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The bridge that the Netherlands built: The Netherlands, Great Britain, and questions on European integration during the 1980s

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Abstract

During the 1980s, an unusual relationship developed between the European minded Dutch government and increasingly Eurosceptic British government. On the basis of examining the Dutch and British governmental archives, this thesis is concerned with the question why the Dutch governments viewed Great Britain as an ally on questions of European integration between 1979 and 1989, despite the fact that their European interests did not appear to align during this period. Following an overview of Anglo-Dutch relations in the 1970s, the scope of the analysis focuses on the British budget contribution, the developments towards the Single European Act, and issue of establishing an Economic and Monetary Union.

The thesis illustrates that from the perspective of the Dutch government, the Netherlands and Britain shared similar ideas for advancing economic integration. They subscribed to the same economic doctrine, emphasising free trade through liberalisation and deregulation, making Britain for the Netherlands an important partner over protectionist alternatives. Yet, concentrating on shared economic interests alone does not provide an adequate answer to the research question. While the Netherlands and Britain shared the same economic philosophy, their underlying objectives for European integration diverged significantly. Especially the confrontational attitude of Thatcher to get her money back on the budget question, as well as her reluctance to accept institutional reforms to make decision-making in the community more efficient, caused friction with the Dutch government. The two countries also had different ideas on the political necessity of monetary integration. Thus, focusing on shared similarities alone is not sufficient to explain why the Dutch government made numerous concessions to keep Britain tied to the European project.

To understand why the Dutch governments considered Britain as an ally on questions of European integration, this thesis also points to the political and strategic importance of allying

with Britain. Politically, Britain was too important to alienate in the community, as the Dutch government frequently feared disintegration of the European project. From a strategic perspective, the rationale to seek for compromises with Britain was that the Dutch government could better promote its own interests inside the community by acting as a mediator between the continent and the UK on pressing conflicts over European integration. The Netherlands could compensate for its relatively small influence by manoeuvring between different interests of the larger member states. Next to the increased ability to shape the future of the community, allying with Britain helped to offset the dominance of the French-German couple in the EEC which the Netherlands dreaded. The chosen strategy as a mediator was embraced by both the Dutch and British sides, in part owing to the close personal and professional relationship between Thatcher and Lubbers. The findings of this thesis contribute to the still understudied Anglo-Dutch relationship in the postwar era, as well as to the broader debates regarding the drivers of Dutch foreign and European policy.

The bridge that the Netherlands built

The Netherlands, Great Britain, and questions on European integration during
the 1980s

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List of Abbreviations and Terms

CAP	Common Agricultural Policy
CDA	Christian Democratic Appeal (Christian Democratic Party)
DA	Dutch Ambassador in London
DIE	Department European Integration of the Ministry of Foreign Affairs
DGA	Directorate-General for Agriculture and Food Supplies
EEC	European Economic Community
EMS	European Monetary System
EMU	Economic and Monetary Union
EPC	European Political Cooperation
ERM	Exchange Rate Mechanism
FCO	Foreign and Commonwealth Office
FIN	Ministry of Finance
IGC	Intergovernmental Conference
M	Dutch Minister for Foreign Affairs
MP	Prime Minister of the Netherlands
MSS	Churchill Archives Centre
NA	Dutch National Archive
NATO	North Atlantic Treaty Organisation
PREM	Records of the British Prime Minister's Office
PVEG	Permanent Representative of the Netherlands to the European Community
REZ	Council of European Affairs
SEA	Single European Act
T	Dutch Undersecretary for Foreign Affairs

THCR	The Thatcher Papers
TK	Second Chamber of the Dutch Parliament
TNA	The National Archives
UKE	United Kingdom Embassy
VVD	People's Party for Freedom and Democratic (Liberal Party)

Introduction

So often in Europe, you [Ruud Lubbers] have been the one to come forward with the proposal that achieves agreement. And we [the British government] like your friendly and approachable style. Indeed, if you were not Dutch, we would claim you for our own!¹

During her long tenure as prime minister, Margaret Thatcher (1979-1990) did not make many friends in the European Community. Her confrontational attitude alienated many European partners. However, as the above quote from a video message shows, the Dutch Prime Minister Lubbers had the ability to uphold a good formal and informal relationship with the Iron Lady. Thatcher confessed in her memoirs that she ‘liked Mr Lubbers’, because she found that he was often on her side.² Her Chancellor of the Exchequer, Nigel Lawson (1983-1989), remarked that Lubbers was the closest to an ally Thatcher had in Europe.³ At first sight, and from the Dutch perspective, such an alliance within the European Community raise questions. The British vision on European integration, with its insistence on protecting national sovereignty, was diametrically opposed to the Dutch view, which was intent on more supranational European integration.

Whether postwar Anglo-Dutch relations can be described as a ‘friendship’ or an ‘alliance’, it is surprising that this relationship is an underexplored topic in contemporary international history. No previous study has been done on the relationship between these two polities in the 1980s. In a passing note, Everts argues that the Dutch government was at pains to keep Britain on board within the process of European integration, even though their European interests did not align.⁴ Segers has argued that while initially the Dutch government worked

¹ TNA, PREM19/3467 f81, 4 April, 1989, accessed through <https://www.margaretthatcher.org/document/218078>.

² M. Thatcher, *The Downing Street Years* (London, 1993), p.318.

³ N. Lawson, *The View from No. 11. Memoirs of a Tory Radical* (London, 1992), pp.913-914.

⁴ S. Everts, ‘Verenigd Koninkrijk’ in A. Pijpers ed., *Nederland zoekt het tweegesprek. Neobilaterale accenten in de Europese politiek* (Den Haag, 1999), pp.70-71.

together with Thatcher in Europe, at the close of the 1980s the two governments parted ways on the process of European integration.⁵ In contrast, Hellema and Ashton comment that Dutch centre-right coalitions appreciated the explicit Euroscepticism of the Thatcher government.⁶

Similarly, studies on postwar relations have been scarce. Hellema and Ashton have edited a volume on Anglo-Dutch relations between 1780-1970, in which they argued that their shared values and interests, such as their emphasis on individual democratic rights, their Atlantic outlook, and their free market orientation bound these nations together.⁷ Ludlow argues that the Netherlands was the staunchest supporter of British accession to the European Community.⁸ Britain figured not only as an Atlantic ally, but accession could counterbalance the growing discomfort of the Netherlands with the Gaullist interpretation of a 'Europe of sovereign states'. This does not mean, however, that Anglo-Dutch relations were always on a high tide, as Mallinson has shown during the time of pro-European Foreign Minister Willem Beyen (1952-1956).⁹ The historiography illustrates that the Anglo-Dutch relationship has to be better understood, especially since many historians take this friendship for granted. Therefore, this thesis will seek to understand why the Dutch governments saw Great Britain as an ally on the process of European integration between 1979 and 1989, even though their European interests did not appear to align during this period.

The relationship between the Netherlands and Great Britain with regard to European integration needs to be qualified in terms of the wider goals of Dutch foreign policy. Historians and political scientists categorise Dutch foreign policy as containing a double orthodoxy. On the one hand, the Dutch were pro-Atlantic in their defence and security areas. Participation and

⁵ M. Segers, *The Netherlands and European Integration, 1950 to present* (Amsterdam, 2020), pp.234-253.

⁶ D. Hellema and N. Ashton, 'Postscript' in D. Hellema and N. Ashton ed., *Unspoken Allies. Anglo-Dutch Relations since 1780* (Amsterdam, 2001), p.275.

⁷ D. Hellema and N. Ashton, 'Introduction' in D. Hellema and N. Ashton ed., *Unspoken Allies. Anglo-Dutch Relations since 1780* (Amsterdam, 2001), pp.10-15.

⁸ P. Ludlow, 'Too Close a Friend? The Netherlands and the First British Application to the EEC, 1961-1963' in D. Hellema and N. Ashton ed., *Unspoken Allies. Anglo-Dutch Relations since 1780* (Amsterdam, 2001), pp. 223-230.

⁹ W. Mallinson, *From Neutrality to Commitment. Dutch Foreign Policy, NATO and European Integration* (London, 2010), pp.198-199.

loyalty towards NATO was a cornerstone in Dutch policy between the 1950s and 1970s. Mallinson argues that Dutch Atlanticist policy also had a political component to prevent the dominance of France or Germany in Europe.¹⁰ On the other hand, the Netherlands was in favour of far-reaching supranational European integration. According to Baehr, the resulting tension meant that European integration could only be preferable as long as the EEC did not pursue an independent policy that threatened NATO supremacy.¹¹ Concerning Dutch foreign policy in the 1980s, Hellema argues that while it seemed that the centre-right governments were more flexible in their European affairs, a return to the double orthodoxy is noticeable.¹²

Recently, revisionist historians and legal scholars such as Dorpema, Harryvan, and Hollander have posed a critique on the double orthodoxy model. Hollander emphasises that Dutch foreign policy preferences were time honoured and shifted over time.¹³ Dorpema analyses how Dutch governmental departments made contradictory statements in their policy on European integration and Great Britain in the 1970s. Concepts such as ‘realism’ or ‘moralism’, as well as the double orthodoxy, do not take into account the different perceptions of individual ministers.¹⁴ Harryvan asserts in his study on the small state power of the Netherlands that the goal supranational integration served the interests of the Dutch governments in particular because small states acquire more influence in international organisations through soft power to overcome power differentials with larger member states.¹⁵ Through an historical analysis, one can understand why decisions were made that counteract the double orthodoxy model.

¹⁰ Ibid., p.116.

¹¹ P.R. Baehr, ‘The Foreign Policy of the Netherlands’ in J.H. Leurdijk ed., *The Foreign Policy of the Netherlands* (Alphen aan den Rijn, 1978), p.17.

¹² D. Hellema, *Nederland in de wereld. De buitenlandse politiek van Nederland* (Antwerpen, 2010), pp.344-345.

¹³ J. Hollander, *Constitutionalising Europe. Dutch Reactions to an Incoming Tide (1948-2005)* (Groningen, 2013), p.116.

¹⁴ M. Dorpema, ‘Funny friends? Dutch foreign policy, Great Britain and European integration in the “long” 1970s’, *European Review of History*, 29/4 (2022), 705-706.

¹⁵ A.G. Harryvan, *In pursuit of Influence. The Netherlands’ European Policy during the Formative Years of the European Union, 1952-1973* (Brussel, 2009), pp.23-27.

The lack of direct historiography on the subject, and the disagreement among historians regarding the drivers of Dutch foreign policy in the postwar period necessitate detailed research. As the historiography has shown, contributions from political scientists are in need of a revision to nuance their theoretic claims on Dutch foreign policy.¹⁶ Furthermore, these studies have focused on Dutch foreign policy in the fifties, sixties, and seventies. With the relaunch of the European integration project in the 1980s, it is important that this period receives scholarly attention as well. The thesis therefore concerns itself with the period between 1979 and 1989. This is because the end of the Cold War in 1989 had existential implications on the trajectory of European integration and the way in which the Dutch government responded to these developments, which deserve historical scrutiny on its own.

The present study, on the basis of the research question, has two goals in mind. First of all, this thesis contributes to the highly understudied relationship between the Netherlands and Great Britain in the 1980s. At first sight, it seems that the traditional Dutch aim of supranational integration in this period could not be farther away from British interests to constrain deeper forms of European integration. It seeks to find the answer on why Dutch centre-right governments saw the increasingly Eurosceptic Thatcher government as an ally within Europe.

Second, by studying Dutch approaches towards European integration in the 1980s, this thesis contributes to a scarce body of literature that focuses on Dutch attitudes towards European integration. Segers has written an astounding book in which he analysed the attitudes of postwar Dutch governments on European integration. As he himself acknowledged, however, the focus is on large developments in a European and international context, which means that, for the 1980s, he has not gone into detail how the Netherlands dealt with their British allies across the channel.¹⁷ This thesis, on the basis of recently opened archival material, in effect

¹⁶ Dorpema, 'Funny friends', 695-697.

¹⁷ Segers, *The Netherlands and European Integration*, pp.225-256.

builds upon the work of Segers, and adds a detailed analysis on Dutch European attitudes during the 1980s.

To answer the research question, a wide range of primary sources are utilised. In the Dutch National Archives (NA), relevant government documents are consulted. One of the most important sources are the minutes from the Council for European Affairs (REZ) that give insight on how Dutch ministers confronted the Anglo-Dutch relationship with regard to European integration. Moreover, correspondences between the Dutch foreign office and the Dutch embassy in London are scrutinised. To elucidate the course of bilateral relations in this period, British primary sources are also used to look on this relationship from multiple perspectives. Relevant documents surrounding Anglo-Dutch summits, as well as correspondences between the Dutch and British prime ministers, are analysed. To take into account the personal contexts in which the political actors operated, memoirs of the relevant actors are also analysed.

In approaching the primary sources, the method employed will be a historical qualitative analysis. It seeks to foreground discussions within the Dutch governments on how to approach Britain within the context of European integration. The thesis is thus a traditional political history that focuses on high politics, taking into account the perspectives of participating ministers. It would be an error to assume that the Dutch government (or the British government) is a monolithic political actor. The agency of relevant political actors during council discussions or correspondences reveal the multiple perspectives of Dutch foreign policy with regard to their relationship with Britain. This historical understanding also serves to get a better grasp on how the Dutch governments of the 1980s understood their own position as a small state with regard to international relations in a European context.

The selection of primary sources and the associated research method pose two problems in particular. First of all, memoirs contain a subjective view through the eyes of its author, in which the question must be asked to what extent the author reveals his or her real thoughts and

ideas. This problem can be resolved by analysing the relevant government documents to see how the thoughts of political actors corresponded with their actions.

A second difficulty is that not all relevant documents can be researched due to the scope and time constraints of this thesis. In some instances, relevant documents are not available under the Dutch or British jurisdiction as these documents contain politically sensitive information. The abundance of primary sources makes it necessary to provide a selection. As this study is mainly interested in finding out why the Dutch government saw the British government as an ally in Europe despite their diverging interests, documents that focus on the direct relationship with Britain are given priority. Such an approach can be justified because it offers an interpretation of a complicated subject in which different facets are analysed that were previously viewed in isolation from each other. Moreover, as the historiography has shown, studies in this field have only sporadically been taken. The story of Anglo-Dutch relations during the 1980s on questions of European integration has not been told when it should be told, and with the recent availability of archival sources, it can be told.

The research question is answered in four chapters. Chapter one concerns itself with the historical context of Anglo-Dutch relations on European integration, as well as a deeper inquiry in Dutch European policy. The second chapter deals with the British budget contribution, in which the Netherlands had to seek for a compromise in a mood of stagnation within the community. In the third chapter, an analysis will be given on how the Dutch government cooperated with Britain to establish the Single European Act. The last part deals with the developments towards the Economic and Monetary Union, in which the Netherlands tried to persuade their reluctant British colleagues to join.

1. The Netherlands, Great Britain, and European integration in the seventies

Continuity and change in Dutch European policy

Dutch European policy was characterised between 1952 and 1971 by a curious blend of conservatism and pragmatism. It held on to the established NATO primacy of the Atlantic world, while at the same time advocating for supranational European integration to serve its economic interests.¹⁸ The Netherlands feared above all that the EEC would become a political organisation that was dominated by France and Germany. Nevertheless, a ‘silent revolution’ (*stille revolutie*) swept through the Dutch foreign office in 1971. While Foreign Minister Joseph Luns (1952-1971) emphasised the traditional double orthodoxy during his time as foreign minister, his successor Norbert Schmelzer (1971-1973) advocated further political European integration. This silent revolution was also possible due to the changing circumstances in the international area – for instance the collapse of Bretton Woods.¹⁹

By the time that Foreign Minister Max van der Stoep (1973-1977) was in office, two topics on European integration ran through the foreign office like a mantra. First of all, the supranational character of the EEC was to be enhanced. Second, according to the foreign ministry, the community suffered from a lack of democratic participation. The Dutch government would flex its muscles to make decision-making processes more democratic by increasing the competencies of the European Parliament.²⁰ Even though this did not signal a significant break with earlier forms of European policy, the rhetoric became more activist.

In part, the activist and idealist behaviour were due to the feeling of malaise in the European Community. Dutch ministers lamented the fact that member states tended not to

¹⁸ On Dutch European policy in this period, see Harryvan, *In pursuit of Influence*.

¹⁹ For more information on the silent revolution, see Segers, *The Netherlands and European Integration*, pp.187-195.

²⁰ Dorpema, ‘Funny friends?’, 698-699.

comply with the obligations as laid down by the Rome treaties (1957).²¹ The root cause of the problem was the wide use of the unanimity principle during voting procedures in the Council of Ministers, after French President de Gaulle had boycotted decision-making processes during the ‘Empty Chair Crisis’. The resulting Luxembourg Compromise stipulated that member states held a veto on issues of vital national importance.²² Van der Stoel, as well as finance minister Wim Duisenberg, argued that the lack of qualified majority voting (QMV) in the Council of Ministers was the stumbling block that withheld the EEC from further integration.²³

Furthermore, the idealist conviction of the Dutch government on European policy was based on the idea to establish a monetary union. Plans for a monetary union were already circulating in the EEC during the 1960s.²⁴ In 1969, senior officials in the Netherlands still subscribed to the German *Krönungstheorie*, arguing that going forward with monetary integration could only be successful if economic convergence was achieved first.²⁵ However, Dutch attitudes towards monetary integration shifted in the seventies. This change in attitude is largely reflected in the Duisenberg Plan.²⁶ According to the report, the problem with prior monetary integration was that there was no political will to transfer national autonomy on fiscal and monetary policy to a supranational institution. The EEC needed a ‘financial stick’ at the supranational level, in which European institutions could enforce economic and monetary discipline. In this way, economic convergence and monetary integration could be achieved at the same time, deviating from the strict order that the *Krönungstheorie* prescribed. In the end, the Duisenberg plan was refused by the other member states, but the activism of the Dutch bureaucracy to create a monetary union would return in the 1980s.

²¹ Ibid., 699.

²² M. F. Gilbert, *European Integration. A Political History* (New York, 2021), pp.101-103.

²³ Dorpema, ‘Funny friends?’, 699.

²⁴ For an overview of monetary integration in the 1960s, see E. Murlon-Druol, *A Europe Made of Money. The Emergence of the European Monetary System* (Ithaca, 2012), pp.15-29.

²⁵ Segers, *The Netherlands and European Integration*, pp.185-194.

²⁶ J. C. C. Voorhoeve, *Peace, Profits and Principles: A Study of Dutch Foreign Policy* (The Hague, 1979), pp.177-180.

In the meantime, however, Dutch European policy returned to a defensive approach as the new coalition government of Christian democrats and Liberals headed by Dries van Agt (1977-1982) came to power.²⁷ The new Minister of Foreign Affairs, Chris van der Klaauw (1977-1981), did not have the same European spirit that had characterised his predecessors. His inactivity was scrutinised by the Dutch parliament, because they saw that his passivism bartered away Dutch influence to shape the EEC's future policies.²⁸ Van der Klaauw, however, criticised his predecessors for diluting relations with the Atlantic world, seeing it as his task to restore the transatlantic link to give stability to Dutch European policy.²⁹

In fact, fears of the Dutch parliamentarians about the passivism of Van der Klaauw were grounded in developments within the community. In 1978, German Chancellor Schmidt, together with French President Giscard d'Estaing, dusted off the Duisenberg Plan and updated it to create a European Monetary System (EMS) – a multilateral adjustable exchange rate between the EEC members to create monetary stability – that would replace the earlier monetary arrangements.³⁰ The reaction of the Dutch government to the EMS was lukewarm at best. This was not because the Netherlands was opposed to monetary integration. The complication with the French-German proposal lay in its procedural facets. Schmidt had only consulted the French president and British prime minister in advance, and presented the EMS as a *fait accompli* in the European Council. Dutch fears from the past echoed in governmental departments, as it seemed clear once again that the EEC was to be dominated by a Paris-Bonn axis. In reaction, the Dutch prime minister led an unsuccessful 'rebellion of the dwarves' to

²⁷ Hellema, *Nederland in de wereld*, pp.319-320.

²⁸ H. Reiding, '1973-1986: De teleurstellende Europese werkelijkheid' in: A.G. Harryvan and J. van der Harst ed., *Verloren Consensus. Europa in het Nederlandse Parlementair-Politieke debat 1945-2013* (Amsterdam, 2013), p.133.

²⁹ C. A. van der Klaauw, *Een diplomatenleven* (Amsterdam, 1995), pp.252-253.

³⁰ Mourlon-Druol, *A Europe Made of Money*, pp.1-12.

block the French-German proposal.³¹ At the close of the seventies, the Netherlands had lost its European drive, and could play only a secondary role behind the larger member states.

In Europe, but not a European

The Netherlands, with its gaze towards the Atlantic, was often isolated in community matters that dealt with political and security affairs. It came as no surprise that once British Prime Minister Harold Macmillan made the decision in 1961 to apply to the European Community, the Netherlands was its staunchest supporter.³² Both economic and political-security reasons played an important role to press for British entry in the community. The Dutch and British governments saw the EEC mainly as an economic project, emphasising free trade and scaling down on protectionism. From a political perspective, British presence in the community constituted a safeguard against French ideas to create an independent third bloc in the Cold War.

After the veto of de Gaulle, who suspected that the ‘Anglo-Saxons’ would bring in the Americans through the back door in Europe, the Netherlands continued to push for British entry. Once Prime Minister Edward Heath (1970-1974) got Britain into Europe, the Netherlands hoped that the Atlantic pillar within the EEC would be secured. This was reflected in Dutch attitudes towards their British colleagues. In the context of securing Atlantic primacy, Heath’s Europeanism was not held in high regard in the Netherlands. Heath wanted to play a full part in Europe by strengthening relations with France. At the same time, the British prime minister antagonized the special relationship with the United States that Britain had enjoyed since the postwar period. Heath proved not to be the Atlantic ally that the Netherlands was so intent to have by its side.³³

³¹ Reiding, ‘1973-1986’, pp.120-121.

³² See for an overview, Ludlow, ‘Too Close a Friend?’, pp.223-239.

³³ D. Hellema, ‘Anglo-Dutch Relations During the Early 1970s’ in D. Hellema and N. Ashton ed., *Unspoken Allies. Anglo-Dutch Relations since 1780* (Amsterdam, 2001), pp.265-266.

Fortunately for the Netherlands, domestic issues in Britain brought the pro-Atlantic Wilson back in Downing Street 10. Hellema argues that relations between the Netherlands and Britain were on a better footing after the return of the Labour government.³⁴ However, at the same time, the idealism that swept around in The Hague meant that its politicians and bureaucrats were ever more ambitious on supranational integration. It became increasingly clear from a political angle that British entry was incompatible with the Dutch aim of supranationalism.³⁵ Wilson won the 1974 elections by promising a referendum on the question whether Great Britain should be part of the EEC. While the referendum was decisively won by the yes-campaign, from the perspective of the Netherlands, negative British attitudes towards Europe contributed to the euro-sclerosis that was prevalent during the mid-1970s. In a conversation with the British ambassador in The Hague, Foreign Minister Van der Stoel lamented the anti-European attitude of Britain, calling British indecision about its membership the ‘main cause for the stagnation and impasse in Europe’.³⁶

Furthermore, the two countries posed alternative visions on how European integration should advance. The Netherlands placed monetary integration at the centre of its agenda. To achieve these aims, strengthening the powers of the European Commission and European Parliament was necessary to make the community more autonomous and democratic.³⁷ Britain, in contrast, called the Spierenburg Report (1974), made by the permanent representative for the Netherlands Dirk Spierenburg, ‘pretty activist’, because the text was full of federalist aims. Moreover, monetary integration was seen as ‘dangerously overambitious’, and plans for creating a European Union by 1980 were outright rejected.³⁸ The far-reaching ambitions of the Netherlands with regard to monetary integration were not shared by their Anglo-Saxon

³⁴ Ibid., pp.266-267.

³⁵ Hollander, *Constitutionalising Europe*, pp.110-120.

³⁶ Cited from Hellema and Ashton, ‘Introduction’, p.14.

³⁷ Dorpema, ‘Funny friends?’, 703.

³⁸ Ibid.,704.

counterparts, as Prime Minister James Callaghan (1976-1979) decided not to join the EMS in 1979. Against this background, when the pro-European Conservative Party won the 1979 general election, the Netherlands hoped that its new leader would play its European role in a more conciliatory manner. They were to be confronted, however, with bitter reality.

Conclusion

Dutch European policy in the 1970s added an element of idealism to its traditional blend of conservatism and pragmatism. One of the most important developments in Dutch European policy was that the rigorous *Krönungstheorie* was altered towards a parallel approach on monetary integration. Dutch bureaucrats and cabinet members became convinced of a European monetary policy. However, strengthening supranational powers and monetary integration meant that the EEC became more political, and over the long run could threaten the primacy of the Atlantic world.

The inconsistencies of the eclectic Dutch European policy were shown most clearly in their relationship with Great Britain. Since the 1960s, the Netherlands was adamant to get Britain into the European family, as this was beneficial for political, security, and economic reasons. Once the neighbour from the North Sea was in, the Netherlands expected that Britain would play its full part in Europe. But when they did, the Netherlands bounced back and were worried that the Atlantic alliance was in danger. On the other hand, if links across the Atlantic were prioritised, the Dutch cabinet complained that the European pillar was cast-off into the sea. In short, Britain had to be in Europe, but it should not become too European.

2. Between rejection and approval: the issue of the budget contribution

Who pays the bill?

When Margaret Thatcher won the 1979 elections, the Netherlands was relieved that a pro-European party entered government. Throughout the election campaign, the Conservative Party remained cautiously optimistic about the merits of the European Community.³⁹ Even if Thatcher had previously expressed the need to overhaul EEC's budgetary framework, nothing could have prepared Dutch authorities for the sheer ferocity of the wind of change that swept through Whitehall. Their first encounter with Thatcher was during the European Council in Dublin. As the British contribution would amount to over one billion pounds in 1980, Thatcher refused a compensation of roughly 350 million pounds. While implementing austerity measures in Britain, she had no intention of pursuing a generous financial policy in Europe.⁴⁰

The substantial British contribution was the result of how the communities were financed. The EEC's budget was heavily reliant on the revenue of import duties. Because a large share of British trade occurred outside the common market, the country paid a large amount of import duties. The EEC budget also expanded significantly in the 1970s due to lavish spending on the Common Agricultural Policy (CAP), which was designed to provide subsidies to European farmers in the face of global market competition.⁴¹ However, Britain had a very small agricultural sector due to its free trade tradition. It did not profit from the EEC's agricultural policies like France and the Netherlands. Thatcher was on a war path 'to get her money back' after what she regarded as an unfair settlement. While Prime Minister Van Agt was seen by European Commission President Roy Jenkins as 'one of the most constructive

³⁹ S. Wall, *The Official History of Britain and the European Community. Volume III: The Tiger Unleashed, 1975-1985* (Routledge, 2019), p.136.

⁴⁰ J. W. Young, *Britain and European Unity, 1945-1992* (London, 1993), pp.140-141.

⁴¹ Gilbert, *European Integration*, pp.154-157.

people in Dublin' to look for a settlement, the Dutch government faced the difficulty of dealing with its agitated ally in order to calm the turmoil that swept through the community.⁴²

The art of compromise

The budget question created a peculiar dilemma for the Dutch government. From one point of view, the Netherlands did not want to comply with Thatcher's demands for a significant compensation. This was not only motivated by their favourable financial position within the EEC. The Dutch government was particularly dissatisfied with Thatcher's tactless and uncompromising attitude to get her money back, which they saw as contrary to the community's political culture. The Dutch government placed such a high priority on communitarian norms and values because they feared that the community would be undermined if member states did not commit themselves to these values. Nonetheless, even with those violations of community values, the Netherlands sought for a compromise. Britain was politically and economically too important to alienate in the process of European integration. Furthermore, the Dutch government took advantage of the conflict to strengthen its own role by acting as a mediator between the continent and Britain. By keeping Britain on board, the dominance of the French-German couple could also be reduced. While the attitude of the British government on the budget question conflicted the Dutch government's attachment to community values, it had political, economic, and strategic reasons for seeking a solution.

Initially, the Dutch government was puzzled by Thatcher's approach to the budget question. During a meeting of the Council of European Affairs (REZ), Van Agt wondered how the Netherlands should respond to the United Kingdom's demands.⁴³ Many ministers were only willing to pay a portion of the requested amount of one billion. The first justification for this was financial: if Britain paid less into the EEC budget, the Netherlands would be forced to pay

⁴² Cited from J. van Merriënboer, *Van Agt biografie. Tour de force* (Amsterdam, 2008), p.100.

⁴³ NA, 2.02.05.02, inv. [inventory number] 3402, REZ (meeting minutes), 25 November, 1981, p.10.

more. Minister of Finance Van der Stee feared that the small member states in particular would suffer the financial costs in case of a solution.⁴⁴ This had a negative impact on the Dutch economy, which was heading into a recession in the early 1980s. Minister of Agriculture De Koning said that the Netherlands had numerous economic challenges and had to implement ‘extremely painful measures’ in the domestic economy.⁴⁵ The Netherlands was not willing to incur ‘additional financial obligations’ by being generous to Britain.⁴⁶

The Dutch ministers’ budgetary prudence can be explained by the fact that the British budget question was linked to the general challenges of the EEC budget. Britain focused on the overall dysfunction of the own resources system – the way in which the European community was financed – and urged for reforms to find a permanent solution to the budget question. If a permanent agreement was reached, the British compensation would drive the value added tax (VAT) base of member states to the EEC budget above the one percent threshold that was permitted by the treaties. This would mean that a larger share of the national indirect taxes would flow to the EEC. Several Dutch ministers opposed increasing the VAT base above the one percent limit, because this would entail a higher financial contribution. Onno Ruding, Minister of Finance between 1982 and 1989, believed that an increase in the EEC budget was unnecessary.⁴⁷ In his view, the problem was on the expenditure side. By reducing spending and by using the available money efficiently, the problem could be solved without increasing the one percent VAT base of the member states.

The cuts were primarily directed at the costly CAP, which had reached problematic proportions in the early 1980s.⁴⁸ Between 1979 and 1980, the Dutch government remained opposed to agricultural reform because, according to Minister of Foreign Affairs Van der

⁴⁴ Ibid., 11.

⁴⁵ NA, 2.02.05.02, inv. 3676, REZ, 14 January, 1982, p.12: ‘uiterst pijnlijke maatregelen’. All translations from Dutch into English are my own unless indicated otherwise.

⁴⁶ Ibid: ‘extra financiële verplichtingen’.

⁴⁷ NA, 2.02.05.02, inv. 3923, REZ, 25 February, 1983, pp.2-3.

⁴⁸ Gilbert, *European Integration*, p.157.

Klaauw, it was ‘the only mature policy that has gotten off the ground in the community’.⁴⁹ However, due to the widespread criticism amassed over time, the Dutch government began to shift its position. Minister Van Aardenne underlined that major changes were needed to reform CAP during the March 1981 REZ meeting.⁵⁰ The Netherlands and Britain became the staunchest supporters of radically changing its agricultural policy. One of these plans was to significantly cut the subsidies to farmers in order to combat overproduction.⁵¹ In the pursuit for a structural and community solution, the Netherlands was thus willing to forego the symbolic importance of CAP in order to break the impasse in the community.

Seeing the budget question in connection to the broader macroeconomic framework of the community meant that Dutch ministers argued that Britain’s high financial contribution should be viewed in context of the broader economic benefits that membership brought. Van der Klaauw believed that a member state’s advantage or disadvantage could not be evaluated just through its contribution to the common budget.⁵² It also gave Dutch ministers a compelling case to argue that the ‘benefits and burdens problem’ (*lusten en lasten probleem*), as the budget dilemma was known in the Netherlands, was in fact a problem created by the British themselves. This point was illustrated during a conversation in March 1984 between Thatcher and Prime Minister Ruud Lubbers (1982-1994) with his Foreign Minister Hans van den Broek (1982-1993). Lubbers pointed out that no member state talked about equity in community finances before Thatcher came to power. It was simply agreed that direct and indirect economic advantages outweighed financial contributions. In reaction to Thatcher’s assertion that the only difference that mattered in political terms was what one contributed and one received, Van den

⁴⁹ NA, 2.05.330, inv. 3788, M to DA via DIE (correspondence), 11 January, 1980, p.2: ‘het enige voldragen beleid is dat in de gemeenschap van de grond is gekomen.’

⁵⁰ NA, 2.02.05.02, inv. 3402, REZ, 6 March, 1981, pp.3-8.

⁵¹ NA, 2.02.05.02, inv. 3923, REZ, 26 Augustus, 1983, p.5.

⁵² NA, 2.02.05.02, inv. 3402, REZ, 6 March, 1981, p.6.

Broek said he could not disagree more.⁵³ Thatcher renounced that he only disagreed because he ‘did not have to pay the bill’.⁵⁴ However, Lubbers refused to accept a community in ‘which the yardstick of cooperation was the balance between money paid in and money received’, fearing that it would undermine the European project.⁵⁵

Lubbers brought up a legitimate concern within the Dutch government regarding the future of the European project. For the Netherlands, the battle of the budget went far beyond the financial interests. The problem was not that Thatcher’s financial demands were out of proportion, but the problem was the matter in which she demanded her compensation. Her confrontational attitude jeopardised the process of European integration, not corresponding with the manner in which the Netherlands wanted to conduct European policy. In the eyes of the Dutch government, member states were connected by common values and a communitarian approach by taking the interests of other member states into account.⁵⁶ Seeking consensus was the cornerstone of the EEC’s political culture, and was seen as essential to manage the different interests between the member states.

This difference in political cultures is clearly reflected in a May 1982 correspondence between the Dutch ambassador in London Jan Huydecoper and Minister of Foreign Affairs Van der Stoep (1981-1982) about what the core causes of the budget problem were. According to Huydecoper, Thatcher stated that the growing tensions between Britain and the rest resulted from the fact that other member states had done too little to take British concerns seriously. The Netherlands had failed to ensure ‘sufficient understanding’ of what the true meaning of European solidarity entailed in the eyes of the British government.⁵⁷ Thatcher believed that real solidarity consisted of giving Britain a fairer deal on the budget question, with the money paid

⁵³ TNA, PREM19/1586 f80, 2 March, 1984, pp.7-8, accessed through <https://www.margaretthatcher.org/document/146991>.

⁵⁴ Ibid.

⁵⁵ Ibid., pp.9-10.

⁵⁶ NA, 2.02.05.02, inv. 2875, REZ, 27 November, 1979, pp.4-6.

⁵⁷ NA, 2.05.330, inv. 2733, DA to M via DIE, 18 May, 1982, p.1: ‘voldoende begrip’.

being equivalent to the money received.⁵⁸ The stagnation within the community was thus caused by the other member states' failing to take British concerns into account.

Van der Stoel disagreed with Huydecoper's analysis about the root causes of the community's malaise. In his view, the crux of the problem was the 'ruthless way' in which the United Kingdom pursued its goals, with Thatcher disregarding any form of consideration or humility to make her point.⁵⁹ The great irritation among the other partners was caused by 'the British way of acting in the budget conflict that has been dragging on for years now, with all the damage this has caused to the community as a whole.'⁶⁰ It was unacceptable that she threatened to paralyse decision-making on other policy areas in the European Council and Council of Ministers to force the member states to give in on the budget question.⁶¹ The English delegation persisted in their pursuit of a 'juste retour', which the Netherlands could not accept. Van der Stoel therefore feared that without a softening of the English position, any attempt to find a solution would fail.⁶² Based on this assessment, Anglo-Dutch relations seemed to bog down in irritation by their differing interpretations of what European solidarity actually entailed.

Despite the dissatisfaction with the confrontational attitude of Thatcher to reclaim her money, the Netherlands still attempted to resolve the issue. The first reason for this was political. Great Britain played a major political role for the Netherlands within the community, and there existed fear of a possible British withdrawal if the budget question was not resolved. The political importance of Britain for the community meant that the Dutch government downplayed the conflict in a number of cases in order to reach a solution. Foreign Minister Van der Klaauw wrote to the embassy in London that the proportions of the benefits and burdens

⁵⁸ S. Wall, *Reluctant European. Britain and the European Union from 1945 to Brexit* (Oxford, 2020), pp.155-157.

⁵⁹ NA, 2.05.330, inv. 2733, DA to M via DIE, 18 May, 1982, p.2.

⁶⁰ Ibid: 'door de Britse wijze van optreden in het nu al jaren voortslpend begrotingsconflict, met alle schade die daar voor de gemeenschap in haar geheel uit is voortgevloeid.'

⁶¹ Ibid.

⁶² Ibid.

problem had to be placed in the proper context. He did not feel it appropriate to express concerns about the future of British membership in the community, deeming it ‘a useless question’.⁶³ Dutch ministers also acknowledged that Britain disproportionately bore the financial burden in the community. Prime Minister Van Agt suggested that if there was the will to accommodate with Britain, the Dutch position should be more flexible to maintain room for manoeuvre.⁶⁴ As a result, rapprochement was attempted, despite the government’s unwillingness to pay for the full bill.

Yet, as Thatcher’s attitude hardened, the issue of UK membership became more pressing. The Dutch government received an advisory memorandum on British membership, stating that ‘the possibility of withdrawal is no longer simply rejected as unrealistic’.⁶⁵ One of the most important achievements of British membership was that it opposed ‘an inward-looking European nationalism’ by strengthening transatlantic relations.⁶⁶ Community openness, an important objective for Dutch foreign policy, had been realised by British accession. Moreover, with the United Kingdom joining the community, the old dividing lines in Europe were eliminated.⁶⁷ The memorandum emphasised that there were no tangible economic or political benefits to a potential British exit. The prestige of the community in an international context would also suffer, because the United Kingdom wielded significant power in international politics.⁶⁸ All things considered, the paper concluded that Britain’s EEC membership was worth paying a high price. The political consequences in particular, not only for the EEC but also for European Political Cooperation (EPC), could be regarded as serious.⁶⁹

⁶³ NA, 2.05.330, inv. 3788, M to DA via DIE, 21 January, 1980, p.1: ‘een nutteloze vraag’.

⁶⁴ NA, 2.02.05.02, inv. 2875, REZ, 27 November, 1979, p.5.

⁶⁵ NA, 2.05.330, inv. 19083, DIE to M (memorandum), 14 October, 1981, pp.1-2: ‘De mogelijkheid van uittreding werd niet langer zonder meer als irreëel verworpen.’

⁶⁶ Ibid., p.4: ‘een naar binnen gekeerd Europees nationalisme.’

⁶⁷ Ibid., pp.5-6.

⁶⁸ Ibid.

⁶⁹ Ibid., p.7.

It was also vital for strategic reasons to prevent the budget problem from leading to a rift within the community. The stalemate over the budget question was seen by the Dutch government as an opportunity to revive its declining status and position in the community that was felt since the end of the 1970s. The Netherlands was well-positioned to act as a mediator between the continent and the United Kingdom. The traditional role as bridge builder within the EEC was also recognised during the ministerial meetings.⁷⁰ Foreign Minister Van der Stoep approached the budget question from a strategic perspective. The manner in which compensation to Britain had to be provided, via the common EEC budget or through an *ad hoc* arrangement, was unimportant. What mattered was that the Netherlands should not take a hard line since it would be isolated on this issue. Maintaining a flexible position allowed for more manoeuvrability.⁷¹ During a subsequent meeting, Minister de Koning and Undersecretary (*Staatssecretaris*) Hans van den Broek (1981-1982) shared this vision. To prevent isolation in the European Council, a definitive position should be selected at the last minute to maintain as much influence as possible over the final outcome.⁷² In this way, the Netherlands could manoeuvre between different interests within the community.

Furthermore, the Dutch government had not forgotten how the French-German alliance threatened to dominate the process of European integration at the expense of smaller member states. The anti-continental attitude of the Netherlands, with the fear of being sidelined in the European Council, was reinforced in 1978 over the issue of the EMS. In the early 1980s, there existed widespread suspicion in Dutch governmental circles regarding the French-German couple. Van Agt expressed his hope to British ambassador John Taylor that the budget crisis would be resolved fast, as he was concerned about a Paris-Bonn axis developing on this issue.⁷³

⁷⁰ NA, 2.02.05.02, inv. 3159, REZ, 25 April, 1980, p.6.

⁷¹ NA, 2.02.05.02, inv. 3402, REZ, 11 December, 1981, p.15.

⁷² NA, 2.02.05.02, inv. 3676, REZ, 14 January, 1982, pp.4-5.

⁷³ TNA, PREM19/552 f71, 23 January, 1981, p.2, accessed through <https://www.margaretthatcher.org/document/147033>.

Membership of the United Kingdom was therefore crucial to strengthen the position and interests of the Netherlands in the community, preventing Franco-German supremacy on possible solutions to the budget question.

The role of mediating partner was likewise confirmed and supported by the British government. Following his talk with Thatcher, Dutch ambassador Fack reported she liked the compromising style of Van Agt and saw him as a symbol of the excellent bilateral relations between the Netherlands and Great Britain.⁷⁴ In 1984, the Foreign and Commonwealth Office advised Thatcher to adopt a moderate tone in her meetings with Prime Minister Lubbers. It was essential to get support from the Netherlands on the EEC budget reform, as ‘the Dutch have always seen themselves as a link between the founder members of the Community and the UK [...]’.⁷⁵

The search for a compromise on the budget question acquired momentum from the Dutch side in 1982, following the appointment of a new prime minister. No politician was better suited for the role of bridge builder than Lubbers. There were a number of reasons for this. First, it was evident from the start that Lubbers preferred allying with Thatcher in the EEC, because he opposed West Germany’s political domination.⁷⁶ Another factor was that Thatcher was charmed by Lubbers. Despite her suspicions that he had ‘federalist instincts’, she got along well with him on both a professional and personal level.⁷⁷

In addition, the political style of Lubbers was oriented at finding compromises. Personal advisers and ministers remarked that he was less interested in getting his final result of a solution than in finding a solution that worked politically.⁷⁸ Lubbers also acknowledged that this was his core strength as a prime minister: ‘It suits me personally: building bridges between

⁷⁴ NA, 2.05.330, inv. 2594, DA to M via DIE, 3 February, 1981, p.1.

⁷⁵ TNA, PREM19/1586 f172, N, 16 January, 1984, p.2, accessed through <https://www.margaretthatcher.org/document/147000>.

⁷⁶ Segers, *The Netherlands and European Integration*, p.234.

⁷⁷ Thatcher, *The Downing Street Years*, p.318.

⁷⁸ B. Mellink and M. Oudenampsen, *Neoliberalisme. Een Nederlandse geschiedenis* (Amsterdam, 2022), p.177.

[different] views and interests.’⁷⁹ This also applied to Lubbers’ attempts to draw closer to Thatcher. For example, he addressed a thank-you letter to her in March 1983, emphasising that the Netherlands and the UK shared common interests on a variety of topics.⁸⁰ More importantly, Lubbers presented numerous ideas in a handwritten letter to Thatcher to reach an agreement on the budget problem.⁸¹ Through continuously communicating with his British counterpart in order to reach a compromise, Lubbers exemplified the role that the Netherlands played as a link and a mediator between the continent and the United Kingdom.

After five years of heated debate over the budget, a compromise was reached in June 1984 at the European Council in Fontainebleau. In exchange for increasing the VAT base from 1 percent to 1.4 percent, Thatcher agreed to a 66 percent refund on British payments.⁸² Although the Dutch government failed to defend its financial interests during the debate, it was largely content that a solution was found. With the budget question finally resolved, it paved the way for the Netherlands and Britain to turn their attention to advocating new policies and institutional reforms to complete the internal market.

Conclusion

When Thatcher demanded a fairer distribution to finance the EEC budget, there were solid reasons for the Netherlands to oppose such a proposal. From an economic perspective, the Netherlands was only set to lose financially when giving in to her demands. With its own stagnating economy, and its relatively fortunate position as a minor net recipient of the community budget, permitting a large British compensation required the Netherlands to pay far

⁷⁹ T. Brinkel, *Haagse jaren. De politieke memoires van Ruud Lubbers* (Amsterdam, 2020), p.232: ‘Het ligt mij persoonlijk goed: het bouwen van bruggen tussen opvattingen en belangen.’

⁸⁰ Thatcher MSS, THCR 3/1/29 part 2 f21, 8 March, 1983, p.1, accessed through <https://www.margaretthatcher.org/document/131811>.

⁸¹ Thatcher MSS, THCR 1/8/5 part 3 f10, 18 June, 1983, p.1, accessed through <https://www.margaretthatcher.org/document/130973>.

⁸² Gilbert, *European Integration*, pp.162-164.

more. More importantly, for the Netherlands, what distinguished the European project was the solidarity and communitarian approach among the member states, which Thatcher did not aspire to uphold. The Netherlands was stirred by bold threats to paralyse decision-making to enforce a breakthrough in the budget question, which undermined the consensual approach in the community.

Still, the Netherlands sought a compromise for political, economic, and strategic reasons. Politically, the Netherlands could not risk alienating the United Kingdom from the community. The Dutch government was concerned that the European project might come to a standstill as a result of the current malaise. The Netherlands tried to reach an agreement with Britain that would allow it to keep a flexible attitude about the amount of money paid and form of payment for British compensation. The budget question was also coupled with larger agricultural and budgetary reforms, in which the Netherlands could collaborate with Britain. From a strategic perspective, the budget crisis increased the prominence of the Netherlands in the community, as it could play its role as a bridge builder between the continent and the United Kingdom to lift the deadlock on European integration process. In addition, British engagement was preferred to offset the dominance of the French-German couple. In short, while essential Dutch interests were to be defended between 1979 and 1984, the Netherlands went to great lengths to reach an agreement with Thatcher to solve the thorny issue of the budget question.

3. Single Europeans after all: completing the internal market

Relaunching the community

Next to seeking a compromise on the British budget question, two ministerial committees were appointed during the Fontainebleau summit to write reports on the future of the community. The first committee, headed by Pietro Adonnino, was tasked to make the benefits of the community more visible to its citizens. The second committee, led by James Dooge, focused on institutional reform.⁸³ Together with the instalment of a new European Commission under the leadership of Jacques Delors in 1985, the second commission provided a new framework for European integration, identifying the single market as the direction in which the integration process ought to focus on.

With the budget question out of the way, Thatcher tried to take the lead in the EEC by promoting economic integration. In Fontainebleau, she distributed a document titled *Europe – the future*, which emphasised harmonising market standards across the EEC by advocating for liberalisation and deregulation of numerous community rules to achieve a true single market.⁸⁴ The Dutch government expressed strong support for the new proposals to relaunch the European project. Lubbers was keenly aware of the Netherlands' commercial interests and sought to play an active role in achieving economic and political integration.⁸⁵ Moreover, the Dutch government has traditionally been in favour of supranational European integration by transferring competencies to European bodies. In the revitalisation of European integration, the Dutch government could find in Britain a potential ally to stimulate free market reforms and to complete the internal market according to their preferences.

⁸³ Gilbert, *European Integration*, p.163.

⁸⁴ C. Moore, *Margaret Thatcher: The Authorized Biography Volume Two: Everything She Wants* (London, 2015), p.395.

⁸⁵ Segers, *The Netherlands and European Integration*, pp.235-236.

Creating the right environment to flourish

In the negotiations that resulted in the ratification of the Single European Act (SEA), the Netherlands could find in Britain only partly an ally to serve its own economic and political interests. On the question of economic integration, both centre-right governments shared many preferences because they had the same economic philosophy. Likewise, they both had the desire open up the EEC from protectionist measures of the previous decades. However, the interests between the two countries diverged significantly on the need for institutional reform. The Dutch government believed that a single market could only work if veto powers in the European Council were abolished and replaced by QMV. In addition, the European Commission and the European Parliament should be given more powers to regulate the internal market. Thatcher sought to retain the right of veto and defended British national sovereignty as much as possible. With both comparable and divergent views on how the European project should advance, the Dutch government made great efforts to reconcile these differences to accelerate progress towards a single market.

At first glance, Britain seemed to be the most beneficial partner for the Netherlands to achieve their aim of relaunching the European project through economic integration. Since coming to power in Britain, Thatcher had radically reversed the post-war economic consensus, instead employing policies of liberalisation, privatisation, and austerity. These reforms aimed not only to restore the UK's economic viability and competitiveness in the world, but the deeper objective was to transform the heart and soul of the nation.⁸⁶ In part, these domestic considerations and interests were reiterated on a European scale. She had ambitious plans to reform the European Community, but her desire to change the community was motivated by

⁸⁶ B. Jackson and R. Saunders, 'Introduction: Varieties of Thatcherism' in B. Jackson and R. Saunders ed., *Making Thatcher's Britain* (Cambridge, 2012), p.14.

the domestic context.⁸⁷ This prompted Thatcher to examine the economic policies of surrounding countries to look for possible allies in her quest for European economic reform.

Thatcher found in the Netherlands an ally that shared her free market policies. The main objective of the new centre-right Dutch cabinet in 1982 – consisting of Christian Democratic Appeal (CDA) and the People’s Party for Freedom and Democracy (VVD) – was to restore economic growth through the implementation of neoliberal reforms.⁸⁸ In its objective to roll back the power of the state and create more space for businesses, the government aimed to reduce the collective tax burden, moderate wages, and reduce social security. Lubber’s no-nonsense government transformed the Netherlands from the most generous welfare state in Europe to its leading belt tightener. During her visit to the Netherlands, when Lubbers explained to Thatcher that he planned to cut wages in the public sector, she stated: ‘Mr. Lubbers, are you really intending to cut the salaries of your public employees by more than 3%? That’s a disaster. I am supposed to be toughest in Europe. You are going to ruin my reputation as the Iron Lady.’⁸⁹ Both countries were interested in one other’s domestic economic situation due to their similar economic difficulties.⁹⁰ As such, Britain and the Netherlands were suited to work together in the EEC to achieve their desirable form of economic integration.

The shared economic philosophy of the Netherlands and Great Britain was of great importance in completing the community’s internal market. The Treaties of Rome established a common market as one of their foundational principles. Yet, in the early 1980s there were still numerous trade barriers and customs duties that made free trade impossible.⁹¹ The Netherlands, which traditionally benefited greatly from free trade, saw the elimination of tariff and non-tariff barriers as crucial to allow the common market to run effectively. The Dutch government

⁸⁷ Wall, *Reluctant European*, p.171.

⁸⁸ Mellink and Oudenampsen, *Neoliberalisme*, pp.161-174.

⁸⁹ Cited from *ibid.*, p.15.

⁹⁰ TNA, PREM19/3467 f260, 2 March, 1983, pp.1-3, accessed through <https://www.margaretthatcher.org/document/218104>.

⁹¹ Wall, *Reluctant European*, pp.172-174.

supported the conclusions of the Dooge Committee, which advocated above all for ‘a homogeneous internal economic area’.⁹² In particular, it sought to deregulate the different standards within the community and liberalise capital movements. In a conversation with British economic officials, ambassador Huydecoper informed the Dutch government that Thatcher supported the analysis of the problem and the proposed solution that the Dutch government offered to liberalise the EEC.⁹³ However, she was hesitant to give the community too much power and competences to open up the market. The main impetus for reform, according to the British government, had to come from businesses themselves.

The Dutch and British governments’ determination to liberalise the internal market was complemented by a vigorous policy to make businesses more innovative by lifting protectionist measures. Thatcher and Van Agt already agreed in 1981 on the need for the EEC to take a coordinated strategy to lower protectionism within the EEC to the rest of the world. Van Agt stated that while Japanese products were entering the internal market, the EEC’s response should not be protectionist.⁹⁴ Thatcher shared his view. According to her, it was crucial that the member states ‘should not allow themselves to be picked off solely by the Japanese’.⁹⁵ It was therefore in the interest of the EEC’s international position to reduce protectionism and invest in innovation to ensure that it did not lose its international competitiveness.

This view was reinforced during a REZ meeting, where Dutch ministers reviewed a French proposal that outlined the future for the internal market. According to Rutten, the problem was that the EEC lacked a truly free internal market, making it impossible to open the community to products from Japan and the United States that were being discriminated against.⁹⁶ France and Germany did not want to open their markets to Japanese products, and

⁹² Gilbert, *European Integration*, p.166.

⁹³ NA, 2.05.392, inv. 464, DA to M via DIE, 23 January, 1985, p.1.

⁹⁴ TNA, PREM19/552 f12, 6 February, 1981, p.4, accessed through <https://www.margaretthatcher.org/document/126705>.

⁹⁵ Ibid.

⁹⁶ NA, 2.02.05.02, inv. 3923, REZ, 7 October, 1983, pp.10-11.

were allowed to do so due to the differing product standards within the community. Minister Van Aardenne argued that the internal market was not functioning properly, which was why it encountered economic difficulties with Japan. The unilateral protectionist policies pursued by France reinforced internal barriers of the common market, and this was detrimental for the economies of EEC countries.⁹⁷ Instead, the Dutch government advocated for an active supply-side strategy to strengthen the position of businesses in the EEC. To compete with the United States and Japan, the EEC needed to open itself up to the global market in combination with high investments in technological innovation.

However, the first cracks in the economic consensus between the Netherlands and Britain began to appear on the issue of tax harmonisation. In June 1985, the European Commission published the White Paper *Completing the Internal Market*. The document pushed for the implementation of over three hundred directives and regulations to make the community more efficient.⁹⁸ In order to facilitate and improve trade transactions and the European business environment, article 99 of the White Paper advocated for harmonisation of indirect taxes to bring the community into better tax alignment. Thatcher was displeased, however, with the proposals of the commission paper that were largely authored by the Lord Arthur Cockfield. She felt that her British commissioner went ‘native’ since his appointment in Brussels, failing to take the British interests into account.⁹⁹

The Thatcher government opposed any type of tax harmonisation. Foreign Secretary Geoffrey Howe (1983-1989) explained to Foreign Minister Van den Broek that shared fiscal policies were not supported by the British government for economic and institutional reasons.¹⁰⁰ Tax harmonisation posed significant administrative challenges, and the British government

⁹⁷ Ibid., p.11.

⁹⁸ Gilbert, *European Integration*, p.165.

⁹⁹ Thatcher, *The Downing Street Years*, p.547.

¹⁰⁰ W. van Eekelen, *Sporen trekken door strategische jaren* (Meppel, 2001), pp.188-190.

doubted that it would work on a European scale.¹⁰¹ Thatcher concluded in her memoirs that these fiscal policies would be detrimental to competitiveness and innovation of the EEC. She believed that ‘competition between tax regimes was far more healthy than the imposition of a single system’.¹⁰² More important was the infringement on British national sovereignty that a shared tax policy would entail. The ability of the British parliament to set its own levels of taxation was a right that was not to be conceded to a common European institution.¹⁰³

In contrast, the Dutch government strongly supported the recommendations of the White Paper, seeing the ambitious goals to increase the competencies of the community as a positive development. This included the idea of tax harmonisation. Minister Van Aardenne wanted to implement the recommendations of the White Paper as one large package.¹⁰⁴ Minister of Finance Ruding believed that the removal of tax barriers should be supplemented by further liberalisation of capital movements, allowing Dutch enterprises to establish themselves more freely abroad. This suggested dual approach intended to prevent harmonisation efforts from coming to a halt.¹⁰⁵ Prime Minister Lubbers also welcomed the economic components of the report. Additionally, he thought that the procedural aspects to improve the common market should be taken into account.¹⁰⁶

To function efficiently, the Dutch government believed that the internal market needed institutional reforms. One of the major problems within the European Community was that decision-making frequently got bogged down by voting procedures in the Council of Ministers. Most policy areas required unanimity, dating back to the Luxembourg Compromise of 1966. The *de facto* institutionalisation of the veto rights slowed down progress towards an internal market. However, because the Dooge Committee advised that the Luxemburg Compromise

¹⁰¹ NA, 2.05.392, inv. 467, DA to M via DIE, 25 June, 1985, pp.1-2.

¹⁰² Thatcher, *The Downing Street Years*, p.553.

¹⁰³ Ibid.

¹⁰⁴ NA, 2.02.05.02, inv. 4456, REZ, 24 June, 1985, p.3.

¹⁰⁵ Ibid., p.4.

¹⁰⁶ Ibid., p.5.

could be used in ‘exceptional cases’, it seemed to the Dutch government that veto rights were going to be formalised. In a REZ meeting, Undersecretary for European Affairs Van Eekelen questioned the ‘vital interests’ passages of the report, and asked whether the clause of ‘exceptional cases’ was applicable in practice.¹⁰⁷ Minister Braks also regarded the sections on vital interests problematic, as they legalised the right of veto. Minister Van Aardenne wondered to what extent Thatcher had influenced the passage on the formalisation of veto rights, and whether she intended to obstruct the discussion about its repeal.¹⁰⁸

In January 1985, during a conversation between Thatcher, Howe, Lubbers, and Van den Broek, the differences of opinion on these procedural reforms were accurately illustrated. Lubbers asked Thatcher’s thoughts on the work done by the Dooge Committee.¹⁰⁹ She believed that the single market did not need supranational regulation, but that it could remain under the control of the Council of Ministers on the basis of unanimity.¹¹⁰ She argued that the use of QMV in the Council of Ministers should not be extended because the Treaties of Rome already allowed for it, but the member states refrained from extending majority voting themselves. Although she did not oppose political cooperation, persevering the Luxembourg Compromise was essential to Britain.¹¹¹ It resulted in a paradoxical attitude from the British side. On the one hand, Britain mobilised the EEC to realise economic change, but on the other hand the country was unwilling to undertake the necessary institutional reforms required for such changes.¹¹²

Lubbers and Van den Broek had a radically different outlook on institutional reform. Even if the treaties provided ample space to improve decision-making, the core problem remained that individual ministers had the ability ‘to block proposals in particular councils

¹⁰⁷ NA, 2.02.05.02, inv. 4217, REZ, 30 November, 1984, p.7.

¹⁰⁸ Ibid., pp.7-8.

¹⁰⁹ TNA, PREM19/1586 f13, 26 January, 1985, p.3, accessed through <https://www.margaretthatcher.org/document/150975>.

¹¹⁰ A. Gamble, ‘Europe and America’ in B. Jackson and R. Saunders ed., *Making Thatcher’s Britain* (Cambridge, 2012), p.228.

¹¹¹ TNA, PREM19/1586 f13, 26 January, 1985, p.3.

¹¹² Moore, *Everything She Wants*, p.395.

almost endlessly, even where the European Council appeared to have agreed on something.’¹¹³ Lubbers argued that the European Community should function more like a national cabinet, in which there was an obligation to make decisions, rather than serving as an ‘international bargaining session’.¹¹⁴ Van den Broek emphasised that the Netherlands never embraced the Luxembourg Compromise. The Dutch government could only accept the right of veto provided the treaty’s voting procedures on majority voting were fully implemented.¹¹⁵ It could no longer be the case that member states used the vital interest clause to slow down decision-making processes. Expanding the competences of the European Parliament might also help to solve decision-making procedures of the Council of Ministers. For example, the European Parliament could be given the right of co-decision on a wide range of policy areas, as well as increased authority to amend European Commission proposals.¹¹⁶

However, the British government was not interested in increasing the competences of European bodies. Thatcher considered the European Parliament to be no more than an ‘European Assembly’, which was a ‘deeply unpopular body’ in the UK.¹¹⁷ In her view, national ministers could only be accountable to their national parliaments. If the European Parliament was given more powers, as Lubbers desired, it would result in a transfer of national sovereignty that the British Parliament could not accept. The European Council should have primary decision-making authority inside the European Community.

Furthermore, the Dutch and British governments differed on the necessity to amend the Treaties of Rome. Van den Broek proposed holding an Intergovernmental Conference (IGC) to discuss the necessary treaty changes. These treaty revisions had the aim to make the community ready for the future by adding articles on political cooperation or decision-making on internal

¹¹³ TNA, PREM19/1586 f13, 26 January, 1985, p.3.

¹¹⁴ Ibid.

¹¹⁵ Ibid., p.4.

¹¹⁶ NA, 2.02.05.02, inv. 4456, REZ, 29 November, 1985, pp.4-5.

¹¹⁷ TNA, PREM19/1586 f13, 26 January, 1985, pp.4-5.

market issues.¹¹⁸ Lubbers added that new areas of community activity could be implemented if these were imbedded into the treaties. The British side steadfastly rejected these ideas. The Iron Lady believed that the recommendations in the Dooge Committee could easily be implemented by the European Council without the need for treaty modifications.¹¹⁹ The relevant and necessary procedures to realise the internal market were already inscribed in the Treaties of Rome. According to Thatcher, these procedures had to be met first before any serious discussion on the modification of the treaties should be conducted.¹²⁰

Even though the institutional differences between the Dutch and British governments were considerable, they were not insurmountable. Lubbers and Van den Broek had made an important concession during the meeting. In exchange for accepting and even formalising the Luxembourg Compromise, the Dutch government sought to make majority decisions the norm in most internal market policy areas.¹²¹ In the eyes of the Dutch government, it was preferable to seek for compromises with Britain in order to achieve the preferred economic reforms rather than alternative visions of other member states that were inclined towards economic protectionism. Based on this trade-off, the Dutch and British governments were able to shift their focus again on economic integration.

In the end, Britain accepted the greater use of QMV on single market issues after Thatcher was outmanoeuvred during the Milan European Council summit in June 1985 by Italian Prime Minister Bettino Craxi, who called for an Intergovernmental Conference (IGC) to discuss treaty changes.¹²² In exchange, Thatcher drove a hard bargain on opening and completing the internal market. Despite losing veto power in many policy areas, she believed

¹¹⁸ Ibid.

¹¹⁹ Ibid., p.5.

¹²⁰ S. Wall, 'Margaret Thatcher and the Single European Act', *Global Policy*, 13/2 (2022), 34-35.

¹²¹ TNA, PREM19/1478 f41, 7 February, 1985, p.1, accessed through <https://www.margaretthatcher.org/document/235390>.

¹²² Wall, *Reluctant European*, p.177-179.

it was a price worth paying.¹²³ She had also succeeded in preventing the European Parliament from being given the right of co-decision in legislative procedures. The Dutch government was relatively reserved about the results. From an economic perspective, the Lubbers government was satisfied with completing the internal market by removing trade restrictions. However, seen from an integrationist perspective, there was great disappointment by the treaty's failure to enact the required political and institutional reforms for these economic changes. Lubbers believed that the SEA did not go far enough, because 'attempts to extend the competences of the European Parliament are stalling'.¹²⁴

While the SEA was a victory for Thatcher, the Dutch government saw the SEA as an intermediate step on the way to 'something more important' and significant. That something more important was mentioned in article 20 of the SEA, which dealt with monetary integration. Shy from grandiose rhetoric, the article merely expressed the ambition that member states would progressively cooperate in the field of monetary integration.¹²⁵ Despite the disappointing results, article 20 gave the Dutch government an important tool for actively leading the process of European integration in the near future.

Conclusion

With budgetary squabbles resolved, the Netherlands and Britain actively pursued economic integration in order to complete the internal market. Great Britain was an important partner for the Dutch government since it shared the same economic philosophy on a domestic and European level. Both governments aimed to open up the internal market by abolishing trade barriers and implementing common standards in various areas to promote trade. By fostering

¹²³ Thatcher, *The Downing Street Years*, p.553.

¹²⁴ Brinkel, *Haagse jaren*, p.216: 'pogingen om de bevoegdheden van het Europees Parlement uit te breiden [zijn] vast[ge]lopen.'

¹²⁵ Gilbert, *European Integration*, p.168.

technological innovation and creating a more open business climate, the aim was to make the EEC compete with the Japanese and American economies.

Yet, there were also marked differences of opinion on how to complete the internal market. Interests differed in the field of tax harmonisation. Even more significant were the institutional differences. While the British government believed that the internal market could be completed without changes in decision-making, the Dutch government believed such reforms were crucial. There were notably strong disagreements about abolishing the right of veto, as well as disagreements on the competences of the European Parliament or amending the Treaties of Rome. The Dutch government was willing to seek for a compromise on a majority of these issues since their overriding aim was to complete the single market. It was preferable to reach an agreement with a likeminded country over a more protectionist alternative. Despite their disappointment with the lack of ambition in the SEA, Lubbers was willing to make concessions on institutional reforms in order to foster economic integration.

4. The *ultimum remedium*: towards an Economic and Monetary Union

A monetary utopia

The main goal of the SEA was to establish a fully integrated single market by 1992. To Delors, monetary integration was a logical component to complete the single market. During the Hannover European Council in 1988, he presented a proposal for an Economic and Monetary Union (EMU). To allow the single market to function more effectively, there needed to be a total and irreversible convertibility of currencies, a complete liberalisation of capital, and full integration of the banking and financial sectors. To achieve this, a parallel strategy to economic and monetary integration was required, as both were essential components of a single European market.¹²⁶

After lengthy deliberations, Delors presented his report in April 1989. The Delors Report planned to build the EMU in three successive stages. The first involved completing the internal market and extending the authority of the Council of Central Bank Governors (CCBG), the predecessor of the European Central Bank (ECB). In fact, the community had already completed the first step. Phase two focused on establishing an European System of Central Banks (ESCB) to oversee the transition to the third phase. In the final phase, a development took place towards irrevocably frozen exchange rates, in which the ESCB took responsibility for monetary policy. In the last phase, a single currency would be adopted.¹²⁷

In Britain, Thatcher frequently argued that British entry in the Exchange Rate Mechanism (ERM) – the most important element of the EMS – was undesirable. Although her Chancellor of the Exchequer Nigel Lawson argued to enter the ERM on the basis of economic considerations, Thatcher was concerned about the project's political implications.¹²⁸ In contrast,

¹²⁶ H. Ungerer, *A Concise History of European Monetary Integration* (Westport, 1997), pp.201-206.

¹²⁷ Ibid.

¹²⁸ C. Moore, *Margaret Thatcher: The Authorized Biography Volume Three: Herself Alone* (London, 2019), p.123.

the Netherlands welcomed the ambitious proposals, being rather disappointed with the results of the SEA. Since the 1970s, the Dutch government was motivated to enhance monetary integration. Segers has argued that the Netherlands started to align more with West Germany on this issue because it could no longer wait for Britain to join the initiative.¹²⁹ This did not mean, however, that the Dutch government made no significant efforts to persuade Britain to join the EMU.

Getting Thatcher on board

Although the Netherlands and Great Britain had incommensurable interests regarding the establishment of the EMU, the Netherlands worked extremely hard to convince Britain to participate in the monetary initiative. The political and economic importance of British participation in the monetary project stemmed from the Netherlands' reluctance to go along with monetary integration without all the community members. The Dutch government wanted to prevent a multispeed Europe because it would bring a danger of disintegration in the community. In addition, the Thatcher government shared the same monetary principles as the Netherlands, emphasising low inflation and maintaining price stability. Getting Thatcher tied to the monetary project also reinforced the strategic importance of a small state like the Netherlands as a bridge builder that could mediate between the interests of the larger countries. By keeping Britain on board, the Netherlands could advance its own political and economic interests behind the veil of performing the role as a mediating partner. As a result, Lubbers tried to find common ground with Thatcher in order keep the process of European integration going.

From the early 1980s, political considerations were important for the Netherlands to advocate for British entry into the ERM and EMU. With stagnation threatening the process of European integration, it was especially important to make progress on monetary policy.¹³⁰

¹²⁹ Segers, *The Netherlands and European Integration*, pp.252-253.

¹³⁰ NA, 2.02.05.02, inv. 3159, REZ, 28 November, 1980, p.7.

Despite the successful *relance europeenne* with the SEA, the Dutch government remained concerned about the community's future. Advancing with a multispeed Europe – where some countries went along with deeper European integration – would mean the failure of the European project as a whole. For example, the memorandum 'Continue building Europe' (*Verder bouwen aan Europa*) clearly stated why such a situation was not preferable. It warned that while the economic benefits of a two-speed method may be demonstrable, it does 'not alter the fact that potential risks of disintegration in any case are so real that a particularly careful weighing of the advantages and disadvantages is always required.'¹³¹ As a result, the government had to make efforts to prevent such a situation from happening by attempting greater rapprochement with Britain.

However, as the United Kingdom continued to refuse to join the ERM, the concept of a multispeed Europe increasingly became more realistic. In the REZ meetings there existed a disagreement over the question of whether the monetary project should proceed without Britain. Ruding tackled the matter pragmatically. According to him, the question was not whether the Netherlands should support or oppose a two-speed Europe. The Netherlands was in principle against such an approach, but this did not mean that the problem went away. The minister recommended a slow integration of the EMU, stating that it would otherwise result into chaos 'if one wants to quickly achieve an EMU between twelve countries'.¹³² Lubbers shared Ruding's analysis and proposed a definitive solution taken at a later date.¹³³

Furthermore, to make common market successful, there had to be common institutional standards for all countries. The Dutch government believed that a monetary union could best take place within a common institutional framework to establish the most effective policies.¹³⁴

¹³¹ NA, 2.05.392, inv. 9892, T to TK (memorandum), 13 December, 1988, p.6: 'dat neemt niet weg dat de in elk geval potentiële desintegrerende risico's zodanig reëel zijn, dat steeds een bijzonder zorgvuldige afweging tussen de voor- en nadelen geboden is.'

¹³² NA, 2.02.05.02, inv. 5363, REZ, 20 May, 1988, p.4: 'als men snel een EMU tussen twaalf landen wil bereiken.'

¹³³ Ibid., p.7.

¹³⁴ NA, 2.05.392, inv. 9892, T to TK, 13 December, 1988, p.5.

If the UK remained outside the European monetary framework, institutional procedures had to be adjusted to keep the project viable.¹³⁵ This would have a negative impact on the stability of the system. As a consequence, the briefings to the government proposed to abandon the special status of some member states with regard to the EMS to ensure the stability of the monetary project.¹³⁶ The importance of institutional convergence was a *conditio sine qua non* for the Dutch government, in effect ruling out a multispeed Europe.

In addition, Great Britain's membership in the EMU provided economic benefits for the Netherlands and the EEC as a whole. First, as argued in the preceding chapter, the Dutch and British government shared the economic philosophy of emphasising free trade and liberalising capital movements. That was an important factor given the discussion within the community about the primary objectives of a new European monetary institution. The Northern European governments favoured an independent ECB whose primary aim was maintain low inflation and guarantee price stability.¹³⁷ Southern European countries held an economic view of monetary policy, believing that ECB's primary objective should be to promote economic growth and employment. In an interview with the *Financial Times*, Onno Ruding indicated that British participation in the EMU was crucial to realise the Northern European view in the formation of a common political and economic philosophy in the community.¹³⁸ British participation ensured sound financial policy based on price stability and the dominance of market forces.

Second, the desire for British participation was directly related to the viability and economic success of the single market. This was not only important in a European context, but in terms of the wider international relations, the success of the common market increased the European profile in the world. By operating together as a bloc through the EMU, European

¹³⁵ NA, 2.21.464, inv. 116, FIN to REZ, 3 May, 1989, p.5.

¹³⁶ NA, 2.05.392, inv. 9892, T to TK, 13 December, 1988, p.20.

¹³⁷ K. R. McNamara, *The Currency of Ideas. Monetary Politics in the European Union* (Ithaca, 1998), pp.170-178.

¹³⁸ NA, 2.21.464, inv. 116, Onno Ruding to Financial Times (interview), 3 November, 1989, p.1.

countries could exert more power and influence on trade policy issues.¹³⁹ In a letter to the government, officials from the Ministry of Finance claimed that the economic benefits of EMU were determined by the overall size of the EMU region.¹⁴⁰ To maximize the economic benefits of a monetary union, it was important that as many countries as possible participated in the project. Economic benefits were lowered if countries decided not to join, and non-participating countries received no additional benefits. Thus, British entry was also motivated to give the EEC a more prominent role in world trade, both on an economic and political level.

Another important consideration for the Netherlands to keep Britain tied to the monetary project was the relevance of its own position in the EEC. The Netherlands, in contrast to the larger countries, was not a major power in shaping the future of the community. The Dutch government could acquire more influence inside the European Community by acting as a mediator between the major countries, allowing it to clearly navigate between competing interests. Ruding suggested that, given the ambiguity surrounding the specific nature of the EMU in 1988, the Netherlands should wait before taking a definitive position.¹⁴¹ He disagreed with Delors' intention to alter the treaties in order to institutionalise the monetary union. If the Netherlands wanted to get the UK into the EMU, fiscal and monetary harmonisation did not need to be imposed in an EEC setting. To make progress on the policy issue, a cautious approach had to be taken.¹⁴² Ruding rejected the French approach of forcing the UK to leave the policy of monetary integration if it did not agree to include the pound sterling in the monetary system. Ruding believed that this would be detrimental to monetary integration. If a firm position was taken, Thatcher would certainly slam the door, in turn halting the whole process.

Lubbers echoed his Finance Minister's point of view of adopting a moderate attitude. In addition, Lubbers believed that there was a possibility that France and Germany would again

¹³⁹ NA, 2.05.392, inv. 9892, T to TK, 13 December, 1988, pp.1-2.

¹⁴⁰ NA, 2.21.464, inv. 116, FIN to REZ (memorandum), 3 May, 1989, p.5.

¹⁴¹ NA, 2.02.05.02, inv. 5363, REZ, 20 May, 1988, p.5.

¹⁴² NA, 2.02.05.02, inv. 5363, REZ, 24 June, 1988, pp.4-5.

take control of the monetary project if Britain stayed out. He argued that the differences between the UK and France regarding monetary integration were considerable.¹⁴³ West Germany, the third important player, sided with France and sought to push the British to take a position at the next European Council. The Dutch ambassador also remarked that the Germans and the British easily irritated each other on this matter, ‘while the Netherlands has some credit with both. We would be damaging our interests if we did not try to use them to achieve our desired goal.’¹⁴⁴ To remain influential in the final outcome on the EMU, while guaranteeing that the Paris-Bonn axis did not become too powerful, the Dutch government had a strategic interest to ensure that the UK’s position in the EEC was not diminished.

Nonetheless, because the British government had no definitive position on joining the EMU, it was complicated for the Dutch government to maintain the delicate balance between convincing Thatcher on the merits of the EMU without giving her the impression that Britain was forced to make a choice. Ambassador Jonkman wrote several reports on the attitude of the British government towards the EMU. For example, he wrote to the government that he had ‘wondered what course of action this embassy should recommend to you’ regarding Thatcher’s European policy. After speaking with several British officials, Jonkman thought that convincing Thatcher that she was mistaken on the EMU issue would be counterproductive.¹⁴⁵ Thatcher considered the aspect of monetary integration as a zero-sum game. Discussions regarding the necessity of an ECB or a single currency were best avoided altogether. She believed that European monetary and economic cooperation could be accomplished without supranational institutions.¹⁴⁶ Jonkman recommended the Dutch government to take small steps to persuade

¹⁴³ Ibid., p.9.

¹⁴⁴ NA, 2.05.392, inv. 480, DA to M via DIE (correspondence), 29 July, 1988, p.1: ‘terwijl Nederland enig crediet [sic] heeft. Wij zouden onze belangen schaden indien wij niet zouden trachten daar gebruik te maken voor het bereiken van een door ons gewenst doel.’

¹⁴⁵ Ibid., pp.1-2: ‘Ik heb mij afgevraagd welke gedragslijn deze ambassade u zou moeten aanraden.’

¹⁴⁶ H. Thompson, *The British Conservative Government and the European Exchange Rate Mechanism, 1979-1994* (London, 1996), pp.120-122.

Thatcher. This was still preferable to isolating the UK, which could only be used as an ‘ultimum remedium’.¹⁴⁷

Given the Dutch government’s cautious attitude, the relatively moderate response to Thatcher’s Bruges Speech can also be understood in this context. In her address, Thatcher criticised the path of the European integration project and articulated an alternative vision of European cooperation.¹⁴⁸ The lack of a strong Dutch response to the speech was a deliberate chosen strategy. In a correspondence with the government, Jonkman noted that the government did not need to mince words regarding the speech because in ten years’ time ‘a British Prime Minister could no longer speak like that’.¹⁴⁹ More importantly, there was nothing in the speech about opposing a monetary union or the establishment of a European central bank. Jonkman argued that Thatcher’s fierceness stemmed from her minority position in her government.¹⁵⁰ She grew further apart from Howe and Lawson, especially on the issue of monetary integration. Lawson in particular argued to join the ERM to match the counter-inflationary difficulties that Britain endured as a consequence of staying out the EMS.¹⁵¹ According to British Undersecretary Kerr, Lubbers was the only one ‘whose judgement she trusts’.¹⁵² Lubbers himself also noted that British ministers approached him as an intermediary to persuade Thatcher to make compromises with Europe.¹⁵³ Although the Dutch government was dedicated to the process of European integration in the 1980s, it deliberately did not criticise Thatcher in order to keep the option of British entry to the EMU open.

The issue on monetary integration strained relations within the British government even further in 1989, leaving Thatcher isolated inside her own government. Despite the fact that

¹⁴⁷ NA, 2.05.392, inv. 480, DA to M via DIE, 1 July, 1988, pp.1-2.

¹⁴⁸ Moore, *Herself Alone*, pp.143-151.

¹⁴⁹ NA, 2.05.392, inv. 480, DA to M via DIE, 23 September, 1988, p.1: ‘over 10 jaar zou een Britse premier niet meer zo spreken.’

¹⁵⁰ *Ibid.*, pp.1-2.

¹⁵¹ Thompson, *The British Conservative Government and the European Exchange Rate Mechanism*, p.103.

¹⁵² NA, 2.05.392, inv. 5208, DA to M via DIE, 30 November, 1988, p.1.

¹⁵³ Brinkel, *Haagse jaren*, pp.211-212.

Lawson and Howe were also opposed the Delors plan in its entirety, they argued that Britain should at least participate in the first phase to avoid missing the European boat.¹⁵⁴ Thatcher claimed that this was impossible. She cited paragraph 39 of the Delors Report, which indicated that entering the first stage implied entry into all stages.¹⁵⁵ For her, phases two and three of the report were unacceptable compared to the sections in the SEA on monetary integration which she had agreed to.¹⁵⁶ It encouraged Howe to make a last-ditch effort to convince Thatcher to participate in the EMU by inviting the Dutch government for a summit: ‘I had concluded that the most likely “outsider” who might influence Margaret away from her continuing “gut” hostility to the ERM was the Dutch Prime Minister, Ruud Lubbers’.¹⁵⁷

Before the mini summit between the Dutch and British governments on the 29th of April, the Dutch government received a telegram from the embassy in London on April 26. The new ambassador Nieman was pessimistic about the odds of changing the British position: Thatcher thought that the Delors Report was absolutely premature and would never get through parliament. Yet, Nieman told with explicit ‘source protection’ that only Lubbers had enough credibility to persuade her if he demonstrated a thorough understanding for the British position.¹⁵⁸ Lubbers was also aware of his special role. In Lubbers’ eyes, this ‘broker’ role was the best position that a country like the Netherlands could achieve in international relations.¹⁵⁹ The strategy was to focus on what the Netherlands and Britain shared in terms of monetary integration, leaving aside the fundamental differences over the political need of an EMU.

It was during the meeting in Chequers, the country house of the British prime minister, on the 29th April 1989 where an ultimate attempt was made by Lubbers to convince Thatcher to join the EMU by making numerous concessions for British accession. In the morning Thatcher

¹⁵⁴ Lawson, *The View from No. 11*, pp.912-916; G. Howe, *Conflict of Loyalty* (London, 1994), pp.576-578.

¹⁵⁵ Moore, *Herself Alone*, p.300.

¹⁵⁶ NA, 2.05.392, inv. 5208, PVEG to M (correspondence), 26 April, 1989, pp.1-2.

¹⁵⁷ Howe, *Conflict of Loyalty*, p.577.

¹⁵⁸ NA, 2.05.392, inv. 5208, PVEG to M, 26 April, 1989, p.2: ‘bronbescherming’.

¹⁵⁹ Brinkel, *Haagse jaren*, p.232.

and Lubbers had a private conversation in which they exchanged their views on the EMU. Thatcher dismissed Delors' ideas as 'institutional fantasies' and urged that realistic tasks should be prioritised to complete the internal market in 1992.¹⁶⁰ Lubbers attempted to accommodate Thatcher by emphasising that the Netherlands would deal with the Delors Report 'cautiously'.¹⁶¹ He also thought the project was overly ambitious because there were many uncertainties. As far as he was concerned, entry into phase one should not obligate Britain to participate in phase two and three, and treaty change was not required to create the EMU.¹⁶²

In the afternoon Lubbers and Thatcher were joined by Finance Ministers Ruding and Lawson, as well as the Ministers of Foreign Affairs Van den Broek and Howe. However, it became clear that Thatcher had no intention of responding to the Dutch charm offensive. Lawson began the conversation by indicating that the UK wanted to engage constructively to achieve closer economic and monetary cooperation without a treaty change. Ruding followed up and tried to reconcile the divergent positions by arguing that the Netherlands and the UK shared many similarities in their criticism to the Delors plan.¹⁶³ He countered Thatcher's allegation that once a country joined the EMU, it could no longer influence monetary policy. According to Ruding, the UK was in a much stronger position to veto recommendations from the Delors Report within the EMU than if it remained outside. By joining, Britain, together with the Netherlands, had far more influence on the development of the monetary union.¹⁶⁴

Thatcher, on the other hand, drove the two sides even further apart. This was also due to the breakdown of the relationship with Lawson. In response to Ruding's argument that joining the ERM guaranteed low inflation, she claimed that the UK's low inflation was precisely

¹⁶⁰ TNA, PREM19/3866 f167,29 April, 1989, p.2, accessed through <https://www.margaretthatcher.org/document/218172>.

¹⁶¹ Ibid., pp.2-3.

¹⁶² Ibid.

¹⁶³ O. Ruding, *Balans. Het ging om meer dan geld alleen* (Den Haag, 2020), p.301.

¹⁶⁴ TNA, PREM19/3866 f171, 29 April, 1989, pp.2-4, accessed through <https://www.margaretthatcher.org/document/218169>.

because it had not joined the ERM. She had no intention of participating in EMU, because this meant a loss of national sovereignty over its own monetary policy.¹⁶⁵ In an attempt to prevent further escalation between Ruding and Thatcher, Lubbers intervened: ‘Well, you can drive a car without a seat belt, but on the whole it is better to have one.’¹⁶⁶ He warned that not participating in the EMU would make it more difficult for Anglo-Dutch relations to collaborate in other policy areas in the EEC. That is why he hoped that the UK would ‘play a full part in this.’¹⁶⁷ In the end, the Dutch government’s attempt to persuade Thatcher had failed.

Even after the disastrous mini Anglo-Dutch summit, the Dutch government tried to keep Britain on board. However, disagreements on the economy and the EMU exacerbated tensions inside the British government. Between 1989 and 1990, both Lawson and Howe resigned from the government, sparking a rebellion within the Conservative Party that resulted in the ousting of Thatcher. More importantly were the implications for the European project after the fall of the Berlin Wall in November 1989. With the end of the Cold War, concerns about German reunification were on top of the agenda for the member states. All these developments combined speeded up the progress to achieve an EMU. For the Netherlands, this required reorienting their strategy to avoid being sidelined in the process of European integration. As a result, the Netherlands was fully committed to establish a monetary union to keep a potentially unified Germany tied within Europe, which meant that it shifted its approach towards Britain.

Conclusion

Monetary integration was the cornerstone of Dutch European policy since the 1970s to revitalise the European project. Although Segers has concluded based on this activism that the Dutch government cooperated less with Great Britain because their interests fundamentally

¹⁶⁵ Ibid., pp.2-3.

¹⁶⁶ Lawson, *The View from No. 11*, pp.912-916.

¹⁶⁷ TNA, PREM19/3866 f171, 29 April, 1989, p.4.

differed, this chapter demonstrated that the Dutch government actually made far more effort to have the British participate as a full member. Exclusion of the UK was a last resort that had to be avoided.

On a political level, the Dutch government aimed to speed up the process of European integration by adhering all member states to the monetary project. In the government's view, a multispeed Europe would be disastrous for the community's future. Moreover, British involvement had a significant impact on the EMU's political and economic weight, allowing the EEC to increase its profile in the global economy. Finally, because of its ability to act as a bridge builder between the UK and the other major European countries, the Netherlands wielded an influential role in the EMU debate. Lubbers' influence was bolstered by the trust he had built up over the years with Thatcher. Even British ministers such as Howe and Lawson considered him as the only one who could convince her to participate in the project. Even though attempts by the Dutch government to persuade the Iron Lady were a bridge too far, this analysis showcases the importance of British inclusion in the EMU to the Dutch government, who were willing to make numerous concessions in exchange for British entry.

Final conclusion

During his time as Prime Minister, Ruud Lubbers got along well with Margaret Thatcher on both a personal and professional level. His friendly and approachable style earned him praise from the British government, which was frequently at odds with the other member states of the European Community. Despite their differing views on the future direction of European integration, the European minded Dutch government and Eurosceptic British government collaborated extensively on European issues. As a result of this unusual relation, this thesis has sought to understand why the Dutch governments saw the British government as an ally on the process of European integration between 1979 and 1989, even though their European interests did not appear to align during this period.

The striking alliance can be partly explained by the governments' common economic interests. For example, both centre-right governments shared the same economic philosophy that focused on liberalisation, privatisation, and deregulation to complete the internal market. Protectionist measures had to be lowered as much as possible. They were also in favour of reforming the costly CAP in order to solve the budget question. In the field of monetary integration, the Netherlands considered Britain as an important partner because they likewise advocated for a sound financial policy that prioritised low inflation and price stability.

Nevertheless, both governments' underlying political objectives in European affairs differed significantly. Concerning the budget question, the Dutch government was agitated by Thatcher's confrontational attitude, owing to the countries' different interpretation of what European solidarity exactly constituted. In addition, Britain did not believe that institutional changes were required to improve the efficiency of the internal market. In contrast, the Netherlands favoured treaty changes for over two decades to abolish veto powers. Finally, the political need of establishing the EMU was a point of contention. While the Dutch government

actively sought to create a monetary union, Thatcher was opposed to cede national sovereignty over her monetary policy. The research question can thus only be partially explained by the notion of shared interests, as the chapters highlighted the substantial differences between the Dutch and British governments on questions of European integration.

A more credible explanation why the Dutch government viewed Britain as an ally in the process of European integration is because the British government fulfilled an important political and strategic function for the Netherlands to strengthen its own position in the community. Following a decade of stagnation in the community, the Dutch government thought that Britain was politically too important to alienate in the EEC during the 1980s. The country still wielded considerable political and economic weight in the international area. Keeping Britain on board in the process of European integration prevented the threat of disintegration, a real fear in the eyes of the Dutch government. It also clarifies why the Netherlands opposed the formation of a multispeed Europe, seeing the overarching process of European integration as vital to the country's interests.

The political importance of Britain carried a strategic component as well. By maintaining close ties with the Thatcher government, the Netherlands was able to act as a mediator between Britain and the larger member states of the continent to resolve the different interests. The analysis of REZ meetings, correspondences, and memoranda demonstrate that the Dutch government took on a role as bridge builder within the community. The Dutch government utilised its role as a link between the continent and Britain to strengthen its own position and exert more influence over the final outcome of these disputes. It achieved this by softening its own position, allowing the government more manoeuvrability to balance the interests of the various member states. Lubbers' political style of keeping close contact with Thatcher and looking for compromises made sure that the British government likewise underlined the Dutch role as a mediator. The role as a power broker also had the aim to subvert

the dominance of the Paris-Bonn axis that loomed large in Dutch governmental circles. By forming an alliance with Britain, the Netherlands, as a small state, could gain a more prominent role among the major countries to influence the final outcome in the process of European integration. It is this crucial strategic component that explains in large why the Netherlands saw Britain as an ally in the process of European integration.

On the basis of the above conclusions, this detailed study has contributed to several historiographical debates. The thesis nuances Hellema and Ashton's view of Anglo-Dutch relations in the 1980s. They argued that the centre-right governments of the 1980s appreciated the Eurosceptic attitude of the British government. This research has shown that the Dutch government was in fact not fond of Thatcher's attitude, as is highlighted in the chapter on the budget contribution. In addition, Segers contended that the Dutch government disengaged from Britain in the late 1980s. This thesis came to the opposite conclusion: in order to achieve the EMU, the Dutch government went to great lengths to keep Thatcher on board by granting Britain many important concessions. The findings support Everts' contention that, despite their divergent objectives, the Dutch government made a concerted effort to keep Britain tied to the process of European integration during the 1980s.

Besides, studying Anglo-Dutch relations on questions of European integration enriches our understanding on the merits and pitfalls of the double orthodoxy model to explain Dutch European policy. In particular, it is necessary to reconsider Baehr's claim that European integration was only preferable as long as it did not harm NATO interests. Contrary to expectations, Anglo-Dutch relations in context of European integration during the 1980s show that the Atlantic primacy became slightly less important for the Dutch government. This does not mean that the Atlantic world did not play a significant role. It indicates that the Dutch government did not specifically highlight the Atlantic link as the primary justification for keeping close ties with Great Britain. Other time honoured factors played a more pronounced

role, confirming Hollander and Dorpema's argument that Dutch European policy shifts over time. The three case studies demonstrate that the overall tension between NATO on the one hand and European integration on the other operated in the background – and appeared not to be contradictory – when studying Anglo-Dutch relations in context of Dutch European policy during the 1980s.

Finally, the thesis has given an insight into how the Dutch government conducts its foreign policy within the broader framework of international relations. As a small state, the Netherlands pursues its interests differently than the larger member states in the process of European integration. To overcome the power differentials with larger member states, the Dutch government remained flexible on different policy questions and softened its short-term interest by acting as a link between the continent and the UK. Above all, the Netherlands acquired more relative influence by mediating between different countries in the EEC. It therefore supports Harryvan's view that a small state like the Netherlands, through cooperation and participation in larger international organisations like the European Community, could serve its interests better against the hegemony of larger member states. As a result, the 1980s saw a remarkable resurgence of the Netherlands' ability to shape the direction of European integration through its able diplomacy and balancing act between the interests of the continent and Britain.

The analysis of Anglo-Dutch relations in context of European integration in the 1980s raises two questions for further research. The first concerns itself with the role of the Netherlands as a bridge builder between the continent and the UK. Subsequent studies could concentrate on how this mediating role worked in practice, by focusing on the interaction between the Netherlands with France and West Germany. A comparative study that consults the French and German archives, as well as the archives of the European Union, gives a more complete perspective on how the Netherlands enhanced its own position within the European Community. Another observation is that, in conducting Dutch foreign policy, the tension

between the Atlantic world and the process of European integration appeared to be less significant. In this regard, it would be worthwhile to specifically examine whether Dutch European policy was compatible, rather than contradictory, with traditional Dutch Atlanticist policies during the 1980s. Taken together, these questions contribute to an even better understanding on Anglo-Dutch relations in the context of European integration.

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Margaret Thatcher Foundation website, <http://www.margaretthatcher.org/>.

The website offers free access to tens of thousands of declassified and secret documents on Margaret Thatcher and her government from archives all over the world. Through refined search methods on the website, more than 300 of the most important sources on Anglo-Dutch relations were analysed. The most prominent source types are correspondences, memoranda, notes, and Anglo-Dutch summit meetings. These sources can be physically found in The National Archives and the in the Churchill Archives Centre (Thatcher Papers).

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