

# **40 years since the First Enlargement**

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# The Creation of an Irish European Policy<sup>1</sup>

This paper will use archival sources from Ireland, the UK, the European institutions and the United States to analyse discussions within the Irish government were crucial in the formation of Ireland's European policy after 1973. Ireland's position as the weakest member of the European Economic Community (EEC) with an overbearing economic and political relationship with the UK was the context in which its preferences were formed. Three priorities emerged. The first, the need to secure financial transfers and benefit economically from the EEC, had been an attraction since the establishment of the Common Agricultural Policy (CAP) in the early 1960s. Once Ireland acceded, a strategy needed to be put in place to achieve this. This leads to the second priority which was to establish itself as a positive member state that was enthusiastic about membership. This was necessary to offset the image that Ireland was solely in the EEC for what economic gains it offered. The decision to give the Department of Foreign Affairs (DFA) the role of coordinating department over the Department of Finance (DF) was highly significant in this regard. The final imperative was to ensure that Ireland, despite its accession being contingent on that of the UK, was not viewed as an appendage of its larger neighbour. This paper will focus on the first two priorities and discuss the debates that emerged in the Irish civil service. The first section examines the economic background of Irish membership and looks at the consensus that emerged within the Irish civil service on the need to use the EEC to benefit economically. The second section focuses on the image that the government tried to cultivate within the EEC and uses the Irish presidency in 1975 as a case study in this regard. However, to avoid creating the impression that Ireland was a docile member of the Community, a final section on the negotiations leading to the creation of a Regional Policy in 1975 has been included.

## Economic Background

Since accession, Ireland has also moved from a largely agricultural economy to a more flexible modern knowledge economy. Membership of the EU has contributed to this transformation. In his article in the *Irish Times* Tánaiste Eamon Gilmore reinforced the point noting that Ireland has received €44 billion from the CAP and €17 billion from structural funds up to 2008. The common market and later the single market along with the low rate of corporate tax have made Ireland more attractive for foreign direct investment. Membership of the EU has helped to dramatically reduce Ireland's dependence on the UK when viewed over a long period. For example, in 1960 almost three-quarters of Ireland's exports went to the UK and only 5 per cent to the EEC six plus Denmark. In contrast, in 2011 15.7 per cent of exports went to the UK with 42 per cent to

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<sup>1</sup> This paper is still in draft form so apologies for any errors. Please do not quote it without my permission. ([martiwall@gmail.com](mailto:martiwall@gmail.com))

the other, admittedly more numerous, EU countries. Since the crisis began Ireland's continued membership of the EU has not really been debated; and as Gilmore wrote it 'will continue to dovetail with our economic future.'<sup>2</sup>

The 1970s saw European states turn increasingly to international organisations to buffer themselves from turbulent economic conditions especially in the wake of the collapse of the Bretton Woods system and the oil crises in 1973 and 1979. The inflation rate throughout Europe rose in response to these external shocks. Inflation in non-Communist Europe went from 3.1 per cent in the years 1961-1969, to 6.4 per cent from 1969-1973 to an average of 11.9 per cent between 1973 and 1979. There was a sharp difference between the inflation rates of the various countries in this latter period with Germany's inflation running at 4.7 per cent compared to the UK's 15.6 per cent (24 per cent in 1975). In the 1950s and 1960s, inflation rates at this level were associated with rapid growth. In the 1970s the stagflation phenomenon emerged which combined low growth rates with high inflation. Full employment in most European countries had been the norm. In 1971 unemployment in the UK was 3.6 per cent and in France it was just 2.6 per cent. However, employees who had been used to bargaining for higher wages from a position of strength were now faced with employers whose profit margins were beginning to shrink. This was happening at a time when inflation was beginning to grow. The oil crisis ensured that Europeans got both unemployment and inflation. The situation appeared worse because of how it contrasted with the preceding period. Most western European countries still had a growing GDP. This did not mean that the pain was not real and it was exacerbated by growing export competition from new industrial countries in Asia. Unemployment rates grew steadily so that by the end of the decade the UK had a rate of 9 per cent, France 7 per cent and Italy 8 per cent.<sup>3</sup> For Keith Middlemas the oil crisis:

shifted concern from full employment to inflation...and led to new power relations in each society's major centres of economic activity: finance departments became dominant over those of trade and industry, central banks and the financial ethos superseded industrial priorities, and accountants gained ascendancy over both engineers and personnel managers. Finally, this crisis created a prolonged, pervasive questioning of the cost, priorities and effectiveness of state social service provision...In this sense, (with the notable exception of France) it caused the end of that series of post-War settlements established in the late 1940s, and completed what the collapse of Bretton Woods in 1971-2 had begun: the Community severance from the long post-War boom.<sup>4</sup>

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<sup>2</sup> Eamon Gilmore, 'EU Membership Crucial for our Economic Future', *The Irish Times*, 31 December 2012. <http://www.irishtimes.com/newspaper/opinion/2012/1231/1224328278554.html>

<sup>3</sup> Tony Judt, *Postwar A History of Europe since 1945* (Vintage, London, 2005), pp. 456-457.

<sup>4</sup> Keith Middlemas, *Orchestrating Europe, The Informal Politics of European Union 1973-1995* (Fontana Press, London, 1995), p. 78.

Irish economic policy meanwhile had undergone a revolution of its own. In 1970, for the first time in the history of the state, the principle of balancing the current budget was abandoned. The justification was that the economy had stopped growing at levels it had been doing so after 1968 and deficit budgeting was seen as the way to improve economic performance. Consequently deficit borrowing grew exponentially. Irish policy makers agreed to wage increases of 18 per cent for an average male worker in 1970 for an 18 month period and 24 per cent in 1972 for the same period. Unemployment was also on the rise, going from 6.7 per cent in 1968 to 8.1 per cent in 1972. Inflation was rampant, 11 per cent before the oil crisis, 17 per cent in 1974 and 21 per cent in 1975 a rate far exceeding all the western states except the UK and Italy. Unemployment went from 7.9 per cent in 1973 to 12.5 per cent in 1977. Policy makers continued to ignore the context awarding a pay increase of 29.4 per cent in 1974 and 16.6 per cent in 1975. Total borrowing remained very high with exchequer foreign debt rising from £126 million in March 1973 to £1040 million in March 1976. The government, like many western European states, had hoped that the crisis would pass quickly. Ireland behaved like a closed economy for standard of living purposes choosing to believe that there had been no change in the outside world and borrowed to sustain the standard of living that it could not earn for itself. The major criticism of the government's borrowing policy was that it was not an attempt to curb unemployment but an effort to improve the standard of living for those already in employment.<sup>5</sup>

In this context, a major aim of the government was to use the EEC to benefit economically. Their desire was made explicit in the Accession Treaty where Protocol 30 recognised Ireland's needs in terms of regional and structural disparities. Agriculture was the most important sector of the Irish economy involving around 25 per cent of the workforce contributing 16 per cent of the national income in 1971.<sup>6</sup> Therefore a major attraction of the EEC for Ireland was that the Common Agricultural Policy would involve massive transfers of resources to Ireland. The importance of this issue was such that by 1978 the EEC was paying for almost 70 per cent of Irish public expenditure on agriculture and effectively relieved the Irish exchequer of the burden of income support for farmers.<sup>7</sup>

This was the background through which the government experienced the EEC in the early years of membership. There was a sense that Ireland needed financial transfers from the Community. The CAP was the main policy for the Irish government. The Minister for Agriculture, Mark Clinton wrote in the *Irish Times* that Ireland should exploit the opportunities that the CAP presented:

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<sup>5</sup> This section has drawn on Joe Lee, *Ireland 1912-1985 Politics and Society* (Cambridge University Press, Cambridge, 1989), pp. 466-472.

<sup>6</sup> Patrick G. Cox and Brendan Kearney, 'The Impact of the Common Agricultural Policy', in Coombes (ed.), *Ireland and the European Communities*, p. 159.

<sup>7</sup> Mary E. Daly, *The First Department A History of the Department of Agriculture* (Institute of Public Administration, Dublin, 2002), pp. 504.

But even if small farmers, especially in the west, find tillage crops unattractive, there is no convincing reason why pastures cannot be better managed and made more productive. Broad expanses of yellow-blossomed furze may send a tourist reaching for his camera: they should make a good farmer itch to get his hands on a bill-hook or a rotavator. Furze and briars are the spectacular evidence of indifferent farming, and they should have no place in circumstances where under-employment is a way of life and where because of this, land should be made to work overtime.<sup>8</sup>

Irish policy was to maximise gains from the CAP. This strategy was pursued on many levels. It consistently attempted to get the highest possible increase at the annual price fixing negotiations. It devalued the Green Pound in order to ensure the highest prices for farm exports. It favoured the extension of the scope and level of protectionism against third countries imports. It sought special attention in structural policies to secure extra transfers and supported the expansion of food aid poor countries especially in dairy produce.<sup>9</sup>

Those within the government were determined to win as much funding as possible from the EEC. On top of the CAP, the Irish government had high hopes for gains from the Regional Policy and the Social Policy neither of which had been fully developed yet. Occasionally some considered that even funding from the CAP could be compromised if the overall gain was higher. For example, in late 1973 the government felt that a package deal might emerge involving agricultural, regional and social policies as part of a deal on Economic and Monetary Union (EMU). Maurice Doyle, Secretary of the Department of Finance wrote that ‘we could hardly adopt the position that no change whatever in the CAP could be contemplated, since the price could be a loss on the regional and other policy fronts greater than that which would follow the CAP change.’<sup>10</sup> Dermot Nally, Assistant Secretary in the Department of the Taoiseach (Prime Minister) was even more forthright:

The best approach... would be to press for the maximum assistance possible... I think that in all our arguments it is to the advantage of the country to call for as large an element of Community funding as possible. This is a perfectly legitimate approach in light of the objective of economic and monetary union. We should not be too much on the defensive about its “poor mouthedness”.<sup>11</sup>

There was a sense that the Irish priority was to get the money first and then consider what it should be spent on. <Find the Regional Policy quote that the first issue should be to

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<sup>8</sup> Mark Clinton, ‘Benefits increasing, says Clinton’, *The Irish Times*, 17 April 1975.

<sup>9</sup> Alan Matthews, ‘The Economic Consequences of EEC Membership for Ireland’, in Coombes (ed.), *Ireland and the European Communities*, pp. 122-124.

<sup>10</sup> National Archives of Ireland, Department of the Taoiseach (hereafter NAI DT) 2005/7/402, Doyle to Gallagher, 4 September 1973.

<sup>11</sup> NAI DT 2005/7/402, Nally to Gallagher, 5 September 1973.

find a way to show to the public that they are getting the money and then decide on what to use it on>.

Although these remarks were made in the context of a potential deal on EMU, the tone is indicative of all government departments' approach which was to maximise the economic benefits of membership. There was, however, a large difference in the way departments viewed the EEC. In late 1972 and early 1973 an interdepartmental battle over the role of coordinating Ireland's European policy emerged. The Department of Finance, supported by the Departments of Industry and Commerce and Agriculture and Fisheries believed that, given the economic importance of the EEC, Finance should be given the role. The DFA felt that it should be responsible. While all government departments agreed that financial transfers should be pursued most saw the EEC as a purely economic body. The Secretary of the Department of Agriculture and Fisheries argued that 'as time goes on, the emphasis in our relations with Brussels will tend to be less on political affairs and increasingly on economic, social and monetary matters.'<sup>12</sup> The Secretary of the Department of Industry and Commerce felt that 'the greater weight of matters for consideration is likely to be economic'.<sup>13</sup> However, this conception of EEC was at odds with that of the Secretary of the DFA Hugh McCann. Rather than conceiving of the Community as an economic entity he argued that as 'this subject involves our whole relationship within the Community with eight other European States and, looking outward from the Community, with the rest of the world, it cannot avoid being at all times a profoundly political affair.'<sup>14</sup> The DFA believed that the EEC had important political imperatives and the coordinating role should be designated to them. Eventually in March the DFA position won out and they took the coordinating role for the EEC. This had implications on how the Irish government would frame its European strategy. Had Finance taken the role it would suggest that the Irish government was more interested in the EEC as a source of funding than a political body. Nevertheless, the debate demonstrated how many of the highest ranking civil servants saw the EEC. To some departments, at least initially, it was a purely an economic issue which needed to be administrated rather than fully engaged with. The DFA line of thinking was expanded on in a memorandum by that department on membership:

Our membership of the EEC is continually discussed in terms of the benefits we hope to obtain. We expect to get millions from the Common Agricultural Policy, millions from Regional Policy and millions from the Social Policy. No matter how Community minded our partners may be, they still remain national states and we can hardly expect to take from them all the time and give nothing in return. If this were to be the case, then in the long term we will run the risk that our interests will receive less than due consideration.<sup>15</sup>

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<sup>12</sup> NAI DT 2004/21/620, Barry to Murray, 30 January 1973.

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<sup>14</sup> NAI DT 2004/21/620, McCann to Murray, 2 February 1973.

<sup>15</sup> National Archives of Ireland Department of Foreign Affairs (hereafter NAI DFA) 2005/145/2349, Conference of Heads of Missions, Policy Issues – EEC Aspects, 16-19 April 1973.

This had two implications according to the DFA. First, as the economically weakest member state, European policies designed to harmonise economic and social standards were in Ireland's interests. The government could support these policies for good European reasons while also gaining. Consequently, it did not have to follow policies of narrow and blatant self-interest. The second implication was that the government was free to make suggestions about the future shape of Europe which, although probably self-serving, could be seen as guided by a European spirit. For a new member state, the DFA at least, quickly came to terms on how it should operate within the system.

The political imperatives of membership were much more difficult to define. While the Irish government rhetoric favoured the movement to a more supranational Europe<sup>16</sup> the government was unsure on how far it should pursue this goal. This was articulated in a DFA paper at the beginning of October 1974. It acknowledged that Ireland's public position before accession was not only that of accepting its obligations under the Treaty of Rome but also was committed to achieving the longer term goals of European integration. However, at this point when new structures were being proposed (the European Council) and when Ireland had already proved its goodwill and understanding of the European ideal to their partners it was time to 'seriously consider how far [it was] willing to act'. The government would have to decide how far it actively wanted to bring European integration closer by moving away from rhetoric and toward aspiration to actual structures. The paper conceded that the government would accept and honour the specific commitments of the Treaties and expected them to be honoured by the other member states. It would not wish to obstruct its partners' progress unless on some vital national interest. The tendency of the government "in principle" would be to move toward supranationality. Nevertheless, the difficulty of advancing towards this goal achieved at the cost of lessening the safeguards of small members would have to be considered. Therefore, three Irish interests were distilled. First, was the immediate Irish interests which were not specified but included the creation of a Regional Policy and the protection of the CAP. Second, was the development of a 'balanced, democratic structure of European integration so that the Europe of the future will "cherish all its areas equally"'. This was for its own sake but also because it would suit Irish interests. Finally, the government wanted to avoid the defence issue for the immediate and perhaps the foreseeable future. The paper concluded that the French proposal for an enhanced role for the national governments was a cause for concern for the smaller countries. Nevertheless, while the government would seek to modify the proposals in a manner that suited themselves 'we may be willing – indeed we may have to – go along if they prove to be the necessary condition for moving the Nine out of the present "doldrums"'.<sup>17</sup> The

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<sup>16</sup> See for example Garret FitzGerald's speech to the *Dáil* 9 May 1973. Volume 265, Columns 755-765.

<sup>17</sup> NAI DFA 2005/4/568, Position Paper by Political Division in DFA, 8 October 1974

government retained an uncertain vision for a political Europe. The consequence of this was that 'Europe' was articulated to the public in terms of the economic benefits that it delivered rather than engaging with the political construct that it also was. It also demonstrated Ireland's genuine European mindedness in that it would support measures that would deliver progress within the Community.

### **Positive Image**

So, the difficulty for governments has been to balance their desire for economic transfers, particularly in the case of the first thirty or so years of membership, without appearing overly greedy or awkward in terms of its other issues with European integration such as its defence of its tax regime or military neutrality. By appearing and acting as a member state enthusiastic towards integration, Ireland's on-going requests for financial transfers would not be interpreted as a poor country participating in European integration for the sole purpose of economic aid. It is also clear that the Irish government showed willingness to compromise and engage with procedure from the moment it acceded. More recently, the rejected Nice and Lisbon Treaties have posed issues for governments as they struggled to align the referendum outcomes with the strategy of positive engagement. Ireland, up until 2008, was presented as a model of how a previously economically disadvantaged country could prosper through membership of the EU. During the crisis it has been portrayed as the poster child of how a country should behave so as to emerge from a bailout programme.

This approach was most apparent during its presidency of the Community during 1975. The government, with the DFA and the Foreign Minister Garret FitzGerald in particular, was mindful to put forward a good impression during their presidency. It was an opportunity to not be a *demandeur* but to play a constructive role in the EEC. As Nally told the high level committee of civil servants on EEC matters:

we should not appear to be asking all the time in European terms and...in matters where we have no demands to make we should return something to our partners by giving as good a service as we could in helping them to reach agreements.<sup>18</sup>

FitzGerald himself believed that:

we should not necessarily be discouraged by [the] difficulties or by a feeling that an initiative of ours is unlikely to come to full fruition during our term of office which is an inherent problem of such a short term presidency in any event, and one equally applicable to all other members. Just because we have not got such wide ranging interests as other members, we are somewhat freer to

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<sup>18</sup> NAI DT 2004/21/620, European Communities Committee, 29 May 1973.

attempt innovation, and some at least in Europe will look to us for a lead in progress towards a more genuinely European type of Community during our time in office.<sup>19</sup>

FitzGerald targeted the presidency to further Irish aims in two ways. First, he wanted to use the presidency to enhance Ireland's image in the Community. Second, FitzGerald clearly had some ideas on how to improve the European decision making structures in ways that he felt would be advantageous to Ireland and was willing to engage.

There are four factors that ensured the Irish presidency was a success and consequently the government achieved its aim of cultivating a positive image of itself within the EEC. First, the Irish presidency was a fortunate presidency in the sense that it came at a time when there was a lot of Community work just coming to its conclusion. The signing of the Lomé convention, the conclusion of the European Regional Development Fund (ERDF) negotiations and the British renegotiations gave the Irish government an opportunity to take part of the credit for their successes.<sup>20</sup> Furthermore, the early 1975 period was one when the Community responded to new challenges. The Irish presidency therefore, had to deal with the Euro-Arab dialogue, the co-ordination of relations with the United States and the new European Council. This European Council, in particular, gave the Irish an opportunity to have a high profile event in Dublin. That the issue of the British renegotiation was solved at the Dublin Council gave the presidency a big successful issue which reflected well on the government. It also served to differentiate the attitude of UK and Ireland in the EEC. While these did provide challenges for the Irish administration, they also provided an opportunity for the Irish government to present itself in the way it wished.

Second, the success of the presidency was due to the hard work of the Irish civil service and Garret FitzGerald in particular. It put a lot of pressure on a small administration. The preparations for the presidency began immediately after accession and visits to Denmark and Belgium alongside those to the institutions of the European Communities ensured that the government was aware of the size and challenge that they faced in chairing the Council of the Community. The DFA also hoped the presidency would become a more high profile office as explained by FitzGerald:

Other suggestions for proposals that might be put forward in the Irish presidency would be welcome. But whatever may be put forward will have most impact if it can be visibly accompanied by a change in the *style* [emphasis in the original] of the presidency. Possibilities include more frequent and regular attendance by the President(s) at the European Parliament, and a more free for all question time procedure; direct presidential contact with the much neglected Economic and Social Council [(ESC)]; presidential emphasis at Council meetings on relevant

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<sup>19</sup> NAI DFA 2005/4/406, FitzGerald, thoughts on Presidency, 15 August 1974.

<sup>20</sup> The Lomé Convention was a trade and aid agreement between the EEC and 71 Asian, Caribbean and Pacific countries.

recommendations of the Parliament and ESC which are at present passed over in silence; and a more open and relaxed relationship with the press.<sup>21</sup>

The praise in private correspondence from the French, UK and US embassies in Dublin suggest that the Irish government succeeded in its aim of demonstrating itself as a positive member state. FitzGerald impressed commentators and colleagues with his personal performance and this ensured that he was seen as a successful chair of the Council. The hard work of the Dublin administration and the Permanent Representation in Dublin meant that the work programme of the Community moved along effectively and efficiently which is the main function of the presidency. This extra effort did result in some work falling into arrears. It was also opportune that FitzGerald was the Irish Foreign Minister. His personal and high profile role of whistle stop tours around the Middle East, Africa and Portugal, visits to the EP and initiatives in the European Council made him a very public figure during the first six months of 1975.

Third, the presidency boosted Ireland's reputation in the Community and further abroad. It allowed the government to build up contacts in the Middle East, the Lomé countries and Portugal. Inside the Community it was noted that several useful contacts had been made, especially by the Department of Industry and Commerce. This surprised many observers who were concerned that Ireland's small bureaucracy would not be able to handle the pressure of the presidency. However, as one official pointed out: there were such low expectations about the government that they could not help but exceed them! This may have resulted in the Irish being given too much credit for their successful handling of the post.

Finally, the presidency reflected the growing Europeanisation of the government. It increasingly identified with Europe. The relationship with the UK was still vital but the government was determined that this would be pursued in the context of European integration. This trend was acknowledged by officials both in Dublin and London. Therefore, the government attempted to keep both the UK in the Community by facilitating its renegotiation and avoiding being a stumbling block but resolved to remain a member if it left.

### **Regional Policy**

It was in areas like the presidency that the Irish government tried to impress on its partners that it was a positive member state. Nevertheless, when it came to important issues where financial transfers were at stake, the government negotiated forcefully. This was very visible in the case of the Regional Policy negotiations. There are now a few studies of the establishment of the European Regional Development Fund in 1975.<sup>22</sup>

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<sup>21</sup> NAI DFA 2005/4/406, FitzGerald thoughts on Presidency, 15 August 1974.

<sup>22</sup> Martin Wall "Half a Loaf was Better than no Bread", Ireland and the Creation of the European Regional Development Fund, 1974', *Journal of the Trinity History Postgraduate Seminar Series, 2010*, pp. 44-52, Helen Wallace, 'The Establishment of the Regional Development Fund: Common Policy or Pork Barrel?',

After the CAP the Regional Policy looked set to be a major source of funding for Ireland. The government fought to ensure that the entire country was designated a single region to maximise the gains that it could make from the policy. As a result of this designation Ireland was regarded as a single underdeveloped region in the Community and used this characterisation as a negotiating principle. There was a determination within the government to have a Regional Policy with Ireland receiving a large share of funding as possible. However, when the Commission made its proposals the government was deeply dissatisfied with the amount allocated to Ireland. A typical response was that of Nally to Eamonn Gallagher, Assistant Secretary in the DFA:

3.9 per cent or £8 million in 1974. This strikes me as being so small as almost to be not worth bothering about. If a fund is to have any meaning or to achieve the purpose for which it is being created – to correct structural and regional imbalances within the Community – then, it must be of a size which makes its existence meaningful.<sup>23</sup>

The Department of Finance estimated that Ireland would need between £80 and £100 million per annum in order to close the gap with the rest of the EEC.<sup>24</sup> Nevertheless, the government framed its arguments in a *communautaire* manner stressing that the harmonious development of all European regions was in the interests of the EEC. After some false beginnings a real opportunity for the fund to be created emerged towards the end of 1974 due to French desires to hold a summit before the end of the year to push through institutional reforms of the Community and the initiation of regular meetings between the heads of government. The French plans were both a threat and an opportunity for the Irish government. The smaller states worried that reforms such as the creation of the European Council would reduce their influence and that by giving powers of initiative to the EP the Commission's role would be undermined. These threats had to be overcome both for the sake of protecting small state interests within the Community and so that they would not deflect attention away from Ireland's primary short term aim: the creation of a Regional Policy. Alternatively, the summit provided the member states with an opportunity to satisfy demands as a *quid pro quo* for participating at a summit. In this sense, the UK could make movement on their renegotiation requests, the Germans could get forward momentum on a common energy policy, the Benelux countries (and Ireland) could get progress towards direct elections to the EP and the Irish and Italians

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in Helen Wallace, William Wallace and Carole Webb (eds.), *Policy Making in the European Communities* (London, New York, Sydney, Toronto, 1977), pp. 137-163, Ross B. Talbot, 'The European Community's Regional Fund', *Progress in Planning*, Vol. 8 (1977), pp. 183-281 and Antonio Varsori and Lorenzo Mechi, 'At the Origins of the European Structural Policy: The Community's Social and Regional Policies from the late 1960s to the mid 1970s', in Jan van Der Harst (ed.), *Beyond the Customs Union: The European Community's Quest for Deepening, Widening and Completion, 1969-1975* (Bruylant, Brussels, 2007), pp. 229-230.

<sup>23</sup> NAI DFA 2005/7/2245, Nally to Gallagher, 23 August 1973.

<sup>24</sup> NAI DFA 2005/7/2245, Interdepartmental meeting held in Department of Finance regarding Regional Policy, 7 August 1973.

could demand the creation of a Regional Policy.<sup>25</sup> The ultimate deal that emerged resembled a package deal.

The UK renegotiation which had begun in early 1974 and had initially stalled progress toward a Regional Policy now contributed to overcoming the impasse. The newfound willingness of the UK in the lead up to the Paris summit to find a solution to their budgetary problem paved the way for the reactivation of the Regional Fund negotiations.<sup>26</sup> In a memorandum to the government FitzGerald stated that it was unlikely that the Fund would go back to the original size or even increase beyond the Commission's latest proposal which was for a Fund of 1,450 million units of account (mua) with Ireland's share suffering a small decrease from the Commission's original proposals.<sup>27</sup> By this stage the government had been pushing its position both bilaterally and multilaterally with the member states and the Commission for a period of a year and a half. This strategy bore fruit when on 30 October 1975 the Commissioner with responsibility for Regional Policy, George Thomson, rang the DFA with the Commission's final proposals for a Fund of 1,400 mua with Ireland receiving 6 per cent. Thomson 'seemed to imply' that Ireland should let Paris, London and Bonn know that they intended to reject this proposal.<sup>28</sup> This strong line that Thomson was proposing was a negotiating position for the Irish to increase their share of the Fund proposed.<sup>29</sup> The Commission had been convinced that Protocol 30 did entitle Ireland to special privileges<sup>30</sup> and proposed that Ireland's share of the Fund would be increased and the other member state's would be reduced.<sup>31</sup> The government duly decided to send a letter to the Commission and the other member states that Ireland's participation at the summit would depend on progress on concrete questions at the forthcoming Council of Ministers meeting. Effectively the Irish were threatening to prevent the summit from taking place unless a Regional Policy was established. The result was that when the Council met on 11 November and failed to find an agreement the Irish and Italians reserved their positions on the summit, preventing it from taking place unless a Regional policy was agreed.<sup>32</sup>

The impact of the Irish and also Italian efforts on the Regional Policy negotiations was illustrated in a conversation between German Chancellor Helmut Schmidt and Harold Wilson, the UK Prime Minister. Despite his misgivings about the practicality of the Fund Schmidt felt that it had to proceed as it had become a matter of prestige for

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<sup>25</sup> Emmanuel Mourlon-Druol, 'Filling the EEC Leadership Vacuum? The Creation of the European Council in 1974', *Cold War History*, Volume 10, Number 3, (2010), p. 316.

<sup>26</sup> Varsori and Mechi, 'At the Origins', p. 247.

<sup>27</sup> NAI DFA 2005/4/733, Draft memorandum for the government on Regional Policy, 23 October 1974.

<sup>28</sup> NAI DFA 2005/4/733, Thomson phone call to the DFA, 30 October 1974.

<sup>29</sup> FitzGerald, *All in a Life*, p. 164.

<sup>30</sup> Historical Archives of the European Union, BAC 259/80/143, Proces-Verbal Special, 14 November 1974.

<sup>31</sup> NAI DFA 2005/4/574, Second Draft Report by the Ministers for Foreign Affairs, 28 November 1974.

<sup>32</sup> Walter Ellis, 'Ireland may veto Paris Summit: FitzGerald hit follows lack of progress on Regional Fund', *Irish Times*, 12 November 1974.

Ireland and Italy.<sup>33</sup> The Regional Fund therefore would have to be created to save their partners from embarrassment. The 2 December Council of Foreign Ministers proved to be a fractious affair between the British and the French but the Irish agreed to the proposal and were satisfied for the summit to go ahead. On 3 December Cosgrave sent a letter to French President Giscard accepting Irish participation at the summit.<sup>34</sup> The main negotiations for the ERDF were completed at the Paris Summit in December 1974. Ireland received slightly more than they had been allocated in the initial Commission proposals. However, in the long term, the main point was that the fund was established and would be expanded in future.

It was unlikely that Ireland would seriously prevent the summit from taking place. Sources from the American archives suggest that the Irish strategy was not taken altogether seriously. A US State Department cable from Brussels gave a report of some of the major European daily newspapers and their coverage of the Irish position in mid-November. It commented that ‘It is most unlikely that Ireland, or any other member state for that matter, is likely to block the proposed summit.’<sup>35</sup> The Italians backtracked after they lifted their reserve on the summit and a source in the Italian Foreign Ministry told the Americans that ‘Italy had “of course intended all along to go to the summit”. Italy’s stall had only been a tactic “to negotiate [the] best possible proposal” for consideration at summit table’.<sup>36</sup> Thomson’s call to the Irish at the end of October implied that if Ireland wanted to increase their share they would have to take up a tough negotiating position. This suggests that the government’s position was simply one of grandstanding. It also suggests that the government was prepared to bargain hard for an issue it believed to be in its vital interest. Ultimately the decision to veto the summit on Ireland’s part would have had to come from the cabinet. Ireland, as a new member state, would have found it very difficult to veto the summit, especially if the Italians faltered. It is more likely that the government demonstrated quite a quick adaptation to the Community style of negotiation and hoped that its positive image and willingness to compromise would convince the other member states to facilitate Ireland’s demands.

What does this case study on Ireland and the creation of the ERDF reveal about Ireland’s interests and influence as a new and small member state in the EEC? Most significantly it shows Ireland’s interest in securing financial transfers from the Community. This is reflected in the manner the Irish government acted to get the ERDF established after acceding to the Community. They were proactive immediately and

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<sup>33</sup> United Kingdom National Archives (hereafter UKNA) PREM 16/101, Record of conversations at Chequers on Saturday 30 November 1974 at 10.15 pm between German and UK delegations, 30 November 1974.

<sup>34</sup> NAI DT 2005/7/514, Cosgrave to Giscard, 3 December 1974.

<sup>35</sup> United States Department of State (hereafter USDOS), 1974ECBRU 08864, US Mission EC Brussels to American Embassy Dublin and Secretary of State Washington, 14 November 1974.

<http://aad.archives.gov/aad/createpdf?rid=178407&dt=2474&dl=1345>

<sup>36</sup> USDOS 1974 Rome 16784, US Embassy Rome to Secretary of State Washington, 3 December 1974.

<http://aad.archives.gov/aad/createpdf?rid=199760&dt=2474&dl=1345>

maintained this position until the Fund was eventually established in March 1975. The government tried to maximise gains from the Regional Policy despite not having formulated a domestic Regional Policy itself. The arguments supporting Ireland's claim were not made based on Ireland's rights due to its comparatively poorer economy, rather they were framed in a *communautaire* manner. This enabled the government to suggest that by giving aid to Ireland they were helping the Community achieve its aims. The government was keen to secure the maximum amount of financial transfers from the Community but it did not have a plan in place to utilise the funds once received.

Second, the case study exposes the influence of Ireland and of small states more generally in the EEC. Andrew Moravcsik's assertion that the German's desire to keep the UK in the EEC was the real reason behind the establishment of the ERDF is incorrect.<sup>37</sup> The German aspiration to keep the UK in the Community was undoubtedly a contributing factor to the creation of the Fund. Nevertheless, Irish and Italian pressure was crucial for the creation of the Fund. Irish and Italian obstinacy and the threat to veto the summit made certain that the Regional Fund would have to be created. There were limits to Irish influence. The Irish objective was for a large Regional Fund with a substantial share for Ireland. This did not materialise. The Fund was ultimately created as part of a package deal at the Paris summit. The creation of the European Council satisfied the larger countries and a budgetary mechanism temporarily appeased the UK. The creation of an undersized Regional Fund was an inexpensive price for these developments. However, the case study illustrates that a small and determined state could have an influence over EEC politics by forcefully arguing their case and by capitalising on an opportunity such as the Irish and Italians did at the Paris summit.

## **Conclusion**

In January 1973, Ireland finally became a member state of the EEC twelve years after its original application in 1961. It was the culmination of over a decade of trade liberalisation and economic adjustment to cope with the challenges of Community membership. The CAP was the most desirable policy as it promised to remove the burden of income support from the exchequer. Furthermore, after the Paris summit in 1972, it looked as though the Regional and Social Policies would offer further funds for the country. For the most part, the attraction of the EEC was not seen for the political integration opportunities that it could offer. Ireland had remained aloof from developments in continental Europe since 1939 and did not have the same political imperatives as the original member states as, for example, the Benelux countries and France had in keeping Germany in check. Rather, Ireland's attitude to European integration was based firmly in the need to modernise and open its economy. Once within

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<sup>37</sup> Andrew Moravcsik, *The Choice for Europe Social Purpose and State Power from Messina to Maastricht* (UCL Press, London, 1999), p. 258.

the Community, the government continued to look to integration primarily in terms of the economic benefits that it could offer. This had consequences for the attitude the public would adopt towards Europe. It soon became clear that the EEC would not provide a magic formula for Ireland's economic problems as the smaller than anticipated return from the Regional Policy and challenges to the CAP at the end of the decade demonstrated.

The most important debate within the government during the months before and after accession was which department would co-ordinate European matters and take the lead negotiating role. Both the DFA and the DF wanted to be the lead European department. After several months of discussions it was the DFA who emerged with the all-important role. The DFA had a different view on how the government should approach European integration. While the economic departments, the DF, the Department of Industry and Commerce and the Department of Agriculture and Fisheries, looked at Europe in economic terms, the DFA, while sharing the economic ambitions of the other departments, was more aware of the political aspects of membership. Consequently, it believed that Ireland had to present a positive image of itself within the Community to counteract any negative perceptions of its membership that might occur if it was seen to be in the EEC for what it could get out of it without making any ideational contribution.

The Irish presidency of the EEC in the first half of 1975 was crucial in the DFA's strategy of presenting a positive image of Ireland. In many ways the presidency was fortunate in that it came at a time when many issues were nearing completion and the government was able to take some credit for this. Moreover, the success of the first European Council meeting and the conclusion of the UK renegotiation saga added to the feeling of a successful presidency. The low expectations in the media and even among other member states in the lead up to the presidency ensured that the government was able to exceed expectations. The presidency boosted Ireland's reputation in the Community and further abroad. For the DFA a positive presentation of the country allowed Ireland to pursue its economic interests more forcefully. But what were these interests?

There was broad agreement within the government that financial transfers from Europe to Ireland should be maximised. The main target was the CAP but also the Regional Policy. The CAP remained the most important policy as it relieved the government of the spiralling cost of income support for farmers. For this reason the government was determined to protect the principles of the policy. In any event a broad coalition of member states and interests groups which supported the CAP meant that it was a very difficult policy to change.<sup>38</sup> Similarly, the Regional Policy was a key policy.

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<sup>38</sup> See Carine Germond, 'Defending the Status Quo, Agricultural interest Groups and the Challenges of Overproduction', *Comparativ. Zeitschrift für Globalgeschichte und Vergleichende Gesellschaftsforschung* Volume 20, Number 3, (2010), pp. 62-82.

Therefore, in Ireland's case its interests were best articulated when it came to an economic source of income.

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