CHAPTER VI

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The relationship between Britain and the United States has been of a unique nature. Bonds of ethnic, cultural and linguistic ties apart, their close alliance during the second World War as well as their common perception in the immediate post-war period of what appeared to them to be the increasing bellicosity and military threat of the Soviet Union drew them into a situation where the two states shouldered the principal burden of creating a new international order which in the West, had its expression in the establishment of the North Atlantic Treaty Organisation (NATO).

As has already been noted\(^1\) the hopes of British leaders to turn the Anglo-American 'special relationship' as the sheet-anchor of the western world proved to be illusory due to the asymmetrical nature of the relationship which unravelled itself through myriad crises in the first decade after the war culminating in the American failure to support Britain in its military operation against Egypt in October 1956. While the resultant breach between the two countries was sharp and acrimonious, the new Prime Minister Harold Macmillan moved swiftly to repair the damage.\(^2\) It, however, proved to be a watershed in British foreign policy so far as Anglo-American relations and British attitude to Europe was concerned. Suez in fact played an important role "in convincing Mr. Harold Macmillan, the Conservative Party and the British people of the

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1 See Chapter one.
need to join the European Community.\textsuperscript{3}

The United States itself has been a fairly enthusiastic supporter of a European political unity movement based on supranational federal institutions and this policy had been reflected in the attitudes of all the post-war American administrations.\textsuperscript{4} It was believed that only a federal Europe could put an end to Europe's fratricidal wars, "provide an effective counterweight to the USSR, bind Germany indissolubly to the West, constitute an equal partner for the United States ...."\textsuperscript{5} Although Europe had lost its pre-eminence as a result of the shift of gravity in world affairs following the second World War its potential to assume global responsibilities was still very much present in the ability to forge an integration on a supranational basis. Thus the massive American effort to rejuvenate Europe through the Marshall Plan was ostensibly aimed not only at rebuilding the economies of individual European countries but also to support and encourage a move towards greater European unity.\textsuperscript{6}

It is in the light of this background that American attitude to British membership of the European Community needs to be viewed. While the United States felt that Britain's participation in the European unity movement would not only not limit in any way the


\textsuperscript{4} Henry Kissinger, \textit{The White House Years} (New Delhi, 1979), p. 81.

\textsuperscript{5} Ibid.

'Special Relationship' but that "by bringing its talents for political leadership to the new institutions of a united Europe, Britain would, .... enhance its power and authority ....."7 British leaders, however, as has already been seen, remained sceptical about the validity of the US proposition. Ironically, when Britain did finally make up its mind to join the European Community it was the American connection, besides the Commonwealth ties, which acted as an albatross along its path of entry, whatever may have been the American public stand on the issue and it was only with Charles De Gaulle's departure from the French Presidency in 1969 that the final obstacles to British membership of the EEC were removed.

In view of the momentous importance of the US connection for Britain it is imperative to examine the impact of Britain's EEC membership on Anglo-American relationship during the period under review. And, it could be done under two heads - political and economic.

POLITICAL

As has already been noted Britain was taken into the European Community in 1973 by the Conservative Government of Edward Heath who was a very different kind of Prime Minister so far as the perspective of contemporary Anglo-American relationship is concerned. Heath was by far amongst the foremost of the generation of British leaders who had been most profoundly affected by the ravages created in Europe by Hitler's Germany and who shared the vision, along with the pioneers of the European unity movement, to create a new Europe which was "hoping to banish the differences which 

7 Ibid., pp. 53-4.
and maimed previous centuries. As the person who had been most closely associated with the first British move in early 1960s to join the EEC and whose abiding interest on the matter persisted even during his years in Opposition, Edward Heath had built up an impeccable credential as one of the most committed 'European' politicians in Britain at the time. Consequently his emotional attachment to the United States was perhaps the least of all the British leaders of the post-war period. He was firmly convinced, unlike other British Prime Ministers, that Britain's future was in the new Europe which had taken shape in the form of the European Communities.

In fact, Edward Heath seldom subscribed to the concept of the bi-lateral 'Special Relationship' between Britain and the United States which had become a sort of catch phrase in the political establishments of the two countries, especially in Britain. Rather he preferred to talk of the 'natural relationship' between the two countries because of the things they had in common such as a common language, common law, common literature, common relatives as well as Common Professional Associations. Indeed "there are other countries in Europe which have had special relations with the United States of one kind or another for one purpose or another" and Heath was distinctively disinclined to overemphasize British


9 Ibid., p. 6. According to Henry Kissinger Heath felt that the 'Special Relationship' was the principal obstacle to Britain joining the EEC and he "was determined not to repeat Macmillan's mistake". Henry Kissinger, n. 4, p. 933.


11 Ibid. Also see his interview with Kenneth Harris. The Observer (London), 24 June 1973.
ties with America lest it contributed to potential misunderstandings with Britain's EEC partners.

Personalities and personal friendships have always played an important part in Anglo-American relations foremost examples of this being Roosevelt's ties with Churchill and Macmillan's with Kennedy. This, however, was not to be so with Edward Heath and Richard Nixon, their ideological affinities not-withstanding. While Heath's predispositions were trans-channel rather than trans-Atlantic, Nixon too, in spite of his initial eagerness to strike a close relationship with someone he saw as a 'Kindred spirit',12 was not cast in the mould of a Harry Truman or a Dwight Eisenhower who grew up in the embrace of a 'Special Relationship'.13

Thus, portents of a transformation in Anglo-American relationship had begun to be visible even before Britain formally joined the Common Market on 1 January 1973. Edward Heath had given ample indications of Britain's priority, i.e.: to join the Common Market, during his first visit as Prime Minister, to Washington in December, 1970 as well as making it clear that he neither wanted to negotiate Common Market issue bilaterally with the United States "nor to appear as .... America's Trojan Horse in Europe."14

The shift in emphasis in British policy vis-a-vis Anglo-American traditional links assumed a much more significant dimension in view of the strains in US relations with Europe which had already manifested itself since the mid-60s, in particular over

12 Henry Kissinger, n. 4, p. 933.
14 Henry Kissinger, n. 4, p. 937. According to Kissinger "... we were witnessing a revolution in Britain's post-war foreign policy". Ibid.
Vietnam. There was growing disquiet in the United States regarding the role being played by America's European allies in the Common defence of the West, and if they should not do more to share the 'burden'. Most important of all was however the coming of age of the European Community which, as a customs union, now began to affect American exports to Europe as well as compete with America in other areas of the world. As Henry Kissinger put it "for the first time Atlantic relations became controversial." 16

The Paradox of the situation was that while the United States wholeheartedly welcomed Britain's entry into the European Community it was, no doubt, hopeful of putting the traditional cozy relationship with a British Prime Minister to good use in dealing with Britain's newly established European Community partners. Hence Edward Heath's refusal to play the conventional Anglo-American game came as a rude jolt to policy-planners in the United States. 17

Thus, when Edward Heath visited the United States in February 1973 immediately after Britain joined the EEC, relations between America and Europe had already been vitiated over the issue of trade. The United States was worried about what it considered to be discriminatory practices against American exports to the EEC resulting in a massive balance of payments deficit for itself. However, any hopes that Heath would act as a mediator in the crisis were quickly scotched when the British Prime Minister made it clear that he had come as a member of the European Community and that the United States was unfair to blame the EEC for

15 Ibid., Chapter XI.
16 Ibid., p. 425. For details see the economic section.
17 Ibid., p. 938.
In his speech at the Washington Press Club Heath explained at length the position of the EEC and drew attention to the many non-tariff barriers in particular, which the United States erected against foreign imports. And in his bilateral discussions with President Nixon while there was substantial agreement in many areas Atlantic relations proved to be more complicated. Heath was unresponsive to Nixon's suggestions of formation of study groups by Britain and America to co-ordinate Atlantic goals and strategies lest such an action fed European, and especially French suspicion of Anglo-American collusion. His preference was for Europe as a unit to formulate answers to American queries.

In many ways Edward Heath's February 1973 visit to Washington acted as a pace-setter for Anglo-American relations after Britain joined the Common Market. A marked change in British policy was evident; though Heath was anxious to avoid a serious dissension between the EEC and the United States over the question of protectionism and trade liberalization, he gave every indication in Washington that his basic commitment was to European interests despite all protestations of personal cordiality with Nixon. The British Prime Minister's forthright stand in defence of European interests earned him plaudits in Brussels where Britain was beginning to be seen as a valuable key to US-Common Market ties.

22 Ibid.
An important change in this period, partially brought about by British membership of the European Community, was in American nuclear policy. This was reflected in the feelers sent to London and Paris in April 1973 that the United States might actively favour an "Anglo-French nuclear military force operating on behalf of Europe", i.e., an independent European nuclear force. For years France, particularly under De Gaulle, was advocating for and working to this end and the United States was opposed to this. The change of attitude by the Nixon-Kissinger team was a vindication of this line. This came as a great relief to the British who, in an altered situation, now could feel less restricted by promises of secrecy over nuclear collaboration between Britain and the United States that were made to Washington during the period of 'special relationship' preceding British membership of the European Community. Heath had been a longstanding advocate of a "European" nuclear force comprising the British and the French national forces under joint control.

A clearer, sharper test of Anglo-American relationship, indeed of American-West European relationship, was available over the Yom Kippur war of October 1973 between Israel and the Arabs which manifested the most serious rift in the Atlantic alliance in its 24-year history. A Britain led by Edward Heath displayed the most vivid demonstration that it felt more content to act in unison with its European Community partners, especially France and Germany, than trailing behind American coat-tails in an attitude

26 Ibid.
of committed support for Israel. The element of surprise with which the Arab armies acted against Israel placed the United States in an acute dilemma where, if it did not act decisively, its closest ally in the Middle East would be faced with the possibility of being completely overwhelmed or so it seemed at the time. An Israeli defeat at the hands of the Arabs, backed by Soviet arms, "would be a geopolitical disaster for the United States"27 and in order to avert such a possibility the Nixon Administration decided to airlift massive quantities of arms and ammunition to Israel.28 And it was on this issue that the first major crisis in Atlantic relations took place when America's NATO allies, except Portugal, the Netherlands and (for a time) West Germany "either directly or indirectly dissociated from the airlift and banned our overflight of their territories."29

To the dismay and consternation of the Americans Britain too joined the process when it made it known to Washington indirectly its disinclination of British bases being used either for the airlift or for intelligence collection in the Middle East.30 Non cooperation of such nature by Britain (and other West European Governments) was seized upon later by American officials as what they claimed to be consistently unhelpful behaviour by the British Government during the crisis.31

27 Henry Kissinger, n. 21, p. 493.
28 Ibid., p. 495.
29 Ibid., p. 709.
A crisis of a more serious magnitude occurred when the United States decided to put America's strategic forces on a world-wide alert in response to a Soviet threat of unilateral dispatching of troops if its proposal of joint American and Soviet military forces to ensure the implementation of a ceasefire between Israel and Egypt was not accepted. Although the alert affected US bases in Britain as well as elsewhere in Western Europe they were not consulted before the American decision was taken. The British Foreign Secretary Sir Alec Douglas-Home intimated, though not directly, the House of Commons on 26 October 1973 that there had been no warning, let alone any consultation between the American and British Governments before the Nixon Administration placed its forces on alert. The handling of the issue by the US Government was considered to be, at the least, insensitive and there was disquiet in the pronouncements even of British cabinet Ministers.

The crisis in Anglo-American relations over the 1973 Middle East war was an unmistakable manifestation of diverging American and European, of which Edward Heath's Britain was a part now,

32 Henry Kissinger, n. 21, pp. 583-91.
33 Henry Kissinger records that the British Ambassador in Washington, Lord Cromer was informed about the decision and the context in which it was taken - he also claimed, it was a classic example of the 'Special Relationship' with Britain - while admitting that there was some delay in the cases of other allies in view of the extreme urgency of the situation, Ibid., p. 590.
interests. While the United States, with its vital strategic interests in the Middle East in mind, saw it in global East-West terms, Britain and most other European countries viewed the conflict as limited in scope. However, as most of them were vitally dependent on Arab supplies of oil, open identification with the committed US support for Israel would have exposed them to the danger of these supplies being jeopardised. On the other hand the United States viewed the European reaction not only as selfish but also as downright counter-productive since the Arabs knew "that only the US can provide the help to get a political settlement. Not only will European capitulation to the Arabs not result in their insuring their oil supply, but it can have disastrous consequences vis-a-vis the Soviet Union ...."  

There was also another fundamental cause for complaint from the British and European side. Ever since the arrival of Richard Nixon in the White House, the United States was tending to neglect its allies in conducting its foreign policy, especially in initiating the policy of détente with the Soviet Union. Britain was not even informed, let alone consulted, over the change of policy towards China in July 1971. Kissinger's penchant for secret bilateral dealings with Moscow and Peking kept the allies very much in the dark, although they had vital stakes involved with the outcome of such parleys.

37 The only West European state, Holland, which supported Israel and the American action, suffered this fate. See The Economist (London), 10 November, 1973. p. 79.

38 Henry Kissinger, n. 21, p. 715.


40 Henry Kissinger, n. 4, Chapter XIX, pp. 733-770.
The deterioration in Anglo-American relations during Edward Heath's tenure created a lot of domestic unease in Britain which was reflected in the press comments of the time. Some of the leading dailies which have persistently championed the cause of British membership of the European Community, openly expressed their reservations regarding the Heath Government's policy towards the United States. One writer in the usually pro-Conservative *Sunday Telegraph* charged that Britain had joined the Anti-America club. He wrote:

In a moment of acute international crisis involving the United States and the Soviet Union, Britain proved herself no more loyal or co-operative than did her European partners. If Britain was not in the Common Market, it is unlikely that she would have reacted to this crisis in this way, since for a relatively powerless country, quite unprepared and unable to guarantee her own independent security, such reckless provocation to the source of her own protection would inevitably seem to be the height of irresponsible folly.\(^1\)

The strongly pro-EEC *Guardian* argued in a leading article that the strategy of Britain as the focal point of three concentric circles - the United States, Europe and the Commonwealth - had seemed somewhat less convincing even in the 1960s; but after the October 1973 war fiasco - with a Commonwealth reduced to a shadow and the American relationship something less than special - the room for manoeuvre (for the Foreign Office) became even more limited. The assumption, that Britain, from within, would be able to prevent an Atlantic split did not quite work. The split only widened and it was realised that the problem of Britain's international role would not be easily solved by its European commitment alone.\(^2\)

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Criticism of the Heath Government was also voiced on the ground that it had allowed the 'Special Relationship' with the United States to deteriorate because of its anxiety to keep on good terms, at all costs, with France. The Daily Telegraph suggested in an editorial that Heath was too anxious to prove wrong De Gaulle's belief that Britain would be a 'Trojan Horse' inside the Community for American influence. 43

The souring of Anglo-American relations in 1973-74 owed its origin partly to the personal relationship between Henry Kissinger and Edward Heath. Heath's profound commitment to Europe did not seem to go down too well with Kissinger and the Nixon administration. 44 For the first time the Washington political establishment was faced with a British Prime Minister who refused to pay the ritual lip service to the 'Special Relationship' and be taken for granted in the American scheme of things involving Atlantic relationship.

It would, however, be a mistake to explain the complex phenomena of Anglo-American relationship in terms of personal relationship only however important they may be. Heath represented some of the deeper currents in Conservative Party thinking which felt acutely the decline in Britain's global role and the part played by America in the process of decolonization, "from Franklin Roosevelt's strictures during world war II to the Suez crisis of 1956." 45

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44 Henry Kissinger, n. 4, pp. 933-4.
Thus, the ambivalence of Anglo-American relationship during the Prime Ministership of a non-conformist Edward Heath was brought into sharp focus; the close bonds of two sister nations on the one hand and the glaring disparity in the power and prosperity quotient of the relationship on the other. Such however were the realities which would henceforth continue to dictate the pattern of interaction between the two countries, irrespective of which Government was in power in either of the two capitals.

With the defeat of Edward Heath in the general election of February 1974 and assumption of office by the Labour Party under Harold Wilson the atmosphere changed somewhat. The departure of Heath who had become a veritable symbol of Anglo-American disagreements during the last few months of his Government could not but be a welcome development from the American point of view. The new Prime Minister Harold Wilson was a familiar figure in Washington who had had previous experiences of dealings with the first Nixon Administration. He was considered to be a sincere friend of the United States whose "emotional ties, like those of most Britons, were across the oceans and not across the Channel ...."Ironically he belonged to the generation of Labour Party leaders who were emotionally closer to the United States than some of the leading conservatives. And since the Labour Government did not share the Heath Government's passion for Europe, there was British expression of hopes for better ties with the United States. On certain issues (suspicion of France, more pro-Israeli line) the

46 Henry Kissinger, n. 21, p. 933.
47 Henry Kissinger, n. 4, p. 90.
Labour position was also closer to Washington than that of the Conservatives.\textsuperscript{49}

Besides Harold Wilson, the new Labour Foreign Secretary, James Callaghan, was also more of an Atlanticist than a committed European. Indeed, there were enough indications within days of the new Government's assumption of office that the Wilson-Callaghan team did not feel the same kind of compulsion as Edward Heath to placate the French and was more inclined to consolidate friendly relations with the United States.\textsuperscript{50} In his earliest contacts with two top US State Department envoys Callaghan promised British help in bringing about an improvement in the process of trans-Atlantic consultation within NATO, between the EEC and the United States and between London and Washington.\textsuperscript{51} These developments seemed to bring considerable satisfaction to American officials whose hopes were now raised, their disquiet about the Labour Government's commitment to reduce defence spending - including the pre-election threat to close American Polaris bases in Britain - notwithstanding, that Britain would now throw its weight on the side of better Atlantic relations and oppose French efforts to construct a united Europe on an anti-American foundation.\textsuperscript{52}

The priorities of the Labour Government, committed as it was then to renegotiating the terms of British membership of the EEC,

\begin{itemize}
\item \textsuperscript{50} The Guardian, 13 March 1974.
\item \textsuperscript{51} See International Herald Tribune, 16 March 1974.
\item \textsuperscript{52} Financial Times, 20 March 1974.
\end{itemize}
in redefining its relationship with the United States during its
tenure in office over the next five years were outlined by James
Callaghan in a speech to the National Press Club in Washington on
21 May 1974. The watchword of the Atlantic relationship, Callaghan
declared, had to be the 3cs - consult, co-ordinate and cooperate
at all levels - political, economic and defence. He refused to
agree with the viewpoint that this was the recipe for American
domination of Europe which must construct its policies first and
discuss them with the United States only thereafter. Indeed "rela-
tionship between Europe and the United States must go further and
deeper than conversations at periodic intervals ...." 53 As they
faced common problems there had to be a transatlantic partnership
where there must be reciprocity for each other's difficulties.

While it considerably irritated Britain's EEC partners,
especially with its emphasis on European consultation with the
United States before taking decisions, 54 the tenor of the
speech left no one in any doubt about the attitude of the
Government towards the United States. Anglo-American rela-
tions were given "a higher priority than they had been given sir
Kennedy and early Johnson years." 55

The sudden warming up in Anglo-American relations for
the arrival of the Labour Government essentially reflected
negative phenomena in the trans-Atlantic affairs of the time
Britain's demands on the European Community for renegotiat-
ing its entry terms and the continuing poor relations between

53 Speech to the National Press Club, Washington, London
55 David Owen, n. 6, p. 75.
States and Europe in the aftermath of the October 1973 Middle East war. However, with the arrival of Helmut Schmidt and Valery Giscard D'Estaing as new leaders of Germany and France, the climate of relations between Western Europe and the United States improved considerably thus obviating the need for Britain to act as a bridge between the United States and the European Community.

Indeed Britain's attempt to renegotiate the terms of its EEC membership attracted a good deal of attention and comment in the United States. While the US administration, especially the Secretary of State Henry Kissinger, would not comment on a matter which was considered to be for the British Government to decide there was enough indication of a consensus among senior American officials that Britain's fortunes lay in the mainstream of European politics and that American interests and the Atlantic Alliance would be better served by a united European Community. The United States perceived Britain as a part of Europe and thus felt concerned about whether Britain stayed in the EEC or not.

56 It was a Europe with which Labour not only felt no affinity but was positively hostile to.


58 Kissinger at a news conference in London. The Department of State Bulletin, 22 April 1974. Significantly Kissinger also noted that the US position in the past had been "to support the Common Market and to support British membership in the Common Market." See Ibid.


60 The Times. Interview with 'Elliot Richardson, U.S. Ambassador-designate in London. The Times, 20 February 1975. Even Kissinger, while conforming with his policy of never appearing to put pressure on the British Government over the Common Market issue, came very close to suggesting in a speech at the British Embassy in Washington that he wanted Britain to remain in the EEC, both for its own good and for better East-West relations. Financial Times, 9 December 1974.
And it was not just people in high places in the US Government who favoured continuing British membership of the EEC; the New York Times considered it an issue of such necessity that it advised, in an editorial, Harold Wilson even to accept a Labour Party split on the issue as well as ignore the resolution of the Party conference to keep Britain in Europe.61

In the end the two-to-one referendum verdict which kept Britain inside the European Community was warmly appreciated in Washington "as the best news out of Britain since world war II."62 This was so because it was believed that it would make Britain a more valuable friend and a more likely future partner as part of a progressively more united Europe rather than a Britain on its own with a lagging economy and decreasing equality between itself and America. As an EEC member Britain had a better chance of pulling itself out of its economic problems and re-emerge as a vigorous and a creative leader of Western Europe.63

Thus the notable facet of Anglo-American relationship during this period was that while a Labour leadership, sceptical about Europe but somewhat resigned to the need of the hour for Britain to be a part of it, was seeking to lean more heavily on the American connection, the United States tended to look upon Britain in less

61 "Labour against 'Europe'", The New York Times, 3 December 1974. Harold Wilson Himself also admitted at a press conference in Washington in May 1975 that the Ford Administration was keen that Britain stayed in the EEC which would "help the generation of outward looking policies in Europe". London Press Service, 8 May 1975, p. 3.


63 Ibid.
flattering terms. In fact, there was an obvious dichotomy in the American attitude. The picture of Britain, as reflected in the American press and television of the time, was of a country which was going downhill fast if not tottering on the verge of collapse.\textsuperscript{64} This general climate of unfavourable American opinion may have been a source of irritation for British leaders;\textsuperscript{65} but it reflected a tangible apprehension on the part of thinking Americans about the future of Britain which remained, in American eyes, "the fountain-head of Parliamentary democracy and political stability."\textsuperscript{66}

At the official level, however, relations between the two Governments throughout the tenure of the Labour Administration under the Prime Ministrieship of both Harold Wilson and James Callaghan reached a degree of cordiality not seen since the days of Macmillan and Kennedy. This was epitomized in the personal relationship between James Callaghan, on the one hand and Henry Kissinger and subsequently President Carter, on the other.

As already noted the Wilson Government accorded a greater priority to better Anglo-American ties than its predecessor. As Foreign Secretary James Callaghan had a good deal of bi-lateral interaction with Henry Kissinger, the American Secretary of State and within a very short time they "struck up a close working relationship."\textsuperscript{67} On many major issues, especially the energy

\begin{itemize}
  \item \textsuperscript{64} A question to this effect was put to Harold Wilson at his press conference in Washington. \textit{London Press Service}, 8 May 1975.
  \item \textsuperscript{65} Ibid.
  \item \textsuperscript{66} Frank Giles, "Anglo-Saxon Attitudes: The US and Britain Now", in \textit{Sunday Times}, 2 March 1975.
  \item \textsuperscript{67} David Owen, n. 6, p. 75; Also see, The Observer, \textit{The Prime Minister talks to the Observer: Interviewed by Kenneth Harris}, London, April 1979.
\end{itemize}
crisis and the Middle East, there was great proximity in the views of the two Governments. Besides, unlike in the 1950s and 1960s when politico-military issues were more important, problems of the world of the 1970s were perceived as primarily economic by the United States and, as Callaghan noted in a speech at the American Chamber of Commerce in London, the two countries also shared a common interest in broad economic objectives arising out of these problems, namely "a stable world order, the expansion of world trade, the conquest of inflation, an effective international monetary system and adequate and assured supplies of energy and raw materials." Solution of these problems warranted an active and understanding partnership between America and Western Europe.

Even closer and a more striking relationship of the period was established between Callaghan and Jimmy Carter after the latter became US President in January 1977. In the first meeting between the two in March 1977, the President even referred, for the first time in an Anglo-American summit after long years, to the "Special Relationship" between the two countries. "Although", Carter observed, "we have people in our nation from many many nations, I think that all of us recognize that, historically and politically, Great Britain is still America's mother country."

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68 For example Callaghan extended complete support for Kissinger's efforts to bring about peace in the Middle East; on energy he evinced a sympathetic response to Kissinger's proposal of a floor-price for oil on the ground that as a prospective large oil producer by the 1980s Britain was interested in having some stability in the oil market. See US, The Department of State Bulletin, 10 March 1975, pp. 292-3.

69 See The Times, 20 February 1975.


71 US, Department of State Bulletin, 4 April 1977, p. 312.
The rhetoric and exaggerations of public speeches notwithstanding the closeness of the relationship between Carter and Callaghan has been commented upon by insiders as well. According to one inside source, "... Callaghan displayed remarkable skill in cultivating Carter personally" and successfully established himself as the President's favourite. During the course of his next two years in power Callaghan was by far the closest of the West European leaders so far as relations with the Carter Administration were concerned. It was a relationship in which Callaghan acted as the genial elder statesman seeking to guide the new President through the intricacies of inter-allied politics.

That the British and the American Governments, in spite of Britain's decline as a great power and its consequent adaptation of its own role as a medium ranking European power, somewhat behind West Germany within the EEC, could collaborate as equals in seeking to defuse a trouble spot in the world in the pursuit of their own joint interest was demonstrated most vividly on the issue of Rhodesia. Since the Uni-lateral Declaration of Independence by the

72 President Carter was by nature somewhat generously disposed towards all his guests.


75 Ibid. Callaghan had an edge over the German Chancellor, Helmut Schmidt, traditionally another close ally of the United States, due to the faux pas committed by the latter in declaring his support for Gerald Ford in the US Presidential election of November 1976 and thus alienating Carter which was reflected in their personal relationship for a long time.
white minority regime of Ian Smith on 11 November 1965 Rhodesia had been a serious problem and a severe international embarrassment, especially within the Commonwealth, for successive British Governments. The Smith regime managed to defy world opinion as well as UN sanctions for years together as it obtained active South African support and backing in doing so.

The "wind of change", triggered off in Southern Africa by the fall of the Salazar-Caetano dictatorship in Portugal in 1974 and followed consequently by the independence of Mozambique and Angola, and the establishment of pro-Soviet regimes in these countries, created a potentially dangerous situation for the Western powers, especially the United States and Britain which had enormous economic stakes in the region.

Fear of a collapse of its Southern Africa policy had led the United States to take an interest in the Rhodesian and Namibian situation even before the arrival of the Carter Administration. Henry Kissinger, with the full backing of the Callaghan Government, had committed the United States to supporting majority rule in Rhodesia in his Lusaka announcement of April, 1976. This was the beginning of the most remarkable collaboration, the Anglo-American initiative in Rhodesia, between the two countries in the pursuit of a joint interest since Britain joined the EEC. Its objective was to bring about a peaceful transition to black majority rule in Rhodesia; a failure to achieve this would have plunged the entire region into chaos and turmoil which could consequently strengthen the Soviet and Cuban-backed forces in the region.


With the coming to power of the Carter Administration the strong moral commitment of the President and his team to human rights was added to the geopolitical compulsions in shaping the Southern Africa policy\(^78\) of the United States. The potential for a greater American involvement stemmed not only from a better American understanding of and sympathy with the problems of the black majority\(^79\) but also from the fact that "failure to resolve the escalating conflict could affect" the United States adversely.\(^80\)

There was also apprehension from the British side that if active US support on Rhodesia was not available, it would not be possible to make further advances as only the United States "could influence the South Africans and the frontline states to persuade Smith and the guerilla groups to resume negotiations.\(^81\)

Thus a clear rapport was established between the Labour Government and the Carter Administration on Rhodesia which was viewed by both from the common perspective of mutual security, political and economic interests as well as a moral commitment to basic human rights. The good working relationship established by Cyrus Vance, the US Secretary of State, with David Owen, the British Foreign Secretary, considerably facilitated the collaboration between the two Governments over the next two-year period.\(^82\)

The common denominator in the attitude of both Governments to the Rhodesian situation was that any solution had to take into account all the interested parties - the Whites, the black

\(^{78}\) Zbigniew Brzezinski, n. 74, p. 139.
\(^{79}\) Ibid., p. 140.
\(^{80}\) Cyrus Vance, n. 76, p. 264.
\(^{81}\) Ibid., p. 261.
\(^{82}\) Ibid., p. 262. Also see Zbigniew Brzezinski, n. 74, p. 290.
nationalist leaders inside Rhodesia like Bishop Abel Muzorewa and his united African National Council, the Reverend Ndabaningi Sithole and his faction of the Zimbabwe African National Union (ZANU) as well as the Patriotic Front of the Nationalist leaders like Joshua Nkomo and Robert Mugabe who were conducting a guerrilla warfare against the Smith Regime from outside the country. Both Britain and the United States were resolutely opposed to the attempts being made by Ian Smith to arrive at a so-called 'Internal Settlement' with Muzorewa and Sithole excluding the Patriotic Front which would give the whites a far more dominant position in the country's political set up than warranted by their number.\footnote{Ibid., pp. 266-71.}

The agreement finally arrived at between Smith and Muzorewa on 3 March 1978 fell far short of what was considered to be genuine majority rule.\footnote{While the Plan provided the whites, constituting only 5 per cent of the population, 28 per cent of the seats in Parliament and the power to block changes in the constitution for ten years, the Patriotic Front was completely excluded. Ibid., p. 285.} Although they were not prepared to recognize the internal settlement both the US and the British Governments were faced with considerable domestic pressure from right wing elements to do so and lift sanctions against Rhodesia.\footnote{Cyrus Vance, n. 76, pp. 285-91.} But both the Carter Administration and the Labour Government held on to their common perception that "the internal settlement was deficient and would not bring peace."\footnote{Ibid., p. 293.} This was the position when the Labour Government was replaced by the Conservatives with Margaret Thatcher as the new British Prime Minister following the British General elections of 3 May 1979.

The issue of Rhodesia thus witnessed a remarkable convergence in the foreign policy perception of the British and American
Governments in the late 1970s and bore testimony to the fact that even in the changed circumstances given the existence of a harmonious personal equation at the top level of the leadership of the two countries, Britain and the United States were still somewhat uniquely placed in the conduct of bilateral relationship. On the other hand with the passage of time and the Common Market referendum behind it, the Labour Government, which had initially placed its trans-Atlantic relationship on a higher pedestal in comparison with its EEC links, came to realize that membership of the EEC had introduced a new dimension into Britain's traditionally close relationship with the United States and henceforth Britain's foreign relations had to be increasingly seen in the context of a different and broader West European framework as well. Throughout the course of this period the Labour Government pursued the concrete objective of reconciling, to the best extent possible, Britain's European and American links.

A qualitative shift in the emphasis and nuances of British attitude towards the United States and the EEC took place with the arrival of Margaret Thatcher's Conservative Government in May, 1979. Unlike her predecessors, as Conservative Party leader, Mrs. Thatcher represented a more radical brand of right wing political philosophy which in foreign policy terms meant a more realistic appreciation of British membership of the EEC; in economic terms her policies involved tight monetary control, reduced Government spending, cutting income taxes and abolishing Government wage guidelines. The absolute necessity of individual freedom,

87 Speech by James Callaghan, n. 70, p. 1.
88 Speech by Anthony Crosland, n. 77, p. 4.
considered to be the key to any politically and economically successful society, was the watchword of her thinking. 89

It is in this context that the priorities of the new government were set; unlike the Callaghan Government Margaret Thatcher's attitude towards the United States was conditioned less by any sentimental Anglo-Saxon attachment to America but as she put it, more by the fact that "the United States is still the prime champion of freedom." 90 The sheer necessity of survival against, what she perceived to be the ever expansionist Soviet Union, made it imperative that close Anglo-American as well as American-European relationship must be the order of the day. 91 Ideologically the United States represented the core of Mrs. Thatcher's political philosophy and as such it was only natural that it should be Britain's most important ally and friend. Besides Mrs Thatcher's commitment to the European Community also lacked the fervent, almost messianic zeal of Edward Heath 92 which made her better placed to take a more balanced view of Britain's European and American links.

Despite her respect and admiration for the United States Mrs Thatcher's relations with the White House during the remainder of the Carter Presidency were anything but close. This was partly due to her preoccupation with the budget controversy as well as other issues within the European Community and partly due to,

90 Margaret Thatcher, Ibid., p. 43.
91 Speech at New York, n. 89, p. 5.
92 Margaret Thatcher, n. 89, p. 46.
what was described by one source "as the bad vibrations between Thatcher and Carter."\(^{93}\) Besides the ideological distances that kept apart a right wing Conservative British Prime Minister from a middle of the roader Democratic American President, the handling of the crises like Iran and Afghanistan with which the Carter Administration was beset during its last two years was considered by the Thatcher Government as "amateurish."\(^{94}\)

The differences in the perceptions of the two Governments were immediately reflected on the issue of Rhodesia where the Conservative position seemed to differ markedly from that taken by the Labour Party. Apparently Mrs. Thatcher was more favourably inclined to recognize the internal settlement compared to her predecessor.\(^{95}\) Although subsequently the Prime Minister was prevailed upon by sources within the British Government and the Foreign Office to adopt a more realistic approach to the problem\(^{96}\) the American role in bringing about a peaceful settlement of the Rhodesian conflict changed notably. Under the Labour Government the United States had been a full partner at the request of the British; but the Conservatives, while closely consulting the US in the course of their diplomacy, "clearly considered the main responsibility for a solution to be Britain's."\(^{97}\)

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93 [*Daily Telegraph*], 16 October 1979. Jimmy Carter himself had this to say about Mrs. Thatcher in his memoirs, "Margaret Thatcher is a tough lady, highly opinionated, strong-willed, cannot admit that she doesn't know something. However, I think she will be a good Prime Minister for Great Britain." Jimmy Carter, [*Keeping Faith: Memoirs of a President*] (London, 1982), p. 113.


95 Cyrus Vance, n. 76, p. 294.

96 Zbigniew Brzezinski, n. 74, pp. 142-3.

97 Cyrus Vance, n. 76, p. 297.
During the course of the subsequent diplomatic efforts to organize an all parties conference in London involving all shades of opinion relevant to a solution the British Foreign Secretary Lord Carrington conducted the negotiation while the United States played essentially a supportive backseat role.\(^98\)

A change of Government in the United States following the victory of Ronald Reagan in the Presidential election of November 1980 apparently seemed to herald a new era in Anglo-American relations. No other European government welcomed Reagan's victory more warmly than the Conservative Government of Margaret Thatcher.\(^99\) In fact, the Prime Minister had an instant occasion to express her forthright admiration for Reagan's personal leadership qualities besides sharing with him his perception of the threat from the Soviet Union. In doing so she did not hesitate to make it clear that she was unable to share the anxieties in Western Europe, and especially in Germany, about prospects for East-West detente being jeopardized as a result of Reagan's election.\(^100\)

In the personalities of Margaret Thatcher and Ronald Reagan the ingredients of a close relationship, traditionally the bedrock of post-war Anglo-American partnership, were present in

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\(^{98}\) Zbigniew Brzezinski, n. 74, pp. 142-3. Mrs. Thatcher, however extended powerful support to the Carter Administration, mainly due to ideological reasons, in its handling of the crises involving the American hostages in Iran and the Soviet intervention in Afghanistan which was warmly acknowledged by Jimmy Carter in his memoirs. While Britain was singled out for praise Carter was critical of France and Germany who "were a constant source of trouble". Jimmy Carter, n. 93, p. 486.


\(^{100}\) See her interview with Federal German Television, London Press Service, 13 November 1980.
substantial measures. Their ideological proximity included shared beliefs in individual freedom, economic monetarism and in their assessment of the threat the Western world faced from the Soviet block in the aftermath of the Soviet intervention in Afghanistan.  

Much of this commonness was highlighted during the course of Mrs. Thatcher's visit to Washington in February 1981 - significantly the first West European leader to do so after Reagan had taken office - when the British Prime Minister declared:

"We, in Britain, stand with you, America's successes will be our successes. Your problems will be our problems, and when you look for friends, we will be there." These sentiments were warmly reciprocated by the President as well, thus putting a seal on their personal friendship "as kindred political spirits."  

However, the fact that especially needs to be taken note of, as already referred to, is that it was the ideological connotations in the relationship between the two Governments that made Thatcher warm up in her attitude towards the United States. In pursuit of this she even went to the extent of defending some of the American policies, like high interest rates or the somewhat hawkish American attitude towards the Soviet Union, that were

101 During the course of a previous visit to Britain as a private citizen Ronald Reagan had expressed his personal appreciation of Mrs. Thatcher who had greatly impressed him with her grasp of the great economic problems Britain was facing. Interview with the Daily Telegraph, See Sunday Telegraph, 10 September, 1975.

102 See Mrs. Thatcher's interview, n. 100.

103 International Herald Tribune, 27 February 1981.

104 Financial Times, 2 March 1981.

disagreeable to some of Britain's European Community partners.

In an effort to get Europe off to a good start with the Reagan administration Britain even decided to oppose, for the time being, any major European initiative on the Middle East where European and American policies had taken a divergent course for quite some time.

Thus, the concurrent existence of two like-minded Heads of Government in London and Washington at the beginning of the 1980s apparently created very propitious conditions for a harmonious Anglo-American relationship if not even a revival of the famous 'Special relationship'. However, Mrs. Thatcher was too much of a realist to ignore the fact that Britain was now a member of the European Community and the conditions for the kind of partnership that existed between Britain and the United States in the 50s and 60s just were not present in the 1980s. The Conservative Party led by her was alive to the "limits of British influence" and her Government was fully committed to Europe not only because it was in Britain's interests but it was a political necessity for the democracies of Europe to be able to "live together in a positive, closer association like the European Economic Community." There was also increasing awareness in Whitehall that Britain now

106 International Herald Tribune, 14 November 1981.
107 Thatcher, n. 89, p. 47.
108 See Mrs. Thatcher's interview, n. 105. It was interesting that Mrs. Thatcher decided to travel to France and West Germany for consultations with her European counterparts before she visited Washington in early 1981. International Herald Tribune, 14 November 1980.
enjoyed no more than equal position with Germany, France and Japan among American allies. 109

Despite the display of personal camaraderie between Prime Minister Thatcher and President Reagan Britain was increasingly identifying itself with its European Community partners in foreign policy matters within the framework of what came to be known as the European political co-operation which involved harmonised perception among the member-states on various international issues. On at least two such issues - the Middle East and Central America, among others - the Europeans and the Americans did not see eye to eye and Britain's position converged more with its EEC partners than with Washington's.

As already noted American policy of unconditional backing of Israel and its increasingly intransigent policies were met with disapproval within the member countries of the European Community who were trying to take a more balanced stand involving the recognition of the Palestine Liberation Organisation (PLO) as a legitimate party to negotiations for a Middle East settlement. 110 This was given a concrete shape by the European Council in June 1980, with which Britain fully concurred. 111 British Foreign Secretary Lord Carrington's description of the so-called Saudi

109 According to Sir Nicolas Henderson, the British Ambassador in Washington, "The Anglo-American relationship is in my view no more special than that between the US and any other country. All relations are special, or else they are just a contract." Anthony Holden, "Mrs. Thatcher's Special Relationship" in The Observer, 16 December 1979.


Arabian Eight-point Peace Plan, which envisaged, among other things, the establishment of an independent Palestinian state with Jerusalem as its capital, as "positive, and a sound foundation for further steps,"\(^\text{112}\) gave further indication of the differences between the British and American positions on the Middle East problem. This was as much as conceded by a top Reagan Administration spokesman in an interview in November 1981.\(^\text{113}\)

The differences in the mutual perceptions of the two countries extended to central and Latin America as well which were brought out on to the surface by the developments of 1981-82. The Reagan administration, which viewed the situation in El Salvador and Nicaragua as Soviet attempts to interfere in Central America, had called upon the Europeans to support its efforts to bolster the anti-Soviet forces in the area.\(^\text{114}\) However, the Europeans showed little enthusiasm for the American policy to pour arms and advisers for the civilian-military junta in El Salvador where they favoured an internal settlement between the guerillas and the junta; this was a stand which even Mrs. Thatcher backed during her February, 1981 Washington visit despite her firm support for the Reagan administration's hardline policy in East-West relations.\(^\text{115}\)

However the most crucial test of Anglo-American friendship was witnessed during the Falklands crisis of April-June 1982 when Argentina forcibly occupied the British colony of Falkland Islands.

\(^{112}\) *Financial Times*, 7 July 1981. The Carrington statement drew a sharp criticism from the U.S. Secretary of State Alexander Haig who, apparently, told him to "cool it." Ibid.

\(^{113}\) *Daily Telegraph*, 9 November 1981.

\(^{114}\) *Daily Telegraph*, 28 February 1981.

\(^{115}\) Ibid.
in the South Atlantic. These islands which had been under formal British control since the early 19th century had been a bone of contention between Britain and Argentina for many years. The military junta in Buenos Aires finally lost patience and assuming that Britain would not find it worthwhile to fight for a group of far-flung South Atlantic islands inhabited by a handful of sheep herders decided to use force.\textsuperscript{116}

Britain, however, decided to respond sharply by sending a powerful task force of naval armada which recovered the islands in June after bitter and bloody fighting with the Argentinians, causing huge losses in men and materials to both sides.

The crisis placed the United States in a great dilemma as it had to choose between two friendly countries - Britain and Argentina - representing two areas of vital concern to its national interests - Europe and Latin America respectively.\textsuperscript{117} In the event the United States decided to come down in favour of Britain following the failure of the Haig mission to bring about a peaceful solution to the crisis as it could not afford to be seen to be endorsing aggression, especially so when the aggrieved party happened to be one of its closest allies.\textsuperscript{118}

\begin{footnotes}
\item[117] Ibid., pp. 263-70.
\item[118] Ibid., pp. 266-7. Before the collapse of the Haig mission the United States endeavoured to maintain a semblance of neutrality to give negotiations a healthy chance of success. But after the talks failed, the United States gave Britain crucial diplomatic and practical assistance in the form of war material which was smoothly made available to the British task force entrusted to reoccupy the Falklands as well as intelligence support "without which", acknowledged the \textit{Sunday Telegraph}, "victory would have been much more difficult and uncertain ...." See, "Friends Apart", \textit{Sunday Telegraph}, 7 November, 1982. See also \textit{The Guardian}, 6 November, 1982; and Alaxander M. Haig, Jr, n. 116, p. 296.
\end{footnotes}
The decision, however, was not without its critics within the administration and while Britain appreciated, American support it was not possible for the United States to subjugate its hemispheric interests for too long. Thus when the United States associated itself with a United Nations General Assembly resolution in November 1982 calling for negotiations between Britain and Argentina over the Falklands issue the British Government reacted sharply with the Prime Minister describing the American action as "incomprehensible and disappointing." Mrs. Thatcher had made her position on the issue of sovereignty over the Falklands quite clear during her visit to Washington in June 1982 when she warned the White House not to press her on the issue.

Added to the uncompromising stand taken by Mrs. Thatcher on the Falklands question which had become an irritant in Anglo-American relations was the Siberian gas Pipeline controversy. This was an issue on which the American-West European perceptions seemed to differ significantly. The United States viewed the building of the proposed pipeline from Siberia through to Western Europe for the sale of Soviet natural gas to the latter as dangerously exposing the Western strategic position to Soviet pressure. The Europeans, Britain included, were of the opinion that only 6 per

119 The American Permanent representative to the United Nations Jean Kirkpatrick who had closer leanings towards Latin America was more sympathetic to the Argentinian position. Alexander M. Haig, Jr. n. 116, p. 269.
120 Speech by British Foreign Secretary Francis Pym to the Pilgrim's Society of Great Britain. London Press Service, 12 July 1982.
121 Sunday Telegraph, 7 November 1982.
123 Axel Lebahn, "The Yamal Gas Pipeline from the USSR to Western Europe in the East-West Conflict" in Aussen Politik (Hamburg),
cent of total energy requirements were being placed in the Soviet hands. However, what made trans-Atlantic relations even more tetchy was the decision of President Reagan not only to embargo materials produced in the United States for use in the pipeline but also to try to make overseas subsidiaries and licensees of American companies subject to restrictions on the supply of equipment for the Siberian project. The European Community responded strongly by rejecting the American claim to extraterritorial jurisdiction implicit in the American decision and also its retroactive effect.

The trans-Siberian Pipeline dispute between the United States and Europe demonstrated beyond doubt that when the chips were down Britain was now more likely to side with its European Community partners than with the United States. It was Britain, led by Mrs. Thatcher, which provided the most determined opposition to the American action by legislative retaliation against American companies which was subsequently followed suit by other EEC countries and brought about a withdrawal of the American embargo on pipeline equipment on 13 November 1982.


124 Ibid.


126 The Guardian, 6 November 1982. Britain had a vital economic interest involved as the British company John Brown was to supply the turbines under General Electric licence and the American sanctions were threatening it with bankruptcy. Ibid. Also see Ian Carson and Barry Howard, "Shultz Key to Peace on Pipeline", The Observer, 4 July 1982.
revealed the stubborn, nationalistic streak in Mrs. Thatcher who was not hesitant to mouth public criticism of a trusted, old ally who had just risked its diplomacy in its own backyard for Britain's sake. But the Prime Minister was not alone in her feelings of having been let down by America. There was a marked deterioration in British confidence in the Atlantic Alliance and in President Reagan as revealed in a Gallup Poll specially conducted for "Sunday Telegraph" in November 1982. In a striking reversal in the British public's view of the "Atlantic Alliance" only 20 per cent of those questioned saw Britain and America drawing closer together and 53 per cent saw them getting further apart as opposed to 50 per cent and 23 per cent respectively in June 1982. The poll also showed that only one in four saw President Reagan as a good President.127

The conversion of the Thatcher Government, thus, from its incipient, albeit somewhat ideologically biased, Atlanticism to a greater degree of Europeanism by the close of 1982 was indicative of the direction in which Britain was moving as a result of its first ten years of membership of the European Community. A look now at the economic links between Britain and America during this period is necessary to get a totality of the scenario.

ECONOMIC

For historical and other reasons as already noted, the economic relationship between Britain and the United States has been very close. Bilateral trade as well as investments in each other's economies traditionally have been the cornerstones of these

127 Sunday Telegraph, 7 November 1982.
relationships. Therefore, it is necessary to take a detailed look at these two areas to come to any definite conclusions.

TRADE

The United States has traditionally been one of Britain's most important trading partners. In fact, bilaterally it has been Britain's most important export market as well as source of imports prior to, and even for several years after, it joined the European Community. Tables 128 1 and 2 give an indication of the comparative trade relationship between Britain on the one hand and the United States and several countries of the EEC and the Commonwealth on the other between 1950 and 1965.

Table 1

<table>
<thead>
<tr>
<th>Major markets</th>
<th>1950: Percentage share of exports</th>
<th>1965: Percentage share of exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>11.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Canada</td>
<td>5.7</td>
<td>4.2</td>
</tr>
<tr>
<td>USA</td>
<td>5.6</td>
<td>10.5</td>
</tr>
<tr>
<td>South Africa</td>
<td>5.4</td>
<td>5.4</td>
</tr>
<tr>
<td>India</td>
<td>4.3</td>
<td>-</td>
</tr>
<tr>
<td>Federal Republic of Germany</td>
<td>-</td>
<td>5.8</td>
</tr>
</tbody>
</table>

The notable fact from the figures above is that during the years between 1950 and 1965 the United States shot up to the topmost position among Britain's trading partners. However, by 1968 the EEC as a group had overtaken the United States, though the latter continued to remain one of Britain's most important customers as would be evident from table 3 below:

### Table 3

<table>
<thead>
<tr>
<th>Year</th>
<th>£ 000</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exports</td>
<td>Imports</td>
</tr>
<tr>
<td></td>
<td>USA</td>
<td>EEC</td>
</tr>
<tr>
<td>1968</td>
<td>871,622</td>
<td>1,195,889</td>
</tr>
<tr>
<td>1969</td>
<td>862,793</td>
<td>1,410,239</td>
</tr>
<tr>
<td>1970</td>
<td>932,736</td>
<td>1,753,835</td>
</tr>
<tr>
<td>1971</td>
<td>1,074,605</td>
<td>1,926,756</td>
</tr>
<tr>
<td>1972</td>
<td>1,207,439</td>
<td>2,229,772</td>
</tr>
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</table>

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The significant trend to note from the above table is that while the British exports to the United States as a percentage of the total remained either constant or even fell for some years, those to the EEC showed an upward movement. For instance the following were the percentages of total British exports sent to the US - 1968 - 14.11 per cent, 1969 - 12.25, 1970 - 11.57 per cent, 1971 - 11.60, 1972 - 12.31. The corresponding figures for the EEC were: 1968 - 19.25, 1969 - 20.02, 1970 - 21.75, 1971 - 20.80, and 1972 - 22.75.

With its joining the European Community Britain was expected, as a member of a customs union, to introduce the Common Customs Tariff (CCT) to the imports from all countries neither belonging to, nor enjoying any special arrangements with the enlarged community the most important feature of a customs union being the "uniform external tariff applied by all Member States to imports from non-community countries." Thus the US trade with Britain was expected to be affected after the transitional period of British membership was over.

However, a detailed study of the figures of British exports to and imports from the United States in terms of percentages of total British trade between 1973 and 1982 reveals an interesting trend. Table 4 provides the total picture.

131 European Communities, The Customs Union (Luxembourg, 1983), p. 11.
As can be seen with the exception of 1978 imports from the United States, as a percentage of total British imports, continued to fall until 1980 when they started to rise again reaching 11.26 per cent in 1982. This was higher than that in 1971. Likewise British exports to the United States too started picking up since 1981 after displaying a falling trend throughout the 1970s.

Ironically trade between the two countries fell proportionately during the course of the transitional period i.e. even before the full impact of Britain's EEC membership could be felt on its trade with the non-Community countries. On the other hand British trade with the EEC grew very fast especially after 1973 rising to 36.61 per cent of the exports and 39.78 per cent for imports in 1978 and to 35.90 per cent and 42.95 per cent respectively in 1982.  

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133 See Table 3, p. 408 above.
134 UK, HMSO, n. 132.
It would however be misleading to come to any definite conclusion on the basis of only the general trade figures; a detailed look at two specific sectors of the trade-manufactured goods and Food, Beverages and Tobacco - would reveal a somewhat different picture as can be seen from Tables 5 and 6 below.\textsuperscript{135}

Table 5

<table>
<thead>
<tr>
<th>Year</th>
<th>EEC\textsuperscript{136}</th>
<th>EFTA &amp; Irish Republic</th>
<th>United States</th>
<th>Japan</th>
<th>Rest of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1962</td>
<td>18.5</td>
<td>14.5</td>
<td>7.7</td>
<td>1.0</td>
<td>58.3</td>
</tr>
<tr>
<td>1965</td>
<td>18.8</td>
<td>15.1</td>
<td>10.0</td>
<td>1.1</td>
<td>55.0</td>
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<td>1968</td>
<td>19.7</td>
<td>16.1</td>
<td>13.4</td>
<td>1.6</td>
<td>49.2</td>
</tr>
<tr>
<td>1970-72</td>
<td>21.2</td>
<td>17.8</td>
<td>11.7</td>
<td>1.8</td>
<td>47.5</td>
</tr>
<tr>
<td>1973-75</td>
<td>24.0</td>
<td>16.8</td>
<td>10.7</td>
<td>1.9</td>
<td>46.6</td>
</tr>
<tr>
<td>1976-78</td>
<td>27.3</td>
<td>16.4</td>
<td>9.7</td>
<td>1.5</td>
<td>45.1</td>
</tr>
<tr>
<td>1979-81</td>
<td>30.8</td>
<td>16.5</td>
<td>9.7</td>
<td>1.5</td>
<td>41.5</td>
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<tr>
<td>Imports</td>
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<td></td>
</tr>
<tr>
<td>1962</td>
<td>30.0</td>
<td>15.3</td>
<td>17.1</td>
<td>1.2</td>
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<td>28.3</td>
<td>15.7</td>
<td>19.3</td>
<td>2.0</td>
<td>34.7</td>
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<td>1968</td>
<td>27.3</td>
<td>18.0</td>
<td>20.4</td>
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<td>1970-72</td>
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<td>22.1</td>
<td>16.0</td>
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<td>20.6</td>
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<tr>
<td>1976-78</td>
<td>43.2</td>
<td>18.9</td>
<td>12.8</td>
<td>4.9</td>
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<tr>
<td>1979-81</td>
<td>45.1</td>
<td>17.1</td>
<td>13.8</td>
<td>5.7</td>
<td>18.2</td>
</tr>
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</table>

\textsuperscript{135} UK, Lords, n. 128, pp. 10-11.

\textsuperscript{136} Original Six Members of the EEC.
Table 6

British Trade in Food, Beverages and Tobacco by Area
Percentage shares—overseas Trade Statistics basis

<table>
<thead>
<tr>
<th></th>
<th>EEC\textsuperscript{137}</th>
<th>EFTA</th>
<th>Irish Republic</th>
<th>United States</th>
<th>Rest of World</th>
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<tr>
<td>Exports</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>1962</td>
<td>18.6</td>
<td>6.6</td>
<td>5.8</td>
<td>23.1</td>
<td>45.9</td>
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<tr>
<td>1965</td>
<td>22.5</td>
<td>7.7</td>
<td>7.1</td>
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<td>16.7</td>
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<td>7.7</td>
<td>12.8</td>
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<td>1979-81</td>
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<td>1962</td>
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<td>1970-72</td>
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<td>11.5</td>
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<td>11.5</td>
<td>8.3</td>
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<td>1976-78</td>
<td>26.5</td>
<td>10.5</td>
<td>9.0</td>
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</tr>
<tr>
<td>1979-81</td>
<td>28.4</td>
<td>11.4</td>
<td>10.2</td>
<td>7.0</td>
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Table 5 clearly illustrates that British trade in Manufactured goods has shifted towards the original Members of the EEC whose share rose very swiftly after 1972 while the share of the United States and other areas except Japan in exports and imports declined. For the United States (as well as the EFTA) this marked a reversal of the trend towards an increasing share of the British

\textsuperscript{137} Original six Members of the EEC.
manufacturing trade evident during most or all of the 1960s; there is little doubt that the British Membership of the European Community has induced this reshuffling of Markets and suppliers within the group of major industrial countries other than Japan.  

Changes in the direction of trade between 1972 and 1981 were evident to a much larger extent in the area of food, drink and tobacco as can be seen in table 6. The swing in British exports was primarily away from the American Market towards the Community reversing the rising trend of the 1960s. Imports from the United States which had been at low levels anyway were affected to a much smaller extent though these also fell. Thus, it would not be inappropriate to state that membership of the EEC also significantly affected the pattern of British trade in Food, drink and tobacco as well as the bi-lateral Anglo-American trade in this sector.  

The conclusion that can be reached on the basis of the facts and figures in the foregoing pages is that while the process of re-adjustment British trade was going through since 1973 did not affect the general Anglo-American trade adversely for more than a few years, i.e. on a longer term basis, two important sectors namely manufactured goods and food, drink and tobacco were significantly affected by Britain's entry into the Community.

INVESTMENTS

The United States has had a stake in British industry since 1856. Britain has been traditionally the most favoured European country for American investors as revealed in figures of what American companies owned abroad during the post-war period. For

138 UK, Lords, n. 128, para 20.
instance, of the total of $11,788 million American overseas investments in 1950 Britain received $847 million and the six countries which later formed the Common Market got $647 million.\textsuperscript{139} It was not until 1963 that the six EEC countries as a whole overtook Britain in attracting more US overseas investments ($4490 million as against the latter's $4172 million).\textsuperscript{140} By 1973 when the EEC was enlarged to include the U.K., Ireland and Denmark, Britain had attracted the largest share, taking the total US investments in the U.K. to $11,040 million of the total EEC figure of $30,919 million.\textsuperscript{141}

For Britain as a country American investments were crucially important as, at the time of entry into the EEC, the US affiliates accounted for just over two-thirds of all foreign investments in Britain, excluding oil, insurance and banking.\textsuperscript{142} There were more than 2000 of these affiliates operating in the United Kingdom turning out manufactured goods worth £6000 million a year and accounting for 13 per cent of British manufacturing industry's output and nearly a quarter of its exports.\textsuperscript{143} In terms of employment also American ownership in British industry created and maintained nearly 730,000 jobs or 10 per cent of the work force in the manufacturing sector.\textsuperscript{144}

\textsuperscript{139} Table in Michael Braham, "Britain's Biggest Shareholder" \textit{The Observer}, 4 February 1973.
\textsuperscript{140} Ibid.
\textsuperscript{142} Michael Braham, n. 139.
\textsuperscript{143} Ibid.
\textsuperscript{144} Ibid.
As already noted, the United States had exhorted Britain to join the EEC primarily for political reasons; however economic factors also did play a role. Authoritative sources suggested that Britain's failure to join the EEC in 1958 might have cost it an additional US investment of £1000 million during the 1960s. On the other hand the US administration was exhorting the American businessmen to step up investment in Britain, after it joined the Common Market, since the British economy was now expected to perform better and its buoyancy could be their best entry into the European market.

The expectation of a better British economic performance however did not materialise following the October 1973 Middle East crisis and the skyrocketing oil prices which threw the industrialised world into utter disarray. But in spite of the poor economic climate the US companies did not lose their faith in Britain. In fact, direct US investment in the United Kingdom registered the highest increase within the EEC - from $12,537 million in 1974 to $13,927 million in 1975. Apparently it was the expectation of a 'yes' vote in the British referendum that encouraged American companies to consider dramatically stepping up their investments in Britain.

There was a repeat performance in the following year as well. A total of $4.3 billion was invested by the US companies in the British economy in 1976 - all sectors included - which represented some 37 per cent of all American investments in

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145 Ibid.
147 U.S. Department of Commerce, n. 141.
Western Europe. In the manufacturing sector the United Kingdom received some 27.5 per cent of total US investments in Europe that year which, at $1.806 billion compared more favourably with West Germany's $1.6 billion.  

During the remainder of the period under review this upward trend in American investment in the British economy continued. By 1977 total investments by US companies in Britain stood at $17,420 million which represented 11.7 per cent of American total investment ($149,782 million) worldwide. Total manufacturing investment, at $8.972 billion, represented more than 13 per cent of the world figure. By 1979 total American investment in Britain had shot up to $24.271 billion of which manufacturing accounted for nearly half ($12.026), the remainder being in Petroleum ($7.236 billion) and finance and insurance ($2.384 billion).

Thus it is evident that in spite of the generally poor impression of British economic performance, the American business opinion continued to favour Britain; membership of the EEC must have been an important factor in their calculations since, while Britain attracted 35.70 per cent of total American investment in the EEC (Britain included) in 1973, this figure was 37.38 per cent in 1981. In fact, if oil is excluded, nearly 59 per cent of US direct investment in the Community in 1980 went to Britain.

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150 Ibid.
151 U.S. Department of Commerce, n. 141.
152 Ibid.
153 Ibid.
Thus the United Kingdom's share of inflows of non-oil direct American investment into the Nine Community countries which had fallen to about 30 per cent in 1973 increased substantially during the mid-70s. The US share of total direct non-oil foreign investment, traditionally dominant in the British economy, which had fallen to 48 per cent in 1974 from 77 per cent in 1965 rose again to 61 per cent in 1980.¹⁵⁶

The trend has been equally buoyant if one takes into account the flow of British investments into the United States which increased rapidly in the 1970s and in particular since 1977. Table 7¹⁵⁷ would give an indication of the change in the pattern of British direct outward investment (excluding oil, banks and insurance companies) since the 1960s:

Table 7

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<tr>
<td>E.C., including</td>
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<td>21.9</td>
<td>23.7</td>
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<td></td>
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<tr>
<td>Denmark in all years.</td>
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<tr>
<td>Rest of World</td>
<td>36.5</td>
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<td>28.5</td>
<td>26.3</td>
<td>20.7</td>
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</tr>
<tr>
<td>Total</td>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
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</tr>
</tbody>
</table>

¹⁵⁶ U.K., Lords, n. 128, Memoranda by the Statistical Services of the Departments of Industry and Trade, Table 3, p. 22.

¹⁵⁷ Ibid., Table 1, p. 20.
Evidently there was a large increase in the percentage of British investment going to the United States from 1962, when it was only 8.8 per cent, to 19.6 per cent in 1978. The European Community also increased its share from 10.3 per cent to 23.7 per cent during the same period, what is however particularly noteworthy from the point of view of this analysis is that while the EEC's share went up from 21.9 per cent to 23.7 per cent between 1974 and 1978 the figures for the United States during the corresponding period went up from 12.7 per cent to 19.6 per cent, a much higher rise in percentage terms.

So far as total foreign investment in the United States was concerned British capital amounted to 25 per cent of it, standing at $ 6.700 million at the end of 1975.158 With the ownership of 25 of the 100 largest foreign-owned companies in America, Britain held the top position followed by Canada with an investment of $ 5100 million, Holland ($ 3,600), West Germany (nearly $ 1300 million), France ($ 1000 million) and Japan ($854 million).159 Subsequently, however, Britain slipped to the third position, behind Canada and the Netherlands, in the list of countries holding most assets in the United States, though its total investment went up to $ 9.4 billion in 1979.160

It is possible to extrapolate from the foregoing that if trade and investments are used as yardsticks to assess the depth of Anglo-American economic relationship during the period under review, British Membership of the European Community did not

159 Ibid.
seem to prove to be any obstacle in further strengthening of the bonds between the two countries. On the contrary, in areas such as American investment in Britain it seems to have acted as a catalyst if one takes into consideration the official figures as well as the public pronouncements of the American business opinion.161 A Britain within the European Community provided a formidable advantage to American private enterprise as a gateway to Europe in addition to the traditional benefits of language, the importance of London as a business and commercial centre and the long history of close ties between the two countries.162

The solidity of the bilateral economic relationship between the two countries notwithstanding the economic dimension relating to British EEC membership had injected an additional element of structural strain, beside the ones already noted, in Anglo-American ties. For quite some time throughout the late 60s and 1970s the differences between the United States and Europe on political and other related matters had become evident. What was simmering underneath and subsequently became a source of public acrimony between the two in the economic climate of high unemployment in the late 70s and early 80s was the issue of trade protectionism. Increasing realisation in the United States of the protectionist orientation of the EEC customs union and how it was hurting American farm and industrial exports to Europe was bringing forth angry complaints from Washington about the Common

161 One survey of such opinion found that out of 53 US electronic firms planning investment in the United Kingdom, 43 said it would be either unsuitable or less suitable for them if Britain left the Community. Commission, n. 155.

162 The author’s interview with Amanda Burn, Head, European Community Department, Confederation of British Industries in London on 13 January 1987.
Agricultural Policy and unfair European trade practices, especially involving steel in 1980-81. 163 The dispute on the latter issue, which affected Britain very badly, led subsequently to filing of anti-dumping suits by American steel producers as well as imposition of countervailing duties by the Reagan administration which affected a considerable proportion of Community-steel exports to the U.S. 164 British steel exports were faced with a 40 per cent duty on grounds that these products enjoyed unfair subsidies in violation of the General Agreement on Tariffs and Trade (GATT). 165 The British reaction to the American action was sharp with the Minister for Trade, then on a visit to the U.S., accusing the Reagan Administration of exporting unemployment and threatening "counter-measures in Europe" against "U.S. protectionism". 166

1982, thus witnessed a number of areas - the Siberian gas pipeline imbroglio, the steel dispute and the American vote on Falklands at the United Nations - which created tension between Britain and the United States. What was revealing was that in spite of the closest of personal relationships between the top leaderships of the two countries, Britain was increasingly finding more in common in foreign policy matters with its European Community partners than the United States. Even on areas such as

164 Ibid.
166 Ibid. The dispute was resolved, at least for the time being, in August, 1982 with the Community agreeing to restrain its steel exports to the United States between October 1982 and December 1985. EC, The Bulletin of the European Communities, vol. 15, No. 7/7, 1982. Point 1.1.3.
security matters and East-West Relations where the two countries, especially under President Reagan and Margaret Thatcher, tended to agree most, the British were more prone, like their European counterparts, to attach a very high priority to arms control negotiations. With their proximity to the Warsaw Pact and memories of a war fresh in their minds, it was only but natural that the Europeans, the British included, would display a particular sensitivity to apprehensions about the possibility of nuclear war in Europe.

"Clearly", as Henry Kissinger observed, "British membership of the European Community has added a new dimension". The 'Special Relationship', which was viewed as such more from the British side of the Atlantic than the other, was increasingly becoming less 'Special' with the passing years and Britain was increasingly finding itself "on the margins". It was no good, as the former Lord Privy Seal Sir Ian Gilmour put it, "being stuck in the Middle". Fortunately for Britain, despite some initial scepticism, especially on the part of the French, that Britain

167 This was clear at least from the pronouncements of more moderate elements of the British Government like Lord Carrington, the Foreign Secretary until April 1982. For the speech by Lord Carrington in New York, see London Press Service, 23 September 1981.

168 Ibid. This also explained the upsurge of popular sentiments in Britain, West Germany and other European countries against the deployment, in 1983, of American cruise and Pershing missiles.


170 The author's interview with Sir Michael Palliser, n. 73.

would tend to speak for American interest within the Community, its otherwise close ties with the United States came to be viewed more as an asset than a liability. 172

Attitudes within Britain vary. While the general masses of people still tend to have a soft corner for America in their hearts and minds, left wing opinion is hostile, especially on the question of American nuclear weapons on British soil. 173 The country's decision-makers and thinking citizens, however, accept that Britain is firmly in Europe and it is the only sensible course available. Relations with America continue to be close, as successive British Government leaders have declared, that there is no contradiction between Anglo-American ties and Britain's EEC membership. While it remains to be seen how far this posture can be maintained in the years to come as the European-American relationship comes under greater strain, it is a matter of some satisfaction that so far Britain has been able to maintain a certain equilibrium between its two complex sets of relationships - European and American.

172 Sir Michael Palliser, n. 73.

173 In his interview with the author Anthony Wedgwood Benn, the former Labour Cabinet Minister, described the present ties between the Thatcher Government and the Reagan Administration as "a puppet relationship". See the author's interview with Tony Benn in London on 10 December 1986.