

PART 6

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Confidential Filing

European Council meeting in  
Maastricht, Netherlands on 23-  
24 March. Policy.

EUROPEAN  
POLICY

Part 1: Oct 79

Part 6: February 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>24-2-81</del>							
<del>9-3-81</del>							
<del>10-3-81</del>							
<del>17-3-81</del>							
<del>26-3-81</del>							
2-4-81							

PREM 19/461

TO BE RETAINED AS TOP ENCLOSURE

**Cabinet / Cabinet Committee Documents**

Reference	Date
EQS (81) 5	9.3.81
CC (81) 13 <sup>th</sup> Conclusions, Minute 3	26.3.81

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

Signed     A Wayland    

Date     7 April 2011    

PREM Records Team

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TO IMMEDIATE F C O

TELEGRAM NUMBER 097 OF 26 MARCH

INFO PRIORITY UKREP BRUSSELS

INFO SAVING OTHER EC POSTS

EUROPEAN COUNCIL: NETHERLANDS REACTIONS

1. VAN AGT CLAIMED PUBLICLY THAT THE MEETING HAD BEEN SUCCESSFUL 'IF THE RESULTS WERE WEIGHED AGAINST WHAT COULD REASONABLY HAVE BEEN EXPECTED'. NIEMAN, DIRECTOR FOR EUROPEAN INTEGRATION AT THE MFA, CONFIRMED TO COUNSELLOR TODAY THAT THE DUTCH WERE GENERALLY SATISFIED BY THE OUTCOME OF THE COUNCIL. THE ADMINISTRATIVE AND SECURITY ARRANGEMENTS HAD WORKED WELL. THE ATMOSPHERE HAD BEEN REASONABLE. THE DUTCH WERE RELIEVED THAT ALTHOUGH THERE HAD BEEN PLAIN SPEAKING, THE CLASHES PREDICTED BY THE PRESS OVER FISH, STEEL AND THE SITES OF THE INSTITUTIONS HAD NOT TAKEN PLACE. GIVEN THE REMIT OF THE COUNCIL AS AN OCCASION FOR GENERAL REFLECTION ON THE PROBLEMS FACING THE COMMUNITY, BREAKTHROUGHS ON PARTICULAR ISSUES COULD NOT HAVE BEEN EXPECTED.

2. THERE WAS HOWEVER INCREASING CONCERN IN THE HAGUE ABOUT THE WAY PROBLEMS WERE NOW PILING UP AND THE LINKAGES THAT WERE ESTABLISHING THEMSELVES AS A RESULT. THE MOST INTRACTABLE WAS FISH. THE DUTCH REMAINED OF THE VIEW THAT A FURTHER CONCESSION BY THE FRENCH ON ACCESS WAS REQUIRED. COUNSELLOR DREW ATTENTION TO THE BILATERAL CONTACTS TAKING PLACE BETWEEN FRANKLIN AND ACHARD.

3. NIEMAN STRESSED THAT THE DUTCH ACCEPTED THAT THE DIFFICULTIES OVER AGREEMENT ON FISHING IN CANADIAN WATERS WERE A FACTOR IN THE DISPUTE OVER FRENCH ACCESS TO BRITISH WATERS; AND THAT IT WAS ESSENTIAL TO WORK FOR A SINGLE PACKAGE COVERING BOTH QUESTIONS. THEY HOPED THAT IN ADDITION TO BILATERAL OFFICIAL TALKS THERE WOULD ALSO BE CONTACT "AT THE HIGHEST LEVEL" BETWEEN LONDON AND PARIS. EVEN SO, THE CHANCES OF A BREAKTHROUGH IN ADVANCE OF THE FRENCH PRESIDENTIAL ELECTIONS REMAINED UNCERTAIN. SPEAKING PERSONALLY, NIEMAN WONDERED WHETHER WHAT HE DESCRIBED AS "MOVEMENT ON AGRICULTURAL PRICES" MIGHT NOT LEAD TO SIMILAR MOVEMENT OVER ACCESS. CONTINUED STALEMATE WOULD BE BOUND TO HARDEN GERMAN ATTITUDES OVER BUDGET REFUNDS IN 1982.

4. ON AGRICULTURAL PRICES THE DUTCH REMAINED PESSIMISTIC. THERE SEEMED LITTLE CHANCE OF REACHING AGREEMENT BY 1 APRIL. THIS WOULD IN TURN AFFECT RESTRUCTURING. NIEMAN ADDED IN PARTICULAR

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CONFIDENCE (PLEASE PROTECT) THAT THORN WAS BECOMING INCREASINGLY PESSIMISTIC AND UNCOOPERATIVE ON THIS SUBJECT. HE ARGUED THAT THE WISH OF SOME MEMBER STATES FOR SUBSTANTIAL PRICE INCREASES COMBINED WITH THE GENERAL RELUCTANCE TO ACCEPT CURBS ON PRODUCTION (EG NO EXTENSION OF CO-RESPONSIBILITY LEVIES BEYOND MILK PRODUCTS AND SUGAR) REMOVED WHAT LITTLE ROOM FOR MANOEUVRE THE COMMISSION HAD TO PRODUCE BY THE MIDDLE OF JUNE SOLID PROPOSALS WITH A GENUINELY REDISTRIBUTIVE EFFECT. THE PRESIDENCY WAS WORKING HARD TO PUT HEART INTO THORN, BUT THEY WERE FINDING IT AN UPHILL TASK.

5. FOR DUTCH PRESS COMMENT PLEASE SEE MY SAVING TEL NO 4.

FCO PLEASE PASS TO SAVING ADDRESSEES.

MANSFIELD

(REPEATED AS REQUESTED)

FRANK GENEVA C  
ECG(I)  
WED  
NAD

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UNCLASSIFIED [FRAME GENERAL]

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TO ROUTINE FCO

TELEGRAM NUMBER 227 OF 2 APRIL

INFO UKREP BRUSSELS PARIS

INFO SAVING OTHER EC POSTS WASHINGTON

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BUNDESTAG DEBATE ON MAASTRICHT

1. CHANCELLOR SCHMIDT REPORTED TO THE BUNDESTAG THIS MORNING ON THE MAASTRICHT EUROPEAN COUNCIL. THE MAIN SUBJECT FOR DISCUSSION HAD, HE SAID, BEEN THE CURRENT ECONOMIC SITUATION. THE EC HEADS OF GOVERNMENT HAD AGREED THAT A FAR REACHING INTERNATIONAL REDISTRIBUTION OF INCOME HAD TAKEN PLACE TO THE DISADVANTAGE OF EUROPE AND THE ADVANTAGE OF THE OIL EXPORTING COUNTRIES. AS A RESULT OF THIS ALL MEMBER STATES WERE SUFFERING FROM A SERIOUS DETERIORATION IN ECONOMIC ACTIVITY, FROM UNEMPLOYMENT AND INFLATION, WHICH WAS IN MANY COUNTRIES THREE TIMES AS HIGH AS IN THE FEDERAL REPUBLIC. THE EC HEADS OF GOVERNMENT HAD ALSO AGREED THAT IN THIS SITUATION PROGRAMMES FOR STIMULATING THE ECONOMY WERE USELESS. THERE HAD FURTHER BEEN AGREEMENT ON THE NECESSITY OF COORDINATING INTEREST RATE POLICY WITH THE USA.

2. TURNING TO FISH, SCHMIDT REPEATED HIS CRITICISM OF THE UK POSITION (BONN TELNO 203 TO FCO). HE HAD ALREADY TOLD THE GERMAN FISHERMEN IN MAASTRICHT THAT HE SHARED THEIR QUOTE BITTERNESS UNQUOTE. HE REGRETTED THAT BRITIAN HAD TRIED TO USE THE THIRD COUNTRY AGREEMENTS AS A LEVER TO INFLUENCE THE GERMAN POSITION ON THE DISAGREEMENT BETWEEN TWO OTHER COUNTRIES AND SAID THAT HE WAS QUOTE DEEPLY DISAPPOINTED UNQUOTE AT THE BRITISH POSITION: GENTLEMEN'S AGREEMENTS HAD UNTIL NOW ALWAYS BEEN KEPT IN THE COMMUNITY. FOR HER PART THE FEDERAL REPUBLIC HAD TAKEN ON ENORMOUS FINANCIAL BURDENS FOR EUROPE: THE GERMAN TAX PAYER HAD PAID FOR A RELIEF OF THE NET PAYMENT POSITION OF OTHER COUNTIES.

3. SCHMIDT WELCOMED LAST NIGHT'S AGREEMENT ON CAP PRICES WHICH, IN LINE WITH GERMAN DEMANDS, CONSTITUTED THE START OF THE REORIENTATION OF AGRICULTURAL POLICY. HE STRESSED THAT IN 1982 ONCE AGAIN THE 1 PER CENT VAT CEILING MUST NOT BE BREACHED AND FORCEFULLY REPEATED HIS DEMAND FOR AN INSTRUMENT TO SET A LIMIT ON NET CONTRIBUTIONS TO THE COMMUNITY BUDGET (WHILST CONFIRMING HIS VIEW THAT COUNTRIES LIKE IRELAND AND ITALY MUST REMAIN NET BENEFICIARIES). QUOTE IT CANNOT GO ON LIKE THIS, THAT WE MAKE THE HIGHEST NET CONTRIBUTIONS IN ORDER TO BE TREATED SO UNFAIRLY ON FISH, STEEL AND OTHER MATTERS UNQUOTE.

4. FOR THE CDU/CSU, KOHL WARNED SHARPLY AGAINST A RETURN OF NATIONALISTIC ATTITUDES TOWARDS EUROPE. THE GOVERNMENT WOULD FIND THE OPPOSITION AT ITS SIDE WHEN IT CAME TO PRESSING FORWARD WITH EUROPEAN INTEGRATION. BUT HE DID NOT UNDERSTAND THE CHANCELLOR'S

/ INVECTIVE

INVECTIVE AGAINST THE UK: QUOTE I OFTEN THINK THAT PERHAPS THE CONDITIONS FOR NEGOTIATIONS WITH BRITAIN COULD DEVELOP BETTER IF IN LONDON, BRUSSELS OR THE HAGUE THE IMPRESSION DID NOT ARISE DURING YOUR EXCURSIONS INTO ALSACE THAT YOU INCLINED TOWARDS A QUASI-GERMAN-FRENCH DIRECTORATE UNQUOTE. A CLAIM TO LEADERSHIP BY BONN AND PARIS WOULD AT THE END OF THE DAY WORK OUT TO THE DISADVANTAGE OF THE FEDERAL REPUBLIC. KOHL SAID THAT HE WORKED ON THE ASSUMPTION THAT GENTLEMEN'S AGREEMENTS WOULD BE KEPT. THE SETTLEMENT OF THE BRITISH BUDGET PROBLEM HAD BEEN NECESSARY BUT THE FISHERY PROBLEM TOO MUST BE SOLVED. IT WAS ABSURD THAT THE GERMAN FISHING INDUSTRY, WHICH WAS PERFECTLY HEALTHY, SHOULD BE ALLOWED TO DIE OFF BECAUSE OF POLITICAL INEPTITUDE.

5. THE REST OF THE DEBATE CONCENTRATED ON FISH AND STEEL. FOR THE SPD JUNGHANS CRITICISED THE STUBBORNESS OF THE BRITISH GOVERNMENT ON FISHERIES, WHICH PUT THOUSANDS OF JOBS IN THE GERMAN FISHING INDUSTRY AT RISK (INCLUDING, HE CLAIMED 2000 AT SEA) WHILST ONLY 50 JOBS IN THE BRITISH INDUSTRY (ACCORDING TO THE ECONOMIST) WERE AT STAKE. CITING ALSO THE DISTORTION OF COMPETITION THROUGH NATIONAL AIDS IN THE STEEL SECTOR HE ASKED WHAT THE FEDERAL GOVERNMENT WAS GOING TO DO TO WORK AGAINST THE QUOTE EGOTISTIC UNQUOTE ATTITUDES OF CERTAIN EC PARTNERS. KUNZ (CDU) ACCUSED THE FEDERAL GOVERNMENT OF HAVING NEGLECTED EUROPE FOR YEARS AND PLEADED FOR NEW IMPULSES TOWARDS A EUROPEAN UNION. IN THE COMPROMISE ON THE BRITISH BUDGET SETTLEMENT SCHMIDT HAD FAILED TO SAFEGUARD THE INTERESTS OF THE GERMAN FISHING INDUSTRY AND HAD ELECTED FOR THE PRINCIPLE QUOTE MONEY AGAINST HOPE UNQUOTE. FOR THE FDP JUNG WELCOMED THE IMPORTANT FOREIGN POLICY RESULTS OF MAASTRICHT - PARTICULARLY THE DECLARATION ON POLAND - BUT SAID THESE COULD NOT HIDE THE OVERALL POOR IMPRESSION LEFT BY THE MEETING. THE EC WAS INDISPENSIBLE FOR THE FEDERAL REPUBLIC, AND BESIDE THIS THE FISHERIES PROBLEM WAS INSIGNIFICANT. IT HAD NO FUTURE EXCEPT AS A COMMUNITY OF SOLIDARITY: OUR CITIZENS EXPECT ALL MEMBER STATES TO BE PREPARED TO MAKE COMPROMISES.

6. LAMBSDORFF, THE ONLY SPOKESMAN FOR THE GOVERNMENT OTHER THAN SCHMIDT, RECORDED THE GOVERNMENT'S GREAT DISSATISFACTION WITH THE POLICIES OF GIVING SUBSIDIES TO INDUSTRY FOLLOWED BY MANY GOVERNMENTS IN THE EC. IT WAS THE COMMISSIONS RESPONSIBILITY TO DISCOURAGE SUCH POLICIES WHICH DISTORTED COMPETITION AND EXPORTED UNEMPLOYMENT TO THE FRG. BUT THE PARTICULAR PROBLEMS OF THE STEEL INDUSTRY HAD TO

BE SEEN IN PERSPECTIVE: THE TEXTILE INDUSTRY HAD 550,000 JOBS TO THE STEEL INDUSTRY'S 200,000. HE SET OUT THE GOVERNMENTS' MARKET ECONOMIC APPROACH TO THE PROBLEMS OF THE STEEL INDUSTRY IN FAMILIAR AND VIGOROUS TERMS. HE RULED OUT SUBSIDIES TO THE DOMESTIC INDUSTRY, WHILE ACKNOWLEDGING THAT THE PRIVATELY OWNED GERMAN INDUSTRY COULD NOT SUSTAIN A COMPETITION WITH THE FINANCE MINISTRIES OF THE OTHER EC COUNTRIES. THE RESULTS OF THE 26 MARCH STEEL COUNCIL HAD BEEN QUOTE A CLEAR STEP IN THE RIGHT DIRECTION UNQUOTE. BUT IT WAS NOW THE RESPONSIBILITY OF THE INDUSTRY TO REACH A VOLUNTARY AGREEMENT ON DELIVERY AND PRODUCTION LIMITS. THE LATEST MESSAGE FROM THE GERMAN STEEL INDUSTRY TO THE CHANCELLOR IN PARTICULAR HAD BEEN QUOTE STRANGE UNQUOTE AND AFTER CONVERSATIONS WITH HIM, THREE OF THE SIGNATORIES HAD DISTANCED THEMSELVES FROM IT.  
FCO PASS SAVING DUBLIN ROME LUXEMBOURG COPENHAGEN THE HAGUE  
EMBASSY BRUSSELS ATHENS WASHINGTON

TAYLOR

[PASSED AS REQUESTED]  
[THIS TELEGRAM WAS NOT ADVANCED]

FRAME GENERAL

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## Published Papers

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

House of Commons Hansard, 25 March 1981, cols. 927-934  
"European Council (Maastricht Meeting)"

Signed Wayland Date 7 April 2011

**PREM Records Team**



25.3.81

STATEMENT: EUROPEAN COUNCIL MEETING

With permission, Mr. Speaker, I will make a statement about the European Council meeting in Maastricht which, together with my Noble Friend the Foreign and Commonwealth Secretary, I attended on Monday and Tuesday.

The discussions at the meeting covered a wide range of issues, both Community issues and those relating to foreign policy co-operation. There was no formal communique but a number of statements were agreed and the Presidency on its authority drew certain conclusions. I have placed copies of all these texts in the Library of the House.

The main themes of the meeting were the economic and social problems confronting the Community; fisheries; and Poland.

On the first subject, all those present emphasised the need to continue the fight against inflation through the pursuit of sound monetary policies. We agreed on the need to encourage productive investment, particularly in the sectors of high technology and innovative enterprise. We all share the deep concern at the high and rising rate of unemployment, particularly youth unemployment in member countries. We determined to make the best possible use of existing funds and financial mechanisms, among other things, in providing advanced technological training and education for youth. The clear and unanimous view was expressed that short-term demand stimuli would be ineffective.

/On fisheries,

On fisheries, there was an attempt to deal with outstanding agreements with Canada and the Faroes in isolation but the measures to improve the fish marketing arrangements which were offered as a quid pro quo did not in my view provide sufficient protection to our industry. I insisted and it was agreed that it would be much better to deal with these external fisheries questions in the context of an overall fisheries settlement as we have been trying to do for so long. It was therefore decided that the Fisheries Council should meet on Friday of this week to try to reach agreement.

In our view, agreement on an overall settlement was close in the Fisheries Council last December. If each and every member now has a genuine willingness to settle it should be possible to find solutions. For our part, we are seeking early agreement on a basis which will secure the vital interests of our own fishing industry.

The Heads of State and Government decided unanimously to confirm the status quo in regard to the provisional places of work of the European Institutions.

/The third main

The third main subject was Poland, where the events of the past few days had naturally caused us concern. Our message once again was that the problems of Poland are for the Polish people to resolve: any other attitude than this could have the gravest consequences for international relations in Europe and worldwide. So far as the economic situation in Poland is concerned we expressed the readiness of our Governments to continue, in conjunction with others and within the limits of our means, to contribute to the recovery of the Polish economy thereby complementing the efforts of the Polish people itself.

The Council adopted statements on a number of other political subjects. We took note of the progress registered so far by the Netherlands Presidency in following up the Venice Declaration of June 1980 on the Middle East. We endorsed the statement made last week by the President of the UN Security Council in support of the United Nations Force in the Lebanon, to which some of our European partners contribute. We pledged our support for any initiative likely to contribute to the restoration of Afghanistan as an independent, non-aligned and neutral state. And finally, we congratulated the people of Spain on their defeat of the recent challenge to democracy in a country which in due course we look forward to welcoming as a member of the European Community.

/This meeting

This meeting enabled the Heads of Government to have a business-like discussion and to reaffirm their determination to work together in tackling the major issues facing their Governments.

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DRAFT STATEMENT

EUROPEAN COUNCIL MEETING

I attended the meeting of the European Council in Maastricht on 23-24 March, together with my Noble Friend the Foreign and Commonwealth Secretary.

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The main themes of the meeting were the economic and social problems confronting the Community; fisheries; and Poland.

On the first subject, all those present emphasised the need to continue the fight against inflation through the pursuit of sound monetary policies. We agreed on the need to encourage productive investment, particularly in the sectors of high technology and innovative enterprise. We all share the deep concern at the high and rising rate of unemployment, particularly youth unemployment/ We determined to make the best possible use of existing funds and financial mechanisms, among other things, in providing advanced technological training and education for youth. The clear and unanimous view was expressed that short-term demand stimuli would be ineffective.

On fisheries a general dissatisfaction was expressed, which I shared, with the failure so far to agree on a Common Fisheries Policy. There was discussion of the possibility of concluding certain external fisheries agreements outside the overall fisheries policy but I suggested and it was agreed that the best way to deal with the external problem would be to intensify our work on the CFP as a whole. To that end it was decided to hold a further meeting of the Fisheries Council later this week.

In our view, agreement was close in the Fisheries Council last December. If there is now a genuine willingness to negotiate on the part of all it should not be impossible to find solutions. For our part, we are seeking early agreement on a basis which will secure the vital interests of our fishing industry and of the communities dependent on them.

The Heads of State and Government decided unanimously to confirm the status quo in regard to the provisional places of work of the European Institutions.

The third main subject was Poland, where the events of the past few days had naturally caused us concern. Our message once again was that the problems of Poland are for the Polish people to resolve: any other attitude than this could have the gravest consequences for international relations in Europe and world-wide. So far as in Poland the economic situation/is concerned, my fellow Heads of

Government and I expressed the readiness of our governments to continue, in conjunction with others and within the limits of our means, to support the efforts which the Polish people themselves are making and must continue to make. *Further food supplies and help with debts are being considered urgently.*

The Council adopted statements on a number of other political subjects. We took note of the progress registered so far by the Netherlands Presidency in following up the Venice Declaration of June 1980 on the Middle East. We endorsed the statement made last week by the President of the UN Security Council in support of the United Nations Force in the Lebanon, to which some of our European partners contribute. We pledged our support for any initiative likely to contribute to the restoration of Afghanistan as an independent, non-aligned and neutral state. And finally, we congratulated the people of Spain on their defeat of the recent challenge to democracy in a country which in due course we look forward to welcoming as a member of the European Community.

Summary by the Presidency of the proceedings of the European Council

Maastricht - 23/24 March 1981

The European Council devoted a considerable part of its meeting to a detailed and searching review of the present state of the European Community.

There was unanimous agreement that in the present difficult economic conditions the Community remains an essential achievement and an indispensable instrument for limiting the effects of the recession and bringing about the return, on a sound and stable basis, of sustained economic growth and satisfactory levels of employment. To achieve this purpose and reduce the level of inflation the European Council concluded that the continuation of prudent monetary policies, a healthy budgetary management and the reorientation of public and private expenditure in the direction of productive investment are major elements. The European Council expressed the view that the reinforcement of the economic structure of the Member States requires an effort that must be maintained over a number of years and that short-term demand stimuli will turn out to be ineffective.

The European Council welcomed the recent economic measures taken by the Governments of some member countries.

In the field of monetary policy, an intensification of the dialogue with the United States of America is desirable, in particular with a view to achieving a concerted attitude on monetary policy and interest rates. The European Council requested the Council (Ministers of Finance) to act accordingly and also to pursue its work with a view to making the best possible use of the mechanisms of the European Monetary System.

.../...



High and divergent inflation rates are a threat both to the prospects of growth and to the economic and monetary cohesion of the Community. <sup>In this context</sup> the European Council also discussed the effects caused by rigid systems of indexation of incomes and expressed the opinion that an adjustment of such mechanisms should be considered.

The high and rising rates of unemployment, especially among you are a cause of deep concern to the European Council. It was agreed that the fight against this evil should be conducted not only by the Member States but also at the Community level. The basic requirement for a general turn for the better lies in the recovery of the employment situation in the private sector. A lasting improvement in this situation requires a structural reinforcement of the European economy through cost restraint and a rise in productive investments and productivity. The European Council considers that in the present situation intensive consultation with the social partners is of vital importance.

In this context the European Council recalled its earlier conclusion with regard to the joint Council of Ministers of Economic Affairs, Finance, Social Affairs and Employment to consider general economic and social problems and in particular unemployment. It stressed its conviction that a thorough preparation of such a Council meeting is of the highest importance.

The pursuit of a coherent energy policy remains of great importance for the reinforcement of the European economy. Reduction of dependence on imported oil and the utilisation of alternative fuels are vital to employment and the balance of payments.

With regard to the future development of the Community, proposals on the restructuring of Community policies in accordance

.../...

with the decisions taken on 30 May 1980 will be presented in time for consideration at the European Council's next meeting.

The European Council has discussed the problems of fisheries. It expressed concern at the failure to reach agreement because of its effects on European integration and on those who work in the fisheries sector. It therefore invited the Council (Ministers of Fisheries) to meet this week to resolve the problems.

The European Council requested the Council (Ministers of Agriculture) to continue and to intensify its discussions on the proposals on agricultural prices and economies for 1981/1982 with the will to reach agreement by 1 April 1981.

The development of other Community policies remains an urgent task if the Community's viability is to be assured in the longer term and if the goals of economic convergence are to be reached.

With regard to industry coordinated efforts should be made to foster the development of high-technology and innovative enterprises in order to increase the competitive strength of the European economy. Restructuring of industries should be allowed to proceed in an orderly fashion with due regard to the maintenance of conditions of fair competition and to the social aspects.

Member States should refrain from engaging in a competitive escalation of state aid to industry which would, in the end, be self-defeating and destructive. In particular, the restructuring of the steel industry is a priority objective. The European Council supports all the elements of the conclusions of the Council (Industry) on the 3rd March. It stresses particularly the need to maintain the unity of the market, by scaling down and gradually eliminating the state aid and by reducing less competitive capacities.

The Community can further contribute to economic recovery by fully utilizing existing mechanisms for policy coordination and by ensuring that the existing Funds and financial mechanisms contribute as much as possible to agreed social and economic objectives and the reduction of unemployment. Particular attention should be given in this context to the possibilities of providing advanced technological training and education for youth.

The European Council believes that in so doing the European Community can successfully traverse the period of economic recession and contribute significantly to the return of more favourable conditions.

Spain

The European Council expressed its great satisfaction at the reaction of the King, Government and people of Spain in the face of the attacks recently made against the democratic system of their country.

This reaction strengthens the political structures which will enable a democratic Spain to accede to the democratic community represented by the European Community.

North/South Relations

The European Council stressed and reconfirmed the advantage of the opening of concrete negotiations between the industrialised countries and the developing countries with regard to serious international economic problems. With an eye to this and to the international conferences foreseen, the European Council instructed the General Affairs Council to examine the Commission proposals on Community policy in the North/South dialogue and to report to it at its next meeting in June.

European Passport

The European Council expressed its satisfaction with the substantial progress recently made with regard to the introduction of a European passport.

PRIME MINISTER

Your Press Conference

I am making arrangements for you to meet predominantly the British Press in the Town Hall Annexe in which the UK delegation is housed. We can only do it this way because of the exceedingly tight security. We cannot guarantee that only British correspondents will be present because attendance is impossible to control.

We have secured a room which accommodates about 60, and I hope you will agree to do BBC TV & radio, ITN & IRN interviews in the same room after the press conference. We shall clear the press out immediately afterwards.

Could I suggest you come to the UK delegation room in the Town Hall Annexe in the first instance?

You have in the past conducted your press conference before at the same time as the Presidency. I therefore suggest you come over to the Annexe as soon as convenient after the proceedings are over.

I assume you will wish Lord Carrington to accompany you.

Background

This Council has been dominated in the Press's mind by fish, and you will no doubt wish to bring the Press up to date and put over our point of view. It will be particularly important to scotch any ideas that because we have suggested an acceleration of negotiations we are about to sell out.

/

I am taking the line that we are as anxious as anyone for a settlement of the CFP consistent with our national interests.

Other issues arising in our press briefings are:

- Interest rates, on which the Financial Times have led the papers this morning; any approach to the USA? I have made the point that it is very difficult to deny the USA the use of mechanisms which have been used with success by some EC countries; in any case US interest rates now seem to be on a downward trend.
- Steel, our attitude to mandatory/voluntary curbs. I have made it clear we need to agree curbs and that we strongly support the view that subsidies should be for restructuring purposes - in line with our massive restructuring.
- Northern Ireland. Mr. Haughey has been extremely cagey on this. I have confirmed that you saw him last evening for five minutes. Mr. Lenihan's article was the only subject discussed; it was more a sorrow than anger meeting.
- Chapman Pincher. I am sure you must rest firmly and simply on: nothing to say at this stage - hope to make a statement on Thursday.
- Your impressions of US Government. This keeps coming back in our briefings, but we have not been communicative, bearing in mind the process of formulation of US policy.

Nick Fenn attaches some Political Cooperation points.

The Press do not know you plan a walk-about down the  
British Street, but I shall tell them after the Press Conference.

*B. Fenn*

24-3-81

24 March, 1981

## POLITICAL COOPERATION SUBJECTS

### Poland

Poland was discussed in the light of Genscher's visit to Warsaw. Consideration of the situation in Poland - which is a matter for the Poles - and of what the West and the Community may be able to do to help. There is speculation about what further help the Poles may have asked for (£1.1 b) and about the nature of any further EC food aid. The BBC has reported £70 m more food.

### Middle East

Mr. van der Klaauw gave his interim report on his tour so far, and his expectations for the future. No substantive conclusions because:

- (a) US policy still being formed. Haig to Middle East next month.
- (b) Israel's elections.
- (c) Van der Klaauw's contacts incomplete..

### Afghanistan

The statement speaks for itself. Reaffirmation of Community views on the fundamental need for Soviet withdrawal and Afghan self-determination. Interest in UN and French initiatives.

### Lebanon

Concern at death of Nigerian soldiers and at impediments in way of NIFIL.

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Southern Africa

Want to build on UN plan for Namibia - unless the Americans come up with a better idea. Reasonable for them to take a little time to formulate their policies; but hope can press on soon.

Texts as submitted by Political Directors are attached.

NICK FENN

24 March, 1981.

EUROPEAN COUNCIL, MAASTRICHT: 23-24 MARCH 1981

Van Agt

Welcomes everyone.

Menu. 1st economic and social  
2nd Japan and North South

Stop this session at 6.00 pm.

Dinner at 8.

Schmidt

Wants to talk about Poland and not about passports. And  
Poland should be included in conclusions + Spanish coup and  
splendid king. (after dinner) agreed.

Giscard

Wants to talk about seat of the Institutions and wants it on  
agenda in ordinary meeting (agreed).

Ortoli

7% unemployed in Community.  $7\frac{1}{2}\%$  at end of year. Worse in  
some than others.

Equally balance of payments awful and no prospect of success.

Inflation will slow.  $10\frac{1}{2}\%$  this year, 9% by end.

International monetary problems difficult. Attack on US.

Interest rates too high. Quite a lot about interest rates and  
effects on productivity and investment.

Public deficit too high in many countries to boost economies.

Budgets must return to real function; investment vital. Other  
things must be eliminated (too much public expenditure).

Strangling economies by red tape in Community.

EMS must concert vis a vis dollar. Can't ask Americans not to  
fight inflation. US monetary policy inscrutable. Thus interest  
rates will be too high.

/Altogether

Altogether an unpleasing prospect (and I thought a pretty confused contribution)

Van Agt

Saw employers and trade unions this morning. Employers say fight inflation and relations with Japan etc. Unions asked that Council should lay down guide lines to accelerate Council of Economic, Social etc Ministers.

Wernher (on Luxembourg)

Buzzer trouble during this notable contribution. But from what I heard a nil return. But touches on fish. Effort needs to be made to solve before August.

Agricultural prices must be fixed within a deadline. Farm incomes decline alarmingly. Prices proposed need increasing.

Steel. Much concerned. Restructuring necessary. Market must be non-discriminatory. Are measures to be extended. Hopes so. And then away with Article 58. Eurofer must try hard. Luxembourg has tried hard.

Wernher (contd)

Stagflation continues. But must avoid protectionism between member states. This Council should give guidelines. Solidarity important.

Forlani

Wants to comment on his measures. Must be greater Community solidarity and convergence of economy. His country is in trouble (for obvious reasons and won't spell out)

Taoiseach

Unemployment principal problem. Rising steadily and will continue. Can we not do something other than Micawber.

We should all combine together and should express political concern.

Wants social fund activities extended particularly for young people.

Should be invitation to Commission to do above.

Agrees with Wernher about agriculture and wants settlement quickly and much higher than that recommended. Must be done quickly.

Giscard

Remind us all of reasons for Council.

Fisheries should have been solved by January. Heads of States can't. Very irritating. Doesn't see why Canada can't be solved in routine way.

Agriculture prices should be solved before 1st April. Not our business but things going slowly. Agrees with Taoiseach and they must solve problem at Luxembourg. Settle it they must however long it takes.

International situation

Exchange views at dinner.

Economic situation

Serious

Rallis

*Agree*

Accession to Community in 1st two months has not caused significant increase in prices. (had anticipated last year). Increase in private savings, increase in private revenue (normally bad period).

Balance of payments satisfactory.

Recession mastered and investment good.

One disadvantage GDP not up to expectation due to agriculture's failure in bad weather.

Rallis (cont)

Earthquake bad. Needs money.

Agriculture; agrees with Luxembourg and Irish. Bad decline in income. Can't devalue, hopes for goodwill.

Schmidt

In Germany  $5\frac{1}{2}$  inflation

5% unemployment

Balance of payments bad

Convergence happening all bad.

National measures cannot remove causes. Oil is the cause.  
Substitution necessary. Tell OPEC in Mexico or elsewhere.  
Agrees with Giscard. Consideration on how US interest rates could be reduced. Americans globally responsible. Reform; isn't going to use tough language. Cool and clear. Net paying positions impossible. Gentlemen's agreements must be honoured.

Must point out won't agree 1982 more than 1%. If financial matters renegotiated Germany also insists on ceiling.

Commission's mandate for June recalled and must be respected.

Competitive devaluations must be avoided.

Schmidt

Too much national selfishness.

Fish. Cannot understand why general agreement made on May 30 hasn't happened. Faroes and Canada used as lever. No 10 January smaller.

/Steel

Schmidt (cont)

Steel. Not enthusiastic. Quotas all very well but steel subsidised contrary to rules. Subsidy only to those who reduce capacity. If not watch out. Won't allow German disaster to ruin German industry.

Financial. 74-79 budget increased on average by 23%. Can't expect Germany to go on helping farm prices. Cannot escape from normal rules. Must begin reform.

Wants to go on about Poland tonight and Japan more important than just trade.

Prime Minister

Ortoli is right about importance of reducing inflation. It is a priority. Have been successful, gives figures.

Unemployment steadily risen over last decade, gives figures. Cause much concern. Oil prices one cause. Patterns of world trade another. Textiles for example. Mass production in Korea, Taiwan. Shipbuilding, steel. Must have help from economic and social fund. And investment in new technology. Electronics for example. Not enough done. Indexation a factor in consumption very important. Jumbo Council, not very likely to find solution.

Fish. Very anxious to reach agreement. Bigger proportion of our economy, have tried really hard to meet deadline. Not time to get into detail. Within ace of agreement. We want agreement.

Steel. We have reduced capacity by 50,000 jobs, and will shed 20,000 more next year. Other countries must do same. Quotas must be adhered to

Unemployment

/Joergusen

Joergensen

Economic forecasts gloomy.

Protectionism must be avoided. Inflation has been reduced but unemployment awful. Wants to stimulate economies. If not catastrophe. No light at end of tunnel - caput.

No magical solution. Next June discuss new initiative.

1. Work together. Unilateralism hopeless.
2. Infrastructure projects.
3. Energy. Improve balance. Oil savings. Denmark done well.
4. Other measures to reduce unemployment. Favours reduction in working hours (but not wage compensation)

Carefully and consciously cast light on employment and calls for coordinated action in June.

Fish must be solved. Insecurity Faroes and Canada must be solved.

Agriculture. Prices not high enough. Must be settled.

<sup>1003</sup>  
Marthos

Comments at some length on Ortoli contribution. Expands on Belgian problems.

Wants that joint council for unemployment.

Some incomprehensible remarks on stabilising fluctuations in dollar.

Suggests ecofin should progress EMS through cross credits with US

Van Agt

That Council might raise unwarranted expectations but we have done it.

German feeling fish must be solved. Not super Council but would there be any point in making political effort to solve.

Friction. Can we make political effort.

Farm prices. Decisions must be taken quickly and consensus on that  
But not agreement on level.

/Ortoli



Ortoli

Commission hasn't means to do much about unemployment.  
We should agree on action. Much exaggerated what international  
policies can do. I really can't be bothered. He is  
blindingly dull.

NB. The trouble with people like Ortoli  
is they never do anything shortoli  
Its my certain belief  
that if asked to be brief  
he will rabbit on even more hortoli!

XX 1154/24

M ALEXANDER  
F RICHARDS  
B INGHAM  
W FENN  
②

fomaa 006/24  
oo maastricht (deskby 241100z)  
grs 155  
155

cc Ireland.  
PE4:  
Anglo-Irish Protocol

unclassified  
fm dublin 240930z mar 1981  
to immediate deskby 241100z maastricht  
telegram number 01 of 24 mar  
and to priority f c o and n i o (belfast)

irish media comment on maastricht summit  
in the irish media this morning community discussions take second  
place to reports of the bilateral meeting between mrs thatcher and  
mr haughey.

2. british officials are reported as saying that the prime minister  
complained that mr lenihan's recent remarks were damaging and  
counter productive, while mr haughey is said to have refused  
to comment on what took place at the meeting on the grounds  
that such conversations were confidential, but to have told irish  
journalists that he regarded mr atkins statement as a reiteration  
of the british position on the constitutional position of the  
north. he reiterated his adherence to irish unity as  
the basis of his political philosophy.

3. the papers also carry reports of a further interview given  
by mr lenihan to the b b c world service broadcast  
on b b c northern ireland at 6 pm last night. mr lenihan is said  
to have suggested that he expected some sort of united ireland  
within ten years.

figg

FOMAT 002/24

OO MAASTRICHT IMMEDIATE FOR PRIME MINISTER AND SEC OF STATES PARTY

GROUPS 1200A

UNCLASSIFIED

FM CENTROFORM LDN 24 0100Z

RETRACT 16224 MAR

MAASTRICHT VIA FCO : ''IMMEDIATE. FOLLOWING FOR PRIME MINISTER AND SECRETARY OF STATE'S PARTY, MAASTRICHT.'' ONPASS NO 10 AND FCO FOR SECRETARY OF STATE'S PRIVATE OFFICE AND NEWS DEPT.

LONDON (LPS): FOLLOWING IS LPS SUMMARY OF FIRST EDITIONS OF MORNING NEWSPAPERS OF TUESDAY TWENTYFOUR MARCH 1981:

THE MAIN STORY IS THE SIR ROGER HOLLIS AFFAIR. ONE OF THE TOP FOREIGN STORIES IS THE EC SUMMIT IN MAASTRICHT.

THE LEAD FRONT PAGE STORY ON PAGE ONE OF THE TIMES IS HEADLINED ''THATCHER STATEMENT ON TOP SECURITY 'SPY' EXPECTED ON THURSDAY'' AND ''FULL BRIEF ON HOLLIS AFFAIR'' AND ''MI5 CHIEF REQUESTED IMMUNITY FOR SIR ANTHONY BLUNT IN 1964.'' THE TIMES SAYS THE PRIME MINISTER, ON HER RETURN TODAY FROM THE EC SUMMIT, WILL BE BRIEFED ON ALLEGATIONS THAT THE LATE SIR ROGER SPIED FOR THE SOVIET UNION. IT ADDS THAT ONE FORMER HOME SECRETARY SAID THAT IF SIR ROGER, DIRECTOR-GENERAL OF MI5 FROM NINETEENFIFTYSIX TO NINETEENSIXTYFIVE, HAD BEEN A SPY THE DAMAGE DONE WOULD HAVE BEEN INESTIMABLE. THE STORY SAYS A FULL BRIEF ON ALLEGATIONS CONCERNING SIR ROGER WILL AWAIT MRS THATCHER ON HER RETURN FROM THE NETHERLANDS. ''THATCHER ORDERS HOLLIS INQUIRY'' SAYS A HEADLINE ON PAGE ONE OF THE FINANCIAL TIMES. A SHORT STORY SAYS, AMONG OTHER THINGS, THE THE PRIME MINISTER WILL MAKE A FULL STATEMENT TO THE COMMONS, PROBABLY ON THURSDAY. ''THATCHER FACES 'SPYCATCHER' ROW IN COMMONS IS THE FRONT PAGE HEADLINE IN THE DAILY TELEGRAPH. ''MAGGIE FURY AT MI5 BOMBSHELL'' IS THE BIG HEADLINE ON PAGE ONE OF THE DAILY MAIL, WHICH BROKE THE STORY. THE HEADLINE ON PAGE ONE OF THE DAILY EXPRESS IS ''MAGGIE TO FACE MI5 SPY QUIZ.'' THE GUARDIAN HAS A PAGE ONE STORY AND BOTH THE SUN AND DAILY MIRROR CARRY PIECES ON PAGE TWO.

THE TIMES CARRIES A PAGE ONE PHOTO ACROSS FIVE COLUMNS SHOWING QUEEN BEATRIX WITH FOUR EC LEADERS, INCLUDING MRS THATCHER. THE HEADLINE ON THE STORY BENEATH THE PHOTO SAYS ''BRITISH DENY FISH POLICY OBSTRUCTIONS.'' THE STORY SAYS MRS THATCHER TOLD THE MEETING THAT BRITAIN WAS AS ANXIOUS AS ANY OTHER MEMBER STATE FOR AN EARLY AGREEMENT ON A NEW EC FISHERIES POLICY. IT SAYS SHE REJECTED ACCUSATIONS THAT BRITAIN HAD BEEN OBSTRUCTIVE, AND ADDS THAT, ALTHOUGH SHE DID NOT MENTION ANY COUNTRY BY NAME, ''IT IS KNOWN TO BE THE BRITISH VIEW THAT FRANCE WAS MAINLY RESPONSIBLE FOR THE EC'S FAILURE TO REACH AGREEMENT BY THE END-OF-YEAR DEADLINE MEMBER STATES SET LAST YEAR. IT REPORTS LORD CARRINGTON ON THE ISSUE AND NOTES THAT HERR SCHMIDT ''WAS LESS VEHEMENT ON THE SUBJECT THAN EXPECTED.'' ''EC SUMMIT DEFIANCE BY THATCHER'' IS THE PAGE ONE HEADLINE IN THE DAILY TELEGRAPH.'' THE STORY SAYS AT ONE POINT THAT MRS THATCHER'S STRONG STAND WAS CRITICISED BY HERR SCHMIDT AND M GISCARD, WITH THE GERMAN LEADER SAYING HE HAD ''NEVER BEFORE EXPERIENCED SUCH NATIONAL EGOTISM.'' THE STORY ALSO SAID BRITISH OFFICIALS SAID AN AGREEMENT COULD ONLY BE REACHED IF THE OTHERS MADE SIGNIFICANT CONCESSIONS. THE HEADLINE ON PAGE ONE OF THE GUARDIAN IS ''THATCHER HURLS BACK SUMMIT CHARGE OF SABOTAGING FISH PACT.'' THE STORY SAYS IN PART: ''IN A SERIES OF FROSTY EXCHANGES WHICH SOURED THE CLOSING STAGES'' OF THE FIRST DAY'S SESSION, MRS THATCHER MADE IT CLEAR THERE WAS NO PROSPECT OF BRITAIN AGREEING TO A FISHING POLICY WHICH LEFT BRITISH FISHERMEN IN AN EVEN WORSE STATE THAN AT PRESENT. THE FINANCIAL TIMES SAYS IN A FRONT PAGE ITEM THAT THE PREDICTED CLASH OVER FISHING POLICY PROVED INITIALLY TO BE ''MORE OF A GENTLE SLAP ON THE WRIST THAN A FULL-SCALE ROW.'' BUT THE FINANCIAL TIMES PIECE LED WITH M GISCARD'S CALL FOR CONCERTED ACTION WITH THE US TO BRING ABOUT A ''PROGRESSIVE'' REDUCTION IN INTERNATIONAL INTEREST RATES. THE DAILY MAIL HAS A PAGE FOUR STORY ON THE EC SUMMIT HEADLINED ''SO PUT THE BLAME ON FRANCE'' ''MAGGIE HITS OUT IN FISH DEAL STORM'' IS THE PAGE TWO HEADLINE IN THE DAILY EXPRESS. ''FISH KNIVES ARE OUT'' IS THE HEADLINE ON A SHORT PAGE TWO PIECE IN THE DAILY MIRROR.

THE TIMES HAS A PROMINENT PAGE FIVE STORY SAYING ZIMBABWE IS ASKING FOR POUNDS STERLING EIGHTHUNDRED MILLION OF AID FOR RECONSTRUCTION AND DEVELOPMENT PROJECTS. IT SAYS MR MUGABE, ON THE OPENING DAY OF THE DONORS' CONFERENCE IN SALISBURY, MADE AN ARTICULATE AND EMOTIONAL PLEA FOR HELP FROM THE INTERNATIONAL COMMUNITY. THIS STORY REPORTS ON SPEECHES MADE BY SEVERAL FIGURES, INCLUDING A PARAGRAPH DEVOTED TO LORD SOAMES ADDRESS. THE FINANCIAL TIMES IN A PAGE FOUR STORY SAYS THE KUWAIT DELEGATION GOT THINGS OFF TO A GOOD START BY PLEDGING AID TOTALLING POUNDS STERLING TWENTY-FOUR MILLION. IT ADDS THAT THE CONFERENCE OPENED UNDER A NEW SHADOW OF VIOLENCE AS THREE NATIONAL ARMY SOLDIERS WERE KILLED BY DISSIDENT FORMER GUERRILLAS. THE GUARDIAN IN A PAGE NINE STORY ALSO LEADS WITH THE NEWS OF THE SOLDIERS BEING KILLED. BUT IT SAYS THE KILLINGS DID NOT NOTICEABLY DENT THE BUOYANT MOOD AT THE CONFERENCE OPENING. THE STORY ADDS THAT THERE IS WIDE EXPECTATION THAT, BY THE END OF THE CONFERENCE, ZIMBABWE WILL BE PERHAPS TWO THIRDS OF THE WAY TOWARDS ITS TARGET. THE DAILY TELEGRAPH IN A PAGE FIVE STORY LEADS WITH MR MUGABE'S REMARKS THAT ZIMBABWE COULD HONOUR THE LANCASTER HOUSE AGREEMENT ONLY WITH INTERNATIONAL AID. THE HEADLINE ON A PAGE FOUR PIECE IN THE DAILY EXPRESS IS "BONUS FOR ZIMBABWE AS SOAMES HANDS OUT POUNDS STERLING TWENTYFIVE MILLION."

THE MAIN STORY ON THE FRONT PAGE OF THE FINANCIAL TIMES IS ABOUT THE CHANCELLOR TELLING THE COMMONS THAT BRITAIN WAS BEING "SUBSTANTIALLY HARMED" BY THE CIVIL SERVICE PAY STRIKES DISRUPTING THE GOVERNMENT'S COLLECTION OF REVENUE. A FRONT PAGE STORY IN THE TIMES BEGINS: "THE CRISIS IN THE CIVIL SERVICE DEEPEDED LAST NIGHT . . ." AND A BACK PAGE STORY IN THE GUARDIAN IS HEADLINED "CIVIL SERVICE STRIKE TO HIT THE COURTS."

THE MAIN FRONT PAGE STORY IN THE GUARDIAN SAYS AN EFFECTIVE ALLIANCE BETWEEN THE LIBERALS AND SOCIAL DEMOCRATS CAME CLOSE TO BEING ACHIEVED ON TV LAST NIGHT WHEN MR STEEL AND DR OWEN APPEARED TOGETHER ON GRANADA.

OTHER STORIES RECEIVING GENERAL COVERAGE IN THE PAPERS INCLUDE THE FOLLOWING: OUTPUT IN BRITAIN SHOULD BE ON A RISING TREND OVER THE NEXT TWELVE MONTHS, MR NIGEL LAWSON, FINANCIAL SECRETARY TO THE TREASURY, SAID LAST NIGHT . . . AGRICULTURE SECRETARY MR PETER WALKER URGED FARMERS TO MAINTAIN THEIR VIGILANCE AGAINST FOOT-AND-MOUTH DISEASE, WHICH REMAINS CONTAINED TO THE ISLE OF WIGHT . . . THE FRENCH OUTBREAK OF FOOT-AND-MOUTH HAS SPREAD FROM BRITTANY TO THE CHERBOURG PENINSULA IN NORMANDY . . . THE ANGLO-SOVIET CULTURAL AGREEMENT WAS RENEWED WITHOUT FANFARE IN A MOSCOW CEREMONY . . . THE COUNCIL FOR SOCIAL DEMOCRACY DISSOCIATED ITSELF FROM THE DECISION OF THE SOCIAL DEMOCRATIC ALLIANCE TO SET UP CANDIDATES TO FIGHT THE COUNTY COUNCIL ELECTIONS IN MAY . . . PAKISTAN DAY PASSED QUIETLY WITH NO EFFECTIVE DEMONSTRATIONS AGAINST THE MARTIAL LAW REGIME., PRESIDENT ZIA-UL-HAQ IS THOUGHT TO HAVE SUCCESSFULLY EMASCULATED POLITICAL OPPOSITION BY ROUNDING UP MORE THAN ONE-THOUSAND PEOPLE IN RECENT WEEKS . . . THE SPANISH ARMY WILL PLAY A ROLE IN COMBATING BASQUE TERRORISM, THE GOVERNMENT ANNOUNCED YESTERDAY IN MADRID . . . MR GEOFFREY DICKENS, THE MP WHO REVEALED SIR PETER HAYMAN'S CONNECTION WITH THE PAEDOPHILE INFORMATION EXCHANGE, SAYS HE WOULD GO TO JAIL RATHER THAN REVEAL THE SOURCE OF HIS INFORMATION ABOUT THE FORMER DIPLOMAT . . . THE UN DISASTER RELIEF ORGANISATION HAS LAUNCHED A POUNDS STERLING SEVENHUNDRED MILLION APPEAL FOR TWO CHINESE PROVINCES HIT BY DROUGHT OR FLOODS . . . ARMED GROUPS OPPOSING THE GOVERNMENT OF DR MILTON OBOTE IN UGANDA CONTROL LARGE AREAS OF THE NORTHWEST OF THE COUNTRY AND HAVE CUT OFF THE TOWN OF MOYO, DIPLOMATIC SOURCES SAID YESTERDAY IN NAIROBI . . . THE EUROPEAN PARLIAMENT SESSION IN STRASBOURG WAS SUSPENDED YESTERDAY BECAUSE THERE WERE NO INTERPRETERS - PART OF THE STRIKE ACTION BY LUXEMBOURG-BASED STAFF WHO DO NOT WANT TO COMMUTE TO STRASBOURG.

ENDS SUMMARY.

L.P.S.

CENTROFORM LDN

European Council  
23-24 March 1981  
Maastricht

Text agreed by Political Directors: 2200: 23 March

Draft declaration - POLAND

The European Council reaffirms its position on Poland as expressed in its statement of 2 December 1980. This statement is as valid today as it was then.

The Council notes that Poland has shown that she is capable of facing her internal problems herself. It is in the interest of the Polish people that Poland should continue to do so in a peaceful manner and without outside interference. It is also in the interest of stability in Europe.

The Council underlines the obligation of all states signatory to the Helsinki Final Act to base their relations with Poland on the strict application of the Charter of the United Nations and the principles of the Final Act.

The European Council recalls that the Ten have already responded, both individually and in the Community framework, to the Polish request for economic support. They are disposed, within the limits of their means, and in collaboration with others, to continue their contribution to the recovery of the Polish economy so as to complement the efforts of the Polish people itself.

European Council  
23-24 March  
Maastricht

Text agreed by Political Directors  
2200 hrs 23 March

Draft declaration on the Lebanon

The European Council noted with great concern the latest developments in Southern Lebanon, which have led to the tragic deaths of three Nigerian UNIFIL soldiers, stationed there in the cause of re-establishing peace and security in the region.

As the European Council has stated on many occasions, the independence, sovereignty and territorial integrity of Lebanon must be fully respected.

The European Council considers that only the complete implementation of UNIFIL's mandate can create the conditions necessary for a progressive return of the South of the country to Lebanese sovereignty.

In order to enable UNIFIL to carry out its mandate in its entire area of operations up to the internationally recognised boundaries, the ten member states of the European Community, some of which contribute troops to UNIFIL, call for the immediate and full cooperation of all interested parties.

In this connexion, the European Council supports the statement made on 20 March 1981 by the current President of the Security Council warning against the placing of any obstacle in the way of the efforts of UNIFIL to discharge its mandate in full.

European Council  
23-24 March 1981  
Maastricht

Text agreed by Political Directors: 2200: 23 March

Draft declaration on Afghanistan

The European Council notes with grave concern that the military operations by Soviet troops against the Afghan people, who are resisting this external interference, continue without interruption. The tragic course of events in Afghanistan constitutes a severe ordeal for the Afghan people and expresses itself in the form of a massive flood of refugees who are a heavy burden for neighbouring countries, in particular for Pakistan. The developments in Afghanistan remain a threat to the stability of relations in the region and worldwide.

In face of the situation resulting from the Soviet invasion of Afghanistan, the European Council has called many times, and in particular at its meeting in Venice in June 1980, for respect for the sovereignty and territorial integrity of Afghanistan and for an end to all interference in the internal affairs of that country. The Council has stated on many occasions the need for a solution which entails the withdrawal of foreign troops from Afghanistan and which permits the Afghan people to exercise freely their right to self-determination, and for Afghanistan thus to return to its traditional status as an independent state, neutral and non aligned.

The European Council supports any initiative which could lead to the desired result and welcomes in particular the initiative which was the subject of the resolution of the United Nations of 20 November 1980 and that put forward recently by France.

Text agreed by Political Directors .19.00 23 March

Draft Declaration - MIDDLE EAST

The European Council took note of the interim report by Dr. C.A. van der Klaauw, the President in office, on the initial results of the Middle-East mission which he is at present carrying out on behalf of the Ten on the basis of the Venice Declaration of 13 June 1980 and the Luxembourg Declaration of 2 December 1980. The Council noted with satisfaction the welcome given to the mission to date and considered as encouraging the attention and interest with which the parties so far consulted viewed the European efforts.

In the light of the consultations Mr. Van der Klaauw will hold during the weeks to come a final report will be presented to the meeting of the European Council on 29 and 30 June 1981.



RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

*Lg*  
*Rmd*  
20 March 1981

*Dear Michael,*

European Council: Reed Group International

Stuart Hampson at the Department of Trade wrote to you on 19 March recommending against the Chairman of Reed International's proposal that the Prime Minister might, while she is in Maastricht, visit Royal Dutch Sphinx, the firm's local manufacturing subsidiary.

Subsequently, the Ambassador at The Hague has pointed out that unemployment is severe in that area - indeed there may well be demonstrations - and that given that unemployment is likely to be a major subject at the European Council itself, the fact that a subsidiary of a British firm is the largest local employer might be a useful point for the Prime Minister to make in her Press Conference. This would clearly be easier to do if the Prime Minister could find time to make some form of contact with the firm - if only by finding five minutes for its Chairman. The Department of Trade have no objection. If this can be done, we should be happy to ask the Embassy to make the necessary arrangements.

I am sending a copy of this letter to Stuart Hampson (DOT).

*Yours ever,*  
*F N Richards*  
(F N Richards)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street  
LONDON

1978	LABOUR FORCE		CIVILIAN EMPLOYMENT	
	As percentage of total population	As percentage of population aged 15-64	As percentage of total population	As percentage of population aged 15-64
UNITED KINGDOM	47.1	74.2	43.9	69.2
BELGIUM	41.5	63.9	37.7	58.1
DENMARK	51.8	80.8	48.5	75.5
FRANCE	42.6	67.3	39.3	62.1
GERMANY (FR)	42.8	65.6	40.3	61.8
IRISH REPUBLIC	34.7	62.1 (1)	31.2	56.0
ITALY (2)	39.2	59.2	35.7	53.9
LUXEMBOURG	42.3	63.7 (2)	41.9	63.2 (1)
NETHERLANDS	35.1	53.8	32.8	50.2

1979 (where available)

UNITED KINGDOM	47.2	44.4
FRANCE	43.1	39.5
GERMANY	43.1	40.8
ITALY	39.5	35.5

NOTES: (1) 1977  
(2) Pop. 14-64

DEFINITIONS:  
Labour Force = Employees + Self Employed +  
Armed Forces + unemployed

Civilian Employment = Employees +  
Self Employed

SOURCES: OECD LABOUR FORCE STATISTICS  
1980 + QUARTERLY SUPPS.

POPULATION FIGURES FOR 1979  
EUROPEAN ECONOMY NOV 1980

23. 3. 81.

STEEL

1. The meeting of Community steel producers on 22 March reached no conclusions. According to Mr. MacGregor, all but BSC would have been prepared to accept on a voluntary basis extension of the existing mandatory Article 58 measures but with an amended reference period formula. BSC were unable to accept this proposal because it became apparent at the meeting that the Commission had used the powers in Article 4 of the October decision to interpret the quota system flexibly and reach separate confidential arrangements with individual producers. As a result, some German producers have been allowed to produce up to 30 per cent more than the overt quotas suggested. Italian producers have also been given increased quotas. BSC produced to their given quotas. Overall production during the operation of the Article 58 measures so far appears to have been 8 per cent higher than expected and, as a result, prices have failed to pick up to the extent which had been hoped. These details only became available during the Eurofer Meeting, and were clearly unacceptable to the United Kingdom producers. Later in the meeting a compromise emerged with which BSC could have lived, but Klockner would not have it. Klockner have in fact already received under the existing Article 58 measures the largest increase in quota given to any company.

2. Points to Make (Defensive)

- (A) Disciplined market essential, but must be on a basis which is fair to all producers and strictly administered. This was what the Council envisaged in agreeing the Article 58 measures on 30 October.
- (B) In practice, the implementation of these existing measures has led to production which is overall 8 per cent higher than expected. The UK conformed to the figures put forward by the Commission. But other producers' output, following confidential bilateral discussions with the Commission, was up to 30 per cent higher. As a result, the initial improvement in prices was not maintained.

/ (C)

- (C) Understand only Klockner blocking compromise, which all others could have accepted. Is there any scope for exerting pressure on them to conform?
- (D) We hope that a fair and effective voluntary agreement can be reached before 1 April. If not possible, other means (Article 58 measures) will be needed while state aids are being phased out (on which we agree with the Germans).
- (E) (If it is suggested BSC are the problem) System has prove unfair to the UK industry which has already undergone massive restructuring (manned capacity to fall to 14.4 m tonnes per year and 50,000 jobs shed over last 12 months and at least 20,000 more to follow) and which has stuck to quotas it was given.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

20 March 1981

*Top Copy on  
Middle East: Nov 79  
Arms Sales Military Assistance*

*Dear Michael,*

Tornado Sales to the Middle East

Lord Carrington considers that we need to maintain momentum on sales of Tornado to the Middle East. He suggests that the Prime Minister should take the opportunity of her meeting with Chancellor Schmidt at Maastricht to refer to his reply to her message of 17 February about Arab interest in the aircraft.

The Chancellor's message is very guarded but does not rule out sales to the Middle East. In thanking him for it, the Prime Minister might take the opportunity to put across the points in the enclosed brief which has been cleared with the MOD.

I am copying this letter to Brian Norbury.

*Yours ever,*

(F N Richards)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street

CONFIDENTIAL

DRAFT BRIEF FOR PRIME MINISTER - FOR USE WITH CHANCELLOR SCHMIDT IN  
THE MARGINS AT MAASTRICHT

SALES OF TORNADO TO THE MIDDLE EAST

Line to Take

1. Grateful for your reply.
2. Entirely understand your difficulties.
3. But the Arabs are showing interest in an advanced aircraft. They seem to want to avoid the super powers.
4. Defence Secretary is visiting Saudi Arabia this week. If, as is likely, the question is raised, he will say that we are in touch with you.
5. It would be helpful to have your reaction to my suggestion that BAe might lead on sales to Middle East.
6. Agree we need to consider security issues carefully. Understand arrangements are in hand for officials to do this.
7. Agree that we must now stay closely in touch so that the security and marketing problems can be resolved early.

## SALE OF TORNADO AND RB199 TO MIDDLE EAST

### ESSENTIAL FACTS

- A 1. The Chancellor has now replied to the Prime Minister's message of 16 February. A similar message went to Signor Forlani.

#### Herr Schmidt's Reply

- B 2. The Chancellor's reply, which is an interim one, does not take us much further. At least, he has not sounded too negative a note. But he suggests further examination especially of security issues.

#### Latest Development

3. Since the question of sales to Middle East was first raised, there have been several developments which are promising. Jordanian interest has been maintained. At Jordanian request MOD have agreed to make a presentation on Tornado to them next week. BAe have prepared literature on the IDS and ADV versions and will talk about a development specifically tailored to Arab requirement. A presentation to the Saudis will follow.

4. It is possible that seven or eight Arab countries, plus Pakistan and Morocco, will act together in procuring a common multi role combat aircraft. This could mean a total order of 300 or so. We believe that Jordan will continue to take the lead in co-ordinating the Arab countries assessment of Tornado. This might be to our advantage. As a result of the Prime Minister's message, King Hussein has indicated that no final decision on procurement will be made without a full assessment of the Tornado. Competition comes from the French Mirage 4000; but we have not specifically mentioned this in our contacts so far with the Germans, though they must be aware of the fact.

#### Israeli Reactions

5. Israel appears already to have begun a campaign against Tornado sales to the Arabs. The Israeli Foreign Minister made a determined attempt to persuade the Italians not to agree such sales. We can expect lobbying to continue and intensify both in Rome and Bonn.

6. The Israelis showed interest in 1979 in buying the RB199

/...

(Tornado's Rolls Royce engine) for the Israeli designed Lavi fighter. We refused at the time, though the sale of Tornados to the Arabs may make it necessary to reconsider this. The Israelis have shown no interest in buying Tornado.

The Italian View

7. The Italians have not replied formally to the Prime Minister's message. Italian Officials have told us that Forlani is likely to approve although he is aware of German political difficulties in arms exports to the Middle East. Though the Italians were shaken by the wright of the Israeli attack, we think it is unlikely to change their view.



GRS 39φ

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DESKBY 21φ8φφZ FCO, UKREP BRUSSELS, BONN AND THE HAGUE

FM PARIS 2φ2φ15Z MAR 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 219 OF 2φ MARCH 1981

INFO IMMEDIATE UKREP BRUSSELS, BONN AND THE HAGUE

INFO ROUTINE ATHENS, BRUSSELS, COPENHAGEN, DUBLIN, LUXEMBOURG  
AND ROME

EUROPEAN COUNCIL: STATEMENT BY THE ELYSEE SPOKESMAN

1. AS A CURTAIN RAISER TO THE EUROPEAN COUNCIL IN MAASTRICHT,  
AFP CARRIED THE FOLLOWING PIECE THIS AFTERNOON.

2. QUOTE. THE ASSISTANT ELYSEE SPOKESMAN, M JACQUES BLOT, SAID  
ON FRIDAY "THE JOB OF THE EUROPEAN COUNCIL IS NOT TO BECOME A  
SUBSTITUTE FOR THE COUNCILS OF MINISTERS OF THE COMMUNITY; IT  
CAN GIVE A POLITICAL ORIENTATION, BUT DOES NOT DEAL WITH TECHNICAL  
QUESTIONS".

THE COUNCIL OF MINISTERS AT MAASTRICHT, THE FIRST  
THIS YEAR, ALSO THE FIRST TO ASSEMBLE ALL THE TEN COMMUNITY  
PARTNERS, SHOULD THEREFORE BE SEEN AS A SUMMIT "OF REFLECTION".  
ACCORDING TO OBSERVERS, THIS HARMONISES WITH FRANCE'S WISH TO  
RESTORE THE INSTITUTION'S ORIGINAL VOCATION AND TO AVOID FALLING  
AGAIN INTO A BARGAINING PROCESS AS WAS THE CASE LAST YEAR AT  
LUXEMBOURG ON THE SUBJECT OF THE BRITISH CONTRIBUTION TO THE  
COMMUNITY BUDGET.

M BLOT NEVERTHELESS DID NOT EXCLUDE THE POSSIBILITY OF FRANCE  
AND THE FRG WISHING TO DRAW THE ATTENTION OF THEIR EIGHT PARTNERS  
TO THE SERIOUS ECONOMIC AND SOCIAL CONSEQUENCES OF THE IMPASSE  
AFFECTING THE ESTABLISHMENT OF THE EUROPE OF FISHERIES - BLUE  
EUROPE - AS A RESULT OF THE BRITISH VETO.

THE SPOKESMAN ALSO SAID THAT, BECAUSE AGREEMENT HAD NOT BEEN  
REACHED AT THE EUROPEAN LEVEL, CERTAIN AGREEMENTS WITH THIRD  
COUNTRIES COULD NOT BE CONCLUDED, FOR EXAMPLE WITH CANADA; THIS  
WAS SERIOUSLY DAMAGING TO GERMAN, AND ALSO TO FRENCH, DEEP-SEA  
FISHING IN CANADIAN WATERS.

ON THE SUBJECT OF AGRICULTURAL PRICES, M BLOT RECALLED THE  
POSITION OF FRANCE: THE NEED TO RESPECT THE LIMIT OF APRIL FOR  
FIXING PRICES FOR THE 1981-82 CAMPAIGN, AND AN INCREASE OF  
"TWO FIGURES", THAT IS TO SAY AT LEAST 1φ PER CENT.

ON THE SUBJECT OF MCA'S, WHICH PARIS WANTS TO SEE DISAPPEAR  
AFTER TWO YEARS STARTING IN 1981, THE SPOKESMAN INDICATED THAT  
FRANCE JUDGES THE COMMISSION'S PROPOSALS SATISFACTORY IN THE CASE  
OF GERMANY, BUT INSUFFICIENT IN THE CASE OF GREAT BRITAIN.  
UNQUOTE.

3. AFP CONTINUED WITH A SUMMARY OF THE LIKELY AGENDA OF THE COUNCIL. THIS WOULD INCLUDE AN EXAMINATION OF THE CURRENT ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY, AND A STUDY OF MEDIUM TERM PERSPECTIVES; AN EXAMINATION OF COMMERCIAL AND FINANCIAL RELATIONS WITH THE UNITED STATES AND JAPAN; NORTH SOUTH ISSUES, AND IN PARTICULAR PREPARATIONS FOR THE MEXICO SUMMIT; EAST-WEST RELATIONS, ESPECIALLY AFGHANISTAN AND POLAND; AND THE NEAR EAST; PARTICULARLY A STUDY OF THE RESULTS OF THE VAN DER KLAUW MISSION.

HIBBERT.

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NAD  
CABINET OFFICE



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213.....6400...GTN...213  
Switchboard 01-213 3000

Tim Lankester Esq  
Private Secretary  
Prime Minister's Office  
10 Downing Street  
LONDON SW1

20 March 1981

*Top Copy Required*

*Checked with  
TL that he  
doesn't mind  
US not looking  
for top copy  
any more.*

*CS  
12/8/81*

*Dear Tim..*

EUROPEAN COUNCIL  
NOTE FOR PRIME MINISTER ON PROPORTIONS OF PEOPLE EMPLOYED IN  
DIFFERENT EC COUNTRIES

The Prime Minister referred this morning at the briefing meeting for the European Council to figures published by the OECD showing that the proportions of people employed in the UK was higher than in other European Community countries.

The attached table, extracted from published OECD sources, provides comprehensive information for EC countries (except Greece) for 1978, together with information for 1979 where available. The figures show that (with the exception of Denmark), the UK has:

- (a) The highest proportion of its total population in the labour force
- (b) The highest proportion of its population aged 15-64 in the labour force
- (c) The highest proportion of its population (total and aged 15-64) in civilian jobs.

The reasons for (a) and (b) are that in the UK people generally leave school earlier and retire later than on the continent. Also a higher proportion of married women are in the labour force in the UK - many working part-time.

(c) is a reflection of (a) and (b). Even with the recent increase in unemployment the proportion of people at work in the UK will be still among the highest in Europe.



Should the Prime Minister wish to refer to this in the Council discussion, we suggest the following speaking note:

"Although the UK is currently suffering from high unemployment, this has to be seen in perspective. We still have a higher proportion of our population in employment than any other Community country except Denmark".

The Prime Minister will wish to be careful about the inferences which she draws from this, bearing in mind the audience. In the European context, it may not serve our purpose to appear to be better off than the unemployment totals might suggest. In some domestic contexts the point may have some value in indicating that the unemployment totals alone do not give the full picture in regard to employment. However, it would be wrong to imply that these differences reflect greater success on the UK's part in creating employment. The differences in very large part reflect the differing position in the UK as compared with our partners in respect of school leaving and retirement ages and different social habits affecting the proportion of married women in employment. Critics might respond by pointing to the equally undesirable but more telling fact that employment has been falling in the UK over the last year or so while it has been rising or stable in most other EC countries. Our advice, therefore, is that the comparison should not be used, or given more weight than it can bear.

I am sending copies of this letter and attachment to George Walden (Foreign and Commonwealth Office), John Wiggins (Treasury) and David Wright (Cabinet Office).

*Yours ever*

*Richard Dykes*

R T B DYKES  
Principal Private Secretary

1978	LABOUR FORCE		CIVILIAN EMPLOYMENT	
	As percentage of total population	As percentage of population aged 15-64	As percentage of total population	As percentage of population aged 15-64
UNITED KINGDOM	47.1	74.2	43.9	69.2
BELGIUM	41.5	63.9	37.7	58.1
DENMARK	51.8	80.8	48.5	75.5
FRANCE	42.6	67.3	39.3	62.1
GERMANY (FR)	42.8	65.6	40.3	61.8
IRISH REPUBLIC	34.7	62.1 (1)	31.2	56.0
ITALY (2)	39.2	59.2	35.7	53.9
LUXEMBOURG	42.3	63.7 (2)	41.9	63.2 (1)
NETHERLANDS	35.1	53.8	32.8	50.2

1979 (where available)

UNITED KINGDOM	47.2	44.4
FRANCE	43.1	39.5
GERMANY	43.1	40.8
ITALY	39.5	35.5

NOTES: (1) 1977  
(2) Pop. 14-64

DEFINITIONS:

Labour Force = Employees + Self Employed + Armed Forces + unemployed

Civilian Employment = Employees +

Self Employed

POPULATION FIGURES FOR 1979  
EUROPEAN ECONOMY NOV 1980

SOURCES: OECD LABOUR FORCE STATISTICS  
1980 + QUARTERLY SUPPS.

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(plw. briefs for European Council).



at Soviet Union Prime Minister  
Sept 79; credit Tompkins  
Gordon to USSR

CABINET OFFICE

And

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

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

Ref. A04505

19th March, 1981

Wheat for the Soviet Union

The Secretary-General in the Elysee, Monsieur Jacques Wahl, telephoned Sir Robert Armstrong this afternoon about the proposed sale of 600,000 tonnes of wheat to the Soviet Union. He said that the French Government were concerned that this proposed sale seemed to be developing into a major cause of dispute in Europe. Monsieur Wahl argued that the sale was a routine question and not the sort of substantial matter which should provoke disagreement. In addition, he said, the quantity of 600,000 tonnes proposed in 1981 was the same as in 1980 and the cost to the Community would not be very high. Furthermore, according to Monsieur Wahl, the United States Government, who could have been expected to object to this sale, had let it be known that they were not concerned about it.

Sir Robert Armstrong took note of what Monsieur Wahl had said, agreed to look into the question, and to be in touch with him again.

I have spoken to Michael Franklin about this and he says that this French approach is something on which the Prime Minister will need to be briefed for Maastricht. You will wish to arrange for this to be put in hand.

I should also be grateful for advice as to what Sir Robert should say when he rings back. Copies of this letter go to Kate Timms (MAFF), John Wiggins (Treasury), Stuart Hampson (Trade) and Michael Alexander (No. 10).

**D. J. WRIGHT**

(D. J. Wright)  
Private Secretary

R. A. Burns, Esq.

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PRIME MINISTER

Prime Minister.

Top Copy on  
Fishing: Pt 4  
CFP

French fishing industry would  
like agreement.

? No intention of dropping  
Boulogne boats of a wing?

REVISION OF THE COMMON FISHERIES POLICY

1 We decided in OD this morning that there were merits in seeking a link between fisheries and CFP prices since otherwise there seemed little prospect of securing a deal on fisheries acceptable to the catching industry or to Parliament. Any deal on fish generally considered to be a defeat for us would be very damaging especially since we as a government have always made clear the importance we attach to it.

2 It might be helpful for you to have, before tomorrow morning's briefing meeting for the summit, my assessment of recent negotiations on the CFP and on the current position in the light of the political realities.

3 When we first took office I found that fisheries conservation was the source of much friction in the Community and national measures adopted by the United Kingdom the subject of extensive criticism. In fact the scientific evidence strongly supported our actions. However, in order to get negotiations moving I was able by making relatively minor concessions to the French and the Danes, (to which, however, they attached considerable presentational significance), to enable an overall agreement to be reached on a very satisfactory Community conservation regime which has now been in operation for many months. I therefore showed our willingness from the outset to meet the French at least halfway in order to reach a comprehensive agreement for the benefit of all.

Give way to smaller net.

4 Similarly on total allowable catches (TAC's) I was able last year to get matters forward by compromising to some extent on our basic position that the figures should be in line with the scientific advice. Minor adjustments to the figures on some stocks of interest to the French enabled an overall agreement to be obtained. I have indicated that I am prepared to be similarly flexible this year to

enable French and other demands for herring TAC's to be satisfied even though they run counter to the strict scientific advice.

5 However the really major CFP issues are quotas and access which we have always maintained will have to be settled together.

Quotas are certainly the more important in economic terms. On this

aspect we have also negotiated constructively having regard to the

need to reach an overall solution. At the Council meeting last

December discussion was firming up on the basis of figures that I

recognised could not be accepted by the French. Rather than take

the opportunity of seeking cheap gains for the United Kingdom, -

which would of course only have been temporary and not have been

sustainable - we intervened to help the French out of their difficulty

by pointing out the real problems they had. As a result the

compromise now on the table is a good deal for them, - and also for

us.

6 Politically however the most sensitive CFP issue is access on which we were committed, when we took office, to securing an adequate

zone of exclusive access and a substantial area of preference beyond.

Over the past several months I have un-remittingly explored with

Ministers from the other member states the basis for a mutually

acceptable deal. Inevitably I have had to make concessions especially

to the French who we must recognise have a legitimate and long-standing

interest in our waters.

7 One major component in the access dossier is the 12 mile limit.

The arrangements inside 12 miles in any case come up for renewal in

1982 under Article 103 of the Act of Accession. It is apparent to

me from my discussions with the fishing industry's leaders that it

is politically vital to secure a more restrictive regime inside 12

miles than exists at present. Recognising French interests, I have

made considerable efforts specifically with the French and with the

other Ministers concerned to explore the possibility of member states

retaining those access rights in our 6-12 mile belt that are really

vital for them and giving up the others. I have made considerable

progress with many of my fisheries colleagues, but the French, despite

occasional seeming hesitations, have so far refused to contemplate

(Fr. 85% of fishing is in S.W. - M<sup>2</sup> historic rights granted  
Interim of Scotland - within 6-12 precautionary rights Bonus - mostly  
sole own waters)



any but the most minor changes to the present regime. At the last Fisheries Council the Presidency proposed that from 1983 the exercise of rights in the 6-12 mile belt should be limited to those that were held before our accession to the Community, except that new rights acquired at accession could be exercised if it could be shown that this was necessary for a member state to take its quota. In my judgement this represents the absolute <sup>minimum</sup> ~~minimum~~ we could contemplate accepting. If we were to do so we would need very clear understandings on how it would be interpreted in practice. However the French have explicitly rejected even this compromise.

8 Outside 12 miles, having examined the possible effects of our demands on other member states, I have limited them to areas off North Scotland and Northern Ireland where the local communities are critically dependant on fishing and therefore meet (as the Commission acknowledge) the criteria for special regions included in Annex VII of the Hague Agreement. In these areas I have proposed that preference be provided by limiting fishing to vessels under a certain size. Alternatively I have indicated a willingness to consider a system of restrictive licensing. These positions represent a very significant toning-down of the demands put forward by the last administration - a toning down of which the industry are well aware - and are again, in my judgement, as far as we could go politically taking account of the pressures, especially that of Scottish nationalism. The Commission have proposed a zone of "surveillance" at North Scotland only in which there would be unrestricted licensing of larger vessels. This does not go far enough to meet our needs. The French have simply refused to contemplate any meaningful restrictions outside 12 miles.

9 Finally there is the problem of continuity, that is how long the access arrangements that are negotiated now will last. The Commission have proposed 10 years after which a further decision would be taken; the French say this is the longest period they could accept. I do not see how, politically, we could explain a solution which could involve a further major and protracted negotiation towards the end of this decade. I have said that, however it is expressed, we must have greater security that what is negotiated now will continue more or less indefinitely.

10 There are of course many other detailed problems on the CFP. But these can be solved in the Fisheries Council. The vital point is that access is the key to the CFP negotiations as a whole; and a settlement with the French the key to the access problem. We have no real levers in the fisheries sector which we can use and which will hurt the French most. Given their intractable attitude this clearly points to the need for a link with other issues, even though there are dangers in making such a connection.

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11 I am sending copies of this minute to Peter Carrington, George Younger, and to Sir Robert Armstrong.

*Alex Buchanan*

---

*for*

PETER WALKER  
19 March 1981

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FM ROME 191100Z MAR 81

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TO IMMEDIATE FCO

TELEGRAM NUMBER 70 OF 19 MARCH 1981

INFO PRIORITY UKREP BRUSSELS

INFO SAVING ALL OTHER COMMUNITY POSTS

EUROPEAN COUNCIL

*Read in full.*

UKREP TELNO 940 TO FCO

1. ITALIAN PREOCCUPATIONS ON THE EVE OF THE EUROPEAN COUNCIL AS DESCRIBED IN UKREP TUR ARE GENERALLY CONFIRMED HERE, BUT BERLINGUER, FORLANI'S DIPLOMATIC ADVISER, STRESSED TO ME THAT (LIKE THE DUTCH) THEY SAW IT BEING A REFLECTIVE NOT A DECISION-MAKING COUNCIL, BOTH BECAUSE OF THE TIMING IN RELATION TO THE FRENCH ELECTIONS AND BECAUSE THE COMMISSION PAPER ON RESTRUCTURING WAS NOT YET AVAILABLE.
2. THE PRIME MINISTER MAY FIND FORLANI LESS THAN BUOYANT, ONLY IN PART DUE TO PREOCCUPATION WITH DOMESTIC AND PARTY POLITICAL ISSUES. THESE ARE FORLANI'S STOCK-IN-TRADE AND HE HANDLES THEM WITH SKILL. ALTHOUGH THERE ARE CONTINUING PROBLEMS WITHIN THE ITALIAN GOVERNMENT COALITION, PARTICULARLY WITH THE SOCIALISTS WHOSE SECRETARY-GENERAL, CRAXI, IS MAINTAINING HIS BID FOR PUBLIC ATTENTION AS THE ONLY POTENTIAL ALTERNATIVE TO PERMANENT CHRISTIAN DEMOCRAT TENURE OF THE PRIME MINISTER'S OFFICE, FORLANI HAS WEATHERED WELL A SERIES OF MAJOR SCANDALS. NO DOUBT THERE WILL BE MORE TO COME BUT NO-ONE IN THE OPPOSITION STANDS TO GAIN FROM A GOVERNMENT CRISIS OR EARLY ELECTIONS AT THIS POINT AND THE COMMUNISTS (PCI) HAVE SHOWN AS MUCH ON ONE RECENT OCCASION BY DECLINING TO PRESS HOME AN OPPORTUNITY TO OVERTHROW GOVERNMENT MEASURES.
3. FOR ONCE, HOWEVER, ITALIAN DISQUIET IS MORE CLOSELY RELATED TO EUROPEAN COMMUNITY AFFAIRS AND TO REAL ECONOMIC DIFFICULTIES TO WHICH COMMUNITY POLICY RELATES RATHER THAN TO PARTY POLITICAL INFIGHTING. WHEN RUGGIERO SPOKE TO COREPER (UKREP TELNO 774 TO FCO) ABOUT THE SERIOUS CONSEQUENCES OF THE WAY IN WHICH COMMUNITY POLICIES WERE DEVELOPING, HE MAY HAVE BEEN PREPARING THE GROUND FOR SOME HORSE-TRADING ON AGRICULTURAL ISSUES, STEEL, ETC. HE WAS, HOWEVER, SPEAKING AGAINST A BACKGROUND OF INCREASING DISSATISFACTION IN ITALIAN GOVERNMENT CIRCLES WITH THE WAY THE COMMUNITY IS NOW WORKING. BOTH BERLINGUER AND VANNI D'ARCHIRAFI (COLOMBO'S CHEF DE CABINET) HAVE CONFIRMED TO ME THAT THE ITALIANS SEE THE COMMUNITY IN ITS PRESENT SHAPE AS FAILING TO PROMOTE CONVERGENCE OR HELP MEET THE REAL PROBLEMS OF AGRICULTURE OR OF SECTORS OF INDUSTRY (STEEL, SHIPBUILDING, ETC) IN CRISIS OR TO DEVELOP HELPFUL INDUSTRY OR ENERGY PROGRAMMES.

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4. THE ITALIANS REMAIN DEEPLY COMMITTED TO THE DEVELOPMENT OF THE COMMUNITY SEMICOLON THEY BADLY NEED AN ALTERNATIVE TO THEIR DOMESTIC POLITICAL SYSTEM. BUT FOR SOME TIME NOW THE COMMUNITY HAS PROVIDED NO INSPIRATION AND EVEN ON MUNDANE ISSUES IT NO LONGER LOOKS CERTAIN THAT THE COMMUNITY WILL WORK TO THEIR ADVANTAGE. AFTER THE FRENCH ELECTIONS, THEREFORE, ACCORDING TO BERLINGUER AND GARDINI (POLITICAL DIRECTOR) THEY WILL WANT TO SEE SOME PROGRESS ON THE POLITICAL SIDE SEMICOLON THEIR STARTING POINT IS COLOMBO'S ADDRESS IN FLORENCE ON 28 JAN. HE HAS JUST BEEN EXCHANGING IDEAS WITH GENSCHER IN BONN.

5. THEY WILL ALSO WANT TO SECURE POSITIVE FINANCIAL RETURNS FROM THE OPERATION OF THE CAP. WHEN MARCORA WAS NEGOTIATING IN THE AGRICULTURAL COUNCIL HE COULD BE RELIED UPON FOR THE PURPOSE BUT BARTOLOMEI IS MUCH LESS QUALIFIED TO BRING HOME THE BACON. THEY NOW SEE THEIR NATURAL ALLIES, THE BRITISH (SINCE THEY WOULD ARGUE THAT WE SHARE WITH THEM AN INTEREST IN ECONOMIC CONVERGENCE AND A POLITICAL ALTERNATIVE TO FRANCO-GERMAN DOMINATION OF THE COMMUNITY) WEDDED TO THE MAINTENANCE OF A 1% VAT CEILING. THIS, THE ITALIANS BELIEVE, CAN ONLY RESULT IN A CRIPPLING REDUCTION OF ITALIAN FARMERS' INCOME, FACED AS THEY ARE WITH THE HIGHEST RATE OF INFLATION IN THE COMMUNITY, WITHOUT ANY COMPENSATING ADDITIONAL SOCIAL OR REGIONAL EXPENDITURE. THEY ARE UNEASILY AWARE THAT BEFORE SPANISH AND PORTUGUESE ENTRY THEY MUST SECURE FOR THEIR PRODUCERS OF MEDITERRANEAN-TYPE COMMODITIES, ASSURANCE OF CONTINUED AND, IF POSSIBLE, OPEN-ENDED COMMUNITY SUPPORT. THEY ARE ALSO COMMITTED IN THE INTEREST OF THEIR BALANCE OF PAYMENTS AND AGAINST ALL COMMUNITY PRINCIPLES TO ATTEMPT TO ACHIEVE GREATER SELF-SUFFICIENCY IN DAIRY AND MEAT PRODUCTS, WHICH IS AT PRESENT A HEAVY IMPORT BURDEN. AND THEY NEED TO SECURE EXEMPTION FROM ANY EXTREME RIGOURS OF RESTRUCTURING THAT MIGHT BE PROPOSED AT COMMUNITY LEVEL FOR STEEL AND SHIP-BUILDING.

6. ALL IN ALL, AFTER A PERIOD IN WHICH UNDER COSSIGA AND COLOMBO THEY HAVE PLAYED A CONSTRUCTIVE AND NOT NOTABLY NATIONALISTIC ROLE, THEY NOW FEEL THEY MUST FIGHT THEIR OWN CORNER IN ADVERSITY. HENCE FOR EXAMPLE THEIR HIGH BID AND STUBBORN RESISTANCE TO PRESSURE OVER SUGAR, NOT SIMPLY TO ACHIEVE A GOOD BARGAIN ON THE COMMODITY IN QUESTION BUT ALSO TO DEFEND WIDER ITALIAN INTERESTS IN EXEMPTION FROM CO-RESPONSIBILITY FOR PRODUCTS FOR WHICH ITALY IS IN DEFICIT.

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7. THIS WILL MAKE THE ITALIANS MORE TIRESOME PARTNERS. BUT IT WILL BE IMPORTANT NOT TO OVERLOOK THEIR REAL PROBLEMS. ENLARGEMENT CAN THREATEN ITALIAN INTERESTS SEMICOLON THE SORT OF RESTRUCTURING CARRIED OUT BY BSC IS NOT POSSIBLE IN ITALIAN POLITICAL CIRCUMSTANCES SEMICOLON AND IF THE ITALIANS CAST US IN THE ROLE OF EUROPEAN VILLAINS OF THE PIECE (EVEN ON THE 1% VAT CEILING IT IS AT PRESENT THE GERMANS WHO ARE SEEN HERE IN THE PRESS TO BE IN THE LEAD), IT WILL MAKE IT MUCH MORE DIFFICULT TO SECURE ITALIAN SUPPORT WHERE WE NEED IT. THEY CAN STILL BE USEFUL TO US.

8. ON THE AGENDA, BOTH BERLINGUER AND THE WELL-INFORMED LUXEMBOURG AMBASSADOR HAVE TOLD ME THAT THE FRENCH WILL RAISE THE SEAT OF THE INSTITUTIONS. THE ITALIANS THEMSELVES ATTACH IMPORTANCE TO THE DISCUSSION OF TRADE RELATIONS WITH THE US AND JAPAN, NORTH/SOUTH (THEY WANT TO PARTICIPATE IN MEXICO), AND TO POLITICAL ISSUES. AS FOR ITALIAN OBJECTIVES, THE ASSESSMENT PREPARED IN LONDON SEEMS TO ME WELL-FOUNDED SEMICOLON IT ILLUSTRATES A NUMBER OF ISSUES - THE VAT CEILING, INCREASES IN AGRICULTURAL PRICES, THE MINI-PACKAGE - ON WHICH WE AND THEY ARE AT ODDS.

9. FORLANI IS EXPECTED BY HIS ADVISERS TO CALL FOR A MORE COMPREHENSIVE COMMUNITY POLICY, DESIGNED TO PROMOTE CONVERGENCE AND CORRECT REGIONAL IMBALANCES. HE WILL URGE THAT THE COMMUNITY SEEK WAYS TO PLAY A STRONGER ROLE IN THE WORLD, AND TO BE MORE COHESIVE IN DEALING WITH THE US, AND IN REACTING TO CRISES. COLOMBO WILL EXPECT TO EXCHANGE IMPRESSIONS, PROBABLY OVER MEALS, OF RECENT VISITS TO THE US BY LEADERS FROM BRITAIN, GERMANY, FRANCE AND ITALY. THE ITALIANS EXPECT THE GERMANS TO RAISE STEEL AND FISH SEMICOLON FORLANI WILL PROBABLY REFER TO AGRICULTURAL PROBLEMS BUT NOT EXPECT TO RESOLVE THE SUGAR QUESTION WHICH FALLS TO AGRICULTURAL MINISTERS. FORLANI MAY TRY HIS COLLEAGUES PATIENCE SEMICOLON BUT I HOPE THAT HIS REAL PROBLEMS, AND THE IMPORTANCE OF ITALY'S POSITION FOR US AS WE APPROACH RESTRUCTURING AND THE PRESIDENCY, CAN BE O BORNE IN MIND.

FCO PLEASE PASS ALL SAVING ADDRESSEES

(REPEATED AS REQUESTED)

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TO IMMEDIATE FCO [FRAME & GENERAL]

TELEGRAM NUMBER 201 OF 17 MARCH 1981

INFO PRIORITY BRUSSELS

INFO ROUTINE BONN AND THE HAGUE

INFO SAVING TO COPENHAGEN DUBLIN LUXEMBOURG ROME UKREP BRUSSELS  
ATHENS

PRESIDENTS GISCARD'S EXPECTATIONS OF THE EUROPEAN COUNCIL  
AT MAASTRICHT

1. I ASKED THE SECRETARY GENERAL OF THE ELYSEE TODAY IF HE COULD GIVE ME AN IMPRESSION OF WHAT PRESIDENT GISCARD EXPECTED OF THE MAASTRICHT SUMMIT. WAHL REPLIED THAT, BEING PREOCCUPIED WITH THE PRESIDENTIAL ELECTION, FRANCE WAS IN NO POSITION TO THINK OF USING THE EUROPEAN COUNCIL MEETING TO LAUNCH ANY SORT OF INITIATIVE. THE PRESIDENT EXPECTED THE COUNCIL TO TAKE THE FORM OF A MEETING OF REFLECTION ON THE PRINCIPAL WORLD PROBLEMS.

2. THERE WERE TWO RIDERS WHICH HE WISHED TO ADD. THE FIRST WAS THAT THE ECONOMIC STATE OF THE COMMUNITY COUNTRIES WAS BAD, ALTHOUGH FRANCE WAS PROBABLY IN A BETTER POSITION THAN THE OTHERS IN THAT 1% GROWTH MIGHT BE ACHIEVED THIS YEAR. ALL THE ECONOMIC EXPERTS AGREED THAT THE REMEDY WOULD HAVE TO BE FOUND BY INCREASING PRODUCTIVE INVESTMENT AND NOT BY INCREASING CONSUMPTION (AS M. MITTERRAND WAS SUGGESTING). IT WOULD NOT BE POSSIBLE TO IMPROVE PRODUCTIVE INVESTMENT UNLESS INTEREST RATES WERE LOWERED AND STABILISED. THIS COULD NOT BE ACHIEVED UNLESS THE COMMUNITY BROUGHT ITS COLLECTIVE INFLUENCE TO BEAR ON THE UNITED STATES ADMINISTRATION, AIMING AT A DEGREE OF CONCERTATION OF INTEREST RATES WITH THE UNITED STATES. PRESIDENT GISCARD HOPED THAT THE MAASTRICHT SUMMIT WOULD HELP TO PRODUCE A CONCERTED ATTITUDE BY THE COMMUNITY COUNTRIES ON THIS MATTER. IN TALKING ABOUT THE ECONOMIC SITUATION WAHL SPOKE WITH PARTICULAR CONCERN ABOUT THE DIFFICULTIES OF THE FEDERAL GERMAN GOVERNMENT AND THE SEVERE DIVISIONS ON ECONOMIC MATTERS WITHIN THE SPD.

3. WAHL'S SECOND RIDER WAS THAT PRESIDENT GISCARD HOPED THAT THE EUROPEAN COUNCIL WOULD GIVE SOME FAVOURABLE INDICATION THAT THE SEAT OF THE EUROPEAN PARLIAMENT WOULD CONTINUE TO BE STRASBOURG.

HE ADMITTED THAT THE GOVERNMENT OF LUXEMBOURG WAS UNEASY ABOUT THIS QUESTION, BUT HE CLAIMED THAT THEY WERE UNWILLING TO TRY TO CHANGE EXISTING ARRANGEMENTS BECAUSE THEY FELT THAT BRUSSELS AND NOT LUXEMBOURG WOULD BE THE GAINER. I ASKED WAHL IF HE COULD INDICATE MORE CLEARLY WHAT PRESIDENT GISCARD WOULD BE WANTING FROM THE COUNCIL, BUT HE WOULD NOT BE DRAWN. HE INDICATED THAT CONFIRMATION OF THE EXISTING PATTERN WOULD SUIT FRANCE, BUT IN ADDITION IT WOULD BE HELPFUL IF THE SECRETARIAT OF THE PARLIAMENT COULD BE ENCOURAGED TO MAKE THE MOVE FROM LUXEMBOURG TO STRASBOURG.

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4. ON OTHER QUESTIONS WAHL SAW NO NEED FOR DIFFICULTY. IN CONNECTION WITH JAPAN HE SAID THAT HE THOUGHT SOME QUESTIONS WOULD BE ASKED OF THE PRIME MINISTER ABOUT UK ARRANGEMENTS FOR JOINT PRODUCTION WITH JAPANESE CAR MANUFACTURERS. I TOLD HIM THAT I THOUGHT CLEAR EXPLANATIONS HAD ALREADY BEEN GIVEN TO THE FRENCH GOVERNMENT ON THIS SUBJECT. HE DID NOT PRESS THE MATTER BUT CONTINUED TO SAY THAT HE THOUGHT IT MIGHT BE MENTIONED.

5. AFTER A GOOD DEAL OF OTHER TALK HE MENTIONED OUTSTANDING COMMUNITY DOSSIERS, BUT ONLY IN A VERY TENTATIVE WAY. PRESIDENT GISCARD WAS IN THE DIFFICULT POSITION AT PRESENT THAT, WHATEVER HE DID OR DID NOT DO, HIS OPPONENTS IN THE PRESIDENTIAL ELECTION WOULD ACCUSE HIM OF HAVING GIVEN GROUND TO MRS THATCHER ON THESE DOSSIERS. I SAID THAT I WAS NOT AWARE OF ANY CRISIS ON AGRICULTURAL PRICES. PROVIDED THE LANGUAGE OF COMPROMISE WAS USED IT SHOULD BE POSSIBLE TO REACH A PRICE FIXING AGREEMENT WITHOUT TOO MUCH DIFFICULTY. WAHL SAID THAT THE REALLY IMPORTANT QUESTION FOR FRANCE WAS REDUCTION OF THE GERMAN AND BRITISH MCAS. I SAID THAT THE FRENCH DEMAND ON THIS POINT CREATED GREAT DIFFICULTIES FOR THE FRG AND BRITAIN, BUT THERE WAS NO POINT IN OUR DISCUSSING THE MATTER AS THE DISCUSSIONS IN BRUSSELS WERE STILL ONLY AT THE OPENING STAGE. AS FAR AS FISHERIES WERE CONCERNED, THE UK STILL LOOKED FOR MOVEMENT FROM THE FRENCH SIDE AND PROVIDED THIS WAS FORTHCOMING IT SHOULD BE POSSIBLE TO REACH AN AGREEMENT ON FISHERIES AT THE BEGINNING OF APRIL. HERE AGAIN IT WOULD ONLY BE POSSIBLE IF THE LANGUAGE OF COMPROMISE WAS USED. WAHL SHOWED NO WISH TO PURSUE THESE QUESTIONS. HE OBSERVED THAT ON FISHERIES CHANCELLOR SCHMIDT WAS LIKELY TO MAKE THE RUNNING. THE PROBLEM WAS MORE ACUTE FOR GERMANY THAN FOR FRANCE. I SAID THAT GERMANY COULD BE SATISFIED ONLY IF FRANCE MADE ITS CONTRIBUTION TO ACHIEVING AN AGREEMENT.

6. WE FINISHED WITH SOME DISCUSSION ABOUT THE PRESIDENTIAL ELECTION CAMPAIGN, IN WHICH WAHL MADE IT CLEAR THAT THE PRESIDENT'S COURAGE REMAINED CONFIDENT OF VICTORY.

FCO PLEASE PASS SAVINGS TO ABOVE ADDRESSEES

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FM UKREP BRUSSELS 162040Z MAR 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 940 OF 16 MARCH

INFO ROUTINE ALL EC POSTS.

*This does not sound  
very promising!*

COUNCIL OF MINISTERS (FOREIGN AFFAIRS) 16/17 MARCH :

PREPARATION FOR EUROPEAN COUNCIL

*mt*

SUMMARY

1. PRESIDENCY CONFIRMED THAT THEY WOULD CONCENTRATE DISCUSSION AT MAASTRICHT AROUND THE THEMES ALREADY PROPOSED. THE GERMANS GAVE NOTICE OF THEIR INTENTION TO RAISE FISH, STEEL AND POSSIBLY JAPANESE CAR EXPORTS; AND TO VOICE THEIR CONCERN ABOUT THE UNBALANCED WAY IN WHICH THE BURDEN OF DEVELOPING THE COMMUNITY FALLS. ITALIANS WILL ALSO MAKE STATEMENT ON THE LINES ALREADY FORESHADOWED.

DETAIL

2. VAN DER KLAUW (PRESIDENCY) ASKED WHETHER, IN ADDITION TO THE THEMES ALREADY PROPOSED BY THE PRESIDENCY, OTHER MEMBER STATES WISHED TO PROPOSE OTHER SUBJECTS SUCH AS FISH OR STEEL. IF SO, THESE COULD BE TAKEN UNDER THE FIRST HEADING, THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY.

3. DOHNANYI (FRG) SAID THAT, UNDER THE HEADING ECONOMIC AND SOCIAL SITUATION, CHANCELLOR SCHMIDT WOULD WISH TO RAISE STEEL AND FISH AND POSSIBLY ALSO THE QUESTION OF CAR IMPORTS FROM JAPAN. THE PRESENT ECONOMIC SITUATION SEEMED TO HAVE MADE CERTAIN MEMBER STATES LESS ABLE TO MAKE COMPROMISES AND TO HOLD TO AGREEMENTS ALREADY MADE. EACH MEMBER STATE FACED THE TEMPTATION OF, FOR INSTANCE, INTRODUCING NATIONAL SUBSIDIES. ON THESE AND OTHER MATTERS IT WAS NOT POSSIBLE TO SHIFT THE BURDEN OF THE COMMUNITY'S DEVELOPMENT ON TO JUST ONE OR TWO MEMBER STATES. THE COMMUNITY WAS IN SERIOUS DANGER BECAUSE A FEW MEMBER STATES HAD INTERNAL DIFFICULTIES WHICH MADE IT IMPOSSIBLE FOR THEM TO BEHAVE IN A COMMUNAUTAIRE FASHION,

CONFIDENTIAL

/ AND THIS



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AND THIS MADE IT DIFFICULT FOR OTHERS TO MAINTAIN COMMUNAUTAIRE POSITIONS. SCHMIDT HAD DISCUSSED THIS PROBLEM WITH M. THORN DURING THE LATTER'S VISIT TO BONN.

4. FOR THE UK YOU SAID THAT THE PRIME MINISTER WOULD ALSO WISH TO DISCUSS SUBJECTS PROPOSED BY THE PRESIDENCY IF THEY ALLOWED SUCH ITEMS TO BE RAISED. FRANSOIS-PONCET (FRANCE) SAID THAT HIS PRESIDENT WOULD WISH TO RAISE THESE KINDS OF ISSUES, UNFORTUNATELY IN THE SAME SPIRIT AS THE GERMANS. SPERANZA (ITALY) SAID THAT FORLANI WOULD WISH TO RAISE SIMILAR ISSUES, BUT MORE IN THE CONTEXT OF THE ENLARGEMENT OF THE COMMUNITY. HE INTENDED TO DRAW ATTENTION TO THE REDUCTION IN THE ROLE OF THE COMMUNITY IN THE PRESENT ECONOMIC SITUATION, AND TO THE LACK OF ANY CLEAR COMMUNITY DESIGN FOR RELAUNCHING THE COMMUNITY'S ECONOMY AND REDUCING ECONOMIC AND SOCIAL DIVERGENCE. THE PURSUIT OF NATIONAL AIMS WAS CALLING IN QUESTION THE ACQUIS COMMUNAUTAIRE AND THIS THE CREDIBILITY TO THE OUTSIDE WORLD OF THE COMMUNITY.

5. VAN DER KLAUW DID NOT ATTEMPT TO SUM UP. THERE WAS NO DISCUSSION OF ANY POSSIBLE DECLARATION ON SPAIN AND PORTUGAL.

FCO ADVANCE TO:-

FCO - PS/SOFS, PS/PUS, PS/LPS, BRIDGES, DE FONBLANQUE ECD(I)  
CLARKE (ECD(I)) PIRNIE (ECD(I))  
CAB - FRANKLIN, GOODENOUGH.

BUTLER

[ADVANCED AS REQUESTED]

FRAME GENERAL

ECD(I)

- 2 -

CONFIDENTIAL

EUROPEAN COUNCIL, MAASTRICHT

23/24 MARCH 1981

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CSCE; Afghanistan; El Salvador;  
Poland)
21. European Union
22. Vehicles: Nissan, British Leyland and Honda
23. Wheat Sales to the Soviet Union

*Destroyed. See  
FCo class*



HM Treasury

Parliament Street London SW1P 3AG

Direct Line 01-233 3091  
Switchboard 01-233 3000

Michael  
This was <sup>not</sup> intended for the PM -  
only for you as background. The  
Treasury say that the PM's brief  
is self-  
contained. TL

T Lankester Esq  
10 Downing Street  
LONDON SW1

13 March 1981

Dear Tim

EUROPEAN COUNCIL, MAASTRICHT, 23/24 MARCH 1981

You will be receiving a copy of the Treasury brief No3  
on the economic situation in the Community. You may,  
however, find it useful to have also for background  
information a copy of the Commission's telegram 24138/SHA  
of 3 March transmitted for the Co-ordinating Committee  
meeting on 9 March. I am therefore enclosing a copy.

...

Sincerely

A BOTTRILL  
IG3

9	FE
4	Action
	Copy

NO. REF.: 24133/SHA  
BRUXELLES LE 03/03/81 13H 30M 50S

6200 PRIMIN B - M. J. VAN YPERSELE - BRUSSELS

21062 ECOBEL B - M. DE VOECHT - BRUSSELS

055/15333 ECOSEC DK - MR. K. HANSEN - COPENHAGEN - DENMARK

041/336747 BMWI D - H. DR. O. SCHLECHT - COPY TO H. DR. H. FES  
AND H. DR. H. TIETMEYER - BONN - GERMANY

042/220962 TRESOR F - M. P. LE ROUX - PARIS - FRANCE

0500/3057 GEEC EI - MR. T. O'COFAIGH - DUBLIN - IRELAND

043/513119 MINTES I - PROF. L. IZZO - ROME - ITALY

0402/2790 ETAFIN L - M. C. BRUCK - LUXEMBOURG

044/31099 ECOZA NL - PROF. DR. F.W. RUTTEN - DEN HAAG - NETHERLANDS

051/215326 YPSY GR - MR. LEMONIAS - ATHENS - GREECE

051/262405 TREASURY LDN - SIR DOUGLAS WASS - LONDON - U.K.

21711 CONSIL B - MR. K. CHRISTOFAS - BRUSSELS

IN PREPARATION OF THE NEXT MEETING OF THE COORDINATING GROUP,  
TO BE HELD IN BRUSSELS ON 9 MARCH 1981 AT 14.30, PLEASE FIND  
BELOW A DRAFT COMMUNICATION OF THE COMMISSION TO THE COUNCIL ON  
THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY

THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY

1. RECENT ECONOMIC PERFORMANCE IN THE COMMUNITY

THE SLOW-DOWN IN ECONOMIC ACTIVITY IN 1980, WITH GDP GROWING  
1.3 0/0 IN THE EC AS A WHOLE, WAS APPROXIMATELY AS FORESEEN BY  
THE COUNCIL IN DECEMBER OF LAST YEAR. OUTPUT PEAKED IN THE FIRST  
QUARTER OF 1980, BUT DECLINED THEREAFTER. HOWEVER, PRIVATE CON-  
SUMPTION WAS PROBABLY BEGINNING TO GROW AGAIN IN REAL TERMS BY  
THE END OF THE YEAR, WHILE THE EC BUSINESS SURVEYS SHOWED FIRST  
SIGNS THAT THE SHARP DETERIORATION IN BUSINESS SENTIMENT MAY  
HAVE BEEN ARRESTED.

THERE WAS HARDLY ANY INCREASE IN EMPLOYMENT IN 1980, WHILE THE  
LABOUR FORCE CONTINUED TO EXPAND RATHER RAPIDLY. THE RESULT WAS  
A SHARP RISE IN UNEMPLOYMENT: THE AVERAGE RATE FOR THE YEAR  
WAS 6.0 0/0, AND BY THE BEGINNING OF 1981 HAD PASSED 7.0 0/0.  
OVER THE LAST TWELVE MONTHS THE UNEMPLOYMENT RATE INCREASED  
MOST IN DENMARK AND THE NETHERLANDS (UP BY ABOUT ONE HALF) AND  
THE UNITED KINGDOM (UP BY TWO-THIRDS). THE ADDITIONAL COST TO  
THE NATIONAL EXCHEQUERS OF THE RISE IN UNEMPLOYMENT AMOUNTS  
FOR THE COMMUNITY AS A WHOLE TO SOME 0.15 0/0 OF GDP FOR 1980  
COMPARED TO 1979.

... THE INCREASE IN CONSUMER PRICES ...  
... COMMUNITY AS A WHOLE REACHED 2.1 O/O IN 1980, COMPARE  
... POINT OF 7.3 O/O IN 1974. DIVERGENCE BETWEEN CONSUMER  
... RISES OF MEMBER STATES ALSO WIDENED TO TWICE THE AVERAGE  
... FOR THE SEVENTIES AS A WHOLE (THE STANDARD DEVIATION ROSE TO  
... O/O). HOWEVER, A SOMEWHAT BETTER PERFORMANCE WAS EVIDENT IN  
... THE SECOND HALF OF THE YEAR, ESPECIALLY IN THE UNITED KINGDOM,  
... WHERE THE ANNUAL RATE HAD FALLEN TO BELOW DOUBLE FIGURES.

THE DEFICIT IN 1980 REEXPRESSED AS *The deficit in the community's current account in 1980,*  
A PERCENTAGE OF GDP, WAS THE LARGEST EVER RECORDED. IN CONTRAST  
WITH 1979, THERE WAS SOME IMPROVEMENT IN 1980 IN EXPORT IN RE-  
LATION TO IMPORT VOLUME. HOWEVER, THIS WAS MORE THAN OFFSET BY A  
TERMS OF TRADE DETERIORATION (2.8 O/O) CONSIDERABLY LARGER THAN  
THAT IN 1979 (ALTHOUGH THIS WAS STILL VERY MUCH SMALLER THAN  
THAT SUFFERED IN 1974 AFTER THE FIRST OIL-PRICE SHOCK).

EXCHANGE-RATES DEVELOPMENTS IN THE EMS IN 1980 WERE LIMITED TO  
MOVEMENTS PERMITTED BY UNCHANGED CENTRAL RATES. HOWEVER, THE UK  
POUND APPRECIATED 15 O/O AGAINST THE ECU IN THE COURSE OF THE  
YEAR, AND THE YEN 24 O/O. THE US DOLLAR WAS ON A DECLINING TREND  
AGAINST THE ECU UNTIL MID-YEAR, BUT HAS SINCE RECOVERED SUBSTAN-  
TIALLY.

## 2. OUTLOOK FOR 1981

THE PRESENT CYCLE IS NOW SEEN AS BEING SHARPER AND DEEPER THAN  
ANTICIPATED. THE STARTING POINT, THE HIGH LEVEL OF ACTIVITY IN  
EARLY 1980 HAS BEEN AGAIN REVISED UPWARDS, WITH THE STEEPER FALL  
LATER IN 1980 THEN CARRYING A HEAVIER RECESSIONARY MOMENTUM OVER  
INTO 1981. DOMESTIC PRIVATE DEMAND (CONSUMPTION, STOCKBUILDING  
AND INVESTMENT) WHOLLY ACCOUNTS FOR THE MORE PRONOUNCED CYCLICAL  
PROFILE. FOREIGN DEMAND HAS STAYED ON THE EXPECTED PATH, WHILE  
GOVERNMENT CONSUMPTION IN VOLUME TERMS IS STILL EXPECTED TO GROW  
SLIGHTLY IN 1981. THUS THE REVISED FORECASTS PREPARED BY THE  
COMMISSION'S SERVICES IN FEBRUARY SUGGEST THAT THE UPTURN IN  
ACTIVITY MAY BE DELAYED UNTIL THE THIRD QUARTER OF 1981, TWO  
QUARTERS LATER THAN EARLIER EXPECTED. GDP GROWTH AT AN ANNUAL  
RATE OF ABOUT 2 O/O IS NOW EXPECTED IN THE SECOND HALF OF 1981  
AND INTO 1982. THE YEAR ON YEAR GROWTH OF GDP FOR 1981 FOR THE  
COMMUNITY AS A WHOLE IS REVISED DOWN FROM + 0.6 O/O IN THE  
ANNUAL ECONOMIC REPORT TO - 0.6 O/O.

EMPLOYMENT COULD FALL BY NEARLY 1 O/O, AND BY THE END OF THE  
YEAR THE UNEMPLOYMENT RATE COULD BE ABOVE 7 1/2 O/O (1) AND STILL  
RISING.

A SIGNIFICANT SLOWDOWN IN CONSUMER PRICES CAN BE EXPECTED DURING  
THE COURSE OF 1981, AS THE EFFECT OF MORE MODERATE WAGE SETTLE-  
MENTS IN THE FIRST HALF OF THE YEAR IS REINFORCED BY SOME  
REBOUND OF PRODUCTIVITY IN THE SECOND HALF. ALTHOUGH CONSUMER  
PRICES FOR 1981 AS A WHOLE COULD BE UP BY AROUND 10 1/2 O/O ON  
1980 (TABLE 1), THE ANNUAL RATE IN THE SECOND HALF OF THE YEAR  
COULD, AT 8.2 O/O, BE 4 1/2 POINTS LOWER THAN IN THE SECOND HALF  
OF 1980. DIVERGENCE OF INFLATION RATES SHOULD ALSO LESSEN SOME-  
WHAT, WITH THE STANDARD DEVIATION OF CONSUMER PRICES INCREASES  
FALLING BACK TO 4.6 O/O.

THE COMMUNITY'S BALANCE OF PAYMENTS CURRENT ACCOUNT IS LIKELY  
TO CHANGE LITTLE DURING THE COURSE OF 1981 AND FOR THE YEAR AS  
A WHOLE COULD BE SLIGHTLY WORSE THAN THE HIGH DEFICIT RECORDED  
IN 1980. A FURTHER WORSENING OF THE TERMS OF TRADE IN 1981 WILL  
SLIGHTLY MORE THAN OFFSET AN IMPROVEMENT IN VOLUME MOVEMENTS.

... ( ACCORDING TO THE ... )  
... TO DELIBERATE IN MARCH AS REGARDS POSSIBLE ADJUSTMENTS  
... ECONOMIC POLICY GUIDELINES ADOPTED IN THE ANNUAL REPORT  
... IN JUNE.

AT THE TIME THE COUNCIL CONCLUDED THAT THE POLICY MIX SHOULD GIVE PRIORITY TO THE REDUCTION IN INFLATION, SAVINGS IN OIL IMPORTS, AND THE PURSUIT OF THE OTHER NECESSARY STRUCTURAL CHANGES IN THE COMMUNITY ECONOMY, AND BE ONLY MODERATELY SUPPORTIVE IN TERMS OF CYCLICAL DEMAND MANAGEMENT. THE WEAKER ECONOMIC OUTLOOK CANNOT IMPLY AN EASIER WAY OUT OF THE CONSTRAINTS. WHILE THE EVOLVING SITUATION CALLS FOR TECHNICAL ADJUSTMENTS TO SOME FINANCIAL POLICIES, THE FUNDAMENTAL LINE OF POLICY - TO REDUCE INFLATION AND PUSH AHEAD WITH STRUCTURAL ADAPTATION - HAS TO BE PURSUED WITH EVEN GREATER URGENCY.

CONTROL OF DOMESTIC MONETARY AGGREGATES AND EXCHANGE RATES WITHIN THE EUROPEAN MONETARY SYSTEM HAS ON THE WHOLE BEEN SATISFACTORY.

" HOWEVER, MONETARY POLICY IN EUROPE HAS BEEN AND IS STILL CONFRONTED WITH THE NEED FOR A CONCERTED REACTION TO THE VERY HIGH AND VOLATILE INTEREST RATES PREVAILING IN THE UNITED STATES, AND TO THE APPRECIATION OF THE EXCHANGE RATES OF THE DOLLAR AND YEN. "

THE APPRECIATION OF THE YEN APPEARS TO BE JUSTIFIED IN THE LIGHT OF JAPAN'S TRADING PERFORMANCE. WITH RESPECT TO THE UNITED STATES' MONETARY POLICY, EUROPE IS MUCH AFFECTED BY BOTH INTEREST AND EXCHANGE RATE MOVEMENTS.

IF EUROPEAN INTEREST RATES NOW MOVED UP <sup>FURTHER</sup> ON AVERAGE TOWARDS UNITED STATES LEVELS, IT IS QUITE LIKELY THAT AS A RESULT THERE WOULD BE NO CYCLICAL RECOVERY IN EUROPE THIS YEAR. ON THE OTHER HAND, A FURTHER SUBSTANTIAL DEPRECIATION OF EUROPEAN CURRENCIES AGAINST THE DOLLAR COULD RISK CAUSING A NEW ACCELERATION OF INFLATION IN THE COMMUNITY, THROUGH THE INCREASE IN IMPORT PRICES IN EUROPEAN CURRENCIES. MOREOVER, ERRATIC SWINGS IN EITHER EXCHANGE RATES OR INTEREST RATES ARE COSTLY TO THE ECONOMY THROUGH THE UNCERTAINTY THAT THEY INTRODUCE.

IN VIEW OF ITS LARGE CURRENT ACCOUNT DEFICIT ON THE BALANCE OF PAYMENTS, THE COMMUNITY SHOULD BE PREPARED TO ACCEPT HIGHER DOLLAR EXCHANGE RATES THAN PREVAILED IN 1980 ON AVERAGE. THE INEVITABILITY OF THIS DEFICIT IN THE SHORT-RUN MEANS THAT ITS FINANCING SHOULD BE CAREFULLY PREPARED. THIS IN ITSELF SHOULD POSE NO INSUPERABLE PROBLEMS., THE COMMUNITY HAS FOR ITS PART IN FEBRUARY RENEVED AND EXPANDED ITS OWN RECYCLING FACILITY.

EXPERIENCE CONFIRMS HOW QUICKLY TERCY CONDITIONS MAY CHANGE AS BETWEEN EMS CURRENCIES AND THE MAIN FLOATING FXCHANGE RATES, AND EUROPE SHOULD NOT MAKE FUNDAMENTAL CHANGES IN ITS DOMESTIC MONETARY POLICIES IN RESPONSE TO VOLATILE EXCHANGE RATE MOVEMENTS. THE UNITED STATES AUTHORITIES FOR THEIR PART SHOULD CONTRIBUTE TO THE INTERNATIONAL INTEREST BY MANAGING THEIR BUDGETARY-MONETARY POLICY MIX AND THE TECHNIQUES OF MONETARY POLICY WITH A VIEW TO REDUCING THE LEVEL OF INTEREST RATES CONSISTENT WITH A STABLE EVOLUTION OF MONEY SUPPLY. ~~THE COMMUNITY SHOULD ALSO CONSIDER SUGGESTING TO THE UNITED STATES AUTHORITIES THE REORGANISATION OF EXISTING CENTRAL BANK SWAP FACILITIES TO INCLUDE CONSOLIDATED LINES OF CREDIT BETWEEN THE FEDERAL RESERVE SYSTEM AND THE EUROPEAN MONETARY COOPERATION FUND. THIS WOULD FURTHER IMPROVE THE EFFECTIVENESS OF COORDINATED TRANSATLANTIC INTERVENTION POLICY, FOLLOWING THE POSITIVE INNOVATIONS IN THIS AREA ALREADY MADE IN THE RECENT PAST (IMPROVED CONSULTATION NETWORK, US INTERVENTION IN CERTAIN COMMUNITY CURRENCIES).~~

THE COMMUNITY, WHICH DEALS WITH THE PROBLEMS OF THE MONETARY  
ATLANTIC MONETARY CONDITIONS WITH INTERESTED COOPERATION  
REGARDS INTEREST RATE ADJUSTMENTS, INTERVENTION POLICY  
SOCIAL CAPITAL MOVEMENTS. IN ADDITION TO FULL USE OF THE  
MECHANISMS OF THE EUROPEAN MONETARY SYSTEM, THERE WOULD SEEM  
TO BE OPPORTUNITIES FOR ADJUSTMENTS OF UNITED KINGDOM MONETARY  
POLICY AS REGARDS INTEREST RATES AND CRITERIA OF EXCHANGE  
RATE MANAGEMENT.

PART FROM THE INCREASE IN UNEMPLOYMENT A CONSEQUENCE OF THE  
WEAKER LEVEL OF ACTIVITY IN 1981 IS SOME INCREASE IN BUDGET  
DEFICITS OVER WHAT HAD BEEN FORECAST IN THE ANNUAL REPORT. HOW-  
EVER, THE STRUCTURAL WEAKNESSES IN PARTS OF THE EUROPEAN ECO-  
NOMY ARE SUCH THAT A FULL PLAY OF THE 'AUTOMATIC STABILISERS'  
CANNOT BE RISKED IN ALL COUNTRIES. IN PARTICULAR, COUNTRIES WITH  
THE HIGHEST DEFICITS (BELGIUM, IRELAND, ITALY) SHOULD ~~ACCEPT~~ ~~ACT TO PREVENT~~  
~~INCREASES~~ - FURTHER INCREASES IN THESE COUNTRIES' DEFICITS  
CANNOT PROVIDE ANY SUSTAINABLE INCREASE IN ECONOMIC ACTIVITY.  
ON THE CONTRARY, INCREASED DEFICITS - WHETHER SPONTANEOUS OR  
DISCRETIONARY - ARE LIKELY TO CAUSE SWIFT AND SIGNIFICANT INTER-  
EST RATE INCREASES, AND TO THREATEN STABILITY OF THE EXCHANGE  
RATE. AMONG THESE COUNTRIES, ITALY HAS MADE PROGRESS IN 1980  
IN REDUCING THE BORROWING OF GENERAL GOVERNMENT TO WELL UNDER  
10 0/0 OF GDP, AND THIS SHOULD BE CONSERVED IN 1981. IN OTHER  
COUNTRIES, SOME INCREASE IN BUDGET DEFICITS SHOULD BE PERMITTED  
TO SUPPORT ACTIVITY. INDEED THE 'AUTOMATIC STABILISERS' SHOULD  
BE ALLOWED TO OPERATE FULLY IN COUNTRIES WITH THE LEAST HIGH  
DEFICITS. HOWEVER, EVEN IN THESE CASES, PRIORITY MUST BE GIVEN TO  
RESTRUCTURING EXPENDITURE TO IMPROVE PRODUCTIVE POTENTIAL.

*In the case of  
inland the  
projection of  
the reduced  
deficit is also  
significant  
particularly  
in view of the  
increased  
spending on  
public  
investment*

EXTENSIVE STRUCTURAL PROBLEMS HAVE TO BE OVERCOME TO ACHIEVE  
HIGHER TREND RATES OF GROWTH AND EMPLOYMENT. POLICY MUST INTENSIFY  
EFFORTS TO IMPROVE PRODUCTIVE POTENTIAL BY REDIRECTING  
BUDGETARY RESOURCES FROM SUBSIDIES THAT ARE SUPPORTING UNECONO-  
MIC OR NON-PRIORITY ACTIVITIES, INTO ADDING PUBLIC OR PRIVATE  
INVESTMENT. THE INVESTMENT RATIO HAS DECLINED FROM 23 0/0 OF  
GDP IN 1970 TO 21 0/0 IN 1979 IN THE COMMUNITY AS A WHOLE. MEAN-  
WHILE, OVER THE SAME PERIOD IT SEEMS THAT (SUBJECT TO DIFFICULTIES  
OF STATISTICAL MEASUREMENT) INVESTMENT GRANTS REMAINED STATIC AT  
1 0/0 OF GDP, WHEREAS SUBSIDIES (NOTABLY OPERATING SUBSIDIES,  
EXCLUDING TAX EXPENDITURES) ROSE FROM 1.8 0/0 OF GDP TO 2.6 0/0  
WITH PARTICULARLY LARGE INCREASES RECORDED IN THE BENELUX COUN-  
TRIES, IRELAND AND ITALY. JUSTIFICATIONS FOR HIGHER OR MORE  
RAPID FISCAL DEPRECIATION ALLOWANCES EXIST IN THE ACCELERATED  
OBSCOLESCENCE OF EXISTING CAPITAL STOCK DUE TO THE HIGHER ENERGY  
PRICES, AND IN THE NEED TO ACHIEVE FUNDAMENTAL IMPROVEMENT IN  
INDUSTRIAL COMPETITIVITY VIS-A-VIS THIRD COUNTRIES. THE COMMISS-  
SION FOR ITS PART IS FOLLOWING THESE PRINCIPLES IN AREAS OF  
COMMUNITY RESPONSIBILITY, HAVING RECENTLY PROPOSED A REDUCTION  
OF STATE AIDS TO STEEL (1), AN INCREASE IN PRODUCERS' FINANCIAL  
CO-RESPONSIBILITY FOR SURPLUS AGRICULTURAL PRODUCTION (2), AND  
A STRENGTHENING IN COMMUNITY LOAN INSTRUMENTS FOR FINANCING  
INVESTMENT (3).

- (1) COM (81)
- (2) COM (81) 50 FINAL
- (3) COM (80) 670 FINAL

PROGRESS IS BEING MADE IN REDUCING THE COMMUNITY'S DEPENDENCE  
ON IMPORTED OIL. THE SHARE OF IMPORTED OIL

ZGROSS INLAND CON-  
SUMPTION OF PRIMARY ENERGY FELL FROM 47.6 0/0 IN 1979 TO  
44.2 0/0 IN 1980, AND IS EXPECTED TO FALL FURTHER TO 42.1 0/0  
IN 1981. THE VOLUME OF NET OIL IMPORTS DROPPED 10.7 0/0 IN 1980  
AND SHOULD FURTHER FALL 5 0/0 OR MORE IN 1981.

IN INVESTING IN NUCLEAR POWER, OR FAILURE TO MAKE  
ADJUSTMENTS TO ENERGY CONSUMPTION TAXES SO AS TO SUSTAIN  
PRICE MESSAGE, WILL ULTIMATELY EXACT AN EXTREMELY HIGH  
IN LIVING STANDARDS. SEVERAL COUNTRIES ARE RELATIVELY  
WELL ENDOUED IN HYDROCARBON RESOURCES (NETHERLANDS, UNITED KING-  
DOM) OR HAVE REASONABLE CHANCES OF BECOMING MUCH MORE SELF-  
SUFFICIENT (IRELAND, DENMARK)., FRANCE IS MAKING PARTICULARLY

RAPID PROGRESS WITH OTHER ENERGY FORMS. BELGIUM, GERMANY AND  
ITALY - WHILE MAKING EFFORTS IN CERTAIN AREAS OF ENERGY PRODUC-  
TION OR SAVING - NEED URGENTLY TO STRENGTHEN MAJOR FEATURES OF  
HELP NATIONAL ENERGY PROGRAMMES, OR THEIR IMPLEMENTATION.  
EXAMPLES OF BELOW-AVERAGE TAXATION OF ENERGY CONSUMPTION INCLUDE  
HEATING OIL IN GENERAL AS BETWEEN FORMS OF HYDROCARBON CONSUMP-  
TION, AND, AS BETWEEN MEMBER STATES IN RELATION TO THE COMMUNITY  
AVERAGE. HEATING OIL IN GERMANY, BELGIUM AND THE UNITED KINGDOM,  
PETROL IN GERMANY AND LUXEMBOURG AND DIESEL OIL IN ITALY AND  
LUXEMBOURG.

THE FURTHER DETERIORATION IN THE LABOUR MARKET SITUATION SHOULD  
BE APPRAISED AS A FUNCTION OF ITS DIFFERENT FORMS AND CAUSES.

THE EXPECTED REDUCTION OF EMPLOYMENT IN 1981 COULD BE CORRECTED  
PROGRESSIVELY WITH THE RECOVERY IN THE SECOND HALF OF 1981. THE  
SPEED OF THIS RECOVERY DEPENDS ON THE RESPONSE OF SOCIAL PART-  
NERS TO THE NEED FOR HIGHER INVESTMENT AND STRUCTURAL CHANG.  
PARTICULAR CONSIDERATION SHOULD IN THIS CONTEXT BE GIVEN TO THE  
NEED TO TAKE FULL ACCOUNT OF THE DETERIORATION OF EMPLOYMENT  
PROSPECTS AND TO GENERATE NEW JOBS. DEFENSIVE MEASURES AND SUB-  
SIDIES WOULD IMPEDE THE PROCESS OF REALLOCATION AS MUCH AS  
AGGRESSIVE WAGE POLICIES. WITH LITTLE PRODUCTIVITY GROWTH AND  
FURTHER LOSSES IN 1981 ON THE TERMS OF TRADE, THERE IS ALMOST  
NO SCOPE FOR SIGNIFICANT REAL INCOME LOSS IN SOME COUNTRIES. IN  
SOME COUNTRIES STRONG EFFORTS ARE CURRENTLY BEING MADE TO MODE-  
RATE THE GROWTH OF NOMINAL INCOMES, AND THE BENELUX COUNTRIES IN  
PARTICULAR ARE IMPROVING THEIR COMPETITIVE POSITIONS AS A RESULT  
OF COMBINING A LOW INFLATION RATE WITH STABLE EXCHANGE RATES  
WITHIN THE EMS. IN OTHER COUNTRIES IT IS URGENT THAT MORE EFFORTS  
BE MADE TO REDUCE THE TREND OF GROWTH IN NOMINAL INCOMES, NOTABLY  
IN IRELAND AND ITALY. MOREOVER, THE SUBSTANTIAL INCREASE IN  
STRUCTURAL UNEMPLOYMENT EMPHASIZES THE NEED FOR WAGE CONTRACTS  
TO ALLOW FOR THE QUICKER ADJUSTMENTS OF INCOMES BETWEEN COUN-  
TRIES, SECTORS AND FIRMS WHERE COMPETITIVITY AND PROFITS HAVE  
BEEN REDUCED.

*gains in the Community  
and even the need to  
accept a real income  
loss in some countries*

PART OF THE TREND INCREASE IN UNEMPLOYMENT REFLECTS THE LONGER  
PERIODS OF SEARCH BETWEEN JOBS, FACILITATED BY UNEMPLOYMENT AND  
SOCIAL SECURITY BENEFITS. HOWEVER, THE WEAK GROWTH PERFORMANCE  
SINCE 1973 INCREASED THE NUMBER OF UNEMPLOYED. AMONG THE UNEM-  
PLOYED CERTAIN GROUPS ARE IN A PARTICULARLY VULNERABLE POSITION :  
YOUNG PEOPLE WITHOUT SUFFICIENT TRAINING, WOMEN LOOKING FOR PART-  
TIME JOBS AND OLDER PEOPLE APPROACHING THEIR PENSION-AGE. TO AID  
THESE GROUPS, AND TO ALLEVIATE UNEMPLOYMENT IN GENERAL, IT IS  
VITAL THAT MEMBER STATES ASSURE SUFFICIENT RESOURCES FOR EXPANDED  
VOCATIONAL TRAINING AND RETRAINING, UNDERTAKE SUPPLEMENTARY  
EFFORTS TO HELP THE RECORD SUPPLY OF YOUNG PEOPLE INTO THEIR  
FIRST EMPLOYMENT, IMPROVE PROGRAMMES OF APPRENTICESHIP (AS  
OFFERED IN GERMANY) AND PROMOTE PRE-PENSION SCHEMES AND THE CRE-  
ATION OF PART-TIME JOBS.

AN OLD PHENOMENON HAS ATTRACTED NEW INTEREST : THE GROWING SIZE  
OF UNRECORDED AND UNOBSERVED EMPLOYMENT WHICH SEEMS TO HAVE BEEN



...LITTLE AND CONTINUED EFFORTS TO REFINED THE MEMORANDUM  
...TION IN COMMUNITY COUNTRIES HAVE SHOWN SOME RESULT. MORE  
HAS TO BE DONE, BUT NO GENERAL AND QUICK PANACEA IS AVAILABLE.  
THE RESPONSIBILITY FOR EMPLOYMENT CREATION LIES AS MUCH WITH  
THOSE WHO DECIDE THE CONDITIONS OF EMPLOYMENT AT THE ENTERPRISE  
LEVEL AS WITH GOVERNMENTS IN THEIR MACROECONOMIC AND STRUCTURAL  
POLICIES AT THE NATIONAL AND COMMUNITY LEVEL.

## 2. CONCLUSIONS

THE EUROPEAN AND OTHER NON-OIL PRODUCING COUNTRIES ARE NOW UNDER-  
GOING THE NEW READJUSTMENT PROCESS DUE TO THE SECOND OIL PRICE  
SHOCK - WHOSE IMPACT ON GROWTH, PRICES AND THE BALANCE OF PAY-  
MENTS IS SIMILAR TO THAT OF THE FIRST SHOCK IN 1973-74. THE  
DIFFICULT TASK OF GOVERNMENTS, TRADE UNIONS, EMPLOYERS AND  
HOUSEHOLDS LIES IN THE NEED TO AVOID THE POLICY ERRORS AND MIS-  
TAKEN REACTIONS THAT FOLLOVED IN 1974 AND 1975. THE CONSEQUENCES  
OF THE SECOND HEAVY TRANSFER OF RESOURCES IN FAVOUR OF OPEC  
HAVE TO BE ACCEPTED. THIS IMPLIES PRIORITIES FOR REDUCING THE  
GROWTH OF NOMINAL LABOUR COSTS AND FOR RESTRUCTURING THE PRODUC-  
TIVE POTENTIAL OF OUR ECONOMIES THROUGH ACCELERATED INVESTMENT  
AND ENERGY SUBSTITUTION AND SAVINGS. THE SCOPE FOR GLOBAL POLICY  
ACTIONS IN THE COMMUNITY IS VERY LIMITED MAINLY BECAUSE THE  
HIGH BUDGETARY DEFICITS AFTER THE FIRST OIL SHOCK COULD NOT BE  
REDUCED DURING THE MODEST RECOVERY PERIOD 1976-79, AND  
BECAUSE PRESENT INFLATION RATES AND INFLATIONARY EXPECTATIONS IN  
MOST COUNTRIES ARE STILL EXCESSIVE. THE LIMITED POLICY CONTRIBU-  
TIONS OF GOVERNMENTS COULD BE WIDENED IF PROGRESS IN COUNTERING  
INFLATION BECOMES MORE EVIDENT AND IF THE STRUCTURAL POLICY  
EFFORTS MAKE RAPID PROGRESS. ONLY IN THIS WAY IS IT POSSIBLE FOR  
MEMBER STATES TO HELP EACH OTHER THROUGH HAVING A COHERENT, COL-  
LECTIVE PROGRAMME FOR ECONOMIC RECOVERY AND IMPROVEMENT IN THE  
EMPLOYMENT SITUATION.

THIS PROGRAMME OF POLICY COORDINATION IMPLIES FOR THE COMMUNITY :

- MAINTENANCE OF THE GENERALLY CONVERGENT MONETARY AND BUDGETARY  
POLICY ORIENTATIONS APPROVED IN DECEMBER 1980 AND PROGRESS IN  
STRENGTHENING THE EUROPEAN MONETARY SYSTEM.
- STRONGER COOPERATION BETWEEN THE COMMUNITY AND THE UNITED  
STATES IN MONETARY AND EXCHANGE RATE POLICIES.
- LIMITED SCOPE FOR DEMAND STIMULATORY ACTIONS THROUGH A QUALI-  
FIED ACCEPTANCE OF AUTOMATIC BUDGET STABILISER, BUT MORE SUPPORT  
FOR INVESTMENT, A QUICKER RESTRUCTURING AND ENERGY SUBSTITU-  
TION POLICY, AND IMPROVED LABOUR RETRAINING AND MOBILITY  
SCHEMES.

CORRIGENDUM :  
POINT 3 - 12TH PARA. - SENTENCE NO. 3 SHOULD READ :

WITH LITTLE PRODUCTIVITY GROWTH AND FURTHER LOSSES IN 1981 ON  
THE TERMS OF TRADE, THERE IS ALMOST NO SCOPE FOR SIGNIFICANT  
REAL INCOME GAINS IN THE COMMUNITY AND EVEN THE NEED TO ACCEPT  
A REAL INCOME LOSS IN SOME COUNTRIES.

ON 15 DECEMBER 1980, THE COUNCIL ADOPTED THE ANNUAL REPORT ON THE ECONOMIC SITUATION IN THE COMMUNITY (DECISION 80/65/EEC). IT WAS AGREED TO FIX THE FIRST ECONOMIC POLICY GUIDELINES FOR GREECE AT THE FIRST EXAMINATION OF THE ECONOMIC SITUATION BY THE COUNCIL IN 1981.

ACCORDINGLY, THE COMMISSION PROPOSES THAT THE COUNCIL APPROVE THE ECONOMIC POLICY GUIDELINES FOR GREECE CONTAINED IN THE ANNEX."

ANNEX

IN GREECE, THE IMPROVEMENT IN THE CURRENT ACCOUNT BALANCE WAS ACHIEVED IN 1980 AT THE COST OF A MODERATE DECLINE IN DOMESTIC DEMAND AND A CONTROLLED DROP IN THE EXCHANGE RATE. AS A RESULT, A MORE FLEXIBLE ECONOMIC POLICY WAS POSSIBLE FOR 1981. THE POLICY HAS TWO AIMS: FIRST, TO CONTAIN THE UPTURN IN CONSUMPTION OF WHICH THERE WERE SIGNS TOWARD THE END OF 1980, WHILE STIMULATING THE RECOVERY OF INVESTMENT WHICH IS ESSENTIAL IF PRODUCTION STRUCTURES ARE TO ADJUST TO THE NEW EXTERNAL CONTEXT., AND SECOND, TO SLOW DOWN PRICES - RISING AT AN ANNUAL RATE OF 26 0/0 AT THE END OF 1980 - IN ORDER TO PRESERVE THE COMPETITIVENESS OF THE ECONOMY WHICH IS LIKELY, SOONER OR LATER, TO BE AFFECTED IF THE PRESENT RATE OF PRICE RISES PERSISTS.

	1977	1980	1981	1977	1980	1981
	GDP VOLUME, O/O CHANGE			PRIVATE CONSUMPTION DEFLATOR, O/O CHANGE		
DK	3.5	-0.9	-0.1	9.5	11.0	9.0
D	4.6	2.0	-0.7	3.79	5.4	4.5
GR	3.8	1.4	2.4	17.7	24.5	21.5
F	3.2	1.8	0.5	10.5	13.5	11.8
IRL	1.9	0.8	1.8	12.2	18.2	16.0
I	5.0	3.3	-0.8	14.9	21.2	18.7
NL	2.2	0.2	-0.6	4.5	6.5	6.5
S	2.4	1.2	-0.7	3.5	6.3	6.2
L	3.6	0.4	-1.0	5.8	6.3	6.3
UK	1.3	-2.0	-2.0	12.2	16.1	11.0
EC	3.5	1.3	-0.6	8.9	12.1	10.4

	UNEMPLOYMENT RATE, O/O OF CIVILIAN LABOUR FORCE			CURRENT ACCOUNT OF BALANCE PAYMENTS O/O GDP		
DK	5.3	6.2	7.6	-4.6	-4.1	-3.7
D	3.4	3.4	4.4	-0.7	-1.7	-1.6
GR(1)	(2.2)	(2.1)	(2.3)	-2.9	-2.6	-2.9
F	6.1	6.5	7.5	+0.1	-1.3	-1.8
IRL	7.9	8.9	10.9	-10.1	-8.3	-11.4
I	7.6	8.0	8.2	+1.6	-2.6	-1.4
NL	4.2	5.0	6.8	-1.4	-1.5	-0.9
S	8.6	9.3	10.7	-2.9	-5.6	-6.6
L	0.7	0.7	0.8	+28.7	+20.8	+18.0
UK	5.4	6.9	9.8	-0.9	+1.0	+0.3
EC	5.5	6.1	7.4	-0.5	-1.5	-1.6

GENERAL GOVERNMENT NET LENDING, MONEY SUPPLY, O/O CHANGE  
(+) OR BORROWING (-), O/O GDP

DK	-3.1	-4.6	-5.7	(M2)	9.2	10.9	8.7
D	-3.0	-3.5	-3.8	(M3)	6.0	6.2	4.5
GR	:	:	:	:	:	:	:
F	-0.8	-0.6	-1.8	(M2)	14.4	10.5	10.0
IRL	-11.9	-13.5	-11.7	(M3)	12.0	18.9	12.0
I	-9.4	-7.8	-8.4	(M2)	20.3	12.3	13.1
NL	-2.0	-2.8	-3.2	(M2)	7.6	5.8	6.5
B	-7.2	-9.4	-9.7	(M2H)	6.0	3.0	5.0
L	+0.1	-0.9	-2.1	:	:	:	:
UK	-3.3	-2.3	-2.2	(M3)	12.7	19.5	10.2
EC	-3.6	-3.6	-4.0		11.2	10.1	8.2

(1) NOT COMPARABLE WITH OTHER COUNTRIES

SOURCE : COMMISSION SERVICES BASED ON INFORMATION  
AVAILABLE TO 24 FEBRUARY 1981.

A. KEES COMEU B

NNN/

262405 TRSY GKGH

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Gould

MR. WRIGHT  
CABINET OFFICE

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European Council, 23/24 March 1981: Unemployment

The Prime Minister has seen Mr. Franklin's minute to me of 5 March on this subject. She thinks the attached texts are very good and would be entirely happy for them to be circulated.

MICHAEL ALEXANDER

10 March 1981

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Office of the United Kingdom Permanent Representative  
to the European Communities

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

*A. Alexander*  
*You should note*

*J 118*

*(2)*

*Prime Minister*

*Am 4/3*

N. M. Fenn Esq  
News Dept  
FCO

Your reference

Our reference

Date 9 March 1981

*John Nick*

DISCUSSION OF EUROPEAN DEFENCE ISSUES AT EUROPEAN COUNCILS

1. You will recall the strong injunction we were under after the last European Council in Luxembourg on 1/2 December to say nothing to the Press about the important exchange on European defence, notably TNF. In the event, there was no leak until President Giscard's interview in 'Le Figaro Magazine' of 28 February, which has let the cat out of the bag. In the interview, Giscard says that one of the worst impressions that he had received at the last European Council was to have heard 'a certain Head of Government' put forward neutralist arguments. There was speculation among journalists here about the identity of the Head of Government in question. The mystery was 'solved' when the Dutch Prime Minister, Mr Van Agt, told a visiting group of Brussels correspondents unattributably last week in The Hague that it was Anker Jørgensen.

2. All this is worth noting for at least three reasons:

- (i) a taboo has been broken. At future European Councils, we can expect to be interrogated about any exchanges on defence and security matters and it will lack credibility to argue that these are outside the scope or competence of the meeting;
- (ii) it may well be raised at Maastricht in a fortnight when you and Bernard will need a line;
- (iii) 'qui accuse, s'accuse?'

*[Handwritten signature]*

D H Colvin

cc: B Ingham Esq, No 10 ✓  
J L Bullard Esq CMG, FCO  
H L Arbuthnott Esq, PARIS  
R B R Hervey Esq CMG, THE HAGUE  
D J Ratford Esq, COPENHAGEN

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TL to see  
MOOSA o/r.

(1)

QZ 02001

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Prime Minister

MR ALEXANDER

cc Sir R Armstrong  
Mr Elliott  
Mr Goodenough

Apex list at A?  
(The other pages are  
background notes.)  
Mint - 6/3

EUROPEAN COUNCIL 23/24 MARCH 1981: UNEMPLOYMENT

1. When the Prime Minister visited Mr van Agt in The Hague on 6 February, there was some discussion about what the Heads of Government could say about the problem of unemployment at the next European Council (Maastricht, 23/24 March). The Prime Minister promised Mr van Agt that she would think about the subject to see whether we could be of some help.
2. We have now prepared, in consultation with Treasury, Foreign and Commonwealth Office and the Departments of Employment and Industry the enclosed draft passage which we might put to the Dutch for possible inclusion in the Presidency Conclusions of the Council, together with some background notes which are not intended for circulation but have been drafted as a possible quarry on which the Dutch might draw.
3. I should be grateful to know whether the Prime Minister is content that these texts should be given to the Dutch. If so, we would propose also to show copies informally to Mr Ivor Richard, the responsible Commissioner.

*Handwritten signature*

M D M FRANKLIN  
CABINET OFFICE SW1  
5 MARCH 1981

UNEMPLOYMENT : POINTS FOR EUROPEAN COUNCIL PRESIDENCY CONCLUSIONS

1. There is no easy way for the Community to conquer unemployment.

Controlling inflation is an essential condition for sustainable growth of output and employment in the Community in the period ahead. Without that, our industry and commerce will find it harder to compete and so to create the jobs that are needed.

2. To promote employment we need particularly to move into the new high technology industries and to apply high technology to improving the efficiency of existing industries. The Council accordingly asks the Commission, drawing on the useful work already in hand for the Standing Employment Committee, to propose ways in which this process can be assisted and accelerated within the Community, including the use of measures to ease the structural changes in the labour market which must accompany it. *This means that both fiscal and monetary policy will have to continue to reflect the need to bring down inflation.*

3. The Council supports the use of ~~appropriate~~ measures which assist the transition by helping those areas and groups in the Community which are particularly badly hit by unemployment. In this respect, the Council is particularly concerned at the problems caused by declining employment in traditional industries in various regions of the Community. Particular importance is attached to mitigating the social effects of restructuring in the steel and shipbuilding industries. It accordingly invites the Commission to pay special attention to these problems, particularly in formulating its proposals for revision of the European Social Fund and the European Regional Development Fund.

## UNEMPLOYMENT

### EXPLANATION OF UNITED KINGDOM APPROACH

1. The current level of unemployment must be central to any consideration of the economic situation in the Community. In January 1981 it reached 7½% of the active population (ie some 8½ million people) compared with 4.3% in 1975 and 2% in 1970. This represents a serious waste of human resources and imposes a severe burden in terms of human suffering and loss of dignity on those affected. The problem is worse because it is concentrated on particular social groups, notably the young, and in certain areas of the Community, particularly those dominated by declining industries.

2. This high level of unemployment is the result of the serious underlying problems that today afflict the Community's economy: the world economic recession, inflation, low levels of investment, slow growth in productivity, poor competitiveness and a high level of dependence on imported high cost energy. The two massive increases in oil prices in the last decade have rendered obsolete a substantial proportion of the capital equipment of the industrialised countries and of the Community countries in particular. Europe needs to replace this equipment and also to invest in new forms of energy production. The future standard of living of the Community and the level of employment that we will be able to sustain without excessive inflation will depend on the ability of the European countries to meet these investment needs, to adapt to changing conditions of employment and to equip ourselves with new skills.

3. These underlying problems must be successfully tackled if we are to secure a lasting reduction in unemployment. Employment measures which assist the transition are to be welcomed, but such measures must avoid



6. In world economic conditions where newly industrialising countries are competing effectively in basic manufactured products and where competition between advanced industrialised countries becomes more severe, the companies and sectors most capable of survival will be those with:-

- (a) control of rapidly advancing technology;
- (b) adequate professional and technical management and highly-skilled labour;
- (c) highly sophisticated and adaptable manufacturing, selling and distribution systems which can respond quickly to changing consumer preferences in markets throughout the world.

High technology is an ingredient in most of these factors and it is this which needs to be developed within the Community.

7. Structural changes on the scale that are taking place inevitably create serious social and employment problems. These are particularly acute in areas of the Community where there is a concentration of declining industries such as steel and shipbuilding, and particularly for certain groups, notably young people seeking their first jobs in such areas. The Community already has in the Social and Regional Funds instruments which can play a part in dealing with these problems by providing support for training and retraining and for new productive and infrastructure investment. In the current situation it is essential that a higher priority is given to these particular problems in the administration of these and other Community instruments and in the forthcoming reviews of their activities.

worsening competitiveness. Otherwise they lead to a loss of output to overseas competitors and the reduction in unemployment is not then sustainable. For our competitors will not stand still. New processes and techniques will continue to be developed and used outside the Community and the newly industrialised countries will become increasingly competitive in basic manufactured products. Unless we allow the structure of our industry to adapt to meet these challenges, still more jobs will be lost in the future.

4. These dangers are illustrated by the proposals that a number of organisations have made for a general reduction in the working week. But if, as is likely, this leads to an increase in unit labour costs, the effect is to exacerbate inflation, reduce competitiveness and depress unemployment in due course. Moreover, circumstances vary widely and to impose a uniform reduction in the working week throughout the Community would not take account of what individual firms could afford and could organise efficiently. This is not, of course, to say that other special employment measures particularly directed to helping groups worst affected by the recession might not have a part to play in relieving unemployment.

5. A lasting reduction in unemployment requires the creation of conditions for sustainable growth and these can only be achieved if inflation is brought down. A high level of inflation in the industrial countries could invite more oil price increases. But inflation also destroys the framework for business confidence and the basis for investment decisions. It upsets relative pricing, endlessly absorbs effort in adjusting to new price and wage levels and often squeezes profits in favour of wages. It has powerful direct and indirect effects on the profitability of industry and on its international competitiveness. Inflation is thus the enemy of unemployment, economic growth and structural adjustment.

Ref: A04380

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MR. ALEXANDER *o/r.*

*Discussed with Mr  
Wright.  
K. - Hunt*

Prime Minister's Briefing Meeting for the  
European Council: 20th March 1981

You have asked for advice on who should be invited to attend the Prime Minister's briefing meeting on 20th March for the European Council at Maastricht on 23rd-24th March.

2. The agenda for the Council is not yet settled. But it is emerging in a form fully consistent with the points made by the Prime Minister to M. Thorn on 20th February. The Dutch Presidency have suggested that it should concentrate on the economic and social situation in the Community (under which unemployment would be taken), the Community's relations with industrialised countries (notably the United States and Japan), and the North/South dialogue. Enlargement, steel, industrial innovation and the common format passport (on which the Foreign and Commonwealth Secretary will shortly be minuting the Prime Minister), may also be raised. And there will inevitably be discussion of Political Co-operation subjects e.g. East/West relations and the Middle East.

3. Against this background I suggest that, in addition to the Foreign and Commonwealth Secretary, the officials on the attached list might be invited to the briefing meeting. Sir Brian Hayes has been included in case any points arise on the CAP or CFP.

4. The preparation of the briefs is now being put in hand. I should be grateful for confirmation that it would be acceptable if they reach you by noon on Friday, 13th March.

*RIA*

Robert Armstrong

5th March 1981

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EUROPEAN COUNCIL: SUGGESTIONS FOR ATTENDANCE OF OFFICIALS  
AT THE PRIME MINISTER'S BRIEFING MEETING: 20 MARCH 1981

- ? Sir Robert Armstrong ( Cabinet Office)
- ? Sir Michael Palliser (FCO)
- Sir Michael Butler (UKREP)
- Sir Kenneth Couzens (Treasury)
- Sir Brian Hayes (MAFF)
- Sir Kenneth Clucas (or Mr Gray (DoT))
- Mr D Derx (Department of Employment)
- Lord Bridges (FCO)
- Mr Bullard (FCO)
- Mr Franklin (Cabinet Office)

Mr Hamman

Mr Ingham

010

BF 19/3/81

Envo Pd

Can you arrange with B. Wright  
Done.

Mr Alexander 25/2

Chris Stephens : Any reason

Why not? OK.  
10.30 - 12.15. Cl. 25

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MR ALEXANDER  
BRIEFING FOR EUROPEAN COUNCIL

As I mentioned to you Sir Michael Butler has told me that, from his point of view, Friday 20 March would be a very convenient time for the Prime Minister's briefing meeting. If it is in the morning this will leave time for any additional briefing material to be prepared; and we can take account of any last-minute developments e.g. at the Coreper meeting on Thursday, 19 March.

M D M FRANKLIN  
24 February 1981