

actual figures. He wondered if this sort of approach had our approval.

6 Dr Ossola spoke about the future of sterling in an enlarged Community. Because of the Community's agreement in principle to work towards a unified currency as part of European economic and monetary union, it would not be possible for any particular currency of the Community to be used as a reserve currency. The United Kingdom had recognised this. There were now two questions. First, would the enlarged Community have a reserve currency of its own? Some people thought it should not; and certainly it was not a matter for the issuing authorities to decide. The second question was whether it would be in the interests of the enlarged Community that the ex members of the sterling area should gravitate round European economic and monetary union. Dr Ossola thought the answer to both questions should be yes. There were two ways of dealing with the future of the sterling balances: either they could be taken over by the world monetary community, perhaps against an issue of SDRs; or else they could be used as the foundation of The European Reserve Fund.

7 Signor Donbassei said that the Italian delegation in Brussels were very conscious of the needs of the timetable. No progress had been made at the latest meeting of the Six over sugar or New Zealand. The Italian view was that it was important to think of the needs of the enlarged Community as a whole. One could not determine now precisely what decisions the enlarged Community might make in a few years time. As for the British contribution to the budget the need was to find a formula which would enable Britain to start from a plausible figure; thereafter the progression should be parabolic not linear.

8 Mr Rippon expressed gratitude for these views. We fully recognised how hard the Italian delegation had been working to achieve reasonable and practical solutions. He happily gave a general blessing to the ideas which had been expressed at this meeting: in particular, he agreed with what had been said about sterling.

9 Sir C O'Neill said that all the major problems -

New Zealand/

New Zealand dairy products, sugar, our contribution to the budget - were essentially agricultural; and since we had already accepted the common agricultural policy they should not be too difficult to solve. We had six weeks before the Ministerial meeting in May and we must use that time to the best advantage. If the Community was able to make progress on any particular issue, then he hoped it would report it to a meeting of the Deputies rather than keep an account of it in reserve for the Ministerial meeting. He had been interested to hear what Signors Guazzaroni and Bombassei had said about the Community developing a common attitude to the question of finance. It was right that the Community should now make counter proposals - even though for the time being these might only be confined to principles. On the whole, we would find it fairly easy to accept the principles now under discussion among the Six. A parabola was all right so long as it did not go too high in the fifth year. Full use should also be made of the three year period of correctives. It should not be used solely as a means of rectifying any mistake made in assessing the level of our contribution for the definitive stage. Nor did we necessarily want to rule out some jump at the end.

10 Sir C O'Neill said that we must also make progress with the other questions. Capital movements was one: there were Community directives about this to which we would need to conform. (And this question should be distinguished from the general issues of the reserve role of sterling and the sterling balances.) Then there were the European Investment Bank, tariff quotas and agricultural transition. On this last point we hoped the Community would soon have new material to give us. While it was important that we should make progress in these next six weeks, it was more important still that the Community should not make bad proposals to us. Haruel had spoken of the "general balance of mutual advantage": if we stuck to that concept all problems were solvable.

11 Signor Moro turned to the question of the political development of the Community. The Community was now active in many fields - economic and monetary union, social questions, nuclear energy and others. But the political element was still lacking.

Italy/

Italy knew from the Anglo-Italian declaration of 1960 that the United Kingdom shared her views about the need for developments in this direction. This was also important in the defence sector. Europe needed the American alliance; but at the same time it must take up its own responsibilities in that alliance and play a more authoritative role. The unity of Europe was a vital factor not only for world equilibrium, but also for equilibrium within Europe. As far as institutions were concerned, the French had recently made some rather vague suggestions, and these were now under discussion. But no conclusions could be reached without Britain. The present arrangements for political consultations among the Ten were cumbersome; but Signor Moro thought they had operated fairly successfully.

12 Mr Rippon said that he was glad that Signor Moro had ended on a political note. It put matters in the right perspective. Compared with the creation of a wider West European Community, the problems of the transitional period seemed very small indeed. The whole foundation of the West European Alliance was contained in the Brussels Treaty, and in its three elements - military, economic and political co-operation. The Alliance needed all three elements. The purpose of British policy was to build up co-operation over the whole field. It was important that Europe should have its own influence and its own capabilities. This did not mean any sort of attack on the North Atlantic Alliance. Europe simply had to play her proper part. It was therefore essential to emphasise that our objectives were political ones. We had re-affirmed that Anglo-Italian declaration; and recently Mr Heath had spoken of the possibility of developing new institutions for new purposes. The Community, as we saw it, would not be a static creation. It would develop - for example in the social field, in education, in regional policy (and here we looked forward to full use being made of Articles 92 and 94). We were also interested in seeing a Community approach to such questions as housing, town planning and the environment. Whether at the end of the day we ended up with a confederation or a federation was something we need not concern ourselves with at present. Our approach should be realistic, step-by-step, to bring about a truly/

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RECORD OF PRIVATE MEETING BETWEEN
THE CHANCELLOR OF THE DUCHY OF LANCASTER
AND THE ITALIAN FOREIGN MINISTER

THE FARNESINA, ROME: 29 MARCH 1971 at 1140 hrs

The Rt. Hon Geoffrey Rippon QC MP	Signor Moro
HE Sir Patrick Hancock	HE Signor Manzini
Mr. Tickell	Interpreter

Signor Moro asked about the state of British public opinion with regard to the EEC negotiations. In Brussels people were often pessimistic about it, and this affected their attitudes. He was not inclined to worry unduly about the present French position. The French were inveterate negotiators.

2. Mr. Rippon said that British public opinion used to be in favour but the effect of two vetoes and ten years of frustration had been to make people hesitant and sceptical. This would probably continue until there was a fair prospect of success. The Government and the European Movement had now launched campaigns of information about Europe which he hoped would bear good results. In his own statements he had tried to keep the temperature down, but the fact of the matter was that the March Ministerial meeting had been disappointing and the latest French performance on sterling was hardly helpful. It was unthinkable /that the

that the forthcoming Ministerial meeting in May should not make some progress.

3. Signor Moro congratulated Mr. Rippon on the firmness and flexibility with which he was conducting the negotiations. He had a high respect for the British Government's European resolution in view of the state of its public opinion. He had hoped for an agreement on sugar on 16 March but the French had blocked this for their own negotiating purposes. He did not believe that the French were working towards a new veto, but were simply negotiating in their usual way. He was sure that all would come right in the end: the consequences of failure would be very serious for everyone. Mr. Rippon said that we had accepted the principles which everyone had described to us as fundamental, the Treaty of Rome, the common agricultural policy, the Community's direct incomes system, etc. There now remained a few narrow issues. We had to have good settlements on New Zealand dairy products and sugar from the developing Commonwealth countries, and we had to settle the British contribution to the Community budget during the transitional period, and the application of Community preference. We awaited the Community's proposals on finance as promised to us on 2 February.

4. Signor Moro said that in the light of all that the British had accepted, it was very hard to think that the negotiations could fail. If we had behaved differently they would have been greatly prolonged and much more
/hazardous.

hazardous. Mr. Rippon said he could not overestimate the importance of reasonable settlements of New Zealand dairy products and sugar. As regards New Zealand we simply could not accept that access for New Zealand dairy products should end with the transitional period. We had to have an arrangement which, while it might not last for ever, was continuous and subject to review. Evidence of sympathy for New Zealand was essential. The problem of sugar was less serious. It could be solved even if the French did start such hares as groundnuts. As regards the British contribution to Community finance, it was important to stop worrying about the figure for the first year. Perhaps our contribution in the second year, which would come very soon, would be more important.

At that point the Ministers left to join the plenary meeting

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RECORD OF CONVERSATION BETWEEN
THE CHANCELLOR OF THE DUCHY OF LANCASTER
AND THE ITALIAN PRIME MINISTER
PALAZZO CHIGI, ROME 29 MARCH, 1971 at 10 00 hrs

The Rt Hon Geoffrey Rippon
 QC, MP
 HE Sir Patrick Hancock KCMB
 Sir C O'Neill
 Mr Tickell

Signor Colombo
 HE Signor Manzini
 Signor Guazzaroni
 Signor Bottai
 (Interpreter)

1 Signor Colombo asked how things were generally in Britain. Was the internal situation calmer? Sir Rippon said that things often looked worse abroad than they really were. The Government had stuck firmly to its intention to pass the Industrial Relations Bill, and was already getting results in its efforts to restrain inflation. As for public attitudes towards the current negotiations for enlargement of the Community, people were affected by two vetoes and ten years of frustrated delay. Both the Government and the European Movement had now launched campaigns to improve public understanding about Europe. But profound changes in public feeling were unlikely before real success was achieved. Hence the importance of the next Ministerial meeting in May. No-one could afford this meeting to end as unrewardingly as the last one.

2 Signor Colombo said that in spite of the difficulties the general feeling among the Six was much better than in the past. The Italian Government remained firmly optimistic. The negotiations in Brussels seemed to have reached a point of stalemate. The question was who made the next move. Sir Rippon replied that the British had made proposals on the three main problems - British contributions to the Community budget during the transitional period, New Zealand dairy products and sugar from the developing Commonwealth - and awaited the Community's replies. Hitherto we had preferred the Community not to agree on positions which we
 knew/

knew in advance would be unacceptable, but time was going by and we had to make progress in May. So far it was Britain who had made all the moves: we had accepted the Treaty of Rome, we had accepted the common agricultural policy, and we had accepted the direct income system. It would be absurd if we could not reach agreement on the few issues on which we were actually negotiating.

3 Signor Colombo said that the major difficulty was over finance. Mr Rippon said that the problem was essentially transitional. The British had to start low in order to mitigate the immediate impact and avoid an excessive burden which could damage the Community as well as Britain. We had to keep a balance of mutual advantage. Signor Colombo said that he had recently heard French and German views on the subject. The French thought our opening bid of 3% ridiculous. This was a typical French attitude and should not be taken too seriously. Chancellor Brandt and he had agreed that the French view that our proposals were not even worth discussing was insincere. Certainly the British proposals were a basis for discussion. Mr Rippon said that he found this sort of argument worrying and indeed silly in view of the size of the issues at stake. Signor Colombo agreed. He asked what we thought were the Commission's proposals in this respect. Mr Rippon said that the first was no good at all but the second was better. If we had been negotiating with the Italian Government, whose sympathy and support we greatly appreciated, the negotiations would have been concluded long ago. Signor Colombo agreed. Mr Rippon said that the actual sums in question were tiny for the Community but important for Britain. The longer we went on disagreeing publicly about this, the more lasting damage would be done if we did not reach a settlement.

4 Signor Colombo said he realised the financial burden which membership of the Community would impose upon Britain. The present state of indecision must also have bad effects. He was sure that British entry would greatly help the British economy. It would also help the Community. Mr Rippon said that the Prime Minister and his Government had no doubts about the advantages of joining the Community and were committed to the European cause. But he must repeat that so far it was Britain who had made all the moves.
The Community/

