerge from the

¹⁰¹⁵ *ibid.*

shadows of socialism. It would not help them if Europe became a tight-knit little club, tied up in regulations and restrictions. They deserve a Europe where there is room for their rediscovered sense of nationhood and a place to decide their own destiny after decades of repression.

With all this, we have never hesitated to stand up for Britain's interests. The people of Britain want a fair deal in Europe, particularly over our budget contribution. We have got back nearly £10 billion which would otherwise have been paid over to the EC under the arrangements negotiated by the Labour party when it was in power.

[...] The point of that kind of Europe with a central bank is no democracy, taking powers away from every single Parliament, and having a single currency, a monetary policy and interest rates which take all political power away from us. [...] a single currency is about the politics of Europe, it is about a federal Europe by the back door.

Not for us the corporatism, socialism and central control. Ours is a larger vision of a Community whose member states co-operate with one another more and more closely to the benefit of all.

Are we then to be censured for standing up for a free and open Britain in a free and open Europe? No. Our policies are in tune with the deepest instincts of the British people. We shall win the censure motion, so we shall not be censured for what is thoroughly right.

Under our leadership, Britain has been just as influential in shaping the wider Europe and the relations between East and West. Ten years ago, the eastern part of Europe lay under totalitarian rule, its people knowing neither rights nor liberties.

Today, we have a Europe in which democracy, the rule of law and basic human rights are spreading ever more widely, where the threat to our security from the overwhelming conventional forces of the Warsaw pact

has been removed: where the Berlin wall has been torn down and the cold war is at an end.

These immense changes did not come about by chance. They have been achieved by strength and resolution in defence, and by a refusal ever to be intimidated. [...] Should we be censured for our strength?¹⁰¹⁶

Remembering that last speech, Thatcher would write:

Such was my defence of the record of the Government which I had headed for eleven and a half years, which I had led to victory in three elections, which had pioneered the new wave of economic freedom that was transforming countries from eastern Europe to Australasia, which had restored Britain's reputation as a force to be reckoned with in the world, and which at the very moment when our historic victory in the Cold War was being ratified at the Paris conference had decided to dispense with my services.

I sat down with the cheers of my colleagues, wets and dries, allies and opponents, stalwarts and fainthearts, ringing in my ears, and began to think of what I would do next.¹⁰¹⁷

Few days later, the second round of the party contest chose John Major, Thatcher's favourite, as leader of the Conservative Party with 185 votes, against Michael Heseltine's 131, and Douglas Hurd's 56. Thatcher said that she was "thrilled", sure that the chancellor "will be a superb leader of this country. I want everyone in the party to rally behind him so that he can go on and win a fourth successive general election".¹⁰¹⁸

¹⁰¹⁶ *ibid.*

¹⁰¹⁷ THATCHER, *The Downing Street Years*, 725.

¹⁰¹⁸ Robin OAKLEY in «The Times», 28 November 1990, TFA 107871.

Leaving Downing Street for the last time on 28 November, Thatcher declared, with the voice breaking a little, that she was “very happy [to] leave the United Kingdom in a very, very much better state than when we came here eleven and a half years ago”.¹⁰¹⁹

Thatcher had been “a natural leader at a time of conflict”, but she did not suit the Tories anymore.¹⁰²⁰ She had been able to become the first female leader of the Conservative Party and the longest-serving British Prime Minister; to persist with unpopular policies throughout the 1980s to revolutionize the UK; to fight for fairer conditions in the European Community and then for its transformation in a single market; to represent her former-empire country in the international arena, standing firmly on the side of the US but facilitating the process which brought down the Cold War.

At the end 1990, Margaret Thatcher had become an obstacle to what was seen as the national interest on the one side, and – most of all – the Conservative Party’s successful future. Yet, Thatcher’s downfall did not represent the defeat for Thatcherism. No one among the Tories suggested that her policies had failed or had to be reversed, nor the New Labour, which would accept and support them in few years. Thatcherism had changed the conception of Left and Right in the West, and made the neoliberal policies perceived as inevitable and irreversible. She had created a new consensus, but “her success had changed the very circumstances that had once made her supporters regard her as uniquely useful”.¹⁰²¹

¹⁰¹⁹ Margaret THATCHER, *Remarks departing Downing Street*, 28 November 1990, TFA 108258.

¹⁰²⁰ VINEN, *Thatcher’s Britain*, 273.

¹⁰²¹ *ibid.*

CONCLUSION: RETHINKING THATCHER AND EUROPE

I considered myself a European idealist, even if my ideals differed somewhat from those expressed with varying degrees of sincerity by other European heads of government.
(Margaret Thatcher, *The Downing Street Years*, 536)

« *Vous connaissez l'Angleterre ? Y est-on aussi fou qu'en France ?* »
« *C'est une autre espèce de folie* ».

(Voltaire, *Candide*, quoted by Geoffrey Howe in a speech to the European Parliament, 8 July 1986, HAEU HW25)

Margaret Thatcher was the longest-serving British Prime Minister of the XX century. She ruled the United Kingdom for 11 years and 208 days, second only to the 20 years and 314 days of Robert Walpole (1721–1742) and the 12 years and 126 days of William Ewart Gladstone (1868–1874, 1880–1885, 1886, and 1892–1894); but those were different times.

During this long period in office, she was able to revolution Britain – for better or worse, that is an opinion. Among the reasons for this revolution was her personal attitude: a combative, opposite stance which gained her the nickname of ‘the Iron Lady’ and proved successful in many contexts and for many years – until representing the reason for her forced resignation in late 1990, the other cause being her attitude towards the process of European integration.

Thatcher was the British Prime Minister who invested the most in terms of European integration, participating in – and on some occasions, leading – the capital changes the European Community underpinned during the whole 1980s. However, as her Private Secretary made it clear, despite the great impact this topic had on her career,

Europe was not Thatcher's priority, busy as she was in implementing those domestic policies which she believed would make Britain 'great' again. Her view on Europe evolved in relation to what was happening in British politics, in continental Europe and in the wider world: her role was being the British Prime Minister, something which she had been voted and elected for, and which she wanted to maintain as long as possible. This does not mean she was not coherent in her attitude towards European integration throughout her career – as this thesis has tried to demonstrate.

Thatcher was born in 1925, and her adolescence was marked by the experience of the Second World War, which would condition her own view of the world, from the concern about the dangers caused by the re-emergence of an over mighty Germany to the conviction that a close relationship with the United States had to one of Britain's absolute priorities, most of all in the context of the Cold War. Nonetheless, she participated in the Conservative Party's support for Britain's membership of the European Communities, campaigning for the 1975 referendum – even wearing a pullover adorned with all the European flags. Re-going through her speeches of the 1960s and 70s, it becomes clear that Thatcher, believing that her country could reshape the EC for the better, wanted Britain to be part of the European Communities to have access to its expanding markets and to regain a world role:

I did not regard the EEC as merely an economic entity: it had a wider strategic purpose. As a zone of democracy, stability and prosperity adjoining Soviet-dominated Eastern Europe, it was both a showcase for the Western way of life and a magnet drawing politicians and peoples away from Communism. Moreover, Western European countries should not be tempted to govern their relations with the Soviet Union and its satellites on economic

grounds alone, but rather with full regard to the effects of technology transfer and cheap credits in oiling the Russian war machine.¹⁰²²

When she arrived at No. 10 Downing Street on 4 May 1979, she had no great experience of foreign policy, which leading tracks she considered: a close attachment to the US; a fervent anti-communism; and support for the EC membership to the extent that it represented an arena where Britain had a role to play to manage its own interests – which obviously involved cooperation with the Member States to develop common goals. As a British Prime Minister, she judged the European Community largely by what it could contribute to her domestic policies, aimed primarily at reforming British economy, and her performance in Europe as something collateral to her primary role as Head of Her Majesty’s Government.

The mainstream narrative showed Thatcher’s scepticism raising in late 1980s due to a process of integration which was delineating, following her, as “a serious possibility of the European Community becoming an interventionist federal state rather than a free trade area encompassing and dependent on nation state”.¹⁰²³ This opinion, which turned so radical in her autobiography, was more nuanced during Thatcher’s last period in office; but the 1988 Bruges speech had been clear in stating her idea of Community. She had been triggered by President Delors’ intervention at the TUC, where he had declared that in ten years, 80% of the Member States’ economic, fiscal, and social legislation would be of Community’s origin.¹⁰²⁴

¹⁰²² THATCHER, *The Path to Power*, 372.

¹⁰²³ Ivi, 287.

¹⁰²⁴ DELORS, *Speech to the European Parliament*, 6 July 1988.

[It] was a turning point for her attitude to Europe. Until then, she was prepared to seek compromises which would enable Britain to join common positions even when she was not really convinced they were in our interests, and that indeed remained the official policy of our own government throughout the period. But in her mind, the Rubicon had been crossed. The pragmatism of her earlier years, this Prime Minister gave way to conviction that any further integration was no longer compatible with our sovereign statehood.¹⁰²⁵

Far from being the 'Euro-sceptic Charter', the Bruges Speech represented the fullest statement of Thatcher's views on Europe and the European Community:

Britain does not dream of some cosy, isolated existence on the fringes of the European Community. Our destiny is in Europe, as part of the Community.

[...] The Community is not an end in itself.

Nor is it an institutional device to be constantly modified according to the dictates of some abstract intellectual concept. Nor must it be ossified by endless regulation.

The European Community is a practical means by which Europe can ensure the future prosperity and security of its people.

[...] I want to see us work more closely on the things we can do better together than alone. Europe is stronger when we do so, whether it be in trade, in defence or in our relations with the rest of the world.

But working more closely together does not require power to be centralised in Brussels or decisions to be taken by an appointed bureaucracy.

¹⁰²⁵ POWELL, *Margaret Thatcher*.

[...] We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level with a European super-state exercising a new dominance from Brussels.

Certainly we want to see Europe more united and with a greater sense of common purpose.

But it must be in a way which preserves the different traditions, parliamentary powers and sense of national pride in one's own country; for these have been the source of Europe's vitality through the centuries.¹⁰²⁶

The path the European Community was taking at the time was in fact totally different from what Thatcher had supported and participated in, during the last decade. Nonetheless, Thatcher's mindset and attitude towards the European project provided for an *economic* Community and lied within a long-dated British tradition of caution about the political implication of European integration, as it can be seen in some key speeches given by Conservative, Liberal and Labour politicians during the previous decades.

The first is the widely quoted Churchill's lecture at the University of Zurich on 19 September 1946, which called for the building of "a kind of United States of Europe", for which "the first step must be a partnership between France and Germany", but also said that "Great Britain, the British Commonwealth of Nations, mighty America – and, I trust, Soviet Russia – must be the friends and sponsors of the new Europe".¹⁰²⁷

¹⁰²⁶ THATCHER, *The Bruges Speech*.

¹⁰²⁷ Winston CHURCHILL, *Landmark Speech*, University of Zurich, 19 October 1946, https://www.cvce.eu/en/obj/address_given_by_winston_churchill_zurich_19_september_1946-en-7dc5a4cc-4453-4c2a-b130-b534b7d76ebd.html.

The reasons – both in economic and political terms – which would lead the Conservatives to actually apply for the EC membership were anticipated in a speech with which, on 14 April 1960, the leader of the Liberal Party Joe Grimond called upon the Conservative government to show its readiness to apply to join the European Community. Namely, they were the EC being “the most rapidly expanding market in the world”, the US’ incentive for “a more unified Europe”, the possibility to exercise a great influence on the Community and to pave the way to “the liberal trading attitudes which are supposed to be held by our own Government”.¹⁰²⁸ But also the awareness that Britain was no more a first-rate world power and that, as Prime Minister Macmillan declared soon, “by joining this vigorous and expanding community and becoming one of its leading members, [...] this country would not only gain a new stature in Europe, but also increase its standing and influence in the councils of the world”.¹⁰²⁹

From the other side of the line-up, Labour leader Hugh Gaitskell, on 3 October 1962, warned the party about the political implications of integration meaning decisions taken in Brussels and “the end of Britain as an independent nation state”, recalling issues that would be later mobilised by Thatcher.¹⁰³⁰ In the end, the market provided by “the countries of the European Community, with their rapidly expanding economies [was] one of the strongest arguments for going in and

¹⁰²⁸ Joe GRIMOND, *Speech to the House of Commons, “United Kingdom and Common Market”*, 14 April 1960, Hansard HC [621 cc1521-43].

¹⁰²⁹ Harold MACMILLAN, *Britain, the Commonwealth and Europe*, 20 September 1962.

¹⁰³⁰ Hugh GAITSKILL, *Britain and the Common Market*, Speech to the Labour Party Conference, London, 3 October 1962, https://www.cvce.eu/content/publication/1999/1/1/05f2996b-000b-4576-8b42-8069033a16f9/publishable_en.pdf.

competing on level terms”,¹⁰³¹ and after more than ten years of debate and negotiation, the United Kingdom joined the European Economic Community under the Conservative government of Edward Heath. Thus, Thatcher’s mindset towards Europe was based on these British traditional arguments and remained coherent throughout her career. Nonetheless, as a politician, and as the representative of just one of the member states, she had to find compromises not only at a Community level, where she had to adapt her expectations to the outcomes of European dynamics, but also within her own Cabinet and with the several ministries. The strong-minded politician, who had earned the nickname ‘Iron Lady’ because of her fierce attitude, had to learn, from the very beginning of her office, the art of pragmatism.

Thatcher’s first significant performance in Europe was the budget rebate of June 1984, which significantly reduced an unfair situation Britain was forced to accept in return for membership in 1972. This success, though, attracted the dislikes of the colleagues in the Council, who accused her of incapability of being a ‘good European’, while “warping Thatcher’s view of the European Community for the rest of her time as Prime Minister”, making her believe that

the European Community was a pretty self-interested, self-centered organization in which it would always be hard for Britain to feel properly at home.

She had really had to fight to get fairness. She had had to raise it at every single meeting of the European Council. She had had to cope with being patronised and confronted by many of her other European colleagues –

¹⁰³¹ Edward HEATH, *Speech to the House of Commons, “European Communities”*, 28 October 1971, HC [823 cc2076-217].

President Giscard, Chancellor Helmut Schmidt – and it really bruised her feelings, as I’m sure she bruised the feelings of other European leaders by her persistence in pursuing it.¹⁰³²

‘Sceptical’ meant not sceptical towards the existence of the European Community, but towards the kind of Community the other leaders were willing to implement, led by the enthusiasm of President Delors. The examination of his papers allowed in fact to highlight how fundamentally and irreducibly different Thatcher’s and Delors’ ideas on Europe were, clearly delineated from the very beginning of their mandates.

Nominated President of the European Commission in January 1985, Delors entered the office for his first time in a period of great Euro-sclerosis, but with the express purpose of representing a big boost for the process of European integration. His awareness about the state of the Community appeared clear since his first interventions, and his will to revive the process of European integration was made soon very explicit in the White Paper “Completing the Internal Market” the Commission sent to the European Council of Milan of 28-29 June 1985.¹⁰³³ The document was prepared with the help of Lord Cockfield, European Commissioner for Internal Market and Services and former Minister of State for Treasury (1979-1982) and Secretary of State for Trade (1982-1983) for Prime Minister Thatcher. It had been Thatcher herself to choose Lord Cockfield as European Commissioner; soon, though, he became more loyal to President Delors and the European

¹⁰³² Charles D. POWELL, Thatcher’s Private Secretary 1983-1990, interviewed by Chris Collins, editor of the Margaret Thatcher Foundation, 12 September 2007, TFA 111049.

¹⁰³³ THE EUROPEAN COMMISSION, *Completing the Internal Market*, White Paper from the Commission to the European Council, Milan, 14 June 1985, COM (85) 310.

integration cause than to her. And Thatcher found herself in the unfortunate position of willing the ends – the creation of a single market within the Community – but being averse to agreeing the means. Indeed, the year before, after that in the European Council in Stuttgart “an ambitious programme was decided, involving a review of almost every aspect of the Community’s activities”, the British delegation had sent the other European leaders a paper, called *Europe – The Future*, where to explain, once the budgetary issue was resolved, their vision about the next years in the Community.¹⁰³⁴

Thatcher’s desire of a determining role in the future of Europe and of an internal market to be completed was coherent with her idea of a European *Economic* Community where to express Britain’s *economic* potential at its best, and with the “instinctive British aversion to new powers being accorded to the EEC institutions at the expense of the House of Commons”.¹⁰³⁵

The Single Act represented the result of the active role Thatcher’s Britain had decided to play in the Community after having solved the budget rebate at the Fontainebleau European Council on 25-26 June 1984. Until the agreement on the Single European Act, Thatcher was indeed able, with alterne fortune and some discourtesies by the other European leaders, to compromise at a European level to agree the necessary compromises “to secure, after twelve years of membership, a European Community that Britain at last could shape in her own national commercial interest”.¹⁰³⁶

¹⁰³⁴ *Europe - The Future*, paper given to European Community Heads of State or Government by the British Prime Minister as a contribution to discussion at the European Council held at Fontainebleau on 25-26 June 1984, PREM19/1229 f38.

¹⁰³⁵ WALL, *The Tiger Unleashed*, 300.

¹⁰³⁶ Ivi, 330.

Securing the implementation of the Single Market, which she always considered her priority in Europe, she matched her domestic transformation of British economy through free market policies. Moreover, the creation of a single market was a commitment of the Treaty of Rome of 1957, something inherent with the very existence of the Community itself, but it had not been directed the right efforts. Thatcher believed it would be a good opportunity for economic growth for the Community as well as for Britain.

Having insisted on implementing it, Thatcher signed the Single European Act, which, though, increased the possibility to use the Qualified Majority Voting (QMV) within the European Council; a decision which would be attacked, in hindsight, by almost everybody. But Thatcher “knew exactly what she was doing when she signed up to the Single European Act”.¹⁰³⁷

She had recognised that in practical terms it could only be achieved through the use of QMV; but she also realized that once we had QMV, it would become ever more difficult to restrict its use to a limited range of issues, however hard she tried. It was an inescapable choice and she opted for the Single Market, but she felt betrayed when the other member states and above all the European Commission later ignored the limitations on QMV to which they had signed up and extended the range of subjects to which they applied it.¹⁰³⁸

Thatcher was determined to see the Single Market implemented in Europe, and the only way that could work quickly would be by extending QMV. She had decided that what Britain would gain from the single market was the most important, and that it was worth making

¹⁰³⁷ *ibid.*

¹⁰³⁸ From a personal conversation via e-mail with Lord Charles D. Powell, 26 June 2023.

some little concessions – which she regarded as a price worth paying for the greater good of securing the single market, convinced that Britain would make exception and remain outside some of the arrangements envisaged, for example the so-called Schengen Agreement.

Moreover, the Single Act contained a reference to Economic and Monetary Union which was, in her view, together with extended QMV, later used by the Commission beyond the purpose for which they were agreed to extend its scope:

In negotiating the Single European Act, we in Britain made two understandable but undeniable mistakes. The first was to assume that the increased powers given to the Commission would cease to be used to any great extent once the Single Market programme had been completed. After all, if one accepted that the whole purpose of the changes made was to establish a properly functioning market, there was no reason to imagine that the process would be anything other than finite.

True, one could not hand back vetoes that had been removed as part of the Single European Act, because Governments might subvert the progress that had been made. But there was no reason to think the Commission would need to keep legislating at the same rate, let alone spread its legislative tentacles much wider.

The second error, which was closely linked to the first, was then and later to take at face value the assurances we were given. I do not now believe that the European Commission or the majority of European Governments were ever much interested in economics. They viewed, and still view, policy as equivalent to politics, and politics as about power – and only power. The Single Market thus appealed to these forces as a device for centralizing more decision-making in the hands of Europe. And the idea that these extra powers should be limited to the purpose for which they were actually being given probably never seriously occurred to them. The European Commission

and the European Court of Justice worked together to explore, exploit, and widen every loophole. And as they did so they could rely on the support of most of the member countries and the European Parliament which both shared the federalist dream.¹⁰³⁹

Thatcher was convinced the single market had to represent the priority of the Community, and she spent all her energies to push for that. She was ambitious for the European Community as well as she was for Britain, but her attitude was pragmatic, and always framed by her own domestic priorities.

Thatcher's idea of the Community was an economic forum which represented, of side, a vehicle for peace and democracy in the world. Accordingly, she was prepared to participate in nothing more than the extent of integration necessary to achieve those shared and agreed policies, provided that happened within the framework of the Treaty of Rome, to which the United Kingdom has committed itself in 1971 – to which the Single Act was a reasonable amendment, as long as it matched her national policies.

When, from 1986 onwards, the reference to Economic and Monetary union returned *in auge*, Thatcher “regarded it as the repetition of a hoary relic of European doctrine with no likelihood of being implemented”.¹⁰⁴⁰ She saw the European union as “interchangeable with foreign policy cooperation which she regarded as largely totemic and declaratory rather than substantive”, under-estimating the determination of Delors and his Commission to further European

¹⁰³⁹ Margaret THATCHER, *Statecraft: Strategies for a Changing World* (London: HarperCollins, 2002), 375.

¹⁰⁴⁰ From a personal conversation via e-mail with Lord Charles D. Powell, 26 June 2023.

integration through a single currency.¹⁰⁴¹ With the end of the Cold War and the reunification of Germany, this process was presented by Delors – and accepted, for different reasons, by the other Member States – as unavoidable, while Thatcher, for her part, was not willing to give up on what she considered being the fundament of British sovereignty.

The Single European Act can be indicated as the last time Thatcher could find a compromise within the integration process as it was happening. In her view, the commitments there included had always been at the heart of the Treaty of Rome; but the way the new provision would be interpreted by the Commission in the following years would drive to more and more tension between the British Prime Minister and the other European leaders, enthusiastically headed by President Delors. And due to her aversion to the specific type of European Community it was delineating, Thatcher found herself in dispute not only with Delors – who, at the time, was the President of the European Commission – but also with President of France Mitterrand and President of West Germany Kohl, but even with her own cabinet, whose members she alienated due to both domestic and communitarian issues.

Around 1988, indeed, several differences of priority between Margaret Thatcher and the Foreign Office arose, in particular on the European issue. Both were committed to British membership of the Community, but the Prime Minister's attitude put Howe more and more frequently in an odd position, and the Department was becoming more and more concerned about Britain's isolation. From her side, Thatcher was less concerned with – and used to – the prospect of being isolated,

¹⁰⁴¹ *ibid.*

and she was aware that her stance had often paid off for her, for example over the budget rebate, while in other occasions she had proved less substantially intransigent than how much she had demonstrated in words. She was not scared, by the way, of a ‘variable geometry’ Europe in which a Member State had not to subscribe to every policy agreed: she was not uncomfortable with a Europe of opt-outs and saw it as compatible with Britain’s traditions and view of national sovereignty within Europe.¹⁰⁴²

At a global level, the rapprochement between the US and USSR which would lead to end of the Cold War was completely reshaping world politics, changing its balances and networks, and the construction of a more interrelated global economy made Thatcher’s firm position against Communism not acceptable anymore. Also, the possibility for the reunification of Germany was welcomed as a decisive argument for a further integration of the European Community, which would have become European Union in less than two years. At the end of 1990, in few days, the resignation of Sir Geoffrey Howe and the challenge thrown by Michael Heseltine for the leadership of the Party led to Thatcher’s resignation. The participation in a wider and supra-national organization was felt, by the Conservative party, as essential not to be isolated in the European – and maybe wider – scenario; on the contrary, Thatcher’s opposite outlook, a fundamental feature of the Party’s success in the last decade had become outdated and represented a danger for the United Kingdom:

In the autumn of 1990, the groundwork was being laid for what would be the Maastricht Treaty, designed to set in

¹⁰⁴² From a personal conversation via e-mail with Lord Charles D. Powell, 26 June 2023.

place the framework for a federal United States of Europe. I had fought many battles within the European Community since becoming Prime Minister, but I had never before faced one of this scale and importance.

It had been increasingly clear to me that the European Commission and a number of heads of government held a quite different view from mine about the purpose and direction of the Community. It was as a warning against the way in which statism, protectionism and federalism were advancing relentlessly that I delivered the Bruges speech in 1988.

At Bruges I argued against attempts to fit nations 'into some sort of identikit European personality' calling instead for 'willing and active cooperation between independent and sovereign states as the best way to build a successful European Community'. From then on, I had been even more preoccupied with the need to spell out and win domestic and foreign support for an alternative vision.

The Single European Act, contrary to my intentions and my understanding of formal undertakings given at the time, had provided new scope for the European Commission and the European Court to press forward in the direction of centralization. For their own different reasons, both France and Germany – and the Franco-German axis was dominant – were keen to move in the same direction. In the United States the Administration had made a crucial error of judgement in believing that promotion of a united Europe led by Germany would best secure America's interests.

In spite of all this, I remained confident that given singleness of purpose and strength of will the Bruges alternative could be made to prevail – for three long-term influences favoured it.¹⁰⁴³

¹⁰⁴³ THATCHER, *The Path to Power*, 504.

Thatcher was not able – or willing – to compromise on the premises of the European Union, which she firmly believed was not compatible with the British political system and tradition.

Given that traditional political cultures often struggle to accommodate or even to recognise the contemporary social experiences, the fact that Thatcher was indicated, in Brexit times, as a symbol of Euroscepticism does demonstrate a thing: that, along with several British national identities, it exists a *traditional* British political culture, understood as a system of values recognisable broader than at the formal level of political power. Its essential character has been recognised in a striking simplicity: a strong executive, which functioning has more or less been unchanged since the Glorious Revolution of 1688; the rule of law, grounded in the common law tradition; a strict doctrine of representation; and perception of stability and no corruption are the feature which are recognised to this tradition.¹⁰⁴⁴

During the 1980s, without repudiating this context, Thatcher was able to overcome four decades of ‘consensus politics’, promoting individual initiative and free market. The elementary equation between the Victorian prosperity and the vigorous virtues of the time allowed her rhetoric of return to British tradition, made of free born English men – and women, autonomous individuals who believed in hard work and formed a civil society proud of their independence from the state. Thatcherites’ aim was to rejuvenate Britain by making everyone internalize the bourgeois virtues of self-discipline and independence; to create a system in which individuals are required and enthusiastic to take responsibility for their own self-government.

¹⁰⁴⁴ Tony WRIGHT, *British Politics. A Very Short Introduction* (Oxford: Oxford University Press, 2020), 39.

The way to put Britain back into the international race is by giving new life and strength to principles which made our country the great and successful trading nation it used to be. [...] Well, freedom we must have if this nation is to prosper, but [t]here must be freedom under a rule of law.¹⁰⁴⁵

The key was to rediscover the liberal idea of government as a ‘decision maker’ within a set of rules and laws, overcoming the habit of dependence and corporatism brought by socialism between the 1950s and the 1970s. But this ‘paradigm shift’, presented as a return to British traditional idea of national government, would only match the revindication of the same system at the inter-national and supra-national networks: the political union envisaged by Delors and the other European leaders in the late 1980s could not truly match Thatcher’s preferences – and has often been questioned later.

It is in *this* Conservative tradition, undeniably forged by Thatcherism, that the Prime Minister David Cameron’s Bloomberg Speech can be placed. Although it paved the way to the referendum which would decide the United Kingdom leaving the European Union, it was originally aimed at raising the issue of the Union’s democratic deficit and at describing an alternative vision of Europe. Once again, as happened in 1988 with Thatcher’s Bruges Speech, this was misinterpreted and paved the way to unimaginable consequences. The two speeches are indeed perfectly comparable, and it is undeniable that Cameron knew the Bruges Speech and was inspired by it; after all, Thatcher was a Conservative British Prime Minister, who wanted to

¹⁰⁴⁵ Margaret THATCHER, *Speech to Conservative Party Conference*, 13 October 1979, TFA 104147.

give her idea of Europe, alternative to the mainstream one and compatible with the UK's political tradition and institutions.

The Bloomberg Speech, as the Bruges one, started with a reference to Europe's past, adding something to the end of the Cold War – which, after all, had been the most astonishing historical event after the Second World War:

This morning I want to talk about the future of Europe.

But first, let us remember the past.

Seventy years ago, Europe was being torn apart by its second catastrophic conflict in a generation. A war which saw the streets of European cities strewn with rubble. The skies of London lit by flames night after night. And millions dead across the world in the battle for peace and liberty.

As we remember their sacrifice, so we should also remember how the shift in Europe from war to sustained peace came about. It did not happen like a change in the weather. It happened because of determined work over generations. A commitment to friendship and a resolve never to revisit that dark past – a commitment epitomised by the Elysee treaty signed 50 years ago this week. [...] Healing those wounds of our history is the central story of the European Union.

What Churchill described as the twin marauders of war and tyranny have been almost entirely banished from our continent. Today, hundreds of millions dwell in freedom, from the Baltic to the Adriatic, from the Western Approaches to the Aegean.¹⁰⁴⁶

Then, a reference to NATO, which represented one of Thatcher's pillars in foreign policy and also a condition of Community's existence:

¹⁰⁴⁶ David CAMERON, *EU speech at Bloomberg*, known as “*The Bloomberg Speech*”, 23 January 2013, <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>.

And while we must never take this for granted, the first purpose of the European Union – to secure peace – has been achieved and we should pay tribute to all those in the EU, alongside NATO, who made that happen.¹⁰⁴⁷

Once solved the Communism's security threat, the European Union first, overriding purpose could be "not to win peace, but to secure prosperity": many challenges were coming from outside the continent, in particular from the emerging economies of the South of the world, and reverberations were being felt in the Old Continent. For this reason, Britain urged that "the European Union must change – both to deliver prosperity and to retain the support of its peoples", and had a plan for that, although the United Kingdom has "sometimes been seen as an argumentative and rather strong-minded member of the family of European nations". Prime Minister Cameron justified this attitude with the same arguments used by Thatcher in 1988, an alleged 'Britishness' made of pragmatism and "passionate in defence of sovereignty":

[I]t's true that our geography has shaped our psychology.

We have the character of an island nation: independent, forthright, passionate in defence of our sovereignty. We can no more change this British sensibility than we can drain the English Channel.

And because of this sensibility, we come to the European Union with a frame of mind that is more practical than emotional.¹⁰⁴⁸

Linked to this character was the idea of European Union as a means to an end, just like Thatcher's position in the Bruges Speech, where she

¹⁰⁴⁷ *ibid.*

¹⁰⁴⁸ *ibid.*

stated: “The Community is not an end in itself. [...] The European Community is a practical means by which Europe can ensure the future prosperity and security of its people in a world in which there are many other powerful nations and groups of nations”.¹⁰⁴⁹ Cameron took back that precise idea, posing the question of *what* end and underlining the absence of a debate on that:

For us, the European Union is a means to an end – prosperity, stability, the anchor of freedom and democracy both within Europe and beyond her shores – not an end in itself.

We insistently ask: how, why, to what end?¹⁰⁵⁰

Prime Minister Cameron denied Britain to be Euro-sceptic or un-European, insisting on the historical heritage the UK shared with the rest of the continent, although its island character, and its crucial contribution in saving it during the Second World War and in ending the Cold War:

But all this doesn’t make us somehow un-European.

The fact is that ours is not just an island story – it is also a continental story.

For all our connections to the rest of the world – of which we are rightly proud – we have always been a European power, and we always will be.

From Caesar’s legions to the Napoleonic wars. From the Reformation, the Enlightenment and the industrial revolution to the defeat of Nazism. We have helped to write European history, and Europe has helped write ours.

¹⁰⁴⁹ THATCHER, *The Bruges Speech*.

¹⁰⁵⁰ CAMERON, *The Bloomberg Speech*.

Over the years, Britain has made her own, unique contribution to Europe. We have provided a haven to those fleeing tyranny and persecution. And in Europe's darkest hour, we helped keep the flame of liberty alight. Across the continent, in silent cemeteries, lie the hundreds of thousands of British servicemen who gave their lives for Europe's freedom.

In more recent decades, we have played our part in tearing down the iron curtain and championing the entry into the EU of those countries that lost so many years to Communism. And contained in this history is the crucial point about Britain, our national character, our attitude to Europe.¹⁰⁵¹

Along with independence, the other feature which characterised Britain was its openness; and Cameron, as a British Prime Minister, wanted a better deal for the United Kingdom. But wanting a better deal for his country coincided, for Cameron as well as for Thatcher, with wanting a better deal for the European Union which the UK was a member of and where it played "a committed and active part"; for this reason, he was speaking "as British prime minister with a positive vision for the future of the European Union".¹⁰⁵²

Prime Minister Cameron was raising fundamental questions on the aim and future of Europe, although aware of its crisis. He was doing that because he wanted to advance his own idea, which was perfectly placeable in a Tory tradition, to solve that crisis, or, at least, to open a debate on its possible solutions. Among the challenges confronting the EU, Cameron gave particular attention to

a gap between the EU and its citizens which has grown dramatically in recent years. And which represents a lack

¹⁰⁵¹ *ibid.*

¹⁰⁵² *ibid.*

of democratic accountability and consent that is – yes – felt particularly acutely in Britain.

If we don't address these challenges, the danger is that Europe will fail, and the British people will drift towards the exit.¹⁰⁵³

“British people towards the exit” would become, soon, ‘Brexit’. But this was not among the intentions of Cameron, who underlined his will to find a solution for the EU's crisis through a discussion which must be open, even confronting different ideas, and even though these ideas challenged the path the integration had followed until that moment:

I do not want that to happen. I want the European Union to be a success. And I want a relationship between Britain and the EU that keeps us in it.

That is why I am here today: to acknowledge the nature of the challenges we face. To set out how I believe the European Union should respond to them. And to explain what I want to achieve for Britain and its place within the European Union.

[...] The biggest danger to the European Union comes not from those who advocate change, but from those who denounce new thinking as heresy. In its long history Europe has experience of heretics who turned out to have a point.¹⁰⁵⁴

It can be said that Margaret Thatcher was considered a heretic, for what concerns European integration, at least from 1988:

Whenever the topic of Europe arose, I was usually depicted as a narrow, nostalgic nationalist who could not bear to see the feudal trappings of Britain's *ancien régime* crumble into dust [...] when the sunlight of Europe's national modernity was turned upon them. I was

¹⁰⁵³ *ibid.*

¹⁰⁵⁴ *ibid.*

‘isolated’, ‘backward-looking’, ‘rooted in the past’, ‘clinging to the wreckage of Empire’, and ‘obsessed with the outdated notion of sovereignty’. And virtually all my statements on Europe were read in that light.

In fact, one of the three underlying reasons for my scepticism about European federalism, the most important was that the European Union was an obstacle to fruitful internationalism. (The other two were that Britain showed that established and ‘satisfied’ nationalisms were the best building-blocks for international cooperation; and that democracy cannot function in a federal superstate where the multiplicity of languages makes democratic debate and democratic accountability mere slogans).

The European federalists are in fact ‘narrow internationalists’, ‘little Europeans’ who consistently place the interests of the Community above the common interests of the wider international community [whose] obstructive initiatives make no sense inter own terms; that are launched solely in order to bring nearer the day when ‘Europe’ will be a fully-fledged state with its own flag, anthem, army, parliament, government, currency and, eventually one supposes, people.¹⁰⁵⁵

This is not to say that Thatcher was right in opposing political union. There is not historical necessity; the European Community had not *necessarily* to become the Union, and the Union had not *necessarily* to prove unsuccessful. She may have not been right in what she said, but her case, in particular for the way she was treated by the other European colleagues, shows that they did not *really* want to give her the possibility to express an alternative idea for the Community, which she *did* want to develop.

¹⁰⁵⁵ THATCHER, *The Path to Power*, 501.

Thatcher voiced it anyway, in her Bruges Speech, which represented, following Powell, “a long-planned strike of the heart of European theology”, but costed her, in the long-run, her career.¹⁰⁵⁶

The high priests of integrationist ideology genuinely feared the impact and the appeal of her ideas. [...] the European elite feared open debate about Europe’s future, which might threaten their plans. And the results of some of the subsequent referendums in several European countries on the Maastricht Treaty and later on the treaty establishing a Constitution for Europe, shows why they had cause to be worried.

Margaret Thatcher’s doubts about Europe’s future were in their eyes, disturbingly, widely shared in their own countries. Not that it ever stopped them from going ahead from this point on.¹⁰⁵⁷

There was a democratic deficit in the European Community – indeed among its leaders – as there has recently been a democratic deficit within the European Union, as denounced, with concern, by Cameron:

There is a growing frustration that the EU is seen as something that is done to people rather than acting on their behalf. And this is being intensified by the very solutions required to resolve the economic problems.

People are increasingly frustrated that decisions taken further and further away from them mean their living standards are slashed through enforced austerity or their taxes are used to bail out governments on the other side of the continent.

[...] we are seeing this frustration with the EU very dramatically in Britain.

¹⁰⁵⁶ POWELL, *Margaret Thatcher*.

¹⁰⁵⁷ *ibid.*

Europe's leaders have a duty to hear these concerns. Indeed, we have a duty to act on them. And not just to fix the problems in the eurozone.¹⁰⁵⁸

Cameron never wanted Britain to leave the EU. The promise of a referendum can be seen as “the most robust in a long line of attempts by UK Prime Ministers to demonstrate their Eurosceptic credentials to what they perceived as a Eurosceptic audience in their political party and the wider country”.¹⁰⁵⁹ The general shift, happened in the last decade throughout the European Union countries, towards a populist and Eurosceptical attitude among right-wing politics, demonstrated in the UK by the emergence and success of the UKIP, meant that the main Party in the right spectrum – especially following the failure of its moderate agenda to obtain a majority at the 2010 UK general elections – was under considerable pressure to reposition itself in the political arena. Cameron decided to shift back onto more traditional Conservative terrain, choosing ‘Europe’ as a touchstone issue and looking at Thatcher’s arguments, which were felt in 2013, rather than radically Eurosceptic as in 1988, as ‘Eurorealistic’. With the Bloomberg speech, he was, on her example, advancing a positive idea to answer the “fundamental, far-reaching change” the Union needed, his vision “for a new European Union, fit for the 21st century”.¹⁰⁶⁰

Like Thatcher’s, this discourse was directed to the domestic electorate, this time to convince the British that they did not need the UKIP to fight the European Union: the Conservative Party was still out

¹⁰⁵⁸ CAMERON, *The Bloomberg Speech*.

¹⁰⁵⁹ Benjamin HAWKINGS, *Deconstructing Brexit Discourses. Embedded Euroscepticism, Fantasy Objects and the United Kingdom’s Vote to Leave the European Union* (Routledge, 2022), 5.

¹⁰⁶⁰ CAMERON, *The Bloomberg Speech*.

there, with a precise idea on how to reform the EU in order to defend their interests and make it more suitable to Britain's preferences. Like the one described in the Bruges Speech, Cameron's plan was built on five principles.

The first one, competitiveness, confirmed Thatcher's belief that "at the core of the European Union must be, as it is now, the single market. Britain is at the heart of that single market, and must remain so".¹⁰⁶¹ In fact, while the economic and monetary union for which the European Union was created had its course, one can argue whether the political union envisaged in the Treaty of Maastricht ever really succeeded.

Endorsing another of Thatcher's concerns, Cameron then claimed the urgency of "creating a leaner, less bureaucratic union, relentlessly focused on helping its member countries to compete":

In a global race, can we really justify the huge number of expensive peripheral European institutions?

Can we justify a commission that gets ever larger?

Can we carry on with an organisation that has a multibillion-pound budget but not enough focus on controlling spending and shutting down programmes that haven't worked?¹⁰⁶²

The second principle, flexibility, was nothing new:

We need a structure that can accommodate the diversity of its members – north, south, east, west, large, small, old and new. Some of whom are contemplating much closer economic and political integration. And many others, including Britain, who would never embrace that goal.

¹⁰⁶¹ *ibid.*

¹⁰⁶² *ibid.*

I accept, of course, that for the single market to function we need a common set of rules and a way of enforcing them. But we also need to be able to respond quickly to the latest developments and trends.

Competitiveness demands flexibility, choice and openness. [...] The EU must be able to act with the speed and flexibility of a network, not the cumbersome rigidity of a bloc.

We must not be weighed down by an insistence on a one-size-fits-all approach which implies that all countries want the same level of integration. The fact is that they don't, and we shouldn't assert that they do.¹⁰⁶³

This multi-speed Europe reflected the reality of European Union, where, at present, only 20 members are part of the eurozone, 7 are not; where 23 of the 27 Member States participate in the Schengen Area, plus 4 outside the European Union, while Ireland, an EU country – along with Britain when still a Member State – has retained its border controls.

Let's welcome that diversity, instead of trying to snuff it out. Let's stop all this talk of two-speed Europe, of fast lanes and slow lanes, of countries missing trains and buses, and consign the whole weary caravan of metaphors to a permanent siding.¹⁰⁶⁴

Thatcher's idea of the Community was "a family of nations", as she stated in multiple occasions:

We believe in a flexible union of free member states who share treaties and institutions and pursue together the ideal of co-operation. [...] And we believe in our nations working together to protect the security and diversity.¹⁰⁶⁵

¹⁰⁶³ *ibid.*

¹⁰⁶⁴ *ibid.*

¹⁰⁶⁵ THATCHER, *The Bruges Speech*.

Community of “proud, independent nations, united by their commitment to democracy, the rule of law and a market economy within a broad framework of co-operation”.¹⁰⁶⁶

Cameron’s exhortation was not dissimilar from that. He underlined that, while Britain accepted the Treaty of Rome’s commitment to “lay the foundations of an ever closer union among the peoples of Europe”, centralisation was not the answer. Rather, a European Union based on the *free* will to cooperate and flexibility to accommodate every Member State’s preference, was his – as well as it was Thatcher’s – solution:

[W]e are a family of democratic nations, all members of one European Union, whose essential foundation is the single market. [...] all member states will have changes that we need to safeguard our interests and strengthen democratic legitimacy. And we should be able to make these changes too.

Some say this will unravel the principle of the EU – and that you can’t pick and choose on the basis of what your nation needs.

But far from unravelling the EU, this will in fact bind its members more closely because such flexible, willing co-operation is a much stronger glue than compulsion from the centre. [...] And we would be much more comfortable if the treaty specifically said so, freeing those who want to go further, faster, to do so, without being held back by the others.¹⁰⁶⁷

So, to those who said Britain had no vision for Europe, he confirmed the contrary, recovering what Thatcher said in 1988 and claiming the validity of an alternative idea of integration:

¹⁰⁶⁶ THATCHER, *Article for Inside the New Europe*, 19 October 1990, TFA 108225.

¹⁰⁶⁷ CAMERON, *The Bloomberg Speech*.

We believe in a flexible union of free member states who share treaties and institutions and pursue together the ideal of co-operation. To represent and promote the values of European civilisation in the world. To advance our shared interests by using our collective power to open markets. And to build a strong economic base across the whole of Europe.

And we believe in our nations working together to protect the security and diversity of our energy supplies. To tackle climate change and global poverty. To work together against terrorism and organised crime. And to continue to welcome new countries into the EU.

This vision of flexibility and co-operation is not the same as those who want to build an ever closer political union – but it is just as valid.¹⁰⁶⁸

Moreover, convinced that “power must be able to flow back to member states, not just away from them”, Cameron announced that “an informed and objective analysis of where the EU helps and where it hampers” was needed.¹⁰⁶⁹

The fourth principle was democratic accountability, linked to the need to have “a bigger and more significant role for national parliaments”: as Thatcher, Cameron was convinced that

It is national parliaments, which are, and will remain, the true source of real democratic legitimacy and accountability in the EU. [...] It is to the British parliament that I must account on the EU budget negotiations, or on the safeguarding of our place in the single market. Those are the parliaments which instil proper respect – even fear – into national leaders. We need to recognise that in the way the EU does business.¹⁰⁷⁰

¹⁰⁶⁸ *ibid.*

¹⁰⁶⁹ *ibid.*

¹⁰⁷⁰ *ibid.*

Prime Minister Cameron, announcing the fifth principle, fairness, seemed to have in mind Thatcher's battle to solve the budget unfair contribution in 1984: "whatever new arrangements are enacted for the eurozone, they must work *fairly*".¹⁰⁷¹ Concluding, a restatement of the UK's reason for being in the European Union: "the participation in the single market, and the ability to help set its rules".

Having set the five principles for what he considered "the right approach for the European Union", Cameron turned to an old issue – which brings us back directly to Thatcher's criticism towards the transformations of the European Community into something different from what Britain had agreed: membership under the rules of the Treaty of Rome.

People feel that the EU is heading in a direction that they never signed up to. They resent the interference in our national life by what they see as unnecessary rules and regulation. And they wonder what the point of it all is.

Put simply, many ask 'why can't we just have what we voted to join – a common market?'.¹⁰⁷²

He came back to a classical Thatcher's argument: political integration was not compatible with Britain's traditions and institutions, adding that the British people had never been asked about these changings: "They've had referendums promised – but not delivered".¹⁰⁷³

Thus, first, Cameron claimed the need to build a new settlement shaped following Britain's preferences, "more flexible, more adaptable, more open – fit for the challenges of the modern age, [...] a diverse,

¹⁰⁷¹ *ibid.*

¹⁰⁷² *ibid.*

¹⁰⁷³ *ibid.*

competitive, democratically accountable Europe [...] with the single market at its heart”, and within a new Treaty.

And when we have negotiated that new settlement, we will give the British people a referendum with a very simple in or out choice. To stay in the EU on these new terms, or come out altogether.

It will be an in-out referendum.

[...] It is time for the British people to have their say. It is time to settle this European question in British politics.

I say to the British people: this will be your decision.¹⁰⁷⁴

Alas, on 23 January 2013, while giving his country a positive, optimistic, constructive plan for the European Union, with Britain and its preferences at its core, he promised the referendum which ended the UK’s membership. Yet, like Thatcher, Cameron believed the UK’s place was within – at the core – of Europe, most of all the new kind of Europe he insisted to implement, as without “one of Europe’s strongest powers, a country which in many ways invented the single market, and which brings real heft to Europe’s influence on the world stage, which plays by the rules and which is a force for liberal economic reform”.

Britain’s national interest is best served in a flexible, adaptable and open European Union and that such a European Union is best with Britain in it.¹⁰⁷⁵

Once again, a British Prime Minister was stating that what was the best for Britain and for Europe coincided – and to make one possible was to make the other. Cameron, in fact, built his speech on traditional Conservative arguments – that’s why it was so like Thatcher’s 1988 talk.

¹⁰⁷⁴ *ibid.*

¹⁰⁷⁵ *ibid.*

On the other way, this kinship demonstrates that Thatcher's idea of the Community was not as bizarre as the other European leader depicted. It was a positive idea, rooted in British tradition and coherent throughout Thatcher's career.

With his proposal, Cameron did not want the UK to leave the EU: on the contrary, what he tried, as Thatcher had tried in 1988, was to portray a new, alternative idea of Europe,

a more flexible, adaptable and open European Union in which the interests and ambitions of all its members can be met, [...] in which Britain can be comfortable and all our countries can thrive.¹⁰⁷⁶

Also, he wanted to denounce a certain democratic deficit in the European Union, very blatant since before 1992. The European Council and Commission's attitude towards Thatcher during the last 1980s demonstrated that a debate about Europe's future, open to alternatives which might threaten their plans, has never been possible in Europe's history. Thatcher was always isolated and pushed when she did not agree with the other leaders – and she often didn't. But the results of some of the subsequent referendums in several European countries, both on the Maastricht Treaty and later on the treaty establishing a Constitution for Europe, demonstrated that European integration's pace was faster than the real acceptance of it.

The Bloomberg Speech was rooted in the British Conservative political culture, made of aspects which can be mobilised at will by the politicians, who can pick this or that and make it a strongpoint of their propaganda. For example, Prime Minister Theresa May, in 2017, after the decision over Brexit had been done, chose to repeat British people's

¹⁰⁷⁶ *ibid.*

need to have “more direct control of decisions that affect their daily lives”, and that “those decisions being made in Britain by people directly accountable to them” – which is an argument which Thatcher would share, together with the fact that

the profound pooling of sovereignty that is a crucial feature of the European Union [...] So the British electorate made a choice. They chose the power of domestic democratic control over pooling that control, strengthening the role of the UK Parliament.¹⁰⁷⁷

On the other hand, while Thatcher and Cameron, although underlining Britain’s insularity and its own tradition, insisted on Europe’s shared history, May imputed to

this strength of feeling about the direct accountability of their politicians the reason why, throughout its membership, the United Kingdom has never totally felt at home being in the European Union.

And perhaps because of our history and geography, the European Union never felt to us like an integral part of our national story in the way it does to so many elsewhere in Europe.¹⁰⁷⁸

In the United Kingdom there is no constitutional requirement to hold a national referendum for any purpose or on any issue, and they are not binding; also, they have been historically rare due to the perception that they may undermine the principle of parliamentary sovereignty – an opinion shared by Thatcher who campaigned for the 1975 one although denouncing the referendum as “a splendid weapon for dictators and demagogues”.¹⁰⁷⁹

¹⁰⁷⁷ *ibid.*

¹⁰⁷⁸ *ibid.*

¹⁰⁷⁹ Margaret THATCHER, *Speech to the House of Commons*, 11 March 1975, Hansard HC [888/304-17].

Among the UK's few referendums, two were about the UK's permanence in the European Community or Union, with the main difference that, while in 1975 the choice of the people confirmed the ruling government's opinion, in 2016 it was rejected. Whereas Thatcher, who, although her criticism, never challenged the Tories' pro-European attitude, was perceived as being too radical by the more pro-European members of her Cabinet, in 2016 Prime Minister Cameron's own position was considered too moderate compared with the rest of the parliamentary party, although under his leadership a series of initiatives had changed the Conservative European strategy: for example, leaving the European People's Party in the European Parliament in June 2009 or refusing to join the European Stability Mechanism and the so-called 'fiscal compact'.¹⁰⁸⁰ These practices indicate a major shift, during the last thirty years, in the Conservative Party's stance towards the European issue, from rhetoric Euroscepticism to *practical* Euroscepticism.

Moreover, during this period the principle of parliamentary sovereignty, which always represented an anchor of British political culture, has been put under increasing pressure by both the EU integration and the UK internal devolution processes and the ever more frequent use of referendums, weakening in many ways Westminster decision-making capacity as long as changing the balance of power within political parties, making them more sensitive to the grassroots' needs and wishes and therefore more vulnerable and exposed to the risk of populism.¹⁰⁸¹ Likewise, the consequences of the 2008 economic crisis and mass immigration have further changed the perception of the

¹⁰⁸⁰ Agnès ALEXANDRE-COLLIER, "Euroscepticism under Margaret Thatcher and David Cameron: from Theory to Practice", «Observatoire de la société britannique», 2015, No. 17, 115-133.

¹⁰⁸¹ *ibid.*

European Union by the public opinion – especially if masterly conveyed by emerging populist political actors.

Indeed, totally ignoring Cameron’s invitation to reform the Union before holding a referendum, a strong electoral campaign initiated long before the European Union Referendum Bill was announced in the Queen’s Speech on 27 May 2015, dividing the British political opinion. It was led by an entirely new political party, the United Kingdom Independence Party (UKIP), which emerged to stir up and converge the several forms of discontent against the European Union latent in part of the public opinion. Its leaders, Nigel Farage and Boris Johnson, were able to frame the campaign in popular terms, countering the European elites with the ‘common sense’ of ‘the ordinary people’: through irreverence and jokes, in a formidably unscrupulous way, they were able to match some of the traditional arguments of British Conservative politics – such as identity, sovereignty – with more recent and problematic trends – such as mass immigration and economic crisis – and to transform them into “alternative conventional wisdom”.¹⁰⁸² They were much helped by a large section of the Eurosceptic press, traditionally aggressive and impolite, to make the European elites and their supporters appear more and more distant from common people, while the Remain advocates proved unable to carry out an equally effective campaign.

On Thursday 23 June 2016, the question: ‘Should the United Kingdom remain a member of the European Union or leave the European Union?’ was posed to the British voters, who participated in a 72.2% turnout and decreed to leave the EU with a discussed majority

¹⁰⁸² GILBERT, “The Intellectual Origins of Brexit”, 126.

of 51.9%. Leave won the highest share of the vote in England and Wales, while in Scotland and Northern Ireland the highest share was for Remain.¹⁰⁸³ Votes for Leave and Remain were not evenly distributed across the UK, and also the political parties were divided on the issue.

The fact is that “there are umpteen explanations for the Brexit vote. Was it the banking crisis? Or was it Henry VIII? Or the shifting tectonic plates that cut us off from the continent in the first place?”¹⁰⁸⁴

The exit polls and the effective outcomes of the vote have been studied in depth, and pictured a country deeply divided along not only social but also geographical lines. First, it appears that income and poverty did matter: a trend in the vote coincided with the income, with groups vulnerable to poverty (the poorest, the unemployed, people in low-skilled and manual occupations, people who feel that their financial situation has worsened, and those with no qualifications) much more likely to support leaving the EU than the wealthiest, with educational inequality as the strongest driver – that is to say, educational divides mattered more. Moreover, support for Brexit varied not only between individuals but also between areas, and very often regional and individual disparities concurred in isolating these groups of voters, who lacked – or perceived to lack – the opportunities that are required to prosper in their society.

Brexit was not the inevitable consequence of Eurosceptic trends in the United Kingdom, imputable to Thatcher, but the result of a brilliant

¹⁰⁸³ Elise UBEROI, *European Union Referendum 2016*, Briefing Paper Number CBP 7639, 29 June 2016, <https://researchbriefings.files.parliament.uk/documents/CBP-7639/CBP-7639.pdf>.

¹⁰⁸⁴ The preamble to a meeting organised on 6 March 2017 by the LSE European Institute, titled “Britain, Brexit and the EU: was this a love affair gone wrong or always an unhappy marriage of convenience?” and participated by Sir Stephen Wall and Professor Piers N. Ludlow.

Leave campaign able to combine current discontent with long-standing, revived, Eurosceptic tropes in order to convince and to mobilise the majority of the people who, on 23 June 2016, voted in favour of the UK leaving the European Union. Thatcher cannot be indicated as *directly* involved in this process. Nonetheless, on the one hand, she offered to today's Eurosceptics both the inspiration of her confrontational rhetoric and the arguments to oppose the European integration process; on the other, it is undeniable that at least part of the inequalities British people were living and the system they were refusing can be attributed to the consequences of the changes Thatcher herself introduced in the British and European economy during her premiership.

It will always been impossible to determine with absolute certainty what Margaret Thatcher would have voted if alive in 2016. What is undeniable is that Thatcher was not Eurosceptic in today's meaning. As a politician, in more than eleven years in office, Margaret Thatcher made some mistakes: she was convinced – she truly believed – that *hers* was the right position. Consequently, she never shared the rhetorical commitment showed by the other European leaders; she was wrong in thinking that expressions like 'European union', 'political union', 'ever closer union' meant nothing, while they would be used to further integration in ways she was not able to predict not to avoid; she often underestimated the consequences of the policies she agreed to.

Margaret Thatcher gave an astonishing contribution to European integration, from solving an unfair situation about the budget contribution to insisting on the implementation of the single market envisaged in the Treaty of Rome, to opening the way to Eastern countries. She became a good European by defending what she believed it was right for her country and for the Community, by behaving like

the British Prime Minister she was, even if it meant, sometimes, not to *seem* a good European. She did so, despite the several attempts to isolate, to patronise and to and intimidate her in the European arena. In fact, Thatcher's combative attitude was always accompanied by positive proposals in favour of further – although different – integration, according to the same guidelines she was applying in domestic policies.

After all, she was *just* a woman, although

a woman who had stood British politics on its head and transform Britain. Is it unthinkable she might succeed in doing something similar in Europe, by halting the focus on this institution building and transferring it instead to practical policies to people's benefit?¹⁰⁸⁵

Thatcher was the first British Leader of the Opposition, the first European female Prime Minister, the only woman in a group of twelve in the Council, and the only woman in her Cabinet for the large part of her premiership.¹⁰⁸⁶

Although she became soon a model, representing a woman who succeeded against all the difficulties of being so, she did not pursue any female-friendly policy in government. Her success did not mean any milestone, although in her explicit will, for other women; the policies she pursued while in office made Thatcherism being perceived by feminist militants to be incompatible with feminism. She herself always refused any such a label:

I like people who have ability, who don't run the feminist ticket too hard, after all I reckon if you get anywhere it's

¹⁰⁸⁵ POWELL, *Margaret Thatcher*.

¹⁰⁸⁶ During eleven years of premiership, and among approximately twenty Cabinet members per mandate, Thatcher would nominate just one another woman, between 1981 and 1983, the Leader of the House of Lords, Baroness Young, who had, though, never been elected to Parliament.

because of your ability as a person. It's not because of your sex.

I mean I am what I am, it's the whole personality. I mean, all right, I happen to be a wom[a]n, I, I've no sort of experience of the alternative.¹⁰⁸⁷

Thatcher, like other women, faced sexism. Once, her colleague and Junior Minister Alan Clarke wrote about her: "I never came across any other woman in politics as sexually attractive in terms of eyes, wrists and ankles". President Mitterrand is reported to have said she had "the eyes of Caligula and the mouth of Marilyn Monroe".¹⁰⁸⁸

When, in 1976, the Soviet newspaper *Red Star* gave her the nickname 'the Iron Lady', Thatcher replied with irony, neutralising in this way the 'danger' that the Leader of the Conservative Party was a woman, and emphasizing, both rhetorically and behaviourally, in the next years, some characteristics which she may hold but which were conventionally attached to men: aggressiveness, authority, firmness, and determination. On the other side, she was able to use her femininity to succeed in a men's world: when candidate for the premiership, she was criticised – by her male colleagues – about her clothes, hair and voice, and advised to undergo a style revolution, which she did, relying on the Saatchi&Saatchi communication agency. She then bet on the manufacture of her political image: under the guidance of her public relations adviser Gordon Reece, she improved her voice and standing, and she used her hairstyle and clothes to contribute to the overall impression of signifying power and authority and other desirable

¹⁰⁸⁷ Margaret THATCHER, *General Election Press Conference*, 26 April 1979, TFA 104045.

¹⁰⁸⁸ June PURVIS, *What Was Margaret Thatcher's Legacy for Women?*, «Women's History Review» 2013, Vol 22, No 6: <http://dx.doi.org/10.1080/09612025.2013.801136>.

political attributes. When interviewed, she often had to sustain questions about her look, her diet, her children, her husband's support; but she was able to use her gender, her clothes, her style and manner to renegotiate, every time she needed it, her character, conveying strength and vitality, and then a softer attitude when she thought it was necessary. Thatcher was, in fact, able to use her gender to her advantage: as Caroline Slocock, first female private secretary in 10 Downing Street between 1989 and 1991, wrote, Thatcher may have used her feminine charm to win the men around her:

She also loved the appreciation of men she saw as her equal. [...] First she plays the role of the tough, terrifying warrior queen and then, when you are truly intimidated, she suddenly cups your elbow, gazes up at you with those china-blue eyes and breathes, "My dear", and makes you feel you're the only man in the room who can bring out the feminine "little woman" in her. [...] this behaviour was not so much actively contrived as perfectly natural to her as a woman who had lived amongst men for so many years. She could be domineering and argumentative with men. But she also genuinely liked men. [...] She didn't need to be liked but she liked to be liked, especially if it helped her get her own way, as it often did.¹⁰⁸⁹

Thatcher was an outsider. She was it, in terms of gender and social class: a woman in a masculine environment, a middle-class backbencher in a conservative party. But she also was smart, and prompt to adapt to the environment, using both the aspects of her alienness to her advantage:

the men in her Party simply did not know how to deal with her, not only because she was a woman but because she was a shopkeeper's daughter. [...] Certainly, very few

¹⁰⁸⁹ Caroline SLOCOCK, *People Like Us: Margaret Thatcher and Me* (Biteback Publishing, 2019).

of them had ever had to take orders from a woman before, and they really were unsure of how to react. [...] They were not used to being in a subordinate relationship with a self-made woman used to saying what she thought without being asked, who liked to begin a discussion by putting forward her own views, would interrupt the subsequent speaker as soon as he said something with which she did not agree, and appeared to have the conviction, which she did not trouble to conceal, that the opinion she held was almost certain to be right.¹⁰⁹⁰

One can agree or do not with her policies, her beliefs, her ideas. But if there is something which Thatcher could hardly be accused of is to have failed in her duty to stand up vigorously for British interests, or for what she perceived they were. Although with a combative style, and with a *politic* performance which included pragmatic decisions, not always perfectly coherent, in substance, with what she declared, Thatcher arguably enabled Britain to contribute more than ever, in practical terms, to the construction of Europe in the broader sense.

In her speeches, talking to a British electorate she wanted to convince she was defending in their interests, she mobilised some arguments the Brexiteers would resume decades later. Nonetheless, despite her cautious attitude about ever tighter integration in Europe, Margaret Thatcher never argued for or supported Britain's withdrawal from the EU: to defend what she perceived as her country's interests, being a democratically elected British Prime Minister, her efforts were always directed to changing the European Community, not to abandoning it. She always preferred to stay in and fight her corner.

¹⁰⁹⁰ Gloria MAGUIRE, *Conservative Women: A History of Women and the Conservative Party, 1874-1997*, (Palgrave Macmillan, 1998), 185.

Margaret Thatcher was never contrary to European integration, provided that it happened according to her preferences. Instead, until it was compatible with her policies, she participated in and actively shaped the process. She was finally considered Eurosceptic because she opposed the kind of Community which was being implemented at the end of 1980s. Rather, she was *just* aggressive and resolute in defending her beliefs and positions.

In light of the recent events, it's ironic that Thatcher's determination to battle for an alternative idea of European Community costed her the leadership of the Tory Party and her whole political career. Thatcher was, above all, a fighter, even though isolated, wherever she went. Her oppositional, combative attitude – not always coherent with her substantial decisions – was the way she found to survive more than everyone else, ever, in office. She could have served Britain's national interest better by being less headed, less pedant, less combative, less confrontational, less polemic, less resolute, by acting as a better European, and by demonstrating more willing to accept compromises.

But she would not be Margaret Thatcher.

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