

SB
831

PREM 19/221

European Council Meeting in Luxembourg

1-2 December - Policy.

EUROPEAN POLICY

Part 5.

Part 1: Oct 79

Part 5: Oct 80

Referred to

Date

Referred to

Date

Referred to

Date

Referred to

Date

~~24.10.80~~

~~10.11.80~~

~~11.11.80.~~

~~18.11.80~~

3-12-80.

4.12.80

PREM 19/221

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
EQS(80) 60	17/11/80
CC(80) 43 rd Conclusions, Item 3	04/12/80

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed AWayland

Date 29 March 2010

PREM Records Team

A. Ontario

Reduction in Ec. Activity. Growth 1.2 \rightarrow 1.3%

Inc. Unemployment. - 6 \rightarrow 6.8%

Inc. Prices. Drop in Inflation to below 1%

1987. - GNP. + 0.6%

Inflation - critical to our economy.

Slight upswing beg. of next year.

Energy -

Political terms - can't think in terms

of stimulating demand. \rightarrow Int. Energy. GNP.

A one-off solution.

Further research monetary discipline.

E.M.S. - Stimulating loans

Person continues. \rightarrow

Not possible to look exclusively in short term

Int. Competition

Reduce loan policy.

- but ^{employment} policy

only with ^{competitiveness} policy - long
term, etc.

Hampshire

- Confidence & hope to young.

- Unacceptable to say unemployment
will rise further.

Plot of measures to strengthen competitiveness.

Every opportunity to support employment

Appropriate Proposals, to be submitted.

Expenditure 2 Community loans
and grants.

Youth Unemployment - None for social fund.

Agriculture - for persons.

Growth of world poplⁿ in pressure
world supplies in numbers mod^l
group in community.

To take many urgent measures to avert
problems of future.

Institutions

→

- Court.

- Judgments not accepted - difficult.

- ∴ Change law.

European Court.

Valuable positive factor - substantive power from F.A. Administrative.

Corporate factor made in purpose of unravelling knots.

Commission

- Practical - Rapid.

Approach of 3 or more.

Trust with discretionary decisions.

Guidance

E.M.S. - Important step forward.

Lim. Council - "

Enlarged Com. Em. of 6.

Struggle amongst members.

Ec.

Relations with the outside world
Network of Lic. relⁿ.

Exp. exp. → stop rising by stopping
unlimited intervention.

→ Hold in money terms.

But better red^s in exp. - possible?
doubt it?

Hold in real terms.

→ Ceiling of own resources - unbalanced.
Levy Revenue decline can be made
more among ourselves.

VAT - not markedly buoyant.

Five years - for ceilings?
Near to junk return.

Reit orient-ed - hold ceilings
for active.

Cent hold it after that.

unless fairly "hot" development in future.

50-60% of total exp. borne by
Community.

① E.M.S.

② Directly elected Parliament.
- degree of respect.

③ Lomé 2

Have revised protectionism

More success in negot^{ns} with
U.S. than with Japan.

④ Greece - but Spain
not yet near.

⑤ Political Co-operation.

Future

- objectives we

Cent. level still - in danger
of falling off track.

Axis of advance towards European Unity.

Obj. com

Incomplete Common Market.

Benefits more much more than others.

Fast moving out of resources



Office of the United Kingdom Permanent Representative
to the European Communities

Rond-Point Robert Schuman 6
1040 Brussels
Telephone 736 99 20

Bliss

Handwritten initials/signature

Your reference

J R de Fonblanque Esq
ECD (I)
FCO

Our reference

Date 4 December 1980

EUROPEAN COUNCIL 1/2 DECEMBER

1. I agreed with Paul Lever that I would try to put together a compos informal record in note form of proceedings at the European Council in Luxembourg drawing on the Secretary of State's notes and the notes which I made myself during the Council from briefings from other delegations (mainly the Dutch: Van der Klaauw is a prolific note-taker).

2. I make no claim for the authenticity of these notes where they go beyond the Secretary of State's own notes. I also cannot guarantee always to have interpreted his notes correctly. I had no information to add to the Secretary of State's account of the discussion on the Middle East, so I have not tried to do so. Equally I have not attempted to record the de-briefing from the Prime Minister and the Secretary of State on their dinner conversations, on the assumption that Private Secretaries will have recorded whatever they judged necessary. But I still have the notes I took at the time should there be a need to refer to them.

3. So à toutes fins utiles...

J A Shepherd

cc: P Lever Esq, APS/S of S, FCO

M D M Franklin Esq, Cabinet Office, Whitehall

M O'D B Alexander, No 10 Downing Street

Registry
No.CONFIDENTIAL
RECORD
DRAFT

Type 1 +

SECURITY CLASSIFICATION

Top Secret,
Secret.
Confidential.
Restricted.
Unclassified.

To:-

EUROPEAN COUNCIL, LUXEMBOURG

1/2 DECEMBER

From

Telephone No. Ext.

Department

PRIVACY MARKING

..... In Confidence

Informal Record1 DecemberA. IntroductionWerner opened the meeting by:

(i) welcoming the Greek Prime Minister

(ii) announcing his intention of dealing first with the Italian earthquake, then discussing the economic and social situation until 6pm, when he would invite M Thorn in for the discussion of the Middle East.

B. Italian EarthquakeForlani gave the following figures: 5000 dead, 1000 injured and 300,000-400,000 homeless. Grateful for immediate help. No final estimate of the cost of reconstruction could be given, but a figure of 10,000 bn lire (\$12 billion) over 2 years seemed likely. Community support for reconstruction (not emergency relief) would be welcome. He suggested that Italy's requirements be studied and that the Commission make a proposal.Werner accepted procedure suggested: the Council would deal with the issue. Giscard expressed solidarity.C. Economic and Social SituationOrtoli gave standard review of the economic situation./ Haughey

CONFIDENTIAL

Haughey stressed need to do more about unemployment - the highest priority. More investment needed. Commission should propose new ideas as soon as possible. Community loans should be available for wider range of investments. Common agricultural policy vital: must not be interfered with. Farmers must get decent prices at once.

Van Agt suggested joint meeting of economic, financial and social affairs ministers to tackle economic situation. It would raise expectations and so needed thorough preparation. Commission document required. Would take time: not necessary to hold meeting in first half of 1981.

Giscard said economic situation worst since founding of Community. Competitiveness of Community weak. UK interest rate policy make things more difficult. Remedy in our own hands. EMS could help. So could international trading agreements. A further increase in oil prices would be a disaster: unacceptable damage to our economies. Oil producers not too unwilling to discuss problem. Intensive diplomatic contacts needed: action would be needed within the next two weeks. (Comment: at least one French language paper reported this as action on stocks as decided by the Energy Council on 27 November.)

Jorgensen agreed with Haughey on the need to give priority to fighting unemployment and criticised the lack of a Community energy policy. EMS was in good shape. He hoped the UK would soon become a full participant. In agriculture the principle of Community financing must be maintained.

/Forlani

CONFIDENTIAL

Forlani agreed with Giscard on energy prices and stressed need to reduce production costs. National measures against economic problems were no longer sufficient. Three priority objectives:

- (i) increase employment
- (ii) fight inflation
- (iii) reinforce links with ldc's.

Schmidt analysed the consequences of the oil price increases: a) for ldc's - disastrous; b) for OECD countries - no increase in demand, too high rates of interest, stagnation of production, real prices of our exports falling, oil rising, all leading to higher unemployment. All except UK had balance of payments deficit. These deficits would get worse and OPEC surpluses bigger. The role of oil in our economies should be reduced; non-energy intensive investment should be given priority. This restructuring would cause unemployment in short run. All this brought danger of protectionism, which would lead to chaos. OECD countries and non-oil producing ldc's must fight nonsensical oil price increases. The Saudis were showing signs of being willing to cooperate. The world could not survive a third oil price explosion.

Prime Minister Greatest danger a further increase in oil prices. UK buys and sells at market prices. Need to face up to OPEC, a number of whose members were beginning to realise things could not go on as they were. Trading patterns had changed. We faced exports from Korea and

/Japan

CONFIDENTIAL

Japan of products we used to export to them. Cheap energy in the USA gave US chemical industries an unfair advantage. Joint meeting proposed by Van Agt could be dangerous. There were no magic solutions. Priority areas: i) To expand trade. Community should call for world-wide free and fair trade. Even in Community this was a problem: insurance, air fares. Commission should examine this; ii) Domestically, the fight against unemployment must continue, with relief measures especially for the young; iii) Competitive position must be improved by improving productivity.

Martens supported Dutch proposal and explained his government's efforts to restrain incomes.

Jorgensen said that OECD and oil producers should cooperate; this would also help ldc's. Oil producers should be persuaded to lend to ldc's, so that they could buy from us. Referred to Kreisky's ideas and Brandt Report.

Ortoli expected a slight increase in world trade. European policies could not replace national policies. There was no magic formula, though coordination would help. Policies were needed to reduce balance of payments deficits, though these risked being deflationary. He was pessimistic about prospects for a dialogue with oil producers as a group: individual countries should be approached. On monetary matters he hoped the Central Bank Governors could do something to improve interest rate coordination; he acknowledged that incorrect value of currencies of some major trading partners presented a problem. The Community should beware of long-term loans

/for

CONFIDENTIAL

for balance of payments support. He doubted whether the EC Budget could have a major economic influence - its limits were narrow, some modification was possible, but it was an illusion to think in terms, say, of doubling the size of the Social Fund. To the extent that structural adaptation was possible, it should be directed at energy-saving.

Giscard said that since the Community could evidently not exert any pressure on the oil producers this would have to be done bilaterally. A Kreisky-type "Marshall Plan" for the Third World was unrealistic.

Schmidt argued that recycling was now of limited value. The Third World could absorb no more loans. Industrial countries could continue in present conditions for a few more years. The Third World could not. The oil producers must give them grants or there would be famine with millions of dead. Summits (? Mexico) could help by making these arguments clear to oil producers and Third World.

Werner in a first summing up, singled out the following themes for communiqué: i) fight against inflation; ii) need to exploit opportunities offered by Community; iii) need not to forget agriculture in the less-favoured regions; iv) the NL suggestion for Economic Financial and Social Affairs ministers to meet; v) the need to reaffirm statements on oil prices.

Schmidt said that the public must be made to understand the limits of governments' ability to act (the oil price increase not fault of Community or governments). He argued for concentration on domestic energy production, ie nuclear energy. Giscard agreed. There must be less dependence

CONFIDENTIAL

on oil. No solution to economic problem without solution of oil problem. He also argued against reducing working hours. Prime Minister agreed with Schmidt and Giscard.

D. EMS

Ortoli said there could be no second stage next year. Giscard agreed with the Commission: EMS had not done badly. Schmidt agreed. The DM had hit the lower limits as forecast but it would not remain there. He was worried about interest rate differentials.

E. Innovation

Jenkins introduced Commission paper. Giscard suggested creating a Commission portfolio on this. Jorgensen argued that productivity was increasing anyway, and that working hours should be shortened.

Prime Minister noted astonishing weight of research by Japan. Europe must commission more. If not we would be unable to compete. The Commission paper had no conclusion. More emphasis on innovation essential. Next Commission paper should have some practical conclusions. Schmidt thought Presidency conclusions should cover innovation.

F. Restructuring

Schmidt was concerned that the new Commission should be aware of the need to respect the 1% VAT ceiling. Jenkins, dissenting, pointed out that the mandate could not be changed. Giscard said that the mandate need not be changed but that the communiqué should mention fact that some member states insisted on respect for the 1% ceiling. Haughey and Jorgensen agreed that the mandate should not be changed. Forlani thought it

would be wrong to lay down a prohibition on breaching the 1% ceiling. Giscard stressed the need to avoid ambiguity. He could not accept anything beyond the 1% limit.

G. Middle East

(See Secretary of State's note)

2 December

H. Mr Jenkins' Report

Jenkins listed the Community's achievements during his 4 years in the office: EMS modest but substantial; a directly elected Parliament - governments must treat it with reasonable respect; the negotiation of Lomé II; resistance to protectionism; trade negotiations with some success with USA, with less success with Japan; completion of Greek accession (though negotiations with Spain and Portugal still in progress); political cooperation doing well. A reasonably good record, but apprehensive about the future. There was no consensus in the Community on how to move forward nor on what we meant by European Unity. The present situation within the Community would not last since it benefitted some and not others. He was pessimistic about a reduction in the real cost of the CAP. He thought the 1% ceiling should be held until agricultural spending was under control, but after that it would be impossible. An increase in total expenditure was inevitable, but it might be better to have some revenue-raising mechanism other than a higher VAT percentage. Turning to institutional matters, he stressed the need for the Court to be obeyed: if the law was not

/acceptable

CONFIDENTIAL

acceptable to Member States it should be changed. The European Council was working well, but it had taken power away from the General Affairs Council which was working badly because, a) too many people attended; b) it involved itself in too much detail, and, c) poor ministerial attendance. COREPER had also become bogged down in detail. The Commission was a small organisation, too small for its task and too rigid. The suggestions in the Spierenburg report needed to be put into effect as soon as possible. The Commission was also not sufficiently trusted by the Council. Finally, he expressed his gratitude for the privilege of having served as President. His early idealism had not survived but he had retained his deep faith in Europe.

Giscard said that EMS was a more than modest achievement and that the European Council was a very important institution. The nature of the Community had changed with enlargement and would change further. The Commission had helped to overcome these difficulties. But the constant struggle between the institutions too keen on empire building was an irritation. The Parliament should confine itself to those matters which were within its competence. Much work was needed during the next 4 years to improve the functioning of the institutions. Externally the Community's economic relations needed to be simplified. There was a confusing profusion of different forms of association with third questions. Political cooperation worked well. He gave as examples Venice, Afghanistan, and Poland. But in circumstances of tension there were differences of analysis. He summed

up with the phrase, "l'Europe n'a pas reculé".

Jorgensen referred to Jenkins' plea for trust in the Commission. The Commission caused problems for itself by making proposals which were disadvantageous to one or another Member State. There was no underlying lack of confidence.

Schmidt noted that since the days of Hallstein the Commission's approach had (Gott sei dank!) become less supranational. The Member States wanted to retain their national identity as the debates in their Parliament showed. They would not accept dictation from the centre but would not quarrel with the need to coordinate policies. We were far from European Union - and no one knew what that meant. The General Affairs Council was too weak, partly because there were too many specialised Councils. There were also too many bureaucrats, and there should be only one Commissioner per Member State.

I. Three Wise Men

Van Agt supported the suggestion that the President of the European Council should report to the European Parliament on meetings of the European Council and thought it inevitable that there would be only one Commissioner per country.

Francois-Poncet did not agree that the European Council President should appear in Parliament, but Colombo supported the idea. Van Agt argued that nothing in the Treaty prevented it. Prime Minister suggested that each Presidency should decide for itself how to inform the European Parliament. The UK would be willing to look at the number

/of

of Commissioners. Giscard said he would not agree (? on EC President/EP or number of Commissioners - not clear).

J. New Zealand

Prime Minister mentioned need to resolve New Zealand butter issue. The issue was of great importance and urgency for them. Van Agt gave full support. So did Jorgensen.

(No French or German spoke: see FCO telegram number)

K. North-South

Van Agt raised North-South issue briefly, but there was no discussion.



- 8 DEC 1980

*Under
Poland.
Middle East.
Lebanon
Syria/Jordan.*

CONFIDENTIAL

*Poland
Belgium.*

Ref. A03730

PRIME MINISTER

Cabinet: Community Affairs

You will wish to inform the Cabinet of the main results of the 1st-2nd December European Council meeting, both on political matters (Poland, Middle East, Lebanon and Syria/Jordan) and Community affairs (unemployment, industrial innovation, budget restructuring and Japan). You also mentioned the effects of low United States energy prices on industry; and the slow progress on insurance and air fares. All except one of the new Commission have been named. We are now backing Mr. Richard for the Social Affairs portfolio.

2. You also stressed the need for an urgent decision on New Zealand butter. Mr. Walker may seek to discuss in Cabinet the line he should take at the Agriculture Council on 8th-9th December. But there are complicated legal and tactical questions to be sorted out. Can we legally go on importing New Zealand butter after 1st January if there is no Community agreement? Can we avoid the French making some linkage, and what are the relative dangers of a link with next year's price fixing or with budget restructuring? Ministers should not be asked to make up their minds on this without having an opportunity to think about it first, preferably on the basis of a paper setting out the issues. You may therefore want to suggest that they be considered by OD(E); a meeting has been scheduled for tomorrow (Friday) morning. Mr. Walker could circulate a paper for that; and the Foreign and Commonwealth Secretary could report the outcome to you after the meeting.

3. The Secretary of State for Energy might be invited to report on the outcome of the 27th November Energy Council, which agreed a Community position on oil supplies for the IEA Ministerial meeting on 8th-9th December.

4. The Secretary of State for Employment might report on the 27th November Social Affairs Council, whose main practical achievement was the extension of reciprocal social security benefits to the migrant self-employed. This will mean that the self-employed can carry their rights to medical care with them when they travel within the Community.

REA

ROBERT ARMSTRONG

3rd December, 1980

CONFIDENTIAL

Published Papers

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

House of Commons Hansard	Columns 398-404
European Council (Luxembourg Meeting)	03/12/80

Signed Wayland Date 29 March 2010

PREM Records Team

CONFIDENTIAL

European Policy



Foreign and Commonwealth Office

London SW1A 2AH

3 December 1980

*for
Rush*

Dear Michael,

European Council Meeting: Prime
Minister's Statement

Thank you for your letter of 2 December. FCO officials have one or two amendments to suggest, the most important of which refers to the last sentence of the first paragraph on page 3 about the 1% ceiling. This does not quite reflect the present situation. The 1% ceiling is one of the Community's principles but the Commission is not debarred from proposing that it be raised, as the present sentence could be held to imply. Could it be replaced with a sentence reading - 'A number of those present, including myself, made clear that this would have to be done within the 1% ceiling'.

Might it not be better to say 'foreign policy' instead of 'political' on pages 3 and 4?

The Prime Minister may also like to work in a reference to the presence of Mr Rallis, particularly as there is, naturally enough, much talk of the Nine. The bottom of page 2 might be a good place for a sentence reading 'We were glad that the Greek Prime Minister attended for the first time and we look forward to full Greek participation in the Community from 1 January'.

The Presidency conclusions contain quite an extensive passage on the report of the Three Wise Men.

/Might

CONFIDENTIAL



Might it not be a good idea to mention it in the statement? Again, the paragraph at the bottom of page 2 would seem to be the right place: 'We considered the report of the Three Wise Men on the Community institutions and endorsed the study of it by Foreign Ministers, which is to be published'.

I take it that the omission of any reference to the new Commission is deliberate and reflects the fact that there was no discussion of it at the Council proper.

I am copying this letter to John Wiggins (Treasury) and David Wright (Cabinet Office).

Yours truly

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing St

7 22

AS
PS/US
PS/US

LUXFO 002/2

00 FCO DESKBY 021700Z

WBS BRUSSEL

MR MANNAF

MR BULLARD

MR FERRELL

MR W.C. MURPHY

00 UKREP BRUSSELS

IMMEDIATE

PP BRUSSELS

PP COPENHAGEN

PP THE HAGUE

for EC (4)

for News 2.

PP ROME

ADVANCE COPY
FCOLM

Info EC E 4

PP DUBLIN

PP PARIS

CAS OFFICE 3

PP BONN

~~AS (NO 10)~~

PP ATHENS

DOWNWIG-57

PP WASHINGTON

PP MOSCOW

GPS 600

UNCLASSIFIED
DESKBY 021700Z

FM LUXEMBOURG 021504Z DEC 80

TO IMMEDIATE FCO

TELNO 378 OF 2 DECEMBER

AND TO UKREP BRUSSELS

INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS WASHINGTON MOSCOW WARSAW UKDEL CSCE MADRID.

FOLLOWING FROM UKREP BRUSSELS.

FOLLOWING FROM UKREP BRUSSELS.

MY SECOND IPT (NOT TO ALL): EUROPEAN COUNCIL 1/2 DECEMBER.

1. FOLLOWING IS ENGLISH TEXT OF PRESIDENCY CONCLUSIONS ON EAST-WEST RELATIONS.

QUOTE

EAST-WEST RELATIONS

THE EUROPEAN COUNCIL HELD A DETAILED EXCHANGE OF VIEWS ON DEVELOPMENTS IN EAST-WEST RELATIONS.

I. ON THE QUESTION OF THE MADRID MEETING, THE EUROPEAN COUNCIL STRESSED THE IMPORTANCE WHICH THE NINE ATTACHED TO THE CSCE PROCESS AND THEIR WILLINGNESS TO CONTINUE IT. IT POINTED OUT THAT COMPLIANCE BY ALL CONCERNED WITH THE PRINCIPLES OF THE HELSINKI FINAL ACT IS BOTH THE BASIS OF THIS PROCESS AND A PRE-CONDITION OF ITS CONTINUATION.

IT AFFIRMED THE DETERMINATION OF THE NINE NOT TO BE CONTENT WITH APPARENT RESULTS IN MADRID BUT TO ACHIEVE GENUINE AND BALANCED PROGRESS IN THE VARIOUS CHAPTERS OF THE NEGOTIATIONS. IN PARTICULAR, IT CONFIRMED WITH THIS IN MIND THE SUPPORT WHICH THE NINE HAD ALREADY EXPRESSED IN THEIR DECLARATION OF 20.11. 1979 FOR THE PROPOSED EUROPEAN DISARMAMENT CONFERENCE, THE FIRST STAGE OF WHICH WOULD BE THE DRAFTING OF BINDING AND VERIFIABLE CONFIDENCE MEASURES TO APPLY TO THE ENTIRE EUROPEAN CONTINENT.

II. THE EUROPEAN COUNCIL EXPRESSED ITS SYMPATHY FOR POLAND AND OUTLINED THE POSITION OF THE NINE AS FOLLOWS:

1. IN THEIR RELATIONS WITH POLAND, THE NINE CONFORM AND WILL CONFORM STRICTLY TO THE UNITED NATIONS CHARTER AND TO THE PRINCIPLES OF THE HELSINKI FINAL ACT.

2. IN THIS CONTEXT, THEY WOULD POINT OUT THAT IN SUBSCRIBING TO THESE PRINCIPLES, THE STATES SIGNATORY TO THE FINAL ACT HAVE UNDERTAKEN IN PARTICULAR TO:

- RESPECT THE RIGHT OF EVERY COUNTRY TO CHOOSE AND FREELY DEVELOP ITS OWN POLITICAL, SOCIAL, ECONOMIC AND CULTURAL SYSTEM AS WELL AS TO DETERMINE ITS OWN LAWS AND REGULATIONS,

ITS OWN POLITICAL, SOCIAL, ECONOMIC AND CULTURAL SYSTEM AS WELL AS TO DETERMINE ITS OWN LAWS AND REGULATIONS,

- REFRAIN FROM ANY DIRECT OR INDIRECT, INDIVIDUAL OR COLLECTIVE INTERVENTION IN INTERNAL OR EXTERNAL AFFAIRS WHICH FALL WITHIN THE NATIONAL COMPETENCE OF ANOTHER SIGNATORY STATE REGARDLESS OF THEIR MUTUAL RELATIONS,

- RECOGNIZE THE RIGHT OF ALL PEOPLE TO PURSUE THEIR OWN POLITICAL, ECONOMIC, SOCIAL AND CULTURAL DEVELOPMENT AS THEY SEE FIT AND WITHOUT EXTERNAL INTERFERENCE.

3. THE NINE ACCORDINGLY CALL UPON ALL THE SIGNATORY STATES TO ABIDE BY THESE PRINCIPLES WITH REGARD TO POLAND AND THE POLISH PEOPLE. THEY EMPHASIZE THAT ANY OTHER ATTITUDE WOULD HAVE VERY SERIOUS CONSEQUENCES FOR THE FUTURE OF INTERNATIONAL RELATIONS IN EUROPE AND THROUGHOUT THE WORLD.

4. THEY STATE THEIR WILLINGNESS TO MEET, INsofar AS THEIR RESOURCES ALLOW, THE REQUESTS FOR ECONOMIC AID WHICH HAVE BEEN MADE TO THEM BY POLAND.

UNQUOTE

FCO ADVANCE TO:

FCO - PS/SOFS, PS/PUS, PS/LPS, BRIDGES, HANNAY, SPRECKLEY,
FITZHERBERT, BULLARD, COOPER, J MOBERLY, E FERGUSSEN

CAB - FRANKLIN, ARMSTRONG, ELLIOTT

NO 10 - ALEXANDER

THOMAS

ADVANCED AS REQUESTED

NNNN

OO UKREP BRUSSELS

IMMEDIATE

PP BRUSSELS

PP COPENHAGEN

PP THE HAGUE

PP ROME

PP DUBLIN

PP PARIS

PP BONN

PP ATHENS

PP CAIRO

PP DAMASCUS

PP TEL AVIV

PP BEIRUT

PP AMMAN
GPS 800

Handwritten notes:
d/d Ec (1). (4)
d/d News
Ec (E). (4.)
Ps
Ps/Lps
Ps/MS
Head Guadines
Mr. Hannan
Mr. Bullard
Mr. J. McQuerry
Mr. Ferguson
Cabinet Office (3)
~~Ps/Moro.~~

Handwritten: JFCO/WH 7

UNCLASSIFIED

DESKBY 021700Z

FM LUXEMBOURG 021502Z DEC 80

TO IMMEDIATE FCO

TELNO 377 OF 2 DECEMBER

AND TO UKREP BRUSSELS

INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS CAIRO DAMASCUS TEL AVIV BEIRUT AMMAN WASHINGTON.

FOLLOWING FROM UKREP BRUSSELS.

MIPT (NOT TO ALL): EUROPEAN COUNCIL 1/2 DECEMBER

1. FOLLOWING IS ENGLISH TEXT OF PRESIDENCY CONCLUSIONS ON THE MIDDLE
EAST:

QUOTE

THE MIDDLE EAST

QUOTE

THE MIDDLE EAST

THE EUROPEAN COUNCIL REVIEWED THE ACTION TAKEN BY THE NINE SINCE THE ADOPTION OF THE VENICE DECLARATION ON THE MIDDLE EAST.

THE COUNCIL HEARD THE REPORT OF MR THORN ON THE MISSION WHICH HE CARRIED OUT ON BEHALF OF THE NINE IN ACCORDANCE WITH PARAGRAPH 11 OF THE VENICE DECLARATION. IT NOTED THAT THIS MISSION HAD MADE CLEAR THE GREAT INTEREST AROUSED BY THE POSITION TAKEN UP BY EUROPE AND THAT IN THIS RESPECT IT HAD BEEN A SUCCESS.

THE RESULTS OF THE MISSION CONFIRM THAT THE PRINCIPLES OF THE VENICE DECLARATION INCORPORATE THE ESSENTIAL ELEMENTS FOR A COMPREHENSIVE, JUST AND LASTING SETTLEMENT TO BE NEGOTIATED BY THE PARTIES CONCERNED. THEY REINFORCE THE NINE'S DETERMINATION TO CONTRIBUTE TO THE SEARCH FOR SUCH A SETTLEMENT.

IN THIS SPIRIT THE EUROPEAN COUNCIL APPROVED THE DECISION OF THE MINISTERS OF FOREIGN AFFAIRS TO UNDERTAKE CONSIDERATION OF THE MATTER WITH THE AIM OF CLARIFYING AND GIVING SUBSTANCE TO THE VENICE PRINCIPLES. THIS CONSIDERATION HAS RESULTED IN THE DRAFTING OF A REPORT ON THE PRINCIPAL PROBLEMS RELATING TO A COMPREHENSIVE SETTLEMENT UNDER THE FOLLOWING HEADINGS: WITHDRAWAL, SELF-DETERMINATION, SECURITY IN THE MIDDLE EAST, JERUSALEM.

THE REPORT EMPHASIZES THAT THE MEASURES ENVISAGED UNDER THESE FOUR HEADINGS SHOULD FORM A COHERENT WHOLE AND SHOULD THEREFORE BE CO-ORDINATED CAREFULLY.

THE EUROPEAN COUNCIL WAS IN AGREEMENT ON THIS APPROACH.

IT NOTED THAT DIFFERENT FORMULAS WERE POSSIBLE TO GIVE SUBSTANCE TO SOME OF THE VENICE PRINCIPLES, IN PARTICULAR ON THE DURATION OF THE TRANSITIONAL PERIOD LEADING UP TO THE ELECTORAL PROCEDURE FOR SELF-DETERMINATION, THE DEFINITION OF THE PROVISIONAL AUTHORITY FOR THE VACATED TERRITORIES, THE CONDITIONS AND MODALITIES FOR SELF-DETERMINATION, THE GUARANTEES OF SECURITY, AND JERUSALEM.

WITH A VIEW TO A MORE THOROUGH EXPLORATION OF THESE FORMULAS AND WITH THE DETERMINATION TO ENCOURAGE A CLIMATE MORE FAVOURABLE TO NEGOTIATIONS, THE EUROPEAN COUNCIL CONSIDERED IT NECESSARY THAT

WITH A VIEW TO A MORE THOROUGH EXPLORATION OF THESE FORMER AND WITH THE DETERMINATION TO ENCOURAGE A CLIMATE MORE FAVOURABLE TO NEGOTIATIONS, THE EUROPEAN COUNCIL CONSIDERED IT NECESSARY THAT NEW CONTACTS BE ESTABLISHED WITH THE PARTIES CONCERNED SIDE BY SIDE WITH CONTINUED DISCUSSIONS WITHIN THE COMMUNITY.

THE EUROPEAN COUNCIL ACCORDINGLY INSTRUCTED THE PRESIDENCY-IN-OFFICE TO UNDERTAKE THESE CONTACTS IN CONSULTATION WITH THE MINISTERS FOR FOREIGN AFFAIRS.

THE COUNCIL ALSO ASKED THE MINISTERS TO CONTINUE THEIR DISCUSSIONS WITH DUE REGARD FOR DEVELOPMENTS IN THE SITUATION AND TO REPORT BACK TO THE COUNCIL.

THE EUROPEAN COUNCIL LAID DOWN THIS ACTION PROGRAMME IN ORDER TO PROVIDE A MORE CONSISTENT PLATFORM DESIGNED TO BRING THE PARTIES CONCERNED CLOSER TOGETHER.

LEBANON

THE EUROPEAN COUNCIL AGAIN DEVOTED ITS ATTENTION TO THE SITUATION IN LEBANON, WHERE THE LATEST DEVELOPMENTS ARE CONTINUING TO GIVE RISE TO SERIOUS ANXIETY.

THE NINE WISH TO REAFFIRM THAT THE UNITY, INDEPENDENCE, SOVEREIGNTY AND TERRITORIAL INTEGRITY OF LEBANON MUST BE FULLY RESPECTED. THIS IS ESSENTIAL TO ENABLE THE LEGITIMATE GOVERNMENT OF LEBANON TO RESTORE PEACE THROUGHOUT THE COUNTRY. LEBANON BELONGS TO THE LEBANESE; IT IS FOR THEM ALONE TO ESTABLISH THE RULES OF THEIR CO-EXISTENCE.

IT IS IN THIS SPIRIT THAT THE NINE MAKE A FRESH APPEAL FOR THE INTEGRITY OF THE BORDERS OF LEBANON AND THE SAFETY OF ITS PEOPLE TO BE RESPECTED. RESPECT FOR THE INTERNATIONAL BOUNDARIES OF LEBANON IS ONE OF THE ESSENTIAL FACTORS IN THE SECURITY AND STABILITY OF THE REGION.

AS THEY DECLARED IN VENICE ON 13 JUNE, THE NINE TRUST THAT UNIFIL WILL BE ENABLED TO FULFIL THE ASSIGNMENT GIVEN TO IT BY THE SECURITY COUNCIL.

THE EUROPEAN COUNCIL REAFFIRMS THAT ONE OF THE AIMS OF THE NINE'S ACTION IN THE INTERESTS OF PEACE IN THE NEAR EAST IS TO RESTORE THE INTEGRITY OF LEBANON'S BORDERS AND TO ENABLE IT ONCE MORE TO EXERCISE ITS NATIONAL SOVEREIGNTY IN FULL.

MORE TO EXERCISE ITS NATIONAL SOVEREIGNTY IN FULL.

JORDAN/SYRIA

THE EUROPEAN COUNCIL NOTED WITH CONCERN THE SITUATION WHICH HAS ARISEN BETWEEN JORDAN AND SYRIA, TWO STATES WITH WHICH THE NINE HAVE LONG ENJOYED CLOSE RELATIONS. THEY CALLED UPON THE GOVERNMENTS CONCERNED TO EXERCISE RESTRAINT AND TO RESOLVE ANY DISAGREEMENTS BY PEACEFUL MEANS, INCLUDING THE POSSIBILITY OF ACTION IN THE UNITED NATIONS.
UNQUOTE.

FCO ADVANCE TO:

FCO - PS/SOFS, PS/PUS, PS/LPS, BRIDGES, HANNAY, SPRECKLEY,
FITZHERBERT, BULLARD, COOPER, J MOBERLY, E FERGUSSEN

CAB - FRANKLIN, ARMSTRONG, ELLIOTT

NO 10 - ALEXANDER

THOMAS

[ADVANCED AS REQUESTED]

NNNN

FCO

RESIDENT CLERK

PLUS FCO

P.S.
PS/LORD PRIVY SEAL
PS/PUS
MR BULLARD
MR HANNAY
LORD BRIDGES
Mr. P. Moberly
Mr. J. Moberly
Mr. Ferguson

HD/ECD(1)(4)
HD/NEWS
HD/
HD/....
HD/....
HD/....

Mr Cooper ECD(1)

CABINET OFFICE

D.O.T.

PLUS OGDS

MR M D M FRANKLIN
MR D M ELLIOTT
MR A M GOODENOUGH

~~Mr ALEXANDER~~
NO 10 DS

H.M. TREASURY

M.A.F.F.

SIR K COUZENS
MR ASHFORD

SIR B HAYES

IMMEDIATE

GRS 2150

UNCLASSIFIED

DESKBY 021700Z

FM LUXEMBOURG 021500Z DEC 80

TO IMMEDIATE F C O

TELEGRAM NUMBER 376 OF 2 DECEMBER

AND TO UKREP BRUSSELS,

INFO PRIORITY BRUSSELS, COPENHAGEN, THE HAGUE, DUBLIN, ROME,
PARIS, BONN, ATHENS, WASHINGTON, TOKYO.

FOLLOWING FROM UKREP BRUSSELS:

EUROPEAN COUNCIL 1/2 DECEMBER.

1. FOLLOWING IS ENGLISH TEXT OF PRESIDENCY CONCLUSIONS
(FRENCH TEXT FOLLOWS BY BAG) EXCEPT SECTIONS ON MIDDLE EAST
AND EAST-WEST RELATIONS (FOR WHICH PLEASE SEE MY TWO I.F.T.'S):

IN THE FACE OF THE DISQUIET CAUSED BY DEVELOPMENTS IN THE
INTERNATIONAL SITUATION, THE EUROPEAN COUNCIL IS CONSCIOUS OF
THE RESPONSIBILITIES DEVOLVING UPON EUROPE.

INTERNATIONAL SITUATION, THE EUROPEAN COUNCIL IS CONSCIOUS OF THE RESPONSIBILITIES DEVOLVING UPON EUROPE.

THE COUNCIL CONSIDERS THAT EUROPE'S EXPERIENCE AND RESOURCES MAKE IT ONE OF THE ESSENTIAL FACTORS OF EQUILIBRIUM AND PEACE IN THE WORLD.

IT IS IN THE CONTEXT OF THE SOLIDARITY WHICH UNITES A STRONG AMERICA AND A EUROPE CONFIDENT OF ITSELF AND OF ITS ROLE THAT DIALOGUE AND CO-ORDINATION BETWEEN THEM WILL BEST SERVE THE CAUSE OF PEACE AND FREEDOM.

THE EUROPEAN COUNCIL WILL THEREFORE ENSURE THAT EUROPE ACQUIRES GREATER COHESION AND THAT ITS VOICE IS HEARD.

EARTHQUAKE IN SOUTHERN ITALY

THE EUROPEAN COUNCIL EXPRESSES ITS DEEP EMOTION IN THE FACE OF THE DISASTER WHICH HAS STRUCK PART OF SOUTHERN ITALY. THE HEADS OF STATE OR OF GOVERNMENT OF THE MEMBER STATES OF THE COMMUNITY AND OF GREECE WISH TO CONVEY THEIR DEEPEST SYMPATHY TO THE STRICKEN POPULATION, TO THE FAMILIES MOURNING THEIR DEAD, AND TO ALL THOSE WHO, IN THESE TRAGIC CIRCUMSTANCES, ARE SUFFERING THE DESTRUCTION OF THEIR HOMES OR THE LOSS OF THEIR MEANS OF LIVELIHOOD.

THE PEOPLES OF THE MEMBER STATES OF THE EUROPEAN COMMUNITY CANNOT REMAIN INDIFFERENT TO THESE TRAGIC EVENTS. OVER AND ABOVE THE SPONTANEOUS AID RENDERED BY THE GOVERNMENTS AND OTHER PUBLIC AUTHORITIES AS WELL AS BY A MULTITUDE OF CITIZENS AND ASSOCIATIONS IN ALL OUR COUNTRIES, IT IS THE DUTY OF THE COMMUNITY AND ITS MEMBER STATES, IN THE NAME OF SOLIDARITY, TO PROVIDE EXCEPTIONAL ASSISTANCE IN THE PRESENT CIRCUMSTANCES TO THE STRICKEN AREAS.

THE COUNCIL OF THE EUROPEAN COMMUNITIES IS INVITED TO DECIDE WITHOUT DELAY, ON A PROPOSAL FROM THE COMMISSION AND AS PART OF THE NORMAL BUDGET PROCEDURE, TO SUPPLEMENT THE EMERGENCY AID WITH EXCEPTIONAL AID MEASURES DESIGNED TO MAKE AN EFFECTIVE CONTRIBUTION, MAINLY THROUGH A LOAN WITH AN INTEREST RATE SUBSIDY, TO THE RECONSTRUCTION PROGRAMME IN THE AFFECTED AREAS IN ORDER TO MITIGATE THE EFFECTS OF THE DISASTER ON THE ECONOMIC AND SOCIAL SITUATION OF THE REGIONS CONCERNED AND TO ENSURE THAT THESE MEASURES CAN BE EFFECTIVE AS SOON AS POSSIBLE.

MEASURES CAN BE EFFECTIVE AS SOON AS POSSIBLE.

ECONOMIC AND SOCIAL SITUATION

THE EUROPEAN COUNCIL NOTED THAT THE REPEATED INCREASES IN THE PRICE OF OIL FORCED UPON THE CONSUMER COUNTRIES ARE THE MAIN CAUSE OF THE WORLD RECESSION. ANY FURTHER INCREASE IN THE PRICE OF OIL WOULD ALSO HAVE SERIOUS CONSEQUENCES FOR THE NON-OIL-PRODUCING DEVELOPING COUNTRIES.

THE EUROPEAN COUNCIL CONSIDERS THAT THE PROSPECTS FOR THE EUROPEAN ECONOMY HAVE NEVER REQUIRED MORE VIGILANT ATTENTION.

THE EUROPEAN COUNCIL IS PARTICULARLY CONCERNED AT THE RAPID INCREASE IN UNEMPLOYMENT IN THE MEMBER STATES OF THE COMMUNITY. IT REAFFIRMS THAT THE REDUCTION OF RATES OF INFLATION AND IMPROVEMENTS IN THE COMPETITIVENESS OF UNDERTAKINGS BY SUITABLE INVESTMENTS FACILITATING THE NECESSARY STRUCTURAL ADJUSTMENTS ARE THE MOST APPROPRIATE WAYS OF ACHIEVING IMPROVED GROWTH AND COMBATING UNEMPLOYMENT ON A LASTING BASIS. A COMBINED EFFORT BY GOVERNMENTS WITH THE COLLABORATION OF EMPLOYERS' AND LABOUR ORGANIZATIONS IS ESSENTIAL TO COPE WITH THIS SITUATION. THE VARIOUS COMMUNITY INSTRUMENTS MUST CONTINUE TO SERVE, FIRST AND FOREMOST, POLICIES AIMED AT REDUCING STRUCTURAL UNEMPLOYMENT AND AT IMPROVING INFRASTRUCTURE AND THE ECONOMIC SITUATION OF THE LESS-FAVoured RURAL REGIONS.

A SPECIAL EFFORT SHOULD BE MADE IN THE COMMUNITY AND IN ALL MEMBER STATES TO ASSIST YOUNG PEOPLE TO FIND EMPLOYMENT AND TO ENSURE THAT THEIR TRAINING IS GEARED TO REQUIREMENTS.

THE EUROPEAN COUNCIL REAFFIRMS THE IMPORTANCE IN ITS VIEW OF A DIALOGUE WITH EMPLOYERS' AND LABOUR ORGANIZATIONS, AND OF CO-ORDINATION AND EXCHANGES OF INFORMATION BETWEEN MEMBER STATES ON THEIR EMPLOYMENT POLICIES. THE COMMISSION WILL INTENSIFY ITS STUDIES ON THE BASIS OF WHICH THE COUNCIL, JOINTLY COMPOSED OF ECONOMIC AFFAIRS, FINANCE AND SOCIAL AFFAIRS MINISTERS, WILL BE REQUIRED TO CONSIDER THE MATTER FURTHER.

THE EUROPEAN COUNCIL DRAWS ATTENTION ONCE MORE TO THE PLEDGES OF ALL THE COMMUNITY MEMBER STATES TO REDUCE THEIR DEPENDENCE ON OIL BY ENERGY SAVING AND BY HAVING RECOURSE TO OTHER ENERGY SOURCES, INCLUDING COAL AND NUCLEAR POWER, AND TO DO THEIR UTMOST TO PREVENT ARTIFICIAL STRESSES FROM OCCURRING ON THE OIL MARKET. IN THIS

BY ENERGY SAVING AND BY HAVING RECOURSE TO OTHER ENERGY SOURCES, INCLUDING COAL AND NUCLEAR POWER, AND TO DO THEIR UTMOST TO PREVENT ARTIFICIAL STRESSES FROM OCCURRING ON THE OIL MARKET. IN THIS CONNECTION, THE EUROPEAN COUNCIL NOTED THE CONCLUSIONS REACHED BY THE COUNCIL (ENERGY) ON 27 NOVEMBER.

FINANCIAL QUESTIONS, EMS

THE EUROPEAN COUNCIL EXAMINED THE DEVELOPMENTS WHICH HAD OCCURRED SINCE ITS LAST MEETING IN VENICE IN THE MONETARY AND FINANCIAL SPHERES, BOTH INTERNATIONALLY AND IN THE COMMUNITY CONTEXT.

IT NOTED THAT PAYMENTS IMBALANCES REMAINED A SOURCE OF TENSION IN INTERNATIONAL MONETARY AND FINANCIAL RELATIONS AND PARTICULARLY AFFECTED CERTAIN DEVELOPING COUNTRIES. IT CONSIDERS THAT THE MAINTENANCE OF A STABLE INTERNATIONAL MONETARY AND FINANCIAL SYSTEM IS A PREREQUISITE IF POLICIES FOR THE ADJUSTMENT AND RECYCLING OF CAPITAL ARE TO CONTRIBUTE IN PARALLEL AND IN AN ORDERLY MANNER TOWARDS OVERCOMING THE EXISTING IMBALANCES AND IF THE MEASURES TAKEN TO BENEFIT THE DEVELOPING COUNTRIES ARE TO BE PURSUED EFFECTIVELY. THE EUROPEAN COUNCIL STRESSED THAT THE WORK UNDERTAKEN BY THE COMPETENT INTERNATIONAL INSTITUTIONS TO WORK OUT SOLUTIONS TO THE FINANCIAL PROBLEMS RAISED BY THE REPEATED INCREASES IN OIL PRICES AND TO THE NEEDS OF THE DEVELOPING COUNTRIES SHOULD BE ACTIVELY PURSUED, WITH DUE REGARD FOR THE INDEPENDENCE AND COMPETENCE OF THE BRETTON WOODS INSTITUTIONS. IT CONFIRMED THAT THE COMMUNITY MEMBER STATES WOULD CO-ORDINATE THEIR POSITIONS IN THESE DISCUSSIONS.

THE EUROPEAN COUNCIL NOTES THAT THE EUROPEAN MONETARY SYSTEM WORKED OUT TWO YEARS AGO HAS OPERATED IN AN EXEMPLARY FASHION DESPITE ALL THE NEW EVENTS WHICH HAVE OCCURRED SINCE THEN ON THE INTERNATIONAL SCENE. IT HAS THUS MADE AN ESSENTIAL CONTRIBUTION TOWARDS ESTABLISHING AN IMPROVED MONETARY ORDER, BOTH AT COMMUNITY LEVEL AND IN ORDER TO RESPOND BETTER TO THE PROBLEMS ARISING IN INTERNATIONAL MONETARY RELATIONS.

IT CONSIDERS THAT THE WORK IN HAND ON THE COMMUNITY'S MONETARY PROBLEMS WILL HAVE TO BE ACTIVELY CONTINUED BY THE COUNCIL OF MINISTERS, PARTICULARLY AS REGARDS ADJUSTMENT OF COMMUNITY BALANCE-OF-PAYMENTS LOANS AND THE GRADUAL DEVELOPMENT OF THE USE OF THE ECU. IT NOTED THE INTENTION OF THE COUNCIL OF MINISTERS AND OF THE COMMITTEE OF GOVERNORS TO RENEW THE AGREEMENTS ON MEDIUM-TERM ASSISTANCE AND THE SWAP ARRANGEMENTS WHICH FORM AN INTEGRAL PART OF THE

RENEW THE AGREEMENTS ON MEDIUM-TERM ASSISTANCE AND THE SWAP ARRANGEMENTS WHICH FORM AN INTEGRAL PART OF THE EUROPEAN MONETARY SYSTEM. IT NOTES THAT ALL THESE MEASURES WILL CONTRIBUTE TO THE FURTHER STRENGTHENING OF THE ZONE OF MONETARY STABILITY AND SOLIDARITY IN EUROPE. IT ALSO CONFIRMS THE NEED TO CO-ORDINATE POLICIES ON INTEREST RATES AND ON EXCHANGE RATES VIS-A-VIS NON-MEMBER COUNTRIES AND AS FAR AS POSSIBLE TO ACT IN CONCERT WITH THE MONETARY AUTHORITIES IN THOSE COUNTRIES.

THE EUROPEAN COUNCIL CONFIRMS ITS DETERMINATION TO CONTINUE STRENGTHENING THE EUROPEAN MONETARY SYSTEM UNTIL ITS TRANSITION TO THE INSTITUTIONAL STAGE AT THE APPROPRIATE TIME. IT CALLS UPON THE COMMISSION AND THE COUNCIL OF MINISTERS TO CONTINUE THEIR WORK.

INDUSTRIAL INNOVATION AND DEVELOPMENT

THE EUROPEAN COUNCIL EXAMINED WITH INTEREST THE COMMISSION COMMUNICATION ON INNOVATION.

IT CONSIDERS THAT, IN THE NECESSARY ADJUSTMENT OF THEIR INDUSTRIAL STRUCTURES, COMMUNITY UNDERTAKINGS MUST AIM RESOLUTELY AT APPLYING AND DEVELOPING ACTIVITIES BASED ON AN INNOVATORY APPROACH. THIS EFFORT MUST BE UNDERTAKEN IN CONJUNCTION WITH BOTH SIDES OF INDUSTRY AS A NECESSARY COMPONENT OF AN ACTIVE POLICY ON EMPLOYMENT.

IT HOPES THAT THE EFFORTS MADE IN THIS DIRECTION BY THE MEMBER STATES WILL BE BETTER CO-ORDINATED IN ORDER TO IMPROVE THE COMPETITIVENESS OF EUROPEAN PRODUCTS BY MAKING THE BEST USE OF THE DIMENSION AFFORDED BY THE COMMON MARKET.

IT REQUESTS THE COMPETENT AUTHORITIES OF THE COMMUNITY TO EXAMINE WAYS OF ELIMINATING THE FRAGMENTATION OF MARKETS AND IMPROVING INCENTIVES TO INNOVATION AND THE DISSEMINATION OF KNOWLEDGE.

INTERNATIONAL TRADE

THE EUROPEAN COUNCIL EMPHASISED THE IMPORTANCE OF KEEPING THE WORLD'S TRADING SYSTEM OPEN UNDER FREE AND FAIR CONDITIONS. IN THIS CONNECTION, THEY ENDORSED THE COUNCIL'S STATEMENT OF 25 NOVEMBER ABOUT THE COMMUNITY'S RELATIONS WITH JAPAN.

THE EUROPEAN COUNCIL REFERRED TO THE MANDATE GIVEN TO THE COMMISSION OF THE EUROPEAN COMMUNITIES TO CARRY OUT BY THE END OF JUNE 1981 AN EXAMINATION OF THE FURTHER DEVELOPMENT OF COMMUNITY POLICIES, WITHOUT CALLING INTO QUESTION EITHER THE COMMON FINANCIAL RESPONSIBILITY FOR THESE POLICIES, WHICH ARE FINANCED FROM THE COMMUNITY'S OWN RESOURCES, OR 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.

REPORT OF THE THREE WISE MEN

THE EUROPEAN COUNCIL EXAMINED THE REPORT OF THE THREE WISE MEN ON THE BASIS OF A DETAILED STUDY MADE BY THE MINISTERS OF FOREIGN AFFAIRS.

THE EUROPEAN COUNCIL FOUND THAT THE DEPTH OF THE ANALYSIS OF THE INSTITUTIONAL SITUATION AND THE REALISM OF THE SOLUTIONS PROPOSED BY THE THREE WISE MEN - SOLUTIONS BASED ON A BALANCED ASSESSMENT OF THE COMMUNITY'S PROBLEMS AND NEEDS AND THE APPROPRIATE MEANS FOR DEALING WITH THEM - MAKE OF THIS REPORT A RICH SOURCE OF IDEAS AND SUGGESTIONS FOR IMPROVING THE MACHINERY AND PROCEDURES OF THE COMMUNITY'S INSTITUTIONAL SYSTEM.

IT IS BECAUSE THESE IDEAS AND SUGGESTIONS ARE SO PLENTIFUL THAT THE EUROPEAN COUNCIL'S DELIBERATIONS, AND THE SPECIFIC CONCLUSIONS TO WHICH THEY GIVE RISE FOR THE TIME BEING, DO NOT ENTIRELY COVER ALL THE SUGGESTIONS IN THE REPORT OF THE THREE WISE MEN, NOR DO THEY EXHAUST THE MATTER. INDEPENDENTLY OF ANY DECISIONS WHICH MAY BE TAKEN IN THE NEAR FUTURE, THE REPORT IS AND WILL CONTINUE TO BE A FERTILE SEEDBED OF IDEAS AND SUGGESTIONS ON WHICH THE INSTITUTIONS AND THE MEMBER STATES MAY DRAW FOR THEIR DELIBERATIONS ON THE COMMUNITY'S INSTITUTIONAL SYSTEM.

THE EUROPEAN COUNCIL WISHES TO THANK THE FOREIGN AFFAIRS MINISTERS FOR THEIR STUDY, WHICH HAS FORMED THE BASIS FOR THE CONCLUSIONS WHICH IT HAS REACHED AND WHICH WILL BE PUBLISHED.

EUROPEAN UNION

THE EUROPEAN COUNCIL TOOK NOTE OF THE REPORTS FROM THE
MINISTERS FOR FOREIGN AFFAIRS AND THE COMMISSION ON THE
PROGRESS MADE TOWARDS EUROPEAN UNION IN THE PAST YEAR. IT
DECIDED THAT, AS IN THE PAST, THESE REPORTS WILL BE PUBLISHED
IN A SUITABLE FORM.

FCO ADVANCE TO:

FCO - PS/SOFS, PS/PUS, PS/LPS, BRIDGES, HANNAY, SPRECKLEY,
FITZHERBERT, BULLARD, COOPER, J MOBERLY, E FERGUSSEN

CAB - FRANKLIN, ARMSTRONG, ELLIOTT

NO 10 - ALEXANDER

THOMAS

NNNN

SENT AT 02/1638Z BHE/~~XXXXXXXXXXXX~~JPN

EUROPEAN COUNCIL 1 AND 2 DECEMBER 1980

SUMMARY BY THE PRESIDENCY OF THE
PROCEEDINGS OF THE EUROPEAN COUNCIL

In the face of the disquiet caused by developments in the international situation, the European Council is conscious of the responsibilities devolving upon Europe.

The Council considers that Europe's experience and resources make it one of the essential factors of equilibrium and peace in the world.

It is in the context of the solidarity which unites a strong America and a Europe confident of itself and of its role that dialogue and coordination between them will best serve the cause of peace and freedom.

The European Council will therefore ensure that Europe acquires greater cohesion and that its voice is heard.

Earthquake in Southern Italy

The European Council expresses its deep emotion in the face of the disaster which has struck part of Southern Italy, The Heads of State or of Government of the Member States of the Community and of Greece wish to convey their deepest sympathy to the stricken population, to the families mourning their dead, and to all those who, in these tragic circumstances, are suffering the destruction of their homes or the loss of their means of livelihood.

The peoples of the Member States of the European Community cannot remain indifferent to these tragic events. Over and above the spontaneous aid rendered by the Governments and other public authorities as well as by a multitude of citizens and associations in all our countries, it is the duty of the Community and its Member States, in the name of solidarity, to provide exceptional assistance in the present circumstances to the stricken areas.

The Council of the European Communities is invited to decide without delay, on a proposal from the Commission and as part of the normal budget procedure, to supplement the emergency aid with exceptional aid measures designed to make an effective contribution, mainly through a loan with an interest rate subsidy, to the reconstruction programme in the affected areas in order to mitigate the effects of the disaster on the economic and social situation of the regions concerned and to ensure that these measures can be effective as soon as possible.

Economic and Social Situation

The European Council noted that the repeated increases in the price of oil forced upon the consumer countries are the main cause of the world recession. Any further increase in the price of oil would also have serious consequences for the non-oil-producing developing countries.

The European Council considers that the prospects for the European economy have never required more vigilant attention.

The European Council is particularly concerned at the rapid increase in unemployment in the Member States of the Community. It reaffirms that the reduction of rates of inflation and improvements in the competitiveness of undertakings by suitable investments facilitating the necessary structural adjustments are the most appropriate ways of achieving improved growth and combating unemployment on a lasting basis. A combined effort by Governments with collaboration of employers' and Labour organisations is essential to cope with this situation. The various Community instruments must continue to serve, first and foremost, policies aimed at reducing structural unemployment and at improving infrastructure and the economic situation of the less-favoured rural regions.

A special effort should be made in the Community and in all Member States to assist young people to find employment and to ensure that their training is geared to requirements.

The European Council reaffirms the importance in its view of a dialogue with employers' and labour organisations, and of coordination and exchanges of information between Member States on their employment policies. The Commission will intensify its studies on the basis of which the Council, jointly composed of Economic Affairs, Finance and Social Affairs Ministers, will be required to consider the matter further.

The European Council draws attention once more to the pledges of all the Community Member States to reduce their dependence on oil by energy saving and by having recourse to other energy sources, including coal and nuclear power, and to do their utmost to prevent artificial stresses from occurring on the oil market. In this connection, the European Council noted the conclusions reached by the Council (Energy) on 27 November.

Financial Questions, EMS

The European Council examined the developments which had occurred since its last meeting in Venice in the monetary and financial spheres, both internationally and in the Community context.

It noted that payments imbalances remained a source of tension in international monetary and financial relations and particularly affected certain developing countries. It considers that the maintenance of a stable international monetary and financial system is a prerequisite if policies for the adjustment and recycling of capital are to contribute in parallel and in an orderly manner towards overcoming the existing imbalances and if the measures taken to benefit the developing countries are to be pursued effectively. The European Council stressed that the work undertaken by the competent international institutions to work out solutions to the financial problems raised by the repeated increases in oil prices and to the needs of the developing countries should be actively pursued, with due regard for the independence and competence of the Bretton Woods institutions. It confirmed that the Community Member States would coordinate their positions in these discussions.

The European Council notes that the European monetary system worked out two years ago has operated in an exemplary fashion despite all the new events which have occurred since then on the international scene. It has thus made an essential contribution towards establishing an improved monetary order, both at Community level and in order to respond better to the problems arising in international monetary relations.

It considers that the work in hand on the Community's monetary problems will have to be actively continued by the Council of Ministers, particularly as regards adjustment of Community balance-of-payments loans and the gradual development of the use of the ECU. It noted the intention of the Council of Ministers and of the Committee of Governors to renew the agreements on medium-term assistance and the swap arrangements which form an integral part of the European monetary system. It notes that all these measures will contribute to the further strengthening of the zone of monetary stability and solidarity in Europe. It also confirms the need to coordinate policies on interest rates and on exchange rates vis-a-vis non-member countries and as far as possible to act in concert with the monetary authorities in those countries.

The European Council confirms its determination to continue strengthening the European monetary system until its transition to the institutional stage at the appropriate time. It calls upon the Commission and the Council of Ministers to continue their work.

Industrial Innovation and Development

The European Council examined with interest the Commission communication on innovation.

It considers that, in the necessary adjustment of their industrial structures, Community undertakings must aim resolutely at applying and developing activities based on an innovatory approach. This effort must be undertaken in conjunction with
/both

both sides of industry as a necessary component of an active policy on employment.

It hopes that the efforts made in this direction by the Member States will be better coordinated in order to improve the competitiveness of European products by making the best use of the dimension afforded by the Common Market.

It requests the competent authorities of the Community to examine ways of eliminating the fragmentation of markets and improving incentives to innovation and the dissemination of knowledge.

International Trade

The European Council emphasised the importance of keeping the world's trading system open under free and fair conditions. In this connection, they endorsed the Council's statement of 25 November about the Community's relations with Japan.

Mandate given to the Commission on 30 May

The European Council referred to the mandate given to the Commission of the European Communities to carry out by the end of June 1981 an examination of the further development of Community policies, without calling into question either the common financial responsibility for these policies, which are financed from the Community's own resources, or 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.

Report of the Three Wise Men

The European Council examined the report of the Three Wise Men on the basis of a detailed study made by the Ministers of Foreign Affairs.

The European Council found that the depth of the analysis of the institutional situation and the realism of the solutions proposed by the Three Wise Men - solutions based on a balanced

/assessment

assessment of the Community's problems and needs and the appropriate means for dealing with them - make of this report a rich source of ideas and suggestions for improving the machinery and procedures of the Community's institutional system.

It is because these ideas and suggestions are so plentiful that the European Council's deliberations, and the specific conclusions to which they give rise for the time being, do not entirely cover all the suggestions in the report of the Three Wise Men, nor do they exhaust the matter. Independently of any decisions which may be taken in the near future, the report is and will continue to be a fertile seedbed of ideas and suggestions on which the institutions and the Member States may draw for their deliberations on the Community's institutional system.

The European Council wishes to thank the Foreign Affairs Ministers for their study, which has formed the basis for the conclusions which it has reached and which will be published

European Union

The European Council took note of the reports from the Ministers for Foreign Affairs and the Commission on the progress made towards European Union in the past year. It decided that, as in the past, these reports will be published in a suitable form.

The Middle East

The European Council reviewed the action taken by the Nine since the adoption of the Venice declaration on the Middle East.

The Council heard the report of Mr Thorn on the mission which he carried out on behalf of the Nine in accordance with paragraph 11 of the Venice declaration. It noted that this mission had made clear the great interest aroused by the position taken up by Europe and that in this respect it had been a success.

The results of the mission confirm that the principles of the Venice declaration incorporate the essential elements for a comprehensive, just and lasting settlement to be negotiated by the parties concerned. They reinforce the Nine's determination to contribute to the search for such a settlement.

In this spirit the European Council approved the decision of the Ministers of Foreign Affairs to undertake consideration of the matter with the aim of clarifying and giving substance to the Venice principles. This consideration has resulted in the drafting of a report on the principal problems relating to a comprehensive settlement under the following headings: withdrawal, self-determination, security in the Middle East, Jerusalem.

The report emphasises that the measures envisaged under these four headings should form a coherent whole and should therefore be coordinated carefully.

The European Council was in agreement on this approach.

It noted that different formulas were possible to give substance to some of the Venice principles, in particular on the duration of the transitional period leading up the electoral procedure for self-determination, the definition of the provisional authority for the vacated territories, the conditions and modalities for self-determination, the guarantees of security, and Jerusalem.

With a view to a more thorough exploration of these formulas and with the determination to encourage a climate more favourable to negotiations, the European Council considered it necessary that new contacts be established with the parties concerned side by side with continued discussions within the Community.

The European Council accordingly instructed the Presidency-in-office to undertake these contacts in consultation with the

/Ministers

Ministers for Foreign Affairs.

The Council also asked the Ministers to continue their discussions with due regard for developments in the situation and to report back to the Council.

The European Council laid down this action programme in order to provide a more consistent platform designed to bring the parties concerned closer together.

Lebanon

The European Council again devoted its attention to the situation in Lebanon, where the latest developments are continuing to give rise to serious anxiety.

The Nine wish to reaffirm that the unity, independence, sovereignty and territorial integrity of Lebanon must be fully respected. This is essential to enable the legitimate Government of Lebanon to restore peace throughout the country. Lebanon belongs to the Lebanese : it is for them alone to establish the rules of their co-existence.

It is in this spirit that the Nine make a fresh appeal for the integrity of the borders of Lebanon and the safety of its people to be respected. Respect for the international boundaries of Lebanon is one of the essential factors in the security and stability of the region..

As they declared in Venice on 13 June, the Nine trust that UNIFIL will be enable to fulfil the assignment given to it by the Security Council.

The European Council ^{re,} affirms that one of the aims of the Nine's action in the interests of peace in the Near East is to restore the integrity of Lebanon's borders and to enable it once more to exercise its national sovereignty in full.

/JORDAN

Jordan/Syria

The European Council noted with concern the situation which has arisen between Jordan and Syria, two states with which the Nine have long enjoyed close relations. They called upon the Governments concerned to exercise restraint and to resolve any disagreements by peaceful means, including the possibility of action in the United Nations.

East-West Relations

The European Council held a detailed exchange of views on developments in East-West relations.

On the question of the Madrid meeting, the European Council stressed the importance which the Nine attached to the CSCE process and their willingness to continue it. It pointed out that compliance by all concerned with the principles of the Helsinki final act is both the basis of this process and a pre-condition of its continuation.

It affirmed the determination of the Nine not to be content with apparent results in Madrid but to achieve genuine and balanced progress in the various chapters of the negotiations. In particular, it confirmed with this in mind the support which the Nine had already expressed in their declaration of 20.11.1979 for the proposed European disarmament conference, the first stage of which would be the drafting of binding and verifiable confidence measures to apply to the entire European continent.

The European Council expressed its sympathy for Poland and outlined the position of the Nine as follows:

In their relations with Poland, the Nine conform and will conform strictly to the United Nations charter and to the principles of the Helsinki final act.

In this context, they would point out that in subscribing

to these principles, the state's signatory to the final act have undertaken in particular to:

-respect the right of every country to choose and freely develop its own political, social, economic and cultural system as well as to determine its own laws and regulations,

-refrain from any direct or indirect, individual or collective intervention in internal or external affairs which fall within the national competence of another signatory state regardless of their mutual relations,

-recognise the right of all people to pursue their own political, economic, social and cultural development as they see fit and without external interference.

The Nine accordingly call upon all the signatory states to abide by these principles with regard to Poland and the Polish people . They emphasise that any other attitude would have very serious consequences for the future of international relations in Europe and throughout the world.

They state their willingness to meet, insofar as their resources allow, the requests for economic aid which have been made to them by Poland.

CONFIDENTIAL



file
cc. Ireland: Mags with Taoiseach: PE3

10 DOWNING STREET

From the Private Secretary

2 December 1980

Dear Roy,

MEETING WITH THE TAOISEACH

I enclose the record of the discussion which took place in Luxembourg last night between the Prime Minister and the Taoiseach. You are already working on the follow up action to the discussion.

I am sending copies of this letter and its enclosure to Paul Lever (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

Yours sincerely

Michael Alexander

Roy Harrington, Esq.,
Northern Ireland Office.

CONFIDENTIAL

DSG

← Master sec.

Ireland: Meeting with
the Taoiseach PC 3

SUBJECT.

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE
TAOISEACH, MR. CHARLES HAUGHEY, IN LUXEMBOURG ON MONDAY

1 DECEMBER AT 1915

Present

The Prime Minister
Foreign & Commonwealth
Secretary
Mr. Michael Alexander

The
Taoiseach
Mr. Lenihan
Mr. Nally

* * * * *

The Prime Minister said that her meeting with the Taoiseach in Dublin now seemed likely, owing to the hunger strike, to take place in circumstances which had not been foreseen when it was arranged. The British Government had done what they could to prevent the hunger strike beginning. She recalled her meeting with the Irish Ambassador in London on the eve of the strike when she had informed him of the Government's decision about clothing for prisoners in Northern Ireland. That decision had been the result of several months' discussion. It had been taken because the Cabinet felt that the change in the regulations was justified on grounds of dignity and humanity. Nonetheless, it had failed to prevent the strike. Since the strike had begun, various statements had been made, in particular by prominent members of the Roman Catholic Church, which had been both forthright and helpful. But the strike continued.

Mr. Haughey said that the Irish Government were enormously worried about the situation. As a result of the hunger strike it had become very volatile. So far public opinion in the Republic had been behind the Government in intensifying security cooperation. But the hunger strike was a highly emotional issue. It might enable the PIRA to mobilise support in a way that they had been unable to do for several years. It would be very helpful to the Irish Government if it were possible for the Prime Minister to

/ take

take some kind of initiative before her arrival in Dublin. There was every reason to expect the meeting between the two Heads of Government to be constructive, but the hunger strike problem was "poisonous". Mr. Haughey stressed that his Government accepted that there could be no compromise on the question of political status. Indeed, if the British Government were to grant the hunger strikers political status, it would embarrass the Irish Government since they did not themselves accord political status to those accused of similar crimes. But a humanitarian gesture would undoubtedly help.

Mr. Lenihan asked whether, for instance, it would not be possible to let the prisoners wear clothing of their own choice. The Prime Minister said that this would be impossible. The British Government had taken their decision on the clothing issue and could go no further. They had already been severely criticised for their decision. Mr. Lenihan said that prisoners in the Republic were allowed to wear their own clothes. There was a slight additional burden on the security guards, who had to search the parcels of clothing coming to prisoners, but few other consequences.

The Foreign and Commonwealth Secretary said that in his view the hunger strikers would settle for nothing less than political status. Mr. Haughey said that he did not agree with Lord Carrington. The hunger strikers would settle for less. Some movement on the conditions of their imprisonment, e.g. on clothes, or on work, would suffice not only to end the strike but to end the other forms of protest the prisoners had been engaged in. He had hard evidence to this effect. It was, of course, understood that any concession on clothing would not imply that the prisoners would be allowed to wear IRA clothing.

The Prime Minister asked whether there were any other areas in which Mr. Haughey thought that concessions could be useful. Mr. Lenihan referred to exercise and to the possibility of prisoners being allowed to study. The Prime Minister then

/ read

read to Mr. Haughey a list of the concessions which had been available to the protesting prisoners since 26 March, ^{but} which they had rejected. She said that other ameliorations would be available to them if they conformed. She undertook to have a list of these produced.

Mr. Haughey asked whether there was any possibility of nominating a distinguished Englishman to "look at" the prison regime in Northern Ireland. The Prime Minister said that she could not see what purpose this would serve. The British Government had for long made it plain that ^{they} had nothing to hide in the prisons in Northern Ireland. TV cameras had been into The Maze more than once. Mr. Lenihan acknowledged the point but asked again whether it would not be possible for the British Government to do "something special" for the prisoners. This should, of course, fall far short of giving them political status. The Prime Minister said ^{that} at the time the Government had taken their decision about clothing it had been argued that concessions should be made during the hunger strike rather than before it. She had, however, decided that the concessions should be made before the hunger strike began in the hope of preventing it. She had gone a long way and now could go no further. However, she would of course be prepared to consider "dressing up" what had already been offered.

Mr. Lenihan said that this could be important. Cosmetic changes were really what he and Mr. Haughey had been talking about. Mr. Haughey confirmed that what he had in mind was something presentational. He was confident that the hunger strikers could be "pushed off" the strike. The Prime Minister agreed to look again at the presentation of the improvements in prison conditions which were already on offer to the hunger strikers. But she stressed that she did not wish to mislead Mr. Haughey. No other new concessions would be made. She had already taken "a lot of stick." Mr. Haughey said that he understood. A further look at the sort of points the Prime Minister had already summarised was what he wanted.

/ It was

CONFIDENTIAL

- 4 -

It was agreed that officials in London would see what could be done to re-package the suggestions already on the table. The outcome would be communicated to the Irish authorities in Dublin before the end of the week.

The discussion ended at 1935.

Am

1 December 1980

CONFIDENTIAL

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

2 December 1980

Dear Paul,

EUROPEAN COUNCIL MEETING:
PRIME MINISTER'S STATEMENT

I enclose a first draft of the statement which the Prime Minister will be making in the House tomorrow afternoon about the meeting of the European Council which she has just attended in Luxembourg.

I am sending copies of this letter, and its enclosure, to John Wiggins (HM Treasury), Julian West (Department of Energy), Stuart Hampson (Department of Trade), Richard Dykes (Department of Employment), Kate Timms (MAFF) and David Wright (Cabinet Office).

Yours ever

Michael Alexander

Paul Lever, Esq.,
Foreign and Commonwealth Office.

DRAFT STATEMENT

EUROPEAN COUNCIL: LUXEMBOURG, 1/2 DECEMBER

I will, with permission, make a statement about the European Council Meeting which I attended, together with my right hon. and noble Friend the Foreign and Commonwealth Secretary, in Luxembourg on Monday and Tuesday of this week. I have placed a copy of the Council's conclusions in the Library of the House.

The first matter we discussed was, of course, the tragic earthquake which took place last week in Southern Italy. We expressed our deep sympathy with the victims, and agreed that the Community should help financially with the formidable task of reconstruction.

The Council then turned to the economic problems facing the Community. We were all deeply concerned about the effect of higher oil prices on our economies and on the economic situation in the world as a whole. We noted the particularly serious consequences which any further increase in oil prices would have on the non-oil-producing developing countries.

We agreed that within the Community reductions in inflation rates and improvements in competitiveness were the most appropriate ways of achieving growth and combating

/unemployment

unemployment on a lasting basis. Europe must strengthen its industrial base and the Council therefore agreed that the institutions of the Community should examine ways of encouraging industrial innovation and of making the best use of the Community market. We welcomed the continued use of Community instruments to help reduce structural unemployment, and agreed that special efforts should be made with the training of young people and in aiding them to find jobs.

We agreed on the need to extend the present phase of the European Monetary System, and to co-ordinate policies on interest rates as well as on exchange rate policy vis-a-vis non-member countries. We stressed the importance of the international financial institutions in dealing with the problems created by higher oil prices.

We welcomed the decisions taken recently by the Council of Foreign Ministers on trading relations with Japan.

I drew attention to the problems created for our textiles industries by current American policy on fuel prices. I urged strongly that early decisions should be taken on continued access for New Zealand butter. I drew attention to the very slow progress being made on questions such as insurance and air fares where the Community has yet to show its readiness to have freer competition in the service sector.

/ In discussion

In discussion of future problems facing the Community, we recalled the mandate which would fall on the new Commission to produce a report by next June on how the structure of the Community budget should be changed so as to ensure that unacceptable budgetary situations do not arise again for any member state. This will have to be done not only within the accepted principles of the Community, but also within the 1 per cent VAT ceiling.

The Council also discussed political questions, in particular East/West relations and the Middle East. We were all deeply concerned about developments in Eastern Europe. We agreed that events there have given a special significance to the language of the Helsinki Final Act about the right of every country to choose and develop its political, social, economic and cultural system, free from any outside intervention. The Helsinki principles are applicable to all states in all circumstances. They are, of course, fully accepted by the Nine, and will be respected in any response we may decide to make to the various requests for economic support which have been made by Poland.

On the Middle East, the Council took stock of the work done since the Declaration which we issued in Venice in June. We decided that the Presidency - which from 1 January will be held by the Netherlands - should conduct

/ the next round

the next round of contacts on the basis of the ideas which the Nine have worked out. Our hope is that the sustained diplomatic activity on which the Nine are now engaged will contribute to a narrowing of the differences between the two parties to the Arab/Israel dispute. Our objective is a comprehensive, just and lasting settlement based on the two principles stated at Venice: security for Israel and recognition of the rights of the Palestinians.

In discussing these and other political questions in Luxembourg, the Council was conscious of the gravity of the various crises now facing the world. The Heads of Government of the Community are aware that they have both the opportunity and the duty to play a significant role in the search for solutions to these problems. To this end they expressed in their agreed conclusions their determination to ensure that the unity of Europe was strengthened, and its voice heard.

• Primo Minister.

I have agreed with the Irish that you + Mr Haughey should meet immediately after this session in our Delegation Office for 15/30 minutes. Contint?

I have told the Irish that you would prefer a note taker to be present for the tête à tête. Agree?

No The Irish have suggested that Mr Lennihan + Lord Carrington should join the meeting after a while. I said I was not sure how early this would be to arrange but that you + Mr Haughey would take a view at the beginning of your meeting.

Mr Haughey hopes (as the F.C.S. told you)

to talk about the hunger strikers. He
entirely accepts your position on the question
of political status. He will be encouraging you
to stick to it rather than the contrary. He
seems to be thinking in terms of saying
this in a communiqué at the end of
the Dublin meeting. No doubt there will be
some 'weasel words' or a quid pro quo. He
is not worried by the RTE poll. I have
warned the Irish that there is no give in your
position on this.

Paul

1.12.80.

I am all against Linnihan & me
joining. It would only stand it all
up again

D D I P

CONFIDENTIAL

FM FCO 011900Z DEC 80

TO FLASH LUXEMBOURG

TELEGRAM NUMBER 179 OF 1 DECEMBER

FOLLOWING FROM PRIVATE SECRETARY FOR LEVER

1. FOLLOWING IS THE TEXT OF A MESSAGE FROM PRESIDENT CARTER TO THE PRIME MINISTER WHICH HAS JUST BEEN RECEIVED OVER THE HOT LINE.

DEAR MARGARET:

I AM INCREASINGLY CONCERNED ABOUT THE UNUSUALLY HIGH LEVEL OF WARSAW PACT MILITARY ACTIVITY THAT IS TAKING SHAPE IN AND AROUND POLAND, INVOLVING SOVIET, EAST GERMAN, POLISH, AND POSSIBLY CZECHOSLOVAKIAN FORCES. IN ADDITION TO THIS, UNPRECEDENTED TRAVEL RESTRAINTS ARE BEING IMPOSED BY THE CHIEF OF SOVIET FORCES IN EAST GERMANY ALONG THE BORDER WITH POLAND. THIS IS THE LARGEST GEOGRAPHICAL AREA EVER CLOSED IN EAST GERMANY, TO UNITED STATES, UNITED KINGDOM, AND FRENCH MILITARY OBSERVERS.

THESE EVENTS INDICATE THAT THE POLISH SITUATION HAS ENTERED ITS MOST CRITICAL PHASE AND THAT FURTHER PREPARATIONS BY THE SOVIETS FOR POSSIBLE INTERVENTION INTO POLAND HAVE NOW PROGRESSED FURTHER THAN AT ANY PREVIOUS TIME.

WE WILL TAKE EVERY OPPORTUNITY TO EXPRESS TO THE SOVIET LEADERS OUR DEEPEST CONCERN ABOUT ANY POSSIBLE MILITARY INTERVENTION BY THEM INTO POLAND. I WILL KEEP YOU INFORMED ABOUT FURTHER DEVELOPMENTS OR INFORMATION, AND URGE YOU TO CONSULT VERY CLOSELY WITH US ON YOUR ACTIONS TO PREVENT SOVIET INTERVENTION AND TO LET ME HAVE THE BENEFITS OF YOUR CONTINUING ADVICE. SECRETARY MUSKIE WILL CONSULT WITH YOUR FOREIGN MINISTER TO ASSURE CONTINUING CONSULTATION BETWEEN OUR GOVERNMENTS.

I AM SENDING A SIMILAR MESSAGE TO CHANCELLOR SCHMIDT AND PRESIDENT GISCARD.

SINCERELY,

JIMMY CARTER.

2. OUR AMBASSADORS IN WASHINGTON, BONN, PARIS AND MOSCOW SHOULD PERHAPS BE TOLD ABOUT THIS MESSAGE ON A PERSONAL BASIS. PLEASE CONSULT MICHAEL ALEXANDER ABOUT THIS, AND REPEAT THIS TELEGRAM AS NECESSARY.

CARRINGTON

copy 2
**PRIME MINISTER'S
PERSONAL MESSAGE**
SERIAL No. T 231/80

*original filed on: Poland: Situation:
pt 2*

FOLUX 12/01

OO LUXEMBOURG

GR 155

CONFIDENTIAL

FM FCO 011102Z DEC 80

TO IMMEDIATE LUXEMBOURG

TELEGRAM NUMBER 171 OF 1 DECEMBER

FOLLOWING PERSONAL FOR MICHAEL ALEXANDER, PRIME MINMISTER'S PARTY FROM SANDERS, 10 DOWNING STREET.

BEGINS: PETER WALKER HAS REPORTED A CONVERSATION WITH GUNDELACH ON 27 NOVEMBER ABOUT FRENCH EXPECTATIONS ON THE PRICE FIXING.

GUNDELACH HAD HAD SEPARATE CONVERSATIONS WITH BARRE AND GISCARD.

GUNDELACH SAID THAT BARRE HAD BEEN TALKING ABOUT A DOUBLE FIGURE PRICE RISE BUT THAT GISCARD HAD SURPRISED HIM BY SAYING THAT HE WAS LOOKING FOR A MASSIVE READJUSTMENT. GUNDELACH SAID THAT GISCARD'S TARGET WAS VERY MUCH AHEAD OF BARRE'S. GUNDELACH TOOK THIS TO BE FOR ELECTORAL REASONS.

WE UNDERTOOK TO LET YOU HAVE THIS INFORMATION BEFORE THE PRIME MINISTER MEETS GISCARD.

CARRINGTON

NNNN

I have added the percentage figures after talking to London.

Print



(4)

10 DOWNING STREET

Prime Minister.

This brief looks complicated but in fact is dealing with the rather straightforward alternatives in para 1.

I still believe that it would be worth letting the French before the weekend that you are moving forward to seeing the President tête à tête at ~~some~~ some suitable point during the Luxembourg meeting. You have a number of points to put to him. Can I give my opposite number a ring - without attempting to make a definite appointment. Am

CONFIDENTIAL

COMMISSION PORTFOLIOS

BRIEF FOR POSSIBLE MEETING BETWEEN THE PRIME MINISTER AND
PRESIDENT GISCARD AT THE EUROPEAN COUNCIL

1. This brief considers two alternative hypotheses:
 - (i) that at the time of the meeting Giscard has not nominated his Commissioners;
 - (ii) we know both the French Commissioners-designate (on the assumption that if the French re-appoint Cheysson to be sure of the Development portfolio, they will also re-appoint Ortoli as vice-President).

HYPOTHESIS I:

(French Commissioner not nominated)

2. There would be two broad alternative lines for the Prime Minister to take:
 - (a) we stand pat on our position that Mr Richard is well qualified for Development and we believe he should be seriously considered for the portfolio. We would, of course, take full account of French interests (in many cases close to our own) if he got it;
 - (b) we offer the President, whomever his choice was, not to stand in his way because the French attached so much importance to the Development portfolio. In this event, the Prime Minister might wish to ask President Giscard:
 - (i) to allow the UK candidate a clear field over the French for the new Judge in the European Court of Justice;
 - (ii) to be helpful over New Zealand butter;

/(iii) to

(iii) to undertake to bring home to the new French Commissioner for Development our dissatisfaction with the UK's present share of EDF contracts and to emphasise the desirability of the UK's getting a bigger share;

(iv) to support Mr Richard in getting Social Affairs.

3. It is difficult to give those last four points an order of priority. Once the main point has been conceded to the French, they are under little compulsion to do much. The Judge at the ECJ is clear-cut, but the French could probably get away with little more than helpful noises over (iii) and (iv); and a substantial concession over New Zealand butter would be a difficult link to make and bring off.

HYPOTHESIS II:

(Both French Commissioners known to us by the time of the meeting)

4. Under this hypothesis the Prime Minister has three main courses of action:

(i) If M Cheysson has been re-nominated

5. To concede that incumbents should not be disturbed and seek French concurrence (bolstering Mr Tugendhat's claim on Budget) and at the same time to seek support for Mr Richard in getting Social Affairs.

(ii) If second French Commission not M Cheysson

6. The Prime Minister might either:

(a) following her telephone conversation in which she had offered to 'adjust our views accordingly' speak as in Hypothesis I(b) above.

(b) say she was sorry but that she had thought carefully about the question and did not think it would be right

/ for us

for us not to support the reasonable claims of Mr Richard given his qualifications and experience, that the French Commissioner-designate had less experience than him and the French had held the portfolio for 22 years. We had however, taken well on board the French concerns and their interests and we would make it clear to Mr Richard that it would be desirable to pay suitable attention to them.

COMMISSION PORTFOLIOS

BRIEF FOR THE PRIME MINISTER'S USE IN PRIVATE OR COLLECTIVE CONVERSATION AFTER THE QUESTION OF THE DEVELOPMENT PORTFOLIO HAS BEEN RESOLVED WITH PRESIDENT GISCARD

1. Depending on the outcome of the discussions with President Giscard there will be two alternatives:

- (i) the UK is running Mr Richard for Development since the second French Commissioner is not to be M Cheysson:

Points to Make:

- (a) his wide experience, particularly contacts with third countries at the UN;
 - (b) better qualified than French candidate;
 - (c) French have held portfolio for 22 years; time for a change;
 - (d) [for use with Italians]: we will support giving Italian Commissioner responsibility for Southern Mediterranean if they back Mr Richard on Development.
-
- (ii) If we have conceded that Mr Richard will not get Development and are not pushing him, and assuming M Davignon is returning and will retain Industry:

Points to Make:

- (a) Mr Richard is well qualified with his wide experience as both an MP and a lawyer to be in charge of administering the Social Fund;
- (b) since he is a man of the centre-left he would be well placed to deal with Europe's Trade Unions;
- (c) an added benefit (and one in which Mr Richard himself believes) would be that he would be in a position to make a real contribution to the links between the

CONFIDENTIAL

Community and the British Labour Party, which are in a particularly delicate state.

CONFIDENTIAL

GRS 1530

CONFIDENTIAL

CONFIDENTIAL

FRAME GENERAL

FM UKREP BRUSSELS 291100Z NOV 80

TO IMMEDIATE F C O

TELEGRAM NUMBER 5294 OF 29 NOVEMBER

INFO LUXEMBOURG.

EUROPEAN COUNCIL 1/2 DECEMBER: DRAFT PRESIDENCY CONCLUSIONS -

1. FOLLOWING ARE TEXTS OF DRAFT PRESIDENCY CONCLUSIONS ON:

A UNEMPLOYMENT

B RESTRUCTURING

C REPORT OF THREE WISE MEN

D ITALIAN EARTHQUAKE.

2. A. UNEMPLOYMENT

LE CONSEIL EUROPEEN A MANIFESTE SA PREOCCUPATION DEVANT L'ACCROISSEMENT RAPIDE DU CHOMAGE DANS TOUS LES ETATS MEMBRES DE LA COMMUNAUTE. IL REAFFIRME QUE LA REDUCTION DES TAUX D'INFLATION ET UNE MEILLEURE CROISSANCE, FACILITANT LES ADAPTATIONS STRUCTURELLES INDISPENSABLES, CONSTITUENT LES MOYENS LES PLUS APPROPRIES POUR COMBATTRE LE CHOMAGE. LES DIVERS INSTRUMENTS COMMUNAUTAIRES DISPONIBLES A CET EFFET DOIVENT ETRE MIS, PAR PRIORITE, AU SERVICE DE POLITIQUES VISANT A REDUIRE LE CHOMAGE STRUCTUREL. UN EFFORT ANALOGUE DEVRAIT, PAR AILLEURS, ETRE POURSUIVI EN FAVEUR DES REGIONS RURALES DE FAVORISEES.

UN EFFORT TOUT PARTICULIER DEVRAIT ETRE POURSUIVI, DANS LA COMMUNAUTE ET DANS LES ETATS MEMBRES, EN FAVEUR DES JEUNES A LA RECHERCHE D'UN EMPLOI, NOTAMMENT PAR L'ACCROISSEMENT ET L'ADAPTATION DES CENTRES DE FORMATION EN FONCTION DES FUTURS BESOINS DU MARCHE DU TRAVAIL.

A PLUS LONG TERME, LE REDEPLOIEMENT ET L'INNOVATION INDUSTRIELS PEUVENT CONSTITUER UN STIMULANT POUR LA CROISSANCE ET CONTRIBUER AINSI A LA RESORPTION DU CHOMAGE INTELLECTUEL.

LE CONSEIL EUROPEEN RENOUVELLE SON INITIATION AU CONSEIL (AFFAIRES SOCIALES) AFIN QU'IL POURSUIVE LES TRAVAUX DE JA ENGAGES AU NIVEAU COMMUNAUTAIRE SUR L'AMENAGEMENT DU TEMPS DE TRAVAIL, EN LES COMPLETANT PAR UNE REFLEXION SUR L'ORGANISATION ET LES CONDITIONS DE TRAVAIL. IL REAFFIRME L'IMPORTANCE QU'IL ATTACHE A UN DIALOGUE AVEC LES PARTENAIRES SOCIAUX, A LA COORDINATION ET AUX ECHANGES D'INFORMATIONS ENTRE ETATS MEMBRES SUR LES POLITIQUES POURSUIVIES EN MATIERE D'EMPLOI.

CONFIDENTIAL

/B. RESTRUCTURING

B. RESTRUCTURING

CONFIDENTIAL

LE CONSEIL EUROPEEN A CONFIRME LE MANDAT DONNE A LA COMMISSION DES COMMUNAUTES EUROPEENNES DE PROCEDER, AVANT LA FIN DU MOIS DE JUIN 1981, A UN EXAMEN DU DEVELOPPEMENT ULTERIEUR DES POLITIQUES COMMUNAUTAIRES, SANS METTRE EN QUESTION NI LA RESPONSABILITE FINANCIERE COMMUNE POUR CES POLITIQUES QUI SONT FINANCEES PAR DES RESERVES PROPRES A LA COMMUNAUTE, NI LES PRINCIPES DE BASE DE LA POLITIQUE AGRICOLE COMMUNE.

EN TENANT COMPTE DES SITUATIONS ET INTERETS DE TOUS LES ETATS MEMBRES, CET EXAMEN AURA POUR BUT D'EVITER QUE DES SITUATIONS INACCEPTABLES SE PRESENTENT DE NOUVEAU POUR QUELCONQUE D'ENTRE EUX.

C. THREE WISE MEN

COMME CONVENU AU COURS DE LA DERNIERE REUNION DU CONSEIL DES AFFAIRES ETRANGERES, VOICI LA PROJET NEERLANDAIS DE CONCLUSIONS DU CONSEIL EUROPEEN EN CE QUI CONCERNE LE RAPPORT DES TROIS SAGES.

1. LE CONSEIL EUROPEEN A SOULIGNE L'EXCELLENTE QUALITE DU RAPPORT DU COMITE DES TROIS SAGES. L'ANALYSE APPRONFONDIE DE LA SITUATION INSTITUTIONNELLE ET LE SENS DES REALITES DONT TEMOIGNENT LES SOLUTIONS PROPOSEES FONT DE CE RAPPORT UNE SOURCE PRECIEUSE DE CONCEPTIONS ET DE SUGGESTIONS POUR L'AMELIORATION DES MECANISMES ET PROCEDURES DU SYSTEME INSTITUTIONNEL DE LA COMMUNAUTE. DE CE FAIT, LE RAPPORT CONTINUERA A L'AVENIR A CONTRIBUER A L'AVANCEMENT CES TRAVAUX DE LA COMMUNAUTE.

2. LE CONSEIL EUROPEEN A PRIS CONNAISSANCE AVEC SATISFACTION DES ACTIVITES DEPLOYEES PAR LES MINISTRES DES AFFAIRES ETRANGERES SUR LA BASE DU RAPPORT. IL SE FELICITE DE SE QUE LES MINISTRES SOIENT PARVENUS A UN LARGE CONSENSUS SUR PLUSIEURS DES SUGGESTIONS DU RAPPORT DES TROIS SAGES.

3. LE CONSEIL EUROPEEN, POUR SA PART, S'EST SURTOUT PENCHE SUR CERTAINES RECOMMANDATIONS DU RAPPORT LE CONCERNANT, AINSI QUE SUR LES RELATIONS DU CONSEIL EUROPEEN ET LE CONSEIL DES MINISTRES AVEC LE PARLEMENT EUROPEEN EN GENERAL.

4. QUANT A SON PROPRE FONCTIONNEMENT, LE CONSEIL EUROPEEN A RECONFIRME L'ACCORD INTERVENU EN 1977 SUR LES PROCEDURES EN SON SEIN, ACCORD PAR LEQUEL UNE DISTINCTION FUT FAITE ENTRE LES DIFFERENTES SORTES D'ACTIVITES DU CONSEIL EUROPEEN ET ENTRE LES DIFFERENTS TRAVAUX PREPARATOIRES REQUIS A CET EFFET.

5. ENSUITE, LE CONSEIL EUROPEEN A EN GENERAL RECONNU QU'IL DOIT REMPLIR SA FONCTION D'ORIENTATION AU SEIN DE LA STRUCTURE INSTITUTIONNELLE DE LA COMMUNAUTE CONFORMEMENT AUX PROCEDURES COMMUNAUTAIRES EN VIGUER.

2
CONFIDENTIAL

/6.

CONFIDENTIAL

6. LE CONSEIL EUROPEEN A DISCUTE LA PROPOSITION DE FAIRE PARTICIPER SON PRESIDENT A DES SEANCES DU PARLEMENT EUROPEEN. IL ESTIME QUE CETTE PRESENCE POUT EFFECTIVEMENT APPORTER UNE CONTRIBUTION IMPORTANTE AU DEVELOPPEMENT ET A L'AMELIORATION DES RELATIONS ENTRE PARLEMENT ET CONSEIL. TOUTEFOIS, VU LES PROBLEMES CONSTITUTIONNELS QUE POURRAIT SOULEVER POUR CERTAINS ETATS MEMBRES LA PRESENCE AU PARLEMENT DU PRESIDENT DU CONSEIL EUROPEEN EN PERSONNE, IL CONSIDERE QU'IL FAUT EN LA MATIERE LAISSER A CHAQUE PRESIDENCE LA SOIN DE DECIDER CAS PAR CAS COMMENT ELLE SERA REPRESENTEE AU QUANT A LA PROPOSITION CONCERNANT LA TRANSMISSION PAR LE PRESIDENT DU CONSEIL EUROPEEN D'UN DOSSIER A UN AUTRE MEMBRE DE CE CONSEIL, LE CONSEIL EUROPEEN ESTIME QU'UNE TELLE TRANSMISSION NE POURRAIT LE FAIRE QUE DANS DES CAS SPECIFIQUES ET EXCEPTIONNELS, A CONDITION QU'ELLE SOIT TEMPORAIRE ET QU'IL NE SOIT PAS PORTE ATTEINTE A LA RESPONSABILITE DE CHACUN DES MEMBRES DU CONSEIL. EN OUTRE, LE CONSEIL EUROPEEN A PRIS CONNAISSANCE AVEC SATISFACTION DE LA SUGGESTION DE PERMETTRE AUX MEMBRES DU CONSEIL EUROPEEN DE SE FAIRE ACCOMPAGNER D'UNE PERSONNE PAR DELEGATION POUR PRENDRE NOTE DES DISCUSSIONS.

7. DANS LE CADRE DES RELATIONS ENTRE LES INSTITUTIONS COMMUNAUTAIRES EN GENERAL, LE CONSEIL EUROPEEN A SOULIGNE QU'IL FAUT RESPECTER LES COMPETENCES DES INSTITUTIONS TELLES QU'ELLES ONT ETE FIXEES DANS LES TRAITES. IL A, EN MEME TEMPS, CONFIRME QUE CES RELATIONS DOIVENT DEVENIR PLUS ETROITES ET PLUS FRUCTUEUSES. LE CONSEIL EUROPEEN A EN PARTICULIER SOULIGNE L'INTERET QUE PRESENTE UNE COOPERATION CONSTRUCTIVE ENTRE LE CONSEIL DES MINISTRES ET LE PARLEMENT EUROPEEN. SELON LE CONSEIL EUROPEEN, CETTE COOPERATION DEVRAIT SURTOUT SE TRADUIRE PAR UNE INFORMATION ADEQUATE DU PARLEMENT, UN TRAITEMENT APPROPRIE DES RESOLUTIONS ADOPTEES ET DES AVIS FORMULES PAR LE PARLEMENT ET UN DEROULEMENT OFFICACE DE LA PROCEDURE DE CONCERTATION.

8. ENFIN, LE CONSEIL EUROPEEN A APPROUVE LES CONCLUSIONS AUXQUELLES ONT ABOUTI LES MINISTRES DES AFFAIRES ETRANGERES APRES LEUR ETUDE DU RAPPORT DES TROIS SAGES ET A PRIE LES MINISTRES DE POURSUIVRE LEURS TRAVAUX QUANT AUX PROPOSITIONS DEVANT ENCORE ETRE APPROFONDIES.

D. ITALIAN EARTHQUAKE

LE CONSEIL EUROPEEN EXPRIME SA PROFONDE EMOTION DEVANT LA CATASTROPHE NATURELLE QUI FRAPPE UNE PARTIE DE L'ITALIE DU SUD. LES CHEFS D'ETAT OU DE GOUVERNEMENT DES ETATS MEMBRES DE LA COMMUNAUTE ET DE LA GRECE ADRESSENT LE TEMOIGNAGE DE LEUR PROFONDE SYMPATHIE AUX POPULATIONS EPROUVEES, AUX FAMILLES DEPLORANT LA MORT DES LEURS, A TOUS CEUX QUI, DANS CES TRAGIQUES CIRCONSTANCES, SUBISSENT LA DESTRUCTION DE LEUR FOYER OU LA PERTE DE LEURS BIENS.

CONFIDENTIAL

LES PEUPLES DES PAYS MEMBRES DE LA COMMUNAUTE EUROPEENNE NE PEUVENT RESTER INSENSIBLES DEVANT CES TRAGIQUES EVENEMENTS. AU-DELA DE L'AIDE SPONTANEE OFFERTE PAR LES GOUVERNEMENTS ET AUTRES AUTORITES PUBLIQUES, MAIS AUSSI PAR UNE MULTITUDE DE CITOYENS ET ASSOCIATIONS DE CITOYENS DE TOUS NOS PAYS, IL EST DU DEVOIR DE SOLIDARITE DE LA COMMUNAUTE ET DE SES ETATS MEMBRES DE CONSENTIR, DANS LES PRESENTES CIRCONSTANCES, UNE AIDE EXCEPTIONNELLE ENFAVEUR DES ZONES SINSTREES.

LE CONSEIL DES COMMUNAUTES EUROPEENNES EST INVITE A DECIDER SANS RETARD, SUR PROPOSITION DE LA COMMISSION, DES MESURES D'AIDES EXCEPTIONNELLES DESTINEES A ATTENUER LES EFFETS DU SINISTRE SUR LA SITUATION ECONOMIQUE ET SOCIALE DE CES REGIONS ET A FAIRE EN SORTE QUE CES MESURES PUISSENT AVOIR LEUR EFFET DANS LES MEILLEURS DELAIS POSSIBLES.

3. FURTHER TEXTS WILL BE CIRCULATED IN LUXEMBOURG ON MONDAY 1 DECEMBER ON:

INTERNATIONAL TRADE (INCL. JAPAN)

ENERGY

4. A REVISED DRAFT ON EMS WILL ALSO BE CIRCULATED ON MONDAY (SEE MY TELNO 5285).

5. RESIDENT CLERK PLEASE ENSURE COPIES OF THIS TELEGRAM GO WITHOUT DELAY TO PS, BRIDGES, HANNAY AND TO DUTY CLERK NO 10, FRANKLIN (CABINET OFFICE), DERX (DEPT. EMPLOYMENT), COUZENS (TREASURY).

BUTLER

[ADVANCED AS REQUESTED]

FRAME GENERAL

ECD (I)

WED

OLA

FM LUX COREU

S E C R E T

TO ALL COREU IMMEDIATE

CPE/MUL/ETR 4020

(CPE/BIL/ETR 446 PARIS)

FM PARIS COREU

TO LUX COREU - IMMEDIAT

INFO ALL COREU - IMMEDIAT

CPE/BIL/ETR 446

28.11.80 - 1825'

SECRET

DIFFUSION STRICTEMENT LIMITEE

TXT

OBJET : CONSEIL EUROPEEN DE LUXEMBOURG DES 1ER ET 2 DECEMBRE 1980
PROJET DE TEXTE SUR LES RELATIONS EST-OUEST -

SUITE AUX DECLARATIONS FAITES PAR M. FRANCOIS-PONCET LORS DE LA DERNIERE REUNION DES MINISTRES DES AFFAIRES ETRANGERES, LA FRANCE PRIE LA PRESIDENCE ET SES PARTENAIRES DE TROUVER CI-DESSOUS LE PROJET D'UN TEXTE QUE LE CONSEIL EUROPEEN POURRAIT ADOPTER ET RENDRE PUBLIC EN CONCLUSION DE SON DEBAT SUR LES RELATIONS EST-OUEST.

--- DEBUT DE CITATION ---

--- RELATIONS EST-OUEST ---

LE CONSEIL EUROPEEN A PROCEDE A UN ECHANGE DE VUES APPROFONDI SUR L'EVOLUTION DES RELATIONS EST-OUEST.

1.- AU SUJET DE LA REUNION DE MADRID, LE CONSEIL EUROPEEN A SOULIGNE L'IMPORTANCE QUE LES NEUF ATTACHENT A LA POURSUITE DU PROCESSUS DE LA C.S.C.E. ET RAPPELE QUE LE RESPECT PAR TOUS DES PRINCIPES DE L'ACTE FINAL D'HELSINKIEN EST LE FONDEMENT ET LA CONDITION.

IL A AFFIRME LA VOLONTE DES NEUF DE NE PAS SE SATISFAIRE A MADRID DE RESULTATS D'APPARENCE MAIS D'Y PARVENIR SUR LES DIFFERENTS CHAPITRES A DES PROGRES REELS ET EQUILIBRES. IL A NOTAMMENT CONFIRME DANS CET ESPRIT LE SOUTIEN QU'ILS APPORTERONT AU PROJET FRANCAIS DE CONFERENCE SUR LE DESARMEMENT EN EUROPE.

II.- EN CE QUI CONCERNE LA POLOGNE, LE CONSEIL EUROPEEN A ARRETE LA POSITION DES NEUF DANS LES TERMES SUIVANTS :

1.- LES NEUF SE CONFORMENT ET SE CONFORMERONT STRICTEMENT DANS LEURS RELATIONS AVEC LA POLOGNE AUX PRINCIPES AUXQUELS ILS ONT SOUSCRIT DANS L'ACTE FINAL D'HELSINKI.

S E C R E T

/ILS RESPECTENT

S E C R E T

ILS RESPECTENT NOTAMMENT LE DROIT DE CE PAYS DE CHOISIR ET DE DEVELOPPER LIBREMENT SON SYSTEME POLITIQUE, SOCIAL, ECONOMIQUE ET CULTUREL AINSI QUE CELUI DE DETERMINER SES LOIS ET SES REGLEMENTS.

ILS S'ABSTIENNENT DE TOUTE INTERVENTION DIRECTE OU INDIRECTE, INDIVIDUELLE OU COLLECTIVE DANS LES AFFAIRES INTERIEURES OU EXTERIEURES RELEVANT DE LA COMPETENCE NATIONALE DE LA POLOGNE.

ILS RECONNAISSENT LE DROIT DU PEUPLE POLONAIS DE POURSUIVRE A SON GRE ET SANS INGERENCE EXTERIEURE SON DEVELOPPEMENT POLITIQUE, ECONOMIQUE, SOCIAL ET CULTUREL.

2.- ILS RAPPELLENT QUE CES PRINCIPES S'IMPOSENT A TOUS LES PAYS PARTICIPANTS A L'ACTE FINAL, QUELLES QUE SOIENT LEURS RELATIONS MUTUELLES. ILS APPELLENT LES AUTRES PAYS PARTICIPANTS A S'Y CONFORMER. ILS SOULIGNENT QUE TOUTE AUTRE ATTITUDE AURAIT SUR L'AVENIR DES RELATIONS INTERNATIONALES EN EUROPE ET DANS LE MONDE DES CONSEQUENCES DRAMATIQUES.

3.- ILS AFFIRMENT LEUR DISPONIBILITE A REpondre, DANS TOUTE LA MESURE DE LEURS MOYENS, AUX DEMANDES D'AIDE ECONOMIQUE QUI LEUR ONT ETE ADRESSEES PAR LA POLOGNE.

=== FIN DE CITATION ===

COREU DIPLO PARIS
FIN DE TEXTE./.

[COPIES SENT TO NO 10 DOWNING STREET]

LIMITED
ECD (I)
MR BULLARD
MR HANNAY
MR FERGUSSON

Ref: A03679

2

CONFIDENTIAL

Prime Minister

MR. ALEXANDER

*You will wish to hear this
with your own eyes.*

*full
28/11*

Seat of the European Parliament

At the dinner for M. Werner, the Prime Minister expressed a wish for more detailed information about the conference of member states which is considering the seat of the Community institutions. A note by the Foreign and Commonwealth Office is attached.

D. J. Wright

(D. J. Wright)

28th November 1980

mf.

CONFIDENTIAL

SEAT OF THE EUROPEAN PARLIAMENT

Introduction

1. At the initiative of the French Government a conference of Member States has been set up to discuss fixing the seat of all the Community institutions under Article 216 of the Treaty establishing the Economic Community.
2. The Parliament's Secretariat is in Luxembourg, its sessions are held there and in Strasbourg and its Committees meet in Brussels. Besides the waste of time and energy this peripatetic existence adds at least 10% to the Parliament's budget. Since direct elections pressure has been mounting among its Members (MEPs) for a single seat or working place. At its November session the Parliament passed a Resolution which said that if the Member States had not taken a decision by 15 June 1981 it would have to take the necessary steps to improve its working conditions.
3. The French aim is to head off this pressure from the Parliament; their declared objective is to see Strasbourg, Luxembourg and Brussels established as, respectively, the parliamentary, judicial/financial and executive capitals of the Community.

Progress in the Conference

4. It has met once, at Permanent Representative level, and reached agreement on its own rules of procedures. Otherwise the main discussion centred on a French proposal that there should be a 3 power steering and drafting group of France, Belgium and Luxembourg. This was strongly resisted by other Member States (particularly Italy, Denmark and the Netherlands). A copy of UKREP telno 4665 reporting the meeting is attached; its next meeting will be in December. The French have been asked to put in a paper.

Position under the Treaties

5. The Treaties require the Governments of the Member States to determine the seat of the institutions by common accord. Since Member States have never been able to agree on a single seat (and

have not tried to do so since we joined) the location of all the Community institutions is based, on a provisional basis, on a share-out agreed in 1965. Thus, in addition to the Parliament's several working-places, most of the Commission and the Council Secretariat are in Brussels and the Community's financial and legal institutions, together with certain DGs of the Commission are in Luxembourg. All Member States have a veto on the final decision.

Position of other Member States

6. Luxembourg has prestige and money at stake. It invested in a new building for the Parliament and derives considerable benefit from the presence of the Secretariat. It is determined to do all it can to keep its share.

7. Belgium's position is delicate; their best interest is to maintain the status quo in the hope that pressure from the Parliament will lead to a decision in favour of Brussels.

8. Germany will probably try to avoid a row with the French but SPD MEPs are likely to press the Chancellor not to accept Strasbourg. Denmark and the Netherlands would probably opt for Brussels on the merits of the question but have so far avoided saying so; they have, however, raised awkward questions for the French about the ownership and cost of permanent buildings and the need to consult the Parliament before taking any decision. Italy, Ireland and Greece have a clear interest in Brussels (better communications) but also in keeping their heads down.

United Kingdom

9. Before the Conference of Member States was set up the Prime Minister agreed with Lord Carrington's recommendation (attached) that while our objective should be to see the Parliament located in Brussels we should avoid taking any initiative; our aim is to eliminate the waste of money and inefficiency caused by working in three places.

Tactics

10. We have no interest in seeing an early decision on the seat (if there is one, it would probably be in favour of Strasbourg). Ministers may in due course need to consider further how we should press our objective of getting the Parliament to Brussels, or whether we should be prepared to accept some alternative solution, possibly in return for a concession in some other area. However, this will depend on the course of the discussion and there is no need for an immediate decision. Meanwhile, our best tactic in the Conference of Member States is probably to agree to the Dutch suggestion that the Parliament should be consulted before any decisions are taken since:

- (i) this will delay a decision;
- (ii) the Parliament will probably opt for Brussels and thus increase pressure on the French;
- (iii) it would be a way of preventing an early decision in favour of Strasbourg without our needing directly to oppose the French;
- (iv) we would earn credit with the Parliament and UK MEPs for taking into account the Parliament's interests while, if it is not consulted, Council/Parliament relations would certainly be soured.

RESTRICTED

TOP COPY

21

GR 1388

RESTRICTED

FRAME INSTITUTIONAL

FM UKREP BRUSSELS 281745Z OCT 88

TO ROUTINE F C O

TELEGRAM NUMBER 4665 OF 28 OCTOBER.

AND TO CABINET OFFICE (FOR FRANKLIN AND WENTWORTH)

MWZ 362/2
29 OCT 88

SEAT OF INSTITUTIONS : CONFERENCE OF MEMBER STATES 28 OCTOBER

SUMMARY

1. THE PRESIDENCY TODAY CONVENED A FIRST, ORGANISATIONAL, MEETING OF THE CONFERENCE OF MEMBER STATES TO DISCUSS THE SEAT OF THE INSTITUTIONS. THE RULES OF PROCEDURE WERE ADOPTED. RESTATEMENT OF FRENCH POSITION. THIS FOLLOWED BY A SHORT DEBATE CENTERED MAINLY ON THE IDEA OF ESTABLISHING A STEERING GROUP OF FRANCE, BELGIUM AND LUXEMBOURG. FURTHER MEETING IN MID-NOVEMBER.

DETAIL

2. THE PRESIDENCY (DONDELINGER) PROPOSED A SIX POINT LIST OF RULES OF PROCEDURE (REPRESENTATIVES SAT AS REPRESENTATIVES OF MEMBER STATES ; MEETINGS COULD ONLY BE AT AMBASSADORIAL OR MINISTERIAL LEVEL ; MEETINGS WERE STRICTLY CONFIDENTIAL ; THE SECRETARY GENERAL OF THE COUNCIL AND ONE OFFICIAL WOULD CONSTITUTE THE SECRETARIAT OF THE CONFERENCE ; DOCUMENTS WOULD BE CIRCULATED TO HEADS OF DELEGATIONS ONLY ; THE OTHER INSTITUTIONS OF THE COMMUNITY WOULD NOT ATTEND MEETINGS BUT WOULD BE CONSULTED AS APPROPRIATE). THE RULES WERE AGREED (RUTTEN) NETH) PROPOSED A MAXIMUM OF 3 MEMBERS PER DELEGATION, WHICH WAS ACCEPTED BY THE PRESIDENCY SUBJECT TO JUSTIFICATION AND PRIOR WARNING. IT WAS ALSO AGREED AT RUTTEN'S SUGGESTION THAT THE PRESS WOULD BE TOLD THAT THE CONFERENCE HAD BEEN SET UP, BUT NO MORE.

3. AT THE REQUEST OF THE PRESIDENCY, NANTEUIL (FRANCE) INTRODUCED THE 16 SEPTEMBER FRENCH MEMORANDUM ON THE SEAT, PREFACING HIS REMARKS WITH A REPORT THAT WHEN FRANCOIS PONCET ASKED (AT LUNCH AT ECHTERNACH ON 25 OCTOBER) WHETHER ANY GOVERNMENT OTHER THAN BELGIUM, LUXEMBOURG AND FRANCE HAD ANY PROPOSALS TO MAKE ON THE MATTER OF THE SEAT, THERE HAD BEEN NO REPLY. HE WENT ON THE STATE THAT FRANCE SOUGHT TO FIX THE SEAT OF ALL THE INSTITUTIONS AND, IN PARTICULAR, THE RECOGNITION OF STRASBOURG AS THE SEAT OF THE EUROPEAN PARLIAMENT AND, EVENTUALLY, OF ALL THE OTHER PARLIAMENTARY ORGANISATIONS. STRASBOURG SHOULD BE THE HOM OF ALL THE PARLIAMENT'S BODIES AND SUBORDINATE BODIES EG ITS SECRETARIAT, ITS PLENARY SESSIONS, ITS COMMITTEE MEETINGS AND ITS POLITICAL GROUPS. THE FRENCH OBJECTIVE WAS TO ESTABLISH STRASBOURG AS THE PARLIAMENTARY CAPITAL, WITH BRUSSELS AS THE EXECUTIVE CAPITAL AND LUXEMBOURG AS THE JUDICIAL AND FINANCIAL CAPITAL OF THE COMMUNITIES. ON

RESTRICTED

/ TIMING,

RESTRICTED

TIMING, HE HOPED THAT THEIR WORK MIGHT BE COMPLETED BY THE DECEMBER COUNCIL. AT NOTERDAEME'S (BELGIUM) REQUEST IT WAS AGREED THAT THE FRENCH POSITION SHOULD BE RECORDED AND CIRCULATED.

4. THERE THEN ENSUED A DEBATE REGARDING THE PROPRIETY OF BELGIUM, LUXEMBOURG AND FRANCE CONSTITUTING THEMSELVES AS A SEPARATE STEERING AND DRAFTING GROUP WITHIN THE CONFERENCE. RUGGIERO (ITALY) - SUPPORTED BY RIBERHOLDT (DENMARK) AND RUTTEN - SAID THAT THE ISSUE CONCERNED NOT JUST 3 GOVERNMENTS BUT 9. RIBERHOLDT ADDED THAT A SILENCE AT ECHTERNACH DID NOT MEAN THAT A MEMBER HAD GIVEN UP ITS RIGHT TO SUGGEST SOLUTIONS OUTSIDE THE 3 STATES AND IF A MEMBER DID NOT PROPOSE ITSELF AS A NEW CANDIDATE FOR A SEAT, IT DID NOT IMPLY A LACK OF VIEWS ON THE SUBJECT. IT MIGHT, FOR EXAMPLE, WISH TO SEE ALL THE INSTITUTIONS LOCATED IN ONE PLACE. THE IDEA OF A 3-POWER STEERING GROUP WAS UNACCEPTABLE. RUTTEN SAID THAT WHAT WAS AT STAKE WAS NOT MERELY GEOGRAPHY BUT THE GOOD FUNCTIONING OF THE INSTITUTIONS, AND ALL MEMBER STATES HAD VIEWS ON THAT. REPLYING, DE NANTEUIL SAID THAT VIEWS OF THE 3 MEMBER STATES INVOLVED COULD ENLIGHTEN THE CONFERENCE DEBATE. WAS WAS UNDER DISCUSSION WAS A REDISTRIBUTION OF EXISTING SEATS AND THREE MEMBER STATES WERE THE CURRENT HOLDERS OF THESE SEATS. FRANCOIS PONCET HAD UNDERSTOOD FROM THE SILENCE AT ECHTERNACH THAT NO OTHER MEMBER STATE WAS GOING TO ASK TO HOST AN INSTITUTION. RIBERHOLDT RETORTED THAT THE CONFERENCE WAS NOT LIMITED TO A DISCUSSION OF THE REDISTRIBUTION OF CARDS AMONGST EXISTING PLAYERS. THE CONFERENCE SHOULD TAKE A CLOSE LOOK AT THE QUESTION OF WHETHER A CARVE-UP BETWEEN THE 3 MEMBERS WOULD SUIT THE 9. ALL MEMBER STATES WOULD HAVE TO LIVE WITH THE RESULTS. THE PRESENT ARRANGEMENTS, WHETHER FOR THE COUNCIL, EUROPEAN PARLIAMENT OR ANY OTHER INSTITUTION, WERE VERY DISRUPTIVE. NOTERDAEME UNDERSTOOD THAT THE PROJECTED CONFABULATION BETWEEN THE 3 MEMBER STATES WAS NOT CONCEIVED AS A BYPASSING OF THE CONFERENCE BUT AS A MEANS OF PROVIDING IT WITH A SOLUTION AND WOULD BE AN INTEGRAL PART OF IT.

5. ON TIMING, RUTTEN STRESSED THAT THE COUNCIL SHOULD AVOID IMPOSING A SOLUTION ON THE INSTITUTIONS. THEY WOULD NEED TO BE PROPERLY CONSULTED. IT WAS THEREFORE UNLIKELY THAT A CONCLUSION COULD BE REACHED BY DECEMBER; EVEN THE EUROPEAN PARLIAMENT HAD CONSIDERED JUNE 1981 AS A REASONABLE TIME FRAME. NOTERDAEME AGREED, BUT DE NANTEUIL PREFERRED TO REMAIN OPTIMISTIC ABOUT DECEMBER. I ASKED RUTTEN WHETHER HE WAS SPEAKING PURELY PERSONALLY AND WHETHER HE ENVISAGED A FORMAL PROCESS OF CONSULTATION. RUTTEN SAID HE WAS SPEAKING PERSONALLY BUT EXPECTED HIS GOVERNMENT TO AGREE WITH HIM WHEN HE SAID THAT IT WAS ESSENTIAL THAT THE CONCLUSIONS REACHED BY THE CONFERENCE SHOULD

RESTRICTED

NOT THEN BE BITTERLY CONTESTED BY THE INSTITUTIONS THEMSELVES. RUGGIERO ADDED THAT WHILE INFORMAL CONSULTATION WAS NECESSARY, FORMAL CONSULTATION SHOULD BE AVOIDED AT ALL COSTS.

6. IT WAS ALSO AGREED, (WITH SOME SLIGHT HESITATION ON THE PART OF FRANCE) THAT THE GREEKS WOULD BE INVITED TO ALL MEETINGS OF THE CONFERENCE TAKING PLACE BEFORE THE END OF THE YEAR. THE PRESIDENCY ALSO CONFIRMED THAT ONLY THE SEAT OF THE COMMUNITY INSTITUTIONS WAS TO BE DISCUSSED, NOT THE LOCATION OF SUBORDINATE BODIES.

7. RUTTEN REQUESTED THAT MEMBER STATES, IN MAKING PROPOSALS, SHOULD INCLUDE THE FINANCIAL IMPLICATIONS THEREOF AND SUGGESTED, FOR EXAMPLE, THAT IF THE PARLIAMENT WERE TO BE LOCATED PERMANENTLY IN STRASBOURG A WHOLE NEW PARLIAMENT BUILDING WOULD HAVE TO BE CONSTRUCTED FOR THEM THERE. HE WONDERED HOW THIS WOULD BE PAID FOR. HE POINTED OUT THAT THE FINANCING OF THE BUILDINGS IN BRUSSELS HAD BEEN PREMISED ON THE INSTITUTIONS CONCERNED BEING THERE ONLY PROVISIONALLY, AND THAT, IN FIXING THE SEATS OF THE INSTITUTIONS, NEW METHODS FOR FINANCING RELATED CAPITAL CONSTRUCTION MIGHT NEED TO BE CONSIDERED.

8. IN CONCLUSION, THE PRESIDENCY SAID THAT THE NEXT MEETING WOULD TAKE PLACE IN MID-NOVEMBER WHEN THE PROBLEM WOULD BE AIRED IN DETAIL. SPEAKING FOR LUXEMBOURG, DONDELINGER SAID THAT HE HAD TAKEN NOTE OF THE FRENCH POINT OF VIEW AND WOULD PUT FORWARD HIS OWN GOVERNMENT'S IN THE NEAR FUTURE.

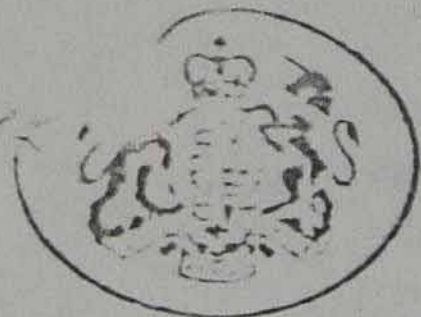
FCD COPY TO:-

FCD - HANNAY, SPRECKLEY, ECD (1)

BUTLER

FRAME INSTITUTIONAL

ECD (1)



CONFIDENTIAL

ECDC(1) (40)
PS
PS/UPS
PS/PUS
Mr Bullard
Mr Hanney
Mr Elliott, Cabinet Office
Mr Gove, UKIP EC Office

M 17/4

PM/80/30

THE PRIME MINISTER

Seat of the European Parliament

1. OD(E) Ministers have agreed to a proposed policy towards the location of the European Parliament. This is that the UK's interests are best served by taking no initiative ourselves. The agreement of all Member States is required before a decision can be taken and France and Luxembourg in particular have strong interests at stake. Until Member States are forced to consider the issue we should continue to avoid taking up a position; but our longer term aim, which we should not reveal, should be to see the Parliament located in Brussels to eliminate the waste of money and inefficiency caused by the present pattern of working in three places.

2. Ministers have further agreed that in discussion we should continue to maintain the view that the decision on the permanent seat is for the Member States, not the European Parliament, to take. But, until that permanent seat is fixed, we should take the line that we have no objection to the Parliament continuing the established practice of choosing itself which plenary session to hold in Luxembourg and which in Strasbourg.

3. I should be grateful to know if you are content with this proposed policy. The subject may come up in the margins of the European Council.

msc 362/1	
13 APR 1980	
(CARRINGTON)	hs De

Foreign and Commonwealth Office

10 April 1980

CONFIDENTIAL



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233

Sir Kenneth Couzens KCB
Second Permanent Secretary
Overseas Finance

28 November 1980

Clive Whitmore Esq
10 Downing Street
LONDON
SW1

Dear Clive

EUROPEAN COUNCIL, LUXEMBOURG: COMMUNITY ECONOMIC STATISTICS

I attach the summary table of figures, extracted from the Commission annual report attached to EHG(L2)(80)3, for which the Prime Minister asked at this afternoon's briefing meeting for the European Council.

Yours

Kc

K E COUZENS

MAIN ECONOMIC AGGREGATES OF MEMBER STATES

Germany France Italy Netherlands Belgium Luxembourg Denmark Ireland UK

	Germany	France	Italy	Netherlands	Belgium	Luxembourg	Denmark	Ireland	UK
1. GNP growth	4.6	3.2	5.0	2.2	2.4	2.7	3.5	1.9	0.4
	2.1	2.0	3.8	1.1	1.2	0.8	-	1.0	- 3.0
2. Unemployment Rate	3.4	6.0	7.7	4.5	7.7	0.7	5.3	7.9	5.3
	3.5	6.5	7.5	5.1	8.2	0.6	5.8	8.7	6.4
3. Inflation rate	3.9	10.5	14.8	4.6	3.5	4.5	9.7	13.2	12.1
	5.3	13.0	20.1	6.9	6.1	6.4	12.5	18.5	19.5
4. Rate of pay increase	5.5	13.2	17.6	5.9	6.0	6.5	8.9	16.6	15.4
	6.8	14.9	21.0	5.5	7.4	7.7	9.1	22.6	20.0
5. Current account (% of GNP)	- 0.7	0.1	1.6	- 1.4	- 2.9	20.8	- 4.4	- 10.7	1.3
	- 0.8	- 2.0	- 1.6	- 1.4	- 4.5	17.5	- 4.8	- 7.1	- 0.2
6. Money Supply growth ²	6.0	14.4	20.5	7.3	6.0	n.a.	9.9	19.0	11.7
	5.5	11.5	16.5	5.5	6.8	n.a.	6.0	12.0	17.5

¹ 1980 figures our Commission estimates

² M3 for Germany, Ireland and the UK; M2 for others

28 NOV 1980



CONFIDENTIAL

1,
—

PRIME MINISTER

European Council : 1/2 December

Michael Franklin has produced the
attached draft speaking note for your use
at the European Council. You may like to
discuss it with the Foreign Secretary and
other members of your party in the aircraft
on the way to Luxembourg.

JWF.

28 November 1980

CONFIDENTIAL

CONFIDENTIAL

EUROPEAN COUNCIL 1/2 DECEMBER

Draft Speaking Note

Part I (for use in general debate on economic and social situation).

1. Rising level of unemployment is a matter of deep concern to us all. But it must not deflect us from our agreed strategy to cut inflation and restore conditions for sustained growth. We have succeeded in substantially narrowing the gap between UK inflation rate and Community average.
2. We must not raise false hopes that a magic wand can reduce unemployment in the short run. Remedial measures should be specific. We are concentrating our help on young people (just decided on measures for 1981/82 costing an additional £250 million in spite of public expenditure stringency). Also value help from Social Fund.
3. At a time of recession, all sectors of the economy are under pressure, but industry is more likely to shed labour than agriculture, which enjoys protected markets. More support for one sector can only be at the expense of another.
4. Recession also brings pressures for import restrictions. We can only resist general protectionism if the Community reacts as effectively as other developed countries in dealing with import surges and unfair trade. Welcome declaration on Japan adopted by Foreign Affairs Council on 25 November. Japan wants to co-operate politically with Europe. A necessary corollary is that Japan

/adjusts

CONFIDENTIAL

adjusts her trading policies. The gap on visible trade is widening. Previous initiatives have not produced adequate results. The Japanese must be put on warning by the Community acting solidly together.

5. Our trade relations with the USA may also be entering a difficult phase. Nothing would help more than a commitment from the new Administration to move rapidly to world levels for oil and gas. Coupled with the low dollar, the present US price controls are having a devastating effect on the textile industry and damaging the chemical industry. We shall have to step up concerted Community pressure.

6. In a robust defence of our trading interests, we cannot ride roughshod over those countries to whom we have obligations. Since the UK joined, there have been several battles over access for New Zealand dairy products. The Western world needs the stability of New Zealand in the South Pacific. Her economy is very vulnerable. Since 1973 her access to the UK butter market has been reduced by more than half. Greatly disappointed that the Foreign Affairs Council did not resolve the issue last week. A decision is long overdue. The Community risks being in breach of its commitments unless satisfactory arrangements are agreed within the next week or so. I am not prepared to see the Community let New Zealand down.

/Part II

Part II (which could run on or be reserved for a second intervention after Mr. Jenkins has made his report).

7. Internally, the Community faces financial stringency, as do we all nationally. We cannot contemplate voting the Community more resources when we are trying to cut public expenditure at home. The Community must live within its means. This adds urgency to the mandate given to the Commission to suggest how the budget should be restructured. It will be time enough to debate these matters when the Commission have reported. But no doubt that this should be a priority task for the new Commission - to exercise its imagination and to stick to the timetable.

8. We must be careful that decisions we take in the meantime do not make the problems worse. In particular, the share of the budget taken by agriculture is already too large. The money available next year and for 1982 will be very limited. I agree with Chancellor Schmidt that our Finance Ministers should be invited to explore ways of determining in advance how the Community's expenditure devoted to agriculture in 1981 can be limited.

9. Only by making economies in agriculture can we provide room for other policies (social and regional funds, coal, transport, urban decay); and for the financial consequences of enlargement.

10. We must look for new policies which do not cost money. Struck by the lack of progress in removing internal barriers

/to

to trade; especially in the field of services. For instance, a draft Directive on the provision of insurance services has been on the table of the Council since 1975. Surely we should bring that quickly to a decision? Or take air traffic. Not suggesting immediate de-regulation. But the air traveller needs a better deal in Europe. Can we tell the Council to get on with it?

11. Progress on issues like these would help to improve public image of the Community. High sounding declarations by this Council will not help, but practical steps. No doubt about this Government's commitment to the Community. Help to carry public opinion if we are seen to be behaving sensibly - not pretending we can achieve more than we can; cutting our coat according to the cloth; but doing what we can do together effectively and well.

COVERING CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister.

(2)

I asked for this note following the discussion at the dinner for M. Werner. It gives some more of the background. You may like to have a word with the Foreign Secretary on the 'plane to Luxembourg.

27 November 1980

Dear Michael,

Plumb 27/11

Political Cooperation

Following the discussion on this subject between the Prime Minister and M. Werner, I enclose a note on Political Cooperation. This sets out briefly the origins and past history of the subject, emphasising its distinctness from the Community, based on the Treaties, and explaining that what Lord Carrington has in mind by way of permanent staff is exceedingly modest, but nevertheless in our view necessary to enable Political Cooperation to function effectively in the future.

This subject is not on the agenda for the European Council next week.

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing St
London SW1

COVERING CONFIDENTIAL



Improvements in Political Cooperation

1. Political Cooperation among the member states of the European Community was established in 1970. It lies outside the framework of the Treaty of Rome and results from voluntary political commitments rather than treaty obligations. These commitments are set out in two documents known as the Luxembourg Report (1970) and the Copenhagen Report (1973), which were presented by Foreign Ministers to meetings of the European Heads of State and Government.

2. The machinery of Political Cooperation is separate from that of the Community; only at the level of the European Council are foreign policy and Community subjects discussed together. The Commission does not take part in Political Cooperation, except as an observer, and the Brussels machinery is not available to Political Cooperation. Instead Political Cooperation is administered by the country holding the Presidency, which hosts meetings, provides administrative back-up and acts as a secretariat for the Nine in drawing up agendas, drafting statements and answers for questions in the European Parliament, keeping other interested governments informed, etc.

3. This system has worked reasonably well so far, although it imposes a considerable burden on the country holding the Presidency. It is widely accepted however that cooperation among the Nine on foreign policy questions is approaching the limit of what is possible with the present administrative arrangements. At the same time both the demands and the opportunities are increasing. The activity of the European Parliament has grown markedly since direct elections. Enlargement will add to the difficulties both by making the task of achieving consensus harder, and by introducing countries who have no experience of the administrative work of the Presidency.

4. A second problem arising from the current arrangements is that a complete change in the staff administering Political Cooperation every six months can lead to inefficiency. A notable example of this was over the Soviet invasion of Afghanistan, when one of the reasons for the slow European reaction was that the invasion took place at the end of the Irish Presidency and before the Italians were properly organised.

5. As European activity in foreign relations becomes more important, it is undesirable from the UK's point of view to leave the administration of foreign policy cooperation in the hands of a series of presidencies whose resources and experience of foreign affairs may be limited. The follow-up

/to the



to the statement on the Middle East by the Venice European Council illustrates some of the problems.

6. The Foreign and Commonwealth Secretary has suggested to his colleagues in the Nine that the machinery and procedures of Political Cooperation should be reviewed in the light of 10 years' experience and the changed world situation. The Political Directors of the Nine have been instructed to draw up a report containing options. (The Community and its institutions will not be involved in this.) Lord Carrington meanwhile included a passage on the improvement of Political Cooperation in his Hamburg speech on 17 November.

7. Lord Carrington has suggested that it could be useful for the Presidency to have the assistance of a small staff (we have in mind four or five) of experienced diplomats seconded from national Foreign Ministries. Others of the Nine have reacted favourably (in particular the Germans strongly support this approach). But the French attitude remains reserved. In the past they have insisted that they could only accept a secretariat for Political Cooperation if it were based in Paris. We have so far avoided taking a public position on the question of location, which is bound to be difficult. There could, however, be advantage in using Brussels, since the distinction between political and economic aspects of Community foreign relations is artificial. If Brussels were the location it would also be possible for the Presidency staff to draw on the facilities of the Council Secretariat, who could provide administrative support at no extra cost. But the question of a seat for Political Cooperation is unlikely to be settled in isolation from the question of the seats of the Community institutions, and there is no reason to raise it now.

original filed on: -

Ireland: meeting with the Taoiseach: Pt 3.

Ref. A03674

MR. ALEXANDER

European Council, Luxembourg: Northern Ireland

We have heard from the Northern Ireland Office that the Irish Prime Minister, Mr. Charles Haughey, is anxious to have a few minutes' discussion with the Prime Minister about Northern Ireland in the margins of the Council. If Mr. Haughey should take such an initiative, the Prime Minister will no doubt wish to hear what he has to say (Mr. Haughey may want to give a preliminary indication of how he sees the Dublin talks going) but she should not enter into substantial discussion. The Prime Minister could, if necessary, take the following line:

"I am much looking forward to our meeting in Dublin next week (8th December). This opportunity to exchange views is extremely important. I shall want to give close attention to any ideas you may have. We shall be meeting against a background of rather heightened tension in view of the prisoners' hunger strike. As you know, we have set our faces firmly against any concessions leading to what the protesters could describe as political status. Nevertheless, we are trying to maintain a caring and humanitarian regime in the prisons, and we shall not be deflected from that".

2. I am copying this minute to Roy Harrington (NIO) and to George Walden (FCO).

D. J. WRIGHT

D. J. WRIGHT

27th November, 1980

Guro Pd

file

CONFIDENTIAL

ds



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG
CABINET OFFICE

European Council: 1-2 December

The Prime Minister has seen your minute to me of 14 November in which the possibility of her raising civil aviation and insurance policy at the European Council is discussed. The Prime Minister does not think that there would be any profit in raising these matters directly in Luxembourg.

M. O'D. B. ALEXANDER

18 November 1980

CONFIDENTIAL

ds

SUBJECT

see 14/11 original

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T2248/80**

CONFIDENTIAL

3572 - 1

OO LUXEMBOURG

GRS 300

CONFIDENTIAL

FM FCO 171500Z NOV 80

TO IMMEDIATE LUXEMBOURG

TELEGRAM NUMBER 159 OF 17 NOVEMBER 1980

INFO SAVING UKREP BRUSSELS, PARIS, BONN, DUBLIN,
BRUSSELS, THE HAGUE, COPENHAGEN, ROME, ATHENS

MIPT

FOLLOWING IS TEXT

DEAR PRIME MINISTER

THANK YOU FOR YOUR MESSAGE ABOUT THE AGENDA FOR THE EUROPEAN COUNCIL.

I AM MOST GRATEFUL FOR YOUR SUGGESTIONS ABOUT THE SUBJECTS WE MIGHT DISCUSS, WITH WHICH I GENERALLY AGREE. THERE IS PLENTY OF GROUND TO COVER IN WHAT YOU HAVE SUGGESTED AND I DO NOT WISH TO PROPOSE ANY FURTHER ITEMS. I FULLY AGREE WITH YOU THAT THE MEETING MUST COVER ECONOMIC AS WELL AS POLITICAL QUESTIONS AND THAT THERE SHOULD BE AN OPPORTUNITY TO LOOK AT THE CURRENT PROBLEMS FACED BY CERTAIN OF OUR INDUSTRIES.

I WELCOME YOUR PROPOSAL TO INVITE THE OUTGOING PRESIDENT OF THE COMMISSION, ROY JENKINS, TO GIVE A REPORT TO THE EUROPEAN COUNCIL. THIS WILL PROVIDE AN OPPORTUNITY FOR THE HEADS OF GOVERNMENT TO CONSIDER THE BROAD PERSPECTIVE OF THE COMMUNITY'S DEVELOPMENT AND TO INDICATE TO THE NEW COMMISSION ANY ASPECTS TO WHICH THEY ATTACH PARTICULAR IMPORTANCE. I AGREE THAT IT WOULD BE APPROPRIATE FOR THE NEW PRESIDENT OF THE COMMISSION, WHOM WE WILL BE DESIGNATING, TO BE THERE.

I CAN SEE NO POSSIBLE OBJECTION, AND EVERY ADVANTAGE, IN AN INVITATION TO THE GREEK PRIME MINISTER TO BE PRESENT.

I AM VERY GRATEFUL FOR YOUR SUGGESTION THAT YOU MIGHT COME TO LONDON TO DISCUSS THE PREPARATION OF THE EUROPEAN COUNCIL WITH ME. I WOULD WELCOME THIS, IF YOU FEEL THAT YOU CAN SPARE THE TIME AT A VERY BUSY PERIOD - AND SUBJECT OF COURSE TO US

1

CONFIDENTIAL

/ BEING ABLE

*Copied to Luxembourg,
Nov 79, Visit by Werner.*

CONFIDENTIAL

3572 - 1

BEING ABLE TO FIND A CONVENIENT DATE.
YOURS SINCERELY
MARGARET THATCHER

CARRINGTON

NNNN
LIMITED
ECD (I)
ECD (E)
MR HANWAY
LORD BRIDGES

-
COPIES TO:
MR FRANKLIN, CABINET OFFICE
MR ALEXANDER,
NO 10 DOWNING STREET



Rh

10 DOWNING STREET

From the Private Secretary

14 November, 1980

European Council Agenda

The Prime Minister has seen your letter to me of 13 November on this subject and has approved the draft enclosed with it. I attach the signed version. I should be grateful if you could arrange for its delivery in Luxembourg.

Luxembourg,
Nov 79 //
Visit
by Werner

As I mentioned to you on the telephone, the Prime Minister has agreed that an invitation should be extended to M. Werner to visit London on Tuesday, 25 November. She envisages a session of talks beginning at 1815 hrs followed by a working dinner. I fear that this is virtually the only opening available in her diary.

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

M. O'D. B. ALEXANDER

Paul Lever, Esq
Foreign and Commonwealth Office

Envoied

14 November, 1980

Thank you for your letter of 13 November and for its enclosure. I enclose herewith a copy of the Prime Minister's reply which is being delivered by our Embassy in Luxembourg.

M. O'D. B. ALEXANDER

HE M. R Hastert CMG

R.

SUBJECT

cc Master
ops



cc FCO
CO

RH

10 DOWNING STREET

THE PRIME MINISTER

14 November, 1980

Dear Prime Minister,

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 224/80

Thank you for your message about the agenda for the European Council.

I am most grateful for your suggestions about the subjects we might discuss, with which I generally agree. There is plenty of ground to cover in what you have suggested and I do not wish to propose any further items. I fully agree with you that the meeting must cover economic as well as political questions and that there should be an opportunity to look at the current problems faced by certain of our industries.

I welcome your proposal to invite the outgoing President of the Commission, Roy Jenkins, to give a report to the European Council. This will provide an opportunity for the Heads of Government to consider the broad perspective of the Community's development and to indicate to the new Commission any aspects to which they attach particular importance. I agree that it would be appropriate for the new President of the Commission, whom we will be designating, to be there.

I can see no possible objection, and every advantage, in an invitation to the Greek Prime Minister to be present.

/I am

RH

I am very grateful for your suggestion that you might come to London to discuss the preparation of the European Council with me. I would welcome this, if you feel that you can spare the time at a very busy period - and subject of course to us being able to find a convenient date.

Yours sincerely
Margaret Thatcher

HE Monsieur Pierre Werner

Ref: A03552

MR. ALEXANDER

I don't think we should get any where by raising these matters directly.

CONFIDENTIAL

Prime Minister

(1)

Insofar as both the civil aviation proposal & the humane proposal are for measures of liberalisation and would benefit us nationally, I would have thought there would be every advantage in mentioning them briefly. There would be no need to make an issue of them or to insist on a response. You would firm up your approach on a later occasion.

European Council: 1st-2nd December 1980

The Prime Minister has indicated that she will want to have some occasion for discussion at the European Council about budget restructuring, the CAP and current trade problems; this is not likely to be a meeting where major Community decisions are taken. We have been considering, whether in these circumstances, there would be any advantage in raising at the meeting other specific issues which are of current interest in the United Kingdom.

2. One such is civil aviation policy. Part of our answer to the criticism following the Government's recent rejection of Laker's application was that we were pressing the Community to do more to liberalise both on access to routes and on air fares. The Community is currently looking, at our instigation, at a draft Regulation on the carriage of parcels, and will shortly receive a Commission proposal about improving inter-regional services between member states. On air fares, we succeeded in getting the Council of Transport Ministers last June to agree to a study which is now under way. We are hoping that these initiatives will come up for decision, if not during the first half of next year, during the United Kingdom Presidency. It might help to give some impetus to the discussions if the Prime Minister were to refer to them at the European Council, explaining that public attitudes towards the Community in this country might be improved if the Community could be seen to be taking action to achieve greater competition in this area. She could raise it orally with or without circulating a brief memorandum beforehand.

3. The Foreign and Commonwealth Office see some merit in such an initiative. We should certainly be pushing in a "Communautaire" direction, and while it is not to be expected that much will be achieved, the Heads of Government might give general endorsement to the need to make progress in this field and invite the Commission and the Council of Ministers to take the appropriate action. The Department of Trade had some reservations and have consulted the Secretary of State for Trade. Mr. Nott does not consider that this is such a central issue that it would be worth the Prime Minister taking it



Page 10 of 10

CONFIDENTIAL

Background - Proposed Changes to the Law

The Law Commission has indicated that it will have to make recommendations on the proposed changes to the law on the basis of the evidence that it has received from the various stakeholders. The Commission has held a number of public hearings and has received a large number of submissions from interested parties. It is now in the process of reviewing the evidence and preparing its final report. The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report. The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report.

The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report. The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report.

The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report. The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report.

The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report. The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report.

The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report. The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report.

The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report. The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report.

The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report. The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report.

The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report. The Commission has also held a number of private hearings with interested parties and has received a number of confidential submissions. It is now in the process of reviewing the evidence and preparing its final report.

6240
6241
6242
6243
6244
6245
6246
6247
6248
6249
6250
6251
6252
6253
6254
6255
6256
6257
6258
6259
6260
6261
6262
6263
6264
6265
6266
6267
6268
6269
6270
6271
6272
6273
6274
6275
6276
6277
6278
6279
6280
6281
6282
6283
6284
6285
6286
6287
6288
6289
6290
6291
6292
6293
6294
6295
6296
6297
6298
6299
6300

14 NOV 1980

CONFIDENTIAL

on personally. He believes that it would be sufficient for the Prime Minister's briefing to contain defensive material which would allow our efforts to liberalise civil aviation in the Community to be quoted if we came under criticism more generally for being protectionist. The Prime Minister may wish to consider whether she agrees with this advice or sees advantage in giving what may be an otherwise rather dull European Council meeting some slight colour by raising an issue in which there is public interest here.

4. A similar issue arises on insurance, though there is likely to be less public interest in this. The provisions of the Rome Treaty give freedom to the providers of services, including insurers, to operate throughout the Community, but progress to give this practical effect through draft Directives has been very slow. Given the strength of British insurance, it is in our interest to see more rapid progress made especially on a draft Directive on the provision of insurance services across frontiers which has been before the Council since 1975. The Department of Trade are currently consulting Mr. Nott about the advantage of raising this at the European Council and trying to get the Heads of Government to set a reasonable deadline for decisions in the Council of Ministers.

5. President Giscard and perhaps some other Heads of Government are likely to take the line that these are matters that should be left to the Community institutions and should not take up the time and attention of the European Council. It is admittedly the kind of thing the French have done, with some success, in the past; but it is not, however, as if the process of discussion in the Community institutions had been exhausted or the institutions were deadlocked on these subjects. There is therefore a risk that raising the issues in this Council would not get us anywhere and might even be counter-productive. For this reason my own judgment would coincide with that of the Department of Trade, against raising them ourselves.

6. If the Prime Minister would like to raise either or both of them, we should need to give notice of her intention of doing so if she were to have any hope of getting a helpful response from the Council. Sir Michael Butler would have to be given instructions to warn his colleagues reasonably in advance, or

CONFIDENTIAL

it could be mentioned by the Foreign and Commonwealth Secretary at the Foreign Affairs Council on 24th-25th November. But the Prime Minister will no doubt want the views of the Foreign and Commonwealth Secretary and the Secretary of State for Trade, before she finally makes up her mind.

RA

(Robert Armstrong)

14th November 1980

- 3 -

CONFIDENTIAL



AMBASSADE
DU
GRAND-DUCHÉ DE LUXEMBOURG
A
LONDRES

1206/80

27, WILTON CRESCENT,
LONDON, SW1X 8SD.

01-235 6961

13th November, 1980

From Mr. Alexander,

Further to my letter of 11th November, 1980,
I have pleasure in enclosing herewith the original of a
letter to your Prime Minister from Mr. Pierre Werner,
President of the Luxembourg Government, acting in his
capacity as President of the European Council.

*Filed
10/11/80*

*Your sincerely
R. HASTERT*

R. HASTERT
Ambassador

Mr. Michael Alexander,
Private Secretary to
The Prime Minister,
10, Downing Street,
LONDON S.W.1.



(1)

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister.

Agree level of message to M. Werner?

Yes not

It will not be at all easy to find a 13 November 1980
time for M. Werner to come to London - + /

think it will be rather a waste of your time -

but perhaps the effort should be made as a matter of courtesy. Yes
Dear Michael,

Print 13/11 not

European Council Agenda

(attached)

In his ^{letter} ~~telex~~ to the Prime Minister, M. Werner sets out his ideas about the agenda for the forthcoming European Council on 1/2 December. His proposals are very much in line with what the Prime Minister has recently said to M. Thorn and Mr Jenkins. M. Werner has taken the point that the agenda must cover economic as well as political questions (contrary to President Giscard's views) and he proposes to provide an opportunity for discussion of current problems of certain sectors of industry, as we have proposed. The message includes a helpful reference to the need to discuss restructuring in the context of the appointment of the new Commission, who will have to produce proposals by 30 June 1981 in accordance with the 30 May agreement. M. Werner has also taken up the Prime Minister's suggestion that Mr Jenkins should be invited to give a report on his Presidency of the Commission.

✓ M. Werner suggests that M. Thorn should participate in the exchange of views on Mr Jenkin's report. The Prime Minister has already agreed (your letter of 31 October) that we should tell M. Werner that she would have no objection to M. Thorn's attendance at the European Council.

✓ M. Werner says that if there is no objection, he will invite the Greek Prime Minister to the European Council. The Prime Minister has already agreed to this.

I wrote to you on 10 November giving Lord Carrington's recommendation on M. Werner's offer to come to London to discuss the way in which he would organise discussion. It is indeed the case that we are not in dispute about the agenda; but it would still be useful if the Prime Minister could explain her approach to the next European Council

/directly

Michael Alexander Esq
10 Downing Street



directly to M. Werner. Moreover next year we shall need all the friends we can get and, since the offer has been repeated, Lord Carrington feels that a negative response could well be taken amiss.

I attach a draft reply which the Prime Minister may wish to send to M. Werner.

Yours etc

Paul

(P Lever)
Private Secretary

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

PRIME MINISTER

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

Monsieur Pierre Werner

Secret

Prime Minister of the Grand Duchy
of Luxembourg

Confidential

Restricted

Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your message about the agenda for the
European Council.

CAVEAT.....

I am most grateful for your suggestions about the
subjects we might discuss, with which I generally agree.
There is plenty of ground to cover in what you have
suggested and I do not wish to propose any further items.
I fully agree with you that the meeting must cover
economic as well as political questions and that there
should be an opportunity to look at the current problems
faced by certain of our industries.

I welcome your proposal to invite the outgoing
President of the Commission, Roy Jenkins, to give a
report to the European Council. This will provide an
opportunity for the Heads of Government to consider the
broad perspective of the Community's development and to
indicate to the new Commission any aspects to which they
attach particular importance. I agree that it would be
appropriate for the new President of the Commission, whom
we will be designating, to be there.

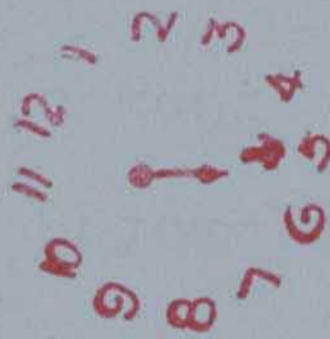
Enclosures—flag(s).....

I can see no possible objection, and every
advantage, in an invitation to the Greek Prime Minister
to be present.

/I am

I am very grateful for your suggestion that you might come to London to discuss the preparation of the European Council with me. I would welcome this, if you feel that you can spare the time at a very busy period - and subject of course to us being able to find a convenient date.

13 NOV 1980



CONFIDENTIAL

cc: CO

BK

file

Gurash.



10 DOWNING STREET

From the Private Secretary

11 November 1980

BF 19.11.80

European Council

I enclose a copy of the message which the Prime Minister has received this morning from the President of the Luxembourg Government, M. Pierre Werner, about next month's meeting of the European Council. This is, of course, the message forecast in your letter to me of 10 November.

I should be grateful for early advice as to how the Prime Minister should reply to M. Werner. Pending receipt of your advice, I have taken no action on the recommendation in your letter to me under reference that the Prime Minister should agree to invite M. Werner to visit London. It seems to me that if we are broadly content with the proposals in M. Werner's message, there would be little point in putting him to the trouble of coming here.

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

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

QB

File BK
11 November 1980

Thank you for your letter of 11 November.
I have, of course, brought the enclosed
message from the President of the Luxembourg
Government to the Prime Minister's immediate
attention.

MO' DBA

His Excellency Monsieur Roger Hastert, C.M.G.



SUBJECT

AMBASSADE
DU
GRAND-DUCHÉ DE LUXEMBOURG

A
LONDRES

1195/80

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. *T 220/80*

27, WILTON CRESCENT,
LONDON, SW1X 8SD.

01-235 6961

*see. Haster set
ops*

11th November, 1980

Dear Mr. Alexander,

In view of the next meeting of the European Council on 1st and 2nd December in Luxembourg, I have the honour to enclose herewith a copy of a telex I have just received from Mr. Pierre Werner, President of the Luxembourg Government, in his capacity as acting President of the European Council.

The original of this message will be forwarded in due course to your Prime Minister.

This message has been sent by Mr. Werner to all Heads of State and Government of the member countries of the European Community.

Yours sincerely

R. HASTERT
Ambassador

Mr. Michael Alexander,
Private Secretary to
The Prime Minister,
10 Downing Street,
LONDON S.W.1.

J'AI L'HONNEUR DE VOUS CONFIRMER EN MA QUALITE DE PRESIDENT EN EXERCICE DU CONSEIL EUROPEEN QUE LA PROCHAINE REUNION DE CELUI-CI A ETE FIXEE AUX 1ER ET 2 DECEMBRE PROCHAINS. C'EST AVEC PLAISIR QUE JE VOUS RECEVRAI A LUXEMBOURG.

CETTE REUNION SE SITUE A UN MOMENT OU L'OPINION PUBLIQUE ATTEND CERTAINEMENT DES CHEFS D'ETAT OU DE GOUVERNEMENT QUE NON SEULEMENT ILS FASSENT - COMME IL EST DEvenu DE TRADITION - LE POINT DE LA SITUATION POLITIQUE ET ECONOMIQUE DANS LA COMMUNAUTE ET DANS LE MONDE, MAIS AUSSI QU'ILS DONNENT DES INDICATIONS SUR LEUR DETERMINATION A PROMOUVOIR UN CERTAIN NOMBRE D'ACTIONS CORRESPONDANT AUX NECESSITES DE L'HEURE.

T220/80

NOTRE REUNION DEVRAIT, COMME IL EST DE COUTUME, PERMETTRE UN ECHANGE DE VUES SUR LA SITUATION POLITIQUE.

IL ME SEMBLE ACQUIS DES A PRESENT QUE LE PROBLEME DU MOYEN-ORIENT DEVRA FIGURER EN BONNE PLACE A NOTRE ORDRE DU JOUR, CONFORMEMENT AU POINT 2 DE NOTRE DECLARATION DE VENISE LE MINISTRE DES AFFAIRES ETRANGERES DU LUXEMBOURG A PRIS DES CONTACTS AVEC TOUTES LES PARTIES CONCERNEES. IL APPARTIENDRA AU CONSEIL EUROPEEN D'EVALUER LES RESULTATS DE CETTE MISSION ET DE DETERMINER LA FORME QUE POURRAIT PRENDRE TOUTE AUTRE INITIATIVE DE LA PART DES PAYS MEMBRES DE LA COMMUNAUTE.

LA SITUATION ECONOMIQUE ET SOCIALE REQUIERT SANS AUCUN DOUTE UN EXAMEN APPROFONDI, ET UN ACCENT PARTICULIER DEVRAIT ETRE MIS SUR NOTRE COMMUNE PREOCCUPATION D'ENRAYER ET DE REDUIRE LE CHOMAGE, DONT LA PERSISTANCE ET LA TENDANCE A DEVENIR UN ETAT CHRONIQUE CREENT PEU A PEU UNE SITUATION DANGEREUSE POUR LA STABILITE ET LA PAIX SOCIALE DANS NOS PAYS.

NOUS TOURNANT VERS LES PROBLEMES DE LA COMMUNAUTE, NOUS AURONS A DESIGNER LES PRESIDENT ET MEMBRES DE LA FUTURE COMMISSION DES COMMUNAUTES, ET A LEUR CONFIRMER, RESPECTIVEMENT A EXPLICITER, LE MANDAT DEJA PRECEDEMENT CONFERE D'ACCOMPLIR, AVANT LE 30 JUIN 1981, UN EXAMEN DES DEVELOPPEMENTS FUTURS DES POLITIQUES COMMUNAUTAIRES, SANS METTRE EN QUESTION NI LA RESPONSABILITE FINANCIERE COMMUNE, NI LES PRINCIPES DE BASE DE LA POLITIQUE AGRICOLE COMMUNE. CET EXAMEN DEVRAIT TENIR COMPTE DES INTERETS DE TOUS LES ETATS MEMBRES, DE FACON A EVITER, POUR L'AVENIR, QUE DES SITUATIONS INACCEPTABLES NE SE PRESENTENT POUR L'UN D'ENTRE EUX.

LA SUGGESTION A ETE FAITE QUE MONSIEUR LE PRESIDENT ROY JENKINS FASSE PART, A LA MEME OCCASION, AU CONSEIL EUROPEEN DES REFLEXIONS QUE LUI INSPIRE L'ETAT DE LA COMMUNAUTE, AU SERVICE DE LAQUELLE IL ACCOMPLIT, DEPUIS BIENTOT QUATRE ANS, LES IMPORTANTES ET DIFFICILES FONCTIONS QUE LE CONSEIL EUROPEEN LUI A CONFEREES EN 1976, ET QUE CELUI QUE NOUS DESIGNERONS COMME PRESIDENT DE LA COMMISSION, POUR LE PROCHAIN EXERCICE, PARTICIPE A CET ECHANGE DE VUES.

POUR UN AVENIR PLUS IMMEDIAT, IL SERAIT SANS DOUTE OPPORTUN QUE LES CHEFS D'ETAT OU DE GOUVERNEMENT DELIBERENT AUSSI SUR LA SITUATION DANS CERTAINES BRANCHES DE NOS ECONOMIES PARTICULIEREMENT AFFECTEES PAR LA CRISE, ET SUR LES PERSPECTIVES A PLUS LONG TERME D'UNE REPRISE ECONOMIQUE RESULTANT NOTAMMENT DE L'ASSAINISSEMENT DES STRUCTURES, DEvenu IMPERIEUX.

PEUT-ETRE DEVRIONS-NOUS, DANS CE CONTEXTE, PORTER NOTRE ATTENTION EGALEMENT SUR LES RAPPORTS ENTRE LES PAYS DE LA COMMUNAUTE EUROPEENNE ET LES AUTRES GRANDS PAYS INDUSTRIALISES, DANS LE SOUCI AUSSI BIEN DE MAINTENIR A TRAVERS CETTE PHASE DELICATE LA LIBERTE DES ECHANGES QUE DE FAIRE EN SORTE QUE L'EFFORT INDUSTRIEL EUROPEEN NE SOIT INDUMENT CONTRECARRE PAR DES POLITIQUES COMMERCIALES DESEQUILIBREES DE L'UN OU L'AUTRE DE NOS GRANDS PARTENAIRES.

A LA LUMIERE DE NOS ECHANGES DE VUES SUR LA SITUATION MONETAIRE INTERNATIONALE, IL NOUS INCOMBERA SANS DOUTE DE POURSUIVRE NOS DELIBERATIONS ANTERIEURES SUR LE DEVELOPPEMENT DU SYSTEME MONETAIRE EUROPEEN. MEME SI, A L'OCCASION DE CETTE REUNION, DES DECISIONS AUSSI FONDAMENTALES QUE CELLES CONCERNANT LA MISE EN PLACE ET LE FONCTIONNEMENT DU FUTUR FONDS MONETAIRE EUROPEEN POURRONT S'AVERER QUELQUE PEU PREMATUREES, UNE REAFFIRMATION DE LA VOLONTE DES CHEFS D'ETAT OU DE GOUVERNEMENT DE POURSUIVRE LE DEVELOPPEMENT ET L'APPROFONDISSEMENT DE LA COOPERATION MONETAIRE REPONDRAIT NON SEULEMENT A L'ATTENTE DES OPERATEURS FINANCIERS ET ECONOMIQUES, COMMUNAUTAIRES ET INTERNATIONAUX, MAIS MARQUERAIT UNE VOLONTE DE CONTINUTE DANS UN PROCESSUS IRREMIABLEMENT ENGAGE. EN CE SENS DES MANDATS D'EXAMEN APPROFONDI POURRAIENT ETRE CONFERES AUX INSTANCES COMPETENTES EN CE QUI CONCERNE ENTRE AUTRES L'ELARGISSEMENT DU ROLE DE L'ECU.

UN EXAMEN DES CONDITIONS DANS LESQUELLES DEVRAIT REPREDRE PROCHAINEMENT LE DIALOGUE NORD-SUD S'IMPOSERAIT EGALEMENT. EN EFFET DURANT CETTE PHASE PREPARATOIRE NOUS DEVRIONS NOUS EFFORCER DE PROMOUVOIR DES POSITIONS COMMUNES SUSCEPTIBLES DE DONNER A L'EUROPE LE POIDS ET LA COHERENCE QUI CONDITIONNENT LA DEFENSE JUDICIEUSE DE SES INTERETS PROPRES, MAIS QUI, D'AUTRE PART, PEUVENT S'AVERER COMME UNE CONTRIBUTION DEFINITIVE AUX CHANCES D'ABOUTISSEMENT A PLUS LONG TERME DE CE DIALOGUE.

NOUS DEVRIONS, ENFIN, PORTER NOS REFLEXIONS SUR LES PROBLEMES DU FONCTIONNEMENT INTERNE DE LA COMMUNAUTE, ET NOTAMMENT AUX RAPPORTS FUTURS ENTRE LE CONSEIL ET LE PARLEMENT EUROPEEN, AINSI QU'AUX CONCLUSIONS QUE LES MINISTRES DES AFFAIRES ETRANGERES ONT TIREES DU RAPPORT DES SAGES, ETABLI A LA DEMANDE DU CONSEIL EUROPEEN.

MES SUGGESTIONS QUANT AUX POINTS A DISCUTER NE SONT NI EXHAUSTIVES NI INDICATIVES DE PRIORITES. JE SERAIS HEUREUX, SI VOUS VOULIEZ A VOTRE TOUR ME FAIRE CONNAITRE VOS SUGGESTIONS ET DESIRS RELATIFS A L'ORDRE DU JOUR.

SI VOUS ESTIMEZ QU'UN ECHANGE DE VUES PERSONNEL POUVAIT ETRE UTILE POUR LA BONNE PREPARATION DE CETTE RENCONTRE, JE SERAIS VOLONTIERS DISPOSE DE ME RENDRE A LONDRES AU COURS DE CE MOIS.

PAR AILLEURS, SI VOUS N'Y VOYEZ PAS D'OBJECTION, J'ETENDRAI L'INVITATION EGALEMENT A MONSIEUR LE PREMIER MINISTRE DEL LA REPUBLIQUE HELLENIQUE.

SUBJECT

GRAND-DUCHÉ DE LUXEMBOURG

Luxembourg, le 10 novembre 1980



LE PRÉSIDENT DU GOUVERNEMENT

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 220/80

Right Hon. Mrs Margaret THATCHER,
Prime Minister

My dear Prime Minister,

I have the honour, as President in office of the European Council, to confirm that our next meeting will be held on 1 and 2 December next, when I shall have the pleasure of receiving you in Luxembourg.

This meeting is taking place at a moment when public opinion certainly expects that the Heads of State or of Government will not only review the economic and political situation in the Community and in the world, as has now become a tradition, but will also show their determination to get action on a number of vital current issues.

As usual, our meeting should enable us to have an exchange of views on the political situation.

It is already clear to me that the question of the Middle East must be placed well up on our agenda. In accordance with Point 2 of our declaration in Venice, the Luxembourg Minister for Foreign Affairs has taken up contact with all the parties concerned. It will be for the European Council to assess the results of this mission and to decide on the form of any further initiative on the part of the Member States of the Community.

.../...

The economic and social situation doubtless requires thorough examination and special emphasis should be placed on our joint concern to check and to reduce unemployment, the continuation of which, and its tendency to become chronic, are gradually creating a situation which poses a danger to stability and public order in our countries.

Turning to Community problems, we shall have to appoint the President and members of the future Commission of the Communities and to confirm to them or to set out in more detail a mandate already given to the Commission to complete, before 30 June 1981, an examination of future developments in Community policies, without calling into question either the principle of joint financial responsibility or the basic principles of the common agricultural policy. This examination should take the interests of all the Member States into account, so as to prevent situations which would be unacceptable for any of them from arising in the future.

It has been suggested that, on the same occasion, Mr Roy JENKINS, President of the Commission, should let the European Council have his views on the state of the Community, in the service of which, for almost four years now, he has carried out the important and difficult duties which the European Council entrusted to him in 1976. It has also been suggested that the person whom we shall appoint as President of the Commission for the next term of office should take part in this exchange of views.

As regards the more immediate future, there is no doubt that it would be advisable for the Heads of State or of Government also to discuss the situation in certain branches of our economies which have been particularly affected by the crisis, and the longer-term prospects of an economic upturn resulting, in particular, from the rationalization of economic structures which has now become imperative.

In this context we should perhaps also pay attention to relations between the countries of the European Community and the other large industrialized countries, with a view both to maintaining free trade throughout this delicate phase and to ensuring that Europe's industrial efforts are not unduly thwarted by unbalanced commercial policies pursued by one or other of our great partners.

.../...

In the light of our exchanges of views on the international monetary situation we shall no doubt have to continue our earlier discussions on the development of the European Monetary system. Even if decisions as fundamental as those concerning the establishment and operation of the future European monetary fund may prove to be somewhat premature at this particular meeting, a re-affirmation of the determination of the Heads of State or of Government to continue the development and strengthening of monetary co-operation would not only satisfy the expectations of Community and International economic and financial operators, but would emphasize a determination to continue with a process now irrevocably under way. In this connection instructions to examine certain questions in more detail could be given to the competent bodies, as regards the widening of the role of the ECU among other things.

We shall also have to examine the conditions under which the North/South Dialogue should be resumed in the near future. During this preparatory phase we should try to promote joint positions which are capable of giving Europe the weight and cohesion which are necessary for the judicious defence of its own interests but which can also prove to make a real contribution to the prospects for the longer term success of this dialogue.

Finally, we should think about the problems of the internal functioning of the Community, with particular reference to future relations between the Council and the European Parliament, and also to the conclusions which the Ministers for Foreign Affairs have drawn from the report drawn up by the Three Wise Men at the request of the European Council.

My suggestions concerning the items for discussion are neither exhaustive nor indicative of any priorities. I shall be very happy if you would like to let me have your suggestions and wishes concerning the agenda.

If you consider that a personal exchange of views could be useful for the effective preparation of this meeting I would be very willing to come to LONDON sometime this month.

In addition, unless you see any objection, I also propose to extend an invitation to the Prime Minister of Greece.

With kindest regards

Yours sincerely

Lucien Demin



Foreign and Commonwealth Office

London SW1A 2AH

10 November 1980

Dear Michael,

Possible Visit by the Luxembourg Prime Minister

You asked for our advice on the suggestion communicated to you by the Luxembourg Ambassador that M. Werner might come to London to discuss the handling of the European Council.

We were told in Brussels that M. Werner was considering writing to his colleagues to make this suggestion. We are not yet clear whether this message will replace the letter.

Lord Carrington hopes that the Prime Minister will respond favourably to this idea. Because there are no major items of business to be decided, the next European Council offers an opportunity for a forward looking discussion. There are various ideas on the direction this should take. The Prime Minister has expressed her own views to M. Thorn and others. In discussion of the 'agenda', a lead from the Presidency is required. A talk with M. Werner would therefore be useful.

It is not customary for the President to offer such a visit before a European Council. Given the nature of the suggestion and the fact that a discussion would be helpful, the Prime Minister might wish to say that she would be glad to see M. Werner if a day can be found. A relatively short meeting plus lunch would be all that was required.

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

Yours ever

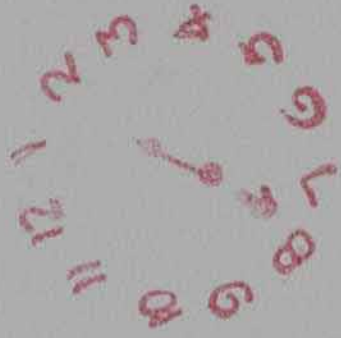
(P Lever)
Private Secretary

Michael Alexander Esq
10 Downing Street

SECRET

NOV 10 1981

10 NOV 1981



MR. WRIGHT
CABINET OFFICE

BF 21.11.80

European Council

I confirm that it will be acceptable for the briefs for next month's meeting of the European Council to reach us here by noon on Friday 21 November.

MICHAEL ALEXANDER

10 November 1980

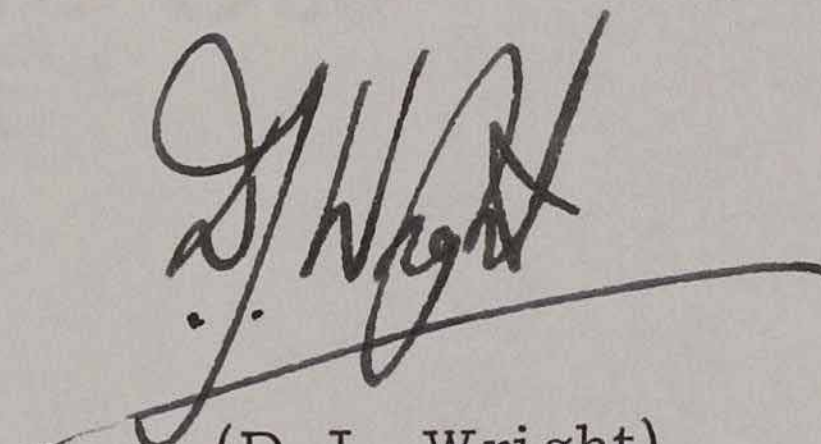
BF

Ref. A03471

MR. ALEXANDER

Briefing for the European Council,
Luxembourg, 1-2 December 1980

The preparation of the briefs for the next European Council is now being put in hand. I should be grateful for confirmation that it would be acceptable if they reach you by noon on Friday, 21st November.



(D.J. Wright)

6th November, 1980

CONFIDENTIAL

1809 - 1

OO UKREP BRUSSELS DESKBY 060800Z

GRS 316
CONFIDENTIAL

DESKBY 060800Z
FM FCO 051730 OCT 80
TO IMMEDIATE UKREP BRUSSELS
TELEGRAM NUMBER 1029 OF 5 NOVEMBER
AND SAVING TO ALL EC POSTS
COREPER AMBASSADORS : 6 NOVEMBER
AGENDA FOR THE EUROPEAN COUNCIL

1. THE PRIME MINISTER TOLD MR JENKINS ON 3 NOVEMBER THAT SHE DID NOT THINK THAT THE EUROPEAN COUNCIL AGENDA SHOULD BE LIMITED TO POLITICAL COOPERATION ALTHOUGH THESE MUST, OF COURSE, BE DISCUSSED. SHE THOUGHT THAT THERE SHOULD BE SOME DISCUSSION ON BUDGET RESTRUCTURING, INCLUDING CAP REFORM AND ALSO ON THE PROBLEMS OF INTERNATIONAL TRADE. THESE WERE ACUTE PROBLEMS AND COULD NOT BE IGNORED.
2. THIS QUESTION MIGHT BE ST DISCUSSED DURING THE COREPER LUNCH. ALTHOUGH WE DO NOT SEEK FORMAL AGENDA ITEMS OR CLEAR CUT DECISIONS AT THE EUROPEAN COUNCIL ON TRADE PROBLEMS, RESTRUCTURING AND THE CAP, THE PRIME MINISTER WISHES TO HAVE THE OPPORTUNITY TO DISCUSS THEM.
3. YOU COULD SUGGEST THAT MR JENKINS BE INVITED TO PRESENT A WIDE RANGING REPORT ON HIS PRESIDENCY. THIS COULD BE THE PEG ON WHICH TO HANG DISCUSSION OF THE ISSUES CONNECTED WITH RESTRUCTURING AND THE CAP REFORM.
4. ON TRADE PROBLEMS, THE PRIME MINISTER HAS IN MIND PARTICULARLY THE PROBLEMS OF STEEL, TEXTILES, CARS AND OETRO-CHEMICALS, INCLUDING TRADE RELATIONS WITH THE UNITED STATES AND JAPAN.
5. ON ATTENDANCE AT THE EUROPEAN COUNCIL, THE PRIME MINISTER TOLD MR JENKINS THAT IT WOULD MAKE SENSE FOR M. THORN TO ATTEND THE EUROPEAN COUNCIL, AS WELL AS MR RALLIS WHO IS GOING TO BE PRESENT AS OBSERVER. YOU COULD REPORT THIS.
6. THERE SHOULD BE LITTLE NEED FOR SUBSTANTIVE DISCUSSION

1

CONFIDENTIAL

CONFIDENTIAL

1809 - 1

OF THE REPORT OF THE THREE WISE MEN, BUT WE WOULD LIKE TO SEE
THE AGREED PARTS OF IT FORMALLY ADOPTED.

CARRINGTON

NNNN
DISTRIBUTION
MINIMAL
ECD(I)
ECD(E)
WED

COPIES
MR FRANKLIN CABINET OFFICE
MR ELLIOTT CABINET OFFICE
MR ALEXANDER NO 10 DOWNING STREET

2

CONFIDENTIAL

CONFIDENTIAL

Envo P81



Prime Minister

(2)

Foreign and Commonwealth Office

London SW1A 2AH

Apart from the Middle East / SW
Asia / EW relations complex, this
should be a fairly low key Council.

24 October 1980

Ph... 24/10

L...
Ph...

Dear Michael,

Preparation for the European Council

At their informal meeting this weekend Foreign Ministers will be having a first discussion of the preparation for the next European Council on 1-2 December.

It is always a little difficult to predict, over a month in advance, the main focus of discussion, but it seems likely that on this occasion foreign policy issues are likely to predominate. Amongst these issues the Iraq/Iran war, the Middle East and the follow-up to M. Thorn's mission there, East/West relations and the prospects for the new US Administration are the most likely runners.

As to Community topics there are unlikely to be any urgent matters coming forward for decision. Discussion of restructuring the budget would be premature and likely to be resisted by the French. Some mention of fisheries may be inevitable but we should seek to avoid a discussion of substance while endorsing the need for Fisheries Ministers to stick to the end of the year deadline for decisions.

I attach a check list of Community items of a routine nature that may come up.

Yours etc

Paul

mb.

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
London

CONFIDENTIAL



CONFIDENTIAL

EUROPEAN COUNCIL: 1/2 DECEMBER

The following is a check-list of other possible topics.

1. Economic and Social Situation (including unemployment). This is a regular topic.
2. Energy Supplies including the consequences of Gulf War.
3. EC/Japan. Could be important for the Council to discuss this, however briefly, to convince Japanese how seriously we take present trade imbalance.
4. EMS (second phase). Another regular topic. Discussion likely to be perfunctory.
5. Nomination of New Commission. Nomination should be a formality. Discussion on allocation of portfolios will only take place in the margins.
6. Report of Three Wise Men. Formal approval of Foreign Ministers' Report is required.
7. Seat of Institutions. French likely to pursue their effort to have Strasbourg agreed as seat of Parliament.
8. Enlargement. If at all, simply a review of progress.
9. New Zealand Butter. It is just possible we might wish to raise this topic.

CONFIDENTIAL

24 OCT 1980



