

# Paying the price for allies: Britain, the Seven and the EFTA Stockholm negotiations

Matthew Broad and Richard Griffiths (forthcoming *Diplomacy and Statecraft* autumn 2023)

## Introduction

Few scholars would dispute that the European Free Trade Association (EFTA) emerged at breakneck speed.<sup>1</sup> Only in mid-November 1958 after all did France announce that it saw little point in continuing talks for a plan, originally proposed by the British back in 1956, to bring together much of Western Europe in an industrial Free Trade Area (FTA). Yet already on 1 June the following year, officials from Britain, Denmark, Norway, Portugal, Sweden, Switzerland could be found in Saltsjöbaden, an archipelago 30-minutes outside Stockholm, beginning negotiations on a smaller trade bloc to take its place. Thereafter it took just over five months – on 20 November, a mere year on from France’s very public rejection of the FTA – for the Seven to initial EFTA’s founding Stockholm Convention. In explaining this haste, it certainly helped that the Seven each found EFTA’s looser intergovernmental ways easier to stomach than the supranational cooperation espoused by the rival European Economic Community (EEC).<sup>2</sup> The negotiations also likely benefited from the fact that many of the issues requiring discussion had been broached during the earlier FTA talks.<sup>3</sup> And still greater momentum was provided by the immediate if modest gains that could be expected from a seven-member grouping.<sup>4</sup> But most clearly driving this rapidity was the urgency to replicate what the FTA had been designed to achieve: a way of avoiding a damaging economic division between the six members of the EEC and those like the Seven on the outside. From the viewpoint of mid-1959 this task had only become more pressing since the start of the year had seen the introduction of the Community’s first tranche of internal tariffs. This left the Seven with few choices other than to use an organisation like EFTA either as an economic ‘bridge’ to the Six or, as some hoped, a counterweight intended to coax the Six back to the FTA negotiating table.<sup>5</sup> In either reading, this mattered hugely for the

---

<sup>1</sup> Emile Benoit, *Europe at Sixes and Sevens: The Common Market, the Free Trade Association and the United States* (New York, 1961), 79-80; Thorsten Borring Olesen and Poul Villaume, *I blokopdelings tagn 1945-1972* (Copenhagen, 2005), 423-31.

<sup>2</sup> Lise Rye, “Integration from the outside: The EC and EFTA from 1960 to the 1995 enlargement,” in *European Enlargement across Rounds and Beyond Borders*, ed. Haakon A. Ikononou, Aurélie Andry and Rebekka Byberg (London, 2017).

<sup>3</sup> Richard T. Griffiths, “The importance of fish for the creation of EFTA,” *EFTA Bulletin* no. 1 (1992): 34-40.

<sup>4</sup> Study Group, *The European Free Trade Association and the Crisis of European Integration* (London, 1968), 147.

<sup>5</sup> Richard T. Griffiths and Stuart Ward, “‘The end of a thousand years of history’: The origins of Britain’s decision to join the European Community, 1955-1961,” in *Courting the Common Market: The First Attempt to Enlarge the European Community 1961-1963*, ed. Richard T. Griffiths and Stuart Ward (London, 1996), 16-19.

pace of the Saltsjöbaden negotiations since few expected EFTA to be a permanent alternative to a solution comprising the Six.<sup>6</sup> As a result, the authors of the Convention needed to agree only a basic set of rules and provisions allowing EFTA to function in the short-term – but to do as quickly as possible. Time was consequently a luxury that the Seven could ill afford.

Formidable though these motivations were, the successful outcome of the Stockholm negotiations was never guaranteed. We already know that progress hinged on Britain offering Denmark bilateral concessions on agriculture, trade in which was set to be excluded from EFTA's remit despite counting for some 45% (and by some distance the single largest share) of Denmark's total exports.<sup>7</sup> The essentially industrial nature of EFTA likewise posed problems for Norway and Portugal.<sup>8</sup> Crucially, each of these cases obliged the Seven collectively – and, as by far the single largest economic actor among them, Britain specifically – to reconsider the scope of the agreement under discussion. And in so doing, each had the potential to sow insurmountable discord at crucial junctures in the negotiating process. However powerful the incentives and however speedily the negotiations eventually proved to be, in other words, this did not negate the very real obstacles faced and the potential for any one problem to complicate the negotiating agenda.

With that in mind, this article will set itself two principal tasks. First, to study in detail the evolution of the EFTA negotiations and the sometimes-frenetic diplomatic activity they involved; and second, to understand the timing of and conditions under which compromises were eventually reached. Despite academic interest in EFTA's origins and development since, it remains the case that there exists no single, thorough historical examination of the period leading to and during the five-month negotiating marathon from which the Stockholm Convention emerged. The chapter by Mikael af Malmberg and Johnny Laursen comes closest but covers events in and around Saltsjöbaden in just two pages.<sup>9</sup> Victoria Curzon does much the same in her mammoth study of EFTA's free trade structure written nearly 50 years ago.<sup>10</sup> Alan Milward, Wolfram Kaiser and Jacqueline Tratt all admittedly do a more thorough job of explaining why Britain pursued a smaller trade pact. But these too give relatively little attention to the twists and turns of the five-month period during

---

<sup>6</sup> *Hansard*, House of Commons Debates, 2 June 1959, vol. 606, c. 26; Derek W. Urwin, *The Community of Europe* (London, 1995), 96-98.

<sup>7</sup> See Flemming Just and Thorsten B. Olesen, "Danish agriculture and the European market schism, 1945-1960," in *Interdependence versus Integration: Denmark, Scandinavia and Western Europe 1945-1960*, ed. Thorsten B. Olesen (Odense, 1995), 129-146.

<sup>8</sup> Helge Pharo, "The best of all worlds: Norway and the creation of EFTA," in *EFTA 1960-2010: Elements of 50 Years of European History*, ed. Kåre Bryn and Guðmundur Einarsson (Geneva, 2010), 61-76; Nicolau Andresen-Leitão, "O convidado inesperado: Portugal e a fundação da EFTA, 1956-1960," *Análise Social* 39 (2004): 285-312.

<sup>9</sup> Mikael af Malmberg and Johnny Laursen, "The creation of EFTA," in Olesen, *Interdependence*, 197-212.

<sup>10</sup> Victoria Curzon, *The Essentials of Economic Integration: Lessons of EFTA Experience* (New York, 1974), 33-34.

which the negotiations proper took place.<sup>11</sup> A detailed recollection of the Anglo-Danish agricultural agreement reached in July 1959, and how this fitted in with concessions eventually handed to others among the Seven, is thus found wanting. Even the more detailed offerings from Richard Griffiths are necessarily curtailed because of their being published for a more general audience in the Association's own *EFTA Bulletin*.<sup>12</sup>

An in-depth exploration of the Stockholm negotiations therefore seems overdue. What such an analysis should reveal is not simply the range of topics on which the Seven initially found themselves in disagreement but also why, unlike the FTA, the negotiations ultimately proved so constructive and rapid. In explaining this, the following pages will point most clearly towards the strained flexibility of key British policymakers to swallow the sorts of concessions they had previously been - and for some in Cabinet, remained - reluctant to make. What this tells us about EFTA overall, and Britain's relative power therein, will be a theme returned to in the conclusion.

### **The emergence of 'the Seven'**

That a smaller trade grouping should have emerged from the ashes of the FTA is of no great surprise. From at least February 1958, amid signs that Paris was looking to reject a Europe-wide framework, the Swedish, Norwegians and the Swiss each floated the idea of an alternative non-Six grouping.<sup>13</sup> Yet while sharing an irritation with French behaviour, not everyone in London was at this stage similarly enthusiastic about a smaller FTA. The oft-quoted quip from David Eccles, the President of the Board of Trade, that any bloc without the Six would represent 'a climb down - the engineer's daughter when the general manager's has said no', well represented British ministerial thinking on this point.<sup>14</sup> Paymaster General Reginald Maudling, then charged with negotiating the FTA, himself responded to Scandinavian and Swiss overtures by insisting that 'the Free Trade Area is a fundamental British interest. There is no satisfactory alternative - indeed, there may be no alternative'.<sup>15</sup> And a few officials aside, majority view within Whitehall also held a non-Six grouping in little regard, certainly so while it risked interfering with the outcome of the FTA negotiations. Even if the FTA did collapse, some reckoned better alternatives might nevertheless be found in a bilateral association with the EEC, strengthening existing

---

<sup>11</sup> Alan Milward, *The Rise and Fall of a National Strategy, 1945-1963* (London, 2002), 264-309; Wolfram Kaiser, *Using Europe, Abusing the Europeans: Britain and European Integration, 1945-1963* (London, 1996), 88-203; Jacqueline Tratt, *The Macmillan Government and Europe* (London, 1996), 41-54.

<sup>12</sup> Richard T. Griffiths, "The British attitude towards European integration," *EFTA Bulletin* no. 2 (1991): 17-22.

<sup>13</sup> Figures to Edden, 24 February 1958, FO 371/134492; Scarlett to Wright, 2 January 1958, FO 371/134572; Makins to Gore-Booth, 5 March 1958, FO 317/134493; Millard to FO, 5 June 1958, FO 317/134502, The National Archives, Kew (TNA). On French policy, Frances M. B. Lynch, *France and the International Economy* (London: Routledge, 1997).

<sup>14</sup> Eccles to Macmillan, 14 July 1958, T 234/377, TNA.

<sup>15</sup> Maudling to Macmillan, 5 August 1958, PREM 11/2531, TNA.

Commonwealth ties, or a customs union with Canada.<sup>16</sup> By mid-1958, the British therefore considered the matter closed.

Reasons for this hesitancy were numerous. For starters, an alliance of mostly small northern and central European states was felt much too geographically dispersed and economically disjointed to be either a viable replacement for a Europe-wide arrangement or an organisation with the necessary leverage vis-à-vis the Six.<sup>17</sup> Nor was it obvious that a smaller trade bloc, if pursued, would be easy off the ground. Here the experience of the FTA negotiations, then still ongoing, proved instructive. Talks had for instance already been riven by the basic incapability between Denmark's desire as a major agricultural exporter to include foodstuffs and Britain's preference to restrict cooperation to the industrial sector, seen in London as essential to preserving the existing system of Commonwealth preferences and grants for domestic farmers. With the British government unlikely to be any more forthcoming on agriculture in the future, Denmark's participation in a smaller bloc was thus uncertain. Alone this need not have been catastrophic. The problem came because it was also reckoned that Norway and Sweden, acting in the name of Scandinavian unity, might themselves refuse to join, making any smaller FTA dead on arrival.<sup>18</sup> Were this bad enough, the FTA had also alerted the British to the potential problems caused by a different group of countries not entirely fairly known as 'peripherals', whose semi-developed and largely agricultural-based economies were in the throes of industrialisation. Because of this economic status, the likes of Iceland, Greece, Portugal, Turkey, and Ireland had always demanded that as part of FTA they be given various tariff exemptions, special treatment for agricultural exports, and financial aid to support growth.<sup>19</sup> Inevitably, such wide-ranging appeals only complicated progress towards the FTA, with Britain periodically having to divert its energies from the more critical task of securing French participating in the project to dealing with rather mundane technical matters and opt-outs demanded by these poorer countries.<sup>20</sup> Not unreasonably, therefore, the British foresaw a smaller FTA finding itself equally bogged down were these countries to apply to join, robbing it of a swift resolution in the process.

As Frank Figgures, Under-Secretary in the Treasury, noted in a May 1958 memorandum, all this demanded caution on Britain's part. While then uncertain if a smaller FTA would even be needed as a fallback, pursuing one would, Figgures claimed, mean Britain having to offer Denmark not trivial tariff concessions on certain agricultural products.<sup>21</sup> Yet as he saw it, it was an open question whether this sacrifice would ever be palatable politically for British ministers already loathe to hand Danish policymakers concessions if it meant damaging the livelihoods of British farmers (not always correctly seen as a key Conservative constituency) and those of

---

<sup>16</sup> Clarke, "FTA: Alternative courses," 10 March 1958, T 234/375, TNA.

<sup>17</sup> Scarlett to Wright, 2 January 1958, FO 371/134572, TNA.

<sup>18</sup> Clarke, "FTA: Alternative courses," 10 March 1958, T 234/375, TNA.

<sup>19</sup> Figgures, "Post Mortem," 17 July 1959, T 234/720, TNA.

<sup>20</sup> Ibid.

<sup>21</sup> Figgures, "Uniscan-plus," 8 May 1958, T 234/376, TNA.

the Commonwealth, let alone whether this would prove sufficiently fulsome a compromise for Denmark to accept. The problem of the ‘peripherals’ meanwhile would require that ‘at all costs, we must keep [them] out of this grouping’.<sup>22</sup> While there is little room here to retrace the course of British internal policy debate following France’s rejection of the FTA, what matters is that this thinking would colour Britain’s response to developments after the November 1958 veto. Thus, a new Cabinet Committee on European Economic Questions (EEQ), formed to review the UK’s post-veto options, was quick to argue that should Britain pursue a smaller FTA, some tariff concessions would be needed to mollify Danish concerns on agriculture. Given Australian and New Zealand interests in butter and cheese (two staples of Danish exports to Britain) this effectively left room for a deal on bacon. Clinching Denmark’s adherence was in turn expected to be enough for Sweden and Norway to come on board, although official consensus was that some modest movement might be required on fish as a sop to the latter. Like Figgures beforehand, the Committee was similarly convinced that experience showed approaches by any of the ‘peripherals’ should be given short shrift. Following this same reasoning, associate rather than full membership was even deemed more appropriate for the two remaining major countries outside the non-Six: Austria, whose trade dependence on the Six was reckoned to require too close a political link between a smaller FTA and the Community, and Switzerland, seen as preferring a looser bilateral arrangement with the Six over joining a new organisation.<sup>23</sup> This, then, was envisaged as a primarily Anglo-Scandinavian bloc, echoing the Uniscan framework formed back in 1950 as a first step towards closer financial and economic cooperation across the North Sea.<sup>24</sup> With all that in mind, in early December a restricted Cabinet meeting in London decided that the Scandinavians should be sounded out immediately to plot a course forward.<sup>25</sup>

In the event, this roadmap encountered obstacles from the off. Numerous ministers were unhappy with a smaller FTA if in winning over the Danish it meant hitting British consumers and breaching existing undertakings to domestic agriculture and the Commonwealth – all without the potential gains of a continent-wide arrangement.<sup>26</sup> If this promised to limit Britain’s freedom of manoeuvre in future negotiations, things were complicated further by the ineffectiveness of its efforts to constrain membership of the new bloc to the three Scandinavians in the way that the Cabinet Committee had urged. One obvious reason for this was the Anglo-Scandinavian industrial federations, which as part of a series of meetings throughout 1958 had invited their counterparts in Austria and Switzerland to discuss alternatives

---

<sup>22</sup> Ibid.

<sup>23</sup> “A Uniscan Free Trade Area,” ES(EI)(58)171, 3 December 1958, CAB 134/1868, TNA; “A Uniscan Free Trade Area,” 2 December 1958, CAB 130/123, TNA.

<sup>24</sup> For more on Uniscan, Juhana Aunesluoma, *Britain, Sweden and the Cold War 1945–54* (Basingstoke, 2003).

<sup>25</sup> Minutes, GEN.580/9<sup>th</sup> Meeting, 4 December 1958, CAB 130/123, TNA.

<sup>26</sup> “The Free Trade Area,” 12 December 1958, FO 371/134519, TNA; Minutes, GEN.580/10<sup>th</sup> Meeting, 12 December 1958, CAB 130/123, TNA.

to the FTA.<sup>27</sup> By the time ministers converged on Geneva on 1-2 December 1958 to take first stock of future possibilities, it was almost by default common to talk about a ‘Uniscan-plus’ arrangement encompassing six countries rather than four. At that same meeting, Portugal also succeeded in talking itself into the club. The Portuguese had only really been invited to allay Swiss concerns that those present might be accused of further splintering Europe into rival economic camps. But even if the British were loath to admit it, this less than altruistic Swiss stance also rested on entirely justifiable foundations: during the FTA talks Lisbon had always impressed on its counterparts that its readiness to join as a full member without first needing any sort of development assistance marked it out as fundamentally different to ‘peripherals’ like Greece and Turkey. If it were able to take its place in the FTA, it was hence a compelling argument that it was appropriate for Portugal (even as a dictatorship) to join a smaller trade bloc now. Once in Geneva, the country’s representative, Rui Teixeira Guerra, then made the best of the opportunity with mention of Portugal’s dependence on trade with the others and the importance of economic modernisation to its stability amid the broader uncertainties of the Cold War. With such appeals much too powerful to ignore, by the end of 1958, and contrary to the earlier recommendation of Figgures and the EEQ committee, the non-Six six had become very much a grouping of seven.<sup>28</sup>

Not everything was bad news for London. Far from it in fact, since the keenness with which so many European states expressed interest in a smaller bloc nullified the fears of those who had once predicted Britain’s impending isolation while the Six picked off its neighbours one-by-one. But from these early developments it was already obvious that a smaller FTA was developing in ways contrary to what British officials had hoped. Denmark’s position was another case in point. For while comfort could be taken from the readiness of Danish officials to take part in preliminary meetings of the Seven during the winter and spring of 1958–59, apparent too was that discussing a Uniscan-plus FTA was not the same as joining it. Quite the opposite: growing anxiety about being excluded from discussions on the functioning of the Community’s embryonic agricultural policy and increasingly vocal calls domestically for Denmark to join the EEC, instead pointed to either delaying or abandoning outright the formation of a smaller FTA.<sup>29</sup> Erling Kristiansen, the Director of the Economics Division of the Danish foreign ministry, explained this position best when in a meeting of the Seven in Oslo on 21 February 1959 he described proposals for a Uniscan-plus bloc as a ‘hostile act’ and instead recommended waiting eighteen months for the air to clear before renewing attempts to find accommodation with the Six.<sup>30</sup> Even the otherwise Anglophile Prime Minister H.C. Hansen told his British counterpart, Harold Macmillan, a few weeks later to

---

<sup>27</sup> Neil Rollings, *British Business in the Formative Years of European Integration, 1945-1973* (Cambridge, 2007), 122-29.

<sup>28</sup> Coulson to Wright, 3 December 1958, FO 371/134518, TNA.

<sup>29</sup> Matthew Broad, *Harold Wilson, Denmark and the Making of Labour European Policy 1958-72* (Liverpool, 2017), 27-48.

<sup>30</sup> Lee, “Note of a talk with Mr. Kristiansen,” 16 February 1959, FO 371/142601, TNA.

argue that Denmark still did not ‘feel convinced that the Seven was the best method’ for solving the division in Western Europe.<sup>31</sup> Only the fear of itself becoming isolated on the European stage appeared to be stopping Denmark dropping out completely.

When by March Downing Street looked to settle its own position on a new Uniscan arrangement, it seemed likely that success in any negotiations would thus oblige Britain to offer compromises beyond those already envisaged on agriculture. The nub of the problem was whether the domestic politics would allow for this. Few in Cabinet yet sided with David Heathcoat-Amory, the Chancellor of the Exchequer, who in a note on 4 March concluded that ‘the economic price we should have to pay to secure an agreement’ with the Seven was relatively minor compared to a future of being ‘progressively more isolated in relation to the European Economic Community’.<sup>32</sup> The passage of time had in fact seen opponents of a Uniscan-plus FTA swell in rank: David Ormsby-Gore, a junior minister of state in the Foreign Office, would go so far as to claim that it would not ‘achieve anything more constructive than enabling us to ventilate some spite against the Six’.<sup>33</sup> Given these irreconcilable opinions, the government could do no more than delay the decision-making moment. While believing personally that a smaller FTA was the only course left open to Britain, Macmillan’s advice, accepted at the time, was consequently for the Seven to study the possibilities and implications of a new trade bloc, ascertaining along the way what might satisfy the Danes and what other concessions would be needed.<sup>34</sup>

### **Pre-negotiations: the Sommerfelt/de Besche mission**

Responsibility for this fell to Søren Sommerfelt, Norway’s Deputy Under-Secretary of State for Foreign Affairs, and Hubert de Besche, the Secretary-General in Sweden’s Foreign Ministry. By their own admission, both men found having to liaise with and travel to all seven capitals, often more than once, a daunting undertaking. But their job was complicated by the lack of clear ideas from either Britain or the Seven more generally as to how the new FTA should operate.<sup>35</sup> It consequently fell to Sommerfelt and de Besche to stake out a basic position. From this exercise came four principles. First, the transition period during which virtually all internal tariffs and quotas would be eliminated ought to be short to ensure that the organisation was functioning as quickly as possible. Second, the institutions established by the Seven should be kept simple. This implied a council of ministers and maybe a ‘steering board’ to deal with day-to-day governance but no strong organisational seat as with

---

<sup>31</sup> “Bidrag til statsministerens samtale med premierminister Macmillan,” nd [March 1959], Box 54, Jens Otto Krag papers, Arbejdermuseet & Arbejderbevægelsens Bibliotek og Arkiv (ABA).

<sup>32</sup> Heathcoat-Amory, “A Uniscan Free Trade Area,” GEN.580/21, 4 March 1959, CAB 130/124, TNA.

<sup>33</sup> Ormsby-Gore, “Free Trade Area negotiations,” 24 February 1959, FO 371/142528, TNA.

<sup>34</sup> Minutes, GEN.580/14<sup>th</sup> Meeting, 5 March 1959, and Minutes, GEN.580/15<sup>th</sup> Meeting, 19 March 1959, CAB 130/123, TNA.

<sup>35</sup> Søren Sommerfelt, “Eyewitness conference: The creation of EFTA,” 15 May 1992.

the European Commission. Third, the origin rules determining the national source of a product should be straightforward, and at least as liberal as the 50% content rule agreed during the FTA talks. Fourth and finally, agriculture would need to be tackled, perhaps offering Denmark a guaranteed share of the UK market. So sensitive was the topic however that it was thought best to leave them out of the formal negotiations, with Britain and Denmark instead encouraged to discuss bilaterally the general principles of any deal.<sup>36</sup>

In choosing these four issues, Sommerfelt and de Besche were helped massively by the fact that they had earlier served as the major points of departure for the FTA negotiations. Compared to the seventeen-country FTA talks, however, a narrower grouping of seven states, coupled with a lack of clear guidance from the British, conspired to amplify the concerns of smaller nations. When the Seven's delegations met in Stockholm on 17-18 March to take stock of developments, the ensuing debate was thus ominous for Britain. For starters, the gulf between Britain's preference on the transition period and that of others like Norway and Austria was highlighted. For while the latter preferred a longer period of national economic adjustment, the British agreed with Sommerfelt and de Besche that a much shorter or even immediate transition was preferable since a swift removal of barriers was reckoned to increase trade between the Seven to the detriment of Community exporters – forcing the Six to return cap in hand to the negotiating table. Another problem came when discussions turned to origin, where the Swiss especially expressed discomfort over how the rules would be policed. Agriculture constituted the third sticking point, with Henning Hjorth-Nielsen, the Head of Europe Division in the Danish Ministry of Foreign Affairs, insisting on seeing from Britain not vague principles but a list of specific and more wide-ranging agricultural concessions. These, he maintained, would need to include the abolition of the tariff on bacon (threatening Canadian and Kenyan exports), assurances that Britain's domestic subsidies on pig-meat would not frustrate Danish exports, and tariff reductions on blue-veined cheese.<sup>37</sup>

As the Cabinet back in London heard, the range and nature of these disagreements underscored for the British 'the difficulty of seeking to negotiate a grouping amongst the Seven'.<sup>38</sup> In practice, this implied that Britain might have to endure still further shifts in its position simply to allow the formal negotiations to get underway. How these might look was in turn delineated by Sommerfelt and de Besche in a modified negotiating mandate. For the transition period, they now considered that tariffs on 90% of trade should be abolished within five years – much slower than London had hoped – with the remainder following within a decade. As a further concession, they suggested an escape clause be included for industries in difficulty. Quotas meanwhile would be abolished over the same period as tariffs. Origin rules, de Besche believed, still needed to become less restrictive than those

---

<sup>36</sup> "Uniscan. Closer cooperation," GEN.613/52, 4 March 1959, CAB 130/135, TNA.

<sup>37</sup> "Record of meeting," GEN.613/57, 23 March 1959, CAB 130/135, TNA.

<sup>38</sup> Minutes, GEN.580/15<sup>th</sup> Meeting, 19 March 1959, CAB 130/123, TNA.

envisaged in the FTA negotiations. How this was to be enforced was left unclear, but it was hoped that a 'code of good conduct' and clear rules of competition, accompanied by simple institutions with unanimous voting rules and a small secretariat to oversee administration of the agreement, would prove sufficient.<sup>39</sup> These changes formed the heart of the conversation de Besche had with British officials in London in mid-April. In the event, there continued to be little meeting of minds. On the question of the transition period, for instance, de Besche explained that the compromise proposed would probably be acceptable to most countries. Yet this was something the British could only balk at: from the perspective of pressuring the Six, the greatest advantage politically remained in the general transition period being shorter than five years, let alone ten. Britain's representative at the talks, the Foreign Office's John Coulson, was similarly disapproving on origin rules, explaining the British concern that anything too restrictive agreed among the Seven now might later serve as an unwelcome precedent in future discussions with the Six.<sup>40</sup>

Come late spring, therefore, the British were in something of a bind. The general direction of travel suggested that various political and technical hurdles would need to be overcome if a smaller FTA were to come to fruition. Moreover, and as officials in Whitehall readily acknowledged, the sorts of compromises this implied carried the 'distinct possibilities' of harming Commonwealth interests and garnering political resistance from the domestic agricultural lobby.<sup>41</sup> But as was also privately admitted, British discomfort would need to be weighed against the danger of formal negotiations failing to get underway. It was this reasoning which ultimately secured Cabinet support for pursuing negotiations when it met on 7 May.<sup>42</sup> Critically, it was this same logic that produced the first tranche of British concessions designed to lure Denmark into the club. Among these, the headline offer was on bacon. Exports to Britain were by no means trivial, representing 50% of total Danish agricultural exports against which the UK tariff was 10% - resulting in a tariff revenue amounting to £6 million per annum. But the Treasury tended to benefit more from this than domestic producers who could already rely on a guaranteed price support system. This was therefore a relatively painless matter on which to give ground. Two further concessions were also fairly inexpensive. One was the tariff on blue-veined cheese, then set at 10%, since there was no Commonwealth interest. Another was a clever relabelling of Danish hams as 'gammons', which meant most pig-meat products could enter tariff-free without disturbing imports of the same products from elsewhere. The only challenge would be Britain's position on butter, a product where the Commonwealth interest was too great and where Danish exporters already commanded a premium price in the Britain. But the other compromises on offer were felt to be such that any backlash from Denmark was thought unlikely. With that, it seems, ministers hoped that the 'Danish problem' might simply go away.<sup>43</sup>

---

<sup>39</sup> "European trade association," GEN.580/27 (Annex II), 1 May 1959, CAB 130/124, TNA.

<sup>40</sup> "Visit of M. de Besche," ES(EI)(59)8, 13 May 1959, CAB 134/1870, TNA.

<sup>41</sup> "European Trade Association," GEN.580/27, 1 May 1959, CAB 130/124, TNA.

<sup>42</sup> Minutes, 7 May 1959, CAB 128/33, TNA.

<sup>43</sup> "Possible offer on agriculture and fish," GEN.580/29, 1 May 1959, CAB 130/124, TNA.

With Cabinet at least supportive of talks taking place and having communicated this revised position to the Danes, the formal negotiations for a smaller FTA could finally begin. In so doing, the British might well have been congratulated for overcoming some of the bad temper with which the idea of a new smaller grouping had initially been met. As ostensibly cost-free as the concessions to Denmark were, however, it was nevertheless telling that London already found itself giving not inconsiderable ground in the name of progress. It would be a trend set to continue in Saltsjöbaden.

### **The negotiations begin**

The need for Britain to go still further in accommodating the wishes and whims of the Seven sprung from the fact that, as negotiations got underway on 1 June, it was apparent that little real consensus existed on key technical matters. The transition period provoked the first clash. Both de Besche and Coulson, representing Sweden and Britain respectively, defended an aggressive schedule for removing tariffs, a decision still driven by the expected pressure this would place on the EEC. But even these two figures did not quite see eye-to-eye: while the Swedes confirmed they were amendable to a general five-year transition period with ten-years for those industries likely to struggle to adjust, Coulson instead urged an immediate transition period for all but 10–15% of industries. By contrast, the representatives of Austria, Denmark, Norway and Portugal continued to press for a longer transition, both to match the schedule laid down in the Treaty of Rome of 12 years (thought to make any future deal with the Six easier) and to reduce the domestic backlash from those industries most affected by lower barriers. Only the Swiss appeared amenable to both arguments, but even its representative, Hans Schaffner, appeared to be leaning towards keeping pace with the Community.<sup>44</sup>

Specific national interests only increased the complexity of this issue. For instance, Portugal's José Calvet Magalhães insisted that, regardless of the outcome, his country would require numerous exemptions from any schedule agreed to by the rest of the Seven, and that attaining as much would dictate Portugal's final decision on membership. The Norwegians, for their part, tabled counterproposals reflecting the government's disquiet over not only the speed but the initial level by which tariffs would be reduced, an appeal based on domestic analysis indicating that most of its domestic industries would suffer if EFTA began its existence with the sort of deep and wide-ranging initial cuts favoured by Britain. Persuasive though these arguments were, their substance succeeded only in putting the Portuguese and Norwegians on a collision course with the rest. For there was caution about opening the door to differential treatment since it would expose all governments to pressure from domestic interest groups. And there was equal scepticism over whether the exempted industries would in any case be able to cope with an accelerated catch-up schedule

---

<sup>44</sup> "Record of meetings in Stockholm, 1 June 1959," ES(EI)(59)24, 8 June 1959, CAB 134/1870, TNA.

afterwards. Such was the division among the Seven that the only area of agreement at this stage was that in favour of re-examining the matter later in the talks.<sup>45</sup>

Likewise on quota removal, few wished to see too many exemptions allowing members to divert from a general schedule. The problem, as Schaffner put it, was the feeling that limits on the quantity of imports were the ‘worst protective device’ deployed by governments.<sup>46</sup> Keenest to carve out precisely this sort of derogation were however the British and Danes, both of whom argued that differences in international obligations made a uniform programme of removal impossible. For them, a complaints procedure would instead best ensure that exporters did not face discrimination. But all delegations admitted that it was entirely possible a situation might arise where the removal of tariffs would be thwarted by the continuation of quotas. In this scenario, the Swiss especially were insistent that anything other than automatic removal of quotas would be unacceptable.<sup>47</sup>

Trickier still was the rules of origin. Since each country was to maintain its own external tariff, negotiators were forced to consider the guidelines determining the source and proportion of a particular good before it was deemed eligible for free trade treatment. What developed in Saltsjöbaden was a dispute over three components of these rules and how they would work. The first concerned whether it was even necessary to formulate detailed instructions in advance of an agreement, a point which pitted Denmark – which wished to adopt only minimum rules in order not to anger the Six – against the rest, who felt something more elaborate was needed so that industry was sufficiently informed.<sup>48</sup> The second matter concerned the date from which these origin rules, however detailed, should apply. Much to the horror of the Danes, the early consensus in Saltsjöbaden was that the most sensible option was for rules to be introduced at once. The problem, so Copenhagen felt, was that such rules, imposed on top of tariffs on intra-EFTA trade yet to be reduced, promised to be very restrictive on trade with the Six. But as the British especially articulated, without such rules being introduced immediately there existed a risk that trade from third countries would be routed through the member of the Seven with the most flexible take on the matter, distorting trade in the process. The third aspect centred on the rules themselves. Very quickly the working figure was a 50% content rule, a relatively liberal figure supported by the Scandinavians and the Swiss for allowing half the cost of a finished product to comprise ‘inputs’ from outside the Seven. But exceptions would almost certainly be needed for sensitive sectors like textiles and infant industries like chemicals.<sup>49</sup> All these elements would need to be worked out before a final settlement could be reached.

---

<sup>45</sup> “Record of meetings in Stockholm, 2 June 1959,” ES(EI)(59)25, 8 June 1959, CAB 134/1870, TNA.

<sup>46</sup> Ibid.

<sup>47</sup> “Record of meetings in Stockholm, 1 June 1959,” ES(EI)(59)24, 8 June 1959, CAB 134/1870, TNA.

<sup>48</sup> “Record of meetings in Stockholm, 3 June 1959,” ES(EI)(59)27, 17 June 1959, CAB 124/1870, TNA.

<sup>49</sup> “Record of meetings in Stockholm, 8–9 June 1959,” 19 June 1959, ES(EI)(59)29, CAB 134/1870, TNA.

None of this is to say that compromises did not already emerge in these early days. It was quickly agreed that the base date from which tariff reductions would be measured should be 1 January 1960. Agreement too was reached on the need to tackle revenue duties (i.e., those duties levied for financial gain rather than to protect home industries) and restrict the use of drawback (where a producer exporting goods was able to claim back any duties paid on imported components which went into them). Officials similarly resolved to duplicate the FTA's earlier references to competition rules, government aids, dumping, and the legal framework needed for companies from one member state to establish a commercial presence in another. Within days, negotiators had further devised the basic shape of a payments system and the framework needed to process capital movements. And there was even time for preliminary discussions on the seat of the institutions, voting procedures within them, and the organisation's name – although the British desire to avoid both 'European' and 'Association', preferring the 'Stockholm Economic Group', was felt to be the others as too insular and insufficiently geared towards remedying relations with the Six.<sup>50</sup>

The challenge facing officials was nonetheless formidable. And much of this good work promised to be undone by the biggest challenge of all: Denmark's position on agriculture. Kristiansen helped little when he started by once again deriding a smaller trade area for widening the gulf with the Six and suggesting that the Seven suspend the negotiations to allow a final approach to be made to the Community.<sup>51</sup> But this paled in significance compared with the two rather audacious policy requests he eventually tabled: a freeze on all agricultural tariffs and quotas and a guarantee to expand agricultural trade to be formally written into any final treaty. The former was bad enough since in the short-term it would treat agricultural and industrial trade as equal – precisely what the British hoped to avoid. But the latter was viewed as the real danger, committing Britain to standards that in the longer-term could prejudice its negotiations with the Six. Both points, therefore, were promptly greeted with dismay and indignation by Britain's delegation.<sup>52</sup>

It is all the more remarkable, then, that the British should have finally conceded that a bilateral deal ought to be struck. One explanation for this is that Denmark was not the only country with a stake in agriculture. The Norwegians, supported by both the Danes and the Portuguese (concerned about their trade in sardines), for instance used the conversation on Danish foodstuffs to demand that something also be done to expand trade in fish. This included the somewhat outlandish spectacle of Sommerfelt demanding frozen fish and canned fish, herrings and fish meal, and various oils and fats derived from fish and marine mammals, be

---

<sup>50</sup> "Record of meetings in Stockholm, 4 June 1959," ES(EI)(59)27, 17 June 1959, CAB 134/1870, TNA; "The site for the Stockholm Group institutions and the name to be given to the organisations," 23 June 1959, CAB 130/136, TNA.

<sup>51</sup> "Record of meetings in Stockholm, 1 June 1959," ES(EI)(59)24, 8 June 1959, CAB 134/1870, TNA.

<sup>52</sup> "Record of meetings in Stockholm, 4 June 1959," ES(EI)(59)27, 17 June 1959, CAB 134/1870, TNA.

classified as an ‘industrial’ process rather than an agricultural good, thereby rendering it liable for free trade coverage. For the British, it thus looked ever more sensible to invite talks with Denmark on agriculture now and certainly before EFTA was up-and-running, by which time the government would be forced into a round of institutionalised consultations where the combined weight of these three states was likely to wreak more damage.<sup>53</sup> The road to bilateral talks was then eased still further by what at the end of the first week of negotiations was a stark nuancing of the Danish position. Sensing, it appears, that his country needed to provide at least some opening to the British, the more eccentric elements of Kristiansen’s wish list eventually gave way to a position which held that the framing of any concessions mattered less than their content. Marginal as this was, this gesture opened the possibility of ad-hoc bilateral negotiations taking place beyond Saltsjöbaden and, ultimately, for a deal being made without the sort of formal treaty commitment that the British had baulked at. Admittedly, the wording of this compromise would take an all-night diplomatic marathon during which, despite Kristiansen’s promises, the Danes still attempted to get a statement of principle inserted into the text. By the next morning, however, Kristiansen had relented.<sup>54</sup> With the still delicate agricultural question dodged for the moment and despite several areas still needing to be resolved, this provided the momentum necessary for officials to finalise a blueprint on a smaller FTA for consideration by ministers. All eyes consequently turned to conversations between Denmark and Britain to see whether an agricultural solution acceptable to both sides could finally be found.

### **Resolving the Danish dilemma**

Initial signs were hardly encouraging. On a visit to Downing Street on 12 June, Hansen had forewarned Macmillan that ‘Denmark has been, and still is, sceptical with regard to the plans for creation of the Seven’, that on agriculture it was important to explore the precise terms of any [bilateral] agreement’, and that ‘unless the conditions were quite clear, it would not be possible to get general agreement for any treaty’.<sup>55</sup> Problematic, though, was that when the Danish Foreign Minister, Jens Otto Krag, met Maudling ten days later to outline a more specific list of requests, the two sides appeared to have reverted back to their earlier intractable positions. This was notably the case when Krag again demanded that a set of commitments on agriculture be inserted into the new organisation’s founding text – necessary, he claimed, to stop the British renegeing on anything agreed to bilaterally – to which Maudling could only repeat Britain’s concern that this would give away its bargaining positioning with the Six.<sup>56</sup> At precisely the moment that talks seemed to be rehashing old arguments,

---

<sup>53</sup> Hankey to FO, 3 June 1959, FO 371/142507, TNA.

<sup>54</sup> Minutes, GEN.580/18<sup>th</sup> Meeting, 10 June 1959, CAB 130/123, TNA.

<sup>55</sup> “Bidrag til statsministerens samtale med premierminister Macmillan: Det lille frihandelsområde,” June 1959, Box 48, Krag papers, ABA; “Record of conversation,” 25 June 1959, PREM 11/2642, TNA.

<sup>56</sup> “Record of Anglo-Danish bilateral discussions,” GEN.613/85, 25 June 1959, CAB 130/136, TNA.

however, a more convivial tone did begin to emerge. Certainly a separate issue raised by the Danish - subsidies - looked to be an area where agreement could be found. According to Krag the Danish felt that what in effect was a lack of access for its agricultural exports could be solved if Britain were to reduce subsidies for its own food producers. Denmark had for instance been driven out of Britain's egg market thanks to a subsidy paid to British poultry farmers equivalent to 32% of producer prices, and the same held true for subsidies on liquid milk. Changing this system was not without challenge; as Maudling explained, subsidies were vital for preserving supply in the event of bad weather, while their removal would be politically difficult if it impacted the living standards of farmers. And yet he likewise acknowledged there was a 'moral obligation' to see that the Danes got the full benefit of any tariff reductions. Support offered to British producers should, he concluded, therefore not give UK farmers greater advantages vis-à-vis the Danes than they had already.<sup>57</sup> Without going so far as to specify levels of subsidies, this meant the government was prepared to support a general statement aimed at improving the productivity of British farmers and, by implication, reducing the dependence of UK producers on state aids.<sup>58</sup>

Compromise too was in prospect when talk turned to the status of individual commodities. Admittedly, it was impossible to reach agreement on every product. The earlier offer of an eventually duty-free entry to the UK market for bacon and blue-veined cheese was for instance now rejected by the Danes as inadequate, with Krag demanding the tariff instead be removed immediately rather than in stages. If this proved one sticking point, another not unrelated bone of contention was Krag's request that British import quotas of bacon from Poland be frozen or even lowered. At the time the Poles had a quota for 47,000 tons and the Danish argument was that Polish exporters were always willing to adjust prices to any level necessary to secure these sales, undercutting Danish producers in the process. Writing later, Heathcoat-Amory was however convinced that acceding to this was inconceivable. Not only did Polish bacon carry huge commercial advantages - British purchases from Poland were translated directly into industrial orders for UK industry - but the trade concession was imperative for political reasons, stopping the country becoming more dependent economically on the Soviet Union. There was also the danger of contagion: as the Chancellor put it, 'if we excluded Polish bacon for the benefit of the Danes our coal industry would reasonably expect us to ask the Danes to exclude Polish coal. Thus a cycle of restrictive arrangements would be set off'.<sup>59</sup> Yet for all these unresolved items, there was a particular Danish satisfaction in Britain's openness to removing a whole swathe of tariffs, including on luncheon meat (with a duty of 5-10%), processed milk (5-10%) and poultry (8.5%), although a similar suggestion to extend this to canned hams (10%) was rebuffed since there was a strong Commonwealth interest.<sup>60</sup> The British government, in other words, had thrown its weight behind the

---

<sup>57</sup> Ibid.

<sup>58</sup> "Anglo-Danish discussions on agriculture," GEN.580/35, 3 July 1959, CAB130/124, TNA.

<sup>59</sup> Ibid.

<sup>60</sup> "United Kingdom/Danish bilateral talks on agriculture," GEN.580/34, 1 July 1959, CAB130/124, TNA.

sort of product-specific exemptions which it had been loath to consider until this point. To even the casual observer, this was something of a victory for Denmark.

Unfortunately, the wider Cabinet did not buckle so easily. It barely helped that the British position had been leaked to the Danish business daily *Børsen*, leading ministers to allege that ‘premature and distorted disclosures in the Danish press’ had produced ‘considerable political difficulties’ with the National Farmers’ Union and other domestic interests. Already lukewarm towards a seven-member grouping, Cabinet, meeting on 3 July, thus used the opportunity to moderate the promises made. There were to be a few sops, like removing tariffs on canned cream and increasing quotas for processed milk. A statement would also be allowed containing some clever wording about restricting the dumping of Polish bacon and ending the Danish bacon tariff. But ministers insisted that the latter would need to proceed in annual steps of 20% over five years rather than at once. And they otherwise held back on almost all the other proposed tariff and subsidy concessions. Only if Denmark’s reaction was overly negative was it deemed necessary to reconsider this position.<sup>61</sup>

Cabinet’s intransigence contributed significantly to a souring of the mood when talks between Krag and Maudling resumed three days later. Not even Maudling’s outlining of the British offer to remove bacon tariffs more quickly was enough to sooth Danish concerns; according to Krag, ‘it would be hopeless for him to go home with anything but the complete removal of the bacon tariff at once’. The upshot was that, by the end of play on 6 July, Krag concluded that the British government would not secure Danish participation without increasing its obligations. The fate of the whole EFTA project lay in the balance.<sup>62</sup>

Awareness of this saw Maudling and Heathcoat-Amory begin to give ground. First they yielded on luncheon meat and bacon, tariffs on which Maudling proposed be removed in three instalments of 33.3% rather than five. Even this was rejected by Krag, and Maudling was forced to ask Macmillan for permission to abolish them over two years with annual reductions of 50%, with blue cheese and canned cream tariffs scrapped from the start.<sup>63</sup> Accompanying this was the offer of a confidential letter guaranteeing quotas for processed milk and Denmark’s share of the market on subsidised goods. Public assurances would meanwhile be made setting out plans for the UK’s pig-meat, eggs, and liquid milk sectors to become more economic, with producers of the latter discouraged from increasing their output to increase export opportunities for Danish suppliers. Concessions made, on 8 July Krag was finally able to support an agricultural agreement. The result was an arrangement well beyond the limited allowances agreed to by Cabinet. Symbolically and in actuality, the Danish had received almost everything they had requested.<sup>64</sup>

---

<sup>61</sup> “Anglo-Danish discussions on agriculture,” GEN.580/35, 3 July 1959, CAB130/124, TNA.

<sup>62</sup> Minutes, CC(59)40, 8 July 1959, CAB128/33, TNA.

<sup>63</sup> “Fælleserklæring fra danske og britiske minister efter mødet i London,” 9 July 1959, Box 49, Krag papers, ABA.

<sup>64</sup> “Proceduren i forbindelse med Danmarks eventuelle stillingtagen til de Syv,” 9 July 1959, Box 49, Krag papers, ABA.

### **The problems and leverage of Portugal**

The breakthrough in London finally convinced the Hansen government to join a smaller FTA.<sup>65</sup> Almost immediately as a result, the negotiations witnessed the sort of forward momentum that had sometimes eluded earlier rounds of talks. To be sure, by the time ministers met in Saltsjöbaden on 20 July to discuss the blueprint drafted by officials a month earlier, numerous (indeed, major) matters like origin rules and the form and function of the planned institutions were still unresolved. In some quarters, moreover, there remained a degree of hesitation about the whole endeavour.<sup>66</sup> But with Denmark's agricultural dilemma having seemingly been solved, few of these outstanding issues were thought of as insurmountable. And there was otherwise broad enough consensus in favour of a smaller FTA that all Seven states now felt able to support the officials' June blueprint and sanction further talks designed to settle the final points of disagreement – a process which began when, in one further British concession, ministers themselves fixed on 'European Free Trade Association' as a more inclusive name for the organisation.<sup>67</sup> A crucial turning point in EFTA's history had been reached.

Obvious towards the end of the July ministerial meeting however was that Britain's earlier readiness to yield to Denmark's agricultural demands had left it vulnerable to requests for special treatment from multiple other sources. From nowhere did this clamour initially prove louder than the Portuguese delegation. Correia de Oliveira, Lisbon's Minister of Economics, explained the case succinctly: given the developing nature of the country's economy, Portugal would be hard pressed to join EFTA unless it was given much longer than the rest of the Seven to remove tariffs and develop its domestic industry to face the full force of external competition. Such a plea was in itself neither controversial nor surprising: Calvet had already warned officials back in June that some exemptions would be needed, and de Oliveira's ministerial counterparts were fully aware of the position which Portugal found itself in.<sup>68</sup> Agreeing to this request was nevertheless complicated. Not only were Portugal's demands – including a transition of at least fifteen years – a stark departure from the general schedule. More concerning was that a special regime for Portugal was thought impossible to announce without inciting requests from other peripherals for similarly favourable treatment. The sort of development that had minded British officials to resist Portugal's inclusion to begin with thus suddenly looked far too uncomfortable a possibility.

For the British, the message from de Oliveira quickly got through. By the end of the meeting, indeed, Maudling had declared a willingness to accept that only

---

<sup>65</sup> Ibid.

<sup>66</sup> Krag for instance warned that the Danish parliament remained sceptical about EFTA, Bruno Kreisky, the new Austrian Foreign Minister, claimed many of his own colleagues disagreed with the decision to join the Seven over pursuing closer bilateral relations with the Six, see "Meeting at Saltsjöbaden," ES(EI)(59)56, 4 August 1959, CAB 134/1870, TNA.

<sup>67</sup> Stockholm to FO, 21 July 1959, BT 241/461, TNA; "Press release from the meeting of ministers of the Seven," 21 July 1959, EFTA-499, Historical Archives of the European Union, Florence (HAEU).

<sup>68</sup> Ibid.

Portugal's main export industries would abolish import tariffs at the same time as the rest of the Seven, with all other tariffs lowered by just 50% before being eliminated fully by 1980.<sup>69</sup> In return, Portugal would have to agree to a formula which, to outside world, would look as though Lisbon had accepted the same obligations as the rest of the Seven subject to some special arrangements. Given the risk of contagion, this was a welcome development for the British. Maudling's bending to de Oliveira's request further ensured that ministers could sign-off on the June blueprint with instructions for national delegations to regroup after the summer break to finalise the convention text. If the British had kept the EFTA ball rolling, however, they would have been naive for thinking that did not represent a major giveaway on their part. For since the exemption covered almost 80% of imports, Portuguese industry stood to enjoy preferential access to the rest of Seven while keeping a highly protected home market. And if new sectors emerged, they too were to be protected under this regime as 'infant industries', all set to be outlined in a separate annex - known eventually as Annex G - of EFTA's founding treaty.<sup>70</sup> By any measure, this was a substantial victory for de Oliveira.

A still more significant change of British position gradually emerged after negotiations resumed on 8 September. Although the pace of tariff reductions had dominated discussion among ministers, what had always most mattered to Portugal was the definition of an 'industrial' product. Much to British chagrin, the Norwegians had raised this same topic back in June in relation to fish. Unlike then, however, the raising by Portugal of this matter now could not be so easily batted away. For fully 47% of Portugal's exports consisted of agricultural products and processed foodstuffs. Even with the concessions handed to de Oliveira by Maudling, it was consequently the case that a strict definition of what constituted industrial free trade removed almost all the advantages of EFTA for Portugal.<sup>71</sup> No country of Portugal's standing could accept this level of inequality.

Recognising as much, over the ensuing weeks British officials began to shift. With the granting of specific exemptions politically difficult, the most obvious route was to widen the definition of an industrial good in such a way as to favour only typical Portuguese exports. With this workaround, cork and cork products, constituting 15.8% of total exports, could for instance easily be granted industrial status. But this approach would not work for everything. Port wine, exports of which were mostly directed at the British market, was the obvious example. So important was this single product – making up nearly all of Portugal's wine sales totalling some 11.5% of total exports – that Portuguese officials had instead wanted London to agree to a large reduction in wine duties and the elimination of the existing Commonwealth preference. It was of some significance therefore that while Heathcoat-Amory ruled out the latter, he was prepared to consider the former as part of a cut in duties on all

---

<sup>69</sup> Defined as those sectors which in the three years to 1958 had exported more than 15% of their total production.

<sup>70</sup> "Stockholm Group. Record of meetings in Stockholm, 8–9 June 1959," 19 June 1959, ES(EI)(59)29, CAB 134/1870, TNA.

<sup>71</sup> Minutes, EQ(59)1<sup>st</sup> Meeting, 16 October 1959, CAB 134/1818, TNA.

heavy wines, a mechanism thought least likely to impinge on Commonwealth and domestic interests - even if in doing so it was entirely possible that the resulting loss of earnings exceeded the value of the Portuguese trade to begin with. The one advantage as the British saw things was that this concession could be tied to an entirely different matter, namely, revenue duties on motor vehicles - a compromise that the Portuguese, like the Norwegians, had thus far been unwilling to countenance - which, if left unchanged, would have encouraged the establishment of foreign assembly plants to the detriment of direct British exports. Ministers therefore adopted a strategy of linking the two. Regardless, the British move was by far a bigger win for Lisbon.<sup>72</sup>

Not every Portuguese request was so willingly granted by the British. Attempts to assign tomato puree industrial treatment initially got nowhere since Malta, then still a crown colony, was hoping to develop trade in this area and the Channel Islands were major growers of tomato products. But even this line failed to hold. One reason for this was that the rest of the Seven were happy to reclassify, partly out of sympathy with Portugal but also because it would help put further pressure on the Six (notably Italy) to restart talks.<sup>73</sup> A more striking reason relates to Guerra's warning that concessions on tomato puree were now a matter of principle; 'if he could not get satisfaction', Guerra told the British, 'he would have to reserve his whole position on the Convention'.<sup>74</sup> In such circumstances it proved impossible to counter Portuguese pressures. As Julian Amery, the Undersecretary of State for the Colonies, reasoned to Cabinet, 'a concession on tomato puree was very small when weighed against the great advantage which the United Kingdom would gain from the EFTA agreement'.<sup>75</sup> In the end, it was consequently decided to submit to this request as well.

The combined result of this diplomatic effort was striking. When added to those products considered industrial from the start, the Portuguese ensured that the benefits of EFTA's free trade would extend to over 90% of their export trade. Why, then, did Britain agree to such substantial modifications in its position? It is true that the British found themselves trying to counter a domino effect whereby the granting of early concessions like those on tariffs made resisting later compromises much harder. True also is that, however substantial to Portugal, the economic cost of, for instance, extending industrial status to certain products was relatively minor overall.<sup>76</sup> And it helped that those products selected by Portugal for special treatment rarely competed directly with the domestic production in Britain or elsewhere. On the contrary, British multinationals operating overseas held large interests in the production and trade of canned fish, cork, and wine, and were thus likely indirectly to benefit from any UK concessions. What the concessions agreed to chiefly reflected

---

<sup>72</sup> Ibid.

<sup>73</sup> "Portugal and tomato puree," 29 October 1959, attached to EQ(59)2<sup>nd</sup> Meeting, CAB134/1818, TNA.

<sup>74</sup> Minutes, EQ(59)2<sup>nd</sup> Meeting, 30 October 1959, CAB134/1818, TNA.

<sup>75</sup> Ibid.

<sup>76</sup> Products listed in Annex G represented less than 1.5% of total intra-EFTA trade.

however was alluded to by Amery above: that everything had to be done to avoid the negotiations from collapsing, and that this handed Portugal considerable bargaining power from the start. The consequences otherwise were well recognised by senior British ministers, who in one meeting concluded that ‘it would be politically embarrassing, not only for the UK, but for our Stockholm partners, if the Portuguese were to withdraw from the EFTA project at this stage’.<sup>77</sup> In the event, Portugal used this leverage to maximum effect.

### **Norway, fish, and the initialling of the Stockholm Convention**

Despite resolving Portugal’s demands, a great deal of tying up loose ends remained to be done. Some matters like the tariff base date proved easily solvable. A number, however, revealed a festering divergence between the national priorities of the Seven. Institutions was one. Officials had already accepted that the simplest form possible would be for a ministerial council to govern EFTA, but debate continued to exist about whether to appoint a high-powered secretariat to oversee its day-to-day workings and, in the Danish argument, uphold the compromises reached.<sup>78</sup> Thornier still was the question of future relations with the Community. This pitted the Austrians and Danish who favoured an immediate resumption of negotiations with the EEC, against the British who were much more cautious about pushing for a multilateral association now if it risked failure. In the end, the agreement reached - a communique stating a willingness to talk with the Six but no more - reflected Maudling’s argument that the Seven should get EFTA up-and-running before pursuing an arrangement with the Six.<sup>79</sup> But it was difficult to ignore that the Seven were less than united on some substantive questions.

At the official level, this translated into an intense negotiating marathon in order to finalise details of EFTA’s convention ahead of a meeting scheduled for 19 November where ministers were expected to initial a full draft text. There remained for instance a lack of full consensus on import quotas, which Sommerfelt, endorsed by Schaffner, thought should be eliminated by the end of the transitional period whereas Coulson and de Besche continued to favour a stricter timetable. There was disaccord too on globalising all bilateral quotas within the Seven, a commitment Britain and Sweden hoped to include in the Convention but was resisted by the rest. Elsewhere, Austria suddenly pressed for maintaining export quotas on oil, timber, ferrous scrap, hides and skins, a claim that earned a strong rebuke from the wood-harvesting Swiss. And at a late stage in proceedings de Besche opted to raise the knotty topic of whether the objectives of the Association should be dealt with in a single article and, if so, whether it should cover agriculture. This subject embodied the challenge facing officials in trying to find commonality where none sometimes existed: Sommerfelt, Hjorth-Nielsen and Calvet all supported a single comprehensive text; Schaffner felt the issue could wait until the Convention had been finalised; and

---

<sup>77</sup> Minutes, 26 October 1959, CAB 134/1818, TNA.

<sup>78</sup> “Meeting at Stockholm, 9–11 September 1959,” CAB 134/1872, TNA.

<sup>79</sup> Ibid.

Coulson argued against since EFTA was a free trade area in industrial rather than agriculture products.<sup>80</sup>

Most obviously hampering efforts at the last-minute was focus once again on EFTA's institutions. In terms of location, Paris was favoured by all: the OEEC was based there, and it was thought that EFTA's presence would demonstrate an openness for dialogue with the Six. But doubts existed over whether the French government would ever allow it; the issue was thus left for ministers to solve in their November meeting.<sup>81</sup> As serious was the worrying lack of detail so far available about how a complaints procedure would work. Without strong institutions, such a process was essential, but only late in the day did officials succeed in formulating vague arrangements.<sup>82</sup> Even then, a bunch of other technical blemishes saw discussions spill unexpectedly into the weekend of 17–18 November. Amid this rush, the best officials could do was recommend the formation of a preparatory committee to tackle remaining differences ahead of EFTA's formal launch expected the following May. While this ensured the Convention would at least be initialled by the end of the month, it was also the latest confirmation that important differences among the Seven remained.<sup>83</sup>

This frenzied diplomacy, combined with the sort of can-kicking of which forming the preparatory committee was indicative, meant that on the eve of the ministerial meeting there was precious little left to be decided at the political level. Internally, the British were clearly keen to sign the EFTA Convention as soon as possible. Indeed, Heathcoat-Amory recommended that Cabinet be as accommodating as possible on those few points – including voting within the institutions and rules of origins – where ministers from the Seven did still need to make a decision.<sup>84</sup> And as the November ministerial meeting got underway, it looked as though this British flexibility would prevent any last-minute hiccups. Most of the opening speeches delivered by ministers were optimistic for the future. Issues like export subsidies where officials had previously failed to find common ground were also suddenly solved with surprising ease.<sup>85</sup> Yet as the meeting continued apace, the omens for a completely smooth initialling became less propitious. Something of a fudge was needed on revenue duties, with the Norwegians, Swedish and Portuguese all reserving their position. The best that could be achieved was resolving to review the matter domestically before handing the issue to the preparatory committee to sort later.<sup>86</sup> The final rules of origin went much the same way.<sup>87</sup> Matters hardly improved when

---

<sup>80</sup> "Meeting at Stockholm, 27–29 September 1959," ES(EI)(59)131, 6 October 1959, CAB 134/1873, TNA.

<sup>81</sup> FO to Stockholm, 29 October 1959, PREM 11/2828, TNA.

<sup>82</sup> *Ibid.* Member states could complain to the Council, but it was assumed that a resolution would be found beforehand.

<sup>83</sup> EFTA 222/59, EFTA-68, HAEU; "Progress report on EFTA," October 1959, PREM 11/2828, TNA; De Besche, *EFTA from Yesterday to Tomorrow* (Geneva, 1987), 89–90.

<sup>84</sup> "European Free Trade Association," C(59)168, 13 November 1959, CAB 129/99, TNA.

<sup>85</sup> Minutes, CC(59)59, 20 November 1959, CAB 128/33, TNA.

<sup>86</sup> "Stockholm conference," ES(EI)(59)167, 24 November 1959, CAB 134/1874, TNA.

<sup>87</sup> "Procès-verbal," 20 November 1959, EFTA-499, HAEU.

Krag used his speech to express unhappiness over the wording of the Convention when it came to competition rules and references in the Anglo-Danish agreement to both agricultural export subsidies and the definition of agricultural products. This was the start of a gruelling half-day during which Heathcoat-Amory and Krag found themselves going line-by-line through the texts to settle their exact wording. If confirmation were needed of how arduous a process this all was, it was provided when the Danish then sought unexpectedly to reopen what had previously been approved for sugar duty on canned cream, a dilemma which took several further hours of discussions to settle.<sup>88</sup>

This belated Danish politicking would however pale into relative insignificance compared to Norway's decision to raise afresh the matter of fish. Norwegian angst on this topic had in fact been bubbling under the surface throughout the Stockholm talks. Come the autumn, the mix of Denmark's success in carving out a solution for its agricultural trade and the fact that the non-inclusion of fish in EFTA was clouding local elections, had only upped the ante for the Norwegian government. The nub of the problem was that Britain – the main market for Norwegian exports – was already self-sufficient and competitive in fish, whereas Norway was not only dependent on exports of fish for around one-fifth of its overseas trade but also lacked a strong domestic manufacturing base to compensate. In Oslo's thinking, the British could therefore afford to reduce tariffs; to do otherwise, while all the while restricting EFTA to industrial trade, risked the Association being fundamentally unbalanced against Norwegian interests.<sup>89</sup> From the start, however, the British – often in a majority of one – had rejected doing anything to help Norway primarily on political grounds, believing it unacceptable even to appear to favour foreign fishermen while sacrificing the livelihoods of their own. Because of this, Norwegian appeals had repeatedly fallen on deaf ears.<sup>90</sup> Some effort had admittedly been made by both sides throughout September and October to find a resolution. As part of this, Norwegian officials had proposed a multilateral agreement on frozen fillets in exchange for new rights for British trawlers to land fish for freezing in Norwegian factories and British firms to establish factories in Norway. For all the effort to strike a bargain, however, the British government's reaction remained unequivocally negative. In London's opinion, previous tariff concessions had already increased the duty-free entry of fish and marine products from 44% to 71%. Granting Norway's request would raise it still further, and well beyond the comparable 66% of duty-free entry enjoyed by Danish farmers. According to the British, they could hence do little more.<sup>91</sup>

Despite the force of these arguments, that same elasticity which had earlier seen the British bow to both Portuguese and Danish demands, very swiftly applied to the Norwegians. In late October, Maudling and Coulson had already informed a

---

<sup>88</sup> "Anglo/Danish agreement: Sugar duty on canned cream," 19 November 1959, PREM 11/2828, TNA.

<sup>89</sup> Changery to EEOD, 1 September 1959, FO 371/142501, TNA.

<sup>90</sup> "Fisheries and EFTA," ES(EI)(59)10, 14 September 1959, CAB134/1872, TNA.

<sup>91</sup> "Fish. Discussions with Norwegian Ministers," GEN.580/43, 23 October 1959, CAB130/124, TNA.

restricted meeting of Cabinet that they believed it unlikely Norway would ratify an EFTA agreement without concessions on frozen fish. Any suggestion that the British might try to keep fish off the agenda until after the EFTA Convention was signed by promising the Norwegians a bilateral deal at some point in the future, was on that occasion also promptly dismissed as offering Oslo too little certainty. By default, this left the British with little option but to act.<sup>92</sup> Awareness of this led to numerous ideas being put forward in the run-up to the November ministerial meeting. Most promising, it was thought, was that tying tariff reductions to some voluntary restraint of exports which Britain could opt to renegotiate should the conditions of competition change.<sup>93</sup> These reductions were envisaged as applying to frozen fillets only, not the quick-frozen trade, which would leave the existing subsidy for Britain's domestic whitefish industry intact, nor fresh fish, which had the potential massively to complicate any future negotiations with the Six. As part of this, the toll-free duty would rise from 7,500 tons to 20,000 tons on the proviso that after this point duty would again be payable, while the tariff would be progressively eliminated over ten years. Combined, this was felt reasonable enough to satisfy Norwegian demands and help the November meeting go off without a hitch.<sup>94</sup>

In Britain's defence, this was by some measure a generous offer. Certainly, it led to claims within Cabinet that the government was sacrificing its own fishing sector for the sake of Norway's.<sup>95</sup> In the event, however, the Norwegians disagreed that this was a genuine advance.<sup>96</sup> The risk of complete stalemate then became very real when the British ministers opted to stand firm behind their offer.<sup>97</sup> And developments became perilously close to a full-blown crisis when Arne Skaug, Norway's Minister of Trade, used the ministerial gathering of the Seven to reaffirm his country's opposition to the British proposals. Press reports admittedly downplayed the seriousness of this dispute; according to *The Times*, conversations on frozen fish had 'continued in a gentlemanly manner'.<sup>98</sup> But a memo written to Macmillan on the morning of 20 November captures a more panicked Heathcoat-Amory:

if we cannot settle fish we shall face a situation in which there will be a manifest failure to achieve agreement at this conference because of breakdown on an issue on which we are isolated. As all publicity arrangements for this afternoon have been made in expectation of an agreement we shall be unable to escape responsibility for a public fiasco.<sup>99</sup>

---

<sup>92</sup> Minutes, (59)1<sup>st</sup> Meeting, 26 October 1959, CAB134/1818, TNA.

<sup>93</sup> Ibid.

<sup>94</sup> "European Free Trade Association," 16 November 1959, PREM 11/2828, TNA.

<sup>95</sup> Minutes, CC(59)55, 20 October 1959, CAB128/33, TNA; "Quick frozen fish. Memorandum by the Chancellor," C(59)163, 18 October 1959, CAB129/99, TNA.

<sup>96</sup> "European Free Trade Association," C(59)168, 13 November 1959, CAB 129/99, TNA.

<sup>97</sup> Minutes, CC(59)58, 17 November 1959, CAB 128/33, TNA.

<sup>98</sup> "Way clear for Free Trade Area," *The Times*, 21 November 1959.

<sup>99</sup> Stockholm to FO, 20 November 1959, PREM 11/2828, TNA.

Right at the eleventh hour, the negotiations seemed perilously close to collapse.

The reasons why Skaug chose repeatedly to reject Britain's offer has been speculated about ever since the November meeting.<sup>100</sup> What emerges from a reading of the British archival material at least is a sense of genuine concern on Skaug's part not about the level of tariffs nor indeed changes to quotas, but the fact that the deal could be subject to renegotiation at any time. Confiding in Heathcoat-Amory, Skaug claimed this fact made EFTA a hard sell domestically. He therefore stayed firm until a still higher figure of toll-free imports of up to 24,000 tons was agreed to – crucially, alongside wording justifying Britain's right to reimpose the tariff only in very limited circumstances. Whatever the reasons behind Skaug's decision, what probably matters more in the context of this article is what the same archives reveal about the relative impotence of the British to resist Norwegian demands. During the exchanges with Skaug, Heathcoat-Amory would concede in a note to Macmillan that 'it seems probable that the negotiations on the Convention as a whole would break down if we were not prepared to make some further concession over frozen fish fillets'.<sup>101</sup> Few comments better reveal how much ground the British kept on having to give for each of the Seven to sign up to the Convention. Having done so, EFTA, finally, became a reality.

## Conclusion

The last-minute intervention by Skaug captures well the broader story of the EFTA negotiations. For the negotiations to succeed, the British were constantly obliged to offer side-payments, the absence of which officials acknowledged would probably spell the collapse of the talks and, with it, the only viable and available venue short of full EEC membership that existed for arranging the UK's relationship with the continent. Although scholars are doubtless correct that EFTA emerged swiftly, this fact ensured that the Stockholm negotiations were not without complication. If anything, such urgency fundamentally weakened the ability of British ministers to counter the demands of the smaller EFTA members if it meant undermining progress towards an agreement.

While never voiced explicitly, the timing of the requests suggest that Britain's partners were at least conscious of this predicament and the opportunities it presented. The importance of the Anglo-Danish agricultural discussions is, as mentioned above, already well known; what has remained unclear is why the Danish raised the agricultural issue when they did. ~~What To this end,~~ the discussion above ~~indicates suggests is~~ that the Danish could only ever really have got the British to talk about agriculture and grant the sort concessions they eventually did while Denmark's involvement in a smaller FTA was in doubt. This diplomatic ruse would by contrast have been much less toxic as negotiations continued apace and the Danish government and its Scandinavian counterparts became embedded in the Association. The opposite was true for Portugal. That Britain had little time for the peripherals

---

<sup>100</sup> Sommerfelt, "The creation".

<sup>101</sup> "Stockholm conference," ES(EI)(59)167, 24 November 1959, CAB 134/1874, TNA.

was well established, and it was not unreasonable to suspect that ministers would have been totally dismissive of Portugal's involvement had Lisbon sought to raise its concerns earlier in 1959. Instead, de Oliveira and Guerra were quite cunningly able to use the Anglo-Danish agricultural settlement as a precedent from which to have the British address their own agricultural interests. So too was the opposite true for the Norwegians. In fact, when the Norwegians first formally raised the matter back in June, Heathcoat-Amory had argued against offering anything on fish for political reasons. With British inaction likely, the only real choice available to Norwegian ministers was to interject right at the last minute, at a moment of maximum vulnerability, when press attention was at its most intense and when what the British stood to lose was at its starkest.

While Britain monopolised the group economically and politically, in other words, this did not mean that others in EFTA's ranks were bound by small state constraints and passivity. So long as Britain saw a grouping of the Seven as benefitting its own interests vis-à-vis the European integration process, then this offered its partners leverage. But the level at which such influence was applied is also noteworthy. Ministers may have flown in to fix the broader agenda and resolve the often-niggling technical questions which beset the negotiations, but it was officials who undertook much of the legwork and thrashed out the contours of political compromises. Their importance to the origins of EFTA is thus hard to overstate. Certainly de Besche and Sommerfelt -were crucial when ministerial decision-making was found wanting. Most striking for the British perspective however is how often officials, eventually joined by the likes of Maudling and Heathcoat-Amory, felt able, or perhaps compelled, to move beyond the mandate agreed to by Cabinet. Once made, it was then almost impossible for ministers to row back on concessions.

Accepting this contributes to understanding of quite how much a price the British had to pay to create EFTA. Financially, few of the compromises reached were costly in the short-term at least. Taken together, however, their political weight was not trivial. Rather, it is possible to see the Stockholm negotiations as bearing witness to a certain humility being inserted into British European diplomacy, a period during which, bit by bit, policymakers learnt that concessions were essential to avoid EFTA suffering the same fate as the FTA. It was a lesson that ensured the Stockholm Convention initialled in November 1959 was decidedly different to the one which the British had envisaged just months earlier.