

PREM 19/232

Part 1.

Confidential Filing

PM's meetings with Mr James
Scott-Hopkins, leader of the European
Conservative Group in the European
Parliament. Meetings with the European
Democratic Group (EDG) of MEPs.

EUROPEAN POLICY

Part 1

July 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
16.7.79							
23.7.79							
6.12.79							
7.12.79							
12.12.79							
4-2-80							
5-2-80							
6-3-80							
28.4.80							
29.4.80							
12.5.80							
23.6.80							
2.7.80							
3.7.80							
9.7.80							
27.7.80							
18.7.80							
ends							

PREM 19/232

PART 1 ends:-

Will Hopper to PM 18.7.80

PART 2 begins:-

MODBA to Hunt 21.7.80

Evo PD

23 GREAT WINCHESTER STREET
LONDON EC2P 2AX

From: W. J. HOPPER
Member of the European Parliament

01-588 4545

The Rt Hon Margaret Thatcher M P
10 Downing Street
LONDON SW1

18 July 1980

Dear Prime Minister,

When I visited you on 2 July with the European Democratic Group, you expressed interest in the ways in which West Germany interferes with capital movements. I attach a brief note which may be of interest.

Yours sincerely

Will Hopper

Att

Just as there are both tariffs and non-tariff barriers to trade, so there are both exchange controls and non-exchange control barriers to capital movements. Non-exchange control barriers take two principal forms in West Germany. (There are no exchange controls as such).

Restrictions on capital movements

In West Germany there is a Law called the Aussenwirtschaftsgesetz (Foreign Business Law or Foreign Economy Law) which governs many aspects of the country's international business and banking. Under this Law a Regulation is in force which prevents German residents, including banks, from selling domestic securities with a maturity of less than two years to foreign residents.

Until a few months ago the ban was on the sale of domestic securities with a maturity of under five years. Earlier there had been another Regulation made under the same Law (known as the Bardepot Regulation) which made it very difficult for German entities to borrow abroad. The Bardepot Regulation has now been annulled.

West Germany has recently relaxed these controls because it must at present import capital to cover its current account deficit. Its more normal stance is to inhibit the inflow of capital which would otherwise occur in a free market.

Fiscal provisions

In addition, and even more important, there is a coupon tax on German domestic bonds which is in effect a part of German income tax but is not offsettable against foreign income tax. This creates a two-tier interest rate structure through the tax system, with a lower effective yield to the foreign investor than to the German investor. It minimises the extent to which domestic funding by the Federal Republic will attract a capital inflow across the exchanges.

West Germany's object in setting up these artificial barriers to the inflow of capital is to depress the Deutschemark in the exchanges, thus favouring exporters and disfavouring importers, encouraging domestic investment and discouraging foreign investment, and exporting unemployment. This policy is sometimes called "neo-mercantalism".



21 JUL 1980



CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

18 July 1980

Dear Caroline

CALL BY MR SCOTT-HOPKINS : MONDAY, 21 JULY AT 5.00PM

The Leader of the European Democratic Group in the European Parliament is to call on the Prime Minister at 5.00pm on Monday, 21 July. The Lord Privy Seal will also be present. Mr Scott-Hopkins' office have said he will wish to raise the Prime Minister's visit to Greece and the Common Agricultural Policy.

I enclose briefing on both issues. There is to be an Agriculture Council on 22 July; it is to deal with routine questions and will not take any decisions which fundamentally affect the operations of the CAP.

The Prime Minister saw the whole European Democratic Group on 2 July; for ease of reference, I enclose a copy of the record.

*Yours sincerely
Michael Richardson*

M J Richardson
Private Secretary to the
Lord Privy Seal

Miss Caroline Stephens
10 Downing Street

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17 8 JUL 1980

PRIME MINISTER'S VISIT TO GREECE

POINTS TO MAKE

1. In response to invitation from Karamanlis last year, repeated by Rallis when he took office in May.
2. Imminent Greek Community membership makes high level contacts desirable.
3. Apart from political objectives, will be seeking major Government contracts, of which UK has not had its fair share.
4. Deadlock over Greek re-integration into NATO will be main political problem to explore; but British initiative unlikely.
5. No bilateral problems, except commercial.
6. Your views on the Greeks in the European Parliament?

BACKGROUND

1. Prime Minister will be guest of the Greek Government.
2. Government Contracts. Major outstanding contract is over Coal Fired Power Station, worth up to £400 million. Other civil contracts include railway modernization. Big potential defence contracts: Vickers Tanks; frigates; Rapier missiles.
3. Greece/NATO. Turks vetoed Greek re-integration into military wing because of disputed command boundaries in Aegean. SACEUR continues confidential attempts to reconcile differences on military net; but both sides inflexible and no apparent progress. Approach of Greek elections (by November 81) compounds problem.
4. Greek Political Parties. Not clear which groupings in Strasbourg major Greek parties will seek to join. Ruling New Democracy might join Conservatives or Liberals. Opposition PASOK, (radical socialists), moderating traditional anti-EC stance; important to promote contacts with European social democrats. Next year's elections likely to be close run.

POINTS TO MAKE

COMMON AGRICULTURAL POLICY

1980/ 1981 CAP Price Settlement

1. Increases higher than we would have wished, but well below Community rate of inflation. No increase in real terms.
2. Increase for milk (commodity in worst surplus) offset by co-responsibility levy. Net of co-responsibility increase amounts to only 1.25% per annum over last two years.
3. Substantial benefits for UK: butter subsidy, whisky refunds, suckler cow premium, favourable sheepmeat regime.
4. Minimal effect on consumers: only adds 0.7% to food price index and 0.15% to R.P.I.

Cap Reform

5. Commitment to implement structural changes agreed in Brussels and endorsed by Heads of Government in Venice gives us unprecedented opportunity to make significant changes to CAP.
6. Recent statements by Chancellor Schmidt and French President and Prime Minister show welcome recognition of need for change.
7. Problems of enlargement and continuing rapid increase in CAP expenditure major catalyst.
8. European Parliament can play useful role in sustaining pressure for change. Now need to examine carefully what sort of changes most appropriate. For Commission in first instance to make formal proposals.
9. How does Parliament see the way forward?

/[[If Raised]

[If Raised]

10. Pisani Report: Cannot necessarily endorse specific analysis and recommendations, but useful for those who favour reform to combine to promote it within Parliament.

11. 1% Ceiling: Cannot agree to increase in ceiling. Would simply provide more money for uncontrolled growth in CAP expenditure. Pressure of ceiling should promote change.

12. Budget Settlement Precludes Reform? Not so. We have no quarrel with the basic objectives of CAP as defined in the Treaty. What is needed are changes in the method of operation.

BACKGROUND

COMMON AGRICULTURAL POLICY

CAP Price Settlement

1. The main features of the 1980/81 farm prices settlement and its impact on the UK are set out in Annex A. Some MEPs may suggest that, despite certain attractive features for the UK, it represents another lost opportunity to cut the cost of CAP: little remains of the Commission's original economy proposals, the price freeze for products in surplus was not achieved and, if green rate changes are taken into account, the level of settlement is little different from the rate of inflation in several countries and will therefore have little effect in restraining surplus production. In response to such criticism, we can accept that the settlement will not solve the CAP's problems, but it does contain the increase in the cost of CAP to the Community, and even including green rate changes represents a $2\frac{1}{2}\%$ reduction in real terms. It also benefits the UK. And our budget solution effectively insulates the UK against the increased cost during the next eighteen months until more permanent solutions are found.

CAP Reform

2. In the wake of the UK budget agreement, both the French and German Governments have made a number of public statements acknowledging the need to reform the method of operation or management methods of the CAP. The budget agreement itself provides for a review of the financial structures of the Community during 1981 and this was endorsed in the Presidency Conclusions to the European Council in Venice on 12/13 June. This review will inevitably involve examination of expenditure on the Common Agricultural Policy since this takes up nearly 75% of the total Community budget. It therefore provides a major opportunity to bring about much-needed reform.

/3.

3. Chancellor Schmidt has long been critical of CAP, but has hitherto been reluctant for domestic political reasons (particularly the position of Ertl in the coalition) to tackle reform. The extra financial burden which will fall to Germany as a result of our budget settlement seems to have focussed attention on the need for action, though it seems unlikely that anything specific will emerge before the election in October.

4. As new permanent net contributors, the French are now worried about CAP costs, especially with enlargement and the 1% ceiling in the offing. In so far as the French are worried about the financial effects of extending to Greece, Spain and Portugal CAP regimes for Mediterranean produce such as olive oil and wine, we may be able to leave it to them to make the running and incur the displeasure of the applicant countries. We shall, however, need to ensure that any solutions are not incompatible with our own interests. We shall want to prevent, for example, any attempt to finance an olive oil regime by a tax on competing oils and fats which would impose further burdens on consumers and hit our margarine industry. The French could also resurrect ideas for management savings in the CAP that they floated during the course of the negotiations on the recent farm price settlement. Many of these run counter to our interests, particularly the proposed elimination of internal Community subsidies such as the UK butter subsidy which the French argue are more expensive to the Community Budget than subsidised exports to third countries.

5. In the absence of significant changes in Community policies affecting revenue or expenditure being taken as a result of the 1981 review, it seems inevitable that the Community will run out of 'own resources' in 1982 if not sooner. The Commission's latest estimate of expenditure for 1980 under the Feoga Guarantee Section is 11.55b EUA, an increase of 11% over the Commission's initial budget proposals. Actual expenditure for the first six months of 1980 is running at 6.2b EUA (12.4b EUA annually). The Commission is already taking emergency management measures to reduce the rate of

/increase

increase, but these measures are only likely to defer expenditure into 1981 and could increase the pressure on own resources in that year, particularly if there is a costly price settlement.

6. Chancellor Schmidt has said that the 1% ceiling is not as effective a lever as hitherto thought, because it would still be incumbent on national Governments to continue to finance CAP if Community funds were not available. Theoretically there is some truth in this but in practice the situation would be foreseen and the chaos it would produce well understood, so that the Council would have to produce urgent decisions to deal with the problem within the 1% ceiling.

7. Many MEPs remain sceptical about the Community's determination to reform the CAP despite the 1981 review commitment. They point to the concessions we made in this year's farm price settlement and the increased likelihood of a high settlement next year because of the French elections next May and the lack of scope for green rate changes. They also suggest that the Foreign Affairs Council statement on the budget settlement precludes any changes in the basic principles of the CAP and conclude that no meaningful reform of CAP is feasible without such change. This is wrong. We interpret the above reference as being to the objectives of the CAP as defined in Article 39 of the Treaty. These are unexceptionable. It is possible to reform CAP to our satisfaction without revising the Treaty.

8. MEPs are also suspicious about the French contention that they can block payments under our budget solution in 1981 unless we agree to their idea of an acceptable farm prices settlement. They may need to be convinced that this is not a real threat. Although the credits for the present year will only be entered in the 1981 budget, this entry is mandatory, not optional or contingent on anything else, eg completion of the CFP. So far as the 1981/82 farm price fixing is concerned this would normally only be settled by April, by which time the budget for 1981 should
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have been formally adopted (this normally occurs in December of the previous year ie December 1980).

9. The Parliament is likely to be an unpredictable ally over CAP reform. Although the rejection of the 1980 draft budget in December 1979 was presented as an attempt by Parliament to control CAP expenditure, it was in reality more of an institutional challenge to the powers of the Council. The Parliament's failure to back up its action on the budget with an equally firm stance on agricultural prices at its special session in March demonstrated its susceptibility to lobbying from agricultural interests. For many MEPs, it is more important that own resources should be increased so that greater revenue is available for non-obligatory expenditure over which Parliament has a bigger say. Having perhaps started off with exaggerated expectations of their ability to bring about a swift and painless reform of the CAP, those MEPs who favour reform may now have become too discouraged. It is important to impress on them the need to keep up the pressure. They may find it convenient to join forces with other similar-minded elements within the Parliament, for example, M Pisani (the former Gaullist Minister) and the other authors of the Parliament's report of February 1980 which called for a new European agricultural and rural policy. In doing so, they will need to avoid endorsing policies inimical to our interests. We will need to give them more precise guidance on this when the Government has decided its own strategy.

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The main features of the CAP prices package are as follows:-

- (a) The average price increase overall is about 5 per cent.
- (b) On milk, the target price would increase by 4 per cent. The basic co-responsibility levy on farmers' deliveries to dairies would however also increase from 0.5 to 2.0 per cent of the price, with a lower rate of 1.5 per cent on the first 60,000 kilograms delivered by producers in less favoured areas. Thus the net increase would be 2½ per cent for most producers (and less in Germany because of monetary change). An additional supplementary levy would be applied in 1981/82 if deliveries of milk in 1980 exceed the 1979 level by more than 1.5 per cent. The details of the supplementary levy would, however, have to be agreed.
- (c) The other main proposal affecting milk producers is the limitation on the payment of grants on dairy farm investments. This is now framed in a manner which avoids discrimination against UK producers. National aids to dairy farmers' investment would no longer be payable. Aid under Community schemes would be limited to provision for a herd of 60 cows or an increase in the size of the producers' herd of not more than 15 per cent.
- (d) The UK butter subsidy of 13p per lb, financed wholly from Community funds, would be continued.
- (e) On beef, the guide price would increase by 4 per cent but the effect on producers' returns and consumers' prices in the present year would be less than this. The proposals would enable us to continue our beef premium scheme. There would be a new subsidy of 20 ECU per cow (£12), funded 100 per cent by Community funds and payable on cows in specialised beef herds.
- (f) On cereals, the target price increase is 6.25 per cent, with the intervention prices increased by 4.5 per cent. The production refunds on cereals used in starch manufacture would be reduced.
- (g) On sugar, the minimum beet price would increase by 4.0 per cent. There would be no changes in the quota arrangements for 1980/81. This is, however, less significant now that world sugar prices have risen to around the level of the Community price, so that currently there is no significant disposal cost falling on Community funds.

(A) The proposals provide for a 10 per cent saving to be made on the costs of processed fruit and vegetables. On wine some changes have been agreed that should help to contain the costs falling on Community funds.

(1) On whisky, the Council has accepted a commitment to adopt the necessary regulation by the end of this year for the payment to the UK of the returns on Community cereals used in exported scotch whisky. This commitment covers retrospective payment of some £40 million net due to the beginning of 1980. At current cereal prices, the annual payments due would be some £16 million per annum.

2. The main implications for UK interests are as follows:-

(a) UK Producers The proposals would increase UK producers' returns by about £100m (after allowing for feed price increases) in a full year. Most of the benefit would go to the cereals and beef sectors, with UK milk producers probably suffering a small net reduction in returns because of the co-responsibility levy. The overall increase would not prevent a further fall in the industry's real net income.

(b) UK Consumers The proposals would produce an increase of about 0.7 per cent in the Food Price Index, and about 0.15 per cent in the R.P.I., when all effects had worked through. The UK butter subsidy offsets much of the effect of the price increases, being worth some £108 million to consumers.

(c) Community Expenditure The proposals are estimated to increase Community expenditure by some 240 million EUAs in 1980 and by about 1000 million EUA in a full year. These figures make no allowance for production and consumption responses to higher prices in future years. About one-fifth of the additional expenditure would be in the UK. The settlement (including the agreement on sheepmeat) would give the UK a net benefit of £37m in 1980/81 and a net cost of £40 m in a full year on the basis of no change in our budget contribution. But the overall effect is subsumed in the budget settlement.

(i) The proposals

1. The main features of the sheepmeat proposals are as follows:-

(a) Variable premium In the UK there will be no intervention buying. Instead there will be a variable premium (ie deficiency payment), paid to UK producers from Community funds and making good the difference between the average UK market price and a "guide level", set at the level of the intervention price operated in other member countries and on the same seasonal pattern. This premium will be recovered on lamb exported. As a result, the return to the producer or trader from sales on the British market will be higher than the return from selling to France at or even somewhat above the French intervention price. There should accordingly be no sales of British lamb into French intervention.

(b) Intervention in other countries In other countries, intervention will be available from August to December at 85% of the basic price, ie well below the recent level of French market prices. Sales into intervention should be relatively light, because when the French market is weak there should be little or no importation from the UK to depress it further.

(c) Reference prices In all countries reference prices will be set which will act as a guarantee of average producer returns. Where the average market price is lower than the reference price an annual compensatory premium will be paid to make good the difference between the two (or between the intervention and reference prices if this is smaller). These reference prices are to be aligned in four equal annual steps. After four years UK producers will thus benefit from the same guarantee as those in all other member countries. The UK producer's return will be sustained by the UK variable premium (bringing his return up to the level of the French intervention price) and a further compensatory premium to bring it up to the common reference price.

(d) New Zealand The whole regime will come into effect only if and when New Zealand agrees ^{on the volume of} ~~(on the volume of)~~ her imports into the Community in exchange for a reduction in the existing tariff of 20 per cent ad valorem. This gives New Zealand the opportunity to ensure that the total arrangements are acceptable to her and do not damage her trading interests.

(e) Export refunds Provision is made for export refunds, but these are subject to New Zealand being satisfied on the regime in general, and to a Council Declaration that refunds must be operated in conformity with international obligations and so as not to prejudice agreements with third country suppliers. This leaves New Zealand free to negotiate, as part of her voluntary agreement with the Community, in relation to how refunds should operate, as well as having the power to block the scheme as a whole. (Mr Gundelach has told Mr Talboys that these arrangements give New Zealand a veto over export refunds distinct from its veto over the regime as a whole.)

(ii) Implications for the UK

2. The main implications of these proposals for the UK are:-

(a) The guaranteed return to UK producers would be increased by 17 per cent in 1980/81, and almost certainly rise substantially thereafter as reference prices were harmonised. Total payments from Community funds to British producers could rise towards £100 million per annum at the end of the four-year transition. French illegal barriers to imports from the UK would be removed.

(b) UK consumers would benefit because the use of deficiency payments, and their recovery on exports, would tend to keep British lamb in Britain when Continental prices were low, thus keeping UK market prices down; while the higher guaranteed price would ensure a production increase and ample supply. The arrangements to be negotiated by New Zealand would ensure a continued supply of New Zealand lamb.

(c) The UK economy would benefit from the financing from Community instead of national funds of an increasing producer guarantee on our production, which approaches one half of total Community production.

(d) The provisions for New Zealand give her an effective veto over the introduction of the scheme and an opportunity to negotiate not only on the volume of her imports and a tariff reduction but also on the operation of export refunds and on other matters of interest to her.



10 DOWNING STREET

From the Private Secretary

ECJ(1)

PC PS

PS/CPJ

PS/PPJ

Lord Bridges

Mr Murray

PC 4/7

3 July 1980

Dear Paul,

Meeting with the European Democratic Group

The Prime Minister met the British members of the European Democratic Group yesterday afternoon. The Foreign and Commonwealth Secretary, the Chief Whip and Mr. Buchanan-Smith were also present.

The Prime Minister thanked the European Democratic Group for the robust way in which they had supported the Government's negotiations on the budget. The settlement had bought time to get the underlying structure right. We could begin to pursue the Community's loftier aims. But we had a major battle ahead on fish. We also had to ensure that New Zealand got a reasonable deal. The Community could not be expected to tackle restructuring seriously until after the French and German elections in 1981. Britain would have to provide impetus.

Sir Henry Plumb (Chairman of the Parliament's Agriculture Committee) thought the prospects for some CAP reform reasonably encouraging. We should not talk about radical reform but restructuring in areas where change was needed. The Prime Minister said what was needed was cheaper food and less support for inefficient farmers.

On fisheries, Mr. Battersby said he had been talking to Mr. Gundelach the previous day; prospects for the CFP negotiations seemed reasonably encouraging. We should be able to secure a settlement on 12 miles and historic rights. On cash for restructuring, the Commission were thinking in terms of a package of some £200 million over 5 years. The British industry was hoarding old distant water boats to qualify for grants. The Government should ensure that grants were paid in relation to the life of the boats. Mr. Buchanan-Smith agreed the atmosphere on the CFP was better although it was not proving easing to regain the momentum in negotiations that had existed before the budget negotiations. He hoped that the European Parliament would stimulate pressure on fisheries ministers.

The Prime Minister said she was concerned about trade problems. Tremendous pressure was building up for import controls, for example on cars. Though the Government did not stress this in public, the fact was that the UK had few powers over trade, now essentially a Community responsibility. But often the Community failed to act rapidly enough on real problems. The demand for import controls had to be resisted but we would also have to act quickly where there was genuine need. At present the UK was being hit harder than other Member States because of the strength of the pound, the weakness of our own industry and the large share of our GNP taken by foreign trade. The Community would have to do better for us than it had so

/ far, for example,

far, for example, on carpets. Sir John Stewart-Clark (member of the Parliament's External Economic Relations Committee) said his Committee was looking not only at what could be done about imports from Japan but also at the scope for greater penetration of the Japanese market. He thought the Community was giving newly industrialised countries like Hong Kong and Brazil too much trade preference. On the other hand, the Community should be more open-hearted on aid to the really poor. Mr. Michael Welsh said the U.K. bureaucracy's approach was often at fault; for example in the case of Christmas card imports from Russia, the Department of Trade (which he said had a staff of 80 on dumping compared with the Commission dumping staff of 16 although the Department of Trade had less competence than the Commission) had advised British industry not to take their case up in the EC. The Commission could in fact have acted effectively and would have been willing to do so. (I should be grateful if Stuart Hampson could let me have an account of what happened on this occasion.) Lord Harnar-Nicholls agreed that the British Government could be more energetic.

Discussion followed on aid. The Prime Minister said we were not getting enough credit for our multilateral aid, nor a large enough share of the export orders involved. We gave more aid to really poor countries than many of our partners. Sir Fred Warner said that MEPs were making a real effort to involve British firms in EDF business. We were already doing relatively well on supplies of equipment. But our manufacturers could do more to advance their case for a larger share of ACP money. He urged that HMG should not be too nationalistic when food aid was concerned.

On energy there was a discussion on follow-up to the Economic Summit. The Prime Minister said we were doing what we could to control the continuing OPEC price increases; we should get out of oil as much as possible and go very much more nuclear.

Mr. John Taylor asked about the Prime Minister's position on the 1% VAT ceiling. There was a risk agricultural costs would swallow up all the money within the ceiling, leaving little for regional and other policies. The Prime Minister said she held absolutely to the 1% VAT ceiling. It was the only way we could force CAP change. That was our position and would be for quite a time. The Parliament should ensure that the money available did not all go on the CAP.

Mrs Elaine Kellet-Bowman said it was politically essential that people in the constituencies should see that Community money was being spent there. Supplementary expenditure under the budget settlement should be publicised. The Prime Minister said that she did not want the settlement to lead to extra money being spent on new projects in Britain. All receipts from the Community under the settlement should be a substitution for actual or planned UK Government expenditure. MEPs said it would be politically damaging if nothing new was seen as a result of the settlement. Sir Fred Catherwood said MEPs understood the Government's problem but the MEPs had a problem too. They had had a difficult year and must demonstrate that something had been achieved for the regions and counties. He suggested that individual projects already planned, eg the A1/M1 link, could be given a European label. Alternatively, counties or other local authorities might decide to forego a project in their area in return for progress on a Community supported project. The Prime Minister agreed that there could be attractions in earmarking specific projects, eg

(a road or a coalfield or remedial action for the textile industry problem as European. This would be better than giving some kind of special status for European purposes to geographical areas. But it should be stressed that there would be no additional expenditure.

Mr. William Hopper urged the Government to take a stronger line in the Community on creating a more genuine Common Market. On capital movements, for example, German banks had an unwritten instruction not to issue to non residents paper denominated in deutschmarks which matured in less than two years. This made a nonsense of free movement of capital and acted against UK interests. The Prime Minister was interested and asked for more detail. (I should be grateful if John Wiggins could let me have a note on this.)

Mr. Tom Spencer said the Government should make more effort to get money from the Social Fund. It was really a retraining fund. Britain had a greater need for retraining than most countries but was doing less about it. Retraining represented a positive approach to unemployment; better than work-sharing. The Prime Minister agreed. We had to make more structural changes than other countries. We needed the Social Fund and could use more of it. The Parliament must not let the CAP squeeze it out.

Sir Peter Vanneck asked whether the Government would support Community defence Ministers' meetings. The Prime Minister was discouraging; the vital thing was to preserve NATO and keep the Americans in Europe. In any case Ministers already went to far too many meetings abroad. Mr. Stanley Johnson asked if the Government would support a single seat for the European Parliament. Lord Carrington told the Prime Minister he had been cautious in reply to the same question earlier in the day. The Prime Minister said she had nothing to add.

Mr. James Moorhouse urged the Government to take a strong line on European air fares; competition from Soviet shipping, which was damaging UK shipping interests; and the increasing share of trade taken by the Russians through the trans-Siberian land bridge. The Prime Minister agreed that European air fares were disgracefully high. This should be pursued with Mr. Nott. She was interested to hear of the other points. They should be followed up with Mr. Fowler.

I am sending copies of this letter to the Private Secretaries to the Members of OD(E), the Secretaries of State for Employment, Environment and Scotland, the Minister for Transport, and the Paymaster General and to David Wright (Cabinet Office).

Yours ever

Michael Alexander

cc Euro POL: July 80
Air Transport Policy.



Weekend Box

Prime Minister

(2)

From the Secretary of State

Dear Sir,

Recd. 16/7

Michael Alexander Esq
Private Secretary to the Prime Minister
10 Downing Street
London, SW1

① Could we forward copies
of the Times and edition of 15 July 1980
this letter to Jim S. Hopkins &
Mr. Welsh provided. Do I have no objection.
(i.e. see 3. Nov)

Dear Michael,

② On air fares, I understand F. Keller wants
to run a service from Paris to Rome. I have the
impression that the British
agreed pending to J. Nov. - I hope
we shall
do nothing to
F. Keller.

MEETING WITH THE EUROPEAN DEMOCRATIC GROUP

In your letter of 3 July you asked for information about the anti-dumping case against Russian Christmas cards and the Department's initiatives to reduce European airfares.

As far as the anti-dumping case is concerned, Mr Welsh's remarks to the Prime Minister totally misrepresent the situation. First, the staff of case officers in the anti-dumping unit does not amount to anything like the figure of 80 given by Mr Welsh. The total is, in fact, 17, broadly comparable to the Commission level which we understand to be 18, but our departmental figure includes 4 working on the Davignon steel anti-crisis measures, which are handled elsewhere in the Commission. In addition, both we and the Commission have around 7 clerical and support staff working in the anti-dumping field. Although responsibility for taking anti-dumping action on behalf of the Community now rests with the Commission, the Government has undertaken in its manifesto, as you will be aware, to give every support to industry against unfairly priced imports and this is why we have retained an active anti-dumping unit whose services are much in demand in the present economic climate.

Second, the Department did not delay the submission of the anti-dumping complaint to the Commission nor did it advise the industry to do so: rather it devoted a great deal of time and effort to attempts to put a realistic case together. The facts are that the Department held a number of meetings with the British Printing Industries Federation, beginning in August 1979, to help and advise it on the preparation of a complaint to put to the European Commission. It soon became apparent, however, that the main interest of the BPIF was less in anti-dumping action and more in bringing pressure to bear on HMG to regulate imports of Soviet cards by other means. Its delays in handling the anti-dumping complaint ultimately became so embarrassing in relation to the weight of pressure from MPs and other correspondents that the Minister for Trade had personally to write to the Federation urging it to get a move on and we let it be known publicly that he had done so.



From the Secretary of State

When the application eventually reached the Commission last month, so far from acting effectively, as Mr Welsh puts it, they decided that they could not recommend opening an investigation immediately but that the BPIF should be asked to provide further information to ensure that there was a sound basis for taking action under the terms of Community legislation. In particular they were not convinced that the imports were large enough to be causing real damage. This is how matters now stand.

As it happens, by way of response to public hostility in the press and Parliament and following behind-the-scenes pressure from officials of this Department, the Soviet authorities have now decided to withdraw from the Christmas card trade after fulfilling the remainder of the existing contract. In the light of this it is possible that the anti-dumping complaint may not get off the ground but we here are willing to go on helping the BPIF if it wishes to continue with its application.

We therefore consider that Mr Welsh's criticisms are unjustifiable. This is all the more disappointing to us as a number of senior officials here have personally taken time to brief Mr Welsh on anti-dumping matters to help him in his work as rapporteur in the European Parliament's External Economic Relations Committee.

As far as European airfares are concerned, my Secretary of State and Mr Tebbit have taken a number of opportunities to make it clear that they believe that a better deal is needed for the air traveller. In the European Community we have taken a leading part in a study of methods to liberalise regional cross-border services and we expect the Commission to bring forward firm proposals for discussion in the Council during the next few months. As a result of a United Kingdom proposal the Council of Transport Ministers in Luxembourg on 24 June instructed the Commission to examine the level of scheduled passenger airfares in Europe and to report back. This is of course only a first step and we are having great difficulty in persuading our Community partners of the need for change. Nevertheless it is an important step forward and in welcoming the Council's instruction Mr Tebbit said that he hoped that the examination could be done quickly and confirmed that the United Kingdom would take a full part in it. Our bilateral agreements do not allow us to unilaterally reduce airfares but we have taken action in a number of cases to reduce or refuse proposed increases where we thought that the proposed level was too high. In advance of any multilateral agreement in the Community we shall continue to take bilateral action where we have the power in appropriate cases.

A copy of this letter goes to the recipients of yours.

Yours ever,

Nicholas McInnes

N McINNES
Private Secretary



British Consulate, London

Dear Sir,
I have the pleasure to acknowledge the receipt of your letter of the 15th inst. in relation to the above-mentioned matter. The same has been forwarded to the appropriate authorities for their consideration.

As it appears from your letter that you are desirous of obtaining further information regarding the above-mentioned matter, I am sorry to be unable to provide you with the same at this time. However, I will be glad to advise you of any developments as they arise.

I am, Sir, very respectfully,
Yours faithfully,
[Signature]



16 JUL 1980

The enclosed copy of the above-mentioned letter is being furnished to you for your information. It is requested that you should advise the undersigned of any further developments in the matter.

I am, Sir, very respectfully,
Yours faithfully,
[Signature]

Private Secretary
[Signature]



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

M.O'D.B. Alexander Esq.
10 Downing Street
LONDON
SW1

14 July 1980

MB

(2)

~~Prime Minister~~
~~Mr. Chancellor~~

Print

Dear Michael,

In your letter of 3 July to Paul Lever about the Prime Minister's recent meeting with British members of the European Democratic Group you asked for a note on the point raised by Mr Hopper about German restrictions on capital movements.

*....
Not a
restriction*

I enclose a note prepared here which gives details of the matter. The restriction which the Germans are still maintaining is a relatively minor one and in any case not something we are tempted to imitate, for the reasons familiar to you which we still see against introducing exchange controls over capital inflows. But we do of course aim to prevent sterling from developing again into a reserve currency by our arrangements for keeping official holdings down to working balances.

The Germans' interpretation of the Capital Movements Directive in this context seems at least questionable; but they would almost certainly be able to get an Article 108 authorisation from the Commission if necessary; and we can see no advantage in our stirring up this particular legal issue either in Brussels or in Bonn.

I am copying this letter (and the attached note) to the recipients of yours.

yours ever

John Wiggins

A.J. WIGGINS
Principal Private Secretary

GERMAN RESTRICTIONS ON CERTAIN CAPITAL MOVEMENTS

1. While the Germans have no formal system of exchange controls, they have at various times over the last two decades placed restrictions on certain capital inflows, either using the powers in their Foreign Trade and Payments Law of 1961 or making gentlemen's agreements with the commercial banks. Since 1974, controls have been maintained only on the acquisition by non-residents of domestic money market paper (mainly promissory notes) and fixed interest securities with less than a certain period to maturity. The promissory note control is under a gentlemen's agreement. Till February 1980 the maturity "floor" was fixed at 4 years in either case. It was then raised to 5 years for promissory notes, following a committee set up after heavy inflows in September 1979, but in March was reduced in either case to 2 years.

2. The retention of these inflow controls - fairly vestigial compared with the pre-1974 array - probably reflects:

a. The authorities' reluctance to see the deutschemark taking on a greater reserve role;

b. The fact that these short-maturity instruments tend to be specially attractive to currency speculators (because there is less risk of capital loss).

3. On a. above the argument has been that Germany's economic potential is insufficient to support a reserve currency role; that German capital markets are too small in relation to the dollar markets; and that such a role would bring little benefit to Germany with the current account consistently in surplus. More recently, however, Germany has experienced significant outflows of short-term capital augmenting a rapidly growing current account deficit. This led not only to a programme of direct borrowing from abroad but to acquiescence, albeit still reluctant, in a growing reserve role for the deutschemark: "Germany must learn to live with it" said Pohl, President of the Bundesbank. This acquiescence was marked by the reduction of the maturity period to 2 years last March. At international meetings, we have welcomed these developments as both indicating a German willingness to adopt a diversified pattern of current account financing and providing a wide range of portfolio opportunities for OPEC investment managers.

4. On b. above, the Germans no doubt think it prudent not to remove what could be a first line of defence against sudden speculative inflows, and may indeed not regard the March liberalisation as irreversible. In themselves, however, the present restrictions can hardly be very damaging to British interests although they may somewhat inhibit some portfolio management at the margin.

5. The Germans appear to think that these particular restrictions fall outside the area of obligatory liberalisation under the Community's Capital Movements Directives. While the Commission's Lawyers are not happy about this view, the Commission have acquiesced without taking a formal position but believing that the German measures are justified.

6. This attitude on the Commission's part, of not quibbling on the technical legal aspects if persuaded of the need for measures on policy grounds, is generally not unwelcome. But inflow, as well as outflow, restrictions which clearly conflict with the obligations in the Directives do legally need authority under Article 108 (or, in a sudden balance of payments crisis, the unilateral Article 109) of the EEC Treaty or, if the capital market's functioning is disturbed, under Article 73 which also provides for unilateral action on grounds of secrecy or urgency.

file

Enno 18.
ds

9 July 1980

I enclose a copy of a letter received by the Prime Minister from Mr. Jack Stewart-Clark MEP. I have acknowledged Mr. Stewart-Clark's letter and am content to leave it to your judgement as to whether you make comment on the points he makes about dumping and small businesses.

I am sending a copy of this letter and its enclosure to Paul Lever (Foreign and Commonwealth Office).

MICHAEL ALEXANDER

Stuart Hampson, Esq.,
Department of Trade.

SR

File

ds

9 July 1980

The Prime Minister has asked me to thank you for your letter of 4 July. She was grateful to you for your kind words.

I have drawn your letter to the attention of the Department of Trade.

MICHAEL ALEXANDER

Jack Stewart-Clark, Esq., MEP



Ento. Parl.

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

7 July 1980

The Rt. Hon. Sir Ian Gilmour Bt MP
Lord Privy Seal

Ian

fs 12ms

MINISTERIAL MEETINGS WITH MEMBERS OF THE EUROPEAN
PARLIAMENT

Thank you for your letter of 30 June enclosing a copy of your letter to Scott-Hopkins about ways in which arrangements for meetings between the European Democratic Group of MEPs and Ministers might be improved.

I am very glad that you wrote to him as you did. This exactly meets my concerns, and will I am sure lead to better co-operation with the Members of the European Parliament.

I am sending copies of this letter to the recipients of yours, and to Sir Robert Armstrong.

2
Howe

GEOFFREY HOWE



8 JUL 1961



De Europæiske Fællesskaber
EUROPA-PARLAMENTET

Europäische Gemeinschaften
EUROPÄISCHES PARLAMENT

European Communities
EUROPEAN PARLIAMENT

Communautés Européennes
PARLEMENT EUROPEEN

Comunità Europee
PARLAMENTO EUROPEO

Europese Gemeenschappen
EUROPEES PARLEMENT

Holmsley House
Holtye Common
Nr Cowden
Kent

Prime Minister

(2)

*(I have a card written to
the Dept of Trade.)*

The Rt Hon Margaret Thatcher, MP
House of Commons
London SW1

9/7

ms

4th July 1980

Dear Prime Minister,

As one of your European Members of Parliament, I should like to thank you very much for having spared so much of your valuable time to see us last Wednesday. I can assure you that your words of encouragement, particularly in regard to our part of the battle on the Community Budget and Britain's contributions to it, were enormously well received.

We carefully noted your words about trade and we shall make certain that we continue to bring maximum pressure to bear on the Commission, particularly in regard to stepping up anti-dumping procedures. Although, like yourself, an enemy of bureaucracy, I have to say that the Commission are grossly under-staffed in the area of controlling dumping and we will have to do something about this. In my role as Spokesman of the REX Committee and Rapporteur for Japan, I shall do my utmost to see that Britain's trading interests are properly looked after. It is particularly important in the case of Japan that we do not allow individual nations within the Community to "do their own thing" in regard to trading with Japan as we can be certain that the Japanese will only thrive upon such disunity.

We were sorry that you were unable to be with us at the conclusion of our one day Small Business Conference. In your absence, Lord Thorneycroft was our Guest of Honour at Dinner and we were able to have the assistance throughout the Conference of David Mitchell. There is a crying need to simplify procedures for the small businessman either trying to get aid from the Community or endeavouring to set up business contacts within it. We propose to start the ball rolling by bringing out a useful and simple publication to help them in this regard.

.../

Your Leadership continues to inspire us and we shall continue to do our utmost in the European Parliament to serve you well.

Yours sincerely

Jack Stewart-Clark

Jack Stewart-Clark

SUBJECT



Euro Pol

cc HMT
NPO
NPSO
MAFF
DIT
NOJ

D/M MB
Dof
SO
D/Trans
PGO
CO

10 DOWNING STREET

From the Private Secretary

3 July 1980

Dear Paul,

Meeting with the European Democratic Group

The Prime Minister met the British members of the European Democratic Group yesterday afternoon. The Foreign and Commonwealth Secretary, the Chief Whip and Mr. Buchanan-Smith were also present.

The Prime Minister thanked the European Democratic Group for the robust way in which they had supported the Government's negotiations on the budget. The settlement had bought time to get the underlying structure right. We could begin to pursue the Community's loftier aims. But we had a major battle ahead on fish. We also had to ensure that New Zealand got a reasonable deal. The Community could not be expected to tackle restructuring seriously until after the French and German elections in 1981. Britain would have to provide impetus.

Sir Henry Plumb (Chairman of the Parliament's Agriculture Committee) thought the prospects for some CAP reform reasonably encouraging. We should not talk about radical reform but restructuring in areas where change was needed. The Prime Minister said what was needed was cheaper food and less support for inefficient farmers.

On fisheries, Mr. Battersby said he had been talking to Mr. Gundelach the previous day; prospects for the CFP negotiations seemed reasonably encouraging. We should be able to secure a settlement on 12 miles and historic rights. On cash for restructuring, the Commission were thinking in terms of a package of some £200 million over 5 years. The British industry was hoarding old distant water boats to qualify for grants. The Government should ensure that grants were paid in relation to the life of the boats. Mr. Buchanan-Smith agreed the atmosphere on the CFP was better although it was not proving easing to regain the momentum in negotiations that had existed before the budget negotiations. He hoped that the European Parliament would stimulate pressure on fisheries ministers.

The Prime Minister said she was concerned about trade problems. Tremendous pressure was building up for import controls, for example on cars. Though the Government did not stress this in public, the fact was that the UK had few powers over trade, now essentially a Community responsibility. But often the Community failed to act rapidly enough on real problems. The demand for import controls had to be resisted but we would also have to act quickly where there was genuine need. At present the UK was being hit harder than other Member States because of the strength of the pound, the weakness of our own industry and the large share of our GNP taken by foreign trade. The Community would have to do better for us than it had so

/ far, for example,

JS

far, for example, on carpets. Sir John Stewart-Clark (member of the Parliament's External Economic Relations Committee) said his Committee was looking not only at what could be done about imports from Japan but also at the scope for greater penetration of the Japanese market. He thought the Community was giving newly industrialised countries like Hong Kong and Brazil too much trade preference. On the other hand, the Community should be more open-hearted on aid to the really poor. Mr. Michael Welsh said the U.K. bureaucracy's approach was often at fault; for example in the case of Christmas card imports from Russia, the Department of Trade (which he said had a staff of 80 on dumping compared with the Commission dumping staff of 16 although the Department of Trade had less competence than the Commission) had advised British industry not to take their case up in the EC. The Commission could in fact have acted effectively and would have been willing to do so. (I should be grateful if Stuart Hampson could let me have an account of what happened on this occasion.) Lord Harmor-Nicholls agreed that the British Government could be more energetic.

Discussion followed on aid. The Prime Minister said we were not getting enough credit for our multilateral aid, nor a large enough share of the export orders involved. We gave more aid to really poor countries than many of our partners. Sir Fred Warner said that MEPs were making a real effort to involve British firms in EDF business. We were already doing relatively well on supplies of equipment. But our manufacturers could do more to advance their case for a larger share of ACP money. He urged that HMG should not be too nationalistic when food aid was concerned.

On energy there was a discussion on follow-up to the Economic Summit. The Prime Minister said we were doing what we could to control the continuing OPEC price increases; we should get out of oil as much as possible and go very much more nuclear.

Mr. John Taylor asked about the Prime Minister's position on the 1% VAT ceiling. There was a risk agricultural costs would swallow up all the money within the ceiling, leaving little for regional and other policies. The Prime Minister said she held absolutely to the 1% VAT ceiling. It was the only way we could force CAP change. That was our position and would be for quite a time. The Parliament should ensure that the money available did not all go on the CAP.

Mrs Elaine Kellet-Bowman said it was politically essential that people in the constituencies should see that Community money was being spent there. Supplementary expenditure under the budget settlement should be publicised. The Prime Minister said that she did not want the settlement to lead to extra money being spent on new projects in Britain. All receipts from the Community under the settlement should be in substitution for actual or planned UK Government expenditure. MEPs said it would be politically damaging if nothing new was seen as a result of the settlement. Sir Fred Catherwood said MEPs understood the Government's problem but the MEPs had a problem too. They had had a difficult year and must demonstrate that something had been achieved for the regions and counties. He suggested that individual projects already planned, eg the A1/M1 link, could be given a European label. Alternatively, counties or other local authorities might decide to forego a project in their area in return for progress on a Community supported project. The Prime Minister agreed that there could be attractions in earmarking specific projects, eg.

a road or a coalfield or remedial action for the textile industry problem as European. This would be better than giving some kind of special status for European purposes to geographical areas. But it should be stressed that there would be no additional expenditure.

Mr. William Hopper urged the Government to take a stronger line in the Community on creating a more genuine Common Market. On capital movements, for example, German banks had an unwritten instruction not to issue to non residents paper denominated in deutschmarks which matured in less than two years. This made a nonsense of free movement of capital and acted against UK interests. The Prime Minister was interested and asked for more detail. (I should be grateful if John Wiggins could let me have a note on this.)

Mr. Tom Spencer said the Government should make more effort to get money from the Social Fund. It was really a retraining fund. Britain had a greater need for retraining than most countries but was doing less about it. Retraining represented a positive approach to unemployment; better than work-sharing. The Prime Minister agreed. We had to make more structural changes than other countries. We needed the Social Fund and could use more of it. The Parliament must not let the CAP squeeze it out.

Sir Peter Vanneck asked whether the Government would support Community defence Ministers' meetings. The Prime Minister was discouraging; the vital thing was to preserve NATO and keep the Americans in Europe. In any case Ministers already went to far too many meetings abroad. Mr. Stanley Johnson asked if the Government would support a single seat for the European Parliament. Lord Carrington told the Prime Minister he had been cautious in reply to the same question earlier in the day. The Prime Minister said she had nothing to add.

Mr. James Moorhouse urged the Government to take a strong line on European air fares; competition from Soviet shipping, which was damaging UK shipping interests; and the increasing share of trade taken by the Russians through the trans-Siberian land bridge. The Prime Minister agreed that European air fares were disgracefully high. This should be pursued with Mr. Nott. She was interested to hear of the other points. They should be followed up with Mr. Fowler.

I am sending copies of this letter to the Private Secretaries to the Members of OD(E), the Secretaries of State for Employment, Environment and Scotland, the Minister for Transport, and the Paymaster General and to David Wright (Cabinet Office).

Yours ever

Michael Alexander



Foreign and Commonwealth Office
London SW1

Telephone 01- 233 5637

Mr O'D B Alexander Esq,
No 10 Downing Street
London SW1

Your reference

Our reference

Date 3 July 1980

Dear Michael,

*Types into as
amended.*

MEETING WITH THE EUROPEAN DEMOCRATIC GROUP

I attach a draft minute from you reporting the Prime Minister's meeting yesterday with members of the European Democratic Group in the European Parliament.

Yours,

W Marsden

W Marsden
European Community
Department (Internal)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: Mr M O'D B Alexander

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO: Mr Paul Lever

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

PRIVACY MARKING

SUBJECT:

.....In Confidence

MEETING WITH THE EUROPEAN DEMOCRATIC GROUP

Copies to:
 Private Secretaries to
 Members of ODE and
 Mr David Wright
 PS/Mr Fowler
 PS/Mr Prior
 PS/Mr Heseltine
 PS/Mr Maude
 PS/Lord Soames

CAVEAT.....

The Prime Minister met the British members of the European Democratic Group yesterday afternoon. ^{The Prime Minister & Commonwealth Secretary, the Chief Whip} ~~Lord Carrington~~ and Mr Buchanan-Smith were also present.

^{The Prime Minister} She thanked the European Democratic Group for the robust way ^{which} they had supported the Government's negotiations on the budget. The settlement ^{had} brought time to get the underlying structure right. We could ^{a major} begin to pursue the Community's loftier aims. But we had ~~one more~~ ^{We also had to ensure that N-Zealand for a reasonable deal.} battle ahead, on fish. ^L The Community could not be expected to tackle restructuring seriously until after the French and German elections in 1981. Britain would have to provide ^{impetus} ~~energy and drive~~.

Sir Henry Plumb (Chairman of the Parliament's Agriculture Committee) thought the prospects for some CAP reform reasonably encouraging. We should not talk about radical reform but restructuring in areas where change was needed. The Prime Minister said what was needed was cheaper food ^{and less support for inefficient farmers.}

On fisheries, Mr Battersby said he had been talking to ^{Mr} Gundelach the previous day; prospects for the CFP negotiations ~~also~~ ^L seemed reasonably encouraging. We should be able to secure a settlement on 12 miles and historic rights. On cash for restructuring the Commission were thinking in terms of a package of some £200 million over 5 years. The British industry was hoarding old distant water boats to qualify for grants. The Government should ensure that grants were paid in relation to the life of the boats. Mr Buchanan-Smith agreed the atmosphere on the CFP was better ^{although it was not positive} ~~but it was not easy~~ to regain the momentum in negotiations ^{that had existed before budget negotiations. He hoped that the European Parliament would stimulate further on fisheries ministers.} /The Prime

Enclosures—flag(s).....

N.P.

The Prime Minister said she was concerned about trade problems. Tremendous pressure was building up for import controls, for example on cars. Though the Government did not stress this in public, the fact was that the UK had few powers over trade, now essentially a Community responsibility. But ^{often} the Community failed to act ^{rapidly} quickly enough on real problems. ~~We would have to resist~~ ^{The demands for} import controls ^{had to be resisted}

but we would also have to act quickly where there was genuine need. ~~Often~~ ^{At present} the UK was ^{being} hit harder than other Member States because of the strength of the pound, the weakness of our own industry and the large share of our GNP taken by foreign trade. The Community would have to do better for us than it had so far, for example, on carpets. Sir John Stewart-Clark (member of the Parliament's External Economic Relations Committee) said his Committee was looking not only at what could be done about imports from Japan but also at the scope for greater penetration of the Japanese market. He thought the Community was giving newly industrialised countries like Hong Kong and Brazil too much trade preference. On the other hand, the Community should be more open-hearted on aid to the really poor. Mr Michael Welsh said there was a fault in the

^{the} UK's bureaucracy's ^{approach was often at fault} way of dealing with problems; for example in the case of Christmas card imports from Russia, the Department of Trade (which he said had a staff of 80 on dumping compared with the Commission dumping staff of 16 although the Department of Trade had less competence than the Commission) had advised British industry not to take their case up in the EC. The Commission could in fact ^{have} acted effectively and ^{would have been better to do so.} ~~had done so then.~~ Lord Hamar-Nicholls agreed that the British Government could be more energetic. ~~Mr Peter Beazley~~ was surprised to hear that the action on carpets was unsatisfactory. Mr Nott had told him it was acceptable. The Prime Minister replied ~~that we had had some satisfaction on the yarns involved but not on carpets as such.~~

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Lord Hamar-Nicholls agreed that the British Government could be more energetic. Mr Peter Beazley was surprised to hear that the action on carpets was unsatisfactory. Mr Nott had told him it was acceptable. The Prime Minister replied that we had had some satisfaction on the yarns involved but not on carpets as such.
Mr Michael Welsh said there was a fault in the UK's bureaucracy's approach was often at fault
would have been better to do so. (I should be grateful if small Hampton would let me have an account of what happened on this occasion)

Discussion followed on aid. The Prime Minister said we were not getting enough credit for our multilateral aid, nor a large enough share of the export orders involved. We gave more aid to really poor countries than many of our partners. Sir Fred Warner said that MEPs were making a real effort to involve British firms in EDF business. We were already doing relatively well on supplies of equipment. ^{Our manufacturers must do more} But ~~we could work harder at this.~~ ^{to advance their case for a larger share of ACP money.} ~~He urged that~~ ^{He urged that} ~~EC should not be too nationalistic~~ ^{EC should not be too nationalistic} when food aid was concerned.

On energy there was discussion on follow-up to the Economic Summit. The Prime Minister said we were doing what we could to control the continuing OPEC price increases; we should get out of oil as much as possible and go very much more nuclear.

/Mr John Taylor

Mr John Taylor asked for the Prime Minister's position on the 1% VAT ceiling. There was a risk agricultural costs would swallow up all the money within the ceiling, leaving little for regional and other policies. The Prime Minister said she held absolutely to the 1% VAT ceiling. It was the only way we could force CAP change. That was our position and would be for quite a time. The Parliament should ensure that the money available did not all go on the CAP.

~~There was discussion on additionality.~~ Mrs Elaine Kellet-Bowman said it was politically essential that people in the constituencies should see that Community money was being spent there. Supplementary expenditure under the budget settlement should be publicised. The Prime Minister said that she did not want the settlement to lead to extra money being spent on new projects in Britain. ~~She wanted the money back.~~ All receipts ^{from the} Community ~~expenditure~~ ^{under the settlement} should be ^{as} substitution for ^{actual or planned} UK Government expenditure.

MEPs said it would be politically damaging if nothing new was seen as a result of the settlement. Sir Fred Catherwood said MEPs understood the Government's problem but the MEPs had a problem too. They had had a difficult year and must demonstrate that something had been achieved for the regions and counties. He suggested ~~first~~ ^{eg.} that individual projects already planned, ~~as an example~~ ^{alternatively} the A1/M1 link, could be given a European label. ~~Secondly~~ ^{in this area}, counties or other local authorities might decide to forego a project in return for progress on a Community supported project.

The Prime Minister agreed that things could be labelled as Euro-projects, ~~a road or a coal field for example.~~ ^{that there would be} There was attractions in earmarking specific projects, eg. ~~dealing with a textile industry problem,~~ ^{a road or a coal field or remedial action for} ~~not just geographical areas,~~ ^{as European.} This would be better than giving some kind of special status for European purposes ^{geographical} ~~if it should be shown that there would be no additional expenditure.~~

Mr William Hopper urged the Government to take a stronger line in the Community on creating a more genuine Common Market. On capital movements, for example, German banks had an unwritten instruction not to issue to non residents ^{paper} ~~certain types of security~~ ^{which matured in less than two years.} denominated in deutschmarks.

This made a nonsense of free movement of capital and acted against UK interests. The Prime Minister was interested and asked for more detail. *(I should be grateful if John Williams could let me have a note on this.)*

Mr Tom Spencer said the Government should make more effort to get ~~more~~ ^{of} money from the Social Fund, ~~which~~ was really a retraining fund. Britain had a greater need for retraining than most countries but was doing less about it. ~~This was~~ ^{retraining supported} a positive approach to unemployment; better than work-sharing. The Prime Minister agreed. We had to make more structural change than other countries. We needed the Social Fund and could use more of it. The Parliament must not let the CAP squeeze it out.

Sir Peter Vanneck asked whether the Government would support Community defence Ministers' meetings. The Prime Minister was discouraging: the /vital

vital thing was to preserve NATO and keep the Americans in Europe. In any case Ministers already went to far too many meetings abroad. Mr Stanley Johnson asked if the Government would support a single seat for the European Parliament. Lord Carrington told the Prime Minister he had been cautious in reply to the same question earlier. *in the day.* The Prime Minister said she had nothing to add.

Mr James Moorhouse urged the Government to take a strong line on European air fares; competition from Soviet shipping, which was damaging UK shipping interests; and the increasing share of trade taken by the Russians through the trans-Siberian land bridge. The Prime Minister agreed that European air fares were disgracefully high ~~points~~, would be cheaper ~~for the Community institutions to move to New York.~~ This should be pursued with Mr Nott. She was interested to hear of the other ~~points~~ ^{They} which should be ^{followed up} discussed with Mr Fowler. ~~to be followed up if [Mr Fowler P.S.] could let me have note on this]~~

I am sending copies of this letter to the Private Secretaries to the Members of OSCE, to the Private Secretaries [of the others on the letterhead who are not members of OSCE] & to David Wright (Labour Office).

Print

EURO P2

LIST OF EUROPEAN MEMBERS ATTENDING THE MEETING FOLLOWED
BY DRINKS ON WEDNESDAY, 2 JULY 1980 AT 1700 HOURS

The Prime Minister

The Rt. Hon. Lord Carrington

The Rt. Hon. Lord Thorneycroft

Sir Anthony Royle

Mr. Beckwith

International Office, Conservative
Central Office

Mr. Alan Howarth

Conservative Research Department

Mr. Gerald O'Brien

Mr. Monoprio

European Members

Mr. Neil Balfour

Mr. Robert Battersby

Mr. Peter Beazley

Lord Bethell

Miss Beata Brookes

Sir Frederick Catherwood

Mr. Richard Cottrell

Mr. David Curry

Mr. Ian Dalziel

Mr. John de Courcy Ling

Mr. Basil de Ferranti

The Marquess of Douro

Mr. William Newton Dunn

The Baroness Elles

Mr. Adam Fergusson

Miss Norvella Forster

Mr. Eric Forth

The Lord Harmar-Nicholls

Mr. David Harris

Miss Gloria Hooper
Mr. William Hopper
Mr. Brian Hord
Mr. Paul Howell
Mr. Alisdair Hutton
Mr. Christopher Jackson
Mr. Robert Jackson
Mr. Stanley Johnson
Mr. Edward Kellett-Bowman
Mrs. Elaine Kellett-Bowman, MP
Mr. John Marshall
Mr. Robert Moreland
Mr. James Moorhouse
Sir David Nicholson
Mr. Tom Normanton, MP
The Lord O'Hagan
Mr. Ben Patterson
Mr. Andrew Pearce
Sir Henry Plumb
Mr. Derek Prag
Mr. Peter Price
Dr. Christopher Prout
Mr. James Provan
Mr. John Purvis
Miss Shelagh Roberts
Mr. James Scott-Hopkins
Mr. Madron Seligman
Dr. Alexander Sherlock
Mr. Richard Simmonds
Mr. Anthony Simpson
Mr. Tom Spencer
Mr. James Spicer, MP

Mr. John Stewart-Clark

Mr. John Taylor

Mr. Fred Tuckman

Mr. Amedee Turner

Mr. Alan Tyrrell

Sir Peter Vanneck

Sir Fred Warner

Mr. Michael Welsh

Sir Brandon Rhys Williams



Foreign and Commonwealth Office

London SW1A 2AH

1 July 1980

Dear Michael,

Prime Minister's Meeting with EDG MEPs: 2 July

I wrote to you on 27 June, attaching briefing for the Prime Minister's meeting with MEPs on Wednesday. I now enclose an updated version of the passage on the 1980 Budget to take account of the result of the Parliament's 26/27 June session.

I also enclose the short briefs requested on Energy, Aid and expenditure under Article 235.

3

12

13

Yours ever

Paul

(P Lever)
Private Secretary

All briefing attached
in folder at back of file

M O'D B Alexander Esq
10 Downing Street

Conservative Research Department

24 Old Queen Street, London SW1H 9HX Telephone 01-222 9511

Director: ALAN HOWARTH

EB/CDB

1st July, 1980

Michael Alexander, Esq.,
Private Secretary to the Prime Minister,
10 Downing Street,
London SW1

Dear Mr Alexander,

Further to our telephone conversation yesterday, after discussion with Mr. Scott-Hopkins, the topics which I believe are most likely to arise in the Prime Minister's meeting with the European Democratic Group are:-

- i) Energy - with particular reference to the initiation of a common policy. *see FCO brief 3*
- ii) Regional Policy - with particular reference to the problems caused in getting Community finance after the Government's rationalisation of regional development areas. Also smoothing the channels for local authorities to make direct contact with the Community Institutions.
- iii) Article 235 expenditure - the programmes and areas to which the expenditure will be directed. *see FCO brief 13.*
- iv) Overseas Aid. *see FCO brief 12*
- v) The EEC Middle East initiative. *See FCO brief 2*
- vi) The Community Budget - restructuring and the future of "own resources". *See FCO brief 5*
- vii) The role of Conservative MEPs in the Government's European strategy.
- viii) The presentation of the Community to British public opinion.
- ix) European Arms Procurement Policy. *See FCO brief 4*
- x) A Community Role in Industrial Policy - the last two are, of course, linked. The Group has recently set up a working party under the Chairmanship of Sir David Nicolson on industrial policy.

Obviously not all these topics could be covered, but they seem the most likely ones to me. They will be seeing Lord

.../Carrington

Carrington earlier in the afternoon so a number of the topics may be covered there. By way of extra briefing on items (i) and (x) I enclose a brief statement of the aims and objectives of the E.D.G. Members on the European Parliament's Energy Committee, and the first draft of a paper to be considered by their Industry Working Party on the evolution of a Common Industrial Policy. It should be emphasised that neither of these documents have been approved by the Group as a whole and are working documents.

I also enclose a list of the Group's spokesmen, all of whom should be present other than David Curry, the Agriculture Spokesman, a list of the M.E.P.s and their brief biographies, a note on areas where the Group feel they have made achievements in the Parliament and points of concern to the Group of a political rather than policy nature.

I hope these are of some help, please let me know if you would like material on any other topics.

yours sincerely,

Edward Bickham

Edward Bickham
European Communities Officer

Encs.

1st July, 1980

CONFIDENTIAL

Potential points of concern to some Members of the European Democratic Group

1. Many of them feel that the Government could make better use of their special position within the European Parliament (as practically a national Group), to use the Parliament as a sounding board for possible future Government European initiatives. They would appreciate any role that could be designed for them to assist in the formulation of Conservative policy in specific policy areas with a European dimension.
2. The state of British public opinion in relation to the European Community. They fear that unless the present slide in the Community's popularity is arrested the issue of Britain's continued membership could become an important issue in the next General Election.
3. They have recovered from their attack of hurt pride following the Report of the Commons Services Committee, and relations are somewhat improved with many of the backbench MPs. A number of the EDG members now regularly attend the Backbench Committees.
4. They are very concerned at having to continue to work in three centres, which they see as an impediment to their efficient functioning.
5. There is a certain amount of disquiet about the exact role of the Group, particularly in relation to the Government. They obviously wish to further British Government policies as much as possible, but I suspect this readiness may be undermined over a period unless they feel they have some form of input into the Government's development of European policy. They are still trying to find their feet over the degree of divergence in policy matters which is realistically possible or desirable between the Group's positions in the European Parliament (where they have occasionally to compromise to gain agreement with the other centre-right groups) and stances adopted by the Conservative Government.

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Director: ALAN HOWARTH

MAJOR POINTS FROM THE EUROPEAN DEMOCRATIC GROUP'S FIRST YEAR

1. Rejection of the 1980 budget

Many of the points put forward by the Parliament, and particularly the E.D.G. members, in rejecting the 1980 Draft Budget coincided with the views of the British Government over the imbalance of expenditure within the Community. They attempted not only to increase non-agricultural spending but also tried to reduce the proportion of the Community Budget spent on agriculture. They would argue that the absence of a Budget for 1980 increased the pressure on farm spending and thus was a helpful factor in bringing about a solution to the British budgetary problem. Members who were particularly involved with the Budget were John M. Taylor, Robert Jackson, Eric Forth, Lord O'Hagan, Brian Hord and Fred Tuckman.

2. Foreign Affairs

The European Democratic Group in concert with the Christian Democrats and Liberals have played a leading part in producing firm European Parliament stances on Afghanistan, an Olympics Boycott, the exiling of Sakharov, and in April despite resistance from the Socialist and Communist groups, urged Foreign Ministers of the Nine to "take all necessary and practicable steps acting in full consultation with the United States to oblige the Iranian authorities to release the hostages."

Members particularly active in this field have included: Lady Elles, Adam Fergusson, Lord Bethell and Brian Hord.

3. Budgetary Control and Scrutiny

The E.D.G. members have been prominent on the Budgetary Control Committee of the Parliament and through their greater use of question time to the Commission and to the Council having increased the amount of scrutiny to which many of the Community's policy proposals are subjected. Those particularly active on budgetary control matters have been: Peter Price, Robert Battersby and Edward Kellett-Bowman.

4. Agricultural Matters

The E.D.G. have been staunch in their opposition to the sales of subsidised butter to Russia, to the extent of making themselves unpopular on this issue with other political groups in the Parliament.

They have fought particularly hard for a sensible common fisheries policy that will protect the interests of British fishermen. In addition to their opposition to any price rises for agricultural products in surplus, they have tried to promote a sensible level of support for sheep farmers through the "sheepmeat regime."

Sir Henry Plumb is the Chairman of the Agricultural Committee, others particularly active have included David Curry, James Provan, Paul Howell and Robert Battersby (Chairman of the Fisheries Sub-Committee).

5. Security

The Group have been active in promoting discussion of security matters within the European Parliament (despite French opposition) and particularly on the evolution of a common European armaments procurement policy. Among the many active on these issues have been Sir Peter Vanneck and Adam Fergusson.

6. Energy

The Conservative MEPs have been active in producing reports on methods of improving energy saving, reducing European dependence on oil imports, methods of promoting development of nuclear energy and the safety of the plutonium cycle. Their energy objectives for the future include advocating the use of energy revenues on a Community basis to further investment in energy conservation and substitution; encouraging the development of Community-wide electricity and gas grids; and developing co-operation on energy policies between the Governments of Member States especially in international organisations. Those who have been prominent in this area have included: Madron Seligman, Robert Moreland and John Purvis.

7. Transport

The European Parliament Transport Committee have been involved in discussing the impact of heavy lorries, the high level of European airfares, and improvement of transport infrastructure within the Community. The EDG members particularly concerned in this area are Shelagh Roberts, James Moorhouse, Lord Harmar-Nicholls and Richard Cottrell.

8. Legal Affairs

The Conservative MEPs have been extremely active in making sensible amendments to the Fifth Company Law directive on employee participation and company structure. This originally required the compulsory institution of two-tier boards for companies with more than 500 employees throughout the EEC. When the report reaches the Parliament's plenary session a wide range of options for employee participation and consultation will have been inserted in the directive. They have also been involved in trying to weaken the proposals within the draft directive on product liability which seek to impose strict liability on manufacturers.

Members who have been particularly active on this committee include:

Christopher Prout, Alan Tyrell, Amedee Turner and Ian Dalziel.

9. External Economic Relations

Under the Chairmanship of Sir Fred Catherwood, the Committee have been trying to increase the scrutiny to which Community trade agreements are subjected and are producing an own initiative report on dumping.

EDG members involved here include: Sir Jack Stewart-Clark, Michael Welsh and Edward Kellett-Bowman.

1st July, 1980
EB/MB

MEMBERS OF THE
EUROPEAN DEMOCRATIC GROUP

(BRITISH CONSERVATIVES, DANISH CONSERVATIVES,
DANISH CENTRE DEMOCRAT, ULSTER UNIONIST)

IN THE

EUROPEAN PARLIAMENT

AND THE

COMMITTEES OF THE PARLIAMENT ON WHICH THEY SERVE

OCTOBER 1979

EUROPEAN DEMOCRATIC GROUP

LIST OF MEMBERS

1979

i) British Conservative Party

JAMES SCOTT-HOPKINS
Hereford and Worcester

Born 1921. MP North Cornwall 1959-66. MP Derbyshire West 1967 (by-election) - 1979. Joint Parliamentary Secretary to the Ministry of Agriculture June 1962-October 1964. Opposition Front Bench Spokesman for Agriculture 1968-73. Member of the European Parliament since January 1973. Deputy Leader of the Conservative Group in the European Parliament 1974 and a Vice-President of the Parliament 1976. Chairman of the European Democratic Group from July 1979.

NEIL BALFOUR
Yorkshire North

Born 1944. Married, one son, two step-daughters. Educated at Ampleforth College; University College, Oxford. Barrister, Middle Temple 1966-68. Director of European Banking Co Ltd. Fought one by-election 1973 and general elections February and October 1974.

ROBERT BATTERSBY, MBE
Humberside

Born 1924. Married, three children. Principal Administrator with European Commission since 1973, working on technical and political aspects of EEC fisheries policy. Before that on European Coal and Steel Community Loans to National Coal Board, British Steel Corporation and to British private steel sector. Previously Sales Director of GKN Contractors Ltd and of Associated Engineering (ES) Ltd. Educated Firth Park Grammar School, Sheffield;

Edinburgh University and Cambridge University,
Sorbonne and Toulouse University; Fellow,
Institute of Linguists.

PETER BEAZLEY
Bedfordshire

Born 1922. Married, three children. Educated Highgate
School and St John's College, Oxford. Thirty-one
years service with ICI, 17 of them spent in Europe.
Specialised knowledge of European economy, finance
and industry; German political and economic
organisation, especially labour relations; Soviet
Union and Soviet bloc industry and economy technology
transfer from West.

LORD BETHELL
London North West

Member since 1975 of the European Parliament,
where he has specialised in political affairs and
the problems of the European consumer; co-author
of booklet 'Consumers in Europe - a Conservative
View' published by the Parliament. Spokesman
of the Conservative Group on the enlargement of the
EEC, the Community's relations with Greece and on
human rights in the Soviet bloc and the
Third World. He is the author of 'The Last Secret'
and 'The Palestine Triangle' and he translated
Alexander Solzhenitsyn's 'Cancer Ward'.

BEATA BROOKES
North Wales

Born 1931. Company Secretary to Tourism and Catering
Company; farming interests. Formerly professional
social worker with Denbighshire County Council. Educated
Lowther College, Abergele, University of Wales.
Awarded American State Department Scholarship to
study politics in USA. Candidate for Widnes (1955),
Warrington by-election (1963) and Manchester Exchange
(1964). Specialised knowledge of health,
agriculture and tourism. Member of the European
Affairs Committee of the Council of Professions
supplementary to Medicine.

SIR FRED CATHERWOOD
Cambridgeshire

Born 1925. Married, three children. Educated Shrewsbury School; Clare College, Cambridge. Chartered accountant. Former chairman British Overseas Trade Board, British Institute of Management. Chairman Mallinson-Denny Ltd and Wittenborg Automat Ltd. Director General, National Economic Development Council 1966-71 and previously Chief Economic Adviser, Department of Economic Affairs. Previously Managing Director of John Laing & Son Ltd, of which he is currently Director. Speaker and broadcaster. Author.

RICHARD COTTRELL
Bristol

Born 1943. Married, two children. Is a journalist and P.R. consultant. Educated at Court Fields Secondary School, Wellington, Somerset and Technical college. Specialises in transport and transport economics and the development of a common transport policy in Europe. Much travelled in both professional and private capacities.

DAVID CURRY
Essex North East

Born 1944. French wife, three children. Educated Ripon Grammar School and Corpus Christi College, Oxford. Inaugural Kennedy scholar to Harvard University 1966-67. Parliamentary candidate Morpeth February and October 1974 General Elections. In 1975 appointed Financial Times Brussels Correspondent covering EEC and Benelux affairs with special mandate to cover industrial, business and financial matters and the European Parliament. In 1976 became Paris Correspondent specialising in business and industrial matters, and in 1978 was European News Editor, Financial Times in London.

IAN DALZIEL
Lothians

Born 1947. Married (wife Italian), two children. Educated Daniel Stewart's College, Edinburgh, St John's College, Cambridge, and the Université Libre de Bruxelles. Senior Executive (Corporate Finance) with Merchant Bank. Former member Richmond-upon-Thames Council and of Education and Amenities Committee. Speaks French and Italian fluently.

THE MARQUESS OF DOURO
Surrey

Born 1945. Married, one son. Educated Eton and Christ Church, Oxford. Deputy Chairman, Thames Valley Broadcasting (commercial radio station). Farmer. Parliamentary Candidate Islington North, October 1974.

THE BARONESS ELLES
Thames Valley

Born 1921. Married, two children. Educated London, Paris, Florence. BA(Hons). Barrister at law, Lincoln's Inn. Opposition Spokesman on Foreign & Commonwealth Affairs, House of Lords 1975-79. UK delegate to European Parliament 1973-75. International Chairman, European Union of Women, 1973-79. Chairman, Party's International Office 1973-78. Member, UK Sub-commission on Discrimination and Minorities, 1973-74; UN Special Rapporteur on Human Rights since 1974. Author of various publications.

BASIL DE FERRANTI
Hampshire West

Born 1930. Married, four children. Educated Eton and Trinity College. Entered Parliament 1958 as MP for Morecambe and Lonsdale; sat for six years during which time he was Parliamentary Secretary to the Minister of Aviation. Currently Deputy Chairman of Ferranti Ltd. He was President of the European Economic & Social Committee of the European Committee.

ADAM FERGUSSON
Strathclyde West

Born in Haddington 1932. Married, 4 children. BA(History) Trinity College, Cambridge. Author and journalist. 1956-60 Glasgow Herald (leader writer and diplomatic correspondent); 1961-67 Statist (foreign editor 1964); 1967-77 feature writer for the Times, specializing in politics, economics, foreign affairs and environmental affairs. Has written also for Sunday Times, Daily Telegraph and Sunday Telegraph, Herald Tribune, Spectator, New Review etc. Leading part in 'Scotland Says No' referendum campaign, 1978-79. Many publications, including two historical novels, and a study of inflation. Widely travelled as a journalist. Particular interests: defence, commonwealth and foreign affairs, conservation, the environment etc.

NORVELA FORSTER
Birmingham South

Born 1931. Educated at South Wilts Grammar School, Salisbury and London university. President of the Union Society. Ex-member, Hampstead Borough Council. Council member of the Bow Group. Currently Chairman and Managing Director of own consultancy company specialising in the plastics, packaging, chemical and allied process industries; undertakes research into marketing and management problems. 50 % of the studies cover the EEC. Member of London Europe Society & Conservative Group for Europe.

ERIC FORTH
Birmingham North

Born 1944. Married two children. Educated Jordanhill College School, Glasgow and Glasgow University. Formerly Audit Manager for Rank Xerox, Mitcheldean, Gloucestershire. Contested Barking in February and October 1974. Member of Brentwood Urban District Council 1968-72. Vice-Chairman of Town Centre and Health and Sewerage Committees.

LORD HARMAR-NICHOLLS
Greater Manchester South

Born 1912. Married, two daughters. Educated at elementary school at Darlaston, Queen Mary's Grammar School, Walsall and Middle Temple. Company owner and director, also Lloyds underwriter. MP for Peterborough 1950-September 1974. Parliamentary Secretary, Ministry of Agriculture, Fisheries and Food 1955-57 and Parliamentary Secretary, Ministry of Works 1957-60. Has led many Parliamentary delegations. Created Life Peer 1974.

DAVID HARRIS
Cornwall & Plymouth

Born 1937. Married, two children. Educated Mount Radford School, Exeter. Formerly chief political correspondent, The Daily Telegraph. Former Parliamentary Candidate Mitcham and Morden; former GLC Member, Bromley Ravensbourne. Former Chairman of Parliamentary Lobby Journalists and of Parliamentary branch, National Union of Journalists. Former Chairman, political committee of Ravensbourne Conservative Association.

GLORIA HOOPER
Liverpool

Solicitor and Partner in London Law Firm with international practice. Educated at Convent High School, Southampton; Southampton University and Universidad Central, Quito, Ecuador. President of Southampton University Conservative Association. Actively involved in local politics and in Solicitors' European Group. Widely travelled in both professional and private capacities. Speaks French, Spanish and German. Various publications. Specialised knowledge: education, taxation and international affairs - especially EEC and South America.

WILLIAM HOPPER
Greater Manchester West

Born 1929. Director of London merchant bank. Educated at Queen's Park Secondary School, Glasgow and Glasgow University. Author. School governor. Specialised knowledge of tax and finance. Founder and first Chairman of Institute for Fiscal Studies in London. Much travelled.

BRIAN HORD
London West

Born 1934. Married, two children. Chartered surveyor. Educated Reedham School; Purley County Grammar School. Contested Darlington February and October 1974 General Elections. Specialised knowledge of housing and land; urban development; town planning and the environment; local government finance. Principal author of 'Rates - Realism or Rebellion'.

PAUL HOWELL
Norfolk

Born 1951. Farmer. Educated at Greshams School, Holt and St Edmund Hall, Oxford (BA Agriculture and Economics). Political Action Officer, University Conservative Association. 1973-75 desk officer for Agriculture/Europe/Prices & Consumer Affairs at Conservative Research Department; Political Adviser to Minister of Agriculture to February 1974, and to Shadow Minister of Agriculture & Minister for Prices & Consumer Affairs.

ALASDAIR HUTTON
South of Scotland

Born 1940. Married, one child. Formerly BBC announcer (since 1964). Educated Dollar Academy, Scotland, Brisbane State High School and Melbourne University. Previously newspaper reporter. Former Chairman, Glasgow Kelvingrove Conservative Association. Second in Command of the Scottish TA Parachute Battalion. Regular public speaker. Specialist in defence, anti-terrorism, broadcasting.

CHRISTOPHER JACKSON
Kent East

Born 1935. Married, two children. Educated at Kingswood School, Bath; Exhibitioner, Magdalen College, Oxford, BA Hons (Physics); studied Economics at Frankfurt university and London School of Economics. Joined Unilever Management Development Scheme 1959. Unilever Senior Manager 1967. General Marketing Manager, Save and Prosper Group 1969. Currently Director of Corporate Development, Spillers Limited. Parliamentary Candidate East Ham South 1970 and Northampton North 1974. Special interests: economic affairs, industry and agriculture.

ROBERT JACKSON
Upper Thames

Born 1946. Married. Educated Falcon College, Bulawayo and St. Edmund Hall, Oxford. 1968 Prize Fellowship All Souls. 1967 President, Oxford Union. 1969-71 served on Oxford City Council. Parliamentary Candidate Manchester Central in October 1974. 1974-76 private office of Sir Christopher Soames at European Commission. 1976-78 Chef de Cabinet to Chairman of EEC's Economic and Social Committee, Basil de Ferranti. Editor of International Affairs; frequent broadcaster and contributor to a wide variety of publications.

STANLEY JOHNSON
Wight & Hampshire East

Born 1940. Educated at Sherborne School and Exeter College Oxford also Columbia University, New York. Winner of Newdigate Prize for Poetry. Previously Head of the Environmental Pollution Division of the Commission of the European Communities. Specialised knowledge of environment, population and development. Widely travelled. Author of various books, including four novels. Family farm on Exmoor.

EDWARD KELLETT-BOWMAN
Lancashire East

Born 1931. Educated Reed's School, Slough College of Technology and Cranfield Institute of Technology. Married to Elaine Kellett-Bowman, Euro-MP for Cumbria. Business consultant with Master's Degree in Business Administration, diploma in management studies and membership of British Institute of Management. Contested Pontefract 1959 General Election. Ex-Chairman London Area YCs and former member of National Executive Committee, also ex-member Local Government National Advisory Committee. Ex-member of five local authorities in London 1957-74. Main interest in social services and housing. School governing body Chairman.

ELAINE KELLETT-BOWMAN
Cumbria

Born 1924. Married to Edward Kellett-Bowman, four children. Member of Parliament for Lancashire East. Educated Queen Mary's School, Lytham; The Mount, York, and St Anne's College, Oxford. Gained Lancaster from Labour 1970 General Election, represented the constituency ever since. Appointed member of the European Parliament March 1975 and a member of the Regional Policy Committee and the Social Affairs, Employment and Education Committee, and has specialised in particular in Regional Affairs.

JOHN DE COURCY LING
Midlands Central

Born 1933. Married four children. Educated King Edward's School, Edgbaston and Clare College, Cambridge. Farmer and Lloyds underwriter. Formerly a senior diplomat; resigned in 1977 as Counsellor, British Embassy, Paris. Specialised knowledge of machinery of government within the EEC and in Whitehall; agriculture; the aircraft industry; defence; insurance; the Press; EEC's relations with the Third World.

JOHN MARSHALL
London North

Born 1940. Educated Glasgow Academy and St Andrew's University. Married. Stockbroker; previously University lecturer in economics. Parliamentary Candidate Dundee East 1964 and 1966, East Lewisham February 1974. Member Aberdeen Town Council 1968-70. Member Ealing Borough Council since 1971. Aims of Industry and various newspapers. Also appeared on TV.

ROBERT MORELAND
Staffordshire East

Born 1941. Educated Dean Close School, Cheltenham; University of Nottingham; post graduate work at Institute of World Affairs, Connecticut and at University of Warwick. 1974 - present, management consultant. Parliamentary Candidate, Pontypool, October 1974. On General Purposes Committee of the Conservative Group for Europe, Council member European Movement.

JAMES MOORHOUSE
London South

Born 1924. Educated St Paul's School and London University. Chartered engineer. Industrial environmental affairs adviser. Specialist knowledge of transport including civil aviation; energy especially oil and gas, nuclear power; industry and technology; environmental affairs including pollution; foreign affairs. Fought St Pancras North General Election 1966 and 1970. Much travelled. Experienced speaker. Member of General Council, Conservative Group for Europe. Leader of Foreign Affairs Forum delegation to USA, 1979.

WILLIAM NEWTON DUNN
Lincolnshire

Born 1941. Married, two children. Educated Marlborough College; Gonville & Caius College, Cambridge, the Sorbonne, and INSEAD Business School, Fontainebleau. Ex-Purchasing controller in the fertilizer division of Fisons Ltd. Contested Carmarthen February 1974 and Cardiff West October 1974. Ex-chairman of Bow Group European Energy Policy Study-Group. Specialised knowledge of shipping, energy and agriculture (fertilizers).

SIR DAVID NICOLSON
London Central

Born 1922. Chairman Rothmans International Ltd. and BTR Ltd. Director of other companies. First Chairman of British Airways (1971-75). Educated Haileybury and Imperial College, London University. Member of the CBI Europe Committee, the UK Committee of Insead.

TOM NORMANTON
Cheshire East

Born 1917. An industrialist and director of both public and private companies in engineering and textiles. MP for Cheadle since 1970. Special Member (employers' panel): National Board for Prices and Incomes, founder council member of CBI. Appointed Member of the European Parliament 1973-79. Has specialised in industrial policy matters and energy questions. President, British Textile Employers' Association since 1972, and President, International Textile Manufacturers Federation since 1976.

THE LORD O'HAGAN
Devon

Born 1945. Member of the European Parliament 1973-75 and a member of the Social Affairs Committee. Front Bench Spokesman for the Conservative Party in House of Lords from 1977 on EEC, Transport and Environment.

BEN PATTERSON
Kent West

Born 1939. Deputy Head of London Office of European Parliament 1974-79. Company director. Contested Wrexham 1970 General Election. Hammersmith Borough Councillor 1968-71. Former editor "CPC Monthly Report", and assistant to Director, CPC. Tutor at Swindon College 1961-65.

ANDREW PEARCE
Cheshire West

Born 1937. From 1974 to 1979 an official of the European Communities Commission in Brussels, working in Customs Dept. as a negotiator on textile import limitation agreements. Parliamentary candidate by-election 1969 and General Election 1970. Founder and Chairman British Conservative Association in Belgium.

SIR HENRY PLUMB
The Cotswolds

Born 1925. President of National Farmers' Union 1970-79. Farmer in Warwickshire. Vice-President of the International Federation of Agricultural Producers; Chairman of the British Agricultural Council; member of the Council of Management for the Centre for European Agricultural Studies and of the European Liaison Group for Agriculture. Knighted, June 1973. Deputy Lieutenant for Warwickshire; Fellow of the Royal Agricultural Societies and of the Royal Society of Arts. Council member CBI.

DEREK PRAG
Hertfordshire

Born 1923. Until June 1973 a European Commission civil servant. Now an independent consultant on Common Market affairs, economic journalist. Chairman London Europe Society. Member of Executive Committee and National Council of European Movement. Honorary Director of EEC Commission.

PETER PRICE
Lancashire West

Born 1942. Solicitor. Currently Vice-Chairman CPC National Advisory Committee, and member of National Union Executive Committee. Vice-Chairman of Conservative Group for Europe and Hon. Secretary of Foreign Affairs Forum. Parliamentary Candidate Caerphilly 1970, Aberdare 1964 and 1966. Experienced broadcaster and speaker.

CHRISTOPHER PROUT
Salop and Stafford

Born 1942. Barrister. Former Chairman Brighton Pavilion Conservative Association.

JAMES PROVAN
North East Scotland

Born 1936. Farmer. Regional Councillor, on number of committees. Past Council Member of Scottish NFU and Legal Committee. Constituency Officer - raised £12,500 in fund raising effort in 1975. Member Tay River Purification Board.

JOHN PURVIS
Mid-Scotland and Fife

Born 1938. Married, three children. Educated Trinity College, Glenalmond and University of St. Andrews. Adviser to Scottish companies and English and American financial institutions on banking, money markets, foreign exchange, trade development, corporate planning. Also Director and Secretary of Brighton Farms Ltd. Serves on Taxation Committee of Scottish Landowners Federation. Speaks Italian, French and German.

SIR BRANDON RHYS WILLIAMS
London South East

Born 1927. With ICI Ltd 1948-62. Consultant, Management Selection Ltd. 1963-71. MP for South Kensington 1968-74. MP for Kensington from 1974. Member of UK Delegation to Council of Europe 1970-72. Member of UK Delegation to European Parliament from 1973. Author of numerous pamphlets and articles.

MADRON SELIGMAN
Sussex West

Born 1918. President of the Oxford Union. 1972-present, marketing director APV Group (60 companies world-wide). Specialised knowledge of international affairs, industrial and employment matters, small businesses and trade.

DR ALEXANDER SHERLOCK
Essex South West

Born 1922. Qualified medical practitioner, also a barrister at law. Member of Suffolk County Council since 1973 - member of various committees. Particularly interested in safety and health and industry; transport, manufacture and use of hazardous substances and appropriate associated legislation; control of environmental pollution.

RICHARD SIMMONDS
Midlands West

Born 1944. Educated at Trinity College, Glendon, Scholarship to study EEC Marketing. Farmer and Estate Business Consultant. Former Member and Chairman of 4 Committees of Berkshire County Council 1973-79. National Vice-Chairman of Young Conservatives and founding National Vice-Chairman of Young European Democrats 1973-75. Personal Assistant to Rt Hon Edward Heath 1973-75. Parliamentary Private Secretary to James Scott-Hopkins, Leader of the European Democratic Group.

ANTHONY SIMPSON
Northamptonshire

Born 1935. A barrister, he has worked in the legal service of the European Commission in Brussels since 1975. Contested Leicester West in February and October 1974. In Brussels he was Chairman of the European Democrat Forum (now Vice-Chairman) and has served on the Committee of the British Conservative Association in Belgium. Specialises in the field of defence and the Common Market, particularly interested in Community law, and legal affairs.

TOM SPENCER
Derbyshire

Born 1948. J Walter Thompson since January 1976. Ex-Chairman New Forest YCs and Southampton University Conservative Association. Assistant to director of Britain in Europe Campaign 1975. Member Council of European Movement 1968-75, Vice-President Young European Federalists 1972-75. Much travelled.

JAMES SPICER
Wessex

Born 1925. MP for West Dorset since February 1974 (previously candidate for Southampton Itchen 1965-71). Farmer, company director. One of the Conservative Delegation to the European Parliament since 1975. 1975-78 Chairman of the Conservative Group for Europe; 1978 - Vice-President of the Group. Particular interests: agriculture, defence and foreign affairs. Honorary member of the Whips' Office and has acted as the main link from Westminster to the Conservative Group in the European Parliament. From 1979 Chief Whip to the European Democratic Group.

SIR JOHN STEWART-CLARK Bt
Sussex East

Born 1929. Wife Dutch, five children. At present Managing Director of Pye of Cambridge. Much travelled - speaks Dutch, Spanish and French. Unionist Candidate in North Aberdeen 1959. Political interests are foreign affairs, Home Office, transport, defence, trade and employment.

JOHN M TAYLOR
Midlands East

Born 1941. Married. Solicitor, director of small companies and Consultant. Member of West Midlands Metropolitan County Council 1973 to date. Leader of opposition 1975-77. Leader of Council 1977-79. Member West Midlands Economic Planning Council 1977-79. Deputy Chairman Association of Metropolitan Authorities 1978-79. Fought Dudley East in February and October 1974.

FRED TUCKMAN
Leicester

Born 1922. Managing director consultancy firm in Germany specialising in human resources and Chairman, partner and member of similar firms respectively in Finland, US and London. Since 1970 has spent much time on the Continent in this job. Bow Group Secretary 1958-59, Council Member 1955-63. CPC Greater London Area Chairman 1968-69. Parliamentary Candidate Coventry North 1970. Author of many articles. 1968-70 Chairman Library & Arts Camden Council.

AMEDEE TURNER QC
Suffolk

Born 1929. Patent barrister QC (1976) and author. Parliamentary Candidate for Norwich North in General Elections 1964, 1966 and 1970. Chairman, Foreign Affairs Forum. North America Chairman of Conservative Commonwealth & Overseas Council. Many political speaking tours in USA. Specialised knowledge of defence, EEC, industrial research and development, American industry in Europe.

ALAN TYRRELL QC
London East

Born 1933. Called to Bar 1956, Recorder of Crown Courts since 1972; QC 1976. Specialised knowledge of industrial relations. Party involvement since the age of 18. Ex-candidate Paddington BC 1958; LCC, South Lewisham 1961.

SIR PETER VANNECK
Cleveland

Born 1922. RN 1939-49. Inspector General (rank of Air Commodore) Royal Auxiliary Air Force. Member of the Stock Exchange. Ex-Lord Mayor of London 1977-78. Special interests: finance, agriculture, engineering, Service and aviation matters. Keenly involved in hospitals - Special Trustee of Bart's.

SIR FRED WARNER
Somerset

Born 1918. Company director, farmer. Regional Chairman National Trust. Twelve years service with Royal Navy; twenty-nine years in Diplomatic Service (Ambassador to Laos, United Nations, Tokyo). Specialised knowledge of Government structure, foreign affairs, commercial relations, agriculture, overseas aid and development.

MICHAEL WELSH
Lancashire Central

Born 1942. 1966-69 General Manager Channel Road Services Ltd. 1969-79 with Levi Strauss and Co. Europe SA, formerly Director of Market Development. 1975 - Vice-Chairman British Conservative Association in Belgium. Previous political experience as Branch Officer in Putney and Chelmsford and Belgium.

SHELAGH ROBERTS
London South West

Born 1924. Industrial relations consultant and member of Industrial Tribunals Panel. Member of Port of London Authority. GLC member since 1970; Vice-Chairman Housing Committee 1970-73, leader of Planning and Communications Policy 1977-. Kensington Borough Councillor 1953-65; Kensington & Chelsea Borough Council 1964-71; currently Chairman of Planning and Transportation Committee of Association of Metropolitan Authorities. Chairman of National Union 1976-77; Chairman of Women's National Advisory Committee.

ii) Ulster Unionist Party

THE RT HON JOHN DAVID TAYLOR

Born 1937. Married, five children. MP for South Tyrone 1965-74; Parliamentary Secretary Ministry of Home Affairs 1969-70; Minister of State for Home Affairs 1970-72. Privy Counsellor (NI). Member of NI Legislative Assembly 1974-75 for Fermanagh/South Tyrone. Member of NI Constitutional Convention for North Down 1975-77. Chartered Engineer; Director of West Ulster Estates Ltd. and West Ulster Hotels Co. Ltd. Ulster Unionist EEC Spokesman since 1975.

iii) Conservative Party of Denmark

KENT KIRK

Born 26 August 1948. Married. Ship-Master. Chairman of Esbjerg Fishing Association.

POUL MØLLER

Born 13 October 1919 in Copenhagen. Bachelor of Laws. Former Minister of Finance. Long-standing Member of the Folketing until 1971. Married.

iv) Centre-Democrat Party of Denmark

ERHARD JAKOBSEN

Born 25 February 1917 in Billund (Jutland). Married. M.A. (Econ.). Chairman of the Party Centrum-Demokraterne Member of the Folketing elected in the county of Copenhagen. Member of the European Parliament since 1973.

EUROPEAN DEMOCRATIC GROUP

1.

LIST OF MEMBERS' COMMITTEES

1. POLITICAL AFFAIRS COMMITTEE

James Scott-Hopkins⁺
Lord Bethell (Vice-Chairman)
The Baroness Elles
Adam Fergusson
Christopher Jackson
Poul Møller

2. COMMITTEE ON AGRICULTURE

Sir Henry Plumb (Chairman)
Robert Battersby
David Curry⁺
Paul Howell
Kent Kirk
James Provan

3. COMMITTEE ON BUDGETS

Eric Forth
Brian Hord
Robert Jackson
Lord O'Hagan
John M. Taylor⁺
Fred Tuckman

4. COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Basil de Ferranti (First Vice-Chairman)
Neil Balfour
Norvela Forster
William Hopper
Sir David Nicholson⁺
Sir Brandon Rhys Williams

5. COMMITTEE ON ENERGY AND RESEARCH

Tom Normanton (Third Vice-Chairman)
Peter Beazley
The Marquess of Douro
John Purvis
Madron Seligman⁺
Sir Peter Vanneck

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1. These are the Members' full Committees: their substitute positions on committees are not listed.
+ Denotes leader of EDG Members on Committee.

6. COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Sir Fred Catherwood (Chairman)
John de Courcy-Ling⁺
Edward Kellett-Bowman
Sir John Stewart-Clark
Michael Welsh

7. LEGAL AFFAIRS COMMITTEE

Amedee Turner⁺ (Second Vice-Chairman)
Ian Dalziel
Dr. Christopher Prout
Alan Tyrell

8. COMMITTEE ON SOCIAL AFFAIRS AND EMPLOYMENT

Beata Brookes
Derek Prag
Tom Spencer⁺
James Spicer

9. COMMITTEE ON REGIONAL POLICY AND REGIONAL PLANNING

David Harris⁺
Alasdair Hutton
Elaine Kellett-Bowman
John D. Taylor

10. COMMITTEE ON TRANSPORT

E. Jakobsen (First Vice-Chairman)
Richard Cottrell
Lord Harmar-Nicholls
James Moorhouse⁺
Robert Moreland

11. COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND
CONSUMER PROTECTION

Stanley Johnson (Second Vice-Chairman)
Gloria Hooper
William Newton Dunn
Dr. Alexander Sherlock⁺

12. COMMITTEE ON YOUTH AFFAIRS, CULTURE, EDUCATION
INFORMATION AND SPORT

Ben Patterson
Peter Price⁺
Anthony Simpson

13. COMMITTEE ON DEVELOPMENT AND COOPERATION

John Marshall
Andrew Pearce
Richard Simmonds
Sir Fred Warner⁺

14. COMMITTEE ON BUDGETARY CONTROL

Peter Price (Third Vice-Chairman)
Robert Battersby
Edward Kellett-Bowman⁺
John M. Taylor

15. COMMITTEE ON THE RULES OF PROCEDURE AND PETITIONS

Ben Patterson⁺
Lady Elles
Amedee Turner
Alan Tyrell

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1

Prime Minister

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Ref. A02501

MR. ALEXANDER

Inevitably there are a considerable number of briefs for this meeting. But they are for the most part very short & you need only glance at them. This minute suggests a few opening remarks. Mr Scott-Hopkins will, perhaps, speak at rather greater length.

Prime Minister's Meeting with the European Democratic Group:
2nd July

And

You will have received substantive briefing from the Foreign and Commonwealth Office for the Prime Minister's meeting with the European Democratic Group of MEPs tomorrow, 2nd July, at which the Foreign and Commonwealth Secretary will also be present. With his separate letter to you of 30th June, the Private Secretary to the Lord Privy Seal enclosed copies of letters to the Chancellor of the Exchequer and Mr. Scott Hopkins setting out the procedural improvements he and the Chancellor are seeking to make in the arrangements for Ministerial meetings with MEPs. This minute suggests that the Prime Minister might use the occasion of her meeting with the European Democratic Group tomorrow to give her backing to these improvements.

I have also suggested that Mr Franklin should sit in. He will be visiting Strasbourg in a few days.

2. The Lord Privy Seal, acting on an OD(E) decision, is asking the European Democratic Group to agree that their meetings with Ministers should be more disciplined and structured than they have been in the past. This involves

- (a) giving adequate prior notice of the subjects they wish to raise at such meetings
- (b) defining those subjects as closely as possible in advance
- (c) where meetings with the whole Group are concerned, exercising restraint as to the number of speakers and questions that Ministers are expected to deal with.

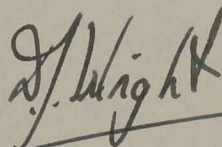
OD(E) has also agreed a number of changes to internal Whitehall co-ordination procedures for dealings with MEPs the main purpose of which is to ensure that as far as possible individual Ministers operate on the basis of a common brief in their separate dealings with MEPs.

CONFIDENTIAL

3. These new procedures spring primarily from Ministers' dissatisfaction with the present arrangements. But once introduced, they should serve to make these meetings more useful to both parties. It seems that the European Democratic Group may have arrived independently at the same conclusion, since they have given advance warning that they wish to discuss the outcome of the two Venice Summits and possible Community involvement in Defence with the Foreign and Commonwealth Secretary and the Common Agricultural Policy with the Prime Minister.

4. If the Prime Minister agrees, she might therefore in her opening remarks:

- (a) stress the importance the Government attach to maintaining close and effective relations with United Kingdom MEPs, and especially the European Democratic Group
- (b) welcome the advance notification of the main subjects for discussion at the meeting
- (c) express her belief that the value of such meetings to both parties will be enhanced if they focus on a limited number of subjects selected and notified in advance
- (d) commend therefore the procedural improvements recommended in the Lord Privy Seal's letter of 30th June to Mr. Scott Hopkins.



(D. J. Wright)

1st July, 1980



Foreign and Commonwealth Office

London SW1A 2AH

30 June 1980

Rob. has seen

H. Paul

Dear Michael

MINISTERIAL MEETINGS WITH MEMBERS OF THE EUROPEAN PARLIAMENT

It has become clear that there is a need for greater order to be introduced into meetings between Ministers and Members of the European Parliament when the whole of the European Democratic Group (EDG), some 60-odd MEPs, are present.

I enclose copies of letters which the Lord Privy Seal has written to the Chancellor of the Exchequer and to the Leader of the EDG, which set out suggestions for procedural improvements; you may like to consider whether they might be applied to any meetings the Prime Minister may have with the EDG.

I am copying this letter to John Wiggins in the Chancellor's Office and to David Wright in the Cabinet Office.

*Yours own
Michael*

M J Richardson
Private Secretary to the
Lord Privy Seal

M O'D B Alexander Esq
10 Downing Street
London



Foreign and Commonwealth Office
London SW1

30 June 1980

Ken Gifford,

MINISTERIAL MEETINGS WITH MEMBERS OF THE EUROPEAN PARLIAMENT

We have been considering ways in which arrangements for meetings between Ministers and Members of the European Parliament can be improved, in the light of our discussions in OD(E) and the recommendations in the note by the Chairman of EQO which Peter Carrington circulated with his Note OD(E)(80)16 of 7 May, and which has been agreed by our colleagues. I understand that the guidance to Departments will accordingly issue shortly, incorporating the further modification suggested in your Private Secretary's letter of 21 May which we have agreed.

I understand that you are anxious to ensure that your own meetings with the European Democratic Group MEPs are better prepared and more useful to both sides, principally by ensuring that the EDG work more as a group and less as a collection of individuals; and that they prepare groups of questions which they will let your office have in advance of meetings. I am sure that this procedure would improve matters for all those of us who give briefing meetings to the EDG. I have therefore written to Jim Scott-Hopkins to invite the cooperation of the EDG in the

/proposed

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

proposed arrangements. I enclose a copy of the letter I have sent, and am copying this letter to the other members of OD(E), to Keith Joseph, and to the Prime Minister's office.

*your own
lan*



Foreign and Commonwealth Office
London SW1

30 June 1980

Mr Jim.

We have jointly acquired a good deal of experience of the arrangements that were instituted following my letter to you of 4 July last year for briefing meetings between Ministers and MEPs on Community matters. I hope you will agree that such meetings have proved to be an important element in ensuring that the Government and United Kingdom MEPs are aware of each other's preoccupations.

I nevertheless feel that there may be room for improvement in the format of such meetings, so that both parties had fuller and clearer knowledge of the specific purpose of each meeting. So far as meetings arranged at the Government's initiative are concerned, we propose in future to make clear beforehand the subject and purpose of the meeting, and to ask likewise beforehand whether there are any points MEPs would wish to raise at the same meeting.

I hope the members of your Group will be willing to take similar steps on their side by giving reasonable advance notice to my office or the office of the relevant Minister of the subjects they want to raise and by defining those subjects as closely as possible.

/In the

J Scott-Hopkins Esq MEP
Chairman
European Democratic Group
Conservative Central Office
32 Smith Square
London SW1

In the case of meetings between the whole of your Group and Ministers, it would be a great help if the Group could agree on a number of questions which focus on what the Group as a whole thinks to be of most importance, and if your secretariat could then let us know in advance what these are. There is only limited time at our disposal on such occasions and, with the best will in the world, it is clearly not possible to deal with all the questions individual MEPs would like to raise.

Perhaps you could let me know if this procedural improvement is acceptable.

Yours
Lan



Prinie Prinster
(H/W briefs for Wednesday's
meetings)

Foreign and Commonwealth Office
 London SW1

Prinster

30 June 1980

Dear Geoffrey,

MINISTERIAL MEETINGS WITH MEMBERS OF THE EUROPEAN PARLIAMENT

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The Rt Hon Sir Geoffrey Howe QC MP
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 Treasury Chambers
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 London SW1P 3AG

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*your own
lan*



30 JUN 1980



Foreign and Commonwealth Office
London SW1

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Perhaps you could let me know if this procedural improvement is acceptable.

Yours
Ian



30 JUN 1980

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Foreign and Commonwealth Office

London SW1A 2AH

Dear Michael,

27 June 1980

Prime Minister's Meeting with European Democratic Group:

5.00 p.m. Wednesday 2 July

I enclose briefing for this meeting, as requested in Miss Stephens' letter of 6 June to Malcolm Adams. It concentrates on the CAP, as this is to be the main purpose of the meeting; other subjects of importance which might be raised and for which briefs are provided are:-

- Outcome of the European Council 2
- Outcome of the Venice Economic Summit 3
- EC and Defence 4
- 1980 Budget (supplementary brief to follow if necessary) 5
- UK Budget Solution (including restructuring, additionality, etc) 5
- Fish 6

All briefing attached in folder at back of file.

The Foreign and Commonwealth Secretary will have seen the EDG at 3.00 p.m. the same day; they have asked him particularly to speak on the first three of these subjects. It is also possible that the MEPs may refer to the following questions on which I enclose short briefs.

- Enlargement of the Community 7
- Seat of the European Parliament 8
- Salaries for MEPs 9
- Common Electoral System 10
- Report of the Three Wise Men 11

No brief is enclosed on the choice of the next President of the Commission since the Prime Minister will be familiar with the question. Similarly no 'points to make' have been included on the Venice Economic Summit but the various statements made after it have been attached at Annex B to the brief. The briefs have been cleared with the departments concerned.

There is a matter of some delicacy as regards the 1981 budget to which the Prime Minister may like to refer in the course of her conversation with MEPs. This is that if the 1981 budget should be rejected by the Parliament in December, on whatever grounds, this would cause considerable embarrassment to the Government, and to UK MEPs, since it would not be possible to pay us anything under the budget settlement in

/respect

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respect of 1980. The provision for this is in the 1981 budget, and as there will be little provision in the 1980 budget, we will not be able to benefit through the operation of the twelfths system. Some MEPs will already be aware of this, but it would be worth mentioning at some point in the proceedings.

Yours ever
G G H

(G G H Walden)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

CONFIDENTIAL

MEETING WITH THE EUROPEAN DEMOCRATIC GROUP: 2 JULY 1980

Introduction

1. There have recently been indications of disquiet on the part of EDG members that they are not taken more into Minister's confidence, even though they are expected to support UK policies in the Parliament.
2. It might help to dispel this feeling if the Prime Minister were to give them her assessment of the Government's present position and briefly explain domestic policies. It might also be worth asking for their views on the various issues they raise and their assessment of the UK's position in the Community following the 30 May budget agreement.

Points to Make

General

3. Budget agreement provides Government with their first real opportunity to demonstrate constructive attitude to Community and get away from 8-1 confrontation.
4. Important to persuade man in street of advantages of Community membership. MEPs have a vital role to play.
5. How do MEPs see UK position now? Where are the most promising opportunities?
6. Commitment to review in 1981 gives us opportunity to overhaul CAP and financial arrangements. This is fundamental to our strategy.

Fuo 29

NOTE FOR FILE

I spoke to Jim Scott-Hopkins' secretary and confirmed that Mr. O'Brien and Mr. Monoprio should be invited next Wednesday. I also mentioned that Mr. Scott-Hopkins should open the proceedings with a short speech which the Prime Minister would then respond to. There would then be questions. Mrs. Thatcher to Chair the meeting.

I asked Rosemary Spencer at Central Office to supply us with a brief and a list of the members who would be attending.

es.

27 June 1980

Euro PSI.

MR ALEXANDER

Ris Stephens.

Meeting with Euro-MPs: Wednesday 2 July

Jim Scott-Hopkins would like to have the answers to the following questions please:

No

1. Are the Danish MPs included (three or four of them) as they are part of our Democratic Group? I assume not.?

As I understand it this is a briefing meeting not a party. ∴ No.

2. Is it possible for some of Jim Scott-Hopkins' staff to be invited i.e. Mr. Gerald O'Brien, his right-hand man; Mr. Maurice Trowbridge, in charge of Press; Mr. Monoprio, Secretary-General to the Group. All these gentlemen are employees of the Group.

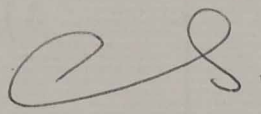
Basically questions to answer - but could I see the file before deciding about statements at the briefing.

3. Does the Prime Minister want to run the meeting herself - in other words how does she want to play it? Will she speak? Is Jim to speak? Questions and answers?

✓

4. He wants to know if wives are included in the drink. I said not. Is this correct?

Mr Alexander



File as promised. Found I wd my JB-H before wife. Told his sec: met probably O'Brien Monoprio cd come.

Ed. 26/6.

23 June 1980

204.4888 Home
Eileen Wright

WEEKEND BOX

PRIME MINISTER

Your Meeting with Euro MPs - 2 July

There is a request for Alan Howarth and Edward Bickham to attend the above meeting. Edward Bickham is the Research Officer at Central Office dealing with Europe as well as being the Liaison Officer with the Democratic Group and attends all their sessions.

Content for these two to be included?

es. Yes not

Confirmed by 'phone.

es. 16/6.

10 June 1980

CC MATT

HS

B/f 27-6-80

European

Bling

6 June 1980

I am writing to confirm that the Prime Minister will be meeting with all the MEPs at 1700 hours on Wednesday 2 July. The meeting will be followed by drinks at about 1830.

The main purpose of the meeting will be to discuss the CAP and also other items of importance relating to the European Parliament. I should be grateful if you could provide us with a full brief, to reach this office by Friday 27 June.

I am sending a copy of this letter to Jane Rabagliati in Alick Buchanan-Smith's office, although it is not clear yet whether he or the Minister will be attending.

CAROLINE STEPHENS

M.C. Adams, Esq.,
Foreign and Commonwealth Office.

jes

6 June 1980

I am just writing to confirm our conversation this afternoon that Sir Anthony Royle and the Chairman will attend the meeting at 1700 hours at 10 Downing Street on Wednesday 2 July of all MEPs. The Foreign Secretary will also be present as well as Peter Walker or Alick Buchanan-Smith.

CAROLINE STEPHENS

Miss Rosemary Spencer



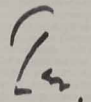
10 DOWNING STREET

Caroline Stephens.

MEMBERS OF THE EUROPEAN PARLIAMENT.

1. At a meeting with the Chairman of the Party on 4th June, the Prime Minister asked that a meeting should be arranged at 10 Downing Street for all Conservative Members of the European Parliament, to be followed by drinks, during a time when those M.E.P.s would be in London next month for their regular monthly meeting.
2. I have since spoken on the telephone to Jim Scott Hopkins.
3. He and his team (64 in all) could manage a meeting at 5 p.m. on either Tuesday, 1st or Wednesday 2nd July. I would think that if the meeting started at 5 o'clock, it might end at say 6.30 p.m., to be followed by drinks.
4. The main purpose of the meeting would be to discuss the C.A.P., but also other itmes of importance relating to the European Parliament.
5. It was agreed that Lord Carrington, Lord Thorneycroft, Peter Walker and Sir Anthony Royle should be invited to the meeting.
6. Jim Scott Hopkins is keeping free 5 p.m. - 7.15 p.m. on 1st and 2nd July, and will await to hear from you as to which day is best.
7. If Lord Carrington cannot manage the meeting, then Ian Gilmore should be asked, please, in his place.

5th June, 1980


Ian Gow

cc: The Rt. Hon. Lord Thorneycroft, CH.

PRIME MINISTER

①

Mr. Scott-Hopkins

Mr. Scott-Hopkins has asked to see you again in the course of this week to discuss Iran and next week's plenary session of the European Assembly.

It seems to me reasonable for Mr. Scott-Hopkins to ask for meetings with you to discuss broad questions relating to your policy towards Europe. I regard it as less reasonable when he asks for meetings to discuss specific issues e.g. Iran that are not exclusively European and that are the obvious responsibility of one of your colleagues - in this instance the Foreign and Commonwealth Secretary. This seems to me therefore to be an occasion when Mr. Scott-Hopkins might be asked to seek his briefing from Lord Carrington or Sir Ian Gilmour. Do you agree?

Yes and

Phin
—

Sp. telephoned
Mr Scott-Hopkins see:

14/5.

12 May 1980



DS

Euro PA

10 DOWNING STREET

From the Private Secretary

DAVID WRIGHT
CABINET OFFICE

Call by Mr. Jim Scott-Hopkins

Thank you for your minute of 28 April about a point raised by Mr. Scott-Hopkins during his call on the Prime Minister on 2 April. I see no need to take the matter any further.

I am sorry if I have attributed an administrative nonsense to Mr. Scott-Hopkins. However I am moderately confident that I have recorded his remarks accurately!

Am

29 April 1980

Mr

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MR. ALEXANDER

Call by Mr. Jim Scott-Hopkins

In the third paragraph of your letter of 2nd April to Mr. Richardson, you mentioned that, when Mr. Scott-Hopkins called on the Prime Minister on 2nd April, he suggested that one way of reducing the cost of the CAP would be to impose a tax on those who benefit directly from intervention, e. g. "the owners of freezer factories and those selling directly out of intervention".

2. We have consulted MAFF about this suggestion but they do not see that much could be gained from following it up. The main reasons they give for this are:-

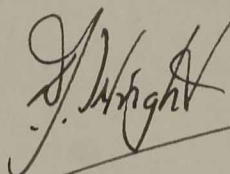
- (i) The owners of storage space normally sell their services in a free competitive market. National intervention authorities negotiate a price for renting space and storage costs are not reimbursed from the Community Budget. Instead a flat rate allowance is paid to member states on the basis of average storage costs on the quantities they have in store. (The Commission, with our support, tends to set the flat rate on the low side.) A tax in respect of intervention stocks in these circumstances would lead to the rental negotiated with the intervention authority being increased with a consequential effect on the flat rate allowance. This would produce no saving to the Community Budget.
- (ii) A tax on "those selling out of intervention" would be an administrative nonsense since it is the Community itself, via the national intervention agencies, which is the seller concerned. If what Mr. Scott-Hopkins intends is a tax on the profits of buyers of intervention stocks, the implication is that the stocks concerned are being sold by the Community for too low a price. But these prices are set by the Commission, after discussion with the

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relevant Management Committee, at as high a price as is consistent with the need to keep down storage costs on food that remains unsold. We are represented on the Management Committees and endeavour to see that intervention stocks are not sold too cheaply to the processing industry or intermediaries.

3. In case Mr. Scott-Hopkins reverts to the point you may wish to be aware of these arguments, but subject to your views, we do not intend to take the matter any further.

A handwritten signature in cursive script, appearing to read 'D. J. Wright', is written above a horizontal line.

(D. J. Wright)

28th April 1980



DEPARTMENT OF STATE

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10 DOWNING STREET

From the Private Secretary

2 April 1980

Dear Michael,

Call by Mr. Jim Scott-Hopkins

As you know, Mr. Scott-Hopkins called on the Prime Minister this morning. The Lord Privy Seal was also present.

After Mr. Scott-Hopkins had described the debate in the European Parliament on the next round of agricultural price fixing, the Prime Minister said that she was not prepared to contemplate unwarrantedly high increases in agricultural prices in order to strike a deal on Britain's budgetary problem. Mr. Scott-Hopkins said that he thought that the European Parliament might well try to block any price increase over about 3.5%. After the Lord Privy Seal had pointed out that the Minister of Agriculture would block all price rises until the budgetary problem was settled, the Prime Minister said that even after a budget solution had been found, the UK would not be able to afford too large a price rise. To do so would be to cancel out much of what might have been gained in the budgetary settlement.

In discussion of ways of mitigating the rise of the CAP, Mr. Scott-Hopkins said that the idea of a super-levy was dead. But he hoped that the idea of a tax on those who benefited directly from intervention, e.g. the owners of freezer factories and those who were selling directly out of intervention, could be pursued vigorously. It was a far better approach than the attempt to tax agricultural producers.

The Prime Minister asked about the position on the Community's overall budget. Mr. Scott-Hopkins said that consideration of the problem was in abeyance until the CAP prices could be fixed and therefore, in effect, until the UK's budgetary problem was solved. One consequence of this would be that the Parliament would probably have to apply for a derogation in July. He did not think they would be able to keep going beyond mid-summer without additional money. Even if the UK problem was solved in June, it would not be possible to agree the new budget as a whole by July.

Mr. Scott-Hopkins said that the atmosphere in Strasbourg at the moment was not good. The French were excessively hostile and there was a general air of confrontation. Messieurs Chirac and Debré were actively engaged in stirring things up.

/ Mr. Scott-Hopkins

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JS

Mr. Scott-Hopkins told the Prime Minister that a debate was under way in the Parliament about the institutions of the Community. A specific point on which he would be grateful for guidance related to HMG's position on the number of Commissioners after enlargement. The Prime Minister said that she thought that one Commissioner per member state would be sufficient. However, she did not wish to pursue this line in public at present. Mr. Scott-Hopkins should therefore avoid taking a line at present. Mr. Scott-Hopkins indicated that he had already argued in favour of a continuation of the status quo.

Mr. Scott-Hopkins told the Prime Minister that he thought the Parliament would wish to debate in the autumn the programme proposed by the next President of the Commission. If they were denied the opportunity to hold such a debate, they might well try to reject the new Commission in its entirety. It was also, of course, possible that they would try to reject the new President's programme if they did not like it. The Prime Minister said that this would be intolerable. If there had to be a debate, surely it could be on the basis of a "take note" motion.

Finally, Mr. Scott-Hopkins told the Prime Minister that pressure was growing for the selection of a single seat for the European Parliament. Its members were fed up with commuting between the present seats. The Lord Privy Seal said that if, as he understood, the objective of the EMPs was to get to Brussels, they had made a mistake in deciding not to go to Luxembourg this year. The Prime Minister said that she regarded Strasbourg as the seat of the Council of Europe and not as the seat of the European Parliament.

The Prime Minister told Mr. Scott-Hopkins that Madame Veil would shortly be receiving an invitation to visit this country after the summer holidays.

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

Yours ever

Michael Richardson

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

COVERING CONFIDENTIAL

Europe
Pol



Foreign and Commonwealth Office

London SW1A 2AH

1 April 1980

Dear Constance

MEETING WITH MR SCOTT-HOPKINS MEP : WEDNESDAY, 2 APRIL
AT 11.00AM

The Prime Minister is to see the Chairman of the European Democratic Group, Mr Scott-Hopkins, at 11.00am on Wednesday, 2 April. The Lord Privy Seal will be present.

I enclose the updated briefing for which you asked on the European Council, the budget, and the CAP.

*Yours sincerely
Michael Richardson.*

M J Richardson
Private Secretary to the
Lord Privy Seal

Miss C Stephens
10 Downing Street
London

COVERING CONFIDENTIAL

PRIME MINISTER'S MEETING WITH MR J SCOTT-HOPKINS
WEDNESDAY 2 APRIL AT 1100 AM

POINTS TO MAKE

POSTPONEMENT OF EUROPEAN COUNCIL

Agreed reluctantly to postponement in view of Italian difficulties.

Intervening time will not be wasted. Signor Cossiga intends to do a round before the European Council.

Postponement makes it more, not less important for solution to our budget problem to be reached at next Council.

UK BUDGET CONTRIBUTION

Remains important for EDG MEPs to get over broad lines of our case to members from other Member States.

Commission Papers of 5 February and 20 March useful framework for additional Community expenditure; provide ample scope for adequate solution.

Linkage

Issues like energy, fish, sheepmeat raise own problems and should be settled on merits. We are however willing to make progress in parallel.

Threats

You should take care not to imply any possibility of UK withdrawal. Government determined to stay in. On withholding/obstruction less said the better. If MEPs have to comment, best make clear that we continue to regard this as absolute last resort. All our efforts are at present concentrated on finding a satisfactory solution through negotiations.

/COMMON AGRICULTURAL POLICY

COMMON AGRICULTURAL POLICY

POINTS TO MAKE

1980-81 CAP Price/Economies

Essential to reduce surpluses and cut cost of CAP. Best way is to keep common price increases to a minimum. No economic justification for increases for products in surplus.

European Parliament's debate on agricultural prices rather disappointing. Seems to be rather general view among MEPs that price increases should be greater rather than smaller. Sorry to see that amendments which advocated prudent price policy were not adopted.

Sheepmeat

European Court ruling purely procedural and in no way waives the obligation on the French Government to comply with the original judgement of the European Court.

Essence of judgement was that an interim order was not necessary because the Court had already given a final judgement to exactly the same effect in September last year.

UK MCA Franchise

Government not seeking to increase food prices, but to remove anomalous situation which could lead to trade distortions and increase in public expenditure.

BACKGROUND

1980/81 PRICE PROPOSALS

COMMISSION ECONOMY PACKAGE/PRICE PROPOSALS

The proposals have been discussed at several meetings of the Agriculture Council, most recently on 26 and 27 March. But there has been little progress towards agreement. Most other States seem to be prepared to accept rises of around 4-5%.

The European Parliament held a debate on the proposals on 24-26 /March.

March. A rather anodyne motion was adopted. It did not recommend a specific increase, but underlined the need for fair incomes, savings, a balanced budget and respect for the criteria underlying the Commission proposals. The debate itself, however, demonstrated the considerable differences of attitude, an underlying bias in favour of larger rather than smaller increases. This is in marked contrast to the Parliament's advocacy of the need for economy in CAP expenditure in rejecting the 1980 draft budget.

Sheepmeat

On 28 March, the European Court of Justice ruled against a Commission application for an interim injunction against French restrictions. The Court took the view that the injunction was not necessary because the Court had already given a substantive judgement in September 1979 to exactly the same effect. Although the ruling was a further statement of the illegality of the French position, they will undoubtedly try to claim it as a victory. The ruling does not pre-judge the outcome of the two enforcement cases currently before the Court, but a judgement on these is unlikely to be given before the end of the year.

UK MCA Franchise

Support prices for agricultural products differ in Member States. In order to avoid trade distortions within the Community a system of monetary compensatory amounts is applied to neutralise the effect of differences in support price. There is a band (known as the MCA franchise) within which the MCA does not apply. Because of an anomaly in the Regulation the UK has not yet acquired a positive MCA, although the gap between UK prices and those of certain other Members has risen considerably. If this situation continues, there is a danger of trade distortion. Our exporters will suffer a competitive disadvantage and foreign exporters from other Member States will be able to undercut them. Sales into intervention could also be increased with a consequent cost to public expenditure.

At the Agricultural Council on 26/27 March the Minister of Agriculture sought to remove this anomaly, but failed to obtain

3.

agreement. The Regulation which contained the anomaly expired on 31 March and the Council also failed to extend it. This would have suited our purpose, but the Commission have taken the view that a legal vacuum exists and are seeking to extend the substance of the Regulation by other means. We are contesting their view. The matter is unlikely to be resolved before the next Agriculture Council on 21/22 April. The Minister of Agriculture will be consulting his colleagues shortly about his future negotiating stance.

EUROPEAN COMMUNITY DEPARTMENT (INTERNAL)

1 April 1980



10 DOWNING STREET

Mr. Alexander.

Mr. Pott-Hopkin
is coming at 11.00
to name morning.
+ L.P.P. I have
asked for Brief.

P.

1/5/4

Mr Scott-Hopkins seems to be taking a lot of your time. He was in about 3 weeks ago. *And*

1. MR. ALEXANDER - subject to your comments
2. PRIME MINISTER

Jim Scott-Hopkins has asked whether he can come and see you on Wednesday to talk about the current state of play on the European Budget and the CAP. He wants to report on how both of these look from Strasbourg. You could see him on Wednesday morning if you so wished. Are you prepared to give him half an hour?

Yes no

MS

31 March 1980

Subject: Cofedaw Master Set.
Euro PD: Community
Budget, PP 6.



cc FVO
HMT
LPO
NATF
TRADE
LSD
CO

EURO PD

10 DOWNING STREET

From the Private Secretary

6 March 1980

Call by Mr. Scott-Hopkins

As you know, Mr. Scott-Hopkins called on the Prime Minister last night to discuss European affairs. The Lord Privy Seal was also present.

The Prime Minister told Mr. Scott-Hopkins that the most important issue in our European policy at present was, of course, our contribution to the Community budget. She described some of the diplomatic activity at present going on but said that so far there had been little discussion of the figures. The presentation of the British requirement had been changed: we were now laying stress on what we were prepared to pay rather than on what we expected to receive. This was a better formulation, particularly since the estimates for our net contribution in the absence of a change in the present arrangements were continually increasing. We were prepared to envisage making a modest contribution in future but this should be less than that being made by France whose GDP was far in excess of ours. Mr. Scott-Hopkins, who had participated in a phone-in programme on French television recently, said that the attitude of the French was very tough indeed and getting tougher. They were making it clear that they would insist on having energy, fish and lamb dealt with at the same time as the UK budgetary contribution. There was a growing tendency in France to ask whether it was not time that the British left the Community. The Prime Minister observed that a British departure from the Community would leave the other members with the need to replace the sums at present being contributed by us. In her view we held most of the cards. Mr. Scott-Hopkins should make it clear to his contacts that there was no diminution of our determination to achieve an acceptable outcome. Mr. Scott-Hopkins said that he thought the French were very anxious to get this year's CAP prices settled and were concerned at the prospect of our blocking them. The Prime Minister said that if there were no settlement of the budgetary problem, there would be no new CAP prices.

The Prime Minister asked how matters stood on the Community budget as a whole. Mr. Scott-Hopkins said that this depended on agreement on CAP prices. He noted that the Italian Minister of Agriculture had said at a recent meeting in Strasbourg that he was looking for a 4½ per cent increase in prices across the board.

/The Prime Minister

28

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- 2 -

The Prime Minister expressed concern about the impact of such an increase on the RPI. She repeated that there would be no progress on CAP prices until the budget problem was settled. She did not know whether it would be possible to agree a settlement at the European Council in Brussels but it would be essential that there should be very substantial movement then. She noted that Chancellor Schmidt was anxious for HMG to take the lead in arguing for reform of the CAP. However it would not be possible for us to get out in front on this issue at present.

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

Yours ever

Michael Alexander

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

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Foreign and Commonwealth Office

London SW1A 2AH

5 March 1980

Jean Carstairs

MEETING WITH MR SCOTT-HOPKINS MEP: WEDNESDAY 5 MARCH
AT 6 PM

Further to my letter of 4 March, I enclose updated
briefs on sheepmeat and a background note on the
Commission's 1980/81 price proposals and economy
package, which take into account developments at
the Agriculture Council on 3/4 March.

*Yours sincerely
Richardson*

M J Richardson

Miss C Stephens
10 Downing St

POINTS TO MAKE

SHEEPMEAT

1. At the 3-4 March Agriculture Council, the Commission proposed a scheme for transitional measures. We could only accept these provided (a) that the French promised not to reimpose illegal measures at the end of the transitional period (15 July) and (b) that the transitional fund was not used to finance intervention (which would prejudice subsequent negotiations on the main scheme) and (c) that payments from the fund should be related to the level of a Member State's production.

2. These conditions were fair and reasonable. But French were unable to accept them. There was thus no agreement; only the French and Irish being unable to agree to transitional measures without Community financed intervention. French position still illegal. Hope Commission will press on with legal action at European Court as recommended by Council.

/ESSENTIAL FACTS

ESSENTIAL FACTS

1. In view of the impasse on negotiations for the sheepmeat regime and the French refusal to comply so far with the original judgement on 25 September 1979 by the European Court of Justice, the Commission (at the request of the Presidency during the Agriculture Council on 18 February) have proposed a package of interim measures to enable the French to lift their import controls. Both we and the French were consulted about a draft resolution in advance of the 3/4 March Council. This provided for:

- (i) Opening of the French market;
- (ii) Permissible national measures;
- (iii) A transitional Community financed fund of 30 million EUA from which payments could be made to prevent reduction to farmers' incomes or mitigate insufficiency of returns and prevent disturbance of market.

A The Commission also proposed that the transitional measures should last until 15 July. The French were unable to accept the basic conditions which we set for acceptance of the measures (UKREP telegram No 1324). This suits our purpose since it means that they are likely to remain in an illegal position at the next European Council.

2. The Commission have already initiated a second case (against French quantitative restrictions) on 14 January. They deferred the start of the proposed third case (against the French licence and levy system which was re-introduced again on 25 February) and an application for an interim injunction in respect of both cases pending the possibility of agreement on transitional measures. We hope that the Commission will now pursue the third case and interim measures as soon as possible, as recommended by the Agriculture Council.

1980/81 PRICE PROPOSALS

COMMISSION ECONOMY PACKAGE

BACKGROUND

1. The Commission submitted their 1980/81 price proposals on 7 February and linked them closely to the economy package tabled in December indicating that they could well reduce the proposed increases if the main proposals in the economy package were not accepted. The price proposals include increases for all products averaging 2.4%. Lower increases of 1.5% are proposed for milk, sugar and beef. The proposals also include related measures, the most significant of which are a new beef suckler cow premium and the absence of any proposal to extend the 100% UK butter subsidy.

2. The main proposals in the economy package are:-

(i) An increase in the basic co-responsibility levy on milk from 0.5% to 1.5% and the introduction of a supplementary levy of 18 ecu/100 kg (84%) on milk delivered to dairies in excess of 99% of 1979 deliveries. Certain exemptions are proposed on the basic levy.

(ii) A general cut of 1.3 million tonnes in maximum sugar quotas.

(iii) Miscellaneous proposals on beef, starch, rye and fruit and vegetables.

3. A summary of the 3-4 March Agriculture Council is given in B UKREP Brussels telegram No 1323. In the face of general opposition to the cuts in sugar quotas and the supplementary levy on milk, the Commission seem to be weakening and ready to produce compromise proposals.

4. On prices, our position in negotiations so far has been no increases for products in surplus, support for the suckler cow premium (but without the 15 cow limitation proposed by the Commission) and opposition to the non-extension of the UK butter subsidy. On the economies package, we have indicated support for the basic co-responsibility levy provided it is not offset by price increases or exemptions. We have reserved our position on the supplementary levy pending further elucidation of its effects.

/We

We welcome the proposed reduction in intervention for beef (although we want to make certain that the technical arrangements are acceptable) and the proposed reduction in support for fruit and vegetables (although more might be done). On starch, where we have a major interest, we are prepared to accept the Commission's first tranche of the phasing out of production refunds, but only on condition that the threshold price for maize is not increased (an increase of 3% is proposed in the prices package). The reason for this is that our starch producers would be badly affected in comparison with Continental producers who use potatoes rather than maize as their basic raw material.

5. The financial implications of the price proposals and the economy package are complicated. But the following is a brief summary of the main effects on the Community budget over a full twelve months:

Economy package	-	1040 mEUA
Prices and related measures	+	323 mEUA
Own resources (increased sugar levies and import levies)	-	<u>163 mEUA</u>
TOTAL	-	<u>875 mEUA</u>

(minus sign = savings)

The net public expenditure effect is a reduction of £46 million and the net PSBR effect a reduction of £70 million. We should, however, suffer an extra loss of foreign exchange of £108 million. There would be a loss to producers over 1979 of 0.4% and an increase in the food price index of 0.3% (0.7% if the butter subsidy were abolished entirely rather than reduced to 75% Community financing).

Foreign and Commonwealth Office

5 March 1980



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Foreign and Commonwealth Office

London SW1A 2AH

5 March 1980

Dear Michael

The Prime Minister might like a supplementary note for her meeting with Mr Scott-Hopkins this afternoon on this morning's 'Guardian' article headed 'EEC offers Britain £2 billion aid'.

The first six paragraphs are nonsense. They may represent a garbled account of the talks between UK officials and the Commission on 3 March (see press guidance attached). The meeting was designed to establish that the proposals for supplementary Community expenditure in the UK set out in the Commission's paper of 5 February were realistic. It was not an occasion for considering figures, but it is clear that there is ample scope for supplementary expenditure in the UK sufficient to meet our needs in the budget context.

Sir M Palliser is not involved in these talks and there is no link with the Channel Tunnel. The tunnel can have no relevance to our immediate problem as no project has been approved by the British or French Governments and, even if the project were agreed in principle in 1980, no significant sums would be spent until 1984. Transport infrastructure was amongst the categories of expenditure put to the Community on 3 March. They were:

- Transport and Communications;
- Public Utilities Investments;
- Exploitation of Coal Resources;
- Urban Renewal;

/ - Other

M O'D B Alexander Esq
10 Downing Street



- Other Investments in Social and Economic Infrastructure.
The officials were not discussing details of programmes or projects.

*Yours ever
Michael*

M J Richardson

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FM UKREP BRUSSELS 031948Z MAR 80
TO IMMEDIATE FCO
TELNO 1297 OF 3 MARCH.

UK BUDGET CONTRIBUTIONS: DISCUSSION WITH COMMISSION OFFICIALS.

FOLLOWING ARE PRESS BRIEFING NOTES, REFERRED TO IN MY FIRST PRECEDING TELEGRAM.

1. IN ITS COMMUNICATION OF 5 FEBRUARY THE COMMISSION STATED ITS INTENTION TO DISCUSS WITH THE UNITED KINGDOM THE DETAILS OF POSSIBLE EXPENDITURE PROGRAMMES WHICH MIGHT BE THE OBJECT OF COMMUNITY FINANCING IN ORDER TO BRING ABOUT A GREATER PARTICIPATION BY THE UNITED KINGDOM IN COMMUNITY EXPENDITURE. IN RESPONSE TO THIS, A TEAM OF UNITED KINGDOM OFFICIALS HAS TODAY VISITED BRUSSELS TO CONDUCT INFORMAL DISCUSSIONS WITH THE COMMISSION SERVICES. FURTHER CONTACTS WILL BE TAKING PLACE AS NECESSARY.

(FOR USE IN ANSWER TO QUESTIONS ONLY)

2. UNITED KINGDOM OFFICIALS HAVE PUT FORWARD IDEAS COVERING A WIDE RANGE OF PROGRAMMES AND PROJECTS, WHICH MIGHT FALL WITHIN THE TERMS OF THE COMMISSION'S COMMUNICATION. THE PROGRAMMES CONCERNED INCLUDED EXPENDITURES IN SUPPORT OF:

- TRANSPORT AND COMMUNICATIONS:
- PUBLIC UTILITIES INVESTMENTS:
- EXPLOITATION OF COAL RESOURCES:
- URBAN RENEWAL:
- OTHER INVESTMENTS IN SOCIAL AND ECONOMIC INFRASTRUCTURE.

FCO ADVANCE TO:

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

CAB - FRANKLIN, ELLIOTT, WALSH

DOI - LIGHTMAN

MAFF - HADLEY

TSY - PS/CHANCELLOR, PS/FST, SIR K COUZENS, HANCOCK

MRS HEDLEY-MILLER, MICHELL, THOMSON

NO 10 - ALEXANDER

BUTLER

FRAME ECONOMIC

[ADVANCED AS REQUESTED]

ECD (I)

EEC offers Britain £2 billion aid

By David Hencke
Planning Correspondent

The EEC Commission is prepared to offer £2 billion to Britain over the next three years for environmental and industrial projects threatened by public spending cuts.

The main beneficiaries will be the motorway and road improvement programme, dockland and industrial land reclamation and factory building.

Details of the proposals are to be put privately to Sir Michael Palliser, Permanent Under-Secretary at the Foreign Office, when he meets EEC officials in Brussels this week.

In return for the cash, Britain will have to agree to the Channel Tunnel, as predicted in the Guardian last week, and

support the creation of an EEC transport fund this summer.

The idea is to prepare a salvage operation if political negotiations collapse on a settlement of Britain's claim for a £1 billion rebate on its contribution to the EEC budget.

The EEC would fund British schemes being considered for Treasury finance. This would allow Mr Michael Heseltine, the Environment Secretary, and Mr Norman Fowler, the Transport Minister, to cut their budgets.

The reduced budgets would cut the Public Sector Borrowing Requirement for the next three years—thus fulfilling one of the demands made by Mrs Thatcher in her negotiations with other EEC members.

Programmes which would become eligible for EEC cash include the £527 million M25 orbital London motorway; the £200 million London Docklands southern relief road, which requires two tunnels under the Thames; the Liverpool ring road and the A45 route to the Essex ports of Felixstowe and Harwich.

Other transport schemes which could qualify would be city underground systems, including the expensive Jubilee line extensions to London Docklands and rail improvements connected with the regeneration of industrial areas.

No cash could be given to Britain before next year, but any scheme proposed after the summer of 1977 could qualify for aid.

Britain would be required to help fund one major European project.

After receiving the confidential report from Coopers and Lybrand Associates, prepared by Professor Christopher Foster, the EEC Commission decided that the Channel Tunnel remains the most likely project for support.

A copy of the £136,000 study, passed to the Guardian, shows that at 1979 prices a single track tunnel would cost £618 million. It would bring a return of 11 per cent by the year 2000 and 14 per cent over 50 years.

A double track tunnel would cost £1,282 million and bring a return of between eight and 11 per cent by the year 2000 ms-

ing to between 13 and 15 per cent over 50 years. The road bridge would cost £2.4 billion and a road-rail bridge £3 billion.

The study report concludes: "The double track tunnel would appear to be the most profitable and to promise the highest economic return."

Noting that the single-track alternative, there may be a case for constructing the double track tunnel in stages—namely an initial single-track tunnel to a seven metre diameter, with later investment in the second tunnel and extensive terminal facilities for roll-on, roll-off ferry train operations. There may even be a case for building a bridge at this second stage.

x
EC



Foreign and Commonwealth Office
London SW1A 2AH

4 March 1980

Dear Caroline

MEETING WITH MR SCOTT-HOPKINS MEP : WEDNESDAY, 5 MARCH AT 6.00PM

The Prime Minister is to see the Chairman of the European Democratic Group, Mr Scott-Hopkins, at 6.00pm on Wednesday, 5 March. The Lord Privy Seal will be present.

I enclose a brief on which the Prime Minister may wish to draw. It covers those items of most concern to the United Kingdom at the moment, namely:

The UK Budget Contribution;
1980 Community Budget;
Common Agricultural Policy;
Fish; and

Afghanistan (I understand that MAFF have sent a separate note on the latest position on butter sales to the Soviet Union).

*butter sales
note at
file 'A'.*

I also enclose a supplementary brief on less important subjects which largely reflect the agenda of the Parliament's 10-14 March session.

*Yours sincerely
Michael*

M J Richardson
Private Secretary to the
Lord Privy Seal

Miss C Stephens
10 Downing Street
London

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PRIME MINISTER'S MEETING WITH MR J SCOTT-HOPKINS
WEDNESDAY 5 MARCH AT 6.00 p.m.

BRIEFING NOTES

UK BUDGET CONTRIBUTION

Although no formal debate at coming session, important for EDG MEPs to get over broad lines of our case to members from other Member States in margins. We must show that there is general groundswell of opinion in favour of taking substantial action on UK budget contribution: Community problem, not just British problem.

On detail, now wide agreement to two-part solution: revision of Financial Mechanism plus additional Community expenditure in UK.

Commission Paper useful framework for additional Community expenditure; provides ample scope for adequate solution.

European Parliament cannot be involved in detailed negotiations. Numbers of bilateral contacts are going on and the Italian Presidency have made a round of capitals.

Linkage

Maintain our line that linkage not helpful. Issues like energy, fish, sheepmeat raise own problems and should be settled on merits. Some of our partners would like to see a number of problems brought together in a package for decision by the European Council. We note these views but question whether this would be in Community's best interest.

Important MEPs get across that advantages of North Sea oil do not alter fact that UK is one of least prosperous members of the Community. Oil at present amounts to only 2% of UK GNP. At peak, 1985, only 6%. UK still basically manufacturing and trading economy, oil at peak will only comparable with, e.g., agriculture. At the moment we are still net importers so oil price rise brings no increase of income from third countries.

Pattern of Trade

Our partners say that if we imported more from the Community this would solve our budget problem. Community preference is enshrined in the common external tariff which we observe scrupulously.

Decisions on what imports a commercial matter. But the pattern is clearly in favour of the Community. Over past 10 years swing of 10 percentage points towards Community average. 1979 figures show further shift. Now only 56.9% of our imports come from outside the Community (compared with 72% in 1968 and 62% in 1978. Community average in 1978, 51%).

Threats

9. You should take care not to imply any possibility of UK withdrawal. Government determined to stay in. On withholding/obstruction less said the better. If MEPs have to comment, best make clear that we continue to regard this as absolute last resort. For the moment, normal process of negotiation is making progress.

1980 COMMUNITY BUDGET

Not an immediate issue. Draft budget could not be established by Council before end of April. No good establishing draft budget before agricultural prices decisions are taken. These are bound to take time.

In the wider context, want to avoid further institutional clash. New 1980 budget should offer opportunity for first step towards better balance of agricultural and non-agricultural expenditure.

These changes important presentationally, but cannot solve immediate UK budget contribution problem.

COMMON AGRICULTURAL POLICY

[A meeting of the Agriculture Council is taking place on 3/4 March. Mr Walker will probably report the outcome in the House on 5 March. He will also be seeing members of EDG on 7 March.]

1980/81 Prices

Commission propose fairly modest increases, but we must avoid increases for products in surplus. Proposed termination of UK butter subsidy unwelcome.

Commission Economy Package

Step in right direction. Warmly welcome principle behind it. Contains number of measures we can support. Must not be offset by price increases. Favour general cut in sugar quotas: UK cut must

be fair. Can accept basic milk levy, provided no further exemptions and no price increase. Still considering implications of revised supplementary levy. Fully agree with intention to reduce intervention for beef and cut expenditure on fruit and vegetables.

Green Pound

MCA now zero for most products. Good opportunity for farmers. Useful if MCA system could be ended. Tax on low cost producers.

Sheepmeat

Keeping up pressure through Commission to make French comply. Illegal retaliation not right way to deal with problem. No plan to claim damages, merely given Commission at their request estimate of losses. Majority of Member States see no justification for intervention regime. Any transitional measures must involve permanent opening of French market and not prejudice main negotiations.

New Zealand Lamb

Firm UK commitment to New Zealand: any sheepmeat regulation must respect GATT obligations. Commission to negotiate a voluntary restraint agreement shortly. Will have to be acceptable to New Zealand.

New Zealand Butter

Commission expected to make proposals for post-1980 access soon. Government committed to continuing access on satisfactory terms.

Structures (farm modernisation, certain regional programmes)

April 1979 Commission proposals very costly (500 mEUA over five years). Heavy net cost to UK. Not sure Community would embark on major new expenditure. Very complicated package.

Wine

Major restructuring programme agreed at December Agriculture Council. Useful step to overcome wine surpluses.

FISH

Hope major progress towards CFP settlement will be made this year; absence of settlement results in depletion of stocks and

long term benefit to no one; next Fisheries Council April; atmosphere in Community much improved at January Council; EDG might draw attention to this and to improved prospects settlement.

Fish must be solved on intrinsic merits, not linked to budget.

AFGHANISTAN: NEUTRALITY

Discussions in the Nine to develop the concept continue. Not a rigid proposal but our ideas include: no foreign troops or bases, acceptance by neighbouring states and other powers. So far no formal reaction from the Soviet Union, but they are aware of the proposal. The Nine are also in touch with other countries: reactions have been broadly favourable: discussions with Indians (Gonsalves) next week.

Neutrality not neutralisation: the Nine do not mean to impose any status on Afghanistan but to create a legal framework to safeguard Afghan independence and non-alignment, and secure Soviet withdrawal.

Neutrality proposal does not change the UK or Western line. Measures against the Soviet Union will continue until they withdraw.

/EUROPEAN PARLIAMENT AGENDA

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EUROPEAN PARLIAMENT AGENDA ITEMS: 10-14 MARCH

EUROPEAN REGIONAL DEVELOPMENT FUND: NON QUOTA

Commission proposals would provide for the use of the non-quota section (5%) of the ERDF over the next five years. Measures are aid to steel closure areas, shipbuilding, cross border projects in Ireland, energy projects in Italy, and compensation for France and Italy to cover effects of enlargement. The UK blocked the present proposals at the December Council because too much was allocated to agricultural areas and insufficient to steel and shipbuilding closures, and the UK received too small a share (26.5%) compared with our quota share of 27.3%. We are now negotiating for a larger share and for the addition as eligible areas of Tayside (for shipbuilding) and Derwentside and Scunthorpe (for steel). We have made it clear to the Commission and to the Presidency that we could accept revised proposals which secured the inclusion of these areas and a share of at least 32.5% of the non-quota section.

COMMISSION REPORT ON COMPETITION POLICY

This will be debated in the Parliament and is the subject of a separate Department of Trade brief which has been circulated to MEPs.

RESTRICTION ON COMPETITION IN AIR TRANSPORT SECTOR

This will be debated by the Parliament and is the subject of a separate Department of Trade brief which has been circulated to MEPs. The UK believes that competition should be increased. Discussions are continuing in both Council and Commission Working Groups. Proposals for specific action on regional air services will go to the next Transport Council in May. The UK has made proposals for a substantial liberalisation of these services.

TEXTILES

Imports of US Synthetic Fibres

Commission have given UK quotas on polyester yarn and nylon carpet yarn. Clear case of material injury. Commission careful to act with moderation in order to avoid sparking off surge of protectionism.

EC/ASEAN MINISTERIAL MEETING (Kuala Lumpur, 6-8 March)

Lord Carrington had hoped to go but situation in Rhodesia makes trip to South East Asia too difficult. Mr Blaker will go instead.

New co-operation agreement will be signed during the meeting.

Discussions will cover EC/ASEAN economic business, and regional and international political questions.

EC/YUGOSLAVIA

Welcome initialling of agreement on 25 February. Agreement to be submitted to March Foreign Affairs Council for approval. Signature may be delayed in the event of President Tito's death.

EC/CYPRUS

Trading arrangements for 1979 extended for one year but not yet entered into force pending consideration by the European Parliament. Cyprus currently paying full third country tariffs. Hope Parliament will expedite. Arrangements will be backdated to the beginning of the year.

ENLARGEMENT AND THE TEXTILE INDUSTRY

Safeguard clause in the Greek Treaty of Accession designed to ensure sensitive sectors in economies of Member States and Greece are protected against disruptive upsurges of imports. Government intend to ensure that safeguards are also written into accession agreements with Portugal and Spain. In addition hoping to secure adequate transitional arrangements.

POSSIBLE TURKISH APPLICATION

3 Turkish Foreign Minister has said that Turkey may apply for EC membership by the end of this year. Absorption of a country with Turkey's problems could be damaging for the Community. Government hope that Turkey will not apply before considerable progress has been made in Turkish economy.

PRE-ACCESSION AID FOR PORTUGAL

Commission have proposed scheme of Community assistance to Portuguese small industry to help Portugal prepare for entry. More

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proposals likely to follow. UK is most reserved of Member States on this issue. Difficult for us to agree in view of cuts in aid programme and general budget problem.

EC/GULF

Presidency are sounding out Gulf States (including Oman, Saudi Arabia and Iraq) to see whether they would welcome exploratory talks on developing their relationship with the Community. UK strongly supports this initiative. Too early to say what results will be.

STEEL EXPORTS TO US

Glad Davignon spoke robustly to US industry representatives at OECD steel committee on 28 February. Anti-dumping action would be a real threat to confidence in developed countries' ability to resist protectionist pressures. Material injury difficult to prove against BSC at least. BSC exports last year half level they had been running at up to 1977.

COMPANY LAW

We are pressing for an ordering of priorities in the company law programme so that work can be concentrated on proposals of major importance, e.g. the accounting directives. Davignon expressed his support for this when he met Mr Nott last summer. European Parliament's Legal Affairs Committee also recently criticised Council's organisation of work in this area.

LISTED COMPANIES: INTERIM REPORTS

Directive is one of three prescribing minimum standards for information published by listed companies. UK Stock Exchange has long prescribed interim reports, but we have reservations about requirements for certain non-financial information and potential liability of stock exchanges.

UNIFORM COMMUNITY PASSPORT

HMG supports moves to make travel between Member States easier. Common passport idea has recently been revived: passports would remain a national responsibility but have common format. Development

/of

of machine readable passports (which would give practical benefit of quicker handling at ports of entry etc) relevant. Important to maintain existing immigration controls and checks to curb movement of terrorists and criminals.

STEEL

UK seeks to take full advantage of all existing Community funds to help workers affected by steel closures. Mr Adam Butler meets Davignon and Vredeling in Brussels on 4 March to discuss social impact of BSC's restructuring programme.

/ DRUG ABUSE (if raised: Group have laid attached motion for session on 10 March)

Fully share Group's concern over this problem. Government already active both nationally and in collaboration with other Governments and international organisations (UN, Council of Europe, Interpol, etc). to eradicate drug trafficking. Member States collaborating through Council of Europe Public Health Committee on Research. 'Pompidou' Group (Member States plus Sweden) also actively studying drug abuse problems and in process of becoming associated with Council of Europe. Very doubtful that specifically Community activity would add anything to existing arrangements. But ready to encourage any proposals that EC should contribute to UN Fund for Drug Abuse Control.

SPIERENBURG

An internal Commission Report, sent to European Parliament for consideration; HMG welcome broad lines of Spierenburg, in particular the streamlining of administrative structure of Commission. But decisions are largely a matter for the Commission.

RELATIONS BETWEEN MEPS AND WESTMINSTER

Regret that discussion on relations with Westminster, facilities etc are proceeding so slowly but this is a matter for the House and it could be counter-productive if any attempt was made to hurry up matters.

/SEAT

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SEAT OF THE EUROPEAN PARLIAMENT

In accordance with Article 216 of EEC Treaty, the responsibility for deciding on the seat for all Community institutions, including the Parliament, lies with the Governments of Member States acting by common accord.

Recognise that present arrangements (plenary sessions Strasbourg and Luxembourg and Committee meetings in Brussels) raise obvious administrative problems. There are, however, national sensitivities and questions at stake which are of great importance to the countries concerned.

[If it is claimed that Parliament has right to fix own working place, as opposed to seat].

Rule 2(1) of Parliament's Rules of Procedure correctly expresses the rule under the normal principle of international institutional law, which is that other than in exceptional circumstances meetings are held at the seat.

Best not to stir this subject up, at least until after next European Council. (On 18 February Mr Scott-Hopkins told the Lord Privy Seal that he doubted he could hold the EDG back much longer from putting down a resolution on a single working place.)

CABINET/MEP COMMITTEES

As have said previously, Cabinet Committees are where final decisions are taken by the Government. Best way to feed in ideas is through Departments in normal ways in early stage of Government process; Ministers usually ready to do what can to help.

File

car

~~18/F4 3:80~~

27 February 1980

The Prime Minister is meeting with Mr. James Scott-Hopkins on Wednesday, 5 March and I am confirming that the Lord Privy Seal will be present.

Could you kindly provide any extra briefing that you think the Prime Minister will require? I cannot give you any specific topics, but perhaps you could just up-date the brief that you sent for the last meeting between Mr. Scott-Hopkins and the Prime Minister.

CD

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

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

5 February 1980

Joe B
Ewo *bl* *cc* *Master*
Ewo Pol Budget
Ewo Pst, Relations
between Westminster
+ Ewo Pst.

Call by Mr. Scott-Hopkins

As you know, the Chairman of the European Democratic Group, Mr. Scott-Hopkins, called on the Prime Minister this morning. He has just been re-nominated as Chairman of the European Democratic Group in the European Parliament. The Lord Privy Seal was also present.

Mr. Scott-Hopkins told the Prime Minister that the situation in the European Parliament at present was complex and confused. The lobbies of the MEPs were dominated by the twin issues of the Community budget and the Common Agricultural Policy. The MEPs were constantly reminded of the impact of their decision to reject the Community budget by the fact that they had lost 40 per cent of their funds. Fortunately the position of the members of the European Democratic Group was not too bad as the Group had a considerable sum of money (8 million Belgian francs) in its reserves. Mr. Scott-Hopkins said that his own expectation was that the European Parliament would not accept the new budget proposal which the Commission would be submitting to them. He thought that they would regard the proportion of the budget devoted to the CAP as still too large.

On the CAP, he said that nobody in the European Parliament liked it. The German Members, of all political complexions, would join the members of the European Democratic Group in pushing for reform. Only the French were united in opposing reform. The Prime Minister asked whether there would be support for a proposal to write in to the Community budget a limit on the proportion of the budget devoted to the CAP. Mr. Scott-Hopkins said that the Parliament had tried to do this but Ministers had been unwilling to agree. He thought there would still be difficulties with the French, the Irish and the Danes. On the general question of agricultural surpluses, Mr. Scott-Hopkins said the real problem was with milk. He was less concerned about sugar since he thought that by 1983 there would be an excess of demand, world-wide, over supply.

In reply to a question from Mr. Scott-Hopkins, the Prime Minister said that she did not think there would now be an early meeting of the European Council. There would be no point in such a meeting unless agreement was in sight. The planned meeting on 31 March/1 April fell within the present financial year and could therefore produce results which could be taken into account in the next financial year. This was the essential point for her. She expected the March meeting to be a very difficult one. As regards possible

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/ solutions to

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- 2 -

solutions to the budget issue, the Prime Minister said that the situation was more or less clear on the contributions side but that we required a great deal more on the receipts side. There would have to be schemes specially tailored for the UK: she mentioned coal, transport, Ulster, and redundancy and run-down payments in the steel and shipbuilding industries. Whatever money was produced would have to be in substitute for expenditures already being incurred.

At the end of the conversation the Prime Minister repeated that it was essential that the UK obtain a satisfactory solution. She did not wish to be driven to withholding our contributions. Mr. Scott-Hopkins said that he also hoped that it would not be necessary for Britain to withhold contributions but that this was the only real weapon that Britain had.

I am sending copies of this letter to John Wiggins (HM Treasury) Garth Waters (MAFF) and David Wright (Cabinet Office).

MSDBA.

Michael Richardson, Esq.,
Office of the Lord Privy Seal.

CONFIDENTIAL

Europ Pol



Foreign and Commonwealth Office

London SW1A 2AH

4 February 1980

f.s.

Sean Connors

THE PRIME MINISTER'S MEETING WITH THE CHAIRMAN OF THE EUROPEAN
DEMOCRATIC GROUP : TUESDAY, 5 FEBRUARY, 11.15AM

I understand that the Prime Minister is to see
Mr J Scott-Hopkins MEP on Tuesday, 5 February. I enclose a
brief, as requested.

*Yours sincerely
Michael*

M J Richardson
Private Secretary to the
Lord Privy Seal

Miss C M Stephens
10 Downing Street
London

- 4 FEB 1960

11 23
10 12 1
9 8 7 6 5 4

BACKGROUND

1. Mr Scott-Hopkins has just been re-elected as Chairman of the European Democratic Group (EDG) and is to pay a short courtesy call of some ten minutes on the Prime Minister, at which the Lord Privy Seal is to be present. Although there will not be time for much substantive discussion the following subjects may be raised.

Ministerial/EDG Joint Cabinet Committee

2. At the Prime Minister's meeting with the European Democratic Group on 8 January the idea was raised that a joint Ministerial/EDG leadership, Cabinet Committee should be set up to provide for close co-ordination between the MEPs and the Government and to make it possible for MEPs to make available to the Government the special knowledge they were acquiring in Strasbourg.

3. The Prime Minister rejected the idea but two of Mr Scott-Hopkins' colleagues reverted to it in a memorandum which he then forwarded to the Secretary of State for Foreign and Commonwealth Affairs, pressing the idea again. Lord Carrington replied firmly turning down the idea again but it is possible that Mr Scott-Hopkins may revert to it.

Arrangements for Briefing MEPs

4. The arrangements for briefing MEPs are set out in the guidance to Departments in EQO(79)112. They provide for MEPs to receive written, factual background briefing from officials on items under discussion in the European Parliament and for further, oral policy briefing to be given either by Ministers or by officials with Ministerial authority.

5. At OD(E) on 24 January it was noted that it was especially important that UK MEPs should be kept in close touch with our general objectives and tactics. Officials are now considering ways in which meetings between MEPs and Ministers can be better prepared.

/6.

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6. The whole European Democratic Group are to meet the Lord Privy Seal on 5 February and Mr Walker and Mr Nott on 6 February and will be able to raise with them any points which are likely to come up at the February session of the European Parliament (11-15 February).

UK Budget Contribution

7. Commission agreed paper on UK receipts made available 1 February, but not yet published. Generally helpful, leaves open wide range of options. Does not foreclose possibility of receipts mechanism. No direct mention of duration. Likely to be discussed in general terms during the Finance Council on 11 February, but most action at present bilateral by Italians and ourselves.

Afghanistan

8. A copy of the Resolution passed by the European Parliament
..... on 16 January is attached.

European Community Department (Internal)

1 February 1980

CONFIDENTIAL

PRIME MINISTER'S MEETING WITH CHAIRMAN OF EUROPEAN
DEMOCRATIC GROUP (EDG): TUESDAY 5 FEBRUARY AT 11.15 A.M.

POINTS TO MAKE

Ministerial/EDG Joint Cabinet Committee [if raised]

1. Cabinet Committees are where decisions are taken by the Government. If you want to feed in ideas this is best done at an early stage in the Governmental process; the natural and most useful way for all concerned is through Departments.
2. The Lord Privy Seal has offered to meet your Group before every session of the European Parliament and I understand that other Departmental Ministers, too, have stated their readiness to meet interested MEPs.

Briefing MEPs

3. We shall do all we can to ensure co-operation between us is as close as possible. Arrangements are still settling down but I hope that system of written, factual briefing supplemented by oral briefing from Ministers or officials as appropriate will prove adequate.

UK Budget Contribution

4. No change in determination to achieve substantial improvements soon, so that the financial benefit occurs in financial year 1980-81.
5. Scope for European Parliament to play useful role in budget negotiation. No use their being involved in close detail (for the moment largely a matter for bilateral discussion between capitals) but they can help to put pressure on less helpful partners by showing that there is groundswell of opinion in Europe in favour of adequate solution for the UK and that the interests of the Community, not just of the UK are at stake.
6. Hope that EDG MEP's will cultivate allies in other political and national groups. UK must avoid any appearance of isolation.

/7.

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7. Commission paper on additional receipts for UK as satisfactory as could be expected. Like previous papers would expect this eventually to be made available to Parliament by Commission.

8. Cossiga visit went better than press coverage would imply. Cossiga himself helpfully disposed and ready to work for an acceptable solution in bilateral contacts with other partners. This will be next stage of operation. Likely to be further Ministerial contacts later.

1980 Budget

9. Commission will probably make proposals in second week in February. These likely to incorporate a CAP economy package. Detailed discussion in Council's Budget Committee and in Committees of the Parliament. Too early to anticipate what exact result would be.

10. In general, anxious to avoid repetition of 1979 institutional clash. Hope to find a workable compromise between Council and Parliament which also does something to improve UK position. However, no chance that this would have much effect on immediate British budget problem.

Afghanistan

11. Welcome the European Parliament's tough resolution on Afghanistan and the publicity it has achieved (Herr Strauss quoted it on 17 January in the Bundestag). Hope MEPs will:-

- Help keep the issue in the public eye
- Keep up the pressure on the Commission for a coherent Community line
- Lobby their European colleagues to press their governments to take up a firm political line, e.g. on the Olympic Games.

/BACKGROUND

RESOLUTION

on the Soviet intervention in Afghanistan.

The European Parliament,

- outraged by the Soviet invasion of Afghanistan, and
profoundly concerned about the threat to international
peace,

1. Condemns the armed intervention in Afghanistan which is contrary to the provisions of the UN Charter;
2. Calls for the immediate and unconditional withdrawal of all Soviet troops from Afghanistan in order to enable its people to determine their own form of government;
3. Emphasises the responsibility of the USSR for the grave consequences of its action on the policy of détente and affirms that the principles of détente are neither divisible nor limited to certain geographical regions and confirms the urgent need to ensure that they are applied everywhere;
4. Reaffirms its desire for détente and deplores the brutal intervention of the USSR which diminishes its future development;
5. Requests the Commission to review immediately all economic, commercial, credit and financial relations between the USSR and the European Community, specifically in the field of high technology, agricultural products, and antidumping practices and to report to the Council of Ministers;
6. Calls upon the Council and the Minister of Foreign Affairs of the Nine acting in political cooperation to take effective measures in the light of the Commission's report in support of efforts to end the Soviet occupation of Afghanistan;
7. Welcomes the decision provisionally to suspend food aid for Afghanistan, and calls on the Commission to give full support to the programme of the UN High Commissioner for Refugees to supply food and medical aid to the Afghan refugees who have fled into neighbouring states;
8. Urges member governments to act in cooperation with all governments who condemn this flagrant act of aggression against an independent sovereign state;
9. Calls upon the International Olympic Committee as well as national committees of member states and the federations of the national athletic associations taking part in the Olympic Games with the representatives of participating athletes to reconsider whether the summer games should take place in Moscow if the occupation of Afghanistan continues;
10. Instructs its President to forward this resolution to the UN Secretary-General, to the parliaments and governments of the Member States of the Community and to the Commission and the Council with a request for the latter to report to the European Parliament.'

file

BK

EURO PDL

BF 4/2.80.

4 February 1980

Further to my conversation with your office this morning I am writing to confirm that the Prime Minister requires a short up-to-date brief on major European topics prior to her meeting with Jim Scott-Hopkins and the Lord Privy Seal tomorrow at 11.15 am.

As you know, Mr. Scott-Hopkins is being re-nominated for the Chairmanship of the Conservative Group in the European Parliament and the meeting is really for the Prime Minister to congratulate him. However, as he will probably stay about 15 minutes and will no doubt touch on other subjects, particularly the Budget, I would be grateful if this brief could reach us sometime in the course of this evening.

CAROLINE STEPHENS

Sl.

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

Kwo Rd.



Foreign and Commonwealth Office

London S.W.1

12 December 1979

[Handwritten scribble]
19
Phms

Phms
Phms

(3)

Lord Lamington is briefed to
20th this is Brussels this evening. If it were agreed that the
Dear Michael, had a should stop, the Commission would have to be asked to stop paying export
restitutions
Call by Mr Scott-Hopkins: EEC Food Sales to Iran

Phms
12/12/79

In your letter of 7 December you asked whether there was any truth in the assertion by Mr Scott-Hopkins that EEC agricultural surpluses were at present being sold to Iran. This is indeed the case. Neither we nor the Ministry of Agriculture have all the figures, but we have asked UKREP Brussels to try to obtain them from the Commission. Below are the figures we do have for the three commodities in major surplus:-

Iranian Imports

[Handwritten scribble]

	<u>From EEC</u>	<u>From UK</u>
Butter	19,000 tons (Jan/June 1979)	4 tons (Jan/Sept 1979) 26 tons (1978)
Sugar	555,000 tons (1978)	62 tons (Jan/Sept 1979)
Cereals	not available	Barley - 750 tons (Jan/Sept 1979) Wheat flour - 1,980 tons (Jan/Sept 1979)

It is clear that the trade continues, but the UK's direct involvement is very small. We have not been able to work out the value of the export restitutions involved except in the case of butter. For the period above (Jan-June 1979) they were valued at approximately £20 million. I am sending a copy of this letter to Tony Battishill (Treasury) and Garth Waters (MAFF).

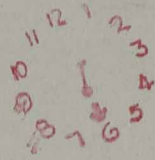
Yours etc
Paul
(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

Foreign and Commonwealth Office

London SW1

12 DEC 1979



CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

7 December 1979

cc Master set.
Euro-Pol (Part 3) Budget

Ref. 14/12/79

Euro pol.

Call by Mr. Scott-Hopkins

Mr. Scott-Hopkins, the Leader of the European Democratic Group in Strasbourg, called on the Prime Minister this morning to discuss the possible rejection of the 1980 EEC Budget by the European Parliament. He left some background papers with the Prime Minister. I enclose copies.

Mr. Scott-Hopkins said that the European Democratic Group had decided, virtually unanimously, to reject the 1980 Budget. It was possible that one or two of the Danish members might abstain but otherwise his Group was united. He thought it very likely that the Parliament as a whole would vote in favour of rejection. The Commission would no doubt try to produce proposals to buy off a sufficient minority of the Parliament to secure the passage of the Budget. They would be aiming at the Irish, the Danes and the French. Mr. Scott-Hopkins thought it was unlikely that they would succeed. In order to make any impact on those who were at present firmly opposed to the Budget, the Commission would have to increase the expenditure on the regional and social side of the Budget by at least 1,000 meuas. It was not easy to envisage how they could do this.

Mr. Scott-Hopkins said that his Christian Democratic colleagues in the Parliament were confident that Italy and the Benelux countries would be prepared to block the passage through the Council of Ministers of any Commission proposal sufficiently large to have an impact in the Parliament. He did not make a specific request for the UK to assist in blocking such a proposal but made it clear that he hoped we would do so. The Prime Minister indicated that the prospect of the Budget being rejected by the European Parliament caused her no displeasure.

Mr. Scott-Hopkins said at one point that agricultural surpluses were at present being sold to Iran as well as to the Soviet Union. I should be grateful to know soon whether there is any truth in this.

Mr. Scott-Hopkins did not raise the question of HMG's failure to support the earlier efforts of the European Parliament to amend the Community Budget.

/ I am sending

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- 2 -

I am sending copies of this letter to Tony Battishill (HM Treasury), Garth Waters (Ministry of Agriculture, Fisheries and Food) and Martin Vile (Cabinet Office).

Paul Lever Esq
Foreign and Commonwealth Office

CB

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MEMORANDUM TO THE PRIME MINISTER, RT. HON. MARGARET THATCHER M.P.
FROM JAMES SCOTT HOPKINS M.E.P. LEADER OF THE EUROPEAN DEMOCRATIC
GROUP.

THE BRITISH INTEREST IN THE REJECTION OF THE 1980 EEC BUDGET

This issue should be distinguished from that of the recent Budget Council vote on the European Parliament's agricultural amendments. We are faced with different circumstances following the Dublin European Council.

A. The Consequences of Rejection

1. If the European Parliament rejects the budget, the Community continues to be financed in the early part of 1980 on the basis of the release each month of one-twelfth of the amount of each chapter of expenditure voted in 1979. The Council may, by a qualified majority, authorise additional compulsory (i.e. agricultural) spending if needed.
2. A new draft 1980 budget will be submitted to the European Parliament and the Council, probably in February, for negotiation and decision in the course of March/April.

B. The Short-Term British Interest in Rejection

3. Community expenditure on the one-twelfth basis is automatically cut overall by approximately 10% - the rate of inflation since the 1979 budget was adopted.
4. At the same time essential spending will be financed by the one-twelfth provision - so there will not be irresponsible financial chaos.
5. Britain will have the opportunity to apply pressure if agricultural spending additional to the one-twelfth rule is required, by threatening to withhold participation in the necessary qualified majority required for such spending to be authorised in the Council.
6. In the negotiations on the new draft 1980 budget Britain will be able to apply pressure, probably in alliance with Italy, the Benelux Countries and the European Parliament, for
 - a) an immediate beginning on structural reform in the Common Agricultural Policy, and
 - b) increased spending on Community policies benefiting Britain.

Note. Rejection need not put the British Government in the Budget Council in the position of disavowing its commitments in June 1979 to the agricultural price fixing: by the time the new 1980 draft comes to the Council, the 1979 agricultural year will almost have expired, and the 1980 price-fixing will be imminent.

7. Pressures, threat of pressures, or the offer of co-operation, in the negotiations on the new 1980 budget, could be traded off by Britain in the negotiations surrounding the next (Brussels) European Council. This may help to advance the CAP structural reforms which are a necessary element in the solution of the British problem.

Any budgetary consequences of the European Council Meeting could either be incorporated in the new 1980 budget or in a supplementary budget.

C. The Longer-Term British Interest in Rejection

8. The origin of the British EEC budget problem lies in the lack of financial control over farm spending. We may rule out early fundamental reform of the Community financing system (i.e. the abandonment of the "own resources" concept) - therefore the long-term solution to the British problem must be found in the imposition of such control through the Community's mechanisms.
9. It is unlikely that Britain will succeed now in getting this financial control in the way in which she has already failed in the past - viz. by making the Agriculture Council directly responsible to the Finance Council. (Community theology holds that there is only one Council, in diverse manifestations.)

But the same effect can be obtained by using the Community budgetary mechanism already established in the Treaty - viz. joint European Parliament/Budget Council financial discipline over farm spending.

This will impose financial/budgetary constraints: Community legislation - for example, to strengthen the Co-responsibility Levy - is a distinct matter, on which unanimity is required in the Council.



London
7.xii.1979

EUROPEAN DEMOCRATIC GROUP

RESOLUTION OF THE BUDGETS COMMITTEE OF THE EUROPEAN PARLIAMENT

1. Recalls that in its resolution of 7 November 1979 it stated the conditions under which it could agree to the adoption of the budget: namely, if the unjustified cuts carried out by Council for non-compulsory sectors were overturned and if the first moves to control agricultural expenditure had been achieved, and if the European Development Fund and all the Community's lending and borrowing activities had been included within the budget;
2. Points out that Council, in its examination of Parliament's amendments, has not agreed to overturn the unjustified cuts to non-compulsory sectors, which it had made when it drew up the budget;
3. Points out that Council has not agreed to those proposals of Parliament which constituted the first moves to control agricultural expenditure;
4. Points out that Council did not agree to the including within the budget of the European Development Fund and the Community's lending and borrowing activities;
5. Concludes that none of the conditions set out in its resolution of 7 November 1979 has been fulfilled;
6. Believes that Council has not permitted the European Parliament to act positively as a part of the Budgetary Authority, responsible for the budget as a whole;
7. Recognises the political challenge to its future posed by Council's refusal to exercise its own political responsibilities, as a Council, within the Budgetary Authority;
8. Therefore rejects the 1980 draft budget as modified by the Council;
9. Calls upon the Commission to present a new preliminary draft budget in the light of paragraph 38 of its resolution of 7 November 1979, on the basis of which the Council should produce a new draft in accordance with Article 203.

oo O oo

Conservative and Unionist Party, GB
Det konservative folkeparti, DK
Ulster Unionist Party, N. Ireland
Centrum-Demokraterne, DK



EUROPEAN PARLIAMENT
EUROPEAN DEMOCRATIC GROUP

6th December 1979

LONDON

*St. Stephen's House
Victoria Embankment
London S.W.1.
Tel. (01) 839-3786
Telex 917650 ecgldn g*

The European Democratic Group has been meeting in Brussels for the last three days. A number of matters have been discussed but the 1979 Supplementary Budget and the 1980 Budget predominated.

On the Supplementary Budget, the Group has decided to follow the recommendations of the Budget Committee and to seek assurances from the Commission in regard to cut-price sales of surplus dairy products on the world market and to freeze a section of the budget if those assurances are not forthcoming.

Following the decision of the European Parliament's Budget Committee to recommend that the Parliament's Plenary Session next week should not accept the 1980 draft Budget, the European Democratic Group this morning voted substantially to follow the Budget Committee's recommendation.

The European Democratic Group will seek to amend the Budget Committee's draft resolution, adding to it a paragraph drawing attention to the fact that the 1980 draft budget as it now stands is quite simply a bad budget from the Community's point of view.

In recent weeks all Member States have criticised the bad balance between agricultural expenditure on surpluses and regional, industrial and structural development.

Rejection of the Budget would give Ministers an opportunity to redress this imbalance.

ooOoo

Europ Pol.

Prime Minister

Your meeting with Jim Scott-Hopkins
0845 Friday 7th December 1979

Jim Scott-Hopkins telephoned this afternoon.

The European Group have decided, and with a conclusive vote, to reject the EEC Budget.

In Jim Scott-Hopkins's view, the whole thing hinges on the fact that the Group wants to review things after he has seen you and they will do so on Monday afternoon. He does not mention this in his press statement, (which I attach).

He will obviously give you further background details when he sees you tomorrow but asked that I pass this on to you as he feels that the press reports might be 'garbled'.

Tessa
6.12.79

OD(E) are considering this whole issue on Monday. You won't want to preempt that discussion.

R.
6/12

EUROPEAN



PARLIAMENT

EUROPEAN DEMOCRATIC GROUP

BRITISH CONSERVATIVES, DANISH CONSERVATIVES
DANISH CENTRE DEMOCRAT, ULSTER UNIONIST.

PRESS SERVICE

RELEASE TIME: Immediate/THURSDAY, 6th December
1979 1204/79

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END

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Euro pol.

ca. 23/7



Foreign and Commonwealth Office
London SW1A 2AH

23 July 1979

Dear Caroline,

European Parliament: Call on the Prime Minister
by Mr James Scott-Hopkins

In your letter of 17 July you asked for briefing for Mr James Scott-Hopkins' call on the Prime Minister on the subjects referred to in Mr Scott-Hopkins' Private Secretary's letter of 16 July to you.

/ I attach background notes on these subjects, namely allowances for members of the European Parliament and relations between the European Parliament and the British Parliament. We have subsequently heard however that Mr Scott-Hopkins is more likely to want to discuss with the Prime Minister relations between the European Democrats (largely composed of UK Conservatives) and other political groups in the European Parliament during the last two weeks. He has said that relations with the European Progressive Democrats (including the Gaullists) have been bad, but there has been a good alliance with the new Liberal/Christian Democrat group.
/ These are essentially Party matters, but I attach as background UKDel Telegram Number 46 describing the election of Madame Weil as President of the European Parliament and a table showing the composition of the parties in the European Parliament.
/

Yours etc

(P Lever)
Private Secretary

Miss Caroline Stevens
10 Downing Street
LONDON SW1

POINTS TO MAKE

Allowances

1. The December 1978 agreement between Member States, in which the Parliament acquiesced, was that Member States should pay salaries and the Parliament allowances. Some Member States may have departed from this; but no reason why UK MEPs should not press in Strasbourg for allowances to cover eg. travel within constituencies, postage etc. Government have taken powers in the Salaries and Pensions Bill to pay certain allowances if absolutely necessary (subject to affirmative resolution); but to consider doing so now would be premature.
- A
2. Understand in any case that MEPs have decided to give themselves generous secretarial and office allowances.

Accommodation in London

3. A matter for the Parliament. Understand they are looking for premises near Westminster. Meanwhile no Government objection to Secretariats of the UK Parties continuing to use St Stephens House at least for another six months.

Relations with Westminster

4. The Government wants good relations with UK MEPs and between Westminster and Strasbourg.
5. Accordingly, we have made arrangements to provide MEPs with written and oral briefing on request.
- B
6. We intend to honour our Manifesto commitment to discuss 'with all parties' the relationship between the two institutions; and will be making proposals shortly.

BACKGROUND

Allowances

C 7. Despite agreement in December 1978 that Member States should pay salaries and the Parliament allowances, some Member States have made national provision for certain allowances, including internal travel. UK MEPs are concerned that as a result the Parliament will not agree to pay such allowances. Other Member States' MEPs may in any case be less concerned on this score, since they do not all have constituencies to nurse. For these reasons the Government amended the Salaries and Pensions Bill so as to be able to pay allowances if necessary.

8. Details of the new levels of allowances for the directly-elected MEPs are not yet available.

Relations between European Parliament and UK Parliament

D 9. The framework for relations between Government, the UK Parliament and the European Parliament was set out in the Lord Privy Seal's minute of 13 June which has been agreed by Ministers. OD(E) are shortly to consider the substantive question of relations between Parliament at Westminster and the European Parliament. Ministers have undertaken that Parliament would have an opportunity to discuss the question fully.

CONFIDENTIAL

FM UKDEL STRASBOURG 190915Z JULY 79

TO PRIORITY FCO

TELEGRAM NUMBER 46 OF 19 JULY

INFO: LUXEMBOURG UKREP BRUSSELS PARIS

EUROPEAN PARLIAMENT: PRESIDENCY

FOLLOWING FROM HOHLER, UKREP BRUSSELS

- 1.. MADAME VEIL WAS ELECTED PRESIDENT OF THE EUROPEAN PARLIAMENT BY A MARGIN OF 3 VOTES IN THE SECOND BALLOT - OF FOUR POSSIBLE BALLOTS.
- 2.. HER ABILITY TO WIN THE PRESIDENCY ON THE FIRST BALLOT HAD ALWAYS BEEN IN DOUBT TO THE EXTENT THAT THE ADHERENCE TO HER CAUSE OF A SUFFICIENTLY LARGE NUMBER OF CHRISTIAN DEMOCRAT (CD) AND EUROPEAN DEMOCRAT (ED) GROUP MEMBERS COULD NOT BE GUARANTEED. BUT, IN THE EVENT, HER PROBLEMS WERE COMPOUNDED BY THE HISTORIC REACTION OF THE EUROPEAN PROGRESSIVE DEMOCRAT (EPD) GROUP TO THEIR EXCLUSION FROM AN AGREEMENT REACHED BETWEEN THE ED, CD AND LIBERAL GROUPS, TO ACT IN CONCERT OVER ELECTIONS.
- 3.. IN REVENGE FOR WHAT THEY SAW AS A HOSTILE ACT, IN PARTICULAR BY QUOTE FRIENDS WITH WHOM WE HAVE ALWAYS BEEN FREE AND OPEN UNQUOTE (IE THE BRITISH CONSERVATIVES), THE EPD PUT UP THEIR OWN CANDIDATE, DE LA MALENE (SENATOR FOR PARIS). THIS MOVE REDUCED THE FRENCH SUPPORT FOR VEIL AND VIRTUALLY ENSURED THAT SHE DID NOT GET THE MAJORITY ON THE FIRST VOTE. FURTHER, ACCOMPANIED AS THE MOVE WAS BY VITUPERATION AGAINST THE BRITISH CONSERVATIVES AND THE ANNOUNCEMENT THAT CHIRAC WOULD NOT ATTEND THE EDU MEETING IN LONDON, IT WAS DIFFICULT NOT TO CONCLUDE THAT THE SPOILING EFFECT WAS AIMED NOT MERELY AT VEIL BUT AT ANGLO/FRENCH RELATIONS GENERALLY.
- 4.. DE LA MALENE GOT ONLY 26 VOTES HOWEVER IN THE FIRST ROUND OF BALLOTING. SINCE THE SOCIALIST CANDIDATE GOT 118 VOTES, THERE WAS THEN THE RISK THAT IF MALENE RAN AGAIN IN ROUND TWO AND THE COMMUNISTS (WITH 44 VOTES) WITHDREW IN FAVOUR OF ZAGARI, THE SOCIALIST CANDIDATE COULD EMERGE WITH A MAJORITY. FACED WITH THIS MALENE WITHDREW AND VEIL WON. NO DOUBT THE SCORE WILL BE SETTLED LATER.

CAPE

FCO DESTN.

EID (I)

CONFIDENTIAL

EUROPEAN ELECTIONS, 7-10 JUNE 1979

SEATS

	TOTAL	BELGIUM	DENMARK	FRANCE	GERMANY	IRELAND	ITALY	LUXEMBOURG ¹	NETHERLANDS	UNITED KINGDOM
Socialist	111	7	3	21	35	4	13	1	9	18
Christian Democratic	106	10	0	7	42	4	30	3	10	
European Democratic (including Conservatives)	63		3							60 ²
Communist	44	0	1	19	0		24	0	0	
Liberal	41	4	3	10	4		5	2	4	0
European Progressive Democrat (including Gaullists)	21	1	15		5					
Others	24	3	5			2	9		2	3
TOTAL	410	24	16	81	81	15	81	6	25	81

¹ In Luxembourg every voter had 6 votes so totals divided by six

² Subsequently 59 after Miss Shelagh Roberts' election was declared void

NEW CLAUSES

Allowances

Mr Secretary Whitelaw

* To move the following Clause:-

NC2

- (1) The Secretary of State may with the concurrence of the Treasury by order make provision with respect to the allowances and facilities which, in such circumstances and subject to fulfilment of such conditions as may be prescribed by the order, are to be available to Representatives in connection with the performance within the United Kingdom of their duties as Representatives.
- (2) An order under this section may make different provision with respect to different circumstances.
- (3) No order shall be made under this section unless a draft thereof has been laid before, and approved by resolution of, each House of Parliament.'

Expenses

Mr Merlin Rees
Mr George Cunningham
Dr Shirley Summerskill

NC1

To move the following Clause:-

- (1) Where a representative incurs expenditure on the cost of travel in the proper performance of his duties in the European Assembly
 - (a) within his constituency
 - (b) between his constituency and London and when the representative is not reimbursed for such costs by the European Assembly, the Secretary of State may reimburse the representative for such costs.
- (2) No payment shall be made under this section except in accordance with regulations made by the Secretary of State and no such regulations shall take effect until they have been approved by a resolution of the House of Commons.'

Mr Secretary Whitelaw

* Title, line 1, at end insert ', and the provision of allowances and facilities.'

23



B

64

MWP OH/7
JPL

Foreign and Commonwealth Office
London SW1A 2AH

4 July 1979

BRIEFING FOR UK MEMBERS OF THE EUROPEAN PARLIAMENT

As you know, the Government are seeking to establish a close and cordial relationship between the European Parliament and Westminster. We have accordingly been considering what arrangements to make in this context for the briefing of UK MEPs to keep you in touch with the Government's policies and to provide any necessary indications of British interests in Community affairs. We have identified four main ways in which this can most conveniently be done: written and oral briefing by Ministers, replies to MEP's letters and provision of Government publications.

The Government have agreed that UK MEPs should be provided with the same written briefing material as was provided for their predecessors nominated from Westminster. Such material will accordingly be provided on request on subjects under discussion in the European Parliament and will consist of written, factual briefs by the Government departments concerned. Where the Government's policy on the subject has been made public, for example in Parliament or some other forum, an indication of this will be given. Where a subject has been under discussion for some time, or developments occur the briefs will be updated as necessary. The briefing will be made available through the party secretariats. Any

/briefing

J S R Scott-Hopkins Esq MP
House of Commons
London SW1A 0AA

briefing supplied at the request of one party will be sent to all parties, regardless of which party made the request. Requests should be addressed to the Cabinet Office, who will then commission the briefing from the department concerned. The responsible officer is:

Mrs A M Blackburn
Cabinet Office
70 Whitehall
London SW1

Tel: (01) 233 6180

There may be times when you want a more detailed indication of the Government's thinking on a particular issue. In these circumstances we would try to offer oral briefing. Requests for briefing of this kind should be channelled through the Cabinet Office in the same way as for written briefing.

We shall aim to give MEPs' letters on Community subjects the same priority as MPs' letters. Depending on the content of the letter, it may on occasion be more appropriate for a reply to come from officials but we shall aim to ensure that on most occasions MEPs' letters receive prompt replies from Ministers.

Finally we believe it may be useful for MEPs to have access to Government publications free of charge, in the same way as individual MPs have at present. Clearly MEPs will not need the same range of documents as MPs and we expect that your requests will be mainly for publications having a bearing on Community affairs, though not necessarily exclusively so. Requests for Government publications should, again, be channelled through the party secretariats. HMSO will be writing to you shortly about the detailed arrangements

I hope that these arrangements will meet your needs; we can of course re-examine them in the light of experience if any modifications seem necessary. You may like to ask someone in your office to get in touch with Mrs Blackburn to discuss the detailed arrangements.

I am writing in similar terms to Mrs Castle, Mrs Ewing, Mr Paisley, Mr Hume and Mr Taylor.

C

SPECIAL ALLOWANCES
AND CONCESSIONS

PAY AND ALLOWANCES TO BE PAID BY MEMBERS
TO MEMBERS OF THE
SECRETARIAL AND
OFFICE SERVICES
(details as at 3 July 197
th.

BASIC ANNUAL
SALARY

United Kingdom £6,897

Belgium BF 1,390,483
(£21,525)

Denmark Kr 137,828
(£11,871)

If resident in Denmark subsistence allowance (tax free):
Residents in or near Copenhagen -
Kr 12,922 (£1,113) pa
Others in Zealand -
Kr 19,721 (£1,699) pa
Others -
Kr 38,095 (£3,281) pa

Federal Republic of Germany DM 90,000
(£22,333)

France F 232,740
(£25,025)

Italy Lire 20,972,895
(£11,697)

Daily attendance allowance of Lire 74,400 (£41) Also payable on days during a session when there is no meeting provided MEP does not return to Italy in the meantime

Lire 1,561,800 (£861) per annum plus an accountable allowance for a research assistant of up to Lire 6,247,200 (£3,445) per annum

Luxembourg Fr Lux 290,000
(£4,489)

The Netherlands Fls 88,089
(£19,885)

Republic of Ireland £IR 6,911
(£6,480)

STATES OF THE EUROPEAN COMMUNITIES
EUROPEAN PARLIAMENT

standing equivalent as on
date)

TRAVEL CONCESSIONS
(ON EUROPEAN PARLIAMENTARY BUSINESS)

Free inland rail, ferry and air travel

Free travel within Federal Republic
of Germany

Travel allowance to and from Community
Institutions Lire 316 (17 pence) per
kilometre for distances less than
400 kilometres. For official travel
outside Community, a daily allowance
of Lire 49,200 (£27). Free rail travel
in Italy

Fls 5,640 (£1,273) per annum

POSTAGE AND TELEPHONE SERVICES
(ON EUROPEAN)
PARLIAMENTARY BUSINESS)

DUAL MANDATE

Legislation pending

Dual mandate Members will receive
one salary only

The Folketing salary of Dual Mandate
Members will be abated for periods
(minimum one week) when leave of absen
has been formally granted. The annual
salary will be divided by 365 and
multiplied by the number of days absen
to arrive at the amount of abatement.
Dual mandate Members already in receipt
of one subsistence allowance will not
receive a second

Dual Mandate Members will receive
one salary only

Dual Mandate Members will receive
one salary only

Dual Mandate Members will probably
receive one salary only with extra
allowances for national
Parliamentarians

Not yet decided

Not yet decided

Dual Mandate Members who are members
of the Dail will receive a salary of
£IR 13,822 (£12960) and if members
of the Senate, £IR 10,979 (£10,294).



CHANCELLOR OF THE DUCHY OF LANCASTER

RELATIONS BETWEEN THE UK PARLIAMENT AND THE DIRECT^{ly} ELECTED
EUROPEAN PARLIAMENT

1. Now that the direct elections to the European Parliament are over, the Government must expect an early approach from the new UK Members of the European Parliament (MEPs) on the form relations between them and Westminster should take.
2. There is unlikely to be a uniform view on what the relationship should be, either within each party or between the parties. Moreover not all the facts are available yet - we do not know, for example, exactly what the Parliament itself will provide for its own members in respect of accommodation and Secretariat services. Furthermore many aspects of the relationship are matters primarily for the House itself which will expect an opportunity to discuss them. In my view however it is important that the Government should be seen without delay to be ready to establish a close and cordial relationship. We should accordingly be ready to say something positive as soon as we are approached. At my request FCO officials, with the help of the Treasury and the Cabinet Office, have prepared the attached note which I am circulating as a basis for consideration by colleagues.
3. The note identifies the main issues likely to be raised. They are divided into three categories:-
 - (i) points on which the Government can take decisions immediately for use when asked;
 - (ii) requests we can decide now that we cannot grant; and
 - (iii) issues that will need longer-term consideration, particularly by the House and in the light of views expressed by the MEPs.

I believe it will be particularly important for all concerned to consider the substantive issues in the third category carefully, since to establish the wrong framework too hastily or too formally could get the relationship off on the wrong foot.

/It



4. It seems clear that once decisions have been taken much of the responsibility of Government for implementing what we decide will fall outside the Foreign and Commonwealth Office. This is particularly true of the substance of relations between Parliament and the European Parliament where I imagine that you, as Leader of the House, will want to lead for the Government. I hope that colleagues can agree with the Ministerial responsibilities identified in the official note.

5. Unless I hear to the contrary by 22 June, I shall assume that colleagues are content, without discussion in OD(E), that I should make clear as appropriate the Government's wish to discuss with MEPs how best to establish a close and cordial relationship between the European Parliament and Westminster; and that, as necessary, I should announce the decisions proposed at paragraph 3(i) and (ii) above, namely:-

- (i) subject to the views of the House Services Committee, the Government is content that the party secretariats should rent existing accommodation in St Stephen's House for an interim period of six months, but that the Government believe that thereafter accommodation for party secretariats and MEPs should be the responsibility of the European Parliament;
- (ii) subject to the views of the House authorities, the Government believe that it would be useful for the two institutions to exchange Parliamentary papers;
- (iii) in order that MEPs should be aware of the Government's policies in the Community and the reasons for them, the Government are willing to provide written or oral briefing by arrangement; and Government publications (free of cost) in response to MEPs' requests; they will also normally accord MEPs' letters on Community questions the same priority as MPs' letters;
- (iv) the Government believe the provision of secretariat services for MEPs should be the responsibility of the Parliament.

/As



6. As far as the substantive issues referred to in paragraph 3(iii) above are concerned, I propose that we should have an early discussion in OD(E).
7. I am sending copies of this minute and accompanying note by officials to colleagues on OD(E), the Secretary of State for the Environment and to Sir John Hunt.

1.449.

13 June 1979



RELATIONS BETWEEN THE UK PARLIAMENT AND THE EUROPEAN PARLIAMENT
AFTER DIRECT ELECTIONS

NOTE BY OFFICIALS

1. The most complete study of this subject so far done is in the 44th Report of the House of Lords Select Committee (debated on 30 January), which reached its conclusions after exhaustive hearing of evidence and deliberation. The present Note draws extensively on the analysis and suggestions in the Report, of which the paragraph references are shown in brackets where appropriate. The Note also takes into account where appropriate work done by the House of Commons Select Committee on Direct Elections to the European Assembly (third report 1975/76 session).
2. The Note makes recommendations on the line the Government might take. In many cases, however, the main responsibility lies with the House itself. Although, therefore, the Note suggests how responsibility might fall this can only be provisional until Ministers, Parliament and MEPs have all had an opportunity to discuss the problems.

I. POINTS ON WHICH POSITIVE DECISIONS MAY BE TAKEN IMMEDIATELY
BY HMG

European Parliament Offices/Temporary Accommodation for MEPs
(para 60)

3. In the long-term it is for the Parliament to provide its own accommodation, both for its own offices and for MEPs (see para 10 below). But the London office has no space at the moment and is about to move. The secretariats of the present Conservative and Labour Delegations enjoy the use of 3-4 rooms each in St Stephen's House. This accommodation is provided free (except for service costs). After direct elections the parties may ask to be allowed to stay on an interim basis (for, say, six months) until the European Parliament can provide for them. They were given some encouragement by the last Government to think that this would be possible (column 104 of Lords Hansard,



30 January). Since the direct link with Westminster will have been generally broken, the House of Commons Services Committee require to be consulted about what would be technically a change of use in a building designated to become part of the House precincts.

Recommendation

4. Agree, subject to views of House of Commons Services Committee, to provide if asked interim accommodation in St Stephen's House for the secretariats of all parties represented in the new Parliament, but not for individual MEPs. Parties should however be asked to pay appropriate market rent, since the Members concerned will (with few exceptions) not be Westminster MPs.

Responsibility

5. Chancellor of the Duchy of Lancaster/Department of Environment/House Services Committee.

Exchange of Information (para 65)

6. Parliamentary papers should be made available to UK MEPs, and also papers from Select Committees, etc, as part of a two way exchange of information.

Recommendation

7. Agree this would be useful; not primarily for Government.

Responsibility

8. Chancellor of the Duchy of Lancaster/House Authorities.

Contact between MEPs and the Government (para 66)

9. It is in the general interests of the UK Parliament, of the Government and of the UK MEPs that these last should be aware of the Government's policies. There are four main ways for this to be ensured:-

(i) Written Briefing

a) Written, factual briefs on subjects under discussion in the European Parliament have been provided by Government Departments at the request of the MEPs through their secretariat and the Cabinet Office.

/They



They contain no indication of Government policy beyond what may have been publicly stated.

Recommendation

b) Agree practice should continue, co-ordinated between the parties' secretariats and the Cabinet Office.

Responsibility

c) Chancellor of the Duchy of Lancaster/Cabinet Office.

(ii) Oral Briefing

a) MEPs may seek more detailed policy guidance than that contained in the purely factual, written briefs [(i) above]. This could be given orally by the appropriate departmental Minister.

Recommendation

b) Agree.

Responsibility

c) Lord Privy Seal/other Ministers as appropriate.

(iii) Letters from MEPs to Ministers

a) Letters from the present, nominated MEPs receive the priority treatment given to MPs' letters, since the MEPs enjoy the dual mandate; very few, however, will do so after direct elections. To continue this practice after direct elections would strengthen the links. The Third Report of the House of Commons Select Committee on Direct Elections also recommended that Ministers should give the same priority to dealing with letters from MEPs as they do to letters from MPs. It would however be difficult always to distinguish between "Community" and "non-Community" affairs.

Recommendation

b) Agree UK MEPs' letters should normally be answered by Ministers with the same priority as MPs' letters. Where the letter was not directly concerned with

/Community



Community affairs, priority might be lower or, in exceptional cases, an official might reply.

Responsibility

- c) Departmental Ministers.
- (iv) Government publications free of charge
 - a) At present all MEPs may receive Government publications free of charge by virtue of their membership of the UK Parliament. The average cost is some £1,500 per MP per annum; with only 81 UK MEPs, who will be interested primarily in matters related to their work in the European Parliament, the cost is unlikely to be excessive. It could be borne on HMSO Vote.

Recommendation

- b) Agree to provision free of charge.

Responsibility

- c) Treasury/HMSO.

II. AREAS WHERE THE GOVERNMENT CAN DECIDE NOW TO OFFER NO PROVISION

Accommodation for MEPs in London: Long-term (para 60)

10. The UK office of the Parliament expects to find accommodation near Whitehall in which there would be room to house at least the parties' secretariats. There are likely to be funds available through the Parliament's budget, either directly through the UK Office or through the funds given to the political groups in the Parliament. (It will not, in any case, be clear for some while how much time the MEPs will want or be able to spend in London nor, therefore, what their exact needs will be).

Recommendation

11. Agree there should be no office accommodation provided at Government expense for either individual MEPs or the party secretariats. (But see para 29 below).

Servicing directly elected MEPs (paras 61-62)

12. A small secretariat of staff nominated from the staff of

/the



the House has provided services such as hotel and travel bookings and co-ordination of briefing material (para 9(i) above) for the present, nominated UK MEPs. This service will end after the elections, when the direct link is broken. There is no need for the Government to make any provision of funds or staff for these jobs which could be done by the party secretariats, the UK office of the Parliament or even the MEPs' secretaries (a secretarial allowance is paid).

Recommendation

13. Agree that the Government should make no provision.

III. ISSUES THAT WILL NEED LONGER-TERM CONSIDERATION IN THE LIGHT OF EXPERIENCE

General

14. The Commons Select Committee believed that it was in the field of informal links that the most useful contacts were likely between Members of both institutions. In the light of the development of these informal links it would be for consideration whether more formal links were needed in due course. The Lords Select Committee however favoured the setting up of specific arrangements under which the directly elected MEPs might be involved in the institutions of the Westminster Parliament.

Possible membership of one or other House of Parliament (paras 49-52)

15. The House of Lords Committee recommended that this course should not be pursued, and that the main objectives in establishing a working relationship could be achieved by procedural changes.

Recommendation

16. Agree that at this stage there is no reason for the Government to dissent from this view; but this is a matter for the House.

A European Grand Committee (paras 54-5)

17. Such a Grand Committee might consist of all members of the Scrutiny Committees of both Houses, all 81 UK MEPs and other

/members



members nominated from either House. It might meet "to consider matters concerning the European Communities", initially perhaps thrice a year, in the presence of Ministers (and perhaps Commissioner

Recommendation

18. Agree the idea worth considering in the light of MEPs' needs and experience of pressure of work, etc. Ministers will wish to consider whether they would want to explain Government policies.

Responsibility

19. Chancellor of the Duchy of Lancaster/Whips/House Authorities.

Attendance by MEPs at Scrutiny Committees (paragraphs 56-7)

20. MEPs might participate in all aspects of the work of the Scrutiny Committees of both Houses, with the exception of voting.

Recommendation

21. Agree should be discussed with MEPs in due course.

Responsibility

22. Chancellor of the Duchy of Lancaster/Whips/House Authorities.

Evidence from MEPs to the Scrutiny Committees (paragraph 58)

23. Possibly a more practical suggestion than that of participation in Select Committees' work. Subject to pressure of time on MEPs, this could be a useful starting-point for developing an informal relationship between members of the two institutions. (The MEPs might need to be reassured that any expenses they incurred would be reimbursed; the present position is that witnesses are reimbursed expenses if they ask for them).

Recommendation

24. Government might welcome this idea.

Responsibility

25. Chancellor of the Duchy of Lancaster/Whips/House Authorities.

/Participation



Participation in European Parliament Committee Work and Joint Meetings
(paragraph 59)

26. Members of the UK Scrutiny Committees might take part in the work of European Parliament Committees, if invited.

Recommendation

27. Leave to the Committees and European Parliament to decide. But Government could express interest in the ideas.

Access to the Palace of Westminster (paragraphs 63-4)

28. This could involve access both to debates and to amenities such as bars, restaurants or libraries. The Commons Select Committee believed that it would be sensible to make available to MEPs some of the amenities available in Parliament to Members of both Houses.

Recommendation

29. Leave to the House Authorities to decide, but agree it might be a sensible way of establishing informal links. An alternative might be to establish some joint facility (a Joint Common Room, or club) outside the Palace of Westminster, possibly in combination with the MEPs' offices.

Constituency and Party Links (paragraphs 67-69)

30. Both matters for the political parties. The Commons Select Committee hoped that the parties would give early consideration to links at parliamentary and constituency levels, and to a lesser extent, through all-party groups.

Site of the Parliament (paragraph 70)

31. The Lords Scrutiny Committee recommended a fixed site (perhaps Brussels) in place of the present, (formally provisional) system whereby the Parliament meets in Strasbourg and Luxembourg, its Secretariat is in Luxembourg and its Committees usually meet in Brussels. But to decide on a permanent site requires unanimity in the Council, and France and Luxembourg are determined to protect their interests. A single, permanent site would, however, be more sensible and much less expensive.

/Recommendation



Recommendation

32. Agree

- i. to avoid being drawn, since to do so would be liable to offend France or Luxembourg or both, to no avail since they retain an effective veto; but
- ii. to avoid doing anything which might make the present, "provisional" position more permanent.

FOR THE PRIME MINISTER'S MEETING
1630 TUESDAY

CONFIDENTIAL

To: The Prime Minister

MEETING WITH J. SCOTT HOPKINS - ON TUESDAY JULY 24th

Brief on Westminster attitude to Passes and Accommodation
in the Palace

It has been agreed that if agreement can be reached on these issues a major step will have been taken in this field.

1. We are awaiting a decision from Norman St John Stevas.
2. It appears that the Labour Party may be opposed to providing a Room for Euro MPs.
3. We hope therefore that the agreement can be reached on 'Passes'. We will then tackle the Accommodation issue.

MEP's relations with Constituencies

After discussion with Euro MPs a working group under the Chairmanship of Sir Charles Johnston has been set up to decide on administrative and organisational back up for MEPs.

It will hold its first meeting in September and report by December 1979. The letter from the Chairman announcing the formation of the group is attached and the membership will be as follows:

Sir Charles Johnston (Chairman)
Sir Anthony Royle, MP (Vice Chairman)
2 Westminster MPs
2 European MPs: J. Scott Hopkins
Sir J. Stewart Clark
2 Agents
Tony Garner
Roger Boaden (Secretary)
One Member of the National Union
Party Treasurer

Anthony Royle 24/7

From

THE CHAIRMAN OF THE PARTY

The Rt. Hon. The Lord Thorneycroft

CONSERVATIVE & UNIONIST CENTRAL OFFICE,
32 SMITH SQUARE,
WESTMINSTER, SW1P 3HH,
Telephone: 01-222 9000

19th July 1979

ORGANISATION IN CONNECTION WITH EUROPE

The Conservative Members of the European Parliament have, as you know, now taken their seats in the Parliament and I am sure that all of us wish them every possible success in their new work.

The elections to the European Parliament created a new and challenging situation for the Party organisation in the country and much preparatory work was put in to ensure an effective organisation. Bearing in mind the difficulties of the enlarged Euro constituencies and the fact that the campaign followed immediately after the general election, the elections went generally smoothly for the Party organisation and I am most grateful to everyone for the work which was done.

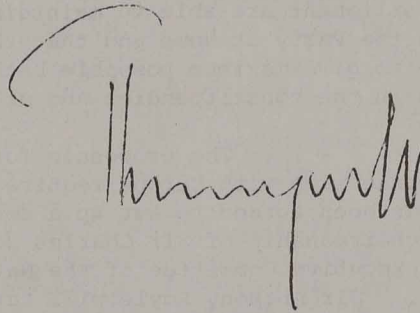
We must now look to the organisation necessary in the future to ensure that the European Members of Parliament are able to maintain close and effective links with the Party at home and that the Party organisation is able to give maximum possible back-up and service to them both in the constituencies and at the centre.

The proposals for our future organisation in connection with Europe require careful consideration and it has been agreed to set up a small working party, under the chairmanship of Sir Charles Johnston, the Chairman of the Executive Committee of the National Union, to look into this. Sir Anthony Royle will act as Vice Chairman. The working party will comprise representatives of the National Union, the Parliamentary Party both in the House of Commons and the House of Lords, the Conservative members of the European Parliament, the National Society of Agents and the Central Office.

The first meeting of the working party will be held in early September and we hope it will report as quickly as possible in order that firm recommendations can then be agreed.

Their discussions will obviously include the appointment and work of Euro Agents in the future. Lady Young wrote to UK and Euro constituency chairmen on 8th March 1979 saying that the position regarding Euro Agents would be looked at again after the Euro elections and recommending that, wherever possible, present arrangements should continue until the end of December 1979. These, as you know, are that one of the existing UK Agents acts as Euro Agent and receives an additional payment for the work involved. A recommended scale of fees for the period from the end of the Euro elections to the end of December was set out in the letter. I hope that it will be possible for such arrangements to continue anyway until the end of the year with the goodwill of the employing Associations, the ECC's and the UK and Euro Members of Parliament.

I will, of course, write to you again after the working party has reported.




To: Constituency Chairmen
Euro Constituency Chairmen
Members of Parliament
Members of the European Parliament
Constituency Honorary Treasurers
Euro Constituency Finance Officers
National Union Executive Committee
Constituency Agents
Euro Agents
Central Office Agents
Central Office Directors

Euro Post

 CAROLINE

Mr. James Scott-Hopkins' secretary rang from Strasbourg about Mr. Scott-Hopkins' journey home on Friday, 20 July. He will catch the Charter flight from Strasbourg leaving Strasbourg at 5.30 p.m. arriving Gatwick 6.30 p.m. He will do his utmost to get to No. 10 on time but could be a little late. He is most anxious that the Prime Minister knows this.

Sue



17 July 1979

FILE

ml

BF 23/7/79

17 July 1979

I am enclosing a letter from Mr. James Scott-Hopkins' Secretary specifying the subjects that Mr. Scott-Hopkins wishes to discuss with the Prime Minister when he sees her next Tuesday 24 July at 1630. I would be grateful if you could provide a brief to reach this office sometime during Monday 23 July. Sorry it is such short notice.

CAROLINE STEPHENS

Paul Lever, Esq.,
Foreign and Commonwealth Office.

CLM

EXTRA STRONG

Dear Caroline,

I promised to let you have a note about the subjects Jim Scott-Hopkins would like to mention to the Prime Minister when he sees Mrs. Thatcher on the 24th at 4.30 p. m.

I spoke to him today and in a very brief conversation he said he would like to go through what has happened in the European Parliament over the last couple of weeks.

That sounds a bit vague. I do know that there is a good deal of feeling about the lack of facilities that the British contingent have compared with their European colleagues. They get really nothing compared with the Continental M.E.Ps. They have no desk; no free postage; no free travel; no base; no telephone. From the correspondence awaiting him and from conversations I have had, I know that there is much concern over this great lack of facilities.

Yours sincerely,

Gileen (Wright)

Private Secretary to
Mr. James Scott-Hopkins, M.E.P.

Miss Caroline Stevens.

F 375

LUXEMBOURG

Centre européen, Case postale 1601
Tel. 477 11
Telex. 2832 ecg lu

1000 - BRUSSELS

3 Blvd. de l'Empereur
Tel. (02) 513 40 70
Telex. 24541 eurpar b

LONDON

St. Stephen's House
Victoria Embankment
London S.W.1.
Tel. (01) 839-3786
Telex 917650 ecgldn g

COPENHAGEN

Vesterbrogade 40, 3
1620 KØBENHAVN V
Tel. (01) 24 62 76
Telex 27199 klnyt dk

PRIME MINISTER

HEAD OF THE EUROPEAN PARLIAMENT

Mr. Scott-Hopkins telephoned on Friday, hoping to speak to you. He delivered his message to me instead, and I put a note into you about it over the weekend. I fear that it may have got attached to something else in the box, and that you may have overlooked it.

Mr. Scott-Hopkins said that he thought that Simone Veil might not get a sufficiently large majority on the first ballot to achieve the Presidency. If she did not, there were pressures within the Conservative Group to put someone up. He was doing what he could to prevent that idea gaining ground.

!!
He said that proposals on the level of expenses were now being circulated, although they had not yet become public. The total worked out at something like £21,000 per Member per year, of which £14,000 was a secretarial allowance. The rest is for office expenses, divided roughly half and half between accountable expenses (paid only on evidence of expenditure) and unaccountable expenses.

Mr. Scott-Hopkins added that the Group was settling in much better than he had expected and things were going better than he had hoped overall.

I take it that you will not want to receive regular oral reports from Mr. Scott-Hopkins on what is going on in the European Parliament?

Do you want to designate someone else to be a point of first contact with Mr. Scott-Hopkins? Should it be, perhaps, the Chief Whip or Lord Carrington? I suspect that Mr. Whitelaw may have too many other preoccupations for him to do this as well, but otherwise I would have suggested him as a further possible alternative.

16 July 1979

He will have to have
direct access to
Peter Temple - Alan Adkins
ref. M/S

Enc with
FCO letters of
27.6.80 and
1.7.80

COMMON AGRICULTURAL POLICY

1980/ 1981 CAP Price Settlement

1. Increases higher than we would have wished, but well below Community rate of inflation. No increase in real terms.
2. Increase for milk (commodity in worst surplus) offset by co-responsibility levy. Net of co-responsibility increase amounts to only 1.25% per annum over last two years.
3. Substantial benefits for UK: butter subsidy, whisky refunds, suckler cow premium, favourable sheepmeat regime.
4. Minimal effect on consumers: only adds 0.7% to food price index and 0.15% to R.P.I.

Cap Reform

5. Commitment to implement structural changes agreed in Brussels and endorsed by Heads of Government in Venice gives us unprecedented opportunity to make significant changes to CAP.
6. Recent statements by Chancellor Schmidt and French President and Prime Minister show welcome recognition of need for change.
7. Problems of enlargement and continuing rapid increase in CAP expenditure major catalyst.
8. European Parliament can play useful role in sustaining pressure for change. Now need to examine carefully what sort of changes most appropriate. For Commission in first instance to make formal proposals.
9. How does Parliament see the way forward?

/[If Raised]

[If Raised]

10. Pisani Report: Cannot necessarily endorse specific analysis and recommendations, but useful for those who favour reform to combine to promote it within Parliament.

11. 1% Ceiling: Cannot agree to increase in ceiling. Would simply provide more money for uncontrolled growth in CAP expenditure. Pressure of ceiling should promote change.

12. Budget Settlement Precludes Reform? Not so. We have no quarrel with the basic objectives of CAP as defined in the Treaty. What is needed are changes in the method of operation.

BACKGROUND

COMMON AGRICULTURAL POLICYCAP Price Settlement

1. The main features of the 1980/81 farm prices settlement and its impact on the UK are set out in Annex A. Some MEPs may suggest that, despite certain attractive features for the UK, it represents another lost opportunity to cut the cost of CAP: little remains of the Commission's original economy proposals, the price freeze for products in surplus was not achieved and, if green rate changes are taken into account, the level of settlement is little different from the rate of inflation in several countries and will therefore have little effect in restraining surplus production. In response to such criticism, we can accept that the settlement will not solve the CAP's problems, but it does contain the increase in the cost of CAP to the Community, and even including green rate changes represents a $2\frac{1}{2}\%$ reduction in real terms. It also benefits the UK. And our budget solution effectively insulates the UK against the increased cost during the next eighteen months until more permanent solutions are found.

CAP Reform

2. In the wake of the UK budget agreement, both the French and German Governments have made a number of public statements acknowledging the need to reform the method of operation or management methods of the CAP. The budget agreement itself provides for a review of the financial structures of the Community during 1981 and this was endorsed in the Presidency Conclusions to the European Council in Venice on 12/13 June. This review will inevitably involve examination of expenditure on the Common Agricultural Policy since this takes up nearly 75% of the total Community budget. It therefore provides a major opportunity to bring about much-needed reform.

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3. Chancellor Schmidt has long been critical of CAP, but has hitherto been reluctant for domestic political reasons (particularly the position of Ertl in the coalition) to tackle reform. The extra financial burden which will fall to Germany as a result of our budget settlement seems to have focussed attention on the need for action, though it seems unlikely that anything specific will emerge before the election in October.

4. As new permanent net contributors, the French are now worried about CAP costs, especially with enlargement and the 1% ceiling in the offing. In so far as the French are worried about the financial effects of extending to Greece, Spain and Portugal CAP regimes for Mediterranean produce such as olive oil and wine, we may be able to leave it to them to make the running and incur the displeasure of the applicant countries. We shall, however, need to ensure that any solutions are not incompatible with our own interests. We shall want to prevent, for example, any attempt to finance an olive oil regime by a tax on competing oils and fats which would impose further burdens on consumers and hit our margarine industry. The French could also resurrect ideas for management savings in the CAP that they floated during the course of the negotiations on the recent farm price settlement. Many of these run counter to our interests, particularly the proposed elimination of internal Community subsidies such as the UK butter subsidy which the French argue are more expensive to the Community Budget than subsidised exports to third countries.

5. In the absence of significant changes in Community policies affecting revenue or expenditure being taken as a result of the 1981 review, it seems inevitable that the Community will run out of 'own resources' in 1982 if not sooner. The Commission's latest estimate of expenditure for 1980 under the Feoga Guarantee Section is 11.55b EUA, an increase of 11% over the Commission's initial budget proposals. Actual expenditure for the first six months of 1980 is running at 6.2b EUA (12.4b EUA annually). The Commission is already taking emergency management measures to reduce the rate of

/increase

increase, but these measures are only likely to defer expenditure into 1981 and could increase the pressure on own resources in that year, particularly if there is a costly price settlement.

6. Chancellor Schmidt has said that the 1% ceiling is not as effective a lever as hitherto thought, because it would still be incumbent on national Governments to continue to finance CAP if Community funds were not available. Theoretically there is some truth in this but in practice the situation would be foreseen and the chaos it would produce well understood, so that the Council would have to produce urgent decisions to deal with the problem within the 1% ceiling.

7. Many MEPs remain sceptical about the Community's determination to reform the CAP despite the 1981 review commitment. They point to the concessions we made in this year's farm price settlement and the increased likelihood of a high settlement next year because of the French elections next May and the lack of scope for green rate changes. They also suggest that the Foreign Affairs Council statement on the budget settlement precludes any changes in the basic principles of the CAP and conclude that no meaningful reform of CAP is feasible without such change. This is wrong. We interpret the above reference as being to the objectives of the CAP as defined in Article 39 of the Treaty. These are unexceptionable. It is possible to reform CAP to our satisfaction without revising the Treaty.

8. MEPs are also suspicious about the French contention that they can block payments under our budget solution in 1981 unless we agree to their idea of an acceptable farm prices settlement. They may need to be convinced that this is not a real threat. Although the credits for the present year will only be entered in the 1981 budget, this entry is mandatory, not optional or contingent on anything else, eg completion of the CFP. So far as the 1981/82 farm price fixing is concerned this would normally only be settled by April, by which time the budget for 1981 should

/have

have been formally adopted (this normally occurs in December of the previous year ie December 1980).

9. The Parliament is likely to be an unpredictable ally over CAP reform. Although the rejection of the 1980 draft budget in December 1979 was presented as an attempt by Parliament to control CAP expenditure, it was in reality more of an institutional challenge to the powers of the Council. The Parliament's failure to back up its action on the budget with an equally firm stance on agricultural prices at its special session in March demonstrated its susceptibility to lobbying from agricultural interests. For many MEPs, it is more important that own resources should be increased so that greater revenue is available for non-obligatory expenditure over which Parliament has a bigger say. Having perhaps started off with exaggerated expectations of their ability to bring about a swift and painless reform of the CAP, those MEPs who favour reform may now have become too discouraged. It is important to impress on them the need to keep up the pressure. They may find it convenient to join forces with other similar-minded elements within the Parliament, for example, M Pisani (the former Gaullist Minister) and the other authors of the Parliament's report of February 1980 which called for a new European agricultural and rural policy. In doing so, they will need to avoid endorsing policies inimical to our interests. We will need to give them more precise guidance on this when the Government has decided its own strategy.

CAP PRICES PACKAGE

The main features of the CAP prices package are as follows:-

(a) The average price increase overall is about 5 per cent.

(b) On milk, the target price would increase by 4 per cent. The basic co-responsibility levy on farmers' deliveries to dairies would however also increase from 0.5 to 2.0 per cent of the price, with a lower rate of 1.5 per cent on the first 60,000 kilograms delivered by producers in less favoured areas. Thus the net increase would be 2½ per cent for most producers (and less in Germany because of monetary change). An additional supplementary levy would be applied in 1981/82 if deliveries of milk in 1980 exceed the 1979 level by more than 1.5 per cent. The details of the supplementary levy would, however, have to be agreed.

(c) The other main proposal affecting milk producers is the limitation on the payment of grants on dairy farm investments. This is now framed in a manner which avoids discrimination against UK producers. National aids to dairy farmers' investment would no longer be payable. Aid under Community schemes would be limited to provision for a herd of 60 cows or an increase in the size of the producers' herd of not more than 15 per cent.

(d) The UK butter subsidy of 13p per lb, financed wholly from Community funds, would be continued.

(e) On beef, the guide price would increase by 4 per cent but the effect on producers' returns and consumers' prices in the present year would be less than this. The proposals would enable us to continue our beef premium scheme. There would be a new subsidy of 20 ECU per cow (£12), funded 100 per cent by Community funds and payable on cows in specialised beef herds.

(f) On cereals, the target price increase is 6.25 per cent, with the intervention prices increased by 4.5 per cent. The production refunds on cereals used in starch manufacture would be reduced.

(g) On sugar, the minimum beet price would increase by 4.0 per cent. There would be no changes in the quota arrangements for 1980/81. This is, however, less significant now that world sugar prices have risen to around the level of the Community price, so that currently there is no significant disposal cost falling on Community funds.

) The proposals provide for a 10 per cent saving to be made on the costs of processed fruit and vegetables. On wine some changes have been agreed that should help to contain the costs falling on Community funds.

(i) On whisky, the Council has accepted a commitment to adopt the necessary regulation by the end of this year for the payment to the UK of the returns on Community cereals used in exported scotch whisky. This commitment covers retrospective payment of some £40 million net due to the beginning of 1980. At current cereal prices, the annual payments due would be some £16 million per annum.

2. The main implications for UK interests are as follows:-

(a) UK Producers The proposals would increase UK producers' returns by about £100m (after allowing for feed price increases) in a full year. Most of the benefit would go to the cereals and beef sectors, with UK milk producers probably suffering a small net reduction in returns because of the co-responsibility levy. The overall increase would not prevent a further fall in the industry's real net income.

(b) UK Consumers The proposals would produce an increase of about 0.7 per cent in the Food Price Index, and about 0.2 per cent in the R.P.I., when all effects had worked through. The UK butter subsidy offsets much of the effect of the price increases, being worth some £108 million to consumers.

(c) Community Expenditure The proposals are estimated to increase Community expenditure by some 240 million EUAs in 1980 and by about 1000 million EUA in a full year. These figures make no allowance for production and consumption responses to higher prices in future years. About one-fifth of the additional expenditure would be in the UK. ^(including the agreement on sheepmeat) The settlement would give the UK a net benefit of

£37m in 1980/81 and a net cost of £40m ^(covered by the butter subsidy) in a full year on the basis of no change in our budget contribution, but the overall effect is subsumed in the budget settlement.

OUTCOME OF EUROPEAN COUNCIL

1. Useful Council. Opportunity for wide ranging discussion on fundamental problems.
2. Able to look to wider horizons than internal budgetary arrangements.
3. Council confirmation of 30 May budget agreement was welcome. We had a useful but necessarily preliminary discussion of need to make urgent progress on the longer term review of the Community's financial position.
4. Agreement on Middle East an important step. Arab Israel dispute a handicap to the West in seeking Arab support over Afghanistan, Iran (cannot call for self determination for Afghans and deny it for Palestinians). Unless tensions in the area are reduced danger of more violence on the West Bank, increased influence of extremist elements, destabilization of friendly regimes and possibly renewed fighting.
5. Statement on the Middle East built on two principles:
 - a. Right of all States in the region, including Israel, to existence and security
 - b. Recognition of legitimate rights of all peoples, including PalestiniansA comprehensive settlement requires that all parties respect these principles. An exploratory Mission will now visit Middle East to see if an initiative on the basis of these principles might be possible.
6. Europe cannot solve the problem but active diplomatic efforts by Europe could prevent Arab frustrations from boiling over in the period of the run up to the US Presidential Elections. European Act complementary to Camp David process.

COMMISSION PROPOSALS FOR A COMMUNITY ENERGY POLICY

Points to Make

1. Must reduce consumption of oil to limit dependence on imports and to develop other energy sources.

Commission Proposals

2. Commission proposals are helpful contribution to our thinking. But issues are complex. We will wish to see how Commission ideas agree with our own energy and economic priorities.

Next Steps


3. Commission will hold bilateral consultations with Member States. Aim is for a report to the next Council of Energy Ministers in September on the case for additional support at Community level for energy investment.

Background

1. Commission proposals for a common energy policy suggest a combination of:

- a) harmonisation of energy prices and taxation;
- b) a programme of investment in energy aimed at reducing oil consumption and developing alternative sources, financed by
- c) a new system of Community energy taxation, possibly combining an oil import levy with an oil production tax.

2. Harmonisation of pricing principles is a sensible objective. Complete price and tax harmonisation would be complicated and difficult to achieve; could create distortions elsewhere in the economy.



3. Acceptability and effectiveness of Community energy programme would depend very much on the criteria for allocating funds. Any scheme will have to be looked at against need to reduce UK public expenditure; but could make a useful contribution to the aim of restructuring EC budget spending.

4. An oil import levy/consumption tax and an oil production tax could bring advantage to the UK if the proceeds did not become a Community own resource. But much work will have to be done on the method of implementation and there could be legal implications for our North Sea arrangements and UKCS hydrocarbon production.

EC AND DEFENCE

1. NATO Cohesion could be jeopardised by creation of European caucus within NATO.
2. Time not ripe for Community defence role.
3. Mean to work for stronger political cooperation, and better coordination between machinery of political cooperation and of Community as such.

Community role in Defence Procurement (Klepsch Report)

4. Present arrangements (based on European Programme Group) more likely to give our forces the equipment they need than Community involvement as proposed in Klepsch Report.
5. Community involvement would not solve problem of disagreements between Alliance members on crucial military and industrial issues.

EC AND DEFENCE

1. Defence excluded from Community Treaties. No. European Government wants to change this. But there is continuing interest in defence role for Community, either within NATO or - particularly in some French circles - as eventual successor to it. Interest strongest on part of those who believe that credibility of US nuclear guarantee to Europe fatally weakened by arrival of 'essential equivalence' at strategic nuclear level. But as long as Europe remains indefensible, whether in nuclear or conventional terms, without US assistance, Governments seem likely to remain unconvinced.

2. Least unrealistic proposals for Community role in defence have focussed on equipment procurement. In June 1978 European Parliament adopted "Klepsch Report". This recommended creation of single structured European market in military equipment, run by European Armaments Procurement Agency (EAPA) as integral part of European common industrial policy. No Government has endorsed the report, and no sign as yet that Commission will produce proposals based on it. All Community members except Ireland belong to European Programme Group (EPG) and see it as main forum for promoting equipment cooperation.

3. MOD see serious objections to arrangements outlined in Klepsch report, chief of which is that it would involve cession of national sovereignty in defence industrial field. Since UK has much larger defence industry than its domestic demand can support, and most European countries seek to expand their own defence industries, this loss of sovereignty would almost certainly work to UK's disadvantage.

POINTS TO MAKE

1980 BUDGET

1. Welcome progress on 1980 Budget. Hope it can be adopted next week.
2. Council reply to Parliament accepts latter's amendments; modification not acceptable. Symbolic cut in obligatory expenditure, which Council's Budget Committee judged reasonable estimate of expenditure required, makes nonsense of budgetary procedure.
3. Parliament's earlier rejection of 1980 Budget concentrated minds on need to cut CAP spending. Set long-term trend, even if little tangible effect on 1980 Budget.



ESSENTIAL FACTS

1980 Budget

1. Budget Council established draft budget on 17 June in form little altered from that of November 1979. Extra margin on non-obligatory spending offered to Parliament was only 40 mEUA higher than final December 1979 offer. However, the Regional Development Fund is now only 35 mEUA short of original Commission proposal. The Parliament's session on 26/27 June proposed only minor amendments to non-obligatory expenditure (adding 11 mEUA) and one modification transferring 100 mEUA from milk refunds to Chapter 100 (provisional appropriations). Coreper discussed on 30 June. Accepted amendments. Rejected modification, text of reply to Parliament approved by Council as 'A' point (text attached).

2. A second Budget Council will only be necessary if Parliament insist on their modifications. Otherwise Parliament is expected to adopt Budget at 7 - 11 July session. But if they insist on full budget procedure, may be difficult to adopt budget before end July.

1981 Budget

3. Establishment of draft Budget by 1st Budget Council unlikely to take place before September, but perfectly feasible to complete procedure by December. If Parliament holds up adoption of budget, or rejects it, UK's early receipt of rebate under 30 May budget agreement at risk. MEPs should bear in mind when formulating attitude to 1981 draft Budget.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 3242 OF 30 JUNE

FOREIGN AFFAIRS COUNCIL, 30 JUNE

'A' POINT: 1980 BUDGET.

1. FOLLOWING DISCUSSION IN COREPER (DEPUTIES) IN LUXEMBOURG THIS MORNING, THE FOREIGN AFFAIRS COUNCIL THIS AFTERNOON APPROVED A LETTER TO BE SENT BY THE PRESIDENT OF THE COUNCIL TO THE PRESIDENT OF THE PARLIAMENT GIVING THE COUNCIL'S DECISIONS ON THE PARLIAMENT'S AMENDMENTS AND MODIFICATIONS TO THE 1980 DRAFT BUDGET. THE TEXT OF THE LETTER IS AS FOLLOWS:

I AM PLEASED TO INFORM YOU THAT THE COUNCIL, AT ITS MEETING ON 30 JUNE 1980, DISCUSSED THIS DRAFT BUDGET WITH THE COMMISSION.

THE COUNCIL DECIDED AT THE MEETING NOT TO ALTER ANY OF THE AMENDMENTS ADOPTED BY THE PARLIAMENT. IT LIKewise AGREED TO THE NEW RATE OF 21.44 PER CENT RESULTING THEREFROM WITH REGARD TO APPROPRIATIONS FOR COMMITMENT.

THE COUNCIL NONETHELESS POINTED OUT THAT THIS DECISION DID NOT PREJUDGE THE CLASSIFICATION OF THE BUDGET ENTRY DEALT WITH IN AMENDMENT NO 43 (CHAPTER 54).

ON THE OTHER HAND THE COUNCIL REJECTED THE PARLIAMENT'S PROPOSED MODIFICATION NO 60 ON THE GROUNDS THAT THE APPROPRIATIONS ENTERED IN THE DRAFT BUDGET UNDER ITEM 6200 (REFUNDS FOR MILK AND MILK PRODUCTS) REPRESENT A REASONABLE ESTIMATE OF EXPENDITURE TO BE PROVIDED UNDER THIS HEADING IN 1980.

2. TWO DECLARATIONS FOR ENTRY INTO THE COUNCIL MINUTES WERE ALSO AGREED, ONE RELATING TO THE TOKEN ENTRIES INSERTED BY PARLIAMENT, ESPECIALLY IN CHAPTER 54 FOR THE SPECIAL CONTRIBUTION TO THE ECSC BUDGET FOR SOCIAL MEASURES, AND THE OTHER CONFIRMING THAT THE COMMISSION WILL FIND OFFSETTING SAVINGS WITHIN TITLES 1 AND 2 TO THE PARLIAMENT'S 11.03 MEUA. THE TEXTS OF THESE DECLARATIONS ARE IN MIFT.

FCO ADVANCE DESKBY TO:

FCO - PS/SOFS PS/LPS PS/MIN SPRECKLEY MACGREGOR PURNEY (BUDGET-DISTRIBUTION)

CAB - WALSH

TSY - HANCOCK DONOVAN ASHFORD

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FISH

1. HMG determined to achieve early settlement of Common Fisheries Policy. Given goodwill this will be achieved this year.
2. Fisheries must be settled on its merits; nothing in guidelines text agreed at May Foreign Affairs Council inconsistent with this.
3. Comprehensive Community policy now only way to restore stocks, and ensure a secure future for UK industry. Difficult transition period, but some Community aid likely.
4. Important that UK industry and public opinion realise advantages of a settlement, and understand what is reasonable and negotiable in Community.

FISH

1. At 29/30 May Foreign Affairs Council, guidelines text on fisheries adopted which calls for settlement of CFP by end 1980 at latest. That text consistent with UK contention that fish must be solved on merits.
2. An acceptable settlement which adequately meets UK interests should be possible. But public opinion not yet focussed on what is reasonable and negotiable. Responsible Community conservation, enforcement and management policies should, in time, provide growth in stocks and expanding future for UK industry, after difficult transitional period. Prolonging current unrestrained Community fishing will further deplete stocks.
3. MEPs could do useful educative work on UK public opinion, and in European Parliament.
4. Miss Quinn, MEP and Mr Battersby, MEP have particular interest in fisheries and may raise specific sectoral issues. They should be told HMG are working for an overall CFP acceptable to UK industry as a whole.



ENLARGEMENT [IF RAISED]

1. Do not believe that Community's internal problems require delay in negotiations for accession of Portugal and Spain.

ENLARGEMENT

1. On 5 June President Giscard told a meeting of the Chambers of Agriculture in Paris that because of problems over the integration of 'certain new member states' into the Community it was 'right that the Community should give priority to finishing off the first enlargement before being able to undertake a second'.
2. On 9 June Chancellor Schmidt, speaking to a Social Democrat Party Congress, made a brief reference to enlargement in the course of a wide ranging speech. He said that unless things changed in the Community (by implication CAP and budgetary arrangements) it would not be possible to finance an enlarged Community.
3. European Council (Venice) conclusions spoke of Community's commitment to implement structural changes as "a fundamental prerequisite, especially bearing in mind the prospect of enlargement, if the Community is to be liable to meet its internal and international responsibilities authoritatively and effectively".
4. Spain and Portugal wish to complete negotiations in 1981 and join in early 1983. UK supports this timetable.



SEAT OF THE EUROPEAN PARLIAMENT [IF RAISED]

1. Some sympathy for view that present system is expensive and wastes time.
2. But recognise that Member States with a direct interest attach importance to the problem.
3. Decision on seat for Governments of all Member States by common accord.

SEAT OF THE EUROPEAN PARLIAMENT

1. There is growing dissatisfaction among Members of the European Parliament (MEPs) about the European Parliament's meeting places. UK MEPs have been in the lead in pressing for a decision to be taken on a permanent seat.

2. The Prime Minister agreed in April that the UK's interests were best served by taking no initiative ourselves, particularly since the agreement of all Member States is required to any decision, and France and Luxembourg have strong interests at stake. Until Member States are forced to consider the issue we should 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.

LOCATION OF PARLIAMENT'S SECRETARIAT

1. Under Article 4 of the decision of the representatives of the Governments of the Member States dated 8 April 1965, the location of the Secretariat in Luxembourg has already been determined conclusively and can be changed only by a decision of the Member States. We do not therefore accept the view that the Parliament has the legal power to nominate the location of its secretariat.

Parliament's Working Places

2. The provisional working places of the institutions of the Communities continue to be governed by Article 1 of the 1965 Decision which remains in force. Our view is that, under the normal principle of international institutional law, the rule is that meetings are held at the seat and the exception that they are held elsewhere. This is correctly expressed in Rule 2 of the Parliament's Rules of Procedure. Until the Member States decide on a permanent seat for the Parliament it is for the latter to decide whether to hold its sessions in Luxembourg or Strasbourg.

SALARIES OF MEMBERS OF THE EUROPEAN PARLIAMENT (MEPs)

[IF RAISED]

1. Any increase in present level of MEPs' salaries would cause domestic political problems.
2. Vital for Parliament's image in UK not to risk accusations of "gravy train".
3. Still studying proposals in Mme Veil's letter of 28 March to President of Council.
4. Council (acting unanimously) should have last word.

SALARIES OF MEPsPresent Position

1. Following the decision of the December 1978 European Council, MEPs have been paid by national governments at national rates. Pensions and taxation are also on a national basis but allowances are paid by the European Parliament. MEPs are thus paid at levels related to those of their respective national parliamentarians.

Parliament's proposal

2. Mme Veil has now proposed informally that all MEPs should receive either (i) a common salary tied to a percentage (unstated) of that of an EC Commissioner which could be weighted to take account of the variation of the cost of living in Member States (in the same way as the salaries of Community officials living and working in different Member States); or (ii) a common salary at a flat rate not related to other salaries but which could also be weighted.

3. On the assumption that no Member State could agree to a common salary that was significantly lower in gross terms than the current nationally-related salary earned by its MEPs, a United Kingdom MEP could expect to be paid at least £20,000 pa. This compares to a current salary level of £12,000 pa for Westminster MPs. 'Take home' pay could also be substantially increased if the Parliament's proposal that MEPs' salaries should be subject to Community rather than national taxation was adopted; the former is at present fixed at a much lower rate.

Allowances etc.

4. There is nothing to indicate that the Parliament would intend to pay any less in the way of the generous expense and subsistence allowances now made available to MEPs. Any surplus over actual expenditure is at present subject to United Kingdom taxation, but might not be if a Community tax system was adopted.

Next Steps

5. UK Ministers have not yet taken a view. The Home Secretary is expected to make recommendations shortly. The Council has sent a holding reply to the Parliament's proposals but the Parliament is likely to raise the issue at least in each annual Community Budget exercise, and is likely to seek to have a common system in place for the next direct elections in 1984.



COMMON ELECTORAL SYSTEM [IF RAISED]

1. It is for the Parliament to make proposals for a uniform system to the Council. We shall study them when they come.



COMMON ELECTORAL SYSTEM

Position in Parliament

1. Under the Treaties it is for the Parliament to put proposals for a uniform electoral system to the Council. The Parliament is working on the question at the moment in a sub-committee, and hopes to be able to send proposals to the Council by Christmas. They believe that unless the Council has them by summer 1981, at the latest, there will not be time for the Governments of Member States and national Parliaments to go through their respective constitutional requirements in time for a common system to be in place for the next direct elections in 1984.

Franchise

2. The Government have not yet taken a position on any detailed arrangements. But Lord Belstead said in the House of Lords on 21 June 1979 'the Government favour the extension of the franchise for European Assembly elections to include United Kingdom nationals resident in other Member States and will in due course consider the introduction of legislation for this purpose.'



REPORT OF THREE WISE MEN [IF RAISED]

1. No time at the Venice European Council for more than a brief discussion of some aspects of the Report of the Committee of Three. No conclusions were reached.
2. It is for the Italian Presidency to decide how to carry forward consideration of the Report.
3. We welcomed the Report; the Lord Privy Seal made our attitude clear during the debate in the House on 10 June.

EUROPEAN COMMUNITY AID POLICY

Points to Make

UK role in Community development policy


1. The UK plays a constructive and leading part in the EC in establishing its development policy, for example:-
 - UK played a central role in the renegotiation of the Lomé Convention last year;
 - At UK initiative EC set up a programme of aid to non-associates;
 - UK has strongly supported the introduction of regulations to give coherence to EC food and emergency aid programmes to ensure value for money.

Financial Constraints

2. But there are financial constraints: public expenditure cuts mean aid cuts, so increases in the cost of the EC aid cannot be accommodated. Hence UK reluctance to increase food aid and Mediterranean assistance programmes.

BACKGROUND

3. The main forms of EC aid are:-
 - (a) The Second Lomé Convention : finalised in October 1979; package of aid and trade benefits for 58 African, Caribbean and Pacific (ACP) countries (29 Commonwealth members, Zimbabwe will join shortly);
 - (b) Food aid: UK share over £50 m a year;
 - (c) Emergency aid: Recently been used for Kampuchea, East Africa and Afghanistan;
 - (d) Mediterranean: bilateral agreements which include significant trade concessions and aid programmes;

- 
- (e) Aid to non-associates; a steadily growing programme, at UK initiative, of aid to those countries not in ACP or Mediterranean groups;
- (f) Generalised Scheme of Preferences: EC's system of trade concessions for non-associates, weighted in favour of the poorer developing countries.

SUPPLEMENTARY COMMUNITY EXPENDITURE IN THE UK (ARTICLE 235)

Points to Make

1. Need speedy non-contentious implementation of supplementary expenditure. Hope you can help expedite delivery of the Parliament's opinion. In Community interest for Regulation to be approved quickly.

Next Steps

2. Discussions with Commission continue. Regulation due to be considered at Coreper on 10 July. May go to a July Council.

Is new expenditure obligatory?

3. All Member States and Commission consider supplementary expenditure obligatory; Council determined amount and has last word.

Approval of projects


4. No reason for direct Council involvement. Authorisation should be left to the Commission.

Effects on public expenditure (if raised)

5. No question of extra resources from settlement leading to additional public expenditure over and above that envisaged in the White Paper.

BACKGROUND

1. Draft Regulation an acceptable basis for determining programmes to be funded. Main UK objective will be to stop amendments which make criteria for expenditure more restrictive.



2. For obligatory expenditure the amount to be entered in the budget is decided by the Council. All Member States and the Commission consider supplementary expenditure to be obligatory. But the Parliament consider that it should be classified as non-obligatory; their concern is to avoid the introduction of new areas of obligatory expenditure over which Council has ~~last~~ word.

