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PREM 19/219



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PART 3

364

CONFIDENTIAL FILING

European Council Meeting in  
Brussels March - April 1980 (POLICY) -  
Postponed.

Rescheduled meeting in Luxembourg 27/28 April.

EUROPEAN POLICY

PART 1: OCTOBER FEB.

PART 3: FEBRUARY 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PREM 19/29



SECRET



CABINET OFFICE  
70 WHITEHALL  
LONDON SW1A 2AS

*Enno PD.*

*8*

*or Enno PD - Budget  
- At 8*

~~01XXXXXXXXXX~~ 233 7256

Qz 01571

15 May 1980

*to  
Palliser*

*Dear Michael*

EUROPEAN COUNCIL LUXEMBOURG: COMMUNITY BUDGET

Thank you for your minute of 14 May with the Prime Minister's approved version of the final paragraph of the draft record enclosed with my letter of 1 May to Ken Couzens.

This has been incorporated together with other comments which I received in the attached revised text, which I hope can now be regarded as the final version.

I am sending copies of this letter and its enclosure to George Walden, Robert Armstrong, Michael Palliser, Michael Butler, Ken Couzens and Tom Bridges.

*Yours ever*

*Michael*

M D M FRANKLIN

Enc

M O'D Alexander Esq  
10 Downing Street

SECRET



## PRIME MINISTER'S COUNTER-PROPOSAL

1. I have reflected on all the suggestions which have been made, and I have considered carefully how far I could take these into account in a final effort at compromise.
2. I would be prepared to accept an arrangement lasting for only 3 years instead of 5 or 6 years.
3. Secondly, I could accept Chancellor Schmidt's proposal that for the 1980 budget we arrive at the UK's net contribution on the basis of the 1978/79 average, that is 539 MEUA (though the figures will all need to be on the same basis).
4. Thirdly, I would also be ready to agree that our net contribution for 1981 and 1982 should be increased from the 539 MEUA by the same percentage as the increase in the Community budget. But I must have 3 years.
5. There would be an amended financial mechanism and an Article 235 Regulation, as already provisionally agreed.
6. Finally, with this short duration I would have to have a satisfactory review clause providing for the review before the end of 1981 (as already specified in the financial mechanism).
7. We came to this Council meeting knowing that there were three key issues to settle: amount, duration and how to share the risk. On amount, I have agreed to accept a net contribution of 539 MEUA and on duration I have come down from 6 years to 3. On sharing the risk, I have agreed that over the next 3 years our net contribution will rise in line with the budget.





I have reviewed the proposed... and...  
I have also reviewed the...  
I would be pleased to accept an arrangement...  
I would be pleased to accept an arrangement...

...I am a...  
...the...  
...of the...  
...need to be on the...  
...I would also...  
...and this...  
...to contact...  
...I would have...

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EXTRACT FROM DRAFT PRODUCED BY THE RUGGIERO GROUP, 28 APRIL

Three possible formulae for determining the amount are submitted for consideration by the European Council:-

- (i) A solution based on the Commission proposal. This provides for a fixed sum (partly arising from the operation of the financial mechanism and the remainder from the additional expenditure measures in the United Kingdom) which would be the same each year for whatever duration was agreed.

One delegation suggests that there should be a possibility of an automatic adjustment of this figure in future years in the same proportion as the development of the Community budget.

- (ii) There would be established for 1980 a figure which would represent the "appropriate" United Kingdom part of financing the Community budget.

One delegation proposed that this should be the United Kingdom's net part in financing the 1979 budget increased by the percentage increase of the Community budget from 1979 to 1980.

Another delegation proposed that it should be based on the average of the United Kingdom's part in financing the Community budgets for the three years 1977, 1978 and 1979. At the end of 1980 the actual United Kingdom part in financing the budget would be established. The difference between that figure and the "appropriate" figure mentioned above would be made available to the United Kingdom through the mechanisms mentioned in (i) above.

One delegation proposes that the same sums should be made available to the United Kingdom for each of the remaining years of the agreed duration.

Another delegation suggests that there should be a possibility of an automatic adjustment of this figure in future years in the same proportion as the development of the Community budget.



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(iii) At the end of each year of the agreed duration, the United Kingdom's net effective part in financing the budget would be established. The financing of this sum would be divided between the United Kingdom and the other eight member countries on a percentage to be agreed.

Certain delegations proposed that this percentage should be degressive over the years of the agreed duration.

Another delegation suggests that there should be a possibility of an automatic adjustment of this figure in future years in the same proportion as the development of the Community budget.

(ii)

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COURSE OF THE NEGOTIATIONS ON THE COMMUNITY BUDGET AT THE  
EUROPEAN COUNCIL, LUXEMBOURG

1. President Giscard, having made a specific proposition to Signor Cossiga on Friday 25 April (explained even more explicitly and favourably to our Ambassador by M Wahl Paris telegram No. 398 ), the Prime Minister indicated to Signor Cossiga subsequently that this approach might form an acceptable basis for negotiation if a satisfactory base figure could be agreed upon. But our 1979 net contribution was already too high.

2. A meeting of the Ruggiero Group was called for 8.30 p.m. on Saturday 29 April which the French representative, M Paye, did not attend. The reason appears to have been that the Quai were not happy with President Giscard's proposal and were busy trying to claw it back. Even when M Paye eventually arrived for the session of the Ruggiero Group on Sunday morning he was in no position to talk about the French proposals.

3. The Budget problem was not discussed by the European Council on Sunday, but at the Heads of Government dinner on Sunday evening it was agreed that the Ruggiero Group should meet to hear the French proposals. Even then they emerged in an obscure, tentative and attenuated form. In accordance with what we had heard from Cossiga and Wahl, they proposed a UK contribution of 849 meua (as in 1979) for 1980. But instead of proposing the same net contribution in 1981 and 1982 as in 1980, the French said that we would get the same level of refund in 1981 and 1982 as in 1980. At one point it was even suggested that the UK's net contribution in 1980 should be raised to take account of the effects of the agricultural price settlement.

4. A subsequent meeting of the Ruggiero Group discussed various possible methods of calculating the UK's net contribution (or its refund) and eventually submitted three to the European Council on Monday morning (Annex 1). (There was some suggestion, not embodied in any piece of paper, that if a solution on the basis of either the second or third options were reached it might be unnecessary to resort



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to an Article 235 regulation as the vehicle for payment.)

5. The European Council decided to concentrate its discussion on the second of the three options, i.e. the Giscard scheme. We proposed that the base figure should be the average of the three years 1977-79. Chancellor Schmidt said he could accept the average of the last two years, i.e. 1978-79, but for 1980 only. Mr Jenkins confirmed that this would produce a figure of 538 meua (although the figures for 1978 are not in fact comparable with those for 1979).

6. Mr van Agt preferred the first option and proposed 1,000 meua for the first three years and 800 meua for 1983 and 1984. He subsequently offered to take account of the effect of the agricultural price settlement and raised the figure to 1,100 meua.

7. President Giscard wanted the Commission and the Council to examine during the course of 1980 the way in which the Community Budget could appropriately be financed and a final and durable mechanism found to deal with the problem of unacceptable situations. According to a subsequent account from Ruggiero, what lay behind the thought was first the imminence of the 1 per cent VAT ceiling; second the idea of a ceiling on the net benefit to be derived by countries like Netherlands and Denmark with above-average GNP; and third the possibility of supplementary Community expenditure on the CAP by national financial contributions in proportion to benefit and/or the production of surpluses. As to the figure for the United Kingdom it was understood that if the Council could not agree on any other basis, the United Kingdom's net contribution for 1981 would be reduced by the amount of the refund we received for 1980. Giscard thought this might produce a United Kingdom net contribution in 1981 of something below 849 meua, which Mr Jenkins rounded to 800.

8. The Prime Minister, after an interruption in the Council meeting, made a counter-proposal (Annex 2). This was not acceptable because it included 1982 and because the rate of increase in our net contribution was less than in the Giscard/Schmidt proposal.



SECRET

9. During the subsequent discussion the Prime Minister considered whether she might be able to accept the figures being determined for only two years. This would have been on the basis that there was a firm agreement to review the structure of the budget in the interim and that the level of our net contribution for 1981 was determined on the basis proposed by the UK, i.e. in proportion to the rise in the total Community budget. It was thought that this might produce a net contribution of 650 meua (hence Mr Jenkins' subsequent contention that the gap was only 150 meua). But at the point at which the negotiations on the budget were suspended the Prime Minister had not agreed to drop her demand that a firm figure should be fixed for the third year.

CABINET OFFICE SW1

15 MAY 1980



SECRET



10 DOWNING STREET

*From the Private Secretary*

MR. FRANKLIN  
CABINET OFFICE

European Council Luxembourg: Community Budget

I have discussed with the Prime Minister the draft record enclosed with your letter of 2 May to Kenneth Couzens.

The Prime Minister would like the final paragraph of your draft to read as follows:

"9. During the subsequent discussion the Prime Minister considered whether she might be able to accept the figures being determined for only two years. This would have been on the basis that there was a firm agreement to review the structure of the budget in the interim and that the level of our net contribution for 1981 was determined on the basis proposed by the UK, i.e. in proportion to the rise in the total Community budget. It was thought that this might produce a net contribution of 650 meua (hence Mr. Jenkins' subsequent contention that the gap was only 150 meua). But at the point at which the negotiations on the budget were suspended the Prime Minister had not agreed to drop her demand that a firm figure should be fixed for the third year."

I am sending copies of this minute to George Walden (Foreign and Commonwealth Office), Sir Robert Armstrong, Sir Michael Palliser, Sir Michael Butler, Lord Bridges and Sir Kenneth Couzens.

M. O'D. B. ALEXANDER

14 May 1980

SECRET





Tel: 01-233-

**with compliments**

**Sir Kenneth Couzens KCB  
Second Permanent Secretary  
Overseas Finance**

**H M TREASURY**



SECRET

Mr Alexander  
Euro PD 6



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000  
Direct Dialling 01-233 - 4225

Sir Kenneth Couzens KCB  
Second Permanent Secretary  
Overseas Finance

2 May 1980

M D M Franklin Esq  
Cabinet Office  
70 Whitehall  
London SW1A 2AS

Dear Michael

EUROPEAN COUNCIL LUXEMBOURG: COMMUNITY BUDGET

Thank you for your letter of 1 May enclosing a draft record of the Luxembourg discussion on the Community budget. I suggest 3 amendments.

2. First, it seems useful to get the familiar 849 figure into the record. I suggest we amend paragraph 3 by inserting a new third sentence:-

".....attenuated form. In accordance with what we had heard from Cossiga and Wahl, they proposed a UK contribution of 849 (as in 1979) for 1980. But instead of proposing ....."

3. Secondly, your report to the Prime Minister of the 2 am meeting of the Ruggiero Group said that the French proposal there was that we would get the same repayment in 1981 and 1982 as in 1980. In other words, it was still a 3 year offer at that stage. That was in accordance with my record of what de Nanteuil had said at the earlier Ruggiero Group meeting an hour or two earlier. So the sixth line of paragraph 3 ought to read:-

"the French said that we would get the same level of refund in 1981 and 1982 as in 1980."

4. Thirdly, I think the second part of the penultimate sentence of paragraph 7 should read:-

".....the UK's net contribution for 1981 would be reduced by the amount of the refund we received for 1980."

4. I cannot help on your paragraph 9 which I see you have put in square brackets.

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6. Finally, I believe there was some suggestion that if a solution on the basis of the second or third options were reached, an Article 235 system might be unnecessary. Perhaps this (I think German) idea did not surface either in the Council or in the Ruggiero Group. If it did however it might be worth mentioning.

7. I am copy ing this letter to the recipients of yours.

*Yours ever*

*Ken*

K E COUZENS

SECRET



-2 MAY 1950





GRS 850

CONFIDENTIAL  
FRANC GENERAL  
FM BONN 021325Z MAY 80

CONFIDENTIAL

*Read in full*

TO IMMEDIATE FCO

TELEGRAM NUMBER 374 OF 2 MAY

INFO IMMEDIATE UKREP BRUSSELS PRIORITY OTHER EC POSTS

YOUR TELNO 208: EUROPEAN COUNCIL: LUXEMBOURG

1. I CALLED ON VON DOHNANYI THIS MORNING, BOTH TO GIVE HIM YOUR CONSIDERED VIEWS ON THE LUXEMBOURG SUMMIT AND TO HEAR FROM HIM THE CONSIDERED VIEWS OF THE FEDERAL GERMAN GOVERNMENT. HE HAD BEEN PRESENT AT THE CABINET ON WEDNESDAY WHEN SCHMIDT HAD REPORTED HIS IMPRESSIONS OF THE HEADS OF GOVERNMENT MEETING.
2. I OPENED BY SAYING THAT HER MAJESTY'S GOVERNMENT DID NOT TAKE SO GLOOMY A VIEW OF THE OUTCOME OF THE LUXEMBOURG SUMMIT AS APPARENTLY SOME OF OUR PARTNERS HAD DONE. NATURALLY WE WERE DISAPPOINTED THAT IT HAD NOT BEEN ABLE TO REACH AGREEMENT. WE THOUGHT WE HAD BEEN VERY CLOSE, PARTICULARLY ON THE AMOUNT, BUT UNFORTUNATELY WE HAD NOT BEEN ANYWHERE NEAR THAT CLOSE ON THE DURATION. NONETHELESS, I WANTED TO MAKE IT CLEAR THAT THE BRITISH GOVERNMENT, FOR THEIR PART, WANTED THE NEGOTIATIONS TO CONTINUE. WE DID NOT WANT TO OBSTRUCT WORK IN THE COMMUNITY, STILL LESS TO REFUSE TO PARTICIPATE IN NEGOTIATIONS. WE THOUGHT IN FACT THAT WITH GOODWILL ON BOTH SIDES WE COULD, WITH A FINAL HEAVE, PROBABLY REACH A SATISFACTORY SOLUTION.
3. IN REPLY, VON DOHNANYI SAID HE WAS GLAD TO HEAR WHAT I HAD SAID. HE AGREED WITH ME THAT THE LUXEMBOURG SUMMIT HAD NOT BEEN AS BAD AS IT HAD BEEN PAINTED. HE THOUGHT THAT WITH A LITTLE MORE SKILL ON ALL SIDES, IT WOULD HAVE BEEN POSSIBLE TO REACH AGREEMENT. NONETHELESS, HE WANTED TO MAKE FOUR PARTICULAR POINTS TO ME.
4. FIRST, THE CHANCELLOR'S FINANCIAL OFFER WAS NOW FORMALLY WITHDRAWN. HE HAD WITHDRAWN IT IN FACT AT THE LUXEMBOURG SUMMIT, BUT HE WAS NOW IN ADDITION UNDER INSTRUCTIONS FROM THE FEDERAL GERMAN CABINET TO WITHDRAW IT. VON DOHNANYI WENT ON TO SAY THAT THE CHANCELLOR'S OFFER HAD LED TO A VERY HEATED EXCHANGE BETWEEN THE CHANCELLOR AND THE GERMAN MINISTER OF FINANCE, MATTHOEFER. HE HAD NEVER BEFORE HEARD SUCH LANGUAGE IN THE GERMAN CABINET. ON THE AMOUNT THEREFORE, WE WERE BACK TO WHERE WE WERE BEFORE THE CHANCELLOR HAD MADE HIS LAST OFFER. HE ADDED THAT THE GERMANS WERE UNDER NO PRESSURE FROM THE SMALLER PARTNERS TO REINSTATE THE OFFER.
5. SECONDLY, THE CHANCELLOR WAS DETERMINED THAT THIS MATTER SHOULD NOT GO TO THE EUROPEAN COUNCIL AGAIN FOR NEGOTIATION AND SOLUTION. OF COURSE IF THE VARIOUS MINISTERIAL COUNCILS HAD REACHED AGREEMENT BEFORE THE VENICE SUMMIT AND IT WAS MERELY A QUESTION OF THE HEADS OF GOVERNMENT PUTTING A RUBBER STAMP ON AGREEMENTS WHICH HAD ALREADY BEEN MADE THAT WAS SOMETHING DIFFERENT. BUT HE SHARED GISCARD'S VIEW AND WAS NOT GOING TO SUBJECT HIMSELF TO ANOTHER NEGOTIATION OF THE LUXEMBOURG AND DUBLIN VARIETIES.

CONFIDENTIAL

16.



6. THIRDLY, VON DOHNANYI THOUGHT THAT AN OPPORTUNITY HAD BEEN MISSED. THE CHANCELLOR HAD MADE A VERY GENEROUS OFFER, BUT IT HAD BEEN REFUSED. NOT ONLY THEREFORE DID THE BRITISH NO LONGER HAVE A PROSPECT OF OBTAINING WHAT THEY WANTED, BUT MUCH OF THE COMMUNITY BUSINESS WAS THROWN INTO DISARRAY. I COMMENTED THAT FROM HIS POINT OF VIEW THE OPPORTUNITY MISSED WAS APPARENTLY THAT WE HAD NOT ACCEPTED THE CHANCELLOR'S OFFER ON THE AMOUNT. FROM THE BRITISH POINT OF VIEW, ON THE OTHER HAND, THE OPPORTUNITY MISSED WAS THAT WE HAD NOT BEEN ABLE TO AGREE ON THE AMOUNT AND GO ON TO THE DURATION.

7. FOURTHLY, VON DOHNANYI THOUGHT THAT THE BALL WAS NOW IN THE BRITISH COURT. THE GERMAN GOVERNMENT WOULD CERTAINLY NOT COME FORWARD WITH ANY PROPOSALS. AND HE DID NOT THINK THAT THE COMMISSION OR PRESIDENCY WOULD BE ABLE TO PLAY A DECISIVE ROLE, ALTHOUGH HE AGREED THAT THE PRESIDENCY'S ROLE HAD BEEN VERY VALUABLE AT LUXEMBOURG ITSELF. HE THOUGHT THAT THE BRITISH SHOULD NOW REVIEW EVERYTHING THAT HAD BEEN SAID ON ALL SIDES AT LUXEMBOURG AND COME FORWARD THEMSELVES WITH A PROPOSAL WHICH WOULD BOTH MEET THEIR OWN NEEDS AND THE PREOCCUPATIONS OF HER COMMUNITY PARTNERS AS REVEALED AT LUXEMBOURG. SPEAKING PERSONALLY, HE SAID THAT HE WAS INCLINED TO THINK THAT WITH A BIT MORE CREATIVITY A SOLUTION COULD HAVE BEEN FOUND AT LUXEMBOURG. HE SAID HE VERY MUCH HOPED TO BE ABLE TO HAVE A BILATERAL TALK WITH THE LORD PRIVY SEAL IN THE MARGINS OF THE NEXT FOREIGN AFFAIRS COUNCIL.

8. IN THE COURSE OF THE DISCUSSION, WE ALSO HAD A LENGTHY DIALOGUE OF THE DEAF ON THE CURRENT DISPUTE OVER AGRICULTURAL PRICES. I SAID THAT I WAS FINDING DIFFICULTY IN INTERPRETING TO YOU THE INCONGRUITY BETWEEN THE CHANCELLOR'S DESIRE TO SEE BRITAIN TAKE THE LEAD ON REFORM OF THE CAP AND THE GERMAN VIEW ON THE 1980 PRICE REVIEW WHICH, IF ACCEPTED, WOULD MAKE REFORM MORE DIFFICULT. HE DID NOT HELP ME OVER THIS. I TAXED HIM ON HIS STATEMENT ON DEUTSCHLANDFUNK THAT THE EIGHT MIGHT TAKE ACTION TOGETHER BY A MAJORITY VOTE. HE MADE IT CLEAR THAT HE WAS ONLY TALKING IN THEORETICAL TERMS. I MADE IT CLEAR IN TURN THAT IF THE EIGHT WENT AHEAD ON THEIR OWN WE SHOULD NOT PAY. THERE WAS THEREFORE NOT MUCH POINT IN THE EIGHT GOING AHEAD WHEN THERE WOULD NOT BE ENOUGH MONEY TO GO AHEAD ON. VON DOHNANYI NONETHELESS EMPHASISED THAT, FOR ELECTORAL REASONS, IT WAS ABSOLUTELY ESSENTIAL TO THE GERMANS TO HAVE A SATISFACTORY FARM PRICE SETTLEMENT THIS SUMMER.  
SEE MY IFT.

WRIGHT

FRAME GENERAL  
ECD(1)

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CONFIDENTIAL



SECRET

5



CABINET OFFICE  
70 WHITEHALL  
LONDON SW1A 2AS

~~SECRET~~ 233-7256

1 May 1980

QZ 01556

Dear Ken,

EUROPEAN COUNCIL LUXEMBOURG: COMMUNITY BUDGET

In the attached note I have tried to set down as much as I know about exactly what was proposed during the course of the negotiations. I have drawn on Michael Butler's useful telegram no. 2214 and my telephone conversation since Luxembourg with Ruggiero. I should be most grateful to know whether you and any other recipients have any corrections or additional information to feed in. If this could reach me by Tuesday evening we will produce a "definitive" version.

Copies therefore go to Michael Alexander, George Walden, Robert Armstrong, Michael Palliser, Michael Butler and Tom Bridges.

*Yours ever  
Michael*

M D M FRANKLIN

Sir Kenneth Couzens KCB  
HM Treasury  
Parliament Street  
LONDON SW1

ENCLS.

SECRET



SECRET

COURSE OF THE NEGOTIATIONS ON THE COMMUNITY BUDGET AT THE EUROPEAN COUNCIL, LUXEMBOURG

1. President Giscard, having made a specific proposition to Signor Cossiga on Friday 25 April (explained even more explicitly and favourably to our Ambassador by M Wahl, Paris telegram No.       ), the Prime Minister indicated to Signor Cossiga subsequently that this approach might form an acceptable basis for negotiation if a satisfactory base figure could be agreed upon. But our 1979 net contribution was already too high.

2. A meeting of the Ruggiero Group was called for 8.30 pm on Saturday 29 April which the French representative, M Paye, did not attend. The reason appears to have been that the Quai were not happy with President Giscard's proposal and were busy trying to claw it back. Even when M Paye eventually arrived for the session of the Ruggiero Group on Sunday morning he was in no position to talk about the French proposals.

3. The Budget problem was not discussed by the European Council on Sunday, but at the Heads of Government dinner on Sunday evening it was agreed that the Ruggiero Group should meet to hear the French proposals.

Even then they emerged in an obscure, tentative and attenuated form. ↗

Instead of proposing the same net contribution in 1981 and 1982 as in 1980, they ~~French~~ said that we would get the same level of refund in 1981<sup>+1982</sup> as in 1980. At one point it was even suggested that the UK's net contribution in 1980 should be raised to take account of the effects of the agricultural price settlement.

4. A subsequent meeting of the Ruggiero Group discussed various possible methods of calculating the UK's net contribution (or its refund) and eventually submitted three to the European Council on Monday morning (Annex 1).

In accordance with what we had heard from Cossiga & Wahl, the French imposed a contribution of 849 (as in 1979) for 1980. But



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5. The European Council decided to concentrate its discussion on the second of the three options, i. e. the Giscard scheme. We proposed that the base figure should be the average of the three years 1977-79. Chancellor Schmidt said he could accept the average of the last two years, i. e. 1978-79, but for 1980 only. Mr Jenkins confirmed that this would produce a figure of 538 meua (although the figures for 1978 are not in fact comparable with those for 1979).

6. Mr van Agt preferred the first option and proposed 1,000 meua for the first three years and 800 meua for 1983 and 1984. He subsequently offered to take account of the effect of the agricultural price settlement and raised the figure to 1,100 meua.

7. President Giscard wanted the Commission and the Council to examine during the course of 1980 the way in which the Community budget could appropriately be financed and a final and durable mechanism found to deal with the problem of unacceptable situations. What lay behind the thought was first the imminence of the 1 per cent VAT ceiling; second the idea of a ceiling on the net benefit to be derived by countries like Netherlands and Denmark with above-average GNP; and third the possibility of supplementary Community expenditure on the CAP by national financial contributions in proportion to benefit and/or the production of surpluses. As to the figure for the UK it was understood that if the Council could not agree on any other basis, the UK's net contribution <sup>for</sup> ~~by~~ 1981 would be reduced by the amount of the refund we received <sup>for</sup> ~~in~~ 1980. Giscard thought this might produce a UK net contribution in 1981 of 800 meua.

8. The Prime Minister, after an interruption in the Council meeting, made a counter-proposal (Annex 2). This was not acceptable because it included 1982 and because the rate of increase in our net contribution was less than in the Giscard/Schmidt proposal.



SECRET

<sup>During the</sup>  
9. ~~In the~~ subsequent discussion the Prime Minister <sup>considered whether</sup> ~~indicated that~~ she might be able to accept the figures being determined for only two years provided the level of our net contribution for 1981 was determined on our basis, i.e. in proportion to the rise in the total Community Budget. It was thought that this might produce a net contribution of 650 meua (hence Mr Jenkins' contention that the gap was only 150 meua). This was the point at which the negotiations on the Budget were suspended.]

It was agreed to review the structure of the budget  
in the interim.

However <sup>at no stage did</sup> the Prime Minister ~~agree~~ in fact  
~~agree~~ to ~~give up~~ drop her demand that  
a figure should be fixed for the third year.



## ANNEX 1

1. I have reflected on all the suggestions which have been made, and I have considered carefully how far I could take these into account in a final effort at compromise.
2. I would be prepared to accept an arrangement lasting for only 3 years instead of 5 or 6 years.
3. Secondly, I could accept Chancellor Schmidt's proposal that for the 1980 budget we arrive at the UK's net contribution on the basis of the 1978/79 average, that is 539 MEUA (though the figures will all need to be on the same basis).
4. Thirdly, I would also be ready to agree that our net contribution for 1981 and 1982 should be increased from the 539 MEUA by the same percentage as the increase in the Community budget. But I must have 3 years.
5. There would be an amended financial mechanism and an Article 235 Regulation, as already provisionally agreed.
6. Finally, with this short duration I would have to have a satisfactory review clause providing for the review before the end of 1981 (as already specified in the financial mechanism).
7. We came to this Council meeting knowing that there were three key issues to settle: amount, duration and how to share the risk. On amount, I have agreed to accept a net contribution of 539 MEUA and on duration I have come down from 6 years to 3. On sharing the risk, I have agreed that over the next 3 years our net contribution will rise in line with the budget.



Extract from draft produced by the  
Ruggiero Group, 28 April

Annex 2

(5) Three possible formulae for determining the amount are submitted for consideration by the European Council:-

(i) A solution based on the Commission proposal. This provides for a fixed sum (partly arising from the operation of the financial mechanism and the remainder from the additional expenditure measures in the United Kingdom) which would be the same each year for whatever duration was agreed.

One delegation suggests that there should be a possibility of an automatic adjustment of this figure in future years in the same proportion as the development of the Community budget.

(ii) There would be established for 1980 a figure which would represent the "appropriate" United Kingdom part of financing the Community budget.

One delegation proposed that this should be the United Kingdom's net part in financing the 1979 budget increased by the percentage increase of the Community budget from 1979 to 1980.

Another delegation proposed that it should be based on the average of the United Kingdom's part in financing the Community budgets for the three years 1977, 1978 and 1979.

.../...



At the end of 1980 the actual United Kingdom part in financing the budget would be established. The difference between that figure and the "appropriate" figure mentioned above would be made available to the United Kingdom through the mechanisms mentioned in (i) above.

One delegation proposes that the same sums should be made available to the United Kingdom for each of the remaining years of the agreed duration.

Another delegation suggests that there should be a possibility of an automatic adjustment of this figure in future years in the same proportion as the development of the Community budget.

- (iii) At the end of each year of the agreed duration, the United Kingdom's net effective part in financing the budget would be established. The financing of this sum would be divided between the United Kingdom and the other eight member countries on a percentage to be agreed.

Certain delegations proposed that this percentage should be degressive over the years of the agreed duration.

Another delegation suggests that there should be a possibility of an automatic adjustment of this figure in future years in the same proportion as the development of the Community budget.

.../...



11 12 1  
2 3  
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-1 MAY 1980



GRS 650  
CONFIDENTIAL  
FM BRUSSELS 011000Z MAY  
TO PRIORITY FCC  
TELEGRAM NUMBER 100 OF 01 MAY  
INFO SAVING ALL EC POSTS

**CONFIDENTIAL**

*Envo Paul*

*Read in full.*

MY TELNO 96 OF 30 APRIL (PLEASE AMEND TO READ 97) : EUROPEAN COUNCIL

1. BELGIAN OFFICIALS, LIKE THE PRESS, TAKE A SOMBRE VIEW OF THE SUMMIT. THEY MAKE SMALL ATTEMPT TO DISGUISE THEIR DISAPPOINTMENT OVER OUR CONDUCT.
2. DURING A CALL YESTERDAY EVENING BY THE COUNSELLOR, THUYSBAERT, THE MEMBER OF MR MARTENS' CABINET WHO ACCOMPANIED HIM TO LUXEMBOURG, SAID THAT THERE WAS A REAL DANGER NOW OF THE COMMUNITY DISINTEGRATING. MR MARTNES HAD BEEN PREPARED TO GO WELL BEYOND WHAT HAD BEEN AGREED WITHIN THE GOVERNMENT IN SUPPORTING AN OFFER TO REDUCE THE NET UK CONTRIBUTION BY MORE THAN 1,000 MUA. OUR REJECTION OF THIS, HOWEVER, FOR REASONS WHICH HE COULD ONLY PARTLY UNDERSTAND, COULD LEAD TO THE OTHER NET CONTRIBUTING COUNTRIES (BY WHICH HE MEANT FRANCE AS WELL AS GERMANY) DECIDING TO ADOPT A NEW BASIS OF RECKONING WHERE BY REDUCTIONS IN CONTRIBUTIONS WOULD BE OFFSET BY REDUCTION IN NET RECEIPTS BY OTHERS. (THIS GOES SOME WAY TO EXPLAINING A RATHER ELLIPTIC STATEMENT ATTRIBUTED TO SIMONET AFTER THE MEETING IN WHICH HE WARNED OF THE DANGER OF THE THREE LARGER CONTRIBUTING COUNTRIES GANGING UP AGAINST THE SMALLER NET RECEIVERS WHICH COULD LEAD TO BELGIUM FACING LARGE INCREASES IN HER PAYMENTS). THUYSBAERT SAID THAT THIS APPEARED TO BE ONE OF THE POSSIBLE FRENCH REACTIONS. IF IT GAINED SUPPORT, THE WHOLE PRINCIPLE OF OPPOSITION TO A 'JUSTE RETOUR' WOULD BE DESTROYED. THE CONSEQUENCES WOULD BE INCALCULABLE.
3. OUR ATTEMPTS TO REASSURE HIM THAT THIS WAS NO PART OF OUR INTENTION - AND INDEED THAT WE WERE VERY CONSCIOUS OF THE NEED TO AVOID THE IMPUTATION OF SEEKING SUCH AN OUTCOME - WAS MET WITH THE ASSERTION THAT BY PURSUING OUR CLAIM SO SINGLMINDEDLY WE WOULD INEVITABLY BRING ABOUT THE THE COMMUNITY'S FINANCIAL COLLAPSE. THSI WE REBUTTED SHARPLY WITH THE OBSERVATION THAT IF THIS OCCURRED IT WOULD BE PRIMARILY AS A RESULT OF THE DISTORTIONS IMPOSED BY THE CAP. HE REPLIED THAT THIS MIGHT BE SO, BUT THE LIKELY RESPONSE AT THE MOMENT WAS THAT THOSE MEMBER COUNTRIES WHO FOUND THEMSELVES BAULKED IN THE AGRICULTURAL SECTOE MIGHT WELL DECIDE TO TAKE UNILATERAL MEASURES, SUCH AS INSTITUTING NATIONAL SUPPORT SUBSIDIES (AGAIN AN ECHO OF SIMONET'S REPORTED REMARKS IN MY TUR) WHICH RAN COUNTER ALSO TO THE UNDERLYING CONCEPTS OF THE COMMUNITY (THOUGH NOT, AS WE POINTED OUT, TO THE TREATY OF ROME). THE RESULT, THUYSBAERT CONCLUDED, WAS THAT UNLESS URGENT ACTION WAS TAKEN, THE MOMENTUM GATHERING FOR SEEKING OUT NEW PROCEDURES 'A HUIT', OR EVEN

**CONFIDENTIAL**

*/'A SIX'*



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'A SIX', TO CIRCUMVENT THE PROBLEMS ARISING FROM OUR THREAT OF FUTURE OBSTRUCTION, WOULD INEVITABLY LEAD TO THE BREAKDOWN OF THE WHOLE EXISTING COMMUNITY FRAMEWORK.

4. ADAMN SIMONET'S CHEF DE CABINET WHO WAS NOT AT THE COUNCIL AND TO WHOM COUNSELLOR SPOKE EARLIER, WAS NOT SO APOCALYPTIC. BUT HE MADE CLEAR THAT BOTH MARTENS AND SIMONET FELT THAT THEY HAD GONE TOO FAR OUT ON LIMB ON OUR BEHALF. AT ONE POINT ON MONDAY, WHEN MARTENS REALISED THE SIZE OF THE INCREASE IN THE BELGIAN BUDGETARY CONTRIBUTION WHICH WOULD RESULT IF WE ACCEPTED THE AMOUNT ON OFFER, HE TELEPHONED BACK TO BRUSSELS TO SEEK AGREEMENT FROM BOTH THE MINISTERS OF FINANCE AND THE BUDGET. THIS HAD BEEN RELUCTANTLY ACCORDED. HIS DISAPPOINTMENT WAS THUS THE SHARPER WHEN THE OFFER WAS REJECTED. ADAM WAS CONVINCED THAT IT WAS ALMOST INCONCEIVABLE THAT THE OFFER COULD BE REPEATED AS THE GOVERNMENT'S ECONOMIC POSITION WORSENERD AND THE ADDITIONAL COMMITMENTS NEEDED TO FORM A COALITION WERE ENTERED INTO.

5. THE EXTREME GLOOM EXPRESSED BY THESE TWO OFFICIALS MAY HAVE BEEN INTENSIFIED BY THE PROBLEMS WHICH OUR POLICIES HAVE CREATED FOR THEIR TWO POLITICAL CHIEFS. SIMONET'S PERSONAL POSITION HAS NOW DETERIORATED SO FAR THAT IT IS AN OPEN SECRET THAT HE IS MOST LIKELY TO LOSE HIS POST AND MARTENS STILL FACES GREAT DIFFICULTIES OVER FINDING A FORMULA FOR BRINGING TOGETHER A NEW COALITION. BUT THERE IS A WIDELY EXPRESSED FEELING HERE THAT AFTER TWO SUCH SPECTACULARLY FAILED EUROPEAN COUNCILS, THE COMMUNITY CANNOT AFFORD A THIRD.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 414 OF 30 APRIL 1980

INFO PRIORITY UKREP BRUSSELS BONN AND ROME

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE DUBLIN AND

LUXEMBOURG

EUROPEAN COUNCIL: AGRICULTURAL PRICES

1. MY TELNO 409 REFERS TO DISCUSSION IN THE PRESS OF THE POSSIBILITY THAT THE FRENCH GOVERNMENT WOULD FIND WAYS OF PROTECTING FARM INCOMES IN SPITE OF THE BRITISH REFUSAL TO ACCEPT THE PRICES COMPROMISE AGREED BY THE EIGHT AT LUXEMBOURG. TODAY'S PRESS CONTINUES THE SPECULATION, BUT NOTES THAT NOT ALL FRENCH FARMERS ARE IMMEDIATELY AFFECTED BY THE DELAYS IN REACHING CONCLUSIONS ON PRICES. ONLY MILK AND BEEF PRODUCERS (50% OF FRENCH FARMERS) FOR WHOM THE NEW MARKETING YEARS SHOULD ALREADY HAVE STARTED ARE SERIOUSLY AFFECTED. THERE IS SOME SPECULATION THAT FOR OTHER PRODUCERS COMMUNITY SOLUTIONS WILL BE FOUND BEFORE THE BEGINNING OF THE MARKETING YEARS. THE VARIOUS SUGGESTIONS PUT FORWARD, SUMMED-UP MOST SUCCINCTLY IN LE MATIN (SOCIALIST), FOR GETTING OVER THE IMMEDIATE PROBLEM FOR MILK AND BEEF PRODUCERS ARE:

A) THE COMPROMISE AGREED BY THE EIGHT SHOULD BE TRANSFORMED INTO A DECISION BY THE COMMUNITY. IT WOULD BE NECESSARY TO EXAMINE ALL THE LEGAL PROBLEMS THIS WOULD POSE, THE PRINCIPAL ONE BEING THE EXCLUSION OF THE UK FROM THE REGULATION ON PRICES. LE FIGARO SAYS THAT M. MEHAIGNERIE, IN CONSIDERING THIS SOLUTION, ARGUED THAT IT WOULD CAST DOUBT ON THE LUXEMBOURG COMPROMISE AND COULD BE TURNED TO FRANCE'S ULTIMATE DISADVANTAGE. INTERVIEWED ON TELEVISION LAST NIGHT, COUVE DE MURVILLE REACHED THE SAME CONCLUSION. A FURTHER DIFFICULTY WOULD BE THAT TRADE WITH THE UK WOULD BE DISTORTED BY DIFFERENCE OF PRICES WHICH WOULD NECESSITATE INTRODUCING MEASURES OF PROTECTION (EG MCAS).

B) IF THE LEGAL OBSTACLES TO APPLYING THE COMPROMISE AGREED BY THE EIGHT WERE INSURMOUNTABLE, FRANCE AND OTHER COUNTRIES COULD ASK THE COMMISSION FOR AUTHORITY TO TAKE STRICTLY NATIONAL MEASURES. LE FIGARO COMMENTS THAT IT WOULD NOT BE THE FIRST TIME THAT DIRECT AIDS FOR BEEF AND MILK PRODUCERS WOULD HAVE BEEN PAID BY THE FRENCH GOVERNMENT AND QUOTES, AS AN EXAMPLE, A NATIONAL AID FOR EACH LITRE OF MILK DELIVERED WHICH WAS DECIDED "RETROACTIVELY" IN 1974. THE FNSEA (NEAREST FRENCH EQUIVALENT TO NFU) SAYS THAT EXPERIENCE HAS SHOWN THIS TYPE OF NATIONAL AID TO BE DIFFICULT TO SET UP AND SUGGESTS AS AN ALTERNATIVE THAT FARMERS SHOULD BE GIVEN TAX CONCESSIONS.

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2. A NUMBER OF PAPERS COMMENT ON THE LEGAL DIFFICULTIES INVOLVED IN EITHER COURSE. SEVERAL PAPERS ALSO ARGUE THAT NATIONAL MEASURES WOULD BE TANTAMOUNT TO RETURNING AGRICULTURAL POLICIES GENERALLY TO NATIONAL GOVERNMENTS. LE MONDE SAYS THAT THIS IS SOMETHING THE BRITISH HAVE ALWAYS WANTED.

3. IN SOME PRESS ARTICLES, IDEAS OF THE SORT IN PARA 1 (A) AND (B) ABOVE ARE ATTRIBUTED TO M. MEHAIGNERIE. THIS AFTERNOON'S LE MONDE QUOTES M. MEHAIGNERIE AS HAVING BRIEFED THE PRESS THAT THERE WERE THREE OPTIONS: EITHER BRITAIN GIVES HER AGREEMENT TO THE MEASURES ACCEPTED BY THE OTHER EIGHT; OR THE AGREEMENT REACHED BY THE EIGHT BECOMES A COMMUNITY AGREEMENT, AND THE RELEVANT PEOPLE IN THE COMMUNITY ARE STUDYING THE LEGAL MEANS WHICH WOULD ENABLE THIS TO BE DONE AND THE VALIDITY OF THE VETO WHICH LONDON COULD USE; OR, IF IN THE WEEKS AND MONTHS TO COME THERE IS NO DECISION, NATIONAL MEASURES WOULD BE TAKEN, BUT THE DANGER OF A BREAK-DOWN WOULD BE CONSIDERABLE SINCE THE MEASURES COULD BE INTERPRETED DIFFERENTLY BY EACH MEMBER STATE.

4. IN A BRIEF CONVERSATION WITH THE MINISTER LAST NIGHT AT A DINNER IN THE US EMBASSY, M. MEHAIGNERIE MADE NO MENTION OF UNILATERAL FRENCH ACTION AND SAID THAT HE HOPED SOLUTIONS MIGHT BE FOUND IN THE NEGOTIATIONS IN THE COUNCIL OF MINISTERS NEXT WEEK. IN CONVERSATIONS WITH MEMBERS OF STAFF, OFFICIALS HAVE NOT TRIED TO PLAY DOWN THE LEGAL DIFFICULTIES THAT WOULD BE INVOLVED IN TRYING TO IMPLEMENT PRICE RISES WITHOUT THE UK.

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TELEGRAM NUMBER 372 OF 30 APRIL  
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*Read 2 full (see particularly  
last para)*

**EUROPEAN COUNCIL: GERMAN MEDIASREACTIONS**

1. THE GERMAN PRESS IS PREDICTABLY GLOOMY. IT IS OVERWHELMINGLY OF THE VIEW THAT THE PRIME MINISTER SHOULD HAVE ACCEPTED THE FINAL OFFER MADE AT LUXEMBOURG. THE PROBLEM OF DURATION IS PLAYED DOWN. THE FAILURE OF THE EUROPEAN COUNCIL WAS AT LEAST THE QUOTE SEVERE SETBACK UNQUOTE WHICH SCHMIDT DESCRIBED AT HIS PRESS CONFERENCE, AND FOR SOME PAPERS IT HAS PRECIPITATED A CRISIS FOR THE FUTURE OF THE COMMUNITY. BUT THERE IS SOME ACCEPTANCE THAT CONTINUING PRESSURE FOR HIGH AGRICULTURAL PRICES HAS MADE A MAJOR CONTRIBUTION TO THE PRESENT IMPASSE.
2. MOST PAPERS NOTE SCHMIDT'S COMMENT THAT HE OFFERED TWICE THE SUM FOR 1980 HE HAD AGREED ON WITH HIS CABINET AND THE OPPOSITION. SEVERAL EXPRESS THE VIEW THAT THIS OFFER IS UNLIKELY TO BE REPEATED AND THAT THE PRIME MINISTER WAS TACTICALLY MISTAKEN IN NOT ACCEPTING IT. THERE IS LITTLE EXPECTATION THAT THE FEDERAL GOVERNMENT WILL TAKE THE INITIATIVE IN ANY NEW EFFORT. THE CONSENSUS IS THAT IT IS NOW UP TO THE BRITISH TO MAKE A MOVE. THE STUTTGARTER ZEITUNG SPEAKS OF SUSPICION DURING THE EUROPEAN COUNCIL THAT BRITAIN AND FRANCE WERE PREPARING A DEAL FOR WHICH THE FRG, WHO WOULD BECOME QUOTE SUPER PAYMASTER UNQUOTE, WOULD HAVE TO PAY. MUCH OF THE PRESS EXPRESSES DISMAY THAT ALL THIS SHOULD BE HAPPENING AGAINST A BACKGROUND OF MAJOR INTERNATIONAL CRISIS, WHICH REQUIRES COMMUNITY UNITY.
3. IN ONE OF THE MOST BITTER COMMENTS DIE ZEIT SAYS THAT SINCE THE DAYS OF DE GAULLE THE COMMUNITY HAS NOT SUFFERED SUCH AN INCREDIBLE LAPSE INTO NATIONAL EGOTISM. DIE WELT CONCENTRATES ON THE IMPACT OF THE EUROPEAN COUNCIL ON THE COMMUNITY'S INTERNATIONAL CREDIBILITY. UNDER THE HEADLINE QUOTE FIASCO UNQUOTE IT SAYS THAT THE PRIME MINISTER'S ONSTINACY HAS PLUNGED THE COMMUNITY INTO SERIOUS CRISIS. THE SUM OFFERED WAS HANDSOME. THE BRITISH EFFORT TO BLOCK EC POLICY UNTIL HER DEMANDS ARE MET IS BOUND TO REDUCE THE COMMUNITY'S INTERNATIONAL INFLUENCE. THE ARTICLE ASKS WHO CAN BE EXPECTED TO LISTEN TO A COMMUNITY WHICH CANNOT EVEN AGREE ON ITS OWN PROBLEMS. IT WARNS THAT THERE MUST BE NO REPETITION AT THE VENICE EUROPEAN COUNCIL. SOME OF THE REGIONAL PAPERS USE EVEN MORE EXTRAVAGANT LANGUAGE - QUOTE BLACKMAIL UNQUOTE, QUOTE THREATS UNQUOTE, QUOTE QUEEN OF THE BEGGARS UNQUOTE.
4. BUT THERE IS A SANER SIDE TO MEDIA COMMENT. THE FRANKFURTER ALLGEMEINE ZEITUNG SAYS THAT BOTH SIDES TRIED TO AVOID A COMPLETE BREAKDOWN. THE PRIME MINISTER SAID NOTHING ABOUT LEAVING THE COMMUNITY. SO AFTER A COOLING-OFF PERIOD ANOTHER ATTEMPT COULD BE MADE TO REACH AGREEMENT. THERE IS NO CAUSE AT THE MOMENT TO SHRIEK ABOUT CRISIS. IT IS FAR BETTER TO FOLLOW THE CHANCELLOR'S VIEW THAT THE COMMUNITY HAS SUFFERED A SEVERE SETBACK. THE ARTICLE

*/DOES NOT*



DOES NOT UNDERSTAND WHY THE PRIME MINISTER ALLOWED THE NEGOTIATIONS TO FAIL. BUT ONE COULD CERTAINLY MAINTAIN THAT SHE WAS NOT SO WRONG PARTICULARLY AS THE CHANCELLOR'S GENEROUS OFFER WAS FOR THIS YEAR ONLY. THE ARTICLE SUGGESTS THAT THE BRITISH WERE NOT BEING REALISTIC, BUT POINTS OUT THAT EVERYONE WAS READY TO CONSIDER MATTERS AGAIN.

5. IN A SEPARATE EDITORIAL THE SAME PAPER SAYS THAT ALTHOUGH IT LOOKS AS IF BRITAIN IS SELF-SEEKING OBSTINATE AND INJUDICIOUS, THE REALITY IS RATHER DIFFERENT. BRITAIN IS THE ONLY MEMBER STATE DETERMINED TO ACHIEVE CAP REFORM. AT LEAST IT DOES NOT WANT FURTHER INCREASES IN GUARANTEE PRICES: AND IT HAS ECONOMIC REASON ON ITS SIDE. IN NO WAY ARE THE BRITISH SIMPLY PEVERSE AND HOSTILE TOWARDS CONTINENTAL EUROPE. OTHER PAPERS TOO TAKE UP THE CAP POINT. ONE ASKS HOW ON EARTH THE PRIME MINISTER COULD BE EXPECTED TO SELL A 5 PER CENT PRICE RISE TO THE BRITISH PEOPLE. MANY PEOPLE IN THE FRG MIGHT BE ANGRY, BUT QUOTE AS CONSUMERS WE SHOULD BE THOROUGHLY GRATEFUL TO THE IRON LADY, THE ONLY ONE IN LUXEMBOURG WHO TRIED TO GET THE CAP BACK TO A SENSIBLE LEVEL UNQUOTE. THE PAPER ASKS WHY OTHERS DID NOT OPPOSE GISCARD'S DEMANDS. IN THE SHEEPMEAT DISPUTE FRANCE WAS BEING NO LESS EGOTISTICAL THAN BRITAIN.

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10 DOWNING STREET

*From the Private Secretary*

30 April 1980

DISCUSSIONS AMONG HEADS OF GOVERNMENT  
IN LUXEMBOURG

I have discussed with the Prime Minister the points raised during the Heads of Government dinner on 27 April and the tripartite breakfast the following morning. The discussion on both occasions was largely concerned with international problems.

Dinner

The Prime Minister said that the most substantial part of the discussion at dinner related to the question of sanctions against Iran. She had asked her colleagues whether or not they were prepared to break existing contracts. And whether, if contracts were broken, they proposed to compensate those who suffered. Chancellor Schmidt said that the German Government did intend to pay compensation. There were contracts to the value of £2,000 million between the two countries. When the Prime Minister pressed him on the question of whether the Government had already decided to sever those contracts, Chancellor Schmidt said that no decision had yet been taken. The Federal Government had passed an order instructing all companies engaged in contracts with Iran to refer to the Government. The Government had not yet decided how to respond when the references were made.

President Giscard, in the Prime Minister's view, made it clear that the French Government did not intend to break existing contracts. A very large number of contracts were at risk (fewer than Germany had outstanding but more than the UK). In particular there was a major nuclear power station contract. President Giscard thought that the Iranians would sue - he implied successfully - those who broke existing contracts. It would be for the Foreign Ministers of the Nine to determine whether or not the French view of the international legal situation was correct. The Prime Minister commented that there was little time available for them to do so.

At one point in the conversation about sanctions, Mr. Haughey said that it seemed clear to him that the Foreign Ministers had been ignorant of the full implications when they had taken their sanctions decision. It having been agreed that this was the case, Mr. Haughey asked whether it should not be made clear to the Americans that new factors were becoming apparent. It was agreed that this would be

/wrong.



wrong. Indeed, there was a remarkable absence of criticism of American policy towards Iran and unanimity on the need to show solidarity. As regards the rescue attempt, Chancellor Schmidt said that he would not have expected to be consulted and had no complaint on that score.

On the Middle East, it was agreed that it would be best to postpone any discussion of a Middle East initiative until after the expiry of the 26 May deadline. Mr. Haughey raised the question of problems relating to UNIFIL. He wondered whether an effort should not be made to revise the conditions under which there was a UN presence in South Lebanon. However, it was agreed it would be inopportune to try to do so at present. President Cossiga was asked to consider whether an approach could not be made to Haddad asking him to restrain the forces under his command.

Breakfast

The discussion at breakfast was almost exclusively about extra-Community affairs. There was a reference to the Community budget when the Prime Minister said that she was pessimistic about the chances of achieving a settlement that day. President Giscard said that if agreement could not be reached, Heads of Government would no doubt have to revert to the issue on a later occasion.

Chancellor Schmidt and President Giscard both complained about the discussion at dinner the previous evening. They said that it was a thoroughly unsatisfactory forum in which to discuss international issues. Chancellor Schmidt argued that the Foreign Ministers of France, the UK and the Federal Republic should meet, without publicity, twice a month. In other words, a regular triangular arrangement should be established. In the Prime Minister's view there seemed to be a clear intention to enlarge the Franco/German axis to include the UK. (She also commented that the other two may now, of course, be less enthusiastic).

In relation to the proposal that Chancellor Schmidt should visit Moscow, the Prime Minister said it was clear that the Chancellor had not yet finally made up his mind about going. President Giscard was not enthusiastic. He thought that the Russians would try to use the occasion to single out Chancellor Schmidt from his colleagues and to divide Europe from America. Chancellor Schmidt made it clear that he would only go after the Venice Summit. The Prime Minister suggested to him that the proximity of the Olympic Games might make a visit in July awkward.

Chancellor Schmidt was angry that the Americans had failed to bring out their dead after the failure of the rescue bid in Iran. The strong impression was of a departure in panic. President Giscard was generally scornful about the operation. Both men criticised recent lack of consultation by the Americans but agreed on the overriding need to back the United States.

The idea of a quadrupartite summit before Venice received no support. Chancellor Schmidt commented on the need for any such summit to be carefully prepared. It was not clear what could be achieved at a summit held before the meeting in Venice.

M. O'D. B. ALEXANDER

G. G. H. Walden, Esq.,  
Foreign and Commonwealth Office.



DSR 11 (Revised)

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SUBJECT: POLITICAL DISCUSSION BETWEEN HEADS OF STATE

.....In Confidence

AND GOVERNMENT AND FOREIGN MINISTERS DURING THE EUROPEAN

CAVEAT.....

COUNCIL

On 27 April, the Nine Heads of Government dined together in Luxembourg, while their Foreign Ministers held a similar dinner in parallel. Discussion at both dinners appears to have been mostly political.

There was a remarkable absence of criticism of American behaviour over Iran. Even the Danes showed a sense of solidarity with the Americans. Nor was there any tendency to dwell on the reasons for the failure of the raid. At one point there was a suggestion that the President of the Community should go to Washington, but this was not followed through. There was no discussion about a summit meeting of the Four. On sanctions, there was general uncertainty about how these would apply to current contracts. But Chancellor Schmidt, among others, made it clear that they would not, and spoke at some length about the nuclear power station the Germans are building in Iran.

On Afghanistan, Lord Carrington argued strongly against accepting a Soviet fait accompli. But he also made it clear that he was not necessarily wedded

Enclosures—flag(s).....



to the precise wording of our neutrality proposal; the concept of an 'independent and non-aligned' Afghanistan was not incompatible with our proposals. It was noted that the boycott of the Olympics was gathering steam, though concern was expressed about how the West would maintain evidence of its displeasure after the Olympics.

On the Arab/Israel issue, it was agreed that the best time for discussion of a European initiative would be at the Venice Summit, which would be conveniently close to the expiry of the 26 May deadline. But the Dutch and others argued strongly against the inclusion of self-determination in the text of the declaration on the international situation to be issued at the end of the Summit.



30 APR 1980





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TRIPARTITE BREAKFAST IN LUXEMBOURG

President Giscard invited Mrs Thatcher and Chancellor Schmidt to breakfast in Luxembourg on 28 April, together with their Foreign Ministers.

It was agreed that the three Foreign Ministers should meet soon to discuss Iran, the Middle East and Afghanistan in particular. The French undertook to make the arrangements. (After the failure of the budget negotiation, Chancellor Schmidt told Lord Carrington that he hoped that the meeting of Foreign Ministers would go ahead despite the breakdown on the budget.)

Chancellor Schmidt's invitation to Moscow was discussed. He himself saw some disadvantage, eg by exposing him to criticism from America. But his domestic opinion would favour a visit. He was thinking of going after the Venice Summit, but before the Olympic Games in Moscow. Lord Carrington said he thought it would be a good idea to go. Giscard was not encouraging, on the grounds that the Russians were trying to divide America from Europe, and that this must not be allowed to happen. It was the Prime Minister's clear impression that Schmidt intended to go.

On Iranian sanctions, it was clear that neither Giscard nor Schmidt were thinking of breaking existing contracts. Schmidt was scornful of the Americans' action in leaving their dead behind; and Giscard referred slightly to the Americans' 'so-called professional army'.

Giscard gave some account of Gromyko's visit to Paris. Gromyko had been very negative, contemptuous of the Americans, and clearly determined to concentrate on the Pakistanis. Neither Schmidt nor Giscard thought that the Americans were doing enough to help the freedom fighters in Afghanistan.

*J. J. H. Walden*

(G G H Walden)

30 April 1980

cc:- PS  
 PS/LPS  
 PS/Mr Hurd  
 PS/PUS  
 PS/Sir D Maitland  
 Lord Bridges  
 Mr Bullard  
 Mr Fergusson  
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## Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard	Columns 1151-1166
European Council (Luxembourg Meeting)	29/04/80

Signed AWayland Date 13 April 2010

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10 DOWNING STREET

THE PRIME MINISTER

29 April 1980

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T97<sup>A</sup>/80

Dear Signor Cossiga.

I was, as always, touched by your thoughtfulness in sending me the most beautiful red roses during the meeting of the European Council in Luxembourg. Thank you very much indeed.

I much regret that we were unable to secure an agreement yesterday. But, thanks in considerable measure to your efforts and those of your collaborators, we have made great progress. A settlement is within reach, and we here certainly intend to try to achieve it.

Yours sincerely  
Margaret Thatcher

His Excellency Signor Francesco Cossiga

RH.



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FM BONN 29174JZ APR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 355 OF 29 APRIL

INFO IMMEDIATE UKREP BRUSSELS

INFO PRIORITY OTHER EC POSTS, WASHINGTON

EUROPEAN COUNCIL: LUXEMBOURG

1. INSPISSATED GLOOM HANGS OVER BONN LIKE A PALL AFTER THE LUXEMBOURG SUMMIT, GENERATED LARGELY BY THE CHANCELLOR'S CURRENT MOOD. THE FOLLOWING ARE AN AMALGAM OF IMPRESSIONS COLLECTED FROM VAN WELL, WHO LUNCHEDED WITH ME TODAY, VON STADEN, ON WHOM I CALLED THIS AFTERNOON AND LAUTENSCHLAGER, WHOM THE HEAD OF CHANCERY SAW BEFORE LUNCH.
2. THE CHANCELLOR HAS COME BACK FROM LUXEMBOURG DISAPPOINTED, DISCOURAGED AND UNABLE TO SEE HIS WAY FORWARD. HIS FINAL OFFER WENT 100 PER CENT FURTHER THAN THE AUTHORITY HE HAD RECEIVED FROM HIS CABINET, AND IF IT HAD BEEN ACCEPTED HE WOULD HAVE HAD TO HAVE RECKONED WITH THE RESIGNATION OF HIS MINISTER OF FINANCE, COMING AS IT WOULD HAVE DONE ON TOP OF OTHER DEMANDS ON THE GERMAN BUDGET SUCH AS AID TO TURKEY, ADDITIONAL DEFENCE EXPENDITURE, ETC. IN THESE CIRCUMSTANCES HE COULD ONLY HAVE HOPED TO GET EX PACT POST FACTO CABINET APPROVAL FOR ONE YEAR: EVEN WITH HIS OWN IMMENSE AUTHORITY HE COULD NOT HAVE EXPECTED TO GET AN OFFER TWICE AS GREAT AS THE AUTHORITY HE HAD RECEIVED FROM HIS CABINET FOR A THREE-YEAR PERIOD. THE GLOOM WAS THE GREATER SINCE, NOW THAT THE OFFER HAD BEEN PUT FORWARD AND REJECTED, HE WOULD ALMOST CERTAINLY NOT BE AUTHORISED TO PUT IT FORWARD AGAIN AND CERTAINLY NOT FOR A PERIOD OF YEARS. BOTH VAN WELL AND VON STADEN TOLD ME THAT THE CHANCELLOR EXPECTS A ROUGH RIDE IN CABINET TOMORROW.
3. AFTER DUBLIN, THE CHANCELLOR HAD BEEN ADAMENT THAT THERE COULD NOT BE A REPEAT PERFORMANCE OF FAILURE. NOW, IN HIS VIEW, THERE HAS BEEN A FAILURE AT LUXEMBOURG AND HE IS, ACCORDING TO HIS SENIOR STAFF, DETERMINED NOT TO GO THROUGH THAT EXPERIENCE AGAIN. IT IS FOR THIS REASON THAT HE WISHES THE SUBJECT OF THE UK BUDGET TO BE REMOVED FROM THE AGENDA OF THE EUROPEAN COUNCIL AND THE MATTER DEALT WITH AT LOWER MINISTERIAL LEVEL. HE IS NOT PREPARED TO RISK A THIRD FAILURE OF THE EUROPEAN COUNCIL. FOR THAT REASON, HE IS UNWILLING TO TAKE UP THE PROBLEM AGAIN AND EXPECTS THE FINANCE PROBLEM TO BE SOLVED BY THE FINANCE MINISTERS, PERHAPS IN

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ASSOCIATION WITH THE FOREIGN MINISTERS, AND THE AGRICULTURE PROBLEM TO BE SOLVED BY AGRICULTURE MINISTERS.

4. VAN WELL (ALTHOUGH NOT (REPEAT NOT) VON STADEN) WENT ON TO SAY THAT THE CHANCELLOR HAD FEARS OF THE BREAK-UP OF THE COMMUNITY AND THAT THE POINTS HAD BEEN SET FOR AN EVENTUAL BRITISH DEPARTURE. VAN WELL ALSO SAID THAT THE CHANCELLOR FEARED THAT THE FAILURE OF THE COMMUNITY TO SOLVE ITS INTERNAL PROBLEMS WOULD REDUCE ITS EFFECTIVENESS IN DEALING WITH THE MANIFOLD AND MORE IMPORTANT INTERNATIONAL PROBLEMS WITH WHICH WE WERE ALL FACED. I RESISTED BOTH TRAINS OF THOUGHT VIGOROUSLY. I SAID THAT THE CHANCELLOR WOULD HAVE HEARD NOT A WORD FROM THE GOVERNMENT IN LONDON ABOUT A BRITISH DEPARTURE FROM THE COMMUNITY. ON THE CONTRARY WE HAD REPEATEDLY MADE IT CLEAR THAT WE WERE IN THE COMMUNITY TO STAY AND THAT ONE OF THE REASONS THAT WE NEEDED A SOLUTION TO THE BUDGET PROBLEM WAS SO THAT THE BRITISH GOVERNMENT COULD COOPERATE IN ALL ASPECTS OF THE COMMUNITY WORK WITH THE FULL BACKING OF BRITISH PUBLIC OPINION. THE ONLY SUGGESTIONS THAT BRITAIN MIGHT LEAVE THE COMMUNITY WERE IN FACT EMANATING FROM PARIS. AS FAR AS WE WERE CONCERNED WE WOULD HAVE NO TRUCK WITH SUCH SUGGESTIONS. AS FOR THE COMMUNITY'S CAPACITY TO DEAL WITH INTERNATIONAL PROBLEMS, THE LUXEMBOURG SUMMIT ITSELF HAD DEMONSTRATED THAT THE EXISTENCE OF INTERNAL PROBLEMS WAS NO IMPEDIMENT TO THE PROPER CONDUCT OF THE COMMUNITY'S FOREIGN BUSINESS. THERE HAD BEEN AN EXCELLENT DISCUSSION OF THE IRANIAN PROBLEM AND THE COMMUNITY HAD ISSUED A STATEMENT ON IRAN WHICH WAS WHOLLY SATISFACTORY TO THE UNITED STATES.

5. I SAID THE REAL PROBLEM WAS THE FAILURE OF THE COMMUNITY AT ANY LEVEL TO TACKLE THE PROBLEM OF THE COMMON AGRICULTURE POLICY. I HAD FREQUENTLY HEARD CHANCELLOR SCHMIDT EXPRESS AS HIS PERSONAL OPINION THAT THERE SHOULD BE NO PRICE RISES FOR PRODUCTS IN SURPLUS. THE CHANCELLOR HAD ENCOURAGED THE PRIME MINISTER TO TAKE THE LEAD IN CAP REFORM. THE COMMISSION HAD PROPOSED ONLY MODEST PRICE RISES OF ABOUT 2 PER CENT AND YET GENSCHER AND ERTL HAD GONE TO PARIS AT THE END OF LAST WEEK AND AGREED A 5 PER CENT RISE WITH THE FRENCH INCLUDING RISES FOR PRODUCTS IN SURPLUS LIKE MILK AND SUGAR. THE NET RESULT WAS THAT THE COMMUNITY OF NINE WAS IN EFFECT FINANCED BY TWO MEMBERS, BRITAIN AND GERMANY. IF THINGS CONTINUED AS THEY WERE, TWO MEMBERS WOULD ALSO IN FUTURE FINANCE A COMMUNITY OF TEN, ELEVEN AND TWELVE. I WAS AT A LOSS AS TO HOW TO INTERPRET THIS IN SATISFACTORY TERMS TO LONDON. NEITHER VAN WELL NOR VON STADEN SEPARATELY WERE ABLE TO GIVE ME ANY USEFUL GUIDANCE ON THIS ASPECT OF THE PROBLEM.



CONFIDENTIAL

6. THE CHANCELLOR GAVE A PRESS CONFERENCE LAST NIGHT TO GERMAN CORRESPONDENTS. IF WHAT HE SAID IS ANYTHING LIKE WHAT HIS SENIOR STAFF TOLD ME, WE CAN EXPECT A VERY BAD PRESS TOMORROW.

7. COMMENT. I WILL SEND CONSIDERED COMMENT WHEN THE DUST HAS SETTLED. BUT THERE CAN BE NO DOUBT THAT THE CHANCELLOR'S INITIAL REACTION IS ONE OF VERY EXTREME DISCOURAGEMENT. THIS REFLECTS, OF COURSE, NOT ONLY THE COURSE OF EVENTS AT LUXEMBOURG, BUT THE CUMULATIVE EFFECTS OF THE FIASCO OF THE HOSTAGE RESCUE OPERATION IN IRAN, THE RESIGNATION OF VANCE AND THE GENERAL PROBLEM OF WHAT TO DO ABOUT HIS VISIT TO MOSCOW. IN ADDITION, HE HAS NOT BEEN IN THE BEST OF HEALTH LATELY AND IS STILL SUBJECTING HIMSELF TO THE MOST RIGOROUS WORK SCHEDULE. DISCOURAGEMENT WHEN NOT IN THE BEST OF HEALTH IS ALWAYS MORE DIFFICULT TO BEAR THAN WHEN ONE IS FIT. BUT SCHMIDT'S PRESENT FRAME OF MIND MUST, OF COURSE, HAVE A BEARING ON THE WAY IN WHICH YOU AND THE PRIME MINISTER REACT TO SIR M BUTLER'S RECOMMENDATIONS FROM BRUSSELS. IT MUST ALSO AFFECT THE ADVICE YOU HAVE TO GIVE HIM ON HIS VISIT TO MOSCOW. ON THIS PLEASE SEE MY IMMEDIATELY FOLLOWING TELEGRAM (NOT TO ALL).

WRIGHT

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GRS 47φ

UNCLASSIFIED **FM PARIS.**

DESKBY FCO 3φφ7φφZ

TO IMMEDIATE FCO

TELEGRAM NUMBER 4φ9 OF 29 APRIL 198φ.

INFO PRIORITY UKREP BRUSSELS, BONN, ROME.

INFO SAVING BRUSSELS, COPENHAGEN, THE HAGUE, DUBLIN, LUXEMBOURG.

*Read 2 full* *ms*

**EUROPEAN COUNCIL: FRENCH PRESS**

1. TODAY'S PRESS IS UNANIMOUS IN PRESENTING THE OUTCOME IN 8-1 TERMS WITH RESPONSIBILITY FOR FAILURE PLACED ON BRITAIN. THE OTHER EIGHT ARE HELD TO HAVE GONE TO THE LIMITS OF GENEROSITY IN THEIR SUCCESSIVE OFFERS. ON THE PRECISE DETAILS OF WHAT HAPPENED REPORTS ARE CONFUSED. SEVERAL PAPERS, NOTABLY LE FIGARO (RIGHT WING), EXPECT THE NEXT STEP TO BE IMPLEMENTATION ON A NATIONAL BASIS OF THE AGRICULTURAL PRICES BY EIGHT DELEGATIONS. PRESIDENT GISCARD IS QUOTED AS SAYING (PRESUMABLY IN LUXEMBOURG) THAT THE PRICE RISE WILL BE APPLIED AS SOON AS POSSIBLE AND THAT FRANCE WILL TAKE ALL THE NECESSARY DECISIONS IN ITS COMPETENCE.

2. THE HEADLINES ARE DRAMATIC: "CYCLONE MAGGIE RAVANGES EUROPE" TRUMPETS THE POPULAR AFTERNOON PAPER FRANCE SOIR. "MRS NO" SAYS THE INDEPENDENT QUOTIDIEN DE PARIS. "MARGARET THATCHER MAKES THE EUROPEAN SUMMIT FAIL" SAYS LE MATIN (SOCIALIST), OVER AN ARTICLE WHICH SAYS THAT THE EIGHT WILL BE OBLIGED TO DRAW THE CONSEQUENCES FROM BRITAIN'S BLOCKING TACTICS TO DECIDE HOW THEY CAN GO ON WITHOUT HER.

3. FIGARO'S LEADER SAYS THAT THE FAILURE GOES FAR BEYOND A SIMPLE TECHNICAL EPISODE AND SETS THE QUESTION WHETHER BRITAIN WANTS TO MAINTAIN ITS LINKS WITH THE COMMUNITY. IT SUGGESTS THAT THE ONLY COHERENT EXPLANATION FOR MRS THATCHER'S DESPERATE TENACITY WAS BRITAIN'S WISH AT ALL COSTS TO DESTROY THE MECHANICS AND PRINCIPLES OF THE COMMON AGRICULTURAL POLICY.

4. THE LEADER IN THIS AFTERNOON'S MONDE (LEFT OF CENTRE) IS HEADED "POST TREATY OF ROME". AFTER SPECULATING WHETHER THE COMMUNITY CAN FUNCTION WITHOUT BRITAIN, AND COMMENTING THAT A TWO-SPEED EUROPE ALREADY EXISTS IN THE EMS, THE LEADER SUGGESTS THAT PRESIDENT GISCARD'S IDEA OF A NEW FINANCIAL RULE BASED ON THE HERETICAL CONCEPT OF "JUSTE RETOUR" HERALDS A NEW POST TREATY OF ROME ERA. IT AFFIRMS THAT FRENCH AND GERMAN LEADERS ARE THINKING SERIOUSLY OF SUCH A REFORM THOUGH NOBODY REALLY

*/KNOWS*



KNOWS TO WHAT EXTENT THE AIM IS TO SCARE THE SMALLER COUNTRIES  
DISPOSED TO BE GENEROUS TOWARDS BRITAIN. AN ARTICLE BY  
PHILIPPE LEMAITRE FROM BRUSSELS DESCRIBES THE NEGOTIATIONS AS A  
SUCCESSION OF MORE AND MORE GENEROUS PROPOSALS WHICH SEEMED TO BE  
ORGANISING MRS THATCHER'S TRIUMPH . DRAWING ATTENTION TO  
HINTS BY M MEHAIGNERIE THAT THERE SHOULD NOW BE AN INFORMAL  
ARRANGEMENT BY THE EIGHT ON AGRICULTURAL PRICES  
LEMAITRE WARNS THAT IT IS NOT CERTAIN THAT THE OTHERS WILL BE  
PREPARED TO GO ALONG WITH THIS, THE GERMANS BECAUSE THE  
COMPROMISE ON PRICES HAD BEEN REACHED IN SPECIAL CIRCUMSTANCES  
AND AS PART OF A PACKAGE. THE COMMISSION MIGHT WITHDRAW THEIR  
PROPOSALS AS WORKING AGAINST THE ECONOMIES THEY CONSIDER  
NECESSARY.

5. MEANWHILE FARMERS' LEADERS HAVE REACTED STRONGLY, CALLING  
ON THE GOVERNMENT TO TAKE NATIONAL MEASURES TO FIX NEW PRICES  
IF THE 8 DO NOT AGREE TO DO SO AT THE AGRICULTURAL COUNCIL  
ON 6 MAY. GUILLAUME (FNSEA) CLAIMS THAT HE RAISED THIS  
QUESTION WITH PRESIDENT GISCARD ON 24 APRIL.

HIBBERT

FCO PLEASE PASS SAVING TO COPENHAGEN, BRUSSELS, DUBLIN,  
THE HAGUE AND LUXEMBOURG.

(REPEATED AS REQUESTED)

**FCO WHITEHALL DIST:**  
**ECD (1)**



29.4.80

With permission, I will make a Statement on the meeting of the European Council in Luxembourg on 27 and 28 April which I attended with my noble Friend the Foreign and Commonwealth Secretary.

This meeting took place against the background of a sombre international situation of which all of us in Luxembourg were acutely conscious. The first part of our discussion was therefore directed to the problems of Afghanistan and Iran. On both of these we were in total agreement. We reaffirmed the absolute necessity for every government in the world, whatever its political attitude, to respect the Charter of the United Nations and the principles of international law. This requires in Afghanistan that Soviet forces should withdraw, and in Iran that the American hostages should be released, without further delay. So long as these two illegal situations remain, the world will continue to live in the shadow of potentially grave developments.

I am sure it was right, therefore, for the European Council to repeat the earlier suggestion which the Nine had made for a political solution to the problem of Afghanistan. This would permit that country to resume its traditional neutrality and non-alignment. Equally it was right for the Council to reaffirm the decisions on Iran taken last week by the Nine Foreign Ministers, while at the same time assuring the Secretary General of the UN of our full support for his efforts to find a political solution to that problem.

/The second



The second part of our meeting involved discussion of Britain's net contribution to the Community budget and a number of other Community questions which had been associated with it. For this reason my rt. hon. Friend the Minister of Agriculture attended a meeting of the Council of Agriculture Ministers on Sunday. That meeting continued their previous discussions on the proposed agricultural prices for 1980/81 and other agricultural questions. They reported to us that, with some reservations, the other eight Member States were ready to approve an average increase in prices of about 5%, including 4% on milk and sugar, an increase in the co-responsibility levy for milk and a range of other measures. There were also fresh proposals on a common organisation for sheepmeat which the others were ready to approve.

On our budget problem there was broad agreement on the methods by which the Community would both reduce our contribution and increase the benefits to us from Community expenditure. We were able to make considerable progress on amounts but less on the duration of the arrangements. A number of proposals were made including one which would have reduced our net contribution to £325 million but for 1980 only. We were not able to agree on later years. In spite of intensive efforts to reach a satisfactory compromise it proved impossible in the time at our disposal to find an acceptable combination of both amount and duration.

/We then discussed



We then discussed the other agricultural matters which our partners wanted to settle at the same time. These discussions revealed a number of difficulties for Britain. I made it clear that the proposals on CAP prices would have budgetary and other consequences for us which my Noble Friend and I did not feel justified in accepting. Those on sheepmeat contained features which would have been seriously disadvantageous and which I would not accept.

We also reviewed the progress of discussions on a common fisheries policy. We all want to continue to make progress but it is clear that more work needs to be done on this subject. I told my colleagues that to be acceptable to us any solution must safeguard the vital interests of our fishing industry.

We discussed the energy situation in the Community and the problems caused by the tenfold rise in international oil prices over the last eight years. We invited the Energy Council, first to examine what new measures may be necessary on oil supplies and, <sup>second,</sup> to review the current policies of Member States on the replacement of oil by other fuels, on the development of nuclear power and on conservation. The Council intends to revert to these matters at its next meeting in Venice.

I regret that it proved impossible to make more progress on our internal problems. But since our partners have brought these several issues together, I believe it is understood that

/they cannot be



they cannot be dealt with unless at the same time the budget problem is solved.

Meanwhile the President of the Council intends to be active in the next few weeks in seeking a satisfactory outcome. He will receive our full co-operation. We both believe that such an outcome can be achieved.



GR 2300

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FRAME GENERAL

FM LUXEMBOURG 290005Z APR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 137 OF 29 APRIL

INFO IMMEDIATE UKREP BRUSSELS BRUSSELS COPENHAGEN THE HAGUE ROME

DUBLIN PARIS BONN

INFO SAVING LUXEMBOURG.

FOLLOWING FROM UKREP BRUSSELS

EUROPEAN COUNCIL, LUXEMBOURG, 27-28 APRIL 1980

1. FOLLOWING IS TEXT OF PRESIDENCY CONCLUSIONS ISSUED AT THE END OF THE LONGEST EUROPEAN COUNCIL YET. IT CONTAINS NOTHING ON CONVERGENCE:

ECONOMIC AND SOCIAL SITUATION

PROSPECTS FOR THE COMMUNITY ECONOMY

THE EUROPEAN COUNCIL CONSIDERED DEVELOPMENTS IN THE COMMUNITY COUNTRIES' ECONOMIES AND DISCUSSED THEIR PROSPECTS FOR 1980, PAYING PARTICULAR ATTENTION TO THE IMPACT WHICH THE DESTABILIZING EFFECTS OF THE SHARP INCREASE IN OIL COSTS WOULD CONTINUE TO HAVE ON GROWTH AND EMPLOYMENT, ON INFLATION AND ON THE BALANCE OF PAYMENTS.

THE STRUGGLE AGAINST INFLATION AND THE CORRECTION OF EXTERNAL IMBALANCES CONTINUE TO BE BASIC PRIORITIES. THIS STRUGGLE CALLS FOR VIGOROUS MONETARY AND BUDGETARY POLICIES AND PRICE AND INCOME TRENDS CONSISTENT WITH SUCH POLICIES.

EFFORTS WILL ALSO HAVE TO BE MADE TO ENSURE THAT THE GROWTH RATE REMAINS AS HIGH AS POSSIBLE WHILE STILL BEING COMPATIBLE WITH THE FUNDAMENTAL OBJECTIVE STATED, IN ORDER TO ALLOW THE INVESTMENT NECESSARY FOR THE PROCESS OF ADJUSTMENT AND RESTRUCTURING OF PRODUCTION CAPACITY.

THE EUROPEAN COUNCIL ASKED THE COUNCIL (ECONOMIC AND FINANCIAL QUESTIONS) AND THE COMMITTEE OF GOVERNORS TO MAINTAIN CLOSE CO-ORDINATION OF INTEREST-RATE POLICIES IN ORDER TO BRING INTEREST RATES DOWN FROM THEIR PRESENT VERY HIGH LEVELS ONCE CIRCUMSTANCES PERMIT.

/ THE COUNCIL



THE COUNCIL PAID PARTICULAR ATTENTION TO THE GROWING DEFICIT IN THE DEVELOPING COUNTRIES' EXTERNAL ACCOUNTS, THE EXTENT OF THE PETROLEUM-PRODUCING COUNTRIES' SURPLUSES, THE VOLUME OF INTERNATIONAL LIQUIDITY AND THE EFFECTS WHICH THESE FACTORS IN COMBINATION MIGHT HAVE ON THE STABILITY OF THE INTERNATIONAL ECONOMIC AND FINANCIAL SYSTEM AND ON TRADE. THE COUNCIL TOOK THE VIEW THAT TO DEAL WITH THESE PROBLEMS IT WOULD BE NECESSARY TO STEP UP CO-OPERATION IN APPROPRIATE FORMS BETWEEN STATES AND WITH THE RELEVANT INTERNATIONAL INSTITUTIONS. IT INVITED THE COUNCIL (ECONOMIC AND FINANCIAL QUESTIONS) TO GIVE PARTICULAR ATTENTION TO THESE PROBLEMS.

WITH REGARD TO EMPLOYMENT, THE COUNCIL AGREED THAT THE REDUCTION OF INFLATION WAS AN IMPORTANT MEANS OF COMBATTING UNEMPLOYMENT BUT THAT EFFORTS WITHIN THE COMMUNITY TO REDUCE STRUCTURAL UNEMPLOYMENT SHOULD BE STEPPED UP AND BETTER CO-ORDINATED, TAKING INTO ACCOUNT THE PROPOSALS WHICH THE EUROPEAN COUNCIL HAD AT ITS PREVIOUS MEETING ASKED THE COMMISSION TO SUBMIT.

#### EUROPEAN MONETARY SYSTEM.

THE EUROPEAN COUNCIL EXAMINED DEVELOPMENTS ON THE EXCHANGE MARKET IN THE FIRST YEAR OF OPERATION OF THE EMS AND NOTED WITH SATISFACTION THE SYSTEM'S RESILIENCE. IT OBSERVED THAT DESPITE SEVERE ECONOMIC AND MONETARY DISRUPTION RESULTING IN A GENERAL RISE IN INTEREST RATES, AN INCREASE IN THE AVERAGE RATE OF INFLATION IN THE COMMUNITY AND A WIDENING GAP BETWEEN THE INFLATION RATES OF INDIVIDUAL MEMBER STATES, ACCOMPANIED BY RENEWED IMBALANCES IN INTERNATIONAL PAYMENTS, THE CURRENCIES PARTICIPATING IN THE SYSTEM HAD PROVED TO HAVE A GREATER DEGREE OF COHESION THAN AT ANY TIME SINCE 1972.

THE EUROPEAN COUNCIL POINTED OUT THAT A REDUCTION IN ECONOMIC DISPARITIES AND THE STRENGTHENING OF THE WEAKER ECONOMIES WERE PREREQUISITES FOR THE DEVELOPMENT OF THE EUROPEAN MONETARY SYSTEM.

IT REAFFIRMED THE IMPORTANCE IT ATTACHED TO PROGRESS REGARDING CO-ORDINATION OF MEMBER STATES' ECONOMIC POLICIES. IT THEREFORE ASKED THE RELEVANT INSTITUTIONS TO LOOK INTO MEANS OF REDUCING ECONOMIC DISPARITIES, PARTICULARLY AS REGARDS INFLATION.



THE EUROPEAN COUNCIL TOOK NOTE OF THE PROGRESS OF STUDIES CONCERNING TRANSITION TO THE SECOND STAGE OF THE SYSTEM, CONFIRMED ITS RESOLVE TO SEE THE COMMUNITY PROGRESS TOWARDS THE OBJECTIVE OF MONETARY INTEGRATION AND INVITED THE RELEVANT COMMUNITY BODIES TO PRESS AHEAD WITH WORK IN ORDER TO MOVE ON TO THE INSTITUTIONAL STAGE, INVOLVING DEFINITION OF THE ECU'S ROLE AND THE CREATION OF THE EUROPEAN MONETARY FUND.

#### ENERGY

1. THE EUROPEAN COUNCIL NOTES THAT THE PROGRESSIVE DETERIORATION OF THE OIL MARKET, THE UNCERTAINTY OF SUPPLIES AND THE HIGH PRICES OF CRUDE OIL ARE CAUSING INCREASING DIFFICULTIES FOR THE ECONOMIES OF ALL THE OIL-CONSUMING COUNTRIES.
2. THE EUROPEAN COUNCIL CONSIDERS THAT THE COMMUNITY SHOULD CLOSELY CO-ORDINATE ITS RESPONSE TO THE IMMEDIATE PROBLEMS OF OIL SUPPLIES AND INVITES THE COUNCIL AND THE ENERGY MINISTERS TO CONSIDER WHAT FURTHER ACTION IS REQUIRED TAKING INTO ACCOUNT THE UNDERTAKINGS GIVEN BY THE MEMBER STATES IN THE FRAMEWORK OF THE AGREEMENTS ON SUPPLIES IN THE EVENT OF A CRISIS, AND WITH SPECIAL REFERENCE TO THE POSSIBILITY OF INCREASING INDIGENOUS PRODUCTION OF HYDROCARBONS.
3. IN THE LONGER TERM, THE COMMUNITY AND THE MEMBER STATES MUST PRESS AHEAD WITH ACTION TO REDUCE THE COMMUNITY'S DEPENDENCE ON OIL IMPORTS, MAKING THE MOST OF THE COMMUNITY'S OWN ENERGY RESOURCES AND TAKING FURTHER STEPS TO DEVELOP A CO-ORDINATED POLICY ON THE CONSERVATION AND RATIONAL USE OF ENERGY.
4. THE COMMISSION URGED MEMBER STATES TO INCREASE THEIR EFFORTS TO DEVELOP NUCLEAR PROGRAMMES.
5. THE EUROPEAN COUNCIL CONSIDERS IT ESSENTIAL THAT THE COMMUNITY PURSUE A POLICY OF STRUCTURAL CHANGES DIRECTED TOWARDS GREATER USE OF ALTERNATIVE SOURCES OF ENERGY. AGREEMENT ON A STRATEGY FOR 1990 IS OF THE UTMOST IMPORTANCE IN THIS CONNECTION.

THE EUROPEAN COUNCIL REAFFIRMED ITS INTENTION OF MAKING APPRECIABLE PROGRESS ALONG THIS PATH AT ITS NEXT MEETING IN VENICE.

6. THE EUROPEAN COUNCIL ACCORDINGLY INVITED THE COUNCIL OF ENERGY MINISTERS TO REVIEW THE ENERGY PROGRAMMES OF THE MEMBER STATES SO AS TO ENSURE CO-ORDINATED ATTAINMENT OF THE FOLLOWING OBJECTIVES:



- (A) THE REPLACEMENT OF OIL BY ALTERNATIVE SOURCES, AND ESPECIALLY BY COAL AND NUCLEAR ENERGY, SHOULD OVER THE DECADE BRING ABOUT A PROGRESSIVE REDUCTION IN THE PROPORTION OF THE COMMUNITY'S ENERGY BALANCE REPRESENTED BY OIL:
- (B) THROUGH ENERGY-SAVING AND THE RATIONAL USE OF ENERGY, THE AIMS OF ECONOMIC DEVELOPMENT SHOULD BE ACHIEVED WITH AS LITTLE RELIANCE AS POSSIBLE ON A CONTINUED INCREASE IN ENERGY CONSUMPTION:
- (C) THE USE OF OIL BY INDUSTRY, AND PARTICULARLY IN ELECTRICITY GENERATION, MUST BE REDUCED.

7. THESE STRUCTURAL CHANGES COULD BE SPEEDED UP BY SUPPORT AT COMMUNITY LEVEL, FOR A SET PERIOD AND SUBJECT TO THE FINANCIAL CONSTRAINTS WHICH THE COMMUNITY SETS ITSELF. THE EUROPEAN COUNCIL INVITED THE COUNCIL OF MINISTERS TO CONSIDER AS A MATTER OF URGENCY THE STEPS PROPOSED BY THE COMMISSION TO STIMULATE THE DEVELOPMENT OF A COHERENT ENERGY POLICY WITHIN THE COMMUNITY.

8. THE EUROPEAN COUNCIL AFFIRMED ITS CONVICTION THAT MODERATION IN OIL PRICE INCREASES IS ESSENTIAL FOR THE ECONOMIC EQUILIBRIUM OF THE WORLD.

IT REITERATED THE IMPORTANCE OF INTERNATIONAL CO-OPERATION ON ENERGY MATTERS. THE COMMUNITY IS OPEN TO ANY CONSTRUCTIVE DIALOGUE WITH THE OIL-PRODUCING COUNTRIES. IT IS ALSO READY TO CONTINUE TO PLAY ITS OWN IMPORTANT PART IN HELPING TO SOLVE THE PROBLEMS SUFFERED BY THE DEVELOPING COUNTRIES AS A RESULT OF ENERGY SHORTAGES.

#### FISHERIES.

THE EUROPEAN COUNCIL - WHILE NOTING THAT AN AGREEMENT EXISTED ON THE NEED FOR ADOPTION AS SWIFTLY AS POSSIBLE OF THE DECISIONS NECESSARY FOR THE INTRODUCTION OF A COMMON FISHERIES POLICY TOGETHER WITH ANUMBER OF BASIC FEATURES OF SUCH A POLICY - FOUND THAT THERE WAS STILL DISAGREEMENT ON THE QUESTIONS CONCERNING THE PRINCIPLE OF EQUAL ACCESS.

IT AGREED THAT THE EXAMINATION OF THIS MATTER WOULD BE RESUMED BY THE COUNCIL COMPOSED OF MINISTERS FOR FISHERIES.



## AGRICULTURE.

THE EUROPEAN COUNCIL EXAMINED THE CONCLUSIONS WHICH THE AGRICULTURE COUNCIL AT ITS MEETING ON 27 AND 28 APRIL 1980, REACHED WITH REGARD TO THE POINTS WHICH ARE TO FORM THE BASIS OF THE DECISIONS TO BE TAKEN ON AGRICULTURAL PRICES AND RELATED MEASURES FOR THE 1980/1981 MARKETING YEAR.

IT BECAME APPARENT THAT OPINIONS DIFFERED ON THIS SUBJECT AND THE COUNCIL THEREFORE AGREED THAT THE COMMENTS MADE BY THE VARIOUS DELEGATIONS, AND THE POINTS OF AGREEMENT AND DISAGREEMENT, WOULD BE COMMUNICATED TO THE AGRICULTURE COUNCIL WHICH WOULD RESUME ITS EXAMINATION OF ALL THESE MATTERS AT ITS NEXT FORMAL MEETING WITH THE AIM OF REACHING AN AGREEMENT AS SOON AS POSSIBLE.

## SHEEPMEAT.

THE EUROPEAN COUNCIL TOOK NOTE OF THE DISCUSSIONS OF THE AGRICULTURE COUNCIL ON THIS TOPIC. DIFFERENCES OF OPINION BECAME APPARENT AND THE COUNCIL ACCORDINGLY AGREED THAT DELEGATIONS' COMMENTS WOULD BE COMMUNICATED TO THE AGRICULTURE COUNCIL AND THAT THE LATTER WOULD RESUME ITS EXAMINATION OF THE WHOLE MATTER AT ITS NEXT MEETING WITH THE AIM OF REACHING AN AGREEMENT AS SOON AS POSSIBLE.

## REPORT FROM THE COMMITTEE OF THREE

THE EUROPEAN COUNCIL TOOK NOTE OF THE WORK DONE TO DATE BY THE MINISTERS FOR FOREIGN AFFAIRS CONCERNING THE REPORT ON THE ADJUSTMENTS TO THE MACHINERY AND PROCEDURES OF THE COMMUNITY'S INSTITUTIONS PREPARED BY THE COMMITTEE OF THREE PURSUANT TO THE MANDATE HANDED DOWN BY THE EUROPEAN COUNCIL HELD IN BRUSSELS IN DECEMBER 1978.

THE EUROPEAN COUNCIL DWELT PARTICULARLY ON THE PROPOSALS PUT FORWARD BY THE THREE WISE MEN CONCERNING THE COMPOSITION OF THE COMMISSION AND THE PROCEDURE FOR CHOOSING ITS PRESIDENT.

THE EUROPEAN COUNCIL AGREED THAT THE CHOICE OF THE PRESIDENT OF THE COMMISSION SHOULD CONTINUE TO BE THE RESPONSIBILITY OF THE EUROPEAN COUNCIL AND BE MADE AT LEAST SIX MONTHS BEFORE HIS TERM OF OFFICE BEGINS.

GREECE WILL BE ASSOCIATED WITH THIS PROCEDURE.

THE EUROPEAN COUNCIL INVITED THE MINISTERS FOR FOREIGN AFFAIRS TO CONCLUDE EXAMINATION OF THE REPORT FROM THE COMMITTEE OF THREE IN GOOD TIME FOR THE NEXT MEETING OF THE EUROPEAN COUNCIL.



BRANDT REPORT - NORTH-SOUTH DIALOGUE

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THE EUROPEAN COUNCIL TOOK NOTE OF THE BRANDT COMMISSION'S REPORT ON RELATIONS BETWEEN INDUSTRIALIZED AND DEVELOPING COUNTRIES AND EXPRESSED ITS APPRECIATION OF THE CONTRIBUTION WHICH IT HAD MADE IN TERMS OF BOTH ANALYSIS AND PROPOSALS.

THE EUROPEAN COUNCIL NOTED THAT THE POSITION WORKED OUT BY THE EUROPEAN COMMUNITY AT THE PREPARATORY PHASE OF THE OVERALL NEGOTIATIONS WITHIN THE UNITED NATIONS WAS VERY MUCH IN LINE WITH SOME OF THE PROPOSALS CONTAINED IN THE BRANDT REPORT.

IT IS THE COUNCIL'S VIEW THAT THIS REPORT MIGHT USEFULLY BE TAKEN INTO CONSIDERATION IN THE DRAFTING OF THE EUROPEAN POSITION IN THE CONTEXT OF NORTH-SOUTH RELATIONS.

MEASURES TO COMBAT POLLUTION

THE EUROPEAN COUNCIL, HAVING HEARD A STATEMENT BY THE FRENCH DELEGATION PRESENTING A MEMORANDUM FROM THE FRENCH GOVERNMENT ON THE SAFETY OF SHIPPING AND MEASURES TO COMBAT POLLUTION FROM HYDROCARBONS TRANSPORTED BY SEA, IN PARTICULAR IN THE ENGLISH CHANNEL, AND BEARING IN MIND THE MEASURES ALREADY TAKEN IN THE AREA OF PREVENTION AND CONTROL OF MARINE POLLUTION SINCE ITS MEETINGS IN COPENHAGEN ON 7 AND 8 APRIL 1978 AND IN BREMEN ON 6 AND 7 JULY 1978, TOOK NOTE OF THE MEMORANDUM AND ASKED THE COMMUNITY INSTITUTIONS TO STUDY IT.

CONSCIOUS OF THE NEED TO SEEK CONSTANT IMPROVEMENT IN THE QUALITY OF LIFE AND HENCE THE ENVIRONMENT BY APPROPRIATE MEASURES, THE COUNCIL STRESSES THE IMPORTANCE OF UNDERTAKING CONCRETE ACTION TO CLEAN UP THE WATERS OF THE RHINE.

FCO ADVANCE TO:-

FCO - PS/S OF S, PS/LPS, PS/PUS, BRIDGES, HANNAY, FITZHERBERT,  
SPRECKLEY

CAB - FRANKLIN, ELLIOTT, WILLIAMS

MAFF - PS/MR WALKER, HAYES

TSY - COUZENS

D/EN - JONES

THOMAS

FRAME GENERAL

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[ADVANCED AS REQUESTED]



GRS 865

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DESKBY 290830Z

FM LUXEMBOURG 282200Z APR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 135 OF 28 APRIL

INFO IMMEDIATE UKREP BRUSSELS AND ALL OTHER EC POSTS, UKMIS NEW YORK, WASHINGTON, MOSCOW, TEHRAN, CAIRO, TELAVIV, UKDEL NATO.

FOLLOWING FROM UKREP BRUSSELS.

EUROPEAN COUNCIL, LUXEMBOURG, 27/28 APRIL

POLITICAL COOPERATION

1. FOLLOWING IS TEXT OF THE DECLARATION ON THE INTERNATIONAL SITUATION ISSUED AT THE END OF THE EUROPEAN COUNCIL:

1. THE HEADS OF STATE AND GOVERNMENT AND THE FOREIGN MINISTERS EXAMINED THE INTERNATIONAL SITUATION. THEY EXPRESSED GRAVE CONCERN AT THE TREND OF RECENT EVENTS, ESPECIALLY IN AFGHANISTAN, IRAN AND THE MIDDLE EAST. THEY CONSIDERED THAT THESE EVENTS NOW MORE THAN EVER REQUIRE OF THE MEMBER STATES OF THE EUROPEAN COMMUNITY THAT THEY SHOW COHESION.

2. THE EUROPEAN COUNCIL NOTED WITH DEEP CONCERN THAT SOVIET MILITARY FORCES HAVE NOT BEEN WITHDRAWN FROM AFGHANISTAN DESPITE THE CONDEMNATION OF THE INTERNATIONAL COMMUNITY EXPRESSED BY THE GENERAL ASSEMBLY OF THE UNITED NATIONS AND DESPITE THE REPEATED CALLS OF THE NINE AND OF THE ISLAMIC CONFERENCE AND THE ASEAN COUNTRIES.

THE EUROPEAN COUNCIL REAFFIRMED THE VIEW OF THE NINE THAT A SOLUTION IN ACCORDANCE WITH THE RESOLUTION OF THE UNITED NATIONS GENERAL ASSEMBLY COULD BE FOUND IN AN ARRANGEMENT WHICH ALLOWED AFGHANISTAN TO REMAIN OUTSIDE COMPETITION AMONG THE POWERS AND TO RETURN TO ITS TRADITIONAL POSITION AS A NEUTRAL AND NON-ALIGNED STATE.

RESPECTING THE RIGHT OF THE AFGHAN PEOPLE FREELY TO DETERMINE THEIR OWN FUTURE, THEY BELIEVE THAT TO THIS END THE

/ GREAT POWERS



GREAT POWERS AND THE NEIGHBOURING STATES SHOULD UNDERTAKE TO RESPECT THE SOVEREIGNTY AND INTEGRITY OF AFGHANISTAN, TO REFRAIN FROM INTERFERENCE IN ITS INTERNAL AFFAIRS AND TO RENOUNCE ALL FORMS OF MILITARY PRESENCE OR ASSOCIATION WITH IT.

THE NINE ARE READY TO SUPPORT, IN CONCERT WITH FRIENDLY AND ALLIED COUNTRIES, ANY INITIATIVE DESIGNED TO PROMOTE SUCH A SOLUTION, EMPHASISING THAT THEIR OWN PROPOSAL IS NEITHER RIGID NOR EXCLUSIVE.

IN THE CONNEXION THEY BELIEVE THAT THE ISLAMIC AND NON-ALIGNED COUNTRIES HAVE A PARTICULARLY SIGNIFICANT ROLE TO PLAY.

3. SINCE THE OCCUPATION OF THE UNITED STATES EMBASSY IN TEHRAN AND THE SEIZURE OF ITS STAFF AS HOSTAGES, THE NINE HAVE REPEATEDLY CONDEMNED THIS INADMISSIBLE VIOLATION OF INTERNATIONAL LAW. THEY REAFFIRM THEIR SOLIDARITY WITH THE GOVERNMENT AND PEOPLE OF THE UNITED STATES IN THEIR PRESENT TIME OF TRIAL.

THEY CONSIDER THAT THE SITUATION CREATED BY THIS VIOLATION OPENS THE DOOR TO DEVELOPMENTS FRAUGHT WITH SERIOUS CONSEQUENCES. A RETURN TO A STATE OF LEGALITY IS THE ONLY WAY TO ENSURE PEACE AND SECURITY.

THE EUROPEAN COUNCIL REAFFIRMS THE DECISIONS TAKEN BY THE FOREIGN MINISTERS OF THE NINE ON 22 APRIL IN LUXEMBOURG.

THE NINE DECLARE THEIR FULL SUPPORT FOR THE STEPS WHICH THE SECRETARY-GENERAL OF THE UNITED NATIONS INTENDS TO TAKE TO SECURE THE RELEASE OF THE HOSTAGES.

4. THE NINE REITERATED THEIR BELIEF THAT ONLY A COMPREHENSIVE, JUST AND LASTING SETTLEMENT CAN BRING TRUE PEACE TO THE MIDDLE EAST.

THE EUROPEAN COUNCIL, CONSCIOUS THAT EUROPE MAY IN DUE COURSE HAVE A ROLE TO PLAY, INSTRUCTED FOREIGN MINISTERS TO SUBMIT A REPORT ON THIS PROBLEM ON THE OCCASION OF ITS NEXT SESSION IN VENICE.



5. THE EUROPEAN COUNCIL DENOUNCES THE ACTS OF VIOLENCE COMMITTED IN SOUTHERN LEBANON AGAINST MEMBERS OF UNIFIL AND DEMANDS THAT THEY SHOULD CEASE IMMEDIATELY, AND THAT THE FORCE BE PERMITTED TO CARRY OUT IN FULL ITS MANDATE FROM THE SECURITY COUNCIL.

6. AT THIS TIME OF CRISIS IN WORLD AFFAIRS THE EUROPEAN COUNCIL BELIEVES THAT IT IS VITAL THAT INTERNATIONAL PROCEDURES FOR THE MANAGEMENT OF CRISIS AND THE EASING OF TENSIONS BE USED TO THE FULL AND THAT THE U.N. CHARTER AND INTERNATIONAL LAW BE FULLY UPHELD.

2. PLEASE REPEAT AS NECESSARY.

FCO ADVANCE TO:-

FCO - PS/S OF S, PS/LPS, PS/MR HURD, PS/PUS, BULLARD, COOPER  
NO 10 - ALEXANDER

THOMAS

[ADVANCED AS REQUESTED]

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If the "appropriate" UK net contribution  
 in 1980 is 1900 mena (£1,140 million):

Net rebate			Residual net contribution		
	mena	£		mena	£
50%	950	570	50%	950	570
55%	1045	627	45%	855	513
60%	1140	684	40%	760	456
65%	1235	741	35%	665	399
70%	1330	798	30%	570	342
75%	1425	855	25%	475	285
66 $\frac{2}{3}$ %	1267	760	33 $\frac{1}{3}$ %	633	380
Every 5% <u>adds</u>	95	57	subtracts	95	57

RTA 28/4/80



PRIME MINISTER

3443 PRODRU LU  
915445 COILDN G

RETRACT 70527

TO LUXEMBOURG, FOR PRIVATE SECRETARY TO THE PRIME MINISTER  
COPIED TO NO 10 DOWNING STREET AND PRIVATE OFFICE OF THE FOREIGN  
AND COMMONWEALTH SECRETARY.

FOLLOWING IS LPS SUMMARY OF FIRST EDITIONS OF NEWSPAPERS DATED MONDAY  
28 APRIL 1980

THE EUROPEAN HEADS OF GOVERNMENT MEETING IN LUXEMBOURG AND THE  
RAMIFICATIONS OF THE UNITED STATES' ABORTIVE ATTEMPT TO ESCUE THE  
TEHRAN HOSTAGES ARE THE STORIES WHICH DOMINATE THE FRONT PAGES OF THE  
EARLY EDITIONS. PROMINENCE IS ALSO GIVEN TO LAST FRIDAY'S AIR DISAS-  
TER IN TEHERIFE.

THE TIMES' FRONT PAGE LEAD CARRIES THE HEADLINE "'EEC BUDGET  
DISPUTE NEAR SOLUTION DESPITE FINANCIAL RISK.'" THE LEAD-IN TO THE  
STORY SAYS "'AS NO PROMISE IN THE DISPUTE OVER BRITAIN'S EEC BUDGET  
CONTRIBUTION APPEARED LIKELY AS HEADS OF GOVERNMENT OF THE NINE MET  
IN LUXEMBOURG YESTERDAY. IT WOULD BE BASED ON A FRENCH PROPOSAL TO  
PEG THE BRITISH CONTRIBUTION AT THE 1979 LEVEL OF ABOUT 520 (FIVE  
HUNDRED AND TWENTY) MILLION POUNDSSTERLING FOR THREE YEARS COMPARED  
WITH A PRESENT ESTIMATE FOR THIS YEAR OF MORE THAN 1,100 (ONE THOUSAND  
ONE HUNDRED) MILLION POUNDSSTERLING. INITIAL BRITISH REACTION WAS  
COOL.'" THE REPORT BY MICHAEL HORNSBY AND PETER NORMAN SAYS THAT IN  
APPARENTLY MOVING TOWARDS COMPROMISE ON BRITAIN'S CONTRIBUTION THE  
HEADS OF GOVERNMENT RISKED PLUNGING THE COMMUNITY INTO A NEW FINAN-  
CIAL CRISIS. THE STORY QUOTES FRENCH SOURCES MAKING CLEAR THAT ANY  
BUDGET SETTLEMENT WOULD BE DEPENDENT ON AN AGREEMENT BY AGRICULTURE  
MINISTERS TO RAISE FARM PRICES ABOVE THE LEVEL PROPOSED BY THE COMMI-  
SSION. IT ADDS THAT PRESIDENT GISCARD WAS UNDERSTOOD TO BE INSISTING  
THAT FRANCE MUST HAVE GUARANTEES OF PROTECTION FOR ITS SHEEP FARMERS  
AGAINST CHEAP BRITISH LAMB IMPORTS. THIS, SAYS THE TIMES, WOULD  
ENTAIL MAINTAINING MARKET PRICES FOR LAMB ABOVE MINIMAL LEVELS AT THE  
EXPENSE OF COMMUNITY TAX PAYERS AND CONSUMERS. REPORTING SIGNOR  
MARCORA'S SUGGESTION FOR AN AVERAGE 4.5 PER CENT INCREASE IN FARM  
PRICES. THE STORY SAYS THAT ALTHOUGH STILL FORMALLY DEFENDING



THE LONG STANDING BRITISH DEMAND FOR A PRICE FREEZE ON SURPLUS PRODUCTS MR WALKER WAS EXPECTED TO SOFTEN THIS STANCE ON INSTRUCTIONS FROM MR THATCHER IF A SATISFACTORY BUDGET DEAL WERE OFFERED. TURNING TO THE RISK OF A NEW FINANCIAL CRISIS, THE PAPER REPORTS FEDERAL GERMAN FIGURES PURPORTING TO SHOW THAT THE COMMUNITY COULD NOT FINANCE THE KIND OF BUDGET AND FARM PRICE DEAL ENVISAGED WITHIN THE EXISTING LIMIT ON COMMUNITY REVENUE. ACCORDING TO THE GERMANS THAT LIMIT WOULD BE BREACHED BY THE PROPOSED FARM PRICE SETTLEMENT BECAUSE OF HEAVY OVERRUNS IN THE MILK SECTOR LEAVING NO MONEY TO FINANCE THE EXTRA COMMUNITY EXPENDITURE IN BRITAIN THAT WOULD BE NEEDED TO REDUCE THE BRITISH BUDGET DEFICIT. THE STORY SAYS THAT COMMISSION OFFICIALS APPARENTLY SHARE THE GERMAN ALARM THOUGH THEY TOOK A SLIGHTLY MORE SANGUINE VIEW OF THE STATE OF THE COMMUNITY'S RESOURCES, CALCULATING THAT THE FARM PRICE SETTLEMENT WOULD STILL LEAVE MORE THAN 1,000 (ONE THOUSAND) MILLION POUNDSSTERLING THIS YEAR OUT OF WHICH TO FINANCE A REDUCTION IN BRITAIN'S CONTRIBUTION. THEY AGREED HOWEVER THAT REVENUE WOULD RUN OUT NEXT YEAR FACING THE COMMUNITY WITH A NEW CRISIS. THE TIMES STORY CONCLUDES BY SAYING THAT A CEILING OF THE KIND PROPOSED BY FRANCE WOULD HAVE THE ADVANTAGE OF ISOLATING BRITAIN FROM THE PURELY BUDGETARY CONSEQUENCES OF A HIGH FARM PRICE SETTLEMENT. ON PAGE 5 THE TIMES HAS A PHOTOGRAPH OF MRS THATCHER ACROSS THREE COLUMNS. CAPTION IS "READY FOR BATTLE: MRS THATCHER WAITING FOR THE EUROPEAN SUMMIT MEETING TO GET UNDER WAY IN LUXEMBOURG YESTERDAY."

THE ATTEMPT TO RESOLVE BRITAIN'S BUDGET DISPUTE IS THE SECOND LEAD ON THE FINANCIAL TIMES FRONT PAGE. HEADLINE HERE IS "EEC HEADS SEEK COMPROMISE DEAL." THE REPORT BY MARGARET VAN HATTEM AND JOHN WYLES RUNS BENEATH A PICTURE OF PRESIDENT GISCARD AND CHANCELLOR SCHMIDT. THE STORY SAYS THAT EC GOVERNMENT LEADERS WERE LOCKED IN A DIFFICULT ATTEMPT TO SEW UP A PACKAGE DEAL EMBRACING THE BRITISH BUDGET PROBLEM AND A COMMUNITY FARM PRICE SETTLEMENT. AFTER REPORTING THE FRENCH INITIATIVE WHICH, IT TOO SAYS, WOULD INSULATE THE UK AGAINST THE BUDGETARY EFFECTS OF FARM PRICE SETTLEMENTS, THE FT COMMENTS THAT IT IS RARE FOR THE COMMUNITY TO TRY TO SETTLE TWO MAJOR ISSUES IN SUCH A WAY AND THAT IT IS INDICATIVE OF THE GOVERNMENT LEADERS DESIRE TO MAKE PROGRESS ON SETTLING A FAMILY SQUABBLE AT A TIME WHEN THEY ARE INCREASINGLY PREOCCUPIED WITH THE IRANIAN AND AFGHAN CRISES. BUT, ADDS THE STORY, THERE WAS CONSIDERABLE ANXIETY AMONG COMMISSION OFFICIALS THAT THIS DESIRE FOR AGREEMENT MAY GRAVELY COMPROMISE THE COMMUNITY'S FINANCIAL FUTURE BECAUSE IF THE UK SOFTENED ITS LINE ON PRICE INCREASES THE COMMUNITY COULD RUN OUT OF MONEY BEFORE THE END OF NEXT YEAR. THE STORY ALSO SAYS THAT THE FRENCH PROPOSAL WOULD LEAVE FEDERAL GERMANY TO PAY FOR MOST OF THE FARM PRICE RISE. IT GOES ON "THIS APPEARS TO HAVE CONVERTED GERMANY OVERNIGHT INTO BEING THE STRONGEST ADVOCATE OF PRICE MODERATION."



THE BUDGET STORY IS ALSO SECOND LEAD ON THE FRONT PAGE OF THE DAILY TELEGRAPH. HEADLINE IS 'FRANCE OFFERS DEAL IN EEC BUDGET ROW.' ALAN OSBORNE WRITES THAT THE LONG AND BITTER ARGUMENT OVER THE SIZE OF BRITAIN'S NET CONTRIBUTION WAS ON THE WAY TO SOLUTION LAST NIGHT FOLLOWING THE SURPRISE FRENCH INITIATIVE. BUT, SAYS OSBORNE, THERE WAS NO IMMEDIATE REACTION FROM MRS THATCHER EVEN THOUGH SHE HAD BEEN INFORMED OF THE PLAN IN GENERAL LAST FRIDAY. AFTER OUTLINING THE FRENCH PROPOSALS, OSBORNE SAYS THAT AT FIRST GLANCE THE REDUCTION INVOLVED WOULD BE FAR TOO LITTLE TO SATISFY MRS THATCHER, BUT THE CHARM OF THE FRENCH PLAN FROM BRITAIN'S POINT OF VIEW IS THAT IT WOULD INCREASE THE EFFECTIVE AMOUNT OF THE REDUCTION IN 1981 AND 1982 WHEN THE NET CONTRIBUTION COULD BE EXPECTED TO RISE TO AS MUCH AS 1,500 MILLION POUNDS STERLING. HOWEVER, HE ADDS, IT WAS STILL UNCLEAR YESTERDAY WHETHER THE FRENCH WANT TO BUILD IN SOME KIND OF PROGRESSIVE MECHANISM TO THE CEILING TO KEEP IT IN LINE WITH INFLATION OR WITH THE GROWTH IN THE EEC BUDGET OVERALL.

THE GUARDIAN HEADLINE TO ITS LEAD STORY IS 'GISCARD OFFERS DEAL - WITH STRINGS.' JOHN PALMER WRITES THAT MRS THATCHER WAS OFFERED A 'HALF OF THE LOAF' SOLUTION WITH THE ASSURANCE THAT IT COULD RISE TO ABOUT TWO-THIRDS OF A LOAF OVER THE NEXT FEW YEARS. THE STORY IS LARGELY SIMILAR TO THAT CARRIED BY THE OTHER SERIOUS PAPERS.

THE DAILY EXPRESS SPLASH IS 'MAGGIE'S PRICES GAMBLE' WITH THE SUB HEAD 'BRITAIN SPURNS 560 MILLION POUNDS STERLING MARKET PAYMENT DEAL. JOHN WARDEN WRITES MRS THATCHER GAMBLERED WITH MULTI-MILLION POUND STAKES LAST NIGHT...' AND CONTINUING THE GAMBLING ANALOGY 'THE CHIPS STACKED ON THE TABLE INCLUDED A REBATE FOR BRITAIN. BUT THE JOKER IN THE PACK WAS DEARER FOOD FOR SHOPPERS.' ACCORDING TO THE EXPRESS STORY MRS THATCHER APPEARED TO BE PLAYING IT TOUGH BECAUSE AN EASY SURRENDER WOULD LEAD TO 'SELL OUT' CHARGES AGAINST THE PRIME MINISTER AT HOME.

THE DAILY MAIL HAS 'MARKET OFFERS MAGGIE A CASH FREEZE' ON ITS FRONT PAGE. THE MAIL DESCRIBES THE OFFER AS 'ASTONISHING'. INTERESTINGLY THE MAIL DIFFERS FROM THE OTHER PAPERS IN REPORTING THE GERMAN ATTITUDE TOWARDS THE FRENCH PROPOSAL. SAYING THAT CHANCELLOR SCHMIDT WARMLY BACKED THE FRENCH OFFER EVEN THOUGH HE NEW IT MEANT GERMANY PAYING 46 PER CENT OF EVERY POUND THAT BRITAIN SAVES ON HER CONTRIBUTION.

THE MIRROR DEVOTES ONLY A SHORT ITEM TO THE SUMMIT, ON PAGE 2. THE HEADLINE IS 'MAGGIE 'NO' TO FRENCH.' THE MIRROR SAYS MRS THATCHER GAVE THE FRENCH PROPOSAL THE 'COLD SHOULDER.' ALSO ON PAGE 2, THE SUN HAS 'FRANCE BOWS TO THATCHER' IT SEES THE FRENCH OFFER AS A CLIMB-DOWN.



THE FINANCIAL TIMES AND THE TELEGRAPH BOTH LEAD THEIR FRONT PAGES WITH IRAN. THE TELEGRAPH'S MAIN HEADLINE IS "US AGENTS LEFT BEHIND" WITH THE SUB-HEAD "NINE COMMANDO BODIES PUT ON SHOW AT EMBASSY." THIS RUNS ALONGSIDE A DEEP THREE COLUMN PICTURE OF AYATOLLAH KHALKHALI, AN ISLAMIC COURT JUDGE STANDING OVER THE REMAINS OF ONE OF THE AMERICAN SERVICEMEN KILLED IN THE RESCUE MISSION, AFTER THE BODIES HAD BEEN BROUGHT TO THE US EMBASSY IN TEHRAN. THE MAIN STORY SAYS THAT MEMBERS OF TWO AMERICAN UNDERCOVER TEAMS ARE STILL IN HIDING IN IRAN AFTER THE FAILURE OF THE RESCUE ATTEMPT. THE TEAMS - ONE CONSISTING OF CIA AGENTS AND THE OTHER OF COMMANDOS FROM THE AMERICAN SPECIAL FORCES - ARE BELIEVED TO BE UNDER THE PROTECTION OF IRANIANS OPPOSED TO THE REVOLUTIONARY REGIME. THE STORY ALSO SAYS THAT MR BRZEZINSKI HAS GIVEN AN ASSURANCE THAT AMERICA'S EUROPEAN ALLIES WOULD BE CONSULTED BEFORE ANY "MORE SUSTAINED" MILITARY OPERATION. IT CONCLUDES BY SAYING THAT BRITISH OFFICIALS EMPHASISE THAT MRS THATCHER AND LORD CARRINGTON REMAIN FIRM IN SUPPORT OF THE US BUT AT LEAST 50 CONSERVATIVE BACK BENCHES ARE REPORTED TO HAVE MISGIVINGS OVER THE PLAN TO IMPOSE ECONOMIC SANCTIONS ON IRAN.

FINANCIAL TIMES HEADLINE IS "US MAY STILL USE MILITARY ACTION TO FREE HOSTAGES" WITH THE SUB HEAD "BRZEZINSKI WARNING AS LEADERS DEBATE IRAN." THE FT IN FACT RUNS THREE STORIES UNDER ITS MAIN HEADLINE. THE FIRST REPORTS BRZEZINSKI'S WARNING TO IRAN "DO NOT SCOFF AT AMERICAN POWER, DO NOT SCOFF AT AMERICAN REACH." BOXED BELOW THIS ITEM IS ONE HEADED "WORLD SUMMIT MOVES". GILES MERRITT WRITES FROM LUXEMBOURG THAT THE HEADS OF GOVERNMENT DISCUSSED IRAN LAST NIGHT AMID PERSISTENT REPORTS THAT A SPECIAL WORLD SUMMIT ON IRAN WAS BEING PLANNED. THIS WOULD CONSIST OF US, CANADA, JAPAN, UK, FEDERAL GERMANY, FRANCE AND ITALY.

THE THIRD STORY REPORTS THE PUBLIC DISPLAY OF THE BODIES OF THE AMERICAN SERVICEMEN UNDER THE HEADLINE "CHARRED BODIES ON DISPLAY".

GUARDIAN'S IRAN STORY ON PAGE 1 IS HEADLINED "ABORTIVE MISSION SOURS US-EEC RELATIONS." IT SAYS LEADERS OF THE EUROPEAN COMMUNITY WANT AN EARLY MEETING WITH PRESIDENT CARTER TO HAMMER OUT A NEW BASIS FOR CONSULTATIONS AND JOINT DECISIONS WITH THE US ON SUCH SENSITIVE ISSUES AS IRAN AND THE MIDDLE EAST. IT ADDS THE SUMMIT IS CERTAIN TO CONTINUE TO GIVE PUBLIC BACKING TO THE US CAMPAIGN TO SECURE THE RELEASE OF THE HOSTAGES. THE STORY ALSO REPORTS WHAT IT CALLS THE "SICKENING DISPLAY" OF THE SERVICEMEN'S BODIES IN TEHRAN.

THE TIMES CALLS THE EXHIBITION "A GHOULISH AND UNPLEASANT CEREMONY." IN ITS FRONT PAGE STORY WHICH IS HEADLINED "IRANIANS PUT THE BURNT REMAINS OF US SERVICEMEN ON DISPLAY."



THE STORY IS THE MAIL SPLASH. HEADLINE IS ''THE FINAL OBSCENE HORROR.'' AND THE REPORT SAYS THE IRANIAN REGIME ''GLOATED'' OVER THE FAILURE TO RESCUE THE HOSTAGES WITH ''AN OBSCENE AND GHOULISH PUBLIC PROHIBITION THAT WILL REVOLT THE WORLD''. THE EXPRESS GIVES THE STORY PROMINENT COVERAGE ON PAGE 2 UNDER THE HEADLINE ''BARBARIC'', THE SUN HAS A DOUBLE PAGE SPREAD ON PAGES 6 AND 7 WITH THE HEADLINE ''THE BODY SNATCHERS''.

THE EDITORIAL COLUMNS OF THE SERIOUS PAPERS ALSO DEVOTE SPACE TO THE IRANIAN SITUATION.

OTHER STORIES GETTING GENERAL COVERAGE INCLUDE: INVESTIGATORS OF THE TENERIFE AIR CRASH HAVE RECOVERED THE AIRCRAFTS BLACK BOX FLIGHT RECORDER SYSTEM... PRESIDENT GISCARD HAS SAID FRANCE WOULD WITHDRAW ITS TROOPS FROM CHAD... GUERRILLAS HAVE FREED THE FIVE HOSTAGES HELD IN THE DOMINICAN REPUBLIC EMBASSY IN BOGOTA... IRAQ HAS DISMISSED REPORTS OF A MILITARY COUP IN WHICH PRESIDENT SADDAM HUSSEIN WAS KILLED AS ''FALSE AND BASELESS''... MR ARTHUR SCARGILL HAS CALLED FOR A ''MASSIVE RESPONSE'' FROM MINERS AND ALL WORKERS TO THE TUC'S DAY OF ACTION AGAINST GOVERNMENT ECONOMIC POLICY ON 14 MAY... MR BEGIN HAS URGED THE IRISH GOVERNMENT TO WITHDRAW ITS RECOGNITION OF THE PLO... PROVINCIAL NEWSPAPERS AND GENERAL PRINTING COMPANIES ARE EXPECTED TO CLOSE TODAY AS EMPLOYERS RETALIATE OVER THE FIVE WEEK CAMPAIGN OF INDUSTRIAL ACTION BY THE PRINTERS' MAIN CRAFT UNION THE NGA.

ENDS SUMMARY

CENTROFORM LDN



CONFIDENTIAL



*file Lb*  
cc Ewo PD: CAP:PE4

10 DOWNING STREET

*From the Private Secretary*

28 April 1980

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute (PM/80/35) on the New Zealand interest in a possible concession on sheepmeat.

I confirm that she approved the draft telegrams enclosed with that minute.

I am sending copies of this letter to the Private Secretaries to the members of OD(E), to John Chilcot (Home Office) and to David Wright (Cabinet Office).

M. A. PATTISON

R. M. J. Lyne, Esq.,  
Foreign and Commonwealth Office.

*Lb*

CONFIDENTIAL



**SUBJECT**

cc. Master  
Log

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 92<sup>AA</sup>/80

TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND PRESIDENT  
GISCARD D'ESTAING 25.4.80.

Prime Minister: I promised to telephone, Mr. President, after what we said last evening but I think from what Mr. Wahl said its not really necessary for Sir Donald Maitland to come over now because we have a telegram in from our Ambassador which gives more details than we had from Signor Cossiga.

President: Have you a long talk with Signor Cossiga?

Prime Minister: A long talk, yes he was here for about two and a half hours and the only concern was that we wondered whether we had got the proposals quite right. But I think we have and I don't/there will be any need to clarify them by a personal visit.

President: Do you think after Mr. Cossiga's sounding that there can be some work done on the Community basis before the sunday meeting?

Prime Minister: Well I expect Signor Cossiga will telephone but I left him, we left with the suggestion that there should be two groups working: One, the permanent officials of the Agricultural Ministers working, and also Signor Ruggiero's group so that there should be people working on the agricultural crisis and people working on the financial aspects and then we suggested that the Agriculture Ministers should also go to Luxembourg. But I am sure he will wish to tell you that himself.

President: Yes I am a little surprised not to have had news from him because he was supposed to inform us and of course if he wants to have meetings arranged for Saturday, the time is very short.

Prime Minister: Yes. I asked him if he would like to telephone you from here but he wanted to get to Brussels, and I think he, we are of course an hour behind you in time and so he should now, by now, have arrived in Brussels and I think therefore that he will be contacting you urgently.

President: Ah yes.

/ Prime Minister



Prime Minister: But that I think will be what he will say. That is it necessary to get the preparatory work done and in two groups.

President: On the whole how did you consider your talk with him as rather positive or can you . . .

Prime Minister: We were very interested in the new proposals - the figures of course have still to be attached to them. But we were interested in the principles and therefore wanted more work done on them. Otherwise I am afraid its been a very difficult day has it not?

President: Yes of course we are very sorry for the Americans.

Prime Minister: So am I.

? President: Well of course they have no responsibility to say that it is hard and humiliating for them and for us and we would refrain from any criticism though I am afraid the press will be rather sharp on them.

Prime Minister: Yes. Yes.

President: Yes well it is a pity because we understand very well why they tried but of course the way it has been handled is not so . . . .

Prime Minister: Yes I'm very sorry for him indeed because the humiliation has deepened but we will be able to talk about these things in Luxembourg.

President: Yes I hope that we will save the dinner of Sunday and also it is expected we will have breakfast on Monday morning just between Helmut Schmidt you and I.

Prime Minister: Right. I had not known that but of course.

President: Yes I think Helmut will probably arrange this, to have a conversation on this as well as other.

/ Prime Minister



Prime Minister: I welcome that idea.

President: I heard you have a meeting tonight.

Prime Minister: Yes I am going straight up to my constituency now but I wanted to speak to you beforehand.

President: Yes well thank you.

Prime Minister: Thank you very much.

President: If Mr. Cossiga suggests that there is work to be done it will certainly be our idea to contribute.

Prime Minister: Yes well.

President: Yes well have a good evening in your constituency.

Prime Minister: Thank you very much.

President: And I'll see you on Sunday.

Prime Minister: Yes thank you. Goodbye.



PAFO 014/25

IMMEDIATE

AS  
AS/LPS  
AS/LPUS  
SIR J MAITLAND  
MR FERLUSSEN

OO FCO DESKBY 251630Z

OO UKREP BRUSSELS

OO BONN

OO ROME

GRS 980

D E D I P

CONFIDENTIAL

DESKBY 251630Z

FM PARIS 251445Z APR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 398 OF 25 APRIL 1980

INFO IMMEDIATE UKREP BRUSSELS (PERSONAL FOR AMBASSADOR)

BONN (PERSONAL FOR AMBASSADOR) AND ROME (PERSONAL FOR AMBASSADOR)

PREPARATIONS FOR THE EUROPEAN COUNCIL

ADVANCE COPY  
MR FRANK  
MR ELLIOTT  
MAFF  
MR WALKER  
SIR B WALES  
MR BRIDGE  
MR BULLOCK  
MR WINDY  
W of ED I  
W of WEJ  
AS (NO  
10 Downing St  
C/ETC/FEWEL  
SIR K COZENS  
MR WALKER  
TS-7

1. I HAD A TALK WITH THE SECRETARY GENERAL OF THE ELYSEE AT LUNCH-  
TIME TODAY. I ASKED HIM WHETHER THE COMMUNITY WAS REALLY IN AN  
ACUTE CRISIS AS THE FRENCH NEWSPAPERS SEEMED TO BE SAYING. HE SAID  
THAT THIS WAS NOT NECESSARILY SO. SGR COSSIGA HAD BEEN IN PARIS  
THIS MORNING AND THIS AFTERNOON HE WOULD BE TELLING THE PRIME  
MINISTER WHAT PRESIDENT GISCARD HAD SAID TO HIM. WAHL SAID THAT  
THE FRENCH POSITION ON THE BUDGET CONTRIBUTION WAS NOW THAT BRITAIN  
SHOULD NEVER PAY A LARGER CONTRIBUTION THAN IT HAD PAID IN 1979,  
IE, 850 MUA. THIS ALLOWED FOR A RETURN TO THE UK SOME 400 MUA LESS  
THAN HE UNDERSTOOD THE UK TO BE DEMANDING AS A MINIMUM (IE THE  
DIFFERENCE BETWEEN 850 MUA AND 1250 MUA). HE DID NOT INDICATE HOW  
HE ARRIVED AT 1250 AS THE LIKELY ACCEPTABLE MINIMUM FOR THE UK, BUT  
AS THE REST OF HIS ARGUMENT WAS CLEAR I DID NOT PRESS HIM ON THIS.  
HE SAID THAT ANY STEP ABOVE 850 MUA WOULD EXPOSE PRESIDENT GISCARD  
TO THE MOST SEVERE CRITICISM IN FRANCE. AS REGARDS AGRICULTURAL  
PRICES, IT WAS ABSOLUTELY ESSENTIAL THAT FARM PRICES IN FRANCE  
SHOULD INCREASE THIS YEAR BY 20%. ALLOWING FOR NEARLY USED AGREEMENT  
TAKEN OR AGREED, THIS MEANT THAT FRANCE NEEDED AGREEMENT IN THE



TAKEN OR AGREED, THIS MEANT THAT FRANCE NEEDED AGREEMENT IN THE AGRICULTURAL COUNCIL FOR AN AVERAGE RISE OF 5.5%. HERR GENSCHER AND HERR ERTL HAD BEEN IN PARIS THIS MORNING. ERTL HAD BEEN A LITTLE VAGUE ABOUT PRICES BUT HERR GENSCHER HAD MADE IT CLEAR THAT THE FRG TOO NEEDED AN INCREASE IN PRICES OF JUST OVER 5%. THE FRENCH GOVERNMENT WERE CONFIDENT THAT CHANCELLOR SCHMIDT WOULD AGREE TO THIS. WAHL WENT ON TO SAY THAT HE THOUGHT THAT PROGRESS AT THE SUMMIT WOULD BE VERY DIFFICULT IF VERY CONSIDERABLE PROGRESS WAS NOT MADE ON DETAILED FIGURES IN THE NEXT 24 HOURS.

2. I QUESTIONED WHY FRANCE WAS SO PEREMPTORY. WOULD IT NOT BE POSSIBLE FOR THE SUMMIT TO AGREE GUIDELINES WHICH COULD BE FILLED OUT SUBSEQUENTLY BY THE APPROPRIATE COUNCILS? THE POSITION HAD BEEN CLARIFIED TO THE EXTENT THAT THE LATENT FACT THAT FRANCE WAS A SUBSTANTIAL DEMANDEUR HAD AT LAST EMERGED. IT WAS FRANCE WHICH HAD LINKED THE DOSSIERS, BUT THIS DID NOT MEAN THAT FRANCE COULD NECESSARILY DICTATE THE TIMING. THE BRITISH GOVERNMENT HAD SET OUT TO CORRECT THE IMBALANCE IN THE BUDGETARY CONTRIBUTION IN 1979.

~~YES~~ CONTRIBUTION IN 1979. UJ NCRSQ

FRANCE WAS NOW SAYING THAT THE 1979 IMBALANCE SHOULD BE ACCEPTED AND ONLY SUBSEQUENT IMBALANCES WHICH EXCEEDED IT SHOULD BE CORRECTED. WAHL HAD TOLD ME IN PAST CONVERSATIONS THAT FROM THE TIME OF DUBLIN ONWARDS, INDEED BEFORE DUBLIN, FRANCE HAD WANTED TO DISCUSS HARD FIGURES. I WAS BOUND TO TELL HIM FRANKLY THAT IT HAD BEEN CLEAR FROM THE START THAT THE EARLIER ACTUAL FIGURES WERE DISCUSSED, THE LOWER THE FINAL FIGURE WOULD BE. FRANCE HAD CONSISTENTLY ESPOUSED THE LOWEST POSSIBLE FIGURE IN EVERY POSSIBLE BRACKET OF FIGURES, AND SHE WAS DOING THIS AGAIN NOW WHILE DEMANDING FULL SATISFACTION OF WHAT SHE WANTED AS REGARDS FARM PRICES. PRESUMABLY FRANCE MEANT THE FIGURE OF 85¢ MUA TO BE THE LOWER STARTING POINT FOR A FINAL BARGAIN?

3. WAHL DID NOT DEMUR AT ANY OF THIS AND SEEMED TO IMPLY THAT 85¢ MUA WAS NOT THE LAST WORD. HE SAID THAT IF THE SUMMIT FAILED THE JURIDICAL SITUATIONS OF THE TWO SIDES WOULD OF COURSE BE DIFFERENT. ON AGRICULTURAL PRICES THERE WOULD BE AN INTERIM REGIME AND EACH MEMBER COUNTRY WOULD BE FREE TO TAKE INTERIM MEASURES TO ASSIST ITS OWN FARMERS. THE FULL BRITISH BUDGET CONTRIBUTION WOULD HOWEVER CONTINUE UNABATED, AND IF BRITAIN WERE TO WITHHOLD PART OF ITS CONTRIBUTION BRITAIN WOULD BE IN VERY SERIOUS INFRACTION OF COMMUNITY LAW IN A WAY NOT TO BE COMPARED WITH THE FRENCH INFRACTION OF THE EUROPEAN COURT'S DISCUSSION ON SHEEPMEAT.



BE IN VERY SERIOUS INFRACTION OF COMMUNITY LAW IN A WAY NOT TO BE COMPARED WITH THE FRENCH INFRACTION OF THE EUROPEAN COURT'S DISCUSSION ON SHEEPMEAT.

4. I URGED WAHL NOT TO THINK IN THESE APOCALYPTIC TERMS. THE FACT WAS THAT FRANCE WANTED SOMETHING AND WAS NOT IN A POSITION TO IMPOSE IT. IT WAS A QUESTION OF SEEKING SENSIBLE COMPROMISE ON THE DOSSIERS. IT WAS VERY REGRETTABLE THAT FRANCE KEPT ON HARKING BACK TO THE SITUATION AT DUBLIN AS THOUGH THE SITUATION TODAY WAS THE SAME.

IN THIS MORNING'S TIMES, FOR EXAMPLE, M. FRANCOIS-PONCET WAS REPORTED AS STILL INSISTING THAT BRITAIN WANTED A JUSTE RETOUR. THIS WAS COMPLETELY OUT OF DATE AND IT WOULD HELP TO ESTABLISH MORE CONFIDENCE IF THE FRENCH GOVERNMENT ABANDONED THAT SORT OF ARGUMENT. TO MY SURPRISE WAHL AGREED THAT TALK OF A JUSTE RETOUR WAS OUT OF PLACE. HE SAID THAT IT WOULD BE UNREASONABLE TO WITHHOLD ON A 5.5% AGRICULTURAL PRICE INCREASE DEMANDED BY FRANCE IN ORDER TO FORCE UP WHAT FRANCE WAS PREPARED TO OFFER ON THE BUDGET. I REPLIED THAT IT WAS FRANCE AND NOT THE UK WHICH HAD INSISTED ON LINKAGE. IF FRANCE INSISTED ON LINKAGE SHE COULD NOT INSIST ON HAVING IT ARRANGED ENTIRELY HER WAY. WHEN I SUGGESTED THAT 5.5% SEEMED TO BE A HIGH FIGURE AND WOULD BE AS POLITICALLY DIFFICULT FOR HMG TO PRESENT IN THE UK AS WAHL CLAIMED ANYTHING OVER 85% MUA WOULD BE FOR PRESIDENT GISCARD IN FRANCE, WAHL APPEARED TO INDICATE THAT 5% MIGHT IN THE END BE ACCEPTABLE, BUT I TOLD HIM THAT I WAS IN NO POSITION TO DISCUSS FIGURES.

5. WAHL WAS INCLINED TO CRITICISE THE COMMISSION AND VIRTUALLY EVERYONE ELSE EXCEPT FRANCE ABOUT THE DIFFICULTIES OF THE AGRICULTURAL PRICE FIXING, BUT HE ACKNOWLEDGED THAT THERE HAD BEEN NO CLEAR LINE-UP AT THE AGRICULTURAL COUNCIL AND THAT EVERY PARTNER HAD HAD DIFFICULTIES. I TOLD HIM THAT I THOUGHT IT HAD BEEN A MISCALCULATION TO SUPPOSE THAT SHARP FRENCH DEMANDS WOULD CLARIFY THE SITUATION, AND I SUGGESTED THAT M. MEHAIGNERIE HAD FAILED TO PUT FORWARD A FRENCH POSITION WHICH LOOKED LIKE COMING NEAR SOLVING THE WHOLE COMPLEX OF ISSUES ABOUT WHICH OTHER PARTNERS WERE CONCERNED.

6. THERE IS A RESTRICTED MEETING OF THE COUNCIL OF MINISTERS THIS AFTERNOON TO DISCUSS THE FRENCH POSITION AT THE SUMMIT. WAHL TOLD ME THAT HE THOUGHT IT WOULD BE A VERY SHORT MEETING. HE SEEMED TO EXPECT THAT IT WOULD SIMPLY ENDORSE THE POSITION WHICH PRESIDENT GISCARD HAD PUT TO SCR COSSIGA THIS MORNING.



WHICH PRESIDENT GISCARD HAD PUT TO SGR COSSIGA THIS MORNING.

PARA 2 LINE 6 SHOULD READ "OUT TO CORRECT"

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FRAME GENERAL

DESKBY 260830Z

FM UKREP BRUSSELS 252145Z APRIL 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 2120 OF 25 APR

INFO IMMEDIATE ROME, PARIS, BONN.

INFO PRIORITY COPENHAGEN, THE HAGUE, DUBLIN, LUXEMBOURG

INFO SAVING BRUSSELS.

EUROPEAN COUNCIL: CONVERGENCE.

1. FOLLOWING IS TEXT OF PRESIDENCY NOTE TO THE EUROPEAN COUNCIL, MINUS ANNEX II (FRENCH TEXT ON GENERAL PRINCIPLES) AND ANNEX IV (RESULTS OF THE AGRICULTURE COUNCIL) WHICH HAVE ALREADY BE COMMUNICATED TO YOU - THE FIRST BY HAND OF FRANKLIN AND THE SECOND IN OUR TELNO 2051.

2. RESIDENT CLERK: PLEASE ENSURE DISTRIBUTION TO MEMBERS OF EUROPEAN COUNCIL DELEGATION AS SOON AS POSSIBLE:

BEGINS:-

1. THE ECO/FIN COUNCIL MEETING ON 21 APRIL AND THE FOREIGN AFFAIRS COUNCIL MEETING ON 22 APRIL COMPLETED PREPARATIONS FOR THE EUROPEAN COUNCIL'S DISCUSSIONS ON THE ITEM "CONVERGENCE AND BUDGETARY QUESTIONS", TAKING AS A BASIS A NOTE DRAWN UP BY THE CHAIRMAN OF THE PERMANENT REPRESENTATIVES COMMITTEE.

AT ITS MEETING ON 21, 22, 23 AND 24 APRIL, THE AGRICULTURE COUNCIL CONTINUED THE EXAMINATION OF THE COMMISSION PROPOSALS ON THE FIXING OF AGRICULTURAL PRICES FOR 1980/1981 AND RELATED MEASURES AND THOSE RELATING TO CHANGES IN THE COMMON AGRICULTURAL POLICY TO HELP BALANCE THE MARKETS AND STREAMLINE EXPENDITURE.

2. IN THE PRESENT NOTE THE PRESIDENCY SUMMARIZES THE LATEST POSITION IN THE DISCUSSIONS ON THESE AREAS FOLLOWING THESE COUNCIL MEETINGS. IT WOULD ALSO DRAW ATTENTION HERE TO THE FACTORS MENTIONED IN POINT 17.

CONFIDENTIAL

1.  
/BASIC PRINCIPLES



CONFIDENTIAL

I.

BASIC PRINCIPLES.

3. THERE IS A CONSENSUS THAT, AT THE BEGINNING OF ITS CONCLUSIONS ON CONVERGENCE AND BUDGETARY QUESTIONS, THE EUROPEAN COUNCIL SHOULD REAFFIRM A NUMBER OF BASIC PRINCIPLES.

4. A TEXT, DRAWN UP BY THE PRESIDENCY IN THE LIGHT OF THE COUNCIL'S DISCUSSIONS ON THIS MATTER ON 22 APRIL, IS GIVEN IN ANNEX I.

A TEXT PRESENTED TO THE COUNCIL BY THE FRENCH DELEGATION IS GIVEN IN ANNEX II. ANNEX III CONTAINS A SUMMARY OF THE DISCUSSION ON IT IN THE PERMANENT REPRESENTATIVES COMMITTEE.

II.

BUDGETARY QUESTIONS.

5. THERE ARE THREE MAIN FACTORS IN THE PROBLEM OF THE UNITED KINGDOMS PART IN FINANCING THE COMMUNITY BUDGET: TRADE WITH THE COMMUNITY ACCOUNTS FOR A SMALLER PROPORTION OF THE UNITED KINGDOM'S FOREIGN TRADE THAN IT DOES FOR THE OTHER MEMBER STATES; EAGGF GUARANTEE SECTION EXPENDITURE IN RECENT YEARS HAS INCREASED TO A GREATER EXTENT THAN WAS EXPECTED; AND EXPENDITURE ON OTHER COMMUNITY POLICIES HAS NOT YET RISEN TO A SATISFACTORY LEVEL.

6. THE SIZE OF THE NET BALANCE OF THE UNITED KINGDOM'S PART IN FINANCING THE 1980 BUDGET - TOGETHER WITH THE OTHER MEMBER STATES' - HAS BEEN FORECAST BY THE COMMISSION IN TWO SETS OF FIGURES, BASED ON ALTERNATIVE METHODS OF ALLOCATING MONETARY COMPENSATORY AMOUNTS. SOME DELEGATIONS HAVE DRAWN UP SIMILAR FORECASTS ON THE BASIS OF DIFFERENT PARAMETERS, SUCH AS THE INCLUSION OF CARRY-OVERS FROM 1979 AND DIFFERENT METHODS OF CHARGING ADMINISTRATIVE EXPENDITURE. THESE FORECASTS HAVE BEEN COLLATED IN A SEPARATE NOTE.

7. THE COUNCIL'S DISCUSSIONS ON 21 AND 22 APRIL RESULTED IN A CONSENSUS WHEREBY, IN ORDER TO DEAL WITH THE PROBLEMS POSED BY THE SITUATION OF THE UNITED KINGDOM AND AS PART OF AN OVERALL SOLUTION, TWO SERIES OF MEASURES ARE TO BE CONSIDERED. ADJUSTMENT OF THE FINANCIAL MECHANISM INTRODUCED IN 1976 AND ADOPTION OF ADDITIONAL COMMUNITY MEASURES TO HELP THE UNITED KINGDOM.



## FINANCIAL MECHANISM.

8. FROM THE COUNCIL'S DISCUSSIONS A CONSENSUS HAS EMERGED IN FAVOUR OF DISCONTINUING:

- THE LIMIT ON REPAYMENTS IN THE EVENT OF A POSITIVE BALANCE OF PAYMENTS:
- THE SYSTEM OF REPAYMENT BY TRANCHES:
- THE CEILING OF 3 PER CENT OF THE BUDGET:

SOME DELEGATIONS HOWEVER ARE ASKING FOR THIS CEILING OF 3 PER CENT OF THE BUDGET TO BE REPLACED BY AN ANNUAL CEILING IN ABSOLUTE TERMS.

ACCORDING TO THE COMMISSION'S ESTIMATES BASED ON ITS BUDGET PROPOSALS FOR 1980, THE DISCONTINUATION OF THE THREE LIMITS WHICH IT HAS PROPOSED (POSITIVE BALANCE OF PAYMENTS, REPAYMENT BY TRANCHES, 3 PER CENT CEILING) WOULD MEAN A PAYMENT TO THE UNITED KINGDOM FOR 1980 OF AROUND 600 MEUA GROSS (495 MEUA NET).

## ADDITIONAL COMMUNITY MEASURES.

9. THE COMMUNITY HAS REACHED A CONSENSUS IN FAVOUR OF ADOPTING, IN THE FORM OF A REGULATION BASED ON ARTICLE 235, ADDITIONAL COMMUNITY MEASURES TO HELP THE UNITED KINGDOM. SUCH MEASURES SHOULD BE COMPATIBLE WITH THE OBJECTIVES OF THE COMMUNITY POLICIES FOSTERING THE CONVERGENCE OF ECONOMIES AND BE CONSONANT WITH THE GENERAL INTERESTS OF THE COMMUNITY.

10. THERE IS ALSO A CONSENSUS THAT THE CRITERIA FOR THE ELIGIBILITY OF PROGRAMMES WILL HAVE TO BE SPECIFIED IN THE BASIC REGULATION.

11.1. HOWEVER, THERE IS AS YET NO AGREEMENT ON THE PROCEDURE TO BE FOLLOWED FOR THE IMPLEMENTATION OF THE ADDITIONAL MEASURES. THE EUROPEAN COUNCIL COULD REQUEST THE COMMISSION TO PROPOSE A SUITABLE PROCEDURE IN CONNECTION WITH ITS PROPOSAL FOR THE BASIC REGULATION, WHICH IN ANY EVENT WOULD HAVE TO BE ADOPTED BY THE COUNCIL UNANIMOUSLY.

12. THE COUNCIL DECIDED TO LEAVE THE QUESTION OF THE OVERALL BUDGET FOR SUCH MEASURES TO THE EUROPEAN COUNCIL.



DURATION.

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13. THERE IS A CONSENSUS THAT THE TWO MEASURES ENVISAGED (AMENDED FINANCIAL MECHANISM AND ADDITIONAL COMMUNITY MEASURES) SHOULD LAST FOR THE SAME PERIOD AND THAT THIS PERIOD SHOULD BE LIMITED.

14.1 HOWEVER, IT HAS NOT BEEN POSSIBLE TO REACH AGREEMENT ON THE LENGTH OF THIS PERIOD.

14.2 THE UNITED KINGDOM DELEGATION HAS REQUESTED THAT THE TWO MEASURES SHOULD BE LAID DOWN, WITH A REVIEW CLAUSE, FOR A PERIOD OF AT LEAST SIX YEAR.

14.3. IN THE COMMISSION'S VIEW, THE ADJUSTMENT OF THE FINANCIAL MECHANISM SHOULD APPLY FOR A PERIOD OF THREE TO FOUR YEARS, WITH A REVIEW TAKING PLACE AT A SUFFICIENT INTERVAL BEFORE IT EXPIRY.

14.5 THE PRESIDENCY HAS SUGGESTED THAT THE FORMULA PROPOSED BY THE COMMISSION BE ASSESSED IN THE LIGHT OF THE MEDIUM-TERM TREND TOWARDS DIVERSIFICATION OF COMMUNITY EXPENDITURE, ESPECIALLY THROUGH STRUCTURAL AND INVESTMENT POLICIES. IN THE VIEW OF THE PRESIDENCY, IT IS ONLY IN THE CONTEXT OF SUCH DIVERSIFICATION AND THE ROUNDING, IN THE MEDIUM TERM, OF COMMUNITY POLICIES THAT A LASTING SOLUTION CAN BE FOUND TO THE PROBLEM OF THE UNITED KINGDOM'S SHARE OF THE COMMUNITY BUDGET.

III.

CONVERGENCE

15.1. SOME DELEGATIONS HAVE EXPRESSED THE VIEW THAT THE EUROPEAN COUNCIL SHOULD, IN ACCORDANCE WITH THE CONCLUSIONS OF ITS DEUBLIN MEETING, MAKE KNOWN ITS POSITION ON CERTAIN MEASURES AIMED AT PROMOTING A GREATER CONVERGENCE OF THE ECONOMIC PERFORMANCES OF THE MEMBER STATES: THEY HAVE REFERRED TO THE FOLLOWING COMMISSION PROPOSALS.

15.2. THE COMMISSION HAS INVITED THE EUROPEAN COUNCIL TO ADOPT THE PRINCIPLE THAT THE RATE OF INCREASE IN EXPENDITURE FOR INVESTMENT PURPOSES AND FOR STRUCTURAL MEASURES SHOULD BE APPRECIABLY HIGHER THAN THE RATE OF GROWTH OF THE BUDGET.

15.3 THE COMMISSION HAS ALSO PROPOSED THAT SPECIAL RESOURCES BE CHANNELLED TO THE LESS PROSPEROUS MEMBER STATES BY INCREASED USE OF THE INTEREST REBATE SYSTEM, BY GRANTING EXTRA RESOURCES FOR REGIONAL DEVELOPMENT IN THOSE COUNTRIES AND BY IMPROVING THE OPERATION OF COMMUNITY FUNDS.

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/FINANCIAL CEILING



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IV.

FINANCIAL CEILING

16. THE QUESTION OF THE CEILING OF 1 PER CENT OF VAT HAS BEEN RAISED DURING THIS PREPARATORY DISCUSSION. SOME DELEGATIONS HAVE STATED CATEGORICALLY THAT THERE CAN BE NO QUESTION OF THIS CEILING BEING EXCEEDED. OTHERS HAVE OBSERVED THAT THIS CANNOT BE MADE A PRINCIPLE. THEY REGARD IT AS A LIMIT WHICH WILL CERTAINLY HAVE TO BE OBSERVED IN THE CASE OF THE UNITED KINGDOM'S PROBLEM (SEE THE CONCLUSIONS OF THE EUROPEAN COUNCIL MEETING IN DUBLIN) BUT MUST NOT BE REGARDED AS HARD AND FAST IN THE OVERALL CONTEXT WITH A VIEW TO THE FUTURE DEVELOPMENT OF COMMUNITY POLICIES.

V.

OTHER PROBLEMS

17.1 BEARING IN MIND THE CONCLUSIONS OF THE EUROPEAN COUNCIL IN DUBLIN, IN VIEW ALSO OF THE PRECONDITION INVOLVED FOR ONE DELEGATION AND OF THE FACT THAT- IN THE PRESIDENCY'S OPINION- A NUMBER OF OTHER PROBLEMS MUST BE SETTLED, THERE APPEARS TO BE A NEED FOR A CONSENSUS TO BE REACHED ON THE IMPORTANT MATTERS CURRENTLY UNDER DISCUSSION IN THE AGRICULTURAL SECTOR (PRICES FOR THE NEW MARKETING YEAR, ADJUSTMENT MEASURES, ORGANIZATION OF THE MARKET IN SHEEPMEAT).

17.2 THE AGRICULTURE COUNCIL'S CONTRIBUTION ON THESE MATTERS IS GIVEN IN ANNEX IV.

ONE DELEGATION HAS SAID THAT THIS CONTRIBUTION DOES NOT PROVIDE THE EUROPEAN COUNCIL WITH SUFFICIENTLY PRECISE AND SPECIFIC MATERIAL TO WORK ON FOR ALL THE AGRICULTURAL PROBLEMS IN QUESTION AND HAS REITERATED THE PRECONDITION WHICH IT SET IN THIS CONNECTION.

18. THE PRESIDENCY WOULD ALSO EMPHASIZE THE IMPORTANCE TO SEVERAL DELEGATIONS OF ADOPTING GUIDELINES AND A TIMETABLE FOR THE FISHERIES POLICY AND OF MAKING HEADWAY TOWARDS COMMUNITY SOLUTIONS IN THE FIELD OF ENERGY.

/BASIC PRINCIPLES



CONFIDENTIAL  
BASIC PRINCIPLES

(TEXT DRAWN UP BY THE PRESIDENCY)

THERE IS A CONSENSUS THAT AT THE START OF ITS DISCUSSIONS ON CONVERGENCE AND BUDGETARY QUESTIONS THE EUROPEAN COUNCIL SHOULD REAFFIRM CERTAIN BASIC PRINCIPLES.

THESE PRINCIPLES COULD BE AS FOLLOWS:

1. THE COMMUNITY SHALL HAVE AS ITS TASK, BY ESTABLISHING A COMMON MARKET AND PROGRESSIVELY APPROXIMATING THE ECONOMIC POLICIES OF MEMBER STATES, TO PROMOTE THROUGHOUT THE COMMUNITY A HARMONIOUS DEVELOPMENT OF ECONOMIC ACTIVITIES, A CONTINUOUS AND BALANCED EXPANSION, AN INCREASE IN STABILITY, AN ACCELERATED RAISING OF THE STANDARD OF LIVING AND CLOSER RELATIONS BETWEEN THE STATES BELONGING TO IT.

(TEXT OF ARTICLE 2).

2. THE ACHIEVEMENTS OF THE COMMUNITY ARISING FROM THE IMPLEMENTATION OF THE TREATIES MUST NOT BE WEAKENED OR CALLED INTO QUESTION. THE EUROPEAN COUNCIL HERE REAFFIRMS IN PARTICULAR THE PRINCIPLES GOVERNING THE COMMON AGRICULTURAL POLICY, THE COMMON COMMERCIAL POLICY AND THE SYSTEM OF OWN RESOURCES:

- THE COMMON AGRICULTURAL POLICY IS FUNDAMENTALLY IMPORTANT SINCE ON IT DEPEND THE EVERYDAY LIFE AND THE FUTURE OF A LARGE PART OF THE POPULATION OF THE COMMUNITY. IT MUST FULFIL ALL THE OBJECTIVES SET FOR IT IN ARTICLE 39 OF THE TREATY OF ROME:

- THE COMMON COMMERCIAL POLICY IS THE EXPRESSION OF A COMMUNITY WHICH IS OPEN TO THE OUTSIDE WORLD IN ALL SECTORS AND WHOSE FUNCTION IT IS TO EXPORT. IT IS THE MEMBER STATES' OBJECTIVE TO CONTRIBUTE THROUGH THIS POLICY, THEREBY SERVING THE COMMON INTEREST, TO THE HARMONIOUS DEVELOPMENT OF WORLD COMMERCE, TO THE PROGRESSIVE ABOLITION OF RESTRICTIONS ON INTERNATIONAL TRADE AND TO THE LOWERING OF CUSTOMS BARRIERS:

- OWN RESOURCES ARE INTENDED TO PROVIDE THE FINANCE FOR COMMUNITY POLICIES. THEY ARE THE COMMUNITY'S OWN AND CANNOT BE REGARDED AS CONTRIBUTIONS FROM THE MEMBER STATES.

3. IT IS IN THE NATURE OF THE COMMUNITY TO EVOLVE THE MOVE AHEAD. IT IS THEREFORE NECESSARY TO MAKE USE OF THE POSSIBILITIES WHICH THE TREATIES PROVIDE FOR DEVELOPING COMMON POLICIES IN ORDER TO FACE UP TO THE CHALLENGES OF THE 1980'S AND, BY REDUCING THE DISPARITIES BETWEEN THE ECONOMIES OF THE MEMBER STATES, TO ENCOURAGE HARMONIOUS ECONOMIC GROWTH. THE EUROPEAN COUNCIL IS CONVINCED THAT IN THIS WAY NOT ONLY WILL MEMBER STATES EXPERIENCE NEW FORMS OF MUTUAL SOLIDARITY, BUT EXISTING SOLIDARITY WILL THEREBY BE STRENGTHENED.



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4. WHILE THE MAIN RESPONSIBILITY FOR A GREATER CONVERGENCE OF ECONOMIC PERFORMANCES LIES WITH THE MEMBER STATES, COMMUNITY POLICIES CAN AND MUST PLAY A SUPPORTIVE ROLE IN THE CONTEXT OF INCREASED SOLIDARITY. TO THIS END, A GREATER EFFORT WILL HAVE TO BE MADE TO STRENGTHEN THE ECONOMIC POTENTIAL OF THE LESS PROSPEROUS MEMBER STATES.

5. IN ACCORDANCE WITH THE CONCLUSIONS OF THE PARIS SUMMIT OF 1914, THE COMMUNITY INSTITUTIONS SHOULD SEEK TO AVOID A SITUATION WHEREBY, DURING THE PROCESS OF CONVERGENCE OF THE MEMBER STATES' ECONOMIES, SITUATIONS ARISE WHICH ARE UNACCEPTABLE TO A GIVEN MEMBER STATE AND INCOMPATIBLE WITH THE PROPER FUNCTIONING OF THE COMMUNITY (1).

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(1) SOME DELEGATIONS THINK THIS POINT WOULD BE BETTER PLACED IN THE INTRODUCTION TO PART II OF THE NOTE FROM THE PRESIDENCY.

ANNEX III

SUMMARY OF THE EXCHANGE OF VIEWS HELD BY THE PERMANENT REPRESENTATIVES COMMITTEE ON THE FRENCH DELEGATION'S  
" DRAFT SUMMARY OF CONCLUSIONS "

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1. ON 24 APRIL 1980 THE PERMANENT REPRESENTATIVES COMMITTEE HELD A DETAILED EXCHANGE OF VIEWS ON THE "DRAFT SUMMARY OF CONCLUSIONS OF THE EUROPEAN COUNCIL - GENERAL PRINCIPLES" SUBMITTED BY THE FRENCH DELEGATION AT THE FOREIGN AFFAIRS COUNCIL MEETING ON 22 APRIL.

2. ALL THE DELEGATIONS, TO A VARYING DEGREE, APPRECIATED THE BASIC REASONING WHICH LAID STRESS ON CERTAIN FUNDAMENTAL PRINCIPLES OF THE BUILDING OF THE COMMUNITY.

3. A NUMBER OF COMMENTS WERE MADE ON THE TEXT, THE CHIEF OF WHICH WERE AS FOLLOWS:

4.

(A) CERTAIN POINTS WERE PRESENTED AS FUNDAMENTAL PRINCIPLES WHEREAS THEY WERE IN FACT POLITICAL OPTIONS. FOR EXAMPLE: THE FOOD-EXPORTING FUNCTION, THE CONTINUANCE OF FAMILY-TYPE FARMING, AND THE CEILING OF 1 PER CENT OF VAT:

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/(B) IT



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- (B) IT SHOULD BE REMEMBERED THAT, ALONGSIDE THE IDEA OF COMMUNITY PREFERENCE, THE TREATY ALSO CONTAINED THE PRINCIPLE OF OPENNESS TO THE OUTSIDE (ARTICLE 110), A PRINCIPLE WHICH UNDERLAYS THE POLICIES FOLLOWED, FOR INSTANCE, IN GATT, THE LOME CONVENTION AND IN THE AGREEMENTS WITH THE MEDITERRANEAN COUNTRIES:
- (C) THE REFERENCE TO A MORE EFFECTIVE CURB ON THE FINANCIAL COST OF THE AGRICULTURAL POLICY DID NOT SEEM TO SOME DELEGATIONS TO CARRY MUCH CONVICTION, ESPECIALLY IN VIEW OF THE ECO/FIN COUNCIL'S RESOLUTION OF FEBRUARY 1980, WHICH OUGHT TO BE REAFFIRMED:
- (D) ONE DELEGATION FOUND IT HARD TO AGREE TO AN ACTIVE EXPORT POLICY FOR AGRICULTURAL FOODSTUFFS IF THIS HAD TO BE SUBSIDIZED EITHER THROUGH ITS COST TO THE COMMUNITY BUDGET OR THROUGH ITS EFFECT ON WORLD MARKETS:
- (E) WITH REFERENCE TO PARAGRAPH 2(C), WHERE IT IS STATED THAT NOTHING IN COMMUNITY LAW GAVE GROUNDS FOR ENTERTAINING ANY COMPARISON BETWEEN EXPENDITURE IN EACH MEMBER STATE AND OWN RESOURCES DERIVED FROM IT, THE COMMENT WAS MADE THAT THE CONCEPT OF RELATIVE SHARES DID FEATURE IN THE DECISION OF 21 APRIL 1970 AND THAT THERE WAS PROVISION FOR SUCH A COMPARISON UNDER THE FINANCIAL MECHANISM:
- (F) AS REGARDS PARAGRAPH 4, SOME DELEGATIONS THOUGHT THAT, IN ADDITION TO CO-ORDINATING ECONOMIC AND SOCIAL DEVELOPMENT POLICIES, IT WAS IMPORTANT THAT THE COMMUNITY SHOULD COMMIT ITSELF TO UNDERTAKING FURTHER POLICIES, THIS IN THEIR EYES BEING AN AIM WHICH WAS AS RELEVANT AS OTHER FACTORS TO CONVERGENCE IN THE ECONOMIES OF THE MEMBER STATES.

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MR HANNAY

~~MR ...~~

MR BRIDGES

RESIDENT CLERK

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PLUS FCO

EID(I)

MR WOODENOVICH

CABINET OFFICE

MR M D M FRANKLIN

MR D M ELLIOTT

MR N C R WILLIAMS

MR ARMSTRONG

~~D.O.~~

PLUS OGD

NO. 10 D.S.

MR. ALEXANDER

H.M. TREASURY

SIR K COUZENS

MR ASHFORD

M.A.F.F.

MR B D HAYES

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TO IMMEDIATE FCO

TELEGRAM NUMBER 2111 OF 25 APR

EUROPEAN COUNCIL.

THREE WISE MEN.

1. FOLLOWING IS REVISED TEXT OF THE PRESIDENCY REPORT.

BEGINS:-

REPORT BY THE MINISTERS FOR FOREIGN AFFAIRS

TO THE

EUROPEAN COUNCIL

DRAWN UP BY THE PRESIDENCY

AT ITS MEETING IN DUBLIN ON 29 AND 30 NOVEMBER 1979, THE EUROPEAN COUNCIL ASKED THE MINISTERS FOR FOREIGN AFFAIRS, MEETING IN THE APPROPRIATE FRAMEWORK, TO STUDY THIS REPORT IN PREPARATION FOR ITS EXAMINATION AT THE NEXT MEETING OF THE EUROPEAN COUNCIL.



PREPARATION FOR ITS EXAMINATION AT THE NEXT MEETING OF THE EUROPEAN COUNCIL.

THE MINISTERS FOR FOREIGN AFFAIRS HAVE STUDIED THE REPORT AT TWO MEETINGS, IN VARESE ON 7 FEBRUARY 1980 AND IN BRUSSELS ON 17 MARCH 1980.

IT EMERGED FROM THEIR EXAMINATION THAT WHILE THERE WAS BROAD CONSENSUS ON MANY SUGGESTIONS PUT FORWARD BY THE THREE WISE MEN, OTHERS WOULD STILL REQUIRE CLOSER EXAMINATION. THE MINISTERS FOR FOREIGN AFFAIRS ACCORDINGLY INTEND TO COMPLETE THE STUDY WHICH THEY HAVE BEGUN IN TIME FOR THE EUROPEAN COUNCIL MEETING IN VENICE ON 12 AND 13 JUNE 1980.

HOWEVER, AS A NEW COMMISSION IS TO BE APPOINTED TO TAKE OFFICE ON 5 JANUARY 1981, THE MINISTERS FOR FOREIGN AFFAIRS WOULD SUGGEST THAT, AT ITS MEETING ON 27 AND 28 APRIL 1980, THE EUROPEAN COUNCIL HOLD A PRELIMINARY DISCUSSION ON TWO OF THE SUGGESTIONS IN THE REPORT FROM THE THREE WISE MEN, NAMELY:

- THE PROCEDURE FOR APPOINTING THE PRESIDENT OF THE COMMISSION;
- THE COMPOSITION OF THE COMMISSION.

THE ARGUMENTS TENTATIVELY PUT FORWARD ON THESE TWO POINTS ARE GIVEN IN THE ANNEX.

THE PRESIDENT OF THE COUNCIL ALSO DREW THE COUNCIL'S ATTENTION TO THE RESOLUTION ADOPTED BY THE EUROPEAN PARLIAMENT AT ITS SITTING ON 17 APRIL 1980 ON THE BASIS OF THE REPORT BY MR REY, AND CONCERNING THE "RELATIONS BETWEEN THE EUROPEAN PARLIAMENT AND THE COMMISSION OF THE COMMUNITY WITH A VIEW TO THE FORTHCOMING APPOINTMENT OF A NEW COMMISSION" (6426/80 ASSRE 93).

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IN THE PRESIDENCY'S OPINION, THE GOVERNMENTS OF THE MEMBER STATES AND THE COUNCIL OF THE EUROPEAN COMMUNITIES COULD BE CALLED UPON TO EXERCISE THEIR RESPECTIVE POWERS ON THESE TWO POINTS IN THE LIGHT OF WHATEVER CONCLUSIONS ARE REACHED BY THE EUROPEAN COUNCIL.

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ANNEX

SUMMARY OF THE DISCUSSIONS OF THE MINISTERS



SUMMARY OF THE DISCUSSIONS OF THE MINISTERS  
FOR FOREIGN AFFAIRS ON THE:

- APPOINTMENT OF THE PRESIDENT OF THE COMMISSION
- COMPOSITION OF THE COMMISSION.

A. APPOINTMENT OF THE PRESIDENT OF THE COMMISSION.

THE REPORT FROM THE THREE WISE MEN SUGGESTS THAT THE PRESIDENT OF THE COMMISSION BE PERSONALLY SELECTED BY THE EUROPEAN COUNCIL AT LEAST SIX MONTHS BEFORE THE OTHER MEMBERS OF THE COMMISSION.

THE GENERAL VIEW EMERGING FROM THE DISCUSSIONS OF THE MINISTERS FOR FOREIGN AFFAIRS ON THIS POINT WAS THAT THE PRESIDENT OF THE COMMISSION SHOULD BE APPOINTED A SUFFICIENTLY LONG TIME BEFORE TAKING UP HIS DUTIES AND PRIOR TO THE START OF THE PROCESS OF APPOINTING THE OTHER MEMBERS OF THE COMMISSION.

CERTAIN DELEGATIONS AND THE COMMISSION STATED THAT THEY COULD ENVISAGE INFORMAL CONSULTATION OF THE EUROPEAN PARLIAMENT IN AN APPROPRIATE FORM AS PART OF THE PROCESS FOR APPOINTING MEMBERS OF THE COMMISSION, INCLUDING THE PRESIDENT OF THE COMMISSION.

OTHER DELEGATIONS RAISED OBJECTIONS TO THIS POSSIBILITY.

B. COMPOSITION OF THE COMMISSION.

IN VIEW OF THE PROSPECTIVE ENLARGEMENTS OF THE COMMUNITY, THE REPORT FROM THE THREE WISE MEN SUGGESTS THAT THE NUMBER OF MEMBERS OF THE COMMISSION BE REDUCED TO ONE PER MEMBER STATE, CHIEFLY FOR THE SAKE OF EFFICIENCY.

THE DISCUSSIONS OF THE MINISTERS FOR FOREIGN AFFAIRS ON THIS POINT HAVE REVEALED THREE POSSIBILITIES SO FAR:

1. A REDUCTION IN THE NUMBER OF COMMISSIONERS TO ONE PER MEMBER STATE, AS SUGGESTED IN THE REPORT FROM THE THREE WISE MEN. BOTH THEY AND THE REPRESENTATIVES WHO WERE IN FAVOUR OF SUCH A REDUCTION ADVANCED AS THEIR PRIME REASON THE DESIRE FOR EFFICIENCY AND THE DIFFICULTY OF ACHIEVING A BALANCED ALLOCATION OF TASKS AMONG TOO LARGE A NUMBER OF COMMISSIONERS.



LARGE A NUMBER OF COMMISSIONERS.

THE REPRESENTATIVES WHO SAID THEY COULD AGREE TO A REDUCTION IN THE NUMBER OF MEMBERS OF THE COMMISSION THOUGHT THAT, IF THE NUMBER OF THE COMMISSIONERS WAS REDUCED, THIS SHOULD NOT INVOLVE ANY LOSS OF POWERS FOR EACH OF THEM INDIVIDUALLY NOR ANY COMPENSATION IN THE DISTRIBUTION OF PORTFOLIOS AMONG THE MEMBERS OF THE COMMISSION OVERALL.

2. MAINTENANCE OF THE PRINCIPLE ON WHICH THE NUMBER OF MEMBERS OF THE COMMISSION IS CURRENTLY DETERMINED

IN THE VIEW OF THOSE REPRESENTATIVES SUPPORTING THIS OPTION, MAINTAINING THIS PRINCIPLE WOULD MAKE IT POSSIBLE:

- TO PRESERVE THE PRESENT BALANCE IN THE COMPOSITION OF THE COMMISSION AND THE POLITICAL SIGNIFICANCE THEREOF:
- TO AVOID THE COMMISSION BECOMING LIKE AN INTERGOVERNMENTAL BODY:
- TO ENSURE A MORE BALANCED REPRESENTATION OF THE MAJOR EUROPEAN POLITICAL GROUPINGS WITHIN THE COMMISSION.

ALTHOUGH THEY SHARED THE WISH EXPRESSED BY OTHERS TO SEE GREATER EFFICACY ON THE PART OF THE COMMISSION THESE REPRESENTATIVES SAID THAT THE OBJECTIVE SOUGHT BY THE THREE WISE MEN - OPTIMUM OPERATION OF THE COMMISSION - COULD POSSIBLY BE ACHIEVED OTHERWISE THAN BY REDUCING THE NUMBER OF COMMISSIONERS TO ONE PER MEMBER STATE, FOR EXAMPLE BY MEANS OF AN EFFORT BY THE COMMISSION TO REDEFINE THE PORTFOLIOS IT ASSIGNED TO EACH OF ITS MEMBERS.

3. THE THIRD POSSIBILITY WOULD INVOLVE PROVISIONALLY MAINTAINING THE PRINCIPLE OF ALLOCATION CURRENTLY IN FORCE ON THE UNDERSTANDING THAT A REDUCTION WOULD BE MADE AT THE TIME OF THE NEXT ACCESSION TO THE EUROPEAN COMMUNITIES AFTER THAT OF GREECE.

IT WAS POINTED OUT IN SUPPORT OF SUCH A TRANSITIONAL SOLUTION:

- THAT IT WOULD BE DIFFICULT BETWEEN NOW AND THE END OF 1980 TO ACHIEVE ANY REDUCTION IN THE NUMBER OF COMMISSIONERS:
- THAT OTHER MEANS DESIGNED TO COMPLEMENT A REDUCTION IN THE



- THAT OTHER MEANS DESIGNED TO COMPLEMENT A REDUCTION IN THE NUMBER OF COMMISSIONERS IN ORDER TO ACHIEVE THE DESIRED LEVEL OF EFFICIENCY COULD BE STUDIED IN THE MEANTIME.

IN OPPOSITION TO THIS SOLUTION, IT WAS POINTED OUT THAT ANY REDUCTION IN THE NUMBER OF COMMISSIONERS AT THE TIME OF THE NEXT ACCESSION TO THE EUROPEAN COMMUNITIES AFTER THAT OF GREECE MIGHT FALL IN 1983, I.E. DURING THE NEXT COMMISSION'S TERM. THIS WOULD ENTAIL NOT INCONSIDERABLE DIFFICULTIES FOR THE FUNCTIONING OF THE NEW COMMISSION.

ENDS.

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FCO	GOODENOUGH, PS/SCFS, PS/PUS, PS/LPS, BRIDGES, HANNAY
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HD/....  
HD/....

IMMEDIATE

CABINET OFFICE

MR M D M FRANKLIN  
MR R D M ELLIOTT  
MR H.C.A. WILLIAMS

A. Alexander

D.O.T.

PLUS OGDS

D/EN  
D-JWEJ  
D-Brown

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A.S. Mitchell  
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MR B D HAYES

NO 10

A. Alexander

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DESKBY 251630Z

FM UKREP BRUSSELS 251450Z APR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 2118 OF 25 APRIL

INFO PRIORITY COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN

LUXEMBOURG

INFO SAVING BRUSSELS

MIFT: EUROPEAN COUNCIL DRAFT CONCLUSIONS.

1. FOLLOWING IS REVISED TEXT ON ENERGY.

1. THE EUROPEAN COUNCIL NOTES THAT THE PROGRESSIVE DETERIORATION ON THE OIL MARKET, THE UNCERTAINTY OF SUPPLIES AND THE HIGH PRICES OF CRUDE OIL ARE CAUSING INCREASING DIFFICULTIES FOR THE OIL-CONSUMING COUNTRIES' ECONOMIES. IN PARTICULAR, IT OBSERVES THAT THE OIL BILL HAS NOW BECOME - AND MAY BECOME EVEN MORE SO IN THE YEARS AHEAD - AN EXCESSIVE BURDEN ON MOST MEMBER STATE'S BALANCE OF PAYMENTS, FUELLING INFLATIONARY PROCESSES, REDUCING THE RESOURCES AVAILABLE FOR PRODUCTIVE INVESTMENT AND PRODUCING ADVERSE EFFECTS ON EMPLOYMENT; IN A WORK, EXTENSIVE SOCIO-ECONOMIC IMBALANCES.



FOR PRODUCTIVE INVESTMENT AND PRODUCING ADVERSE EFFECTS ON EMPLOYMENT: IN A WORK, EXTENSIVE SOCIO-ECONOMIC IMBALANCES.

2. GIVEN THIS STATE OF AFFAIRS IT IS POSSIBLE, IN THE SHORT TERM, TO ADOPT A POLICY BASED PRIMARILY ON ENERGY SAVING AND REDUCED OIL CONSUMPTION, ALONG THE LINES ALREADY FOLLOWED BY THE COMMUNITY, INTER ALIA BY SETTING CRUDE-OIL IMPORT TARGETS FOR 1980-1985.

THE COMMUNITY AND THE MEMBER STATES WILL PRESS AHEAD WITH THE ACTION TAKEN TO REDUCE THE EUROPEAN ECONOMIC COMMUNITY'S DEPENDENCE ON OIL IMPORTS, MAKING THE MOST OF THE COMMUNITY'S OWN ENERGY RESOURCES AND TAKING FURTHER STEPS TO DEVELOP A CO-ORDINATED POLICY ON ENERGY-SAVING AND CONSERVATION.

THE EUROPEAN COUNCIL HAS NOTED WITH SATISFACTION THE HYDROCARBON-PRODUCING MEMBER STATES' CONFIRMATION OF THE UNDER-TAKINGS GIVEN UNDER THE SUPPLY ARRANGEMENTS MADE BY THE COMMUNITY FOR THE EVENTUALITY OF A CRISIS.

3. IN THE LONGER TERM, HOWEVER, THE COUNCIL CONSIDERS IT ESSENTIAL TO PURSUE A COMMUNITY POLICY OF STRUCTURAL CHANGES DIRECTED TOWARDS GREATER USE OF ALTERNATIVE SOURCES OF ENERGY. THE SETTING OF TARGETS FOR 1990 IS EXTREMELY IMPORTANT IN THIS CONNECTION, PRECISELY BECAUSE THERE IS THEN THE TIME-SPAN NECESSARY FOR THE IMPLEMENTATION OF STRUCTURAL REFORMS IN LINE WITH A COHERENT COMMUNITY POLICY.

WITH THIS AIM IN VIEW, THE COMMUNITY AND THE MEMBER STATES WILL ENDEAVOUR TO ACHIEVE, DURING THE 1980S, THE OBJECTIVE OF REPLACING OIL TO A SUBSTANTIAL EXTENT BY ALTERNATIVE SOURCES OF ENERGY.

4. THE ENERGY COUNCIL WILL FORMULATE THE POLICY OF SUBSTITUTION FOR THE COMMUNITY AS A WHOLE, ALONG THE FOLLOWING LINES:

(A) THE REPLACEMENT OF OIL BY ALTERNATIVE SOURCES SHOULD OVER THE DECADE BRING ABOUT A GRADUAL REDUCTION IN THE PROPORTION OF THE COMMUNITY'S ENERGY BALANCE REPRESENTED BY OIL:

(B) WITH REGARD TO TOTAL ENERGY CONSUMPTION, THE RELATIONSHIP BETWEEN THE RATE OF INCREASE IN CONSUMPTION OF PRIMARY FORMS OF ENERGY AND THE GROWTH RATE OF THE MEMBER STATES' ECONOMIES AS A WHOLE (IN GDP TERMS) SHOULD, ALSO OVER THE DECADE, GRADUALLY DECREASE AT A RATE AGREED UPON ON A COMMUNITY BASIS:

(C) THE MAIN THRUST OF THE EFFORT TO REPLACE OIL BY ALTERNATIVE



(C) THE MAIN THRUST OF THE EFFORT TO REPLACE OIL BY ALTERNATIVE ENERGY SOURCES MAY BE REALISED, OVER THE DECADE IN ELECTRICITY GENERATION, WHERE THE USE OF OIL SHOULD BE SUBSTANTIALLY CUT FROM ITS PRESENT LEVEL BY USING SOLID FUELS AND NUCLEAR ENERGY AS WELL AS HYDROELECTRIC SOURCES:

(D) RESULTS MAY ALSO BE ACHIEVED IN INDUSTRY, IN THE HOME AND IN TRANSPORT.

THE MEMBER STATES WILL AGREE ON A MORE HOMOGENEOUS POLICY FOR THE REPLACEMENT OF OIL AND THE USE OF ALTERNATIVE SOURCES OF ENERGY.

5. THE EUROPEAN COUNCIL HAS CONSIDERED WITH INTEREST THE STEPS PROPOSED BY THE COMMISSION TO BRING ABOUT GRADUAL HARMONIZATION OF ENERGY PRICES AND TAXES IN THE MEMBER STATES AND TO STIMULATE WITHIN THE COMMUNITY INVESTMENT TO PROMOTE ENERGY SAVING, THE USE OF ALTERNATIVES TO OIL FOR ENERGY AND THE DEVELOPMENT OF RENEWABLE SOURCES OF ENERGY. IT WOULD ASK THE COMMISSION TO GIVE FURTHER STUDY TO SUCH STEPS WITH PARTICULAR REFERENCE TO THE FINANCIAL ARRANGEMENTS REQUIRED TO CARRY OUT COMMON ENERGY POLICY.

6. THE COUNCIL TAKES NOTE OF THE COMPLETION OF THE INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION PROGRAMME (INFCE) IN VIENNA AT THE PLENARY CONFERENCE FROM 25 TO 27 FEBRUARY 1980.

IT REITERATES THE VIEW THAT THE INFCE FULFILLED ITS PURPOSE, NAMELY, WITH THE PROSPECT OF NUCLEAR ENERGY PLAYING A LARGER PART IN FUTURE IN ORDER TO COPE WITH THE WORLD'S INCREASING ENERGY REQUIREMENTS, TO IDENTIFY MEANS OF INCREASING SECURITY OF SUPPLIES BY FISSILE MATERIALS WHILE AT THE SAME TIME MINIMISING THE RISK OF NUCLEAR ARMS PROLIFERATION.

IN THIS CONNECTION THE COUNCIL NOTES THAT THE VALIDITY OF USING FAST REACTORS IN FUTURE HAS BEEN CONFIRMED AND WOULD LIKE TO SEE SUCH REACTORS DEVELOPED SO AS TO MAKE MORE RATIONAL USE OF EXISTING URANIUM RESOURCES.

THE COUNCIL OBSERVES THAT PARTICULAR IMPORTANCE MUST BE ATTACHED TO THE RECOGNITION - MADE POSSIBLE BY THE INFCE - OF THE SPECIAL REQUIREMENTS OF DEVELOPING COUNTRIES IN THE NUCLEAR FIELD, AND THE IDENTIFICATION OF STEPS WHICH COULD BE TAKEN TO COPE WITH THEM.

7. THE COUNCIL REITERATES THE IMPORTANCE OF INTERNATIONAL CO-OPERATION ON ENERGY MATTERS. IT IS ONLY BY MEANS OF EFFECTIVE



7. THE COUNCIL REITERATES THE IMPORTANCE OF INTERNATIONAL CO-OPERATION ON ENERGY MATTERS. IT IS ONLY BY MEANS OF EFFECTIVE ECONOMIC AND TECHNICAL AGREEMENTS BETWEEN THE INDUSTRIALIZED CONSUMER COUNTRIES, THE EMERGING COUNTRIES AND THE PRODUCING COUNTRIES THAT THE NECESSARY BALANCE OF SUPPLY AND DEMAND CAN BE ACHIEVED IN A SITUATION OF PRICES AND COSTS WHICH IS NOT LIABLE TO HAVE ADVERSE EFFECTS ON COUNTRIES' PROCESSES OF DEVELOPMENT.

THE COMMUNITY IS THEREFORE OPEN TO ANY CONSTRUCTIVE DIALOGUE WITH THE PETROCEUM-PRODUCING COUNTRIES. IT IS ALSO FULLY AWARE OF THE NEED TO PLAY AN INCREASING PART IN SOLVING THE PROBLEMS CONNECTED WITH THE DEVELOPING COUNTRIES' ENERGY SHORTAGES.

THE EUROPEAN COUNCIL POINTS OUT HERE THE POTENTIAL IMPORTANCE OF THE UNITED NATIONS CONFERENCE ON NEW AND RENEWABLE SOURCES OF ENERGY, TO TAKE PLACE IN NAIROBI IN AUGUST 1981, AS WELL AS THAT OF THE SPECIAL SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY, AND ANY OTHER INTERNATIONAL FORUM DEDICATED TO PROVIDING THE INSTRUMENTS AND KNOW-HOW NEEDED TO ENSURE, BY MEANS OF TECHNICAL PROGRESS, ADEQUATE ENERGY RESOURCES FOR THE WORLD IN FUTURE.

FCO ADVANCE TO:

FCO -- PS/SOFS PS/LPS PS/PUS BRIDGES HANNAY SPRECKLEY FITZHERBERT  
FALL

CAB -- FRANKLIN WILLIAMS ARMSTRONG

D/EN -- JONES BROWN

NO 10. -- ALEXANDER

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DESKBY 251600Z

FM UKREP BRUSSELS 251448Z APR 1980

TO IMMEDIATE FCO

TELEGRAM NUMBER 2109 OF 25 PARIL

INFO PRIORITY COPENHAGEN THE HAGUE ROME LUXEMBOURG DUBLIN

PAJUS BONN

INFO SAVING BRUSSELS

MIPT : EUROPEAN COUNCIL DRAFT CONCLUSIONS

1. FOLLOWING IS TEXT ON NORTH/SOUTH:

THE EUROPEAN COUNCIL TOOK NOTE OF THE BRANDT COMMISSION'S REPORT ON RELATIONSHIPS BETWEEN THE INDUSTRIALIZED AND DEVELOPING COUNTRIES AND EXPRESSED ITS APPRECIATION OF THE DETAILED AND RELEVANT CONTRIBUTION WHICH IT HAD MADE, IN TERMS OF BOTH ANALYSIS AND PROPOSALS, ON ONE OF THE MOST WORRYING AND VITAL ASPECTS OF INTERNATIONAL ECONOMIC RELATIONS AND THE BALANCE OF PEACE AND SECURITY IN THE WORLD.

THE EUROPEAN COUNCIL TOOK THE OPPORTUNITY OF UNDERLINING THE FACT THAT THE POSITION WORKED OUT BY THE EUROPEAN COMMUNITY AT THE PREPARATORY PHASE OF THE OVERALL NEGOTIATIONS WITHIN THE UN WAS VERY MUCH IN LINE WITH SOME OF THE PROPOSALS CONTAINED IN THE BRANDT REPORT AND VOICED ITS SATISFACTION AT THE COMMUNITY'S POSITIVE CONTRIBUTION AT THE FIRST SESSION OF THE COMMITTEE OF THE WHOLE, HELD IN NEW YORK FROM 31 MARCH TO 12 APRIL, IN A FRUITFUL DIALOGUE WITH THE THIRD WORLD COUNTRIES.

FCO ADVANCE:

FCO - PS/SOFS, PS/LPS, PS/PUS, BRIDGES HANNAY SPRECKLEY GOODENOUGH

CAB - ARMSTRONG FRANKLIN WILLIAMS

TSY - COUZENS

NO 10- ALEXANDER

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DESKBY 251600Z

FM UKREP BRUSSELS 251446Z APRIL 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 2108 OF 25 APR

INFO PRIORITY COPENHAGEN, THE HAGUE, ROME, LUXEMBOURG,  
DUBLIN, PARIS, BONN.

INFO SAVING BRUSSELS.

MIPT: EUROPEAN COUNCIL DRAFT CONCLUSIONS.

1. FOLLOWING IS TEXT ON THREE WISE MEN:

BEGINS:-

THE EUROPEAN COUNCIL TOOK NOTE OF THE WORK DONE TO DATE BY THE MINISTRIES OF FOREIGN AFFAIRS CONCERNING THE REPORT ON THE ADJUSTMENTS TO THE MACHINERY AND PROCEDURES OF THE COMMUNITY'S INSTITUTIONS PREPARED BY THE COMMITTEE OF THREE PURSUANT TO THE MANDATE HANDED DOWN BY THE EUROPEAN COUNCIL HELD IN BRUSSELS IN DECEMBER 1979.

THE EUROPEAN COUNCIL DWELT PARTICULARLY ON THE PROPOSALS PUT FORWARD BY THE THREE WISE MEN CONCERNING THE COMPOSITION OF THE COMMISSION AND THE PROCEDURE FOR CHOOSING ITS PRESIDENT.

THE EUROPEAN COUNCIL CONSIDERED VALID THE CRITERION FOLLOWED TO DATE FOR DETERMINING THE NUMBER OF MEMBERS OF THE COMMISSION: WELL AWARE OF THE IMPLICATIONS OF THE ENLARGEMENT OF THE COMMUNITY FOR THE STRUCTURE OF THE COMMISSION ITSELF IT ASKED THE COMMISSION TO CONTINUE TO EXAMINE WHICH MEANS WOULD BE THE MOST SUITABLE FOR ENSURING, BOTH NOW AND IN THE FUTURE, THAT ITS WORK COULD BE CARRIED OUT WITH ALL DUE EFFICIENCY AND PRACTICALITY.

THE EUROPEAN COUNCIL AGREED THAT THE CHOICE OF THE PRESIDENT OF THE COMMISSION SHOULD CONTINUE TO BE THE RESPONSIBILITY OF THE EUROPEAN COUNCIL AND BE MADE AT LEAST SIX MONTHS BEFORE HIS TERM OF OFFICE BEGINS.

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THE EUROPEAN COUNCIL INVITED THE MINISTERS FOR FOREIGN AFFAIRS TO CONCLUDE EXAMINATION OF THE REPORT FROM THE COMMITTEE OF THREE IN GOOD TIME FOR THE NEXT MEETING OF THE EUROPEAN COUNCIL.

ENDS.

2. A REVISED VERSION OF THE PRESIDENCY REPORT TO THE EUROPEAN COUNCIL IS BEING TELEGRAPHED SEPARATELY.

FCO PASS ADVANCE COPIES TO:-

FCO	PS/SOFS, PS/LPS, PS/PUS, BRIDGES, HANNAY, SPRECKLEY GOODENOUGH
CAB	ARMSTRONG, FRANKLIN, WILLIAMS
TSY	COUZENS
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FM UKREP BRUSSELS 251444Z APR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 2107 OF 25 APRIL

INFO PRIORITY COPENHAGEN THE HAGUE ROME LUXEMBOURG DUBLIN PARIS BONN

INFO SAVING BRUSSELS

MIPT : EUROPEAN COUNCIL DRAFT CONCLUSIONS

## 1. FOLLOWING IS TEXT ON EMF:

THE EUROPEAN COUNCIL EXAMINED DEVELOPMENTS ON THE EXCHANGE MARKET IN THE FIRST YEAR OF OPERATION OF THE EMS AND NOTED WITH SATISFACTION THAT THE SYSTEM WAS HOLDING UP WELL. IT NOTED THAT DESPITE SEVERE ECONOMIC AND MONETARY DISRUPTION RESULTING IN A GENERAL RISE IN INTEREST RATES, AN INCREASE IN THE AVERAGE RATE OF INFLATION IN THE COMMUNITY AND IN THE DIFFERENCES BETWEEN THE INFLATION RATES OF INDIVIDUAL MEMBER STATES, ACCOMPANIED BY RENEWED IMBALANCES IN THE INTERNATIONAL PAYMENTS SITUATION, THE CURRENCIES PARTICIPATING IN THE SYSTEM HAD EXHIBITED A DEGREE OF COHESION WHICH HAD NOT BEEN SEEN SINCE 1972.

AT THE SAME TIME, THE EUROPEAN COUNCIL FOUND WANTING THE RESULTS ACHIEVED THUS FAR IN THE COMMUNITY'S EFFORTS TO REDUCE ECONOMIC DISPARITIES AND STRENGTHEN THE WEAKER ECONOMIES, WHICH WAS AN ESSENTIAL PREREQUISITE FOR THE SURVIVAL AND DEVELOPMENT OF THE EUROPEAN MONETARY SYSTEM.

THE EUROPEAN COUNCIL TOOK NOTE OF THE PROGRESS OF THE STUDIES CONCERNING TRANSITION TO THE SECOND STAGE OF THE SYSTEM AND INVITED THE COMMISSION, THE MONETARY COMMITTEE AND THE COMMITTEE OF GOVERNORS TO CONTINUE THEIR WORK TO A SPECIFIC TIMETABLE FOR TRANSITION TO THE INSTITUTIONAL STAGE THROUGH THE CREATION OF THE EUROPEAN MONETARY FUND.

THE EUROPEAN COUNCIL AGREED THAT THE EUROPEAN MONETARY FUND WHICH WAS BEING SET UP SHOULD HAVE POWERS TO FACILITATE GREATER CONVERGENCE OF THE ECONOMIC AND MONETARY POLICIES OF THE MEMBER STATES AND TO ADMINISTER A COMMON POLICY VIS-A-VIS THIRD CURRENCIES.

IN PARTICULAR, THE STRUCTURE OF THE CREDIT MECHANISM MUST FULFIL THE CRITERIA LAID DOWN IN THE RESOLUTIONS OF THE EUROPEAN COUNCIL IN BREMEN AND BRUSSELS 1978 AND THUS MAKE IT POSSIBLE, THROUGH THE EUROPEAN MONETARY FUND, TO CREATE EUAS AGAINST APPROPRIATIONS AS WELL AS AGAINST CASH CONTRIBUTIONS.

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THE EUROPEAN COUNCIL DEVOTED PARTICULAR ATTENTION TO THE ROLE TO BE PLAYED BY THE EUA, THE STRENGTHENING OF WHICH WOULD CONSTITUTE THE VIAL FACTOR FOR TRANSITION TO THE INSTITUTIONAL STAGE OF THE EMS. THE EUROPEAN COUNCIL THEREFORE INVITED THE COMMISSION, THE MONETARY COMMITTEE AND THE COMMITTEE OF GOVERNORS TO CONDUCT FURTHER STUDIES IN THIS AREA AND POINTED OUT THAT IT WAS NECESSARY FOR THE EUA TO BE ABLE EFFECTIVELY TO PLAY THE ROLE OF A CASH INSTRUMENT AND MEANS OF PAYMENT AND THAT, IN CONSEQUENCE, ITS CONVERTIBILITY AND PERFORMANCE CHARACTERISTICS SHOULD BE STRENGTHENED. AGREEMENT WOULD ALSO HAVE TO BE REACHED IN GOOD TIME ON THE WEIGHTS OF THE SINGLE EUROPEAN CURRENCIES IN THE EUA AND ON ANY OTHER RELATED PROBLEM.

LASTLY, THE EUROPEAN COUNCIL ASKED THE COMMISSION TO SUBMIT FOR ITS NEXT MEETING A PROPOSAL FOR A TIMETABLE FOR THE PERFORMANCE OF THESE TASKS AND A FURTHER PROGRESS REPORT.

FCO ADVANCE TO:

FCO - PS/SOFS, PS/LPS, PS/PUS, BRIDGES HANNAY SPRECKLEY GOODENOUGH  
CAB - ARMSTRONG FRANKLIN WILLIAMS  
TSY - COUZENS  
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FM UKREP BRUSSELS 251442Z APRIL 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 2106 OF 25 APR

INFO PRIORITY COPENHAGEN, THE HAGUE, ROME, LUXEMBOURG, DUBLIN,  
PARIS, BONN.

*INFO. SAVING BRUSSELS*

MIPT: EUROPEAN COUNCIL DRAFT.

CONCLUSIONS.

1. FOLLOWING IS TEXT ON ECONOMIC AND SOCIAL SITUATIONS.

BEGINS:-

PROSPECTS FOR THE COMMUNITY ECONOMY.

THE EUROPEAN COUNCIL CONSIDERED THE DEVELOPMENT OF THE COMMUNITY ECONOMY AND DISCUSSED ITS PROSPECTS FOR 1980, PAYING PARTICULAR ATTENTION TO THE IMPACT WHICH THE DESTABILIZING EFFECTS OF THE SHARP INCREASE IN OIL COSTS WOULD CONTINUE TO HAVE ON GROWTH AND EMPLOYMENT, ON INFLATION AND TRENDS IN THE BALANCE OF PAYMENTS.

THE STRUGGLE AGAINST INFLATION CONTINUES TO BE A MATTER OF ABSOLUTE PRIORITY AND MONETARY, BUDGET AND INCOMES POLICIES WILL HAVE TO BE MOBILIZED TO ASSIST IN THIS STRUGGLE.

ACTION WILL ALSO HAVE TO BE TAKEN TO ENSURE THAT THE GROWTH RATE REMAINS AS HIGH AS POSSIBLE WHILE STILL BEING COMPATIBLE WITH THE ACHIEVEMENT OF THE FUNDAMENTAL OBJECTIVE STATED, WITH A VIEW TO ALLOWING THE INVESTMENT NECESSARY FOR THE PROCESS OF ADJUSTMENT AND RESTRUCTURING OF THE PRODUCTIVE APPARATUS. TO THIS END, THE EUROPEAN COUNCIL INVITED THE COMMUNITY INSTITUTIONS AND THE GOVERNMENTS OF THE MEMBER STATES TO KEEP A CLOSE WATCH ON DEVELOPMENTS IN THE ECONOMIC SITUATION, TO AVOID IT CULMINATING IN A BROAD RECESSION.

ALTHOUGH IT AGREED THAT CURRENT INFLATION LEVELS DID NOT YET PERMIT OF AN EASING OF THE INTEREST RATES, THE EUROPEAN COUNCIL ASKED THE COUNCIL (ECONOMIC AND FINANCIAL QUESTIONS) AND THE COMMITTEE OF GOVERNORS TO MAINTAIN CLOSE CO-ORDINATION OF THE RELEVANT POLICIES, WITH A VIEW TO DETERMINING THE MOMENT WHEN THE REDUCTION OF INFLATION AND INFLATIONARY PROSPECTS MIGHT ALLOW A DIFFERENT APPROACH TO MONETARY POLICIES.

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THE EUROPEAN COUNCIL ALSO EXAMINED ECONOMIC PROSPECTS AND INTERVENTION POLICIES OVER A LONGER TIME-SCALE, ATTACHING SPECIAL SIGNIFICANCE TO THE ENERGY POLICY AND TO THE NEED TO FACILITATE RECYCLING OF THE FINANCIAL SURPLUSES OF THE OIL PRODUCING COUNTRIES, AS ALSO TO THE CREATION OF THE FUNDAMENTAL CONDITIONS WHICH WOULD ALLOW THE PRODUCTION APPARATUS TO REGAIN SUFFICIENT ELASTICITY TO ADAPT TO THE NEW FORMS OF DEMAND SHOWN BY THE INTERNATIONAL MARKET AND THUS TO RELAUNCH GROWTH AND EMPLOYMENT IN A CONTEXT OF STABILITY.

EMPLOYMENT PROBLEM.

THE EUROPEAN COUNCIL RECOGNIZED THAT THE LIMITED GROWTH PROSPECTS FOR THE CURRENT YEAR DID NOT SUGGEST THAT THE RISE IN EMPLOYMENT THAT HAD OCCURRED IN 1979 - THE HIGHEST SINCE 1973 - COULD BE MAINTAINED. IT AGREED THAT THE EFFORTS CURRENTLY BEING MADE AT NATIONAL AND COMMUNITY LEVEL TO COMBAT UNEMPLOYMENT - BOTH IN THE SHORT TERM AND ON THE STRUCTURAL LEVEL - MUST BE INTENSIFIED AND BETTER CO-ORDINATED. IN THIS CONNECTION EMPHASIS WAS LAID ON THE NEED FOR THE COMMUNITY TO BE EQUIPPED WITH POWERS AND MEANS OF ACTION SUITABLE FOR A CONSISTENT ECONOMIC AND SOCIAL POLICY DIRECTED FIRST OF ALL AT LIMITING UNEMPLOYMENT AND SUB-SEQUENTLY AT PROVIDING FULL AND BETTER EMPLOYMENT.

THE EUROPEAN COUNCIL THUS REAFFIRMED THE REQUEST ADDRESSED TO THE COMMISSION ON THE OCCASION OF THE PRECEDING COUNCIL IN DUBLIN THAT IT SUBMIT PROPOSALS FOR MEASURES THAT WOULD HAVE A DIRECT EFFECT ON THE LABOUR MARKET AND PROMOTE MORE INCISIVE COMMUNITY ACTION TO COPE WITH THE PROBLEM OF UNEMPLOYMENT.

FCO PASS ADVANCE COPIES TO:-

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GOODENOUGH  
CAB ARMSTRONG, FRANKLIN, WILLIAMS  
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NO.10 ALEXANDER

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HD/NEWS  
HD/FRD  
HD/AID (5)  
~~HD/...~~  
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**IMMEDIATE**

CABINET OFFICE

M D M FRANKLIN  
MR D B ELLIOTT  
MR N C R. J. H. J. H. S.  
AL. ARMSTRONG

~~...~~

No. 10 D.S.

MR ALEXANDER

H.M. TREASURY

SIR K. COUZENS  
MR ASHFORD

MS. MICHELL  
MR A. TURNBULL

M.A.F.F.

MR B D HAYES

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DESKBY 251600Z

FM UKREP BRUSSELS 251440Z APR 80

TO IMMEDIATE ECO

TELEGRAM NUMBER 2185 OF 25 APRIL

INFO PRIORITY COPENHAGEN THE HAGUE ROME LUXEMBOURG DUBLIN PARIS  
BONN

INFO SAVING BRUSSELS

MY TELNO 2684: EUROPEAN COUNCIL

1. MY 4 IFTS CONTAINS PRESIDENCY DRAFT CONCLUSIONS ON

- (A) ECONOMIC AND SOCIAL SITUATION
- (B) EMF
- (C) THREE WISE MEN
- (D) NORTH/SOUTH (BRANDT REPORT)
- (E) ENERGY (REVISED VERSION)

THE DRAFT NOTE ON CONVERGENCE AND ANNEXES IS STILL IN PREPARATION AND UNLIKELY TO BE RELEASED BEFORE TONIGHT. THERE WILL BE NO PRESIDENCY TEXT ON MARINE POLLUTION. THE DUTCH HAVE HINTED THAT IF THE FRENCH TRY TO GET IT MENTIONED IN THE COMMUNIQUE, THEY (THE DUTCH) WILL INSIST ON MENTIONING RHINE POLLUTION AS WELL



IF THE FRENCH TRY TO GET IT MENTIONED IN THE COMMUNIQUE, THEY (THE  
DUTCH) WILL INSIST ON MENTIONING RHINE POLLUTION AS WELL

FCO ADVANCE TO :

FCO - PS/SOFS, PS/LPS, PS/PUS, BRIDGES , HANNAY SPRECKLEY, GOODENOUGH,  
FITZHERBERT

CAB - ARMSTRONG FRANKLIN WILLIAMS

TSY - COUZENS

NO 10-ALEXANDER

BUTLER

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CONFIDENTIAL COVERING SECRET

Mr Moberly  
~~DS~~

EUROPEAN SUMMIT : THEATRE NUCLEAR FORCES (TNF)

1. A senior member of the Belgian Ministry of Foreign Affairs has approached Mr Scott (UKDEL NATO) unofficially on the question of the forthcoming Belgian decision on TNF. The gist of his message was that it would be very helpful if the Prime Minister were to take the opportunity of the European Summit to speak to her Belgian colleague making clear to him the serious dangers of displaying any sign of hesitation at this stage.
2. Securing the right Belgian decision is of heightened importance in the light of Chancellor Schmidt's recent suggestion for a moratorium on TNF deployments. The Department last week recommended that the Secretary of State should raise the matter bilaterally with both Herr Genscher and M. Simonet.
3. In view of this unusual Belgian approach and the importance we attach to the Belgian decision, I recommend that the Prime Minister should be asked to raise the matter in Luxembourg. It would be preferable for her to speak to Mr Martens bilaterally, but if (as I understand may be the case) there is no suitable opportunity for this, Mrs Thatcher could raise it in the course of the discussion on East/West relations scheduled for the evening of 27 April. In this case, it would be important to prevent conversation being widened into a discussion of Chancellor Schmidt's recent statements or of the line he will take on TNF if he goes to Moscow. The Germans have undertaken in the first instance to consult the Americans, the French and ourselves on this. Its discussion in a wider forum is not likely to be

/ helpful

CONFIDENTIAL COVERING SECRET

Prime Minister  
cc Defence: Pt 2  
TNF  
①  
4  
27/4  
Secretary of State  
H. A. Andrews





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helpful (or indeed welcome to the Germans) for the time being.

4. I submit a draft letter to Mr Alexander, together with Points to Make.

*D. Logan*

D B C Logan  
Defence Department

25 April 1980

cc: PS/PUS  
Sir A Acland  
Mr Bullard  
Mr Fergusson  
WED

*PS/LPS  
PS/Mr Hurd*

*I agree. So does Mr Quinlan (MOD).  
We know that the Americans are much  
concerned at the Belgian position, & have  
been lobbying them to take the required  
decision before the NATO Foreign Ministers  
meet in June.*

*Mr Wobley  
25/4*

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SECRET

Registry  
No.

DRAFT

Type 1 +

## SECURITY CLASSIFICATION

Top Secret,  
Secret.  
Confidential.  
Restricted.  
Unclassified.To:- M O'D B Alexander  
No 10 Downing StreetFrom  
Mr Walden  
Telephone No. Ext.

Department

## PRIVACY MARKING

..... In Confidence

EUROPEAN SUMMIT : THEATRE NUCLEAR FORCES

~~As you know,~~ <sup>The</sup> Belgian Government is due to take its delayed decision on the stationing of theatre nuclear forces (TNF) in Belgium by June. Our fears that the domestic political situation in Belgium may lead to a postponement of the Belgian decision (or, worse still, a negative one) have been reinforced by Chancellor Schmidt's recent suggestion for a moratorium on TNF deployment.

A senior member of the Belgian Ministry of Foreign Affairs yesterday took the unusual step of approaching unofficially our Deputy Permanent Representative at NATO to express his concern about the situation. He said he thought it would be very helpful if the Prime Minister were to take the opportunity of the European Summit to speak to Mr Martens on the matter. The Foreign Secretary feels that it would be desirable to take up this suggestion: the current crisis in transatlantic relations makes Alliance solidarity on the TNF question particularly important.

I attach Points to Make for the Prime Minister's use. It would be preferable for the Prime Minister to speak to Mr Martens bilaterally. But if this is not possible the Prime Minister could raise the subject at the discussion on East/West relations scheduled for the evening of 27

/ April

SECRET

The Telegram  
has been  
copied to you.



SECRET

concentrate on the Belgian angle &

April. In this case it would be important to <sup>avoid the</sup> prevent conversation being widened into a discussion of Chancellor Schmidt's recent statements or of the line he will take on TNF if he goes to Moscow. The Germans have undertaken in the first instance to consult the Americans, the French and ourselves <sup>about his visit</sup> ~~on this~~, <sup>its and</sup> ~~their~~ <sup>of that</sup> discussion in a wider forum is not likely to be helpful (or indeed welcome to the Germans) for the time being.

I am sending a copy of this letter to Brian Norbury (MOD).

SECRET



EUROPEAN SUMMIT : THEATRE NUCLEAR FORCES (TNF)

Points to Make with Mr Martens

1. Understand difficulties in TNF decision in present Belgian political circumstances. Nevertheless further postponement very damaging both for Alliance posture towards Soviet Union and for transatlantic relations at time of serious tension.

2. Russians uncompromising on arms control in spite of repeated US attempts to start TNF negotiations. So no reason for further delay. Russians would regard postponement or, worse still, negative Belgian decision as opportunity to exploit Alliance disarray. US on other hand would regard it as allied disaffection on important US commitment to defence of Europe.



EREONE FROM UKDEL NATO WITH YOUR CCT SERIAL NUMBER ON IT

IMMEDIATE

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DELFO 005/24

ADVANCE COPY

1316

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GRS 380

MR P.H. Moberly

SECRET

FM UKDEL NATO 241230Z APR 80

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE,

TELEGRAM NUMBER 183 OF 24 APRIL 1980,

INFO PRIORITY MODUK (PERSONAL FOR DUSP),

INFO SAVING BRUSSELS (PERSONAL FOR CHARGE D'AFFAIRS).

RC

FOLLOWING PERSONAL FOR PH MOBERLY FROM SCOTT.

BRUSSELS TELNO 93 : TNF.

*YOUR OPPOSITE NUMBER*

1. CASSIERS, ~~YOUXPQNAK KORZWH RZJ~~ IN THE BELGIAN MFA, ASKED TO SEE ME THIS MORNING ABOUT THE SITUATION ON TNF, EXPLAINING THAT BECAUSE OF THE INTERNAL POLITICAL COMPLICATIONS HE PREFERRED TO USE AN UNOFFICIAL CHANNEL (HE IS AN OLD FRIEND OF MINE) RATHER THAN CONVEY A MESSAGE THROUGH HM EMBASSY OR THE BELGIAN PERMANENT REPRESENTATIVE. HE DESCRIBED THE DOMESTIC POLITICAL SITUATION IN TERMS VERY SIMILAR TO THOSE REPORTED BY HM EMBASSY, AND SAID THAT HE FEARED THERE WAS A REAL DANGER THAT, IN NEGOTIATIONS ON THE NEW GOVERNMENT'S PROGRAMME, THE FLEMISH SOCIALISTS WOULD MAKE IT A CONDITION OF THEIR PARTICIPATION THAT THE NEW GOVERNMENT SHOULD INSIST ON A FURTHER DELAY IN ITS TNF BASING DECISION, POINTING TO THE DUTCH EXAMPLE. IF THIS HAPPENED, THERE WAS A POSSIBILITY THAT THE SOCIAL CHRISTIAN AND LIBERAL PARTIES MIGHT EVENTUALLY CAVE IN.



2. CASSIERS THOUGHT IT WOULD BE VERY HELPFUL IF MRS THATCHER WERE TO TAKE THE OPPORTUNITY OF THE EUROPEAN SUMMIT ON 28 APRIL TO SPEAK TO MR MARTENS, EXPRESSING APPRECIATION FOR THE COURAGEOUS BELGIAN DECISION ON 12 DECEMBER AND SYMPATHY WITH THE CURRENT CRISIS, BUT MAKING CLEAR TO HIM THE SERIOUS DANGERS OF DISPLAYING ANY SIGN OF HESITATION AT THIS STAGE. SHE COULD POINT OUT THAT THE AMERICANS HAD THREE TIMES ATTEMPTED TO ELICIT SOVIET AGREEMENT TO LRTNF NEGOTIATION, AND THAT NEITHER THESE ATTEMPTS NOR CHANCELLOR SCHMIDT'S RECENT INITIATIVE HAD HAD THE SLIGHTEST EFFECT.

3. CASSIERS ALSO POINTED OUT THAT IF AGREEMENT ON THE NEW GOVERNMENT HAD NOT BEEN REACHED BY 10 MAY THERE WOULD HAVE TO BE ELECTIONS, AND THIS WOULD INEVITABLY DELAY THE TNF BASING DECISION. BUT THE PRACTICAL REASON FOR THIS WOULD BE CLEAR, AND THE POLITICAL CONSEQUENCES THEREFORE MUCH LESS DAMAGING,

4. I TOLD CASSIERS THAT WE WOULD CERTAINLY WISH TO DO EVERYTHING WE COULD TO HELP, AND THAT I WOULD IMMEDIATELY ENSURE THAT HIS MESSAGE WAS CONVEYED TO THE RIGHT QUARTER. I HOPE HM EMBASSY WILL AGREE THAT IT WOULD INDEED BE OF GREAT HELP IF THE PRIME MINISTER WERE WILLING TO SPEAK AS CASSIERS SUGGESTED. BUT THE FACT THAT HE DID SO MUST OF COURSE BE KEPT TO AS FEW PEOPLE AS POSSIBLE.

FCO PLEASE PASS SAYING TO BRUSSELS.

ROSE.

IMMEDIATE

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Top Copy: Italy,  
Jan 80, Visit of Cossiga

*EUROPE - Council  
My Policy*

PARTIAL RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE  
PRIME MINISTER OF ITALY, SIGNOR FRANCESCO COSSIGA, AT NO. 10 DOWNING  
STREET AT 1500 ON FRIDAY 25 APRIL 1980

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Present:

Prime Minister	Signor Cossiga
Foreign and Commonwealth Secretary	Signor Ruggiero
Mr. M. Franklin	Signor Berlinguer
Mr. Michael Alexander	

European Council: Budget

Signor Cossiga regretted that his illness had prevented him making the trip earlier. As a result he would not be able to visit all the Community capitals. He had spent 2 hours with President Giscard, M. Barre and M. Francois-Poncet that morning. The meeting had been very useful. His interlocutors had been courteous but also very precise. The French had one particular interest: to secure agreement on an agricultural package. Their objectives were both to get the prices fixed and to control the overall expenditure on the CAP. In Signor Cossiga's view there should be no insurmountable difficulty in agreeing a farm price package. But there was a political problem in associating a solution of the agricultural price problem with a solution of the Budget problem. The trick was to so manage affairs that each set of problems were resolved simultaneously. If they were agreed simultaneously, the question of the inter-relationship between the two would become purely theoretical.

On agricultural prices, the French were seeking a settlement based on an increase of between 5 and 6%. A settlement in this range would have the effect of reducing German MCAs by 1 to 1.5%. The French also envisaged a co-responsibility levy of 1.5% with exceptions being made for small farmers. Finally, they wanted a super levy on milk. Signor Ruggiero interjected that this should be progressive and designed to penalise those farmers who put milk into intervention on a very large scale. Signor Cossiga thought that a super levy on the lines envisaged by the French would primarily

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/ affect



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affect the ~~the~~ Federal Republic and Benelux. (Mr. Franklin commented that it would also affect the UK.) He added that the French recognised that to increase farm prices above certain limits made the British budgetary problem worse because of the consequences of such price rises on the total size of the Budget.

Signor Cossiga said that the French wish to deal with farm prices before the Budget was a problem. Another problem was their wish to have a discussion about the principles underlying the Community. They had circulated a paper on this at the last Foreign Ministers' meeting. Signor Cossiga said that he had told the French that he recognised the principles to which they referred were drawn from Community documents. But there were other principles to which they did not refer notably Article 2 in the Treaty of Rome, which referred to the harmonious development of economic activities, and the other Articles referring to the need for the Community to be dynamic not static, for it to promote convergence, and for it to help members in difficulties. He had told them that he feared the attempt to draw up lists of principles would cause difficulties. He would not wish the discussion of the Community's principles to become an obstacle to progress on the Budget.

He had then discussed the problems of convergence and the Budget. Whether the British net contribution was 1400 or 1800 meu, the sum was enormous. The Council's point of departure was that a solution to the British problem must be found. The method was clear: on the one hand there was the corrective mechanism, on the other hand the need to increase Community expenditure in the United Kingdom. The Community's principles need not be in danger if, for instance, it was agreed that a revised corrective mechanism would run until a certain date; the fact that the date had been set would preserve the Community's principles. The Community had to recognise the fact that the British figure was excessively high and should not get mesmerised by arguments about own resources. He had told the French that it was difficult to contemplate failure when one considered the damage this would do to the image of the Community. How could the Community take decisions on major foreign policy issues if it was unable to solve its own problems? The Prime Minister said that if the present problem could not be resolved, the Community would break

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/ down.



down. She would not agree to the fixing of new farm prices unless the Budget problem was solved simultaneously. France's position appeared to be the mirror image of hers. The difficulty was that farm prices could not be negotiated at the Summit: a procedure for resolving the two issues simultaneously was required. Signor Cossiga said that President Giscard agreed that the European Council could not discuss farm prices. Agreements on the Budget and on farm prices would have to be reached in parallel discussions.

Turning to the Budget itself, Signor Cossiga said that in response to his efforts to try to establish a band within which discussion of figures for budgetary solutions could take place, the French proposed a new approach. They had suggested guaranteeing for a certain period that the British imbalance would not increase above a certain point. They had suggested taking a figure, say that for Britain's net contribution in 1979, comparing it with the net cost at the end of 1980 (including the new farm prices) and setting up a mechanism so that the latter figure should be no higher than the former; i.e. the annual increase would be restored through the financial mechanism and Community investment. There would be a provision for reviewing the mechanism. This would render the British problem independent of farm price increases, would leave the Community's principles untouched and would give a guarantee to HMG that, however the Community evolved, HMG's net contribution would be unaffected. The French proposal would give Britain security. Moreover, the Community was already engaged in a process which would give increasing emphasis to the structural element in budgetary expenditure at the expense of the agricultural price element. This process would benefit the UK and would produce a permanent solution to the British problem in due course.

When the Prime Minister, summarising what Signor Cossiga had said, described the French position as being that Britain would pay no increase above the 1979 contribution, Signor Ruggiero said that the French proposal was more nuancé. The difference between the 1979 and the 1980 figure would be covered in whole or in part. The proportion had not been clearly defined. But Signor Ruggiero said his own impression had been that President Giscard had in mind a rebate amounting to the full amount of the difference. Mr. Franklin

/ pointed out



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pointed out that this meant deferring a decision of the full benefit that Britain would receive until it was clear what the difference between the 1979 and the 1980 contribution would be. The Prime Minister said that the value of the French approach would depend on finding the right starting point.

Signor Ruggiero thought that President Giscard had had a number of reasons for putting forward his new proposal. The Prime Minister had said in Strasbourg that Britain's budgetary contribution in 1980 would be intolerable. This might be said to imply that the 1979 contribution had been tolerable! The new approach should be attractive to Britain because it would give flexibility and security: if the total size of the Budget increased, and hence if Britain's contribution increased, the rebate would increase. Moreover, the fixing of a ceiling would mean that if Britain's eventual contribution for the year was greater than the present estimate of 1683 meua - as might well be the case - Britain's rebate might easily be more than 1000 meua. It seemed clear that the French were trying to be helpful. The Foreign and Commonwealth Secretary said that there was nothing wrong with the French idea except that the base figure they had chosen was too high and their present position on duration was unacceptable. The Prime Minister said that the French still envisaged far too large a British contribution. It would be essential to find some way of lowering the base line. Mr. Franklin suggested proposing that the base figure should be the average of the last 3 years rather than the last year alone. The Foreign and Commonwealth Secretary, agreeing with Mr. Franklin, said that we should accept the French approach but go for a base line calculated as an average of a number of previous years.

Signor Ruggiero said that all his contacts in recent weeks, including those with the Germans, had left him with the impression that the breaking point for the other members of the Community would be a rebate to Britain in the region of 900 to 950 meua. The Prime Minister said that this was not enough. Signor Ruggiero pointed out that such a result would amount to a rebate of 60% of Britain's net contribution. Such a result would have been unthinkable in November and no previous British Government would have had the slightest chance of achieving it. The Prime Minister observed that

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/ nonetheless



nonetheless Britain would remain the second highest contributor. It was no good saying that the Government would have done well. It was still not good enough. Signor Ruggiero wondered whether there was any possibility of achieving movement by describing figures in gross rather than net terms. Mr. Franklin observed that eventually one always came back to the net figures.

Signor Cossiga said that the French had introduced a new element into the situation. There would be a datum line unaffected by the evolution of the Community policies. The figure for Britain's contribution would be fixed even if there was provision for revision. The fact that Britain's contribution could get no worse would relieve a great deal of uncertainty. The Prime Minister said that duration remained very important. She could not afford to have a major row again in three years time. Mr. Franklin said that it must be clear that the new mechanism would continue if the restructuring of the budget had not taken place. The criteria should be that the mechanism should be prolonged if this was necessary to avoid the re-emergence of an unacceptable solution but <sup>that it</sup> could be revised to take account of restructuring. The Prime Minister commented that President Giscard was clearly trying to be helpful. Nonetheless the base line proposed was too high.

The Prime Minister said that it was necessary to decide how the negotiations should be carried out. The Foreign and Commonwealth Secretary said that President Giscard wished to get ahead with the discussion on a farm price package. Therefore Agricultural Ministers would have to meet within the next day or so. This would not be possible for the United Kingdom unless there were parallel financial discussions. Signor Cossiga said that the Presidency could of course propose ways of closing the gap. But this would risk involving the Heads of Government in bandying figures at the European Council. There was also the problem that the European Council had no competence to fix farm prices. Therefore the Agricultural Council must meet separately. He did not think it would be possible to give guidelines to Agriculture Ministers to fix prices after the European Council. Therefore the

/ Agricultural



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Agricultural Council would have to meet and continue discussions while the European Council was meeting and report on progress so that the Presidency could formulate proposals against that background. The Presidency would put forward a final proposal when all other issues had been resolved. In that way there would be no surprises on one side or the other.

Signor Cossiga said that he understood the British Government's need for parallelism in <sup>the</sup> between discussions on farm prices and on the budget. But it would be too dramatic to have Ministers of Foreign Affairs meeting on the following day in parallel with Agriculture Ministers. The Foreign and Commonwealth Secretary suggested that Signor Ruggiero's group should meet in parallel with a group of senior agriculture officials. Ministers could be brought into the negotiations at a later stage. There would then be two meetings of officials rather than one of officials and one of Ministers. Signor Cossiga said that where agricultural questions were concerned the only level at which useful discussions could be held was among Ministers. The Prime Minister stressed that whether it was Ministers or officials, everything that might be agreed on farm prices would be provisional until the results of the discussions on the budget were available. Signor Cossiga said that he understood that the Prime Minister wanted parallelism in regard to the level as well as the timing of the discussions. The Prime Minister agreeing, said that she must be able to see progress in both fora. She had learned never to give anything away in Community discussions. Signor Cossiga said that he had never thought of allowing the Agriculture Ministers to reach agreement without a parallel agreement on budgetary matters. He wanted to get them working, under his overall direction, partly because he did not want the European Council to get into figures and partly because he did not trust the Ministers to follow guidelines.

Signor Ruggiero said that he hoped the preparatory working parties could identify the positions of the minority and of the majority on both farm prices and on the budget. Their reports could then go to the European Council to agree on a compromise position. After some further discussion, the Prime Minister

/ said that

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said that the meeting had reached a provisional decision that two groups of permanent officials should meet in parallel in Luxembourg the following day to discuss farm prices and, under Signor Ruggiero's chairmanship, the budget problem. Assuming they made progress, Agriculture Ministers would aim to arrive early on Sunday morning. Signor Cossiga suggested that the Agriculture Ministers might arrive in time to dine together on the Saturday evening. The Prime Minister said she would have no objection to this provided it was understood that they could do nothing then. In the end no final decision was taken about the precise timing of the Agriculture Ministers' first meeting.

The discussion ended at 1710.

*AmB*

25 April 1980

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DEPARTMENT OF TRADE  
1 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215  
SWITCHBOARD 01 215 7877

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From the  
Parliamentary Under Secretary of State

ks  
Rud

Mike Pattison Esq  
PS/Prime Minister  
10 Downing Street  
London SW1

24 April 1980

Dear Mike,

PRIME MINISTER'S VISIT TO BRUSSELS, 27 APRIL

We understand that the European Public Service Union (Eurosyndicate) may stage a demonstration as the Heads of Governments arrive at EEC Headquarters. It appears that they intend to deliver, to each one, a one page manifesto declaring that "European air traffic control problems call for a European solution".

Those members of Eurosyndicate who work for Eurocontrol (the European Organisation for the Safety of Air Navigation) are concerned that when the present Convention expires in 1983 it will be replaced by one in which the ties between the Member States are somewhat loosened and, in particular, that the present very complicated system of communal financing will be wound up. This system has led to a chronic and serious deficit in the accounts of the CAA which is powerless to control either the charges or the costs of Eurocontrol. In this case the size of the central organisation at Brussels would decrease and some staff would become redundant. No decisions have yet been taking by the Member States and, as an alternative, the present Convention might be extended by a further 5 years, to 1988.

The UK would probably favour the ending of communal financing provided acceptable terms were agreed for the disposal of communal assets etc.

If asked for her views the Prime Minister will wish to be non-committal.

Yours sincerely  
Susan Haird

SUSAN HAIRD  
PRIVATE SECRETARY TO NORMAN TEBBIT



DEPARTMENT OF TRADE  
1 VICTORIA STREET  
SYDNEY 2013  
NSW



Mr. [Name]  
[Address]  
[City]

25 APR 1980



[Faint, mostly illegible typed text covering the main body of the page, possibly containing a letter or report.]



CONFIDENTIAL

Subject filed in Euro Fed:  
CAP Pt 4.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Prime Minister

(2)

Phnt

24 April 1980

ml

Phnt

*[Handwritten signature]*

COUNCIL OF AGRICULTURE MINISTERS 21-24 APRIL

The Agriculture Council which ended at 3am this morning was a very tedious affair, but its outcome was very satisfactory from our point of view and I do not think it has done anything to prejudice your negotiations in the European Council.

Throughout the meeting the French pressed hard for the most precise indications of a likely settlement - particularly on prices and on the co-responsibility levy on milk, and if not from the Council as a whole then from the majority of delegations. They circulated a press release which reported Giscard's view that the Agriculture Council had to reach a degree of agreement which would simply require endorsement by the European Council, if that Council itself were to prove fruitful. This attempt at blackmail was much resented and they got nothing of substance from the Agriculture Council. Nor was this a question of eight against the UK. If any country seemed isolated it was France. But on most of the points we discussed there were as many different views as there were delegations. The agricultural negotiations are nowhere near the point at which they can be quickly resolved.

We spent the first two days differing from one another on the size and nature of co-responsibility levies on milk. Most of the rest of the time was then spent on agreeing a statement for the European Council on the principles which should govern a CAP settlement. It contains only three points of substance. On prices, it simply records that there is a large majority in favour of price increases larger than those proposed by the Commission. That, of course, was already common knowledge.

On co-responsibility levies it endorsed the principle that producers themselves should bear the cost of disposing of the extra milk produced in the Community compared with a base period. The two base periods cited as examples would give estimates of this cost as 346 MEUA or 515 MEUA. But when it came to defining the size and nature of the levies there was total disagreement. The Italians, with support from the Danes, made their acceptance of the principle conditional



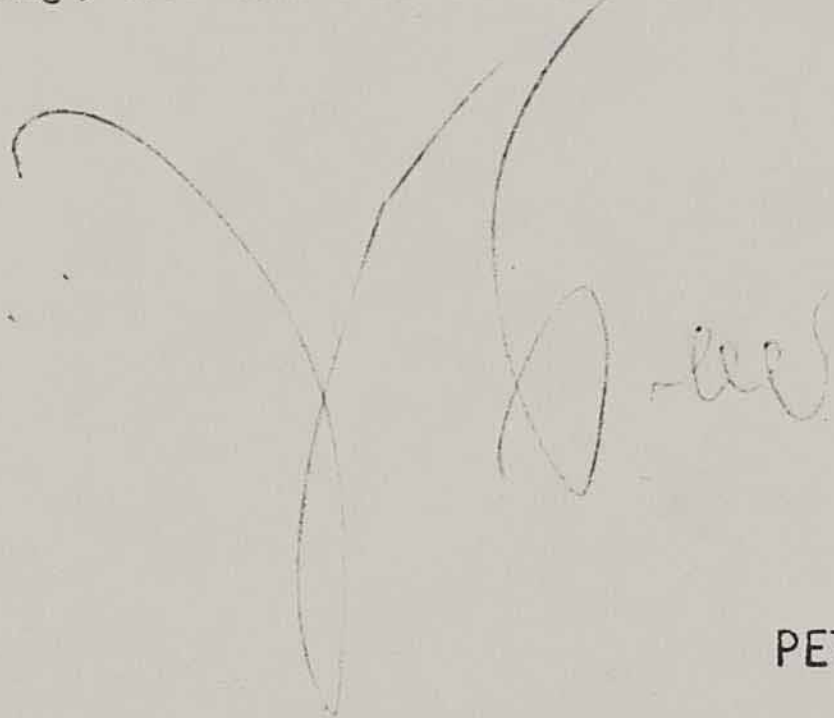
on the levy being charged on products sold into intervention, which was anathema to others. The French made theirs conditional on the levy being "progressive", i.e. discriminatory against the bigger or more intensive producer, which the Italians, Danes and Dutch joined us in rejecting. The Germans got very agitated about the figures generally, because they seemed to be pointing to a levy of over 3%, which Germany could not accept. Others made it clear that they would be looking for price increases that handsomely compensated for any levy. So the general endorsement of the principle of co-responsibility means, I fear, very little, though it is at least accepted that the flat rate levy should be of at least 1½%.

On the cost of a settlement, there was little disposition to endorse any particular figure. The Commission wanted it stated that the FEOGA Guarantee Section's cost for 1980, which would be about 11.8bn EUA if we simply went on as we are, should be reduced by 1bn EUA. We of course supported them. But others were clearly afraid that any clearly defined limit would place too severe a constraint on the eventual settlement, and in the end all they could agree on was a reference to the ECO/FIN resolution calling for substantial savings.

With this out of the way we turned at 3am this morning to sheepmeat. The Commission had circulated a modified version of the latest French proposals, but Mehaignerie said they would not do and circulated his own text. I circulated a counter-paper setting out our own views. There was no substantive discussion. We simply agreed that both papers should be studied.

Finally, after extending the marketing years to the end of May, the Council agreed to the Commission's temporary compromise on variable positive MCAs. The compromise runs until 30 June and is as I outlined it in my message to you. I accepted it only on the understanding that the whole issue will now be thoroughly studied in the coming weeks.

I am sending copies of this letter to Peter Carrington, the other members of OD(E) and Sir Robert Armstrong, and the Secretaries of State for Scotland, Wales and Northern Ireland.



PETER WALKER



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Seen by Prime Minister

Subject on Ireland: March 80  
Meetings with Taoiseach



Prime Minister

PRIME MINISTER

Mr Atkin's argues that you should offer Mr Haughey a bilateral in London when you see him in Luxembourg. He hopes that such a meeting will take place relatively early on in May. Shall we try to identify dates to offer him?

MEETING WITH TAOISEACH DURING EUROPEAN COUNCIL - 27/28 APRIL

1. Mr Haughey does not intend, so we were told in Dublin, to raise Northern Ireland matters with you when he sees you in Luxembourg. However he is hoping on that occasion to be able to arrange a subsequent bilateral meeting with you, at which a wide range of matters including Northern Ireland can be discussed. It would not be surprising if, in even the briefest of conversations about a bilateral meeting, he put his point of view about Northern Ireland to you.
2. When this matter was raised at the beginning of April, your inclination was to defer any action on a bilateral meeting until you could form your own view of Mr Haughey in the light of an encounter at Luxembourg. My recommendation, for the reasons given below, is that - subject to events at Luxembourg, of course - there is advantage in your taking the initiative and offering dates to Mr Haughey for a meeting in London.
3. First, Mr Haughey has not so far had any meeting with you, and it is sensible that he should do so before long, as Prime Minister of a neighbouring country with whom we have close (albeit idiosyncratic) ties, both bilaterally and through the EEC.
4. Secondly, it is in our interest to demonstrate that, at the highest level, we take seriously the Irish interest in Northern Ireland. It is legitimate, not least because we need each others help in dealing with terrorism, and inevitable; and to recognise it is not the same as to concede the Republic a negotiating role in the internal affairs of the United Kingdom. We cannot go along with some of the political ideas canvassed by the Government of the Republic recently. But, we should damage our own objectives if the Irish feel that they are being cold-shouldered.
5. Thirdly, we could profit from their help - if they can be persuaded to offer it - in encouraging the minority leaders in the North (with whom Mr Haughey's Fianna Fail party has close ties) to stay in the dialogue with HMG on political advance in Northern Ireland, and to look realistically at what we propose, rather than take refuge in romantic hopes that the government of the Republic can secure them

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a much better deal.

6. For his part Mr Haughey, having made public promises that he will pursue the question of Northern Ireland with other European political leaders, needs a meeting with you: he has been criticised at home for going to Paris before London. What use he will wish to make of a meeting, in terms of substance as distinct from presentation, is not clear (but you will, I expect, have noted two recent intelligence reports that throw some light on his approach).

7. Mr Haughey said to me when we met in Dublin that he would be imaginative and radical, even revolutionary about constructive proposals for dealing with Northern Ireland in a broad context; that while he welcomed our present initiative for what it was, it was not enough; and that the problem could not be solved in an exclusively Northern Ireland context - to attempt to do so would play into the hands of the terrorists. The wider context in which the problem needed to be tackled had three elements: relations between the two communities in the North, between North and South, and between Britain and Ireland. These wider aspects should be discussed in 'parallel talks' between the British and Irish governments. The Irish had in mind (and he may repeat this to you) the widest possible scope for such discussions: economic co-operation; defence and security co-operation (there was a hint of an Irish readiness to join NATO); common citizenship; and a possible Anglo-Irish council. As stated, <sup>NP</sup> these are no more than pretty meaningless (and one must, realistically, say improbable) generalities: and the issues arising from them will need detailed and rigorous consideration. None of them bears on the central issue that a majority in the North are unpersuaded that the Republic has anything to offer them.

8. Mr Haughey will want to make it known immediately that a bilateral meeting, if you agree, has been arranged. I would go along with that, although we must expect some reaction from the Unionists, just as they have been protesting about my meeting with him and Mr Lenihan. But there are sound reasons for such meetings, and I have not hesitated to say so.

9. As regards timing, Mr Haughey urged that you should meet before we publish further proposals for political advance in Northern Ireland. I reserved our position on that, although it would, on balance, suit us - at best he might then be persuaded to help with the SDLP reception of our proposals. This consideration would point to a meeting as early in May as you and he are able to arrange it.



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10. I am sending a copy of this minute to the Foreign, Home and Defence Secretaries and to Sir Robert Armstrong.

*H.A.*

HA

24 April 1980



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FILE  
ans B)  
Subject filed as Euro Pd. Pt 7  
Com. Budget

10 DOWNING STREET

From the Private Secretary

24 April 1980

Dear Paul,

Telephone conversation with President Giscard

President Giscard D'Estaing rang the Prime Minister at 6 pm this evening.

After an exchange of courtesies, President Giscard said that he was ringing to discuss the forthcoming meeting of the European Council in Luxembourg. He was anxious to ensure that there should be no misunderstanding about it. It was out of the question that an agreement would be reached which did not cover all the outstanding issues. This was a fundamental point. Britain had made a demand which the other members of the Community were being invited to meet. The finding of a solution would constitute a burden for the other members. It would be impossible to explain in France that this problem had been resolved while the agricultural prices, which should have been agreed in March, had not been settled. The French Government would not be able to justify a failure to find a solution on other issues than the Budget. It followed that if there was no agreement on those issues, there would be no agreement on the Budget. President Giscard said that he would be making this point to Signor Cossiga in the morning. The Prime Minister said that she also would be seeing Signor Cossiga. She did not think it would be possible for there to be a detailed discussion of farm prices at the European Council. She was worried that a situation would arise in which President Giscard was saying there could be no agreement on Britain's problem until his problems were settled, while she would be saying that there could be no solution to other problems while Britain's problem was unresolved. In the end, all the major problems would have to be sorted out at the same time.

Taking up the Prime Minister's point that the European Council would not be able to discuss farm prices, President Giscard said that the Agricultural Council should have been able to prepare for the meeting. Its failure to do so was causing irritation. The Prime Minister said that both Heads of Government had irritations. The irritations would have to be resolved together. The Budget was acutely difficult for Britain: Sheepmeat was, obviously, acutely difficult for France. They could not be traded off one against the other, but they had to be resolved at the same time.

/ President Giscard said

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- 2 -

President Giscard said that nothing seemed to have happened since the Dublin meeting. Farm prices should have been fixed by 1 April. They always had been in the past. But this year nothing had been done. The Prime Minister replied that the Budgetary problem had been under discussion since Strasbourg and recalled that last year agricultural prices were settled while the European Council was meeting in Strasbourg in June. She was perfectly prepared to see the Budgetary problem and the farm problem solved in the same time-scale. Neither could be solved without the other. She had found the meeting in Dublin very difficult and was anxious to avoid another such discussion.

President Giscard commented that he found it difficult to understand the perpetual postponement of serious discussion of Britain's problem and of other problems. Preparation for the Council could by now have been well advanced but in the event there had been no effective ministerial consideration of either the farm price problem or of Britain's Budgetary problem. The Prime Minister said that Britain's problem was not a technical one. It had been on the table since July. The outlines of a solution were clear but further progress was unlikely until the Heads of Government had discussed it further. It was essential that they should get somewhere this time. With regard to the Agricultural Council, there had been wide differences between a number of members. President Giscard implied in response that if the British and French delegations had been in agreement, the problems could have been resolved. He said that it was absurd that there should be an impression of an Anglo/French rift. He was sorry that the meeting in Luxembourg seemed likely to take place without a global compromise having been prepared.

The two Heads of Government agreed that when they saw Signor Cossiga tomorrow, they would not mention the fact of the telephone call. The Prime Minister having offered to send Sir Donald Maitland to Paris again to discuss the situation, they agreed to review the possibility after Signor Cossiga had left London. The Prime Minister said that she would ring President Giscard tomorrow evening to discuss whether or not Sir Donald should go.

I am sending copies of this letter to John Wiggins (HM Treasury), Garth Waters (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

*Yours ever*

*Richard Alexander*

Paul Lever, Esq.,  
Foreign and Commonwealth Office

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Subject filed in Euro Pol: Pt 7 of 2. *Amst 24/4*  
Com. Budget

RECORD OF A TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND  
PRESIDENT GISCARD D'ESTAING AT 1800 HOURS ON THURSDAY 24 APRIL

PM: Hello.

PRIME MINISTER'S

GD: Hello, how are you?

PERSONAL MESSAGE

PM: I'm well, and you?

SERIAL No. *T92A/80*

GD: Oh well, as well as one can be under these difficult circumstances. I'm calling you just to tell you a few things about the Luxembourg meeting. We received Mr. Maitland who came last week and I wanted for you personally just to be very clear and to have no misunderstanding ..... I mentioned to ..... that it is absolutely out of the question for us to reach an agreement that will not cover all the issues and this is really fundamental for us for a very simple reason. The question of the British contribution is a question of wage demands adverse to us. If we agree, we will meet to an adequate proportion, your demand but it will be a burden for us and an expense for the French contributors. It is absolutely impossible at the same time to explain that something that should be decided and would normally have been decided ..... level of farming prices <sup>it is not sensible</sup> ..... because if there is a general solution of the problem, you can explain that, we will bring a contribution to bear to the British ..... the problem but if-even the normal question it is absolutely impossible to justify such support. So this is very very clear and there must be no doubt in your mind if for reasons I don't know you think it's not possible to reach an agreement on the other issues you must know that it will be a question for me to give an agreement. I mentioned this to Helmut also and he more or less shares my view on this so I wanted this to be very clear for you. We will receive Mr. Cossiga tomorrow morning and I suppose he will go and see you also and we will say this to him tomorrow morning.

PM: Yes, Signor Cossiga is coming here tomorrow afternoon and I shall be seeing him. I hope he will arrive about half past three and I will be seeing him then. Now, Mr. President, it's just not going to be possible for us to do the negotiation on the agricultural prices at the Summit. It's much much too complicated and my theory



is we're going to get into a position where you say that we can't reach agreement on the British budgetary problem until we reach agreement on the agriculture prices and also I would expect on Sheepmeat and also where we say we can't reach agreement on those other things until the British budgetary problem is sorted out. And in the end we're going to have to do the three, finally agree the three together. But I can't, I'm not qualified to negotiate and I doubt very much whether other Heads of Government are, round the table at the European Council, the complexities of agricultural prices.

GD: Well, but there was a meeting in Bonn, two days anyhow with Agriculture Ministers and they should have been able to prepare the solution because I don't see why they will be more equipped to do it in a fortnight than they were this week or the week before. Postponement is creating irritation and has no possible justification.

PM: I think, Mr. President that you have certain irritations and I have certain irritations and somehow we have to get them resolved together. But I am afraid that we are going to get into the position where I say because we are, you say that we are demanding something back and we are paying so much that it is an acutely difficult problem for us and I recognise that Sheepmeat is a difficult problem for you and I do indeed recognise that you want a solution on that and I think the difficulty is Mr. President that in the end we've got to get them altogether but I don't think we can trade one off against another. They each have to be done on their own merits and when they're done on their own merits, we have to agree them altogether.

GD: Yes, but we are now April 23rd. We met in Dublin in November. We expected proposals and works done by the Ministers all the time and there is nothing. So my irritation is not at all against you as a person but the normal work of the Community cannot be stopped forever. Every year we have discussions for the prices, the prices should be fixed on April 1st, they always were and I don't feel



..... your Agriculture Ministers are not able at least to suggest what should be done. There was a debate in the Parliament last month and there was two meetings of the Agriculture Ministers and nothing comes out.

PM: Yes, but we have been discussing too the Budget as you know since Strasbourg and I seem to remember Mr. President that the agricultural prices last year were not fixed until the Strasbourg time because I well remember being telephoned from the Agricultural Ministers' Conference while we were in session in Strasbourg so it's not unusual for the agricultural prices to take a little bit longer to fix.

GD: Well, the proposal by the Commission was submitted in the month of January and we are now in April and we haven't even had a serious discussion on this.

PM: Mr. President, you are going to see Signor Cossiga tomorrow and so am I. You want your problems solved. Of course I understand that because I know that I need mine solving too and so if I'm restless to get mine solved then you are to get your's solved and I'm perfectly prepared to solve them within the same time-scale, within the same period but I doubt very much whether we're going to get any one of those things solved now without the other and I think therefore I'd better pursue this with Signor Cossiga tomorrow because I don't want it to be another impossibly difficult meeting. I really don't. I found the last one extremely difficult and I would really like the meeting to go smoothly. So if I will put our viewpoint to Signor Cossiga tomorrow and he will have seen you, in more detail than we can talk over the telephone. But I do repeat, I don't think we're going to get anything solved until we solve it together. Anything at all.

GD: But I accept this. But what I cannot understand is the perpetual postponement because nothing and nobody will gain by it and there is never a serious discussion on issues and I remember well that in the last Dublin meeting it was suggested that the European Council could be advanced to February 8th for a final solution. I express some scepticism.



PM: I remember well.

GD: Now we are in April and we will meet without due proper preparation.

PM: My problem isn't a difficult one technically in any way. They've got all the technical methods within Community rules. It's just a question of the will. But we are going to be in acute Community difficulty because I will say that my problem has been on the table even longer than the agricultural problem and we haven't got a solution to that one.

GD: There was not I must say frankly not even a serious discussion on this matter either. There was just generality. We instructed our Ministers to engage in a clear discussion in the Brussels meetings but there was never discussion.

PM: There's no technical difficulty in solving the British budget problem. On the formula you and I agreed in Dublin. No technical difficulty at all. It's is only a question of how much in the receipts. It is really only comparatively simple. I doubt whether we're going to get very much further on that until Heads of Government discuss it together. But I do know that none of us are going to get anywhere until we can satisfy us all together and I am very worried for the future if we can't get somewhere at this Community meeting. You will understand Mr. President because you have problems. I understand your problem and I just hope you understand mine.

GD: But I understand yours and instead of engaging in absurd Anglo/French ..... which was suggested by the press. We never went in that direction. I think that we should have our people working seriously to find a sensible compromise. With the others, like for instance the Germans, we have the work done and we are practically agreeing on the solutions.

PM: On the agricultural prices Mr. President it is not only Britain who was different from France there are very very wide differences of view, as I understand it yesterday, according to the statement we have just had in the House of Commons today, very wide differences. It didn't seem to me that there were anywhere near



a solution.

GD: Oh yes yes.

PM: But I know that I can't negotiate all the details on agricultural prices.

GD: Yes, but I just wanted to mention to you is that I am sorry that when we meet again in two days' time without the normal and careful preparation for a proper compromise.

PM: Yes. Would you like me to send Sir Donald Maitland to Paris again before Sunday?

GD: Well if .. I think, we will meet Mr Cossiga tomorrow morning,

PM: Meet Mr Cossiga, yes.

GD: He will report to you tomorrow afternoon.  
I will not mention this call because I will avoid anything which looks like an Anglo/French dispute.

PM: I wouldn't call it Anglo/French dispute. I just hate the idea.

GD: It's an absurd idea.

PM: It is.

GD: When you see Mr. Cossiga if you think there is a chance to make progress or to prepare better the meeting it is very easy to send Mr. Maitland Saturday morning or afternoon.

PM: I will keep the possibility open Mr President.

GD: And you let me know tomorrow afternoon after Mr. Cossiga

PM: Of course. If we can get any further by detailed negotiations then of course I will let you know. I am afraid we're giving Mr. Cossiga a very difficult time.

/GD:



GD: The poor one he has the flu.

PM: Yes I'm so sorry.

GD: I hope he will recover in time.

PM: Well I hope so.

GD: Well anyway it will be pleasant to see you.

PM: Thank you very much. We can at least look forward to the dinner in the evening if not the meetings earlier in the day.

GD: Yes

PM: All right. It's very kind of you to telephone. I much appreciate it. Goodbye Mr President.



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*Subject with briefing for Cossiga  
Visit - Italy: Jan 80. Visit of Italian  
Min.*

Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH



From the Minister's Private Office

*plw briefs for  
Cossiga meeting.*

Michael Alexander Esq  
Private Secretary  
10 Downing Street  
London SW1

23 April 1980

*Dear Michael*

**PREPARATIONS FOR EUROPEAN COUNCIL - MUTTON**

It is not clear whether the postponed meeting between the Prime Minister and Signor Cossiga is likely to be set up before the European Council.

In case it is, and in view of paragraph 26 of the brief, my Minister considers that the Prime Minister should know the outcome of discussions last Friday with French officials.

It is clear that the French are going for a régime which includes intervention throughout the Community all the year round. The intervention level would be at 85% of a "guide price" initially based on the present French price level and seasonalised to reflect the pattern of marketings over the year. They consider that this would provide a "safety net" at about the market equilibrium price with free circulation. Export restitutions would also be used as necessary. These arrangements, along with voluntary restraint agreements with third country suppliers, would constitute the permanent régime to be implemented from the outset.

In addition the French want premiums to make up the market revenues of producers, notably in France, to pre-régime levels. These premiums would be phased out, perhaps over two or three years, as inflation carried market prices in the Common Market up to the present French levels. There would be no premium payments to British producers, the French arguing these would not be justified because our producers would get improved prices after the opening of the French market and would, along with all other Community producers, benefit from the common support arrangements.

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The French insisted that all parts of this régime - internal and external - would have to be put into effect before they would remove their present national import restrictions. They have thus decided to take a hard line on the type of régime they want which would go well beyond the limited use of intervention in the Autumn which the Commission suggested. If adopted by the Community, the French approach would seriously prejudice the prospects of successfully negotiating Voluntary Restraint Agreements with third country suppliers.

In my Minister's view, this reinforces the argument against giving Signor Cossiga, in advance of the European Council, any hint that we might be ready to move on intervention. He recognises, of course, that we shall need to make a move in the context of a firm budget settlement. But this is a card we can only play once. Moreover, even if we eventually have to make a concession to the French, we must do all we can to limit the role intervention would play in a mutton régime. We are revising the detailed briefing on mutton for the European Council.

I am copying this letter to the Private Secretaries to the Secretaries of State for Scotland, Wales and Northern Ireland, members of OD(E) and Sir Robert Armstrong.

*Yours sincerely*

*David Jones*

D E JONES  
Assistant Private Secretary

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*Good*

PRIME MINISTER

(2)

EUROPEAN COUNCIL BRIEFING

Your meeting at 1030 on Friday morning will now be to discuss both your meeting with Signor Cossiga that afternoon and the European Council meeting on Sunday. As agreed by you on an earlier minute, I have invited the Foreign and Commonwealth Secretary, the Minister for Agriculture, Sir Robert Armstrong, Sir Michael Palliser, Sir Kenneth Couzens and Mr. Franklin.

You have said that you wish to limit the attendance at briefing meetings. I am confident that the attendance list above will ensure that all subjects are covered <sup>+</sup> ~~to~~ enable you to have a fruitful discussion. However, you should be aware that a number of people who might otherwise have expected to come are being excluded, viz the Secretaries of State for Energy and Trade, the Lord Privy Seal, Sir Michael Butler, Sir Brian Hayes (MAFF) and Lord Bridges. I have also omitted Sir Donald Maitland since his involvement with the preparations for the European Council meeting has now effectively ceased *he is very fully occupied once more with the Middle East & S.W. Asia.*

*Sir Michael Butler  
& Sir Brian Hayes  
should be present.*

*Paul*

23 April 1980

*Sir Brian Hayes  
invited & David  
will be total of  
extra 2.  
ef. 24/4*



Euro Pd



Caroline -

10 DOWNING STREET

Friday's briefing.

~~Amington~~ Walker  
~~Armstrong~~  
~~Conyers~~  
~~Palliser~~  
~~Franklin~~

---

The above have  
all been invited  
for the 6000 am  
meeting on  
Friday.  
C.

23/4



Free

Ewald

DSG

s

23 April 1980

The Prime Minister has seen your letter of 11 April to Tim Lankester, about Community legislation in force in the United Kingdom.

The Prime Minister is surprised to note that there is not even an approximate answer to her questions readily available. She was nevertheless interested in the indications you gave of the scale of activity required by Community legislation and she has it in mind to draw on the figures you quoted on a suitable occasion.

M. A. PATTISON

Michael Richardson, Esq.,  
Lord Privy Seal's Office.

TR



\* DESKBY 230730Z \*

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MR. FAULKNER

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MR D M ELLIOTT  
MR M A C WILKINS  
MR MORNING  
\* MR WANSW

\* MR. VINAWH

NO 10 DS.

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DAFS

\* MR CLAMOND

H.M. TREASURY

M.A.F. \*PS/MINISTER  
\*PS/PS

DAVI

SIR K COUZENS  
MR ASHFORD

SIR MR B D HAYES

\* MR. YOUNG

\* MR. ROBERTS

\* MRS. PICKERING  
\* MRS BLOWN  
\* MR. MORDUE

WELSH OFFICE

\* ADI MR. S. J. DAVIES

\* MR. L.A. RICHARDS

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TELEGRAM NUMBER 2020 OF 22 APRIL.

INFO PRIORITY BRUSSELS, COPENHAGEN, THE HAGUE, ROME, LUXEMBOURG,  
DUBLIN, PARIS AND BONN.

COUNCIL OF MINISTERS (AGRICULTURE) 21/22/23 APRIL 1980.

PREPARATION FOR THE EUROPEAN COUNCIL

SUMMARY

1. TUESDAY AFTERNOON'S SESSION OF THE COUNCIL WAS DEVOTED TO A DISCUSSION OF THE DESIRABILITY OF PUTTING A PAPER ON THE POSSIBILITIES FOR PRICE FIXING TO THE EUROPEAN COUNCIL AND ON ITS POSSIBLE CONTENTS. MOST FELT THAT THE COUNCIL WOULD BE FAILING IN ITS DUTY IF IT DID NOT PRODUCE SOMETHING, AND FAVOURED A BRIEF PAPER GIVING ONLY THE HEADS ON WHICH DECISIONS WERE NECESSARY WITH THE BUDGETARY IMPLICATIONS OF POSSIBLE OPTIONS. FRANCE ALONE ARGUED FOR A COMPREHENSIVE DOCUMENT FROM THE COMMISSION WHICH WOULD



COMPREHENSIVE DOCUMENT FROM THE COMMISSION WHICH WOULD THEN BE FURTHER DISCUSSED WITH A VIEW TO RECORDING THE MAXIMUM AGREEMENT POSSIBLE ON ALL SUBJECTS. THE COUNCIL BROKE AT 5 PM AND THE REST OF THE EVENING WILL BE SPENT IN PRESIDENCY AND COMMISSION BILATERALS. THE COMMISSION WILL THEN PREPARE A PAPER TO BE READY FOR MINISTERS BY THE TIME THE COUNCIL RESUMES AT 3 PM TOMORROW.

#### DETAIL

2. THE CHAIR (MARCOPA) ASKED FOR A TOUR DE TABLE ON WHETHER THE COUNCIL SHOULD ADJOURN OR WORK TOWARDS SOME PAPER TO PUT TO THE EUROPEAN COUNCIL. HE FAVOURED THE LATTER.
3. GERMANY (ERTL) THOUGHT A 'STATEMENT' <sup>IS</sup> WORTH TRYING FOR. HOWEVER, THE RESOURCES AVAILABLE FOR THE PRICE FIXING WOULD ONLY BE KNOWN AFTER THE EUROPEAN COUNCIL SO ONLY A BRIEF REPORT WAS NECESSARY LAYING DOWN THE PRINCIPLES WITHIN WHICH THE AGRICULTURE COUNCIL WOULD PROPOSE TO FIX PRICES, PROBABLY IN MAY.
4. FRANCE (MEHAIGNERIE) INSISTED THAT THE AGRICULTURE COUNCIL TAKE THE RESPONSIBILITY FOR SETTLING PRICES. THE EUROPEAN COUNCIL WOULD ONLY BE FRUITFUL IF IT HAD BEFORE IT A SHORT BUT CLEAR ACCOUNT OF ALL THE MAJOR POINTS AND THE EXTENT OF CONSENSUS OR DIVERGENCE ON THEM.
5. NETHERLANDS (BRAKS) WANTED A FURTHER EFFORT ON MILK IN THE AGRICULTURE COUNCIL AND THEN ADVICE FROM THE EUROPEAN COUNCIL ON THE PRINCIPLES TO BE FOLLOWED IN THE PRICE FIXING. HE THOUGHT ERTL'S APPROACH WAS SOUND.
6. DENMARK (DALSGER) AGREED WITH BRAKS ABOUT MILK. THERE SHOULD BE A COMPROMISE PROPOSAL EITHER FROM THE PRESIDENCY OR THE COMMISSION.
7. IRELAND (MAGSHARRY), LUXEMBOURG (NEY), ITALY (PISONI) AND BELGIUM (LAVENS) ALL FELL IN WITH THE 'STATEMENT' APPROACH, ITALY SUGGESTING THAT MINISTERS SHOULD SPECIFY THE PRICE INCREASES THEY WANTED FOR EACH COMMODITY AS WELL.
8. THE UK (MR WALKER) SUPPORTED ERTL, COUNSELLING LIKE HIM AGAINST GOING INTO TOO MUCH DETAIL, WHICH WOULD ONLY SPLIT THE COUNCIL. HE WAS SCEPTICAL OF THE VALUE OF HAMMERING AWAY ANY MORE AT MILK, WHERE THERE WERE FIVE COUNTRIES ON ONE SIDE AND FOUR ON THE OTHER. THERE WAS NEITHER SCOPE NOR POSSIBILITY FOR AN EASY COMPROMISE AT HIGH COST TO THE



POSSIBILITY FOR AN EASY COMPROMISE AT HIGH COST TO THE BUDGET. ERTL ENDORSED.

10. MEHAIGNERIE TRIED AGAIN FOR SOMETHING MORE SUBSTANTIAL, REPEATING THAT THE EUROPEAN COUNCIL COULDN'T MAKE PROGRESS UNLESS THE COUNCILS FEEDING IT HAD CLEARED THE GROUND. AGRICULTURE MINISTERS MUST DECIDE, IF NOT ON ABSOLUTE PRICE LEVELS, THEN ON ALL THE RELATIVITIES.

11. MARCORA SUMMED UP THAT A DOCUMENT SHOULD BE PRODUCED REPORTING THE ISSUES TO BE RESOLVED AND THE PRINCIPLES BY WHICH MINISTERS AGREED TO BE GUIDED IN RESOLVING THEM.

12. THE COMMISSION (GUNDELACH) AGREED WITH THE COUNCIL THAT SPEED WAS IMPORTANT. HE WAS READY TO HELP REACH A COMPROMISE BUT STRESSED THAT IT MUST 'RESPECT BUDGETARY CONSTRAINTS' AS TO THE AMOUNT OF DETAIL, THERE SHOULD BE VERY LITTLE. THE EUROPEAN COUNCIL WAS NOT EQUIPPED, NOR WOULD IT HAVE THE TIME, TO CRAWL OVER CAP TECHNICALITIES. THE PAPER WOULD EMPHASISE AREAS OF AGREEMENT NOT AREAS OF DISCORD. IT WOULD NOT BE A COMPROMISE, BUT A FIRST STEP TOWARDS ONE. ON KEY ISSUES, THE OPTIONS WOULD BE SPECIFIED AND THERE WOULD BE FIGURES ON BUDGETARY IMPLICATIONS. AGREEMENTS ALREADY REACHED WOULD BE NOTED.

13. MARCORA WONDERED IF ANYONE WOULD LIKE TO TALK ABOUT SPEEPMEAT. MEHAIGNERIE IMMEDIATELY STARTED TALKING ABOUT PRICE LEVELS AGAIN BUT NO ONE PICKED UP THAT BALL. THE CHAIR ADJOURNED THE COUNCIL UNTIL 3 PM WEDNESDAY 23 APRIL, ASKING DELEGATIONS TO HOLD THEMSELVES AVAILABLE FOR BILATERALS, SO THAT GUNDELACH'S PAPER COULD BE AS SOUNDLY BASED AS POSSIBLE.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 124 OF 22 APRIL

INFO IMMEDIATE UKREP BRUSSELS, AND ALL OTHER EC POSTS.

FOLLOWING FROM UKREP BRUSSELS.

*Read in full.  
Very depressing.*



FOREIGN AFFAIRS COUNCIL: 22 APRIL : CONVERGENCE  
AND BUDGETARY QUESTIONS

SUMMARY

1. DRAFT PRESIDENCY REPORT SETTING OUT ISSUES FOR EUROPEAN COUNCIL DISCUSSED. SUBSTANTIVE POSITIONS REMAIN AS AT FINANCE COUNCIL. AN AWKWARD BUT INCONCLUSIVE DISCUSSION ON PROCEDURES FOR APPROVING SUPPLEMENTARY EXPENDITURES IN THE UK WILL BE RESUMED AT COREPER TOMORROW. SOME USEFUL PROGRESS ON REAFFIRMING COMMUNITY PRINCIPLES; BUT AN ALTERNATIVE FRENCH TEXT (DESPITE ITALIAN RESISTENCE) LIKELY TO BE ON AGENDA FOR COREPER TOMORROW.

DETAIL

2. COLOMBO (ITALIAN PRESIDENCY) INVITED COMMENTS ON THE DRAFT REPORT DRAWN UP BY THE CHAIRMAN OF COREPER FOLLOWING THE ECO/FIN COUNCIL (TEXT BY HAND OF FRANKLIN). HE NOTED THAT THE LAST SENTENCE ON PAGE 4 OF THIS TEXT SHOULD BE DELETED.

3. COMMUNITY PRINCIPLES

COLOMBO INVITED COMMENTS ON THE REAFFIRMATION OF BASIC COMMUNITY PRINCIPLES, WITH WHICH THE SOLUTION TO THE UK'S PROBLEM SHOULD BE CONSISTENT.

4. FRANCOIS PONCET (FRANCE) CIRCULATED A FRENCH DRAFT OF EUROPEAN COUNCIL CONCLUSIONS ON THE PRINCIPLES OF THE OWN RESOURCES SYSTEM, THE ROLE OF THE COMMUNITY BUDGET AND THE CAP (TEXT BY HAND OF FRANKLIN). YOU AGREED THAT COMMUNITY PRINCIPLES SHOULD BE RECONFIRMED. THE UK HAD NO INTENTION OF OVERTURNING THE TREATY, THE CAP OR THE OWN RESOURCES SYSTEM. WE WANTED ONLY TO END A POLITICALLY AND ECONOMICALLY UNACCEPTABLE SITUATION. THE PRESIDENCY SHOULD BE RESPONSIBLE FOR PRODUCING THE DRAFT CONCLUSIONS. THESE SHOULD TAKE INTO ACCOUNT THE 1975 AGREEMENT THAT THE COMMUNITY SHOULD NOT PLACE UNDUE BURDENS ON COUNTRIES WITH BELOW AVERAGE GDP PER HEAD.

5. COLOMBO RESISTED FRENCH ATTEMPTS TO GET THEIR TEXT DISCUSSED. HE SUCCESSIVELY OBTAINED THE COUNCIL'S AGREEMENT (IN TERMS SIMILAR TO THOSE OF THE RUGGIERO GROUP-TEXT) THAT, AS WELL AS COVERING THE CAP AND OWN RESOURCES, THE STATEMENT OF PRINCIPLES SHOULD:-



TEXT) THAT, AS WELL AS COVERING THE CAP AND OWN RESOURCES, THE STATEMENT OF PRINCIPLES SHOULD:--

● REAFFIRM THE COMMITMENT TO CONVERGENCE IN ARTICLE 2 OF THE TREATY:

B) REFER TO THE DYNAMIC AND EVOLUTIONARY CHARACTER OF THE COMMUNITY, AND THE NEED TO REDUCE ECONOMIC DISPARITIES AND SECURE ECONOMIC GROWTH:

C) REAFFIRM THE CONCLUSIONS OF THE PARIS DECEMBER 1974 EUROPEAN COUNCIL THAT THE COMMUNITY INSTITUTIONS SHOULD AVOID 'SITUATIONS WHICH WERE UNACCEPTABLE FOR A MEMBER STATE AND INCOMPATIBLE WITH THE PROPER FUNCTIONING OF THE COMMUNITY DURING THE PROCESS OF CONVERGENCE'.

6. HE ALSO SECURED AGREEMENT THAT THE UK PROBLEM WAS CAUSED BY THREE FACTORS:--

- THE RELATIVELY LOW LEVEL OF UK'S PARTICIPATION IN INTRA-COMMUNITY TRADE --
- EXCESSIVE GROWTH OF FEOGA GUARANTEE EXPENDITURE
- INADEQUATE DEVELOPMENT OF OTHER COMMUNITY POLICIES.

- No  
Z

7. AT THE END OF THE DISCUSSION OF THE PRESIDENCY'S REPORT FRANCOIS PONCET RETURNED TO THE QUESTION OF PRINCIPLES. IT WAS NOT SUFFICIENT TO TAKE THE FRENCH TEXT INTO ACCOUNT AS A CONTRIBUTION TO A PRESIDENCY DRAFT. PRESIDENT CISCARD WOULD INSIST THAT THE FRENCH TEXT WAS DISCUSSED AT THE OUTSET OF THE EUROPEAN COUNCIL. IT MUST THEREFORE BE EXAMINED AT THIS WEEK'S COREPER. IRELAND AND DENMARK SUPPORTED THIS REQUEST. COLOMBO REPLIED THAT THE PRESIDENCY WOULD NOW PRODUCE ITS OWN DRAFT CONCLUSIONS (AS WAS ITS RESPONSIBILITY) IN THE LIGHT OF TODAY'S DISCUSSION WHICH HAD PRODUCED AGREEMENT ON A NUMBER OF POINTS. THE FRENCH TEXT WOULD OCCUPY AN IMPORTANT PLACE IN THIS PROCESS. HE NOTED THE FRENCH INTENTION TO MAINTAIN THEIR TEXT AS A SEPARATE DOCUMENT. BUT IT WAS FOR THE PRESIDENCY TO WORK FOR A COMMON TEXT AS FAR AS POSSIBLE. BOTH COREPER AND THE PRESIDENCY WOULD PLAY THEIR PART IN THE REMAINING PREPARATIONS FOR THE EUROPEAN COUNCIL.

8. SIZE OF THE UK NET CONTRIBUTION

COLOMBO WARNED AGAINST THE RISK OF CONFRONTING THE



COLOMBO WARNED AGAINST THE RISK OF CONFRONTING THE EUROPEAN COUNCIL WITH AN UNRESOLVED DISPUTE OVER THE FIGURES.

9. ORTOLI (COMMISSION) SAID THE COMMISSION STUCK TO ITS ESTIMATE OF 1633 MEUA WHICH WAS THE STARTING POINT FOR OTHER MEMBER STATES' COMMENTS. NO MEMBER STATE WAS INSISTING THAT ITS OWN FIGURE WAS THE RIGHT ONE. THE COMMISSION'S FIGURE WAS AT THE CENTRE OF THE RANGE AND THEREFORE GAVE A GOOD GUIDE TO THE BROAD ORDER OF MAGNITUDE. IT WAS A MISTAKE TO BE OVERPRECISE.

10. HE WAS SUPPORTED BY VON DOHNANYI AND YOURSELF. BUT, DESPITE FURTHER PRESSURE FROM THE CHAIR, FRANCOIS PONCET INSISTED THAT THE COMMENTS AND ALTERNATIVE FIGURES CIRCULATED BY HIS AND OTHER DELEGATIONS SHOULD ALSO GO FORWARD TO THE EUROPEAN COUNCIL. COLOMBO SUMMED UP ACCORDINGLY. (NOTE FOR BRIEFING: THE LATEST COMMISSION TABLE ON 1979 CARRY-OVERS NOW ALSO SHOWS MEMBER STATES' CONTRIBUTION TO THEIR FINANCING, APPARENTLY USING THE 1980 FINANCING KEY. FOR THE UK THE NET EFFECT IS A GAIN OF 24 MEUA ONLY RATHER THAN THE FULL 217 MEUA CLAIMED BY THE FRENCH.

#### 11. FINANCIAL MECHANISM

FRANCOIS PONCET REPEATED THE FRENCH POSITION THAT, GIVEN FUTURE UNCERTAINTIES, A FIXED CEILING ON THE FINANCIAL MECHANISM REFUND WAS INDISPENSABLE. YOU POINTED OUT THAT THE EXISTING MECHANISM ALREADY LIMITED ANY REFUND TO THE SIZE OF THE UK'S VAT CONTRIBUTION. IT WOULD BE UNWISE TO HAVE A MORE INFLEXIBLE CEILING. ORTOLI SUGGESTED THAT THIS ISSUE COULD BE MORE EASILY RESOLVED AT THE EUROPEAN COUNCIL IN THE CONTEXT OF A WIDER AGREEMENT. NO ONE ELSE SPOKE.

#### 12. SUPPLEMENTARY MEASURES UNDER ARTICLE 235.

COLOMBO INITIATED DISCUSSION ON THE PROCEDURE FOR APPROVING EXPENDITURE PROGRAMMES IN THE UK.

13. YOU SAID THE PROCEDURE SHOULD ACHIEVE AN ADEQUATE BALANCE BETWEEN FLEXIBILITY OF OPERATION AND ENSURING THAT PROGRAMMES WERE IN LINE WITH COMMUNITY INTERESTS. IT SHOULD BE NOT TOO BUREAUCRATIC. FRANCOIS PONCET ADDED THAT BOTH THE FLEXIBILITY CRITERIA AND THE



ARGUED THAT BOTH THE ELIGIBILITY CRITERIA AND THE PROGRAMMES THEMSELVES SHOULD BE SUBJECT TO COUNCIL APPROVAL. THIS WAS AN EXCEPTIONAL PROCEDURE APPROPRIATE TO THE EXCEPTIONAL UK SITUATION.

14. CRTOLI EXPLAINED THAT THE ELIGIBILITY CRITERIA WOULD FORM PART OF A FRAMEWORK REGULATION TO BE APPROVED BY THE COUNCIL. THE COMMISSION WOULD THEN TAKE RESPONSIBILITY FOR APPROVING THE PROGRAMMES IN CONSULTATION WITH MEMBER STATES AS UNDER THE FIRST PART OF THE REGIONAL FUND PROCEDURES. A CUMBERSOME PROCEDURE SHOULD BE AVOIDED SO AS TO ENSURE RAPID DISBURSEMENT OF THE FUNDS.

15. COLOMBO THEN UNHELPFULLY PUT FORWARD A PRESIDENCY COMPROMISE UNDER WHICH BOTH THE REGIONAL POLICY COMMITTEE AND MANAGEMENT COMMITTEE OF THE RDF WOULD BE CONSULTED. WHERE THERE WAS A NEGATIVE OPINION BY QUALIFIED MAJORITY AGAINST A PROGRAMME IT WOULD BE SUBMITTED TO THE COUNCIL. THIS PROPOSAL WAS ACCEPTED BY BELGIUM, NETHERLANDS, GERMANY AND (PROVISIONALLY) FRANCE. YOU SAID IT WAS TOO CUMBERSOME. A PROCEDURE ANALAGOUS TO THAT USED FOR EMS INTEREST RATE SUBSIDIES SHOULD BE ADOPTED. COLOMBO REMITTED THE QUESTION TO THIS WEEK'S COREPER.

#### 16. DURATION.

MEMBER STATES REPEATED POSITIONS TAKEN UP AT ECO/FIN COUNCIL. FRANCE, BELGIUM, DENMARK, THE NETHERLANDS AND GERMANY FAVOURED 3 YEARS FOR BOTH THE FINANCIAL MECHANISM AND SUPPLEMENTARY MEASURES, THOUGH GERMANY DESCRIBED 3 YEARS AS "A REALISTIC STARTING POINT". THE UK SAID THE FINANCIAL MECHANISM SHOULD BE EXTENDED FOR A FURTHER SIX YEARS TO RUN CONCURRENTLY WITH THE SUPPLEMENTARY MEASURES. EITHER A 3 YEAR PERIOD OR A FIXED ANNUAL SUM WOULD RISK THE REEMERGENCE OF THE UK PROBLEM BY 1982. THE UK HAD SUGGESTED WAYS OF HANDLING THIS DOUBLE PROBLEM IN EARLIER DISCUSSIONS. THE PRESIDENCY PAPER SHOULD BE AMENDED TO BRING OUT THIS ISSUE CLEARLY.

17. COLOMBO SUGGESTED THAT THE DURATION SHOULD BE LINKED WITH THE MEDIUM TERM DEVELOPMENT OF THE BUDGET, AS PROPOSED BY THE COMMISSION. DRAWING ON THE RUGGIETO GROUP TEXT, HE SUGGESTED THAT THE COMMISSION SHOULD PRESENT PROPOSALS ON THE FUTURE DEVELOPMENT OF THE BUDGET BY THE END OF 1981.



THE RUGGIERO GROUP TEXT, HE SUGGESTED THAT THE COMMISSION SHOULD PRESENT PROPOSALS ON THE FUTURE DEVELOPMENT OF THE BUDGET BY THE END OF 1981.

18. CONVERGENCE AND MEASURES TO HELP ITALY AND IRELAND.

FRANCE, DENMARK, THE NETHERLANDS AND BELGIUM SAID THE GENERAL PROBLEM OF CONVERGENCE WAS SEPARATE FROM THE TEMPORARY BRITISH PROBLEM. ACCORDINGLY IRELAND AND ITALY SHOULD NOT BENEFIT FROM THE SPECIAL SUPPLEMENTARY MEASURES FOR THE UK, AS HAD BEEN SUGGESTED IN (D) ON PAGE 4 OF THE PRESIDENCY TEXT. ITALY ARGUED THAT THIS POSSIBILITY SHOULD BE KEPT OPEN FOR THE EUROPEAN COUNCIL, BUT LENTHAN (IRELAND) COULD ACCEPT THE DELETION OF THIS SUGGESTION, PROVIDED PARAGRAPH 3 IN THE SECTION ON CONVERGENCE WAS RETAINED.

19. THERE WAS AN INCONCLUSIVE DISCUSSION OF THE ONE PER CENT VAT LIMIT. GERMANY, BELGIUM AND THE NETHERLANDS ARGUED THAT AGREEMENT TO MAINTAIN THE ONE PER CENT LIMIT SHOULD BE RECORDED IN PARAGRAPH 2 OF THE CONVERGENCE SECTION. BUT IRELAND AND ITALY ARGUED THAT AT DUBLIN THE ONE PER CENT LIMIT HAD BEEN LINKED SOLELY WITH THE SOLUTION TO THE UK'S PROBLEM. ZAMBERLETTI (IN THE CHAIR) TOOK NOTE, BUT SAID THAT THE PRESIDENCY TEXT COULD NOT CONTRADICT EARLIER EUROPEAN COUNCIL CONCLUSIONS.

20. THE UK DREW ATTENTION TO THE NEED TO SET A MEDIUM TERM TARGET FOR THE PROPORTION OF THE BUDGET TO GO ON AGRICULTURE. A BETTER BALANCE IN THE COMMUNITY BUDGET WAS AN ESSENTIAL THIRD COMPONENT OF THE SOLUTION TO THE UK'S PROBLEM. WE ASKED THAT THESE POINTS SHOULD FIGURE IN THE PRESIDENCY DOCUMENT.

21. OTHER PROBLEMS (LINKAGE ITEMS)

FOR THE UK YOU SAID THAT THE PRESIDENCY SUGGESTION THAT THE EUROPEAN COUNCIL SHOULD AGREE TO GUIDELINES ON FISH WAS TOO AMBITIOUS, THOUGH IT SHOULD CALL FOR PROGRESS AND ESTABLISH A REALISTIC CALENDAR. FRANCE AND DENMARK ARGUED THAT 'GUIDELINES' WAS TOO WEAK A FORMULATION.

22. CONCLUSION.



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FCO - PS/S OF S, PS/PUS, ~~BRIDGES, HANNAY, SPECKLET~~  
 CAB - ~~FRANKLIN, ELLIOTT, WALSH~~  
 TSI - PS/CHANCELLOR, ~~COUZENS~~, HANCOCK, MICHELL, THOMSON,  
 MISS WRIGHT (PLUS 7)  
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GRS 1000

*Prime Minister*

CONFIDENTIAL

FRAME ECONOMIC

DESKBY 220830Z

FM LUXEMBOURG 210935Z APR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 106 OF 21 APRIL

INFO IMMEDIATE UKREP BRUSSELS, AND ALL OTHER EC POSTS.

FOLLOWING FROM UKREP BRUSSELS.

INFORMAL MEETING OF COMMUNITY FINANCE MINISTERS;

UK BUDGET QUESTION

*3 tels, relating to the European Council meeting, which you may like to glance through.*

*Reeds*

1. PANDOLFI TOLD US IN ROME ON SUNDAY EVENING THAT MONROY NOW ANTED DISCUSSION OF THE UK BUDGET QUESTION DURING THIS MEETING. PANDOLFI HIMSELF PERHAPS FAVOURED THIS IN THE HOPE OF PROGRESS IN



QUESTION DURING THIS MEETING. PANDOLFI HIMSELF  
PERHAPS FAVOURED THIS IN THE HOPE OF PROGRESS IN  
SENTIMENT IF NOT ON SUBSTANCE.

2. AT TAORMINA ON SUNDAY PANDOLFI SPOKE OF 4 ISSUES.  
THEY WERE THE FIGURES FOR THE UK CONTRIBUTION AS NOW  
FORECAST; THE FINANCIAL MECHANISM, WHERE IT WAS  
PROPOSED TO SUSPEND 3 LIMITATIONS, AND THE DURATION  
OF THE SUSPENSION; AND THE GENERAL QUESTION OF THE  
LESS PROSPEROUS COUNTRIES, INCLUDING THE QUESTION  
WHETHER THE EMS INTEREST RATE SUBSIDIES SHOULD BE  
UPDATED. THIS FOURTH POINT WAS EUPHEMISM FOR WHETHER  
ITALY AND IRELAND SHOULD CONTRIBUTE TO THE UK SOLUTION,  
OR BE EXCUSED OR COMPENSATED.

3. PANDOLFI ADDED THAT IN HIS VIEW A COMPLETE REVIEW  
OF THE COMMUNITY BUDGETARY SYSTEM WOULD BE NECESSARY  
BEFORE LONG. HE LINKED THIS INTER ALIA WITH ENLARGEMENT.

4. MATTHOEFER, IN A QUIET SPEECH, SAID THAT A SETTLEMENT  
OUGHT NOT TO BREAK THE 1 PER CENT VAT LIMIT. HE  
MENTIONED THAT HE CALCULATED THE AGRICULTURAL ECONOMIES  
PROPOSED BY THE COMMISSION TO BE WORTH ABOUT 100 MEUA  
TO THE UK. THE SOLUTION SHOULD BE LIMITED IN TIME.  
HE LINKED THIS TO ENLARGEMENT, BUT REFRAINED CAREFULLY  
FROM SUGGESTING A PERIOD. HE SUPPORTED PANDOLFI AS TO THE  
FORM OF A SOLUTION, INCLUDING REMOVAL OF THE 3  
CONDITIONS FROM THE MECHANISM. HE ADDED THAT IT WOULD  
BE HELPFUL IF THE UK COULD COME UP WITH SUGGESTIONS  
FOR SOLUTIONS ON OTHER COMMUNITY PROBLEMS.

5. MONORY AGREED THAT A SOLUTION MUST BE WITHIN THE  
1 PER CENT LIMIT, MUST CONFORM TO COMMUNITY PRINCIPLES  
AND USE COMMUNITY MECHANISMS. HE WAS CONVINCED THAT  
HEADS OF GOVERNMENT WOULD COME TO A DECISION AT THE  
EUROPEAN COUNCIL, WHICH AS AN INSTITUTION HAD A GREAT  
CAPACITY FOR COMPROMISE. THE NEWSPAPERS WERE GETTING  
CALMER. HE AGREED THE SOLUTION WOULD CONSIST OF  
AGREEMENT ON CHANGES TO THE FINANCIAL MECHANISM AND  
A NEW LINE IN THE BUDGET FOR EXPENDITURE IN THE UK.  
WE MUST SOFTEN CERTAIN MECHANISMS BUT NOT DEPART FROM  
THEM. WE COULD NOT DEAL NOW WITH THE QUESTION OF  
AMOUNT. DURATION WOULD ALSO BE SOMETHING FOR HEADS  
OF GOVERNMENT TO DECIDE, BUT HE FAVOURED REACHING  
GREATER PRECISION ON SOME QUESTIONS IN PREPARATION FOR THE  
SUMMIT, FOR EXAMPLE BY TAKING A VOTE ON QUESTIONS LIKE



GREATER PRECISION ON SOME QUESTIONS IN PREPARATION FOR THE SUMMIT, FOR EXAMPLE BY TAKING A VOTE ON QUESTIONS LIKE DURATION IN THE FINANCE COUNCIL, AND REPORTING THE RESULT TO HEADS OF GOVERNMENT. HE THOUGHT IT WOULD BE WISE TO DEAL NOW WITH THE QUESTION OF THE UK CONTRIBUTION IN A SPECIFIC AND PRECISE WAY, SO AS NOT TO LEAVE VAGUE FORMULA OR GENERAL EXPRESSIONS WHICH THE NEW ENTRANTS TO THE COMMUNITY MIGHT EXPLOIT. IN THE COURSE OF HIS STATEMENT HE ALSO MADE A BRIEF REFERENCE TO THE NEED FOR AGREEMENT ON SHEEPMEAT.

6. THE CHANCELLOR SAID HE AGREED WITH MONORY ON TWO ISSUES SUMMED UP IN THE EXPRESSIONS : ONE LAST HEAVE AND LET'S CLEAR THE GROUND. ON THE BASIC FIGURES 1552 MEUA (THE COMMISSION FIGURE) HAD BEEN TREATED AS 'RES JUDICATA' AT DUBLIN -- THE ACCEPTED BASIS; AND THE NEW COMMISSION FORECAST OF 1683 MEUA, PRODUCED FOR THE COUNCIL, SHOULD BE SIMILARLY REGARDED NOW. WE COULD NOT UNPICK THE COMMISSION FIGURE. FOR EVERY ARGUMENT TO VARY IT ONE WAY, ANOTHER COULD BE PRODUCED TO VARY IT THE OTHER WAY. HE AGREED THAT THE FORM OF THE SOLUTION SHOULD BE THE FINANCIAL MECHANISM WITH AT LEAST 3 RESTRICTIONS REMOVED; AND SUPPLEMENTARY EXPENDITURE UNDER ARTICLE 235.

7. THE CHANCELLOR SAID HE WISHED TO STRESS THE QUESTION OF DURATION. WE THOUGHT A REASONABLE PERIOD WAS THE 6 YEARS OF THE ORIGINAL FINANCIAL MECHANISM. ON EXISTING POLICIES HE HAD HAD TO TELL THE BRITISH PARLIAMENT THAT THE UK CONTRIBUTION WOULD RISE FROM OVER POUNDS STERLING 1 BILLION TO NEARER POUNDS STERLING 2 BILLION BY 1983/4. WE DID NOT WANT THIS WHOLE PROBLEM COMING BACK TO PLAGUE US AND THE COMMUNITY IN A VERY FEW YEARS. SECONDLY, WE DID NOT WANT THE ISSUE RETURNING TO THE DOMESTIC SCENE BEFORE THE NEXT BRITISH ELECTION IN ABOUT 1984.

8. ON AGRICULTURAL QUESTIONS, IT WAS NOT THE UK WHICH HAD TAKEN THE INITIATIVE IN LINKING THEM WITH OUR BUDGET PROBLEM. BUT TO USE MONORY'S WORDS, THE AGRICULTURAL QUESTIONS WERE 'PAS SANS INTERET' FOR OUR BUDGET PROBLEM : THEY COULD ADD TO OUR NET CONTRIBUTION. THE COMMISSION'S FIGURE OF 1683 MEUA ASSURED MAJOR AGRICULTURAL ECONOMIES AND A PRICE INCREASE AVERAGING 2.4 PER CENT. MORE EXPENSIVE PROPOSALS WOULD ADD TO



PROBLEM: THEY COULD ADD TO OUR NET CONTRIBUTION  
THE COMMISSION'S FIGURE OF 1683 MEUA ASSURED MAJOR  
AGRICULTURAL ECONOMIES AND A PRICE INCREASE AVERAGING  
2.4 PER CENT. MORE EXPENSIVE PROPOSALS WOULD ADD TO  
THE 1683 MEUA. SO WE COULD NOT SETTLE CURRENT AGRICULTURAL  
QUESTIONS IN ADVANCE OF, AND WITHOUT, A SOLUTION ON THE  
BUDGET.

9. O'KENNEDY SAID THE SOLUTION OF THE UK PROBLEM WOULD  
NOT OF ITSELF BREAK THE 1 PER CENT LIMIT; BUT CERTAINLY  
THE FUNDAMENTALS OF THE COMMUNITY, WHICH MADE IT MORE  
THAN A COMMON MARKET, MUST BE PRESERVED. HE AGREED  
WE MUST HAVE AN EYE TO THE NEW ENTRANTS AND NOT INVITE  
BIDS FROM THEM. EQUALLY WE COULD NOT RULE OUT  
CHANGE AND DEVELOPMENT IN THE COMMUNITY. CONSIDERATION  
OF ENERGY POLICY WAS ONE EXAMPLE.

10. MONORY INTERVENED TO SAY THAT HE DID NOT NECESSARILY  
ACCEPT AS FINAL THE COMMISSION'S FIGURES OF NET CONTRIBUTIONS.  
FRANCE HAD EXPRESSED DOUBTS ABOUT THE EARLIER FIGURES AT  
DUBLIN AND HE DID NOT WISH TO LET IT BE THOUGHT HE  
ACCEPTED WHAT THE CHANCELLOR HAD SAID.

11. IN SOME BRIEF FURTHER EXCHANGES THE CHANCELLOR  
ESTABLISHED THAT THERE WAS NO SUPPORT FOR MONORY ON  
THE IDEA OF TAKING VOTES AT THE FINANCE COUNCIL ON  
THE NEXT DAY.



FCO

PLUS FCO

PS/LORD PRIVY SEAL  
PS/MR RIDLEY  
PS  
MR BULLARD  
MR HANNA  
LORD BRIDGES

RESIDENT CLERK  
HD/EID( )(4)  
HD/NEWS  
HD/FRD  
H/.....  
HD/.....

MR HAZEL (copy)

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GPS 2900

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FRAME ECONOMIC

DESKBY 220830Z

FM LUXEMBOURG 211900Z APRIL 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 99 OF 21 APR

INFO IMMEDIATE UKREP BRUSSELS, BRUSSELS, COPENHAGEN, THE HAGUE,  
ROME, DUBLIN, PARIS, BONN.

FOLLOWING FROM UKREP BRUSSELS.

ECO/FIN COUNCIL, 21 APRIL.

CONVERGENCE AND BUDGETARY QUESTIONS

PREPARATION FOR THE EUROPEAN COUNCIL

SUMMARY.

1. THE COUNCIL EXCHANGED VIEWS INCONCLUSIVELY ON  
THE 1980 FIGURES; BUT THE COMMISSION STUCK TO THEIR  
ESTIMATES OF 20 MARCH.



ESTIMATES OF 20 MARCH.

2. ON THE FINANCIAL MECHANISM FRANCE, SUPPORTED BY BELGIUM, NETHERLANDS AND DENMARK FAVOURED A CEILING (UNSPECIFIED) AND EXPIRY AT THE END OF 1982.

3. ALL MEMBER STATES ACCEPTED THE ARTICLE 235 APPROACH FOR SUPPLEMENTARY EXPENDITURE IN THE UK TO LAST AS LONG AS THE FINANCIAL MECHANISM.

DETAIL.

4. PANDOLFI (ITALIAN PRESIDENCY) SAID THA THE FINANCE COUNCIL SHOULD EXAMINE FOUR POINTS:

(A) THE NEW COMMISSION FIGURES FOWLTHE UK NET CONTRIBUTION IN 1980:

(B) THE FINANCIAL MECHANISM AND THE EFFECT OF REMOVING THE THREE BRAKES FROM IT:

(C) THE ARTICLE 235 SUPPLEMENTARY MEASURES:

(D) OTHER MEASURES TO HELP THE LESS PROSPEROUS ECONOMIES ACHIEVE CONVERGENCE.

THE COUNCIL SHOULD CONCENTRATE ON THE FIRST TWO POINTS, BUT MIGHT ALSO DISCUSS (C) AND (D). IT SHOULD NOT DISCUSS THE QUESTION OF REAFFIRMING GENERAL COMMUNITY PRINCIPLES, WHICH WAS FOR THE FOREIGN AFFAIRS COUNCIL, OR THE LINKED ITEMS.

5. 1980 FIGURES.

TUGENDHAT (COMMISSION) IN A HELPFUL STATEMENT SIAD THAT THE COMMISSION STOOD BY THE FIGURES IT HAD CIRCULATED FOR THE 1979 OUTTURN AND THE 1980 ESTIMATES ON 20 MARCH. THESE FIGURES FOLLOWED THE SAME METHODOLOGY AS THE SEPTEMBER REFERENCE PAPER, WHICH HAD BEEN ACCEPTED AS THE BASIS FOR DISCUSSION BY THE DUBLIN EUROPEAN COUNCIL. THE SEPARATE TABLES PRODUCED BY THE COMMISSION LAST WEEK HAD BEEN BY WAY OF TECHNICAL ASSISTANCE TO HELP DELEGATIONS, BUT DID NOT REPRESENT THE COMMISSION'S OWN VIEW. ON ADMINISTRATIVE EXPENDITURES IT WAS TECHNICALLY FEASIBLE TO DIVIDE THEM UP IN DIFFERENT PROPORTIONS THAN THE COMMISSION



EXPENDITURES IT WAS TECHNICALLY FEASIBLE TO DIVIDE THEM UP IN DIFFERENT PROPORTIONS THAN THE COMMISSION HAD DONE. THIS WAS A POLITICAL DECISION FOR THE COUNCIL TO TAKE. ON THE 1979-1980 CARRY-OVERS, IT WOULD BE WISE TO INCORPORATE THEM IN EITHER THE 1979 OR 1980 TABLES, SINCE THE ACCOUNTS WOULD NOT THEN BE IN BALANCE. IN REALITY THE CARRY-OVERS WOULD BE FINANCED FROM THE COMMISSION'S CASH ACCOUNTS AS FOLLOWS:-

	MEUA
BELGIUM	56
DENMARK	22
GERMANY	273
FRANCE	174
IRELAND	8
ITALY	109
LUXEMBOURG	1
NETHERLANDS	80
UNITED KINGDOM	193

THIS SHOWED THAT THE CARRY-OVERS COULD BE IGNORED, AS QUITE MARGINAL TO THE BROAD PICTURE. MORE GENERALLY MEMBER STATES SHOULD NOT PURSUE AN EXCESSIVE DEGREE OF PRECISION. OTHER FACTORS SUCH AS EXCHANGE RATE MOVEMENTS OR NEW DECISIONS ON AGRICULTURE COULD CHANGE THE FIGURES TO A MUCH GREATER EXTENT THAN THE FACTORS DISCUSSED IN COREPER.

6. MONROY (FRANCE) ARGUED THAT ADMINISTRATIVE EXPENDITURE SHOULD BE SPLIT 50:50 AND THAT THE CARRY-OVERS SHOULD BE ADDED IN TO THE 1980 FIGURES. HE CIRCULATED A TABLE SHOWING THE EFFECTS OF THESE CHANGES. (COPY BY HAND TO LONDON).

7. FOR THE UK THE CHANCELLOR SAID THAT CONFUSION WOULD BE AVOIDED IF ALL COULD AGREE TO USE THE 20 MARCH COMMISSION FIGURES, WHICH FOLLOW THE METHODOLOGY PREVIOUSLY ACCEPTED. DISCUSSION AT DUBLIN HAD BEEN BASED ON A FIGURE OF 1552 MEUA. DISCUSSION NOW SHOULD BE BASED ON THE UP-DATED FIGURE OF 1683 MEUA. IF THIS FIGURE WAS TO BE REOPENED, THE UK WOULD HAVE TO QUESTION THE ASSUMPTIONS ON MCAS, WHICH WOULD POINT TO A FIGURE AS HIGH AS 1813 MEUA. ON CARRY-OVERS HE SUPPORTED TUGENDHAT; THE COMMISSION'S 1979 AND 1980 TABLES WERE IN BALANCE. TO INCLUDE THE CARRY-OVERS WITHOUT FINANCING WOULD BE GRAVELY MISLEADING.



TUGENDHAT: THE COMMISSION'S 1979 AND 1980 TABLES WERE IN BALANCE. TO INCLUDE THE CARRY-OVERS WITHOUT FINANCING WOULD BE GRAVELY MISLEADING. ADMINISTRATIVE EXPENDITURES SHOULD BE INCLUDED BECAUSE THEY WERE AN ELEMENT IN THE UK'S EXCESSIVE CONTRIBUTIONS.

8. THE POSITION OF OTHER DELEGATIONS WAS AS FOLLOWS:--

BELGIUM: THE ADMINISTRATIVE COSTS SHOULD BE FULLY EXCLUDED. ON CARRY-OVERS THE SAME METHOD SHOULD BE APPLIED TO 1980 AS TO 1979.

DENMARK: THE COMMISSION'S FIGURES WERE A REASONABLE BASIS FOR DISCUSSION. THERE WAS NO NEED TO SEEK FURTHER MATHEMATICAL PRECISION.

LUXEMBOURG: ADMINISTRATIVE COSTS SHOULD BE EXCLUDED OR NEUTRALISED. BUT THE COUNCIL SHOULD NOT BECOME OBSESSED WITH A BATTLE OVER THE FIGURES.

NETHERLANDS AND IRELAND: AGREED THAT THE COUNCIL SHOULD NOT BE OBSESSED WITH THE FIGURES. THE EUROPEAN COUNCIL WOULD TAKE A POLITICAL NOT A STATISTICAL DECISION. FOR THESE COUNTRIES WHAT THEY COULD AFFORD IN THEIR NATIONAL BUDGETS WAS THE CRUCIAL FACTOR AND THE ROOM FOR MANOEUVRE WAS VERY LIMITED.

GERMANY: ADMINISTRATIVE COST SHOULD BE TREATED AS A SEPARATE CATEGORY. MORE GENERALLY, SAW NOTHING NEW IN THE DISCUSSION. THE COMMISSION'S ESTIMATES WERE OBJECTIVE, BUT THE COUNCIL SHOULD AVOID ENDORSEMENT OF A PARTICULAR SET OF FIGURES.

9. IN SECOND INTERVENTIONS TUGENDHAT SAID THAT THE FRENCH PROPOSAL TO ADD THE 1979 CARRY-OVERS GROSS TO THE 1980 FIGURES WAS SIMPLY WRONG. MONORY SAID HE DID NOT WANT TO FIGHT OVER THE COMMISSION'S FIGURES, BUT SIMPLY TO SHOW THEIR FRAGILITY. THE FRENCH TABLE SHOULD HOWEVER BE INCLUDED IN MINISTERS DOSSIERS. SUMMING UP THIS PART OF THE DISCUSSION PANDOLFI SAID THE EUROPEAN COUNCIL SHOULD BE SENT THE COMMISSION'S CALCULATIONS PLUS THE ADDITIONAL INFORMATION REQUESTED BY DELEGATIONS. THE CHANCELLOR INTERVENED TO CONFIRM THAT THE ADDITIONAL INFORMATION WOULD INCLUDE THE FINANCING OF THE CARRY-OVERS AND THE UK NOTE ON MCAS.



10. SOLUTIONS TO UK PROBLEM.

MURRY SAID THE EUROPEAN COUNCIL SHOULD GET A REPORT SETTING OUT THE ISSUES FOR DECISION. AS WELL AS THE FIGURES, THIS SHOULD REAFFIRM THE PRINCIPLES UNDERLYING THE OWN RESOURCES SYSTEM AND THE CAP. RESPECT FOR THE OWN RESOURCE SYSTEM IMPLIED THAT ANY SOLUTION TO THE UK PROBLEM SHOULD BE "REASONABLE, MEASURED AND LIMITED IN TIME". FRANCE WAS READY TO CONTRIBUTE TO IMPROVEMENTS IN THE FINANCIAL MECHANISM AND OTHER SUPPLEMENTARY MEASURES. AS REGARDS THE FINANCIAL MECHANISM THE BALANCE OF PAYMENTS CLAUSE AND THE TRANCHE SYSTEM SHOULD BE AMENDED (EXCLUSIVELY FOR THE BENEFIT OF THE UK) BUT A FINANCIAL CEILING SHOULD BE RETAINED, GIVEN THE VOLATILITY OF STERLING AND THE 1 PER CENT VAT LIMIT. AS REGARDS SUPPLEMENTARY EXPENDITURE HE ACCEPTED THE ARTICLE 235 APPROACH. HERE THERE MUST BE A FIXED GLOBAL AMOUNT DIVIDED INTO ANNUAL TRANCHES. THE EXPENDITURES MUST HAVE A COMMUNITY INTEREST AND THE SECTORS OF EXPENDITURE AND ELIGIBILITY CRITERIA BE APPROVED BY THE COUNCIL. THE FIGURES COULD ONLY BE SETTLED BY THE EUROPEAN COUNCIL. ON DURATION FRANCE COULD ONLY ACCEPT THREE YEARS TO THE END OF 1982 FOR BOTH THE FINANCIAL MECHANISM AND THE SUPPLEMENTARY EXPENDITURE. ANY LONGER PERIOD WOULD INVOLVE FUNDAMENTAL CHANGE IN THE OWN RESOURCES SYSTEM REQUIRING TREATY AMENDMENT.

11. TUGENDHAT RECALLED THAT THE COMMISSION HAD RECOMMENDED THAT THREE RESTRAINTS SHOULD BE TAKEN OFF THE FINANCIAL MECHANISM, BUT THAT OTHERS SHOULD REMAIN EG THAT THE REFUND SHOULD NOT EXCEED THE VAT TRANCHE. THE COMMISSION FAVOURED THREE TO FOUR YEARS DURATION.

12. THE CHANCELLOR SAID THAT WITH ONE LAST EFFORT THE PROBLEM COULD BE SOLVED AT THE EUROPEAN COUNCIL, CONSISTENTLY WITH COMMUNITY PRINCIPLES. THE UK HOPED THAT AGREEMENT COULD BE REACHED TODAY ON THE PRINCIPLE OF A TWO-PART SOLUTION, TO BE FOLLOWED BY RESTRUCTURING THE BUDGET. THIS APPEARED TO BE COMMON GROUND. ON THE FINANCIAL MECHANISM THE COUNCIL SHOULD NOT DEPART FROM THE CONSENSUS WHICH HAD EMERGED AT DUBLIN TO REMOVE THE BALANCE OF PAYMENTS CONSTRAINT, THE TRANCHE SYSTEM AND THE 3 PER CENT LIMIT. THERE SHOULD BE



REMOVE THE BALANCE OF PAYMENTS CONSTRAINT, THE TRANCHE SYSTEM AND THE 3 PER CENT LIMIT. THERE SHOULD BE NO FURTHER LIMIT OTHER THAN THAT SET BY THE VAT LIMITATION. THESE CHANGES CONSTITUTED THE REVIEW OF THE DUBLIN MECHANISM REQUIRED BEFORE THE END OF 1981. THE MECHANISM SHOULD THEREFORE BE EXTENDED FOR A FURTHER PERIOD OF SIX YEARS WITH PROVISION FOR ANOTHER REVIEW. THE SUPPLEMENTARY MEASURES SHOULD HAVE THE SAME DURATION, AND SHOULD BE DYNAMIC SO AS TO ENSURE THAT THE UK'S PROBLEM WOULD NOT RECUR, WHILE RESTRUCTURING THE BUDGET TOOK PLACE.

13. THE POSITIONS OF OTHER DELEGATIONS WAS AS FOLLOWS:--

BELGIUM: AGREED WITH THE FRENCH ON DURATION. MORE GENERALLY, SOLUTIONS MUST BE WITHIN THE 1 PER CENT CEILING. WHAT ALTERNATIVE WERE THE FRENCH PROPOSING TO THE 3 PER CENT LIMIT ON RETURN IN THE FINANCIAL MECHANISM?

DENMARK: AGREED THERE SHOULD BE A TWO PART SOLUTION TO THE PROBLEM. AGREED WITH THE FRENCH ON DURATION AND ON A CEILING TO THE FINANCIAL MECHANISM.

LUXEMBOURG: SOLUTION SHOULD BE WITHIN THE 1 PER CENT VAT CEILING AND SHOULD RESPECT THE PRINCIPLES OF COMMUNITY FINANCING.

NETHERLANDS: SOLUTION WITHIN THE 1 PER CENT VAT CEILING. THIS IMPLIED A NEW CEILING IN THE FINANCIAL MECHANISM AND A FIXED AMOUNT FOR THE ARTICLE 235 EXPENDITURES. A CLEAR TIME LIMIT WOULD BE NEEDED.

GERMANY: SOLUTIONS MUST BE WITHIN THE 1 PER CENT VAT LIMIT. THIS ALSO APPLIED TO OTHER DECISIONS, EG ON AGRICULTURE. GERMANY COULD NOT GO BEYOND THREE YEARS FOR EITHER THE FINANCIAL MECHANISM OR ARTICLE 235, PRECISELY BECAUSE OF THE UNCERTAINTIES OF THE FUTURE. COMPENSATION FOR ITALY AND IRELAND WOULD BE SUBJECT TO THE SAME NARROW LIMITS ON AMOUNT AND DURATION AS FOR THE UK. COMMUNITY SOLIDARITY SHOULD GO WIDER THAN THE BUDGET (EG IRAN).

IRELAND: AGREED TO ADAPTATION OF THE FINANCIAL MECHANISM. NOTED WITH CONCERN EXPRESSED OVER DURATION FOR BOTH THE FINANCIAL MECHANISM AND ARTICLE 235. THE SOLUTIONS SHOULD NOT PREJUDICE THE COMMUNITY'S AID OF CONVERGENCE.



SHOULD NOT PREJUDICE THE COMMUNITY'S AID OF CONVERGENCE.

14. PANDOLFI SUMMING UP SAID THAT (AS WELL AS A SEPARATE PRESIDENCY DOCUMENT FOR THE EUROPEAN COUNCIL), THE CHAIRMAN OF COREPER WOULD DRAW UP A REPORT SUMMARISING THE DISCUSSION. APART FROM THE FIGURES THIS WOULD:-

(A) REAFFIRM THE COMMUNITY PRINCIPLES INHERENT IN ARTICLES 2 AND 39 OF THE TREATY OF ROME AND THE OWN RESOURCES DECISION OF 1970:

(B) ON THE FINANCIAL MECHANISM, NOTE THE PROPOSAL TO REMOVE THE THREE BRAKES: NOTE THE QUESTION OF DURATION. STATE THAT THE COUNCIL HAD EXAMINED THE QUESTION OF RETAINING A FINANCIAL LIMIT AND THAT THE EXISTING MECHANISM ALREADY CONTAINED A REASONABLE MAXIMUM LIMIT. (THE CHANCELLOR INTERVENED TO CONFIRM THAT THIS WAS A REFERENCE TO THE VAT PROVISION IN THE MECHANISM).

(C) NOTE THE GENERAL AGREEMENT THAT ARTICLE 235 COULD BE THE BASIS FOR SUPPLEMENTARY EXPENDITURE IN THE UK.



OO UKREP BRUSSELS

OO BRUSSELS

OO ROME

OO PARIS

OO BONN

PP COPENHAGEN

PP THE HAGUE

PP DUBLIN

GPS 1400

CONFIDENTIAL

DESKBY 211600Z

FM LUXEMBOURG 211559Z APRIL 80

TO IMMEDIATE FCO AND TO UKREP BRUSSELS

TELEGRAM NUMBER 98 OF 21 APR

INFO IMMEDIATE BRUSSELS, ROME, PARIS, BONN, PRIORITY COPENHAGEN  
THE HAGUE, DUBLIN.

FOLLOWING FROM UKREP BRUSSELS.

EUROPEAN COUNCIL PREPARATIONS: CONVERGENCE.

1. FOLLOWING TEXT WAS DISTRIBUTED AT THE END OF  
THE ECO/FIN COUNCIL THIS MORNING AND CONSTITUTES  
THE PRESIDENCY COVER NOTE PROMISED BY PLAJA IN  
COREPER LAST WEEK IN RESPONSE TO FRENCH REQUEST.  
IT IS LIKELY TO FORM THE BASIS OF THE DISCUSSION AT  
THE FOREIGN AFFAIRS COUNCIL TOMORROW.

BEGINS:-

THE CHAIRMAN OF COREPER HAS SOUGHT TO SUMMARIZE BELOW THE  
MAIN POINTS WHICH COULD BE TAKEN INTO CONSIDERATION IN THE  
DISCUSSION ON THE ITEM "CONVERGENCE AND BUDGETARY QUESTIONS",  
AS THEY HAVE EMERGED FROM THE PREPARATORY DISCUSSIONS.

BASIC PRINCIPLES.

PS  
PS/L PS  
PS/PUS  
Wood Bridges  
Hd of ECSD(I)  
Cabinet Office (3)  
HM Treasury (13)  
10 Downing St  
Mr Alexander  
RC

X 9

1 ✓

1



## BASIC PRINCIPLES.

IT IS BEYOND DOUBT THAT THERE WILL HAVE TO BE A RE-AFFIRMATION OF THE BASIC PRINCIPLES TO BE OBSERVED IN ANY ATTEMPT TO SEEK A SOLUTION TO THESE QUESTIONS.

THE CHAIRMAN CONSIDERS THAT THIS RE-AFFIRMATION SHOULD BE EXPRESSED IN A SUITABLE FORM IN THE CONCLUSIONS OF THE EUROPEAN COUNCIL.

THESE PRINCIPLES ARE BASED ON ARTICLE 2 OF THE TREATY AS REGARDS THE TASK OF THE COMMUNITY, ON ARTICLE 39 OF THE TREATY, WHICH SETS OUT THE OBJECTIVES OF THE COMMON AGRICULTURAL POLICY, AND ON THE SYSTEM OF OWN RESOURCES AS DEFINED BY THE DECISION OF 26 APRIL 1976.

## 11

### CONVERGENCE AND BUDGETARY QUESTIONS.

WITH REGARD TO THE PROBLEM OF THE UNITED KINGDOM'S CONTRIBUTION THE PRESIDENCY WOULD DRAW ATTENTION TO THE DECLARATION, REAFFIRMED AT THE HIGHEST LEVEL WITHIN THE COMMUNITY, TO THE EFFECT THAT IF UNACCEPTABLE SITUATIONS WERE TO ARISE, THE VERY EXISTENCE OF THE COMMUNITY WOULD DEMAND THAT THE INSTITUTIONS FIND ADEQUATE WAYS OF RESOLVING THEM.

THE SIZE OF THE NET BALANCE OF THE UNITED KINGDOM'S CONTRIBUTION TO THE 1980 BUDGET - AND THAT OF THE OTHER MEMBER STATES - HAS BEEN THE SUBJECT OF FORECASTS BASED ON DIFFERENT METHODS OF CALCULATION. THESE FORECASTS HAVE BEEN COMPILED IN A SEPARATE NOTE.

TO MEET THE PROBLEMS POSED BY THE SITUATION OF THE UNITED KINGDOM, TWO SERIES OF MEASURES HAVE BEEN MENTIONED: ADJUSTMENT OF THE FINANCIAL MECHANISM INTRODUCED IN 1976 AND ADOPTION OF ADDITIONAL COMMUNITY MEASURES TO HELP THE UNITED KINGDOM.

### FINANCIAL MECHANISM.

(A) THE COMMISSION HAS PROPOSED THAT

-THE LIMIT ON REPAYMENTS IN THE EVENT OF A POSITIVE BALANCE OF PAYMENTS;



-THE LIMIT ON REPAYMENTS IN THE EVENT OF A POSITIVE BALANCE OF PAYMENTS;

-THE SYSTEM OF REPAYMENTS BY TRANCHES; AND

-THE CEILING OF 3% PER CENT OF THE BUDGET,

SHOULD BE DISCONTINUED.

ACCORDING TO THE COMMISSION'S ESTIMATES, BASED UPON ITS BUDGETARY PROPOSALS FOR 1980, THIS ADJUSTMENT WOULD MEAN A PAYMENT TO THE UNITED KINGDOM, FOR 1980, OF AROUND 600 MEUA GROSS (495 MEUA NET).

(B) THIS POSITION APPEARS TO BE ACCEPTABLE TO ALL THE DELEGATIONS, ONE OF THEM HAVING RESERVED ITS POSITION IN CONNECTION WITH AN OVERALL SOLUTION. THE SAME DELEGATION IS ASKING THAT AN ANNUAL CEILING IN TERMS OF AN ABSOLUTE AMOUNT SHOULD BE PROVIDED FOR.

(C) A KEY QUESTION IS THAT OF THE PERIOD FOR WHICH THE AMENDED FINANCIAL MECHANISM WOULD CONTINUE TO APPLY. WHILE THERE IS GENERAL AGREEMENT ON THE TEMPORARY NATURE OF THE MECHANISM, DIFFERENCES OF OPINION REMAIN AS TO THAT PERIOD. SOME DELEGATIONS ARE IN FAVOUR OF A THREE-YEAR PERIOD (I.E. UP TO 1982), WHILE ONE DELEGATION CONSIDERS THAT THE MECHANISM SHOULD APPLY FOR SIX YEARS AND BE SUBJECT TO REVIEW BEFORE THAT PERIOD.

AN INTERMEDIATE POSITION HAS BEEN SUGGESTED IN THE COMMISSION COMMUNICATION ACCORDING TO WHICH PROVISION SHOULD BE MADE FOR A 3-4 YEAR EXTENSION, A REVIEW OF THE SITUATION TAKING PLACE AT A CERTAIN INTERVAL BEFORE THE MECHANISM EXPIRES.

THE FORMULA PROPOSED BY THE COMMISSION COULD BE LINKED WITH THE MEDIUM-TERM TREND TOWARDS DIVERSIFICATION OF COMMUNITY EXPENDITURE, ESPECIALLY THROUGH THE STRUCTURAL AND INVESTMENT POLICIES. ONLY IN THE CONTEXT OF SUCH DIVERSIFICATION AND THE MEDIUM-TERM ATTAINMENT OF COMMUNITY POLICIES WILL IT BE POSSIBLE TO FIND A LASTING SOLUTION TO THE PROBLEM OF THE UNITED KINGDOM CONTRIBUTION TO THE COMMUNITY BUDGET.

#### ADDITIONAL COMMUNITY MEASURES

THE COMMISSION HAS PROPOSED THAT ADDITIONAL COMMUNITY MEASURES BE ADOPTED BY MEANS OF A REGULATION BASED ON ARTICLE 235 OF THE TREATY. SUCH MEASURES WILL HAVE TO BE COMPATIBLE WITH



THE COMMISSION HAS PROPOSED THAT ADDITIONAL COMMUNITY MEASURES BE ADOPTED BY MEANS OF A REGULATION BASED ON ARTICLE 235 OF THE TREATY. SUCH MEASURES WILL HAVE TO BE COMPATIBLE WITH THE OBJECTIVES OF COMMUNITY POLICIES, FOSTER THE CONVERGENCE OF ECONOMIES AND BE CONSONANT WITH THE GENERAL INTEREST OF THE COMMUNITY.

WHILE ALL DELEGATIONS ACCEPT THE LEGAL BASIS PROPOSED FOR SUCH MEASURES - THE MATTER OF THE OVERALL BUDGET REMAINING OPEN - THE OTHER QUESTIONS TO BE DECIDED APPEAR TO BE AS FOLLOWS:

- (A) WHICH PROJECTS COULD BENEFIT FROM THESE ADDITIONAL MEASURES: IT SHOULD BE CONFIRMED IN THIS CONNECTION THAT PROJECTS SHOULD BE OF COMMUNITY INTEREST;
- (B) WHAT WILL BE THE PROCEDURE FOR ADOPTING PROJECTS: THE QUESTION HERE IS THE EXTENT TO WHICH THE COMMISSION AND THE COUNCIL WOULD EACH PARTICIPATE IN THE DECISION ON THE PROJECTS PROPOSED BY THE MEMBER STATE CONCERNED;
- (C) FOR HOW LONG SHOULD THESE ADDITIONAL MEASURES BE PROVIDED: MENTION SHOULD BE MADE IN THIS CONNECTION OF THE POSITIONS SET OUT ABOVE REGARDING THE FINANCING MECHANISM;
- (D) SHOULD THESE ADDITIONAL MEASURES PLANNED FOR THE UNITED KINGDOM ALSO BE MADE AVAILABLE FOR PROJECTS IN OTHER LESS PROSPEROUS MEMBER STATES?

#### CONVERGENCE

1. THE PRESIDENCY WOULD REFER TO THE CONCLUSIONS REACHED BY THE EUROPEAN COUNCIL ON THIS POINT AT ITS MEETING ON 29 AND 30 NOVEMBER 1979 IN DUBLIN.
2. THE COMMISSION INVITED THE EUROPEAN COUNCIL TO ADOPT THE PRINCIPLE THAT THE RATE OF INCREASE IN EXPENDITURE FOR INVESTMENT PURPOSES SHOULD BE APPRECIABLY HIGHER THAN THE RATE OF INCREASE IN THE SIZE OF THE BUDGET.
3. THE COMMISSION ALSO PROPOSED THAT SPECIAL RESOURCES BE CHANNELLED TO THE LESS PROSPEROUS MEMBER STATES IN ORDER TO STRENGTHEN THE INTEREST REBATE SYSTEM, AUGMENT THE FUNDS AVAILABLE FOR REGIONAL DEVELOPMENT AND FURTHER IMPROVE THE OPERATION OF COMMUNITY FUNDS. SEVERAL DELEGATIONS SAID THAT THIS WAS NOT THE MOST APPROPRIATE CONTEXT TO BROACH THIS PROBLEM WHICH IN THEIR VIEW WOULD MAKE IT MORE DIFFICULT TO ARRIVE AT AN OVERALL SOLUTION.



MOST APPROPRIATE CONTEXT TO BROACH THIS PROBLEM WHICH IN THEIR VIEW WOULD MADE IT MORE DIFFICULT TO ARRIVE AT AN OVERALL SOLUTION.

ER PROBLEMS

BEARING IN MIND THE CONCLUSIONS OF THE EUROPEAN COUNCIL IN DUBLIN, IN VIEW ALSO OF THE PRECONDITION INVOLVED FOR ONE DELEGATION AND OF THE FACT THAT - IN THE PRESIDENCY'S OPINION - A NUMBER OF OTHER PROBLEMS MUST BE SETTLED, IT IS VITAL THAT A CONSENSUS BE REACHED ON THE IMPORTANT MATTERS CURRENTLY UNDER DISCUSSION IN THE AGRICULTURAL FIELD (PRICES FOR THE NEW MARKETING YEAR, ECONOMY MEASURES, ORGANIZATION OF THE MARKET IN SHEEPMEAT).

THE PRESIDENCY WOULD ALSO EMPHASIZE THE IMPORTANCE OF ADOPTING GUIDELINES TOGETHER WITH A TIMETABLE FOR THE FISHERIES POLICY, AND OF MAKING HEADWAY TOWARDS FINDING COMMUNITY SOLUTIONS IN THE FIELD OF ENERGY.

FCO ADVANCE TO:-

FCO - PS/S OF S, PS/LPS, PS/PUS, BRIDGES, SPRECKLEY, GOODENOUGH

CAB - FRANKLIN, WALSH, WILLIAMS

TSY - PS/CHANCELLOR, COUZENS, HANCOCK, MICHELE, THOMSON,

MISS WRIGHT PLUS 7. (ADVANCED AS REQUESTED)

NO 10 - ALEXANDER

THOMAS

IMMEDIATE

\* CCN ADD AND TO IMMEDIATE UKREP BRUSSELS

SENT AT 1745/21 JC

RECDA T 1745/21 E.T.



CONFIDENTIAL

HS

21 April 1980

European Council: Bilateral meetings

As I have told you on the telephone, the Prime Minister would prefer not to meet Messrs. Haughey and Van Agt before the European Council opens on Sunday afternoon. She wishes to be able to concentrate on the problems on the Council agenda. However there would be no objection to trying to arrange a bilateral with Mr. Haughey later in the meeting.

MICHAEL ALEXANDER

Paul Lever, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL





Prime Minister

Foreign and Commonwealth Office

Shall I arrange meetings with Messrs Haughey & van Agt as proposed?

London SW1A 2AH

18 April 1980

Paul - 18/4

Dear Michael,

European Council: Bilateral Meetings Between the Prime Minister and other Heads of Government

The Prime Minister has already agreed to have a general talk with the Taoiseach in the margins of the European Council and it is for us to suggest a time and place. Since they have not yet met there might be advantage, if the Prime Minister's timetable allows, for the meeting to take place before the Council opens (at 3.00pm on 27 April).

No

It might also be useful for the Prime Minister to have a word with the Dutch Prime Minister before the Council opens, given that it has so far proved impossible to find a convenient date for the Prime Minister to visit The Hague.

Why?

The Prime Minister will be staying at the Holiday Inn. The most convenient course might be for Mr Haughey and Mr Van Agt to be invited to call on her there at, say, 2.00 pm and 2.30 pm respectively.

Perhaps you could let me know whether the Prime Minister's travel plans might be so adjusted as to allow for these appointments and, if so, whether we may go ahead and make arrangements accordingly.

No - The point about choosing the European Council in that I will have met him in various other places with several other people

Yours etc

Paul

(P Lever)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street  
LONDON



PRIME MINISTER

*Luis Paul*

PREPARATIONS FOR THE EUROPEAN COUNCIL: 21-25 APRIL 1980

You have agreed that we should avoid large formal briefing meetings in the run up to the European Council meeting in Luxembourg. There will nonetheless, I fear, need to be a number of meetings next week in order to ensure that you are kept up to date with developments and that officials are fully in the picture about your wishes in the developing situation.

You have already agreed that there should be a meeting on Monday morning (from noon to 1300) to hear a report from Sir Donald Maitland on the results of his mission to Rome, Paris and Bonn and in order to prepare for your meeting with Signor Cossiga on Tuesday morning. This might be attended by the Foreign and Commonwealth Secretary, Sir Robert Armstrong, Sir Donald Maitland and Mr. Franklin. The Chancellor of the Exchequer will be abroad. + *Sir Kenneth Conyon*

*Abroad*

It had originally been planned that the formal briefing meeting for Luxembourg should take place on Wednesday morning (from 1030 to noon). I do not think that there is any need for a briefing meeting: you will have had the briefs the evening before and we can deal, orally or in writing, with any specific points that you have on them. However, a meeting may be necessary in order to assess the results of your meeting with Signor Cossiga and progress at the meeting of the Agriculture Council. The group of personal representatives chaired by Signor Ruggiero (which Mr. Franklin attends) will be meeting on Wednesday evening or Thursday morning and Mr. Franklin may require guidance. I propose therefore to keep the slot open in the diary and to consult you on Tuesday as to whether or not you think a meeting necessary.

Finally, you may wish to have a meeting on Friday morning (say from 1000-1130) to review the situation before your departure for Luxembourg. The results of Signor Cossiga's tour should be available by then; the Agriculture Council will have completed its discussions; and Mr. Franklin will have returned from the meeting of the Ruggiero group. This will also be an opportunity to consider

/ the



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with  
week  
29/3/80

the shape of your opening statement at the Council and any out-  
standing points on the briefing. Such a meeting might be attended  
by the Foreign and Commonwealth Secretary, Sir Robert Armstrong,  
Sir Kenneth Couzens (the Chancellor of the Exchequer will again be  
away), Sir Michael Palliser and/or Sir Donald Maitland and  
Mr. Franklin. It might also be helpful to have the Minister for  
Agriculture present.

You will no doubt wish to report to your colleagues at Cabinet  
on 24 April, under Community Affairs, how you see the prospects for  
the Council. But the decisions taken at Cabinet on 20 March are  
still valid. I do not therefore see any need for further collective  
Ministerial decision.

It would be helpful to know that you are content with the  
above outline.

Yes  
[Signature]  
[Signature]

17 April 1980



Subject on Euro PAI PE 7 Community Budget.

T84/80

file SWR 80

MESSAGE TO THE PRIME MINISTER OF ITALY

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T84/80

Dear Prime Minister,

We are now less than two weeks away from the postponed meeting of the European Council on 27/28 April. I attach, as I am sure you do, the very greatest importance to that meeting reaching a clear and durable solution to the problem of the United Kingdom's net budget contribution and at the same time making progress on their merits with other major issues of Community policy. In the increasingly uncertain international climate it becomes all the more necessary for us to reach equitable solutions to these internal Community issues.

The preparations for our meeting are, as they should do, proceeding in the appropriate Community institutions. There will be meetings next week of the Foreign Affairs, Finance and Agriculture Councils and I hope these will lead to some further clarification of the issues and, where possible, to progress towards solutions. I also firmly support the initiative of the Presidency to summon an ad hoc group of officials to begin work on communique language. The first meeting of that group on 2 April was useful. A further meeting is foreseen for 19 or 21 April. I would prefer the earlier of these two dates to allow more time for another meeting the following week if that were thought appropriate.

The main decisions will no doubt remain for us to take at our meeting. But success will depend very much on careful preparation and on a clear understanding by each of the political

/imperatives



imperatives under which we all operate. With this in mind, I have asked Sir Donald Maitland, formerly the UK Permanent Representative in Brussels and now Deputy Permanent Under Secretary at the Foreign and Commonwealth Office, to visit Rome, Bonn and Paris this week as my personal representative. I hope you will find such a visit welcome and will be able to arrange for him to meet Signor Colombo. I need hardly add that the usefulness of this contact will depend on its confidentiality.

This initiative is intended to assist the very helpful efforts already being made by the Presidency to prepare a successful outcome for the meeting. As I told you when we last met in January, I see your role as Chairman of our meeting as a crucial one and I very much hope that in the days preceding it you will be able to take a personal hand in the preparations. You might find it useful to see Sir Donald yourself for a few minutes.

*Yours sincerely*

*Margaret Thatcher.*



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T83/80

ZZ 151240Z  
PARIS FROM LONDON  
SECRET GOVERNMENTAL 0008  
BT  
MESSAGE TO PRESIDENT GISCARD

Top copy on  
Euro Pol Pt 7  
Community Budget.  
→ cc Euro Pol Pt 3  
Euro Council Luxembourg.

MY DEAR PRESIDENT,

WE ARE NOW LESS THAN TWO WEEKS AWAY FROM THE POSTPONED MEETING OF THE EUROPEAN COUNCIL ON 27/28 APRIL. I ATTACH, AS I AM SURE YOU DO, THE VERY GREATEST IMPORTANCE TO THAT MEETING REACHING A CLEAR AND DURABLE SOLUTION TO THE PROBLEM OF THE UNITED KINGDOM'S NET BUDGET CONTRIBUTION AND AT THE SAME TIME MAKING PROGRESS ON THEIR MERITS WITH OTHER MAJOR ISSUES OF COMMUNITY POLICY. IN THE INCREASINGLY UNCERTAIN INTERNATIONAL CLIMATE IT BECOMES ALL THE MORE NECESSARY FOR US TO REACH EQUITABLE SOLUTIONS TO THESE INTERNAL COMMUNITY ISSUES.

THE PREPARATIONS FOR OUR MEETING ARE, AS THEY SHOULD DO, PROCEEDING IN THE APPROPRIATE COMMUNITY INSTITUTIONS. THERE WILL BE MEETINGS NEXT WEEK OF THE FOREIGN AFFAIRS, FINANCE AND AGRICULTURE COUNCILS AND I HOPE THESE WILL LEAD TO SOME FURTHER CLARIFICATION OF THE ISSUES AND, WHERE POSSIBLE, TO PROGRESS TOWARDS SOLUTIONS. I ALSO FIRMLY SUPPORT THE INITIATIVE OF THE PRESIDENCY TO SUMMON AN AD HOC GROUP OF OFFICIALS TO BEGIN WORK ON COMMUNIQUE LANGUAGE. THE FIRST MEETING OF THAT GROUP ON 2 APRIL WAS USEFUL. A FURTHER MEETING IS FORESEEN FOR 19 OR 21 APRIL. I WOULD PREFER THE EARLIER OF THESE TWO DATES TO ALLOW MORE TIME FOR ANOTHER MEETING THE FOLLOWING WEEK IF THAT WERE THOUGHT APPROPRIATE.

THE MAIN DECISIONS WILL NO DOUBT REMAIN FOR US TO TAKE AT OUR MEETING. BUT SUCCESS WILL DEPEND VERY MUCH ON CAREFUL PREPARATION AND ON A CLEAR UNDERSTANDING BY EACH OF THE POLITICAL IMPERATIVES UNDER WHICH WE ALL OPERATE. WITH THIS IN MIND, I HAVE ASKED SIR DONALD MAITLAND, FORMERLY THE UK PERMANENT REPRESENTATIVE IN BRUSSELS AND NOW DEPUTY PERMANENT UNDER SECRETARY AT THE FOREIGN AND COMMONWEALTH OFFICE, TO VISIT PARIS, ROME AND BONN THIS WEEK AS MY PERSONAL REPRESENTATIVE. I HOPE YOU WILL FIND SUCH A VISIT WELCOME AND WILL BE ABLE TO ARRANGE FOR HIM TO MEET MONSIEUR FRANCOIS-PONCET. YOU MAY ALSO THINK IT WOULD BE USEFUL FOR SIR DONALD TO MEET A SENIOR MEMBER OF YOUR OWN STAFF CONCERNED WITH THE PREPARATION OF THE EUROPEAN COUNCIL. I NEED HARDLY ADD THAT THE USEFULNESS OF THIS CONTACT WILL DEPEND ON ITS CONFIDENTIALITY.

YOURS SINCERELY  
MARGARET THATCHER

BT



T82/80

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T82/80

ZZ 151237Z  
BONN FROM LONDON  
SECRET GOVERNMENTAL 0007  
BT  
MESSAGE TO CHANCELLOR SCHMIDT

Subject on Euro Pol Pt 7 Community Budget  
→ cc Euro Pol Pt 3 Euro Council Mtg, Luxembourg

DEAR HELMUT,

WE ARE NOW LESS THAN TWO WEEKS AWAY FROM THE POSTPONED MEETING OF THE EUROPEAN COUNCIL ON 27/28 APRIL. I ATTACH, AS I AM SURE YOU DO, THE VERY GREATEST IMPORTANCE TO THAT MEETING REACHING A CLEAR AND DURABLE SOLUTION TO THE PROBLEM OF THE UNITED KINGDOM'S NET BUDGET CONTRIBUTION AND AT THE SAME TIME MAKING PROGRESS ON THEIR MERITS WITH OTHER MAJOR ISSUES OF COMMUNITY POLICY. IN THE INCREASINGLY UNCERTAIN INTERNATIONAL CLIMATE, IT BECOMES ALL THE MORE NECESSARY FOR US TO REACH EQUITABLE SOLUTIONS TO THESE INTERNAL COMMUNITY ISSUES.

THE PREPARATIONS FOR OUR MEETING ARE, AS THEY SHOULD DO, PROCEEDING IN THE APPROPRIATE COMMUNITY INSTITUTIONS. THERE WILL BE MEETINGS NEXT WEEK OF THE FOREIGN AFFAIRS, FINANCE AND AGRICULTURE COUNCILS AND I HOPE THESE WILL LEAD TO SOME FURTHER CLARIFICATION OF THE ISSUES AND, WHERE POSSIBLE, TO PROGRESS TOWARDS SOLUTIONS. I ALSO FIRMLY SUPPORT THE INITIATIVE OF THE PRESIDENCY TO SUMMON AN AD HOC GROUP OF OFFICIALS TO BEGIN WORK ON COMMUNIQUE LANGUAGE. THE FIRST MEETING OF THAT GROUP ON 2 APRIL WAS USEFUL. A FURTHER MEETING IS FORESEEN FOR 19 OR 21 APRIL. I WOULD PREFER THE EARLIER OF THESE TWO DATES TO ALLOW MORE TIME FOR ANOTHER MEETING THE FOLLOWING WEEK IF THAT WERE THOUGHT APPROPRIATE.

THE MAIN DECISIONS WILL NO DOUBT REMAIN FOR US TO TAKE AT OUR MEETING. BUT SUCCESS WILL DEPEND VERY MUCH ON CAREFUL PREPARATION AND ON A CLEAR UNDERSTANDING BY EACH OF THE POLITICAL IMPERATIVES UNDER WHICH WE ALL OPERATE. WITH THIS IN MIND, I HAVE ASKED SIR DONALD MAITLAND, FORMERLY THE UK PERMANENT REPRESENTATIVE IN BRUSSELS AND NOW DEPUTY PERMANENT UNDER SECRETARY AT THE FOREIGN AND COMMONWEALTH OFFICE, TO VISIT BONN, ROME AND PARIS THIS WEEK AS MY PERSONAL REPRESENTATIVE. I HOPE YOU WILL FIND SUCH A VISIT WELCOME AND WILL BE ABLE TO ARRANGE FOR HIM TO MEET HERR GENSCHER. YOU MAY ALSO THINK IT WOULD BE USEFUL FOR SIR DONALD TO MEET A SENIOR MEMBER OF YOUR OWN STAFF CONCERNED WITH THE PREPARATION OF THE EUROPEAN COUNCIL. I NEED HARDLY ADD THAT THE USEFULNESS OF THIS CONTACT WILL DEPEND ON ITS CONFIDENTIALITY.

I THINK THIS IS THE BEST WAY TO FOLLOW UP THE SUGGESTION YOU PUT TO ME AT CHEQUERS AND ABOUT WHICH I SENT YOU A MESSAGE ON 2 APRIL, WITHOUT CUTTING ACROSS THE ITALIANS' EFFORTS.

YOURS SINCERELY  
MARGARET THATCHER

BT





Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

EUROPEAN COMMUNITY BUDGET - TACTICS BEFORE THE EUROPEAN SUMMIT

I refer to Peter Walker's minute of 10th April about the agricultural aspects of the lead-up to the Summit. I am sure that he is right to argue that we must not change our position in the negotiations on either agricultural prices or sheepmeat before we have achieved irreversible progress on the Budget. To do so would greatly weaken your bargaining position at the Summit since our concessions on agriculture would be regarded as settled, whereas the others would be committed to nothing more than some offer to meet our problem which could turn out to be entirely inadequate.

2. The immediate need that I see is a new effort to get the other Member States to move towards us on amount, duration and dynamism. On amount, there are some signs of movement upwards in the figure that they are prepared to "offer" to us; but there is no disposition to discuss our problem in terms of the net contribution to the Budget that it is reasonable for a Member State in our position to make.

3. On duration, the consensus seems to be a maximum of three years. To refute that, we have a powerful political argument - namely that it would increase the chances of making British membership of the Community a key issue in our next Election. We should therefore I suggest deploy this argument in support of our case for six years or, as a minimum, five years.

/4. On dynamism,





4. On dynamism, there is no sign of movement at all and this is the most worrying aspect of the present state of the negotiations. I hope that we shall be able to consider together how we could get our partners to accept at least the principle of some formula that would ensure that our net contribution does not increase once again to unacceptable levels in future years. We might be able to use the argument about duration mentioned above as a lever as follows: we must for political reasons have a minimum duration to get us past the next Election and we cannot be expected to settle for a flat-rate solution for such a period because this would run too high a risk of a re-emergence of the problem that caused the present crisis in Community affairs.

5. I shall have the opportunity to lobby other Finance Ministers at the various meetings I shall be attending before the Summit in Sicily, Luxembourg and Hamburg. I suggest that a special effort should be made to get the two British Commissioners to recognise our case on dynamism. Roy Jenkins is reported as being extremely unhelpful - see Hague telegram No. 143 of 2nd April. A third possibility would be for us to pass a message to Cossiga before he makes his pre-Summit tour of capitals.

6. Perhaps we could have a word about the handling of all this at the meeting arranged for tomorrow.

7. I am sending copies of this minute to the members of OD(E) and Sir Robert Armstrong.

*J.H.*

(G.H.)  
14 April, 1980





PRIME MINISTER

You asked about the cost of administering EC legislation, FCO cannot readily answer. Do you want to commission an estimate, even if imperfect, as at x?

Foreign and Commonwealth Office

London SW1A 2AH

11 April 1980

A very convenient reply! I will have a go at the European Council.

Dear Tim,

MAP 21/4

You asked me by telephone yesterday if we could provide details of Community legislation in force in the United Kingdom and of how many civil servants were required to administer it.

Legislation

Not over the F.O.?

No centralised list of Community legislation in force in the UK exists. To produce one would be a major exercise involving a trawl of all Government Departments.

For 1978 alone, the Official Journal Index lists over 3000 Regulations (which are binding on the UK) and over 1000 Directives, Decisions, etc (which are binding if addressed to us). These instruments vary greatly in importance, scope and duration, e.g. from weekly cereal levies to a permanent common market organisation for milk.

Implementation

Again, no centralised record is kept of numbers of civil servants required to implement Community legislation. The CSD have maintained in Parliament that it is not feasible to record this information and that, even if it were, the cost of doing so would be excessive.

X | It might be practicable to carry out an interdepartmental trawl to estimate the proportion of total civil servants' time in each Department which is spent on Community work. But the /result

T P Lankester Esq  
10 Downing Street





result would almost certainly be misleading since, in many cases, Community legislation has replaced our own (e.g. in the field of agricultural support), and thus the dividing lines between Community work (both policy and administrative) and domestic can be hazy.

The methods of implementation (and therefore the manpower implementation costs) vary widely: some legislation is directly applicable, some requires a Statutory Instrument (normally Order in Council or Regulation), and some is enforced by simple administrative action.

I am sending a copy of this letter to David Wright in the Cabinet Office.

Yours sincerely,  
Myles A. Wisstead

pp M J Richardson  
PS/Lord Privy Seal



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Euro P.A.  
2

PRIME MINISTER

The Italian Ambassador telephoned this morning to confirm that the European Council Meeting will be held in Luxembourg on Sunday, 27 and Monday, 28 April. The timing will be announced tomorrow morning.

---

Ms

9 April 1980

ms



B/F-22-4-80

*Aluk*

9 April 1980

I attach a copy of a letter I have sent to Roderic Lyne about the European Council Meeting. We would be perfectly prepared to receive the briefs for that meeting by 1200 on Tuesday 22 April, as you suggest in your letter to Michael Alexander of 8 April. We will be in touch with you separately about arrangements for a briefing meeting.

**N. J. SANDERS**

Barry Hilton, Esq.,  
Cabinet Office.

2



file 116

9 April 1980

EUROPEAN COUNCIL

I am writing to confirm my telephone message this morning about the dates of the next European Council Meeting. The Italian Ambassador telephoned this morning to say that the Meeting would take place in Luxembourg on Sunday 27 and Monday 28 April, beginning at 1500 on 27 April. He was not very precise about the time the Meeting was expected to end, but said that he understood that some members wished to get away during the afternoon of 28 April.

The Italians will announce the dates in a communique at 1000 tomorrow.

N. J. SANDERS

R. J. M. Lyne, Esq.,  
Foreign and Commonwealth Office.

2





CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

*From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO*

Ref: A01898

8th April 1980

Dear Michael

European Council

The Italian Presidency are expected to confirm tonight or tomorrow that the European Council will now be held on Sunday 27th and Monday 28th April and we are setting in hand the up-dating of the briefs. Would it be acceptable to you if we got the revised sets of briefs to you at Noon on Tuesday, 22nd April? A deadline on the previous Friday would be rather difficult to meet because of the absences of certain senior officials but we would obviously do our best if you thought it essential for the Prime Minister to have the revised versions of the briefs earlier than 22nd April. Perhaps when you reply you could also let me know when the Prime Minister will hold her briefing meeting.

Barry Hilton

(B. G. Hilton)

M. O'D. B. Alexander, Esq



9 APR 1980



COMMUNICATIONS SECTION

COMMUNICATIONS SECTION

COMMUNICATIONS SECTION

10

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Faint, illegible text, possibly a signature or a name.

Faint, illegible text, possibly a date or a reference number.

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Envo PA.



10 DOWNING STREET

Mick @CAROLINE@PA

Sir Ian Gilmore's office telephoned to let you know that our embassy in Rome has been informed by the Italian Foreign Ministry that the dates of the European Council are definitely 27-28 April inclusive. The chap <sup>Stephen Gomershall</sup> did not know anything about the Council being held in Luxembourg rather than Brussels (see enclosures at flap, he has not seen the telegram).

An announcement is expected shortly.

Tessa

8.4.80



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WDBA

1. A  
2. QZ 01517

*sub*

*fa*

Prime Minister

(2)

*Mr Franklin was rather  
encouraged by this discussion.*

*Paul*

SECRET

SIR ROBERT ARMSTRONG

European Council: Ruggiero Group

1. A detailed account of yesterday's meeting in Paris is attached. I am sending copies to FCO and Treasury, and will be in touch with MAFF and Department of Energy about the sections of concern to them.
2. The general feeling was that the meeting had been worthwhile. From our point of view a fairly helpful Italian draft will probably emerge next time round with some improvement. We made distinct progress on the method of dealing with the budget problem (Financial Mechanism and Article 235 Regulation) and it looks as though the drafting on energy, the CAP generally and, in due course, sheepmeat will be manageable. On the other hand, fisheries will remain difficult. I intend to give the Italian Presidency some new wording on the CAP and possibly on energy but for the rest I think we should await the next round.
3. We did not discuss figures, although Lautenschlager suggested that at a later meeting the group might do so. I have told Ruggiero that this was best left to Cossiga. On duration and dynamism there is obviously still a wide gap.
4. On our general strategy, there is no doubt that the Italians intend to go for a settlement at the end of April. The atmosphere of yesterday's meeting suggested that this was the general view. Paye told me that this was certainly the French position, and it had been confirmed with Germans when Francois-Poncet saw Genscher on Monday. I believe that French concern over the growing pressure from their farmers is a significant factor. This enhances our leverage but still leaves us with the problem of deciding on tactics. If we judge that it is at least worth making a serious try for a settlement in April then we will have to show some signs of movement on CAP prices before the European Council. We should consider how this could be done. I am minuting you separately about Ministerial discussion before the Council meeting

*Not  
before*

*no*



SECRET

on April 21/22. Once Ministers have decided how the hand is to be played, I think we will need to be in touch with the Italians.

*MDM*

M D M FRANKLIN

3 April 1980

cc ✓ Mr Alexander No 10  
Mr Lever PS Foreign and Commonwealth Secretary  
Mr Richardson PS/Lord Privy Seal  
Sir Michael Palliser GCMG FCO  
The Lord Bridges CMG FCO  
Sir Kenneth Couzens KCB HM Treasury  
Mr Hancock HM Treasury

*without  
phsx  
B*



## EUROPEAN COUNCIL: RUGGIERO GROUP

I attended the meeting called by Signor Ruggiero in Paris yesterday. Others present were Lautenschlager (Germany), Paye (France), Posthumus Meyjis (Netherlands), Thysbaert (Belgian), Weyland (Luxembourg), Nally (Ireland), Ersboell (Denmark) and Tickell (Commission). Most people welcomed the initiative in calling the meeting.

2. Most of the time was spent discussing the Presidency's first draft of the conclusions for the European Council (Annex A). In introducing it, Ruggiero stressed the historical background. The "unacceptable situation" had arisen partly because the pattern of United Kingdom trade had not yet fully integrated into the Community; partly because of the growth in FEOGA guarantee expenditure; and partly the failure to develop other policies. For the future, a decision on amount and duration for the United Kingdom which was not set in the framework of the future development of the Community would be a bad decision. This general approach met with no great objection, though the Benelux representatives wanted less emphasis on the purely budgetary consequences of further Community developments. I said the historical background was important in explaining why we were wary about vague promises for the future. A perspective in which special measures for the United Kingdom were no longer necessary was acceptable but the path from one to the other had to be credible.

3. On the individual sections:-

Section II.1 Ruggiero wanted to add the three reasons for the problem as in paragraph 2 above.

Section II.2 Financial Mechanism: There was a half-hearted Benelux attempt to retain some ceiling (higher than 3 per cent of the budget) on the amount of refund under the Financial Mechanism but it received no support. The French made no difficulty except to say that if the period was three years then there was no need to speak of "extension".

Section II.2 Supplementary Expenditure: I was able to get the reference to the Regional Fund deleted and replaced by a more general reference to Section V of the Commission's latest paper.

Section II.2 Duration: Inevitably this led to a long discussion. Ersboell said corrective mechanisms were a distortion: they must be limited but long enough to appear credible. Posthumus Meyjis said three years was about the



maximum. So did Paye and Thysbaert. Only Nally said he was not in favour of three years because it would reopen the issue at the time of the next British election. Ruggiero summed up that the United Kingdom wanted six years, the others were between three and five years but that he personally was in favour of a short period and he did not believe in the Commission's idea of a review clause.

Section II.2 Dynamism: I said the paper contained no reference to one of the issues to which we attached great importance. There must be some way by which the agreed amount could be adjusted without the Council having to take fresh decisions. This would protect us; and it would protect other member states. It would enable progress with budget restructuring to slot in to the special United Kingdom measures. Paye said there was logic in our position but it did not fit with existing Community philosophy. If we persisted in asking for something automatic then we were really calling for a fundamental change in the Community rules. Lautenschlager reinforced this warning (and stressed to me privately that the French would create major difficulties on this point). The United Kingdom's approach led inevitably to the juste retour. It was unacceptable to Germany to guarantee a specific level of United Kingdom net contribution. Ruggiero was equally unhelpful on this point arguing that, with a shorter period, there was no need for adjustment. The United Kingdom should be ready to take its chance and fight for the right kind of Community policies.

Section III.1 Help for Italy and Ireland: Lautenschlager said this was difficult for Germany: the Regional Fund was an alternative. Paye said Giscard felt strongly on this point; anything for Italy and Ireland meant less for the United Kingdom. Ruggiero said he would report.

Section IV.1 Restructuring: I said this would only be of value to us if it were more specific. At the least it should refer to the containment of expenditure on agricultural surpluses on CAP. This was accepted. Posthumus Meyjis wanted the wording in the Commission document (paragraph 5).

Section IV.2 Commission Mandate on Restructuring: This new idea of Ruggiero's had a mixed reception. Tickell wanted the present Commission



to make proposals before the end of this year. I supported. Ruggiero said this was unrealistic: to do a proper job would take longer than six months. Paye suggested that the Commission should be left free when it made its proposals but they should be in time for the European Council to deliberate before the end of 1981. This found support. I managed to squash a Dutch idea that the European Council should reconsider the British budget problem equally soon. There was support for the idea that budget structuring should have as its objective to enable the Community to meet new challenges.

CAP. I suggested with Dutch support that the wording should contain the stronger formulation in the Ecofin resolution about reducing the growth in expenditure. But this section of the draft will no doubt be overtaken by the discussion on CAP prices for 1980/81 (see below).

Sheepmeat: the Dutch proposed a reference to the European Court and an amendment to make it clear that provision for intervention would be included in the regulation only for a limited period of time. Paye refused the first and, rather surprisingly, accepted the second. Tickell and Lautenschlager wanted a reference to voluntary restraint by third countries. I said the text would probably be acceptable provided the last three lines were deleted.

Fisheries: Paye said there must be a reference to access and produced an alternative text. Lautenschlager said the Presidency text was too general and must contain certain general principles. He produced a text. Tickell said explicit reference to access would no doubt present difficulties and he offered an alternative. Posthumus Meyjis said something substantial on fisheries was essential. Any special measures for coastal fishermen must be compatible with Community law. Nally wanted a reference to the agreement at the Hague in 1976. I said fisheries could not be fitted into the same time-scale as the budget issue. Attempts to reach premature decisions in the European Council would set back the prospect of early agreement on the CAP which we wanted. The deadline in the Presidency text was unacceptable. We would prefer a shorter text. All these rival texts are at Annex B. Ruggiero said he would reflect; but he thought the answer would have to be something more specific than the United Kingdom draft but a longer time-scale than he had envisaged.



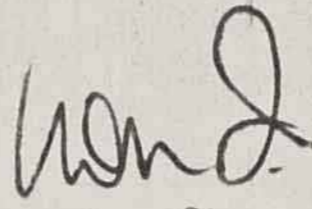
Energy: There was general agreement that, whatever was said should form part of the energy section of the communique. Tickell said we should perhaps think about earmarking some part of oil stocks for the Community and a stockpiling policy for fissile materials. No one thought it realistic to consider these ideas at the end of April and Posthumus Meyjis had strong reservations about the latter suggestion. He thought the first sentence of the Presidency draft was shameful. It should have happened already. There was agreement to drop it. I said the second sentence was insulting: everyone would fulfil their obligations and anyway North Sea oil could not possibly "guarantee the oil supply of the Community". Ruggiero said he only intended to reflect what the Prime Minister had said in the Die Welt interview. I said I would look at the text and see if we could suggest something. More generally, it was thought that the April European Council would not take decisions but look forward to decisions in June. There would be no need to single out the United Kingdom but a general undertaking, eg to work out a Community position for the Venice Summit, would be a sign of commitment.

4. The most difficult part of the discussion came over lunch. I had earlier made clear our willingness to consider other issues within the same time-scale as the budget issue provided they too were treated on their merits. Ruggiero took this to mean "simultaneous decisions" and asked how the negotiations on CAP prices could be processed. This produced a great deal of legitimate concern as to how such a complicated dossier could be prepared by the Agriculture Council on 21 April and some spurious argument by the French and Benelux that the European Council should not usurp the role of the Agriculture Council. Paye said the Agriculture Council should decide the prices in April if necessary ad referendum. If they did not, the farmers would lobby the European Council, and without CAP figures there could be no budget figures. Another possibility canvassed was that the Presidency and/or Commission might produce a compromise proposal on a "take it or leave it" basis. If all went well at the European Council, the Agriculture Council could ratify it immediately afterwards. The idea of postponing the Agriculture Council until immediately before the European Council was canvassed and rejected. I put forward the idea that the Agriculture Council might crystallise the issues for the European Council into the average price increase which was acceptable; the relationship between prices for surplus products especially milk and other products; and a financial envelope within which the final decisions of the Agriculture Council would have to fall; but this got no support except from Ersboell. Ruggiero concluded that the



best outcome would be agreement ad referendum but if this could not be obtained, then there should be a Presidency or Commission final compromise proposal produced at the end of the Agriculture Council. But to preserve the "paralellism" this would require Signor Cossiga to have made his tour of capitals before the Agriculture Council meeting.

5. At the end of the meeting, there was a short discussion about future procedure. Ruggiero will circulate a revised text next week. The group will probably meet again either on Saturday, 19 April in Paris, or on the morning of Monday, 21 April in Luxembourg. Provided the dates of 27/28 April are confirmed (and approaches were made to Dublin and Bonn during the course of the meeting) for the European Council, and Signor Cossiga has formed his Government, then he would be invited to begin his tour of capitals in the week beginning April 14 (although Ruggiero himself will not be available on April 16-18). Ruggiero told me privately that his advice to Cossiga would be to go successively to Paris, Copenhagen, London, Dublin, Bonn and the Benelux countries.



M D M FRANKLIN

4 April 1980

cc Mr Alexander No 10  
 Mr Lever P/S Foreign and Commonwealth Secretary  
 Mr Richardson P/S Lord Privy Seal  
 Sir Michael Palliser GCMG FCO  
 Lord Bridges CMG FCO  
 Sir Kenneth Couzens KCB EM Treasury  
 Mr Hancock HM Treasury



CONVERGENCE AND BUDGETARY QUESTIONS

1. The European Council, facing the problems related to convergence and budget, was prompted by the following principles, whose fundamental importance has been reaffirmed:

- a) The Community achievements attained by the implementations of the Treaties must not be weakened nor questioned. In this framework, the European Council has stressed, in particular, the validity of the principles underlying the CAP and the own-resources system;
- b) the Community has an evolutionary and dynamic character, and it is therefore necessary to use all the potential of the Treaties through the implementation and development of the various common policies, particularly those policies which are most likely to favour the harmonious growth of Member States' economies and to reduce the disparities between such economies. The European Council is convinced that not only can new forms of solidarity among Member States be established, but the existing solidarity will be strengthened;
- c) though Member States are primarily responsible for a greater convergence of their economic achievements, the Community's policies can and must play a supporting role within the framework of an increased solidarity. To this end, <sup>new</sup> initiatives designed to strengthen the economic potential of the less prosperous countries of the Community must be undertaken;
- d) in accordance with the conclusions contained in the Final Communiqué of the European Summit held in Paris on 9-10 December 1974, the Community Institutions shall prevent that - during the course of the process for the convergence of Member States' economies - situations unacceptable for one Member State and inconsistent with the correct functioning of the Community may arise.



II.1 The European Council expressed its conviction that a lasting solution to the problems of the United Kingdom's share in the Community budget can be found only through diversification of policies and improved balance in Member Countries' expenditure, in a context of increasing convergence.

In the meantime, the European Council recognized the need for immediate temporary measures in favour of the United Kingdom and, in this connection, examined the Commission's proposals concerning the adjustment of the financial mechanism agreed in 1976 and the adoption of additional Community measures for expenditure in the United Kingdom.

II.2 With regard to the financial mechanism, the European Council called on the Community's Institutions to extend the mechanism for a period of.... years, suspending for the same period a number of restrictions in the mechanism, in particular the one concerning the balance of payments (art. 4) and those concerning the system of repayments by tranches (art. 3) as well as the ceiling of 3% of the budget for the repayments to be made (art. 6).

II.3 With regard to additional expenditure measures, these, being designed to contribute to the achievement of the Community's objectives, can be adopted through regulations based on Article 235 of the Treaty. They must be consistent with the objectives of the Community policies, foster the convergence of economies and be in line with the general interest of the Community.

The financial participation of the Community in such programmes will amount to.....million <sup>of</sup> account units from 1980 onwards and for the ..... following years. The European Council called on the Commission submit formal proposals to the Council, taking as a guide, in respect of the underlying principles, the mechanism in force for the Regional Fund.



III.1 In the context of the strengthening of the Community policies designed to increase the economic potential of the less prosperous countries, and taking into account the financial efforts required also from Italy and Ireland within the framework of the measures in favour of the United Kingdom, the European Council believes that the volume of resources to be used as interest rebates should be increased from 200 to ..... and made more flexible in its intervention ceiling as well as in its application field.

The European Council notes the Commission's proposal regarding the second tranche of the New Community Instrument, and it hopes that the application field of this Instrument may be extended so as to be better used in favour of investments in the less prosperous countries of the Community.

IV.1 In order that the resources of the Community budget may contribute to a greater convergence of Member States' economies, it appears necessary to help attain a balanced development of the appropriation envisaged for the different Community policies. Accordingly, the European Council urged the Council and the Commission to make sure, in the framework of their respective responsibilities, that in the future development of the Community budget, an increasing share of expenditures be destined to the improvement of structures, in accordance with the general objectives of the Community.

IV. 2 In this connection, the European Council called on the Commission to submit, by <sup>the end of</sup> 1981, proposals designed to develop the Community policies taking into account the need for more harmonious consideration of the <sup>situations</sup> ~~conditions~~ and interests of each Member Country.



COMMON AGRICULTURAL POLICY

1. The European Council stressed once again the validity of the basic principles of the common agricultural policy, which is a fundamental aspect of the economic integration of the Community.

Of course, the situation must be adjusted wherever obvious distortions emerge, such as output surpluses of certain products. In this context, the European Council confirms the conclusions of the ECOFIN Council of 11 february 1981, stressing, in particular, the need to achieve a better organisation of the common agricultural policy with a view to improving the balance of markets and to rationalizing expenditure.

2. The European Council recognized the need for a <sup>prudent</sup> cautious policy with regard to agricultural prices such as to take account of the economic and budget situation and of the need to ensure the maintenance of a reasonable income for farmers.

3. The European Council has stressed the importance of developing and improving the agriculture structures policy, particularly in the less prosperous areas of the Community also as an instrument for rationalizing the overall expenditure. In view of the enlargement prospects, such measures should be designed to broaden the Community participation in regional investment programmes having rural aims, particularly as regards Mediterranean areas.

4. The European Council confirms once again the need for a common organization of the market in the sector of lamb and mutton meat and, in this connection, stresses that obstacles to the free movement of lamb and mutton meat within the Community must be removed.



To this purpose, it invited the relevant Community institutions to immediately work out an agreement on the adoption of appropriate regulations.

The European Council believes that the future market organization with regard to lamb and mutton meat based on the principles of free movement and financial solidarity, must ensure appropriate protection of the incomes of farmers in the above said sector, through private stock-piling and premiums for producers, and, in case of need, through public purchases for certain qualities of lamb and mutton meat, and this only during limited periods and in specified Community areas.



FISHERIES

The European Council noted with satisfaction the progress achieved at the Council meeting of 29 January with regards to the definition of a Community policy on the conservation and management of fishery resources and also noted that, if the objectives related to limitation of catches fixed for 1980 by the Council are to be effectively pursued, thus fostering the reconstitution of stocks, an agreement is needed on a fair sharing Member States of forecast possible catches.

The European Council has therefore asked the Commission to submit appropriate proposals, taking into account the economic and social implications of any unduly sharp reduction in traditional fishing in each Member State, of the specific requirements of the populations of certain areas of the Community particularly dependent upon fishing, and of the desirability of assigning a general priority to the maintenance of coastal fishing. The Council was invited to take decisions with regard to these proposals before the next meeting of the European Council.

The European Council called on the Community Institutions to discuss the problem of implementing a structural policy on fisheries including a financial participation of the Community.



ENERGY

The European Council called on the Community Institutions to promote regular consultations and exchanges of information on national programmes aimed at coordinating national energy policies.

The European Council acknowledged with satisfaction the confirmation by the United Kingdom of its engagements within the framework of the European Community. Such engagements provide that, in case of oil shortage, the U.K. shall guarantee, in a preferential way, the oil supply of the Community.





- 3 APR 1980





CONFIDENTIAL

CABINET OFFICE  
70 WHITEHALL  
LONDON SW1A 2AS

*Guero 27*

01-~~000943222000~~ 233-7256

1 April 1980

QZ 01516

cc Sir Robert Armstrong  
Mr Alexander  
Mr Elliott

*Dear Tom,*

*h. Ams*

DATE OF THE EUROPEAN COUNCIL

Thank you for your letter of 31 March. Signor Biondo has just telephoned me in reply to my representations of yesterday. He had spoken to Ruggiero who said he was awaiting the green light from Signor Cossiga's office. He would pass on our concern to have a firm date as soon as possible but he was doubtful whether Signor Cossiga would wish to make any announcement until the new Government had been formed, perhaps on Thursday but more probably on Friday.

I think any further representations should now go direct to Signor Cossiga's office and I have so advised Sir Robert Armstrong following his telephone conversation with Sir Michael Palliser this morning.

So far as reporting the outcome of the Anglo-German summit, I told Signor Biondo yesterday that the atmosphere of the talks had been excellent and the Prime Minister had indicated readiness to see other matters (with the exception of fish) discussed within the same timescale as the budget issue provided each issue was considered on its merits. Otherwise, there have been no substantial changes in the position. Subject to your views I would confirm this to Ruggiero when I see him privately before tomorrow's meeting.

For what it is worth, Signor Biondo's speculation was that the Foreign Affairs portfolio might go to an Italian Socialist possibly Giollitti or the other Malfatti (i.e. the one who is Secretary General in the Foreign Ministry and might qualify as a "technician" with a Socialist agreement.)

*Yours ever*

*Michael*

M D M FRANKLIN

The Lord Bridges CMG  
Foreign and Commonwealth Office  
LONDON SW1

c Mr D J S Hancock  
Treasury

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1 - APR 1960





cc Mr. Alexander  
Mr. Gaffin  
Press Officers

NOTE FOR THE RECORD

Why the Euro Summit will be in Luxembourg

The Lobby chased me today (Monday) on why the "Budget Summit" will be held in Luxembourg and not Brussels. My answer was correct: because the Euro Councils meet in Luxembourg in April.

However, thanks to Robin Christopher, FCO, the full explanation is:

- i) the 1974 Summit which set up the Euro Council noted a suggestion from Foreign Ministers that the Euro Council should be held in the Presidency (i.e. in the country of the Presidency) or in the place of the Council; this means that this is now taken as holy writ;
- ii) in its communique the 1974 Summit which set up the Euro Council said that the Euro Council would meet in the Council of the European Communities - i.e. in a forum which gave it legal status;
- iii) Article 2 of the Merger Treaty of 1965, which brought the various communities together, laid down that in April, June and October the Council should meet in Luxembourg.

Hence the next meeting of the Euro Council (on, it is expected, April 27-28) will be held in Luxembourg.

*J. Gaffin*

1 April 1980



GPS 275

**CONFIDENTIAL**

*M. Alexander*

CONFIDENTIAL

FM UKREP BRUSSELS 271652Z MAR 80

TO IMMEDIATE FCO

TELNO 1715 OF 27 MARCH

INFO IMMEDIATE ROME DUBLIN BONN

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE LUXEMBOURG PARIS.

*h-a*  
*Paul*

*hw*  
*28 iii*

MY TELNO 1658/ DATE AND PLACE OF THE EUROPEAN COUNCIL

1. COREPER MADE A SERIOUS EFFORT TO FIX A DATE DURING THE PERIOD 26 TO 28 APRIL. ALL REPRESENTATIVES INCLUDING THE FRENCH BROUGHT PRESSURE TO BEAR ON THOSE WHO STILL HAD DIFFICULTIES.
2. THE DUTCH (AND TO A LESSEER EXTENT THE BELGIANS) FOUND SATURDAY 26 APRIL DIFFICULT BECAUSE THE DUTCH PRIME MINISTER AND FOREIGN MINISTER ONLY RETURNED THAT DAY FROM TOKYO. THE IRISH AND GERMANS FOUND MONDAY 28 APRIL DIFFICULT BECAUSE IT IS THE FIRST DAY OF THE THREE DAY GERMAN STATE VISIT TO IRELAND.
3. IT WAS AGREED THAT THE ITALIAN PRESIDENCY WOULD NOW HAVE TO MAKE BILATERAL APPROACHES AT THE HIGHEST LEVEL IN ONE DIRECTION OR THE OTHER. MAJORITY OPINION, AND I THINK THAT OF THE PRESIDENCY, WAS THAT THE GERMANS AND THE IRISH SHOULD BE ASKED SO TO ARRANGE THE PROGRAMME FOR THE FIRST DAY OF THE STATE VISIT THAT THE IRISH MINISTERS AND HERR GENSCHER COULD BE EXCUSED.
4. MUCH THE MOST LIKELY DATES ARE, THEREFORE, 27/28 APRIL. THE PRESIDENCY EXPECTS TO MAKE A FORMAL PROPOSAL IN CAPITALS NOT LATER THAN SATURDAY 29 MARCH AND TO MAKE AN ANNOUNCEMENT SHORTLY THEREAFTER.
5. THE PRESIDENCY ANNOUNCED FIRMLY, WITHOUT CONTRADICTION FROM THE BELGIANS, THAT THE MEETING WOULD BE IN LUXEMBOURG.

FCO ADVANCE TO:

FCO - PS/SOFS, PS/LPS, PS/PUS, BRIDGES, HANNAY, SPRECKLEY, BULLARD  
COOPER

CAB - FRANKLIN, WILLIAMS

TSY - PS/C OF E, COUZENS, ASHFORD

NO 10 - ALEXANDER

FCO PASS SAVING:

COPENHAGEN AND PARIS

ADVANCED AS REQUESTED

REPEATED AS REQUESTED

BUTLER

FRAME GENERAL

ECD

**CONFIDENTIAL**



GPS 200

CONFIDENTIAL

CONFIDENTIAL

FRAME GENERAL

FM UKREP BRUSSELS 261547Z MAR 80

TO FLASH FCO

TELNO 1694 OF 26 MARCH

INFO IMMEDIATE COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN  
LUXEMBOURG  
INFO SAVING BRUSSELS.

OUR TELNO 1670: EUROPEAN COUNCIL DATE

1. PRESIDENCY HAVE PROPOSED TO ROME THE AFTERNOON OF SUNDAY 27  
AND MORNING OF MONDAY 28 APRIL AS BEING LIKELY TO GIVE THE LEAST  
DIFFICULTY TO THE SMALLEST NUMBER OF DELEGATIONS. ALTHOUGH COSSIGA  
HAS NOT FORMALLY APPROVED THIS PROPOSAL, THE ITALIANS INTEND TO  
PRESS IT IN COREPER TOMORROW. THE IRISH AND GERMANS EXPRESSED  
DISCONTENT: THE GERMANS ADMITTED THAT SCHMIDT WAS NOT INVOLVED IN  
THE VISIT TO DUBLIN (WHICH STARTS AT 29.00 ON 28 APRIL), BUT  
THE IRISH PRIME MINISTER IS INVOLVED AND IS GIVING A LUNCH FOR  
THE GERMAN PRESIDENT. WE INSISTED THAT A DATE BE FIXED AS SOON  
AS POSSIBLE, BUT THERE WAS LITTLE INCLINATION TO RUN ANY OTHER  
POSSIBLE DATES. ALTHOUGH THE IRISH DID ASK WHETHER THE  
PRESIDENCY COULD NOT CONSIDER AN EARLIER DATE, EG 21/22 APRIL,  
THE FRENCH WERE AGAINST.

FCO ADVANCE TO:

NO 10. ALEXANDER

FCO - PS/SOFS, PS/LPS, PS/PUS, BRIDGES, HANNAY, SPRECKLEY  
BULLARD, COOPER

CAB - FRANKLIN, WILLIAMS

TSY - PS/C OF E, COUZENS, ASHFORD

BUTLER

FRAME GENERAL

ECD

[ADVANCED AS REQUESTED]

CONFIDENTIAL



CONFIDENTIAL

PRIME MINISTER

Community Affairs

You may wish to confirm for the record that the Italian Presidency have postponed the March European Council in order to give Signor Cossiga a breathing space to form a new Government before concentrating on finding a way through the apparent impasse on the United Kingdom net contribution problem. We have made clear that the Council must be reconvened before the end of April: the most likely time seems to be the period 26th-29th April.

2. The Chancellor of the Exchequer might be invited to report on the latest Commission document on the Budget problem, against the background of the Debate in the House on 24th March. The Commission paper is generally helpful to our cause, but it does not constitute a breakthrough; its main purpose is to bring together in a single document the proposals the Commission have made before and after Dublin and to bring up to date the figures for 1980. Our net contribution is now estimated to be in the range 1683-1813 MEUA (£1122-£1209 million at 1.5 EUA to £1.)

3. The Foreign and Commonwealth Secretary might be invited to report on his talks on 24th March with the Dutch Foreign Minister on the Budget question.

4. The Agriculture Council will be taking place as the Cabinet meets. The Minister of Agriculture, who will thus not be present, can report on the outcome next week.

5. You will be meeting Chancellor Schmidt and other German Ministers in the regular Anglo-German Summit, on this occasion linked to the Konigswinter Conference in Cambridge.

REA

(Robert Armstrong)

26th March 1980



F.S.  
PS/LORD PRIVY SEAL  
PS/PUS  
MR BULLARD  
MR MANNING  
LORD BRIDGES

RESIDENT CLERK  
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HD/NEWS  
HD/FRD  
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CABINET OFFICE

M D M FRANKLIN  
MR D H ELLIOTT  
MR M C G WILLIAMS  
ARMSTRONG

D.O.T.

No 10

ALEXANDER

H.M. TREASURY

SIR K COUZENS  
MR ASHFORD

M.A.P.F.

MR B D HAYES

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FRAME GENERAL

DESKBY 251900Z

FM UKREP BRUSSELS 251755Z MARCH 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 1673 OF 25 MAR

INFO PRIORITY COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN,  
LUXEMBOURG.

INFO SAVING BRUSSELS.

OUR TELNO 1670: EUROPEAN COUNCIL DATE.

1. DETAILED POSITIONS WERE AS FOLLOWS (ALL DATES REFER TO APRIL):

PRESIDENCY -

STUCK TO THE PERIOD 26/29 UNDER CONSIDERABLE PRESSURE: UNABLE TO CONSIDER ANY EARLIER DATE.

IRELAND-

OPPOSED 28-30 BECAUSE OF GERMAN STATE VISIT: PREFERRED 21/22 OR 14/15: PREPARED TO CONSIDER 24/27.

GERMANY -

COULD MAKE 26 (FROM 1600) AND 27, BUT NOT 28 OR 29 BECAUSE OF THE IRISH VISIT (WHICH INVOLVES GENSCHER), NOR 14/15 BECAUSE OF TWO INWARD VISITS. COULD MAKE 22, BUT NOT 21



INVOLVES GENSCHER), NOR 14/15 BECAUSE OF TWO INWARD VISITS: COULD MAKE 22, BUT NOT 21 NOR 23. (APPARENTLY THE CHANCELLOR HIMSELF HAS NOT BEEN DIRECTLY CONSULTED: ONLY HIS OFFICE.)

FRANCE --

COULD MAKE 28/29 BUT NOTHING ELSE, BECAUSE OF VENEZUELAN STATE VISIT ON 14/15, ANOTHER VISIT ON 21/22 AND SOME UNSPECIFIED, BUT APPARENTLY FORCEFUL REASON ON 26/27.

NETHERLANDS --

DIFFICULTIES WITH ALL DATES. VAN AGT IN JAPAN ON 26 AND COULD NOT ARRIVE TILL DINNER ON 27, THEREFORE WOULD OPPOSE ANY DISCUSSION OF MAJOR DOSSIERS (BEING A SUNDAY, THIS WOULD ALSO AVOID UPSETTING THEIR CALVINISTS). COULD WITH EFFORT MANAGE 28, BUT 29 OUT OF THE QUESTION BECAUSE OF THE ABDICATION.

DENMARK --

EASY.

BELGIUM --

COULD ACCEPT 28/29 AND AT THE LIMIT 27/28, BUT REST DIFFICULT.

LUXEMBOURG --

NO PRECISE INSTRUCTIONS BECAUSE THORN IN NEW YORK.

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CAB

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FRAME GENERAL

FM UKREP BRUSSELS 251520Z MARCH 80

TO FLASH FCO

TELEGRAM NUMBER 1670 OF 25 MAR

INFO IMMEDIATE COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS,  
BONN, LUXEMBOURG.

INFO SAVING BRUSSELS.

YOUR TELNO 390: EUROPEAN COUNCIL DATE.

1. NO TWO CONSECUTIVE DAYS IN APRIL PROVED ACCEPTABLE  
TO ALL DELEGATIONS AT ANTICI THIS AFTERNOON.  
THE PRESIDENCY CONCLUDED THAT THE PERIOD 26/29 APRIL  
SEEMED MOST PROMISING AND A FORMAL PROPOSAL WITHIN THAT  
PERIOD WILL BE MADE AT TOMORROW'S REGULAR ANTICI GROUP  
MEETING (STARTING AT 1400Z). DELEGATIONS WITH DIFFICULTIES  
WERE ASKED TO RECONSIDER THESE DATES.

*no*

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NO.12.	ALEXANDER
FCO	PS/SOFS, PS/LPS, PS/PUS, BRIDGES, HANNAY, BULLARD, SPRECKLEY, FITZHERBERT
CAB	ARMSTRONG, FRANKLIN, WILLIAMS
MAFF	PS/MR WALKER, SIR B HAYES
TSY	PS/COFE, COUZENS, ASHFORD

BUTLER.

[ADVANCED AS REQUESTED]

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NOTE FOR THE RECORD

EUROPEAN COUNCIL

Having tried to contact me earlier in the day, I returned a telephone call from Mr Dermot Nally in Dublin at 4 pm. He wanted to know if we were happy with the turn of events. I said we were not. We could contemplate a brief postponement because of the Italian political situation, but a new date for the European Council needed to be fixed and it should be within the next two or, at most, three weeks. He asked whether we were thinking of suggesting, eg, that Luxembourg should take over the task of presiding at the European Council. I said we did not feel that we could ask the Italians and insert the Luxembourgers at such a critical juncture. He said that 28/29 April had been mentioned as a possibility, but the Irish had a State Visit from the Germans on 29 April. I said this was anyway too late for us.

*Franklin*

M D M FRANKLIN

24 March 1980

cc: Mr Wright  
Lord Bridges, Foreign and Commonwealth Office  
Mr Alexander, No 10 ✓

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(not a very happy story)

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FM UKREP BRUSSELS 241517Z MARCH 88

TO FLASH FCO

TELEGRAM NUMBER 1654 OF 24 MAR

INFO IMMEDIATE COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN,

LUXEMBOURG.

INFO SAVING BRUSSELS.

POSTPONEMENT OF THE EUROPEAN COUNCIL.

1. PLAJA CALLED A MEETING OF PERMANENT REPRESENTATIVES WHICH RAN ON INTO A COREPER LUNCH WITH JENKINS. THERE WAS CONFUSION.

2. THE COMMISSION SPOKESMAN HAD ALREADY, IN ANSWER TO QUESTIONS, CONFIRMED THAT THE EUROPEAN COUNCIL MEETING HAD BEEN POSTPONED. THIS WAS DONE AT THE MOMENT WHEN PLAJA WAS SEEING JENKINS TO DISCUSS THE MATTER. GENERAL DISCONTENT.

3. PLAJA READ OUT A LONG STATEMENT ABOUT WHY THE PRESIDENCY WAS POSTPONING THE EUROPEAN COUNCIL (TEXT AVAILABLE IN LONDON) WHICH PUT MORE EMPHASIS ON THE NEED FOR BETTER PREPARATION AND A BETTER ATMOSPHERE THAN ON THE ITALIAN POLITICAL SITUATION AS A REASON FOR THE POSTPONEMENT. I ASKED WHETHER A DECISION HAD BEEN TAKEN AND QUESTIONED WHETHER IT WAS ONE THE PRESIDENCY COULD TAKE ON ITS OWN. AS I UNDERSTOOD OUR POSITION (TELEPHONE CONVERSATIONS WITH FRANKLIN AND ALEXANDER) WE WERE PREPARED FOR A SHORT POSTPONEMENT PROVIDED THAT AN AGREED DATE IN THE NEXT TWO OR THREE WEEKS WAS AGREED FIRST. WHAT DATE WERE THE PRESIDENCY PROPOSING? JENKINS INTERVENED UNHELPFULLY TO SAY THAT IT WAS NO GOOD QUESTIONING THE DECISION TO POSTPONE WHICH COULD NOT NOW BE REVERSED. PLAJA SAID THAT A DECISION HAD BEEN TAKEN AND ITALIAN EMBASSIES WOULD BE IN TOUCH ABOUT A NEW DATE IN CAPITALS.

4. NANTEUIL INTERVENED TWICE TO STRESS THAT THE DELAY HAD NOTHING TO DO WITH FRANCE. THEY HAD ONLY AGREED WHEN THEY HEARD THAT THE UK HAD AGREED. HE LET DROP 28/29 APRIL AS POSSIBLE NEW DATES. I SUGGESTED 14/15 OR 21/22 APRIL.

5. POENSGEN SAID THAT THE GERMANS COULD AGREE TO A POSTPONEMENT IF EVERYONE ELSE COULD AGREE AND PROVIDED AN EARLY DATE COULD BE FOUND. JENKINS AGREED ABOUT THE POLITICAL IMPORTANCE OF AN EARLY DATE AND SUGGESTED THAT 28/29 APRIL WAS TOO CLOSE TO VENICE.

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/6. DONDELINGER



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6. DONDELINGER SAID THAT HE THOUGHT THAT IT WAS ALREADY HIGH TIME THAT HEADS OF GOVERNMENT GOT TOGETHER. BUT HE WAS NOT WORRIED ABOUT THE NEW DATE BEING CLOSE TO VENICE BECAUSE IN ANY CASE TWO BITES WOULD BE NEEDED AT THE UK BUDGET CHERRY. I SAID THAT I HOPED THAT THIS UNFORTUNATE IDEA WOULD NOT GET INTO THE PRESS. IT WAS GOING TO BE DIFFICULT ENOUGH MEETING CRITICISM OF THE DEALY.

7. IT HAD BY NOW EMERGED THAT THE FRENCH, GERMANS AND OURSELVES HAD BEEN CONSULTED A DAY BEFORE THE OTHERS. THIS PRODUCED VIGOROUS PROTESTS FROM THE DUTCH AND BELGIANS.

8. THERE WAS CONFUSED DISCUSSION OF THE IMPLICATIONS FOR LINKAGE. NANTEUIL SAID THAT THE UK PROBLEM WOULD NOT BE SETTLED WITHOUT SETTLEMENT OF THE LINKAGE ITEMS, PARTICULARLY THE CAP PRICES AND ECONOMIES. THE LATTER HAD TO BE LOOKED AT WITH THE UK BUDGET PROBLEM SINCE THE DECISIONS ON PRICES AND ECONOMIES WOULD EFFECT THE UK BUDGET CONTRIBUTION. SEVERAL OTHERS SAID THAT THE CAP PRICES AND ECONOMIES MUST BE TAKEN IN APRIL BEFORE THE EUROPEAN COUNCIL. I SAID THAT NOW THAT THE FRENCH HAD LINKED THE TWO ISSUES I DOUBTED IF THEY COULD BE TAKEN SEPARATELY IN ADVANCE.

9. IT WAS AGREED THAT PLAJA WOULD FIND OUT WHETHER ROME WANTED TO TRY TO FIX THE NEW DATES DIRECT IN CAPITALS OR TO TRY TO DO SO AMONG THE NINE HERE.

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             FITZHERBERT  
CAB        FRANKLIN, WILLIAMS  
TSY        PS/COFE, COUZENS, ASHFORD  
NO.10.    ALEXANDER

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P.S.  
PS/LORD PRIVY SEAL  
PS/PUS  
MR BULLARD  
MR HANNAY  
LORD BRIDGES

RESIDENT CLERK  
HD/EC( ) (4)  
HD/NEWS  
HD/FRD  
HD/....  
HD/....  
HD/....

MR GOODENOUGH ECD/1

**FLASH**

<p><u>CABINET OFFICE</u> M D M FRANKLIN MR D H ELLIOTT MR N C R WILLIAMS ARMSTRONG</p>	<p><u>D.O.T.</u></p>	<p><del>No. 10</del> ALEXANDER</p>
<p><u>H.M. TREASURY</u> SIR K COUZENS MR ASHFORD  Ps/Chancellor</p>	<p><u>M.A.F.F.</u> MR B D HAYES  Ps/Sof S D/o.</p>	

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FM UKREP BRUSSELS 241801Z MAR 82

TO F L A S H FCO

TELEGRAM NUMBER 1658 OF 24 MARCH

INFO IMMEDIATE COPENHAGEN, THE HAGUE, ROME, LUXEMBOURG, DUBLIN,  
PARIS, BONN,  
INFO SAVING BRUSSELS.

MY TELNO 1654: EUROPEAN COUNCIL POSTPONEMENT

- AS INSTRUCTED BY TELEPHONE (HANNAY/CROME) I ASKED FOR A MEETING OF COREPER THIS AFTERNOON. WHILE PLAJA WAS CONSULTING ROME I LOBBIED ALL THE OTHER PERMANENT REPRESENTATIVES.
- AT THE MEETING I SAID THAT IN OUR VIEW IT WOULD BE EXTREMELY DAMAGING IF THE EUROPEAN COUNCIL DID NOT MEET IN THE NEXT TWO OR THREE WEEKS AND STILL WORSE IF THE IMPRESSION GOT AROUND THAT IT WAS BEING PUSHED OFF INTO THE INDEFINITE FUTURE. OUR POSITION WAS THAT IT WAS FOR THE COMMUNITY TO DECIDE WHETHER TO POSTPONE. IN ORDER TO MEET THE PRESIDENCY WE WERE WILLING TO AGREE TO A POSTPONEMENT PROVIDED THAT A DATE IN THE NEXT TWO OR THREE WEEKS WAS FIXED FIRST. WE WOULD BE GRATEFUL THEREFORE IF THE PRESIDENCY COULD CALL A MEETING TOMORROW

*mb*



THREE WEEKS WAS FIXED FIRST. WE WOULD BE GRATEFUL THERE-  
FORE IF THE PRESIDENCY COULD CALL A MEETING TOMORROW  
AT WHICH A DATE COULD BE AGREED. THE PRIME MINISTER COULD  
MANAGE 14/15 APRIL OR 21/22 APRIL. I WAS INSTRUCTED  
TO ASK COLLEAGUES THROUGH THE PRESIDENCY TO GET INSTRUCTIONS  
IN TIME TO ALLOW THE DATE TO BE FIXED TOMORROW.

3. PLAJA SAID THAT THE MEETING HAD BEEN POSTPONED ON THE  
PRESIDENCY'S OWN RESPONSIBILITY. AS FOR DATES, THEIR  
PROPOSITION WAS 28/29 APRIL. THE IRISH PROMPTLY SAID  
THAT THESE DATES WERE IMPOSSIBLE (BECAUSE OF A GERMAN  
STATE VISIT TO IRELAND) AND THE DUTCH SAID THAT 29 APRIL  
WAS OUT OF THE QUESTION BECAUSE OF QUEEN JULIANA'S  
ABDICATION AND THE ACCESSION ON 30 APRIL. PLAJA THEN  
OFFERED 26/27 (OR 27/28) APRIL BUT SAID THAT THEY COULD  
NOT MANAGE AN EARLIER DATE.

4. IT WAS AGREED THAT THE ANTICI GROUP WOULD MEET AT  
1500 TOMORROW TO CONSIDER THE MATTER FURTHER.

5. I SHOULD BE GRATEFUL FOR INSTRUCTIONS.

FCO ADVANCE TO:-

NO 10 - ALEXANDER

FCO - PS/S OF S, PS/LPS, PS/PUS, BRIDGES, BULLARD, HANANAY,  
SPRECKLEY, FITZHERBERT, GOODENOUGH

CAB - ARMSTRONG, FRANKLIN, WILLIAMS

MAFF - PS/S OF S

TSY - PS/C OF E, COUZENS, ASHFORD

BUTLER

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CABINET OFFICE

*R. Whitehall* *file 25 in*

*H.C.*

*[Signature]*

With the compliments of  
Sir Robert Armstrong KCB, CVO  
*Secretary of the Cabinet*

M. O'D B. Alexander, Esq

70 Whitehall, London SW1A 2AS  
Telephone: 01-233 8319



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NOTE FOR RECORD

I met Signor Renato Ruggiero over breakfast at the Italian Embassy, London, on 22nd March 1980. The purpose of our meeting was to discuss preparations for the Venice Economic Summit; in fact we discussed only the forthcoming meeting of the European Council.

2. Signor Ruggiero reported on the results of his recent discussions in other Community capitals, and he made the following general points:

- (a) There was a danger of the arguments in the Community coming to be seen as an Anglo-French confrontation: this would make problems more difficult to solve, and would damage Anglo-French relations. It would be helpful if both the President of the French Republic and the Prime Minister could make statements to counter this impression.
- (b) He detected signs of fear, not only in France, that it was an objective of British policy to undermine or alter the acquis communautaire, and notably the "own resources" system and the Common Agricultural Policy (CAP). It would be helpful if the Prime Minister could make a statement making it clear that the British accepted and intended no threat to the acquis communautaire.
- (c) The Federal German Chancellor had made it clear that he was not prepared to see the Brussels Council dominated by the British problem as the Dublin Council had been. If no progress had been made in the first afternoon, he would recommend that there should be no further substantive discussion, and propose a procedural resolution for a further study and report.
- (d) There was a general, and growing, feeling in the Community that a solution to the problem of the British contribution to the Budget had to be found.
- (e) The Germans would be ready to accept any figure that was acceptable to the French, and were not ready to play the role of mediator.
- (f) The Commission were out of the game; it would be for the Presidency to try to mediate.



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(g) There would have to be a "package"; this did not mean linkage, but it did mean that there would be no solution to any of the issues in the package until they were all solved together; and that meant not just words.

3. Signor Ruggiero described the way in which he had been advocating the British position in his tour of capitals. The original six members had come into the Community with broadly similar economies; the structure of the British economy on entry was in a number of respects different. The British Government's White Paper at the time of the entry negotiations had looked forward to the budgetary problem we now faced; no-one could say that there had been a failure to foresee it. The British had been given certain assurances at that time, not only by the Commission but by the Council of Ministers. The Six had asked Britain to accept the CAP, in which all of them had an interest; that was fair enough, provided that the Six accepted that there was a British need for a corresponding interest. There was an underlying imbalance here, which the Six could see coming at the time of British entry. Whatever was done now about the budget contribution, if that imbalance was not corrected, the Community would find itself in three or five years' time in the same problem as it was today, and the British would be unable to commit themselves wholeheartedly to the Community. Signor Ruggiero said that none of those to whom he had spoken had reacted against this presentation. He believed that that was what Britain had to fight for in its relations with its Community partners.

4. I commended Signor Ruggiero's presentation. I said that those who had negotiated for Britain's entry had foreseen the problems of the CAP and of the budget contribution, but had believed - and had been encouraged to believe - that over the transitional period the Community would develop in ways which would give the British an interest to balance the interest which the CAP represented to the Six, and would bring down the size of the net contribution. The tragedy of the seven years since 1973 was that, for a lot of different reasons, that had not happened. The result was that we now had to deal with the problem of the contribution not as a matter to be resolved gradually over a period of years but as one which demanded immediate correction.



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5. On the amount of the British contribution, Signor Ruggiero stressed the uncertainty of the estimates of the net contribution for 1980. He said that there was a general feeling that for the purposes of the discussion the British share of the administrative expenses of the Community should be excluded. On this basis the net contribution (less share of administrative expenses) for 1980 would be about 1,500 meua. Our partners would want to regard that as our starting point.

6. He said that his tour suggested that a reduction of 700 meua should be available to us. It might be possible to get this up to 800 meua by means of interest rebates (I got the impression that this was a French thought). It might be possible to get the figure beyond 800 meua, but "you will have to fight for every single penny" beyond 800 meua. Signor Ruggiero thought that 1,000 meua was unattainable.

7. As regards the Dublin financial mechanism, it should be calculated in net terms, not gross (i. e. a yield of about 500 meua, not 630 meua, if all the brakes were taken off). Signor Ruggiero said that the French were keen to set a floor and a ceiling on the operation of the mechanism. They would like to make no formal change in the mechanism, but at the end of the year to invite the Commission to determine what would have been the result of operating the mechanism without brakes. There would then be a "fourchette": if the result was within the range 450 to 520 meua, we should receive the actual figure; if it was less than 450 meua, we should receive 450 meua; and if it was more than 520 meua, we should receive 520 meua. The object of this arrangement, for which the French had no legal formula, was to provide a degree of certainty about the outcome of the mechanism.

8. I said that I was not enthusiastic about this notion. Signor Ruggiero asked what would be my reaction to a single figure of 500 meua instead of a "fourchette" of 450-520 meua. I was a little, but not much, less enthusiastic about that, indicating that what we needed, and what had been in the air, if not on the table, at Dublin, was the financial mechanism without brakes, though I supposed that we might not refuse to contemplate a figure which was in fact the maximum which the mechanism could produce.



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9. On Community expenditure in Britain, Signor Ruggiero said that that should be considered in gross terms. He foresaw no particular problems. The French had stressed the need for a Community interest in the expenditure, and for compliance with Community procedures. The Germans emphasised that the expenditure should go to regional projects.

10. Signor Ruggiero said that there was no possibility of an automatic or semi-automatic receipts mechanism, and our representative in COREPER had not furthered our interests by his recent insistence on it. I said that I did not think that we should insist on an automatic mechanism, so long as there was some arrangement which ensured that the net contribution did not get out of hand again despite whatever reduction might be agreed. One way of achieving this would be to express the outcome of the negotiation, not in terms of a rebate on our net contribution but in terms of a net contribution, possibly expressed as a proportion of the total budget. Signor Ruggiero was discouraging on this: he said that what we should get was a fixed amount in units of account, expressed as a reduction of our contribution, for a certain period of time. He thought that this would be a breaking point.

11. Signor Ruggiero said that the duration of any arrangement would be limited. He argued that this was in our interests as well as in the interests of the rest of the Community: there would be no sense in a long duration for a fixed figure. If we insisted upon a long period, the partners would insist on a break clause to allow the figure to be reviewed. I asked him what duration he thought the partners were envisaging. He said three years. I said that I did not think that that would be long enough. It was very important to get an arrangement that would last for long enough not to need to be reviewed during this Parliament. Signor Ruggiero took the point, but repeated what he had said about the objections to a long period.

12. Signor Ruggiero said that he envisaged that the eventual package settlement might start with a balanced statement of principles which would satisfy all parties and could be adopted by the European Council. The elements in the statement might be:-

- (i) A reaffirmation of the principle of "own resources" and of the fundamental principles of the CAP: common prices, financial solidarity and Community preference.



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- (ii) A declaration that the Community was not a static but a dynamic organisation, and that the only way in which we could confirm and strengthen the defence of present policies would be by creating new solidarities.
- (iii) A reminder that, though the European Council had recognised that the main responsibility for bringing about convergence lay with Member States, Community policies could help.
- (iv) A reaffirmation of the "Deniau assurances" that, if an unacceptable imbalance existed, the very survival of the Community would demand its correction.

13. Other ingredients in the package, apart from a resolution of the British budget contribution, might be:-

- (a) a statement on the CAP to cover four points:-
  - (i) a strong reference to the ECOFIN resolution of 11th March on the need to reduce agricultural expenditure;
  - (ii) a reference to the need for a prudent pricing policy, taking account of the need to guarantee the incomes of the poorest producers (in Signor Ruggiero's judgment this meant increases of more than 2.4 per cent);
  - (iii) a reference to the need to improve and strengthen structural policy, especially in favour of Mediterranean products (looking forward to enlargement);
  - (iv) something on sheepmeat: the French wanted a premium and a light intervention system (a "clignotant" arrangement for certain months of the year only, to last for five years).
- (b) a statement on the common fisheries policy: I said that the discussion of fisheries policy was going smoothly, and we should need no more than a very general statement on this; Signor Ruggiero said that others would be looking for something more specific, and suggested restating or referring back to a resolution of the Council of Ministers at The Hague in 1976;
- (c) a statement on energy: Signor Ruggiero said that he had no clear indication what would be looked for on this, but he thought not much:



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possibly some kind of commitment to harmonisation or exchange of information on energy programmes, and a restatement of what the Prime Minister had already said in the House of Commons about giving preferential supplies of oil from the United Kingdom Continental Shelf to the Community partners and to IEA members in a time of crisis;

- (d) possibly something for the Italians and Irish; there would be strong opposition to this from the other partners, but if the British were getting a reduction in their budget contribution, the French something on sheepmeat, and the Germans something on agricultural prices, the Italians should get something too.

14. I said that I should be misleading Signor Ruggiero if I did not make it clear that we were still a long way from agreement on a package. On the British budget contribution, the Prime Minister had indicated to Signor Cossiga our willingness to contemplate a net contribution of 200 to 250 meua. I could not say that there was no room for further manoeuvre in our position, but it was clear that there remained a very large gap between that and the reduction of 700 to 800 meua which he had mentioned. I restated the economic and political reasons why we were bound to look for a substantially larger reduction than that. I repeated our need for some form of "dynamism", and for a duration longer than three years. On the CAP, I said that we should find it very difficult to agree to increased prices for products in surplus. There was clearly a very long way to go, and not much time before the Brussels meeting.

15. It became clear at this point that Signor Ruggiero was thinking about a package to be agreed at the June meeting of the European Council in Venice. We agreed that it was very unlikely that a package could now be agreed at the forthcoming meeting in Brussels.

16. Signor Ruggiero then spoke about Signor Cossiga's domestic problems. He would receive a new mandate; and then he and President Pertini would want to resolve the governmental crisis with unprecedented speed. This would be very important for domestic reasons. It would, however, preoccupy Signor Cossiga during the coming few days, when he had intended to apply himself to the Community problems for the Brussels meeting. He was very



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keen to play a personal role in mediating those problems and improving the atmosphere in which they would be discussed, but in view of his domestic preoccupations would not be able to do that in time for the meeting on 31st March. He was therefore seriously thinking of proposing to his colleagues that the meeting should be called off, and suggesting a procedure whereby the various issues could be followed up as a matter of urgency, in the Community institutions or by ad hoc arrangements, with a view to reaching agreement either at a special meeting of the European Council in a few weeks' time or at the June meeting in Venice.

17. I said that I should need to seek instructions on this and could only comment personally. On that basis I thought that we should be grateful to Signor Cossiga for his desire to apply himself personally to the problems and would want to be sympathetic on that score. On the other hand the problem of our budget contribution had been around for a long time and a solution would be needed not later than the Venice meeting. It might be rather late in the day to call off the Brussels meeting, to which we were all set to go; for our part we should not be pressing for any deferment, though it might be that, if others were prepared to agree, we should be willing to go along with it. I would obtain instructions and let him know our position later in the day.

18. I subsequently discussed the matter with the Foreign and Commonwealth Secretary, and then with him and the Prime Minister. Following those discussions I spoke on the telephone that evening to Signor Ruggiero in Bonn (having first sent him a message via the Italian Ambassador), and said that, while we understood Signor Cossiga's problems, welcomed his wish to involve himself personally, and would like to help, we thought it essential that there should be a meeting of the European Council in the next few weeks and a long postponement or cancellation would be impossible to justify to parliamentary and public opinion here. We could not therefore agree to the cancellation of the forthcoming meeting; we could go along, if others agreed, with postponing the Council for two or at most three weeks, but not longer than that. Signor Ruggiero said that he understood that, and would report accordingly to Signor Cossiga. He told me that the Germans were willing to agree to a limited deferment, provided that a new date was fixed and announced, and it was made clear that the reason for the deferment was to enable Signor Cossiga to take a personal role in



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order to improve the atmosphere for the meeting. He would now be going on to Paris for talks there; if the French agreed with what we and the Germans had said, he thought it very likely that Italian Ambassadors in Community capitals would be instructed to propose accordingly early the following week.

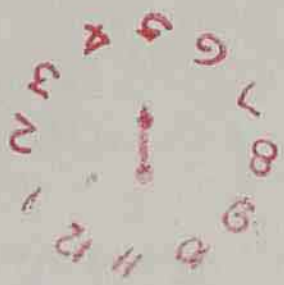
RA

24th March 1980

cc Mr. Alexander  
Mr. Walden  
Sir Michael Palliser  
Lord Bridges  
Mr. Franklin  
Mr. Wiggins  
Sir Kenneth Couzens

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24 MAR 1980





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## NOTE FOR THE RECORD

## PREPARATION OF THE EUROPEAN COUNCIL: 31 MARCH/1 APRIL

1. British and Italian Presidency officials met in London on 22 March to discuss the preparation of the next European Council. The Italian Presidency were represented by Ruggiero, Alessi, Cavalchini and Biondo (London Embassy); the UK by Franklin, Bridges, Hancock and Hannay.

2. Signor Ruggiero said he had in the past few days spoken to the Commission (Jenkins, Ortoli, Gundelach, Tugendhat, Noel, Tickell), the Belgians (Thuysbaert, Schouttette), the French (Francois-Poncet, Bernard Raymond, Paye, Achard, Bochet) and the Germans (von Dohnanyi, Lautenschlager, Schulmann, Fischer and Everling).

He had kept in touch with Signor Cossiga throughout.

3. In each capital he had presented the British problem as he saw it which was not perhaps as we saw it. It was a real problem, not a matter of principle or myths. The Community had been built up in the '50s, '60s and early '70s as a Community of six with principles, rules and policies which fitted the political realities of these six countries. Even Italy with its Mediterranean dimension had been able like the others to get a real "juste retour" without having to ask for it. When the UK negotiated its accession, the British had explained straight away that this would not work. The six had replied that the Community was dynamic, not static; there would be regional and other policies which would benefit the UK. And they had given the famous "Unacceptable situations" undertaking. The Paris Summit of 1972 had offered the real prospect of new policies which would provide a balance of interests in a Community of Nine. Had its communique been implemented there might have been no British problem; but it had not. So the UK was left without a real interest in the Community. That was the fundamental problem which must now be resolved. It was not so much a matter of finding a solution for three, five or six years but of giving the UK a permanent interest in the Community.





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4. In each capital, Ruggiero said, his assessment had been accepted. There had been much talk of protecting the principles and achievements of the Community but no questioning the need for a solution to the British problem, which could not be achieved simply by window dressing.

5. Signor Ruggiero went on to say that the most difficult aspect of the next European Council was not so much the precise issues of amount, duration and linkage as the atmosphere of political misunderstanding on all sides. No-one was prepared to address the problem in an unemotional way. There was distrust on both sides about the ultimate outcome. Some believed the UK was out to destroy the Community, others that we would never be wholehearted members. This mistrust was leading people to approach the linkage issues in a very extreme way. Another negative factor was the generally bad financial climate. Everyone had public expenditure problems. This limited British room for manoeuvre but it also limited that of the others.

6. Signor Ruggiero turned to the question of the communique. He believed this would need to clear the air on some general issues. It should state four principles:-

- (i) The achievements of the Community, the own resources system and the principles of the Common Agricultural Policy (unity of price, financial solidarity and Community preference) could not be touched.
- (ii) The Community must be dynamic and not static. The achievements could only be protected if there were a new approach to solidarity.
- (iii) The member states were principally responsible for achieving convergence but the Community must and should assist the achievement of this objective.
- (iv) If unacceptable situations arose for any member state, the Community survival depended on finding equitable solutions.

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This would be a balanced set of principles which would help everyone.

7. He then went through the budget issue in detail:-

- (i) Financial mechanism. The French had problems with the Dublin solution of removing all the constraints; and some of the Germans agreed with them. The French said their problems were practical not ideological. They wanted to leave the present mechanism unamended. At the end of each year the Commission would make a calculation as if the constraints had been removed. If the calculation gave a figure between 450 m.u.a. and 520 m.u.a., then we would get that figure; if it gave a figure below 450 m.u.a. we would get 450 m.u.a., if above 520 m.u.a., then 520 m.u.a. They realised this system would be difficult legally. But they believed the uncertainty of the Dublin approach was a drawback. The Germans seemed to sympathise with this; but would probably agree to guarantee a fixed figure and not a bracket.
- (ii) Supplementary expenditure. No great difficulty over this. The French had put great emphasis on spending going on projects of Community interest and Community procedures being followed. The Germans wanted a regional and not a sectoral approach to avoid explicit reference to coal.
- (iii) Amount. Both the French and the Germans had mentioned a total of 700 m.u.a. and had alleged the Dutch were agreed to this. The French had suggested on top of this an interest rebate loan scheme and had hinted at a further 100 m.u.a. in this way. When Ruggiero suggested 1,000 m.u.a., the Germans had reacted negatively and had said the final outcome would be nearer 800 than 1,000. Both the French and the Germans had challenged the Commission's latest net contribution figures, saying that administrative expenditure should be left out, giving a UK figure of 1500 m.u.a. rather than 1683 m.u.a. Both /had

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had said that, while the Financial Mechanism figures were net, their supplementary expenditure offers were gross. (Ruggiero commented that the 1,000 m.u.a. figure had become discredited as a result of Mr Jenkins plugging it and the French, and to a lesser extent, the Germans had said that compromises must come from the Presidency not the Commission.)

- (iv) Duration. Both French and Germans excluded any kind of automaticity. This ruled out not only a receipts mechanism but also any system determining in advance the UK net contribution. They believed too long a period would suit neither the UK (lack of dynamism) nor the Community. Three years was their position and they had turned down Ruggiero's idea of a five year period with a review in the third year. (Ruggiero commented that he believed we would not get the certainty we wanted through any budgetary device, we must seek it in political terms by changing the balance of Community policies. A shorter period would reinforce the pressure for change and everyone would realise that the only alternative to progress would be another crisis at the end. The reference to "unacceptable situations" in the communique would make clear its continuing validity.)
- (v) Restructuring. Neither French nor Germans would agree a fixed limit for CAP expenditure in 1986 as we were proposing.

8. Signor Ruggiero then took up the related issues. He emphasized that to others these were real links even if we did not accept them. It had even been suggested that a conditional figure of 1,000 m.u.a. might be offered in return for satisfaction on the linkage items at the Venice meeting. (He paused, looking for a response, but received none.)

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(i) Agriculture. There were a number of separate elements. First it would be right to confirm the ECO/FIN Council Resolution on the need to reduce the rise in agricultural expenditure. Second there should be a reference to a prudent price policy (the Germans made it clear that, for them, this meant a higher rise than the Commission's 2.4 per cent and Gundelach had said he expected the final settlement to be between 4 per cent and 5 per cent). No-one wanted figures put in the communique. Third there would be a commitment to strengthen structural policy, with a special emphasis on Mediterranean problems in the context of enlargement. Fourth on sheepmeat the French wanted a definitive regime not an interim one, although it could be introduced for a trial period of say, five years. There would need to be a system of premia, with a light intervention regime and "warning lights" on quantities seasonal limits etc. The Germans were not happy but would accept this.

/(ii) Fish

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(ii) Fish The Presidency's ideas of very general wording, simply urging progress, had been considered by both the French and the Germans as too vague. Ruggiero had offered to boost this with some language from the 1976 Hague Resolution and both had said they would reflect. The Germans had handed over some very detailed language, which they had suggested could go in an annex to the communique, containing the following elements :

(a) A non-discriminatory and economically reasonable conservation policy to maintain stocks.

(b) A fair distribution of catch quotas taking account of the vital needs of population in regions particularly dependent on fishing and also of the loss of catches in third country waters.

(c) Special arrangements for fishermen within the twelve mile limits while respecting the Community rules on access. Variable fishing plans could be used so long as they did not discriminate against other member states or stop them catching their allocated quotas.

(d) A structural policy with Community support.

(e) Third country agreements to enter into effect without delay.

(iii) Energy Both the Germans and the French now realised that they could not ask for very much under this heading. The UK could not be expected to do on oil what had never been asked of the Dutch on gas. The Belgians had wanted some Community preference in a time of crisis. The Germans had asked if the Prime Minister could reiterate what she had said in her interview with Die Welt about being prepared to help





EC and IEA partners during a crisis. A solution might lie in an invitation to the Community institutions to set up a better system of information, comparison and harmonisation of national (not only UK) energy programmes.

(iv) Italy/Ireland There had been great resistance by both Germans and French to the case for increased expenditure in Italy and Ireland. They had explained that it would be hard enough to finance a solution to the UK problem and had hinted that anything for Italy and Ireland would have to come out of that.

9. Mr Franklin and Lord Bridges then replied on the various points. We had found Ruggiero's general presentation

/stimulating





stimulating and interesting. What he had to say on the detail was depressing. The ideas for the first part of the communique would need thought but could be a reasonable basis for discussion. We would have to see a text. Presumably the principles of the CAP would include free movement of goods. We could not accept the justification for linkage. Each problem had its own characteristics and needed to be treated on its merits.

(i) Financial mechanism We did not wish to go back on the Dublin consensus. We were not very convinced about the risks of variability. If the idea was to guarantee us a figure, we would consider the matter. But was it worth complicating an already difficult negotiation? None except the French seemed worried. The best course would be for the European Council to ask the Commission to put forward a draft for a mechanism without constraints.

(ii) Supplementary Expenditure We noted French and German views. We believed the latest Commission paper was a good basis on which to proceed.

(iii) Amount If other member states wanted to deduct administrative costs, then we would want to use our higher figure for a base (1813 m.u.a.). The Commission assumptions about MCA's were very dubious. So it would be much better not to argue about the Commission's figures but to work off them. We were very disturbed to hear it suggested that figures for supplementary expenditure were gross not net. When discussing the financial mechanism net figures had always been used. It was a net contribution problem we were dealing with. This was just a trick to reduce the cost. As to an overall figure of 800 m.u.a. this would get the discussion nowhere at all. The Presidency would have to consider whether to work for a reasonable compromise. That figure was no basis for one.

/ (iv) Duration





(iv) Duration This was a major preoccupation for Ministers. We must be assured the problem would not come back. We had tried the approach of trusting in the dynamism of Community policies before and it had not worked. A solution based on such hopes would not be politically presentable. So there must be a reasonable duration and a means of avoiding the re-emergence of an unacceptable net contribution. Everyone knew our net contribution in 1981 would be higher than in 1980 and that the Commission estimates would be exceeded if there were agricultural price rises. The attitude of other member states to re-structuring only intensified these concerns. A duration of three years would not be acceptable. The exclusion of any provision for review was unhelpful. The approach suggested would lead to the problem coming back to the Council very quickly.

/ (v) Agriculture





(v) Agriculture We had no objection to confirming the ECO/FIN Council resolution. A prudent price policy would for us mean no price increases for products in surplus. On sheepmeat we accepted the idea of a system of premia but did not agree on the need for intervention. Those who were pressing us to accept price rises should reflect on the fact that that worsened our net budgetary contribution.

(vi) Fish We were rather concerned at the Germans' detailed ideas. In view of the progress being made in the Fisheries Council it hardly seemed appropriate to go into such detail. The Commission had not even made quota proposals. We would not object to the communique giving general encouragement to progress but it should not go into more detail at this stage.

(vii) Energy We would look carefully at the Prime Minister's statement in Die Welt and consider whether it could be repeated. We would also consider the idea

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/of inviting





of inviting the institutions to achieve a better system of information and harmonisation of national energy policies.

10. Finally there was some discussion of procedure. Signor Ruggiero said he would now go again to Bonn and Paris and would end up in Brussels on 24 March, where he would try to put together a first draft of a communique. Signor Alessi would go to Dublin and The Hague, Signor Cavalchini to Copenhagen and Luxembourg. He hoped to organise a meeting of officials of the Nine on 26 March, either in Brussels or Paris. This would not be a meeting of COREPER but, if the meeting was in Brussels, some way might need to be found of associating the Permanent Representatives. We said we would fit in with his wishes; but the desirability of avoiding press publicity argued against Brussels.

11. Finally Signor Ruggiero reported two pieces of information that purported to reflect Chancellor Schmidt's views :

(i) Under no circumstances would he mediate between the French and the British. The Germans would accept what the French accepted. It was for the Presidency to mediate.

(ii) The budget issue should be discussed on the first afternoon (31 March). If no progress was made, officials should be instructed to draft purely procedural conclusions; and there should be no further discussion by Heads of Government.

/ Copied to :





Copied to : PS  
PS/LPS  
PS/PUS  
Lord Bridges  
Mr Bullard  
ECD (I)  
D Hancock Esq Treasury  
D Andrews Esq MAFF  
M Franklin Esq Cabinet Office  
M Alexander Esq No. 10  
Sir R Arculus, Rome  
Sir R Hibbert, Paris  
Sir O Wright, Bonn  
Sir M Butler, UK Rep Brussels



AMBASSADE DE FRANCE A LONDRES

Service de Presse et d'Information

58 Knightsbridge, S.W.1.

01-235 8080

*a. Alexander*  
*scri*  
*g*

NOTE D'ACTUALITE

CTL/DISCOM/57/80

21 March 1980

FORTHCOMING MEETING OF THE EUROPEAN COUNCIL

COMMUNIQUE ISSUED FOLLOWING THE MEETING OF THE COUNCIL OF MINISTERS  
OF 19 MARCH 1980

Prior to the European Council meeting of 31 March and 1 April 1980, the French Government wishes to recall the principles that determine its policy with regard to the European Community and its evolution.

1. The French Government stresses the importance it attaches to the "own resources" system of Community financing, established by joint decision of the member countries on 21 April 1970 and accepted by those that joined the European Communities at the time of the first enlargement. This system is designed to provide for the implementation of common policies, which are themselves applied to further the development of the Community structure. The European Council must confirm that the rules of this system will be maintained in the future, rejecting any mechanism intended to introduce processes of redistribution or adjustment of net situations based on the wealth of States. France is not directly affected by such a suggestion, since she is not a net recipient of Community payments, either in 1979, or in 1980. At all events, if the principle of a "just return" were to be adopted, it could not apply only to one country.

2. The French Government regards the Common Agricultural Policy's fundamental principles (price unity, financial solidarity, Community preference) as indivisible and binding on all the Community's member States and institutions.

It recalls the necessity of pursuing the objective of a gradual dismantling of monetary compensatory amounts.

In order to overcome the Community's budget problems, it is prepared to seek ways of determining the participation of producers in the financing of surpluses. The mechanisms providing for joint responsibility will have to be so devised as to ensure its gradual introduction, so as not to penalize family farms to the advantage of large farms, especially when the latter import their supplies.

This effort, however, can only achieve its purpose if measures are brought into force at the Community level to ensure fair competition between Community products and imported products.

.../.



Finally, the Community's role as exporter must be recognized and encouraged by its institutions and member States.

3. In accordance with the principle of Community solidarity, France is willing to examine requests presented by countries who might be experiencing exceptional difficulties due to their financial contribution.

The financial effects of these measures, applicable for a specified duration, must be compatible with the evolution of the Community's budget resources and in particular with the 1981 budget estimates.

Decisions of this kind, aimed at modifying the operation of agreements signed and ratified by the Governments concerned, can only be adopted in the framework of an all-round settlement covering all outstanding problems in the Community./.

COMMISSION OF THE EUROPEAN COMMUNITIES  
LUXEMBOURG

Letter to the Council of Ministers of the Community  
French Government wishes to recall the fact that the Commission's report to the Council on the progress of the negotiations...

The Commission's report to the Council on the progress of the negotiations... The Commission's report to the Council on the progress of the negotiations... The Commission's report to the Council on the progress of the negotiations...

2. The French Government regards the Commission's report as a... The French Government regards the Commission's report as a...

The Commission's report to the Council on the progress of the negotiations... The Commission's report to the Council on the progress of the negotiations...

The Commission's report to the Council on the progress of the negotiations... The Commission's report to the Council on the progress of the negotiations...

The Commission's report to the Council on the progress of the negotiations... The Commission's report to the Council on the progress of the negotiations...



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FM DUBLIN 211845Z MARCH 80  
TO IMMEDIATE FCO

TELEGRAM NUMBER 116 OF 21 MARCH

AND TO IMMEDIATE NIO BELFAST

CONVERSATION BETWEEN STOWE AND NALLY IN DUBLIN, ON POSSIBLE  
MEETING BETWEEN PRIME MINISTER AND TAOISEACH

*no*  
*Not to talk about*  
*Ni - either at*  
*Brussels or*  
*other*  
*no*

1. MR HAUGHEY ASKED ME TO CALL THIS AFTERNOON. HE SAID HE VERY MUCH HOPE IT WOULD BE POSSIBLE FOR HIM TO HAVE A TALK WITH THE PRIME MINISTER IN BRUSSELS DURING THE EUROPEAN COUNCIL. HE STRESSED SEVERAL TIMES THAT HE THOUGHT IT MOST IMPORTANT THAT THE MEDIA SHOULD NOT HAVE ANY EXCUSE OR PRETEXT TO WRITE "THATCHER SNUBS HAUGHEY" HEADLINES OR VICE VERSA EXCLAMATION MARK. TO THAT END HE SOUGHT MY HELP TO TRY TO SET UP A MEETING. HE COULD, IF MRS THATCHER WISHED, BE AVAILABLE IN BRUSSELS TO SEE HER FROM THE MORNING OF 30 MARCH, OR AT ANY TIME DURING THE COUNCIL.

2. HE EMPHASISED THAT HE DID NOT REPEAT NOT EXPECT TO DISCUSS NORTHERN IRELAND AT ANY MEETING IN BRUSSELS. BUT HE HAD NOT MET THE PRIME MINISTER AND WOULD HOPE TO DO SO IN BRUSSELS FOR A GENERAL TALK. DURING THAT DISCUSSION, HE WOULD LIKE TO SUGGEST A FURTHER MEETING WITH MRS THATCHER. THEN, SPEAKING WITH SOME EMPHASIS, HE SAID HE THOUGHT IT IMPORTANT THAT HE SHOULD BE ABLE TO SAY PUBLICLY IN BRUSSELS THAT MRS THATCHER AND HE HAD AGREED TO MEET AGAIN FAIRLY SOON. IDEALLY, HE ADDED, HE WOULD LIKE TO GIVE A DATE. I REMINDED HIM THAT, APART FROM ANY OTHER CONSIDERATIONS, THAT WAS IMPOSSIBLE FOR SECURITY REASONS. HE AGREED AND WENT ON TO SAY THAT WHILE IT WAS NO DOUBT THE BRITISH TURN TO COME TO DUBLIN, HE WAS MORE THAN READY, FOR SECURITY REASONS, TO GO TO LONDON.

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3. I UNDERTOOK TO REPORT TO YOU WHAT HE HAD SAID.

4. NEXT WORD UNDERLINED COMMENT:

IT IS VERY CLEAR THAT HAUGHEY BADLY WANTS TO BE SEEN TO HAVE HAD A MEETING WITH THE PRIME MINISTER IN BRUSSELS, FOR THAT MEETING TO APPEAR TO HAVE GONE WELL AND HE WANTS TO BE ABLE TO SAY A FURTHER MEETING HAD BEEN OR WOULD BE ARRANGED. HE DOES NOT WANT DIFFICULT HEADLINES. HE HIMSELF SAID HE WISHED TO GET "THE OPTICS RIGHT". IT IS ALSO CLEAR THAT HE WAS DISTURBED BY THE REMARKS IN THE DAIL BY THE LABOUR PARTY LEADER, FRANK CLUSKEY, ON 19 MARCH, TO THE EFFECT THAT IT DID NOT REALLY MATTER IF HAUGHEY TALKED ABOUT NORTHERN IRELAND WITH THE FRENCH "WHEN HE HAD NOT YET SOUGHT A MEETING WITH THE PERSON PRIMARILY CONCERNED WITH THE PROBLEM, THE HEAD OF THE U K GOVERNMENT" (IRISH TIMES REPORT). INDEED, IN OUR DISCUSSION, HAUGHEY MENTIONED CLUSKEY'S SPEECH.

5. I KNOW THAT THE PRIME MINISTER'S TIME WILL BE HEAVILY TAKEN UP IN BRUSSELS. HOWEVER, IT MIGHT BE USEFUL FOR THE PRIME MINISTER TO MEET MR HAUGHEY IF ONLY TO EMPHASISE AGAIN OUR STAND ON OUR COMMUNITY BUDGET CONTRIBUTION, "LINKAGE" AND SO ON. ALSO MRS THATCHER AND HAUGHEY HAVE NOT MET. IF IT WERE THOUGHT TO BE APPROPRIATE AND DESIRABLE TO DISCUSS A FURTHER MEETING, THAT WOULD UNDOUBTEDLY BE A BONUS FOR HAUGHEY AND WOULD AVOID THE KIND OF SPECULATION IN THE MEDIA WHICH SO OBVIOUSLY PREOCCUPIES HIM. I AM VERY CONSCIOUS, HOWEVER, THAT DISCUSSION IN BRUSSELS ABOUT A FURTHER MEETING AND ANY STATEMENT IN PUBLIC THAT IT HAD BEEN DISCUSSED COULD BE DIFFICULT, NOT LEAST BECAUSE WE DO NOT KNOW THE STAGE WHICH ANY TALKS ON NORTHERN IRELAND MIGHT HAVE REACHED AT THE END OF THE MONTH, OR AFTER THAT.

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6. I SHOULD ADD THAT HAUGHEY WAS AWARE THAT MR ATKINS HAD HAD TO POSTPONE HIS MEETING WITH MR LENIHAN AND SEEMED RELAXED ABOUT IT.

7. HE ALSO MADE REASONABLY HELPFUL NOISES ABOUT OUR BUDGET CONTRIBUTION.

8. I SHOULD BE GRATEFUL FOR INSTRUCTIONS.

HAYDON

## FILES

RID  
NAD  
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SEC D  
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PS/LPS

PS/MR HURD  
PS/MR RIDLEY  
PS/MR BLAKER  
PS/PUS  
SIR A AGLAND  
SIR D MAITLAND  
CHIEF CLERK  
MR FIGG  
MR BULLARD  
MR FERGUSON  
LORD N G LENNOX  
MISS BROWN 3

ADDITIONAL DISTRIBUTION  
NORTHERN IRELAND

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no  
1st Germany (Schmidt visit) P42

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Prime Minister

Hope that those named  
should attend?

Pms

Ref. A01762

MR. ALEXANDER

European Council

The Prime Minister will wish to decide who should attend the briefing meeting which has been arranged for Wednesday, 26th March, at 10.30 am. The briefing will cover the visit of Chancellor Schmidt as well as the European Council.

2. The Prime Minister might invite the following Ministers: Foreign and Commonwealth Secretary, Chancellor of the Exchequer, Lord Privy Seal and Secretary of State for Energy. The Minister of Agriculture will be in Brussels but if the Prime Minister wished there might be advantage in him being represented by Mr. Buchanan-Smith. The Secretaries of State for Industry and for Trade should also be invited if they participate in the Schmidt visit, although this is at the moment in some doubt since their German counterpart, Count Lambsdorff, will not now be accompanying Chancellor Schmidt.

They will  
not be  
participating.

3. The Prime Minister might also include the following officials who will be going to the European Council from London: Sir Robert Armstrong and Mr. Franklin (Cabinet Office), Sir Kenneth Couzens (Treasury), Sir Michael Palliser and Lord Bridges (Foreign and Commonwealth Office). Sir Michael Butler and Sir Oliver Wright should no doubt also be included. The Prime Minister might also wish to have Sir Brian Hayes (Permanent Secretary in the Ministry of Agriculture) and Mr. Jones of the Department of Energy in Sir Jack Rampton's absence.

D. J. WRIGHT

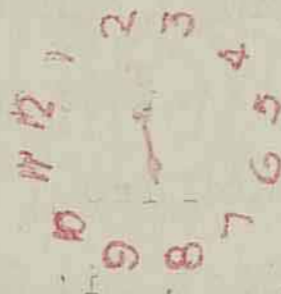
20th March, 1980

On Wed 26<sup>th</sup> we shall have to  
have a Cabinet meeting to be told  
about the Budget. We can expect  
the Chancellor to attend another meeting  
that day too.





20 MAR 1960





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Note for the Record

Copied to:

Private Secretary  
PS/Lord Privy Seal  
PS/PUS  
Lord Bridges  
Mr Bullard  
ECD(I)  
ESSD  
Mr Alexander - 10 Downing Street ✓  
Mr Franklin - Cabinet Office  
Mr D Andrews - MAFF  
Mr D Hancock - Treasury  
Sir M Butler - UKREP Brussels  
Sir R Arculus - Rome

PREPARATION OF THE EUROPEAN COUNCIL: 31 MARCH - 1 APRIL

1. UK and Italian Presidency officials met over dinner in Brussels on 17 March to discuss the preparations for the European Council on 31 March - 1 April. The Italians were represented by Ruggiero, Alessi and Cavalchini; the UK by Franklin, Bridges and Hannay.
2. Signor Ruggiero said it was very likely that the Cossiga government would fall on Wednesday. He had been instructed to assure us that this would not affect the determination of the Italian Presidency to work for a successful result at the next European Council. Indeed, since Signor Cossiga was quite likely to form the next government, he would have an added incentive to bring back a success. The chances of success were reasonable, although far from certain.
3. Signor Ruggiero then ran over his programme for the next week. Tuesday/Wednesday Brussels, Thursday Paris, Friday Bonn, Saturday London, Sunday François-Poncet visiting Rome. Signor Alessi would go in parallel to Dublin and Copenhagen. He reported that Herr Schulmann had telephoned that afternoon asking the Italians to prepare a Presidency document and to organise a meeting à neuf early next week. He was inclined to respond positively but would wait until he had been to one or two capitals before making up his mind. He also reported from his discussion with Mr Tickell that the Commission intended to produce a further document; but that this would merely be a synopsis of their four separate communications on the UK budget /problem

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problem and would not introduce new proposals. It should thus dovetail in with a Presidency paper.

4. Signor Ruggiero then ran over his ideas on how to handle the various points at issue:

- (i) Financial mechanism. Confirm Dublin agreement to remove constraints.
- (ii) Supplementary expenditure. Approve Commission approach.
- (iii) Amount of (i) and (ii). European Council to decide.
- (iv) Duration. European Council to decide. There was likely to be a trade-off with (iii). A mechanistic approach would not be accepted. But a review clause would be essential.
- (v) Convergence and Restructuring. A general commitment to help UK, Italy and Ireland achieve convergence; and to work for a better balance in the budget. At the same time the European Council would also need to reaffirm the importance of the acquis - own resources and the CAP.
- (vi) Fish. No attempt to deal with substance. A brief reference to need for progress.
- (vii) Energy. Take note of Commission paper and undertake to study. The UK must say something. Could we not offer to consult over prices and depletion?
- (viii) Sheepmeat. The French must define what they wanted.
- (ix) Agricultural Prices. European Council could not be asked to take precise decisions and March Agriculture Council would not be ready to do so. If UK made clear it would not block modest price rises, that should do.
- (x) EMS. Sign of willingness by UK to consider possibility of entry in months ahead (not an immediate decision to enter) would greatly improve atmosphere.



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5. We stated our positions on each of the points and these were noted. We suggested that any document might best be cast as a mixture of single, agreed texts on the less controversial aspects, with separate differentiated options on those where it was clear there would be difficulty in reaching agreement. As to further meetings we would fall in with the wishes of the Italian Presidency and would look forward to discussing this, together with any texts they might have produced, when they visited London on 22 March.

18 March 1980

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18 MAR 1960





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*Leet AB*  
*Euro for.*

10 DOWNING STREET

*From the Private Secretary*

18 March 1980

PREPARATIONS FOR THE  
EUROPEAN COUNCIL

As I have already told Anthony Goodenough on the telephone, the Prime Minister has seen your letter to me of 14 March about the Agenda for the European Council and has commented that she does not want there to be unnecessary delay in commencing discussion of the Budget/Convergence item on the Agenda. She would therefore prefer that the discussion of the Commission Report on the European Monetary Fund should take place after the first discussion on the Budget. She made the same point to the President of the Commission during their discussion yesterday. Mr. Jenkins did not seem to think there would be much difficulty in achieving a re-ordering of the items along the lines preferred by the Prime Minister.

I am sending a copy of this letter to David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Paul Lever, Esq.,  
Foreign and Commonwealth Office.

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*GR*



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Envo 857

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FRAME GENERAL

DESKBY 190837Z

FM UKREP BRUSSELS 181650Z MARCH 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1526 OF 18 MAR

INFO PRIORITY ROME, PARIS, BONN, ROUTINE COPENHAGEN,

THE HAGUE, DUBLIN.

INFO SAVING BRUSSELS, LUXEMBOURG.

FOREIGN AFFAIRS COUNCIL, 18 MARCH.

EUROPEAN COUNCIL PREPARATION.

SUMMARY.

1. AGENDA CONFIRMED WITH FOLLOWING COMMENTS:

(A) ECONOMIC AND SOCIAL SITUATION: FRANCE WANTED EMF  
SUBSUMED UNDER THIS ITEM.

(B) CONVERGENCE: YOU APPEALED FOR AN EQUITABLE AND LASTING  
SOLUTION. FRANCE URGED THAT CAP (INCLUDING SHEEPMEAT)  
AND FISH BE INCLUDED. ITALY EMPHASISED IMPORTANCE OF  
CONVERGENCE OF ECONOMIES.

(C) ENERGY: COMMISSION PAPER WILL HIGHLIGHT NEED FOR  
HARMONISATION OF ENERGY PRICES AND TAXES, AND FOR INVESTMENT  
IN NEW ENERGY SOURCES AND CONSERVATION WITH A VIEW TO  
AN IN-DEPTH DISCUSSION AT THE EUROPEAN COUNCIL AND A  
MANDATE TO THE COMMISSION TO PRESENT PROPOSALS.

(D) 3 WISE MEN: ONLY THE APPOINTMENT OF THE NEXT COMMISSION  
WILL BE CONSIDERED BY THE EUROPEAN COUNCIL.

IN A TAIL-PIECE DEBATE, FRANCE TRIED TO INSIST THAT THE  
COMMISSION'S RIGHT TO PUT FORWARD SOLUTIONS ON CONVERGENCE BE  
CURTAILED, BUT WAS ISOLATED. THE COMMISSION WILL PROBABLY PRODUCE  
AN UPDATED VERSION OF THEIR FEBRUARY PAPER.

DETAIL.

2. RUFFINI (ITALIAN PRESIDENCY) CONFIRMING THE PRESIDENCY'S  
INTENTIONS AS ALREADY ANNOUNCED AT COREPER, TOOK NOTE OF THE  
CONCLUSIONS OF THE ECO/FIN COUNCIL ON THE ECONOMIC AND SOCIAL  
SITUATION AND EMF. ON 3 WISE MEN, THE PRESIDENCY WOULD PRESENT  
A REPORT ON THE BASIS AGREED AT LAST NIGHTS INFORMAL MEETING  
(REF MY TELNO 1509). DOHNYI (FRG) URGED THAT THE REPORT BE  
SHORT AND INCLUDE ONLY THE URGENT POINTS ABOUT PROCEDURES  
FOR NOMINATING THE NEW COMMISSION. RUFFINI AGREED.

/3. JENKINS



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3. JENKINS (PRESIDENT OF THE COMMISSION) URGED THAT UNLIKE THE LAST EUROPEAN COUNCIL THE NEXT ONE SHOULD BE A BETTER - BALANCED MEAL WITH SEVERAL COURSES ON WHICH PROGRESS COULD BE MADE AND NOT JUST ONE COURSE. ON THE ECONOMIC AND SOCIAL SITUATION, THE COMMISSION WOULD CIRCULATE A PAPER ON 20 MARCH BASED ON THE COMMISSIONS LATEST REVIEW OF THE ECONOMIC SITUATION, DISCUSSED ON 17 MARCH BY THE ECO/FIN COUNCIL. THE COMMISSION PAPER ON ENERGY WOULD ALSO BE CIRCULATED THEN. IT WOULD NOT ASK THIS EUROPEAN COUNCIL TO TAKE DECISIONS, BUT WOULD RAISE

(A) THE ANOMALIES IN PRICING AND TAXATION OF ENERGY BETWEEN MEMBER STATES.

(B) THE NEED TO HARMONISE PRICES AND TAXATION SO AS TO PROVIDE MACRO-ECONOMIC TOOLS IN THE FIGHT AGAINST INFLATION AND UNEMPLOYMENT.

(C) THE NEED FOR A COMMUNITY ENERGY STRATEGY WITH ADEQUATE FUNDS (ON WHICH THE PAPER WOULD PRESENT IDEAS), COVERING ENERGY SAVING, SUBSTITUTION, REDUCTION OF DEPENDENCE ON OIL IMPORTS AND DEVELOPMENT OF RENEWABLE SOURCES OF ENERGY. WITHOUT SUCH A STRATEGY THE COMMUNITY'S POSITION AT THE VENICE ECONOMIC SUMMIT COULD BE MUCH LESS FAVOURABLE THAN AT TOKYO.

ON CONVERGENCE, THE COMMISSION'S PAPER HAD BEEN AVAILABLE SINCE 1 FEBRUARY. THE COMMISSION DID NOT CONSIDER IT THEIR DUTY TO PUT FORWARD A FORMAL PROPOSAL: THIS HAD NOT BEEN ENVISAGED AT DUBLIN. BUT THEY HAD PUT FORWARD IDEAS TO ENABLE A SOLUTION TO BE FOUND. THEY WERE PREPARED TO CIRCULATE ANOTHER PAPER PULLING TOGETHER AND UPDATING THEIR PREVIOUS PAPER. HOWEVER THERE WAS NO BODY OF RECEIVED AUTHORITY WHICH COULD PROVIDE A RATIONAL BASIS FOR ONE OR OTHER SOLUTION. A CONSTRUCTIVE COMPROMISE WOULD THEREFORE HAVE TO BE WORKED OUT.

4. RUFFINI SAID THAT THE COMMISSION DOCUMENT ON ENERGY SHOULD BE CONSIDERED BY THE HIGH LEVEL ENERGY GROUP MEETING ON 20TH MARCH. DOHNAYI QUERIED WHETHER THE SUBJECT WOULD HAVE BEEN SUFFICIENTLY PREPARED FOR AN IN-DEPTH DISCUSSION AT THIS EUROPEAN COUNCIL, BUT SIMONET (BELGIUM), SUPPORTING JENKINS, URGED THAT PROGRESS BE MADE TOWARDS A COMMON ENERGY POLICY WHICH WAS IMPORTANT IN THE CONTEXT OF CONVERGENCE (SEVERAL DELEGATIONS HAD SAID THEY COULD ONLY IMAGINE A SOLUTION OF THE UK BUDGET PROBLEM WITH SOMETHING ON ENERGY) AND IN RESPECT OF THE NORTH/SOUTH DIALOGUE.

5. YOU AGREED WITH JENKINS REMARKS ON ENERGY BUT EMPHASISED THAT ALTHOUGH THE EUROPEAN COUNCIL IN BRUSSELS SHOULD HAVE A VARIED MENU, THE ROAST BEEF AND YORKSHIRE PUDDING OF IT SHOULD / BE

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BE THE BUDGET QUESTION. THIS HAD BEEN DISCUSSED FOR OVER 9 MONTHS. ENVERYONE KNEW THE SCALE AND NATURE OF THE PROBLEM. IT WOULD NOT GET BETTER AND IT MIGHT WELL GET WORSE. IT WAS THEREFORE IN THE OVERALL INTERESTS OF THE COMMUNITY TO SETTLE IT NOW. THE KEY POINT FOR THE EUROPEAN COUNCIL WAS TO COME UP WITH FAIR AND DEFENSIBLE FIGURES TAKING INTO ACCOUNT UK PROBLEMS (INCLUDING LACK OF COMMUNITY SPENDING) IN AN EQUITABLE, IF NOT NECESSARILY RATIONAL WAY. DURATION WAS IMPORTANT BECAUSE THE COMMUNITY MUST AVOID COMING BACK TO THE PROBLEM IN THE SHORT TERM. THE BEST WAY TO AVOID THIS WOULD BE A BETTER BALANCE IN COMMUNITY POLICIES. THIS DID NOT MEAN ATTACKING THE CAP, BUT AGRICULTURAL SPENDING MUST BE BROUGHT UNDER CONTROL. WE WOULD NOT OPPOSE OTHER MATTERS BEING RAISED, PROVIDED THEY WERE TREATED ON THEIR MERITS JUST AS THE BUDGET QUESTION SHOULD BE TREATED ON ITS MERITS. ADEQUATE PREPARATION FOR THE EUROPEAN COUNCIL WAS VITAL AND THE UK WAS AT THE DISPOSAL OF THE PRESIDENCY. AS REGARDED THE ORDER OF BUSINESS, WE WANTED A FULL DISCUSSION OF THE BUDGET QUESTION ON THE FIRST AFTERNOON SO THAT HEADS OF STATE COULD REFLECT AND MORE WORK BE DONE OVERNIGHT.

6. BERNARD-REYMOND (FRANCE) WAS SCEPTICAL ABOUT THE POSSIBILITY OF THE COMMISSION DOCUMENT ON ENERGY BEING TREATED IN DEPTH, WHEN IT WAS APPEARING SO LATE. EMF COULD USEFULLY BE TAKEN UNDER THE FIRST HEADING ON THE ECONOMIC AND SOCIAL SITUATION. ON 3 WISE MEN, AS DOHNANYI HAD SUGGESTED, THE ONLY URGENT POINT WAS TO HAVE A FIRST ROUND AMONG HEADS OF GOVERNMENT ON THE NEXT COMMISSION. ON CONVERGENCE, FRANCE DID NOT BELIEVE THAT THE AMOUNT OR DURATION OF A SETTLEMENT WAS THE MOST IMPORTANT POINT. WHAT MATTERED WAS THAT THE QUESTION BE EXAMINED IN THE BROADEST POSSIBLE CONTEXT AND THAT ANY SOLUTIONS SHOULD TAKE INTO ACCOUNT THE NATURE OF THE COMMUNITY BOTH IN TERMS OF OWN RESOURCES AND THE CAP. FRANCE THEREFORE WANTED CAP QUESTIONS, INCLUDING SHEEP MEAT AND ALSO FISHERIES TREATED UNDER CONVERGENCE SO AS TO DEMONSTRATE THE EUROPEAN COUNCIL'S ATTACHMENT TO FORWARDING THE CONSTRUCTION OF EUROPE.

7. SUMMING-UP RUFFINI EMPHASISED THAT ANY SOLUTION OF THE BUDGET QUESTION SHOULD INCLUDE A POLITICAL COMMITMENT BY THE EUROPEAN COUNCIL TO DIVERSIFY COMMUNITY EXPENDITURE BY DEVELOPING STRUCTURAL AND INVESTMENT POLICIES. CONCRETE SUGGESTIONS HAD BEEN PUT FORWARD BY THE COMMISSION AND THE ITALIAN DELEGATION. THE UK PROBLEM SHOULD BE TACKLED ALONG THE LINES SUGGESTED AT DUBLIN. THE COMMISSION HAD PROVIDED USEFUL INFORMATION ON THE LEGAL BASIS, THE SECTORS AND THE TYPE OF FINANCING FOR SUPPLEMENTARY EXPENDITURE. THE COMMISSION IDEA OF A REVIEW BEFORE THE MEASURES EXPIRED WAS USEFUL. ON THE CONVERGENCE OF ECONOMIES, DUBLIN HAD REAFFIRMED / THE



THE IMPORTANCE OF COMMUNITY POLICIES STRENGTHENING THE ECONOMIC POSITION OF POORER MEMBER STATES. THE COMMISSION'S FEBRUARY PAPER HAD MENTIONED PROPOSALS FOR SPENDING ON AGRICULTURAL STRUCTURES: THE SECOND TRANCHE OF THE ORTOLI FACILITY AND THE POSSIBILITY OF USING FOR IRELAND AND ITALY THE MECHANISM FOR SPECIAL EXPENDITURE IN THE UK. THE BRUSSELS EUROPEAN COUNCIL SHOULD ALSO DEAL WITH ENERGY, SHEEPMEAT AND FISH, BUT IT WAS ESSENTIAL THAT THERE SHOULD BE A WIDE MEASURE OF AGREEMENT OR THE COMMUNITY WOULD BE PARALYZED IN APRIL, EG ON AGRICULTURAL PRICES, THE 1980 BUDGET (WHICH WOULD MEAN CONFLICT WITH THE EUROPEAN PARLIAMENT) AND FISH, - ALL AT A TIME WHEN INTERNATIONAL SITUATION CALLED FOR EUROPEAN UNITY IN THE CONTEXT OF NORTH/SOUTH AND EAST/WEST RELATIONS. THE PRESIDENCY WOULD PROPOSE TO DISCUSS SOME ASPECTS OF POLITICAL CO-OPERATION ON THESE WIDER ISSUES.

8. BERNARD-REYMOND THEN INTERVENED AGAIN (APPARENTLY AS AN AFTERTHOUGHT AT THE PROMPTING OF HIS OFFICIALS) TO RECALL THE POSITION TAKEN BY HIS GOVERNMENT AS REGARDS THE COMMISSION PROPOSALS ON CONVERGENCE. UNDER ATTACK FROM JENKINS AND SIMONET, BERNARD-REYMOND ADMITTED THAT THE UNDERLYING FRENCH POSITION WAS THAT RESPONSIBILITY FOR A COMPROMISE WOULD FALL ON THE PRESIDENCY AND NOT THE COMMISSION, IF THE LATTER DID NOT PUT FORWARD PROPOSALS SOON. VAN DER MEI (NETHERLANDS) SAID THIS WAS UNACCEPTABLE AND THE COMMISSION WAS ENTITLED TO PUT FORWARD PROPOSALS AT ANY TIME. YOU SAID THAT THE HELP OF NO PARTY SHOULD BE EXCLUDED. RUFFINI NOTED THE FRENCH POINT, BUT SAID EACH DELEGATION HAD THEIR OWN RESPONSIBILITIES. JENKINS LATER ANNOUNCED THAT THE COMMISSION WOULD PROBABLY REGROUP THEIR EXISTING PROPOSALS IN A NEW PAPER WITHIN THE NEXT 2 OR 3 DAYS, WHILE RESERVING THEIR RIGHT TO PUT FORWARD ANY FURTHER IDEAS WHEN THEY THOUGHT APPROPRIATE. THEY MIGHT ALSO HAVE SOME NEW IDEAS TO ADD ON DURATION OF THE SOLUTION.

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DESBY 181800Z  
FM UKREP BRUSSELS 181645Z MAR 88  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1525 OF 18 MARCH.  
INFO ROUTINE PARIS  
INFO SAVING COPENHAGEN, THE HAGUE, ROME, DUBLIN, BONN AND MOSCOW.  
COMMUNITY EXPORTS OF BUTTER AND WHEAT TO RUSSIA.



1. DANKERT HAS SHOWN US IN CONFIDENCE A LETTER TO HIM FROM GUNDELACH IN WHICH THE LATTER SAYS THAT 20,000 TONNES OF COMMUNITY BUTTER WERE EXPORTED IN JANUARY 1980. THE VOLUME OF BUTTER EXPORT CERTIFICATES ISSUES, WHICH MAY BE WITHOUT PREFIXATION, WAS 15,000 TONNES OF THIS TOTAL. GUNDELACH COMMENTED ORALLY TO DANKERT THAT THE 15,000 TONNES WERE MAINLY FRENCH BUTTER SALES TO THE SOVIET UNION. IN ADDITION, ACCORDING TO DANKERT QUOTING GUNDELACH, 350,000 TONNES OF PREFIXED, MAINLY FRENCH WHEAT ORIGINALLY MARKED FOR OTHER DESTINATIONS, WERE REASSIGNED BY MERCHANTS TO THE SOVIET UNION IN JANUARY.

2. WE HAVE NO MEANS OF JUDGING THE ACCURACY OF WHAT DANKERT CLAIMED TO US, BUT HE CLEARLY ATTACHES CREDENCE TO IT AND SAID HE WAS GOING TO PASS THE INFORMATION TO THE PARLIAMENT'S BUDGET COMMITTEE AND MUST EXPECT IT TO CAUSE A STIR.

FCO ADVANCE TO:-

FCO - HANNAY, FITZHERBERT, SPRECKLEY, BUDD  
CAR - FRANKLIN  
MAFF - PS/MIN, PS/PS, DAVIES, ANDREWS, PACKHOUSE, MRS ARCHER  
J. DIXON  
TSY - ROBERTS  
IBAP - SAVAGE  
NO.10 - ALEXANDER

FC PASS SAVING TO :- COPENHAGEN, ROME, DUBLIN, BONN AND MOSCOW.

RUTLER

NNNN



Subject on Euro PD:

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*Mr. Latham*

*Calls on the PM by Roy Jenkins: May 1979.*

*(copy for Euro Council - Policy)*

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF THE EUROPEAN COMMISSION, MR. ROY JENKINS, AT 10 DOWNING STREET, ON MONDAY 17 MARCH AT 1115 HOURS

Present:

Prime Minister	Mr. Roy Jenkins
Sir Robert Armstrong	Mr. C. C. C. Tickell
Mr. Michael Franklin	
Mr. Michael Alexander	

\* \* \* \* \*

The Prime Minister said that she was very pessimistic about the prospects for the European Council meeting in Brussels at the end of the month. She did not think that the preparatory discussions had yet got on to the right track. She was also concerned about the agenda. She feared that the preliminary discussions on the economic situation in the Community and on the European Monetary Fund would take up too much time. It would be important that the lunch on the first day should take up less time than it had in Dublin. Mr. Jenkins said that the arrangements in Brussels were such as to make it likely that substantive discussions would begin earlier than they had in Dublin. As regards the agenda, he did not think the European Monetary Fund discussion was a serious problem. For the rest he was against an agenda which contained only one item. (The Prime Minister agreed). There should be a balanced agenda with the budget taking up perhaps 40 per cent of the time. He envisaged a 2½ hour discussion on the Monday afternoon. If a solution seemed in sight, the discussion could be resumed on Tuesday. As regards the overall prospect, he thought that a solution was still some way off, but not perhaps such a distant prospect as the papers suggested. There was perhaps a 30 per cent chance of reaching agreement.

The Prime Minister said that she could see few signs of goodwill in the attitude of the French Government. Their attitude seemed to be limited to saying that we had accepted the terms at

/ the time

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the time of our entry and were now stuck with them. If the French Government persisted with this argument, the Community would soon find itself in a very difficult situation. M. Barre seemed to have given a thoroughly negative briefing to the press after the Prime Minister's recent appearance on French television.

The French position on sheepmeat struck at the very roots of the Treaty of Rome: the free movement of goods was, in the Prime Minister's view, the basic principle on which the Community was founded. Mr. Jenkins agreed that France's behaviour on the sheepmeat issue had been deplorable. The Commission had now sought an injunction against the French Government. This was the most extreme step open to them. They had hesitated to take it because of the difficulty of enforcing a judgement against the French. The European Court might well announce its verdict on 28 March, i.e. on the eve of the European Council. As regards what the French Government had been saying in the previous week, Mr. Jenkins said that he was perhaps partly to blame. He had had a useful talk with M. Barre a fortnight ago. He had subsequently given an account of the discussion to the Germans, and the Germans had retailed his account back to the French. M. Barre had been upset. It was a "mini-Soames" incident. The Prime Minister asked about the position of Signor Cossiga. Mr. Jenkins said that he would almost certainly be defeated in a vote of confidence later this week. However, he would probably stay in office for the time being and preside at the European Council meeting. There was no reason why his authority should be affected but his mind would probably be on other matters. It would not be easy for him, for instance, to take any major initiative.

Mr. Jenkins said that the Commission would be putting before the Council the new figures for Britain's net contribution to the Community Budget. The contribution would certainly be larger than the previous figure of 1500 MEUA, but would be less than the figure

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of 1900 MEUA which he had heard attributed to HM Treasury. If the Commission's CAP proposals were accepted, it would be about 1750 MEUA. Mr. Jenkins did not demur when Mr. Franklin said that since the CAP proposals were unlikely to survive, the contribution would probably go over 1800 MEUA eventually.

As regards possible outcomes to the negotiations, Mr. Jenkins thought that, given the right framework, the French might be prepared to go as high as 1000 MEUA. The Prime Minister said that a solution which left Britain paying 800 MEUA, i.e., much more than the French, would not be acceptable. If the new net contribution figure was to be 1800 MEUA, then Britain would want 1500 MEUA back. Nor should the question of the duration of the solution be overlooked. A lasting answer to the problem was required which was why we had been talking in terms of our future net contribution rather than of the figure we wished to recover. Mr. Jenkins said that he saw no chance of securing a rebate of 1500 MEUA from the other members of the Community. This might be possible in the medium term, e.g., if some of the money could be spent on a major project such as the channel tunnel. (The Prime Minister pointed out that no public money would be going into the channel tunnel.) If the Commission had to put forward to the European Council a figure which they regarded as likely to constitute an appropriate compromise, they were likely to suggest 1000/1100 MEUA. The Prime Minister repeated that this would be insufficient.

The Prime Minister and Mr. Jenkins discussed the various elements which would, in Mr. Jenkins' view, go to make up the framework in which a solution to the Budget problem might be found. The Prime Minister said that she had no intention of giving anything away on fish. Mr. Jenkins said that there was no need to do so. It was the Danes who <sup>were</sup> isolated in this negotiation. Britain merely had to ensure by playing things gently that pressure on Denmark was maintained.

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On the CAP, the Prime Minister was critical of the Commission's latest package. Mr. Jenkins said that it did not constitute at all a bad deal for the United Kingdom. Any attempt to control the CAP would involve discomfort for all members of the Community. The Commission's proposal certainly bore harder on the Federal Republic, on Denmark and on the Netherlands than on the United Kingdom. The Commission's concern was that, thanks to the criticism of Britain and other members, the super co-responsibility levy would be lost, that the surpluses would rise and would have to be financed in some other way. The French were pressing hard for higher prices. In the absence of the super co-responsibility levy, the only way to contain the cost of the CAP would be through a negative price fixing. This would not be obtainable. There was a real possibility that the United Kingdom would be faced with the need to agree to a 5% price rise in return for agreement to a solution on the Budget. The Prime Minister said that she would not be prepared to accept a substantial price rise because of the effect it would have on the retail price index in this country. Mr. Jenkins said that the Prime Minister should seek to avoid a crunch in Brussels on CAP prices. The end of March was in any case too soon in the CAP price negotiations to try to bring matters to a head. The Prime Minister might, however, be asked to agree to, e.g., "a flexible approach" to the price fixing.

The Prime Minister commented on the fact that Chancellor Schmidt wanted the United Kingdom to take the lead on CAP reform. This was a "poisoned chalice". Mr. Jenkins said that Chancellor Schmidt seemed to be schizophrenic on this subject. He was inclined to argue:-

- (a) that the United Kingdom should actively pursue CAP reform; but that

/ (b)

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- (b) the United Kingdom should seek to create a conciliatory atmosphere in which the Budget negotiations might be pursued with France.

These two objectives were mutually contradictory.

Mr. Jenkins asked about the Government's attitude towards full entry into the EMS. The Prime Minister said that she would be reluctant to enter the EMS unless she could be sure that it would leave her freedom to manage the currency unimpaired. She was concerned lest the effort to hold a rising pound within EMS prescribed margins should affect the money supply in this country. Mr. Jenkins expressed some doubt as to whether the pound was likely to go on rising. He was less sure than the Prime Minister that the fact that Britain's exchange rate was determined by sterling's role as a petro-currency rather than by the country's industrial performance was relevant to the issue of entry into the EMS. Differential exchange rates were what counted. The problems of the DM were at least as difficult to cope with as those of the pound. The political fact which mattered was that Chancellor Schmidt was violently in favour of British membership of the EMS. A British decision in favour of full membership of the EMS would greatly improve the atmosphere in which the budgetary discussions would take place. Mr. Franklin pointed out that the French were unenthusiastic about British membership. Mr. Jenkins said that in so far as the tactical objective in the present negotiations was to isolate the French, French hostility to British membership of the EMS was a very good reason for joining. The Prime Minister said that the question of British membership of the EMS was being looked at again. The final decision would depend on a judgement as to how far our freedom to manage the currency would be limited. She did not wish to have to spend money holding the exchange rate down. Mr. Jenkins said it was arguable that membership of the EMS would in itself help to hold the exchange rate down.

/ Mr. Jenkins

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Mr. Jenkins said that the other members of the Community were not expecting major concessions from Britain on energy. However, it was important that Britain should appear to be positive on the subject. An opportunity might be presented by the paper which the Commission had produced on the subject. Domestic fuel marketing arrangements in Europe were in an indescribable mess, both as between the various products and as between the various member countries. A clear, harmonised pricing policy was needed. It was nonsense to talk of a Community energy policy before the pricing issue was sorted out. Additional urgency was given to this by the fact that the American Administration now had a clearer policy. President Carter would certainly be in the lead on this issue in Venice, and Europe should be in a position to respond. The Prime Minister commented on the difficulties of achieving agreement on a European pricing policy when, for instance, labour costs varied so widely. Mr. Jenkins repeated that there was a muddle which needed sorting out. Moreover, ways needed to be found to increase investment in, e.g., conservation and renewable energy sources.

In a brief discussion of nuclear energy, the Prime Minister made the point that fusion seemed to offer the only solution in the long term. The protests of environmental lobbies against the disposal of the waste products of power plants using fission-based processes would get louder and louder. Mr. Jenkins said that the work of the JET laboratory at Culham held out the most promise for early progress on fusion processes.

At the end of the discussion, Mr. Jenkins said that he was going to Copenhagen on 28 March with the object of trying to ensure that the Danish Prime Minister, Mr. Joergensen, went to the European Council in a reasonably productive frame of mind. He also raised

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two minor points. He had been informed that the French, for reasons of face, might try to argue in favour of retaining one of the "brakes" on the corrective mechanism. He did not think that this would make any difference to the operation of the mechanism. He hoped that the Prime Minister would take the line that what Britain wanted was the money. He also repeated the Commission's advice that we should not pursue any further the idea of an automatic receipts mechanism. The British Representative had been completely isolated when he had raised the matter at the previous week's meeting of COREPER.

The discussion ended at 1230.

*Phms*

17 March, 1980.

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FRAME ECONOMIC

DESKBY 180900Z

FM UKREP BRUSSELS 171756Z MAR 88

TO IMMEDIATE F C O

TELEGRAM NUMBER 1528 OF 17 MARCH.

INFO SAVING BRUSSELS, COPENHAGEN, THE HAGUE, ROME, DUBLIN,  
PARIS, BONN AND LUXEMBOURG.

EUROPEAN COMMUNITY FINANCE COUNCIL : 17 MARCH.

PREPARATION FOR EUROPEAN COUNCIL.

SUMMARY

1. THE CHANCELLOR SAID THAT THE PROBLEM OF THE BRITISH  
BUDGET CONTRIBUTION NEEDED TO BE SOLVED AS SOON AS POSSIBLE.  
FURTHERMORE, THERE WAS NO TECHNICAL REASON WHY IT COULD NOT BE  
SOLVED SPEEDILY. STATEMENTS ON EUROPEAN MONETARY SYSTEM BY  
CHAIRMAN OF MONETARY COMMITTEE AND CENTRAL BANK GOVERNORS'  
COMMITTEE ENDORSED BY COUNCIL.

DETAIL

CONVERGENCE AND BUDGETARY PROBLEMS



2. THE CHANCELLOR MADE A FIRM STATEMENT ON THE LINES SUMMARISED ABOVE. COPIES BY BAG TO ALL EC POSTS.

3. LAHWSTEIN (GERMANY) URGED THE COMMISSION TO PRODUCE ACCURATE FIGURES FOR NET CONTRIBUTIONS TO THE 1986 BUDGET AS SOON AS POSSIBLE SO THAT THE IMPLICATIONS COULD BE THOROUGHLY STUDIED BEFORE THE EUROPEAN COUNCIL MET.

4. TUENDHAT (COMMISSION) CONFIRMED THAT THE FIGURES WOULD BE READY SOON, AS WOULD BE THE REVISED TRIENNIAL FORECASTS.

#### EUROPEAN MONETARY SYSTEM

5. HABERER (CHAIRMAN OF THE MONETARY COMMITTEE) SAID THAT THE BREMEN ANNEX AND THE BRUSSELS DECISION ON THE EUROPEAN MONETARY SYSTEM GAVE NO PRECISE DETAILS OF THE SECOND, INSTITUTIONAL STAGE OF THE SYSTEM. THIS WAS HELPFUL, AS THE INTERNATIONAL ENVIRONMENT HAD ALTERED RADICALLY SINCE THE INITIAL DECISIONS HAD BEEN TAKEN IN DECEMBER 1978. HE LISTED FIVE FACTORS :

(I) THE RISE IN OIL PRICES AND THE RE-EMERGENCE OF AN OPEC SURPLUS, WITH THE CONSEQUENT IMPLICATIONS FOR RESERVE ASSETS AND RECYCLING;

(II) AS A CONSEQUENCE OF (I) THE DETERIORATION IN COMMUNITY TERMS OF TRADE AND THE EMERGENCE, OF CURRENT ACCOUNT DEFICITS (WHICH HE INACCURATELY IMPLIED HAD NOT AFFECTED THE UK);

(III) THE RESURGENCE IN INFLATION IN ALL MEMBER STATES AND THE GROWING DIFFERENTIALS IN THE RATES OF INFLATION;

(IV) THE SPECTACULAR RISE IN THE GOLD PRICE;

(V) THE GROWTH IN THE VOLUME OF INTERNATIONAL LIQUIDITY. THESE FACTORS WERE BOTH A THREAT AND A CHALLENGE TO THE EMS. THE PRACTICAL CONSEQUENCE WAS THAT THE PROBLEM OF THE VOLUME OF CREDITS AVAILABLE IN THE SYSTEM AND THE ATTACHED CONDITIONS HAD BECOME LESS IMPORTANT THAN THE ROLE AND VALUE OF THE ECU AS A RESERVE ASSET. THIS IN TURN FOCUSED DISCUSSIONS ON ONE OF THE MOST DIFFICULT ASPECTS OF THE SECOND STAGE OF THE SYSTEM: THE QUESTION OF THE ACCEPTABILITY AND CONVERTIBILITY OF THE ECU. TWO OTHER POINTS NEEDED TO BE DISCUSSED BEFORE THE SECOND STAGE COULD PLAUSIBLY BE LAUNCHED :

(I) DOLLAR POLICY;

(II) THE BALANCED USE OF CREDIT FACILITIES AND ADJUSTMENT POLICIES.



POLICIES.

6. HOFFMEYER (CHAIRMAN, CENTRAL BANK GOVERNORS' COMMITTEE) MADE THREE POINTS FROM A LONGER TEXT, WHICH HE CIRCULATED.  
(COPY BY BAG TO THOMSON, TREASURY)

- (I) IT WAS AGREED THAT DEVELOPMENT OF THE SYSTEM SHOULD BE EVOLUTIONARY, BUT THE POINT WAS NOW BEING APPROACHED AT WHICH A LEGAL/POLITICAL STEP-JUMP WOULD NEED TO BE TAKEN:
- (II) THE THREE INSTITUTIONAL OPTIONS (CENTRAL BANK, IMF-TYPE, MIXTURE) WERE NOW BEING EXAMINED. THE GOVERNORS HAD BEGUN THEIR EXAMINATION ON THE BASIS OF AN INSTITUTION RESEMBLING A CENTRAL BANK.
- (III) DISCUSSION WAS ONLY BEGINNING OF THE DIFFICULT QUESTION OF THE ECU AS A MEANS OF SETTLEMENT AND A RESERVE ASSET.

7. LAHNSTEIN STRESSED THAT HIS AUTHORITIES WERE TOTALLY COMMITTED TO A REAL, AND NOT A DECORATIVE, ADVANCE IN THE SYSTEM. PRESS REPORTS TO THE CONTRARY MISREPRESENTED THE GERMAN VIEW. THE INSTITUTIONAL PROBLEMS POSED BY SUCH A REAL ADVANCE COULD NOT REALISTICALLY BE RESOLVED BY MARCH 1981. THE CONCLUSION DRAWN BY HIS AUTHORITIES WAS, THAT MORE TIME WOULD BE NEEDED FOR IMPLEMENTATION OF A GENUINE SECOND STAGE.

8. ORTOLI (COMMISSION) ENDORSED THE REPORTS OF THE CHAIRMEN AND SUGGESTED THAT, TOGETHER WITH A COMMISSION DOCUMENT SHORTLY TO BE ISSUED, THEY SHOULD FORM THE REPORT REQUESTED BY THE EUROPEAN COUNCIL. THE COMMISSION'S REPORT WOULD ASK THREE QUESTIONS:

- (I) WHAT SHOULD BE DONE TO DEVELOP THE ECU:
- (II) WHAT STRUCTURE SHOULD BE ADOPTED FOR THE INSTITUTIONS:
- (III) WHAT TIMETABLE FOR FURTHER PROGRESS WAS DESIRABLE AND WHAT DIRECTION SHOULD SUCH PROGRESS TAKE.

ECONOMIC AND SOCIAL SITUATION IN COMMUNITY

9. A SHORT DOCUMENT BASED ON THE COMMISSION'S FIRST QUARTERLY REVIEW WILL BE PREPARED FOR THE EUROPEAN COUNCIL.

FCO ADVANCE TO:-

FCO - PS/SOFS, PS/LPS, BRIDGES, HANWAY, SPRECKLEY  
UK BUDGET DIST.  
CAB - FRANKLIN, ELLIOTT, WALSH  
M&FF - HADLEY  
TSY - PS/CHANCELLOR, COUZENS, MANCOCK, MICHELL, THOMSON.



*Mr Alexander*

## NOTE FOR RECORD

## PREPARATION OF EUROPEAN COUNCIL: 31 MARCH-1 APRIL

1. British and French officials met in Paris on 14 March to discuss the next European Council. The French were represented by M Paye, Director-General for Economic Affairs at the Quai d'Orsay, by his Sous Directeur, M Bochet and by M Achard, Secretary General of the inter-ministerial Committee; the UK by Mr Franklin, Lord Bridges and Mr Hannay. The meeting was in two parts, from 5.30 pm-7.30 pm and over dinner.
2. M Paye began by regretting that the trilateral meeting with the Germans he had proposed had not been possible. He also regretted that rumours of such a trilateral had got around in Brussels and were causing trouble with the other partners. It was important to pick up the threads where they had been left last time he met Lord Bridges and Mr Franklin two weeks ago. These talks were entirely without commitment and represented the reflections of officials, not formal government positions. He feared things had got worse on the public front since the last meeting. Public opinion in France was restive. For the first time in the last three or four years the agricultural interest which was so politically important was nervous. The Government itself was beginning to believe that basic principles and not just money was at stake. The statement by Sir M Butler in Coreper on 13 March had been a hardening of the British position which seemed to have aroused fundamental objections among our other partners. This deterioration did not mean the present meeting was not useful; indeed it was all the more necessary.
3. Lord Bridges agreed the talks were without commitment. The earlier round had been useful. We too regretted a trilateral meeting had not been possible. As the European Council approached things were said which showed the intensity of the problem and the strength of feelings. But we did not believe the problems had got more difficult to solve in the last two weeks. We believed a settlement of the budget problem at the European Council was desirable and we were working for that. What Sir M Butler had said at Coreper was not intended to be, nor was it in fact a new or harder position; it  
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was merely a re-statement of our well known position and a response to the concern expressed by our partners, the French foremost among them, that the European Council must be well prepared. We were very ready to clarify our statement in Coreper but we would hope they would not regard it or describe it as a hardening of our position.

4. M Paye agreed there was nothing new in the substance of what Sir M Butler had said. It has been helpful to have it stated so clearly. It showed that what we wanted was a fundamental change in the Community system. It had been enlightening for our other partners to hear this. The French were willing to help and to demonstrate solidarity but not at the cost of changing the basic principles. The Butler presentation had set us on a collision course. There would be a crisis if we continued. France would not mind being isolated on an issue of principle - it would be a return to the time of the Soames affair when General de Gaulle had felt that Britain was not prepared to accept the Community rules but should be offered something different. That he believed was how President Giscard saw it. The present British request was on the surface a financial one but was in fact an attack on the system of own resources, on the CAP and on Community preference with a forced shift of budgetary expenditure away from the CAP. He repeated again that France was ready to help. But any French government must carry the agricultural interest and this would be impossible if Community principles were attacked.

5. Lord Bridges said we could not accept the French interpretation of our attitude. We had no intention of damaging the fabric, institutions or principles of the Community in our search for a solution. If the French detected such an intention, they were wrong. But we did believe the present situation was harmful both for us and for the Community as a whole and that it was not the basic objective of the system to have these harmful results. We were not asking for help to solve our own economic problems but for an alleviation of the problems caused for us by the operation of the Community's

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financial arrangements. It was in everyone's interest that convergence between the Community's economies should be achieved. Mr Franklin said we had not challenged Community principles nor was there a fundamental change or hardening of our attitude. We noted that the French agreed that there were some excesses in Community policies which needed to be ironed out and that was what we were trying to do. We were looking for ways of doing it in a flexible spirit. As to the French agricultural interest, farmers meetings such as the recent ones in Paris were always rowdy but it was not wise or justifiable to make this link with the budget. We were not attacking the CAP. We had differences with the French about prices but we had those every year and every year a compromise was reached.

6. Turning then to the budget, M Paye said that since the last meeting French officials had been giving further thought to possible solutions. Without retracting from what he had said last time, their thinking had now developed as follows:

- (i) Financial Mechanism. They had now seen the Commission's revised figures for 1979. The various criteria under the Dublin Mechanism seemed to produce rapidly fluctuating results. On the basis of the new figures and removal of all constraints they calculated our rebate for 1980 without restraints would now be 380 MUA, not 520 MUA as calculated on the earlier figures in November. If sterling rose or fell this would rapidly affect the operation of the financial mechanism. Experience had shown that the mechanism produced abrupt fluctuations and uncertain results. This would be unsatisfactory for all, including the UK. Moreover some of the constraints on the mechanism, which it was proposed to remove, related to points of Community principle, such as the untouchability of levies

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and duties. As a result they felt it might be better to leave the Financial Mechanism unamended but to give a guarantee that for a given period of years the rebate to the UK would fall within a fourchette. If the Mechanism produced a figure below the <sup>u</sup>forch-<sub>^</sub>ette it would be made up, and vice versa. No sums were mentioned.

- (ii) Supplementary Community expenditure in the UK. The French believed there should be a fixed sum allocated for a fixed number of years, the same amount being available each year. The expenditure should be based on ~~an~~ Article 235 regulation. The UK should produce projects which could be financed either partly or wholly by the Community after appropriate consultation. The present UK shopping list went too wide. Clear criteria would need to be spelled out. As of now the French were thinking of industrial re-structuring, fisheries, regional policy and oil as possible sectors for such expenditure. Like the Germans, but to a lesser extent, they did not want any explicit reference to coal although investment in coal might come under regional programmes.
- (iii) Loans with interest rebates. Thinking on this had been triggered by Schmidt's reference to EMS but was not linked to a decision to join. France accepted Britain was going through a very difficult period economically. It was particularly hard to justify public spending cuts and at the same time to go on paying out large sums to the Community. But the UK was not a really poor country like Italy or

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Ireland, needing permanent help. We had oil. And, if the government's policies succeeded, our economy would strengthen. So loans were an appropriate way of helping. Article 108 of the EEC Treaty provided for mutual help of this sort. Loans would not be an ideal or a complete solution but they could help. Moreover the British government would have to show the public after the Brussels or Venice European Councils, an outcome that was presentable. A really substantial Community loan, say 3 billion UA with an interest rate subsidy element of 100 or 150 MUA could be useful in that context.

7. Lord Bridges and Mr Franklin commented as follows:

(i) Financial Mechanism. We accepted that results could be variable. We really wondered whether it was wise to re-open this issue again just before the European Council. We would think about the French suggestion. But we had seen much merit in the Commission proposal to remove the constraints from the mechanism. The new French idea involved an arbitrary time limitation for the improved system. We wanted a mechanism that would be available as long as it was needed although it would not of course be permanent, if, for example, our GNP reached the Community average.

(ii) Supplementary expenditure in the UK. French thinking was very similar to the Commission paper. M Achard confirmed that, apart from wanting a more restrictive definition of qualifying sectors, this was so. The figures

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the French had tentatively mentioned at the last meeting (700-800 MUA for (i) and (ii)) were nowhere near what the British government could accept. We accepted the need to compromise and that was why we had made clear that we were ready to be modest net contributors.

(iii) Loans and Interest Rates Subsidies. Was the suggestion in any way linked to EMS? M Paye said it was not. We said we had never ruled out interest rate subsidies as such but only the subsidy element was a real contribution to a solution. Loans were not what we needed in the public expenditure context.

(iv) Duration. We could not accept the French fixed sum, fixed period approach. Re-structuring, which the French so disliked, would help us but would not ensure that our problems over an excessive net contribution never re-emerged. It was surely in everyone's interest to avoid coming back to this issue in a few years' time. We had put forward our ideas on objective criteria to deal with durability. Did the French have any of their own? How were we to avoid an annual squabble? M Paye said that at the end of the fixed period there would need to be a review to see where things were.

8. Discussion then turned to related issues:

(i) EMS. The French asked what was going on. We said that in the wake of Chancellor Schmidt's visit to London we were re-appraising our position. We could not predict the outcome. M Paye said there was no French government

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view on whether Britain should join the exchange rate mechanism. But officials were worried by the prospect. The pound was too high. At what level would we come in? There were great economic uncertainties both in the UK and internationally. The months ahead would be tense in the monetary field. The EMS would come under even greater strain if sterling was in it.

(ii) Energy. We explained we had had a preliminary glance at M Paye's idea of an oil field held in reserve in the North Sea for crisis situations. One serious problem was cost. It would involve huge capital expenditure which would have to be serviced. It was an economically unattractive way of proceeding. M Paye said was not too surprised to hear his idea was thought to be absurd. In that case we must look for some other ideas. The French had not specifically mentioned energy in Coreper on 13 March because the Presidency had already put it on the European Council agenda. But it would need to be discussed in the context of the other matters being dealt with.

9. Over dinner the discussion mainly focussed on issues related to the budget. M Paye in general took the line that we would have to accept the same degree of specificity on such issues in the conclusions of the European Council as we wished to achieve on the budget. The vaguer the undertakings on the related issues, the vaguer what would be said on the budget. He also spoke at one point of looking for a two stage approach, with general conclusions being reached on all subjects at the next European Council and then parallel progress being made between April and June on the detailed implementation of these conclusions. Lord Bridges said we wished to make progress on all the subjects mentioned in the Dublin Communique but we did not

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think there was any justification for formal linkage; it was not helpful to present things in terms of a package deal.

10. On fish the French seemed not to have thought the matter through very carefully. They recognised that the talks between Mr Walker and M Le Theule were making steady, if unspectacular, progress; and that it would take some months to reach any sort of conclusion on a revised CFP. But they insisted on the need for some review of progress by the European Council and the giving of a fresh impulse to the work of the Fisheries Council. M Bochet spoke of the desirability of making <sup>early</sup> ~~Part 10~~ progress on the Commission's structural proposals which could perhaps be so developed as to give the UK a disproportionate share of the expenditure and thus help with the budgetary problem. At the end of the discussion the French offered to let us have, on an entirely informal basis, a text setting out the sort of conclusions they would like the European Council to reach. Mr Franklin said we would study such a text. We too wanted to make progress on fish, but those directly involved seem to feel that several more months were needed. Access could not be considered apart from quotas and there were as yet no Commission proposals. It was important, however, to ensure that taking the issue up at the European Council helped rather than hindered progress. It was doubtful whether other Member States would agree to deal with the structural proposals outside a general settlement on the CFP; and some Member States (Denmark and Ireland in particular) would hardly welcome the UK getting the lion's share of structural expenditure.

11. On agricultural prices M Achard said that the French would want the European Council to reach brief, general conclusions on a few, main issues and then leave agricultural ministers to work out the details. The issues he mentioned were:

- (i) General price level. The French were looking for 4% against the Commission's 2.4%.
- (ii) Price hierarchy. The French would like a steer to give the highest rises to beef, the lowest to cereals (on which the Commission's



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proposals were too high).

- (iii) Monetary compensatory amounts. They wanted 1 point off German MCA's.
- (iv) Milk. No clear view on prices. No super levy but special tax on milk production over a certain quantity per hectare ie. on those using cereals to feed cows. Co-responsibility at Commission level and with exemptions proposed.
- (v) Sugar. Commission proposals would do.

When it was suggested that all this was very detailed stuff to put to a European Council meeting, M Achard agreed and said it might be sufficient if the Council made it clear that decisions on agricultural prices would not be held up and would be taken expeditiously after the European Council. Mr Franklin said we saw no justification for price rises on products in surplus. We would like to see a higher co-responsibility levy on milk if there was no super levy; and only those exemptions in the existing levy.

12. There was no discussion on sheepmeat.

13. At the end of the meeting we reverted to the question of the budget and in particular to the problems of duration and dynamism. We explained our thinking in some detail, dealt with a number of misunderstandings and pressed above all the need to avoid the Community having to come back to the issue after a year or two. While the French continued to defend a fixed period, fixed sum approach they showed some signs of appreciating its weaknesses. They in particular seemed to take the point that their dislike of a fixed target for restructuring, based as it was on sensitivity about constraining the level of CAP spending, underlined the risks in a fixed period approach, implying as it would the re-emergence of an unacceptable net contribution situation for the UK at the end of the period. But they reiterated their concern that any system of objective criteria based on adjusting the net contribution of a Member State with below average GNP and below average receipts would produce a negative response from

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the French, who would have to support about 25% of the cost, on the grounds that such a system should in equity bear more heavily on Member States with above average GNP and above average receipts (Denmark, Netherlands, Luxembourg) than on those whose receipts were not above average (France). They also repeated their familiar objection that a system of the kind we were looking for, wishing the modification of the Community's existing modus operandi, was bound to be, or at least to appear, uncommunautaire.

cc:

PS  
PS/LPS  
PS/PUS  
Lord Bridges  
Mr Bullard  
Mr Fergusson  
ECD(I)  
ESSD  
Mr Franklin, Cabinet Office  
Mr Alexander, No 10  
Mr Hancock, Treasury  
Mr Andrews, MAFF  
Sir R Hibbert, Paris  
Sir M Butler, UKREP EC Brussels

17 March 1980



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*Mr Alexander 2 pps*

*Mr Whitely*

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*18/3*

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Note for the Record

Copied to:

- Private Secretary
- PS/Lord Privy Seal
- PS/PUS
- Lord Bridges
- Mr Bullard
- Mr Fergusson
- ECD(I)
- ESSD
- Mr Franklin - Cabinet Office
- Mr Alexander - No 10 ✓
- Mr D Hancock - Treasury
- Mr D Andrews - MAFF
- Sir O Wright - Bonn
- Sir M Butler - UKREP Brussels

PREPARATION OF EUROPEAN COUNCIL: 31 MARCH - 1 APRIL

1. British and German officials met in Bonn on 15 March to discuss the next European Council. The Germans were represented by Herr Fischer, Director-General for Economic Affairs at the Auswärtiges Amt, by Herr Möhler one of his heads of department and by Herr Schulmann, Financial Adviser to the Chancellery; the UK by Mr Franklin, Lord Bridges and Mr Hannay. The meeting was in two parts, from 11.30 - 1.15 and over lunch.

2. Herr Fischer said the German Government's concern at the unsolved problem of the British budget contribution had increased in recent weeks. Both Chancellor Schmidt and Herr Genscher had made this clear in public. The Chancellor had said that a Community crisis would affect the whole international situation and would have global repercussions. The Community would be hamstrung just at the moment when, in an American election year, it was most needed to play a rôle. Herr Fischer said there were now two weeks to go to the next European Council and no basis for a genuine compromise had yet been found. In the German view there was no hope of agreeing a solution which would fix the British solution in advance to that of the Member State with the next highest GNP per capita nor one which would be based on achieving a fixed proportion of the Community's average expenditure per head. Either of these solutions would be the wrong direction to go. Gross contributions to the Community budget were determined by the own resources system and

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expenditure by agreed Community policies; there could not be a mechanistic variant imposed on this. It would be much better if these ideas could be avoided at the European Council. If they were not, there would be a bitter discussion. The best way to deal with the British problem was to start from zero and build up a series of decisions within the Community framework which would together constitute a genuine compromise. The Germans would like to leave the question of the Italian and Irish contributions to this solution and their claims for compensation on one side for the moment and concentrate on solving the British problem.

3. The Germans saw such a solution containing two elements:

- (i) There should be no going back on the Dublin decision to remove the constraints on the financial mechanism and steps should be taken to ensure that they did in fact yield a rebate of 520 mua or at least to ensure that the rebate did not vary beyond a floor and ceiling close to that figure.
- (ii) The Commission's suggestion for supplementary expenditure was acceptable. There was no need for a formal proposal at this stage. The sectoral breakdown in the Commission proposal of February was too wide. Expenditure should be based on an overall programme entitled "Special measures for adapting declining industrial regions to the Common Market" (there was a confused discussion amongst the Germans as to the precise title). It would not be acceptable to mention coal explicitly but coal investment could figure under the general rubric. This general approach should be agreed at the European Council and a figure fixed. The Commission would thereafter make a formal proposal. Once adopted the UK would propose expenditure plans and the Commission would examine them.

/The programme  
would help  
convergence.

4. Herr Fischer explained that there was as yet no government decision on the overall figure to be offered. This would be discussed by Ministers next week. The Germans would certainly be

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ready to go as far as their partners and would not put the brakes on. He personally was convinced that two-thirds of our original request was beyond the financial possibilities of our partners and we would have to settle for less. The German Government wanted a solution in March. It would be dangerous not to agree then. He wanted to hear our ideas on how to manage a crisis if there were no solution in March.

5. Herr Schulmann said the German budgetary situation was pretty grim. There would need to be a supplementary budget to provide aid for Turkey and Pakistan and to finance increased defence spending. The yield from income tax was lower than expected. The Opposition was insisting that all this must be financed without increased borrowing, so public expenditure for 1980 would have to be cut. Beyond 1980 things looked even more difficult. The Finance Minister was under great pressure and there could be threats of resignation. This could not be afforded in an election year.

6. Lord Bridges said we saw the international scene much as the Germans did. We wanted a settlement of the budget issue so that the Community could face its problems united. We appreciated that the German domestic economic problems were real. We had our own. Inflation was rising. The balance of payments was unsatisfactory and oil had masked a serious loss of industrial competitiveness. We heard what the Germans said about disliking a mechanistic solution to the budget issue. We had not made our proposals lightly. Any other approach seemed quite arbitrary and liable to give inadequate results. We wanted a solution that would provide no more and no less adjustment than was needed and which would last no longer but also no shorter than was required. Without prejudice to that view we would be prepared to discuss the question on the basis of the German approach. Mr Franklin pointed out that even if you fixed the 1980 net contribution by the German approach, how did you deal with subsequent years? How did you ensure the problem did not come back in a year or two's time? It was to deal with that problem that we had evolved an approach based on objective criteria.

/Herr Fischer

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Herr Fischer said there was no firm German view on duration. Ministers would discuss that aspect next week. The Auswärtiges Amt wanted three years; some others only wanted two, arguing that oil revenues would then change the UK problem. Mr Franklin said this was the worst possible time scale with the problem thus sure to arise again towards the end of the present Government's period in Office.

7. Mr Franklin said another question was how Community policies in general would develop over the years ahead. We had suggested a numerical target for restructuring the budget in the hope of reducing the underlying problem. Herr Fischer said the Germans agreed with the tendency to reduce the share of the budget spent on the CAP. The rate of increase of agricultural expenditure must be ~~slow~~ low. But they did not think a 55% objective could be fixed for 1986. It was better to concentrate on precise decisions to reduce agricultural surpluses and increase structural spending and not to fix percentages artificially. Mr Franklin pointed out that the weaker the commitment on restructuring, the more it would be necessary to build durability into the solution for the UK. At the very least there should be a clear, general commitment. Herr Schulmann agreed that a general steer would be desirable.

8. Mr Franklin said we would reflect on what had been said in Paris and Bonn about the Financial Mechanism. But we believed the Dublin communique was the basis to build on and that the European Council should not re-open this issue. On supplementary expenditure we agreed that the aim at the European Council should be to agree the broad framework and the amount. The Commission could then table a draft regulation. We would not want the scope for expenditure to be too narrow. Other Member States were looking for some advantage from expenditure on eg coal or transport infrastructure. Expenditure could be linked to declared Community objectives such as developing alternative energy sources and increasing intra-Community trade. In reply to questions we said that we did not greatly favour the French idea of mentioning fisheries as a specific object of expenditure although some resources allocated regionally might go to that. As to the French idea of Community loans with interest rate subsidies, we said we would study

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it but were not much attracted by it. Loans were not an acceptable offset to irreversible transfers through the budget. The subsidy element was very small (it transpired that the French had mentioned 200 mua to the Germans for this, not the 100 - 150 mua they mentioned to us).

9. On energy the Germans asked what we thought of the French idea for developing a Community oil well for use in a crisis. Lord Bridges pointed out this did not make much economic sense. The cost would be very large and the oil available only a tiny fraction of the Community's needs. It was a less economic way of proceeding than stockpiling. Herr Fischer said in that case it might make better sense to consider a Community stockpile. The European Council would need to make some general reference to energy. The Germans hoped we would be able to re-affirm what we had often said privately that we would do our best to help our Community and IEA partners in the event of a crisis or a difficult situation.

10. On EMS we were asked what was happening. Lord Bridges said we were re-appraising the situation following Chancellor Schmidt's recent talks with the Prime Minister and Lord Carrington. It was not possible to say how this would come out. There were certainly political attractions in joining and we were aware of them. But there were economic problems and uncertainties connected with the volatility of sterling and the Government's over-riding objective of strict monetary control. Herr Schulmann said he thought we exaggerated the volatility problem. If we had been in the system he did not believe that sterling would have been as volatile as it had been outside. Foreign exchange dealers had changed their attitudes following the setting up of the EMS. The franc and the lira had been highly volatile before they had joined the EMS but now they were the two firmest currencies in the system. Even ~~w~~wide differences in inflation rates and the strains set up by the oil price rises were not exercising strong pressure for parity changes. He was glad we were clear about the political advantages of joining. The Chancellor remained convinced that it would be a very helpful move.

/11. Over lunch

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11. Over lunch the discussion ranged widely and covered the following main topics:

- (i) Sheepmeat. The Germans said they had told the French the day before that they remained opposed to an intervention system and preferred one based on premia. They attached importance to the Community's present openness to imports being maintained. The French had replied that they needed some intervention but did not want a full régime such as existed for beef. It could perhaps be limited to the summer months and there could be "alarm signals" based on maintaining the current level of imports and not exceeding a particular proportion of production which would be further limiting factors. We said our position was the same as that of the Germans. We too attached great importance to the import point. The link the French had made with our budget issue meant it was only at the European Council that a definitive régime would be settled. Herr Fischer opined that, so long as the French demands for intervention could be contained within strict limits their ideas might form the basis for a settlement. He also said that the Germans were much exercised by the refusal of France to comply with the judgments of the Court.
- (ii) Fisheries. The Germans envisaged nothing more at the European Council than firm encouragement to the Fisheries Ministers to settle a revised CFP, perhaps with some broad references to the principles which should guide them.
- (iii) CAP Prices. The Germans repeated their concern that the discussions so far in the Agriculture Council were not going well. They attached the greatest importance to acceptance of the Commission's economy proposals. On price rises, this was an election year in Germany and the pressure for rises higher than those proposed by the Commission was strong. Most Ministries in Bonn would favour an overall figure just above 3%; but

/Herr Ertl

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Herr Ertl had now publicly said that he expected a settlement to be at 4%. Herr Fischer disliked the idea of the European Council getting into the detail of agricultural prices. Perhaps something could be made by building on the February ECO/FIN Council resolution. We said we remained opposed to price rises for products in surplus. Farmers in Britain were pressing for higher prices but there were much stronger pressures on the Government in the opposite direction. Price rises would of course make our budgetary situation worse and our partners who proposed or lent themselves to linkage between agricultural prices and the budget should bear that in mind.

(iv) Crisis Management. The Germans expressed extreme anxiety at what might happen if the March European Council failed to find a solution. They speculated that British press reports of plans for withholding or obstruction reflected Government briefing. It was in no-one's interest to have an open crisis. Whatever happened the German government would continue to work for a solution, even if this would become more difficult to achieve should a process of retaliation and counter-retaliation begin. They pressed us for information about what we would do if no agreement was reached at the Brussels Council? We said we could not in any way predict what would happen if the March meeting failed. We were working all out for a settlement then. An important factor would no doubt be how much progress could be made. A meeting which made substantial progress would be different to an acrimonious deadlock.

(v) An interim solution. The Germans wondered aloud whether there might not have to be a one year solution. Clearly such a solution would be smaller in volume than a definitive one since no-one would be prepared to prejudice their position on the latter. Would not this be better than a crisis? We said we thought it

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sounded like a perfect recipe for a crisis. We could not envisage British Ministers settling for an interim one year solution.

- (vi) New Commission Figures. Herr Schulmann expressed great alarm about the production of new figures for 1980 by the Commission. He clearly anticipated a lot of trouble from Chancellor Schmidt over this. Even these figures were no more than estimates and, if there were substantial changes in the sterling exchange rate in 1980, the figures would change yet again. It would be disastrous if the European Council were to start their meeting with a wrangle over which figures they were using. We said we thought he was exaggerating the problem. The Commission figures would be available next week and they would be available for all at the European Council. The British Government could not simply ignore the fact that the Commission's earlier figures were now out of date and would be seen to be. The real situation was now worse and that could not be disguised; any solution had to take account of it.
- (vii) Future procedure. The Germans were also concerned at the lack of any effective multilateral discussion in Brussels. It might be desirable to activate COREPER ~~or~~ to arrange some ad hoc preparation à neuf. We said we doubted whether a further COREPER discussion would advance matters very far. We hoped the Italian Presidency would now pull the threads together and that Signor Ruggiero's travels next week would help the process of preparation. But if the Germans had proposals for some multilateral procedure of preparation we would respond positively. They welcomed this, but were still worried.

17 March 1980

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17 MAR 1980





HS  
G. W. P.

17 March 1980

European Council: Note-taking

The Prime Minister has seen your letter to me of 14 March about the admission of note-takers to the European Council. The Prime Minister has agreed the line proposed by the Lord Privy Seal.

MICHAEL ALEXANDER

M.J. Richardson, Esq.,  
Foreign and Commonwealth Office.

GP



CONFIDENTIAL (1)

Prime Minister



Foreign and Commonwealth Office

Apce Agenda at Flag  
A + line proposed for Foreign  
& Commonwealth Secretary at B.

London SW1A 2AH

14 March 1980

Dear Michael,

Phub 14/3

Preparations for the European Council,  
Brussels, 31 March/1 April 1980

The Italian Presidency have now outlined in COREPER their preliminary thinking on the subjects which the European Council might discuss. These are listed in the enclosed note. In addition, the Netherlands and Germany have raised the possibility of including North/South.

You will see that the Presidency envisage a general introductory discussion, on traditional lines, of the economic and social situation in the Community to be followed by the Commission's report on the European Monetary Fund, called for by the Dublin Council. This seems unavoidable.

The first main item is the budget/convergence problem. This is satisfactory. Others will almost certainly want to discuss subjects which they regard as related: CAP prices, sheepmeat, energy, fish and EMS.

The next item is the Wise Men's report, as agreed at the Dublin Council, although Heads of Government are unlikely to wish to come to firm conclusions at this stage.

The fifth item on energy must be a little conjectural since the Commission has not yet managed to agree on its own ideas. But assuming these ideas do come forward no-one is likely to be ready to discuss them substantively at such short notice and it should be relatively simple to push off such discussion politely to the Venice European Council in June.

This outline agenda will be reviewed at the Foreign Affairs Council on 17/18 March. The Foreign and Commonwealth Secretary proposes to express general agreement with the Presidency's proposals. He will question the inclusion of items which others consider are linked to the budget, but not seek to block their discussion at the European Council, since it has always been accepted that each Head of Government is free to raise any subject. He will, however, maintain our view that the various items should be treated on their own merits. Lord Carrington will argue against including North/South on the agenda on the

If we have  
(1) Economic Affairs  
(2) EMF  
to the next level  
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we shall go  
the Dublin  
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Fr. ...  
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so that we  
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on to the  
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We shall not  
get on to  
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/grounds that

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grounds that it is dangerous to raise expectations among developing countries, but he would not be in a position to block discussion if others wanted it. In order to leave more time for discussion on the Budget, he would argue that substantive discussion of the Wise Men's Report should be left to the June European Council.

We must expect there to be some discussions in the margins, if not at the Council itself, of the appointment of the new President of the Commission.

The Foreign and Commonwealth Secretary would of course stress the need for the Council to devote enough time to the budget on the first day to enable a solution to be reached before the end of the meeting.

I should be grateful to know whether the Prime Minister is content.

I am sending a copy of this letter to David Wright (Cabinet Office).

Yours etc

Paul

(P Lever)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street  
London

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European Council preparations, 31 March/1 April 1980

Subjects proposed for discussion by the Italian Presidency

1. Economic and Social Situation in the Community:  
A general introductory item on traditional lines.
2. Commission report on the European Monetary Fund
3. Budget/Convergence
4. Three Wise Men's Report: At their meeting in Dublin the European Council asked Foreign Ministers to examine the report with a view to preparing the discussions at this meeting of the European Council.
5. Energy: The Presidency propose discussion in the perspective of the Venice summit and any proposals which might be coming from the Commission. These are likely to include their ideas on an oil import levy.



14 MAR 1980

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Apex A?

Yes

Phms 14/3

14 March 1980

Dear Michael

EUROPEAN COUNCIL : NOTE-TAKING

There will be a further informal discussion of the Three Wise Men's report in the margin of the Foreign Affairs Council on Monday, 17 March. One question will be that of the admission of note-takers to the European Council. We should be grateful for the Prime Minister's views.

The Italian Presidency is suggesting that 'with a view to improving implementation of the European Council's conclusions, the Presidency should be free to decide whether to open the meetings to a very limited number of other persons to place the outcome of the meetings on record'. There are two proposals : (a) that each Head of Government should have a note-taker and (b) that the President of COREPER should be present so that he can chair the overnight drafting group in full knowledge of the Council's discussions.

On grounds of efficiency both suggestions make sense. The Prime Minister will recall the difficulty in Strasbourg during the French Presidency in getting an accurate account of what the Heads of Government had agreed to. But ten more people in the room is quite a lot even for the formal sessions (the informal dinner sessions would not be affected by either of these proposals). The Lord Privy Seal suggests that we might agree to the presence of the President

/of COREPER

M O'D B Alexander Esq  
10 Downing Street  
London

A.





A. of COREPER; resist the addition of national note-takers; maintain that the decision is for the Heads of Government collectively, not for the Presidency alone; but fall in with a consensus in favour of note-takers if it emerges. Is this acceptable to the Prime Minister?

*Yours ever  
Michael*

M J Richardson  
Private Secretary to the  
Lord Privy Seal



14 MAR 1947





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FM PARIS 131715Z MAR 80

TO PRIORITY FCO

TELEGRAM NUMBER 296 OF 13 MARCH 1980

INFO PRIORITY UKREP BRUSSELS BONN AND ROME

INFO SAVING TO OTHER EC POSTS AND WASHINGTON

Read in full

PREPARATIONS FOR THE EUROPEAN COUNCIL: FRENCH PRESS HANDLING

1. WITH PRESIDENT GISCARD'S RETURN FROM THE MIDDLE EAST, THE FRENCH GOVERNMENT HAVE LOST NO TIME IN RALLYING THE RANKS AND IN COUNTER-ATTACKING WHAT IS WIDELY SEEN AS A BRITISH DIPLOMATIC OFFENSIVE. THERE ARE SIGNS THAT THEY HAVE BEEN IRRITATED BY THEIR SEEMING ISOLATION OVER MUTTON, AND THAT THEY ARE DETERMINED TO AVOID ANY DANGER OF THE REASONABLENESS OF THE BRITISH CASE ON THE BUDGET, AS POWERFULLY PROJECTED BY THE PRIME MINISTER IN HER TELEVISION BROADCAST, SEEPING INTO THE PUBLIC CONSCIOUSNESS AT A TIME WHEN FRANCE IS MANOEUVRING FOR POSITION BEFORE THE EUROPEAN COUNCIL. THE FIRM TERMS OF THE COMMUNIQUES ISSUED BY THE ELYSEE SEEM TO HAVE BEEN REINFORCED BY GUIDANCE TO THE PRESS, ALTHOUGH THE MARK OF OFFICIAL BRIEFING IS SOMETIMES DIFFICULT TO DISTINGUISH FROM THE GUT REACTION OF JOURNALISTS USED TO REGULAR BRAIN-WASHING. OVER THE LAST FEW DAYS THERE HAS BEEN A BARRAGE OF ARTICLES ATTACKING THE UK'S COMMUNITY CREDENTIALS ON THE GROUNDS THAT BRITAIN HAS NEVER REALLY ACCEPTED THE RULES OF THE GAME. THERE HAS ALSO, THOUGH IN A MUCH LOWER KEY, BEEN AN UNUSUAL READINESS BY SOME COMMENTATORS TO ADMIT THAT THERE ARE TWO SIDES TO THE ISSUES. MUCH FRENCH COMMENT HAS CONCENTRATED ON THE SHEEPMEAT ISSUE WHICH HAS ACQUIRED A CERTAIN SYMBOLIC SIGNIFICANCE.

2. SOME COMMENT ALSO HAS WIDER OVERTONES. IN PARTICULAR THERE IS SPECULATION ABOUT ANGLO-FRENCH RIVALRY ARISING FROM THE BROAD CHALLENGE WHICH BRITAIN'S MORE ACTIVE FOREIGN POLICY IS SEEN TO OFFER TO FRENCH AMBITIONS TO LEAD THE NINE. THE FACT THAT PRESIDENT GISCARD'S RECENT FOREIGN TRAVELS HAVE TAKEN HIM TO AREAS FORMERLY CONSIDERED AS THE BRITISH SPHERE OF INFLUENCE HAS STIMULATED RATHER THEN SATISFIED THE FRENCH APPETITE FOR RIVALRY.

3. AN INTERESTING EXAMPLE WAS AN ARTICLE IN YESTERDAY'S QUOTIDIEN DE PARIS (A SMALL INDEPENDENT DAILY WITH LEFT OF CENTRE SYMPATHIES) UNDER THE HEADING "DIPLOMACY - THE PARIS-LONDON DUEL". THE ARTICLE SAYS THAT BEYOND THE RIVAL INTERESTS IN THE COMMUNITY "A MUCH MORE DISCREET STRUGGLE IS TAKING PLACE BETWEEN ENGLAND, WHICH WISHES TO REGAIN AN INFLUENCE ON THE INTERNATIONAL SCENE WHICH ONE HAD THOUGHT TO BE IRREMIEDIABLY DECLINING, AND FRANCE, WHICH FIRMLY INTENDS TO BE THE LEADER OF THE NINE WITH WEST GERMAN BACKING". IN FRANCE, THE ARTICLE CONTINUES, THE EXISTENCE OF A POWERFUL COMMUNIST

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/PARTY



PARTY AND A GAULLIST CURRENT TRADITIONALLY WEDDED TO NATIONAL INDEPENDENCE CAUSE ANY SUPPORT FOR AMERICAN POLICY TO BE INTERPRETED AS ALIGNMENT. IN BRITAIN THE CONCEPT OF ALIGNMENT WAS UNKNOWN BECAUSE IT WAS OBVIOUS TO PUBLIC OPINION THAT WASHINGTON AND LONDON SHOULD HAVE SIMILAR VIEWS. THE QUAI D'ORSAY, STILL ACCORDING TO THE QUOTIDIEN, HAD HOPED TO CASH IN ON FRANCE'S INDEPENDENT STANCE TO MAKE HER THE SPOKESMAN OF A EUROPE WITH A HISTORICAL ROLE BETWEEN THE TWO BLOCS. BUT IT WAS THE BRITISH WHO LAUNCHED THE NEUTRALITY PLAN FOR AFGHANISTAN. PARIS HAD BEEN SIMILARLY OUTSTRIPPED OVER THE MIDDLE EAST WHERE THE VISITS OF BRITISH MINISTERS HAD RE-ESTABLISHED A DIALOGUE WITH COUNTRIES WHERE BRITAIN CONSERVED INFLUENCE AND CONSIDERABLE INTERESTS. BRITAIN HAD ALSO PROPOSED A MODIFICATION OF RESOLUTION 242 DEALING WITH A MIDDLE EAST SETTLEMENT. THE RENEWED VIGOUR OF BRITISH POLICY COULD ONLY FRUSTRATE THE AMBITIONS OF THE ELYSEE.

4. THERE HAS ALSO BEEN AN INTERESTING REPORT ON AFP ENTITLED "AGGRAVATION OF THE MESENTENTE CORDIALE". AFTER ANALYSING THE POSITIONS OF BOTH SIDES ON THE COMMUNITY DISPUTES IN REASONABLY FAIR TERMS, THE PIECE CONCLUDES THAT THE ATTENTION OF FRENCH DIPLOMATIC OBSERVERS IS BEING DRAWN TO THE LONG TERM WEAR AND TEAR ON FRANCO-BRITISH RELATIONS EVEN MORE THAN BRITAIN'S GAME IN BRUSSELS OR HER NOSTALGIA FOR AMERICA AND THE WIDER WORLD. THE (NEXT TWO WORDS UNDERLINED) ENTENTE CORDIALE HAD BEEN SEALED BY COMMON ACTION IN TWO WORLD WARS. IN ANOTHER 10 YEARS THE SURVIVORS OF THE FIRST WOULD HAVE DISAPPEARED AND THOSE WHO KNEW THE SECOND WOULD HAVE LEFT ACTIVE LIFE. THE OLD RIVALRIES BETWEEN BRITAIN AND THE CONTINENTAL COUNTRIES WHICH WAS CERTAINLY AS AUTHENTIC AS THE (NEXT TWO WORDS UNDERLINED) ENTENTE CORDIALE MIGHT THEN MAKE A COME-BACK.

5. TODAY'S FIGARO (RIGHT WING) GIVES THE FORMER PRIME MINISTER, MICHEL DEBRE, A FRONT PAGE OPPORTUNITY TO DEVELOP FAMILIAR GAULLIST THEMES IN AN ARTICLE HEADED "GREAT BRITAIN AND THE TREATY OF ROME: FAILURE TO KEEP ONE'S WORD". HE AFFIRMS THAT IN DEMANDING THAT THE EUROPEAN MARKET SHOULD BE OPENED WITHOUT PRIOR REGULATION TO IMPORTS OF NEW ZEALAND MUTTON (SIC), BRITISH DIPLOMACY IS RETURNING TO ITS AIM OF 1958 I.E. THE SUBSTITUTION OF A FREE TRADE AREA FOR THE COMMON MARKET. THE THREATS TO SABOTAGE THE COMMUNITY'S FUNCTIONING IF NOT GIVEN SATISFACTION SHED LIGHT ON BRITAIN'S APPROACH AND PROVE RIGHT THE PROPHECIES OF GENERAL DE GAULLE. WORLD ECONOMIC DEVELOPMENTS EMPHASISE THE NEED FOR EUROPE TO BE INDEPENDENT IN FOOD. WHY SHOULD EUROPE NOT HAVE A POLICY OF SURPLUSES? WHAT BETTER USE OF COMMUNITY

/MONEY



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MONEY THAN TO GIVE SURPLUSES TO THE NEEDY THIRD WOULD? THE EUROPEAN COURT HAD MISAPPLIED THE LAW IN CONDEMNING FRENCH AIDS TO SHEEP FARMERS WITHOUT CONDEMNING THE ENGLISH SYSTEM OR RECOGNISING THE NEED FOR AN ORGANISED MARKET. THE FRENCH GOVERNMENT WERE ABSOLUTELY RIGHT, DEBRE GOES ON, TO IGNORE THE COURT'S DECISIONS. "IS IT TIME TO PUT THE TREATY OF ROME BACK ON THE DRAWING-BOARD, TO ORGANISE EUROPE QUITE DIFFERENTLY?.. GENERAL DE GAULLE ENVISAGED THIS POSSIBILITY IN HIS FAMOUS MEETING WITH THE BRITISH AMBASSADOR IN 1968 AND I FULLY AGREED. BUT SINCE THIS DID NOT HAPPEN BRITAIN SHOULD REMEMBER THAT SHE JOINED A COMMON MARKET AND CANNOT DESTROY IT BY SHARP PRACTICES WITHOUT BREAKING HER WORD".

FCO PLEASE PASS TO SAVING ADDRESSEES

HIBBERT

(REPEATED AS REQUESTED)

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DESKBY PARIS 145700Z

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FM UKREP BRUSSELS 131831Z MARCH 88

TO IMMEDIATE FCO

TELEGRAM NUMBER 1452 OF 13 MAR

AND TO IMMEDIATE PARIS (FOR FRANKLIN, BRIDGES DESKBY 142700Z)

INFO PRIORITY ROME, DOWN.

INFO SAVING BRUSSELS, COPENHAGEN, THE HAGUE, LUXEMBOURG, DUBLIN.

COREFER (AMBASSADORS) 13 MARCH: UK BUDGET PROBLEM.

IMPTS: FOLLOWING IS TEXT OF MY STATEMENT ON BUDGET RESTRUCTURING.

I NOW TURN TO BUDGET RESTRUCTURING, SINCE THIS IS AN IMPORTANT PART OF THE BACKGROUND TO THE PROBLEM OF CONVERGENCE AND IS ALSO COVERED BY THE COMMISSION'S COMMUNICATION.

THE PRESENT PROPORTION OF THE BUDGET ABSORBED BY THE GUARANTEE SECTION OF FEOGA WOULD STILL, ON THE COMMISSION'S LATEST PROPOSALS, BE A LITTLE OVER 70 PER CENT IN 1988 COMPARED WITH 71.5 PER CENT IN 1979. AS YOU WILL RECALL, WE HAVE

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DB 140800Z



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THE PRESENT PROPORTION OF THE BUDGET ABSORBED BY THE GUARANTEE SECTION OF FEOGA WOULD STILL, ON THE COMMISSION'S LATEST PROPOSALS, BE A LITTLE OVER 70 PER CENT IN 1980 COMPARED WITH 71.5 PER CENT IN 1979. AS YOU WILL RECALL, WE HAVE SUGGESTED THAT THE EUROPEAN COUNCIL SHOULD SET A TARGET - NAMELY THAT BY 1986 FEOGA GUARANTEE EXPENDITURE SHOULD FALL TO 55 PER CENT OF THE BUDGET. THIS IS NOT A RANDOM FIGURE. DURING THE ACCESSION NEGOTIATIONS THE COMMISSION ITSELF SUGGESTED THAT FEOGA EXPENDITURE MIGHT BE EXPECTED TO FALL TO BETWEEN 40 PER CENT AND 60 PER CENT OF THE BUDGET DURING THE TRANSITIONAL PERIOD. 55 PER CENT IS, THEREFORE, STILL AT THE UPPER END OF THAT RANGE.

IT MAY BE ARGUED THAT, EVEN SO, 55 PER CENT IS AN AMBITIOUS TARGET, BUT WE NEED TO BEAR IN MIND THAT EVEN WITHIN THE ONE PER CENT VAT CEILING OWN RESOURCES WILL BE GROWING IN BOTH REAL AND NOMINAL TERMS. OBVIOUSLY, THERE ARE CONSIDERABLE UNCERTAINTIES IN LOOKING AS FAR AHEAD AS 1986, AND WE ARE NOT SUGGESTING THAT A PRECISE PATH, YEAR BY YEAR, COULD OR SHOULD BE PLOTTED TOWARDS THE 55 PER CENT FIGURE. HOWEVER, OUR ESTIMATES SUGGEST THAT EVEN WITH ONLY A RELATIVELY MODEST REAL GROWTH IN THE OWN RESOURCES AVAILABLE WITHIN THE ONE PER CENT VAT LIMIT, THE 55 PER CENT TARGET COULD BE ACHIEVED WHILE MAINTAINING GUARANTEE EXPENDITURE STEADY IN REAL TERMS. SO BUDGET RESTRUCTURING COULD BE BROUGHT ABOUT BY HOLDING AGRICULTURAL EXPENDITURE STEADY IN REAL TERMS AND ALLOWING THE NATURAL INCREASE IN OWN RESOURCES TO GO TO OTHER NEW AND EXISTING COMMUNITY POLICIES, INCLUDING MEASURES TO IMPROVE AGRICULTURAL STRUCTURES.

THERE IS, IN ANY CASE, GENERAL AGREEMENT IN THE COMMUNITY THAT THE EXISTING AGRICULTURAL SURPLUSES MUST BE CONTAINED AND THEN REDUCED. THEY ARE RESPONSIBLE FOR A VERY LARGE PART OF FEOGA GUARANTEE EXPENDITURE.

IT SEEMS TO US, THEREFORE, THAT WE ARE NOT PROPOSING AN OVER-AMBITIOUS TARGET FOR BUDGET RESTRUCTURING. ON THE CONTRARY, IF THE ONE PER CENT VAT CEILING IS TO BE DEFENDED, STEADY PROGRESS TOWARDS SUCH A REDUCTION IS ESSENTIAL. WE SHOULD, THEREFORE, LIKE OUR PROPOSAL TO BE SUBMITTED TO THE EUROPEAN COUNCIL TOGETHER WITH ANY OTHER OPTIONS WHICH THE COMMISSION OR MEMBER GOVERNMENTS MAY WISH TO PUT FORWARD.



AGRICULTURAL STRUCTURES.

THERE IS, IN ANY CASE, GENERAL AGREEMENT IN THE COMMUNITY THAT THE EXISTING AGRICULTURAL SURPLUSES MUST BE CONTAINED AND THEN REDUCED. THEY ARE RESPONSIBLE FOR A VERY LARGE PART OF FEOGA GUARANTEE EXPENDITURE.

IT SEEMS TO US, THEREFORE, THAT WE ARE NOT PROPOSING AN OVER-AMBITIOUS TARGET FOR BUDGET RESTRUCTURING. ON THE CONTRARY, IF THE ONE PER CENT VAT CEILING IS TO BE DEFENDED, STEADY PROGRESS TOWARDS SUCH A REDUCTION IS ESSENTIAL. WE SHOULD, THEREFORE, LIKE OUR PROPOSAL TO BE SUBMITTED TO THE EUROPEAN COUNCIL TOGETHER WITH ANY OTHER OPTIONS WHICH THE COMMISSION OR MEMBER GOVERNMENTS MAY WISH TO PUT FORWARD.

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DESKBY PARIS 143700Z

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FM UKREP BRUSSELS 131829Z MARCH 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 1451 OF 13 MARCH

AND TO IMMEDIATE PARIS (FOR FRANKLIN, BRIDGES DESKBY 143700Z)

INFO PRIORITY ROME, BONN.

INFO SAVING BRUSSELS, COPENHAGEN, THE HAGUE, LUXEMBOURG, DUBLIN.

COREPER (AMBASSADORS) 13 MARCH: UK BUDGET PROBLEM.

MIPTS: FOLLOWING IS TEXT OF MY STATEMENT ON THE UK'S 'SIX POINTS'.

THE PURPOSE OF THE COREPER DISCUSSION IS TO OFFER ADVICE TO THE FOREIGN AFFAIRS COUNCIL ON HOW BEST IT CAN PREPARE FOR THE EUROPEAN COUNCIL. IT IS VITAL THAT THIS TIME THE EUROPEAN COUNCIL SHOULD SETTLE THE MAIN ISSUE. ANYTHING THAT CAN BE DONE TO IMPROVE THE CHANCES OF AGREEMENT IN THE EUROPEAN COUNCIL MUST BE

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IMPROVE THE CHANCES OF AGREEMENT IN THE EUROPEAN COUNCIL MUST BE DONE. THE ISSUES MUST BE PRESENTED TO THE EUROPEAN COUNCIL AS SIMPLY AS POSSIBLE, IF NECESSARY WITH ALTERNATIVE OPTIONS.

UK BUDGET PROBLEM.

THE COMMISSION PAPER OF 5 FEBRUARY RESPONDS WELL TO THE REMIT FROM THE DUBLIN EUROPEAN COUNCIL. THE METHOD PROPOSED DEALS DIRECTLY WITH THE PROBLEM OF INADEQUATE COMMUNITY EXPENDITURE IN THE UNITED KINGDOM WITHOUT UNNECESSARILY INCREASING THE COMMUNITY BUDGET AS A WHOLE. IT WOULD ENSURE THAT THE COMMUNITY EXPENDITURE INVOLVED WOULD BE FOR PROGRAMMES AND PROJECTS IN LINE WITH COMMUNITY POLICIES. THERE IS PLENTY OF SCOPE FOR SUCH EXPENDITURE IN THE UNITED KINGDOM. WE HOPE THAT IT CAN BE AGREED THAT NO OTHER OPTION NEED BE PRESENTED TO THE EUROPEAN COUNCIL.

THE PAPER SAYS THAT ARRANGEMENTS FOR THE UNITED KINGDOM SHOULD BE TEMPORARY. THE UNITED KINGDOM CERTAINLY HOPES THAT THE SITUATION IN WHICH IT FINDS ITSELF WILL BE TEMPORARY AND THAT THE SOLUTION ALSO CAN THEREFORE BE TEMPORARY. BUT THIS TIME THE COMMUNITY MUST REALLY SOLVE THE PROBLEM FOR THE PERIOD WHICH THE EVOLUTION OF COMMUNITY POLICIES TAKES TO BRING ABOUT A PERMANENT SOLUTION.

THE COMMISSION PAPER RIGHTLY POINTS OUT THAT THE EUROPEAN COUNCIL WILL HAVE TO ESTABLISH THE AMOUNT AND DURATION OF THE SUPPLEMENTARY EXPENDITURE IN THE UNITED KINGDOM.

THE EUROPEAN COUNCIL'S REQUEST TO THE COMMISSION TO MAKE PROPOSALS FOR SUPPLEMENTARY EXPENDITURE REFLECTED AN APPROACH THAT MEASURES WERE NEEDED IN ADDITION TO REMOVING THE CONSTRAINTS ON THE EXISTING FINANCIAL MECHANISM.

ON THIS ASSUMPTION, HOW MUCH SUPPLEMENTARY EXPENDITURE SHOULD THERE BE? MOST OF MY COLLEAGUES WILL KNOW THAT WE HAVE HANDED OVER A BRIEF SUMMARY OF OUR POSITION IN CAPITALS. SINCE IT HAS NOT ALWAYS BEEN FULLY UNDERSTOOD, IT MAY BE HELPFUL IF I EXPLAIN IT HERE. WE BELIEVE THE RATIONAL WAY FOR THE COMMUNITY TO APPROACH THIS PROBLEM IS TO ASK ITSELF WHAT WOULD BE A REASONABLE BURDEN FOR THE COMMUNITY BUDGET TO PLACE ON A COUNTRY IN THE POSITION OF THE UNITED KINGDOM, WITH BELOW-AVERAGE GNP PER HEAD AND ALL THE ECONOMIC PROBLEMS MENTIONED IN THE COMMISSION'S PAPER ON THE ECONOMIC SITUATION IN THE COMMUNITY. IN CONSIDERING THIS QUESTION, THE COMMUNITY SHOULD BEAR IN MIND THAT AS A VERY SUBSTANTIAL IMPORTER OF CAP PRODUCTS AT CAP PRICES, THE UNITED KINGDOM IS



PORTER OF CAP PRODUCTS AT CAP PRICES, THE UNITED KINGDOM IS MAKING A LARGE TRANSFER OF INCOME TO THE COMMUNITY OUTSIDE THE BUDGET, AS WELL AS THROUGH IT.

SOME PEOPLE HAVE SUGGESTED THAT WE SHOULD PLUCK A FIGURE OUT OF THE AIR AND PROVIDE FOR, SAY, 200 OR 300 MEUA FOR SUPPLEMENTARY EXPENDITURE. THIS APPROACH WILL NOT DO. IT HAS NO RATIONALE. ON OUR CALCULATIONS IT WOULD STILL LEAVE THE UNITED KINGDOM WITH A NET CONTRIBUTION OF AROUND 1,000 MEUA OR MORE -- CLOSE TO THAT OF GERMANY AND FOUR TIMES THAT OF FRANCE, WITH ALL THE OTHER MEMBER STATES AS SUBSTANTIAL BENEFICIARIES FROM THE BUDGET.

IN OUR VIEW IT WOULD BE RIGHT TO FIND AS OBJECTIVE AS POSSIBLE A RATIONALE FOR DECIDING WHAT FINANCIAL BURDEN THE UNITED KINGDOM SHOULD BEAR IN THE FINANCING OF COMMON POLICIES. WE ARE NOT ASKING TO BREAK EVEN. WE ARE READY TO MAKE A MODEST NET CONTRIBUTION. WE BELIEVE THAT IT WOULD BE REASONABLE TO CALCULATE IT IN RELATION TO THAT OF THE COUNTRY WITH THE NEXT HIGHEST GNP PER HEAD. I WANT TO MAKE IT CLEAR THAT THIS WOULD BE A POLITICAL BENCHMARK BY WHICH THE FIGURE WOULD BE FIXED IN 1980; IT WOULD NOT BE SOMETHING WHICH WOULD BE ENSHRINED IN LEGAL TEXTS.

THE COMMISSION WILL SHORTLY BE PRODUCING ITS UP-DATED ESTIMATE FOR OUR NET CONTRIBUTION IN 1980. THE AMOUNT OF THE SUPPLEMENTARY EXPENDITURE IN THAT YEAR (TAKEN TOGETHER WITH THE 520 MEUA REFUND FROM THE FINANCIAL MECHANISM) SHOULD BE SUFFICIENT TO LEAVE THE UNITED KINGDOM MAKING A NET CONTRIBUTION OF THE AGREED SIZE. SINCE WE ASSUME THAT THE UNITED KINGDOM WOULD CONTRIBUTE THROUGH THE BUDGET TO THE SUPPLEMENTARY EXPENDITURE, THE GROSS AMOUNT WOULD HAVE TO BE SET AT THE APPROPRIATE LEVEL TO PRODUCE THE AGREED NET RESULT.

WE ARE NOT SUGGESTING THAT AGREEMENT COULD BE REACHED ON THE AMOUNT EXCEPT AT THE EUROPEAN COUNCIL LEVEL. BUT AT LEAST WE OUGHT TO BE SURE THAT HEADS OF GOVERNMENT WILL BE LOOKING AT THE PROBLEM, WITH THE SAME SORT OF FIGURES IN MIND AND WITH THE SAME CONCEPTUAL FRAMEWORK. IF ANY OTHER GOVERNMENT HAS OTHER WAYS IN WHICH THEY BELIEVE THAT THE COMMUNITY COULD RATIONALLY APPROACH THIS PROBLEM, WE SHOULD BE GLAD TO HEAR OF THEM.

THE QUESTION OF DURATION IS ALMOST AS IMPORTANT AS THE QUESTION OF AMOUNT. THE COMMUNITY MUST AVOID COMING BACK TO THIS PROBLEM IN THE NEXT FEW YEARS. THE UNITED KINGDOM HAS FREQUENTLY BEEN REPROACHED FOR BRINGING THE MATTER UP AGAIN, ALTHOUGH WE HAVE LONG DRAWN ATTENTION TO THE PROBLEM AND IT HAS NOT BEEN SOLVED UP TO NOW. THE COMMUNITY MUST TAKE DECISIONS



ALTHOUGH WE HAVE LONG DRAWN ATTENTION TO THE PROBLEM AND IT HAS NOT BEEN SOLVED UP TO NOW. THE COMMUNITY MUST TAKE DECISIONS WHICH WILL AVOID THE UNITED KINGDOM BEING OBLIGED TO RAISE IT AGAIN IN 1983 OR 1984.

BUT HOW IS THIS TO BE ACHIEVED? OUR SUGGESTION IS THAT THE EXISTING FINANCIAL MECHANISM, WITH THE CONSTRAINTS REMOVED, SHOULD BE GIVEN A FURTHER LEASE OF LIFE SIMILAR TO THAT AGREED WHEN IT WAS SET UP, WITH A SECOND REVIEW AFTER A SIMILAR PERIOD, IE BEFORE THE END OF 1986. THE SOLUTION ON THE EXPENDITURE SIDE SHOULD BE PLACED IN THE SAME TIMESCALE AND REVIEWED AT THE SAME TIME. WE BELIEVE THAT IT WOULD BE SENSIBLE TO REVIEW THE PROGRESS MADE TOWARDS OUR RESTRUCTURING OBJECTIVES IN THE SAME TIMESCALE, AS I SAID EARLIER AND AS THE COMMISSION HAVE ALSO PROPOSED IN THEIR 5 FEBRUARY PAPER.

I HAVE ALREADY SUGGESTED HOW THE FIGURE FOR THE COMMUNITY'S SUPPLEMENTARY EXPENDITURE IN THE UNITED KINGDOM IN 1980 MIGHT BE ARRIVED AT. THE QUESTION THEN IS HOW TO PROVIDE FOR LATER YEARS, SINCE THE 1980 FIGURE IS UNLIKELY TO REMAIN THE APPROPRIATE ONE.

WE ALL KNOW THAT THERE ARE MANY UNCERTAINTIES. AT ONE EXTREME THE COMMUNITY MAY FAIL TO TAKE ACTION TO CURB THE CAP SURPLUSES AND MAY AGREE UNANIMOUSLY TO BREAK THROUGH THE ONE PER CENT VAT CEILING. UNDER THIS SCENARIO, THE UNITED KINGDOM BURDEN WOULD GROW AGAIN RAPIDLY AND SOON BECOME EQUALLY UNACCEPTABLE. WE MUST GUARD AGAINST THIS. ON THE OTHER HAND, AND WE HOPE MORE PROBABLY, THE COMMUNITY MIGHT ACCEPT AND IMPLEMENT THE PROPOSALS FOR BUDGET RESTRUCTURING WHICH I MENTIONED EARLIER. IN THIS CASE ORDINARY COMMUNITY EXPENDITURE UNDER EXISTING OR NEW COMMUNITY POLICIES IN THE UNITED KINGDOM MIGHT GROW TO A CONSIDERABLE EXTENT RELATIVE TO THAT IN OTHER MEMBER STATES. OUR UNCORRECTED NET CONTRIBUTION WOULD DECLINE. THE NEED FOR SUPPLEMENTARY EXPENDITURE IN THE UNITED KINGDOM WOULD BE LESS.

OUR SUGGESTION IS TO RELATE THE LEVEL OF EXPENDITURE TO THE AVERAGE LEVEL OF RECEIPTS PER HEAD IN THE COMMUNITY AS A WHOLE. AT PRESENT THE UNITED KINGDOM'S RECEIPTS PER HEAD OF POPULATION ARE BELOW HALF THOSE FOR THE COMMUNITY AS A WHOLE. IF SUPPLEMENTARY EXPENDITURE IN THE UNITED KINGDOM FOR 1980 IS AGREED IN THE WAY I HAVE SUGGESTED, THIS MIGHT BRING OUR RECEIPTS UP TO, SAY, 60 PER CENT OF THE COMMUNITY AVERAGE. IT WOULD THEN BE AGREED THAT THE AMOUNT OF SUPPLEMENTARY EXPENDITURE IN EACH YEAR OF THE ARRANGEMENT SHOULD BE CALCULATED TO BRING THE UNITED KINGDOM UP TO THE SAME PERCENTAGE.



WE HAVE DEVOTED A LOT OF TIME AND THOUGHT TO WAYS TO DEAL WITH THIS PROBLEM OF HOW TO DETERMINE THE AMOUNT OF EXPENDITURE IN THE UNITED KINGDOM OVER A REASONABLE PERIOD WITHOUT THE UNITED KINGDOM GETTING EITHER TOO MUCH IF BUDGET RESTRUCTURING WORKS WELL OR TOO LITTLE IF IT DOES NOT. WE ARE VERY OPEN TO OTHER SUGGESTIONS. WE ARE NOT SAYING THAT THIS IS THE ONLY WAY OF SOLVING THE PROBLEM - MERELY THAT WE HAVE NOT BEEN ABLE TO THINK OF A BETTER ONE. WE SHOULD BE READY TO CONSIDER OTHERS.

THESE ARE OUR IDEAS AS TO HOW THE EUROPEAN COUNCIL SHOULD DEAL WITH THE PROBLEM. WE SHOULD BE GRATEFUL IF THEY COULD BE REFLECTED IN THE PRESIDENCY'S PREPARATIONS FOR IT.

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FRAME ECONOMIC

DESKBY PARIS 140700Z

DESKBY FCO 140300Z

FM UKREP BRUSSELS 131827Z MARCH 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 1450 OF 13 MAR

AND TO IMMEDIATE PARIS (FOR FRANKLIN, BRIDGES DESKBY 142700Z)

INFO PRIORITY BRUSSELS, COPENHAGEN, ROME, DUBLIN, BONN.

INFO SAVING THE HAGUE, LUXEMBOURG.

MIPT: COREPER (AMBASSADORS) UK BUDGET PROBLEM.

1. A FEW SNIPPETS FROM SUBSEQUENT INFORMAL DISCUSSION.

2. POENGEN (SPEAKING PERSONALLY) SAID TO NOTERDAEME, LUBBERS AND MYSELF THAT THE UK APPROACH WAS TOO MECHANICAL. PERHAPS THE UK CONTRIBUTION FOR 1980 COULD BE FIXED IN A CERTAIN RELATIONSHIP TO THAT OF FRANCE E.G. IN PROPORTION TO GNP ON THE BASIS OF PURCHASING POWER PARITIES. THERE COULD THEN BE

ADVANCE COPY

DB 140800Z



THE BASIS OF PURCHASING POWER PARITIES. THERE COULD THEN BE A GENERAL GUIDELINE THAT THE SUPPLEMENTARY EXPENDITURE IN FUTURE YEARS SHOULD BE AT A LEVEL WHICH KEEP THE UK IN A SIMILAR POSITION. I ENCOURAGED HIM TO MAKE A SUGGESTION OF THIS KIND FOR STUDY IN LONDON. NOTERDAEME SAID THE BELGIANS JUST COULD NOT AFFORD IT. FOENSGEN POINTED OUT THAT THE RESULT WOULD BE FOR BRITAIN AND GERMANY TO CHANGE PLACES AND FOR FRANCE TO MAKE A MORE IMPORTANT NET CONTRIBUTION; BUT THAT ALL OTHER MEMBER STATES WOULD REMAIN SUBSTANTIAL BENEFICIARIES.

3. NANTEUIL, SPEAKING PRIVATELY TO ME, SAID THAT HIS INSTRUCTIONS DID NOT GO FURTHER THAN THE STATEMENT ISSUED AFTER THE COUNCIL OF MINISTERS YESTERDAY. FRANCE WOULD NOT BLOCK DISCUSSION IN THE EUROPEAN COUNCIL. LATER, OVER COREPER LUNCH, HE SAID THAT THE SENSE OF THE ELYSEE STATEMENT WAS THAT FRANCE WOULD NOT BLOCK DISCUSSION; BUT THAT, UNLESS THE COMMISSION MADE FORMAL PROPOSALS SOON, THERE WOULD BE NO CONCLUSIONS.

4. CALAMIA (ITALY) ASKED DE DANTEUIL WHETHER IT WOULD REALLY BE HELPFUL IF THE COMMISSION WERE TO MAKE A FORMAL PROPOSAL WITH A FIGURE FOR SUPPLEMENTARY EXPENDITURE. WOULD IT NOT BE REJECTED IN LONDON, PARIS AND PERHAPS ELSEWHERE? WHAT USE WOULD THAT BE? NANTEUIL MANAGED TO AVOID REPLYING BY APPEALING TO ME TO STOP LONDON PUTTING FORWARD PROPOSALS WHICH OVERTURNED THE 'OWN RESOURCES' SYSTEM. I SAID THAT THERE WAS NO QUESTION OF THAT. WE WERE DISCUSSING HOW TO ARRANGE FOR SUFFICIENT COMMUNITY EXPENDITURE IN THE UK OVER A REASONABLE PERIOD OF TIME TO AVOID PLACING AN EXCESSIVE BURDEN ON THE UK. HAD ANYONE GOT ANY BETTER SUGGESTIONS?

5. IN A SEPARATE DISCUSSION PLAJA AGREED WITH ME THAT FOR THE ECO FIN COUNCIL WE SHOULD AIM TO AVOID CONFRONTATION AND A HARDENING OF POSITIONS ON CONVERGENCE. DISCUSSION SHOULD BE CONCENTRATED IN COREPER AND THE FOREIGN AFFAIRS COUNCIL ON PREPARATION FOR THE EUROPEAN COUNCIL. HIS HANDLING OF TODAY'S MEETING REFLECTS THIS VIEW.

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MAFF HADLEY



5. IN A SEPARATE DISCUSSION PLAJA AGREED WITH ME THAT FOR THE ECO FIN COUNCIL WE SHOULD AIM TO AVOID CONFRONTATION AND A HARDENING OF POSITIONS ON CONVERGENCE. DISCUSSION SHOULD BE CONCENTRATED IN COREPER AND THE FOREIGN AFFAIRS COUNCIL ON PREPARATION FOR THE EUROPEAN COUNCIL. HIS HANDLING OF TODAY'S MEETING REFLECTS THIS VIEW.

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DESKBY 143700Z PARIS

DESKBY 143600Z FCO

FM UKREP BRUSSELS 131225Z MAR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 1449 OF 13 MARCH

AND TO PARIS (FOR FRANKLIN, BRIDGES)

INFO IMMEDIATE BONN PRIORITY COPENHAGEN ROME DUBLIN

INFO SAVING BRUSSELS THE HAGUE LUXEMBOURG

COMMITTEE OF PERMANENT REPRESENTATIVES (AMBASSADORS): 13 MARCH.

PREPARATION FOR EUROPEAN COUNCIL: UK BUDGET PROBLEM

SUMMARY.

1. THE FRENCH ASKED FOR SHEEPMEAT, FISH AND OTHER AGRICULTURAL QUESTIONS TO BE ON THE EUROPEAN COUNCIL AGENDA. THEY SAID THE 5 FEBRUARY COMMISSION DOCUMENT WAS NOT AN ADEQUATE BASIS FOR A SOLUTION TO THE UK'S PROBLEM. THE PRESIDENCY, THE COMMISSION, BELGIUM AND THE NETHERLANDS, AND MYSELF, DISAGREED. I RESTATED OUR 'SIX POINTS', INCLUDING BUDGET RESTRUCTURING. THESE EVOKED

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OUR 'SIX POINTS', INCLUDING BUDGET RESTRUCTURING. THESE EVOKED OPPOSITION ON FAMILIAR LINES. DISCUSSIONS TO BE RESUMED AT FOREIGN AFFAIRS COUNCIL.

DETAIL.

2. NANTEUIL (FRANCE) FORMALLY REQUESTED THAT FISH, LAMB AND GENERAL AGRICULTURAL QUESTIONS SHOULD BE PUT ON THE EUROPEAN COUNCIL AGENDA EITHER UNDER CONVERGENCE AS IN THE DUBLIN CONCLUSIONS, OR SEPARATELY. I ASKED FOR MORE DETAILS OF WHAT THE FRENCH HAD IN MIND, SINCE ANY DISCUSSION WOULD HAVE TO BE ADEQUATELY PREPARED. THE BELGIANS AND ITALIANS SUPPORTED ME, NOTING THAT ONLY FISH AND SHEEPMEAT APPEARED IN THE DUBLIN CONCLUSIONS. NOEL (COMMISSION) SAID THE COMMISSION COULD, IF NECESSARY, PRODUCE A STATE-OF-PLAY PAPER. NANTEUIL GAVE NO FURTHER DETAILS, AND THE PRESIDENCY NOTED HIS REQUEST.

3. NOEL CIRCULATED THE COMMISSION'S NEW FIGURES FOR MEMBER STATES' 1979 NET CONTRIBUTIONS (COPIES BY BAG). THE NEW 1980 ESTIMATES WOULD BE AVAILABLE NEXT THURSDAY.

4. ON THE COMMISSION'S 5 FEBRUARY PAPER, NOEL (CLEARLY REFERRING TO THE FRENCH GOVERNMENT'S STATEMENT), SAID THAT THEY HAD SOUGHT TO FULFIL THEIR REMIT FROM THE DUBLIN COUNCIL. THEY HAD NOT MADE FORMAL PROPOSALS SINCE WHAT WAS NEEDED WAS A DECISION OF PRINCIPLE BY THE EUROPEAN COUNCIL WITH SOME GUIDELINE ON AMOUNT AND DURATION, AFTER WHICH POINTS OF DETAIL AND LEGAL ASPECTS COULD BE RESOLVED AT A LOWER LEVEL. THE REGIONAL FUND DISCUSSIONS (1974) AND EMS INTEREST RATE SUBSIDIES (1978) WERE PRECEDENTS. THE COMMISSION HAD DISCUSSED THEIR PROPOSALS WITH THREE MEMBER STATES (ITALY, IRELAND AND THE UK), IN ACCORDANCE WITH THE LAST PARAGRAPH OF THE PAPER. WITH THE UK THE PURPOSE OF THE DISCUSSIONS HAD BEEN TO FORM AN IDEA OF THE TYPES OF PROJECT AND PROGRAMME WHICH WOULD BE SUITABLE. HE INSTANCED NORTHERN IRELAND.

5. NANTEUIL REPEATED YESTERDAY'S STATEMENT THAT HIS GOVERNMENT WAS EXPECTING FURTHER COMMISSION PROPOSALS. THE 5 FEBRUARY DOCUMENT MERELY SKETCHED A FRAMEWORK FOR FUTURE ACTION, AND WAS TOO VAGUE FOR THE PURPOSES REQUIRED. ON THE CONSULTATIONS WITH MEMBER STATES, OTHER COUNTRIES SHOULD BE INVOLVED AS WELL, ESPECIALLY ON LEGAL ASPECTS.

6. NANTEUIL GOT NO SUPPORT. I SAID WE WERE NOT EXPECTING ANY NEW COMMISSION PROPOSALS. THOSE IN THE 5 FEBRUARY PAPER FULFILLED THE REMIT VERY ADEQUATELY. THE EUROPEAN COUNCIL NEED NOT CONCERN ITSELF WITH POINTS OF DETAIL, ONLY WITH BROAD DECISIONS OF PRINCIPLE. OUR DISCUSSIONS WITH THE COMMISSION HAD BEEN TO HELP THEM



PRINCIPLE. OUR DISCUSSIONS WITH THE COMMISSION HAD BEEN TO HELP THEM IN THEIR FURTHER WORK; WE HAD NOT TRIED TO SPELL OUT WHICH PROJECTS SHOULD BE APPROVED, MERELY TO EXPLAIN THE SORT OF PROJECTS WHICH WE THOUGHT MIGHT BE ELIGIBLE.

7. CALAMIA (ITALY) DILLON (IRELAND) SAID THAT THEIR DISCUSSIONS WITH THE COMMISSION HAD BEEN PRELIMINARY ONLY, IN ORDER TO ENABLE THEM BETTER TO UNDERSTAND THE COMMISSION'S IDEAS. THEY BOTH REPEATED THEIR DESIRE THAT LESS PROSPEROUS COUNTRIES OTHER THAN THE UK SHOULD BE INVOLVED IN THE CONVERGENCE EXERCISE. DILLON SAID HIS DISCUSSIONS HAD BEEN DISAPPOINTING.

8. FLAJA COULD NOT AGREE THAT THE COMMISSION HAD NOT MADE ANY PROPOSALS, AND NOR COULD NOEL; THE LATTER ALSO STRONGLY DEFENDED THE COMMISSION'S TALKS WITH UK OFFICIALS ON PROJECTS AND PROGRAMMES, SAYING THAT THIS WAS A TYPICAL AND USEFUL WAY OF WORKING.

9. WHEN DISCUSSION TURNED TO THE SUBSTANTIVE ISSUES, I RESTATED THE UK'S 'SIX POINTS' INCLUDING THE 55 PER CENT CAP TARGET. THE TEXTS WHICH HAVE BEEN CIRCULATED TO COREPER FOLLOW IN MY SECOND AND THIRD LETS. REACTIONS WERE AS FOLLOWS:

- I) NANTEUIL REITERATED THAT THE 5 FEBRUARY DOCUMENT CONTAINED NO PROPOSALS; HE IMPLIED THAT THE UK APPROACH WAS NOT 'COMMUNAUTAIRE'; FULL REMOVAL OF THE FINANCIAL MECHANISM CONSTRAINTS HAD NOT BEEN AGREED AT DUBLIN;
- II) DILLON SAID CAP EXPENDITURE SHOULD NOT BE REDUCED TO PROVIDE A SOLUTION TO THE UK PROBLEM. PART OF THE PROBLEM WAS ATTRIBUTABLE TO UK THIRD COUNTRY IMPORTS, EG OF DAIRY PRODUCE. THE OWN RESOURCES SYSTEM SHOULD NOT BE TAMPEPED WITH;
- III) NOTERDAEME (BELGIUM) ARGUED THAT THE COMMUNITY COULD NOT BASE ITSELF ON SETTING A PRE-ORDAINED LEVEL OF EXPENDITURE IN EACH COUNTRY. ON THE EXPENDITURE SIDE THERE COULD BE A TEMPORARY AID BASED ON COMMUNITY POLICIES TO A COUNTRY IN DIFFICULTIES, BUT THIS WULD BE BETTER BASED ON THE COMMISSION'S 5 FEBRUARY PROPOSALS;
- IV) POENSGEN (GERMANY) ACKNOWLEDGED THERE WAS A PROBLEM, BUT COULD NOT AGREE TO MY SOLUTION. IF ONE USED PURCHASING POWER PARITIES, OUR GNP PER HEAD WAS MUCH CLOSER TO THAT OF OUR PARTNERS. HE HAD BEEN MORE OPTIMISTIC WHEN HE HAD SEEN THE COMMISSION'S PROPOSALS BUT, SPEAKING PERSONALLY, THOUGHT OUR APPROACH MIGHT LEAD TO GREAT MISUNDERSTANDINGS AT THE EUROPEAN COUNCIL. THE UK WAS NOT TALKING THE SAME LANGUAGE



EUROPEAN COUNCIL. THE UK WAS NOT TALKING THE SAME LANGUAGE AS OUR PARTNERS.

V) LUBBERS (NETHERLANDS) SUPPORTED PREVIOUS SPEAKERS: THE OWN RESOURCES SYSTEM MUST BE LEFT INTACT, THE SOLUTION SHOULD BE TEMPORARY (SAY 3 YEARS) AND THE 1 PER CENT LIMIT OBSERVED. PART OF THE PROBLEM WAS THE UK'S PATTERN OF IMPORTS. HE COULD NOT AGREE TO ATTEMPTS TO PRE-ORDAIN COUNTRIES' NET CONTRIBUTIONS. BUT THERE WAS A REAL PROBLEM, TO WHICH SOLUTIONS COULD BE FOUND IN REVISIONS TO THE FINANCIAL MECHANISM, CAP ECONOMIES, AND SOME EXPENDITURE ON THE BASIS OF THE COMMISSION'S PROPOSALS:

VI) RIBERHOLDT (DENMARK) SAID HIS GOVERNMENT'S POSITION WAS WHOLLY INCOMPATIBLE WITH THE UK'S ATTITUDE.

10. I REPLIED THAT WE WERE NOT QUESTIONING THE OWN RESOURCES SYSTEM, NOR THE COMMISSION'S ARTICLE 235 APPROACH, WHICH WE ENDORSED. MY STATEMENT HAD RELATED TO THE PROBLEMS OF DURATION AND AMOUNT. WE HAD ACCEPTED THAT WE WOULD BE NET CONTRIBUTORS UP TO 1996.

11. PLAJA, SUMMING UP SAID THAT THE FOREIGN AFFAIRS COUNCIL SHOULD DISCUSS TWO ASPECTS-- THE ADEQUACY OF THE COMMISSION'S PROPOSALS AND HOW BEST TO PREPARE FOR THE EUROPEAN COUNCIL. HE HOPED THAT THE DISCUSSION WOULD GO FURTHER THAN DELEGATIONS' POSITIONS AS EXPRESSED TODAY.

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*PS/CHANCELOR.*

MR D M ELLIOTT

*Mr Hancock.*

~~MR ...~~

*Mr MITCHELL*

~~MR ...~~

*Miss WRIGHT (?)*

Mr WAZSTH

~~NO 10 DS.~~  
~~Mr ALEXANDER.~~

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FM UKREP BRUSSELS 031943Z MAR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 1293 OF 3 MARCH

INFO PRIORITY COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN

INFO SAVING BRUSSELS LUXEMBOURG

COREPER (AMBASSADORS), 3 MARCH

MIPT

PREPARATION FOR EUROPEAN COUNCIL: CONVERGENCE

SUMMARY

1. CONSIDERABLE INTEREST IN THE UK'S TALKS WITH THE COMMISSION. FRENCH COMPLAINTS THAT THERE WAS NO BASIS FOR THE TALKS TO HAVE TAKEN PLACE: AND DEMANDS BY THEM AND OTHERS THAT OTHER MEMBER STATES SHOULD BE CONSULTED AND INFORMED. THE COMMISSION'S 5 FEBRUARY PAPER WILL BE PUT ON THE AGENDA FOR DETAILED DISCUSSION AT THE 13 MARCH COREPER.



AT THE 13 MARCH COREPER.

DETAIL

2. I SAID THAT OUR MAIN PREOCCUPATION WAS TO ENSURE THAT THERE WAS SUFFICIENTLY GOOD PREPARATION TO ENABLE THE 31 MARCH EUROPEAN COUNCIL TO REACH THE ESSENTIAL DECISIONS ON CONVERGENCE. THE COMMISSION'S PAPER OF 5 FEBRUARY HAD SET OUT THE DECISIONS REQUIRED. IN ACCORDANCE WITH THE LAST PARAGRAPH OF THAT PAPER, WE HAD BEEN FOLLOWING UP THE COMMISSION'S IDEAS IN DISCUSSIONS WITH THEM ON POSSIBLE PROGRAMMES OF EXPENDITURE IN THE UK.

3. NAUTEUIL (FRANCE ) MADE SEVERAL INTERVENTIONS HEAVILY CRITICAL OF THE COMMISSION, BUT RECEIVING LITTLE SUPPORT FROM OTHER DELEGATIONS. HE ASKED ON WHAT BASIS THE COMMISSION HAD HELD DISCUSSIONS WITH THE UK; AND WHETHER THESE DISCUSSIONS HAD COVERED ONLY MEASURES OF BENEFIT TO THE UK OR MEASURES WHICH COULD AFFECT OTHER MEMBER STATES AS WELL. THE COUNCIL HAD NOT APPROVED THE COMMUNICATION OF 5 FEBRUARY AND THERE WAS THEREFORE NO BASIS FOR DISCUSSIONS WITH ONE MEMBER STATE ONLY. OTHER MEMBER STATES WERE JUST AS CONCERNED AND MUST BE CONSULTED, BOTH BECAUSE THEY WOULD WANT TO BE SURE THAT THE EXPENDITURE PROJECTS WERE COMMUNAUTAIRE IN NATURE, AND BECAUSE IT WOULD BE 'THEIR OWN MONEY' (LEUR PROPRE ARGENT) WHICH WOULD BE USED. FINALLY, HE ASKED DIRECTLY FOR A RECORD OF THE COMMISSION'S DISCUSSIONS WITH UK OFFICIALS.

4. LUBBERS (NETHERLANDS) SAID IT WAS CLEAR THAT THERE WERE PROBLEMS OF PROCEDURE. WHO WAS SUPPOSED TO DISCUSS THE 5 FEBRUARY DOCUMENT? IF THE EUROPEAN COUNCIL WAS TO USE THE PAPER AS A BASIS FOR DECISIONS, IT WOULD BE IMPORTANT FOR THE 17 MARCH FINANCE COUNCIL TO HAVE DISCUSSED IT IN DETAIL. THERE WAS ALSO NO CLEAR PROCEDURE FOR DISCUSSIONS BETWEEN THE COMMISSION AND MEMBER STATES.

5. NOTERDAEME (BELGIUM) SAID EXPLORATORY DISCUSSIONS WERE A GOOD IDEA. HE DID NOT THINK A ROUND OF DISCUSSIONS WITH THE UK WAS NECESSARY; BUT WHAT WAS LACKING SO FAR WAS ANY PRECISE IDEA OF THE SORT OF PROJECTS WHICH THE COMMISSION HAD REFERRED TO IN ITS PAPER. HE ASKED THE COMMISSION IF THEY COULD GIVE DETAILS, EG TO THE FOREIGN AFFAIRS COUNCIL AND THE EUROPEAN COUNCIL, OF SOME EXAMPLES OF THE PROJECTS THEY HAD IN MIND.

6. DILLON (IRELAND) SAID THAT HIS AUTHORITIES TOO HAD AN INTEREST, IN PARTICULAR IN ENSURING THAT THE CONVERGENCE EXERCISE HELPED ALL LESS PROSPEROUS MEMBER STATES, INCLUDING HIS OWN, WHICH WAS LESS PROSPEROUS THAN THE UK. THE IRISH WOULD BE PREPARED TO DISCUSS

WE WOULD BE PREPARED TO DISCUSS WITH THE COMMISSION



7. AUDLAND (COMMISSION) REPLIED TO THE VARIOUS POINTS AS FOLLOWS:

- I) THE COMMISSION'S DISCUSSIONS WITH THE UK WERE JUSTIFIED, IF NOT REQUIRED, BOTH BY THE DUBLIN CONCLUSIONS AND BY THE LAST PARAGRAPH OF THEIR OWN COMMUNICATION OF 5 FEBRUARY.
- II) THE DISCUSSIONS, WHICH WERE IN A PRELIMINARY PHASE, RELATED ONLY TO EXPENDITURE IN THE UK. THIS WAS AGAIN IN LINE WITH THE DUBLIN CONCLUSIONS.
- III) THE COMMISSION WOULD KEEP OTHER MEMBER STATES INFORMED OF THE PROGRESS OF THEIR DISCUSSIONS WITH THE UK, ALTHOUGH HE DID NOT COMMIT HIMSELF TO PRODUCING A RECORD OF THEM.
- IV) THE COMMISSION WOULD CONSULT OTHER MEMBER STATES AS NECESSARY: THERE WAS NO QUESTION OF SHORT-CIRCUITING NORMAL COMMUNITY PROCEDURE FOR REACHING AGREEMENT.
- V) THE 5 FEBRUARY PAPER HAD REFERRED TO POSSIBLE PARALLEL MEASURES FOR OTHER LESS PROSPEROUS COUNTRIES, AND HE NOTED THE IRISH OFFER TO DISCUSS THESE WITH THE COMMISSION.

B. WHEN NO-ONE TOOK UP THE SUGGESTION OF AN IMMEDIATE SUBSTANTIVE DISCUSSION, PLAJA SAID THE PRESIDENCY WOULD PUT THE COMMISSION PAPER OF 5 FEBRUARY ON THE AGENDA, AS WELL AS CONVERGENCE MORE GENERALLY, FOR DISCUSSION ON 13 MARCH, PROBABLY IN RESTRICTED SESSION.

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Subject File - Germany  
Schmidt Visit - Pt 2  
Germany

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10 DOWNING STREET

*From the Private Secretary*

14 February 1980

VISIT OF CHANCELLOR SCHMIDT AND EUROPEAN  
COUNCIL MEETING

You wrote to me on 11 February about the briefing arrangements for Chancellor Schmidt's visit to this country and the subsequent European Council meeting. I can see no difficulty about the procedure proposed in the final paragraph of your letter.

I am sending a copy of this letter to Paul Lever (FCO).

M. O'D. B. ALEXANDER

KRF

David Wright, Esq.,  
Cabinet Office.

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Subject: file - Germany -  
Schmidt visit - Pt 2

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref: A01377

11th February 1980

Dear Michael,

Visit of Chancellor Schmidt on 28th March and the  
European Council Meeting on 31st March/1st April

You sent me a copy of your letter of 5th February to Paul Lever about the briefing arrangements for these two meetings. I can confirm that we are content with the deadline of 21st March for the briefs, provided this could be set at noon that day.

I should of course emphasise that since there will inevitably be a lot of activity going on between 21st and 28th March, this will mean that the briefs on the crucial budget issue will essentially be of a background nature. The line to take will be subject to last minute revision.

Can I take it that the same responsibilities for commissioning and co-ordinating briefs will be followed on this occasion as was the case for the Dublin European Council and the Cossiga visit? Namely the FCO will commission the European Council briefs and we in the Cabinet Office will do the same for the Schmidt visit. I am sending a copy of this letter to Paul Lever (FCO).

Yours ever,  
David

(D. J. Wright)

M. O'D. B. Alexander, Esq



TOP COPY ON  
FROM P&L: Pt 2  
Budget.

Cashier:

26 March

CLIVE

Budget Cabinet/Briefing for Schmidt and

European Council

1045.  
JH  
7ii

You asked me to have a further word with Nick about the necessity of the Prime Minister sitting in on the second day of the Budget Debate, i.e., Thursday, 27 March. Nick is quite clear that she should, if possible, do so as there will be some major speeches being made, mostly on the Opposition side.

D. Healey  
kicks off  
with the

Opp's considered views MS

Robert Armstrong has come up with the following suggestion: that the Budget Cabinet takes place on Wednesday, 26 March (Budget Day) at 10.00 a.m. or even 9.30(?) and that the European Council briefing meeting should start at 1100 and run through to 1300 hours. There would be a normal Cabinet starting at 1030 on Thursday 27th.

Could I have your views on this suggestion, please?

*[Signature]*

7 February 1980



FILE

EUROFOR  
Original filed

VLB

Germany (Schmidt visits to UK)

pt 2.

cc CO

See Goodchild

CONFIDENTIAL

1) B/F 29. 2. 80  
2) B/F 21. 3. 80

5 February 1980

Visit of Chancellor Schmidt: 28 March

We need to begin thinking about the arrangements for the Anglo-German bilateral due to take place on Friday, 28 March. In doing so, it will probably be best to proceed on the assumption that there will not be an early European Council; that the European Council Meeting on 31 March/1 April will go ahead as planned; and that it will have our budget problem as the major item on its agenda.

I should be grateful if the briefs for the bilateral could reach me by 21 March. These will obviously overlap in large measure with the briefs for the European Council Meeting. Subject to the views of David Wright, I think it will be convenient to regard 21 March as the deadline for the briefs for the European Council also. It is not going to be easy to fit a briefing meeting into the following week, but possible timings are under discussion. Since the Prime Minister and Chancellor Schmidt will be dining with the Konigswinter Conference at Cambridge, the only meal that we shall be offering Chancellor Schmidt will be lunch. It will, therefore, have to be a delegation lunch for at most 32. It would be helpful to have an outline guest list by 29 February.

The need for the Chancellor and the Prime Minister to get to Cambridge early on a Friday evening is going to cause obvious logistic problems. I should be grateful if Protocol and Conference Department could pursue these. We may have to think of using a helicopter.

I have had a word with Otto von der Gablentz in the Chancellery in Bonn as to whether Chancellor Schmidt would be prepared to spend either the Thursday night or the Friday night in this country. He thought that the Chancellor would wish to fly to London from Bonn on the Friday morning and to return direct to Hamburg the same evening. This will give rise to a further set of problems. Is there an airfield near Cambridge which Chancellor Schmidt's plane could use? Will the Germans need separate aircraft for the Chancellor and his Ministerial companions?

I am sending a copy of this letter to David Wright (Cabinet Office).

(SIGNED) M ALEXANDER

Paul Lever, Esq.,  
Foreign and Commonwealth Office.



