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**HANNAY, David**

**(Born 28 September 1935)**

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BRITISH DIPLOMATIC ORAL HISTORY PROJECT

Interview with Sir David Hannay  
on 22nd July 1999, conducted by Malcolm McBain.

M.M. Well, Sir David, we usually start these interviews by going over your career. I see from 'Who's Who' that you were educated at Winchester and New College, Oxford and then came into the Foreign Office, as it then was, in 1959. Did you study History at New College?

D.H. Yes, I did. I did Modern History at New College and even at that stage I was particularly interested in diplomatic history. I took as my special subject, this is Oxford, a subject called "the Making of the Ententes", I think. It was basically the diplomatic history in the twenty years before the First World War, leading up to the outbreak of the war and I was quite fascinated by that. That really, I think, was one of the things that pointed me in the direction of a diplomatic career. Certainly it was one of the bits of my academic life, which was most useful in the various jobs I had thereafter.

M.M. Would you consider the study of history as an important pre-requisite for a Foreign Office career? The Foreign Office itself doesn't seem to so regard it.

D.H. Well, I don't think - I am not a great believer in trying to make people use their University time to do something that is directly useable thereafter. I think that there is probably a bit too much of that now. But I do think that having studied history at University was useful to me in a diplomatic career. The fact of the matter is that diplomats go to different countries and part of their job is to understand those countries, the people and their history. You are probably a bit better equipped to understand the history of a country if you know something about studying history and better still if you have actually studied the history of that country when you were at University and have a basic grounding in it. Moreover, if you study modern European history, as I did, you probably had done a bit of the work in foreign languages. So, I think, that history is a valuable study for a diplomat but I don't think that it is essential.

M.M. Thank you very much. The Foreign Office rewarded your scholarship in modern European history by sending you to Tehran and Kabul.

D.H. That wasn't actually so stupid because one of the main parts of my special subject on

the 'Making of the Ententes' was how the Russians and the British buried their differences over what was called 'the great game' in the period just before the First World War in 1907 - the Anglo/Russian entente. Basically, the way they buried those differences was to come to a kind of modus vivendi in Afghanistan and Iran which were two of the main areas, along with the moribund Ottoman Empire, over which they squabbled.

M.M. Are there any other points that you would like to make about either of those two first postings?

D.H. Well, yes. Both were interesting places. I didn't work as a diplomat in Iran; I was just a language student. I first spent some time at the School of Oriental and African studies in London; then I went and spent some time in Tehran and then I was sent up to Meshed in the north east of Iran where I spent two months on my own learning the language and living with an Iranian family. Then, after I had taken the Foreign Office language exams, not with huge success at the higher level, I moved on to Afghanistan where I did a proper diplomatic job. Iran was a fascinating country. The Shah, of course, was in power in those days, a little bit precariously then, because it was before the great rise in oil prices which brought such enormous prosperity and the ability to expand his armed forces and his economy and eventually to destroy both by the inadequacies of his policies. But when I was there it was a country in very rapid transition. One of the things that was most interesting to me, looking back on it now, apart from getting to know this fascinating country was the extent to which we all collectively failed to spot where the threat came from. Because all of us, particularly those of us in the Embassy who spoke Persian, were very clear in our minds about the fragility of the Shah's power base and the fact that, although there was a great deal of public adulation of the Shah, it was not based on any serious foundation of respect among the Iranian people. All that we knew perfectly well; but we assumed, as did the Shah's own secret police, and as did the Americans and pretty well everyone else, that the real threat came from the modernisers, the left wing students, the people who were educated abroad and came back and were dissatisfied with the absence of political freedom and that one day he would face a really serious threat from these people. The one direction we did not look in was Islamic fundamentalism which, of course, did not exist in those days; but the Iranians were all Muslims and they did have a history, of what you might call, almost hysterical outbursts of religious fervour which came and went from time to time. But none of us thought that that posed a very real threat to the Shah. We were aware also that the pace of modernisation which he was pursuing was causing great stresses and strains to society. Anyway, it was an object lesson in the fact that you had a lot of highly paid diplomats working very hard trying to understand Iran, they understood quite a bit about Iran, but they didn't actually spot the one thing that really mattered, which was the direction from which the threat and eventually

the actual overthrow of the Shah came. When I went to Afghanistan after that, I am afraid to say that I then acquired, with hindsight, a second lesson in the short-sightedness of diplomats because when I was in Afghanistan the conventional wisdom was that - although the country was effectively at the mercy of the Soviet Union because it had an open frontier with it of 1000 kilometres - the Soviet Union would never be so stupid as to try and take over Afghanistan because the Afghans were about 10 or 12 million extremely poor, extremely fractious tribesmen who had seen off the British Empire in its prime twice in the 19th. Century. Presumably the Russians had read about that and understood that it wasn't a sensible thing to do to try to take the country over, particularly as there were no natural resources or reason to do so. Well, wrong again! And the fact was that not one single diplomat in my time in Afghanistan believed that the Russians would ever do anything so unwise or foolish. We were wrong.

M.M. Well, countries are always doing things which are unwise and foolish aren't they?

D.H. I suppose so, but I think that in this particular case my own analysis is that they were tempted, it was in the Brezhnev era, they were tempted by the weakness and erratic nature of U.S. foreign policy under Carter, and the evidence they had that Carter couldn't handle the downfall of the Shah and they thought that while the Americans were distracted by things like the hostage crisis they could snaffle Afghanistan at nil price. Well, that was one of the great miscalculations of the 20th. century because although the Afghanistan adventure didn't bring down the Soviet Union it was one of the factors that led to really fundamental overstretch. Of course, another much bigger factor was the arms race they had with the United States, off an economic base which simply wasn't adequate to support an arms race against a country with the economic power of the United States - but the Afghan venture did contribute quite heavily to the collapse of the Soviet Union. All that, of course, was many, many years in the future. When I was there, it was a haven of peace. A little bit of competition went on between the Russians and the Americans of a sort of cold war kind, but actually precious little happened there. Except that it was a beautiful country and it was a useful place to learn the very beginnings of diplomatic technique and practice.

M.M. Yes, going back to Tehran for a moment, you were saying that it was regrettable that diplomats weren't able to forecast the Muslim fundamentalist trend. The Shah wasn't able to forecast it either.

D.H. One of the problems about the Shah was that he had no real grassroots contact with his people. He had been educated abroad. His father had send him off to Switzerland to an extremely expensive school called La Rosee where he was educated and he was what the

French would call 'dépaycé.' He wasn't a real pukka Iranian. Of course he was in ethnically and every other way, but he was a cosmopolitan rootless person and he had no feel for what the average Iranian thought or suffered or wanted; moreover he lived completely cut off from them. The person one could contrast him most easily with is King Hussein of Jordan who always had a very clear understanding of what his people were thinking and who was ready to get out there and mingle with them in a way the Shah would never do. The Shah erected this extraordinary Ruritanian kind of monarchy with fancy uniforms and imperial guards and all that sort of thing. He was completely cut off from the people. I remember I had a very good Iranian friend whose father must have been a good bit older than the Shah but was a sort of provincial notable; in his early years the Shah used to ask him to come to Tehran every year to sit down with him and tell him what was going on and my friend Yusef said that after about 1960 he just stopped doing that, he just stopped listening to people and so he was completely out of touch; and when things started to turn against him he made every mistake in the book as, of course, did his supporters in the West as well; but he was meant to be an Iranian and we were only meant to know about it.

M.M. I think that that is a fair comment on that particular situation. Leaving those fascinating topics - you went back to the Foreign Office for a couple of years, presumably in a department somewhere or other, and were then selected to be a First Secretary in the U.K. Delegation to the European Communities and you were there for five years at a very important time, 1965 - 70.

D.H. Well, yes, it was all slightly odd that because the department I worked in in London was called Eastern Department which in those days meant Middle Eastern Department and I was on the desk which dealt with Afghanistan where I had just come from and CENTO, a now dead alliance like SEATO. I therefore assumed that my career was going to take me quite a lot to South Asia, Central Asia and so on. So when Personnel Department said they were actually sending me off to Brussels to the little observer mission we had following the collapse of our first attempt to get into the European Community in 1961-63 I was a bit puzzled. I said to them I can't quite see why you are sending me there because a. I have not studied economics and therefore don't know anything about economic diplomacy and b. if I understand it rightly this organisation is heading for the scrap heap because General de Gaulle has just stopped every meeting taking place. I was due to go in September 1965. In June 1965 the French had withdrawn from all meetings and were boycotting the European Community therefore I didn't quite see why they needed me and whether I was the right person anyway. Well they in their persuasive and firm way said "there, there, it will be good for you nevertheless and you will get lots of useful experience" and off I went. In fact, the crisis which lasted until February 1966 was a great boon because the whole of the European

Community machine was simply sitting idle, running in neutral, nobody had anything better to do than tell me how it all worked and give me what was effectively a six month tutorial on the European Community and all its works. And, at the end of it, when it started working again, when the French and the other Five, came to a sort of modus vivendi in Luxembourg, in February 1966, I had got some reasonable knowledge of the subject matter and had actually begun to be fascinated by it. Then I served there through a period of great frustration because the British government of the day, the Wilson government, having started rather hostile to the European Community gradually came to the conclusion that there was no alternative and renewed our application for membership which had been vetoed by General de Gaulle in 1963 and we were vetoed again. So the negotiations never got started in 1967 but we were determined, as Harold Wilson described it, not to take “no” for an answer, which was definitely the right policy. I spent five years of some considerable frustration because I was convinced from my own knowledge of the subject that the government’s decision to try to get in was right, but so long as the General was there it did not look terribly promising. However, the General came unstuck after his referendum campaign of 1969 on a subject of no great importance but whose loss he stated would lead him to resign which he did. As soon as he had gone it became clear that the French Government, now led by President Pompidou, had come to the view that the cost of keeping us out of the European Community was greater than the cost of letting us in. So the doors began to creak open and I then moved from the small observer mission into the negotiating team, not as part of the London end of it, where most of the horsepower was, but as part of the Brussels end, that is to say working for the officials who came out from London and also keeping up a steady flow of detailed information about what the Six were considering should be the terms on which we should be admitted.

M.M. You said at the beginning of that section that Wilson had decided that there was no real alternative to a second application for membership. On what grounds did he come to that decision?

D.H. Well, I think that he flirted with one or two alternatives - EFTA (European Free Trade Area) was one - but almost as soon as the Wilson government came in they decided on economic policy grounds to put on an import surcharge which happened to be against Britain’s obligations under the Stockholm Convention which was the basic document of EFTA. There was a huge row in EFTA and I think that rather discouraged Wilson from thinking that somehow EFTA was an alternative. The Commonwealth - he flirted with that too - but his troubles with the Commonwealth were many, arising from the unilateral declaration of independence in Rhodesia and he became disenchanted with that too. In any case the basic economics of the situation were that Britain was, even outside the European

Community, more and more dependent on its trade with Europe and less dependent on its trade with the old Commonwealth in particular. He became convinced of the case for joining.

M.M. And that was really perfectly apparent in the mid 1960's?

D.H. Well, the change took place between the '66 election and the application in 1967 with the famous tour of capitals when he and George Brown went round all the capitals and the Cabinet then voted by a huge majority to make a new application.

M.M. Yes, very interesting. I noted the other day in the Sunday Telegraph that they were quoting Lord Howell as saying 'only 19% of our gross domestic product is exported to Europe we have to think of the other 81%' and that was cited seriously as an argument.

D.H. Unfortunately so. The old saying about 'lies, damn lies, and statistics' is fairly apt and anyone who has been an economic journalist, like David Howell has, can find a statistics which can be manipulated to make it sound as if we don't really depend very much. But that, of course, is not the basic figure. The basic figure is what proportion of our exports are to the rest of the European Community, and with the enlargement of the European Community to include practically all the former EFTA countries and now with the enlargement shortly to include central and eastern European countries that figure goes up all the time and has now reached a level at which it is quite inconceivable that Britain can prosper without open markets in Europe.

M.M. I worked it out the other day. It is actually 58.67 % on the 1997 trade figures.

D.H. Is it? Yes, the trouble about statistics is that you can present them in any number of different ways but the fact is that the order of magnitude is very large.

M.M. Yes, that's right.

D.H. And that is a figure which has been reached by a very big swing in our trade because that figure or a similar figure back in the 1960's would have been about 30%. That was already very important because the other thing is that you have to remember is that the sort of things we were selling to Europe were the things what we really needed a market for.

M.M. Have you covered your time with the UK negotiating team?

D.H. Well, no. The negotiating team was '70/72, two years of absolutely frantic activity, of

course, while we conducted one of the most complicated operations ever which was to negotiate our way into the European Community. We were along with the Danes and the Irish and during the negotiations the Norwegians - although they didn't actually enter because they lost the referendum at the end which would have confirmed it. We were the first countries ever to join the European Community, so this was a real adventure. Now enlargement of the Community is old hat - it has been done 4 or 5 times or will be. And there will be more further down the road. But when we did it it was completely unknown territory, so it was a fascinating negotiation. There was never a very serious doubt about its success although one could get quite worried that the French would manoeuvre to enable themselves to put another veto on us. But the report that was written by Con O'Neill, the head of the negotiating team, afterwards comes to the conclusion, and I am sure that he is right, that there wasn't much doubt that we were going to get in. But there were some extremely difficult issues that had to be dealt with, about New Zealand butter, fisheries, agriculture policy, all of which had to be dealt with and negotiated in detail, and above all the great experience it gave me was firstly to bring me into contact with what you might call the upper reaches of policy making and secondly, it brought me into contact with the whole range of Whitehall which many Foreign Office officials pass much of their lives not really having a very intimate knowledge of - the Treasury, the Department of Trade and Industry, the Ministry of Agriculture and so on. By the end of those negotiations I knew all the people at the top of those Ministries. I knew how they worked in those Ministries. I knew what their problems were and so on. So I really had acquired a lot of very useful experience and knowledge.

M.M. In matters like the negotiation of fish of which so much is made these days. Was policy dictated by the Ministry of Agriculture?

D.H. Well, largely, yes. The Ministry of Agriculture and the Department of Agriculture and Fisheries for Scotland were in the lead. To tell you the honest truth, in my view, Fisheries was the one area where we didn't acquit ourselves terribly well in the accession negotiations, partly because it came as a complete shock that we had to face a common fisheries policy. A common fisheries policy for the European Community was adopted the same day that we opened our negotiations. It was a scandalous thing to do, but we were caught napping. The fact was that we had not taken as much effort as we should have done to try and stop it being decided. It was scandalous because the four applicant countries actually caught twice as much fish as the European Community did. So for the Six to lay down what the policy was going to be just before we started negotiating without asking us what we thought the policy was going to be was an act of great irresponsibility and it brought with it many bad results. Not just for us, but for the whole European Community; the turmoil in the fisheries policy, which has existed ever since, goes back to that. It is not a good area that. My own view is that

the terms we negotiated on the budget, New Zealand dairy products, Commonwealth sugar' on transition in the industrial and agriculture sectors, on all that we got a good deal and certainly the best deal we could get. The budget, of course, had to be reopened again but we all knew that that was going to have to happen. But fisheries is a bit of a black spot in my view and I couldn't put my hand on my heart and say we did a brilliant job.

M.M. Of course, it came at the end of the 'Cod War,' didn't it?

D.H. No, it was before the 'Cod War'. The 'Cod War' was about 3 years later. The 'Cod War' was about 1976 /77 - what we are talking about is 1971. One of the reasons why we didn't do terribly well is that we failed to spot that there were a whole number of developments in the fisheries field which were going to change all the rules of the game. One of these was the 'Cod War' which was going to throw our deep water fleet out of Icelandic fishing grounds, another was the extension of fishery limits to 200 miles, another was the eventual accession of Spain and Portugal, two countries with large consumption of fish and few fish in their own waters. All these developments meant that what we had negotiated turned out not to have been as adequate as we thought it was at the time. Moreover, the calculations we had to make during the accession negotiations on fisheries was to balance the relative interests of the British deep sea fleet which fished off Iceland and Norway and the British inshore fleet. For quite a time during the negotiations we gave primacy to the deep water fishing which has now completely disappeared. Whereas the inshore fishing to whose interest towards the end of the negotiation we gave primacy has actually turned out to be virtually the whole of the British fishing industry of the '80's and '90's.

M.M. Well, it is a good example of the people who are absent always being wrong. 'Les absents ont toujours tort'.

D.H. That's right. Of course, that was also true over the budget and the Common Agricultural Policy and its why, in my view, the politicians and the diplomats of the 1950's have a lot of questions to answer as to why they took the decisions they did which meant that Britain did not join the European Union at the same time as the founder members.

M.M. I feel sure that brings us back to political leadership.

D.H. Yes, but the Foreign Office and Civil Servants were not without responsibility either. Very powerful civil servants like Roger Makins, who was the top of the economic side of the Foreign Office at a key time, continued until the day of his death, - he died at the age of over 90 last year - to say that he was quite right to give the advice he did. In my view he was quite

wrong, and he was very influential and there were others like him. Politicians like Rab Butler, Anthony Eden, I think, also got things wrong.

M.M. A sad story. After that you went as Chef de Cabinet to Sir Christopher Soames, Vice President of the EEC. You were then actually within the machinery of the EEC.

D.H. The two new British Commissioners who were the two first British Commissioners, Christopher Soames and George Thomson obviously looked for people to take with them who knew something about the European Community and that was rather a small category of people at that stage. I was one of those because I had just spent 7 years working on it including the actual accession. So I got the job, slightly to my surprise, and it was fascinating because we went to the Commission on the day that Britain joined the European Community. We went into a house in which there were no British officials of any sort. We were the first British officials ever to serve there. Obviously we were followed by a large contingent of people who came in and took the place of French, Germans, Italians and others who took the golden handshake and made space for us but in those first few months we had no predecessors to tell us how to do it. We were just shown our suite of offices and off we went. Christopher Soames was responsible for external relations of the European Community, which in those days were not very well developed. The Six had been a rather inward looking organisation very much taken up with its own internal development and hadn't developed deep relationships around the world. In any case the scale of the European Community had been completely transformed by Britain joining. Instead of being Six countries of whom only one, France, had really extensive former overseas territories it suddenly became 9 countries of whom two including Britain had global interests and world-wide links. So all of a sudden the new enlarged Community had to develop relationships with S.E Asia, with Latin America, with Australia and so on and with Eastern Europe. It became a critical mass and it required the fashioning of new external policies for the enlarged Community. It was like taking out a blank sheet of paper and starting to draw on it. We launched a major multilateral trade round - the Tokyo Round which was launched in 1973 the successor of the Kennedy Round and the predecessor of the trade negotiations of the Uruguay Round. That was one of the major steps towards the liberalisation of world trade. We began to open up some trade relationships with Central and Eastern Europe which subsequently burgeoned. We built up completely new relationships with the countries of south Asia, the countries of south-east Asia and Japan. Quite apart from that, as usual, we had about fifteen rows going on with the Americans all the time on trade issues and this required a great deal of management. So it was a busy job even within the portfolio that Soames had, let alone if you looked at it more widely - where we had of course the business of preparing our Commissioner to handle the business of the Commission in all the other fields of its responsibility.

M.M. Was it clear when we went in in 1972 /73 that it was the intention of the European Economic Community to develop as a sort of quasi federal association with a single currency?

D.H. Well, it was always clear that the European Community's purposes were political and not just economic. They were both political and economic, that was clear to all of us. It was also clear that issues like a single currency were on the horizon; the single currency was first endorsed by the 9 members of the enlarged Community 3 months before Britain joined at the Paris summit which set out an ambitious timetable including the objective of the economic and monetary union. On that occasion it came to nothing because of the great oil shock - in 1974. In fact, the period I was in the Commission 1973-77 was not a particularly fruitful period for the internal development of the European Community because the oil crisis following the Yom Kippur War, which led to the quadrupling of oil prices, sent the European economy into turmoil. It torpedoed the early, hesitant steps that the 9 had been making towards economic co-operation in currency management in what was called The Snake. All of these things pretty well disappeared and for the last two years I was at the Commission it was really all hands to the pumps to save the ship from sinking, because the European economies were in a terrible mess, inflation was high, public spending was out of control and we had a period of very weak government when Pompidou died, when Brandt resigned, when Gerald Ford took over from Nixon, when Heath went and the second Wilson government, which was much divided amongst itself, came in. So it was a bad period and one, in fact, in which the European Community did not take any great leaps forward.

M.M. But certainly the underlying intention was...

D.H. The intentions were all there. The Treaty of Rome set out a lot of it. The Communiqué of the summit in Paris in 1972 added things like the single currency. Yes, it was all there.

M.M. And well known to anyone who cared to look at the facts.

D.H. Well, I have just been editing the report that Con O'Neill wrote on the accession negotiations. So I was quite interested when writing a foreword on him, on Con O'Neill to find that he made a public lecture in 1972, before we joined, in which he said quite clearly that the purposes of the European Community are political as well as economic. So there was never any doubt about that. The theory now put about that somehow or other everyone was misled or failed to understand or whatever it was, I am afraid is not true.

M.M. No. An awful lot of things, which are not true, appear in print these days it seems. Yes, very interesting. What did you make of Sir Christopher Soames as an individual?

D.H. Well, he was a brilliant operator, a sort of instinctive political operator. One of the nicest stories about him, I always think, is one from Christopher Ewart-Biggs, who was killed by the IRA in Dublin and who was his no.2 in Paris; he said to me: just remember that Christopher Soames is a political animal and when I say political I mean political and when I say animal I mean animal; and it was true he was like a huge bear. Although his capacity for intellectual effort was perhaps not very great, he never had a higher education, he had gone straight from school to Sandhurst and never had a University education. He always used to joke that under the strict rules of the European Commission the only job he could have had was that of doorman because everyone else had to have an University degree and he didn't have an University degree. Despite the fact that intellectually he had these handicaps of not having had an advanced formal education he was a very, very effective operator, he had tremendous human warmth, he had great instinctive ability to get to the roots of a problem and he could absorb a huge amount of briefing as long as he wasn't expected to read it, as long as it was delivered to him orally. I would often be quite astonished because I would sit and give him a kind of tutorial on some subject, some abstruse subject like the Generalised Scheme of Preferences and then about a month later I would hear him repeating almost verbatim what I had said to him with every appearance of having actually understood it and thought it all out himself! But he was very effective and had a great capacity to develop strong relationships with the people who mattered - like Henry Kissinger, then Secretary of State of the United States, Giscard D'Estaing then President of France and so on. This was very important. He had a good strategic sense. He knew about the importance of free trade, of the European Community being outward looking not inward looking. He was loyal to his staff, always stuck up for them, made them work hard but was wonderfully friendly to them. So we had four happy years and very busy years and he had a lot of achievements under his belt in that time.

M.M. He sounds like a latter day Ernest Bevin, doesn't he?

D.H. Yes, a little. Though he came from a slightly different part of the social world but he had some of the same characteristics. He had learnt a lot from his father-in-law Winston Churchill whose Parliamentary Private Secretary he was and for whom he really held the fort at No. 10 when Churchill had his stroke in the early 1950's; that was the basis of Soames' own political career. He was a considerable figure.

M.M. Just the right man for the job by the sound of it.

D.H. Absolutely, he was very much one of the outstanding people in that Commission.

M.M. And he was sustained there by Harold Wilson for his last three years.

D.H. Well, not quite, because Callaghan then became Prime Minister. In fact there was a rather strange episode when Wilson actually flirted with the idea of running Christopher Soames to be President of the Commission in 1977 when the Commission next changed after Ortolini Commission ended. Wilson got on well with Soames and there was this flirtation but then Wilson himself resigned and Callaghan became Prime Minister. Callaghan was not a member of the Soames fan club and in any case part of the deal at the time of Callaghan's choice as leader of the Labour Party and Prime Minister was that Roy Jenkins would go to Brussels as, if possible, President of the Commission which he did. So that was the end of Soames' ambitions to become President of the Commission.

M.M. On the other hand, of course, Roy Jenkins was another successful ...

D.H. Oh yes, he was very successful. It was a good appointment. Soames went back into British politics where he had one great further achievement bringing Zimbabwe to independence when he served as the Governor for the last few months before independence.

M.M. After that exciting interlude you became Head of Energy, Science and Space Department in the FCO. Have you got anything to say about that?

D.H. Well, that was rather an odd Department because it was bits and pieces of everything. But the main work was based on the fact that Britain was just becoming a major oil producer and within a few years a major oil exporter and this was a complete transformation of Britain's position. Up until then we had simply been like every other western country, a major oil importer, largely at the mercy of OPEC. So we had to hammer out a whole lot of policy issues during that period in which there was quite a lot of tension between the Department of Energy, presided over by Tony Benn, and the Foreign Office presided over by David Owen, with the Treasury more often than not on the Foreign Office's side. That was an interesting period to be dealing with energy. It was also the period of the second oil crisis, the one caused by the downfall of the Shah, which the western world managed to navigate through slightly better than the first one but only slightly. I was involved in that period in dealing with issues of that sort which were quite interesting. But it was not in the front line of Foreign Office departments.

M.M. No, but a vital insight into economic developments.

D.H. Yes, I learnt about the futility of economic projections. We spent a lot of time around a table in the Cabinet Office presided over by the Head of the Think Tank, Ken Berrill, trying to work out what the future price of oil was going to be for planning purposes and also trying to work out what the British Government was going to do with what was called the benefits of North Sea Oil, a concept that went under the wonderful acronym BONSO ! and crucially on what the price the oil was going to be at the end of the Century. All these exercises turned out to be pretty futile. Because we were doing them in the midst of the second oil crisis, we started to project enormously high oil prices and people were talking about anything from 50 to 90 dollars a barrel, things like that, with the middle range at 40 dollars a barrel or so.

M.M. It eventually got there.

D.H. Well, only very briefly, only very briefly, it peaked in 1979 at something like that but most of the time since then the oil price in real terms has been declining so that all the calculations we make were exercises in futility.

M.M. Such is life. After that you had a brief spell as Head of Middle East Department.

D.H. Well, I had asked for a change at that point. I thought I had had enough of Europe and economic matters. I had been doing that non stop since 1965. I thought I needed a bit of a change so I engineered my appointment to Middle East Department having failed to be chosen as Foreign Office Private Secretary to No.10 - I was one of three people who was in the running for that - Christopher Mallaby, myself and Michael Alexander. Michael Alexander was chosen by the just elected Margaret Thatcher as her first Foreign Office Private Secretary and I went off to Middle East Department feeling slightly sad, although I was greatly encouraged by running into in the corridor Tony Parsons, an old friend of mine, who told me that he too had been turned down as Foreign Office Private Secretary at No. 10 and that he had gone straight into Westminster Abbey, dropped onto his knees and given thanks that he had not got such a ghastly job! and he suggested that I should do likewise! Well, I didn't go to Westminster Abbey but I did see the amusing side of it and Middle East Department was a fascinating job, even though I only had it for 3 months. It was the moment at which the Iranians seized the American Embassy in Tehran and very temporarily the British Embassy too and so we had plenty on our plates and I was rather enjoying that really; but I had hardly got there when I was told that I was going to be promoted and become the Under Secretary dealing with the European Community.

M.M. So you were back with European affairs.

D.H. So my attempt to diversify away from Europe was a dismal failure and lasted for all of 3 months.

M.M. Whereas you were Assistant Under Secretary of State in charge of European Community affairs for 5 years.

D.H. Yes, I did 4½ years at that. A very hard slog it was as it was the time of the great budget war and I arrived in my job just two days after Mrs. Thatcher had infuriated all her partners in the European Community by demanding in Dublin to have her money back. When I got there the Foreign Office was in a state of shock and I was charged to pick up the pieces and restart the negotiation for a budget rebate. When I say I - I was advising Peter Carrington and Ian Gilmour who were the two Ministers and we conducted that negotiation with reasonable success over the following 4 or 5 months. It was pretty fraught but we got a settlement at the end of May which reduced Britain's budget contribution by a huge amount but not on a lasting basis. We got a 3 year deal. We always knew that was only round 1 but it was a very successful round 1. Then we had to settle down to the long slog of getting the lasting rebate; that took me all the way through the 4½ years I worked on that job and in fact was not quite complete when I left in 1984. It was finally settled later that year at Fontainebleau after I stopped doing that job but the foundations had all been laid for what is now called the British rebate, the return of two-thirds of our net contribution. It was an enormously gruelling negotiation but it was necessary because when joined the European Community we had simply disagreed about the likely trend of expenditure and the impact on us. The British projections were a lot nearer the truth than the continental European ones and we therefore ended up with an unsustainable and inequitable burden - against which the European Community had told us at the time of our accession that the necessary measures to correct this would have to be taken if we proved to be right. Well, they were taken eventually but it was a five year slog to get them - greatly to the discredit, I think, of our Community partners. We made some mistakes - Mrs. Thatcher did say some things which perhaps should not have been said. But in the basic contention that it was quite wrong that we should be paying as much as we were she was totally right.

M.M. It did come out reasonably well in the end, I suppose.

D.H. Yes, the two-thirds rebate is durable, that is the great thing. It was built into the Community's Own Resources Decision so if you wanted to change it you had to get our agreement. That is why it has been possible to sustain it. You can argue until the cows come

home whether the one third that we still pay of our calculated net contribution is excessive or not, I myself think that in fact it is about right in terms of our prosperity and what we ought to be contributing to a venture that brings us huge benefits as well as it does to other member states.

M.M. Is it likely that other joining nations will face a similar problem?

D.H. No, the structure of the British economy will not be replicated anywhere else in quite that way. Our problem was that we both contributed more than our economic proportion of the Community's wealth because we traded a lot outside Europe which is not the case of any other European country but far more importantly that the Community's pattern of expenditure which was heavily agricultural brought very little back to Britain. The combination of these two things left us with a whacking great net contribution.

M.M. This presumably is what lies behind the current problems over joining the Euro.

D.H. No, no that's nothing to do with that - that's to do with the currency issues - they are quite different.

M.M. Are there any other points you would like to make about your time as an Under Secretary?

D.H. No, I don't think so. We did lay the foundations for what subsequently came to be called the single market but we hadn't actually made much progress towards it during that period. We launched yet another trade round, which was important. We negotiated the accession of Spain and Portugal. It was a busy period.

M.M. Yes, I am sure. And you left that and went to Washington.

D.H. Yes, where again I didn't spend a very long time. I was there for 15 months. I was no.2 in the Embassy in Washington with a very laid back and tolerant Ambassador, Oliver Wright, who left me to get on with most of the work, dealing with the interface between British and American foreign policy with the State Department. It was a nice busy job but I wasn't there long enough to do more than get some understanding of how the American body politic worked, the Hill being every bit as important as the Executive. Then my predecessor as Permanent Representative in Brussels, the job I next went to, Michael Butler retired a couple of years early because he wanted to go to the City.

M.M. Nevertheless, did you have to gain an impression of what the Americans thought of our membership of the EU and whether or not that was a good thing and in their interest?

D.H. Well, the Americans had always thought European integration was a good thing. The Americans after all began their policy towards Europe after the 2nd World War as the great federators. Their view that the only way the countries of western Europe, ruined by the war - and that was every bit as much true of Britain as it was of the vanquished countries although the physical damage was less, - could pull themselves together and get out of the mess they were in, economically and politically, and face up to the threat from the East was if they worked together. That is what lay behind the Marshall Plan and the Marshall Plan was given effect through a thing called the Organisation for European Economic Co-operation which subsequently became the OECD which was the first integrationist approach to Europe. The Americans were amongst the most enthusiastic supporters of the European Coal and Steel Community, the European Economic Community and they were enthusiastic supporters of Britain's first application to join. So there has never been any doubt about that really. Every American administration thereafter has supported the integration of Europe for the same reasons, because they believed it was the most effective way to equip Europe to stand on its own two feet and take a bigger share of the burden of European defence. So, even in those days in the 1980's, it was very clear - in the heyday of Mrs. Thatcher after the Falklands War - it was clear that our influence in Washington varied quite considerably in proportion to our influence in Europe. That is not to say that we had no influence in Washington independent of our influence in Europe, but the two were closely linked.

M.M. Well, it has been said very, very clearly by Ray Seitz the former American Ambassador in London.

D.H. Yes, Ray put it very clearly indeed. And I am afraid to say that those who say to the contrary and, I think that Mrs. Thatcher is one of them now, delude themselves. They just delude themselves. We saw how much influence we lost in the period when we lost influence in Europe under the Major government.

M.M. That's right, very clear. Thank you, that is most interesting. So you then came back to Brussels as Ambassador and United Kingdom Permanent Representative.

D.H. Yes.

M.M. To the European Community 1985-90.

D.H. Yes, I was pitchforked into the Inter-Governmental Conference which was negotiating what subsequently came to be called the Single European Act. I literally stepped off the plane on the first day I went to Brussels at the beginning of October 1985 and drove straight to a meeting of the Inter-Governmental Conference. For the next three months I didn't really see the light of day because we were negotiating this important treaty change which was the basis on which the Single Market programme was subsequently implemented and which provided for the extension of qualified majority voting so that much of the legislation which created the single market and which had been held up for years and years was able to go through once it was possible to vote on it. It also put the rather fledgling system of foreign policy co-operation onto a treaty base. It was an important step. The Single European Act was the focus of the first period - the beginning of my time as Permanent Representative. We then had a complex budget negotiation because the European Community had run out of money as it had a tendency to do. And in providing it with more money we had to ensure not only that our rebate was preserved - which we did with success - but also that the cause of the overspending, the Common Agricultural Policy, was got under better control and that the non agriculture spending was also subject to budgetary discipline. That was the negotiation which lasted until the middle of 1988 and was again, I believe, a successful outcome for Britain. The rebate continued; and the control on agricultural spending, although far from perfect, began at last to bite for the first time ever; and the money spent outside agriculture was allocated often to things that were of great interest to us like research and development and regional policy. So that was also an important phase. Thereafter, the cloud of economic and monetary union began to loom on the horizon and Mrs. Thatcher's visible dislike of it began to affect our relationship with the EU quite importantly. In the last two years I was there it was guerrilla warfare really, in an attempt to slow down the very strong move by all the others towards economic and monetary union - an unavailing attempt.

M.M. But Mrs. Thatcher had agreed to the Single European Act; presumably she knew what the implications of that were.

D.H. Well, she certainly agreed to it and I believe she knew perfectly well what the implications were. She knew that the Single Market, if we could get it, was strongly in Britain's interests. She knew that in order to get it you had to have qualified majority voting; she came to accept, which she had not done at the beginning, that you could only get those changes by changing the Treaty. She accepted that that was worthwhile and that's why she signed up to it.

M.M. I would just like to ask you whether we played a major part in negotiating that Single European Act.

D.H. Oh, yes. We did play a major part in it because when the conference began Britain had voted against the calling of the conference on the grounds that we didn't believe that the Treaty should be changed and our position was rather fundamental. If we had continued to take that position there would have been an open crisis. I don't know quite what the outcome would have been. We certainly wouldn't have got the Single Market. But because we were the back markers, as it were, we had considerable control on what did and didn't go into the Treaty and the way it was phrased. So we were one of the most active delegations in that negotiation and I believe the outcome was one that fitted very closely with our interests.

M.M. So we were able, in a way, to dictate the course of this vital piece of legislation.

D.H. We had a lot of influence on it and one of the reasons we had so much influence was because we had a positive objective. We weren't just trying to stop anything happening; we wanted something to happen very much and that something was the Single Market. Now, I happen to think that the subsequent course of events has shown that enormous benefits were derived from that. There has been a huge freeing up of trade and investment within Europe and there have been thousands if not millions of jobs created as a result of this Single Market programme. So it was a very important moment in the European Community's history and I think that over time people will recognise that the Single Market really was, in economic terms, probably one of the most important things that has ever happened to the European Community.

M.M. Indeed. One can see immediately why a development of that sort would appeal to the Americans with all their multi-national companies.

D.H. Well, they weren't, at first, very enthusiastic because they got themselves very worked up about a concept that was called 'fortress Europe' and they believed, that somehow or other, the Europeans while removing the barriers amongst themselves would either maintain or erect barriers against the outside world. I think, myself, that this was always a bit misconceived partly because even if we had built 'fortress Europe' most of the American multi-nationals would have been inside the fortress in any case and therefore quite capable of benefiting from it. Which is one of the reasons why even the most protectionist Italian or Frenchman didn't think that it was a terribly good idea to try to do this. But in any case it didn't turn out that way. In actual fact, for example, when we liberalised capital movements which was one of the most restrictive regimes, there was a choice - you could either liberalise capital movements worldwide or you could liberalise them within Europe and have a system of European capital controls against movements between the rest of the world and Europe.

The latter would have been a very bad system and it would not have been to Europe's interest but we didn't have it. We liberalised capital movements worldwide when we did so. That was one of these cases where the European Community acted as the instrument for a move towards liberalisation, which was of great benefit to Britain.

M.M. Yes, it is strange really that people are now beginning or trying to criticise something that has clearly been...

D.H. Yes, but they are infected, I am afraid, by a kind of obsessive bug that says that everything that happens in Brussels is bad and it's all manipulated by foreigners against our interests. None of this really bears any close analysis. In actual fact Britain has gained a great deal. Where we have had burdens put upon us by the European Community it has largely been because we weren't there in the first place and therefore we inherited things like the Common Agricultural Policy and the Common Fisheries Policy which we would never have consented to if we had been in there on the ground floor, but that was largely our own fault.

M.M. That's true. Well, that was an absolutely fascinating period in your career.

D.H. Yes, it was the job probably I enjoyed as much as any other job I did, perhaps slightly more, partly also it was because it was getting things done, making changes which I believed were very much in Britain's interest and which were clearly going to have important long term effects.

M.M. Thank you. From there you went to be British Permanent Representative to the United Nations - a contrast there but multi-lateral once again.

D.H. Yes, I have to admit that when I went to the United Nations I had never actually been to an United Nations meeting or been to the United Nations in the whole of my life. My predecessor, Crispin Tickell said, with a merry laugh, 'that qualifies you highly to do this because New York is filled with people who have spent far too much of their time at the United Nations'. I think that was perhaps a slightly facile remark but nevertheless the knowledge of multi-lateral diplomacy I had acquired by then - over 17 - 20 years of European Community work - was valuable. In fact the multi-lateral diplomacy practised in Brussels is more sophisticated than that practised in New York and there were very few techniques of multilateral diplomacy which were not reasonable familiar to me from Brussels, although New York is different - the UN is different. One way in which it is completely different is that there is a kind of caste system. In Brussels it is axiomatic that, although some countries are more equal than others and big members states have bigger interests than small member

states like Luxembourg, you are never allowed to say so. In New York the five permanent members of the Security Council are like Brahmins. They move around in a different world to the world of the great unwashed out there who aren't members of the Security Council. I don't say this because I approve of it. I actually found the whole atmosphere in that respect really rather unattractive and excessive; and I think it led to more bitterness about the distinction between the permanent members and the non permanent members of the Security Council and those who weren't members of the Security Council at all, than was necessary. I would have preferred an approach more like the Brussels approach where everyone recognised that some were more equal than others but you weren't allowed to talk about it.

M.M. Do you think that the balance of power is alive and well in New York.

D.H. Very much so, because the structure of the Charter does give the permanent members a large amount of influence.

M.M. But it is difficult to see how it could possibly work without doing so.

D.H. Well, there would never have been a United Nations without the institution of the five permanent members and without the veto, because at the very least the United States and the Soviet Union would never have allowed a body to be set up which had the power of war and peace and which could actually declare war on a country by a majority vote if they hadn't also had a veto. The idea that they could or would in 1945 have done that or would today do that is frankly for the birds. Those sort of countries, the United States, the Soviet Union now Russia just aren't going to do that - China the same. And although Britain might not have been able to insist on having a veto if the others hadn't had a veto, there was never any realistic prospect that we could have got an organisation, an institution, with the powers of the Security Council set up, let alone in a period when we were about to go into a Cold War, unless there had been a veto.

M.M. Of course it is a purely political organisation as well, isn't it?

D.H. Well, it has an economic side. The economic side of the United Nations is not very effective. Most of the economic work has trickled off down to Washington where the multilateral financial institutions, the World Bank and the IMF, do it or to Geneva where the World Trade Organisation operates. The economic work of the United Nations is a bit frustrating. It does some good development work, it does some important work on the environment; but it isn't a patch on the other major role it has which is maintaining international peace and security.

M.M. I want to ask you another question about Yugoslavia basically. Do you think that the NATO powers were wise to embark on the bombing of Kosovo, Serbia?

D.H. I don't think there was really very much choice in the matter. Once Milosevic decided unwisely, encouraged by what he believed was the protection of the Russians and Chinese from any authorisation to use force against him under the UN Charter, once he had decided to continue his repression of the Kosovars in a really blatant fashion, and given the experience that we had all had, the agonising experience we had all had in Bosnia when we had dithered and hesitated for several years amidst absolute mayhem in Bosnia and being gravely compromised by our dithering I don't think that there was really much of a choice, frankly.

M.M. I am sure that is the case. Were you in the UN at the time of the genocide in East and Central Africa?

D.H. Yes, indeed I was. I arrived at the UN just after Saddam Hussein had invaded Kuwait so the first six months I was there was almost entirely spent on the great operation to prise him out of Kuwait, leading up to the Gulf War and the successful liberation of Kuwait. Then for all the rest of the time I was there I was struggling with the issues arising from that - the fixing of the Iraq/Kuwait frontier, the compensation to be paid to the victims of the war, the treatment of Saddam's weapons of mass destruction, the handling of the huge exodus of Kurds into Southern Turkey and so on. So that was a huge amount of my job in the early time and it continued right on throughout the period and, of course, it continues to this day long after I have left. You asked about Rwanda. Yes, I was on the Security Council when that went wrong, so badly and disastrously and tragically wrong and we were not able to find an adequate response to it. I am not myself convinced that there was an adequate response there to be found to it. It is very easy to say, but with hindsight, that we could have sent lots of troops there and stopped the killing. Well the killing took place very quickly; it was all over within a few weeks. It was a carefully planned operation - which most certainly I had no inkling of, and I don't think most people had any inkling of, - and given the remoteness of Rwanda and the unpreparedness of any countries to commit troops to it I really doubt myself whether there was ever a real likelihood of effective action being taken in that particular circumstance.

M.M. Well it is very difficult indeed to deal... to conceive any system to deal with a problem of that sort.

D.H. What we are talking about there was not military action; it was just people murdering in

their hundreds and thousands all over the country. It wasn't something that could be dealt with by a cease fire or by restoring law and order in Kigale because there were Hutus all over the country murdering Tutsis by the thousand.

M.M. I have heard it said, and I don't know on what authority, that a lot of the victims were murdered because they were anglophones and not acceptable to....

DH. Oh no, I don't think that that is true. The ones who were anglophones were mainly not murdered either because they weren't in the country (being refugees in Uganda) or if they were in the country they were part of the Rwandan Patriotic Front, which was organised by Paul Kagame who is now the Vice President and the strong man of Rwanda. They had been in exile in Uganda where they had been brought up as English speakers. Kagame himself had gone to a military academy in the United States. These refugees were in this army which invaded Rwanda and whose civil war with the Hutus had led to the setting up of a small peace keeping mission by the UN which was brushed aside at the time of the genocide and which was designed to lead the way to a multi ethnic government. It was because that multi ethnic government was on the point of being formed that the Hutu extremists killed their own President, Mbariza Ndayishimiye on his way back from a conference in Dar Es Salaam at which he had committed himself, finally, to set up a Hutu/Tutsi, multi-ethnic government and it was to prevent that that the genocide was triggered. First of all the perpetrators of the genocide shot down the plane carrying the Presidents of Rwanda and Burundi in it and then unleashed the genocide. I don't think that many of the Tutsis who were killed in Rwanda were actually anglophone.

M.M. I see. So that is a bit of a romantic...

D.H. There was some tension between the the Tutsis who lived in exile and those who lived in Rwanda, but that is a little bit like saying there was tension between Algerian revolutionaries who were outside the country and those who were inside the country.

M.M. Well with the situation in Ireland, which confronts us to this day who are we to throw stones at anybody....

D.H. It was a terrible experience and it was one which the UN didn't come out of with a great deal of credit.

M.M. I think in a way it is being repeated in Yugoslavia to some extent.

D.H. Well, yes there are elements of genocide in the approach of Milosevic to the killings of Kosovars who after all are being killed for no better reason than they are an ethnically different Community and religiously of a different creed.

M.M. So it all speaks for the setting up of a more powerful European voice to deal with these matters which are really in our back yard.

D.H. Well, I think, myself the case for what is called the European Security and Defence Initiative, ESDI, is strong; the other reason for it is that an increasingly doubtful United States which no longer has got the motivation for being in Europe, guarding Europe against the Soviet Union, is a great deal more likely to remain engaged in Europe if the Europeans take up more of the strain themselves than if the Europeans continued to be divided and not as effective as they ought to be. I think Kosovo has shown also that, while we do spend an enormously large amount of money on our defence, in return for it we get much less than the Americans get. One of the startling things we have discovered is that we spend something like 60 or 70 % of the American defence budget - the Europeans collectively - but we don't have anything like 60 to 70% of the military assets or modern technology that the Americans have. We break up ours into little penny packets of 15 or 20 countries and we don't get together sufficiently to rationalise our defence industries and to rationalise our armed forces. Well that's what the British government is now trying to do, taking the initiative with the French and let's hope they make a success of it.

M.M. Yes that's vital. So are you still, moving on from there, British Government Special Representative in Cyprus?

D.H. Yes, I do that job following my retirement; that is one of the jobs I do; it takes about two days a week on average. I was asked by Malcolm Rifkind to take this new job, which was called the Special Representative for Cyprus. I don't supplant the High Commissioner in Nicosia who does all the day to day work, but the feeling was that if we were to make a real input into solving this very long running problem in a country which, small though it is, does represent a threat to international peace and security and does have substantial British interests, then somebody should be given this task of being a Special Representative. I have been doing this for the last three or four years moving around the circuit involving Athens, Ankara, Nicosia, New York and various European capitals, Austria and so on. Not I am afraid yet to any great purpose. We once in 1997 got the two parties together but that was very short-lived. We escaped a rather serious security crisis last year when the Greek Cypriots tried to bring in a sophisticated surface to air missile system but now has diverted them to Crete. Now we are trying again to mount another negotiation to see if we can get a

settlement, particularly before the question arises of Cyprus joining the EU.

M.M. Is Cyprus a serious candidate for that?

D.H. Yes, absolutely. They are determined to get in and it is crucial distinction whether they get in divided or whether they get in reunited.

M.M. So, we do have some leverage over them.

D.H. Not to be exaggerated, I don't think. They also have some leverage over us in the sense that the Greeks are not going to agree to Poland and Hungary, the Czech Republic and so on entering if Cyprus is left on the sidelines.

M.M. Could they stop us enlarging?

D.H. Yes, there has to be unanimity...

M.M. To any member.

D.H. In the circumstances it is not very satisfactory that we have got ourselves into this position but there it is.

M.M. Is that something that could be altered?

D.H. No. You really can't have membership dealt with by majority vote. I don't think that is conceivable.

M.M. That's interesting. Can you see any possible solution to the Cyprus problem?

D.H. I can see a solution to it, yes. Cyprus is unlike the Arab/Israel problem where there are some parts of the problem that really are difficult to solve, in technical and practical terms they are really quite difficult. The solution to Jerusalem is not self-evident. For the Cyprus problem the solution is quite obvious. You have to leave the Turks and the Greeks autonomous in their own areas but you have to have some central powers for a federal government. But most of the powers would be in the zones which would be largely mono ethnic in nature. So you are not trying to make them all go and live amongst each other again, as that wasn't a great success last time. A lot of people got killed and it's not very sensible to do that. You have to find some way of achieving Cyprus's security, some kind of

international force and you should try to demilitarise the island. You would have to have a territorial adjustment because the Turks have more of the land than they should have. You would have to find some solution for the refugees, which will have to involve some substantial compensation for those who can't go back. I could write down for you on the back of an envelope a possible solution of the Cyprus problem and I am not sure that many people would quarrel with it. The trouble is that there isn't sufficient confidence or will to move to it, to make the compromises.

M.M. It has been going on for 25 years now.

D.H. More. It has effectively been going on since 1960 when they got their independence and then very shortly afterwards the Greek Cypriots began to harass the Turkish Cypriots in a major way.

M.M. That's 39 years then, even worse. We have certainly had UN troops there for 25 years.

D.H. The UN have been very successful there. They now man the 'green line' with a much smaller force than they originally had. I think right at the beginning they were up to something like 5000. They are down to something like 1200 now. They do a very good job there and they try through successive peace negotiations to get a settlement but so far that has not been successful.

M.M. Do you think that it is to do with the personalities involved?

D.H. No I think it is to do with the - by personalities do you mean Greeks and Turks?

M.M. Yes.

D.H. Well, not just the leaders. I think that the situation has become extremely intractable on both sides; the education systems foster an extreme nationalist approach. They treat the other side as being the enemy. I don't think that the two mother countries - Turkey and Greece - have considered it a major necessity that there should be a settlement; indeed both of them have from time to time made use of the crisis as a kind of diplomatic pawn. A whole number of reasons has led to the fact that the problem has not been solved. It is one of these very long running diplomatic and security problems that you just have to keep plugging away at. One of the reasons you have to keep plugging away at it in any case is that if you don't keep a peace process going then things get worse; because if there is a vacuum in Cyprus things then get worse. So at the very bottom line what I am doing is conflict prevention, even if I am not

getting a settlement.

M.M. Yes. Nationalism is the last refuge of the scoundrel.

D.H. That is not quite what Dr. Johnson meant when he said that. What he really meant was that people who couldn't think of any rational argument for their policies wrapped themselves in the flag. Which is right.

M.M. I have got one or two rather simple questions arising out of recent newspaper cuttings that I would quite like to wrap up.

D.H. Sure, go ahead.

M.M. Do you think that we are capable of exerting greater influence on the world outside the Euro zone if we retain sterling?

D.H. No, I don't myself, no. I think that the claim that was made that our influence would be greater is not susceptible of proof. Of course, all these things are a bit intangible and one should be a little bit careful about bandying around very confident assertions about more or less influence in this or that situation; but I think that all the empirical evidence, the attitude of the Americans, the attitude of other countries of the world, should tell us that Britain as a fully functioning, effective and influential member of the EU exerts more influence than Britain as a semi-detached, grumpy, not very influential member of the EU. I don't myself think that there is a great deal of doubt about this and I think that the assertion by John Coles recently that we would have more influence if we were not in the Euro frankly leaves most people laughing. I think you can argue quite a lot about whether we have as much influence or less influence outside the Euro, but to say that we would have more is really pushing your luck a bit. And I notice that of every single person who has commented, including Mrs. Thatcher, not one of them has supported that contention.

M.M. Thank you. I think that disposes of that.

D.H. I hope so.

M.M. On a slightly different tack. We went to war with Germany in 1939 to contain or destroy the power of Germany. What do you think about the idea that we would have been better advised to stand aside from conflict with Germany in 1939, assuming that we could have remained neutral at that period of time and that we were not attacked by Germany.

Supposing that option had been taken and we had stood back to let Hitler and the Russians knock the stuffing out of each other. Would that have...?

D.H. No. I have heard that theory. It is Roy Denman.

M.M. That's right.

D.H. He spent a lot of time advocating it in a book called 'Missed Chances' or 'Lost Opportunities' or something like that. I regard it as both morally and politically completely unacceptable. I don't believe that we could have stood aside. We couldn't allow our principal ally France to be simply destroyed by the Germans without raising a finger. We couldn't allow the continent to be dominated by Germany. It was against that domination of the continent that we had always mobilised our forces - in the First World War, in the Napoleonic wars, in the War of the Spanish Succession. I think it is bizarre to suggest that, even if we didn't know as much as we now know about the nature of the Nazi regime and the things it was doing in the terms of the holocaust, in the terms of repression that it carried with it wherever it went, that we could have afforded to stand aside. And, of course, the idea that somehow or other, if we let the Germans get on with it, we could have come to a happy old modus vivendi with them in the rest of the world; that is not true. Hitler was a megalomaniac. He regarded the world as the limit. It is true he wasn't looking for a fight with the British in 1939. He wanted to be allowed to deal with his enemies one by one. Well, that is what everybody who wants to be a world conqueror does, but that is no reason why we should have obliged him.

M.M. Of course, it is true that at the end of the War we lost everything. We lost the Empire and ended up with massive debts and surrendered our position as a world trading nation.

D.H. I think that you are putting that a little too strongly. We didn't lose the Empire. We actually lost the will to keep the Empire because the British people concluded that decolonisation was the right thing. A minority of British people didn't think that; but the majority did. British people were not prepared to put the resources into repressing colonial people who wished to determine their own future. So we gave independence more or less willy nilly to the whole of this huge Empire. I am not sure that would have been very different if we had had somewhat more ample resources because I don't think that the will was there to do it. Times had changed. It wasn't the flavour of the month, year or decade to maintain a huge colonial empire and other countries that had much bigger resources than us hadn't been terribly good at doing it either. So I think that was happening anyway. Yes, we were badly damaged economically but like everyone else in Europe we have come out of that

and one of the reasons we have come out of it is that European economic integration has been an enormous force for economic growth and development.

M.M. Can it be said, do you think, that the Empire so-called, these territories like India, the Indian sub-continent, Malaysia and so on, were not really an advantage to us at all?

D.H. Oh, I think they were. I think that when they were originally acquired they produced great wealth for Britain in raw materials, in captive markets, in world influence, in control of the trade routes around the world. I think there were plenty of benefits. Of course, they cost money to the exchequer and the taxpayer but that was nothing to the benefits they produced to the businessmen.

M.M. The Corelli Barnett theory in rough outline as I understand it.

D.H. Well, I am always fascinated by historians who try to read history backwards but we actually live history forwards.

M.M. Well that's what you do as a diplomat - isn't it - very much so. Well, Sir David, thank you very much indeed for that fascinating interview. Many thanks indeed.