

'Britain has "no allies"' from Der Spiegel (23 March 1984)

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Britain has ‘no allies’

Uncompromising as ever, British Prime Minister Margaret Thatcher has torpedoed the latest EC Summit in Brussels, thereby plunging the Community into an unprecedented crisis. Furious Europeans have been urging UK withdrawal, but an EC split would benefit no one — not even the British.

The scene of the drama was the little Chateau of Val Duchesse outside Brussels — where, in June 1956, the Community’s six founding countries had hammered out the common agricultural policy — and the atmosphere at the Summit was gloomy.

Of the ten Heads of State or Government who met there last Monday evening for dinner followed by informal discussions, one — UK Premier Mrs Thatcher — had more to say than any of the others.

In a tone later characterised by one participant as quarrelsome and spiteful, the ‘Iron Lady’ took each of her male counterparts to task, dishing out reprimands and insults and dressing down all who contradicted her.

Not even the German Chancellor was spared. Helmut Kohl’s only transgression had been to speak soothingly of the continuing duty that he clearly feels, as ‘heir to Konrad Adenauer’ and a ‘European politician in the Churchillian spirit’, to work for the development of the Community.

But Mrs Thatcher cut him off. Snapping that she was neither an heir to Churchill nor a follower of the Adenauer tradition, she added: ‘Nonetheless, Chancellor, I am as good a European as you.’

Kohl, who takes a certain pride in being on first name terms with ‘Margaret’, suffered the ticking-off in silence.

Later, he even tried to explain away the British Premier’s incivility. Kohl recalled that, on one of his visits to London, he had been coming down the stairs in 10 Downing Street with Mrs Thatcher and had stopped before a portrait of William Gladstone. He remembered remarking to his host that, as a history student, he had been struck by a quotation from Gladstone [*sic*] to the effect that Britain had neither allies nor enemies, but only her interests.

Since 11.30 p.m. last Tuesday, when the Brussels Summit broke down and embitterment descended across Europe, Britain has certainly had enemies and knows exactly who they are: her nine partners in the Community to whom she feels bound only in a sort of love-hate relationship and who, for their part, regard their cross-Channel sibling as a member of a slightly different species and not infrequently as ‘perfidious Albion’.

Europe has reacted angrily to Mrs Thatcher’s obstinacy in insisting on endangering a patiently constructed agreement to stem the crazily spiralling costs of the common agriculture policy — all for the sake of half a million Deutschmarks.

Flamboyant Greek Premier Andreas Papandreou vented his wrath on the very night of the calamity, declaring: ‘It would be a relief to Europeans if Britain were to withdraw from the Community.’

Infuriated that his negotiating skills had hit a brick wall in the person of the British Prime Minister, French President of the Council François Mitterrand remarked that, while a ten-member Europe was desirable, it was not essential.

The following day, French Government spokesman Max Gallo made the unprecedented comment that the Council Presidency was free to invite only six Member States, rather than ten, to summit meetings. London was quick to riposte, announcing that the Cabinet would decide whether or not to put an immediate block on all contributions to the Community.

Last week, Mrs Thatcher lacked the courage to go quite that far — and, on the Continent, too, efforts were being made to assess the damage soberly and to talk of holding an extraordinary summit rather than contemplate the demise of the Community of Ten. Yet all were agreed on one point: as Italian Premier Bettino Craxi put it, nine nations had ‘crashed headlong into a wall of stubbornness’.

As always when Europe is plunged into either euphoria or dismay, a rash of historical comparisons has broken out: ‘Margaret Thatcher ... clearly had the Falklands in mind, rather than Waterloo’, commented the *Süddeutsche Zeitung*. And in Paris the right-wing daily *Le Figaro* rejoiced that the Socialist Mitterrand had failed in his attempt to ‘rid Europe of its Trojan horse — perfidious Albion’.

In England, however, the Conservatives were jubilant, particularly as victory was also in the air on the football front. ‘Britain 6 Europe 0’ was the triumphant headline in the *Daily Express*, reflecting British teams’ successes in the three major European soccer competitions.

In fact, there was a deal of truth in the verdict of the strident and notoriously anti-EC daily on the state of a Community that had failed so spectacularly in what François Mitterrand had called its ‘moment of truth’. The *Express* commented that, in the course of its 26 years, the Common Market had leapt directly from infancy to dotage and currently resembled not so much an engine of progress as a monument to futility.

The vision of the those campaigners for unity: Schuman, De Gasperi and Adenauer — who against the backdrop of World War II believed that Europe would inevitably integrate — has long since faded. It has been obliterated by a selfish nationalistic pursuit of profit.

The hopes and dreams have been crushed by the brutal reality: swamped under milk lakes, buried beneath butter mountains. European integration has faded into a misty distance, effectively lost from sight behind the red tape of market regulations.

For many years, EC politicians have been unable to agree on a common approach to managing economic cycles, a common trade policy or the harmonisation of domestic legislation to which the Community committed itself in its founding treaties, never mind the alignment of tax laws.

The achievements of the Common Market — creation of a single customs area and the market for agricultural produce — have not been what the Community’s founders expected, namely first steps towards political unity. Probably, that was always a forlorn hope.

For political integration would have required European considerations to take precedence over the specific interests of the individual countries. Instead, what we have experienced has been a poker-school Community, with each member trying to profit at the others’ expense and all making hypocritical appeals to a supposed common interest.

The dictum of German nationalist historian Heinrich von Treitschke — referring to the old German Empire that collapsed in 1806 — has thus proved true for the daring and futuristic experiment of the Common Market: ‘In no state in the modern world have so many persistently portentous lies been told for official reasons.’

Even after the Brussels debacle, the cant continued unabated, as Germany’s Foreign Minister Hans-Dietrich Genscher enthusiastically urged that the Community should be more than a mere ‘mutual insurance society’ — as if it had ever been one! He wanted to see it become a ‘Community of destiny’ — something it has never been, however glorious the image.

Together, the EC Member States form the world’s major trade bloc. EC citizens from the Faroes to Rhodes account for around 30 % of the GNP generated throughout the industrialised West and finance some 50 % of Western governments’ aid to developing countries.

But — and it is a major but — the Community is foolish enough to distribute 65 % of its earnings to 8 % of

its working population, namely its farmers. And, as a result of such lunatic generosity, this mighty economic power now stands on the brink of bankruptcy. While the lamentable decline has certainly been aggravated by Britain's entry to the EC and by the rows involving the British Prime Minister, these factors by no means caused the problem.

For eight years, the egocentric French President, Charles de Gaulle, had repeatedly placed new and humiliating conditions in the way of British entry to the EC and even, ultimately, on the opening of talks about entry: he insisted on changes in British industry, in Britain's links with the USA, in the British way of life and, to cap it all, in British food — *la nourriture*.

And Britons themselves were clearly divided on whether they ought to seek membership or not. In fact, the only reason even to contemplate joining a 'Continental' Community was the recognition that Britain could no longer sustain its role as a world power and that its creaking industrial apparatus was steadily losing ground to modern cross-Channel competition.

As an initial response to the EC, Britain set up what Walter Hallstein, first President of the European Commission, referred to as a 'tactical combat unit' in the form of the European Free Trade Area (EFTA). This, however, posed no real challenge to the Community, whose Member States included Europe's strongest industrial nations. For Britain, there was only one solution: to swallow its pride and join.

On 1 January 1973, three additional flags — British, Irish and Danish — were finally hoisted outside the European Commission building in Brussels. After years of haggling, the Community had expanded from six to nine members. Weathering all opposition, the Conservative Prime Minister Edward Heath (who was to be toppled from the party leadership by Mrs Thatcher two years later) had pulled off British entry.

European mistrust of the newcomer did not facilitate matters — and the French, even after de Gaulle, were major culprits in this respect.

A long-serving French Commissioner recently expressed the view that there were two key dates in European history. The first was 18 June 1815 when, at Waterloo, Britain had ended the 'first serious attempt to unite Europe', and the second was 1 January 1973 when, by joining the EC, it had thwarted the 'second serious attempt to unite Europe'.

Well-meaning and credulous Europeans hoped that Britain would make the Community more cosmopolitan and wiser in the ways of the world, perhaps even helping the organisation along the road to political responsibility. But the first test made it obvious that, far from injecting fresh impetus, Britain could be expected only to produce fresh demands and continuing obstinacy.

In late 1973, when Arab oil producers turned off the tap to Western countries, there was no question of a decisive EC response. Instead, each Member State elected to beat its own weary path through the sand to the oil wells of the Gulf.

The haggling about subsidies and contributions within the Community was kept in check so long as those who held the reins of power in London were prepared to cooperate and compromise, as were both Edward Heath and James Callaghan. Then Maggie arrived, and the chill set in.

Even in the field of international relations, the new head of government believed in applying the same simple but unfailing principles that had served her father behind the counter of his grocer's shop in the small town of Grantham, near Nottingham: no one should live beyond his means; one does not get into debt; and commercial interests come first.

Thus, even in matters European, there was but one truth, of which the custodian (unfortunately for everyone else) was Margaret Thatcher.

Because her concern was to defend Britain's rights in trade with foreigners, she also knew that striking a

tough pose abroad could only earn her Brownie points at home.

For the sight of a British leader bravely taking on the enemy — and, specifically, a European enemy — never fails to excite patriotic zeal: ‘Europe’, as the island nation calls the rest of the continent, is still a distant presence on Britain’s horizon. It is not unusual for news from neighbouring European countries to appear in the ‘Overseas’ section of British newspapers.

And the European Community could not be less popular in the UK. According to a Marplan Institute poll conducted two weeks ago, a comfortable 55 % majority would like Britain to pull out again, thus putting the venerable Westminster Parliament firmly back in charge.

In a radio debate on Tuesday and Wednesday of last week, to which 7 000 listeners phoned in, three out of four advocated British withdrawal from the EC.

The attitude towards France has recently been just as poisonously chauvinistic as the French attitude to Britain. ‘Hop off you frogs’, read a recent headline in the *Sun*, attacking the French — and this from the media organ of a gastronomic Third World country — for eating frogs’ legs.

Hundreds of thousands of *Sun* readers sported the Francophobe message on lapel badges distributed free with the newspaper. Meanwhile, in the rarefied intellectual atmosphere of the Oxford Union, Britain’s young academic elite recently debated the motion ‘Better dead than French’.

The seething anti-Europeanism in the country comes at the right time for Mrs Thatcher, giving her the sort of advantage that she needs, especially now.

For the glory that she acquired as victorious commander in the Falklands War — sacrificing 258 British subjects and £700 million to keep the Union Jack flying over the rocky south Atlantic island, initially without generating any disaffection on the part of her chauvinistic supporters — is slowly fading.

Today, many Britons wonder whether it makes economic sense to shell out hundreds of millions annually for this distant relic from the splendid days of Empire at a time when they are being denied publicly funded (and often essential) services.

The rigorous programme of spending cuts pursued by the dyed-in-the-wool monetarist Mrs Thatcher resulted in 5 000 staff posts being lost in the state-run health service. Housing benefits on which one in four British families depended have been axed. As part of her crusade against the greedy all-powerful state, she has also introduced rate capping, forcing many local authorities to cut their services drastically.

The Tories’ almost wilfully provocative plan, advanced in the name of national security, to make all staff at GCHQ Cheltenham (the intelligence service headquarters) quit their trade unions in return for a one-off payment of £1 000 (just under DM 400) has rekindled the enmity between Government and workers and resulted in a series of strikes.

The Labour Party, internally divided and badly battered in elections last June when Mrs Thatcher dealt it one of the worst defeats in its history, has recovered. Slowly but steadily, it has regained popularity to the point where, in a recent Marplan poll of voter preferences, it actually outstripped the ruling party by three points.

On top of all this, the personal integrity of the Thatcher family has been called into question for the first time. Son Mark was adviser to a British construction company for which his mother landed a billion-pound contract to build a university and hospital in the Sultanate of Oman.

With her characteristic brusqueness and arrogance, Mrs Thatcher refused to explain herself before Parliament, prompting even the normally sycophantic *Times* to suggest — given the ‘unwelcome fact that there was [...] an appearance of conflict between public duty and private interest’ — that the Prime Minister should have been more forthcoming.

But Margaret Thatcher's self-certainty, bordering on egomania and brooking virtually no doubts or criticism, is a mark of her leadership style and an aspect of her personality.

In British society, thoroughly conservative as it is, although disconcerted by the disintegration of the modern world, this clearly unshakeable belief in herself and her own principles enabled her to do what no woman had done before: to rise to the highest office of government — as leader of a party that is essentially a big male club.

In some people, imperious posturing and an undisguised need for admiration might actually mask insecurity or self-doubt — but not in Margaret Thatcher. Even in her own nightmares, she emerges victorious.

She recently told a group of schoolchildren who were allowed to interview her in a TV studio that, when she had difficult political decisions to make, she experienced a recurring bad dream in which she needed to catch a train but her feet were trapped by lead weights. This scared her, although she knew at the same time that all would be well, for, at the end of the dream, she always found herself sitting in the moving train.

This, in a nutshell, is her philosophy: with sufficient hard work and willpower you can accomplish what you want to accomplish — and the fact of being a woman, at least for Maggie Thatcher, is entirely secondary.

Mrs Thatcher learned this belief in the ultimate triumph of uprightness as a child growing up in a strict Methodist household. Yet she never assumes a pious tone — unlike, for example, the distinctly pious Jimmy Carter — and, indeed, would deem it an unpardonable weakness to discuss her personal relationship with God in public.

For her, honest individuals are those who stand on their own two feet, needing neither institutions nor the state. Such is the credo of a section of the middle class to which Mrs Thatcher, a graduate in chemistry and law, belongs, and one she has never disowned.

It is the class of small businessmen, white-collar workers and shop owners whose hard graft made Britain great and who — as Mrs Thatcher sees it — have been sorely squeezed in recent decades between Labour's Socialist agenda and an impenetrable hierarchy of privilege on the Tory side. Margaret Thatcher has taken up the standard of this class, and, if anyone has benefited from her tough economic policy, it is surely the people of Middle Britain.

After her 1983 election victory, she dropped several representatives of the old ruling class from her cabinet, replacing them with ambitious self-made men and women like herself. Although achieving this shift made her enemies in her own camp, it also whetted her appetite for battle — be it against hardened trade union shop stewards, dictatorial Argentinean generals or unruly though comparatively weak-willed males at the head of EC states.

Year on year since she has headed the government in London, Mrs Thatcher has pestered her counterparts at European summits with her demands. Insisting aggressively that the Community reimburse a substantial chunk of Britain's contributions, she has repeated her monotonous catchphrase: 'I want my money back.'

Her European partners have been unable to refute the logic of the requests that Mrs Thatcher has, to date, successfully forced through since 1980, for, on a scale of prosperity in the ten-strong Community, the island Kingdom in north-western Europe ranks seventh, just ahead of Italy.

This, however, is irrelevant under the Brussels accounting system. Britain is the only Member State, apart from comparatively prosperous Germany, that is a net contributor to the Community.

The fact is that Member States' contributions are based not on their wealth but primarily on the level of their agricultural imports and on their farm produce output. Neither measure favours the UK.

Britain continues to import relatively cheap foodstuffs in increasingly large quantities from non-EC countries such as New Zealand, Australia and South Africa. These imports yield substantial customs revenue, which has to be transferred to the Brussels bureaucracy.

At the same time, Britain's agricultural surpluses are not high — and the Community accountants are, therefore, required to pay only a modest level of subsidies to British farmers.

It is for these reasons that Britain's share of contributions to the EC stands at 23.43 %, while its share of receipts is a mere 13.16 %. It is estimated in Brussels that the British deficit for 1984 will amount to ECU 1.922 billion (the European Currency Unit, currently worth approximately DM 2.24).

It is possible that the real figure is somewhat smaller. Calculating overall payments into and receipts from the Community is an extremely complicated task, and the French, in particular, suspect the British of doctoring their negative balance so as to give themselves more leverage over their partners.

After all, the Budget Commissioner responsible for the calculations is none other than one Christopher Tugendhat, an English Tory.

Yet, whether or not the books have been lightly cooked, and whether or not Britain pays out a few hundred million less than it claims, there is no denying that a system of subsidies such as that operated in Brussels will ultimately generate discord.

It is certainly hard to see why wealthy nations such as the Netherlands or Denmark should continue to be net beneficiaries of the EC while the British go on shelling out. Under the current system, even Portugal, one of Europe's poorest countries, would be a net contributor — clearly an absurdity.

Mrs Thatcher is, therefore, correct when she says that the Community cannot legitimately require any country to transfer money to richer partners, and her calls for reimbursement are no longer disputed by any of her fellow Heads of State or Government. What they query is the level of the rebate demanded.

The French, in particular, put up a fight against what they regard as excessive demands by the British for special treatment. After all, when Britain joined the Community, it accepted the existing system of agricultural subsidies. It may be assumed, or so the French argument goes, that the British Government of the time weighed up the pros and cons of joining with some care.

There is no doubt that Mrs Thatcher's Conservative predecessors did just that. But they could not have been expected to foresee — any more than others in Europe foresaw — how crazily expensive this *dirigiste* agricultural policy would become as it first stimulated and then rewarded the limitless production of surpluses.

As the Germans had done in the 1950s, the British, when they entered the EC, regarded their contributions to the agricultural subsidy system merely as an irksome side effect of membership. Their primary concern was to join forces with industrially advanced Central Europe and not to lose further ground in competition with other medium-sized economies. At the time, Conservatives spoke of the need to galvanise the British economy.

The obstinacy with which the British are currently insisting on a reduction in their contributions may also reflect the fact that, even leaving the agricultural market aside, they — unlike the Germans — have failed over the years to enjoy the economic benefits which they expected from Europe.

The dismantling of customs barriers between the UK and the rest of Europe was much more beneficial to Continental Europeans than to the British. While Britain's industrialists have been only too happy to hide away on their island, other EC countries have been storming the British markets, and, in most cases, ageing British industries have had little response to the impetuous Continental competitors. Whether in the textiles sector, in steel or in consumer durables — the invaders have scored significant successes.

Worst hit has been the antiquated British car industry. Few heads of British automotive plants have managed to withstand the German, French and Italian onslaught. Shortage of capital has prevented decrepit, high-cost production facilities from being modernised quickly enough, and lack of cash has hindered the replacement of obsolete models.

'Imports' — Golf, Mercedes, Fiat and Renault — are increasingly taking over on British roads. Fifty-seven per cent of all cars sold in Britain in 1983 were manufactured abroad. For German firms like BMW and Volkswagen, the UK is now a major export market.

British managers, on the other hand — heavily attached, like their compatriots generally, to tradition — have been all too ready to treat Continental Europe with disdain, even since joining the Community.

The attitude of the marketing department at state-owned Leyland Trucks graphically illustrates this point. Even after Britain became a member of the EC, they continued to focus on cultivating Commonwealth customers, for example in Nigeria, bothering hardly at all with Europe.

Then in the early 1980s, when Third World countries ran out of foreign currency, British Leyland's truck export business virtually ground to a halt because the Midlands firm had done nothing on the European front. In 1983, it sold just 2 700 trucks abroad, whereas, in the 1970s, when its Commonwealth customers still had money, annual sales averaged 10 000.

Meanwhile, the British economy has not been galvanised. In 1981, the European Management Forum in Geneva, which publishes an annual league table of competitiveness, put Britain in 12th place. This year it slid to 14th, well behind countries like Germany (4th), Finland (6th), Austria (7th) and Norway (8th). In terms of productivity, indeed, British manufacturing was placed 17th out of 22.

In 1983, for the first time since industrialisation, the UK imported more manufactured goods than it managed to export. The deficit is expected to total over £5 billion (DM 20 billion).

It is in trade with its EC partners that Britain has lost most ground. In the first three quarters of last year, it was £5.3 billion down, £4.5 billion of it in trade with Germany alone.

So would Britain's best course of action be that called for by the Labour Party in the most recent election campaign and now being steadily urged by the Eurosceptics: namely to withdraw from the Brussels club as soon as possible?

Pulling up the island's drawbridges would be an act of economic adventurism. Getting out of the costly European agricultural system might seem an attractive move, and the Government in London might well calculate that free trade could probably be secured through a series of individual agreements with Brussels. It is true that the remaining EFTA members — the Scandinavians and the Swiss — have paid no customs duties at EC borders since the beginning of the year.

The UK is now so closely bound to Continental European countries, however, that to leave the Community would also cost it dearly. Despite all the difficulties that British companies experience on the Continent, almost 44 % of UK exports now go to the Community. European Commission President Gaston Thorn estimates that 2.5 million jobs in Britain now depend on its membership of the EC.

The most important consideration, however, is the fact that many American and Japanese-owned multinationals have opened plants in Britain in recent years. In 1980, for example, 59 % of US investment in the European Community came to the UK, chiefly to disadvantaged areas including Scotland, Wales and Northern Ireland. American investors made these choices in the sure knowledge that they were building their factories in an EC country. If Britain were to leave the EC, there would be a danger (confirmed in survey findings) that many investors would transfer to mainland Europe.

In any event, it could scarcely be hoped that a company like Japanese entertainment electronics firm Sony would continue to pour millions into a TV manufacturing facility in Bridgend. It is equally unlikely that Ford would go on developing its UK plants which deliver engines, for example, to Cologne.

However high and mighty Mrs Thatcher's posturing may appear, such disadvantages are of a different order to those which she faces as a partner in EC economic mismanagement.

And although the British are right to attack the expensive nonsense of agricultural surpluses in the Community, they themselves contribute significantly to them. This is clearly illustrated with regard to butter production.

In 1974, Britain supplied only 9 % of its own butter requirement. The figure today has risen to over 50 %. As a result, imports have fallen by 300 000 tonnes, and traditional butter suppliers such as France, Denmark and the Netherlands have been virtually squeezed out of the British market.

Farmers in those countries, no longer able to sell to the UK, have had to put their butter into intervention under the EC system. They thus increase the burden on the agriculture budget and improve their countries' position in terms of net income from the Community. Yet the situation was actually caused by hard-working UK milk producers.

This example shows how superficial it can be to express the pros and cons of EC membership in simple income and expenditure terms. On the internal agricultural market, the UK (along with Germany) has actually made substantial gains in recent years. France, on the other hand — the Community's strongest agricultural producer — has lost ground to a surprising extent.

According to a study by Lloyds Bank, Mrs Thatcher's Government would have to subsidise British farming by as much as £2 billion (around DM 7.6 billion) if the country left the EC. The Lloyds experts also forecast that, even if the Prime Minister were prepared to do this, the effect on British farmers of withdrawal would be worse than that of staying in.

Government Ministers in London have also been only too happy to downplay their success in tapping money from numerous EC budgets that are not at the centre of public attention. There is the EC Social Fund, for example, from which Britain receives ECU 300 million annually, equivalent to 30 % of the fund's total resources and the highest share for any EC country. From the Regional Development Fund, the surely not entirely underdeveloped UK draws an annual sum of ECU 250 million. In the ranking of beneficiaries from the Fund, this puts it just behind Italy.

Apart from the economic disadvantages, Mrs Thatcher would run the risk of political isolation if Britain left the Community. Chancellor Kohl is, therefore, convinced that the British Premier is not seriously contemplating withdrawal. The last time that she was asked the question during last year's election campaign, she openly admitted that to leave would be 'catastrophic' for Britain.

Nonetheless, her stance in Brussels last week was so pig-headed and unreasonable that one might have been forgiven for thinking that she had come with the prior intention of torpedoing the crisis summit meeting.

In fact, this time she had underestimated her partners' capacity for resistance. She had been convinced that, three months before European Parliament elections, the other nine partners would not dare refuse her the sum that she was seeking because, by doing so, they would jeopardise Community cohesion.

EC diplomats actually believe that she could have won her case in Brussels — as she has done every year hitherto — had she simply been a little more friendly towards her partners.

Instead, she picked quarrels on all sides — without good reason and, in most cases, unfairly. The atmosphere was already darkening on Monday evening when the ten Heads of State or Government were to have reached the necessary compromise over their evening meal.

Mrs Thatcher stuck stubbornly to her demand that the other nine should grant her a rebate of ECU 1.5 billion. She said that the UK was not prepared, in future, to make a net contribution of more than ECU 500 million to Community coffers.

Belgian Prime Minister Wilfried Martens and Andreas Papandreou, the Greek Prime Minister, asked the British to moderate their demand. Mr Papandreou pointed out that, had the Greeks put up such a selfish argument, Mrs Thatcher would have been the first to accuse them of cheap haggling.

Unmoved, the British Premier countered that, if certain countries were experiencing difficulties, the cause might lie in Socialist mismanagement of their economies. Outraged, Mr Papandreou accused her of seeking to tell Greek electors how to vote. 'That might not be such a bad idea', was her reply.

When President Mitterrand, who otherwise assumed an overtly protective attitude towards the lady from London, asked cautiously whether Britain was actually interested in cooperating within the Community, Mrs Thatcher lost patience entirely, shouting that Britain was not about to withdraw. She recalled that, during the last war, it was the British who had held firm when the Continent was falling apart.

Mr Mitterrand, ever mindful of his dignity and that of his country, suggested that 'Madame' was going too far. Were he, too, to begin dipping into the history books, he could show Mrs Thatcher a thing or two.

Irish Premier Garret FitzGerald complained that, had he known the line Mrs Thatcher intended to take, he would not have agreed to hand over IRA terrorist Dominic McGlinchey to the British. The German Chancellor, meanwhile, made repeated attempts to pour oil on the troubled waters, but all he got for his pains was a dig as Mrs Thatcher reminded him how much it was costing London to maintain the British Army of the Rhine.

By the end of the session, only Commission President Gaston Thorn was still addressing her good-naturedly as 'Margaret'. The meeting ended abruptly at 1.30 a.m., when she simply rose and left the room.

At that moment, Mr Thorn later admitted, he had feared that the British Premier would simply not show up on the following day or would scupper the talks after the first hour. But she turned up and continued to haggle — just as doggedly as the day before. Instead of the ECU 1.5 billion she wanted, the other countries were still, at this point, offering ECU 750 million, although Mrs Thatcher knew they had already agreed to increase the figure to ECU 1 billion.

That sum now became her yardstick: in order to return victorious to London, she had to secure more than a billion. On Tuesday, it looked as though she was nearing her goal. In a private conversation, Mitterrand offered a further ECU 100 million on top of the billion.

But he had overstepped himself. The sum that he proposed had been agreed neither with Bonn, which would have to find the lion's share of it, nor with Italy's Bettino Craxi, who had most fiercely resisted the British demands.

Yet rather than yield, Mrs Thatcher raised the stakes, asking for an additional ECU 150 million. She let it be known that she could settle for nothing less than ECU 1 250 million.

EC diplomats later reported that this naked greed had had a shocking effect on those present. Mr Mitterrand withdrew his own proposal from the table. Instead, Mr Kohl, speaking for all nine partners, made an offer of just ECU 1 billion guaranteed for five years.

Twice Mrs Thatcher requested that the session be suspended so as to allow time for reflection, but the nine stood firm, and Britain was entirely isolated. Only ten minutes before the meeting broke up, Mr Kohl and Mr Genscher were rejoicing, convinced that she would now fall into line, that she would not be prepared to shoulder sole responsibility for the collapse of the Summit.

They were mistaken.