

Transcription of the interview with Sir Brian Unwin (London, 20 May 2015)


Caption: Transcription of the interview with Sir Brian Unwin, a diplomat in the British Foreign and Commonwealth Office from 1960 to 1968, a senior official in Her Majesty’s Treasury from 1968 to 1985, Chairman of the Board of Her Majesty’s Customs and Excise from 1987 to 1993 and President of the European Investment Bank from 1993 to 1999, carried out by the Centre Virtuel de la Connaissance sur l’Europe (CVCE) on 22 May 2015 at the home of Sir Brian Unwin in London. The interview was conducted by Elena Danescu, a Researcher at the CVCE, and particularly focuses on the following subjects: his youth and education, his time at the Foreign and Commonwealth Office (1960–1968), the process of accession of the United Kingdom to the European Communities (1968–1975), the British rebate, the Fontainebleau Summit (1984), the Single European Act and Margaret Thatcher (1978–1987), his experience as Chairman of the Board of Her Majesty’s Customs and Excise (1987–1993), his time as President of the European Investment Bank (1993–1999), Pierre Werner and Luxembourg, and the prospects for the United Kingdom within the European Union.

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1. Youth, education and entry into the Foreign and Commonwealth Office (1960–1968)

[Elena Danescu] In the framework of the research project ‘Pierre Werner and Europe’ and of the ‘Oral History on European Integration’ project, we are particularly honoured to be welcomed in London by Sir Brian Unwin, a key player of the UK’s European accession and the former President of the European Investment Bank. Sir Brian, good day.

[Sir Brian Unwin] Welcome. Welcome to London!

[Elena Danescu] Thank you — we are very grateful to you, and we would like to thank you for the interview you have agreed to give us today, 20 May. Let’s start, if you permit, with a focus on your youth and education. So you were born in Chesterfield and you grew up there. Could you tell us a little about your family background?

[Sir Brian Unwin] I was brought up during the war in a very ordinary household. My father was a senior policeman but he was called away during the war and spent two or three years in France, Belgium and Germany. My mother, at a time of very severe austerity and rationing, stayed at home to bring myself and my younger brother up. And we had a very loving, caring, encouraging family background. I went to a local primary school and I won a scholarship from that school — that’s the junior school — at the age of nine, I won a scholarship to our local, what we call grammar school, Chesterfield School, which was a very very good school, founded in the 16th century — a very good academic school and very good in every way. I only have very very happy memories of school. It was amazing the things we did — academically, sporting; I played a lot of sport. Cricket was a religion in our family; my father had been an outstanding cricketer, so I played cricket from about the age of four. I played for the school at cricket and rugby. At the age of 13 I was directed into classics — Latin, Greek, ancient history — and I went up through the school. I’m amazed at the variety of things we did: the societies, the debating, the literary societies, the school plays, the school outings in the holidays. My very first trips outside Britain were with school camping clubs in France, in Brittany and in the Pyrenees, and I had every encouragement in every way. I look back on a household that was very tight; it was really very very tough for my mother during the war and the immediate post-war years, with rationing and austerity. And at the end of it, I was very lucky to get a scholarship and

achieve a place at Oxford University, at New College, Oxford, to study classics. I'm not sure that I ever chose classics, but I somehow was pushed into it, and I don't regret it.

I left school at the age of 17 — left Chesterfield at the age of 17 — and I went into the army, because in those days we had compulsory national service. And I spent two years in the infantry — it was rather ludicrous, because at the age of 18 and a half, there I was, a junior officer, a second lieutenant in the infantry, with a platoon of 30 soldiers or so, and I was actually posted to Korea. And that was very exciting, but in the end, a few days before I was due to go to Korea, the government decided that nobody under the age of 19 should go, because I think too many 18-year-olds had been killed in the fighting in Korea. So I was taken off the draft to Korea and I spent nearly a year in Germany, in Wuppertal, where my regiment was based.

After that I came back and I took up my place at New College at Oxford, and I spent four years at Oxford and then another year at the University of Yale, the Graduate School of Yale in the United States. I had a wonderful four years at Oxford. I worked very hard — that sounds rather arrogant of me, but my parents had had to sacrifice a lot to allow myself and my brother to carry on our education for such a long time, and so I felt I owed it to them to work very hard and get a good degree at Oxford. But I had a wonderful time at New College — I worked hard, I made a lot of friends, I captained the college at cricket and at rugby so I spent a lot of time playing games, and then I went to the United States and spent a year in the Graduate School at Yale. I was sponsored by the Rotary International Organisation. They gave so many Rotary International Fellowships in those days, and I think there were four in the United Kingdom. And they financed a year's graduate study in another country. So I went to the United States and I spent a year in the Graduate School at Yale, and I had to earn my keep by going around talking to American Rotary Clubs, and that was great fun. And it was very useful practice at public speaking, which came in very useful for me in later years.

While I was at Oxford in my last year, I had my first real taste of continental Europe, because with three friends from Chesterfield, all of whom had gone to Oxford or Cambridge, we got an old London taxi, the old black cab, and we drove across Europe to Salzburg. We went right through France, the Netherlands, Belgium, Germany, across to Salzburg. We intended to go to an opera, but when we got there we found we hadn't enough money to get in any opera. But we had this wonderful trip right across Europe. And I think that I first became conscious of our relationships with the rest of the continent of Europe. I do remember thinking, as we went through the formalities of customs barriers and immigration every time we crossed a border, how nice it would be if we didn't have these formalities and we could just drive straight across.

Anyway, in my last year at Oxford I had taken what in those days was called the open civil service competition. This was for admission to almost the equivalent of ENA in France: if you passed, you became the British equivalent of an *Énarque* — you joined the higher civil service, at a low grade of course, but you were in the higher civil service. You would become an *haut fonctionnaire*. I had taken the examination in my last year at Oxford, partly because I thought to go into the public service was a very honourable thing to do, and partly because it was another exam. Much of my life had been taking examinations to get from one thing to another, and I was successful in the competition for the civil service, and I was posted to what was called the Commonwealth Relations Office, which was the department of government responsible for diplomatic relations with Commonwealth countries. I thought that that would be more interesting than going into the Foreign Office, because we were then in the very middle of the big process of decolonisation. You may remember that the British Prime Minister, Harold Macmillan, had made a very famous speech saying that the winds of change were sweeping through Africa. And what it referred to was the process of giving independence to the

former British colonies. I thought that going to a diplomatic post in a Commonwealth country — and of course that included the great Dominions of New Zealand, Australia, Canada — would be much more interesting than most foreign countries, because the British High Commissions (not Embassies; the diplomatic mission in a Commonwealth country was called a High Commission) really had more involvement and more influence in those countries than it did in most foreign countries. So when I came back from Yale, I joined the Commonwealth Relations Office and started my first job here in London.

[Elena Danescu] The 1950s were marked by a move towards European unification, with the Schuman Declaration of 9 May 1950, the Treaty of Paris in 1951, the Treaty of Rome in 1957 and also by the Cold War between East and West. When the Treaty of Rome was signed, the UK was favourable to the free-trade area but it refused to join the EEC. Were you already interested in European Community issues at the time, and do you remember how these events were perceived in the UK?

[Sir Brian Unwin] Yes. I have to confess that it was not an issue that I had a particular interest in then, nor do I remember it being a main subject of conversation, say, at Oxford, when I was at university there. We were more preoccupied with the Cold War — East and West — and some of the great events during my time at Oxford, political events, were for example the invasion of Hungary by the Russians and the Suez invasion by England and France. I remember joining demonstrations at Oxford against the Suez operation. I remember booing Mr Bulganin and Khrushchev when they visited Oxford and came to my college. I think I was more interested in the East–West struggle and the process of the end of the British Empire, the decolonisation, the granting of independence to countries like Ghana and eventually Kenya and so on. I had that very much in mind when I chose to join the Commonwealth Relations Office, and perhaps going on from that, I spent a few months in London and for a time I became what's called a 'resident clerk' in the Commonwealth Relations Office. I lived in a flat above the office in Downing Street, and as a young official I was on duty weekends and every night with one other resident clerk, when all the communications from around the Commonwealth came in to us and we had to deal with telegrams and telephone calls and so on. So I had a very tough initiation into the life of the office, and got to know people and ministers and officials very quickly.

And I was then posted to what was known as the Federation of Rhodesia and Nyasaland. The future of the Central African Federation, which had joined together Northern Rhodesia, Nyasaland and Southern Rhodesia into an economic federation, was a major political issue here in London [for the government] and for the Conservative Party. I became Private Secretary to the British High Commissioner in what was then called Salisbury, now Harare, in what is now Zimbabwe, and I went out with him and spent three years in the Federation of Rhodesia and Nyasaland. The job of my boss, the High Commissioner, was to try to see whether he could hold the Federation together against the strong wishes of the African populations to get independence and leave it. I spent three very exciting years there as the Private Secretary to the High Commissioner, and I was present at all the key negotiations with the leaders of those countries, who eventually got their independence: Northern Rhodesia became Zambia, Nyasaland became Malawi, and Southern Rhodesia, of course, later declared unilateral independence. And it was an incredibly exciting time for me — I had a very very exciting time in Rhodesia, I then came back to London and I was posted to Ghana, where President Nkrumah, one of the leading African nationalists, was the virtual dictator, but I only lasted for a year in Ghana. I was ill and got various tropical ailments, and I was sent back to London and was given a job in the Commonwealth Office in London. I then transferred to Her Majesty's Treasury. I'd had enough of the diplomatic life — very exciting for a time, but I wanted to stay at home, and the Treasury was the most powerful department in government; I was very lucky to get a transfer to it.

Perhaps I might mention one other thing, which is not really relevant to Europe at all, but I was present at the death of Dag Hammarskjöld, the United Nations Secretary General, in September 1961. To cut the story short, there was a war between the United Nations and the Province of Katanga in the Congo, which had seceded from the Congo under its Prime Minister Moïse Tshombe, and fighting was taking place in what was then called Élisabethville between the United Nations and the Katangese army led by mercenaries — Belgian, South African, Rhodesian — and my boss was instructed to arrange a ceasefire meeting between Prime Minister Tshombe and Dag Hammarskjöld, the Secretary General. And again, to cut the story short, my High Commissioner and I — I just carried the briefcase — went up to a little town called Ndola, in Northern Rhodesia, now Zambia, and we took over the airport building and we set up meeting facilities for a ceasefire conference between Hammarskjöld and Tshombe. We got Tshombe in with some of his ministers from the Congo, and since I was the only person who could speak any French, I looked after Mr Tshombe and his ministers, and we waited for Mr Hammarskjöld to arrive with the United Nations team. It was an incredibly dramatic day — we waited all evening, waiting for Hammarskjöld to arrive, with Tshombe getting more and more suspicious, and round about midnight we were told that Hammarskjöld was on his way. I actually heard his plane overhead, and I heard the pilot talking to the air control officer in the control tower, and so I said to Mr Tshombe, ‘Look, the Secretary General will be here in 20 minutes, so we’ve got to be ready now.’ Then we waited and we waited through the night, and we heard no more. We assumed that Dag Hammarskjöld had decided to turn round and go back for some reason — there were many possible reasons. But the next morning the wreckage of his aircraft was found about nine or ten miles away from the airport, and he was killed, and all the occupants except one, who died later. I think I am the only surviving British official who was actually present on that evening. And the subject has become topical again. There were enquiries at the time: the United Nations enquiry revealed an open verdict, and a British and Rhodesian enquiry said that it was pilot error. But the United Nations have recently decided to reopen the enquiry on the basis of a private commission of enquiry about two years ago, to which I gave evidence. The United Nations have now decided to reopen the enquiry into the death of Hammarskjöld, and I suspect that I shall be asked to give evidence again. As I say, I think I’m the only living — certainly British — witness of the events of that night. So that was involvement in a European issue in a sense, because it was a Swedish aeroplane, a Swedish Secretary General and a Swedish crew, and I think the Swedes would very very much like to establish that it was not an accident and that the plane had been shot down or sabotaged. [My view remains that it was an accident caused by pilot error.]

[Elena Danescu] In 1961, the Conservative Prime Minister Harold Macmillan proposed that negotiations be opened for the UK’s accession to the Communities, and in 1962, the UK was invited to take part in the negotiations on agricultural products. In 1963, General de Gaulle used his veto to oppose British accession, and in May 1967, the UK’s second application for accession met once again with opposition from France. It was only after de Gaulle’s resignation from office in 1969 that real negotiations could be held for British accession. What are your memories of the UK’s first and second applications for accession to the EEC, and of General de Gaulle’s veto?

[Sir Brian Unwin] Well, I think the reaction here was a very cynical one: that’s what we could expect from General de Gaulle, having long experience of his behaviour during the Second World War. I think there was great scepticism, and great concern, insofar as anyone thought about it, and I think in the country generally there was little interest and little knowledge. Our main concern, as I said earlier, was with the process of transforming the Empire into the Commonwealth and preserving our relationships with Commonwealth countries, and not allowing the economic and commercial negotiations with the European Community to damage the relationship with Australia, New Zealand, Canada and so on. So I think there was lack of knowledge, lack of interest, and, insofar as people took

an interest and were informed, they saw this as an economic process, not a political one. I think the idea of the single currency was something that was very remote to most people, and one could not envisage the pound sterling being absorbed into a new currency. And of course, that is the situation we still have, with the United Kingdom outside the euro zone.

[Elena Danescu] The Conservatives won the 1970 general election, and newly elected Prime Minister Edward Heath returned to the question of British accession. On 23 January 1972, at the beginning of the Luxembourg Presidency of the Council of the EEC, the UK signed a Treaty of Accession. The six Member States had become nine. In the 1970s, what was the approach of the Conservatives and Labour concerning the UK's European policy?

[Sir Brian Unwin] I think the support for our membership of the Community was very strong in the traditional Conservative Party, which had always been open and international — again, as I say, seeing it as an economic project rather than a political one. In the upper reaches of the Conservative Party there was strong support. The opposition tended to come from within the left wing of the Labour Party, from people like Mr Tony Benn, who died last year, Michael Foot, who became leader of the party later on; but the traditional Tory Party, even though it had been a party of the Empire in many ways, was in favour of developing our relationship with the European Community. I can't remember particular people ... Harold Macmillan was always strongly in favour, and Ted Heath of course was strongly in favour and regarded taking us into the European Community as by far the greatest achievement of his prime ministership.

[Elena Danescu] Was British accession the subject of a full public debate, or was it just discussed among the elite?

[Sir Brian Unwin] I think it tended to be discussed by a small number of informed people. And that mirrors the situation today. Even though the question of our continued membership of the European Union is perhaps the most important single issue now facing our new government, knowledge about it is really so small — there is so much ignorance and misunderstanding. Before the recent election I spoke at a public meeting organised by our Green Party — I'm not a member of the Green Party, but I agreed to speak at a public meeting which was about the European Union and the environment. I made a little speech, and in that speech I firstly said how important it was in my view that we should remain in the European Union, and secondly I outlined the benefits to the environment in this country that the European Union had brought, through things like the Habitats Directive, the Birds Directive, and so on. And I was very depressed at the level of the subsequent debate and the ignorance. You see, the trouble is that the press, which is dominated by the right-of-centre publications, has always been, if not anti-European, certainly Eurosceptic, and there are so many distortions and misrepresentations, and I think at the time you speak of, only a handful of people had any idea of what the issues were. I do remember talking to people at the time, and the general reaction I got was, 'Well, how can I decide? I don't know anything about this — how can I decide whether it's a good thing that we should belong to and cooperate closely with the European Community or not? It's far too complex for people like us.' So I think that your remark about it being for the elite is really a very accurate one.

2. The United Kingdom on the road to membership of the European Communities (1968–1975)

[Elena Danescu] It was your choice to join Her Majesty's Treasury after the diplomatic service?

[Sir Brian Unwin] Yes. I did so — again, it sounds very arrogant, but I wanted to do some real work! There is some very real and important work in the diplomatic service, but there's a lot of fairly superficial work and time spent entertaining other diplomats and so on. There were also family considerations. My wife's father was an ambassador, so she knew what the diplomatic life was like, and we decided we didn't want to be committed to years and years of travelling and living abroad, not really having control over where we lived and having to send our children away to school. We wanted to settle in this country, and as far as I was concerned, there was only one department in government that I wanted to join, and that was the Treasury. And I was very lucky to manage to get a transfer to the Treasury, so I began a new career in the Treasury.

[Elena Danescu] So you began this career in 1968, and then you served as Assistant Secretary and then Head of the Financial Institution Division from 1972 to 1975. What was the role of this division, and what were your main tasks and duties at this time?

[Sir Brian Unwin] The division was responsible for policy towards and relations with the financial and banking sector. The division was the main intermediary, within the Treasury, with the Bank of England. I was also responsible for what we call National Savings. I was responsible for advising ministers on policy towards National Savings, which was a form of government borrowing and is still very important indeed. I had many crises during that time — in the early to mid-1970s, we had a major banking crisis in this country called the Secondary Banking Crisis. A lot of the secondary banks, investment banks, went bankrupt, and we had to mount an emergency rescue operation. It was in a sense a prelude to the events of 2007–2008; nowhere near so big, but at the time it was a severe threat to the whole banking sector in London. So I had a very hectic time as head of the division dealing with that in the Treasury. We had to mount a rescue operation with the Bank of England and the major clearing banks to stem the crisis. So I spent an awful lot of time on that. I also spent a lot of time on National Savings; in a sense, I was the Treasury frontman for National Savings — I used to go to their conferences and make speeches and so on, on behalf of the Treasury.

I also got my first direct involvement in European Community affairs. I was head of the small delegation that represented us in the negotiations on banking harmonisation. I led a small team with advisers from the Bank of England, and every few weeks I used to go to meetings at the Commission, and this was really my first introduction to negotiation in the European Community — in this country you just called it the 'Common Market' in those days. It was a wholly novel experience to me. I was used to negotiating in Whitehall, because the Treasury chairs many of the interdepartmental committees in Whitehall, so as a Treasury official you're used to chairing working parties and working groups on many subjects. But it was the first time I'd sat round a table with my French and German and Dutch and Italian colleagues, and it was a very sobering experience. We had meeting after meeting going through the fine details of what was necessary in order to start harmonising the regulation of banking throughout the then European Community. I was doing that at the same time as we were coping with this Secondary Banking Crisis in London, and I'd already formed the view that the informal system of banking regulation that we had in this country was no longer good enough. The City of London had changed; we had many American banks coming in, new investment banks, and the traditional form of regulation, which was informal by the Bank of England — they used to say that the banking system was controlled by the eyebrows of the Governor of the Bank of England — was no longer good enough. I was convinced that we needed statutory banking legislation in this country, and the committee on harmonisation of banking law in Brussels added to my conviction, because I then realised that if we were to join the European Union — we were not members by then

— if we were to join, we had to have statutory banking legislation in this country, because there were many areas, such as the authorisation of banks and finance houses, the regulation of who is competent to be a director and that sort of thing, which had to be on a statutory basis. So I very strongly urged ministers in the Treasury to move towards a system of statutory banking regulation. It was necessary for the good of our banking sector here, and it would be absolutely vital for when we joined the European Union. This was not very popular with the Bank of England, because the Bank of England had traditionally been the informal regulator of the banking system and they didn't really think that they needed to have legislation to support them, but I strongly urged that, and in due course in the 1970s, the government of the day introduced banking legislation. So I think that my division in those years — 1972 to 1975 — really initiated statutory banking legislation in this country.

[Elena Danescu] So in the 1970s at European level, the period coincided with the European revival following the 1969 Hague Summit, which led to the drafting of the Werner Report that laid the foundation for EMU and the single currency. Do you remember how the Werner Report was received in British political, financial, banking and academic circles?

[Sir Brian Unwin] My memory is very scant. At that time I certainly had been more concerned with other matters — decolonisation, the end of Empire, the Cold War with the Russians, the threat of nuclear warfare — and I took no direct interest in the growing movement and negotiations over the Common Market. Particularly when I was in the Commonwealth Office, our greater concern was with the effects that it might have on Commonwealth countries, for example on New Zealand agricultural exports and New Zealand lamb. That was my main concern, and my memory is that when I was still in the diplomatic service the many telegrams that one saw which were copied round to all the Commonwealth diplomatic posts related to these implications for the Commonwealth. I think that the whole enterprise was definitely seen as an economic and trading enterprise, not a political one. And I don't think at that stage, when sterling, though much less important, was still an important international currency, there was any thought at that time that sterling would, as it were, be abolished and absorbed into a single European currency. But I didn't take a great interest in it, I have to admit.

[Elena Danescu] British membership of the EEC was a key issue in the run-up to the 1974 election, which saw Harold Wilson arrive at 10 Downing Street. On 1 April, Foreign Minister James Callaghan triggered a crisis when he demanded a renegotiation of the terms of Britain's Treaty of Accession, calling for amendments to the common agricultural policy and a reduction in the British contribution to the Community budget. This request led to the Dublin Agreement, and Wilson put renegotiated terms to a referendum which was held on 5 June 1975 and confirmed public support for EEC membership. What are your memories of the reaction to Callaghan's request in the Member States, and how did the British delegation prepare for these negotiations?

[Sir Brian Unwin] I can't tell you much about the preparation, because I wasn't involved in that. I don't think it was as well organised then as it has been in later years, because the coordination of our policy on the European Union — which I think is as efficient and strong as in any other Member State — for some years now has been done under the Cabinet Office, with a special secretariat in the Cabinet Office. But going back to the Wilson referendum and the Callaghan initiative, I think that in order to persuade people in this country to agree to greater cooperation with the European Union, you have to show that you're tough, and that you have demands which are going to be met. And I think the common agricultural policy has always been the main object of attack in this country. It was felt that it was far too biased in favour of the French, the Italians, the olive growers, the farmers, Bavarian farmers, and so on, and that since we had, at that time, a much more efficient agricultural industry, which accounted for a much smaller percentage of employment in this country, by signing up fully

and remaining in the European Union, we were being disadvantaged, because so much of the budget was being spent on the CAP. At that time something over 70 % of the budget went to the CAP and we got very very little out of it. And we thought we were penalised because our industry was more efficient. So we had to show voters in this country that we were being tough and we were going to make some changes — which is exactly what is happening now, and we'll come back to that later. In the end, as you were suggesting, we negotiated and we got some concessions, and Prime Minister Harold Wilson went to the country and said, 'We've won a great victory, we've got a lot of concessions, I now recommend that we should stay in the European Union,' and the vote went in favour. But at the time, he gave members of parliament or members of his party liberty to campaign against it, and people like Tony Benn and a very important Secretary of State, a man called Peter Shore, and Michael Foot and others, although they were members of Harold Wilson's government, campaigned against staying in the European Community. But the vote was won and the Prime Minister was able to persuade the country that he'd got a good deal and he'd won some victories. And that, of course, is the challenge that now faces Prime Minister Cameron.

[Elena Danescu] The referendum in 1975 is of particular interest today in the light of David Cameron's pledge to hold a referendum on the UK's EU membership following his re-election on 7 May. This is a cause of great concern for the country's pro-Europeans. What is your view on this issue?

[Sir Brian Unwin] I am not in favour of referenda, except if you have a really very major constitutional issue. I think that if you elect a parliament, you elect a government democratically, it's for them to govern, and if you don't like their policies, you throw them out at the next election. I think referenda are so aleatory: you never quite know what the result will be. As we saw in the French referenda, the Danish referenda, the result may not have much relevance to the issue at stake, so I'm not in favour of a referendum. I think that if there were to be major changes within the European Union, for example if a new treaty were proposed which made a radical change in the relationship between Member States and the Union itself, then there might be a case for a referendum. But I think calling a referendum like this is a very risky business. But anyway, the new government are committed to it, and all the latest reports suggest that it might be held next year, in 2016. The Prime Minister is committed to 2017, but there is great pressure to hold it earlier; our right-wing party, the United Kingdom Independence Party, are arguing for a very early referendum, and they simply want to get out — they don't want to do a deal, they just want to get out. Mr Cameron's position is that he wants to seek some important reforms. Now, there are many problems on this: firstly, we have no idea, really, of what those reforms are. We know that there cannot be any treaty change. There are certain issues which he's indicated he would like to get some change on: one is to get the United Kingdom excluded from the commitment in the treaty to 'ever closer union'. Well, I don't know, there is talk of having some sort of protocol which would include some sort of interpretation which would say that the United Kingdom is not totally committed to this, and that may be negotiable. Clearly, he will seek some change on the rules on benefits for immigrants coming in, particularly from the Central and Eastern European countries — Romania, Bulgaria and so on. There is talk of eliminating bureaucracy and reducing the amount of controls and regulations, and indeed I think the Commission are looking at that already. Mr Timmermans has been charged by the President of the Commission to look at that area. But it's very unclear exactly what it is that our Prime Minister wants to achieve.

So we shall have a referendum next year or in 2017, and I think the outcome is very uncertain and dangerous. My present belief is that with a bit of help from Chancellor Merkel, perhaps the Dutch and one or two others, it might be possible for the Prime Minister to get some sort of reform that, like Harold Wilson in 1975, he can bring back to the country and he can hold up a bit of paper and say, 'I've been very tough with those people across the Channel and I've got some reforms, and on the

basis of these, I recommend that you should vote to stay in the European Union.’ At the moment, if I had to bet on this, I would bet that the outcome of a referendum will be in favour of staying in. I think people, particularly in business and finance, are getting very worried about the prospect of leaving the European Union. I heard on the radio this morning that the President of what we call the CBI, the Confederation of British Industry, which is a very powerful representative body, is going to make a speech tonight in which he says how important it is to stay in the European Union. I think that despite the wave of Euroscepticism in this country, the polls, the *sondages*, still show, across the country generally, a majority for staying in. And it’s possible that people will get more and more worried.

My own view is of course that it would be disastrous to leave, for all kinds of reasons — not just economic, but for wider political reasons. But I’m very worried and I’m very sorry that the Prime Minister is so committed. But he is under huge pressure, both from the Eurosceptics, the right-wingers in his own party — many of whom just want to get out; they won’t listen to any arguments, they just want to get out — and the new party, UKIP, which only has one Member of Parliament but which got 12 % of the total votes in our recent election. And their sole policy, really, is to leave the European Union as quickly as possible. So I very much hope that the Prime Minister can do what Harold Wilson did in 1975 and persuade the country that he’s got some useful concessions, and get a vote to stay in. But it’s a huge threat to this country. And if we were to have a referendum which voted to leave the European Union, it would provoke an absolute crisis with Scotland. There is no doubt that Scotland would then leave the United Kingdom. Quite how I don’t know, but Scotland is very much in favour of the European Union and would not be committed by a referendum vote to leave. They’d seek a separate arrangement. So I’m very much concerned, but on balance I would hope that a referendum can be won — won in the sense of staying in the European Union. But it’s a curious repetition of Harold Wilson in 1975.

3. The British rebate, the Fontainebleau Summit (1984), the Single European Act and Margaret Thatcher (1978–1987)

[Elena Danescu] In 1978, you became Under Secretary in charge of the Treasury’s Central Unit, with responsibility for management of the budget. From 1983 to 1985 you served as Deputy Secretary responsible for international finance, including European Community financial issues and international debt policy. In 1985, you were appointed Deputy Secretary in charge of the Economic Secretariat in the Cabinet Office working closely for the Prime Minister, Margaret Thatcher. What major issues did you work on at this time?

[Sir Brian Unwin] Perhaps I could just go through those in order and say a little about them. From 1978 to 1980–1981, I was indeed Head of what was called the Central Unit in Her Majesty’s Treasury. I was really the Chief of Staff to the Permanent Secretary, and in a sense to the Chancellor. My main job was as Managing Director, in a sense, of the whole budget operation. I think budgets in this

country are a rather more ceremonial and bigger event than in many other European countries. There is great ritual attached to the annual budget, and sometimes we have more than one budget. My job was to produce the budget — to plan the budget, the timing of the budget, to coordinate the activities of the Budget Committee, because you have an input from the taxation departments, the revenue, the customs, the Bank of England and the economists. My job was to manage the whole budget operation and to produce the budget speech. So I had, again, a very very exciting time. And it was more exciting because the government changed in 1979. The Labour Government under Mr Callaghan resigned and was defeated in the election, and Margaret Thatcher became Prime Minister. I had the job of producing a budget for the Labour Chancellor of the Exchequer, Denis Healey, and one week later we were producing a Conservative budget [for Sir Geoffrey Howe], because there was a radical change in economic policy. When Mrs Thatcher came in, the whole emphasis shifted from demand management Keynesian policies to monetary policy. Economic policy would rest on control of the money supply. So in a very short space of time, I had to help produce one budget for a Labour Government and then a few weeks later for a new Conservative Government. We prided ourselves, in the Treasury, as impartial civil servants, on being able to serve both governments in that way. And that was a very exciting time for me, and of course I worked very closely for the different Chancellors of the Exchequer.

I then moved on to become Deputy Secretary in the Treasury in charge of international and European affairs. I spent a lot of time on international debt issues. I was a member of a G5 ‘debt deputies group’, and we used to meet in Washington, Paris and elsewhere trying to sort out the problems of Argentina and Venezuela and other countries with debt crises. But my main time was spent on the negotiations on *le problème budgétaire*. My French friends referred to it as the ‘British problem’. I said, ‘It’s not the British problem, it’s just *le problème budgétaire*.’ I actually gave a lecture to ENA in Paris; I think I was the first senior British official to go into the lion’s den and give a lecture on the budget problem to the *Énarques* of ENA. It was a very intimidating occasion, I can tell you. My part of the Treasury was responsible for the Treasury role in the negotiations on trying to obtain a rebate mechanism for the British budget contribution. I attended many Ecofin Councils, European Councils, I travelled with the Chancellor of the Exchequer and often with the Prime Minister, and I was actually there all night at Fontainebleau, in 1984, with the Prime Minister, Margaret Thatcher, when we finally got our rebate mechanism, which we still have today. And again, that was a very exciting time, which brought me into close contact with the Prime Minister.

I then left that job. A feature of the higher civil service in our country, which is probably the same in many countries, is that you switch from job to job; you find yourself spending two or three years negotiating on European financial affairs, then you go to a totally different job. I became Deputy Secretary in the Cabinet Office in London, responsible for all the economic and domestic policy committees of the Cabinet. In that job, I saw a very great deal of the Prime Minister, because she chaired the main Cabinet committees. I was responsible for briefing the Prime Minister for those committees, for producing the minutes, organising the follow-up. I normally sat next to the Prime Minister at these meetings, and of course there was a whole range of policies and issues. One of the biggest issues concerned — I’m sure you wouldn’t recall this at all — the Westland helicopter crisis, where there was a crisis in the Cabinet which nearly brought the government down and led to the resignation of the Secretary of State for Defence, Michael Heseltine, and of the Secretary of State for Industry. The question, in brief — it wasn’t really a major one, but it became a major political issue — was whether Britain should buy new military helicopters from the United States or whether we should join a European consortium for a new helicopter built, a bit like the European Fighter [Aircraft], by a combination of British and German and French companies. And it very nearly brought down the Prime Minister, but it ended with the dramatic resignation of the Secretary of State for Defence, Michael Heseltine, who was a great challenger to Margaret Thatcher. I was actually at the Cabinet meeting and I took the minutes when the Secretary of State, Mr Heseltine, at the end of the

Cabinet meeting, got up, closed his folder and walked out of the meeting in a very dramatic way, and then resigned. So in that job I was involved — as a spectator, an official — in many of the big economic and political issues of the day, and saw the Prime Minister at very close quarters.

[Elena Danescu] You mentioned the election of Margaret Thatcher as Prime Minister. Could you describe her personality and her working methods?

[Sir Brian Unwin] She was a very powerful personality, a very intimidating personality. You had to be extremely careful. If your face fitted and she got used to you, you were OK, and you became, as it were, part of the furniture. And you could even argue occasionally. But she was a lady of very determined views; it was said that she'd usually made her own conclusions before each meeting. But she was an incredible hard worker. She read everything, she mastered the detail. I remember, I would submit a brief for, say, a Cabinet committee meeting; I would sit next to her and she would have, in her folder in front of her, the brief that I had put up, and it was all underlined and highlighted. And I thought, 'Golly, she's read it all.' But you had to be a little careful. She could make very instant judgments on people, and if at the first meeting with her your face didn't fit or she didn't like you or you couldn't answer her questions satisfactorily — and it was very intimidating, if you were called over to Number 10, facing the Prime Minister — and she fixed her eyes on you and fired questions at you, it wasn't easy to reply in a satisfactory way. But she made rapid judgments, and perhaps was very unfair to some people, because on first acquaintance they didn't perform well so she tended to dismiss them; she didn't want to see them again. I think I was lucky. I wasn't, as it were, a blue-eyed boy, by any means, but I was accepted. And I could even argue occasionally, and she read my briefs, and I accompanied her on a number of occasions to European Councils and bilaterals with Mitterrand, Kohl and so on. And I survived. Like the French Revolution, *j'ai survécu!*

A great strength in the European negotiations, and particularly in the negotiations that culminated at Fontainebleau, was her mastery of the detail. I think she was very much better at that than Mitterrand or Kohl. Curiously enough, she got on very well with President Mitterrand, which is very odd, because she was right-wing, and Mitterrand, of course, was a socialist. But they had a very good ... they respected each other. She had no time for Helmut Kohl, because he wasn't very good on the detail. I remember being at various European Councils when the Heads of Government met on their own — officials were not allowed in when the Heads of Government met on their own — and we used to sit in the delegation room waiting for the Prime Minister to come out and tell us what had been agreed. I remember sometimes she came out and she spoke in very very critical terms of that 'big fat man who doesn't know his detail' and so on. But I think through sheer persistence, through mastering the detail and the numbers, and threatening — I'm not sure she threatened to hit them with her handbag, but she was very forceful — she won the British rebate. And although I'm not sure I'm all that proud of it now, it was my job then to help achieve that. During the period when I was involved in those negotiations, I spent a lot of time going round to the different European capitals — to Paris, to Bonn, to Rome, to Madrid — seeing my opposite numbers there in the finance ministries and arguing the case for the British contribution. So we put a great effort into the negotiation that ended with the Fontainebleau agreement.

[Elena Danescu] What relationship did Margaret Thatcher have with Jacques Delors, the President of the European Commission?

[Sir Brian Unwin] She did not like Monsieur Delors, and again I was present at a meeting or a dinner or lunch or something — I can't remember which — where she entertained Monsieur Delors, and it

was a very tense and hostile meeting. She didn't like him at all. Of course, he was a socialist, so she was opposed to him to start with. And I told you earlier that I felt very sorry one evening for Gaston Thorn, then President of the Commission, who came to a dinner at Number 10 Downing Street. I was invited to be present at this very small dinner, and I felt very sorry for this poor man. She really hit him with everything she had that evening — not literally! — and he had a very rough time. She was a very strong personality.

[Elena Danescu] Margaret Thatcher is often described as a Eurosceptic. Do you see this as an accurate description?

[Sir Brian Unwin] I would say she was more, you know, pro-British. You must remember that she really drove the Single Market through, and she appointed as one of our Commissioners a man called Cockfield, Lord Cockfield, who was the Commissioner responsible for the Single Market. It was Lord Cockfield who drove that through, and he was appointed by Margaret Thatcher, and she signed the Single European Act. So in many ways, economically — again, I draw the distinction I made earlier; I think we've always seen it, or the majority in this country have seen the European enterprise as an economic one and not a social or political one — and on the economic side, she saw great opportunities for the UK. So I would say that she was more pro-British than anti-European or Eurosceptic. She always had reservations on Germany, but that's a long story and it's the hangover from two world wars. She was opposed to the reunification of Germany, but that's another issue. But I would say she was more pro-British than Eurosceptic.

[Elena Danescu] When the Iron Lady was elected as Prime Minister of the UK, what were her priorities as far as Europe was concerned?

[Sir Brian Unwin] She had made speeches before becoming Prime Minister that were very pro-European, and she was very keen on the single European market, so to that extent, one of her priorities was to carry forward the single European market. But her [other international] priorities were quite different: they were to strengthen the relationship with the United States — and she established a very close relationship with Ronald Reagan, the President of the United States; I think she had a great influence on him. Secondly, she wanted to transform the economy and break the power of the unions, because Edward Heath had been really defeated as Prime Minister by the mining and other unions. Jim Callaghan had also lost the 1979 election following what we called the 'winter of discontent': there were strikes and the streets of London had rubbish on them because the rubbish collectors had gone on strike. So she was determined to break the power of the unions, and particularly the mining unions — and that she achieved. Thirdly, she wanted to change the thrust of economic policy from the traditional demand management Keynesian macroeconomic policy to a policy that rested on controlling the money supply. So we had a complete switch in our policy, and I drafted the first medium-term financial plan, which was based on control of the monetary aggregates. And every time we didn't achieve them we changed the monetary aggregate so it might be easier to hit a new target. So there was a dramatic change in economic policy, and in social policy, too. And it was a very divisive change. She made a famous remark, saying, 'There is no such thing as society', and that is often quoted against her. I think she was misinterpreted on that, but nevertheless it's an accusation made against her. There were deep divisions. Many communities in this country, when the mining unions were broken and pits and mines were closed, were left with a legacy of unemployment and distress in many parts, particularly the north of the country. So although in some ways she transformed the economy for the better eventually, she did a great deal of social damage.

[Elena Danescu] You mentioned the summit of Fontainebleau in June 1984 and the negotiations concerning the British rebate. Could you describe and explain the grounds on which the British Government based its claims?

[Sir Brian Unwin] Fundamentally, at that time, in terms of GDP, we were well down the list of European countries. We were lower down than France, Germany, the Netherlands, I think even Italy at one stage. Yet we were paying the highest net contribution. And part of the reason for that was that some of the other countries were receiving so much in agricultural support through the common agricultural policy. Our central contention was 'This is not fair. We are poorer in terms of GDP and GDP per capita than France, Germany, and so on, but we're making a bigger net contribution to the budget, so it's got to be adjusted.' That was really the essence of our case. So what we sought — and in the Treasury we worked out several possible mechanisms for correcting that — we sought a rebate, so that in the end our net budget contribution was more related to our national prosperity. Of course, now our GDP has grown in recent years and outpaced that of nearly all the other European countries, we're very reluctant to change it round, we don't accept the logic of it the other way round. But at the time, it was a question of fairness, and that's the message that I went round arguing with other governments at the time, and it was the message I put to ENA in Paris. I don't think they were very sympathetic, but nevertheless I put the case.

[Elena Danescu] In Fontainebleau, did the European partners put up a common front?

[Sir Brian Unwin] No, you always *divide et impera*, you pick them off one by one, you find your friends. I think we generally were able to reach some sort of accommodation with Germany. The German position has always been very complex and has many throwbacks to the last war and the German sense of guilt. I also spent much time with my Dutch counterparts, and we were generally able to get some sort of accommodation with the Dutch. It was more difficult with the French, and you had to find a trade-off. You had to find something which might not be relevant to the budget issue at all, and say, 'Right, Monsieur Mitterrand, if you're prepared to agree to a formula on the budget rebate, we will withdraw our objection to some other issue to which France attaches importance.' So we really did a series of deals with different countries so that when you came to the crunch at the European Council, there was sufficient support to get an agreement. And our weapon was Margaret Thatcher. Because I imagine that as the negotiations went on into the small hours of the morning, they were all very happy to say yes and get away so that they didn't have to listen to this woman again for several more hours! But I don't recall any united front, no.

[Elena Danescu] How far do you think she would have pushed things if an agreement had not been reached in Fontainebleau?

[Sir Brian Unwin] I think we would have withheld our contribution. We did contingency work in the Treasury to withhold the contribution, and we let it be known informally that if we couldn't get a satisfactory agreement we would be prepared to go that far. I remember consulting the legal advisers to see what form of withholding we might be able to argue was legitimate within the treaty. So I think that if at the end of all those European Councils and Ecofins we'd got no change, the Prime Minister would have withheld our contribution, which of course would have been a major, major crisis.

[Elena Danescu] You were involved in the negotiation for the Single European Act, signed in 1986, which gave rise to a position from the UK. In the many political negotiations and discussions in

which you have been involved, what were the most sensitive issues, particularly during the intergovernmental conference?

[Sir Brian Unwin] The budget. The budget was by far the dominating issue. That really dominated everything else. The second issue was the CAP, the common agricultural policy, and we consistently argued to reduce CAP spending, to reduce subsidies, and reduce CAP spending as a proportion of the European budget. Those were the dominating issues at the time, as I recall it.

[Elena Danescu] What are your thoughts on the operation of the European Monetary System in the 1980s, and what do you think triggered the effective practical measures that were taken towards an economic and monetary union?

[Sir Brian Unwin] I think the British Treasury has always been mildly Eurosceptical, and during the period of the snake, we were very sceptical about the practicality of monetary union. So we sat, as it were, on the touchline, watching the players who were in it, and it was only in the 1980s that of course we joined the European Monetary System, and then we had to get out of it, on that historic day, Black Wednesday. There's a great emotional attachment to sterling, and the Queen's head on the coins and the Queen's head on the notes, and so on. It's such a symbol of independence and sovereignty. So there's always been great scepticism. And although we were, in a sense, happy to see our European colleagues devising new monetary systems with an eventual move to full monetary union, we were very sceptical of it in the Treasury, and stood apart from it, with a result that it was only under John Major's premiership, and very reluctantly, that we finally joined the system — what was it? The EMS, then ...

[Elena Danescu] ... European Monetary System.

[Sir Brian Unwin] Yes, that's right, that's right. But general scepticism, and I think if you'd had a referendum in the country, it would have been overwhelmingly in favour of staying with sterling.

4. Chairman of the Board of HM Customs and Excise (1987–1993) and President of the Customs Cooperation Council (1992–1993)

[Elena Danescu] In 1987, you became Chairman of the Board of Her Majesty's Customs and Excise, and from 1991 to 1992 you served as President of the Customs Cooperation Council. What major issues did you work on at this time, and what is your assessment of the UK's presence in the Common Market?

[Sir Brian Unwin] When I became Chairman of the Board of Her Majesty's Customs and Excise, my responsibility was for all indirect taxation, the main tax being VAT, value-added tax, but also *les droits indirects*: alcohol, excise duties, petrol duty, and so on. And of course the traditional customs job of protecting our borders and stopping smuggling, particularly drug smuggling. I moved to a very large management job. In all my previous jobs, in the Cabinet Office, in the Treasury, I'd been a

classical policy adviser; I didn't, in a sense, have direct management responsibility. Moving to become Chairman of Customs, I was responsible for managing a department of 35 000 to 40 000 people, throughout the country and Northern Ireland. So much of my time was spent just managing that department. I was really put in, I think, by the then Chancellor of the Exchequer, Nigel Lawson, to make some changes in the department. I also became, as you said, Chairman of what was in effect the World Customs Council. I was elected President of that, and so I did quite a lot of travelling, not just in Europe but for example to the Soviet Union and to the United States and other countries. I chaired many meetings of the International Customs Council.

British customs at the time had very great prestige throughout the world, as an efficient service. We were greatly in demand to send officers from customs to other countries to help them run and set up their customs systems. Because in developing countries, customs revenue was often the largest single source of government revenue, and it was crucial that developing countries in Africa, in the Pacific and so on should have an efficient customs and revenue collection system. So I spent quite a lot of time on international business.

I did find, during my time as Chairman and as President of the World Customs Council, that I became more conscious of my relations with our European partners. I suddenly realised, for example, that when I was at an international meeting — the membership was worldwide, you know, we had over a hundred countries on the World Council — and in the evening, when, after the day's conference, you were in the bar having a drink, I was wanting to spend my time with my European colleagues, rather than with the Americans, for example. I suddenly realised that I had begun to switch my allegiance very much more to our partners in the European Union than to even the old Commonwealth partners. I had Australian friends and American friends, but I sought the company of my European friends, and I had a particularly close relationship with my French counterpart, the *Directeur-Général de la Douane*. We worked together very closely on the issue of VAT harmonisation. So I realised then that I was feeling very much more a European than just a British official or an international official. So I had a very full five years or more at that job, but as I said, much of my time was also spent in management and organisation of a very large department.

But so far as Europe is concerned, my main involvement was with the negotiations on the single European market and on border controls and whether or not we should join the Schengen system. I was in favour of joining it, but the government decided not to, which is why you have to come through customs and immigration when you come into this country now. So I spent a certain amount of time on that. I also spent a lot of time on proposals to harmonise value-added tax throughout the European Union. I was in favour of a high degree of harmonisation, which I thought was better for fair competition across the European Union. But the Conservative ministers at the time were not in favour of tax harmonisation. But I did persuade them to agree to a common minimum rate of value-added tax. The agreement was, I think, 15 % would be the minimum, which was to prevent individual countries having a lower rate and undercutting other Member States. So I spent quite a lot of time on that.

My last years in my job at Her Majesty's Customs became preoccupied with a *cause célèbre*, which nearly brought down the government. Again, it's not something, I think, which will have come to your attention, but there was a [very controversial] case that we brought. I had great independence, because much of the law rested not with ministers, but with the Board of Customs and Excise, of which I was the Chairman. So constitutional legal responsibility rested with me rather than with ministers, and I brought a case against a company whom we accused of exporting nuclear arms parts to Iraq. At the time, it was a huge priority of government to prevent any such exports to Iraq, and we brought a

prosecution which became a major case, and for reasons I won't go into, we had to drop the case. And that caused a government crisis which nearly brought the government down. It was very controversial in Parliament. A major enquiry called the Scott enquiry was set up to investigate the whole affair. I was centrally involved because I started the prosecution, and I called the prosecution off, which led to the crisis in government. The Scott enquiry went on for two years or more. In fact, when I was then at the European Investment Bank, I was called back to London and I spent six hours being questioned by the Scott enquiry. Scott was a senior judge who headed the enquiry. So a lot of my time was taken up with that very important political case.

[Elena Danescu] What is your assessment of the UK's presence in the Common Market?

[Sir Brian Unwin] Well, I go back to what I said earlier: a) there is great ignorance; b) there is an enormous amount of misrepresentation — the right-wing press is full of misinformation about the bureaucracy in Brussels, the directives that are stupid and make us have bananas that are not shaped properly, and so on and so forth. There is a great deal of lack of understanding, and we have this powerful political party, the UKIP, which will be campaigning very strongly to leave the European Union. But as I said earlier, I believe that there is still a majority for staying in the European Union, and I very much hope that, now that he's committed himself to a renegotiation, Mr Cameron will be able to get some changes which are sufficient to allow him to hold up a piece of paper and say, 'I have secured some very valuable reforms, and I recommend that we stay in the European Union.' But I think many of us who are committed to this cause will have to work very hard over the next year. I am involved in various activities in London, and I have chaired meetings and made speeches and helped to write pamphlets, and I think we will have to be very active over the next year in putting forward the arguments for staying in the European Union.

5. President of the European Investment Bank (1993–1999)

[Elena Danescu] On 1 April 1993, you became President of the European Investment Bank's Board of Directors. How did your appointment as President of the EIB come about?

[Sir Brian Unwin] Well, when I was in the Treasury, in the 1980s, involved in the negotiations on the budget, I was also a member of the Board of Directors at the European Investment Bank. So in the mid-1980s, I was the senior British Director on the Board. Every month or so I would go to Luxembourg and take part in a Board meeting. And I got to know the Bank, I got to know many of the senior officials at the Bank, I got to know the other directors. So during that time I got a very good knowledge and experience of the Bank. At the time, we first had a French President, and then we had a German President, Mr Bröder, a German banker. And I knew that it had been informally agreed that when Mr Bröder gave up the presidency, it was probably time for a British President. You'd had Italian, French, German Presidents, and it was generally agreed that Britain should have the next presidency. So I let it be known in London that if and when Dr Bröder left the Bank, I would like to be considered as a candidate for the presidency. I was supported in that, and when Dr Bröder eventually retired, the Prime Minister, who was then John Major, and the Chancellor of the Exchequer, Norman Lamont, supported my candidature for presidency of the Bank. After some months of negotiations — because it had to be decided at the European Council — I was finally

appointed to the job, to succeed Mr Bröder. There were some delays, because the Dutch, although they said they favoured me personally, wanted my appointment to be accompanied by a guarantee that when I finished as President, it would be open to one of the small countries to get the presidency. Because so far it had just been France, Germany, Italy and now the UK. So there was a lot of negotiation to get a form of words into the Council Resolution that appointed me which said that when I left, it would be open to the Netherlands or Belgium or one of the other small countries to succeed me in the presidency; and that held up my appointment. I was also very flattered, because I saw all the telegrams that went to and fro, because our embassies were lobbying for me. And I saw in a telegram that Delors opposed my nomination because I was *trop dynamique*, and I thought that was very flattering to me! Because I think Mr Delors had seen me at meetings, perhaps with Margaret Thatcher, and I think he thought that if I became President of the European Investment Bank, he might have problems with me. And indeed, one of my determinations, when I became President, was to make it quite clear that the European Investment Bank was independent and took its own decisions. It was not a creature of the Commission. Now of course, we were there to contribute to European Union policy, and we were there to work very closely with the European Commission. But we were not there to do what the Commission told us to do or asked us to do. I think Monsieur Delors perhaps thought that I might not be as cooperative as he would wish. Anyway, I was appointed and took up my job.

[Elena Danescu] What were the implications of this appointment for the UK?

[Sir Brian Unwin] We'd had a President of the Commission, Roy Jenkins — I should have mentioned him earlier; during the Harold Wilson and Callaghan time, Roy Jenkins, who could have become Prime Minister but was defeated in the elections in the Labour Party. He was a powerful pro-European presence. He was Chancellor of the Exchequer and deputy leader of the Labour Party, and Roy Jenkins finally gave up on domestic politics and he became President of the Commission. So we'd had that job, and one of my colleagues in Whitehall, a man called David Williamson, became Secretary-General of the Commission. But I think my appointment, after those, was the first British appointment to a major European job. So I think it was a signal that we were well and truly engaged in the life of the European Union.

[Elena Danescu] When you took up this role, you faced various major challenges associated with the implementation of EMU, the eastward enlargement of the Community, the development dimension of the Euro-Mediterranean Partnership and the 'Investing for Peace' initiative. What was the EIB's contribution to the realisation of EMU, and how did it prepare for the transition to the euro on 1 January 1999?

[Sir Brian Unwin] I think the EIB made a very major contribution to the introduction of monetary union. Perhaps I'd preface that by saying that one of my objectives when I became President was to be very much more proactive in the policies of the European Union. I did not think that the EIB should just sit there and wait to be asked to do things. I think we should be engaged fully, and one of the things I did was to make sure that I became a regular member of the Ecofin Council. I was invited to all Ecofin meetings, invited to the Ecofin lunches, and I don't think my predecessor had done that. So what it meant was that I was present at all the key meetings, and I was able to put the EIB voice. If it was suggested that the EIB might do this or that, I could say so on the spot, and say, 'We're willing to' or 'We're not willing to', or 'I will consider that'. I thought we should be much more politically engaged. And I also sought to raise the profile of the EIB — I mean, nobody had heard of the EIB in this country! The only bank they'd heard of was the EBRD, which of course was quite different and much smaller, and had its great problems with Jacques Attali, who really was in the end removed from

the Bank.

When we started moving to monetary union and the single currency, and I attended all the Ecofin meetings that were discussing that, we adopted a policy on the borrowing side at the EIB in order deliberately to help the introduction of the euro. The EIB was the largest, and probably still is, I'm out of date now, but the EIB was the largest non-sovereign borrower on the world's capital markets. We were a huge borrower, and EIB bonds played a very important part in the capital markets. In the period leading up to the start of monetary union, we issued the first international bond denominated in euros. And we also issued something like, I think, 20 billion or more of bonds which we called 'Euro-tributary' bonds. These were bonds that were denominated in, say, Deutschmarks or French francs or lira, but had a specific clause which provided for their translation into euros the moment the euro was introduced. The point of that was to create, in advance, a large and liquid pool of euros so that when the euro came in officially there was already a market in euros. I think that was a significant contributor to getting a good start for the euro.

And of course there were our lending activities. The mission of the European Investment Bank, as in the original treaty, is to promote the balanced economic development of the European Community — European Union, or whatever the language was. Through our lending, particularly for infrastructure, and for the great Trans-European Networks, the so-called TENs, I think we were contributing all the time to bringing Europe physically closer together. During my time at the Bank, the project that gave me more sleepless nights than any other was the Channel Tunnel. And that is a great trans-European project. We were the main single funder of the Channel Tunnel, and it was a very complex financing operation. There were something like 200 banks involved — it was far too complex. We were the leader of the banking consortium. But that was a wonderful project, from which I have benefited many times since. So I think that by our lending to promote economic development — not just in Member States but across Member States, like the Øresund Link between Malmö and Copenhagen, another very great project, of which we were the main financier — I think we contributed to the physical economic development of the European Union, and directly to the successful launch of the euro. And I saw those as being the two major priorities of the Bank while I was there.

[Elena Danescu] While you were at the head of the EIB, the Bank's missions and activities changed considerably — you mentioned this. As President, how did you contribute to these developments?

[Sir Brian Unwin] Well, as I say, I wanted to raise the profile of the Bank. I was constantly irritated that people in this country did not know what the Bank did — and yet the United Kingdom has benefited itself very very substantially from the lending programmes of the EIB. So I did all I could — speeches, press releases and so on — to raise the profile in this country. I also was partly the initiator of our lending to the Central and Eastern European countries, most of whom — not all of whom — have subsequently become members of the European Union. And I think I did a lot to change the management and organisation of the Bank. It was a very formal place and a male-dominated one while I was there. So for example — this is part of management — I instituted a very strong *égalité des chances* policy — equal rights. I encouraged the promotion and appointment of women in the Bank. When I got there, there were no senior women at all, and I promoted the first Director-General that was a woman, and I tried to shake up the management of the Bank. But I think my main thing was that I felt the Bank ought to be more proactive politically. It was not for the Bank to have its own political views — it was there to help support the policies of the European Union, the European Council — but I felt we ought to be much more active and involved than the Bank had been in the past.

[Elena Danescu] In June 1997, the Amsterdam European Council recognised the important role played by the EIB in creating jobs in Europe. What methods did the Bank use to meet this demand for more jobs?

[Sir Brian Unwin] I think that agreement is a good example of what I tried to do, because we launched what we called an ‘Amsterdam Special Action Plan’. I chose those terms because in English the initial letters were ASAP — Amsterdam Special Action Plan — but it also stood for ‘as soon as possible’. It doesn’t work in French — *aussi tôt que possible* — it doesn’t quite work. And that was a Bank initiative. We’d thought in the Bank that we ought to extend our lending to some social areas like health, education, social housing. The Bank was not precluded from lending, but it had not so far done so; it had never been part of the policy of the Bank to lend for that. So I collaborated with the Luxembourg Prime Minister, Jean-Claude Juncker, and with his help, and with the help of the Dutch, we got a resolution before the European Council, the Amsterdam Council, drafted by the Bank, which would invite us to start lending programmes for social housing, education, health and so on. So the Amsterdam Special Action Plan, as it were, came out in the form of a request from the European Council, but it was actually a request that we had drafted and that, with the help of Jean-Claude Juncker and the Dutch Prime Minister, I got into the European Council. I think that’s a very good example of being more proactive politically.

We also did a great deal to lend to small businesses. While I was there, I actually set up the European Investment Fund, the EIF. The idea had been put forward before my time, but I had to take it through and get the agreement of the Board of Directors for it and set it up, and I became President of the Supervisory Board of that fund. And through the EIF, and through our own lending at the Bank, we put a lot of money into SMEs, who, collectively, were the greatest job creators across the European Union.

[Elena Danescu] The European Union has grown hugely over the years as a result of its many enlargements. What type of management structure do you think is best suited to a growing number of shareholders?

[Sir Brian Unwin] Well, I think it’s very difficult. I didn’t have so many members when I was President, and I found it very difficult to manage Board meetings when you had so many people round the table. And you didn’t have just one director — the big countries would have two or three directors, and there were alternates, and a simple *tour de table* could take the first two hours before you actually started discussing policy and projects. I was very much in favour of reducing the number of directors so that you had directors representing different countries, like at the World Bank in Washington — you have constituencies. The Management Committee of the Bank was too big as well, and I thought that with the subsequent expansion of the European Union, you would have to cut down the number of members, and smaller countries would have to take it in turn, and the same applies to the Commission, of course. We know how difficult it is, because everybody wants to be there and have their own job. The Commission is far too large now, and you have to invent portfolios to give somebody something to do. I’m sure Jean-Claude Juncker, if he could, would want to reduce the size of the Commission very much. The EIB succeeded in getting agreement to keeping the numbers on the Management Committee and the numbers on the Board of Directors somewhat smaller, but it’s probably still too big, so ideally I think one needs to cut down the management at the top, but it is very difficult politically.

[Elena Danescu] Since July 2013, the European Union has had 28 Member States. It has faced significant structural problems over the years. Do you think that the EU has managed to integrate new Member States fully, and what was the EIB's role in this process?

[Sir Brian Unwin] Well, I don't think it has yet. There are clearly huge problems and huge divides — north and south, euro zone and outside euro zone — so the integration has a very long way to go. And it's partly, as we see with Greece at the moment, an economic issue. You have huge disparities in GDP per capita within the European Union, and I think some of the entries have probably been premature. For example, my own view is that Cyprus should never have been admitted until they resolve the Greek–Turkish problem. There are signs now of fresh moves towards some sort of rapprochement between the Greek and Turkish communities in Cyprus, but I think Cyprus should not have been allowed to become a member until they'd solved that. And that was the policy for a long time, but somehow they were let in.

Greece should not have been allowed into the euro. We all know the story there and we're now reaping the result of that. So I don't think integration has been as successful as it should have been, and we still have huge disparities between Germany at the top, at one end, and Romania and Bulgaria at the other end. I've always been in favour of expansion — and of course, that's been a very big part of British policy — so it's now ironical that Britain, which was probably the prime mover of the expansion to the East, is now the country that's always complaining about immigrants from those countries. People here don't see the irony of that. But I don't think the integration has been as successful as it might have been — but it's a very difficult thing, and it's easy to talk and criticise it.

[Elena Danescu] The funding of projects by the banking sector contributes to the long-term development of the economy. Could you give us your views on the EIB's role in this field?

[Sir Brian Unwin] One of the things I did do at the Bank was to switch to quite a degree away from simply lending to public authorities. Traditionally, the Bank had lent more to governments, provinces and so on, or to projects that were backed by government or public guarantee. While I was there, we switched very much more to lending with guarantees from commercial banks, first-class banks and so on. So I think when I left the Bank, the majority of our lending did not have a government or a public guarantee. We made sure we got very good guarantees, but that was the skill of the bankers in the EIB, and their skill in appraising projects. One of the objectives of the Bank has always been to act as a catalyst to get private-sector banks to lend. We never financed more than 50 % of a particular project, and we always looked to try and involve other banks. I think the quality of our appraisal of projects — economic, technical, financial — usually meant that if the EIB was willing to lend, it was a sign that it was a viable project. And this would attract other banks, who don't have the capacity to appraise a project as we did — they didn't have the engineers, the technicians and so on that the EIB has. So I saw our role as trying to increase the volume of lending by getting more commercial banks involved. I think that's one of the great roles of the EIB.

[Elena Danescu] How does the EIB cooperate with private banks in Europe?

[Sir Brian Unwin] We often led consortia of private banks. Our knowledge of them through the banking divisions at the EIB was enormous; we had very very close relationships with all the major banks in all the European countries. We were constantly in contact with them, and when we were approached or we saw that there was a big project, of course we would discuss with the banks, and

encourage them to take part, with perhaps us in the lead. The Channel Tunnel was an extreme example, where there was a consortium of about 200 banks but an inner group of about 20 of the major banks. We were the leaders of that, and so we had to have very close relationships with all these banks.

[Elena Danescu] How does the EIB cooperate with the International Monetary Fund?

[Sir Brian Unwin] Very little. I always used to go to the annual IMF–World Bank meetings in Washington, or in other countries when they were held outside Washington, but we had little relationship with the IMF. The IMF's key activities were in many developing countries and in countries with severe balance-of-payments or other problems. So where there was a country which had an IMF programme, of course we would cooperate with the IMF, but it wasn't a major factor in our activities. We had closer relationships with the World Bank, with the EBRD, with the Asian Development Bank, the Inter-American Development Bank, because we were lending in countries where they were lending also. But our main lending, 80 to 90 % of our lending, was within the European Union, where we were, in a sense, on our own, but with European banks, not with the IMF or World Bank.

[Elena Danescu] On 31 December 1999, you left your post at the EIB, where you were succeeded by Philippe Maystadt from Belgium. Looking back, how would you assess your term as EIB President?

[Sir Brian Unwin] Well, it's very difficult, really ... I think that I shook the Bank up in terms of organisation and management; I think I made it a more open and transparent bank. I think, as I told you, I improved the role of women in the Bank, and when I left there were a number of women in senior positions. I brought the Bank more actively into the political sphere, through my presence at Ecofin and the initiatives that we took. And I hope that we made a significant contribution to the introduction of monetary union. So I think all those were things that I helped to achieve over the seven years that I was at the Bank. I may say, just going back to one of your earlier questions, I also presided over the accession of various countries, and before those countries joined the European Union, we took a lot of trouble to establish close relations with them; we invited them to send observers to Board meetings and to be briefed at the Bank, so that by the time they joined the European Union and became shareholders and directors of the Bank, they were very well informed and had good knowledge of the Bank and its activities. So we took a lot of trouble to, as it were, introduce them to the Bank before they became shareholders and directors and members. I also really started, in substance, the lending in Eastern Europe. Not in Russia; I was strongly opposed to lending in Russia at the time.

[Elena Danescu] Why?

[Sir Brian Unwin] Because it seemed to me, at that time, it was not simply a risk; it was a liability. We were under a lot of pressure, even from Mr Putin when he was Prime Minister, to start lending operations in Russia, and my own view was that in due course we would lend in Russia, particularly in the energy field, but at that stage it was simply throwing money away, and there was no case for it. So I think I was a little unpopular with the Russians during my time. But it developed after I left.

[Elena Danescu] Looking back again, what were the most difficult challenges you had to face on the

European stage during your time as EIB President?

[Sir Brian Unwin] I don't think there was one particular problem. Coming from London, I faced quite a problem in, as it were, managing a pan-European organisation like the Bank. I found it very very different from managing Her Majesty's Customs and Excise in this country, where you have a sort of homogenous management culture. I found there were so many different cultures of administration; for example, my French colleagues were very much more formal than, say, my Danish colleagues. Some people took their jackets off; others would never take them off. Some people would address me informally; others, throughout seven years, would only ever address me as *Monsieur le Président*. So I found it was more difficult to manage an international entity than a domestic one. But the big challenges were to put some urgency into the contribution the Bank made to the economic integration and development of the European Union, and in the last two or three years, to make a significant contribution to the arrival of the single currency.

6. Pierre Werner and Luxembourg

[Elena Danescu] At this stage of our interview, let's focus, if you permit, on Pierre Werner and Luxembourg. When and under what circumstances did you meet Pierre Werner for the first time, and what are your memories of this meeting?

[Sir Brian Unwin] I didn't know Pierre Werner; I knew about him, of course, and one talked of him as the father of monetary union, and I was aware of the Werner Report. But of course that report had been overtaken by many many subsequent reports and developments. My office got a call one day to say that Monsieur Werner would like to come and see me. And I thought, 'Goodness, I'm very honoured indeed,' and as they say, I think the mountain should go to Muhammad, and not Muhammad to the mountain! Anyway, he came to see me at the Bank, and we got on very well, and soon after that it was his 80th birthday, and we organised an economic conference in Luxembourg to celebrate his 80th birthday. I presided over that, and I got Mr Heath, Ted Heath, to come over. And I could not have got a more appropriate person; I think he and Mr Werner had got on very well together, and he was the Prime Minister who took the United Kingdom into the European Union.

[Elena Danescu] Under a Luxembourgish Presidency of the European Council.

[Sir Brian Unwin] Yes, that's right, that's right. And he came over for the conference, and I was a little nervous, because he was a slightly difficult man and not known for having the greatest sense of humour. But he actually made the best speech of the conference. He stood up, without notes, and made a very good speech. I think it was the speech of a British politician who's used to just getting on his feet and making a speech. And it was very good, it was very successful. After that, I met Pierre Werner many times, and we got on very well together, and I think I told you once before, I was so delighted that he was President of the Luxembourg Cricket Club, because cricket has always been a big part of my life! And I thought, 'He must be a good man if he's President of the Luxembourg Cricket Club!' We met many times, and I got to know Marie-Anne Werner, his daughter, and my wife got to know her, and I regarded him as a good friend; we often talked, and I always was very grateful for his views and his advice.

I always remember one occasion: one of the ambassadors in Luxembourg — I shan't name him — invited us both to a dinner party, and there were other guests there, and Mr Werner — it was towards the end of my stay in Luxembourg — was a bit older. At the end of the dinner, the Ambassador said, 'I'm now going to ask Monsieur Werner and Sir Brian Unwin to give us a little talk.' And I thought that was extremely ill-mannered. I thought that to ask Monsieur Werner, this very senior statesman, without any warning, to talk after the dinner, was very discourteous. I didn't mind me, you know, I'm used to getting up and talking. And so was Monsieur Werner. But I thought if he'd asked us beforehand and said, 'Would you mind if I ask you to say something?' — then of course we could have said yes or no. I'm sure we'd both have said yes. But Mr Werner was obviously just a little disconcerted by this, but he got up and he spoke for about five minutes in a very brilliant way. Then I got up and I spoke for a few minutes, and so on. But I always remember that occasion, because he did it so well, but I thought it was very discourteous of the Ambassador to do that to us without having asked us beforehand whether we'd be willing to do it. So that's one of my memories of him. But I have very fond memories; he was always extremely friendly and nice, and we had many conversations, and I always felt it was really a very great honour and privilege to be able to know him while I was there in Luxembourg.

[Elena Danescu] Do you remember what Pierre Werner's vision of European integration was?

[Sir Brian Unwin] Oh yes, yes, and I think it was inspiring. I always say that the European Union moves like the old Echternach dance, doesn't it? You take three steps forward and two back, but you gradually, gradually get round the town and end up in the abbey again.

[Elena Danescu] St Willibrord's procession.

[Sir Brian Unwin] That's right, that's right. So you can't expect European affairs to move in a smooth progression. There are going to be problems; you go backwards, you fall down, but gradually it goes forward. And I hope at the moment we're going to go forward round the Greek affair. That's a very very difficult one, and I do hope that some sort of agreement can be reached which doesn't involve Greece leaving the euro. But I think his vision of Europe is slowly, slowly coming, and I feel very confident that it will progress. I have actually, myself, always been in favour of the UK joining the euro, but there's no prospect of that for many years. And you can argue at length about what the effects would have been if we had joined the euro in 1979 [*sic*: 1997], when Mr Blair became Prime Minister. Everybody says here, 'Thank God we didn't join,' but I'm not sure that is a wholly correct analysis. If we had joined, life would have been very different. Policies would have been different; we'd have had to compensate here, in our policy, and I think our presence within the euro and our membership of the Governing Council of the European Central Bank would have made a substantial difference to policy, and it would not necessarily have been a disaster, but economists will go on arguing that for many years. But I think his vision is slowly, slowly being realised, and we owe him a huge debt.

[Elena Danescu] Pierre Werner served as a mentor and model for a generation of Luxembourg political leaders. I'm particularly thinking of Jacques Santer and Jean-Claude Juncker. Since you knew these political figures and worked alongside them, do you remember how Pierre Werner prepared his successors for their future role?

[Sir Brian Unwin] I don't really know much about his relationship with them, but I was very glad that I met Jacques Santer in the early days when he was Prime Minister and I was a Treasury official, and I got on very very well with him. When I was at the EIB and he was President of the Commission, I had regular contact with him and I arranged one or two meetings between the Commission — the Commissioners, with Jacques — and the EIB Management Committee, the *Comité de Direction*. That's another example of the way I tried to get the Bank more actively, positively involved. And then when Jean-Claude Juncker became Prime Minister, of course I'd known him as Finance Minister. I didn't get to know him as well as I knew Jacques Santer. But as I mentioned earlier, it was cooperation with him, Juncker, that got the Amsterdam Special Action Programme at the Amsterdam Summit. So I don't really know about their relationship with Mr Werner, but clearly they'd learned a great deal from him.

[Elena Danescu] What do you see as being the main reasons that led Luxembourg and its politicians to assume the role of European mediator, resolving various crises and helping Europe move forward?

[Sir Brian Unwin] I think there are two things, really, with Luxembourgers: one positive, and one in a sense negative. I think the negative point is that big Member States don't necessarily want the leader of a big Member State as President of the Commission, because it may set up too much rivalry and competition. If you have a Frenchman or a German or a Brit, you suspect they will favour the policies of their country. But if you have a little country, then they're no threat. I mean, Luxembourg, what does it matter if a Luxembourg Commission President favours Luxembourg policies? It doesn't have great significance for the other countries. So they're not a threat, and that's a sort of negative thing, and I think that's why Gaston Thorn and Jacques Santer and maybe Jean-Claude Juncker have got the Presidency of the Commission. But the positive point is that since they don't, as we might say in English, have an axe to grind, they're more able to take a mediating role and find a way through between the priorities of the major countries. And although, for example, there was very bad feeling between Mr Cameron and Jean-Claude Juncker when he was appointed President of the Commission — and I think Cameron really made a fool of himself in openly opposing Juncker — although there is that background, I suspect that Mr Juncker will be able to play a very constructive role in the negotiations that will take place between Cameron and the other Member States over this coming year, and that is the great advantage.

Of course another advantage is simply the linguistic one, that your Luxembourg Prime Minister speaks French and German and English and probably Flemish as well, which is a huge advantage in negotiating with the leaders of other Member States. So I very much hope that in the negotiations over the next year — as I said, I don't really know what it is Mr Cameron hopes to achieve — I very much hope that Jean-Claude Juncker will play a key part in finding some accommodation so that Britain can say that we've got some meaningful reforms, and this justifies staying in the European Union. It's a very key role he's got to play, and I think he's well equipped for it. There's a great deal to be done to complete the Single Market, particularly in financial services, and this is where Britain has a very great interest, so I think that very much more needs to be done in the Single Market. And of course he has to defend the fundamental treaty principles, the freedom of movement of people and so on, and that is where I think it's been made very clear to the United Kingdom that there can be no question of changing the treaty in those areas.

7. Prospects for the United Kingdom in the European Union

[Elena Danescu] Now, if you permit, some more personal questions. You are a humanist and a staunch supporter of European integration. In 1995, you were awarded the Gold Medal of the European Merit Foundation. How did you develop your approach to Europe?

[Sir Brian Unwin] Well, as I've told you, gradually over the years, I suddenly, having had a Commonwealth background and having done my duty to try and solve the British budget problem and to get our *juste retour* — get our money back for Margaret Thatcher — I found myself feeling very much more European over the years. And apart from the economic aspects of it — and it's vital for the economy that we remain within the European [Union]; it would be disastrous for this country, economically, to leave the European Union — I do feel profoundly that there is an enormous what I call geopolitical reason for keeping the European Union together. We live in a dreadful world at the moment — we have Islam and the Middle East in flames everywhere: Syria, Iraq, Afghanistan and so on. We have Putin being unpredictably aggressive and trying to restore the glory of the Soviet Union. We have China growing and growing — it'll overtake the United States in not many years in terms of its share of world GDP. We have a somewhat unpredictable United States — Obama's foreign policy record has been very poor indeed, but that's partly a function of his inability to control Congress. And in this dangerous world, I do think it is so vital that the countries of Europe, who despite all our differences, our problems, our arguments, share broadly the same values in human rights, the rule of law, democracy and so on, and who have a common history of culture and civilisation, I do think it's so important that we stay together. We're 500 million, we're a powerful economic unit; we are the largest trading bloc in the world. But we share a lot of values together, and in this very dangerous world, I think it's most important that Europe coheres, and where it can speak with a single voice in its influence on world events. And that's what I worry about with the United Kingdom — we delude ourselves if we think that a UK on its own will have a major voice in the world. We'll always be an important country, but we will have so much greater influence and impact if we can speak within a unified European bloc. So for geopolitical reasons I am totally committed to the progression of the European Union. To what extent we will get complete political union is another question, and I think that will be a very very slow process for all sorts of reasons. But I think the process of integration that has started must be allowed to continue, and I want the UK to be part of it.

[Elena Danescu] How would you assess the UK's role in the European integration process?

[Sir Brian Unwin] Well, it's been helpful and unhelpful. I think to the extent that we were the prime movers of the Single Market, it's been a very very important one. We were also the most enthusiastic country for the expansion of the European Union, so to that extent I think we've had a major influence on it. But at the same time I think we've been in some sense the most troublesome, particularly in the last few years, where we've had Eurosceptic influences in this country. I think Mr Cameron has behaved in an almost ridiculous way at some of the European Councils, threatening to veto this and veto that. So we've been a source of trouble, and I think many of our partners must be rather tired of us. But I hope that will not prevent reaching a reasonable agreement over the next year and allowing us to stay in the European Union.

[Elena Danescu] And how do you see the UK's future in Europe?

[Sir Brian Unwin] Well, as I say, I hope that we will continue to be a member, a very active and constructive member, and will help to achieve the fullness of the single European market, and help to achieve a constructive foreign policy in face of these developments in the world to which I referred a few minutes ago.

[Elena Danescu] Sir Brian, we are at the end of our interview. Thank you once again for your willingness, and I would like to leave you the last word.

[Sir Brian Unwin] Well, thank you very much indeed. I'm afraid some of my memories are a little bit vague, and I may have misremembered some things — one sometimes remembers things that never happened, actually, but you remember them so often that you begin to believe they're true. But I hope I've given you a reasonably accurate view. I can't pretend that in my early years as a civil servant, particularly when I was more concerned with Commonwealth issues, that I, as it were, grew up with a burning desire for European integration — I didn't. And I spent some years, for example in the 1980s with the Fontainebleau conference, helping a very aggressive UK policy. But over the years, I've developed a fundamental belief in the necessity for Europe to cohere, and I will continue to do what I can — I have no official position now, but I will continue to do what I can to help enlighten people in this country on the European Union and the desirability of the UK continuing in it and playing a very constructive role.

[Elena Danescu] Thank you once again, Sir Brian.