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BRITISH INTERNATIONAL ECONOMIC STATECRAFT FROM THE 1960S-1980S:

Revisiting key strategic decisions in finance, energy and
technology amidst geopolitical disorder

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About the Fellowship

The Heywood Fellowship is a visiting fellowship created in memory of Jeremy, Lord Heywood, Cabinet Secretary from 2012 to 2018. The purpose is to give a UK Senior Civil Servant the opportunity to explore issues relating to public service and policy outside of the immediate responsibilities of government duties. The Heywood Foundation and the Blavatnik School, University of Oxford, established the Heywood Visiting Fellowship with support from the Cabinet Office. The Fellow is associated with Hertford College, Lord Heywood's former college.

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New rising powers, new technology, and shifting behaviour from partners – these are the factors that motivate different economic thinking and have done so throughout history. Ideas about economic governance change over time to adapt to the needs of the present. Now, as many times before, the UK needs refreshed analysis and debate on identifying what exactly has changed, what the UK needs from its international partnerships, and to review what the UK brings to the table globally. It has been a privilege to work so closely with a team of government experts on a long-term oriented UK strategy – which is, to be sure, in a geopolitical position that is meaningfully unprecedented, but which may nevertheless benefit from reflections from British history. This paper is a small contribution to that process and debate.

EXECUTIVE SUMMARY

From the 1960s to the 1980s, the UK faced international economic challenges that resemble today's: new sensitive technologies, new and risky forms of money, shocks to scarce strategic resources, and the question of how much authority the state should keep over strategic companies. It faced them as a "power of the second order", balancing the United States against a European Community it was at first out of and sought to join.¹ This paper examines four episodes: the creation of Urenco (with Airbus and Concorde as a comparison), the founding of the International Energy Agency, the Bank of England's handling of the Eurodollar market, and the golden shares established at the beginning of privatisations.

The cases were chosen because they mostly worked, as a deliberate counterweight to the tendency to focus on the better-known failures of government strategy in the period such as Concorde or British Leyland. The aim is not prove that state strategy always succeeds: each strategy had costs, which are set out alongside its achievements. What they show is that British governments of both parties have used a wider and more inventive range of tools than current debate tends to assume, and they suggest the conditions under which those tools worked.

This applied history does not offer prescriptive solutions but aims to improve situational judgment by detailing complex historical scenarios. Each case study offers a way of thinking through gradients of international economic multilateralism and statecraft, and each case opens with a short summary of its strategy, challenges, result and lessons, and can be read on its own.

These historical cases offer a roadmap of how the UK has defined and approached the 'geo-strategic economy' before, and in some cases how the UK has sought to build secure openness where it has needed it most.

¹ Sir Val Duncan Report, "Report of the Review Committee on Overseas Representation, 1968–1969"

The key historical takeaways are as follows:

- International economic statecraft is the skillset and art of using all of international economic governance to improve the UK's position. It is the practice of conducting and shaping economic relationships for the betterment of the country. Recently it has too narrowly been associated with the weaponisation of trade and sanctions. A broader definition highlights how proactive economic statecraft, through institution and partnership building, and at times selective adoption of international rules, has long been part of the government's role that goes beyond trade deals and beyond working exclusively within established institutions.
- **Urenco** is a uranium enrichment company owned in equal thirds by the UK government, the Dutch government and two German utilities. It enriches roughly a third of the world's uranium for civil nuclear fuel and is central to the UK's ambitions in small modular reactors. Its creation in 1970 was not an act of markets. It was the product of more than a decade of Whitehall statecraft, led by the Ministry of Technology, the Foreign Office and the Cabinet Office, in response to a single constraint: Washington's refusal to let Britain commercialise nuclear technology on its own terms. Established by treaty while Britain was trying to prove itself a necessary partner to Europe, Urenco preceded and outlasted Britain's EU membership, and it offers perspective on today's competition over sensitive technologies.
- The strategic regulation of **Eurodollars** – in the 1960s a risky, uncertain form of money – became part of an opportunistic pivot to capitalise on UK strengths and revitalise the financial sector. The Bank of England's approach and strategy was to interpret a law in such a way as to create a separate, lightly regulated space, which effectively created a new category and accounting around offshore dollars. Simultaneously the BoE's international strategy was to campaign against harmonisation of international rules at the Bank of International Settlements to safeguard London's advantage. The same choices that supported the recovery and second rise of the City tied London to American monetary backstops.
- In the wake of global energy shocks, the establishment of the **International Energy Agency** in 1974 is an example of achieving collective energy security through multilateralism. The UK, then a new member of the EU, diplomatically balanced competing US and EU demands, while ensuring the binding rules allowed for the future competitiveness of UK oil. The IEA is a case of the UK establishing multilateral resilience commitments while preserving national commercial interests.
- The UK's pivot to privatisation in the 1980s was part of a broader government strategy that relied on the invention of **golden shares**. Golden shares were established with the express purpose of preventing foreign takeovers and industry closures in strategic businesses. They are an example of domestic economic statecraft which were informed by international context. Golden shares are an example of the UK innovating on public-private governance models, which other countries have since adopted.

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Introduction

Late twentieth-century British economic history is often told as a story of extremes: planning and nationalisation in the 1960s and 1970s, followed by a return to self-regulating markets in the 1980s. That framing misses the gradients in between, and the statecraft needed to make economic policy work in strategic areas, whether in the technocratic optimism of the 1960s or the market optimism of the 1980s. The cases in this paper, drawn from the governments of Harold Wilson, Edward Heath, James Callaghan and Margaret Thatcher, fit neither extreme of government economic planning or pure global markets.

In each, government chose among a wider set of tools than current debate tends to assume. It built new institutions and partnerships, resisted the harmonisation of international rules where they cut against national interest, and invented new mechanisms of influence over strategic companies it no longer owned. The recurring finding is that, in economic foreign policy, the practical choices lay between degrees and methods of intervention rather than between laissez-faire and planning. The pragmatic, realist path is found in the degrees in between. Taken together, the cases show how government has used different approaches simultaneously depending on the sector and international partner.

The selection is deliberately weighted towards episodes that mostly worked. This is a corrective to the habit of reaching for the period's well-known failures, such as Concorde, British Leyland and the National Enterprise Board. The collection presented is not a claim that such failures didn't happen or don't matter. Rather, recovering and learning from the successful episodes of economic statecraft is just as important and especially helpful because of the parallels with the present. They can show what worked, under what conditions and at what cost.

The period is also underused as a guide to Britain's position between the United States and Europe. Written for a policymaker audience, the case studies draw on academic scholarship and archival research to show how the UK has approached ruptures in the geopolitical order before.

Why the 1960s-1980s?

Further back, in the interwar years or in eras of imperial reach, Britain ran protectionist and mercantile economic policies, but those are not the obvious parallels to today. The UK then had an empire to draw on. Today it is a middle power in a global economy that is becoming multipolar again, and this time the UK is not one of the poles. The 1960s to 1980s are recent enough to share many of today's constraints.

The period is also deliberately bounded to peacetime. Wartime is the easier case, because the mandate for extraordinary economic intervention is largely self-evident. The harder and more relevant question is how far economic statecraft should extend when the case for intervention has to be argued on its own terms, against a strong preference for leaving markets to themselves.

Since the Second World War, Britain's economic outlook has been shaped by managing a dominant United States while helping to build, and then engaging selectively with, the European project. Postwar austerity was long, and by the 1960s the strain of financing an over-extended global role from constrained resources was acute.²

The 'Special Relationship', named by Churchill in 1946, was always more a British framing than an American one. The same year, the McMahon Act halted American nuclear information-sharing with wartime allies, including Britain, overriding the atomic partnership agreed only two years earlier. Harold Macmillan's image of Britain as Greece to America's Rome captures how British policymakers understood the relationship: asymmetric, to be cultivated deliberately, and to be counter-balanced with Europe where necessary.³

By the 1960s the UK faced a weakening financial sector, declining industrial competitiveness and an uncertain nuclear relationship with Washington. It had twice been refused entry to the European Economic Community, and the energy crises of the 1970s lay ahead. Across these decades it aligned financially with the United States despite European objections, and industrially with Europe despite American scepticism, choosing different trade-offs in different sectors.

"Economics is the very stuff of politics"

In 1968 the Foreign Secretary commissioned Sir Val Duncan, chairman of Rio Tinto, to review Britain's overseas representation.⁴ The Duncan Report concluded bluntly that Britain was now a "power of the second order" and that economics had become "the stuff of politics". Its recommendation, that the Foreign Office organise around economic priorities rather than a global diplomatic reach Britain could no longer afford, was highly controversial at the time. Many of its themes recur in today's debates and the report is a testament that many of the UK's current challenges are not fundamentally new but have been navigated before.

² W.K. Hancock and M.M. Gowing, *British War Economy 1949*; David Edgerton *Britain's War Machine 2011* Alan Milward *War, Economy and Society 1939-1945* 1987

³ William Pfaff, "The Special Relationship," *The New Yorker* September 12th 1977

⁴ Sir Val Duncan Report, "Report of the Review Committee on Overseas Representation, 1968-1969"

The period is the most recent in which the UK had to navigate between the United States and Europe on several new-technology questions at once, including nuclear enrichment, aerospace, energy security and financial innovation, where neither partner offered a complete answer and the choice of partner had lasting consequences. It is also the most recent era in which British governments explicitly treated economic policy and foreign policy as inseparable.

Summary of the Cases

The four case studies cover sensitive technology (civil nuclear enrichment through Urenco, with Airbus and Concorde as a comparison), energy security (the International Energy Agency), financial innovation (the Eurodollar market) and the ownership of strategic companies (golden shares).

The first two cases share a pattern. Facing declining relative power, the UK repeatedly negotiated between two kinds of partnership: the United States, which typically offered advanced technology on controlled terms, and Europe, which offered industrial co-ownership in exchange for shared control. Britain did best when it brought a capability that made it a necessary partner in a European-led project while keeping its security relationship with Washington intact. This is hedging in the plain sense. The other two cases highlight different lessons. In finance, Britain sided with the United States against continental Europe. Golden shares were largely a domestic instrument, though shaped by concern about foreign ownership and eventually constrained by European law.

Taken together, the cases question three common assumptions: that government is poorly equipped to run an international economic strategy; that it cannot steward strategic industries without distorting them or losing money; and that British policymakers have consistently put universal rules ahead of national advantage. Four chosen cases cannot overturn those assumptions, and none was an unqualified success. They do show that the assumptions do not always hold, and they describe a capacity for flexible statecraft: building institutions in one domain, resisting them in another, and inventing new instruments in a third.

A note on Applied History

None of these cases offers a simple lesson or an exact contemporary parallel. Each opens with a summary of its strategy, challenges, result and lessons, followed by a narrative in three acts running from origins to present-day relevance.

The approach belongs to the tradition of applied history: the use of historical precedent to illuminate present choices.⁵ Its purpose is not to supply a template but to test the assumptions that dominate current debate. The premise is not that history repeats, but that decision-makers with a command of relevant precedent make better-calibrated judgements than those without it. As Francis Gavin argues, historical sensibility requires comfort with the incompleteness and contingency of the record rather than a search for tidy lessons.⁶ The skill is to grasp what was essential to an episode, distinguish it from what was incidental, and carry that judgement into a different problem. That is the spirit in which these cases are offered.

⁵ See Graham Allison and Niall Ferguson's "Applied History Manifesto" 2016

⁶ See Francis Gavin, *Thinking Historically: A Guide to Statecraft and Strategy* 2025

Case Study 1

‘A Powerful Political Weapon’ Britain, Gas Centrifuge Technology and the Treaty that Made Urenco⁷

Urenco is a uranium enrichment company part-owned by the UK government. It is a critical but little-known piece of Britain's nuclear and energy infrastructure. Structured as a private limited liability company, but majority-owned by the UK and Dutch governments alongside two German utilities, Urenco enriches roughly a third of the world's uranium for civil nuclear fuel and is now central to the UK's ambitions in small modular reactors. Its creation in 1970, however, was not an act of markets or commercial opportunism. It was the product of Whitehall statecraft, driven from the centre by the Ministry of Technology, the Foreign Office, and the Cabinet Office working in concert over more than a decade, in response to a single constraint – Washington's refusal to let Britain commercialise nuclear technology on its own terms. Crafted by tripartite Treaty at a time when Britain was looking to make itself a necessary partner to Europe, having been twice denied membership, Urenco preceded and outlasted Britain's EU membership. It continues to provide dividends to UK Government Investments and strategic advantage to the British economy. This international public-private governance model offers historical perspective on today's geopolitical arms-race on various sensitive technologies.

UK Strategy:

The 1960s were shaped by balancing non-proliferation discussions with commercial viability of new nuclear technology (the Non-Proliferation Treaty was signed in 1968). Having been denied commercial autonomy over centrifuge enrichment technology by a US veto (which was embedded in postwar nuclear-sharing agreements), the UK pursued a trilateral industrial partnership with West Germany and the Netherlands to build sovereign, non-US-controlled enrichment capability, using the project simultaneously to strengthen its case for EEC accession, while keeping its security dependency on the United States (Polaris, submarine propulsion) intact. Uranium enrichment was not just a commercial asset or energy project but a source of strategic leverage to dismantle French technological advantage, prove Britain's European credentials, and reshape the transatlantic geopolitical balance.

⁷ This case study relies extensively on John Krige's "US Technological Superiority and the Special Nuclear Relationship: Contrasting British and US Policies for Controlling the Proliferation of Gas-Centrifuge Enrichment," *International History Review* 2014; Susanna Schrafstetter and Stephen Twigge's "Spinning into Europe: Britain, West Germany and the Netherlands – Uranium Enrichment and the Development of the Gas Centrifuge 1964–1970" *Contemporary European History* May 2002; and Stephen Twigge's "A Baffling Experience: Technology Transfer, Anglo-American Nuclear Relations, and the Development of the Gas Centrifuge 1964–70," *History and Technology* 2003. It also relies on independent archival research at Kew National Archive

Challenges:

Reconciling three sovereign partners' overlapping but distinct commercial and political interests, while overcoming an entrenched US market monopoly, contested technical standards, a late-stage dispute over whether the British design was itself US-derived, and periodic domestic pressure from all partners to divest on the view that government should divest state assets unless keeping them is absolutely necessary.

Result:

Urenco took roughly a decade to meaningfully erode the US enrichment monopoly, delivering its first pilot-scale contract in 1975 and installing commercial-scale plants in 1977, and today supplies roughly a third of global enrichment demand. Its early decades relied on state grants and loans from its member governments. In 2001, the US Department of Commerce found that Urenco Group had benefited from countervailable subsidies and imposed duties on its US uranium exports as a result; this, crucially, was only after the US privatized its own uranium enrichment company in 1998. Urenco has financed its more recent expansion from operating revenue and commercial borrowing, and continues to generate recurring dividends to the UK exchequer and add wider economic and strategic benefits to the UK.

Lessons and Implications for UK statecraft:

A clear structural separation between sovereign security oversight and commercial management allows the state to retain ownership of a strategically significant asset without sacrificing commercial discipline — evidence against the assumption that state ownership and commercial efficiency are inherently in tension, and a template worth revisiting for other emerging strategic-technology sectors.

Act I: Denial and diplomacy – from US veto to the Treaty of Almelo (1946–1970)

The veto

In order to understand Urenco it is necessary to understand the background and stop-and-starts of post-war UK-US nuclear cooperation. The origin of Urenco lies in a constraint imposed on Britain by its closest ally. The McMahon Act of 1946 barred the United States government from sharing nuclear information with any foreign power, allies included. It reversed the wartime Hyde Park Agreement between Churchill and Roosevelt which had promised cooperation, and it came as a surprise to British officials. Britain's response over time was to build its own capability: gaseous diffusion research began at Capenhurst in 1952, and the United Kingdom Atomic Energy Authority (UKAEA) was established in 1954.

Partial cooperation resumed between the US and UK on nuclear in 1955, but on very specific terms. Eventually an Agreement for Cooperation on the Uses of Atomic Energy was signed, but Article IX(c) included a provision that would come back to bite British officials.

Article IX(c) of the US–UK Civil Agreement prohibited the onward transfer of “restricted data” derived from cooperation, which effectively meant Britain had to seek Washington's permission before sharing with third parties any technology traceable to a US source. In form this was a nonproliferation safeguard, but in practice it was also a commercial veto over how Britain could exploit or export its own civil nuclear research. The US repeatedly blocked a prospective Anglo-French collaboration from the late 1950s to early 1960s.⁸ The cumulative effect was that British nuclear programmes were substantially subordinated to American supply, constraining British freedom of action in civil energy pricing and in independent deterrent planning alike.

The UK-US research continued under this constrained arrangement into gas centrifuge technology, which was an alternative to the high-cost gaseous diffusion method. In '61 they had both determined small-scale centrifuge enrichment was technically viable for weapons purposes, and in '65 the US terminated the research collaboration unilaterally.⁹ Due to technical and fiscal limitations, the UK was unable to sustain pursuing both technologies, centrifuge and diffusion. Centrifuge promised to be more energy efficient and cheaper, but its success uncertain. Having been shut out of continuing US commercial development, the UK doubled down on its gas centrifuge technology alone.

⁸ See John Krige, “Hybrid knowledge: the transnational co-production of the gas centrifuge for uranium enrichment in the 1960s,” 2012

⁹ John Krige, “US Technological Superiority and the Special Nuclear Relationship”

Project Acarus and Sir Solly Zuckerman: identifying a political weapon

The leading advocate and strategist making the case for the UK to build civil centrifuge capability independent of the US was Sir Solly Zuckerman, the UK's first Chief Scientific Adviser. Zuckerman was by training a zoologist, who after the war had negotiated with the Americans on nuclear technology extensively in the 1950s. Zuckerman's position acquired political weight with the election of Harold Wilson and the creation of the Ministry of Technology in 1964, a department founded on the premise that technology policy was an instrument of geopolitics rather than an annex to industrial policy. Across Whitehall a conclusion was forming that dependence on American technology had become a binding constraint on British strategic and commercial autonomy, and that demonstrating willingness to collaborate outside the customs union would strengthen Britain's case for accession.

Zuckerman chaired Project Acarus: the secret UK government codename for Britain's gas centrifuge uranium enrichment program and the interdepartmental strategy governing its commercial and geopolitical deployment, commissioned by Wilson in 1968. The uranium technology had to be confidential to protect bargaining power. The Acarus team brought together experts from across MoD, MinTech (the precursor to DSIT), the Foreign Office, and Treasury.¹⁰

It was clear that the UK had confidence in its technological advantage, what was unclear was: how gas centrifuge technology would become commercially viable; whether the UK could manage to excel without American collaboration given; or who the UK's other partners might be. A 1968 European Atomic Forum (FORATOM) conference signalled that Dutch and West German centrifuge work was approaching parity with Britain's classified programme. The strategic debate was that failure to build a strategic partnership would risk missing out on a successful commercial innovation, or risked letting France get ahead with its competing option and dictate nuclear commercial influence in Europe.¹¹

To Tony Benn, the head of MinTech, the potential of collaborating in a small international group on uranium enrichment was a "powerful political weapon" designed to "isolate France with its high-cost, low-efficiency nuclear technology" and to secure a commanding British influence on the continent.¹²

¹⁰ The National Archives, Kew, CAB 165/888, Cabinet Office: MISC 201: Atomic Energy – Europe (Under Sir Solly Zuckerman to study Acarus implications for Europe), 1968–1970. See also Stephen Twigge, "A Baffling Experience: Technology Transfer, Anglo-American Nuclear Relations, and the Development of the Gas Centrifuge, 1964-1970"

¹¹ See also Frederik Michiel Voûte, "Perceptions of Responsibility: Urenco and the Troika's Commercial and Nonproliferation Policies in Theoretical and Historical Perspective" (PhD diss., Erasmus University Rotterdam, 2020)

¹² Anthony Wedgwood Benn, Memorandum to the Prime Minister (Harold Wilson), "ACARUS / Centrifuge Collaboration", 4 March 1968, The National Archives, Kew, PREM 13/2004 also quoted in John Krige "US Technological Superiority..."

Act II: Choosing the partners: who's in, and who's out (1968-1970)

The move to multilateralism was a rational response to the prospect of technological obsolescence - the UK chose to 'sell' its know-how into a partnership while it knew it still commanded a premium, converting an engineering lead into a permanent seat at the head of a governance structure. Each partner brought a distinct asset, and the composition of the group was not arbitrary. All three had pursued Zippe-derived centrifuge research independently since the early-to-mid 1960s and had reached a broadly comparable stage by 1968, which is precisely what made a technology-sharing partnership feasible, since no partner was being asked to accept an unmatched transfer of capability to the others. Rough technical parity is the condition that makes pooling politically survivable; without it, one party is simply subsidising the others' capability.

Britain contributed operational enrichment capability, hexafluoride manufacturing expertise, and a demonstrated record in managing large nuclear projects: by 1965 it had built more nuclear power stations than the United States, the Soviet Union and France combined.¹³ West Germany contributed engineering and design capability but was unwilling to build or operate independently, partly for reasons of international standing – and for its partners, binding German nuclear development into a transparent multilateral framework, rather than leaving open the possibility of an *Alleingang* – going it alone – was itself a security objective. The Netherlands contributed a site and centrifuge know-how but had no domestic market.

France was purposefully left out on the grounds of having pursued a different technological direction. Rebuffed, Paris assembled its own rival venture within two years - Eurodif, with Belgium, Italy, Spain and, briefly, Sweden - around the technology it did possess.

In the preliminary negotiations Britain's internal objectives were explicit: to break the American commercial monopoly on enrichment and to strengthen the case for Community membership by demonstrating a concrete, functional model of European industrial cooperation outside the customs union. Once negotiations developed, officials advised against granting US access to the resulting technology, prioritising sovereign control at the cost of further strain in the bilateral relationship.

¹³ Simon Taylor, *The Fall and Rise of Nuclear Power in Britain: Part I (1945–2002)* 2016

The Penney bombshell - 'Washington will never trust us again'¹⁴

That relationship was then tested more sharply than anyone intended. To manage the Poisson effect - the radial contraction of a rotor spinning at high speed - British centrifuges used a particular curved 'dished end-cap'. The UKAEA had always treated the design as homegrown. In May 1969 an inquiry under Lord Penney concluded that it had in fact been discussed during a technical exchange with the Americans in 1963. Recall the earlier agreement the UK had with the US about prohibiting the onward sharing of restricted data from cooperation. If the end-cap was US-derived, sharing it with the Dutch and Germans would breach Article IX(c) and invite American retaliation across the whole range of British nuclear dependencies.

The response exposed division inside Whitehall. Denis Healey, as Defence Secretary, argued from acute security dependency. A breach of the 1955 Agreement risked Washington withdrawing support for Polaris and for nuclear submarine propulsion – an agreement integral to UK national security. His formulation was blunt: "Washington will never trust us again."¹⁵

Benn, from the Ministry of Technology, regarded withdrawal from the European project as a "disastrous blow" to the accession case - a signal to Europe that Britain remained a subordinate client of the United States, incapable of genuine partnership on European terms.¹⁶

Zuckerman supplied the argument that moved the discussion. The US-UK nuclear relationship, he contended, was already "dying" of American "commercial protectionism," and the 1955 Agreement was by then functioning as an instrument of industrial denial rather than of security.¹⁷ The question was therefore not whether to risk a valuable relationship, but how much longer to pay for one whose character had fundamentally changed.

The Foreign Office translated that argument into leverage. British ambassadors were instructed to signal that if the United States blocked the European project, Britain would publicly attribute the failure to American sabotage of European commercial progress. It was deliberate brinkmanship against a far stronger party, and it worked because the cost to Washington of being named was higher than the cost of letting the project proceed.

¹⁴ The National Archives, Kew, PREM 13/2556, Prime Minister's Office: Centrifuge Collaboration: Lord Penney Enquiry and Anglo-United States Relations in the Nuclear Field, 1969

¹⁵ See PREM 13/2556

¹⁶ Ibid.

¹⁷ Ibid.

‘A Model T’

The resolution between the British and Americans, in July 1969, was a calculated technical concession. American experts were invited to inspect the British designs under a “visual access” compromise. Their assessment was dismissive: the British machine was, they judged, a ‘Model T’ beside their own.¹⁸ The condescension allowed the United States to stand down without conceding that Britain held competitive technology, and it allowed Britain to proceed with its partners without having conceded the principle of sovereign control. A face-saving exit for the dominant party turned out to be the cheapest route through an asymmetric deadlock.

Crisis averted, the tripartite discussions continued on, and an agreement was announced in December 1969. The Treaty of Almelo was signed on 4 March 1970.

What the Treaty established

The Treaty of Almelo - formally the Agreement between the United Kingdom, the Federal Republic of Germany and the Kingdom of the Netherlands on Collaboration in the Development and Exploitation of the Gas Centrifuge Process for Producing Enriched Uranium - entered into force on 19 July 1971, following the deposit of the British instrument of ratification.

The three governments committed themselves to establish a joint industrial enterprise, incorporated the same year as an English private limited company, Urenco Limited, with shareholdings divided among the three national partners, the British holding vested in the state-owned British Nuclear Fuels Limited. The Treaty’s substantive commitments were to develop and exploit the centrifuge process jointly, to build enrichment plants on partner territory, and to market the resulting services commercially through the company.

The purpose of the Treaty was to commit to build a private company together, alongside a commitment to future R&D and market competitiveness. The Treaty reads:



“The Contracting Parties shall promote the integration of their research and development efforts in this field with a view to the conduct of an integrated programme of research and development... in order to achieve and maintain a competitive position in relation to other sources of enriched uranium.”¹⁹

¹⁸ See Krige

¹⁹ Agreement between the United Kingdom of Great Britain and Northern Ireland, the Federal Republic of Germany and the Kingdom of the Netherlands on Collaboration in the Development and Exploitation of the Gas Centrifuge Process for producing Enriched Uranium, Almelo, 4 March 1970

The Treaty also entailed a commitment to exclusively pursue commercial uranium enrichment through the company vehicle:



“Subject to the provisions of this Article, no Contracting Party shall engage in, or promote or assist in any way, the commercial exploitation of the gas centrifuge process for the enrichment of uranium otherwise than through the collaboration described in Article I of this Agreement.”

Finally, the preamble was fairly explicit about the geopolitical rationale and what it meant for Europe beyond the three participating countries:



“Considering the importance of developing in Europe a substantial capacity for the enrichment of uranium in order to meet the demand for enriched uranium... Considering that development of this method on a co-operative basis will strengthen European technological co-operation and that its joint industrial exploitation will contribute to European economic integration...”

Above the company it placed a supervisory Joint Committee, one representative per government, holding sole authority over nonproliferation, safeguards, classified information and any change of ownership, deciding by consensus, which gave each government an effective veto irrespective of the size of its shareholding. Provisions for withdrawal and termination were included, but in practice the Treaty has been extended rather than renegotiated: the Treaty of Washington (1992) brought the United States into the framework to permit a Urenco plant on American soil, and the Treaty of Cardiff (2005) brought France in for the narrower purpose of the joint technology venture with Areva. Both preserved the original Almelo structure rather than replacing it.

Many uncertainties and tensions remained: the Foreign Office had judged the proliferation risk of centrifuge technology to be real and wanted Britain to press for treaty language addressing it specifically. Others, more concerned to protect the nascent European partnership and the commercial opportunity it represented, feared that raising the alarm publicly would prompt the Americans to insist on more restrictive safeguards capable of constraining or delaying the European project before it had even been agreed.

The Treaty was signed before its parties had settled the practical terms of technology ownership and site allocation, and the early years were marked by friction, including a protracted dispute over standardising rotor diameters between the British and German operations. All three governments proved reluctant to cede national technical practice even after committing to joint ownership.

The governance model, however, held. Because enrichment carries direct proliferation risk, sensitive decisions required government approval at every stage, formalised through the tripartite Joint Committee's veto, exercised independently of day-to-day commercial management. The bifurcation is the point, and it is the transferable part of the design: political and security oversight sits in one body, commercial management in another, and neither is expected to do the other's job. State ownership has not meant state management.

Act III: Early years — validation under pressure (1970–1980s)

The strategic rationale was vindicated, but not quickly. Urenco delivered its first contract from pilot-plant production in 1975, five years after signature, and had no commercial-scale plants formally installed until 1977. It was only through the 1980s — roughly a decade after the Treaty — that Urenco's centrifuge capacity captured substantial market share and genuinely broke the US monopoly.

Foreign Office concerns of non-proliferation were unfortunately proven to be prescient. From 1972 A.Q. Khan was employed by FDO, a Dutch metallurgical engineering firm in Amsterdam subcontracted to Urenco's Dutch partner, UCN. In that capacity he obtained repeated, unauthorised access to the Almelo facility and translated classified centrifuge design documents. He returned to Pakistan in late 1975 with information that formed the technical basis of the Pakistani enrichment programme.

The episode remains a standing case in the nonproliferation literature and is a necessary caveat to any account of Urenco's institutional design. The tripartite veto constrained state-to-state technology transfer, which is what it was built to do. It was unsuccessful in preventing compromise through a subcontractor's lax internal security, which nobody had made anyone's responsibility.

Relevance to the present

The Treaty's durability shows most clearly in how it absorbed later change. Two subsequent treaties brought new partners into the framework without altering its structure: the 1992 Treaty of Washington admitted the United States, to permit a Urenco plant on American soil, and the 2005 Treaty of Cardiff admitted France to enable deeper technological collaboration.

The one serious external challenge to the model came from Washington, and its timing is instructive. In December 2001 the US Department of Commerce found that Urenco had benefited from countervailable subsidies and imposed duties of just over two per cent on its American exports. The complaint centred not on the 1970s formation grants but on equity and shareholder loans tied to a 1998 restructuring, and it came only once the complainant, USEC, had itself been privatised that same year. As a state-owned US corporation, USEC had no commercial incentive to bring a trade case against a government-backed European rival; once privatised, it did. The order was revoked in 2006 once the underlying subsidies had run their course.

Urenco also outlasted high-points of Whitehall's own scepticism. Through the 2010s, government doctrine generally favoured divesting state-held commercial assets except where ownership served a specific policy objective - a position then-minister Michael Fallon stated explicitly - yet Urenco remained under state-linked ownership throughout, still paying dividends into the UK balance sheet through the 2016–2020 period recorded in parliamentary answers.²⁰ The treaty structure and each government's veto have functioned, in effect, as insulation against exactly this kind of periodic divestment pressure: Urenco has been a genuinely difficult asset to sell. Its American counterpart shows the alternative. When Centrus, the privatised successor to the US enrichment monopoly, was sold off without an equivalent treaty, Washington instead legislated a golden-share-style cap limiting any foreign owner to 10 per cent, a narrower, statutory substitute for the multilateral protection Urenco already had built in.

Brexit changed none of this. Urenco was founded in 1970, three years before Britain joined the European Economic Community, and the Treaty of Almelo sits entirely outside EU law as a standalone agreement between sovereign states; the company operated unaffected through forty-seven years of British EU membership and remains unaffected by its end, even though strengthening the accession case was one outcome British negotiators had hoped for at the outset. The post-2022 shift away from Russian-sourced enrichment has, if anything, strengthened Urenco's commercial and strategic position further.

²⁰ See 2013 press release, "Government to proceed with Urenco sale to realise value for the taxpayer," <https://www.gov.uk/government/news/government-to-proceed-with-urencosale-to-realise-value-for-the-taxpayer>. And for recent debate on Urenco dividends: <https://questions-statements.parliament.uk/written-questions/detail/2022-01-04/97145/>

The company's present relevance goes beyond legacy infrastructure. With £196 million of UK government co-investment, Urenco is building an Advanced Fuels Facility at Capenhurst to produce the higher-enrichment fuel - HALEU and LEU+ - that most small and advanced modular reactor designs require, including the Rolls-Royce SMR programme and Urenco's own U-Battery concept.²¹ It is one of the clearest concrete assets behind the nuclear cluster the current Industrial Strategy names as a national strength.

Urenco's more defensible claim, then, is not that it never took state support, but that a subsidised formation phase gave way to durable, self-financing commercial operation, paired with a narrowly-scoped state veto that let government retain security control without running the business. That is a genuinely useful template for other strategic-technology sectors. The 1969 hedge is the sharper lesson still: Britain kept its security dependence on Washington intact while building, alongside it, an industrial capability Washington did not control. That template has an obvious contemporary echo. Proposals for multinational AI compute consortia - sometimes billed as a "CERN for AI" - and a selection of other technologies across biotech and computing, face precisely the problem Urenco was built to solve: pooling capital and capability across sovereign partners in a security-sensitive technology, without any government losing its ability to prevent misuse, and without smothering commercial management in day-to-day political oversight. Urenco's Joint Committee is one of the few working, fifty-year-tested examples of that design problem solved.

International industrial partnerships continued: Concorde and Airbus²²

In the 1960s, in the same period as the formation of Urenco, (with many similar individuals in government) the government had a hand in the strategic efforts of Concorde and Airbus. Concorde was an impressive technological feat: a supersonic plane that could fly twice the speed of sound. Airbus was initially more commercially focused on industrial collaboration to compete with American commercial airline manufacturing. The scale of each was not the same as Urenco, and Airbus began through industry leadership that subsequently received substantial government backing, whereas Concorde started from a government Treaty between Britain and France. Not all attempts at international industrial partnership were the same, and not all were successful. Understanding the differences is key to learning lessons for the present. Both Concorde and Airbus were Anglo-continental aerospace partnerships launched within a few years of each other, both required pooling state and industrial resources across national borders, and both were framed at the outset as strategic responses to American dominance of the sector. Their outcomes however diverged completely.

²¹ See 2024 press release, "UK first in Europe to invest in next generation of nuclear fuel," <https://www.gov.uk/government/news/uk-first-in-europe-to-invest-in-next-generation-of-nuclear-fuel>

²² For more on Airbus and Concorde read: Tom Kelsey, "Reframing the Treasury Debate: Industrial Strategy and State Capacity in the UK," 2026; Joseph M. Grieco, "The Concorde SST and Change in the British Polity," *World Politics*, Vol. 31, No. 4 (July 1979), pp. 518–538; Annabelle May "Concorde – Bird of Harmony or Political Albatross: An Examination in the Context of British Foreign Policy," *International Organization*, Vol. 33, No. 4 (Autumn 1979), pp. 481–508; and Joshua Tan et al. "Airbus for AI: A global strategy for public value creation" Bennett Institute 2026

International industrial partnerships continued: Concorde and Airbus²²

Concorde originated in a 1962 UK–France treaty to jointly develop a supersonic airliner - a government-to-government commitment structured so that neither party could withdraw unilaterally without financial penalty, which locked in continued funding long after commercial doubts had emerged. The lock-in was not merely contractual boilerplate: when the incoming Wilson government tried to pull out in 1965 on cost grounds, France threatened to sue Britain at the International Court of Justice to enforce the treaty, and the UK stayed in. The project was demand-less rather than demand-led: it was not a response to an identified airline requirement but a technology-push exercise aimed at national prestige and aerospace leadership - the 'linear model' Benn had explicitly rejected for Urenco, in which research is simply expected to yield technology and, eventually, profit. Concorde had no realistic prospect of achieving production volumes sufficient to amortise its development cost, a problem compounded by noise restrictions and route limitations that shrank its already-narrow addressable market further. It was ultimately bought only by the flag carriers of its two sponsor governments, never achieved third-party export sales, and left service in 2003.

Airbus began as an industry-led response to a clearly identified commercial gap: American manufacturers dominated the market for large jet airliners, and European aircraft executives, meeting in London in 1966, judged there was room for a competitive alternative. The UK, France, and West Germany signed a memorandum of understanding in September 1967 to develop the A300 - structured, critically, with a break clause absent from the Concorde treaty. The MOU split development costs equally three ways (around £130m), committed each national airline to a base order, and bound each government not to support a rival domestic programme, but did not create a joint company outright and did not require financial contributions from the manufacturing firms themselves, a structure Britain had actually pushed against at the time.

The UK's own participation was far less continuous. Britain withdrew from the project entirely in 1969 - its shareholding taken over by the French and German partners - with a further year allowed to reverse the decision. The incoming Heath government reviewed the case (the Burke Trend review) and confirmed the withdrawal in 1970. France and Germany proceeded to establish Airbus Industrie that December, as a French-law "Economic Interest Group," without Britain as a state partner. Yet the industrial relationship did not fully break: Hawker Siddeley, under Sir Arnold Hall, continued supplying wings on its own account, investing some £150m of its own capital and securing funding from the German government to keep the work going, meaning British industrial engagement persisted for nine years without British government membership.

Formal UK re-entry came only in August 1978, driven by the newly nationalised British Aerospace's wish to secure future orders; Rolls-Royce, which wanted to prioritise the US market instead, opposed it, and Cabinet approval was, by contemporary accounts, lukewarm. The French accepted Britain back without a firm commitment from British Airways to buy Airbus aircraft, partly on the strength of a smaller order from Freddie Laker's Laker Airways. Governance evolved further once the underlying product had proven viable: Airbus converted from a loose consortium into a single integrated corporation in 2001, and British Aerospace divested its remaining 20% equity stake in 2006 while continuing as a core supplier – retaining the wing-manufacturing capability inherited from Hawker Siddeley without requiring continued state ownership. Even as a minority partner, the UK held a node the consortium could not easily do without, the same logic that had made British enrichment know-how the price of admission at Almelo.

By 2019, Airbus had overtaken Boeing in aircraft deliveries; by 2020 it was the UK's largest space company and third-largest defence company by presence. One retrospective estimate puts total UK public expenditure on the programme since 1945 at around £1.6bn against a direct Treasury return in excess of £2.8bn, though this remains a broad-brush figure rather than an audited one, and the repayable 'launch aid' that funded Airbus development has itself drawn sustained WTO challenge from the United States, with a 2019 ruling suggesting that aid paid directly to a single company may not survive future scrutiny.²³

None of this should be read as proof that collaboration is inherently cheaper than going it alone. A contemporaneous UK government review, the 1969 Elstub Report on the national aircraft effort, warned that multinational programmes could in practice cost more than national ones, because workshare was typically allocated by each country's financial contribution (the *juste retour* principle) rather than by cost or comparative advantage, because multi-party negotiation slowed decisions, and because a design built to satisfy several governments at once rarely matched any single customer's requirements as precisely as a national programme could. The case for collaboration has to be made on its economic merits each time, not assumed from the model itself.

The distinguishing criteria, for Whitehall's purposes, are less about the degree of state involvement than about its structure: whether the project is anchored in identified commercial demand rather than a prestige objective; whether governance can adapt as the commercial case develops, rather than being frozen by a rigid treaty with no exit; whether the product is extensible rather than a single fixed design with no route to scale; and whether state capital can be withdrawn once viability is established without losing the underlying industrial capability. Airbus met these tests, eventually; Concorde met none of them.

²³ Keith Hayward, *Britain and the European Airbus – A Political History*, 2025

A fifth lesson follows from Britain's own nine-year absence from Airbus: government membership and industrial engagement are not the same thing, and a firm-level relationship - Hawker Siddeley's continued wing supply through the UK's formal withdrawal - can preserve a national position that government policy has, for the time being, abandoned. Keith Hayward's history of Britain's role in the programme is unsentimental about how little of this reflected sustained strategy: he describes the British approach as "a drunken walk towards ill-defined objectives, rarely synoptically considered or publicly debated," shaped as much by the divergent commercial interests of Rolls-Royce (engines, oriented toward the US market) and British Aerospace (airframes, oriented toward Europe) as by any coherent government view. The eventual outcome was a success. That it looked, at almost every stage along the way, like anything but one is a lesson worth bearing in mind in current debates on similar consortium models for AI, quantum, or other emerging technologies.

Case Study 2

‘Not of Vital Concern to Us’²⁴

Britain, the Oil Shock and the Founding of the International Energy Agency²⁵

The main function of the International Energy Agency (IEA) today is to bind participating countries to maintaining oil reserve emergency stockpiles in case of crisis, though its mandate has shifted to include clean energy, data analysis and coordination on other critical supplies. The IEA is a foundational piece of Britain's energy security architecture. Structured as an autonomous intergovernmental body within the OECD, it coordinates strategic oil stockholding, demand-restraint planning, and market intelligence among the world's major energy-importing economies, and since 2022 has been extending that same coordinating role to critical minerals, the raw materials now central to Britain's clean energy and defence ambitions. Its creation was the product of a calibrated British diplomacy effort in response to the 1973 oil shock, driven by the Foreign Office and No. 10. In the space of a few weeks, the strategic challenge was whether to align with a US-led bloc of oil-consuming nations or to pursue France's preferred bilateral diplomacy with Arab oil producers. Kissinger pioneered the IEA proposal, and Britain, a year into EEC membership, chose Atlantic alignment over a common European position. The IEA remains the primary vehicle through which Britain - too small on its own to move global energy markets - exercises collective leverage over them in crises, a role now being tested and extended as the Agency's remit widens from oil into more contested terrain. In the context of cooperating on the management of a scarce strategic commodity, the UK managed to balance competing American and European demands while shaping the agreement in such a way as to preserve its competitive edge with the expected rise of North Sea Oil. This diplomatic manoeuvring offers historical perspective on how the UK can balance building international resilience through club-style partnerships, in conjunction with protecting future UK competitiveness.

²⁴ See Minute from Harold Lever (Chancellor of the Duchy of Lancaster) to Prime Minister Harold Wilson, Emergency Oil Sharing, 19 September 1974 in TNA PREM 16/243

²⁵ This case study relies on the work of Robert O. Keohane, "The International Energy Agency: State Influence and Transgovernmental Politics." *International Organization*, vol. 32, no. 4, 1978, pp. 929–951; Tia Culley and Steve Marsh, "Steering the 'Unwieldy Barge': Britain, the US, and the Rise of Post-Bretton Woods Economic Multilateralism." *Diplomacy & Statecraft*, vol. 37, no. 2, 2026, pp. 530–566; the official history: Richard F. Scott *The History of the International Energy Agency: The First 20 Years*. OECD/IEA, 1994–1995. The case study also relies on original archival work at the Kew National Archive.

UK strategy:

The 1970s were a decade of unparalleled geopolitical economic volatility, not least because of two major oil shocks. Following the 1973 oil embargo, the UK broke with the emerging Franco-European position and aligned with a US-led initiative to organise the major oil-consuming nations into a coordinated bloc, becoming a founding member of the IEA. It committed to a binding, Atlantic-anchored multilateral institution and simultaneously protected UK oil interests, securing American financial goodwill at a moment of acute sterling and balance-of-payments vulnerability, while negotiating a withdrawal clause, a cap on its sharing liability, and a floor price to protect its imminent North Sea production from the very regime it was joining.

Challenges:

Reconciling UK participation with the position of European partners, particularly France, who viewed the American-led initiative as confrontational and preferred direct dialogue with Arab oil producers; committing to a supranational sharing mechanism without surrendering sovereign control over North Sea oil; and, over the following decades, adapting an institution designed for a narrow, oil-import-defined membership to a substantially changed energy landscape in which the largest consumers and the most consequential supply risks sit outside its founding membership criteria.

Result:

The IEA became a durable and repeatedly-tested instrument of collective energy security, most recently demonstrated in coordinated strategic reserve releases in March 2026 in response to the Iran War crisis, which was its largest release in history, and followed by its release in response to Russia's 2022 invasion of Ukraine. It has since been mandated by its own membership to extend its founding logic to critical minerals security

Lessons and Implications for UK statecraft:

A crisis-triggered multilateral institution, built around clear, binding, and quantifiable member obligations (rather than aspirational commitments), can retain operational relevance for fifty years and be extended to new domains by consensus. Clarity on UK's domestic vital interests is what clarifies in foreign diplomacy what can be compromised and what needs tactful negotiation. The UK's own conduct shows that commitment to such an institution and careful hedging of national assets within it are not alternatives but can coincide if dealt with through careful diplomacy.

Act I: 'Trust in the flexibility of the oil market' (1973-1974)

Oil shock and a lack of information preventing coordination

Half a century ago British officials faced a problem that had been anticipated for years and prepared for inadequately: an organised oil shock.²⁶ OPEC had been established since 1960 to help oil-producing nations cooperate to influence the global oil market. The Arab producers' embargo of October 1973, imposed in response to Western support for Israel in the Yom Kippur War, did what a generation of planners had warned an oil-dependent world could not withstand. OPEC used production cuts and export bans as political leverage. Within months the price of crude had quadrupled. Inflation moved into double figures across the industrialised world, balance-of-payments positions deteriorated sharply, and recession followed.²⁷ The IEA was established in response to this crisis.

Machinery for this contingency already existed within the OECD but due to poor design could not be brought into operation. The OECD held an oil apportionment scheme on paper but it was never activated. Richard Scott, the Agency's first Legal Counsel and subsequently its official historian, attributed the failure to two causes. The first was that "trust in the flexibility of the oil market was too strong to achieve the unanimous agreement that was necessary." The second, which he judged decisive, was a "lack of information."²⁸

Deprived of a functioning collective mechanism, Western governments did what governments do in those circumstances: they approached the producers individually, bidding against one another for bilateral supply and driving the price up in the process. The term used at the time, in Whitehall and elsewhere, was 'beggar-thy-neighbour'.²⁹

The American alternative: Kissinger's ambitious energy action group

It was the Americans who advocated for an ambitious alternative, a consumers' club. In December 1973, Secretary of State Henry Kissinger spoke to the Pilgrims Society in London, a longstanding British-American society and called for a unified coalition of consuming nations; in February 1974 he convened the Washington Energy Conference to construct it. The proposed design was a crisis management system with binding content: mandatory demand restraint, substantial emergency reserves, pooled market information, and an automatic mechanism for redistributing oil among members during a disruption. The effect was to organise consumer countries into a bloc capable of balancing the leverage OPEC had demonstrated.

²⁶ Jonathan Kuiken, "Caught in Transition: Britain's Oil Policy in the Face of Impending Crisis, 1967-1973," Historical Social Research, January 2014

²⁷ See in particular Scott, R. The History of the International Energy Agency 1974-1994 (Paris: OECD/IEA, 1994)

²⁸ Scott, R. The History of the International Energy Agency, vol. 1.

²⁹ See for example in TNA PREM 16/243

Kissinger wanted more than what he achieved: Kissinger wanted an 'Energy Action Group' to steer oil prices, and an international joint investment pact in new efficient energy technology. For Kissinger, one of America's preeminent realist statesmen, the aspiration of what he wanted the group to become was much grander than what actually transpired. Kissinger aimed to organise a massive \$500 billion alternative energy fund - equivalent to more than \$3tn in today's money - to become a ten-year joint investment programme to develop technology in nuclear, coal, solar and synthetic fuels. To fully appreciate the weight of Kissinger's proposal, consider that French newspapers compared it to George Marshall's postwar launching of the Marshall Plan to reconstruct Europe.³⁰ This side of Kissinger's proposal, of course, never manifested.³¹ What today might be cast as the purview of the left – an international investment scheme in energy technology efficiency – was pitched in the '70s from a realist, national security position.

The gist of Kissinger's strategy, whether through the Energy Action Group or as a more nimble consumer's club, remained the same. In a letter to President Ford in 1974 he wrote:



"We are organizing the consumers. Then, we are organising bilateral commissions to tie their economies as closely to us as possible. So we have leverage and the Europeans can't just move in a crisis."³²

France would have none of it. Michel Jobert, the Foreign Minister, saw in the American proposal an attempt to draw Europe into a consumers' cartel that would entrench confrontation with the Arab world and polarise relations with the developing countries more generally. France had a different, and better, relationship with the Middle East. Paris preferred a direct Euro-Arab dialogue and a network of bilateral energy pacts, and the European Community as a bloc had begun to explore the same course. The rest of participating European countries, West Germany included, were caught between the case for European cohesion and the plainer fact of the American security umbrella.

Britain especially was caught in between. Prime Minister Edward Heath had taken the country into the Community only the previous year, and the Community was inclined to follow the French line. To break with Paris on the first serious test of the new membership was not a step to be taken lightly. But Heath's judgment was that the European energy alternatives were still in embryo and offered no credible protection against the financial consequences already unfolding.³³ Pooled emergency capacity under American leadership was the better instrument, and it was available immediately.

³⁰ See Scott, History of the IEA

³¹ Keohane, "The International Energy Agency: State Influence and Transgovernmental Politics."

³² Quoted in Culley & Marsh

³³ See Thomas Robb, A Strained Partnership? US-UK Relations 1973-1974; refer also to TNA PREM 15/2178; TNA FCO 96/100; and TNA CAB 134/3702 / ENO(74) 2

Moreover, the UK had unique needs from the US: alignment with Washington was also the price of American support on the financial front, where Britain's exposure to the petrodollar surpluses was acute (petrodollars were an influx of dollar savings held in the UK due to high oil profits). As the following Eurodollar case study shows, British decisions to welcome offshore dollars strengthened the Special Relationship but also created a new financial interdependency.

The Washington Energy Conference of 1974

At the Washington Energy Conference in 1974, the British team was made up of a combination of the Foreign Office, Cabinet Office and Department of Energy. While publicly supporting European consultation, Edward Heath engaged in covert bilateral diplomacy with the United States to ensure the conference succeeded. Bypassing standard EEC channels, Heath dispatched Sir John Hunt and Sir Jack Rampton on secret missions to Washington to coordinate strategy directly with Kissinger.

Ultimately the Community split eight to one, with France isolated. Kissinger's private reading of the outcome, reported to President Nixon, was unusually candid about what had occurred:



“Last week, the Community took a decision and today they split apart on it eight to one. It is a lesson to everybody... if we really throw our weight around we can have our own way.”³⁴

The French saw the same event from the other side, and their account has to be handled with care. A French Foreign Ministry telegram of 22 February 1974 records Jobert's own version of the conference: the Americans had, he believed, “browbeaten” Bonn with the prospect of troop withdrawals, and had secured British support in part by promising American backing for sterling, then under renewed pressure in the markets.³⁵ The French view was that the Americans either wanted to “to dominate Europe or break up the Community.”

³⁴ Kissinger to Nixon, February 1974. Quoted in Robb, 2013.

³⁵ Ministère des Affaires étrangères, telegram of 22 February 1974 recording Jobert's account of the Washington Energy Conference.

Act II: Binding obligations and financial interdependency (1974-1976)

The Heath government that sent Britain to Washington in February 1974 fell at the end of that same month, and Harold Wilson's incoming Labour government inherited the commitment, negotiated its terms, and carried it through to the Agency's formal establishment within the OECD framework on 15 November 1974. The IEA framework was sufficiently binding and crucial in the international economic chaos that two governments of opposed parties were willing to own it.

The failure of the precursor OECD framework was that it had an aspirational scheme for oil-sharing; the drafters of the IEA framework knew they needed enforceable commitments. Membership was made conditional on hard and auditable obligations: net oil-importer status; reserves equivalent to ninety days of the previous year's net imports, with government powers sufficient to deploy them in a disruption; a demand restraint programme capable of reducing national consumption by up to ten per cent; and domestic legislation enabling coordinated emergency measures. Where the OECD scheme had relied on goodwill and unanimity, the IEA relied on numbers that could be verified.

Britain's difficulty was that it was about to cease being the kind of country the Agreement had been written for. North Sea oil was on the horizon. A regime constructed to distribute the pain of import dependence was, seen from London, a regime that might one day require a producer to export its own oil to its neighbours in a crisis. The Cabinet and departmental files for 1974–75 show the Foreign and Commonwealth Office and the Department of Energy working the problem along exit, liability and price floor.

The first was the exit. A Department of Energy memorandum of July 1974 records the acceptance of a ten-year term with a major review at five years:



“We can leave after five years if we wish and we shall therefore be able to judge, when North Sea oil makes us self-sufficient, whether it is still to our overall advantage to remain in the scheme.”³⁶

³⁶ Cabinet Office Briefing / Steering Note for the Prime Minister on Oil Sharing in TNA PREM 16/243

The second was the liability. Eric Varley, Secretary of State for Energy, wrote to the Prime Minister in September 1974 to reassure him on the scale of the exposure: “The proportion of North Sea oil which we shall be expected to share in an emergency is relatively small...”, not more than 10% of UK consumption.³⁷

The third was the floor. Having limited what Britain might be asked to give up, officials embraced the one element of the American package that protected what Britain was about to build. The Minimum Safeguard Price of seven dollars a barrel was designed to prevent OPEC from driving prices low enough to render high-cost North Sea extraction uneconomic — predatory pricing against a new entrant, in modern terms. Officials noted in June 1975:



“The common minimum price is an American proposal... Potentially the common minimum price could benefit the UK by affording some safeguard to our investments in North Sea oil against a possible steep fall in world oil prices.”³⁸

None of this was concealed from the Americans, and none of it was inconsistent with membership. It was the work of officials who had read the Agreement closely and asked of each clause what it would mean for Britain in the year the North Sea came on stream.

‘Issues which are not of vital concern to us’

Why accept the machinery at all, if the object was to be bound by it as lightly as possible? Through the autumn of 1974 the Chancellor, Denis Healey, was working to arrange for the surpluses accumulating in the producing countries to be recycled through London’s financial markets. Britain’s balance of payments was in a perilous condition, and the City’s position as the venue for petrodollar recycling was one of the few strong cards the government held. It could not be played without Washington.

Throughout the negotiations, British representatives hedged on long-term resource commitments, ensuring that emergency oil-sharing frameworks would not infringe on UK sovereign control over emerging North Sea oil reserves or force compulsory pooling of domestic assets. Harold Lever, advising the Prime Minister on financial questions, put the point in September 1974 with a directness officials seldom commit to paper:

³⁷ Ibid.

³⁸ IEA Ministerial Meeting, 27 May 1975 — Brief No. 1: Activities and Future Work of the Agency in TNA FCO 96/278



“We shall need a very great measure of American goodwill if we are to avert the serious dangers which now threaten us in the international monetary field as a result of the oil producers’ huge and increasing surplus... We must not therefore make the Americans feel that we are dragging our feet... we must be ready to defer to the American point of view on issues which are not of vital concern to us.”³⁹

Lever, a trusted financial adviser, was worried about the influx of petrodollars as a new form of “hot money”, short-term foreign deposits from oil profits that had accumulated in London. If foreign money left, then sterling would be subject to crisis. The influx of petrodollars in London was a serious point of friction.⁴⁰ The UK had accumulated a massive oil induced balance of payments deficit. From the American perspective however it was equally tense: if the idea that dollars held outside the US were not safe, the US risked deeper financial panic. Thomas Balogh, the Minister of State for Energy, warned of the severe financial risks facing the City of London as a primary destination for short-term Arab petrodollars, noting that without US-backed recycling frameworks, Britain faced “immense” danger.

Britain accepted the American-designed crisis allocation machinery, having satisfied itself that the 10% cap and the withdrawal clause meant that machinery would not materially damage British resource interests. In return it secured American goodwill on the petrodollar question, a measure of balance-of-payments protection, and, through the Minimum Safeguard Price, a floor under the North Sea investment. The oil-sharing scheme was an issue “not of vital concern”; the financial front was vital. For the UK position, deference on the first purchased support on the second.

This was a realist bargain. In this case Britain was forced to be transactional for self-interested reasons. It is that the officials involved had a clear and shared view of which interests were vital and which were not; that they negotiated the non-vital ones down until deference on them was nearly costless.

The commitment then had to be made real at home. The Energy Act 1976 gave the IEA's obligations domestic legal force, and Britain's choice of implementation was itself telling: rather than building a state-owned, centrally held stockpile, government placed the reserve obligation on the private sector.

³⁹ See Minute from Harold Lever (Chancellor of the Duchy of Lancaster) to Prime Minister Harold Wilson, Emergency Oil Sharing, 19 September 1974 in TNA PREM 16/243

⁴⁰ Culley & Marsh, 2026

Under the Oil Stocking Order, any commercial supplier delivering more than 50,000 tonnes of oil to the UK market was required to hold a substantial reserve - typically around 67.5 days of net consumption for refiners - in approved domestic storage. The Secretary of State was given sweeping emergency powers by Order in Council, capable of being triggered the moment the IEA activated a collective response: restricting fuel and electricity use, lowering speed limits, relaxing commercial transport rules, or compelling companies to release their private stocks onto the market. Because the IEA's own coordination depended on accurate information, Britain built the transparency to match it – statutory data-collection requirements obliging oil companies to report stock levels, import volumes and refinery output, backed by physical inspection of private terminals and penalties, including unlimited fines and up to two years' imprisonment, for firms that fell short. Binding itself to an international obligation had meant building, at home, an entirely new domestic apparatus of inspection and compulsion that had not existed before.

Act III: Machinery in reserve (1979–1984)

The founding machinery of the IEA was tested sooner than anyone would have expected. The Iranian Revolution of 1979 and the Iran-Iraq War that followed both produced sharp disruption in the market without reproducing the full embargo conditions of 1973. The experience exposed a weakness in the design: the Emergency Sharing System was a trigger-activated mechanism built for a repeat of the embargo but for anything short of that it proved politically and administratively too heavy to invoke, and in practice it was rarely used.

The Agency's response was not to abandon the mechanism but to build a lighter instrument beside it. In July 1984 the members adopted the Coordinated Emergency Response Measures (CERM), permitting fast, voluntary and coordinated stockdraws without triggering the full sharing apparatus. CERM became the working tool thereafter, used on the eve of the Gulf War in 1991, after Hurricane Katrina in 2005, and during the Libyan Civil War in 2011.

A binding obligation that is too heavy to use is not thereby worthless: it establishes the reserves, the legislation and the reporting that make the lighter instrument possible. But it does mean that the machinery which actually operates in a crisis will often not be the machinery that was designed for it, and that the capacity to build the second instrument quickly, by consensus, is as valuable as the first. The founding logic held in either case. Consumers acting together proved more effective than consumers acting alone, and more effective than consumers accommodating producers one at a time.

Relevance to the present

The founding machinery has since been used at a scale its architects could not have imagined. Following Russia's invasion of Ukraine in 2022, IEA members coordinated what was then the largest emergency stock release in the Agency's history, some 182.7 million barrels, drawn down in two tranches to stabilise the market. That record held for barely four years. In March 2026, as Iran's war with the US and Israel brought tanker traffic through the Strait of Hormuz to a near-standstill and crude prices surged toward \$120 a barrel, IEA members unanimously agreed to release 400 million barrels, more than double the 2022 figure, and the largest coordinated drawdown in the Agency's fifty-year history. It was, half a century on, a direct application of the exact function the institution had been built to provide: consumers acting together, at scale, in a crisis their founders had not foreseen but had designed the machinery to withstand regardless.

Full membership remains restricted to OECD countries that meet the net-importer and ninety-day stockholding tests, criteria that gave the Agency its credibility in 1974 and now exclude several of the actors most consequential to the markets it exists to secure. China and India participate only as Association countries, a non-binding status created in 2015 that carries no reserve or reporting obligations, a status that suits Beijing's own stockpiling strategy precisely because it avoids the transparency full membership would require; India's path to membership is further complicated by its inability to meet the stockholding requirement on its own terms. The same structural gap is now opening in the Agency's newest domain. Since 2022, member governments have asked the IEA to extend its founding logic to critical minerals, and the build-out has been rapid: an annual Critical Minerals Market Review, a first international summit in Paris in September 2023 attended by ministers from nearly fifty countries, a dedicated Energy Security and Critical Minerals Division, and, in February 2026, a formal ministerial elevation of the Critical Minerals Security Programme that explicitly invokes the 1973 oil shock as its precedent.

²⁰ See 2013 press release, "Government to proceed with Urenco sale to realise value for the taxpayer," <https://www.gov.uk/government/news/government-to-proceed-with-urengo-sale-to-realise-value-for-the-taxpayer>. And for recent debate on Urenco dividends: <https://questions-statements.parliament.uk/written-questions/detail/2022-01-04/97145/>

Case Study 3

‘A Second Rise of the City’

The Bank of England, the Early Eurodollar Market and the Statecraft that Enabled Offshore Finance in London⁴¹

Some of the UK’s most consequential episodes of statecraft have been in finance: in the nineteenth century, the Bank of England managed the gold standard; in the interwar period the UK played a leading role in setting up the multilateral Bank of International Settlements (BIS); from the 1960s to 1980s, by selectively regulating Eurodollars, the Bank of England helped make London the preeminent platform for offshore finance. Eurodollars was the name given to dollar deposits held and created in commercial banks outside the United States. The market began as a minor anomaly in the 1950s before expanding to become the primary engine of global liquidity. The Bank of England’s strategic and opportunistic regulatory approach to Eurodollars reshaped the global monetary system and London’s role in it. Offshore dollar creation now ultimately accounts for nearly half of all global dollar transactions. Rather than a story of state retreat or deregulation, the rise of London as the world’s first primary Eurodollar hub in the 1970s relied in large part on the result of British monetary statecraft, managed domestically and internationally. Faced with the collapse of sterling’s global reserve role, the Bank of England, working alongside key figures in HM Treasury, strategically deployed law, engineered new ‘two-book’ accounting, and engaged in multilateral monetary diplomacy at BIS to selectively regulate what was then a new, uncertain, and risky asset. This case study examines primarily how the Bank of England governed a radical financial innovation, preserving London’s global position by building custom supervisory rules and resisting international attempts for regulatory harmonisation to restrict offshore capital. From the perspective of international relations, the effect was to deepen the financial interdependency between New York and London. This is a case about opportunism, selective regulation, and international statecraft used to foster national advantage.

⁴¹ This case study relies extensively on the academic research of Eric Helleiner, Catherine Schenk, Gary Burn, and Jeremy Green among others. It also relies on archival research carried out at the Bank of England and the Bank of International Settlements.

UK strategy:

One of the defining issues facing the post-war UK was managing the decline of sterling as a global reserve currency. The shift in sterling transformed the UK's standing internationally and how its domestic economy related to the international economy. Initially the Eurodollar market began due to regulatory happenstance, but over time the Bank of England pivoted to approach the new market as way to revive the City. The BoE achieved this through two components: first, domestically, by interpreting the 1947 Exchange Control Act to create a 'bifurcated' jurisdiction that insulated onshore sterling while offering a light-touch, unregulated sanctuary for offshore foreign currency transactions between non-residents; and second, internationally, by relying on diplomacy at the BIS to defeat continental European proposals for mandatory reserve requirements, while pioneering international supervisory frameworks (consolidated supervision and home-country control via the Basel Concordat) that shifted solvency backstops onto parent foreign central banks. Together these interventions allowed the City to uniquely capitalise on the rising market of Eurodollars.

Challenges:

Reconciling the UK's acute domestic macroeconomic instability and strict exchange controls with a completely open offshore banking hub; managing the initial uncertainty amongst policymakers regarding offshore dollar mechanics; navigating deep transatlantic dependency on the US Federal Reserve for liquidity backstops; and overcoming fierce resistance from G10 allies, most notably Germany and Italy who viewed London's Eurodollar market as an engine of global inflation that systematically undermined national monetary sovereignty. European partners wanted to regulate Eurodollars under a continental umbrella; the UK wanted the right to regulate on a national basis to give it the purview to manage its own risks.

Result:

The Bank of England's strategy successfully restored London as the preeminent global financial centre, capturing massive international market shares in cross-border lending and foreign exchange, a position no other European was willing or able to take on the same terms. The UK subsequently had a substantial influence on global monetary rules at the BIS through the 1970s and 1980s, shaping the next generation's rules of international finance. This success also shaped the 'Special Relationship' by integrating London into the global dollar architecture, making London and New York financially interdependent.

Lessons and Implications for UK statecraft:

UK strengths and markets that come from openness may still require positive legal or administrative constructs to be shaped. When governing rapid financial or technological innovation under high uncertainty, effective statecraft prioritises building information-gathering and supervisory infrastructure over premature prohibition. Furthermore, maintaining venue competitiveness requires active international diplomacy to shape global regulatory standards. Hosting foreign-currency innovation also carries risks of entrenching monetary dependency on foreign backstops—a trade-off evident in today’s regulatory approach to stablecoins and tokenised assets.

Act I: An Uncertain Beginning (1955–1970)

One of the parallels between the early rise of Eurodollars and new kinds of money and technology today is the sheer uncertainty surrounding its meaning and consequences. In this case, the Bank of England was amongst the first institutions to be alert to the development coming out in private banks in the 1950s. Eurodollars were not physical paper US dollar bills held in European banks; rather, Eurodollars were accounting ledger entries, US dollar denominated credit claims held in commercial banks located outside the US. When a bank in London accepted a deposit denominated in US dollars and re-lent those to a European, Asian or Latin American borrower, it was creating offshore dollar credit.

The pre-history of Eurodollars is rooted in a Cold War context of Soviets wanting to hold their dollars outside of the United States for fear that US authorities might limit their access. In the 1950s several European banks offered this service: it was minute in comparison to what the market would later become, but on principle it treaded new ground. In the UK, according to Catherine Schenk’s research, it was Midland Bank which was the first to accept Eurodollar deposits.⁴²

The catalyst for growth of the Eurodollar market was initially a combination of shifting American regulations, international crisis at Suez, and London regulatory permissiveness. The American Regulation Q rule imposed strict statutory ceilings on interest rates of American commercial banks, motivated by stemming domestic economic hypercompetition. The result was that London banks could pay higher interest to international depositors while undercutting New York banks on lending margins. This is often taught as a classic case of regulatory arbitrage. Financial transactions or business operations, where possible, will always exploit gaps or differences between regulatory systems in order to reduce costs. The foundational challenge for British policymakers in the late 1950s was deciding whether to suppress this dollar business, enable it, or promote it.

⁴² Catherine Schenk, “The Origins of the Eurodollar Market in London: 1955–1963,” 1998

The Suez crisis catalyst, establishing key legal interpretation, and early data-sharing

Following the Suez Canal crisis, Britain suffered a severe balance-of-payments crisis and a speculative run on sterling. In response, the Chancellor Peter Thorneycroft was forced to impose severe emergency credit restrictions, banning British commercial banks from using sterling to finance trade between non-sterling countries.⁴³ This marked a major turning point accelerating sterling's decline, and it left City merchant houses in a vulnerable position. The crisis motivated banks to find alternatives, which was the burgeoning dollar market.

Sir George Bolton, an Executive Director at the Bank of England who left Threadneedle Street in 1957 to become Chairman of BOLSA, the Bank of London and South America, was one of the first to articulate the necessary pivot. A charismatic foreign exchange trader, Bolton, in a May 1957 paper, argued London's future lay not in defending the pound but in converting the City into an international entrepôt for dollar intermediation.⁴⁴

The necessary debate on legal interpretation came several years later. The true legal architecture enabling the market to scale was an intentional administrative interpretation by the Bank of England regarding the Exchange Control Act 1947. An internal Bank of England memorandum explicitly confirmed in 1962 that the taken view was a purposeful reading that: "The Exchange Control Act ... does not prohibit Authorised Dealers [banks] from dealing in foreign currency deposits between non-residents. The absence of restriction in our Notices recognises this."⁴⁵ Clarity on the interpretation of this law was necessary to determine whether Eurodollars would be regulated subject to existing law or whether they would be carved out and accounted for separately. This marked the beginning of the establishment of a 'two-book' accounting system within London financial institutions: a bank's 'onshore' sterling book remained subject to strict statutory credit ceilings, reserve requirements and exchange controls; its 'offshore' foreign currency book was treated as juridically outside national regulatory limits.

The BIS, with a purview of monitoring and supervising relationships between central banks, began advocating for data-sharing agreements between central banks. The sheer size and function of the market was hitherto unknown. In 1964, G10 central bank governors agreed to let BIS collect quarterly Eurocurrency balance-sheet statistics from national central banks.⁴⁶ The BoE was supportive of sharing information, but it was also hesitant to share too much.

⁴³ Gary Burn "The State, the City and the Euromarkets." *Review of International Political Economy*, 6(2), 225–261, 1999

⁴⁴ Sir George Bolton, Memorandum to the Board of Directors of the Bank of London and South America (BOLSA), 28 May 1957 quoted in Burn

⁴⁵ Bank of England Internal Memorandum (1962), cited in Gary Burn, "The State, the City and the Euromarkets," *Review of International Political Economy* 6, no. 2 (1999): 238

⁴⁶ I. A. Balaban The establishment of the Eurodollar market in Paris and the failure of regulation and reform, 1959–1964. *Business History*, 2024

Lord Cromer defended London's posture to sceptical European central bankers by arguing that offshore dollars were strictly "quarantined" from the domestic British economy by capital controls, preventing spillovers into UK inflation or domestic credit.⁴⁷

At this stage the market remained a monetary curiosity and the institutional apparatus was set up, but the size of the market was still too small to be a structural problem or a major commercial opportunity. It was only when the size of the Eurodollar market became substantially greater towards the end of the 1960s that the Bank of England was forced to take a strategic view and determine its position.

Following devaluation of sterling in November 1967, the political and economic perspective on Eurodollars shifted from passive permission to active exploitation. Facing depleted gold and foreign exchange reserves, Prime Minister Harold Wilson and Chancellor James Callaghan realised that the Eurodollar market offered a reprieve to finance Britain's public sector debt and balance-of-payments deficit.

It's an example of an asset that didn't start out as being geopolitically strategic but became incredibly geopolitically strategic. As it became useful to the UK's domestic economy and proved to fill a major gap in international monetary politics, it became gained geo-strategic relevance.

Top-secret Treasury and Bank files from 1968 to 1971 reveal coordinated schemes to encourage UK nationalised industries (such as BOAC, BEA, and the Gas Council) and local municipal authorities to raise long-term loans in the Eurodollar and Eurobond markets (Benzie, 1990). To facilitate this borrowing, the Treasury and Bank joined forces to override Inland Revenue tax objections, making foreign currency interest payments tax-deductible. Rather than restricting offshore capital, the British state actively harnessed Eurodollars to bolster national balance sheets. In addition to domestic usefulness, it also changed its relationship with the US Chancellor.

This rapid expansion exposed deep transatlantic financial interdependence. As American commercial banks established massive branches in London to evade domestic credit squeezes, UK and US monetary authorities realised their financial survival was intertwined. James Callaghan summarised this financial tie, remarking to Wilson: "When you have headaches, we have headaches too."⁴⁸ By hosting the world's dollar market, London gained immense commercial prestige, but became further intertwined needing liquidity backstops provided by the US Federal Reserve.

⁴⁷ Ibid.

⁴⁸ The National Archives (UK), PRO PREM 13/253 (Callaghan to Wilson, 30 June 1965); Glen O'Hara, "The Limits of US Power: Transatlantic Financial Diplomacy under the Johnson and Wilson Administrations, October 1964–November 1968," *Contemporary European History* 12, no. 3 (2003): p. 260, footnote 19

Act II: Geopolitical shock, the Battle of Basel and the Basel Concordat (1971–1980s)

The geopolitical shocks of the 1970s helped make Eurodollars and London's positioning of them more strategically relevant. On August 15, 1971, President Richard Nixon unilaterally severed the US dollar's convertibility into gold, dismantling the Bretton Woods fixed-exchange-rate system. As speculative capital flooded across borders, Eurodollar markets expanded exponentially. Following the October 1973 Arab-Israeli War, oil prices quadrupled, generating vast surpluses of petrodollars for OPEC nations. These funds were deposited directly into London commercial banks, which then recycled them as sovereign loans to developing nations. The consequence was that what had previously been a relatively minor monetary phenomena transformed into being at the crux of international economic crisis, which motivated and necessitated a more intentional and activist response from the Bank of England.

The Battle of Basel: defeating mandatory reserve requirements

As global inflation surged in the early 1970s, continental European central banks sharpened accusations at London. The German Bundesbank and Banca d'Italia argued that Eurodollar credit creation was operating as an uncontrolled money machine that destroyed domestic anti-inflationary policies. At the newly created Euro-currency Standing Committee (ECSC) at the BIS, Germany and Italy proposed mandatory minimum reserve requirements on Eurocurrency deposits and the creation of a European "regulated area."⁴⁹

The Bank of England, led by Governor Sir Leslie O'Brien, Executive Director Jeremy Morse, and Kit McMahon, launched a concerted campaign of diplomatic containment. Threadneedle Street argued that mandatory reserve requirements were technically unworkable and would merely drive mobile dollar banking out of Europe to uncooperative offshore tax havens like the Cayman Islands. By February 1973, British diplomacy successfully split the European alliance, permanently shelving international proposals for reserve controls on Eurodollars. If the Europeans had their way, Britain risked losing dominance in a market that was reviving the City as a global financial centre.

⁴⁹ Braun, Krampf, & Murau, "Financial globalization as positive integration: Monetary technocrats and the Eurodollar market in the 1970s," *Review of International Political Economy* 2021

The Basel Concordat, and setting up the future of global supervisory standards

Two years later, Germany suffered a massive singular banking failure when the Herstatt bank suffered huge losses due to unmonitored foreign exchanges. The breakdown was due to time zone and trading in dollars. German regulators closed the bank at 3:30 PM local time. Earlier that day, counterparties in New York and elsewhere had already paid Deutsche Marks into Herstatt's accounts. However, because of the six-hour time difference, the corresponding US dollar payments were scheduled to be wired during New York business hours later that day. It was a watershed moment for raising the challenges of engaging in dollar trading without constant access to emergency dollars.

Following the Herstatt crisis, the G10 created the Standing Committee on Banking Regulations and Supervisory Practices (later the Basel Committee on Banking Supervision, BCBS). A senior Bank of England official, Sir George Blunden, served as its first chairman. At the committee's initial meeting, Blunden firmly rejected proposals to construct an intrusive supranational "early warning system", steering the body toward confidential supervisory data sharing, opting once again for national regulation instead of overreaching international rules.

Under British leadership, the committee authored the 1975 Basel Concordat. The Concordat established two foundational principles of global financial governance⁵⁰:

- **Consolidated Supervision:** Banking groups must be supervised as unified global entities across all foreign branches and subsidiaries.
- **Home-Country Control:** Primary responsibility for solvency and liquidity backstops rests with the parent bank's home central bank (e.g., the US Federal Reserve for American branches in London), while host supervisors monitor local liquidity.

Both were carried by non-binding guidelines, which kept the framework flexible and left the Eurodollar market itself unrestricted. This marked only the beginning of British regulatory advocacy at the BIS, such as through the Cooke committee and later the Basel Capital Accords, that relied on international monetary diplomacy to protect the unique features of the City of London and to even the playing field in financial rules. The Bank of England many times over worked through the BIS not to make constraining international rules, but to diplomatically establish international norms that allowed for national difference within overarching international frameworks.

⁵⁰ See Schenk, *The Decline of Sterling*, Oxford University Press, 2010

Act III: Modern parallels

The policy choices facing the Bank of England in the 1960s have a close analogue in the digital finance of today. US dollar-denominated stablecoins - Tether and USD Coin chief among them - and tokenised deposits now perform on decentralised ledgers operating outside conventional banking hours, essentially the function Eurodollars performed sixty years earlier: facilitating global dollar intermediation beyond the reach of onshore American regulatory oversight. Jurisdictions have split in response much as they did then. The European Union has taken the restrictive path, through the Markets in Crypto-Assets Regulation, requiring stablecoin issuers to hold segregated, largely EU-based reserves and imposing explicit caps on non-euro tokens on monetary-sovereignty grounds. Post-Brexit Britain faces the older dilemma in new clothes: whether to compete for volume by hosting dollar-denominated digital innovation on permissive terms, in the manner that built the Eurodollar market, or to protect domestic monetary sovereignty by restricting it - and, as the Bank of England's own 2026 sterling stablecoin regime suggests, the emerging answer is neither pure permissiveness nor pure restriction, but the third option the 1960s case study points toward: actively building a competitive sterling-denominated alternative rather than simply regulating the dollar-denominated one.

Four lessons carry over from the earlier episode:

- 1 "Offshore" was not a natural feature of the market but an engineered legal fact, produced by administrative interpretation of ordinary domestic law - the 'two-book' separation of onshore and offshore accounting was a deliberate jurisdictional construction, and the same technique of building specialised administrative enclaves within existing law remains available to policymakers facing a new asset class today.
- 2 Private credit claims do not scale globally on private infrastructure alone: Eurodollars required central bank swap lines, official deposit placements, and ultimately the Basel Concordat's backstop arrangements to hold their value, and any offshore digital-dollar market will eventually need the same kind of public architecture beneath it - which means the statecraft challenge is managing that public-private hybridity deliberately, rather than allowing state balance sheets to be exploited as an unacknowledged backstop for private risk.

- 3 Blunt prohibition of unfamiliar financial innovation tends to fail, chasing activity into less cooperative jurisdictions rather than eliminating it; the Bank of England's alternative – building statistical reporting and consolidated supervision to monitor the market's mechanics while leaving its operation largely free - offers a more durable template than suppression.
- 4 None of this can be secured by domestic policy alone: national regulatory choices have to be actively defended in the international bodies that set the wider rules, as Britain did at the BIS through the Battle of Basel, the Basel Concordat, and Basel I, each time shaping global standards to protect London's position rather than simply complying with rules set elsewhere.

Case Study 4

‘The Most Formidable Deterrent’⁵¹ **A UK Innovation on the Management of** **Privatized Strategies Industries⁵²**

Golden shares were invented by the UK to manage the privatisation of several key public industries in the 1980s. The golden share is a legal device – a special, nominal-value share written into a company’s Articles of Association – giving government a standing veto over company decisions. The specific terms can vary: veto powers over foreign takeovers; influence over directors; or the termination of strategically significant activity. It was a concept Nigel Lawson, Margaret Thatcher’s Chancellor, pitched after recalling his experience as a financial journalist who was impressed by the complexity of ownership structures in business that allowed for different degrees of relationships between ownership and management. Lawson was struck by voting structures that let a small equity stake carry disproportionate control. As a tool of statecraft, it offered the state a way to charter a new relationship with some strategic businesses; Thatcher’s government needed a way to fully relinquish ownership of strategic industries without losing the power to stop them falling into what ministers called “unsuitable” hands, or from closing shop completely. This UK approach was dismantled by European law in the early 2000s. Since then, the US, China, and other European partners, have built their own versions of the same idea in current industrial policy. The usefulness of this history now is not necessarily that golden shares need to be used again – the context is different – rather, it is to show that British political leadership has innovated and invented new forms of partnership between the business and the state in the past to address specific concerns, an aspect of Thatcher’s political economy that is often overlooked.

⁵¹ See Nigel Lawson in Britoil: Sale of Shares, House of Lords, 22 November 1982, Vol. 436, col. 745

⁵² This case study builds on Daniel Yergin and Joseph Stanislaw’s scholarship archival research from Hansard debates and Margaret Thatcher’s archive

UK strategy:

To resolve a governance problem inherent to 1980s privatization, namely how to relinquish ownership of strategic state-owned companies without losing the ability to stop them falling into unacceptable hands, Thatcher's ministers adapted a company-law device: a £1 special share, held for a Secretary of State and entrenched in a company's Articles of Association, carrying no economic return but conferring defined veto rights. The terms varied by case. Most shares capped any single or foreign holding, typically at 15 per cent, and prevented changes to those ownership articles without ministerial consent. Britoil's allowed the government to block a controlling bidder it judged unacceptable. The defence-linked shares in British Aerospace and Rolls-Royce went further, requiring British directors and ministerial consent over winding-up or the disposal of core assets. The shares also differed in duration: some were intended to be permanent, while others were redeemed or lapsed within a few years. Nationality and concentration of ownership were the instrument's central concern, and it was shaped by flotation rather than designed as a single template.

Challenges:

Reconciling the twin aims of exposing former state enterprises to the discipline of the market and keeping strategic assets out of "unsuitable hands" - a tension visible in Parliament from the first privatisations, and the instrument's dependence on a distinction between company-law rights and discriminatory state control that the European Court of Justice ultimately rejected, ruling in the early 2000s that golden shares of this kind restricted the EU's free movement of capital regardless of how they were structured, which substantially dismantled the mechanism just as its deterrent value against foreign takeover was becoming most visible.

Result:

The instrument in different cases delayed or deterred loss of government influence over strategic businesses. It was largely abandoned or legally hollowed out in the UK through the 1990s and 2000s. One consequence was that the UK lost both the standing power to block some strategically significant companies from being acquired, relocated, or wound down, and, in a number of cases, the companies themselves, including several defence contractors that passed into foreign ownership with no equivalent veto available. Meanwhile, the underlying mechanism has been studied, adapted, and in some cases extended by the United States, France, China, and Australia.

Lessons and Implications for UK statecraft:

Britain's history has shown that government authority over strategic companies can take many different forms, and that time-bound stakes can be an effective way of bridging economic transitions. Experience also shows that such authority is only as useful as the judgement behind it. Ministers set terms and durations case by case, and used the shares as often to bargain or to decide when protection should end as to block outright. Today other countries are experimenting with standing stakes and control rights over strategic firms, while the UK relies mainly on transaction-triggered powers under the National Security and Investment Act. There are substantive differences between transaction-triggered versus standing authority powers, which the UK's golden shares offers examples of.

Act I: A company-law solution to a political problem

By the late 1970s the state-owned enterprises were seen in Whitehall as inflexible and poorly performing, insulated by what Lawson called the “bottomless public purse” and treated as employment agencies in which output followed political expediency rather than demand. The Treasury's remedy was to expose them to the vagaries of the market, meaning takeover, bankruptcy, and major commercial shifts were not just possible but likely. Full exposure, however, collided with two things: the national interest in sensitive sectors, and a parliamentary and public constituency that feared the loss of sovereign assets. What was needed was a mechanism permitting full market exposure while pacifying that constituency. The answer was a legal device rather than a policy.

Lawson gave his own account of where the idea came from in an interview later reproduced in Yergin and Stanislaw's *Commanding Heights*. He recalled “the curious voting structures” he had encountered as a stock market columnist for the *Financial Times* earlier in his career – structures that let a shareholder with “a very small slice of equity” “exercise quite disproportionate power.”⁵³ He had disapproved of the device as a journalist, precisely because it let control diverge from economic ownership. He found it “a godsend,” however, once he needed a mechanism, as the Minister privatising a strategic asset, to keep control out of unsuitable hands.⁵⁴ The ownership debate was had out in public and in Parliament over many years: it did not split evenly across parties, rather it was a cross-cutting issue. Golden shares were a compromise and a tool to preserve some government influence and prevent the build-up of excessive foreign power in key sectors.

⁵³ Quoted in Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle Between Government and the Marketplace That Is Remaking the Modern World*, New York: Simon & Schuster, 1998

⁵⁴ *Ibid.*

The cases of British Aerospace and Rolls-Royce are illustrative. British Aerospace was privatised in two phases: 51.6% of shares were sold in February 1981, with the government retaining the remainder - initially pledged as a permanent twenty-five per cent stake to keep the company in 'British hands' - until it sold its final holding in April 1985.⁵⁵ It was at that second, full-divestment stage, not the initial float, that the special share was formally created: a one pound nominal share capping any single person or foreign entity at 15% of voting shares, requiring the directors to be British citizens and reserving the right to nominate a government director, and reserving government consent over the winding-up of the company or the disposal of its core strategic assets.⁵⁶

Rolls-Royce received a materially identical share at its 1987 privatisation, with the additional consent requirement over the nuclear business. Both were held by the Treasury Solicitor as nominee for the Secretary of State, an arrangement that has since outlasted more than a dozen changes of government. The underlying statutory power creates the opportunity to embed a veto; the veto itself lives in ordinary corporate governance documents. That is what made the instrument light enough to use.

'Selling the furniture to pay the rent'

Neither the privatisation nor the mechanism accompanying it was uncontroversial, and the Lords debates preserve the competing positions in their own words. Defending the 1985 sale British Aerospace sale, Lord Lucas argued that the "normal pressures of the commercial market" were the best spur to efficiency, citing profits that had risen from £53 million in 1980 to £120 million in 1984. He presented the special share as a necessary but bounded piece of stewardship, but argued that ultimately openness to the commercial market was paramount.⁵⁷

Opposition peers pressed the government on the obvious tension. If the company was to become "a normal commercial enterprise," why were a government shareholding and a fifteen per cent cap on foreign ownership needed at all? The question exposed privatisation as a less clean break from state involvement than the rhetoric implied, since the design of the sale assumed the company could never be treated as an ordinary private company. Others opposed the sale outright. Lord Bruce of Donington characterised it as "selling the furniture to pay the rent" - liquidating public assets to finance tax cuts rather than to improve industrial health.⁵⁸

It has been forgotten the extent to which the original motivation was to prevent rapid foreign ownership of strategic sectors. Nigel Lawson, defending the use of a special share in 1982, argued it would be:

⁵⁵ The National Archives (TNA), Kew, PREM 19/1164, 'British Aerospace: Proposed Mergers and Strategic Defense Safeguards', May 1984.

⁵⁶ Ibid

⁵⁷ Lord Lucas, House of Lords debate, 1985. British Aerospace: Share Offer, House of Lords Debate, 13 May 1985, Hansard, Vol. 463

⁵⁸ Lord Bruce of Donington, House of Lords debate, 1985. British Aerospace: Share Offer, House of Lords, 13 May 1985, Vol. 463



“The most formidable deterrent to anyone who tries to take over control of the board, of the company or of the majority of its shares, and who the Government consider to be unacceptable.”⁵⁹

Golden shares were fundamentally about navigating sovereignty while responding to immediate domestic economic pressures. The golden share was, in this sense, as much a negotiated concession reconciling competing Whitehall and parliamentary positions as it was a clean technical solution designed in advance. Instruments that survive tend to have this quality; they are built to satisfy two constituencies at once, and the compromise is what gives them their shape.

Seventy years of oil policy reversed

The energy sector shows the wider stakes of policy reversal, and the implications for management of strategic energy assets. The privatisation of British oil assets in the 1980s reversed a policy of state involvement in oil that had been in place since before the First World War, roughly seventy years of continuous government participation in a sector historically treated as a direct source of state power.

The Britoil flotation itself was no advertisement for success. The 1982 sale was dubbed the “flop of the century” by Lord Bishopton after the Secretary of State overrode City advice to price at 180p and insisted on a striking price of 215p, leaving underwriters to absorb some 70% of the issue.⁶⁰ Lord O’Brien of Lothbury agreed: “in City terms this particular offer was a flop.”⁶¹ But the special share was the mechanism that made reversing seventy years of oil policy politically acceptable: full private ownership, with a residual power, which Lawson said would survive however far the government’s ordinary shareholding fell, to block control of the company passing to anyone ministers judged unacceptable.

Despite being contested, what mattered was that the golden share offered a way of managing a pivotal period of transition. It prevented ownership falling into foreign hands and guaranteed the state a seat at the negotiating table over time to oversee or steward key decisions beyond state ownership. Now not only has the legal apparatus changed significantly, but the doctrine and expectation that government might have a view on key decisions in industry has changed entirely.

⁵⁹ See Britoil: Sale of Shares, House of Lords, 22 November 1982, Vol. 436, col. 745

⁶⁰ Lord Bishopton Britoil: Sale of Shares, House of Lords, 22 November 1982, Vol. 436, col. 745

⁶¹ Ibid

Act II: Various uses for various purposes

The instrument's first real test came when BP bid for Britoil in 1988, and it did not play out as the 1982 rhetoric had promised. Lawson told the Commons that the government would not exercise its rights under the special share, judging a takeover by BP, a British company, "thoroughly acceptable."⁶² He argued that the share had ensured there had been no foreign acquisition of Britoil, and he used the moment to extract binding assurances from BP on jobs in Glasgow and Aberdeen and on research spending. The opposition saw it differently. Labour and Liberal MPs threw Lawson's "most formidable deterrent" back at him and called the decision a shameful climb-down. Both readings hold something true. The share did not stop the takeover, but its existence gave ministers leverage at the moment a buyer needed consent. In practice, the share had turned from a barrier into a bargaining lever.

Time-limited and timeless

Some golden shares were designed from the outset as transitional rather than permanent, with five-year sunset provisions intended to give newly privatised management time to adjust before full exposure to takeover. Jaguar is the clearest case, and the internal papers show the reasoning.

A Policy Unit brief from John Redwood ahead of the 1984 sale acknowledged that "industrial logic" favoured a sale to General Motors, but that "British sentiment would be offended if Jaguar were sold overseas," and argued that a company so "vulnerable to the £/\$ relationship" needed protection until it found a suitable partner.⁶³ The share was due to be redeemed at the end of 1990. It did not last that long. With Jaguar's profits falling and Ford and General Motors circling, Nicholas Ridley announced in October 1989 that he would consent to removing the ownership restrictions, on the grounds that they were causing uncertainty about the company's future. Ford agreed its takeover days later.

Only after that decision, in a Commons debate in December 1989, did Ridley set out the distinction now used to describe the instrument: between "timeless" shares protecting national security, such as those in Rolls-Royce and British Aerospace, and "time-limited" shares protecting an industry convalescing from public ownership, such as Jaguar's, whose condition of recovery he said had been met.⁶⁴ The taxonomy is useful, but it was a justification for giving protection up, offered by a minister who admitted he did not much like special shares, rather than a principle the instrument was built on. The golden share was never a single template, and its history shows that deciding when to remove protection could be as politically consequential as creating it.

⁶² House of Commons Debate, 1 March 1988, Official Report, Vol. 128, cols. 331–336 (Statement by Chancellor of the Exchequer Nigel Lawson). Quoted in Cosmo Graham and Tony Prosser, "Golden Shares: Industrial Policy by Stealth," Public Law, pp. 413–431, 1988

⁶³ The National Archives, Kew, PREM 19/1274, Policy Unit Briefing to Prime Minister: 'Privatisation of Jaguar', 10 February 1984.

⁶⁴ House of Commons Debate, 6 December 1989, Official Report, Vol. 163, cols. 305–307 (Nicholas Ridley, Secretary of State for Trade and Industry)

What the evidence shows, and what it cannot

The clearest evidence that golden shares had a strong deterrent effect is retrospective. Energy utilities protected by golden shares attracted little foreign takeover interest while the special share remained in place, and were acquired comparatively quickly once it was removed. The rapid consolidation that followed the end of the veto power showed it doing real work, deterring approaches that would otherwise have been made. That evidence exists because takeover approaches leave a public record. The veto's effect on relocation and disposal decisions is harder to observe: a company deterred from proposing to close or relocate a protected activity leaves no comparable trail.

Act III: EU Court rejection

The instrument's legal vulnerability was built into its design from the start, though it took European law two decades to catch up with it. Since the late 1990s the European Commission had treated the free movement of capital as a fundamental Single Market freedom, and golden shares - whatever their formal structure - came to be seen as restrictions on that freedom simply by virtue of their deterrent effect on portfolio investment. The Court of Justice ruled against Portugal, France and Belgium in June 2002, and against Spain and the United Kingdom on 13 May 2003. The British case concerned the share retained in the airports operator BAA plc: the Court held that the government's consent rights over BAA's winding-up and asset disposal, together with the 15% foreign-ownership cap in its Articles, restricted capital movement under what is now Article 63 TFEU, regardless of Britain's argument that this was a matter of private company law rather than discriminatory state action. The Court also faulted the breadth of ministerial discretion the shares conferred - powers exercisable on vague public-interest grounds without objective, transparent criteria, disproportionate to any genuine security need. The Whitehall tradition of ministerial judgement was never built to survive a proportionality test. The company-law argument had been central to the instrument's original design; its rejection removed the legal ground the entire mechanism stood on. The lesson is not that the design was careless, but that a legal distinction which holds in one jurisdiction carries a maturity date once a supranational court can rule on it, and that date is invisible at the moment the instrument is drafted.

What followed

The BAA judgment did not eliminate golden shares overnight, but it stripped their legal certainty at precisely the moment their protective value was becoming most visible. Rather than attempt to redesign the remaining shares compatibly with EU law, successive governments let most lapse or fall into disuse; a number of energy-sector shares were formally redeemed in 2004. The retreat coincided with a broader Treasury view, prevailing through the 2000s and 2010s, that openness to foreign capital was itself a significant national asset, with comparatively little weight given to the identity or strategic character of the acquiring owner. The consequences showed up directly in defence: Advent International acquired Cobham in January 2020, Meggitt passed to Parker Hannifin in September 2022, and Ultra Electronics to the now US-owned Cobham that November, three significant contractors changing hands within two and a half years, with no standing veto available had ministers wished to use one.

Brexit removed the specific legal constraint that had dismantled the instrument, giving Britain more room to deploy this kind of share than at any point in two decades. That freedom has not become doctrine. The National Security and Investment Act 2021 gives government call-in and blocking powers, but these are transaction-triggered and case-by-case, not the standing, pre-positioned veto a golden share embeds permanently from the point of sale. The special share negotiated in Royal Mail's 2024–25 change of ownership follows the same reactive pattern. Other states, meanwhile, have adapted the underlying idea without ever having lost it to a court: the US secured control over board composition, headquarters location and production levels in the US Steel case and took a direct equity stake in Intel under the CHIPS Act; France's Agence des participations de l'État holds standing strategic stakes as continuous practice; China formalises comparable control through special management shares; Australia has expanded its Foreign Investment Review Board in the same direction. 'Headquarters location' and 'production levels' are, in substance, relocation and disposal controls - the broader purpose the British instrument was built to serve, not merely a check on a buyer's nationality.

Relevance to the present

Four points are worth carrying into any decision about reviving the model:

- 1 On what the instrument actually was: in the 1980s its core function was controlling who could own and control a strategic company, through holding caps, nationality requirements and, for defence firms, consent over winding-up and core disposals. A modern revival might reasonably extend that to relocation or production decisions, as the United States has done, but that would be a new design choice, not a restoration of the original. A revival framed narrowly around foreign acquisition would recreate less than half of the original design.

- 2 On legal form: the golden share worked precisely because it lived in a company's Articles of Association rather than in statute: cheap, fast, requiring no enforcement machinery of its own. That lightness was also its fatal weakness once a court declined to accept the distinction between a shareholder right and an act of state; anyone designing a standing instrument today should ask in advance which court might eventually be asked to characterise it, and on what test.
- 3 On the gap between freedom and capacity: Brexit restored the legal room to use the tool Britain invented, but not the doctrine, the drafting practice, or the institutional habit of embedding a veto at the point of sale. Only the first of those has been recovered.
- 4 On timing: the value of the instrument in its most consequential moments came from the veto already existing before it was needed, even when ministers chose not to wield it. At Britoil in 1988 it let the government extract assurances as the price of consent; at Jaguar in 1989 it made the decision to end protection a deliberate act of policy rather than something left to the market. A standing power creates leverage because it precedes the transaction. A transaction-triggered power like the NSI Act creates leverage only once a deal is already on the table, by which point government is negotiating on someone else's timetable.

That is the substantive difference between the 1980s instrument and its modern successor, and it is the question any decision to rebuild the tool should turn on.

Golden shares were an innovation of the Thatcher government rather than a personal crusade of Thatcher herself; she championed wider share ownership in public while leaving the retained state veto to her ministers. That makes the episode more instructive, not less. Even a government committed to rolling back the state found it needed a standing form of authority over strategic companies, and invented one. As peer countries now build their own versions, the UK has a precedent of its own to learn from, including its limits.

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