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PREM 19/220



PART 4Confidential Filing

European Council Meeting in Venice  
12-13 June 1980

EUROPEAN POLICYPart 1: October 1979Part 4: May 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>29.5.80.</del>							
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<del>16.6.80.</del>							
19.6.80.							
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1982

Ref: A 02388

PRIME MINISTER

## Community Affairs

1. You may wish to report briefly to the Cabinet on the outcome of the Venice European Council, including your useful talk with Chancellor Schmidt about CAP reform and the satisfactory reaffirmation in the Presidency communique of the Community's commitment to implement structural changes designed to prevent the recurrence of unacceptable budgetary situations.
2. The Minister of Agriculture might be invited to report on the outcome of the 16 June Fisheries Council, which had some preliminary discussion on the internal regime but stopped short of any attempt to reach final agreement on conservation, control and quotas. A further meeting has been fixed for 22 July. A number of agreements with third countries were ratified, but we made clear our continuing reservations about tariff concessions for Canada. Mr Walker had bilateral discussions with the French and German Fisheries Ministers in the margins of the Council.
3. The Minister of Agriculture might also report on the 17 June Agriculture Council, which settled the details of the sheepmeat regime (which now awaits the outcome of negotiations with New Zealand) criticised new French restrictions on sheepmeat imports from Germany and the Netherlands, adopted a satisfactory Presidency compromise on sugar, and noted that the Commission would bring forward proposals on New Zealand butter imports at the July Council.
4. The Chancellor of the Exchequer might be invited to report on the outcome of the 17 June Budget Council, which agreed a token entry in the 1980 Budget for supplementary expenditure in the United Kingdom, together with an entry in the minutes that safeguards our position for the future. The Council agreed the elements of the revised draft 1980 Community Budget, which will be formally established if acceptable to the European Parliament.

  
 ROBERT ARMSTRONG

(approved by Sir R. Armstrong  
and signed on his behalf)

18 June 1980



## 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	16/06/80
European Council (Venice Meeting)	Columns 1126-1146

Signed *A Wayland* Date *13 April 2010*

**PREM Records Team**



REVISED DRAFT DECLARATION OF THE EUROPEAN COUNCIL  
ON THE MIDDLE EAST

1. The Heads of State and Government and the Ministers of Foreign Affairs held a comprehensive exchange of views on all aspects of the present situation in the Middle East, including the state of negotiations as a result of the agreements signed between Egypt and Israel in March 1979. They agreed that growing tensions affecting this region constitute a serious threat and render a global solution to the Israeli-Arab conflict more necessary and pressing than ever.
  
2. In view of the traditional ties and common interests which link Europe to the Middle East the nine Member States of the European Community consider that they have a special role to play and must now work in more concrete terms towards peace.
  
3. In this regard, the nine countries of the Community base themselves on Security Council Resolutions 242 and 338 and the positions which they have expressed on several occasions, notably in their Declarations of 29 June 1977, 19 September 1978, 26 March and 18 June 1978, as well as in the speech made on their behalf on 25 September 1979 by the Irish Minister of Foreign Affairs at the 34th United Nations General Assembly.

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4. On the bases thus set out, the time has come to promote the recognition and implementation of the two principles universally accepted by the international community: the right to existence and to security of all the States in the region, including Israel, and justice for all of the peoples, which implies the recognition of the legitimate rights of the Palestinian people.
  
5. All of the countries in the area are entitled to live in peace within secure, recognized and guaranteed borders. The United Nations should provide the necessary guarantees for a peace settlement acting on a Security Council decision and, if necessary, on the basis of other mutually agreed procedures. The Nine declare that they are prepared to participate within the framework of a comprehensive settlement in a system of concrete and binding international guarantees, including on the ground.



6. A just solution must finally be found to the Palestinian problem, which is not simply one of refugees. The Palestinian people, which is conscious of existing as such, must be placed in a position, by an appropriate process defined within the framework of the comprehensive peace settlement, to exercise fully its right to self-determination.
7.    The achievement of these objectives requires the support and assistance of all the parties concerned in the peace settlement which the Nine are endeavouring to promote in keeping with the principles formulated in the declarations referred to above. These principles apply to all the parties concerned, including the Palestinian people <sup>and, therefore, the PLO.</sup> and thus involve    the participation       the association    of the PLO in the negotiations.
- or
- The achievement of these objectives calls for the acceptance of the principles formulated in the declarations referred to above by all the parties concerned, who will be    required to participate in       associated with    the negotiations, including the PLO.
8. The Nine recognize the special importance of the role played by the question of Jerusalem for all the parties concerned. The Nine stress that they will not accept any unilateral initiative designed to change the status of Jerusalem and that any agreement on the city's status should guarantee freedom of access for everyone to the Holy Places.



9. The Nine stress the need for Israel to put an end to the territorial occupation which it has been maintaining since the conflict of 1967, as it has done for part of Sinai. They are firmly convinced that the Israeli settlements constitute a major obstacle to the process of peace in the Middle East. The Nine consider that these settlements, and modifications in population and property in the occupied Arab territories, are illegal under international law.
10. In the interest of putting an end to the violence, the Nine consider that only the renunciation of the use or the threatened use of force by all the parties can lead to a climate of confidence in the area, thereby constituting a basic element towards a comprehensive settlement of the conflict in the Middle East.
11. The Nine have decided    to undertake the necessary soundings amongst       to make the necessary contacts with    all the parties concerned. The objective of these    soundings       contacts    would be to ascertain the position of the various parties with respect to the principles set out in this declaration and to determine the precise details of their future action on the basis of the findings of the consultation process    with a view to an initiative on their part   .
12.    In undertaking this consultation process, the Nine stress that the international community, and, in particular, the United Nations Security Council, should be called upon, under terms to be decided, to discharge their responsibilities in the negotiations and in the implementation of the peace settlement.



Evo P.S.

DRAFT STATEMENT BY THE PRIME MINISTER

With permission, Mr. Speaker, I should like to make a statement on the meeting of the European Council which my Rt. Hon. and Noble Friend, the Foreign and Commonwealth Secretary, and I attended in Venice on 12 and 13 June. The summary of the proceedings issued by the Italian Presidency has been placed in the Library of the House.

The Venice meeting was a series of general discussions between the Nine Heads of Government about the fundamental problems we all face within the European Community and outside. We had in mind the need to prepare a common European view for the Economic Summit which is to be held next Sunday and Monday.

All the nations of the European Community have similar problems of inflation and unemployment and a number now have an adverse balance of payments. We were agreed that the major short-term objective must be to contain inflation by means of appropriate monetary and fiscal policies. We were concerned that the 100% increase in the price of oil over the last year would lead to a recession in world trade. We were therefore disturbed at the pressure for further oil price increases at the recent Algiers meeting of OPEC. Such an increase can only make worse the economic problems of the industrialised countries and give rise to intolerable burdens for the developing countries.

The European Community remains willing to enter into a dialogue with the oil producers.

/Having



Having noted the Budgetary settlement reached by the Council of Ministers at the end of May, the Heads of Government had a useful but necessarily preliminary discussion of the need to put in hand and carry through urgently a review of the Community's financial position.

We also took the opportunity to have a first, informal, discussion about the choice of the next President of the Commission.

The European Council issued three declarations, on the Lebanon, on Afghanistan, and on the Middle East. With permission, all three texts will be circulated in the Official Report.

Those on the Lebanon and on Afghanistan reaffirmed the concern felt by the Heads of Government about the position in the two countries.

The declaration on the Middle East restates the two principles which have for many years been the basis of the European position: the right of all the states in the region, including Israel, to existence and security; and justice for all the peoples, which implies the recognition of the legitimate rights of the Palestinian people. A comprehensive settlement requires that all the parties concerned should be bound by these principles.

Beyond that, the European Council decided to make contact with all the parties in order to ascertain their position - and I quote - "with respect to the principles set out in this declaration, and in the light of the result of this consultation process to determine the form which an initiative on their part (that is on the part of the Nine) might take".

/The



- 3 -

The diplomatic activity which the Nine will undertake over the next few months is intended to be complementary to the Camp David process on which the United States, Egypt and Israel are still engaged. We hope and believe that in this way the Nine can contribute to the work which will have to be done to prepare for a peace settlement in the Middle East.



## ARAB/ISRAEL

### Relationship of European action to Camp David

It is no part of the purpose of the Nine to undermine the Camp David process, which we continue to wish well. I believe the US Administration understand this. We wish to work with all those concerned, including all three Camp David parties, towards the common objective of a comprehensive peace settlement.

### How will the contacts with interested parties be carried out?

This will have to be worked out in detail in political co-operation in the Nine. A small mission led by the Presidency is likely to visit capitals concerned.

### Who exactly will be consulted and when?

Precise details remain to be worked out. Clearly we must establish the views of at least the three Camp David parties, the other principal Arab states, and the Palestinians, including the PLO.

### What is the objective of contacts with the parties?

All options for future action by the Nine remain open. Our concern is to establish how Israel's legitimate security needs can be reconciled with the need to take Palestinian political rights fully into account.

### Palestinian self-determination

The Nine have stated their belief that the Palestinians have the right to self-determination within the framework of a negotiated settlement. It is clear that a settlement

/which



which is not broadly acceptable to the Palestinian people cannot last.

#### PLO involvement

The Nine have acknowledged in their statement the political reality that the PLO are a force which cannot be left out of peace efforts indefinitely. There is no question of official recognition. The statement makes clear that all those concerned, including the PLO, must accept the principles of a comprehensive settlement. This is not in any way to condone Palestinian terrorism, which we condemn unreservedly, or give support to unacceptable PLO objectives such as those reiterated by Al Fatah recently. The Palestinians, including the PLO, must accept that Israel has the right to live in peace and security.

#### Israel's reaction

I regret the Israeli fear that their interests are threatened by the Council statement. As the statement makes clear, the Nine's commitment to a secure future for Israel is absolute. Our objective is a peace settlement which will ensure it.



Discussion of Libya at Council

It was clear from discussions in Venice that our partners share our concern about attacks on Libyan dissidents in Europe. We have kept in close touch with the Nine and other governments on this question.

[If raised] At this stage I do not believe that any useful purpose would be served by raising this question in the United Nations.

People's Bureau in London

The Secretary of the Bureau has left London. We have made it clear that we are not prepared to accept violence or threats of violence against Libyans in the UK. I hope that the Libyans have concluded that their campaign must stop if good relations are to be restored as remains our wish.



Lebanon

I have nothing to add at the moment to the Council's statement on Lebanon which made clear our commitment to the territorial integrity and sovereignty of Lebanon and our concern that UNIFIL should be allowed to fulfil its mandate.



#### BRANDT COMMISSION REPORT

The European Council expressed its appreciation in April of the Brandt Report. We did not, in Venice, discuss in detail the Commission's numerous proposals. However, we expect the Brandt Report to make a valuable contribution to the Special Session of the United Nations General Assembly in August.

#### BOOST TO COOPERATION WITH DEVELOPING COUNTRIES

The Council agreed that the Community should continue to play an active and constructive role in efforts to enable the developing countries to make progress. The problems facing the world economy, and particularly developing countries, cannot be solved by one or two relatively simple initiatives. Patient, determined and realistic negotiation is essential.

#### NORTH/SOUTH SUMMIT

The Council did not take a position on this. The timing of such a meeting would need consideration in the light of progress at the Global Negotiations and elsewhere. There would also be practical difficulties. I would not, however, rule out the idea.



PREPARATION FOR VENICE ECONOMIC SUMMIT, 22/3 JUNE

As is customary, the European Council discussed the issues which will arise at the Economic Summit next weekend.

The Community established a broad identity of views on the major economic issues. They paid particular attention to energy questions which are likely to be an important theme at the forthcoming Economic Summit.

BARGAIN WITH OIL PRODUCERS

We have made clear on several occasions our desire for a constructive dialogue with the oil producers. Energy is clearly a key element in world economic prospects and there are many areas of mutual interest. We do not, however, underestimate the difficulties of reaching understandings in this field.



## BACKGROUND

1. The Eleventh Special Session of the United Nations General Assembly will meet in New York from 25 August until 5 (or 12) September. It will undertake two tasks:-

- (a) launch a round of 'Global Negotiations' on international economic cooperation for development covering energy, raw materials, trade, development, money and finance;
- (b) adopt a new International Development Strategy for the 1980s.



## SUPPLEMENTARIES ON ENERGY

### NORTH SEA OIL

1. Our partners are aware of the contribution North Sea oil is making, and will continue to make, to energy supplies.

### OPEC

2. The outcome of last week's OPEC meeting in Algiers was unclear but the pressures for further price increases are ~~clearly~~ there.

### IRAN

3. Iranian prices have for some time been sharply different from those of comparable OPEC crudes. Neither British companies nor the companies of other major western countries have been buying.

### DIALOGUE

4. Oil prices are clearly a problem for the world economy. There are many ideas about talks with the oil producers to achieve some kind of understanding. We are open about the forum. The first occasion for talks with all interested parties about energy will be the Global Negotiations.



## PRESIDENCY OF THE COMMISSION

The Heads of Government discussed possible names for the next President of the Commission to take office on January 1, 1981. Agreement has not yet been reached on this matter but I hope that this will be possible shortly. I should add that the British Government would have been glad to make a decision during the Venice meeting.

## WHY NO AGREEMENT?

We decided we needed more time to reflect on the best choice. There are a number of outstanding possibilities.

## WHO DID YOU CONSIDER? / WHO BACKED WHO?

I shall not to mention names at this stage, nor would it be proper for me to divulge the positions adopted by our partners.

## WHAT HAPPENS NEXT?

The Italian Presidency will continue soundings through diplomatic channels.

## WILL THE PRESIDENT STILL BE CHOSEN 6 MONTHS BEFORE THE NEW COMMISSION TAKES UP OFFICE?

I see no problem in meeting the target agreed at the April European Council. The new Commission does not take office until 6 January 1981, so we have until 6 July.



## WISE MEN'S REPORT

Given the need for a full discussion of the Middle East, there was no time for more than a brief discussion of some aspects of the Report of the Committee of Three. No conclusions were reached. It is for the Italian Presidency to decide how to carry forward consideration of the Report.

## DOES THIS MEAN REPORT HAS BEEN SHELVED?

Not at all. Foreign Ministers have done a great deal of work already on this very useful report. It is now for the European Council itself to take decisions on those aspects that cannot be dealt with at a lower level. Unfortunately there was not time on this occasion.



## ORIGINS OF EUROPEAN COUNCIL

At their meeting in Paris on 9/10 December 1974, the Heads of Government of the Nine "decided to meet, accompanied by the Ministers of Foreign Affairs, three times a year and whenever necessary in the Council of the <sup>Communities</sup> ~~Committies~~ and in the context of political cooperation".

## PURPOSE OF EUROPEAN COUNCIL

The Council provides a valuable opportunity for informal exchanges of view of a wide ranging nature between Heads of Government; and for decisions to be taken or guidelines for future action settled.

## SURELY TWO EUROPEAN COUNCILS A YEAR ARE ENOUGH?

The 1974 Agreement was that the Council should meet "three times a year and whenever necessary". It is certainly open to Heads of Government to agree to meet less often if that is the view of them all.

## STATUS OF PRESIDENCY CONCLUSIONS

This represents a summary by the Presidency of the main points covered at the European Council. It is in no sense legally binding. It was used by the Presidency as a basis for their briefing of the Press after the Council. It is customary not to issue a formal communique except on specific topics such as, on this occasion, the Council's declarations on the Middle East, the Lebanon and Afghanistan.



BACKGROUND

The text of the Paris Agreement of 9/10 December 1974 instituting the European Council is attached.



From Gordon for  
STATEMENT BY THE PRIME MINISTER Jim

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Any of the candidates

①

Increase in Oil Prices.

Wider Pattern of Unemployment

Unemployment - can't be overcome.

② President's statement. - Unemployment  
Short term measures in order.

Name to the fact

Welfare Policy

③ Financial Policies - commitment

④ Middle out - much less sharp.

Policy self-defeat

⑤ Agreement → Europe -



DRAFT STATEMENT BY THE PRIME MINISTER

*Together with my Northern Ireland and Foreign Secretary*

I attended the meeting of the European Council held in Venice on 12 and 13 June. The summary of the proceedings issued by the Italian Presidency has been ~~deposited~~ <sup>placed</sup> in the Library of the House.

The Venice meeting was a ~~sequence~~ <sup>series</sup> of ~~discussions~~ <sup>series</sup> between the Nine Heads of Government about the fundamental problems we all face, within the European Community and outside. ~~One of our purposes was to prepare the common European view for the meeting of the Economic Summit which is to be held, also in Venice, later this month.~~ <sup>We had in mind the need for a common European view for the meeting of the Economic Summit which is to be held, also in Venice, later this month.</sup>

All nations in the European Community have similar problems of inflation, ~~recession~~ and unemployment. We were agreed that ~~we~~ <sup>while we</sup> must tackle these problems with ~~policies which are complementary~~ <sup>the appropriate monetary and fiscal policies</sup> and that those policies must minimise, by international collaboration, ~~the risk of any general decline in demand.~~ <sup>the 1972 income in the third</sup>

~~We also discussed the international energy situation at length.~~ <sup>bound to lead to a recession in world trade.</sup> ~~Concern was expressed by many of us at the pressure for further oil price increases in evidence at the recent Algiers meeting of OPEC.~~ <sup>We were therefore disturbed</sup> The European Community remains willing <sup>in good faith</sup> to enter into a dialogue with the oil producers, ~~but recent OPEC decisions have not improved the prospects.~~

<sup>Having noted the conditions attached to the</sup> We had a useful but necessarily preliminary discussion of the need to put in hand and carry through urgently the review of the Community's financial position which ~~was decided by Foreign Ministers on 29/30 May.~~ <sup>We do look the opportunity to have a further in-depth discussion about this at the next Presidency of the Commission.</sup>

<sup>My hand in</sup> The European Council also issued <sup>the 3 units in the</sup> a declaration on the ~~Middle East, which will, with permission, be circulated in the Official Report.~~ <sup>to ensure a summary</sup> This re-states the two principles which have for many years been the basis of the European position: the right of all states in the region <sup>ular</sup> and in particular of course Israel, ~~to existence and security;~~ <sup>which wishes recognition of</sup> and justice for all peoples, including of course the Palestinian people. Beyond that, the European Council decided to make contact with all the parties ~~concerned in order - I quote the important sentence -~~ <sup>the</sup> 'To ascertain the position of the various parties' with respect to the principles set out in this declaration, and in the light of the results of this consultation process to determine the form which an initiative on their part (that is, on





the part of the Nine) might take).' This means that, without cutting across the Camp David process on which the United States, Egypt and Israel are still engaged, <sup>the</sup> Nine will themselves undertake diplomatic activity <sup>with the new and old participants</sup> over the next few months. We hope and believe that <sup>in many ways</sup> ~~this~~ <sup>they</sup> can contribute to the work which will have to be done to prepare for a peace settlement in the Middle East.



DRAFT STATEMENT BY THE PRIME MINISTER

*Try to make my note from, the FCS, )*

I attended the meeting of the European Council held in Venice on 12 and 13 June. The summary of the proceedings issued by the Italian Presidency has been <sup>placed</sup> deposited in the Library of the House.

The Venice meeting [~~was a sequence of discussions~~ <sup>discussions</sup> between the Nine Heads of Government about] the fundamental problems we all face, within the European Community and outside. One of our purposes was to prepare <sup>a</sup> the common European view for the meeting of the Economic Summit which is to be held, also in Venice, later this month. <sup>next month</sup>

All nations in the European Community have similar problems of inflation, recession and unemployment. We were agreed that we must tackle these problems with policies which are complementary; and that those policies must minimise, by international collaboration, the risk of any general decline in demand.

We also discussed the international energy situation at length. <sup>We were particularly concerned</sup> [Concern was expressed by many of us] at the pressure for further oil price increases in evidence at the recent Algiers meeting of OPEC. The European Community remains willing to enter into a dialogue with the oil producers.

*Such measures could be made very much more effective if the Community's financial position were improved, particularly in the area of the balance of payments.*

<sup>The E.C. Council's position on the matter of the E.C. budget was made clear in its report of 29/30 May</sup>  
We had a useful [but necessarily] preliminary discussion of the need [to put in hand and carry through urgently the] <sup>for an urgent</sup> review of the Community's financial position, ~~which was decided by Foreign Ministers on 29/30 May.~~

<sup>> We also have to consider the fact, which is a serious one, that the Community's financial position is not as strong as it should be.</sup>  
The European Council also issued a declaration on the Middle East which will, with permission, be circulated in the Official Report. This re-states the two principles which have for many years been the basis of the European position: the right of all states in the region, <sup>including</sup> in particular of course Israel, to existence and security; and justice for all peoples, including of course the Palestinian people. Beyond that, the European Council decided to make contact with all the parties concerned in order - I quote the important sentence - 'To ascertain the position of the various parties with respect to the principles set out in this declaration, and in the light of the results of this consultation process to determine the form which an initiative on their part (that is, on



the part of the Nine) might take). This means that, without cutting across the Camp David process on which the United States, Egypt and Israel are still engaged, the Nine will themselves undertake diplomatic activity over the next few months. We hope and believe that this can contribute to the work which will have to be done to prepare for a peace settlement in the Middle East.



cc Middle East file P43

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STRASBOURG.

EUROPEAN COUNCIL, VENICE, 12/13 JUNE  
LEBANON.

1. FOLLOWING IS THE TEXT OF EUROPEAN COUNCIL DECLARATION ON THE  
LEBANON: QUOTE  
THE NINE AFFIRM ONCE AGAIN THEIR FULL AND COMPLETE SOLIDARITY  
WITH THE FRIENDLY COUNTRY OF THE LEBANON WHOSE STABILITY  
REMAINS DANGEROUSLY THREATENED BY CONFRONTATIONS IN THE REGION,  
AND RENEW THEIR URGENT APPEAL TO ALL THE COUNTRIES OR PARTIES  
CONCERNED TO PUT AN END TO ALL ACTS LIABLE TO DAMAGE THE  
INDEPENDANCE, SOVEREIGNTY AND TERRITORIAL INTEGRITY OF LEBANON  
OR THE AUTHORITY OF ITS GOVERNMENT. THE NINE WILL SUPPORT ANY  
ACTION OR INITIATIVE WHICH COULD ENSURE THE RETURN OF PEACE AND  
STABILITY OF THE LEBANON, WHICH CONSTITUTES AN ESSENTIAL STABIL-  
ISING FACTOR IN THE REGION.

THE NINE STRESS THE IMPORTANT ROLE WHICH UNIFIL MUST PLAY  
IN THE SOUTHERN PART OF LEBANON. THE NINE RECALL THEIR DECLARATION  
OF 22 APRIL 1980 AT LUXEMBOURG AND STRESS THAT IT IS ESSENTIAL  
THAT ALL THE PARTIES CONCERNED PERMIT UNIFIL TO CARRY OUT THE  
TASKS WITH WHICH IT HAS BEEN CHARGED, INCLUDING THE CONTROL  
OF THE TERRITORY UP TO THE INTERNATIONAL FRONTIER. UNQUOTE.

EILBECK

DEPARTMENTAL  
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EUROPEAN COUNCIL VENICE 12/13 JUNE  
AFGHANISTAN

1. THE FOLLOWING IS THE TEXT OF EUROPEAN COUNCIL DECLARATION ON AFGHANISTAN.

QUOTE.

THE EUROPEAN COUNCIL HAS NOTED WITH DEEP CONCERN THE INTENSIFICATION OF THE MILITARY OPERATIONS CONDUCTED BY THE SOVIET TROOPS IN AFGHANISTAN.

THESE DRAMATIC DEVELOPMENTS INCREASE STILL FURTHER THE SUFFERINGS OF THE AFGHAN PEOPLE. THEY EMPHASISE THE GENUINELY NATIONAL NATURE OF THE RESISTANCE OFFERED BY AN ENTIRE PEOPLE. THEY THREATEN TO JEOPARDIZE THE CLIMATE OF INTERNATIONAL RELATIONS FOR A LONG TIME TO COME.

IN THESE CIRCUMSTANCES, THE EUROPEAN COUNCIL WISHES TO REAFFIRM ITS CONVICTION THAT IT IS NECESSARY TO FIND WITHOUT DELAY THE MEANS OF REACHING A SOLUTION WHICH, IN KEEPING WITH THE RESOLUTION OF THE UNITED NATIONS GENERAL ASSEMBLY, WOULD ENSURE THE WITHDRAWAL OF SOVIET TROOPS AND THE FREE EXERCISE BY THE AFGHAN PEOPLE OF THE RIGHT TO DETERMINE THEIR OWN FUTURE. IT REITERATED ITS VIEW THAT A SOLUTION COULD BE FOUND IN AN ARRANGMENT WHICH ALLOWED AFGHANISTAN TO REMAIN OUTSIDE THE COMPETITION AMONG THE POWERS AND TO RETURN TO ITS TRADITIONAL POSITION AS A NEUTRAL AND NON-ALIGNED STATE.

IT RECALLS THAT IT PROPOSED IN LUXEMBOURG, ON 28TH APRIL, THAT THE GREAT POWERS AND THE NEIGHBOURING STATES SHOULD UNDERTAKE THE NECESSARY COMMITMENTS TO THIS END: IN PARTICULAR, THEY SHOULD AGREE TO RESPECT THE SOVEREIGNTY AND INTEGRITY OF AFGHANISTAN, TO REFRAIN FROM ANY INTERFERENCE IN ITS INTERNAL AFFAIRS AND RENOUNCE ANY STATIONING OF TROOPS ON ITS SOIL OR ANY FORM OF MILITARY ASSOCIATION WITH IT.

THE EUROPEAN COUNCIL SHARES THE CONCERN EXPRESSED AND THE CONCLUSION DRAWN BY THE 11TH CONFERENCE OF FOREIGN MINISTERS OF ISLAMIC STATES ON THE CONTINUED SOVIET MILITARY PRESENCE IN AFGHANISTAN AND HAS NOTED WITH GREAT INTEREST THE CREATION BY THIS CONFERENCE OF A COMMITTEE TO SEEK WAYS AND MEANS FOR A COMPREHENSIVE SOLUTION OF THE GRAVE CRISIS IN RESPECT TO AFGHANISTAN.

THE COUNCIL REPEATED ITS READINESS TO SUPPORT ANY MEANINGFUL INITIATIVE DESIGNED TO PROMOTE A SOLUTION OF THE AFGHAN CRISIS.  
UNQUOTE.

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FM VENICE 131412Z JUNE

TO IMMEDIATE F C O

TELNO.22 OF 13 JUNE 1980.

INFO TO PARIS BONN UKREP BRUSSELS BRUSSELS ROME COPENHAGEN  
DUBLIN LUXEMBOURG THE HAGUE, PRIORITY WASHINGTON UKDEL CECD  
UKDEL GENEVA.

EUROPEAN COUNCIL VENICE 12/13 JUNE

1. THE FOLLOWING IS A SUMMARY BY THE PRESIDENCY OF THE PROCEEDINGS OF THE EUROPEAN COUNCIL. IT WAS NOT DISCUSSED IN DETAIL BY THE EUROPEAN COUNCIL ITSELF EXCEPT SECTION 7 ON ENERGY. BUT WAS USED BY THE PRESIDENCY AS A BASIS FOR THEIR PRESS CONFERENCE AND WAS MADE AVAILABLE TO THE PRESS.

1. THE CONCLUSIONS REACHED ON 29 AND 30 MAY BY THE COUNCIL OF MINISTERS OF THE COMMUNITY WERE NOTED WITH SATISFACTION. THESE CONCLUSIONS ENABLED A SOLUTION TO BE FOUND TO THE PROBLEM OF THE UNITED KINGDOM'S CONTRIBUTION TO THE COMMUNITY BUDGET, LED TO AN AGREEMENT ON 1980/81 FARM PRICES AND ON THE SHEEPMEAT PROBLEM AND DEFINED THE GUIDELINES FOR A COMPREHENSIVE COMMON FISHERIES POLICY. THE OUTCOME OF THESE DISCUSSIONS HAS LED, INTER ALIA, TO FINALIZATION OF THE 1980 BUDGET, THEREBY NORMALIZING THE WORKING OF THE COMMUNITY.

A KEY FEATURE OF THE AGREEMENTS THUS REACHED IS THE COMMUNITY COMMITMENT TO IMPLEMENT STRUCTURAL CHANGES WHICH, BY ENSURING A MORE BALANCED DEVELOPMENT OF COMMON POLICIES, BASED ON RESPECT FOR THEIR FUNDAMENTAL PRINCIPLES, AND BY PREVENTING THE RECURRENCE OF UNACCEPTABLE SITUATIONS, WILL ENABLE EACH MEMBER STATE TO BECOME MORE CLOSELY IDENTIFIED WITH COMMUNITY OBJECTIVES AND WITH THE DEEPENING PROCESS OF EUROPEAN INTERGRATION.

THIS COMMITMENT IS A FUNDAMENTAL PREREQUISITE, ESPECIALLY BEARING IN MIND THE PROSPECT OF ENLARGEMENT, IF THE COMMUNITY IS TO BE ABLE TO MEET ITS INTERNAL AND INTERNATIONAL RESPONSIBILITIES AUTHORITATIVELY AND EFFECTIVELY; TO RESPOND TO THE EXPECTATIONS OF THE CITIZENS OF EUROPE WITH EVER CLOSER SOLIDARITY BETWEEN MEMBER STATES IN THE VARIOUS SECTORS OF POLITICAL, ECONOMIC AND SOCIAL ACTIVITY; TO PROMOTE GREATER CONVERGANCE AND THE HARMONIOUS DEVELOPMENT OF THEIR ECONOMIES, HELP TO REDUCE THE DISPARITIES BETWEEN THE VARIOUS REGIONS AND THE GROUND TO BE MADE UP BY THE LESS WELL-OFF; IN SHORT, TO REALIZE IN FULL THE OBJECTIVES ENSHRINED IN THE TREATIES, IN TOTAL COMPLIANCE WITH THE IDEALS UNDERLYING THE GRAND DESIGN OF EUROPEAN UNIFICATION.

2. A REVIEW OF THE ECONOMIC AND SOCIAL SITUATION CONFIRMED THE JUDGEMENTS EXPRESSED AT THE EUROPEAN COUNCIL MEETING ON 27 AND 28 APRIL 1980.

IN PARTICULAR, THE KEENEST CONCERN WAS EXPRESSED AT THE HARDENING INFLATIONARY PRESSURES, WHICH REPRESENT THE GRAVEST OF THREATS TO THE STABILITY AND TO THE DEVELOPMENT OF THE MEMBER STATES' ECONOMIES. THESE PRESSURES ALSO POSE A THREAT BECAUSE OF THE VARYING DEGREES TO WHICH THEY ARE EVIDENT IN THE VARIOUS COUNTRIES OF THE COMMUNITY.

THE MAJOR SHORT TERM OBJECTIVES MUST BE TO CONTAIN INFLATION. THIS SHOULD BE DONE BY MEANS OF APPROPRIATE MONETARY AND FISCAL POLICIES, COUPLED WITH MEASURES DESIGNED TO SUSTAIN INVESTMENT AND TO COPE WITH THE EMPLOYMENT SITUATION WHILE KEEPING EXTERNAL IMBALANCES WITHIN ACCEPTABLE BOUNDS.

GIVEN THE SLOW-DOWN IN DEMAND WHICH IS APPEARING IN OTHER MAJOR ECONOMIC AREAS, STRESS WAS LAID ON THE IMPORTANCE OF ACTION TO ENSURE THAT THE RISK OF A GENERAL RECESSION IN DEMAND IS AVERTED THROUGH APPROPRIATE INTERNATIONAL COLLABORATION.

3. IN THE FACE OF THE INCREASINGLY DISTURBING EMPLOYMENT SITUATION, PARTICULARLY AS REGARDS YOUNG PEOPLE, THERE WAS RE-AFFIRMATION OF THE PRIORITY NEED, IN SOME OF THE MEMBER STATES, FOR SHORT-TERM STRUCTURAL MEASURES IN THE CONTEXT OF AN ACTIVE EMPLOYMENT POLICY.

IT IS ESSENTIAL THAT THE COMMUNITY SHOULD BE IN A POSITION SYSTEMATICALLY TO EVALUATE THE IMPACT ON EMPLOYMENT OF THE VARIOUS COMMUNITY POLICIES FROM THE TIME OF THEIR INCEPTION, TO ENSURE A BETTER CO-ORDINATION OF EMPLOYMENT POLICIES AT COMMUNITY LEVEL AND TO HARMONIZE COMMUNITY ACTION IN THE FIELD OF ECONOMIC POLICY WITH THAT TAKEN IN THE SOCIAL AND EMPLOYMENT FIELDS.



THE OUTCOME OF THE SOCIAL AFFAIRS COUNCIL ON 9 JUNE 1980 WAS NOTED WITH SATISFACTION, ESPECIALLY AS REGARDS THE CONSULTATIONS BETWEEN EMPLOYERS AND LABOUR. THE COUNCIL IS ASKED TO CONTINUE ITS PROCEEDINGS WITH A VIEW TO ACHIEVING THE ABOVE OBJECTIVES, ON THE BASIS OF PERIODIC REPORTS FROM THE COMMISSION ON THE EMPLOYMENT SITUATION.

4. IN THE BELIEF THAT IN 1980 THE DECLINE IN GROWTH RATES IN THE VARIOUS INDUSTRIALIZED AREAS WOULD BE QUITE SHARP, AMONG OTHER THINGS BECAUSE OF THE RISE IN CRUDE OIL PRICES, THE COMMITMENT TO TAKE AN ACTIVE PART IN STRENGTHENING THE OPEN AND MULTILATERAL INTERNATIONAL TRADE SYSTEM WAS RENEWED, IN ACCORDANCE WITH THE STATEMENT BY THE MEMBER COUNTRIES OF THE OECD AT THE MINISTERIAL MEETING ON 3 AND 4 JUNE 1980. IN PARTICULAR, THE HOPE WAS EXPRESSED THAT ALL THE INDUSTRIALIZED COUNTRIES WOULD DO THEIR UTMOST TO CONFRONT AND RESOLVE THE OUTSTANDING TRADE PROBLEMS, ADOPTING SOLUTIONS IN LINE WITH THE CONTENT AND SPIRIT OF THE OUTCOME OF THE MULTILATERAL TRADE NEGOTIATIONS.

WITH REFERENCE TO THE CONCLUSIONS OF THE EUROPEAN COUNCIL IN LUXEMBOURG ON 27 AND 28 APRIL 1980, A FURTHER EXAMINATION OF THE INTERNATIONAL MONETARY SITUATION TOOK PLACE. THIS WAS SEEN STILL TO BE DOMINATED BY THE PROBLEMS OF THE HUGE BALANCE OF PAYMENTS DISEQUILIBRIA STEMMING FROM RECENT OIL PRICE INCREASES. RIGHTING OF THESE IMBALANCES CAN ONLY BE EFFECTED IN THE LONG TERM BY MEANS OF STABILIZATION OF THE TERMS OF TRADE AND THE NECESSARY REAL ADJUSTMENTS TO OUR ECONOMIES.

THE RECYCLING OF OIL SURPLUSES CAN IN SHORT TERM ATTENUATE THE NEGATIVE EFFECTS OF THESE IMBALANCES. THIS PROCESS, TO WHICH THE PRIVATE CAPITAL MARKET HAS AN ESSENTIAL CONTRIBUTION TO MAKE, MUST BE BACKED UP BY DEVELOPMENT OF THE ROLE OF INTERNATIONAL FINANCIAL INSTITUTIONS.

5. STRESS WAS LAID ON THE PRIMARY IMPORTANCE OF THE NORTH-SOUTH DIALOGUE FOR THE STABILITY OF INTERNATIONAL RELATIONS. IT IS INTENDED THAT A FURTHER BOOST SHOULD BE GIVEN TO CO-OPERATION WITH THE DEVELOPING COUNTRIES. THIS SHOULD CONTRIBUTE, ON THE BASIS OF INTERDEPENDENCE AND MUTUAL ADVANTAGE, TO CREATING THE DEGREE OF ECONOMIC EXPANSION REQUIRED, IN THE CONTEXT OF A RESTRUCTURING OF INTERNATIONAL ECONOMIC RELATIONS, TO ENABLE THE DEVELOPING COUNTRIES TO MAKE RAPID PROGRESS.

WITH THIS IN VIEW, THE NEED REMAINS FOR A POLITICAL COMMITMENT TO THE GLOBAL NEGOTIATIONS, TO FINALIZING THE THIRD INTERNATIONAL DEVELOPMENT STRATEGY, TO THE AGREEMENTS ON THE STATUTES OF THE COMMON FUND FOR THE STABILIZATION OF RAW MATERIAL PRICES AND THE CONTINUATION OF THE NEGOTIATIONS ON COMMODITIES.

MUCH IS EXPECTED OF THE 11TH SPECIAL SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY. THE REPORT OF THE BRANDT COMMISSION COULD, IT IS FELT, MAKE A PARTICULARLY INTERESTING CONTRIBUTION TO ITS SUCCESSFUL OUTCOME.

INEVITABLY, CONCERN WAS EXPRESSED ABOUT THE EFFECT ON DEVELOPMENT POLICY OF THE CONTINUING INCREASES IN CRUDE OIL PRICES AND OF THE ECONOMIC AND POLITICAL TENSIONS TO WHICH THESE HAVE GIVEN RISE.

7. PARTICULAR ATTENTION WAS DEVOTED TO THE WORSENING INTERNATIONAL ENERGY CRISIS. THE DECISIONS OF THE COUNCIL OF MINISTERS (ENERGY) ON 13 MAY AND 9 JUNE TO REDUCE THE RATION BETWEEN THE GROWTH OF GNP AND INCREASED ENERGY CONSUMPTION AND THE SHARE OF OIL IN THE COMMUNITY'S ENERGY BUDGET, WERE NOTED WITH SATISFACTION. THE KEENEST CONCERN WAS EXPRESSED AT THE FURTHER PRESSURES FOR A PRICE INCREASE BROUGHT TO BEAR IN ALGIERS: IT WAS POINTED OUT THAT NO OBJECTIVE GROUNDS EXISTED FOR INCREASING THE PRICE OF CRUDE AT THE PRESENT TIME.

THE REPETITION OF SUCH INCREASES CONSTITUTES AN OBVIOUS THREAT TO INTERNATIONAL STABILITY. ITS EFFECTS UPON THE PHENOMENON OF INFLATION AND CONSEQUENTLY UPON ECONOMIC EXPANSION, INVESTMENT, EMPLOYMENT AND THE BALANCE OF PAYMENTS GIVE RISE TO INTOLERABLE BURDENS FOR THE INDUSTRIALIZED REGIONS AND EVEN MORE SO FOR THE EMERGENT COUNTRIES, THE LATTER BEING CONFRONTED WITH TRULY INSOLUBLE PROBLEMS OF READJUSTMENT WHICH CAN CLEARLY NOT BE RESOLVED BY RECYCLING ALONE.

THESE ASPECTS OF THE CRISIS WHICH WILL BE HIGHLIGHTED AT THE FORTHCOMING ECONOMIC SUMMIT, MUST BE GIVEN THEIR FULL WEIGHT.

THE COMMUNITY REMAINS WILLING TO ENTER INTO A DIALOGUE WITH ALL THE COUNTRIES CONCERNED. IT REGRETS, HOWEVER, THAT THE RECENT OPEC DECISIONS MAY HAVE MADE SUCH A DIALOGUE MORE DIFFICULT TO ACHIEVE.

EILBECK

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cc Middle East Sitn P43

GRS 800  
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FM VENICE 131410Z JUN 80  
TO FLASH FCO

TELEGRAM NUMBER 20 OF 13 JUNE  
INFO FLASH WASHINGTON, IMMEDIATE TOKYO, ALL EC POSTS, UKDEL NATO,  
UKMIS NEW YORK, DAMASCUS, AMMAN, JEDDA, BEIRUT, CAIRO, TEL AVIV,  
PRIORITY ATHENS, LISBON, MADRID, ANKARA, TUNIS, MUSCAT, ABU  
DHABI, RABAT, TRIPOLI, SANA'A, KHARTOUM, ALGIERS, DOHA, BAHRAIN,  
ADEN, BAGHDAD, KUWAIT, MOGADISHU, TEHRAN, ROUTINE MOSCOW, UKDEL  
STRASBOURG.

EUROPEAN COUNCIL, VENICE, 12/13 JUNE

MIDDLE EAST

FOLLOWING IS THE TEXT OF EUROPEAN COUNCIL DECLARATION ON THE  
MIDDLE EAST:

QUOTE

1. THE HEADS OF STATE AND GOVERNMENT AND THE MINISTERS OF FOREIGN AFFAIRS HELD A COMPREHENSIVE EXCHANGE OF VIEWS ON ALL ASPECTS OF THE PRESENT SITUATION IN THE MIDDLE EAST, INCLUDING THE STATE OF NEGOTIATIONS RESULTING FROM THE AGREEMENTS SIGNED BETWEEN EGYPT AND ISRAEL IN MARCH 1979. THEY AGREED THAT GROWING TENSIONS AFFECTING THIS REGION CONSTITUTE A SERIOUS DANGER AND RENDER A COMPREHENSIVE SOLUTION TO THE ISRAELI-ARAB CONFLICT MORE NECESSARY AND PRESSING THAN EVER.
2. THE NINE MEMBER STATES OF THE EUROPEAN COMMUNITY CONSIDER THAT THE TRADITIONAL TIES AND COMMON INTERESTS WHICH LINK EUROPE TO THE MIDDLE EAST OBLIGE THEM TO PLAY A SPECIAL ROLE AND NOW REQUIRE THEM TO WORK IN A MORE CONCRETE WAY TOWARDS PEACE.
3. IN THE REGARD, THE NINE COUNTRIES OF THE COMMUNITY BASE THEMSELVES ON SECURITY COUNCIL RESOLUTIONS 242 AND 338 AND THE POSITIONS WHICH THEY HAVE EXPRESSED ON SEVERAL OCCASIONS, NOTABLY IN THEIR DECLARATIONS OF 29 JUNE 1977, 19 SEPTEMBER 1978, 26 MARCH AND 18 JUNE 1979, AS WELL AS IN THE SPEECH MADE ON THEIR BEHALF ON 25 SEPTEMBER 1979 BY THE IRISH MINISTER OF FOREIGN AFFAIRS AT THE 34TH UNITED NATIONS GENERAL ASSEMBLY.
4. ON THE BASES THUS SET OUT, THE TIME HAS COME TO PROMOTE THE RECOGNITION AND IMPLEMENTATION OF THE TWO PRINCIPLES UNIVERSALLY ACCEPTED BY THE INTERNATIONAL COMMUNITY: THE RIGHT TO EXISTENCE AND TO SECURITY OF ALL THE STATES IN THE REGION, INCLUDING ISRAEL, AND JUSTICE FOR ALL THE PEOPLES, WHICH IMPLIES THE RECOGNITION OF THE LEGITIMATE RIGHTS OF THE PALESTINIAN PEOPLE.
5. ALL OF THE COUNTRIES IN THE AREA ARE ENTITLED TO LIVE IN PEACE WITHIN SECURE, RECOGNIZED AND GUARANTEED BORDERS. THE NECESSARY GUARANTEES FOR A PEACE SETTLEMENT SHOULD BE PROVIDED BY THE UN BY A DECISION OF THE SECURITY COUNCIL AND, IF NECESSARY, ON THE BASIS OF OTHER MUTUALLY AGREED PROCEDURES. THE NINE DECLARE THAT THEY ARE PREPARED TO PARTICIPATE WITHIN THE FRAMEWORK OF A COMPREHENSIVE SETTLEMENT IN A SYSTEM OF CONCRETE AND BINDING INTERNATIONAL GUARANTEES, INCLUDING ON THE GROUND.
6. A JUST SOLUTION MUST FINALLY BE FOUND TO THE PALESTINIAN PROBLEM, WHICH IS NOT SIMPLY ONE OF REFUGEES. THE PALESTINIAN PEOPLE, WHICH IS CONSCIOUS OF EXISTING AS SUCH, MUST BE PLACED IN A POSITION, BY AN APPROPRIATE PROCESS DEFINED WITHIN THE FRAMEWORK OF THE COMPREHENSIVE PEACE SETTLEMENT, TO EXERCISE FULLY ITS RIGHT TO SELF-DETERMINATION.
7. THE ACHIEVEMENT OF THESE OBJECTIVES REQUIRES THE INVOLVEMENT AND SUPPORT OF ALL THE PARTIES CONCERNED IN THE PEACE SETTLEMENT WHICH THE NINE ARE ENDEAVOURING TO PROMOTE IN KEEPING WITH THE PRINCIPLES FORMULATED IN THE DECLARATION REFERRED TO ABOVE. THESE PRINCIPLES ARE BINDING ON ALL THE PARTIES CONCERNED, AND THUS THE PALESTINIAN PEOPLE, AND ON THE PLO, WHICH WILL HAVE TO BE ASSOCIATED WITH THE NEGOTIATIONS.

/8



8. THE NINE RECOGNIZE THE SPECIAL IMPORTANCE OF THE ROLE PLAYED BY THE QUESTION OF JERUSALEM FOR ALL THE PARTIES CONCERNED. THE NINE STRESS THAT THEY WILL NOT ACCEPT ANY UNILATERAL INITIATIVE DESIGNED TO CHANGE THE STATUS OF JERUSALEM AND THAT ANY AGREEMENT ON THE CITY'S STATUS SHOULD GUARANTEE FREEDOM OF ACCESS FOR EVERYONE TO THE HOLY PLACES.

9. THE NINE STRESS THE NEED FOR ISRAEL TO PUT AN END TO THE TERRITORIAL OCCUPATION WHICH IT HAS MAINTAINED SINCE THE CONFLICT OF 1967, AS IT HAS DONE FOR PART OF SINAI. THEY ARE DEEPLY CONVINCED THAT THE ISRAELI SETTLEMENTS CONSTITUTE A SERIOUS OBSTACLE TO THE PEACE PROCESS IN THE MIDDLE EAST. THE NINE CONSIDER THAT THESE SETTLEMENTS, AS WELL AS MODIFICATIONS IN POPULATION AND PROPERTY IN THE OCCUPIED ARAB TERRITORIES, ARE ILLEGAL UNDER INTERNATIONAL LAW.

10. CONCERNED AS THEY ARE TO PUT AN END TO VIOLENCE, THE NINE CONSIDER THAT ONLY THE RENUNCIATION OF FORCE OR THE THREATENED USE OF FORCE BY ALL THE PARTIES CAN CREATE A CLIMATE OF CONFIDENCE IN THE AREA, AND CONSTITUTE A BASIC ELEMENT FOR A COMPREHENSIVE SETTLEMENT OF THE CONFLICT IN THE MIDDLE EAST.

11. THE NINE HAVE DECIDED TO MAKE THE NECESSARY CONTACTS WITH ALL THE PARTIES CONCERNED. THE OBJECTIVE OF THESE CONTACTS WOULD BE TO ASCERTAIN THE POSITION OF THE VARIOUS PARTIES WITH RESPECT TO THE PRINCIPLES SET OUT IN THIS DECLARATION AND IN THE LIGHT OF THE RESULTS OF THIS CONSULTATION PROCESS TO DETERMINE THE FORM WHICH AN INITIATIVE ON THEIR PART COULD TAKE.

UNQUOTE

EILBECK

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UNOFFICIAL TRANSLATION

EUROPEAN COUNCIL: DRAFT STATEMENT OF THE NINE ON THE MIDDLE EAST

1. The Heads of State and Government and the Foreign Ministers have exchanged views [in depth] on the situation in the Middle East [including the current state of negotiations resulting from the agreements signed between Egypt and Israel in March 1979]. They agreed that the growing tensions [which affect this region constitute a growing danger] [which affect this region constitute a serious danger to peace] [affect seriously the security of this region [and]] make a comprehensive solution of the Arab/Israel conflict more than ever necessary and urgent.
2. The Nine countries of the European Community consider that the traditional links and common interests which bind Europe to the Middle East require them to play a ~~special~~ role and call upon them today to work towards peace in a more concrete manner.
3. [In their action] [in acting thus], the Nine countries of the Community base themselves on Resolutions 242 and 338 of the Security Council and the positions which they have expressed on numerous occasions, notably in their declarations of 29 June 1977, 19 September 1978, 26 March and 18 June 1979, as well as in the speech made on their behalf on 25 September last by the Irish Foreign Minister at the 34th UN General Assembly.
4. On the basis thus set out, the time has come to work for the recognition and implementation of the two principles universally accepted by the international community: the right to exist and to security of all the states in the region including Israel, and justice for all the peoples which implies recognition of the legitimate rights of the Palestinian people.
5. All the countries of the region have the right to live in peace within secure recognised and guaranteed boundaries. The guarantees of the peace settlement should be provided by the United Nations by decision of the Security Council and, as appropriate, according to other mutually agreed procedures. The Nine once more declare themselves ready to participate in a system of international guarantees in the context of a comprehensive settlement.

Plan  
on this.

Not a  
happy  
example in  
this region

Not much  
use in this  
region.



6. The Palestinian problem, which is not simply a refugee problem, must at last find a just solution. The Palestinian people, who are conscious of their own existence as such, must be put in a position to exercise their right to self-determination [through an appropriate process] within the framework of the comprehensive peace settlement. [The exercise of this right involves the establishment of a homeland for the Palestinian people [organised by itself and, if it so desires, a Palestinian state on the territories which Israel should evacuate in Palestine]]

7. The implementation of these aims requires the adherence and concurrence of all the parties involved in the peace settlement which the Nine are striving to promote on the basis of the principles set out in the declarations mentioned above. These principles are valid for all the parties concerned, [including the Palestinian people, [which [involves the participation] [necessitates the participation] [involves the association] of the PLO in the negotiation.]

8. The Nine recognise the particularly important role which the question of Jerusalem possesses for all the parties concerned. In the speech of the then Presidency at the then United Nations on 25 September 1979, the Nine stressed inter alia that they did not accept any unilateral move which claimed to change the status of Jerusalem and that any agreement on the status of the city should guarantee the right of free access for all to the Holy Places.

9. The Nine recall the need for Israel to end the territorial occupation which it has maintained since the conflict of 1967. They are deeply convinced that the Israel settlements represent a serious obstacle to the peace process in the Middle East. The Nine consider that these settlements [as well as demographic and property modifications in the occupied Arab territories] are contrary to international law.

10. Concerned to put an end to violence, the Nine consider that only the renunciation of force and the threat of force by all the parties can create a climate of confidence in the region, and constitutes a fundamental element for a comprehensive settlement on the Middle East conflict.

/11.



11. The Nine have decided [to undertake the necessary soundings with] [to make the necessary contacts with] [all] the parties involved. In the light of the results of this consultation the Nine will decide the precise modalities of their future action [the precise methods and timetable for an initiative on their part].

12. The Nine also stressed the importance which they attach to the Euro/Arab Dialogue on all fronts and the need to develop its political dimension. They have accordingly agreed that a meeting at the political level between the two parties would be opportune. They intend thus to contribute to the development of co-operation and mutual understanding between Europe and the Arab world.



M. Alexander

Insurrection on Santo  
cc. New Hebrides: ~~xxx~~: Aug 79

CONFIDENTIAL

FM VENICE 131045Z JUN 80

TO FLASH FCO

TELEGRAM NUMBER 19 OF 13 JUNE

INFO IMMEDIATE VILA, PRIORITY MODUK (DS11), CANBERRA, WELLINGTON,  
WASHINGTON, UKMIS NEW YORK, SUVA, HONIARA, PORT MORESBY.

MY IPT:

NEW HEBRIDES - PRESS LINE.

1. ON THE RECORD

THE PRIME MINISTER AND PRESIDENT GISCARD HAD SOME DISCUSSION OF  
THE NEW HEBRIDES AT THEIR BILATERAL MEETING THIS MORNING AND  
AGREED THAT THE TWO GOVERNMENTS SHOULD REMAIN IN THE CLOSEST TOUCH  
IN THEIR HANDLING OF THE PROBLEM. THE TWO GOVERNMENTS WILL CONTINUE  
THEIR JOINT EFFORTS TO RESOLVE THE PROBLEM BY PEACEFUL MEANS.

2. IN REPLY TO QUESTIONS

THE COMPANY OF BRITISH TROOPS IS PROCEEDING TO VILA AS ALREADY  
ANNOUNCED.

EILBECK



*M. Alexander*

CONFIDENTIAL

FM VENICE 131025Z JUN 80

TO FLASH FCO

TELEGRAM NUMBER 18 OF 13 JUNE

INFO IMMEDIATE VILA, PRIORITY MODUK (DS11), CANBERRA, WELLINGTON,  
WASHINGTON, UKMIS NEW YORK, SUVA, HONIARA, PORT MORESBY.

*A copy of this tel is also on:-*

*New Hebrides: Insurrection of Santo : Aug 79*

NEW HEBRIDES

1. THE PRIME MINISTER DISCUSSED THIS TODAY WITH THE FRENCH PRESIDENT. SHE MADE IT CLEAR THAT THE BRITISH TROOPS WOULD GO TO VILA AND URGED THAT A MATCHING CONTINGENT OF GENDARMES SHOULD BE SENT AGAIN FROM NOUMEA SO AS TO ENSURE THE GENUINELY JOINT CHARACTER OF THE FORCE.
2. PRESIDENT GISCARD RAISED NO OBJECTION TO THE DESPATCH TO VILA OF BRITISH TROOPS. BUT HE WAS RELUCTANT TO SEND A FRENCH CONTINGENT. HE CONTENDED THAT FRANCE ESCHEWED THE USE OF MILITARY FORCE IN COLONIAL SITUATIONS. THE PRIME MINISTER CONTINUED TO ARGUE FOR THE DESPATCH OF A MATCHING FRENCH CONTINGENT. THE PRESIDENT DID NOT COMMENT ON THIS POINT, BUT URGED THAT THE BRITISH TROOPS SHOULD NOT IN FACT GET INVOLVED IN MILITARY ACTION AGAINST ANY OF THE ISLANDERS THE PRIME MINISTER SAID THAT IT WAS NATURALLY OUR HOPE THAT THE PRESENCE OF THE TROOPS WOULD SUFFICE TO ENCOURAGE NEGOTIATIONS AND THAT THE USE OF FORCE WOULD NOT BE NECESSARY. THE DETERRENT EFFECT WOULD OF COURSE BE ENHANCED BY A FRENCH PRESENCE.
3. THE MATTER WAS LEFT ON THAT BASIS. IT WAS AGREED THAT MR BLAKER AND M. DIJOURD SHOULD MEET AT THE BEGINNING OF NEXT WEEK JOINTLY TO CONSIDER WHAT FURTHER ACTION MIGHT BE REQUIRED.
4. PLEASE SEE MIFT FOR LINE BEING TAKEN HERE WITH THE PRESS.

EILBECK



*Lybia*

*G. Bullard*

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OO VENICE  
GRS 123

UNCLASSIFIED  
FM FCO 12 JUNE 80  
TO IMMEDIATE VENICE  
TELEGRAM NUMBER 20 OF 12 JUNE  
FOR BULLARD

1. IN CASE YOU ARE TO DISCUSS LIBYA, YOU WILL WISH TO KNOW THAT THE FOLLOWING IS THE TEXT OF QADHAFI'S REFERENCE YESTERDAY TO ASSASSINATIONS ABROAD.
2. QUOTE I WANT TO ASK THE REVOLUTIONARY COMMITTEES TWO THINGS: FIRST, TO STOP FEDAYEEN ACTIVITY EVERYWHERE: SECOND, NOT TO CARRY OUT DEATH SENTENCES ORDERED BY REVOLUTIONARY COMMITTEES EXCEPT ON THOSE PERSONS CONVICTED BY A REVOLUTIONARY COURT. THE EXCEPTIONS TO THIS ARE THOSE PERSONS PROVED EVEN BY MEANS OTHER THAN A REVOLUTIONARY COURT TO BE COLLABORATING WITH ISRAEL, EGYPT AND THE USA. THOSE WHO COLLABORATE WITH THOSE THREE COMMIT HIGH TREASON, LOSE ALL PROTECTION AND DESERVE DEATH EVERYWHERE. UNQUOTE.

CARRINGTON

NNNN



H. Alexander  
PS/SFS  
PUS  
H. Fenn

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CONFIDENTIAL  
FM FCO 121230Z JUN 80  
FLASH VENICE

cc. New Hebrides: - Insurrection on Santo: Aug 79

TELEGRAM NUMBER 19 OF 12 JUNE  
INFO IMMEDIATE PARIS, VILA, MODUK  
FOLLOWING FOR PRIVATE SECRETARY FROM PS/MR BLAKER  
NEW HEBRIDES

1. OUR TELEGRAM NO 16 UPDATES THE BRIEFS PROVIDED FOR THE PRIME MINISTER AND THE SECRETARY OF STATE. I EXPECT THE PM AND SECRETARY OF STATE WILL ALREADY HAVE DECIDED HOW TO PLAY THIS ISSUE WITH THE FRENCH. BUT MR BLAKER HAS ASKED ME TO RECORD THAT HE WOULD BE GRATEFUL IF YOU WOULD EXPLAIN THAT HE THINKS IT ESSENTIAL THAT THE PRIME MINISTER SHOULD SPEAK TO PRESIDENT GISCARD ABOUT THE NEW HEBRIDES AT VENICE.
2. THE SECRETARY OF STATE DISCUSSED WITH MR BLAKER YESTERDAY THE POSSIBILITY OF MR BLAKER MAKING AN EARLY VISIT TO PARIS FOR TALKS WITH M. DIJOURD. MR BLAKER THINKS THAT HE SHOULD NOT GO TO PARIS UNTIL AFTER THE VENICE MEETING. THERE COULD BE A RISK OF CROSSED WIRES IF HE DID.
3. MR BLAKER ALSO THINKS THAT IF HE VISITED PARIS TODAY OR TOMORROW HIS VISIT WOULD INFLAME SPECULATION ABOUT A POSSIBLE ANGLO FRENCH RIFT.

CARRINGTON  
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PS/ 8875 PS

POS  
G. Fenn.

CONFIDENTIAL  
FROM FCO 120930Z JUNE 80  
TO FLASH VENICE

cc. New Hebrides: Insurrection to Santo: Aug 79

TELEGRAM NUMBER 16 OF 12 JUNE  
INFO IMMEDIATE PARIS, VILA PRIORITY MODUK (DS11 DOPS)  
CANBERRA, WELLINGTON, WASHINGTON, UKMIS NEW YORK, SUVA, HONIARA,  
PORT MORESBY  
FOR PRIVATE SECRETARY  
NEW HEBRIDES.

VILA TELNO 389 (COPIED TO YOU).  
PLEASE ADD FOLLOWING POINTS TO SECRETARY OF STATE'S AND PRIME  
MINISTER'S BRIEFS.

ESSENTIAL FACTS

- 1. DOMTOM HAVE CONFIRMED THAT FRENCH WITHDREW THEIR GENDARMES FROM VILA AT 0700Z TODAY.
- 2. INFLAMMATORY PAMPHLETS ARE BEING DISTRIBUTED IN VILA, AND THERE IS A POSSIBILITY OF DISTURBANCES BEFORE OUR TROOPS ARRIVE.

POINTS TO MAKE

- 1. THIS IS UNFORTUNATE. WHILE NOT CONSULTED IN LONDON, WE AGREED TO DEPLOYMENT OF GENDARMES AS ADVANCE ELEMENT OF JOINT SECURITY FORCE. (BRITISH TROOPS ARRIVE 142200Z).
- 2. WITHDRAWAL OF GENDARMES, AFTER WE HAVE PUBLICLY ANNOUNCE THAT OUR CONTRIBUTION TO A JOINT FORCE IS ON ITS WAY, MIGHT GIVE IMPRESSION THAT WE ARE NO LONGER PREPARED TO ACT JOINTLY.
- 3. VILA IS QUIET AT PRESENT. BUT SHOULD FURTHER DISTURBANCES OCCUR BEFORE OUR TROOPS ARRIVE, ASSUME FRENCH WOULD BE PREPARED RE-DEPLOY THEIR GENDARMES.
- 4. IN ANY EVENT, STRONGLY URGED THAT GENDARMES SHOULD RETURN TO VILA TO COINCIDE WITH ARRIVAL OF BRITISH TROOPS. WE MUST BE SEEN TO BE ACTING IN CONCERT.
- 5. WE CAN THEN CONSIDER WHAT FURTHER STEPS CAN BE TAKEN TO PROMOTE A PEACEFUL SOLUTION AND FACILITATE EARLY WITHDRAWAL OF OUR JOINT FORCE.

CARRINGTON

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Draft communication

International monetary problems

The European Council resumed examination of the current international monetary scene, dominated by the problem of administering the huge balance of payments disequilibria stemming from recent oil price increases.

The prospect that the process of redressing oil imbalances will be a slower one than in the past imposes a number of choices with regard to both the policies of individual countries and financial co-operation.

At the internal level, the righting of the present imbalances is conditioned by the formulation of national economic policies taking due account of the requirements of the adjustment process, if a balance of payments situation is to be achieved which is sustainable in the medium term.

At international level, the problem lies in ensuring the orderly process of oil surplus recycling on the basis of a package of appropriate measures.

To this end, the contribution by the private capital market will continue to be a major one, albeit one which will need to seek increasing inspiration in the criteria for healthy economic credit management. The role played by international financial institutions in recycling international liquidity will also need to be developed. The European Council gave an assurance of continuing Member State support for the measures aimed at increasing the credit capacity of international institutions, encouraging recourse to the latter's financial resources by countries in deficit and creating new channels for financing specific adjustment programmes.



There is also the problem of working out the conditions and dimensions of a possible active Community effort to help the process of international mediation. The European Council has consequently instructed the Council on Economic and Financial Affairs to continue examining possible Community initiatives to facilitate the recycling of oil surpluses, both in order to help the Member States and in wider international context.



European Council

Venice, 12 and 13 June 1980


Convergence and budget problems

Draft conclusions

The European Council noted with satisfaction the positive results achieved by the Council at its meeting on 29 and 30 May on the subject of the United Kingdom's contribution to the Community budget, the measures to be adopted in agriculture for the 1980-1981 marketing year, the measures for sheepmeat, and the guidelines to be followed in devising a comprehensive common fisheries policy.

The European Council pointed out that an essential element of the agreements thus reached is the Community's commitment to implement structural changes which, by ensuring a more balanced and harmonious development of common policies, in compliance with the fundamental principles thereof, will enable each Member State to feel ever more closely involved in the future of the Community and in the strengthening of European integration.

This commitment is a fundamental prerequisite, bearing in mind the prospect of enlargement, if the Community is to be able to tackle authoritatively and effectively its internal and international responsibilities; to respond to the expectations of the citizens of Europe with ever closer solidarity between Member States in the various sectors of political, economic and social activity; to promote greater convergence and the harmonious development of their economies, help to reduce the disparities between the various regions and the ground to be made up by the less well-off; in short, to realize in full the objectives enshrined in the Treaties, in total compliance with the ideals at the root of the ultimate aim of European unification.





For the purposes of this review of the common policies which is to bring about a greater balance in their development, the Commission was instructed to submit proposals by the end of June 1981. In order to facilitate the Commission's task and to provide it with appropriate political briefing on the guidelines which should serve as a basis for the future development of the Community, the European Council agreed that discussions should be held in depth on these basic topics at its next meeting in December.



cc Master Set  
 cc Euro Pd, Presidency of Commission  
 cc Community Budget Pt



file

cc Co  
HMT

despatched

10 DOWNING STREET cc. MAFF.

From the Principal Private Secretary

12 June 1980

Dear Paul,

Meeting with Chancellor Schmidt

The Prime Minister met Chancellor Schmidt at 1445 today in her room in the Hotel Cipriani.

Presidency of the Commission

The Prime Minister said that she wondered what Chancellor Schmidt's ideas were about possible successors to Mr. Jenkins. The principal task of whoever succeeded Mr. Jenkins would be to take charge of the restructuring of the Community Budget, and this was going to be a very big job indeed. This meant that we should go for someone who was a considerable person in his own right, regardless of nationality. The UK had begun to take the view that Signor Pandolfi might best fill the bill, but Signor Cossiga had now given her to understand that Signor Pandolfi's name would not be going forward. She thought that this was something which Heads of Government should discuss when they were alone after dinner that evening.

Chancellor Schmidt said that the ideal candidate should be somebody who had been a strong and effective Finance Minister in his national government: this was the kind of person needed to undertake the reform of the Community Budget. Against this criterion, both Signor Pandolfi and Signor Colombo would have been good candidates. On the other hand, he did not believe Mr. Gundelach would be suitable. But even if Signor Pandolfi and Signor Colombo had been prepared to be considered, there was the difficulty that it was the turn of one of the small countries to have the Presidency of the Commission. These various factors meant that the choice boiled down in practice to Viscount Davignon and M. Thorn. Neither of them was the ideal person to undertake the restructuring of the Budget. Viscount Davignon was a little too pro-French and a little too protectionist. But he was one of Europe's better diplomats. M. Thorn was too cautious and too diplomatic, but he had a great deal of experience. He thought that President Giscard would prefer Viscount Davignon; whereas Herr Genscher would favour M. Thorn who was a personal friend of his. He had no strong preference himself between Viscount Davignon and M. Thorn and could live with either. He agreed that Heads of Government should discuss the matter after dinner that night.

Community Procedures

Chancellor Schmidt said that it was ridiculous to invite the European Council to discuss the formal agenda which the Italians had proposed. The original purpose of the European Council was not to solve specific problems but to allow just the nine Heads of Government to discuss in an informal and

/personal



personal way the major issues facing the world. The nature of the meetings had changed greatly within recent years, and the Heads of Government were now behaving like Agriculture Ministers. The European Council had now become a piece of machinery like NATO or the United Nations. The Heads of Government ought to be able to speak their minds alone without a Secretariat. Moreover, the bureaucracy in Brussels was getting out of hand. It was growing all the time and now numbered more than 5,000 people. After enlargement there would, on present plans, be seventeen Commissioners, and this was ridiculous.

The Prime Minister said that she agreed entirely with what Chancellor Schmidt had said. She thought meetings of the European Council should consist of an informal exchange of views between the Heads of Government. She did not like the habit of issuing a formal communique. Moreover, she thought that the Council met too frequently: two meetings a year would be enough. She would be very happy to settle for only one Commissioner for the UK after enlargement. The Commission issued far too many directives which were very detailed: they were seeking standardisation and not harmonisation.

Encouraged by the Prime Minister, Chancellor Schmidt said that he would raise the possibility of reducing the number of European Council meetings to two a year with the other Heads of Government after dinner that evening.

#### Restructuring of the Community Budget

The Prime Minister said that she was fearful that rather than face up to the difficult task of restructuring the Budget, the Commission would take the easy way out and propose that the 1% VAT ceiling should be breached. If they did that, she would be in a difficult position because she did not want to be isolated again in the Community in saying no.

Chancellor Schmidt said that he thought it important that the UK should not find itself isolated again in the next two years or so. He agreed about the importance of not going above the 1% VAT ceiling, but he had been alarmed to be told in the last week or so that the ceiling was not the clear and firm limitation which he had previously supposed it was. He was advised that if the Community reached a ceiling on its revenues and was thus unable to make payments to those who, under existing Community law, were entitled to receive them, these people could apply to their national governments for payments in substitution, and the latter were obliged, again in accordance with existing Community law, to make such payments. When the Prime Minister suggested that the way of dealing with this situation would be to change the treaties, Chancellor Schmidt said that he did not believe either the Bundestag or the House of Commons would ratify the necessary amendments. He was in any case facing considerable difficulties over the Community Budget in the Bundestag. The German Government had always been willing to make large contributions to Community finances in order to encourage convergence. But he could not persuade either his own party or the FDP that Germany should pay in order to enhance the standard of living in countries like Denmark and Holland which were richer than Germany. He did not know where he was going to find the additional contribution required of Germany as a result of the recent Brussels package. His Government would now have to find DM2½ billion but they had provided for only DM600 million in their forward plans. The Federal Budget was already in deep deficit, and the servicing of it was getting out of hand. His Government could not borrow any more on the capital market because to do so would push up interest rates and this would have a disastrous effect on the German economy. This left him with no alternative but to increase taxes, and he had had to announce the previous week that taxation would be raised to meet the Brussels package on the 1st January 1981. The political

/implications



SECRET

implications of having to do this four months before the Federal elections did not need spelling out. Against this background, he had it in mind to tell the other Heads of Government after dinner that evening that it was likely that he would demand in about a year's time that ceilings should be imposed on net receipts from the Community Budget as well as on net contributions. He recognised that this approach was a little crude but it might be necessary and it would also help in the restructuring of the Budget.

The Prime Minister said that she entirely understood Chancellor Schmidt's difficulties, and she had pointed out at Luxembourg that it would not be fair to ask Germany to pay substantially more to the Community Budget than they already did. What he had said underlined the importance of getting ahead quickly with the restructuring of the Budget and she wondered whether some steps at least could be taken in time to be incorporated in the 1980 Budget.

Chancellor Schmidt said that that might be trying to move too quickly. The Commission would not come forward with any worthwhile proposals in the next twelve months, and he believed that the impetus would have to come from national governments. But the brake here was the French Government: although President Giscard wanted to see the CAP reformed, he would not be able to do anything, because of the strength of his agriculture lobby, until after the Presidential elections in April and May of next year. This meant that restructuring would have to go ahead very quickly after that and should be completed by the summer of 1982, if it was not to get caught up in the run-up to the French Assembly elections in 1983. He was not saying that the Commission should not make a start on preparatory work straightaway, though he doubted whether they would get very far. In any case he thought that member Governments should set up small bilateral task forces to work up ideas for restructuring. There might, for example, be an Anglo-German task force composed of, perhaps, two aside, and there might be similar Anglo-French and Franco-German groups. It was essential for these groups to work secretly, with no leak of their activities, for otherwise the French would have difficulties.

The Prime Minister said that she agreed that the restructuring of the Budget needed a lot of preparation. She thought that Chancellor Schmidt's idea of bilateral groups was a good one and she would consider it further.

I should be grateful if you could let me have a note for the Prime Minister on Chancellor Schmidt's assertion that those who were unable to get from the Commission payments that were due to them could have recourse, under existing Community law, to their national Governments for payments in substitution.

I am sending copies of this letter to Martin Hall (HM Treasury) and David Wright (Cabinet Office).

Yours sincerely,

Alvi Whitmore.

Paul Lever, Esq.,  
Foreign and Commonwealth Office.

SECRET





10 DOWNING STREET

Prime Minister,

The main points to discuss  
this afternoon - apart from your  
general strategy at the Council -  
would seem to be

(a) President Giscard's  
remarks about delaying the  
accession of Spain + Portugal; +

(b) the Middle East  
statement.

Amis



1. Ohira - Condolence of ETC to Japan.

2. Preparation of Texts.

3. Economic - Confirm the trends.

Inflation up.

Unemp. up.

Current G.P.P.

Slow down growth.

Prod = stab. → depression.

recession expected.

Overall forecast - short recession  
not probable this year.

Budget policies - Discretionary Policies - Rigorous.

Policies → improvement of competitiveness.

Without increase of budget deficit.

Petroleum Price increases.



Increase of Consumer P.R. 6% last day.

Unemp. 3-5%

Ind. Prod. 8%

Imp. Prices 23% higher.

Restructuring of Budget. Ind. - Control of Imports

" " Control of Exports

A.S.

We will not print money.

Just we add exp. for taxes.

Oil Prices - U.S.A. not metropolitan on oil prices.

- depth throughout the world.

- high rate of inflation - 78-79.

U.S.A.

Monetary Policy - abruptly - recession which  
no one can stop.

Will switch to whole world

Increased unemployment in Europe

Inflation very high - market danger



OUTLINE FOR PRESIDENCY PRESS RELEASES

1. The European Council noted with satisfaction the conclusions reached on 29 and 30 May by the Council of Ministers of the Community.

These discussions enabled a solution to be found to the problem of the United Kingdom's contribution to the Community budget, led to an agreement on 1980/1981 farm prices and on the sheepmeat problem and defined the guidelines for a comprehensive common fisheries policy. The outcome of these discussions has led, inter alia, to finalization of the 1980 budget, thereby normalizing the working of the Community.

The European Council noted that a key feature of the agreements thus reached is the Community commitment to implement structural changes which, by ensuring a more balanced development of common policies, based on respect for their fundamental principles, and by preventing the recurrence of unacceptable situations, will enable each Member State to become more closely identified with Community objectives and with the deepening process of European integration.

This commitment is a fundamental requirement, bearing in mind also the prospect of enlargement, if the Community is to be able to meet authoritatively and effectively the responsibilities devolving upon it both at internal and international levels.



2. After reviewing the economic and social situation, we confirmed the judgments expressed at the European Council meeting on 27 and 28 April 1980.

In particular, we expressed the keenest concern over the hardening inflationary trend, which represents a danger both in itself and because of the varying degree to which it is evident in various Community countries.

The major short term objective must be to contain inflation. In our view, this should be done through appropriate monetary and fiscal policies designed to sustain investment and to cope with the employment situation while keeping external imbalances within acceptable bounds.

Noting the evidence of recession in other major economic areas, we emphasized the importance of action to ensure that a general slow-down in demand is averted through appropriate international collaboration.



3. In the face of the increasingly disturbing employment situation, particularly as regards young people, the priority need was confirmed for an active employment policy to be implemented by means of short-term Community structural measures.

It is essential that the Community should be in a position systematically to evaluate the impact on employment of those various Community policies from the time of their inception to ensure a better co-ordination of employment policies at Community level and to harmonize Community action in the field of economic, social and employment policy.

The Commission should submit an annual report on the employment situation containing appropriate proposals as regards the machinery for achieving the above objectives and for promoting with all due urgency specific measures to deal with unemployment at Community level.

We note with satisfaction the outcome of the Social Affairs Council on 9 June 1980, especially as regards the consultations between employers and labour.



4. In the belief that in 1980 the decline in growth rates in the various industrialized areas will be sharper than in the previous year, among other things because of the rise in crude oil prices, we reaffirmed our determination to take an active part in strengthening the open and multilateral international trade system, in accordance with the statement by the member countries of the OECD at the ministerial meeting on 3 and 4 June 1980. In particular, we hope that all the industrialized countries will do their utmost to confront and resolve the outstanding trade problems, adopting solutions in line with the content and spirit of the outcome of the Multilateral Trade Negotiations.



5. With reference to the conclusions of the meeting held in Luxembourg on 27 and 28 April 1980, we continued examining the international monetary situation which seems still to be dominated by the problems of the huge balance of payments disequilibria stemming from recent oil price increases. Righting of these imbalances depends in the long term on stabilization of the terms of trade.

In the short term, the technique of recycling international liquidity can make an important contribution to this process. Here, the private capital market must lend its assistance, backed up by development of the role of international financial institutions.



6. We underlined the primary importance of the North-South Dialogue for the stability of international relations. We intend to give a further boost to co-operation with the developing countries with the aim of contributing, on the basis of interdependence and mutual advantage, towards the degree of economic expansion required, in the context of a restructuring of international economic relations, to enable the developing countries to make rapid progress.

With this in view, we have a standing political commitment to the global negotiations, to finalizing the IIIrd International Development Strategy, to the agreements on the statutes of the Common Fund for the stabilization of raw material prices and the continuation of the negotiations on commodities.

We look forward confidently to the 11th Special Session of the United Nations General Assembly and consider that the report by the Brandt Commission could make a particularly interesting contribution to the successful outcome of that session.

We have not, however, failed to express our concern about the effect on development policy of the continuing increases in crude oil prices and of the economic and political tensions to which these have given rise.



7. ● The European Council paid particular attention to the worsening of the international energy crisis. It noted with keen concern the decisions recently taken in Algiers. The Council pointed out that an increase in the price of crude oil did not at the present time appear to be justified by any objective considerations.

The repetition of such increases constitutes an obvious threat to international stability. Its effects upon the phenomenon of inflation and consequently upon economic expansion, investment, employment and the balance of payments give rise to intolerable burdens for the industrialized regions and even more so for the emergent countries, the latter being confronted with truly insoluble problems of readjustment which can clearly not be resolved by recycling alone.

The European Council considers that these aspects of the crisis, which will be asserted at the forthcoming Economic Summit, must be given their full weight.



Prime Minister

Outline for Presidency press releases.

I It will be best if it is not distributed to the press. Signor Cossiga could draw on it or read it out. Otherwise the press will ask us + others questions about any difficult sentences.

Employment (page 3)

2. The first 3 paras do not represent what happened + are not U.K. policy. ~~to~~ I have told the Presidency. But the P.M. may have to make the point.

line to take

Social Affairs Council met 4 days ago. I should like to stand on that. The first three



paragraphs of the text on page 3 do not fit in with U.K. policy in their present form + do not reflect our discussion. Why not have only the last paragraph — with an encouragement to the Commission to continue its good work ~~on~~ with the employers and Trades Unions?

## Energy (Last page)

3. Present text might go down badly with Sandis who fought hard to prevent bad decisions being taken.

? Second sentence to read: "It linked with keen concern the further pressure for price increases at Algiers".

? Add at end: "We must work towards



And oil producing  
A Consensus between industrialised countries  
which takes proper account of the effect  
on the world economy and of the  
needs of both consumers and producers."

Michael Butler



*Sir M Butler*

231

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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE  
ITALIAN PRIME MINISTER, SR COSSIGA, OVER LUNCH AT THE  
PREFECTURA, VENICE, AT 1320 ON 12 JUNE

PRESENT:

Prime Minister	Sr Cossiga
The Foreign Secretary	Sr Colombo
Sir Robert Armstrong	Sr Plaja
Mr Alexander	Sr Berlinguer

PRESIDENCY OF THE COMMISSION

1. There was a brief discussion about the possible candidates to succeed Mr Jenkins as President of the European Commission. (This took place without notetakers.) In the course of the discussion it became apparent that Sr Pandolfi would not be a candidate. Sr Colombo said that the balance of the new Italian Government was such that it would be impossible to release Sr Pandolfi. The other names mentioned included Mr O'Kennedy, M. Thorn and Viscount Davignon. No consensus emerged as to which was the preferred candidate.

MIDDLE EAST

2. Sr Colombo said that the Arab/Israel question would not be the only problem in the region which was likely to be raised. He expected that the French would wish to discuss Afghanistan. The Foreign and Commonwealth Secretary said that he hoped the Nine could include something about Libya in the Communiqué. Sr Colombo said that this would be important for Italy. Sr Cossiga said that Italy's relations with Libya were very complex. He wondered whether a statement by the Nine would make things any easier. He thought that of the Nine, only Italy, the Federal Republic and the UK were really concerned with the Libyan problem. The Foreign Secretary pointed out that the French Embassy in Tripoli had been burnt down. It was agreed that the Foreign Ministers and Heads of Government should discuss the problem further.

3. As regards the text on the Arab/Israeli dispute, Sr Colombo said he thought the discussion of the text was likely to throw up two problems:-

- a) the references to self-determination. It would have to be made clear that these were part of an evolutionary process; and
- b) the question of whether the text should refer to a Palestinian state or a Palestinian homeland.

His own view was that it was too soon to refer to a state. The Prime Minister said that she strongly agreed with Sr Colombo on the second point.



4. Sr Colombo said that the Americans, with whom he had just been discussing the problem in Washington, would wish it to be clear that the statement of the Nine did not in any way interrupt or disturb the Camp David process. It would be important therefore for the statement to make it clear that the position taken up by Heads of Government was consistent with the positions they had taken up in the past. The present reference to preceeding resolutions and statements might not be enough. The Americans would also like an explicit reference to Camp David. The existing reference in the first paragraph was too cryptic. The difficulty here was that the French would not accept an explicit reference. The Foreign and Commonwealth Secretary added that to include such a reference would gravely undermine the chances that the statement would be favourably received in the Middle East. The Prime Minister said that she was in favour of making it as clear as possible that the intention was not to undermine Camp David but to fill the vacuum until the Americans were able, after their elections, to resume the process of negotiation.

5. In response to a question from the Foreign and Commonwealth Secretary, Sr Colombo said that he did not think the Americans would regard the statement as undermining their efforts so long as it did not propose changes in resolution 242 and so long as it did not imply that the Camp David process was exhausted or that the Europeans were taking over. The Americans had followed the evolution of European thinking on the Middle East. They would not applaud the statement but would show understanding. From the point of view of Europe's relations with the Middle East, it was of course clear that the Arabs had high expectations and that the disappointment of these expectations would be badly received. The Prime Minister remarked that there was no question of withdrawing from previous positions. It was a question of whether or not Europe moved forward.

6. Sr Colombo said that the problem of the implementation of a European initiative remained to be resolved. Who would carry out the contacts or soundings and how would it be done? He himself was hesitating between two approaches:-

- a) that the soundings should be carried out by representatives of the present Presidency, the preceeding Presidency and the next Presidency; or
- b) that the present Presidency, plus three, or so, representatives or experts should be responsible.

Sr Cossiga added that there was a third possibility, viz that an eminent personality who was not a member of one of the Nine Governments, but enjoyed their confidence, should take on the task. The Foreign and Commonwealth Secretary said that he preferred Sr Colombo's second option. He did not think it would be possible to identify a personality who enjoyed the confidence of all Nine Governments.



CONFIDENTIAL

3

7. The discussion ended at 1415.



12<sup>th</sup> June 1980

Cosy.

This is a Benedictine Monastery whose motto was Pray & Work.

Serious problems.

Satisfactory Budget solution. How marvellous we all are.

Discard

for much time spent on drafting Communiqués  
Why have any statement? except on Foreign Affairs.  
Foreign Ministers should meet.

Match

Foreign Ministers should meet to narrow  
differences on Middle East.

Discard.

Heads of Govt should issue directives  
at dinner on what they want, so that  
Foreign Ministers can work all night to prepare for  
tomorrow.

After a baffling discussion it was agreed that  
if there was time late tonight to talk about Foreign Affairs  
would do then something (but what, I am unable to say) will  
happen.

Discard.

Let's have a general economic debate & then  
one on Foreign Affairs. Nobody has read the  
papers anyway & there is no point in



issuing any Comunique. We all ought to be out-  
in Venice not wasting time with several kilograms  
of paper. (This groupiness confirms his attitude when  
talking privately to him by a land)

Ortoli makes an economic statement.

—  
talking how  
① Some countries need less than others in  
inflationary & budgetary terms.

Just do better  
② Some growth has widely, but may be  
too optimistic. If so we must consult.

Haughay

Commissions approach to remote.

unemployment not just a statistic  
oil is problem. Recycling spec surplus  
should be studied further.

Giscard

Recent oil price increases - no justification &  
causes inflation. Not responsible & should say  
so.

Secondly Balance of Payments. Community now  
in deficit. due to Germany. asks Schmidt  
why & what is he doing?



Schmidt

2

● going through increase of 6% in consumer prices since last May(?) + all other things.

Balance of Payments worsening

because

① import prices - od.

② taking international obligations seriously others have not.

problem is we do what others don't. & how extra community payments make it worse.

But we have good credit standing & massive reserves. + monetary & budgetary policy.

Restructuring. Not just rationing on net receipts but also net payments.

Market policies not wanted for two or three or even one country to pay for others richer than themselves! (you wouldn't read about it)

---



Schmidt (cont)



Americans offering oil at too low prices to consumers.  
Not undertaking obligations

They are responsible for so much of what goes wrong  
deep American recession will spread all over  
& lead to unemployment & there is no solution

~~that~~ deflation worst remedy.  
how will financial mechanisms help.

Cosy. as an Italian.

Not very interesting.  
Lecture on recycling  
& oil supplies etc.

Linkins

No cure of unemployment.  
Recycling faces us particularly in context of  
North-South

How to finance h.d.e's. Debt level too high  
Private sector might collapse.

Schmidt.

State also might collapse & probably E.P.C  
will in 80 - 81.

No more financial obligations  
possible.

Certainly not to European partners in credit



Schmidt (cont)

(4)

h.g.'s will have to pay an oil bill  
Ja essentials - increase over 12 months - in order  
of magnitude as much as total development aid.

h.g.'s choose not to understand & side  
with spec. They are ridiculous.  
Oil must be delivered at preferential prices  
not credit. Because they can't pay & rescheduling  
would be necessary. Europe should keep out because  
otherwise it will pay.

" GENERAL IMPRESSION

NOONE WANTS COMMUNIQUE  
ON ANYTHING!

(Ld. Carrington to (D-F 1720))

Glasser + van Agt  
have both left the room  
out of boredom!



Leak.

agrees.

Discard.

World problem & Europe shouldn't take on anything in front of anyone else.

Industrialised countries asked to increase aid. France now 5.7% of G.N.P.

(missed a lot of this - reading telegrams)

organiser

Satisfied that budget proposals accepted.

budget figures arbitrary.

{ C.A.P. overall expenditure too great no solution by reducing expenditure } ?

Far too boring to listen.

hatch

unless inflation tackled, employment situation will deteriorate

thus restricts money supply essential

thus high interests & unemployment inevitable

or worse than 1972



really redistribution of wealth.  
we want them able to borrow money back so go through.  
but really because price increases stopped.

But now not stopping. What is  
limiting factor. Political. Banking system & welfare  
economy essential. doing irreparable damage to  
L.G.'s. explains oil cycle.

How stop it. World recession inevitable.  
Political action only solution. discuss at  
next Venice.

Haughy  
—  
But we have done everything  
economic textbooks say  
But still problem. HELP.

Gisard  
—  
Agrees well P.N. has to act on causes.  
1. express disapproval.  
2. answer argument that oil companies  
make profits (spot market)  
3. non concerted free market.  
4. show consequences to prove consequences  
L.G.'s will be bankrupt.



Schmidt.

long interaction on need for energy substitution  
indictment of U.S & Canada for capitalizing on difficulties  
Nuclear essential  
Reduce dependence on oil.

Fontana

25% of electricity generation in Belgium Nuclear  
58% in a few years.

Belgian economy in a bad way.  
Balance of Payments - enormous deficit  
agrees political answer necessary

~~Van A~~  
Werner

congratulate ourselves on dealing with Agenda  
otawase rehash of previous speeches.  
But strong attack on Schmidt  
Ja juste retour!

Schmidt

Then recalls how much he has to pay  
in P.M. terms! It can't go on; it is unignorable  
do everything to prevent it. And we'll not be  
milked anymore!

Werner

uncommunicative.



070  
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SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

11th June 1980

Michael Alexander Esq  
10 Downing Street  
LONDON SW1

*Dear Michael*

EEC SUMMIT MEETING, VENICE: NORTHERN IRELAND

Mr Haughey has asked for a short meeting with the Prime Minister during the Venice meeting, perhaps to discuss possible dates for the next Anglo-Irish Summit; Mr Haughey seems to be thinking in terms of the autumn. From the Northern Ireland viewpoint it would be best if the Prime Minister were to avoid any firm commitment at this stage.

More generally, there are some points which the Prime Minister could usefully put across to him:

a. We noted with approval the Taoiseach's repetition in his Panorama interview of commitment to deal firmly with the IRA and to cooperate fully on border security measures. The Taoiseach will be aware, however, that the question of prosecution of suspected terrorists in the Republic for crimes committed in the North, under the extra-territorial legislation, remains a sensitive issue in Northern Ireland. The Prime Minister might mention, while not wishing to encroach on to the judicial domain, that in one case (O'Hare and McNamee) the RUC passed papers to the Garda last summer, and we understand that they have been with the DPP in Dublin for some months now. In another more recent one (McNally and others), papers are still believed to be with the Garda, having been transmitted by the RUC in April. Positive action in these cases would be the best possible proof, in the absence of extradition, that the agreed procedures can be effective. All the men involved in both cases are still at large, except O'Hare (now in prison for a crime committed in the Republic).

2/...

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2

b. We remain determined to make political progress in Northern Ireland, and are moving towards the publication shortly of proposals for new political institutions. We are making a considerable effort to take full account of the legitimate interests of both communities in Northern Ireland; and we shall be looking to all concerned to show a spirit of compromise in the further discussions which will follow publication.

c. A negotiated arrangement based on our proposals would be as much in the Irish interest as ours; and would be a major step towards the new Anglo-Irish relationship foreshadowed at the two Prime Ministers' recent meeting.

Mr Haughey may suggest that it would be useful if his government were consulted on our proposals before they are published. While recognising the Irish interest, the Prime Minister will no doubt remind him that any hint that the Republic had been involved in the formulation of our proposals would destroy any chance of acceptance in Northern Ireland.

I am sending a copy of this letter to Paul Lever in the FCO.

*Yours sincerely*

*Mike Hopkins*

M W Hopkins

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Foreign and Commonwealth Office

London SW1A 2AH

11 June 1980

*Dear Michael,*

European Council: New Hebrides

/ I attach a brief on the New Hebrides for use in discussion with the French in the margins at Venice. The Prime Minister may wish to discuss the handling of the subject with the Foreign and Commonwealth Secretary on the aircraft. Lord Carrington has not yet seen the brief.

/ In addition to the brief itself, I attach copies of the following:

- (a) Lord Carrington's statement today;
- (b) Vila Telegram 384 reporting discussions between the British and French Resident Commissioners about the deployment of forces;
- (c) Paris Telegram 529 reporting M. Dijoud's first message about the deployment of French gendarmes;
- (d) Telegram summarising the last meeting with M. Dijoud in London (on 9 June).
- (e) Draft telegram reporting Sir M Palliser's conversation this evening with the French Ambassador.

*Yours ever*  
*Roderic Lyne*

(R M J Lyne)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street



NEW HEBRIDES: POINTS TO MAKE

1. We wish to maintain the principle of joint action with you in dealing with the current problems in the New Hebrides.
2. We regret that we were not consulted before your decision was taken to despatch gendarmes from Noumea to Vila.
3. There appears to be a misunderstanding between us over what was agreed by our Resident Commissioners in Vila.
4. Our view is that the Resident Commissioners agreed that any forces sent from outside the New Hebrides should be a joint one.
5. They also agreed to recommend that we should both respond to Lini's latest request for French and British military assistance.
6. Although not consulted we accept your deployment of gendarmes to be your response to that recommendation.
7. The despatch of British troops represents our response to that recommendation.
8. The size and composition of the British force is consistent with our contingency plan for a joint operation by both our governments (the French are aware of the force levels in our plan for such an operation).
9. We must clearly avoid letting this misunderstanding become a cause of friction between us.
10. As agreed when M. Dijoud visited London we should instruct our Resident Commissioners to cooperate more closely in the New Hebrides. They should work for a resumption of negotiations taking as a starting point the concessions and preconditions agreed by Mr Blaker and M. Dijoud on 2 June.
11. We believe that the presence of British and French forces in the area should encourage both parties to negotiate seriously. Should the security situation in the New Hebrides improve to our mutual satisfaction we should be prepared to agree to the joint withdrawal of our respective forces.
12. We would hope that Mr Blaker and M. Dijoud would be able to visit the New Hebrides, as agreed on 9 June, to bring negotiations to a satisfactory conclusion.



## NEW HEBRIDES CONDOMINIUM

### ESSENTIAL FACTS

1. Independence is planned for 30 July 1980. We and French now accept this date.
2. Until independence Britain and France remain jointly responsible for internal security. The British and French Resident Commissioners in Vila each have two 30-man platoons of riot trained police mobile units (PMUs) for this purpose. The ordinary police force is controlled by the New Hebrides Government (NHG).
3. Since he lost local elections in November 1979 Stephens, leader of secessionist Na Griamel movement, has been threatening militant action. On 28 May he took over Santo island with aid of 40 French colons (mostly half-castes). Stephens also has support of Right Wing American Phoenix Foundation which aims to create a base for dubious business operations.
4. Reliable reports from Santo difficult to obtain. But clear that Stephens is in complete control on the ground. Some 2,000 people, including 104 non New Hebrideans (21 Britons) have been evacuated in an exercise organised by British Resident Commissioner.
5. On 30 May NHG formally appealed for help from Britain and France to quell the rebellion. The Minister of State, Mr Blaker, met responsible French Minister M Dijoud in Paris on 2 June (M Dijoud had been unable to agree to an earlier meeting). M Dijoud refused to contemplate the use of force at this stage. He insisted on a further appeal to both sides to renew political talks begun in London in March. It was agreed that we would press the Chief Minister (Fr Lini) to offer concessions (conditional on the restoration of his authority on Santo). The French would exert pressure on Stephens, who had until recently at least their tacit support.



6. The two Ministers reaffirmed their support for the legitimate government and the Independence Constitution agreed by all parties in Vila last year. They also reaffirmed their determination to safeguard the territorial integrity of the Condominium. Mr Blaker made a statement in the House of Commons along these lines on 3 June.

7. On 3 June we instructed our Resident Commissioner to act with the NHG, while co-ordinating his actions with his French colleague. On 5 June Fr Lini broadcast an appeal to Stephens offering concessions provided that Santo returned to the status quo ante 28 May. He gave Stephens 24 hours in which to reply. Stephens reply did not meet Fr Lini's demands and on 9 June the French Resident Commissioner visited Stephens on Santo. Stephens agreed to meet Fr Lini on neutral ground but he added that he wanted Mr Blaker and M Dijoud to attend. He also demanded that the blockade be lifted. The French Commissioner rejected these demands.

8. On 6 June Mr Blaker invited M Dijoud to London to plan ahead in case Fr Lini's initiative failed. They met on 9 June.

9. Mr Blaker told M Dijoud that we were considering activating our existing contingency plan for pre-deployment of troops in Vila in order to be able to act jointly to restore order. M Dijoud argued that the presence of British troops in Vila, at this stage, would be provocative. French colons would misinterpret their presence, which France would regard as unilateral action in breach of the principles of the Condominium.

10. Mr Blaker and M Dijoud agreed that British troops positioned over the horizon, in Fiji or another nearby friendly country, would indicate our willingness to act jointly with the French gendarmerie already based on New Caledonia. British troops of company size with HQ element would be so deployed.



11. Mr Blaker and M Dijoud also undertook to instruct their Resident Commissioners to work more closely to press the two sides to resume their dialogue. Mr Blaker and M Dijoud would visit the New Hebrides to supervise the final stages of a negotiated solution in late June or early July. The Secretary of State met both Ministers and stressed the need for joint co-operation at all levels to resolve the problem.

#### LATEST DEVELOPMENTS

12. During the night of 10 June an opposition crowd of 200-300 led by Mr Alexis Yolou, a member of the National Assembly marched on the district HQ on Tanna, apparently see the release of 29 prisoners in the jail. Police used tear gas to disperse the crowd who responded with shotgun and rifle fire. In the confusion Mr Uolou was killed. There are now 2 PMU platoons on Tanna.

\* 13. On 11 June M Dijoud asked the Embassy in Paris to inform Mr Blaker that the French Government had decided to send immediately a contingent of gendarmerie from Noumea to Vila in order to "prevent clashes in Vila between supporters of the Vanuaku Pati (Fr Lini) and the Moderes (colon backed) following the death of Alexis Yolou".

14. On 11 June HMG decided to despatch troops to Vila to be seen to be acting jointly with the French and in response to an agreed recommendation by both Resident Commissioners.

15. On 11 June a message was received via the Embassy to the effect that the French President would withdraw French gendarmes if British troops were sent to Vila, which they would regard as unilateral action.

16. The Secretary of State and Mr Blaker announced in Parliament on 11 June that British troops would be deployed to Vila.

\* On 11 June both Resident Commissioners agreed to recommend immediately to their Governments the earliest possible despatch of both French & British forces.



STATEMENT IN THE HOUSE OF LORDS, 11 JUNE,  
BY LORD CARRINGTON, ON NEW HEBRIDES

With your Lordships permission, I shall make a statement on the New Hebrides.

As Your Lordships are aware, the noble Lord, Lord Trefgarne made a statement to the House on the third of June on current problems in the New Hebrides. He informed Your Lordships that if no progress was made towards reconciliation then Britain and France would decide jointly on what further action to take.

My honourable Friend, the Minister of State, and I met Monsieur Dijoud, the French Minister responsible for Overseas Territories on 9 June as part of our continuing consultations on the situation in the Condominium.

/Your Lordships



Your Lordships will be aware that within the last 24 hours the security situation in the New Hebrides has deteriorated. I regret that last night on the island of Tanna, Alexis Yolou, an opposition political leader on the island, was killed: the exact circumstances of his death are not yet clear.

In order to maintain the joint commitments of the British and French Governments to preserve law and order and the territorial integrity of the New Hebrides, the French Government today sent a contingent of Gendarmes from Noumea in New Caledonia to the New Hebrides.

/Her Majesty's



Her Majesty's Government are despatching to Vila one company of Royal Marines with a Headquarters element and logistic support.

*This action*  
The ~~despatch~~ of troops by both Governments does not reflect any change in our determination to work jointly for a peaceful solution to the present problems.



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GRPS 987

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FM VILA 110645Z JUNE 80

TO FLASH FCO

TELEGRAM NUMBER 334 OF 11 JUNE

INFO IMMEDIATE DESKBY 110900Z PARIS IMMEDIATE MODUK (DS11)

CANBERRA WELLINGTON SUVA HONIARA PORT MOPESBY WASHINGTON UKMIS  
NEW YORK

MIPT: TANNA.

1. ROBERT AND I MET THE WHOLE COUNCIL OF MINISTERS THIS MORNING AT LINI'S REQUEST. THEY WERE VERY NERVOUS ABOUT A POSSIBLE BACKLASH FOLLOWING YOLOU'S DEATH. AT THAT STAGE IT WAS KNOWN THAT HE HAD DIED FROM SHOTGUN WOUNDS BUT ASSUMED THAT THIS MUST HAVE BEEN BY A VP SUPPORTER.

2. LINI AGAIN ASKED FOR FRENCH AND BRITISH MILITARY ASSISTANCE MAINLY TO RESOLVE SANTO BUT MORE IMMEDIATELY TO ENSURE THAT NO ONE TRIED TO RETALIATE IN VILA. I REMINDED ROBERT THAT HE HAD OFFERED TO BRING THE GARDE MOBILE FROM NOUMEA TO PROTECT VILA AND ASKED WHETHER THIS WAS STILL SO.

3. HE REPLIED THAT IT WAS, AND SAID THAT HE WOULD ASK DIJOURD TO AGREE TO SEND IT THIS AFTERNOON. WE BOTH AGREED THAT IT REMAINED DESIRABLE THAT ANY EXTERIOR FORCE SHOULD BE JOINT, AND SAID THAT WE WOULD RECOMMEND ACCORDINGLY TO BOTH OUR GOVERNMENTS. LATER ROBERT TOLD ME THAT DIJOURD HAD GIVEN HIS CONSENT AND THAT THE GARDE MOBILE WOULD ARRIVE AT 2700Z THIS AFTERNOON. HE ADDED, HOWEVER, THAT HE HAD BEEN INSTRUCTED TO WITHDRAW THE FORCE AS SOON AS THE CURRENT DANGER WAS OVER.

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/ 4. THIS IS ALL



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4. THIS IS ALL TRAGIC. IT IS GOING TO BE HARD TO ESTABLISH THE FACTS, LET ALONE DISPEL THE MYTH, WHICH WILL BE BE THAT THE BRITISH POLICE (OR IF NOT, THE VF) KILLED YOLOU; THAT THE NEW HEBRIDES ARE IN CHAOS, AS DIJOUH ALWAYS PREDICTED; AND THAT IT IS ONLY THE FRENCH WHO HAVE RESTORED ORDER.

5. HOWEVER, SINCE THE FRENCH HAVE NOW SENT FORCES TO VILA (AND ACTED UNILATERALLY AT THE NHG REQUEST WITHOUT CONSULTING NHG), I CONSIDER THAT THE WAY IS NOW OPEN TO SEND BRITISH FORCES DIRECT TO VILA AT THE SAME REQUEST, RATHER THAN FIJI, INITIALLY TO PROTECT THE GOVERNMENT, BUT ONCE HERE, TO HELP EXERT INFLUENCE ON GENERAL NEGOTIATIONS. COLONEL GUTHRIE HAS TELEGRAPHED SEPARATELY ON THE MILITARY DRAWBACKS TO FIJI, AND I ON THE POLITICAL. IF WE ARE ALREADY PREPARED FOR THE FINANCIAL AND POLITICAL IMPLICATIONS OF SENDING FORCES TO THE PACIFIC AND IF THE FRENCH VETO ON VILA IS NOW REMOVED BY THEIR OWN ACTION, THEN I AM SURE THIS IS THE RIGHT PLACE FOR BRITISH FORCES. THE ONLY SNAGS MIGHT BE THAT THE FRENCH MIGHT REMOVE THEIR FORCE BEFORE OURS LEFT UK, SAYING THAT THE EMERGENCY WAS NOW OVER, AND THAT THEY WOULD BE LIKELY TO TRY TO INSIST ON PARITY OF NUMBERS (CLOSER TO 120 THAN 200). FROM ALL THIS I RECOMMEND THAT BRITISH FORCES SHOULD LEAVE FOR HERE TODAY IF POSSIBLE, POSSIBLY IN ONE COMPANY STRENGTH TO START WITH.

6. IN ORDER TO PREVENT OR ELIMINATE ANY BACKLASH, IT IS TEMPTING TO IMPLY THAT YOLOU MAY WELL HAVE BEEN KILLED BY MISTAKE BY HIS HIS OWN PEOPLE. BUT THE WORST POSSIBLE SCENARIO WOULD BE ANOTHER HOLA MASSACRE COVER-UP WHICH WAS LATER DISPROVED, AND I RECOMMEND THAT NEWS DEPARTMENT SHOULD NOT SPECULATE FURTHER



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UNTIL THERE ARE AT LEAST PRELIMINARY FINDINGS FROM A JOINT CIC/  
PUBLIC PROSECUTOR'S TEAM THAT HAS ALREADY LEFT FOR TANNA.

7. LOOKING ON THE BRIGHTEST POSSIBLE SIDE, IF YOLOU'S DEATH  
CAN BE ISOLATED AND IF CALMING BRITISH AND FRENCH FORCES ARE SENT  
HERE, THEN IT COULD CONCEIVABLY START THINGS MOVING TOWARDS  
SOME SENSIBLE POLITICAL COMPROMISES. EVERYONE ON BOTH SIDES  
HAS BEEN PLAYING GAMES FOR TOO LONG, AND THE FIRST DEATH  
FOR MANY YEARS MAY JOLT THEM BACK TO REALITY.

8. THE PEOPLE MOST IMMEDIATELY AT RISK ARE NEW HEBRIDES GOVERNMENT  
LEADERS AND VP SUPPORTERS REMAINING IN SARTO. I HOPE WE  
CAN PROTECT THE FORMER, BUT THESE EVENTS WOULD BE A GOOD EXCUSE  
FOR STEVENS TO TAKE ACTION AGAINST THE LATTER.  
FCO PLEASE PASS ALL

STUART

[REPETITION TO MONLARA REFERRED FOR DEPARTMENTAL DECISION,  
REPEATED AS REQUESTED TO OTHER POSTS]

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FM, PARIS 110430Z JUN 80

TO FLASH FCO

TELEGRAM NUMBER 529 OF 11 JUNE 1980

INFO IMMEDIATE VILA SUVA CANBERRA AND WELLINGTON

11/11  
No 10 DS.

MR A.R. SOWERBOTT,  
JIC ASSESSMENT STAFF  
CABINET OFFICE.

RC

C

CLASHES ON TANNA

1. M. DIJOURD HAS ASKED THAT MR BLAKER BE INFORMED AS SOON AS POSSIBLE THAT THE FRENCH GOVERNMENT HAVE DECIDED TO SEND IMMEDIATELY A CONTINGENT OF GENDARMERIE FROM NOUMEA TO VILA. THE ROLE OF THE GENDARMERIE WILL BE TO ATTEMPT TO PREVENT CLASHES IN VILA BETWEEN SUPPORTERS OF THE VANUA AKU PATI AND THE MODERES FOLLOWING THE DEATH OF ALEXIS IOLOU ON TANNA.

2. ARI BAUD OF DIJOURD'S CABINET STRESSED THAT THE FRENCH GOVERNMENT WERE NOT REPEAT NOT REQUESTING HMG TO SEND A CONTINGENT OF BRITISH TROOPS TO THE NEW HEBRIDES. ACCORDING TO ARI BAUD, THE FRENCH VIEW THE DEPLOYMENT OF THE GENDARMERIE AS A TEMPORARY MEASURE AND INTEND TO ORDER THEIR RETURN TO NOUMEA IF THE SITUATION IN THE NEW HEBRIDES IS CALM OVER THE NEXT FEW DAYS.

3. M. DIJOURD HOPES TO DISCUSS THESE DEVELOPMENTS WITH THE MINISTER OF STATE LATER THIS MORNING (11 JUNE) ON THE TELEPHONE.

HIBBERT

11 AM





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OO PARIS

GRS 637

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FROM FCO 101730Z JUNE 80

IMMEDIATE VILA

TELEGRAM NUMBER 267 OF 10 JUNE

AND TO IMMEDIATE PARIS

INFO SUVA

TELEGRAM NUMBER

NEW HEBRIDES - BLAKER/DIJOUD MEETING 9 JUNE

1. MR BLAKER MET M. DIJOUD IN LONDON FOR TWO HOURS ON 9 JUNE. I SAW DIJOUD FOR HALF AN HOUR AFTERWARDS.
2. THE MEETING BEGAN WITH ANALYSIS OF THE PROGRESS MADE SINCE THE PARIS MEETING OF 2 JUNE. DIJOUD ACCEPTED THAT LINI'S CONCESSIONS COVERED THE POINTS AGREED AT THE PARIS MEETING BUT SAID THAT THE 24 HOUR ULTIMATUM WAS MALADROIT AND SUGGESTED THAT THE OFFER WAS NOT SERIOUS. MR BLAKER REGRETTED ROBERT'S LACK OF SUCCESS WITH STEPHENS AS A RESULT OF WHICH THE NECESSARY PRE-CONDITIONS FOR THE RESUMPTION OF TALKS HAD NOT BEEN MET. DIJOUD SAID THAT ROBERT'S MISSION HAD NOT BEEN A TOTAL FAILURE AND THAT THERE WERE STILL GROUNDS FOR PURSUING A NEGOTIATED SOLUTION.
3. THE MEETING THEN CONSIDERED WAYS OF BREAKING THE DEADLOCK. MR BLAKER SAID THAT WE WERE CONSIDERING THE PRECAUTIONARY MOVE OF BRITISH TROOPS TO VILA TO DEMONSTRATE OUR READINESS TO HONOUR OUR COMMITMENTS TO THE NHG AND TO ENABLE HMG TO ACT JOINTLY WITH FRANCE TO RESTORE ORDER IF NECESSARY. DIJOUD SAID THAT SUCH A MOVE WOULD AMOUNT TO UNILATERAL ACTION AND WOULD BE IN BREACH OF THE PRINCIPLES OF THE CONDOMINIUM. IN HIS VIEW IT WOULD BE MISINTERPRETED BY THE FRANCOPHONES, WOULD PROVE PROVOCATIVE AND COUNTER-PRODUCTIVE AND WOULD BE UNACCEPTABLE TO FRANCE. MR BLAKER STRESSED THAT THE MOVE WOULD BE CONSISTENT WITH OUR EXISTING CONTINGENCY PLAN FOR JOINT ACTION, WOULD GIVE ADDED IMPERTUS TO THE PARTIES TO RESOLVE THEIR DIFFERENCES BY NEGOTIATION AND WOULD DISCOURAGE THE NHG FROM PRECIPITATE ACTION. AFTER A LENGTHY DISCUSSION DIJOUD ACCEPTED THAT THE POSITIONING

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31045 - 1

OF BRITISH TROOPS SOMEWHERE ELSE IN THE REGION WOULD PROVIDE PARALLEL PRESENCE TO THAT OF THE FRENCH IN NOUMEA AND MIGHT HAVE A POSITIVE EFFECT ON BOTH PARTIES TO THE PRESENT DISPUTE. A POSSIBLE PLACE FOR SUCH DEPLOYMENT MIGHT BE FIJI, SUBJECT TO THE AGREEMENT OF THE FIJI GOVERNMENT.

4. THE MEETING THEN AGREED THAT, IN ADDITION TO THE POSSIBLE DEPLOYMENT OF BRITISH TROOPS, FURTHER INSTRUCTIONS WOULD BE SENT TO RESIDENT COMMISSIONERS TO WORK MORE CLOSELY IN ENDEAVOURING TO PERSUADE THE TWO PARTIES TO RESUME THE DIALOGUE INTERRUPTED BY THE EVENTS ON SANTO SINCE 28 MAY. A JOINT STATEMENT WOULD ALSO BE ISSUED LATER THIS WEEK BY BOTH MINISTERS IN WHICH THEY WOULD URGE THE RESUMPTION OF NEGOTIATIONS, GIVE NOTICE OF THE PRECAUTIONARY DEPLOYMENT OF BRITISH TROOPS AND ANNOUNCE THEIR INTENTION TO VISIT THE NEW HEBRIDES TOGETHER TO BRING TALKS TO A SATISFACTORY CONCLUSION. THEY WOULD EXPECT THE GROUND WORK TO BE COMPLETED AND WOULD HOPE TO GO TO VILA AT THE END OF JUNE OR EARLY JULY.

5. DIJOU D SAID IN THE COURSE OF THE TALKS THAT HE WOULD BE SENDING AN AID MISSION TO THE NEW HEBRIDES ON 13 JUNE. IF A NEGOTIATED SOLUTION COULD BE FOUND TO THE PRESENT PROBLEM FRANCE WAS PREPARED TO OFFER 100 MILLION FRANCS ANNUALLY. IN RETURN SHE WOULD EXPECT THE POSITION OF HER COLONS TO BE PROPERLY PROTECTED: SECURITY OF LAND TENURE, RESPECT FOR THEIR CULTURE AND EDUCATION AND NO DISHONOURABLE TERMS FOR INDEPENDENCE. IF FRANCE WAS OBLIGED TO PAY COMPENSATION TO THE COLONS FRENCH AID WOULD BE REDUCED BY THE AMOUNT INVOLVED.

6. THE BASIS UPON WHICH TALKS WOULD BE RESUMED WAS NOT FULLY DISCUSSED BUT IT IS OUR UNDERSTANDING THAT THESE WOULD BE WITHIN THE FRAMEWORK OF THE CONCESSIONS AND PRE-CONDITIONS AGREED AT THE PARIS MEETING OF 2 JUNE. WE PROPOSE TO BRODUCE A DRAFT OF AN AGREED MINUTE WHICH WOULD REFLECT THIS FACT. WE WOULD ENVISAGE THAT THE RESTORATION OF NHG AUTHORITY ON SANTO AND THE LIFTING OF THE BLOACKADE WOULD BE CONCURRENT WITH THE RE-OPENING OF TALKS SOMEWHERE OTHER THAN SANTO OR VILA.

7. WE SHALL SEND BY TELEGRAM DRAFT TEXTS OF A JOINT STATEMENT AND AN AGREED MINUTE. THE PRECAUTIONARY DEPLOYMENT OF TROOPS



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HAS BEEN SUBMITTED TO CABINET.  
CARRINGTON

NNNN

X

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Distribution:-

[TEXT]

Paris telegram No 529 to me: NEW HEBRIDES

1. Permanent Under-Secretary summoned French Ambassador this evening (11 June) to express Lord Carrington's surprise and concern at unilateral action of French Government in deciding to send gendarmerie from Noumea to Vila. Ministerial consultations on 9 June have resulted in agreement on necessity for the two governments to act together and Lord Carrington could not understand why we had not been consulted. It had <sup>surely</sup> been a serious mistake for Dijoud not to have discussed the situation with the Minister of State. *before taking the unilaterally decision described in Tel. under ref. 12.*  
 before taking unilaterally the decision described in tel under reference.

Copies to:-



2. Sauvagnargues sought to argue that there had been a joint agreement in Vila for the intervention of the gendarmes because of the sudden emergency.

The French Government was totally against military intervention, nevertheless, and President Giscard had only agreed to a limited operation with the gendarmes being withdrawn after the demonstration was over. France's real objection was to the despatch of military units. It was probable that the British troops would arrive after the gendarmes had gone, and ~~the French version of events~~ <sup>it would seem to many Frenchmen</sup> was that the British were ~~perhaps~~ <sup>perhaps</sup> using the sending of the gendarmes as a ~~pretext~~ <sup>pretext</sup> for military intervention.

3. The PUS took the Ambassador <sup>firmly</sup> through the sequence of events with ~~illustrations~~ <sup>justifications</sup> from ~~our~~ <sup>various</sup> telegrams to show conclusively that the French had acted hastily and unilaterally in breach of our agreed understanding. The Ambassador attempted to prove the "innocence" of the French decision, while privately admitting that there had <sup>perhaps</sup> been a "silly mistake".

4. The PUS warned Sauvagnargues that the Prime Minister and ~~Secretary of State~~ <sup>Secretary</sup> would want to talk to President Giscard <sup>at tomorrow's European Council</sup> about these misunderstandings in the hope that we could agree on joint action and stick to that. He said that it would <sup>surely</sup> be ~~injudicious~~ <sup>unwise</sup> to assume that the sending of French gendarmes could be an "in and out" operation. Perhaps Mr Blaker and M Digoud might have agreed that this was a possibility. They might not. What ~~was~~ <sup>was</sup> needed was the considered joint advice of the Resident Commissioners

/on the

He underlined the contradiction between this and the agreement reached with Dijoud here on 9 June that we must act at all times in closest accord.

He underlined the contradiction between this and the agreement reached with Dijoud here on 9 June that we must act at all times in closest accord.

NOTHING TO BE WRITTEN IN THIS MARGIN



on the grounds which could then be properly evaluated in concert by the British and French Governments.

5. The French Ambassador was ~~well~~<sup>fully</sup> briefed and fought his corner well, but he was left in no doubt about our concern and our insistence on better consultation in future. *Joint action has to mean what it said.*

Joint action had to mean what it said.

*P.W.*  

---

*11/6.*



070

cc N.Ireland S'n

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NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

11th June 1980

Michael Alexander Esq  
10 Downing Street  
LONDON SW1

*Dear Michael*

EEC SUMMIT MEETING, VENICE: NORTHERN IRELAND

Mr Haughey has asked for a short meeting with the Prime Minister during the Venice meeting, perhaps to discuss possible dates for the next Anglo-Irish Summit; Mr Haughey seems to be thinking in terms of the autumn. From the Northern Ireland viewpoint it would be best if the Prime Minister were to avoid any firm commitment at this stage.

More generally, there are some points which the Prime Minister could usefully put across to him:

a. We noted with approval the Taoiseach's repetition in his Panorama interview of commitment to deal firmly with the IRA and to cooperate fully on border security measures. The Taoiseach will be aware, however, that the question of prosecution of suspected terrorists in the Republic for crimes committed in the North, under the extra-territorial legislation, remains a sensitive issue in Northern Ireland. The Prime Minister might mention, while not wishing to encroach on to the judicial domain, that in one case (O'Hare and McNamee) the RUC passed papers to the Garda last summer, and we understand that they have been with the DPP in Dublin for some months now. In another more recent one (McNally and others), papers are still believed to be with the Garda, having been transmitted by the RUC in April. Positive action in these cases would be the best possible proof, in the absence of extradition, that the agreed procedures can be effective. All the men involved in both cases are still at large, except O'Hare (now in prison for a crime committed in the Republic).

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b. We remain determined to make political progress in Northern Ireland, and are moving towards the publication shortly of proposals for new political institutions. We are making a considerable effort to take full account of the legitimate interests of both communities in Northern Ireland; and we shall be looking to all concerned to show a spirit of compromise in the further discussions which will follow publication.

c. A negotiated arrangement based on our proposals would be as much in the Irish interest as ours; and would be a major step towards the new Anglo-Irish relationship foreshadowed at the two Prime Ministers' recent meeting.

Mr Haughey may suggest that it would be useful if his government were consulted on our proposals before they are published. While recognising the Irish interest, the Prime Minister will no doubt remind him that any hint that the Republic had been involved in the formulation of our proposals would destroy any chance of acceptance in Northern Ireland.

I am sending a copy of this letter to Paul Lever in the FCO.

*Yours sincerely*

*Mike Hopkins*

M W Hopkins



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11 JUN 1960

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TELEGRAM NUMBER 10 OF 11 JUNE  
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**EUROPEAN COUNCIL: DRAFT PRESIDENCY CONCLUSIONS ON EMPLOYMENT.**

1. WE UNDERSTAND THAT THE REVISED PRESIDENCY CONCLUSIONS ON EMPLOYMENT, TO BE DISCUSSED BY OFFICIALS OVERNIGHT ON 12/13 JUNE ARE STILL NOT AVAILABLE.
2. AS INDICATED IN PARA 7 OF EHG(V)(80)6, WE FAVOUR CONCLUSIONS WHICH TREAT THE EMPLOYMENT ISSUE AS AN IMPORTANT MATTER, BUT ONE ON WHICH WORK IS CURRENTLY IN HAND AND ON WHICH THE STAGE REACHED CAN BE TAKEN NOTE OF BY THE EUROPEAN COUNCIL WITHOUT CALLS FOR EXPENSIVE FURTHER INITIATIVES OR INSISTENCE ON EARLY PROMOTION OF MEASURES, INVOLVING VARYING FORMS OF WORK SHARING UNLIKELY TO BE HELPFUL TO THE UK.
3. IT WAS, HOWEVER, CLEAR AT THE SOCIAL AFFAIRS COUNCIL ON 9 JUNE THAT THE PRESIDENCY AND COMMISSION WILL PRESS FOR CONCLUSIONS WHICH READ WELL PUBLICLY AND FORM A POINT OF REFERENCE HELPFUL TO THOSE EMPLOYMENT MINISTERS WISHING TO BRING PRESSURE ON FINANCE MINISTERS.
4. AGAINST THAT BACKGROUND, OUR MAIN OBJECTIVE IS TO AVOID WORDING WHICH GIVES NEW IMPETUS TO THE INTRODUCTION OF NEW COMMUNITY INSTRUMENTS OR ALLOWS NEW COMMISSION INITIATIVES INVOLVING COMMUNITY EXPENDITURE FROM, FOR INSTANCE THE EUROPEAN SOCIAL FUND, WHICH WE WOULD NEED TO MATCH IN THE UK IN ORDER TO BENEFIT. BUT WE CAN AND SHOULD LET THE GERMANS AND OTHERS MAKE THE RUNNING ON THIS. (IT REMAINS BROADLY IN OUR INTEREST, ESPECIALLY IN VIEW OF ENLARGEMENT AND ITS GENERALLY OVERSUBSCRIBED CURRENT PROGRAMMES THAT THE FUND SHOULD CONCENTRATE ON ITS TRADITIONAL AREAS OF VOCATIONAL TRAINING AND MOBILITY IN THE REGIONS AND FOR SPECIAL GROUPS SUCH AS THE YOUNG AND HANDICAPPED.)



5. FOLLOWING ARE SPECIFIC COMMENTS ON EMPLOYMENT SECTION OF DRAFT CONCLUSIONS UENT WITH UKREP TELNO. 2737.

PARA 1. NO COMMENT

PARA 2. WE FIND THIS PARAGRAPH OBSCURE. IT IS UNCLEAR WHETHER "SHORT TERM AND STRUCTURAL COMMUNITY AID" IS MEANT TO REFER TO NEW COMMUNITY AID, E.G. THE SOCIAL PROPOSALS FOR STEEL OR A NEW USE OF EXISTING INSTRUMENTS. WE SHOULD PREFER WORDING WHICH CONFIRMS THE NEED TO GIVE PRIORITY TO BRINGING DOWN LEVELS OF UNEMPLOYMENT: NOTES THE USEFUL RESOLUTION OF THE SOCIAL AFFAIRS COUNCIL, CONCERNING SOME PRACTICAL STEPS TO IMPROVE THE WORKING OF THE LABOUR MARKET AND CALLS UPON THE COMMISSION AND THE COUNCIL TO SEE THAT THE COMMUNITY FINANCIAL INSTRUMENTS ARE BROUGHT TO BEAR IN SUPPORT OF ACTIONS AIMED AT IMPROVING THE EMPLOYMENT SITUATION.

PARA 3. ACCEPTABLE, BUT WOULD PREFER "CLOSE" RATHER THAN "CLOSER" COORDINATION. WE WOULD PREFER DELETION OF "BE IN A POSITION TO" WHICH COULD GIVE COVER FOR WIDE AND EXPENSIVE MEASURES OF RESEARCH AND THE COLLECTION OF STATISTICS.

PARA 4. IF A PARAGRAPH ON THESE LINES IS UNAVOIDABLE, WE SHOULD PREFER "ENSURE THAT SUITABLE MACHINERY EXISTS" RATHER THAN THE ESTABLISHMENT OF NEW MACHINERY WHICH MAY NOT BE NEEDED. (NOTE THE COMMISSION'S PROPOSAL FOR A FORMAL LABOUR MARKET COMMITTEE OF OFFICIALS RECEIVED NO SIGNIFICANT REPORT AT THE SOCIAL AFFAIRS COUNCIL.) AND SOME REFERENCE TO THE SOCIAL PARTNERS SHOULD BE INCLUDED. WE SUGGEST THE EUROPEAN COUNCIL MIGHT "ASK THE COMMISSION TO CONTINUE ITS PRESENT UUEFUL SERIES OF CONSULTATION WITH UNIONS AND MANAGERMENTS WITH A VIEW TO FINDING COMMON GROUND FOR ACTION BY THE COMMUNITY TO COMBAT UNEMPLOYMENT."

APART FROM THESE POINTS WE WOULD THINK IT REASONABLE, AND ACCEPTABLE TO MEMBER STATES, TO INCLUDE SOME REFERENCE TO THE IMPORTANCE OF BRINGING INFLATION UNDER CONTROL AND BY SO DOING ESTABLISH AN ENVIRONMENT UNDER WHICH JOBS CAN BE CREATED.

CARRINGTON

NNNN



Original filed as  
Euro P2, Budget P19.



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

11th June, 1980

T. Lankester, Esq.,  
Private Secretary,  
10, Downing Street

Dear Tim,

EEC BUDGET SETTLEMENT: TIMING OF PAYMENTS

In Cabinet this afternoon the Chancellor undertook to let the Prime Minister have a note tonight on the state of play over advances of money under the Budget settlement.

As you know the 30th May agreement provided that credits for the supplementary measures under the new Article 235 Regulation in respect of each calendar year should be inscribed in the budget of the following year. But at our request the Council of Ministers can decide each year to make advances.

Accordingly the Commission have inserted a provision of 300 MUA in their rectifying letter incorporating their proposals for the amendment of the 1980 Budget. Their proposal is that this sum should be inserted in Chapter 100 which means that it will require a further decision of the Council to transfer it to the Chapter dealing with special measures to the UK before the Commission can advance the money to us.

The Germans and the French have said that they will oppose the insertion of this figure.

*(the Chancellor)*  
He discussed this matter with Herr Matthöfer in Bonn on 10th June. At first ~~the latter insisted~~ that the Germans could not make any advance payment to the UK in 1980; but later in their discussion Herr Lahnstein indicated it was not impossible that the German budgetary difficulties might seem less oppressive towards the end of this year and that some payment to the UK might be possible.

All this points to avoiding a row when the Commission's rectifying letter is considered by the Budget Council next Tuesday, 17th June. Our Ambassador in Bonn has seen Herr Lahnstein today and pointed out at the Chancellor's request that the inclusion of 300 MUA in Chapter 100 of

/the 1980 Budget

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the 1980 Budget does not necessarily mean that the money will be spent since a formal UK request would still be required followed by a vote to transfer the money to the operative chapter. Lahnstein has agreed to consider this point at an internal meeting in the Ministry of Finance on 13th June.

If this way of avoiding a confrontation does not prove acceptable, our fallback position might be to accept that no sum is entered into the 1980 Budget but merely a token entry in the chapter which provides for the UK solution. We would then have to rely on the Commission proposing a supplementary budget to secure advances later in the year. We might aim to secure the agreement of the Budget Council to a form of words which accepted the possibility of a supplementary budget after the regulations implementing the 30th May agreement had been passed and the consequential infra-structure programmes approved.

The Italian Presidency, in a misguided attempt to be helpful, have suggested as a "compromise" that the 300 MUA be inscribed in Chapter 100 as commitments appropriations and not as payments appropriations. This would be a great deal worse than having no inscription of any amount at all. The whole point of the advances proposal was to secure money for us this year. Payments appropriations are essential for this purpose. Furthermore the acceptance of the principle that the provision for commitments appropriations could be different in any year from the provision for payments appropriations could store up a great deal of trouble for us in the future. We are therefore taking steps to kill off this idea and it would be helpful if this point could be put to the Italians forcibly in Venice.

I am sending copies of this letter to George Walden, Michael Richardson and David Wright.

*Yours*  
*John*

A.J. WIGGINS

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Euro PSI



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

PRIME MINISTER

EUROPEAN COUNCIL: INTERNATIONAL MONETARY PROBLEMS

Paragraph 12 of your brief on International Monetary Problems (ENG(V)(80)12) warned that a further note might be necessary in the light of the Eco/Fin Council on 9 June.

2. At that meeting, which I attended, we discussed recycling on the basis of a paper by the Monetary Committee. At the end of the discussion, the Chairman summed up the Council's conclusions as follows:-

1. The international financial institutions were the essential framework within which the Community debate was taking place.
2. More direct involvement of OPEC countries in recycling was desirable.
3. The Monetary Committee should do further, more detailed, work on the possible contribution that the Community and its institutions might make to the recycling process, and should report back to the Eco/Fin Council.

We also agreed that the remits given to the Monetary Committee should not be presented to the Press as if they constituted an agreed Community programme, in order not to arouse expectations that might later be disappointed.

/ I suggest

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3. I suggest therefore that, if this matter is raised at the European Council, you need only note that the Eco/Fin Council has it in hand, and has asked the Monetary Committee to make a further, more detailed report.

4. I am copying this minute to the Foreign and Commonwealth Secretary, the Governor of the Bank of England and Sir Robert Armstrong.

G.H.

( G.H. )

11th June 1980

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*de Euro PD, Budget Pt*

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Ref. A02334

*Prime Minister*

MR. ALEXANDER

European Council: Reactions to the Budget Settlement

The Prime Minister has already been provided with additional briefs covering two questions which may possibly come up in Venice as a result of the Budget settlement: enlargement and the proposed review on budget restructuring. Other points were made in the public statements after the Budget settlement by the French and German Governments. It seems unlikely that these points will be raised in the Council itself but they may be raised in the corridors or by the Press. The attached notes, in the form of a Question and Answer brief together with Background Notes, have been agreed with the Departments principally concerned. They deal with:-

- (i) The Budget settlement itself.
- (ii) The attempted French link with CAP prices.
- (iii) Fisheries.
- (iv) North Sea Oil.

2. I am sending copies of this minute and these briefs to the Foreign and Commonwealth Secretary's Private Secretary, to Michael Palliser, Tom Bridges, Julian Bullard and Michael Butler and to Bernard Ingham, No. 10.

*J. Hight*

(Robert Armstrong)

*(approved by Sir. R Armstrong  
and signed on his behalf)*

11th June, 1980





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EUROPEAN COUNCIL, VENICE: Q & A BRIEF ON THE OUTCOME OF THE  
BUDGET NEGOTIATIONS

BUDGET SETTLEMENT

Q. What is the Budget settlement worth?

A. The settlement will yield a total rebate to the United Kingdom of at least £1,570 million over the two year period 1980-1981. On Commission estimates this will reduce the United Kingdom's net contributions in those two years to £370 million and £440 million respectively. Any increase over those levels resulting from higher-than-expected Community spending will be much abated by a risk-sharing formula, under which the United Kingdom will bear only a fraction of the cost of any excess.

The settlement also provides for a radical review of the Community's budgetary arrangements and of the pattern of Community spending. If this review has not of itself solved the United Kingdom's budget problem by 1982, the Community is committed to extending the arrangements negotiated for 1980 and 1981.

Q. What will be the effect on public expenditure?

A. As the latest Public Expenditure White Paper makes clear, the reduction in our Budget contribution will increase the savings in public spending which the Government has already achieved. The amount set aside for contributions to the Community Budget in Table 2.2.1 of the White Paper will be reduced.

The settlement should not be seen as opening the way to ~~increased~~ expenditure on domestic programmes, although it reduces the risk that further cuts in these programmes will be needed to keep public expenditure and borrowing within acceptable limits.

Q. What are the proposals for "Supplementary Expenditure" in the United Kingdom?

A. The new Article 235 regulation will enable the Community to participate in the financing of programmes designed to help with the problems of the disadvantaged regions of the United Kingdom and possibly certain expenditures outside those regions. It has yet to be decided exactly which programmes will benefit from Community assistance.

The next step will be for the Commission to propose a draft regulation to the Council and to the European Parliament. This will lay down the broad criteria under which the programmes will attract Community assistance.



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Q. Will this scheme enable the Community to interfere in British policies - e.g. our regional policy?

A. The Commission are proposing that the Community should help to finance the United Kingdom's own national expenditure programmes, not that it should establish a new Community policy, comparable with the CAP.

The Council will approve the broad qualifying criteria which will be embodied in the Regulation. But it will be for the United Kingdom to decide which programmes to put forward for assistance within that framework. There is no reason to suppose that the Community will refuse to assist programmes which satisfy the agreed criteria.

Q. What is the significance of the proposed review of the development of Community policies?

A. In the long term the commitment to review the development of Community policies and the operation of the Budget is perhaps the most important part of the 30 May agreement. Together with the constraints imposed by the 1 per cent ceiling, it will provide the opportunity for the Community to make fundamental structural reforms so as to prevent any recurrence of the British budgetary problem.

The review therefore offers an opportunity which has never been available before, since we joined the Community, to work with our partners for financial arrangements and Community policies, which are equitable, and reflect the interests of all Member States.

ADVANCE PAYMENTS

Q. The Germans have said that they can only finance the 30th May settlement if the 1980 payments are postponed into 1981. Is that acceptable to the United Kingdom?

A. The 30th May settlement made it clear (in paragraph 6) that the possibility of advances was part of the settlement and no exclusion was made for 1980. Even so, we are sympathetic to the current budgetary difficulties of the Federal Government and we are considering whether we can help.

Q. Is it true that the German Government has made a formal request to the United Kingdom that we make no application for advances in 1980?

A. Yes; and we are considering it.



LINK WITH 1981 CAP PRICES

Q. Is it true that the French have sewn up the financial arrangements in such a way as to force us to agree to farm price increases before the beginning of the next financial year?

A. On 30th May all the Member States undertook to do their best to ensure that decisions on agricultural price fixing were taken in time for the 1981-82 marketing season. We fully accept that undertaking. Our aim will be to work with our Community partners before the next marketing season begins for CAP decisions that will take due and proper account of all the Community interests involved.

Q. But will the French be able to deny Britain the money under the Budget settlement until we have agreed farm prices acceptable to them?

A. The 30th May decision incorporates provisions for the payments to the United Kingdom. These were agreed. I am sure that the French Government will honour their commitments under the decision just like all the other Member States.



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FISHERIES

Q. Does not Fisheries text prejudice UK position?

A. Not at all. It is a statement of general principles and in no way prejudices the vital interests of our fishermen, which we are determined to safeguard.

Q. Are HMG prepared to stand by Community's timetable of CFP settlement by 1 January 1981? Was this not a concession by the United Kingdom?

A. HMG have regularly indicated they seek early conclusion of an adequate CFP settlement. All EC fishing industries need security of a settlement; absence of Community-wide conservation and management measures in effect threatens the stocks and prejudices the long term livelihood of the fishing industry. Therefore welcome prospect of early progress on fish.

Q. Linkage. Does fisheries text mean that if no progress is made on fish, the United Kingdom will not receive its budget repayment?

A. No. Fisheries text sets the framework, but substance of CFP will now be considered on its merits. Decisions on the budget and other issues have already been taken. Budget settlement provides a satisfactory timetable for the making of payments to the United Kingdom.

Q. Do you agree that the fisheries text confirms the principle of equal conditions of access?

A. No. There is no reference in the text to these words. Certain delegations (Germany, Netherlands) sought this, but the Council chose not to use their language (which is in fact made as a unilateral statement).

Q. Has access preference now been excluded from the CFP package, and left for decision in 1982.

A. On the contrary, the text recognises in paragraph 3 that the current negotiations for the review of the CFP comprise the review (Article 103, Treaty of Accession) of the existing arrangements on access. This paragraph, which refers also to the areas designated in the 1976 Hague agreement, is fully in accordance with our negotiating objectives on access. Now for Fisheries Council to pursue all the CFP issues together, including access.

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NORTH SEA OIL

Q. Does UK export enough North Sea oil to EC partners?

A. About half our production exported and over half these exports go to Community. In 1979 it received 22 million tonnes. Germany, largest single importer, received 10 million tonnes. In first quarter of 1980 one third of our total production (two third of total exports) went to the rest of the Community. Quantity exported to other Community countries should continue to rise over next few years.

Q. Are North Sea oil prices too high?

A. Prices follow, not lead, world market for similar high quality, low sulphur crudes. Only 1 per cent of output is sold at spot prices.

Q. Will the United Kingdom increase production in sub-crisis?

A. As we agreed at Luxembourg, the possibility of this is being examined urgently as one component of a study on dealing with short-term supply problems. We should now await outcome of this study. [If necessary] Scope for increasing production from North Sea in short term would at best be very limited.

Q. What is position on HMG's discussions with the Commission on landing requirement?

A. The Commission have confirmed that in present circumstances they are satisfied with our policies and procedures.

Q. Does not North Sea oil make the United Kingdom wealthy?

A. North Sea oil contributed only 2.5 per cent to GNP in 1979 and will contribute only 6 per cent at peak production. We remain the third poorest member of the Community in terms of GNP per capita. We are not yet net exporters.

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BACKGROUND NOTES

EFFECT ON PUBLIC EXPENDITURE

1. The situation on "additionality" is delicate. The Government's intention is that our refunds will go to reduce the PSBR. On the other hand, the Commission and our partners would not want expenditure on supplementary measures to be merely a substitute for British public expenditure that would have taken place anyway. We need to be careful about what is said in public on this point. A statement that implied that none of the expenditure on supplementary measures would be additional might create problems when the draft regulation is considered by the Council of Ministers.

"SUPPLEMENTARY EXPENDITURE" IN THE UNITED KINGDOM

2. The main point is that the programmes that will receive Community assistance have not yet been decided. Supplementary expenditure will not necessarily be restricted to the Assisted Areas of the United Kingdom.

COMMUNITY INTERFERENCE

3. There may be difficult discussions ahead on this, when the draft Regulations come to the Council. Our line will be that bureaucracy must be kept to the minimum, and we hope to have the support of the Commission on this point.

THE REVIEW

4. The review is due to be completed before 1982. Commission proposals are to be submitted by mid-1981. The terms of reference are as follows:-

"The examination should concern the development of Community policies, without calling into question the common financial responsibility for these policies, which are financed from the Community's own resources, nor the basic principles of the Common Agricultural Policy. Taking account of the situations and interests of all Member States, this examination will aim to prevent the recurrence of unacceptable situations for any of them!"



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ADVANCES

5. On 6 June we received an urgent request from the Federal Government that the United Kingdom should renounce advance payments in 1980. The Chancellor of the Exchequer has been having discussions with German Ministers whom he has seen in Luxembourg and Bonn. He will be making a recommendation to the Prime Minister when he has reflected on what they tell him.

6. The first receipts under the Financial Mechanism for 1980 are not due until the first quarter of 1981 in any case. The sole question therefore is whether we insist on advance payments for the supplementary measures. It seems probable that the Commission would go along with the recommendation that we should get 300 MUA (£180 million) in this way. It is unlikely that the detailed arrangements for the supplementary measures will be completed in time to enable us to receive this money before the last quarter of 1980. The postponement of this sum into the first quarter of 1981 would not be of very great financial significance. In any case, there is likely to be much greater pressure on the PSBR in the financial year 1981-82 than in the current financial year.

7. On the other hand we want to be quite sure that anything we agree to for 1980 is not established as a precedent for later years; and we want to prevent the other Member States from exploiting any delay before we are due for our first payments to create obstacles in the design of and the administration of the supplementary measures scheme. The problem here is that, although the Germans may agree to cooperate in return for our renouncing advances, they cannot by themselves prevent others from exploiting the delay. We also need to think out more carefully the precise implications of the renouncement of 1980 advances for the imminence of the time when the 1 per cent ceiling on Community Budget expenditure will begin to bite.

8. The Chancellor will be considering all these matters before he makes a recommendation to colleagues.

LINK WITH CAP PRICES

9. The only explicit reference to CAP prices in the 30th May decision appears in paragraph 9 which reads as follows:-



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"It is important for the future well being of the Community that day to day decisions and policy making should function effectively and this particularly during the period when the review foreseen in paragraph 7 is under way. With this objective in mind all Member States undertake to do their best to ensure that Community decisions are taken expeditiously and in particular that decisions on agricultural price fixing are taken in time for the next marketing season."

10. The French have been putting it about that it is not this paragraph which will prevent the British from being difficult about farm prices in 1981 but the precise arrangements for making payments for supplementary measures. It does not appear to us at present that they have a point. The 30th May agreement clearly committed the Community to payments to the United Kingdom in respect of 1980 and the French have never said that these should be delayed until after the 1981 price review. Unless we ask for an early advance in respect of 1981, the money that we shall be due to receive in the first half of that year - i.e. in the period of the price review - would all relate to 1980. It is difficult to see what argument the French could use to delay payment of that.

11. We have no particular reason for asking for advance payments for 1981 early in the course of that year. If we requested them in the autumn, the issue would not be before the Council of Ministers at the same time as the 1981 price review. In this way we should be able to prevent the French from making a link that would restrict our room for manoeuvre in the 1981 price review.

NORTH SEA OIL

12. The German Cabinet, in agreeing to the budget settlement, included the following paragraph in its statement:

"The Federal Government expects that the British Government will pay appropriate attention to the interests of her partner countries in the EC, in her oil and gas policies and, in particular, in the use of her production potential. This should especially be the case in situations where particular demands can be made on Community solidarity."



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The 13 May Energy Council confirmed that the scope for increasing hydrocarbon production should be one element in further examination of possibilities for dealing with short term oil supply difficulties.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 456 OF 11 JUNE

INFO IMMEDIATE ROME

INFO ROUTINE TO OTHER COMMUNITY POSTS AND WASHINGTON

MY 2 IPT'S:

EUROPEAN COUNCIL : FRG POLITICS

1. ON THE EVE OF THE EUROPEAN COUNCIL, BOTH SCHMIDT AND GENSCHER HAVE BEEN SPEAKING AT PRE-ELECTION CONFERENCES OF THEIR RESPECTIVE PARTIES: FDP AT FREIBURG ON 6/7 JUNE, SPD AT ESSEN ON 9/10 JUNE. SCHMIDT SPOKE AS CHANCELLOR AND VICE-CHAIRMAN OF THE SPD: GENSCHER AS CHAIRMAN OF THE FDP, VICE-CHANCELLOR AND FOREIGN MINISTER.
2. BOTH LEADERS CAME OUT CLEARLY IN FAVOUR OF CONTINUING THE SOCIAL-LIBERAL COALITION. THE FDP, WHO HAD NO CHOICE IN THE MATTER FOLLOWING THEIR DISASTROUS SHOWING IN NORTH RHINE WESTPHALIA IN MAY, APPROVED A FORMAL STATEMENT IN THIS SENSE. SCHMIDT EMPHASISED THAT HIS PARTY'S OBJECTIVE WAS TO OVERTAKE THE CDU/CSU AS THE LARGEST SINGLE PARTY IN THE BUNDESTAG, BUT WAS CAREFUL NOT TO AIM AT AN OVERALL MAJORITY CAPABLE OF GOVERNING WITHOUT FDP SUPPORT. GENSCHER, SUCCESSFULLY RALLYING A PARTY SHAKEN BY LOSSES IN THE RECENT STATE ELECTIONS, CONCENTRATED MOST OF HIS FIRE ON THE CDU/CSU. HE ARGUED THAT HIS PARTY'S SURVIVAL AND THAT OF THE GERMAN 3-PARTY SYSTEM DEPENDED ON ITS DOING WELL ENOUGH TO PREVENT THE SPD ACHIEVING AN OVERALL MAJORITY: BUT HE PRESENTED THE ISSUES IN TERMS WHICH MOVED THE FDP CLOSER TO THE SPD AND RANGED THEM FIRMLY BEHIND THE SCHMIDT BANNER.
3. BOTH SCHMIDT AND GENSCHER'S SPEECHES COVERED EAST-WEST RELATIONS (SEE MIPT).
4. THE TWO CONFERENCES CONFIRMED SCHMIDT AND GENSCHER AS BEING IN UNCHALLENGED CONTROL OF THEIR RESPECTIVE PARTIES. GENSCHER, WITH HIS PARTY'S MORALE TO RESTORE, WAS IN STRONG AND EFFECTIVE FORM. SCHMIDT COULD AFFORD TO BE MORE SUBDUED, IN THE KNOWLEDGE THAT HIS PARTY'S SUCCESS OR FAILURE DEPENDS ALMOST ENTIRELY ON HIM AND HIS REPUTATION AS A CRISIS MANAGER. HIS SPEECH WAS THEREFORE MODERATE, SOBER EVEN SOMBRE IN CONTENT AND MAGISTERIAL IN MANNER AS BEFITS A HEAD OF GOVERNMENT SURE OF HIMSELF AND OF WHERE HE IS GOING. IT WAS LEFT TO BRANDT ON THE SECOND DAY OF THE CONFERENCE TO LIFT UP THE HEARTS OF THE PARTY WORKERS. THE APPROACHING ELECTION ENSURED THAT AT BOTH CONFERENCES DISSENTING VOICES WERE MUTED AND INEFFECTIVE. SCHMIDT'S HOPE FOR A RESULT WHICH WILL ENABLE HIM TO CONTINUE TO GOVERN WITH FDP SUPPORT (IE NO OVERALL MAJORITY FOR THE SPD AND THE FDP OVER THE 5 PER CENT HURDLE) INDICATES THAT HE HAS SCOTCHED THE SNAKE ON HIS LEFT-WING, NOT KILLED IT.

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5. NONETHELESS, BOTH SCHMIDT AND GENSCHER GO TO VENICE SATISFIED WITH THEIR CONTROL OVER THEIR POLITICAL BASES AT HOME. IN SO FAR AS THEY HAVE ELECTORAL WORRIES, SCHMIDT'S CONCERN MUST BE THAT THE SPD MAY FEEL SO SURE OF VICTORY THAT IT DOES NOT TRY HARD ENOUGH TO GET OUT THE VOTE: GENSCHER'S PROBLEM IS TO DISTINGUISH HIMSELF AND THE FDP ENOUGH FROM THE SPD IN ORDER TO GET THE FDP ABOVE THE 5 PER CENT HURDLE AT A TIME WHEN SCHMIDT HAS TUNED IN MORE EFFECTIVELY TO THE ELECTORATE'S MOOD IN GENSCHER'S OWN SUBJECT: FOREIGN AFFAIRS AND ESPECIALLY EAST/WEST RELATIONS.

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FM BONN 110935Z JUNE 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 455 OF 11 JUNE

INFO IMMEDIATE ROME

INFO ROUTINE TO OTHER COMMUNITY POSTS, WASHINGTON AND MOSCOW.

MIPT (NOT TO MOSCOW)

EUROPEAN COUNCIL: EAST/WEST RELATIONS

1. BOTH SPD AND FDP HAVE JUST CONCLUDED THEIR PRE-ELECTION PARTY CONFERENCES. BOTH SCHMIDT AND GENSCHER INCLUDED IN THEIR KEYNOTE SPEECHES IMPORTANT PASSAGES ON EAST/WEST RELATIONS.
2. GENSCHER WAS MARKEDLY MORE CONCILIATORY TOWARDS THE SOVIET UNION THAN IN OTHER RECENT STATEMENTS. HIS EMPHASIS WAS ON DETENTE RATHER THAN CONFRONTATION. HE CONCLUDED WITH A REFERENCE TO THE FRG'S MEMBERSHIP OF THE COMMUNITY AND NATO AS THE BASIS OF ITS SECURITY POLICY, AND WENT OUT OF HIS WAY TO EMPHASISE THE IMPORTANCE OF THE TRANSATLANTIC RELATIONSHIP. BUT OTHERWISE, THIS PART OF HIS SPEECH SEEMED DESIGNED TO DISTANCE HIMSELF FROM THE OPPOSITION'S FOREIGN POLICY (SOME CRITICS HAVE CALLED HIM QUOTE TOUGHER THAN STRAUSS UNQUOTE) AND TO ALIGN HIMSELF AND HIS PARTY AS CLOSELY AS POSSIBLE WITH THE CHANCELLOR. HE SPOKE OF THE QUOTE LEGITIMATE SECURITY INTERESTS UNQUOTE OF THE SOVIET UNION: VIGOROUSLY DEFENDED HIS AND SCHMIDT'S FORTHCOMING VISIT TO MOSCOW; CRITICISED THE CDU/CSU FOR ITS OPPOSITION TO TALKING WITH THE EAST AT A TIME OF CRISIS; AND STRESSED THE VALUE OF DETENTE AND THE EXPOSED ROLE OF THE FRG IF THE QUOTE COLD WAR RETURNED TO EUROPE UNQUOTE.
3. THE CHANCELLOR, BY CONTRAST, SEEMED CONCERNED TO EMPHASISE, BEFORE VENICE AND HIS MOSCOW VISIT THAT THE FRG'S PURSUIT OF DETENTE WAS HARD HEADED AND IMPLIED NO WEAKENING OF SOLIDARITY WITH THE ALLIANCE. HE WOULD NOT BE GOING QUOTE WEAK-KNEED UNQUOTE TO MOSCOW, BUT EQUALLY NOT QUOTE ARROGANTLY AND MUSCLE-FLEXING UNQUOTE. HE WAS PARTICULARLY SEVERE ON ANTI-AMERICANISM IN THE SPD. ON TNF, HE REITERATED HIS DESIRE TO UTILISE THE THREE YEARS BEFORE DEPLOYMENT FOR NEGOTIATING PURPOSES, STRESSING THE IMPORTANCE OF ADHERING TO THE ALLIANCE'S DECEMBER 1979 DECISION, AND REJECTING SUGGESTIONS THAT HIS IDEA REPRESENTED ANY WEAKENING OF IT. IN ANY CASE HE WOULD REMAIN TRUE TO THE PRINCIPLE AGREED IN THE COMMUNIQUE AFTER BREZHNEV'S 1978 BONN VISIT THAT QUOTE NEITHER SIDE WOULD SEEK MILITARY SUPERIORITY UNQUOTE.

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4. DESPITE THEIR CONTRASTS, THESE TWO SPEECHES INDICATE A CONSIDERABLE DEGREE OF ORCHESTRATION, PARTICULARLY IN THEIR ATTEMPTS TO STIFLE ANTI-AMERICANISM WITHIN THE RULING PARTIES, WHILE AT THE SAME TIME STRESSING THAT THE GOVERNMENT COALITION STAND FOR PEACE AND SECURITY: I.E. THE CONFIRMATION OF DETENTE IN EUROPE. GENSCHER'S MORE DOVE-LIKE TONE, WHICH AT LEAST ONE NEWSPAPER HAS DESCRIBED AS OUT OF CHARACTER, INDICATES THAT HE HAS LEARNED THE LESSON OF THE NORTH RHINE WESTPHALIA ELECTION (MY TELS NO 389 AND 390) AND IS ADAPTING HIMSELF AND HIS POLICIES TO THE MOOD OF THE ELECTORATE WHICH SCHMIDT HAS SO EFFECTIVELY EXPLOITED.

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FM BONN 110930Z JUN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 454 OF 11 JUNE

INFO IMMEDIATE MADRID, PARIS, ROME, UKREP BRUSSELS

INFO ROUTINE OTHER EC POSTS

3 ltr:

Read in full

EUROPEAN COUNCIL: CAP REFORM, THE BRUSSELS PACKAGE AND ENLARGEMENT

1. WE ARE INFORMED BY THE FEDERAL CHANCELLOR'S OFFICE THAT HE CONSIDERS THE COMMUNITY'S MAJOR TASK FOR 1981 TO BE THE STRUCTURAL REFORM OF THE CAP. HE WILL PRESS IN VENICE FOR A FIRM DECLARATION OF INTENT TO BE INCLUDED IN THE COMMUNIQUE, REQUIRING THE COMMISSION TO PRODUCE SUBSTANTIVE RECOMMENDATIONS WELL IN TIME FOR THEIR DEADLINE OF 1 JUNE 1981, AND INSTRUCTING THE COUNCIL OF MINISTERS TO REACH AN AGREEMENT BY THE END OF NEXT YEAR.
2. THIS WAS FORESHADOWED BY SCHMIDT'S SPEECH TO THE SPD PARTY CONFERENCE ON MONDAY IN WHICH HE STRESSED THE IMPORTANCE OF REMOVING THE CAUSES OF IMBALANCE IN RECEIPTS AND PAYMENTS AMONG EC MEMBERS: THIS WAS PARTICULARLY TRUE OF QUOTE THE IMPLEMENTATION MECHANISM OF THE PRINCIPLES OF THE CAP UNQUOTE. IN A LATER INTERVENTION IN THE GENERAL DEBATE, HOWEVER, HE SOUNDED A NOTE OF CAUTION: THERE WAS NO SENSE IN MAKING DESTRUCTIVE CRITICISMS OF THE CAP WITHOUT CONSTRUCTIVE PROPOSALS.
3. IT IS LIKELY THAT THIS THEME WILL STRIKE A CHORD WITH THE PUBLIC AT LARGE. THE UK IS THE IMMEDIATE WHIPPING BOY FOR A POPULATION FACING TAX INCREASES AS A DIRECT RESULT OF THE BRUSSELS PACKAGE. NEVERTHELESS MORE THOUGHTFUL COMMENTATORS HAVE POINTED TO THE CAP AS THE REAL CULPRIT: THE BENEFITS DRAWN BY FRANCE HAVE NOT PASSED UNNOTICED. EVEN THE FDP, LONG CONSTRAINED FROM REALISTIC CRITICISM OF THE CAP BY ERTL'S TENURE AS MINISTER OF AGRICULTURE, OPENLY OPPOSED ITS CURRENT OPERATION AT THEIR OWN PARTY CONFERENCE LAST WEEKEND. AS I SUGGESTED IN MY TELNO 447, THEREFORE, WITH THE CAP NOW DRAWING BLOOD IN THE FRG, THE POLITICAL LINES AT LAST SEEM CLEAR FOR SCHMIDT TO MAKE AN INITIATIVE WITHIN THE COMMUNITY.
4. AGAINST THIS BACKGROUND, WE DO NOT BELIEVE THAT THE GERMANS WOULD BE TOO DISAPPOINTED IF THE MOMENTUM WERE TAKEN OUT OF SPANISH ENTRY NEGOTIATIONS. THE INTERNAL DISCUSSION OF CAP REFORM WITHIN THE NINE WILL BE DIFFICULT ENOUGH WITHOUT THE NEED TO RUN A PARALLEL NEGOTIATION WITH SPAIN ON SENSITIVE AGRICULTURAL PRODUCTS. SCHMIDT TOOK CARE TO WARN THE SPD CONFERENCE THAT UNLESS THERE WERE CHANGES IN EXISTING COMMUNITY ARRANGEMENTS, IT WOULD BE IMPOSSIBLE TO FINANCE ENLARGEMENT. THIS IS VERY MUCH THE VIEW OF THE ECONOMIC SIDE OF THE ADMINISTRATION, WHERE IT IS FELT THAT THE RESTRUCTURING OF THE CAP SHOULD BE IN THE BAG BEFORE THE COMMUNITY WAS REQUIRED TO FACE SPANISH DEMANDS.
5. THAT SAID, THERE IS CONSIDERABLE IRRITATION WITH GISCARD. WHILE THE FEDERAL GOVERNMENT SYMPATHISE WITH HIS POLITICAL PROBLEMS AND HAD RECOGNISED WELL BEFORE THE BRUSSELS PACKAGE HIS NEED TO DELAY DETAILED DISCUSSION OF SPANISH ACCESSION TERMS UNTIL AFTER THE FRENCH ELECTIONS, MINISTERS HERE RESENT THE MANNER IN WHICH HE

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SPRUNG THE PROBLEM AND CONSIDER HIS LANGUAGE TO HAVE BEEN UNNECESSARILY BLUNT. IT IS CONSIDERED HERE POLITICALLY IMPOSSIBLE TO CLOSE THE DOOR ON SPAIN AND THE ASSESSMENT IS THAT GISCARD'S MOTIVES ARE PARTLY ELECTORAL AND PARTLY TO PREPARE THE FRENCH NEGOTIATING POSITION FOR NEXT SUMMER'S CONSIDERATION OF THE CAP.

6. OUR CONVERSATIONS WITH THE FEDERAL FOREIGN MINISTRY HAVE INDICATED OTHER FRG PREOCCUPATIONS FOR VENICE AS FOLLOWS:

(A) FOREIGN POLICY: THE FEDERAL CHANCELLOR WOULD WANT TO TALK ABOUT HIS IMPENDING VISIT TO MOSCOW.

(B) THE NEED TO GIVE THE SMALLER COMMUNITY MEMBERS THE FEELING OF BEING STILL QUOTE ON THE INSIDE UNQUOTE.

(C) PREPARATIONS FOR THE INTERNATIONAL ECONOMIC SUMMIT IN VENICE: ANOTHER AREA WHERE IT WAS IMPORTANT TO SOOTHE THE NON-PARTICIPANTS.

(D) NORTH/SOUTH SUMMIT: WE ARE INFORMED BY THE FEDERAL FOREIGN MINISTRY THAT SCHMIDT WILL WISH TO TALK ABOUT A COMMUNITY POSITION TOWARDS THE SUMMIT PROPOSAL IN THE BRANDT REPORT.

7. MY 2 IFTS COVER EAST/WEST RELATIONS AND THE PRESENT STATE OF DOMESTIC POLITICS FOLLOWING THE SPD AND FDP PRE-ELECTION PARTY CONFERENCES.

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MR BULLARD

MR HANNAY

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DESKBY 120700Z

FM WASHINGTON 112045Z JUN 80

TO IMMEDIATE F C O

TELEGRAM NUMBER 2198 OF 11 JUNE 80.

INFO IMMEDIATE ROME. ROUTINE BONN, PARIS, TEL AVIV, CAIRO, UK REP BRUSSELS, UK DEL NATO, MOSCOW AND UK MIS NEW YORK.

INFO SAVING AMMAN, BEIRUT, DAMASCUS, JERUSALEM, JEDDAH, KABUL AND OTHER EC POSTS.

ROME TEL NO 384 TO YOU : COLOMBO'S VISIT TO WASHINGTON.

1. ATTOLICO HAS GIVEN US THE FOLLOWING ACCOUNT OF COLOMBO'S TALKS WITH MUSKIE ON 10 JUNE.

2. THE VISIT HAD BEEN ARRANGED AT ITALIAN SUGGESTION, TO ENABLE COLOMBO AND MUSKIE TO TAKE STOCK OF DEVELOPMENTS SINCE THEY MET AT VIENNA, AND IN ADVANCE OF THE ECONOMIC SUMMIT IN VENICE. MUSKIE HAD WELCOMED THE FACT ALL SEVEN PARTICIPANTS WERE NOW AGREED, TO A GREATER OR LESSEER DEGREE, THAT THERE SHOULD BE SOME POLITICAL DISCUSSION AT THE SUMMIT. THE MAIN ISSUES DISCUSSED WITH MUSKIE HAD



DISCUSSION AT THE SUMMIT. THE MAIN ISSUES DISCUSSED WITH MUSKIE HAD BEEN AFGHANISTAN, INCLUDING THE RESPONSE OF THE ALLIANCE, AND THE MIDDLE EAST.

#### AFGHANISTAN.

3. MUSKIE HAD NOTED THAT THERE WAS GENERAL AGREEMENT AMONG THE ALLIES ON THE IMPLICATIONS FOR WESTERN INTERESTS OF THE SOVIET INVASION OF AFGHANISTAN. HOWEVER, THE CONCRETE MEASURES WHICH HAD BEEN TAKEN IN RESPONSE SHOWED A CERTAIN LACK OF COHESION. MUSKIE HAD REFERRED APPROVINGLY TO THE DECISION TO INCREASE DEFENCE EXPENDITURES BY 3 PERCENT AND TO LAST YEAR'S TNF MODERNISATION DECISION, BUT HAD SUGGESTED THAT THE RESPONSE TO AFGHANISTAN HAD CREATED THE IMPRESSION THAT THE ALLIES WERE RESIGNED TO THE FACT OF SOVIET INTERVENTION. HE HAD SPECIFICALLY REFERRED TO THE NEED TO REACH AGREEMENT NOT TO RENEW EXPORT CREDITS TO THE SOVIET UNION AND TO BAN THE EXPORT OF ADVANCED TECHNOLOGY THERE.

4. COLOMBO HAD AGREED ON THE NEED TO SHOW A UNITED RESPONSE TO AFGHANISTAN. BUT HE HAD SUGGESTED THAT THERE WAS ALSO A NEED FOR BETTER COORDINATION AND CONSULTATION WITHIN THE ALLIANCE TO AVOID MISUNDERSTANDINGS. REFERRING TO THE OLYMPIC BOYCOTT AND THE IMPOSITION OF SANCTIONS ON IRAN HE HAD SAID THAT IF THERE HAD BEEN A BETTER UNDERSTANDING BY GOVERNMENTS ON BOTH SIDES OF THE ATLANTIC WHAT PUBLIC OPINION IN OTHER ALLIED COUNTRIES WAS PREPARED TO ACCEPT SOME OF OUR RECENT DIFFICULTIES COULD HAVE BEEN AVOIDED. ITALY HAD NOT BELIEVED THAT SANCTIONS AGAINST IRAN WOULD BE PARTICULARLY EFFECTIVE BUT HAD NONETHELESS DECIDED TO IMPOSE THEM IN THE INTEREST OF PROMOTING AN IMPRESSION OF ALLIED SOLIDARITY. ITALY HAD NOT RENEWED ITS CREDIT AGREEMENT WITH THE SOVIET UNION AND NO NEW CONTRACTS HAD BEEN SIGNED SINCE AFGHANISTAN. THE GOVERNMENT WAS HOWEVER COMING UNDER PRESSURE BOTH FROM THE SOVIETS AND FROM ITALIAN FIRMS INTERESTED IN DOING BUSINESS IN THE SOVIET UNION TO AGREE TO A RENEWAL. COLOMBO HAD SAID THAT THE GOVERNMENT WOULD RESIST THESE PRESSURES, BUT ONLY IF:

(A) NO-ONE ELSE AGREED TO A RENEWAL:

(B) COUNTRIES WHERE CREDIT WAS PROVIDED THROUGH PRIVATE BANKS NO LONGER ALLOWED THE BANKS TO BENEFIT FROM SPECIAL TREATMENT FROM THE CENTRAL BANK IN RESPECT OF EXPORT CREDIT: AND

(C) OTHER COMPETITORS DID NOT TAKE UP THE ITALIAN SHARE OF THE SOVIET MARKET.

MIDDLE EAST.



MIDDLE EAST.

5. WHILE REGRETTING THAT THE AUTONOMY TALKS WERE TEMPORARILY STALLED, MUSKIE HAD INSISTED THAT THIS WAS NOT SURPRISING, AS EACH OF THE PARTNERS HAD A NUMBER OF SUBSTANTIVE ISSUES AT STAKE. THE UNITED STATES HAD ACHIEVED A GREAT DEAL THROUGH CAMP DAVID, MOST NOTABLY THE ESTABLISHMENT OF PEACE BETWEEN EGYPT AND ISRAEL. BUT THE ACHIEVEMENTS WERE VERY FRAGILE AND IT WAS THEREFORE IMPORTANT THAT THE PROCESS SHOULD CONTINUE. IT WOULD BE SERIOUS IF ANYTHING WAS DONE TO HAMPER THE PROCESS.

THE AMERICANS WERE CONFIDENT THAT THEY COULD SECURE A RESUMPTION OF THE TALKS, AND IT WOULD BE A PITY IF THE EUROPEANS WERE TO OFFER EITHER OF THE PARTNERS A POSSIBILITY OF ESCAPING FROM HIS RESPONSIBILITIES AT A MOMENT IN THE TALKS WHEN SOME HARD DECISIONS WERE AHEAD. MUSKIE HAD ASKED THAT WHATEVER THE EUROPEANS MIGHT DO IT SHOULD FACILITATE NOT HAMPER THE CAMP DAVID PROCESS.

6. COLOMBO HAD REPLIED THAT IT WOULD BE A GRAVE MISTAKE FOR THE AMERICANS TO PRESENT A EUROPEAN INITIATIVE AS IN ANY WAY RUNNING COUNTER TO CAMP DAVID OR U.S. POLICY. THE EUROPEANS REGARDED HIGHLY THE ACTION THE U.S. HAD ALREADY TAKEN AND RECOGNISED THAT THEY COULD DO EVEN MORE. THE EUROPEANS WERE NOT PREPARING AN INITIATIVE TO REVISE RESOLUTION 242. EVEN IF THIS HAD BEEN CONSIDERED AT ONE TIME, THE CONSENSUS WAS THAT PRESENT CIRCUMSTANCES WERE NOT FAVOURABLE FOR SUCH AN INITIATIVE. THE EUROPEANS HAD NO INTENTION OF CREATING OBSTACLES TO THE FURTHER DEVELOPMENT OF THE CAMP DAVID PROCESS. THE NINE HAD WELCOMED THE CAMP DAVID AGREEMENT AND HAD ASSUMED CERTAIN RESPONSIBILITIES IN DOING SO. THE NINE WERE CONCERNED THAT INTRANSIGENT BEHAVIOUR (COLOMBO HAD REFERRED TO ISRAELI SETTLEMENT POLICY) WOULD PREVENT THE NEGOTIATING PROCESS FROM LEADING TO GLOBAL SOLUTION. IT WAS PRECISELY BECAUSE THE NINE HAD BACKED THE CAMP DAVID AGREEMENT DESPITE ARAB DOUBTS THAT THEY FELT OBLIGED TO HELP BRING ABOUT THE FULL IMPLEMENTATION OF THE AGREEMENTS. IF IN VENICE THE NINE WERE TO BE SILENT ON THE ISSUE, OR TO TAKE A STEP BACKWARDS, THIS WOULD HAVE A DESTABILISING EFFECT IN MODERATE ARAB COUNTRIES, AS HAD BEEN MADE CLEAR IN A RECENT APPROACH THEY HAD HAD FROM THE SAUDIS.

7. ATTOLICO CONCLUDED BY SAYING THAT HE HAD NOT BEEN PRESENT DURING THE TETE A TETE BETWEEN MUSKIE AND COLOMBO, AND COULD NOT EXCLUDE THAT THE FORMER MIGHT HAVE TAKEN A TOUGHER LINE IN PRIVATE. BUT HE ASSURED US THAT IN THE PLENARY SESSIONS, MUSKIE'S LINE HAD ESSENTIALLY BEEN THAT WHILE THE AMERICANS COULD NOT TELL THE EUROPEANS WHAT THEY SHOULD DO OR NOT DO, THEY VERY MUCH HOPED THAT ANYTHING WE DID WOULD NOT RUN COUNTER TO THE CAMP DAVID PROCESS.



PROCESS.

F C O PASS SAVING TO AMMAN, BEIRUT, DAMASCUS, JERUSALEM, JEDDAH,  
KABUL, BRUSSELS, COPENHAGEN, DUBLIN, LUXEMBOURG AND THE HAGUE.

HENDERSON

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TO THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY, WASHINGTON, D.C.  
FROM THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY, WASHINGTON, D.C.  
SUBJECT: [Illegible]

[Illegible text]



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[FRAME EXTERNAL  
FRAME AGRICULTURE]

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FM PARIS 101637Z JUN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 527 OF 10 JUNE 1980

INFO IMMEDIATE UKREP BRUSSELS, BONN AND ROME

INFO SAVING TO BRUSSELS, COPENHAGEN, DUBLIN, LUXEMBOURG, THE HAGUE  
MADRID, LISBON AND ATHENS.

*Read in full*

EUROPEAN COUNCIL PREPARATION: COMMUNITY QUESTIONS

1. OFFICIALS AT BOTH THE ELYSEE AND THE QUAI D'ORSAY TO WHOM WE HAVE SPOKEN SEEK TO PLAY DOWN THE SCOPE OF THE EUROPEAN COUNCIL DISCUSSION OF ENLARGEMENT ENVI SAGED (NOT THEY STRESS PROPOSED) BY PRESIDENT GISCARD. THEY CLAIM THAT FRANCE IS NOT QUESTIONING THE ENTRY OF SPAIN AND PORTUGAL, NOR SUGGESTING THAT NEGOTIATIONS WITH THEM SHOULD BE HALTERED. PRESIDENT GISCARD WAS ONLY MAKING THE OBVIOUS POINT THAT NEGOTIATIONS WITH SPAIN AND PORTUGAL COULD NOT BE COMPLETED UNTIL THE FUTURE STRUCTURE OF THE EUROPEAN COMMUNITY'S FINANCES HAD BEEN FULLY WORKED OUT. THIS POINT WAS LIKELY TO EMERGE FROM ANY REVIEW OF THE PRESENT STATE OF PROGRESS IN THE COMMUNITY. FRENCH OFFICIALS SEEM TO HAVE BRIEFED THE PRESS (AFP) TODAY ON SIMILAR LINES.
2. MORE SPECIFICALLY PAYE (QUAI D'ORSAY) ARGUED THAT THE COMMUNITY'S NEGOTIATIONS WITH SPAIN WERE ONLY AT THE "OVERALL VIEW" STAGE; THE MOST DIFFICULT PROBLEMS OF AGRICULTURE AND FISHERIES HAD BARELY BEEN TOUCHED AND LITTLE PROGRESS HAD BEEN MADE WITH THE DOSSIER OVER THE PAST YEAR WHEN THE COMMUNITY HAD SHOWN THAT IT COULD ONLY DEAL WITH ONE MAJOR SUBJECT (IE, THE UNITED KINGDOM CONTRIBUTION) AT A TIME. HE ADDED THAT HE PERSONALLY HAD NEVER BELIEVED THAT JANUARY 1983 WAS A REALISTIC DATE FOR SPANISH ACCESSION THOUGH HE SAW NO IMMEDIATE NEED TO AFFIRM DIFFERENT TARGET DATES.
3. FRENCH OFFICIALS ARE NOT TO BE DRAWN FAR ON SPECIFIC SUGGESTIONS THAT HAVE BEEN FLOATED FOR RE-STRUCTURING THE CAP OR THE BUDGET. PAYE DISCOUNTED THE IDEA TO LAUNCH PROPOSITIONS AS COMPLEX AS THOSE ADVANCED BY FRENCH FARMING INTERESTS FOR DEGRESSIVE PRICE OR QUANTUM-LIMITED SUPPORT ARRANGEMENTS FOR AGRICULTURE. HE NOTED THAT GERMAN CONCERN OVER THE BUDGET HAD BEEN VOICED IN THE FEDERAL CABINET STATEMENT AND IN CHANCELLOR SCHMIDT'S RECENT SPEECHES BUT HE SAID THE FRENCH HAD NOT RECEIVED ANY FURTHER ELABORATION OF GERMAN IDEAS SO FAR. HE WOULD IN DUE COURSE WELCOME INFORMAL BILATERAL EXCHANGES WITH UK OFFICIALS, SUCH AS HE HAD HAD IN THE PAST WITH A VIEW TO TRYING TO FIND A COMMON APPROACH TO THE RE-STRUCTURING DEBATE IN GOOD TIME.

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4. PAYE COMMENTED THAT THERE WAS VERY LITTLE OTHER PURELY COMMUNITY BUSINESS FOR THE EUROPEAN COUNCIL TO DISCUSS AT VENICE. NEITHER HE NOR LECLERCQ (ELYSEE) COULD SAY WHAT CANDIDATE PRESIDENT GISCARD WOULD FAVOUR FOR THE PRESIDENCY OF THE COMMISSION. THEIR LIST OF CANDIDATES LIKELY TO BE PUT FORWARD BY OTHER GOVERNMENTS NOW INCLUDES THORN, O'KENNEDY, TINDEMANS AND POSSIBLY GUNDELACH AND PANDOLFI. THEY BOTH ALSO MENTIONED DAVIGNON. PAYE SAID THAT HE WOULD UNDOUBTEDLY MAKE A VERY ACTIVE AND EFFECTIVE PRESIDENT. WHEN ASKED WHETHER THESE QUALITIES WOULD TEND TO RULE HIM OUT IN FRENCH EYES, PAYE SAID WITH A SMILE THAT THEY MIGHT NOT BE SUFFICIENT REASONS IN THEMSELVES TO ELIMINATE ANY CANDIDATE BUT THAT IT WAS UNLIKELY THAT ANYONE ELSE WOULD PROPOSE DAVIGNON IF HIS OWN GOVERNMENT DID NOT DO SO.

5. I THINK THE CONCLUSION TO BE DRAWN FROM PARAS. 1-3 ABOVE SET AGAINST THE DOMESTIC CONSIDERATIONS DESCRIBED IN MY TELS NOS: 519 AND 525 IS THAT PRESIDENT GISCARD'S AIM AT VENICE WILL BE TO ENSURE A SUFFICIENT DISCUSSION ON ENLARGEMENT FOR HIM TO CONVINCED FRENCH PUBLIC OPINION THAT HE HAS PRESERVED A VETO OVER FACETS OF SPANISH ACCESSION THAT WOULD BE UNACCEPTABLE TO FRANCE BUT NOT TO BE TOO EXPLICIT ABOUT HOW OR WHEN SUCH AN INSTRUMENT WOULD BE USED. HE MAY PREFER NOT TO MAKE ANY SPECIFIC PROPOSALS ABOUT ENLARGEMENT OR RE-STRUCTURING AT THIS STAGE IF HE CAN ACHIEVE HIS AIM (DEFUSING OF INTERNAL DISCONTENTS IN THE ELECTORAL RUN-UP) WITHOUT DOING SO.

FCO PLEASE PASS SAVING TO ABOVE ADDRESSEES.

HIBBERT.

(REPEATED AS REQUESTED)

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FM CAIRO 101115Z JUN

TO IMMEDIATE FCO

TELEGRAM NR 360 OF 10 JUN 80

YOUR TELNO 90 TO WASHINGTON: EUROPEAN COMMUNITY AND THE MIDDLE EAST.

1. IN ADDITION TO WHATEVER IS DECIDED AT VENICE ABOUT A FOLLOW-UP TO THE PROSPECTIVE EUROPEAN DECLARATION, MAY I SUGGEST THAT WE SHOULD CONSIDER TAKING EARLY ACTION WITH EGYPT ON THE BILATERAL PLANE ?

2. IDEALLY, WHAT I THINK IS NEEDED AND WOULD BE TIMELY IS A PERSONAL MESSAGE FROM THE PRIME MINISTER TO PRESIDENT SADAT. THE CONTENT WOULD BE ESSENTIALLY AN EXPLANATION OF THE VENICE DECLARATION AND FOLLOW UP, AND OF OUR OWN ROLE IN AND OUR ATTITUDE TOWARDS IT, INCLUDING SUITABLE ASSURANCES ABOUT CAMP

AND REFERENCES TO YOUR MEETINGS LAST WEEK WITH MUSTAFA KHALIL, KING HUSSAIN ETC. BUT THE MAIN OBJECT AS I SEE IT WOULD BE TO ESTABLISH CONTACT BETWEEN THE BRITISH GOVT AND SADAT ON THE PERSONAL LEVEL. SO FAR, THE ONLY SUCH CONTACT HAS BEEN THE MESSAGE THE PRIME MINISTER SENT ABOUT RHODESIA IN DECEMBER, BUT THAT DID NOT PURPORT TO BE OTHER THAN ONE AMONG SEVERAL SUCH MESSAGES TO HEADS OF GOVT. IT WAS PARTICULARLY BAD LUCK - THOUGH NOT I THINK ANYTHING MORE SINISTER - THAT SADAT WAS UNABLE TO SEE EITHER MR HURD OR SIR I GILMOUR ON THEIR VISITS TO EGYPT. AS THINGS STAND THE ONLY BRITISH PUBLIC FIGURES WHOM SADAT HAS SEEN IN THE PAST YEAR HAVE BEEN MR CALLAGHAN AND MR GREVILLE JANNER, WHEREAS HE HAS SEEN GENSCHER TWICE, A FRENCH OFFICIAL BRINGING A MESSAGE FROM GISCARD AS WELL AS OTHER FRENCH POLITICIANS, AND AMERICANS BY THE PLANE-LOAD. I SUPPOSE IT IS ON THE CARDS THAT GISCARD MIGHT SEND SADAT A FURTHER MESSAGE AFTER VENICE.

3. THE EGYPTIANS ARE CLEARLY UNHAPPY WITH THE CURRENT AMERICAN PERFORMANCE. HAVING PUBLICLY SWITCHED HIS PRIORITIES FROM FOREIGN TO DOMESTIC AFFAIRS SADAT WOULD PROBABLY PREFER TO REST ON THE PRESENT STATEMENT IN THE NEGOTIATIONS, WITH BEGIN GETTING MOST OF THE BLAME, THAN TO BE PRESSED TO RESUME THEM ESSENTIALLY FOR PRESIDENT CARTER'S DOMESTIC PURPOSES. HE HAS, HOWEVER, SHOWN HIMSELF SUSCEPTIBLE TO THE ARGUMENT THAT THE

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*EUROPEANS*



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EUROPEANS FOR THEIR PART ARE ONLY ACTING OUT OF SELFISH MATERIAL MOTIVES. IT WOULD BE GOOD FOR OUR INTERESTS HERE TO BE ABLE TO DEMONSTRATE TO HIM THAT WE HAVE WIDER CONSIDERATIONS IN REGIONAL STABILITY IN FACE OF THE SOVIET THREAT. THE VENICE MEETING OFFERS A NATURAL OCCASION FOR GETTING SUCH A MESSAGE TO HIM AND THERE SEEMS UNLIKELY TO BE A SIMILAR OPPORTUNITY FOR SOME TIME.

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FM BONN 101346Z JUN 80

TO FLASH FCO

TELEGRAM NUMBER 451 OF 10 JUNE

YOUR TELNO 249: PRESIDENT OF THE COMMISSION

1. CHANCELLOR'S OFFICE REGRET THAT IT IS A QUOTE PHYSICAL IMPOSSIBILITY UNQUOTE FOR HIM TO SEE ME FOR EVEN A FEW MINUTES BEFORE HIS DEPARTURE FOR VENICE. HE IS AT HIS PARTY'S CONFERENCE IN ESSEN ALL DAY TODAY, AND HAS A LONG LIST OF ENGAGEMENTS ON HIS RETURN INCLUDING A CABINET MEETING TOMORROW.
2. RELUCTANTLY, I THINK I MUST ACCEPT THIS. VON STADEN IS ALWAYS HELPFUL, AND WOULD I AM SURE HAVE ARRANGED FOR ME TO HAVE EVEN A FEW MINUTES WITH THE CHANCELLOR IF IT HAD BEEN POSSIBLE. HE EXPLAINS THAT THE CHANCELLOR HAS NOT YET PROPERLY TURNED HIS ATTENTION TO THIS PROBLEM (PARTLY, NO DOUBT, BECAUSE THE COMING FEDERAL ELECTION MAKES IT DIFFICULT FOR HIM TO THINK SERIOUSLY ABOUT GERMAN NON-PRESIDENTIAL CANDIDATES AT THIS STAGE: MY TEL: NO. 438). THIS WOULD MAKE IT DIFFICULT FOR HIM TO SWITCH ON TO THE SUBJECT FOR A TALK WITH ME. VON STADEN DOES NOT SUGGEST THAT I COME AND TALK TO HIM INSTEAD, BECAUSE HE HIMSELF HAS NOT <sup>YET</sup> PUT THE PAPERS TO THE CHANCELLOR AND SO IS NOT YET PRIVY TO THE CHANCELLOR'S THINKING.
3. AS AN ALTERNATIVE, VON STADEN WONDERS WHETHER IT MIGHT BE POSSIBLE TO ARRANGE FOR THE PRIME MINISTER AND THE CHANCELLOR TO HAVE A FEW WORDS IN VENICE BEFORE THE FORMAL PROCEEDINGS THERE BEGIN. HE SHOULD BY THEN HAVE BEEN ABLE TO FOCUS ON THE QUESTION, HOWEVER BRIEFLY. IF THIS IDEA COMMENDS ITSELF TO THE PRIME MINISTER, THE MEETING COULD BE FIXED EITHER THROUGH THE RESPECTIVE PRIVATE OFFICES OR THROUGH ME.

WRIGHT

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PS/PUS  
SIR D MAITLAND  
LORD BRIDGES  
MR HANNAY

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MR ALEXANDER  
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MR FRANKLIN CABINET OFFICE

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Top Copy to Middle East  
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Envo PSI



MO 3/7/4

PRIME MINISTER

ARAB/ISRAEL

I have seen the Foreign and Commonwealth Secretary's minute to you of 6th June.

2. I should like to register my support for his approach. Western security interests may be put at risk, not only by the spread of violence on the West Bank itself, but by the tensions a continuing stalemate will engender among other States in this strategically vital area. If we can guide the Nine towards agreeing on a sustained peace effort which steers clear of the courses most objectionable to the US, this can only improve the general context for the US's own efforts to guarantee the region's security. It should help us maintain the standing we need to make our own distinctive contribution, both political and military, to consolidation and deterrence in face of a growing Soviet threat. It also has a considerable bearing on the prospects for our relations with individual Arab States, including the future of our defence sales effort. I would therefore welcome a statement by EEC Heads of State and Governments on the lines indicated in Peter Carrington's minute.

3. I am copying this to other members of OD and to Sir Robert Armstrong.

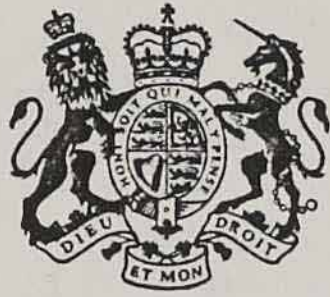
Ministry of Defence

9th June 1980



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Site Pt 3

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

9 June 1980

EUROPEAN COUNCIL: ARAB/ISRAEL

I have sent you a separate letter giving the Prime Minister's general reaction to the Foreign and Commonwealth Secretary's minute of 6 June on this subject.

You will wish to be aware in addition that the Prime Minister's marginal comments on the text of the draft statement indicate that she has doubts about the square bracketed passages in the second sentence of paragraph 1; about the reference to the United Nations in paragraph 5 ("not a happy example in this region"); about the reference to international guarantees, also in paragraph 5 ("not much use in this region"); about the final sentence of paragraph 6; about the references to the PLO in paragraph 7; and about the language on Jerusalem in paragraph 8.

The Prime Minister has also asked for the texts of the documents and declarations referred to in paragraph 3. I should be grateful if you could let me have these as soon as possible.

M. O'D. B. ALEXANDER

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



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Foreign and Commonwealth Office

London SW1A 2AH

9 June 1980

by  
Paul

Dear Murdo,

Arab/Israel

We spoke by telephone this afternoon about the proposed draft statement of the Nine in the Middle East, to be issued after the European Council Meeting in Venice on 12/13 June, which the Prime Minister has asked the Chief Whip to look at.

// I attach a copy of the draft statement, together with a copy of a minute from Lord Carrington to the Prime Minister explaining the background to it.

I am sending a copy of this letter to Michael Alexander (No 10).

Yours etc

Paul

(P Lever)  
Private Secretary

Murdo MacLean Esq  
Government Whip's Office  
12 Downing Street  
LONDON

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NEWAD  
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PS/LPS  
PS/M. HURD  
PS/PLS  
Sir D. M. M. M.  
M. S. S. S.  
J. C. M. M.

PM/80/43

THE PRIME MINISTER

Arab/Israel

1. As we approach the European Council meeting in Venice on 12/13 June, I am increasingly concerned about the situation in the Middle East.
2. Recent events on the West Bank illustrate the dangerous frustrations which are building up. It is clear that any real progress in the Israeli/Egyptian/US autonomy talks can now be ruled out, at least until after the American election and perhaps for as long as Mr Begin is Prime Minister - judging from some of his recent language. In the absence of any political progress, President Sadat may become more isolated internationally. The bomb attacks on the Mayors of Nablus and Ramallah have produced the inevitable reaction in the Security Council. The Arabs and their supporters will have an opportunity to create more trouble at the Special Session of the General Assembly likely to be called in July and again at the regular Session starting in September. Tension may rise to a point where fundamental Western interests are at risk. There is an urgent need to assure Arab moderates that although the Americans are likely to be in baulk for many months, the path of negotiation is still the best.
3. Part of the difficulty is the vacuum created by American diplomatic impotence during the election period, that is, until early 1981. We are taking special pains to keep in touch with American thinking. President Carter and Mr Muskie have both made it clear that they will be very unhappy about any recourse by their friends to the Security Council and, indeed, would be obliged to use the veto. We had, in any case, been reaching the conclusion that this was not the path to follow.

/4.

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4. But this does not mean that Europe can and should do nothing. On the contrary, I believe some diplomatic activity by the Nine in the coming months is essential if the dangers described above are to be averted. We know that many senior American officials would privately accept this view. They are, or should be, as concerned as we are at the link between the deteriorating Arab/Israel situation and the other problems of the region, and at the opportunity offered to the Russians to recover lost ground by championing a 'just cause' during the period of the vacuum.

5. There is now agreement among the Nine at official level that the European Council on 12/13 June should issue a statement, the substance of which would stress commitment to Israel's security and elaborate on the need to take into account Palestinian political rights. I attach a copy of the latest draft which is broadly satisfactory. There are two points which might be construed as a move forward by the Nine, though both have been effectively covered in previous statements by the Nine as well as following closely positions we have adopted ourselves. These are the endorsement of Palestinian self-determination, always within the framework of a negotiated settlement, and acknowledgement that the PLO, among others, must be involved in negotiations. This is of course quite different from recognising them as a Government. We have for some time been taking the line that because of the support which the PLO enjoy on the West Bank they cannot be excluded indefinitely from negotiations.

6. The major proposal in the draft statement is that the Nine should begin to take soundings of the parties concerned. Those consulted should include the United States, Egypt and Israel, as well as the other Arab states most closely concerned, and also the PLO and Palestinian opinion on the West Bank and in Gaza. The soundings would be aimed at answering the following three questions:

/(i)

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- (i) How can Israeli fears about long-term security be met to permit a lasting settlement?
- (ii) How is the principle of Palestinian self-determination to be put into practice and reconciled with the interests of the other parties, notably Israel; and in the light of these questions
- (iii) How could eventual multilateral negotiations be got under way?

In our view the soundings could take place over many months and continue in any case until the Americans are back in play after the Presidential election. One possibility is that they could be carried out by the Luxembourg Presidency: (M Thorn would be well capable of this). Another is a specially appointed Mission. There is no question, at any rate for the foreseeable future, of a British Minister playing a direct part.

7. I am copying this minute to members of OD Committee and to Sir Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office  
6 June 1980

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EUROPEAN COUNCIL: DRAFT STATEMENT OF THE NINE ON THE MIDDLE EAST

1. The Heads of State and Government and the Foreign Ministers have exchanged views in depth on the situation in the Middle East [including the current state of negotiations resulting from the agreements signed between Egypt and Israel in March 1979]. They agreed that the growing tensions [which affect this region constitute a growing danger] [which affect this region constitute a serious danger to peace] [affect seriously the security of this region [and] make a comprehensive solution of the Arab/Israel conflict more than ever necessary and urgent.
2. The Nine countries of the European Community consider that the traditional links and common interests which bind Europe to the Middle East require them to play a special role and call upon them today to work towards peace in a more concrete manner.
3. [In their action] [in acting thus], the Nine countries of the Community base themselves on Resolutions 242 and 338 of the Security Council and the positions which they have expressed on numerous occasions, notably in their declarations of 29 June 1977, 19 September 1978, 26 March and 18 June 1979, as well as in the speech made on their behalf on 25 September last by the Irish Foreign Minister at the 34th UN General Assembly.
4. On the basis thus set out, the time has come to work for the recognition and implementation of the two principles universally accepted by the international community: the right to exist and to security of all the states in the region including Israel, and justice for all the peoples which implies recognition of the legitimate rights of the Palestinian people.
5. All the countries of the region have the right to live in peace within secure recognised and guaranteed boundaries. The guarantees of the peace settlement should be provided by the United Nations by decision of the Security Council and, as appropriate, according to other mutually agreed procedures. The Nine once more declare themselves ready to participate in a system of international guarantees in the context of a comprehensive settlement.



The Palestinian problem, which is not simply a refugee problem, must at last find a just solution. The Palestinian people, who are conscious of their own existence as such, must be put in a position to exercise their right to self-determination [through an appropriate process] within the framework of the comprehensive peace settlement. The exercise of this right involves the establishment of a homeland for the Palestinian people [organised by itself and, if it so desires, a Palestinian state on the territories which Israel should evacuate in Palestine].

7. The implementation of these aims requires the adherence and concurrence of all the parties involved in the peace settlement which the Nine are striving to promote on the basis of the principles set out in the declarations mentioned above. These principles are valid for all the parties concerned, including the Palestinian people, which [involves the participation] [necessitates the participation] [involves the association] of the PLO in the negotiation.

8. The Nine recognise the particularly important role which the question of Jerusalem possesses for all the parties concerned. In the speech of the then Presidency at the then United Nations on 25 September 1979, the Nine stressed inter alia that they did not accept any unilateral move which claimed to change the status of Jerusalem and that any agreement on the status of the city should guarantee the right of free access for all to the Holy Places.

9. The Nine recall the need for Israel to end the territorial occupation which it has maintained since the conflict of 1967. They are deeply convinced that the Israel settlements represent a serious obstacle to the peace process in the Middle East. The Nine consider that these settlements [as well as demographic and property modifications in the occupied Arab territories] are contrary to international law.

10. Concerned to put an end to violence, the Nine consider that only the renunciation of force and the threat of force by all the parties can create a climate of confidence in the region, and constitutes a fundamental element for a comprehensive settlement on the Middle East conflict.

/11.



11. The Nine have decided [to undertake the necessary soundings with] [to make the necessary contacts with] [all] the parties involved. In the light of the results of this consultation the Nine will decide the precise localities of their future action [the precise methods and timetable for an initiative on their part].

12. The Nine also stressed the importance which they attach to the Euro/Arab Dialogue on all fronts and the need to develop its political dimension. They have accordingly agreed that a meeting at the political level between the two parts would be opportune. They intend thus to contribute to the development of co-operation and mutual understanding between Europe and the Arab world.



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ORIG NDC 6 -  
9 JUN 1980



~~H.R.~~ **CONFIDENTIAL**

Original on

● Euro PD, April 80, Proposals for Common Format...

①

PRIME MINISTER

EUROPEAN COUNCIL

4/6/80  
filed on  
Euro PD,  
April 1980  
Euro Passports

The attached letter from the Foreign and Commonwealth Secretary reverts to the question of a common format for the passport of Community Member States. Lord Carrington agrees with you about the domestic sensitivity of this issue. His letter proposes a way of preventing the matter coming to a head for several months. However, his proposal assumes - though this is not very clear from the letter - that we would give some indication in principle of a willingness to accept a common format in due course.

I think this problem needs to be seen against the general background of our relations with the European Community in the next few months. We have just emerged from a prolonged period of difficulty. We will probably be entering a further period of argument in the autumn, first over the Common Fisheries Policy and then over the re-structuring of the Budget, and of the C.A.P. There would therefore, in my view, be much to be said in favour of H.M.G. striking as "European" a posture as possible in the pursuit of our interests in the next few months. It would be helpful to our efforts to get our way on the major economic issues if we can show, elsewhere, that we are interested in seeing the Community develop. *It would be a major instant benefit, only accepted if people can have a Britain and a European*

One way of doing this would be to appear reasonably forth-*coming* coming on the passport issue and to combine it with one or two other proposals which would be demonstrably "European" and designed to make Europe rather more attractive to the ordinary voter. The sort of ideas that have been mentioned in this connection are, for instance, cheaper air fares (in any case a UK interest) and the simplification of formalities for getting medical attention in other Member States.

An alternative idea (not relevant to the public image of the Community) would be for us to pursue proposals aimed at integrating Political Cooperation activities more closely with those activities which fall directly under the Treaties. *The French would not much like this.*

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- 2 -

If the thoughts set out above seem to you to have any validity, you might care to mention them at the European Council briefing meeting on Monday afternoon. *If they seemed worth pursuing they could be worked out more fully in time for you to mention them, formally or informally, to your colleagues in Venice.*

*And*

6 June 1980

CONFIDENTIAL



CONFIDENTIAL

Qz 01604

c Mr Alexander  
Envo (B)  
F.S.  
Runt

SIR ROBERT ARMSTRONG

C Mr Wade-Gery

EUROPEAN COUNCIL: MEETING IN VENICE

You should be aware of this correspondence before the Prime Minister's briefing meeting. Sir Michael Palliser believes that the arguments in paragraph 6 of Mr Bullard's reply militate against an initiative, even if the Prime Minister were willing to take one. I am not wholly persuaded but I suggest we see how the briefing meeting goes.

M D M FRANKLIN

6 June 1980

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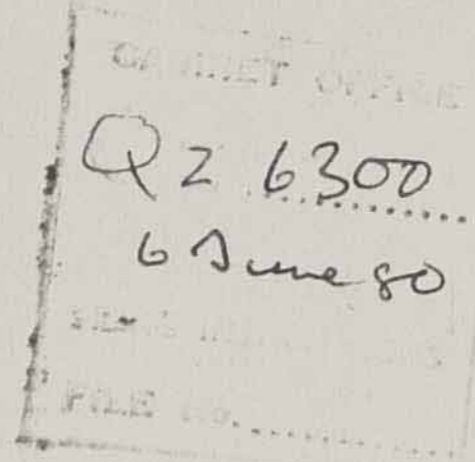
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Foreign and Commonwealth Office

London SW1A 2AH

6 June 1980

M D M Franklin Esq CMG  
CABINET OFFICE



*My dear Michael,*

EUROPEAN COUNCIL: MEETING IN VENICE

1. Tom Bridges and I have discussed your letter to me Qz 01604 of 5 June and the following represents our joint view.
2. We think it would be a very good thing if Heads of Government could use the occasion of the meeting in Venice next week to get back to the original concept of the European Council and re-establish the principle that it is valuable for them to meet at three times a year without necessarily taking operational decisions or issuing public statements. If this point is not made now, with the agenda unexpectedly liberated from what had been foreseen as the main item, I am not sure when it will be done. Tom's and my strong preference is therefore for advising the Prime Minister that she and her colleagues need not feel under any pressure to justify this meeting by concrete results. Although to say so may be disloyal, and the precedent is not a happy one, I must admit to some sympathy with the remark made by Mr Callaghan after the Four-Power Summit in Guadaloupe that 15 hours of discussion at that level were worth 15,000 Foreign Office telegrams.
3. There is of course the strong possibility of both a decision being taken and a public statement being issued next week on one particular subject in political cooperation, namely the Middle East. The line-up on this at the meeting in Rome which I attended on 4 June, and which unfortunately prevented me from being present at EQS that day, was not quite as suggested in para 2 of your letter, the UK being rather less confident than our partners of finding a way round the American objections. My hope is that one outcome of Venice will be a declaration on the Middle East, launching a program of diplomatic soundings and stating the main principles of our joint approach, with the UK and France taking the lead. Given the importance of the subject, this might be enough to satisfy those who do believe that the European Council must always produce concrete results.
4. On the main theme of your letter, I agree with a great deal of your paras 4-5, and having heard John Palmer talking on Radio 4 yesterday morning about what he described as the possibility of bringing foreign policy under the Treaty I had rather expected to find some of these ideas surfacing again. Afghanistan and Iran could no doubt have been handled better if it were not for the separation between Treaty business and PoCo, and the same may be true of the Euro-Arab Dialogue which I hope will be re-launched

/next

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next week as part of the decision on the Middle East - although I think it is not correct to describe the Dialogue as the Community's. It would also help, as you say, if Foreign Ministers could more regularly combine meetings in PoCo with meetings of the Council: what has prevented this in the past has been less often the "sharp distinction" which you mention (a distinction which becomes more blurred with every month that goes by) than the practical difficulty of getting all Nine Foreign Ministers together, sometimes at short notice, to discuss even the most obviously urgent items.

5. There are two points on which Tom and I do not really share your views. The first is the institutional suggestions towards the end of para 5 of your letter. We doubt whether facilitating contact between COREPER and the Political Directors would be likely to lead to anything except yet more meetings. Your phrase about improving the Secretariat arrangements of PoCo merely underlines the fact that PoCo has no central Secretariat and that efforts to create one have not succeeded. And we see it as the job of the Foreign Ministers, rather than the Secretary General of the Council, to improve the working relationships between Treaty and non-Treaty organs, over both of which they preside.

6. Secondly, we wonder whether an intervention in Venice by the Prime Minister in the terms of your para 5 would promote the UK objectives suggested in your para 2. Might not the result just as well be a complaint from some of our partners that when the ink was scarcely dry on the agreement about the budget etc, Britain was already throwing another apple of discord into the Community's midst? This might give satisfaction to those who have a score to settle with the French, but I am not sure how well it would go down with other partners, even those who have long wanted to see some of the changes which you mention. The Belgians, for example, have more than once in recent years taken up the same problem without getting anywhere. The Prime Minister's intervention might thus achieve nothing except yet more headlines in the British press about disagreement between her and her fellow Heads of Government.

7. Our strong preference is therefore for advising the Prime Minister that the European Council should content itself with the agenda as it stands, take the suggested decisions on the Middle East and otherwise make the most of the unstructured discussion which is supposed to be an important part of these meetings. There is no reason at all why, as part of this discussion, the Heads of Government should not discuss improvements to the work of both PoCo and the Community, including ways of bringing these closer together. But we would advise approaching this point more gingerly than you suggest.



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8. As you may know, the Foreign and Commonwealth Secretary has been doing some private advocacy with his colleagues in the Nine for ways of improving the conduct of business at Foreign Ministers' meetings in PoCo, and he wrote privately about this some weeks ago to M. Thorn. I hope shortly to send a follow-up letter to my Luxembourg colleagues about parallel improvements in the work of the Political Committee, where things have not been going well lately.

*Yours ever*

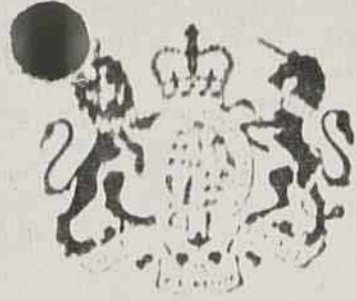
*Julian*

J L Bullard

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01-XXXXXXXX 233 7256

Qz 01604

*Pa*  
CABINET OFFICE  
70 WHITEHALL  
LONDON SW1A 2AS

5 June 1980

*Dear Julian,*

EUROPEAN COUNCIL: VENICE

1. We spoke about the likelihood that this meeting will focus mainly on foreign policy issues, notably the Middle East, and you will have heard that this will be reflected in the revised Steering Brief following the discussion in EQS yesterday.
2. I remain concerned that, since we are widely thought to regard PoCo as the most attractive part of Community membership and in a discussion on the Middle East may reveal a concern for US attitudes which will tend to confirm the suspicions of some of our partners, the Venice meeting may not serve to cement our involvement in the Community in a way which, after the settlement of our budget problem, we would all regard as desirable. To do that, we need to find some theme which the Prime Minister could put over to other Heads of Government which, even if all of them did not find it palatable, they would at least recognise as a desire on the part of the United Kingdom to develop the Community and get away for once being free to talk about something other than money.
3. One such theme which we discussed yesterday was that the Community ought to be more real to ordinary people. This would reinforce efforts to improve public attitudes in this country towards the Community which OD(E) is being invited to approve. It would suggest playing down some of the most irksome and bureaucratic proposals on harmonisation and highlighting things like simpler formalities to get medical attention in another EEC country, and cheaper air fares in Europe. The idea ran into the objections, that if the Community became involved in air fares it would put more competence in the hands of the Commission and might also be seen as special pleading in view of the relative strength of British Airways. And talking about things like medical forms might precipitate criticism of our current line on a Community passport where we risk being the cause of further delay. So this idea was not taken up.
4. An alternative, which is very much in your field, would be to use the experience of recent months to suggest the need for closer integration between PoCo activities and those which fall under the Treaties. I am well aware of the hesitations you and the other Political Directors have. But, apart from the considerations in paragraph 2 of this letter, I believe that now is psychologically a good moment to suggest breaking down at least some of the barriers between PoCo and Community life. Moreover, the European Council is the one institution where

/the distinction

J L Bullard Esq CMG  
Foreign and Commonwealth Office  
WHITEHALL SW1

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the distinction is most blurred already. Secondly, no-one is particularly happy with the way the Community has handled Afghanistan or Iran and might therefore be receptive to at least re-examination. Thirdly, we should be encouraging some of the member states (Italy, Netherlands) whom we have most cause to thank for the budget settlement. It would probably upset the French, but I see no particular reason why we should forego this latter pleasure at a time when the French standing within the Community is pretty low (sheepmeat illegality, failure to consult about Warsaw etc.). Fourthly, I understand that at OD this morning there was general agreement that we should aim to strengthen political consultation with other Community countries. Finally, at the meeting which the Lord Privy Seal held on this subject on 6 February it was agreed that once we were through the Community budget barrier, we could consider putting forward far-reaching proposals "e.g. for a form of permanent secretariat or even a treaty basis for political co-operation." Finally, the European Council has the report of the Three Wise Men on its agenda. That report, you will remember, stressed the importance of maintaining and strengthening political co-operation. When institutional questions are under discussion what better time to throw out some ideas even if they are not immediately acceptable?

5. As I see it the Prime Minister would say something like this: "At this meeting we have discussed some highly important foreign policy questions as well as some internal Community matters. This was how the European Council was conceived. We have no great difficulty in switching from one subject to another. But at the level of Foreign Ministers and officials we preserve a sharp distinction, at least in theory. In practice in recent weeks there has been e.g. over Afghanistan need for preparatory work to be done both within the Community institutions and outside it. The same with sanctions for Iran. There are clear connections between our discussions on the Middle East and the Community's Euro-Arab dialogue. The present arrangements may lead to duplication or confusion. It cannot be helpful to busy Foreign Ministers. They put a strain on the Presidency. Should we not learn from recent experience and look for practical ways of improvement? Foreign Ministers might more regularly combine political co-operation meetings with meetings of the Council. This would also facilitate contact between Coreper and the Political Directors. The Secretariat arrangements of political co-operation could be improved and the new Secretary General of the Council given the task of suggesting ways of improving the working relationships. Perhaps the Luxembourg Presidency could give further thought to this and bring proposals to our next meeting."

6. I should be glad of your reactions before the Prime Minister's briefing meeting on Monday. Copies go to Tom Bridges and Michael Butler.

*Yours love*

*Michael*

M D M FRANKLIN



4-9 JUN 1980





6 June 1980

Meeting with Mr. Haughey in Venice

I agree with the course of action proposed in your letter to me of 5 June about a possible meeting between the Prime Minister and Mr. Haughey in Venice.

MICHAEL ALEXANDER

Paul Lever, Esq.,  
Foreign and Commonwealth Office.

SC.



UNCLASSIFIED



Foreign and Commonwealth Office

London SW1A 2AH

5 June 1980

Dear Michael,

The Irish Embassy rang the department on 4 June to say that Mr Haughey hoped he would have the opportunity of a five or ten minute private conversation with the Prime Minister at Venice. The Embassy said they did not know what he wanted to discuss. An obvious topic however is the date for the next "Anglo-Irish summit".

If you agree, we propose to suggest to the Irish that the best course would be for Dermot Nally to contact you on arrival in Venice to see what can be arranged.

Yours etc

(P Lever)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street  
LONDON





*Euro PSD*

10 DOWNING STREET

*From the Principal Private Secretary*

29 May 1980

*Dear Paul,*

PREPARATIONS FOR THE EUROPEAN COUNCIL -  
12/13 JUNE 1980

Thank you for your letter of 28 May to Michael Alexander about the subjects which the Italian Presidency envisage the European Council will discuss.

I have shown your letter to the Prime Minister who is content with the line which the Foreign Secretary is proposing to take on the outline agenda at today's meeting of the Foreign Affairs Council. She has also noted that the European Council is likely to choose the next President of the Commission at its meeting next month. The Prime Minister and the Foreign Secretary discussed this matter briefly after last night's dinner for Signor Colombo, and they will clearly need to come back to it again in the next few days.

I am sending a copy of this letter to David Wright (Cabinet Office).

*Yours etc,*

*Alvi Whitmore.*

P. Lever, Esq.,  
Foreign and Commonwealth Office.



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TO IMMEDIATE FCO

TELEGRAM NUMBER 2601 OF 28 MAY

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INFO SAVING LUXEMBOURG

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MA MAP

COREPER (AMBASSADORS) 28 MAY

EUROPEAN COUNCIL PREPARATIONS

SUMMARY.

1. PROCEDURAL DEBATE ONLY. CONSENSUS IN FAVOUR OF LETTING FOREIGN MINISTERS DECIDE ON 29/30 MAY WHETHER A FURTHER COUNCIL ON 2 JUNE WOULD BE NECESSARY.

DETAIL.

2. IN ANSWER TO A QUESTION FROM PLAJA (ITALIAN PRESIDENCY), THE COMMISSION EXPLAINED THAT THEIR FIVE PAPERS (ON ECONOMIC AND SOCIAL SITUATION, ENERGY, NORTH/SOUTH, RELATIONS WITH INDUSTRIALISED COUNTRIES, AND EMPLOYMENT) SHOULD BE READY TONIGHT. COPIES WILL GO IN BAG TO GOODENOUGH (ECD(1)) AND WILLIAMS (CABINET OFFICE) IF POSSIBLE, OR FAILING THAT BE TELEGRAPHED. PLAJA SAID PRESIDENCY HAD ALREADY PREPARED DRAFT CONCLUSIONS ON ECONOMIC AND SOCIAL SITUATION AND ENERGY AND WERE WAITING FOR COMMISSION DOCUMENTS.

3. PLAJA POSED QUESTION OF WHETHER A FOREIGN AFFAIRS COUNCIL ON 2 JUNE WOULD BE NECESSARY, SUGGESTING THAT IT SHOULD BE LEFT FOR MINISTERS TO DECIDE AT THEIR MEETING ON 29/30 MAY. REACTIONS WERE AS FOLLOWS:

NANTEUIL (FRANCE): WARNED THAT BERNARD-REYMOND MIGHT HAVE TO ATTEND FRENCH CABINET MEETING ON 30 MAY, IE NOT BE AVAILABLE FOR COUNCIL IN BRUSSELS. PLAJA EMPHASISED THAT THE DATES OF 28/29 MAY AND 2 JUNE HAD BEEN FIXED A LONG TIME AGO AND THE EXTENSION TO 30 MAY LAST WEEK.

RIBERHOLDT (DENMARK): SUGGESTED NO NEED FOR COUNCIL ON 2 JUNE, BUT PLAJA COMMENTED THAT THE THREE WISE MEN MIGHT NEED TO BE DEALT WITH THEN.

I COMMENTED : (A) THAT PROVISION EXISTED FOR EUROPEAN COUNCIL ISSUES TO BE DIVIDED INTO THOSE REQUIRING DECISION AND THOSE REQUIRING ONLY GENERAL DEBATE: THE THREE WISE MEN FELL INTO THE FORMER CATEGORY AND NEEDED PREPARATION.

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# CONFIDENTIAL

(B) IF PRESIDENCY HOPES ON CONVERGENCE WERE NOT MET, THEN IT WOULD BE NECESSARY FOR HEADS OF STATE AND GOVERNMENT TO DISCUSS IT AT VENICE AND THIS MIGHT NEED FURTHER PREPARATION BY FOREIGN MINISTERS. THEY SHOULD THEREFORE BE LEFT TO DECIDE AT THE END OF THEIR MEETING ON 29/30 MAY WHETHER THEY NEED TO MEET AGAIN BEFORE VENICE.

RUTTEN (NETHERLANDS): PROPER PREPARATION WAS IMPORTANT AND A MEETING ON 2 JUNE SHOULD NOT BE EXCLUDED.

POENSGEN (FRG) : ALTHOUGH GENSCHER'S MOVEMENTS NOT YET CLEAR, FRG WOULD BE FULLY PREPARED TO NEGOTIATE ON 29 AND 30 MAY. IF THREE WISE MEN HAD TO BE PUT OFF TILL 2 JUNE, COULD THE MEETING (WHICH WAS NOT A COUNCIL) BE IN BRUSSELS. (DONDELINGER (LUXEMBOURG) PUT UP A MARKER ON LATTER POINT.)

4. ON PREPARATIONS FOR THE ECONOMIC SUMMIT, NOTTERDAM (BELGIUM) ASKED ABOUT INTERNATIONAL MONETARY QUESTIONS. WOULD THIS BE A SEPARATE ITEM AT THE EUROPEAN COUNCIL OR INCLUDED IN ONE OF THE OTHER SUBJECTS BEING PREPARED FOR THE ECONOMIC SUMMIT? PLAJA EXPLAINED THAT THE ECOFIN COUNCIL ON 9 JUNE WOULD DISCUSS THIS SUBJECT ON THE BASIS OF PREPARATION BY THE COMMISSION AND THE MONETARY COMMITTEE.

FCO ADVANCE TO:

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

CAB - FRANKLIN WILLIAMS

TSY - COUZENS

NO10 - ALEXANDER

(ADVANCED AS REQUESTED)

BUTLER

FRAME GENERAL  
ECD (E)

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CONFIDENTIAL



Prime Minister

Agree of below?

Foreign and Commonwealth Office

London SW1A 2AH

28 May 1980

Yes not

AM

28.5.80

Dear Michael,

Preparations for the European Council,  
Venice - 12/13 June 1980

The Italian Presidency have now outlined in COREPER a list of subjects which they envisage that the European Council might discuss. This is set out in the enclosed note.

The Presidency have made it clear that this list assumes that the problem of the UK budget contribution will have been solved before the European Council; and that if not, the situation would be unclear and would have to be looked at again.

On this assumption, the list raises no difficulties for the United Kingdom, although it is not clear how necessary a discussion of international monetary problems and employment will be and there is a danger that it could be used as an excuse to crowd out any discussion of the budget problem that proves necessary.

X | This outline agenda will be reviewed at the Foreign Affairs Council on 29/30 May, which will also consider the budget problem. The Foreign and Commonwealth Secretary proposes to express general agreement with the Presidency's proposals on the strict understanding that the budget problem has been disposed of before the European Council. He will however make it clear that, if no budget settlement is in sight, the UK will wish to raise the subject. In that case, he would assume that the budget-related issues would also need discussion and that there would probably not be time for a discussion of international monetary problems and employment as well.

I should be grateful to know whether the Prime Minister is content.

/The Presidency

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2

The Presidency have confirmed that the European Council will probably also choose the next President of the Commission.

It is understood that the European Council will also discuss international questions, in particular the Middle East.

I am sending a copy of this letter to David Wright (Cabinet Office).

*Yours 6561*

*Paul*

(P Lever)  
Private Secretary

Michael Alexander Esq  
10 Downing Street  
London

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EUROPEAN COUNCIL PREPARATIONS, 12/13 June 1980

Subjects proposed for discussion by the Italian Presidency

1. Economic and Social situation in the Community:  
general introductory item on traditional lines following  
up the discussion at the Luxembourg European Council.
2. Energy (long term issues) )
3. North/South ) (in preparation
4. Relations with industrialised ) for the Economic  
countries (EC/US and Japan) ) Summit)
5. Three Wise Men: The Luxembourg European Council  
agreed to return to this subject in Venice. There will  
be an informal meeting of Ministers to prepare the discussion  
beforehand.
6. International Monetary Problems
7. Employment: Presidency want a take note discussion of  
coordination of national employment and training services  
and work-sharing.

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28 MAY 1980

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4 5 6 7 8 9



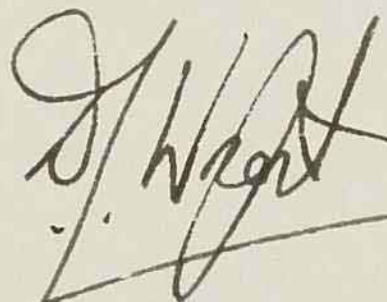
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MR. ALEXANDER

Ms.  
Minute to the PM

Briefing for the European Council:  
Venice 12th-13th June 1980

The preparation of the briefs for the next European Council is now being put in hand. I should be grateful for your confirmation that it would be acceptable if they reach you by noon on Friday, 6th June. No doubt you will also let me know in due course what plans you have to arrange a preparatory meeting for the Prime Minister before the Council and who would attend such a meeting.



(D.J. Wright)

21st May 1980



PM vb  
cc Tows  
PM Tows, July 79,  
Econ Summit

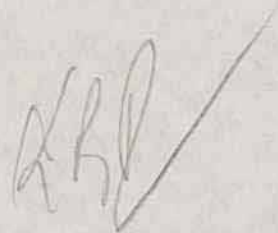
8 February 1980

Accommodation in Venice

The Prime Minister has seen your letter to me of 4 February on this subject. She has decided that the proposal to station one of Her Majesty's ships in Venice for accommodation during the European Council and the Economic Summit should not be pursued.

I am sending a copy of this letter to David Wright (Cabinet Office).

MICHAEL ALEXANDER



Paul Lever Esq  
Foreign and Commonwealth Office



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Ref. A01360

MR. ALEXANDER

Prime Minister.

Agree?

1  
Pmt 7/2

The Foreign and Commonwealth Secretary has now made clear his unhappiness with the idea of using a Royal Navy ship for the Prime Minister's visit to Venice in June for the European Council and the Economic Summit. In my view his objections are cogent, and I should like (if you agree) to regard them as conclusive, and spend no further effort on examining the idea. I had asked Sir Frank Cooper for an estimate of the likely costs which would be involved; I would let him know that we no longer needed it.

Agreed  
out

RA

(Robert Armstrong)

7th February, 1980







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*PM 10/11*



Foreign and Commonwealth Office

London SW1A 2AH

*4/2* 4 February 1980

*R. Williams* + *fg*  
*Gen R. Armstrong will minute.* ~~XXXXXXXXXXXX~~

*Paul sh*

Dear Michael,

European Council and Economic Summit, Venice

The Prime Minister has asked for the Foreign Secretary's advice on whether it would be a good idea for her to be accommodated in one of Her Majesty's ships when she visits Venice in June for the European Council and Economic Summit.

Lord Carrington thinks this is a bad idea and would advise strongly against it. Quite apart from the discomfort involved, the drawback of such an arrangement is that it would cut the Prime Minister off from her fellow Heads of Government. This is not just a matter of physical inconvenience. If there is any risk that the Prime Minister might be isolated from her Community colleagues at the European Summit - over our budget contribution or any other matter - this isolation would be made conspicuous if she were staying in a ship while the others stayed in Venice. It could attract adverse public comment that Britain was deliberately separating itself from its European partners; and this might also affect the atmosphere in the discussions.

The use of a warship - whatever the advantages for security and communications - would also appear as a slight to the Prime Minister's Italian hosts, as suggesting that they were unable to provide adequate facilities in Venice itself.

As regards cost, the savings on hotel bills would have to be offset against the expense, which would presumably be substantial, of diverting an RN ship to Venice for this special purpose and keeping it there for the period of the two meetings. We have not yet consulted the Ministry of Defence about the amounts involved.

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

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-4 FEB 1960





Foreign and Commonwealth Office

London SW1A 2AH

30 January 1980

*Dear Michael,*

European Council: June 12/13

I wrote to you on 23 November about a clash between the dates proposed by the Italians for a June European Council, and a possible Spanish State Visit (which has since fallen through) and your reply of 26 November agreed that we should, if necessary, fall into line with our partners.

In the event the subject was not discussed at the Dublin European Council. The Italians however are still expecting to hold a European Council in Venice on 12/13 June and I should be grateful for confirmation that these dates are now acceptable to the Prime Minister.

*Yours*

(P Lever)

Private Secretary

M O'D B Alexander Esq  
10 Downing Street  
LONDON



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CONFIDENTIAL PM TOURS AB<sup>D</sup>

B/F 6-2-80

SIR ROBERT ARMSTRONG

The Prime Minister has seen your minute AO1258 of 29 January about the possibility of her and the Foreign Secretary being accommodated in one of Her Majesty's Ships rather than in an hotel when she visits Venice in June for the European Council and the Economic Summit.

Before she reaches a decision on this idea she would not only welcome the advice of the Foreign Secretary but she would also like to have a comparison of the cost of using a ship and staying in an hotel.

I am sending a copy of this minute to Mr. Walden.

C. A. WHITMORE

30 January 1980

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Ref: A01243

CONFIDENTIAL

PM Tours  
Minute submitted  
RWA

MR. ALEXANDER

I sent you a copy of my letter of 14th January to Sir Frank Cooper about the possibility of having one of HM Ships of the Royal Navy available for the Prime Minister's visits to Venice in June. I enclose a copy of his reply.

2. We do not want to take this further if, at the end of the day (to quote Sir Frank Cooper passim) the Prime Minister is likely to conclude that her arriving and staying at Venice in a warship would be political unacceptable. I therefore think that we should consult the Prime Minister and the Foreign Secretary on that aspect of the matter before feasibility studies go any further.

3. If you agree, perhaps you would put the attached minute to the Prime Minister, and let Mr. Wright know that you are doing so, so that he can send over the Foreign Secretary's copy.

RWA

Robert Armstrong

29th January 1980

~~PM Tours Abroad, July 79~~  
~~Economic Summit, Venice.~~



Ref: A01258

Prime Minister ①

29/1

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PRIME MINISTER

You and the Foreign Secretary are due to visit Venice twice in June: on 12th and 13th June for the European Council and again on 22nd and 23rd June for the Economic Summit.

2. There would be advantages both for security and for communications if you and the Foreign Secretary were to be accommodated aboard one of Her Majesty's Ships rather than in a hotel in Venice. I have ascertained that a ship could be available. If we are to take this idea further, there will need to be a more detailed feasibility study. It would be wasteful - and, in view of possible leaks, potentially disadvantageous - to put this in hand, if you and the Foreign Secretary were to conclude that political difficulty or vulnerability, either at home or in Italy, of taking a warship to Venice ruled the idea out irrespective of whether it was feasible or not. I should therefore be grateful for instructions on whether you would like the feasibility study to proceed.

3. I am sending a copy of this minute to the Foreign Secretary, who will want to advise whether and how this idea could best be presented to the Italians.

Have we any idea

of the cost. Would

it be less in

more expensive than staying in a hotel?

RA

(Robert Armstrong)

29th January 1980

pub



M. O'D. B. Alexander, Esq.



CABINET OFFICE

With the compliments of  
Sir Robert Armstrong KCB, CVO  
*Secretary of the Cabinet*

*Mr Whitby* <sup>RMJ</sup> 15/1  
(Following further discussion)

*H. P.*

*Paul*

15/1

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



PERSONAL

CONFIDENTIAL



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Aled

CABINET OFFICE

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

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

Ref. A01120

14th January, 1980

As you know, the Italians are in the Presidency of the European Council for the first half of this year, and are therefore in charge for the meeting which is to take place in Venice on 12th and 13th June 1980. . . It so happens that it is also the turn of the Italians to preside over this year's Economic Summit, and that too is to take place in Venice on 22nd and 23rd June.

As you also know, terrorism and kidnapping are endemic in Italy. There have been recent signs of a further increase in the level of terrorism. And we know that the PIRA and INLA have been developing some links with continental terrorist groups like the RAF and, in Italy, the Red Brigade.

I have been giving some preliminary thought to the implications of these facts for the visits which the Prime Minister and the Foreign and Commonwealth Secretary will be making to Venice in June for the two Summit Meetings. It seems to me that we ought at least to consider the possibility that the Prime Minister and the Foreign and Commonwealth Secretary should be housed on board one of HM Ships rather than in a Venetian hotel.

At this stage this is only very much a preliminary and provisional kite, with none of the authority of the Prime Minister. I should be grateful, however, for your comments upon it. Do you think that this is something on which we ought to commission some kind of feasibility study?

ROBERT ARMSTRONG

Sir Frank Cooper, GCB, CMG



