

PART 9

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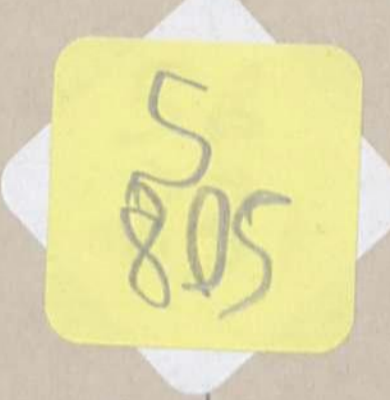
Confidential Policy

European Council Meeting (Presidency)
in London at Lancaster House
26th / 27th November 1981 - Policy
(See also Part-8)

EUROPEAN
POLICY

Pt. 1: Oct. 79

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Reference: CC(81) 39m Conclusions, Minute 3

Date: 3 December 1981

Signed A Wayland Date 4 August 2011

PREM Records Team



No.10. Confidential:

plse refer to a letter - Michael Alexander to
Francis Richards dated 30.11.81. Concerning
a letter to the PM from Mr Von Stendel..
Herewith a copy of the acknowledgements
for the SFS's letter as well as the PM's...

With the compliments of

Colin Sutcliffe.

3. Dec '81

FOREIGN AND COMMONWEALTH OFFICE

LONDON, SW1A 2AH



Foreign and Commonwealth Office

London SW1A 2AH

2 December 1981

Dear M. van Schendel,

I have been asked to thank you for your letters of 16 November addressed to the Secretary of State for Foreign and Commonwealth Affairs and to the Prime Minister, with which you enclosed copies of the text of a resolution recently adopted by the Federal Council of the European Movement in Strasbourg.

The contents of the resolution have been carefully noted.

Yours sincerely,

(F N Richards)
Private Secretary

M. Robert van Schendel
International Vice-President
European Movement
1040 Bruxelles
Rue de Toulouse 47-49
BELGIUM



10 DOWNING STREET

Commission proposals.

The CAP (Chapter 2) is
dealt with in paras 18-30

Regional & social policy (Chapter
1) are covered in paras 35-40

The budget (Chapter 3) is
in paras 41-47.

Annex

Bulletin

OF THE EUROPEAN
COMMUNITIES



Supplement 1/81

**Report from the Commission
of the European Communities
to the Council
pursuant to the mandate
of 30 May 1980**

Commission
of the European Communities

Bulletin
of the European Communities
Supplement 1/81

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of the European Communities
to the Council
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of 30 May 1980

European Communities
Commission

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The Commission in Luxembourg on 24 June 1981 adopted the report in response to the mandate assigned it by the Council on 30 May 1980:

'For 1982, the Community is pledged to resolve the problem by means of structural changes (Commission mandate, to be fulfilled by the end of June 1981: the examination will concern the development of Community policies, without calling into question the common financial responsibility for these policies which are financed from the Community's own resources, or the basic principles of the common agricultural policy. Taking account of the situations and interests of all Member States, this examination will aim to prevent the recurrence of unacceptable situations for any of them. If this is not achieved, the Commission will make proposals along the lines of the 1980 to 1981 solution and the Council will act accordingly.'

President Gaston Thorn the same day forwarded the Commission's report to the Heads of State and Government of the Member States, with a personal letter also reproduced here.

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Text of the personal letter sent by Mr Gaston Thorn,
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Report from the Commission
of the European Communities
to the Council
pursuant to the mandate
of 30 May 1980

1. At the end of the war the lessons of history led the countries of Europe to choose interdependence as the basis for reconstruction. Thus the construction of Europe has come about in a way which means that a shared inheritance already exists.

Today the Community's institutions owe it to the people of Europe, and to history, to defend and develop this inheritance. The Commission has been given responsibility for directing this development: it has a constant duty to preserve what has been achieved and act in such a way that the people of Europe come to regard the Community as the surest way of shaping and influencing the future.

It is in this spirit that the Commission submits its replies to the mandate given by the Council on 30 May 1980.¹

2. In a period of world crisis this organized Europe must use its strength to loosen the external constraints that bind it. Its size places it in a better position to get to grips with the problems affecting it, whether these be energy, international competition, inflation or unemployment. The degree of integration which has been achieved but which has yet to be exploited to the full, has increased the means available for confronting these problems.

3. Aside from the use which can be made of such Community measures, the scale of the present problems calls for a joint strategy based on a strengthened internal solidarity and the adoption of a more vigorous stand towards the outside world. If this were generally accepted, if the strategy were made sufficiently broad and credible, this potential force could be harnessed to generating internal change, guaranteeing the success of the third enlargement and giving renewed confidence and hope to a young generation concerned about the future.

The Community, soon to be enlarged to twelve can set an example to the world by

adopting a constructive approach to the problems facing mankind. This is a formidable task, but the challenge of having to extend this approach beyond our own frontiers and of fulfilling the expectations of those who refuse to give in to fear and egotism is an exciting one.

4. If they are to tackle this ambitious task, the institutions must resolve without hesitation to fulfil the political alliance entered into by each Member State when it signed the original Treaties or the Treaties of Accession.

In this way the Community will finally take its rightful place in the world and become a catalyst for peace and development as it already is for its Member States.

5. The Commission is of the firm view that a return to the institutional balance provided for in the Treaties would help to re-establish the unity of purpose which prevailed when the Community was created. Without a process of decision-making based on a better balance between the contributions made by all the institutions, the Community will never regain its dynamism or live up to the expectations of the people of Europe.

Finally, the Commission considers that there can be no development of Community activities as long as the Community budget remains artificially limited by the current

¹ For 1982, the Community is pledged to resolve the problem by means of structural changes (Commission mandate, to be fulfilled by the end of June 1981: the examination will concern the development of Community policies, without calling into question the common financial responsibility for these policies which are financed from the Community's own resources, or the basic principles of the common agricultural policy. Taking account of the situations and interests of all Member States, this examination will aim to prevent the recurrence of unacceptable situations for any of them). If this is not achieved, the Commission will make proposals along the lines of the 1980 to 1981 solution and the Council will act accordingly.

ceiling on its resources. It will take the initiatives required to have this constraint removed.

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6. The construction of the Community, founded on solidarity and economic integration, and with the constant improvement of living and working conditions as its declared goal, has developed on a twofold basis :

- a single internal market governed by jointly-devised competition rules which guarantee the free movement of goods and allow Community industry to reap the benefits of an extensive market;
- a common agricultural policy which allows the free movement of agricultural products, thus raising the standard of living of Europe's agricultural community — traditionally the less favoured section of the population — and guaranteeing our food supplies.

These two achievements need to be completed by a monetary system, which is essential for balanced economic development and progress towards the free movement of people, services and capital. The common commercial policy and the Community's development policy should enable the Community to fulfil its appropriate role in the world. Additional policies should be established to cope with specific situations which market rules alone cannot regulate satisfactorily.

7. It has to be said that up to now action has not been taken at the same rate in all areas. This is doubtless one of the factors underlying the crisis currently facing the Community and the consequent lack of confidence.

Furthermore, the changes in the world economy over the last ten years and the upheavals that have occurred in international

relations have shown that existing policies will have to be developed or revised.

8. At present, the budget reflects the imbalance between Community policies, but the Commission considers that the budgetary aspect alone gives only a partial idea of the nature of the Community. In particular, it gives no idea of those policies which have no budgetary dimension, such as competition policy, or which have so far had a virtually negligible impact, such as industrial and energy policy. In any case, Community policies have economic implications that go well beyond the purely budgetary aspect.

This is why the Commission has chosen not to confine itself to a purely budgetary view in implementing its mandate.

9. An effort must be made in all areas to make up for lost time. This is the only way of ensuring that unacceptable situations do not recur and ensuring that consideration is given to the interests of all present or future Member States.

It is unrealistic to talk in terms of large-scale industrial restructuring or more balanced agricultural development if no progress is made towards economic and monetary union, or to talk in terms of full freedom of movement for workers in the absence of an employment policy capable of affording a coherent answer at Community level to the unemployment problem. The increasingly important role which the Community should be playing in the world will be illusory if it is seen to be at the expense of the weakest regions and sectors of activity.

The Commission believes that if an overall Community strategy were to be evolved, based on a general approach and guiding principles to which all could subscribe without hesitation, then the greater discipline and solidarity that this would entail would

open up new prospects for stable, and therefore lasting growth and fuller employment.

10. The Commission accordingly proposes that as regards monetary and economic questions the Community should build on a foundation of genuine — and much tighter — internal coordination between the Member States, coupled with a clearly-defined common stance toward the outside world, so as to enhance the effects of national policies, consolidate the zone of monetary stability which it is endeavouring to construct, and take responsibility for defending European interests vis-a-vis our trading partners.

Expansion of the European Monetary System could be a powerful force in making such a policy succeed, once all the Member States were participating in it and the commitment to place the ECU at the centre of the system had been realized. The needs of the Community's economy and the state of the international monetary system are such that decisive and rapid progress must be made towards a fully institutionalized European Monetary System.

11. Equal priority attaches to systematic exploitation of the opportunities provided by the European market. If we are to develop a modern and dynamic industrial sector in Europe, it is essential that we have a single integrated market as this allows firms to benefit from outlets on a continental scale and to invest with the same degree of security as their American or Japanese competitors. Community firms must fully exploit the stock of confidence which flows from a genuine internal market defined in both economic and legal terms.

The customs union was one of the Community's first real achievements. If it is to be completed, the variety of remaining barriers which are still preventing the completion of the single market must as a priority be eliminated. The Commission will take the

specific initiatives in this respect. It is quite legitimate for public authorities — and Community authorities whenever their powers permit — to maintain their contribution to the creation of a better economic environment to promoting and to raising productivity.

12. Nevertheless, the opportunities provided by a genuine internal market are no longer sufficient in themselves to enable the Community to complete the process of economic change, given the crippling uncertainties which beset it. A new dynamism is required, which can transform actions and attitudes and thus help to overcome the upheavals provoked by the energy crisis, as well as to catch up on the growing delays in the research field and to get industrial innovation off the ground at last.

The failure to pursue a number of quite reasonable objectives — such as substituting Community cooperation for fragmented and isolated national policies, choosing the path of initiative rather than accepting the existing situation, combining financial resources rather than dispersing them, reaping the benefits in external relations of positions agreed in advance — has prevented the Community from benefiting from its size. A new strategy must be proposed for facing up to the challenges of the 1980s.

13. Energy production, particularly the new forms of energy and the industries involved in developing them, offers considerable potential in terms of growth and employment. Furthermore, by helping to ease pressures on the balance of payments, a successful energy policy will create the conditions for an economic upturn.

The Commission intends to propose that precise targets be set, firstly to achieve essential savings and secondly to expand the means of energy production, build the necessary infrastructure, diversify sources of supply

and encourage the use of new forms of energy. It will help to finance these activities by coordinating national resources and making greater use of Community instruments. Small and medium-sized enterprises will be closely involved.

Community solidarity should also be expressed through joint machinery for responding to supply crises and through a coherent policy on prices. The Commission will be making proposals on these matters.

On this basis the Community, acting in its own best interests, will be able to develop cooperation with the other industrialized nations, launch a constructive debate with the oil producers and help find a solution to the problems of the developing countries both through the transfer of technology and by assisting them to develop their own energy resources.

14. It is not possible to devise a new model for society, to secure the Community's political and economic autonomy or to guarantee competitiveness without a complete mastery of the most sophisticated technologies. Accumulated delays, rising costs and the fact that the necessary effort is too great for any Member State to make individually are all compromising the Community's ability to compete in science and technology. The need for a proper response is all the more urgent: the Community dimension makes it possible to provide this response efficiently and at minimum cost.

Apart from identifying delays and coordinating new action, the Commission will support priority research programmes in energy, the agri-food industry, environmental protection, nuclear safety and biotechnology. These Community programmes will promote the formation of the multi-disciplinary European research teams without which the quality and integration of research, crucial to success, cannot be attained.

15. The development of these new technologies — particularly regarding data transmission systems — and of the industries launching them is revolutionizing the whole outlook. New goods and services are coming on to the market, and demand for them is expanding. Production conditions are changing and the basic pattern of international competition is shifting accordingly. All this is of particular importance to small firms, for the environment in which they work is in a state of flux and they are not all equipped, financially or technically, to cope with the situation.

Hence the Community is falling behind the other major industrial powers. It can catch up if, realizing that this pattern of development, with all it entails in terms of new forms of industrial and social relationships, is both inevitable and desirable, it then draws the right conclusion and rapidly embarks on a suitably dynamic programme.

By adding to the efforts made by European firms and the Member States, the Community can make an original and probably unique contribution to the development of new techniques and industries. To this end it must not only devise and implement the coherent R&D programme referred to above but also deal with wholly new problems of information and training. Moreover it must set common standards and exploit all the possibilities offered by public procurement in the Member States so as to tap the full potential of this vast market.

16. Finally an active competition policy, particularly as applied to State aids, is also essential.

This policy must ensure that competition between Member States is not distorted. It must offer Community industry a positive incentive to adapt and at the same time serve as a source of coordination and economic convergence. For this purpose, regional

needs must be better defined and the rules of competition must be applied more coherently to national aids to firms. The application of these rules in the process of industrial adjustment will assist the drive to modernize the production apparatus.

The powers assigned to the Commission by the Treaties give it only partial control over some other policy areas which affect the competitiveness of industry. The Community will have to make a fresh attempt at identifying those areas and taking action, particularly with regard to transport subsidies, differentiated energy prices and certain tax measures.

17. Yet it is hard to see how the Community can hope to advance in a balanced, decisive fashion on these various points unless it puts its budgetary affairs in order.

The Commission's reflections, and its resulting proposals, concern essentially the common agricultural policy, regional policy and social policy, given the proportion of the budget which they represent. The Commission objective has been to see that within a limited budgetary framework, Community financial solidarity should be both more effective and more equally distributed.

The Commission has also taken into account the fact that the Community dimension will be further enhanced as the result of the accession of two new Member States whose economic and social situation will tend to aggravate a number of existing problems.

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18. The major effort concerns the common agricultural policy.

Taken as a whole, the result of twenty years of the application of the CAP is positive.

The objectives set by the Treaty of Rome — be it security of food supplies, satisfaction of

consumers' requirements, increased productivity or higher farm incomes — have been achieved.

Set against the objectives and the results achieved, the total cost of the common agricultural policy, which corresponds to 0.5% of the Community's GDP, is not excessive. Renationalization would cost Member States more. Every country needs an agricultural policy and it is worth remembering that the policies pursued by the Community's main competitors are just as costly.

19. The Commission considers — indeed this was emphasized in the terms of the mandate — that the three interrelated principles on which the common agricultural policy is based — market unity, Community preference and financial solidarity — remain essential. It is neither possible nor desirable to jettison the mechanisms of the common agricultural policy but on the other hand adjustments are both possible and necessary.

Technological progress and the play of the market organizations mean that the Community is now more than self-sufficient for most major products. The imperatives of sound market management, combined with budgetary constraints, therefore call for improved control of the unwelcome effects of the operation of market organizations.

20. The Commission has accordingly come to the following conclusions:

- farm income considerations, important though they may be, cannot be the sole point of reference for fixing guaranteed prices ;
- it is neither economically sensible nor financially possible to give producers a full guarantee for products in structural surplus;
- given the Community's degree of self-sufficiency for most agricultural products and bearing consumers' interests in mind, prices

must reflect market realities more than they have in the past.

21. Having considered all the alternatives, the Commission recommends that future decisions in respect of the common agricultural policy should be based on the guidelines set out below, which should be combined to achieve the objectives set by the Treaty at as low a cost as possible:

- a price policy based on a narrowing of the gap between Community prices and prices applied by its main competitors in the interests of competitiveness and a hierarchy of prices designed to improve the balance of production ;
- an active export policy which would honour the Community's international commitments;
- modulation of guarantees in line with Community production targets;
- an active structures policy tailored to the needs of individual agricultural regions;
- the possibility of income support subsidies to certain producers in specific circumstances;
- improved quality control at Community level and tighter financial control by the Community in the management of EAGGF expenditure;
- stricter discipline in relation to national aids to avoid undermining Community policies.

22. The policy of common prices remains a central instrument of a common agricultural policy.

But this policy presupposes the smooth operation of the European Monetary System and a significant alignment of inflation rates. National and Community policies promoting this alignment will make it unnecessary for

price decisions to allow for widely differing national situations.

Price policy must reflect trends on the world market more than it has in the past. The Commission is well aware that world prices can develop erratically. This is why the practical implementation of such a price policy will vary from product to product. The Community's objective should be the gradual alignment of guaranteed prices on prices ruling on a better organized world market. This would make it possible to take advantage of increases in productivity and avoid windfall profits.

To this end the Community should pursue a rigorous policy with regard to prices within its frontiers and adopt a more active export policy designed to stabilize world prices by means of cooperation agreements with other major exporters. These could be supplemented by long-term export contracts.

A trade strategy of this kind would encourage the emergence of a strong, well-organized agri-food industry. At the same time it would not damage the interests of developing countries.

The Commission should also monitor imports that might cause market imbalances and see to it that its commercial and agricultural policies are mutually consistent.

23. Producers must be made more aware of market realities than they have been in the past. To this end production targets in terms of volume must be set for every sector at Community level. Once these are reached producers would be required to contribute or the intervention guarantee could be reduced.

These targets would, of necessity, integrate projected market trends and the degree of self-sufficiency desired. They would also allow for imports flowing from the Community's international commitments and its

concern to take its place as a structural supplier on a world market which is persistently in deficit for a number of essential commodities.

24. Production targets and intervention arrangements would vary from product to product.

For sugar, an effective system is already in operation. For cereals, where the Community's most efficient farms can compete at world level, payment of a lower intervention price for tonnages above a production target, corresponding roughly to domestic consumption, would give a boost to the most competitive farms and cut the cost of intervention.

For milk products, the Commission considers that the objective of controlling production can only be achieved if the principle of co-responsibility is extended. If this is not done, other measures will be inevitable.

25. The Commission considers that these changes should be accompanied by a rigorous quality control policy.

Moreover the Commission should be given its own powers of control in managing the agricultural funds for which it is responsible.

26. The Commission's guidelines on prices and production cannot be applied in a vacuum, ignoring the income problems of certain producers. This is why it is proposing the introduction, in certain specific cases, of direct income subsidies which, given the cost, would be confined to small producers. A decision on the grant of such subsidies would be taken by the Community in line with Community criteria. On this basis a Community contribution to their financing could be envisaged.

27. The problems of producers in regions with a natural handicap must be seen in a

different context. The Community has already taken action on the problems of mountain and peripheral areas.

But the problems of the Mediterranean area merit special consideration given the importance of agriculture in its economy. The market and structural components of the common agricultural policy should help to improve the situation. But they cannot take the place of other policies or deal alone with a series of questions which reflect a particular economic context.

28. Any solution to current difficulties in Mediterranean agriculture must be based on changes in depth in the attitudes of producers and in production structures. While recognizing that results will take time, the Commission intends to propose that there should be a number of medium-term Community programmes covering an integrated policy for incomes, markets, production and structures.

29. In making its contribution to a solution of the difficulties facing agriculture the Community must keep two principles in mind: equivalence and equity. Equivalence means that, in line with the basic principles of the Treaties, the common agricultural policy must apply without discrimination to Mediterranean products. Equity means that change cannot be allowed to lead to a drop in living standards for those involved

30. The Community programmes for the Mediterranean to be prepared by the Commission will involve both the Community's financial and agricultural instruments. They will be devised in close collaboration with the Member States concerned so as to incorporate the objectives of national and regional plans. They will be presented to the Council and Parliament before the end of 1982.

31. These guidelines for reform of the common agricultural policy leave the principles on which it is based intact. They introduce the adjustments which must be made to market management if perverse effects of gains in productivity for consumers and the Community's budget are to be avoided. If the guidelines are agreed, their application will mean that agricultural spending in the years ahead will grow less rapidly than the Community's own resources, making it possible to release additional resources to reinforce Community solidarity in other sectors.

32. The regional and social policies are an expression of this solidarity, which takes on a new urgency in the present economic and social climate.

All the instruments available to these policies have expanded rapidly in recent years: in 1981 the budget is providing some 3 000 million ECU for regional and social activities. This amount, severely limited in comparison with national budgets, leaves little room for flexibility in attaining the objectives of the Funds. Admittedly, to this should be added around 4 000 million ECU by way of Community borrowing and lending operations.

33. That these instruments have proved their worth is shown by their rate of expansion and the heavy demand within the Community for the facilities which they provide. But there is considerable room for improvement in their efficiency. This need can be met by concentrating efforts on the areas of gravest difficulty, by combining the targets and interventions of the various Community instruments, and finally by coordinating them with national measures to ensure that Community aids are additional to national ones.

34. The regulations and procedures governing the Regional and Social Funds provide for their revision by the end of 1981 and in 1982 respectively. The Commission sets out

here a framework for these revisions which will be elaborated in detail at the appropriate time. It also presents some guidelines for the future of the borrowing and lending mechanisms.

35. The reduction of regional imbalances remains a priority Community objective. Responsibility in this field lying largely with national and local authorities, the Community has to base its actions on a wide range of instruments not exclusively of a financial nature. The coordination of national regional policies and regional aid systems with the intervention of the Community's Regional Fund are particularly important, as is the significance attached to regional impact in the definition of other Community policies.

36. As far as the Regional Fund itself is concerned, the Commission believes that major changes should be made to enhance the effectiveness of its interventions and increase its impact. There is a strong case for greater concentration of the Fund's budgetary resources, which are and are likely to remain inadequate to cope with the development problems that will increasingly face the Community as it continues to enlarge.

The section of the Regional Fund at present divided into national quotas should be adjusted to focus even more on regions suffering severely from structural underdevelopment.¹

The proportion of the Fund's resources allocated to the section which is not divided into national quotas (the non-quota section) should be substantially expanded. Intervention will be directed more selectively to the regions of the Community currently suffering most from serious problems of industrial decline or from the effects of certain Community policies.

¹ Including Greenland and the French overseas departments.

Changes in the working and operating criteria of the Fund should include replacing support for isolated projects by a new system of co-financing with Member States of regional infrastructure programmes and regional investment aid schemes, with would incorporate the individual, Community-aided projects.

37. Community solidarity must also be expressed in the social sphere, in line with economic and social policy objectives. Priority should henceforth be given to job creation. The traditional role of the Social Fund, which is to increase the geographical and occupational mobility of workers, will be of greater importance in the future.

The Community will need to make a special effort in regions where traditional industries are concentrated, with the aim of developing a more imaginative approach to the labour market. Moreover the Social Fund must be given the necessary resources to ensure that the Community's workforce can adapt adequately and in good time to the jobs which will be created by exploiting new areas of growth and local economic potential.

The Social Fund will therefore have to promote integrated training and employment programmes, specifically adapted to local and regional economic conditions. With this in view, the current administratively complex range of interventions should be reviewed. New emphasis should be given to job creation, including aids to essential support services in the field of information, guidance and technical assistance and in preparing young people for working life. In addition, the use of integrated programmes would enable a much closer relationship to be established with other Community funds and with national sources of assistance.

If it is to act as an effective driving force, the Social Fund must be allocated sufficient resources to produce a real increase in employment measures, and particularly in the

volume of training. To ensure that the Fund's operations can be concentrated on essentials and its efforts coordinated, it should be freed from the constraints which have hitherto limited its effectiveness. With this in mind, the Commission intends to present proposals for injecting greater flexibility into the funds formal operating procedures.

38. In the Commission's view appropriations for the two Funds will have to grow faster than the general budget as a whole if they are to attain their objectives.

Here, as elsewhere, the Commission excludes the presentation of illusory budgetary balances via the introduction of artificial Community policies.

39. While the Community can continue to increase the volume of its borrowing and lending instruments, the Commission considers that they must be used to greater effect. In particular it recommends

- an increased emphasis on small and medium-sized firms;
- the use of interest subsidies in certain priority regions for major programmes other than those linked to productive investment projects;
- the combined use of borrowing and lending instruments and the structural funds, notably the Regional Fund, which is already in a position to finance some of the interest subsidies mentioned above.

40. The options and guidelines which the Commission has proposed are inevitably dependent on the Community's financial resources. The most effective use of available funds must be seen as a permanent priority. The Commission cannot accept that an artificial ceiling be put on own resources, and will propose that they be increased when this becomes necessary to achieve agreed objectives.

41. The Commission has studied the likely consequences of its recommendations for the development of the Community budget. It is clear that their implementation could not have a significant impact for some time to come. The Commission has therefore proceeded to examine the budgetary position.

Scrutiny of the structure of expenditure,¹ divided into six main categories, namely:

- administrative expenditure;
- reimbursements;
- support expenditure on certain common projects (industry, energy, research, etc.);
- structural expenditure (ERDF, ESF, EAGGF Guidance Section, etc.);
- aid to non-member countries;
- EAGGF Guarantee Section,

shows that utilization of appropriations in the first five categories presents no particular problem for any Member State.

By contrast, an analysis of the destination of appropriations from the EAGGF Guarantee Section, which forms the bulk of the budget, shows that under present circumstances, the United Kingdom obtains a much smaller financial benefit from the CAP than the other Member States on account of the special features of its agriculture. Community solidarity demands that a remedy be found to this inequitable situation.

42. The size of the imbalance to be corrected could, in the Commission's view, be assessed by comparing the United Kingdom's share of the Community's gross national product with the proportion it obtains of EAGGF Guarantee Section expenditure. On the basis of this data the amount of compensation could then be established following simple rules, using a reference period extending over several years, and with a view to a fairly high level of compensation.

43. As this compensation would be provided by the Community itself, it should be financed from the budget on the basis of the own resources system.

44. However, should this be rendered impracticable either by a delay in taking the decisions needed to create new own resources (exceeding the 1% limit on VAT) or by the current trend in budget expenditure, the Commission would envisage that consideration be given to a subsidiary measure by which the Member States which benefit more from the CAP than their British partner would demonstrate their solidarity. In practice, the compensation could be financed by Member States other than the United Kingdom via abatements on their receipts from the Community, based on the payments they receive under the EAGGF Guarantee Section. In establishing the abatement percentages, account should be taken of the proposals put forward by the Commission in this report, to the effect that Community policies must put emphasis on solidarity between the more prosperous Member States and the less prosperous (particularly Ireland, Greece and Italy).

45. The Commission considers that the new measure should apply for a limited period, but long enough for the effects of the new guidelines it proposes to be felt. The position would be reviewed before the compensation system expires, notably when a decision is taken on creating the additional own resources needed to implement common policies.

The Commission could also propose amendments to the system if this was justified by the development of the common agricultural policy or other policies, or if practical difficulties emerged.

¹ As identified in the reference paper presented by the Commission in 1979 (COM(79)462 of 12 September 1979).

46. The funds made available to the United Kingdom should be used to finance activities in that country which accord with Community policies and are designed to increase convergence of the economies.

47. With regard to the existing financial mechanism¹ based on the Council Regulation of May 1976, as adapted by the 1980 Regulation, the Commission will make a report by the end of this year, in order that this mechanism continues in being if it is needed.

48. The guidelines which the Commission has just set out in response to the mandate given to it on 30 May 1980 form a coherent package of measures which both correspond to the framework which was given and can be applied in a relatively short space of time. The impetus given by the adoption of these priority measures will be a key element in relaunching the whole development of the Community.

49. By its very nature, this report cannot hope to cover the complete spectrum of Community activity. Many areas have scarcely been touched upon, such as the Community's external relations, and particularly the effort which the Community is making, and would like to increase, in the field of development aid.

Because of its history, its geography, through its power and its economic needs, the Community faces the world, where the role it plays and the responsibilities it bears are highly regarded as a source of hope and confidence, especially in the developing countries. A fulfilment of the political alliance entered into by each Member State will not only strengthen the Community's internal solidarity but also endow the Community with the means to play more effectively the role its partners expect of it. By strengthening its position on the international economic stage, the Community will be able to make a greater contribution to solving world problems.

*
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50. A political decision is needed if the Community is to be relaunched. This means working together to find solutions which correspond to the general interest. The Treaties have provided a method and procedures for advancing in this way. The Commission has started the process by outlining the way forward. It is now for the other institutions to commit themselves.

¹ Financial mechanism set up by the Council Regulation of 17 May 1976, adapted by the Regulation of 27 October 1980.

Text of the personal letter
sent by Mr Gaston THORN,
President of the Commission
of the European Communities,
to the Heads of State and Government
of the Member States on 24 June 1981

The paper I enclose is the report being sent to the European Council today in line with the mandate given the Commission on 30 May 1980. This mandate called for a review of the operation and funding of Community policies. The agricultural policy, and more specifically the United Kingdom's contribution to the Community budget, was singled out for special mention.

The Commission has come up with a number of reforms which, in its view, should help to deal with the problems it was asked to consider. As you will see, the reforms are far-reaching. This is inevitable. Reforms cannot be effective and lasting unless they get to the root of our present difficulties, which the mandate itself recognized as being structural. Our recommendations relate to the structures which can be changed using instruments provided by the Treaty. An intrinsic feature of the Community is that it is capable of changing from within.

In the course of our review we were brought face to face, again and again, with the Community's fundamental equilibria, which are based on the principle of solidarity and combine to attain the general objectives enshrined in the Treaty of Rome, namely, to provide the men and women of Europe with better living and working conditions against a background of economic and social progress. We kept these objectives constantly before us. We also considered the danger of the same situation arising elsewhere in the Community, affecting an increasing proportion of our working population, and the younger generation in particular, if we fail to take a broader, more idealistic view of our common task.

We need to consider not only the Community's immediate problems but also the problems beginning to take shape within our frontiers and in the world around us. We cannot bring matters under permanent control unless we allow for the changes transforming our society and the vast movements reshaping our planet. We know from experience that no limits can be set to interdependence: it is this law of human dynamics that carries the Community forward. But there comes a time when attitudes must be changed and adapted to the new dimension.

We must mobilize all the forces of the Community to take a stand against the dangers that are mounting every day, dangers that are already threatening the fabric of solidarity. The reforms we are proposing will be carried through in the

years when we should be preparing European society for the 21st century. Clearly, we cannot hope to forecast all the problems we will have to tackle. But the Community was, after all, created to manage the change its founders saw coming and initiate the change they felt desirable.

Indeed, each time the Community has acted in unison it has proved capable of facing up to unprecedented situations which none of our countries could have coped with singlehanded. We can take up one of the challenges that Europe will have to face before the end of the century here and now. I am thinking, of course, of the challenge presented by the visible explosion in the world's population and the relative decline in ours. Nothing will ever be the same again in a world where a disturbed demographic balance, a new industrial revolution, the restructuring of traditional industries and the geographical imbalance between rich and poor regions in terms of raw materials, will act as sources of tension. We must do something to transform this phenomenon from a threat of confrontation into a shared opportunity for our children and the children of the world.

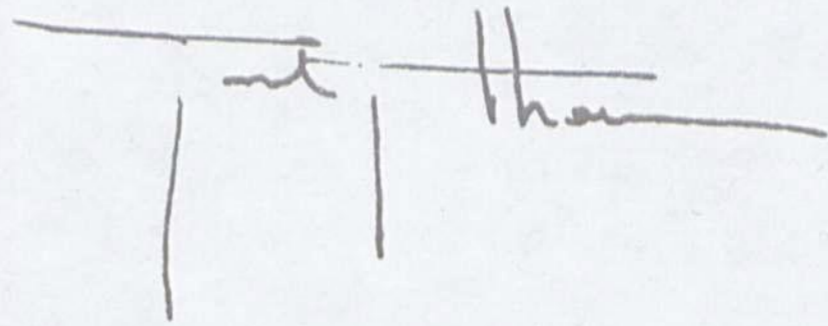
I know that you are fully aware of these issues. Indeed I only mention them because Europe's stake in all this is the main justification for the existence and the efforts of the Commission of which I am President. This is why I feel bound to suggest that the Community needs a special procedure, geared to the scale and the urgency of the problems facing us, to implement the arrangements and mechanisms discussed in the Commission's report. I am convinced that our recommendations call for a specific approach. Cohesion is vital if the measures proposed are to be introduced and applied in a balanced fashion. And I doubt if cohesion would survive the complexity of normal procedures, involving time-consuming consultations and discussions within one or more specialist Councils whose agendas are already full.

A better solution, to my mind, would be for the European Council to refer the report now in your hands through the General Affairs Council to a select group of trusted individuals chaired by a member of the Council. The group would report back by, say, the end of 1981. Because its findings emanated from a single high-level team, in which the Commission played the role assigned to it by the Treaty, they could be examined in detail at an extraordinary extended meeting of the General Affairs Council with an eye to the first European Council in 1982. Your Council could then draw the necessary conclusions as quickly as possible.

In any event, the Commission will be making appropriate proposals in the course of 1981 to adjust the United Kingdom's contribution to the Community's budget in 1982.

My purpose in suggesting this procedure—which is not unlike that followed to launch a number of important stages in the development of the Community—

is to give new impetus to the common policies which give concrete expression to the solidarity between our countries and are the guarantees of their independence. If we advance resolutely in this direction— and the decision to advance is ours—we will have gone a long way towards regaining control of the destiny we took in hand 25 years ago when we set up the Community. The good work has continued day by day in the interval with the instruments we were given then. The instruments are still there. All we need to do is harness them to new options which will enable our ten countries to converge their efforts to develop their shared heritage.

A handwritten signature in black ink, appearing to read "T. M. Han". The signature is written in a cursive style with a horizontal line above the letters and two vertical lines below the first two characters.

European Communities - Commission

**Report from the Commission of the European Communities
to the Council pursuant to the mandate of 30 May 1980**

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MFJ

1 December 1981

I am replying on the Prime Minister's; behalf to thank you for your letter to her of 16 November, the contents of which have been noted. Unfortunately your letter arrived too late to be taken into account in the preparations for the recent meeting of the European Council.

MODBA

Signora Adriana Usiglio

6



File No

10 DOWNING STREET

From the Private Secretary

30 November 1981

I enclose a letter which the Prime Minister has received from the Vice President of the European Movement. It arrived here in the course of the European Council. Unless you think the Prime Minister herself should reply, I should be grateful if you could arrange for a suitable acknowledgement to be sent to Mr. Robert van Schendel.

M. O'D. B. ALEXANDER

F. N. Richards, Esq.,
Foreign and Commonwealth Office.

LB



10 DOWNING STREET

From the Private Secretary

30 November 1981

I enclose the published conclusions of various matters discussed by the European Council last week.

As you will probably have gathered from press reports, there is no document relating to the mandate.

MAP

Sir Tom McCaffrey

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, 30 November 1981, cols. 21-28
"European Council (London Meeting)"

Signed A Wayland Date 4 August 2011

PREM Records Team

30th November 1981

~~RAFT~~ STATEMENT BY THE PRIME MINISTER ON THE EUROPEAN COUNCIL

WITH PERMISSION, MR. SPEAKER, I WILL MAKE A STATEMENT ON THE MEETING
OF THE EUROPEAN COUNCIL ^{under my chairmanship} WHICH I CHAIRED AT LANCASTER HOUSE
ON 26 AND 27 NOVEMBER AND WHICH MY NOBLE FRIEND, THE
FOREIGN AND COMMONWEALTH SECRETARY, ALSO ATTENDED. I
HAVE ARRANGED FOR COPIES OF THE AGREED STATEMENTS ISSUED
BY THE COUNCIL TO BE PLACED IN THE LIBRARY OF THE HOUSE.

AS CHAIRMAN I WELCOMED MR. PAPANDREOU, THE GREEK PRIME MINISTER, WHO
MADE A STATEMENT ABOUT THE ECONOMIC PROBLEMS OF GREECE
AND HIS GOVERNMENT'S ATTITUDE TOWARDS THE COMMUNITY.
DR. FITZGERALD WAS ALSO ATTENDING THE EUROPEAN COUNCIL
FOR THE FIRST TIME AS TAOISEACH.

^{lol}
WE SPENT A ~~GREAT DEAL~~ OF TIME DISCUSSING ALL THE MATTERS WHICH ARISE
UNDER THE MANDATE GIVEN TO THE COMMISSION ON 30 MAY 1980.

AS THE HOUSE IS AWARE, THESE COVER:

- FIRST, THE REFORM OF THE CAP; ^{Common Agricultural Policy}
- SECOND, THE DEVELOPMENT OF ^{other} COMMUNITY POLICIES, IN
PARTICULAR ECONOMIC, REGIONAL AND SOCIAL POLICIES; AND
- THIRD, THE PROBLEM OF THE COMMUNITY BUDGET ITSELF.

A THOROUGH EXAMINATION

/ HIGHLIGHTED

HIGHLIGHTED FOUR MATTERS WHICH WILL REQUIRE FURTHER WORK. THESE ARE THE PROBLEMS ARISING FROM THE COMMUNITY'S MILK SURPLUS; THE WAY TO DEAL WITH MEDITERRANEAN AGRICULTURE; THE SHARE OF AGRICULTURAL EXPENDITURE WITHIN THE COMMUNITY BUDGET; AND HOW TO ADJUST THE BUDGET SO THAT NO MEMBER STATE IS PUT INTO AN UNACCEPTABLE ^{Financial} SITUATION. FOREIGN MINISTERS WILL HAVE A SPECIAL MEETING WITHIN THE NEXT FEW WEEKS TO CARRY FORWARD THE WORK AND SUBMIT RECOMMENDATIONS TO HEADS OF GOVERNMENT.

WE HOPE THAT IN THIS WAY IT WILL BE POSSIBLE TO REACH AN UNDERSTANDING ON THESE MATTERS BEFORE THE NEXT MEETING OF THE EUROPEAN COUNCIL AT THE END OF MARCH. IT IS UNDERSTOOD THAT AGREEMENT ON EACH ISSUE COVERED BY THE MANDATE IS, AND WILL BE, CONDITIONAL ON AN OVERALL SOLUTION. THERE ARE IMPORTANT ISSUES AT STAKE FOR ALL MEMBER STATES AND NOT LEAST FOR THE UNITED KINGDOM. IT WILL TAKE TIME AND FURTHER EFFORT TO GET A SATISFACTORY ANSWER.

/ THE EUROPEAN

THE EUROPEAN COUNCIL ALSO DISCUSSED THE ECONOMIC AND SOCIAL SITUATION AND THE DIFFICULTIES FACING THE COMMUNITY AT A TIME OF CONTINUING WORLD RECESSION. THERE WAS GENERAL ENDORSEMENT FOR THE VIEWS PUT FORWARD BY THE COMMISSION, IN PARTICULAR THAT THE OBJECTIVES OF FIGHTING INFLATION AND UNEMPLOYMENT NEEDED DETERMINED POLICIES TO BRING PUBLIC DEFICITS UNDER CONTROL, TO KEEP MONETARY GROWTH WITHIN PROPER LIMITS AND TO KEEP PRODUCTION, DISTRIBUTION AND UNIT LABOUR COSTS IN CHECK. SUCH POLICIES WOULD ENCOURAGE INTEREST RATES TO EASE AND WOULD HELP PRODUCTIVE INVESTMENT TO EXPAND. THE COUNCIL WAS AGREED THAT SPECIAL ATTENTION MUST BE GIVEN TO YOUTH UNEMPLOYMENT WHICH IS OF GREAT CONCERN TO US ALL.

WE WERE AGREED ON THE NEED FOR MORE ~~YOUTH~~ TRAINING *for*
young people.

Chamullo

~~HEAR~~ SCHMIDT AND SIGNOR SPADOLINI DREW THE ATTENTION OF HEADS OF STATE AND GOVERNMENT TO THE IDEAS PUT FORWARD BY THEIR GOVERNMENTS FOR A "EUROPEAN ACT". FOREIGN MINISTERS WILL NOW EXAMINE THE IDEAS AND REPORT BACK TO A FUTURE EUROPEAN COUNCIL. IN THIS CONTEXT, THE

/ COUNCIL

COUNCIL ALSO NOTED THE LONDON REPORT ON POLITICAL COOPERATION ISSUED BY FOREIGN MINISTERS ON 13 OCTOBER. THIS EMBODIES A STRONGER POLITICAL COMMITMENT TO COOPERATION ON FOREIGN AFFAIRS AND STRENGTHENS THE MACHINERY FOR POLITICAL COOPERATION.

Heads of State & Govt

~~THE EUROPEAN COUNCIL~~ ALSO DISCUSSED A NUMBER OF OTHER IMPORTANT

Issues

~~POLITICAL TOPICS~~, INCLUDING EAST-WEST RELATIONS AND THE MIDDLE EAST. THE FEDERAL CHANCELLOR TOLD US ABOUT HIS IMPORTANT CONVERSATIONS WITH PRESIDENT BREZHNEV ON THE OCCASION OF THE LATTER'S RECENT VISIT TO BONN. WE ALL AGREED ON THE IMPORTANCE OF KEEPING OPEN THE CHANNELS OF COMMUNICATION BETWEEN EAST AND WEST. WE WELCOMED THE COMMITMENT OF THE UNITED STATES, ANNOUNCED IN PRESIDENT REAGAN'S SPEECH OF 18 NOVEMBER, TO ACHIEVE MAJOR MUTUAL REDUCTIONS IN NUCLEAR AND CONVENTIONAL SYSTEMS.

/ AS THE

AS THE AGREED STATEMENTS MAKE CLEAR, THE COUNCIL ALSO RESTATED
IN STRONG TERMS THEIR CONCERN AT THE CONTINUING SOVIET
OCCUPATION OF AFGHANISTAN.

My noble Friend

~~LORD CARRINGTON~~ GAVE AN ACCOUNT OF THE VISIT OF THE POLISH FOREIGN
MINISTER TO LONDON. THE COUNCIL CONFIRMED ITS DETERMINA-
TION TO CONTINUE TO DO WHAT IT COULD TO SUPPORT POLISH
EFFORTS TOWARDS THE RECOVERY OF THE POLISH ECONOMY.

FINALLY, THE EUROPEAN COUNCIL REAFFIRMED ITS COMMITMENT TO
COMPLETE THE ENLARGEMENT NEGOTIATIONS WITH SPAIN AND
PORTUGAL. I AM GLAD THAT THESE HAVE ^{advanced} ~~MADE PROGRESS~~
^{recent months,}
DURING ~~THE UNITED KINGDOM PRESIDENCY.~~

IT WAS DISAPPOINTING THAT WE WERE NOT ABLE TO MAKE MORE SPECIFIC
PROGRESS ON THE MAJOR ISSUES ^{on the mandate} ~~FACING THE COUNCIL.~~ THIS
WAS NONETHELESS A MEETING WHICH ^{has} ~~WILL HAVE~~ HELPED TO LAY
THE BASIS FOR THE DIFFICULT AND FAR-REACHING DECISIONS,
~~AFFECTING THE FUTURE OF THE COMMUNITY FOR YEARS AHEAD,~~
WHICH HAVE TO BE TAKEN SOON. WE INTEND TO MAKE SURE
^{, which will affect the future of the Community for years ahead,}
THAT THOSE DECISIONS ⁽ SAFEGUARD ~~PROPERLY~~ THE INTERESTS
OF THE UNITED KINGDOM.



Foreign and Commonwealth Office

London SW1A 2AH

28 November 1981

No 10 Duty Clerk

Dear Duty Clerk,

EUROPEAN COUNCIL: PRIME MINISTER'S STATEMENT
TO THE HOUSE, MONDAY 30 NOVEMBER

- / 1. I attach a full set of notes for supplementaries.
- / 2. I also enclose a passage for the statement itself covering European Union and Political Cooperation. The Section on Community subjects, which comes before the section attached, will be telephoned in by Mr Franklin. I should be grateful if, when you have the complete statements, you could let me have a copy for Lord Carrington.

Yours ever,

Jim Poston

J Poston
Resident Clerk




PASSAGE ON EUROPEAN UNION AND POLITICAL COOPERATION SUBJECTS
FOR INCLUSION IN THE PRIME MINISTER'S STATEMENT TO PARLIAMENT
FOLLOWING THE EUROPEAN COUNCIL

Herr Schmidt and Signor Spadolini drew the attention of Heads of State and Government to the ideas put forward by their Governments for a "European Act". The European Council welcomed their initiative. We did not discuss the proposals in the German/Italian draft in substance, but instructed Foreign Ministers to examine them and report back to a future European Council. In this context, the European Council also noted that the Foreign Ministers had already registered substantial progress in Political Cooperation in the form of the London Report of 17 October which embodies a stronger political commitment to cooperation on foreign affairs and strengthens the machinery of Political Cooperation.

The European Council also discussed a number of other important political topics, including East-West relations and the Middle East. The Federal Chancellor told us about his conversations with President Brezhnev. All of the participants in the European Council recognised the Federal Republic's important position on East/West relations and found Chancellor Schmidt's account of great interest. We all agreed on the importance of keeping open the channels of communication between East and West. We also welcomed the commitment of the United States, announced in President Reagan's speech of 18 November, to achieve major mutual reductions in nuclear and conventional sources.

/As



As the Communique makes clear, the Council also restated in strong terms their concern at the continuing Soviet occupation of Afghanistan.

Lord Carrington gave an account of the visit of the Polish Foreign Minister to London. [REDACTED] The Council confirmed their determination to do what they could to support Polish efforts towards the recovery of the Polish economy. We are convinced that Poland must and will solve her own problems with the help of her many friends.

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EUROPEAN COUNCIL: 26, 27 NOVEMBER - FRENCH PRESS REACTIONS

1. THIS MORNING'S PRESS CHARACTERIZES THE EUROPEAN SUMMIT AS A FAILURE - BUT WITH QUALIFICATIONS. LE FIGARO (RIGHT-WING DAILY) HEADS ITS MAIN ARTICLE 'EUROPE: ECHEC A L'AMIABLE'. WHILE THE MANDATE ISSUES THAT REMAIN OUTSTANDING ARE RECKONED TO BE MUCH MORE SUBSTANTIAL THAN THE MEASURE OF AGREEMENT SO FAR REACHED, PRESIDENT MITTERRAND'S COMMENT AT HIS PRESS CONFERENCE IN LONDON YESTERDAY THAT PROGRESS HAD BEEN MADE IS NOT ENTIRELY DISCOUNTED. PRESIDENT MITTERRAND IS SAID BY LE FIGARO TO HAVE TAKEN A MORE PRAGMATIC LINE THAN HAD SEEMED LIKELY IN VIEW OF POSITIONS TAKEN BY THE FRENCH GOVERNMENT ON THE MANDATE IN RECENT WEEKS. HE HAD REFRAINED FROM MENTIONING THE EUROPEAN SOCIAL SPACE OR EMBARRASSING HIS PARTNERS BY PRESSING SUCH SENSITIVE ISSUES AS A REDUCTION IN WORKING HOURS.

2. AMONG POINTS OF AGREEMENT, SOME ARTICLES HIGHLIGHT THE ACCEPTANCE OF INCREASED COMMUNITY BORROWING TO FINANCE INVESTMENT IN ENERGY AND INDUSTRIAL INFRASTRUCTURE. THE AGREEMENT ON REDUCING EEC CEREAL PRICES AND CONTROLLING IMPORTS OF CEREAL SUBSTITUTES IS NOTED, AS IS THE AGREEMENT TO REDUCE MCAS. BUT THERE IS NO DISPOSITION TO CLAIM THAT FRANCE HAS WON A PARTICULAR VICTORY ON ANY OF THESE POINTS.

3. THE FOUR ISSUES THAT REMAIN OUTSTANDING VIZ. THE BUDGET, THE RELATIONSHIP BETWEEN INCREASING CAP COSTS AND THE EEC'S OWN RESOURCES, MILK AND MEDITERRANEAN AGRICULTURE ARE CONSIDERED TO BE EXTREMELY DIFFICULT. FRANCE IS DESCRIBED BY LE FIGARO AS BEING ON THE DEFENSIVE ON THE CAP, ON WHICH THE BRITISH 'ARE ALWAYS READY TO DO BATTLE'. LE MATIN COMMENTS THAT THE BRITISH ARE AWARE THAT TIME IS ON THEIR SIDE - THEY WILL BE IN A POSITION TO THREATEN TO BLOCK THE CAP PRICE-FIXING NEXT SPRING. ON THE BUDGET, LE MATIN SAYS THAT MRS THATCHER, SENSING THAT ECONOMIC AND POLITICAL CONDITIONS ARE NO LONGER AS FAVOURABLE TO HER AS IN 1980, IS SEEKING AGREEMENT ON COMPENSATION COVERING AS LONG A PERIOD AS POSSIBLE.

/4

4. THE EXTENT TO WHICH FRENCH THINKING IS CONDITIONED BY TACTICAL CONSIDERATIONS ABOUT WHO ISOLATES WHOM RATHER THAN BY CAREFUL ANALYSIS OF PROBLEM AREAS WITH A VIEW TO FINDING COMPROMISE EMERGES STRIKINGLY. THE PRESS COMMENTS THAT BONN AND LONDON SHARE COMMON PREOCCUPATIONS WHICH CAN ONLY BRING THEM TOGETHER. LE FIGARO ARGUES THAT THE ROLE OF THE FRG GOVERNMENT WAS THE DOMINANT FACTOR IN THE SUMMIT AND OFFERS SOME COMFORT TO ITS READERS BY COMMENTING THAT THERE IS NO SIGN OF A BONN-LONDON AXIS EMERGING. LE QUOTIDIEN SAYS THAT THE SUMMIT HAS FINALLY PUT AN END TO THE FRANCO/GERMAN AXIS WHICH HAS SERVED AS A PIVOT FOR EUROPEAN CONSTRUCTION FOR THE LAST 20 YEARS. ACCORDING TO LE QUOTIDIEN, FRANCE NOW APPEARS ISOLATED ON BOTH THE IDEOLOGICAL AND POLITICAL LEVELS AND WILL HAVE TO GIVE UP THE AMBITION - CHERISHED BY ALL THE PRESIDENTS OF THE FIFTH REPUBLIC - THAT FRANCE SHOULD BE THE LEADER OF EUROPE.

5. QUESTIONS DISCUSSED IN THE POLITICAL COOPERATION FRAMEWORK ARE MENTIONED BRIEFLY, WITH SOME SPECULATION THAT THE RESERVED POSITION BY EEC HEADS OF GOVERNMENT ON THE MIDDLE EAST WAS DUE PARTLY TO THE NEED FOR FURTHER REFLECTION ON THE OUTCOME OF THE ARAB LEADERS' MEETING IN FEZ.

FCO PLEASE PASS TO ALL SAVING ADDRESSEES.

HIBBERT

(REPEATED AS REQUESTED)

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EUROPEAN COUNCIL: 26/27 NOVEMBER.

1. FOLLOWING ARE TEXTS OF THE COMMUNIQUE:-
BEGINS

EUROPEAN UNION.

1. THE EUROPEAN COUNCIL ^{received} ~~WELCOMED~~ THE INITIATIVE OF THE GERMAN
AND ITALIAN GOVERNMENTS ON EUROPEAN UNION AND TOOK NOTE OF THEIR
PROPOSALS.

2. THE COUNCIL RECOGNISED THE IMPORTANCE OF STRENGTHENING
ECONOMIC INTEGRATION IN PARALLEL WITH POLITICAL DEVELOPMENT.

3. THE EUROPEAN COUNCIL INVITED THE FOREIGN MINISTERS IN
CO-OPERATION WITH THE COMMISSION TO EXAMINE AND CLARIFY THE
GERMAN/ITALIAN PROPOSALS AND TO REPORT BACK TO A FUTURE
MEETING OF THE EUROPEAN COUNCIL.

4. THE COUNCIL TOOK NOTE OF THE REPORTS OF THE COMMISSION
AND OF THE FOREIGN MINISTERS OF THE TEN ON EUROPEAN UNION,
AND RECEIVED THE REPORT ON POLITICAL CO-OPERATION AGREED BY
THE FOREIGN MINISTERS OF THE TEN IN LONDON ON 13 OCTOBER.

CONCLUSIONS ON PORTUGAL AND SPAIN.

THE EUROPEAN COUNCIL RECALLED THAT THE MEMBER STATES
OF THE COMMUNITY DECIDED TO OPEN NEGOTIATIONS FOR THE ACCESSION
OF PORTUGAL AND SPAIN IN THE KNOWLEDGE THAT ALL THE OBJECTIVES
OF THE COMMUNITY, AS SET OUT IN THE PREAMBLE TO THE EEC TREATY,
WERE SHARED BY THE DEMOCRATIC GOVERNMENTS AND BY THE PEOPLES
OF THE TWO COUNTRIES CONCERNED.

THE EUROPEAN COUNCIL CONFIRMED THE POLITICAL COMMITMENT WHICH
WAS THE BASIS FOR THAT DECISION AND EMPHASISED THE DETERMINATION
OF THE COMMUNITY TO BRING THE NEGOTIATIONS TO A SUCCESSFUL CONCLUSION
AND STRESSED THE IMPORTANCE OF CONTINUING PROGRESS. IT RECALLED
THE ACCEPTANCE BY THE APPLICANT COUNTRIES THAT THEY WILL ACCEDE ON
THE BASIS OF THE COMMUNITY TREATIES AND SUBORDINATE LEGISLATION
IN FORCE ON THE DATE OF ACCESSION, SUBJECT ONLY TO SUCH TRANSITIONAL
ARRANGEMENTS AS MAY BE AGREED. IT EMPHASISED THE NEED FOR BOTH
THE COMMUNITY AND THE ACCEDING COUNTRIES TO MAKE GOOD USE OF THE
PERIOD UNTIL ACCESSION FOR CAREFUL PREPARATIONS FOR THE COMMUNITY'S
FURTHER ENLARGEMENT BY INTRODUCING THE NECESSARY REFORMS SO THAT
THE POTENTIAL BENEFITS FOR BOTH SIDES CAN BE REALISED. THE COUNCIL
AGREED THAT IN THE COMMUNITY'S DELIBERATIONS ON ITS INTERNAL
DEVELOPMENT, REGARD WOULD NEED TO BE PAID TO THE IMPORTANCE OF
THE ACCESSION OF PORTUGAL AND SPAIN. IT ALSO AGREED ON THE
IMPORTANCE OF THE CONTACTS ESTABLISHED BETWEEN THE TEN AND THE
APPLICANT COUNTRIES IN THE FRAMEWORK OF POLITICAL CO-OPERATION
AND CONFIRMED THAT IT IS THEIR INTENTION TO CONTINUE TO KEEP
PORTUGAL AND SPAIN CLOSELY INFORMED ABOUT DEVELOPMENTS IN

/ POLITICAL

POLITICAL CO-OPERATION. IT LOOKS FORWARD TO THE DAY WHEN THE LEADERS OF THOSE TWO COUNTRIES WILL TAKE THEIR PLACES IN THE EUROPEAN COUNCIL AS FULL AND EQUAL MEMBERS.

POLITICAL COOPERATION.

A. THE CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY GAVE HIS COLLEAGUES AN ACCOUNT OF HIS CONVERSATIONS WITH PRESIDENT BREZHNEV IN BONN ON 22-25 NOVEMBER. THE EUROPEAN COUNCIL WERE IN FULL AGREEMENT ON THE SIGNIFICANCE OF THIS MEETING, AND ON THE NEED TO KEEP CHANNELS OF EAST/WEST COMMUNICATION OPEN BETWEEN GOVERNMENTS AT ALL TIMES. THE EUROPEAN COUNCIL WELCOMED THE PRESENTATION BY THE FEDERAL CHANCELLOR ON DETENTE, COOPERATION AND DISARMAMENT.

B. THE EUROPEAN COUNCIL WELCOMED THE COMMITMENT OF THE UNITED STATES, ANNOUNCED IN PRESIDENT REAGAN'S SPEECH OF 18 NOVEMBER, TO THE GOAL OF MAJOR DISARMAMENT BY MEANS OF MUTUAL REDUCTIONS IN NUCLEAR AND CONVENTIONAL FORCES AND CONFIDENCE BUILDING MEASURES. THEY LOOKED FORWARD TO THE OPENING NEXT WEEK OF NEGOTIATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION ON INTERMEDIATE RANGE NUCLEAR WEAPONS, AND EXPRESSED THE HOPE THAT THESE WOULD LEAD TO EARLY AND POSITIVE RESULTS.

C. THE EUROPEAN COUNCIL CONSIDERED THE STATE OF NEGOTIATIONS AT THE CSCE FOLLOW-UP MEETING AT MADRID. DESPITE THE DIFFICULTIES THEY EXPRESSED THE DESIRE FOR A POSITIVE OUTCOME IN THE FORM OF A SUBSTANTIVE AND BALANCED DOCUMENT BY THE END OF THE YEAR, INCLUDING AGREEMENT ON A PRECISE MANDATE FOR A CONFERENCE ON DISARMAMENT IN EUROPE TO NEGOTIATE CONFIDENCE BUILDING MEASURES IN THE WHOLE OF EUROPE. THEY ARE READY TO MAKE EVERY EFFORT TOWARDS THIS END AND THEY LOOK TO ALL PARTICIPANTS TO SHOW THE SAME POSITIVE SPIRIT.

D. THE EUROPEAN COUNCIL HEARD A REPORT FROM LORD CARRINGTON ABOUT THE VISIT OF THE POLISH FOREIGN MINISTER TO LONDON ON 20 NOVEMBER. THEY TOOK NOTE OF PAST AND CURRENT COMMUNITY PROGRAMMES TO SUPPLY FOOD AT SPECIAL PRICES TO POLAND AND WELCOMED THE BUDGET COUNCIL'S RECENT ACCEPTANCE OF AN INITIATIVE FROM THE EUROPEAN PARLIAMENT TO MAKE ADDITIONAL SUMS AVAILABLE FOR THIS PURPOSE. THE HEADS OF STATE AND GOVERNMENT REAFFIRMED THEIR WILLINGNESS, WITHIN THE LIMITS OF THE MEANS OF THE COMMUNITY AND ITS MEMBER STATES AND IN COLLABORATION WITH OTHERS, TO RESPOND TO THE REQUESTS OF THE POLISH GOVERNMENT FOR CONTINUED SUPPORT FOR THE EFFORTS OF THE POLISH PEOPLE TO PROMOTE THE RECOVERY OF THEIR NATIONAL ECONOMY. THEY BELIEVE THAT THE RESCHEDULING OF THE POLISH DEBT AND THE PROVISION OF NEW CREDIT WOULD MAKE AN IMPORTANT CONTRIBUTION TO THAT END.

E. THE EUROPEAN COUNCIL CONSIDERED THE CONTINUING TRAGEDY OF AFGHANISTAN. THEY NOTED THAT, IN FLAGRANT DEFIANCE OF INTERNATIONAL OPINION AS EXPRESSED IN THREE SUCCESSIVE RESOLUTIONS PASSED BY OVERWHELMING MAJORITIES OF THE GENERAL ASSEMBLY OF THE UN, THE SOVIET OCCUPATION OF AFGHANISTAN CONTINUED WITH ITS ASSOCIATED REPRESSION AND BLOODSHED. THE HEADS OF STATE AND GOVERNMENT

AGREED THAT THE SITUATION WAS IMMENSELY DAMAGING TO INTERNATIONAL
TRUST AND CONFIDENCE. THEY CONFIRMED THEIR BELIEF THAT THEIR
PROPOSALS OF 30 JUNE OFFER A REASONABLE AND PRACTICAL APPROACH
TO SOLVING THE PROBLEM.
ENDS.

CARRINGTON

FRAME & GENERAL
ECD (I)

PRIME MINISTER

Euro Council : Press Conference

The Press Conference, as you know, will be held in the Grand Hall of the Connaught Rooms. We shall need to give journalists time to get over there. It would therefore be sensible to have a briefing meeting here in Lancaster House before you leave for the Press Conference.

Immediately after the Press Conference (which will be televised and recorded) you have agreed to do radio and television interviews (BBC Radio and TV, ITN and IRN) in a small ante room there.

If you agree I will select the questions at the Press Conference so that you can concentrate on the Q and A.

Background

The Council is dominated by one issue - the Mandate. So far there has been little interest in other matters, though I am being asked about the EMS, especially in view of the rising value of the pound. We also have the usual Arab/Israeli lobbies who will no doubt ask questions on the Middle East.

I would also expect you to be asked to react to Crosby. You may think it would be sensible to give a short comment. The text of your overnight statement is at Annex A.

I am sure that the broadcasters will also ask about Crosby. I think it is reasonable for you to suggest they use any comment you give in the Press Conference rather than go over it again in interviews. Agree?

Presentational Problem

Your presentational problem, assuming no progress on the Mandate, is to come out of the Council looking positive. In

/all

all our briefing yesterday we were probably more cautious about the prospects of progress than most other countries. There was however an air of hope, if not real expectation, around overnight. This morning we have dispelled that by reporting frankly that officials had really got nowhere by 6 a.m.

But we have sought all the time to portray you and your officials as labouring long and hard as Presidents to make progress; and that it will not be for want of trying on your part if the London Council does not move it forward. In short the media are prepared for a disappointment.

Your line might therefore be, in sorrow rather than anger: a missed opportunity, but the problem won't go away and will have to be faced soon.

You may also feel it would help briefly to indicate the wide range of topics covered by the Council to demonstrate that it was not a total waste of time. A speaking note is at Annex B.

Press Conference Itself

This will be a Presidency Press Conference and M. Thorn will join you. It is customary to invite him to say a few words about the Council's outcome after your introductory remarks.

In giving this Press Conference as President of the Council it is important for you to say in answering questions where you are making solely UK national points.

The media are, of course, likely to look for a scapegoat, but they will also be concerned to take the Mandate forward and to gauge your resolve:

Is there any real prospect of a deal?

When do you see it being settled?

What are the deadlines?

/Will

Will there have to be another big row?

No doubt you will agree that this is not the time to raise the temperature. But I believe it is very important for you, tactically and politically at home, to demonstrate your utter resolve to get a fairer and better balanced financial structure in the Community.

Spencer

27 November 1981

ANNEX A

"I congratulate Mrs. Williams on a great personal victory. But we believe that our policies are the right ones for the long-term future of our country and that this will be apparent before the next General Election."

Euro Council Press Conference - Speaking Note

Welcome to London.

Council, held on the Presidency, covered a wide range of topics:

Economic and social situation;
International situation (Schmidt reporting on Brezhnev talks);
Enlargement of the Community;
German/Italian proposals for a European Act; and
The reform of the CAP and Community Budget - the so-called Mandate

You have the Presidency conclusions set out on paper.'

I will not therefore deal with the whole of the agenda but highlight one or two things.

Had very useful discussions in a good atmosphere. But regret not possible to register decisive progress on Mandate.

Economic and Social Situation

Dealing first with economic and social situation.

The Council had a useful and interesting discussion based on an excellent paper by the Commission. The Commission's conclusions were endorsed. It was agreed that the objectives of fighting inflation and unemployment required the conduct of determined policies to bring public deficits under control, to keep monetary policy within proper limits and to ensure that production costs, and notably wage costs, were kept at the right level. It was agreed that attention should also be paid to the costs of distribution in some member states. Sound policies to combat inflation required control of public deficits so as to reduce interest rates and stimulate productive investment. Attention also needed to be given to the problem of youth unemployment.

/The Commission

The Commission will be submitting a further paper to the Finance Council which will be considering how to improve co-ordination and increase investment in the Community. I stressed that co-ordination was no substitute for the right policies within the member states.

At its next meeting in March the European Council will return to this theme of greater stability of monetary conditions leading to more jobs. It will also be looking at the future of the European Monetary System on the third anniversary of its creation.

Mandate

Turning to the Mandate we as the Presidency have tried very hard to take forward the Mandate; to narrow differences; to seek agreement. Regret not possible to register decisive progress we had hoped. Problem now goes back to Ministers for another effort.

We have made some progress and had the benefit of long, detailed discussions. Officials worked all night to try to take it forward. Not succeeded this time round. But confirmed my view that the problem will be solved - as it must be.

Of course I am disappointed. I believe it was an opportunity lost. Efforts will continue to reach decisions in the early months of next year.

POLITICAL COOPERATION

NOTES FOR OPENING STATEMENT

EAST/WEST RELATIONS

East/West relations the centre-piece of our political discussions.

Schmidt/Brezhnev

Chancellor Schmidt gave us a fascinating account of his conversations with President Brezhnev. This had clearly been a significant meeting. All agreed on the need to keep open the channels of communication between governments.

Reagan/TNF

We welcomed President Reagan's speech on 13 November, a major statement on disarmament and arms control from conventional right up to strategic levels. We look forward to the negotiations which begin in Geneva on Monday. We hope that these talks will lead to early and positive results.

Poland

Lord Carrington reported on the visit of the Polish Foreign Minister to London last week. Strong sympathy with that country in her present economic predicament. Determination to continue to help, within the limits of our means and on assumption that others will also continue to contribute. Convinced that Poland must and will solve her own problems with support of her many friends.

CSCE

We continue to hope and work for a positive outcome in the form of a substantive and balanced document by the end of the year, including agreement on a precise mandate for a conference on Disarmament in Europe to negotiate confidence-building measures

in the whole of Europe. This objective is still within our reach.

Afghanistan

Hard to find new words for the continuing tragedy in Afghanistan. Only a few days since the UN General Assembly passed a third resolution calling for withdrawal of foreign troops. Majority this time even larger than before. Calamity for Afghanistan and highly damaging to international trust and confidence. Our proposals of 30 June offer a reasonable and practical approach to solving the problem. They remain on the table. As the General Assembly showed, the world is not going to forget this problem.

MIDDLE EAST

Lord Carrington reported on his visit to Riyadh and we had a discussion about the Middle East. In view of our very recent statements on this subject, we decided on this occasion that no particular purpose could be served by repeating them. Our position remains unchanged. We shall continue to do whatever we can to promote a comprehensive just and peaceful settlement in the Middle East.

EUROPEAN UNION

GENERAL REACTION

German/Italian initiative generally welcomed. Need for renewed political impetus in Europe a main theme of UK Presidency.

SUBSTANCE

Proposals themselves not discussed. But fair to say that discussion suggested some members may have difficulties when we discuss substance.

TIMESCALE

Work likely to begin under Belgian Presidency.

SECURITY

Some security matters eg CSCE, disarmament already discussed by Ten - see statements on East/West relations. But nine members belong to NATO where they discuss defence questions; and Irish do not belong to any military alliance.

NOTES FOR SUPPLEMENTARIES

Set-back for Europe?

It has been clear from the outset that the Mandate discussions would raise profoundly difficult issues which affect the national interests of all Member States and the whole future of the Community itself. It is not surprising that such decisions should take time. But the problems will not go away and they will not get any easier to solve through delay. I hope all Member States will reflect after this Council on the issues discussed and accept the need to make rapid progress in the first few months of next year.

Set-back for Britain?

Of course disappointed that it was not possible to make progress. But the way to get results in the Community is perseverance. Let no-one think that our determination to see the necessary reforms brought about has weakened.

Other Member States deliberately delaying decisions

It is not for the Presidency to point the finger at specific Member States for the failure to agree at the Council.

Where do we go from here?

The work on the various subjects covered by the Mandate will be taken forward by the relevant Councils. The Foreign Affairs Council will have specific responsibility for the budget problem and for the overall preparations for the March European Council.

1982 Refunds?

The 30 May Mandate makes clear provision for a third year of refunds on the lines of those agreed for 1980 and 1981, if this proves necessary. We need not decide now whether it is necessary or not. The refunds will be paid from the 1983 Budget. The target we have now set ourselves is to agree on a lasting budget arrangement which could apply with effect from 1982.

1980/81 Refunds?

The 30 May Mandate decision laid down clear provisions for the Community institutions to apply. The European Council has been

/talking

talking about the future, not the past. Certainly there are disadvantages in ad hoc arrangements made from year to year on the basis of advance estimates which cannot be perfect. That is why we are looking for a better way of doing things.

Shows that EC Reform impossible

We always said that it would be difficult, but the negotiation is not over yet. The UK will continue to press for satisfactory reforms covering both the CAP and the budget problem. I am not prepared to settle for something which does not match the scale of the problems.

Assessment of UK Presidency?

Still a month to go. Community policy is not made by this or that Presidency. It is a continuing effort to reach consensus. During our Presidency we have made a determined effort on the 30 May Mandate and have chalked up considerable progress in other fields - for example the strengthening of political co-operation; progress towards enlargement; advance towards a Common Fisheries Policy; better working relations with the European Parliament. Britain will continue to play a full part in the Community's work under succeeding Presidencies.

(If pressed on the UK Presidency)

Made clear at the outset that Presidency not the opportunity to score a string of resounding national successes. Keynote responsible stewardship of the Community's affairs and solid progress on as many dossiers as possible. Believe we are doing well on this; examples of areas in which we have already made good progress, and in many of which we are working for more before end of Presidency:-

- Settlement on 17 September of dispute over 1980/81 EC budgets, which had involved three Member States withholding part of their contributions. Amending budget also reduced CAP support expenditure by £350 million allowing increase in Regional Fund and money for development aid.

- Progress on Fisheries: agreement on important elements of a Common Fisheries Policy, including market regime.
- Useful work on energy, including agreement on measures to limit the effect of oil shortfalls.
- Major effort to make progress on internal market: particularly to get agreement on non-life insurance services directive, and to liberalise air transport system, including cheaper air fares. Still working hard for agreement on these matters and other measures to liberalise inter-EC trade e.g. by removal of non-technical barriers.
- On external front, successful Development Council (3 November) which agreed on a number of important matters concerning EC aid programme, e.g. additional food aid programme of 40 mecu for poorer countries and guidelines for 1982 and to non-associates.
- Successful Joint Commissions with Romania and China.
- Successful EC/ASEAN Ministerial meeting (13/14 October): first example of co-operation between regional groupings.
- Third tranche of food for Poland at special prices.

ECONOMIC AND SOCIAL SITUATION - PRESS BRIEF

1. The Council had a useful and interesting discussion based on an excellent paper by the Commission. The Commission's conclusions were endorsed. It was agreed that the objectives of fighting inflation and unemployment required the conduct of determined policies to bring public deficits under control, to keep monetary policy within proper limits and to ensure that production costs, and notably wage costs, were kept at the right level. It was agreed that attention should also be paid to the costs of distribution in some member states. Sound policies to combat inflation required control of public deficits so as to reduce interest rates and simulate productive investment. Attention also needed to be given to the problem of youth unemployment.
2. The Commission will be submitting a further paper to the Finance Council which will be considering how to improve coordination and increase investment in the Community. The Prime Minister stressed that coordination was no substitute for the right policies within the member states.
3. At its next meeting in March the European Council will return to this theme of greater stability of monetary conditions leading to more jobs. It will also be looking at the future of the European Monetary System on the third anniversary of its creation.

Unemployment
2 points made by GKS.

Cymnich A - 2
T. ...

4 issues write on them
urgently so that decisions
can be taken as soon as

DRAFT FINAL SUMMING UP

Foreign Minister
to make recommendations
to work 1 hour.

possible and no later than the
next European Council.

We cannot conclude today but I think we are very close to agreement on what we might agree about.

The agreement that we might reach depends on each of us being certain that the components will be implemented in parallel. Today we have not got beyond principles on any of the components. When it comes to translating the principles into action, we must be sure that each will be made effective in the same timescale.

The elements are:-

The special position of
farmers with small income
who depend on one type of
product

①
small

i) Small milk producers - we are agreed that this problem should be examined. Everything turns on what we decide when the Council takes action.

ii) A financial guideline for agricultural expenditure - we are agreed that agricultural expenditure should for the time being grow less rapidly than the Community's own resources. It will be for the Council and the Commission to implement this.

iii) Mediterranean agriculture - we are agreed on the urgent need to examine the existing provisions. Once again the decisions have to be taken.

iv) The New Community Instrument - we are agreed in principle on an increase of 3 billion ecus, but at the right time and when all the components of our agreement are in place.

v) The Budget problem. We cannot conclude this today. We have not yet discussed figures and the figures have to be agreed before the negotiation is complete. However, the Commission have provided a text which gets us a long way towards our goal; but not the whole way.

/I have

I have a proposal to put to you. If you can meet me and if we are agreed on parallel progress when we get to the implementation stage, I am sure that we will complete our agreements on small farmers, the agricultural guideline, Mediterranean agriculture and the New Community Instrument.

Let us take the Community ^{ission} text as our basis. I need two changes in it -

i) A review after a period of years so that, if at the end of that time the problem has not been solved by changes in the balance of Community policies, then the financial arrangement will continue.

ii) Relative prosperity as a key objective criterion in determining the scale of refunds.

Economic and Social Situation

Points to Make

1. We discussed excellent Commission paper.
2. Pointed to signs that business cycle in Europe is turning up. Chance of modest growth in 1982 (2% for EC as a whole).
3. Agreed that to cut unemployment important to cut public deficits, leading to lower interest rates, more investment, more jobs.
4. The key to more jobs is thus disciplined financial policies at home.
5. European Council will return next March to theme of greater stability leading to more jobs.
6. Next Council will also take stock of EMS on 3rd anniversary of its creation.
7. We shall be seeking to improve co-ordination of policies. But co-ordination is no substitute for correct domestic policies.

27.11.81

583

AMENDMENTS TO THE DRAFT
CONCLUSIONS OF THE EUROPEAN COUNCIL
(Annex to 10910/81 MAN 18)

RESULT OF THE WORK OF
THE DRAFTING GROUP

Send to Ag. Council,
& for Ministers.

Transmit Council. -

I. DEVELOPMENT OF COMMUNITY POLICIES (other than the CAP)

Borrowing and Lending Policy

Page 5, paragraph 9

The European Council approved the continuation of the new Community instrument for loans to increase investment in infrastructure, industrial renewal and development and self-sufficiency in energy in the Community. It agreed that the instrument's loan capacity should be increased [by 3 billion ECU]⁽¹⁾ to be raised on the market at a rate corresponding to the needs. It invited the Council (ECO/FIN) to decide on the necessary conditions and timing.

X

Social Policy

or within the available

Page 10, paragraph 20, line 6:

After "in real terms", add "within the financial resources available".

✓

Regional Policy

Page 11, paragraph 23

With regard to the review of the European Regional Development Fund, on which decisions should be taken not later than 1 April 1982, the European Council agreed that the financial resources of the Fund should continue to grow in real terms within the financial resources available and that the quota section of the Fund should concentrate its activities more than in the past, but not exclusively, on the areas of greatest need in the less-prosperous Member States. The non-quota section, whose operations, while not subject to geographical limitations, might give preference to the less-prosperous Member States, could be increased and should be particularly directed to deal with structural imbalances caused by problems of industrial decline or by the effects of certain Community policies. ⁽²⁾

✓

(1) Addition requested by the French and the Italian delegations.

(2) The Belgian, French and Irish delegations have placed a reservation on the reference to less prosperous Member States in the non-quota section. For the French delegation this reservation applies also to the quota section.

.../...

shall would generally for release

Point 25 -- Implementation

The European Council invited the Council to examine as a matter of urgency the existing Commission proposals on the guidelines set out in this chapter, with particular reference to those having a bearing on the social sphere, and to make sure as far as possible that the necessary decisions are taken before the next European Council to which report will be made.

It requested the Commission to submit without delay proposals on the other guidelines in this chapter so that the Council, using this as a base, could prepare a programme of work to be endorsed by the next European Council.

.../...

II. THE COMMON AGRICULTURAL POLICY

3. The European Council considers a prudent price policy to be necessary, at the same time taking account of

- the need to ensure a fair standard of living for the agricultural Community ⁽¹⁾ *(together with the other objectives in Art 39)*
- the need to achieve in some sectors a greater market equilibrium
- the relationship between Community support prices and the level of comparable support prices for similar products in the main competitor countries. ⁽²⁾

(1) German and United Kingdom reservation, linked to the acceptance of the third indent as it stands

(2) Danish, French and Irish reservation

5. The Commission was invited to study the particular problem for farm incomes arising from differential rates of inflation and to report by 1 March 1982.

2 [6. The following paragraphs lay down for certain products guidelines for arrangements to adjust the level of guarantee when production in an individual sector exceeds an agreed guarantee threshold. The modalities for other sectors will vary depending on the circumstances, taking into account the Commission's memorandum of 23 October 1981.] (1)

(1) Reservations by Irish and French delegations

7. The following modalities should be adopted:

(a) Cereals

ALTERNATIVE A

The Community's prices for cereals should be fixed in the coming years so as to achieve a better hierarchy of agricultural prices and in such a way that Community cereal prices come progressively closer to those of main competitor countries. This policy will reduce and in the long term remove the competitive advantage enjoyed by imports of products which substitute for cereals. (Discussion with the principal third country suppliers should be undertaken by the Community, where necessary, to stabilize the volume of imports of such substitutes in the short and medium term.)

*U.K.
Common
Policies*

The modulation of guarantees for cereals should take the form of a reduction in the intervention price if production exceeds a level fixed in advance. ⁽¹⁾

ALTERNATIVE B (PROPOSAL BY THE FRENCH DELEGATION)

The Community's prices for cereals should be set in such a manner as to gradually achieve a better hierarchy of agricultural prices. Negotiations on the stabilization of manioc imports should be successfully concluded and the Council should examine as a matter of urgency how talks with the main third country suppliers should be embarked upon in order to stabilize the volume of imports of other substitutes which compete directly with cereals.

*Take out
propositional
part of
second
para.*

The modulation of guarantees for cereals should take the form of a reduction in the intervention prices once imports of cereal substitutes have been stabilized.

⁽¹⁾ - reservation by the Irish delegation

- 1) on the principle of the modulation of guarantees
- 2) on the principle of bringing cereal prices progressively closer to those of main competitor countries

One point - Symmetry

(b) Milk

#

- don't want to run
small farmers -

||

ALTERNATIVE A

✓ The modulation of the guarantee for this product should be decided by the Council not later than 31 March. ✓

ALTERNATIVE B (PROPOSAL BY THE COMMISSION)

What - don't want WRONG PART to PURSUE.
+
+
+

Modulation of the guarantee should be achieved by continuing the existing coresponsibility levy at its present level, taking into account the situation of small producers, and by other measures so that producers participate in the cost of disposal of surplus production.

ALTERNATIVE C (PROPOSAL BY THE FRENCH DELEGATION SUPPORTED IN PART BY BELGIAN AND LUXEMBOURG DELEGATIONS)

x In the milk sector, the modulation of the guarantee should be obtained by continuing the co-responsibility levy at its present level, by exempting small producers (and, when the market situation so dictates, by introducing other measures involving the participation of certain producers.

ALTERNATIVE D (PROPOSAL BY THE IRISH DELEGATION)

The arrangement for this product should be decided not later than 31 March.

No. 2
0.2.

for who milk is
the principal source
of revenue.

Symmetry

Irish
income of
farmers

.../...

and to the need for economy in C.A.P. expenditure

Mediterranean agriculture

ALTERNATIVE A

Commission

X

10. In view of the importance of Mediterranean products for the development of the Mediterranean regions, the European Council agreed on the urgent need to improve the existing provisions. It invited the Council to adopt the appropriate decisions on the basis of Commission proposals by 31 March 1982.

ALTERNATIVE B (proposed by French delegation, supported by Italian and Greek delegations)

10. In view of the importance of Mediterranean products for the development of the Mediterranean regions, the European Council agreed on the urgent need to improve the existing provisions, particularly for olive oil, wine, and fruit and vegetables, in order to ensure a fair income for producers and to avoid the occurrence and spread of crises. The Council is invited to take the appropriate decisions on the basis of the Commission's proposals by 31 March 1982.

ALTERNATIVE C (proposed by the German and United Kingdom delegations)

10. In view of the importance of Mediterranean products for the development of the Mediterranean regions, the European Council agreed on the urgent need to examine the existing provisions. It invited the Council to adopt the appropriate decisions on the basis of Commission proposals by 31 March 1982.

in particular olive oil, wine
fruit vegetables

Export and Import Policy

11. becomes point 12(d)

12. In its policy concerning trade in agricultural and processed agricultural products, including Mediterranean products, the Community should have regard to Community preference, to the Community's international obligations, and to the good management of the markets and the budget. In particular:

(a) The Community should pursue an active export policy.

(b) The Council should consider framework agreements for the multi-annual supply of products to importing countries, specifying in each case the products and provisions to be included. ⁽¹⁾

*looking for
then we can
have the export
commitment*

(c) The Commission should monitor the level of imports of products which could affect the Community markets. ⁽¹⁾

(d) The Community should continue to co-operate, for appropriate products with other major trading partners with a view to achieving greater stability in world markets. ⁽¹⁾

⁽¹⁾ French reservation

National Aids

13. The European Council noted that national aids represent a significant proportion of the overall expenditure on agriculture within the Community. Aids to agriculture complement in some cases the Community's expenditure on agriculture; but they can also singly or cumulatively distort competition and encourage surplus production. The Member States must therefore ensure greater respect for the Community rules and procedures concerning national aids, and the Commission should ensure that these provisions are more strictly observed by applying the necessary disciplines and sanctions. The Council should adopt, on a proposal from the Commission, a regulation specifying which aids are to be notified, which are prohibited, and which are authorized. ⁽¹⁾
14. The Commission was invited to submit to the Council a study of the economic impact of national aids, taking account of their consequences for agricultural production, incomes and financial solidarity.

⁽¹⁾ French and Greek reservation

ALTERNATIVE A

- Schwilke . Acceptance to U.K. F.R.G. Berlin

17. It will be the responsibility of the Council, acting on proposals by the Commission, to adopt the necessary decisions on implementation of the above guidelines to ensure that for the time being agricultural expenditure will grow less rapidly than the Community's own resources. It will be the responsibility of the Commission to manage agricultural expenditure within that framework. (1)

Ap. 12 F. Ir. Greece Ireland

ALTERNATIVE B (Proposal by the Danish delegation)

17. It will be the responsibility of the Council, acting on proposals by the Commission, to adopt the necessary decisions on implementation of the above guidelines which would imply that for the time being agricultural expenditure will grow less rapidly than the Community's own resources. It will be the responsibility of the Commission to manage agricultural expenditure efficiently.

ALTERNATIVE C (Proposal by the French delegation)

17. The European Council considered that implementation of these guidelines by the Council should ensure that agricultural expenditure grows less rapidly than the Community's own resources, as has been the case over the last two years.

Comm: U.K.

(1) The Commission suggests the following declaration:

"In the opinion of the Commission the implementation of the orientation adopted in paragraph 17 should be evaluated as an average over several years in the case of erratic evolution in the conditions under which the common agricultural policy is executed".

The Greek delegation has a reservation linked to Mediterranean agriculture

The Irish delegation has a reservation linked to the income situation in the farming sector

The Italian delegation has a reservation linked to the feasibility of the guideline in the event of falling world market prices.

Implementation

19. The Council (General affairs) in liaison with the Ministers of Agriculture should establish the procedure which will make it possible for decisions to implement the above guidelines to be taken.

The European Council accordingly invited the Commission to make the appropriate proposals, and the Council to take the necessary decisions, to ensure that the adaptations outlined in the preceding paragraphs enter into force from the 1982/1983 season.

.../...

CHAPTER III. BUDGETARY PROBLEMS
A. TEXT PROPOSED BY THE PRESIDENCY

1. The object of the Community budget is to finance agreed Community policies. At the same time the creation or recurrence of an unacceptable situation for any Member State must be avoided and the overall convergence of the economies of Member States must be fostered, without imposing an undue burden on any Member State.
2. In the long term the reconciliation of these objectives will be achieved through the development of Community policies and of the balance between them. The conclusions reached in Chapters I and II above are a first step in that direction.
3. But the process of reconciling the objectives by these means will take a period whose length cannot be predicted with any precision and, in the meantime, a budgetary corrective arrangement will be needed, if unacceptable budgetary situations are to be avoided.
4. The corrective arrangement will need to deal not only with the problem already recognised by the Community when the financial mechanism was agreed, but also with the imbalance in the distribution of expenditure, notably FEOGA guarantee expenditure. The arrangement will be based on objective criteria, so that there will be no need for an annual negotiation. It will take account of relative prosperity as between Member States and progress in achieving balance in Community policies. It will also take account of the volume of net contributions of Member States with undue burdens which must be limited.

5. The financing of the corrective arrangement will be achieved within the agreed VAT ceiling, if necessary by a method which avoids any net budgetary impact: and without putting at risk the financing of other agreed Community policies. The financial effects of the corrective arrangement will have regard to whether the payments come from Member States below or above the Community average GDP per head and whether they already have a problem arising from the Community budget.

6. The corrective arrangement will apply with effect from the Community's 1982 budget year. The Council, acting on a proposal of the Commission, will take the necessary detailed decisions by 31 December 1981.

7. The detailed arrangements so agreed will be reviewed after seven years to consider the progress made towards the Community's long term budgetary objectives and whether any changes are needed.

Unkennlich
Politik
Kommunikation 14 -

Frankreich
Kommunikation

See
in
Part 1

B. TEXT PROPOSED BY THE COMMISSION

The European Council noted that all the work carried out since the submission of the Commission report complied with the Mandate of 30 May 1980 which aimed to resolve budgetary problems by developing or adapting Community policies without calling into question the principles on which they are based, particularly in the case of the CAP. The effects of the measures being prepared will not, however, be felt to any significant degree for some time.

For this reason, the European Council adopted the principle of financial compensation measures for the United Kingdom to be implemented as from the 1982 financial year. Such measures would be decided upon for a specific period. They should not affect the Community's financing system.

subject to review.

2.7.8

The amount of the compensation would be arrived at annually on the basis of the actual figures for each year using an objective indicator to measure the true extent of the problem and in the light of the agreed rates of compensation. In this way recurrent annual negotiation would be avoided.

Costs

The costs arising from the compensation paid to the United Kingdom would be shared according to an ad hoc scale to be decided upon by the Council in accordance with the policy of solidarity which the Community intends to continue to apply towards its less prosperous members and taking into account the specific nature of the German budgetary problem.

~~Handwritten scribble~~

Very difficult to give to last para.

and in the light of decreasing need of compensation →

Financing, very difficult...

C. TEXT PROPOSED BY THE FRENCH DELEGATION

1. The European Council reviewed the Community's budgetary situation on the basis of the report from the Commission.

2. The European Council recognized that a better balance between Community policies was necessary in order to create a sound basis for the further development of the Community.

3. The European Council noted that its conclusions concerning the development of Community policies and the adaptation of the common agricultural policy constituted significant first steps in this direction.

4. The European Council agreed that a temporary, exceptional common action, allowing for an alleviation of the budgetary burden of the UK, should be established, under which funds would be made available to the UK from the budget of the Community for a short period.

5. The European Council invited the Council (General Affairs) to fix, at its next session, the duration and the degressive, arbitrary amounts to be made available.

Handwritten: needed end.

Subject: MANDATE OF 30 MAY

Draft conclusions of the European Council prepared by the
Presidency (Second Revise) _____

10910/81

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E

PREAMBLE

- Not necessary -

Final.

lie also sit with -
Community

1. The European Council recalled the fundamental objectives of peace, freedom and progress on which were based the original decision to establish the Community and to put behind them the excesses of economic and political nationalism which had been the cause of great suffering to their nations. The history of the last thirty years had shown the major contribution which the Community had made to the achievement of these objectives.

X

Collaboration and integration between their economies were now realities which no Government could disregard. The welfare and progress of each of their peoples was more than ever dependent on the harmonious development of the Community itself and of the other nations in it.

2. It recognized that developments on the international scene, both in the economic and in the political fields made it essential to strengthen the role of the Community and of its ten Member States acting in concert at all levels.

X

If this did not happen, there was a real risk of a process of regression in which national interests would prevail over the general interest of the Community. Moreover the Community and its Member States increasingly had responsibilities towards the outside world, in particular to the peoples of the Third World for whom it provides the largest market and also the largest source of official Government aid.

3. It was in this overall context that the European Council reviewed the development of Community policies in conformity with the Decision of 30 May 1980 and on the basis of the Commission's report of June 1981.

X

4. It concluded that, despite the important progress made, the Community's development had been uneven, as the Commission had recognized in its report. If the Community was to live up to the hopes and aspirations of the people of Europe, and to

recover its dynamism, European integration must be strengthened and diversified. The Community needed now to build on the achievements of the common agricultural policy and the tariff-free market by removing the remaining obstacles to the development of trade and by finding effective answers to the current social and economic problems which faced all Member States, concentrating its resources where they are most needed. The harmonious development of the Community required that the Community instruments and mechanisms be developed which permit action geared to the situation and specific needs of the least-prosperous Member States in an effort to tackle their structural problems.

5. It therefore decided to give a renewed impetus to the development of Community policies on a broad front.

The following chapters set out the framework within which it agreed that this renewal of the Community should be carried forward.

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Community instruments and mechanisms be
action geared to the situation and
least-prosperous Member

DEVELOPMENT OF COMMUNITY POLICIES (OTHER THAN THE CAP)

Overall Community economic strategy

This is a very bad action

*1-11-81
Public debate*

1. The European Council agreed that an overall economic strategy in the Community is essential to combat unemployment and inflation. *and to encourage convergence.* Priority should be given to encouraging productive investment and raising competitiveness as a basis for creating durable jobs, bringing about sustainable economic growth and reducing unemployment. At the same time the Community should pursue the reduction of its dependence on external sources of energy, in particular oil.

X

2. In addition to measures taken at a world-wide level in pursuit of these common objectives, the European Council underlined the contribution that Community policies can make especially in all the areas set out below.

X

A. Employment policy

*1-11-81
what?*

3. The European Council agreed that as a complement to macro-economic policy decisions effective action in the social field to alleviate unemployment should be taken at both the Community and the national level.

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✓

4. At the Community level full use should be made of all appropriate Community instruments and policies, as set out in succeeding sections of these conclusions.

X

5. It agreed that the Council (Social Affairs) should review as a matter of urgency the various existing means of consulting the social partners with a view to making them a more effective channel for a genuine dialogue. (See also paragraphs 18 and 19.)

.../...

B. Economic policy

6. The European Council agreed that the achievement of the Community's overall objectives would require stronger economic disciplines and concertation. The Community should ensure, through a careful comparison of national policies, that the main economic and sectoral objectives of the Member States are consistent with the maintenance and strengthening of the Community as well as with the object of consolidating the EMS. It therefore called for a more effective coordination of national economic policies and invited the Commission and the Council (ECOFIN) to make fuller use of the machinery set up for that purpose and to consider whether it needed strengthening.

C. Monetary policy

7. The European Council welcomed the success of the EMS in creating a zone of currency stability in Europe. It agreed that it should be further developed both as a key element in progress towards economic and monetary union and the creation of a European Monetary Fund, and to encourage a more stable international economic environment. It invited the Council (ECOFIN) to take stock during 1982 of the preparatory work done on these matters and in particular to take the necessary steps:

- in which decision*
- to achieve greater concertation of national monetary policies;
 - to encourage the use of the ECU for Community loans and on financial markets by both public and private borrowers;
 - to seek improvements in monetary co-operation with the Community's principal partners, in particular insofar as exchange rate and interest rate policies were concerned.

D. Borrowing and Lending policy

8. The European Council welcomed the moves recently made to expand the scope of the Community's financial instruments, (EIB, ECSC, EURATOM and the NCI) in order to promote investment

X including investments in infrastructure as part of a progressive industrial and economic strategy. While recalling the need to maintain the ability of the Community and its Member States to borrow on suitable terms in the international and domestic capital markets, it agreed that there should be expansion as appropriate of these instruments to further agreed Community policies.

- X 9. [The European Council decided to transform the new Community instrument for loans into a European Fund to increase investment in infrastructure, industrial renewal and self-sufficiency in energy in the Community and agreed that the Fund's loan capacity should forthwith be increased by 3 billion ECU to be raised on the market at a rate corresponding to the needs.] *Ortoli facility.*

E. External economic policy

- 77 ✓ 10. The European Council agreed that, given the importance of the Community's external trade, it should seek to develop its external economic policy on the basis of common positions. In this way it would give effect to its special responsibility as the principal world trader and to its commitment to the open trading system. It underlined that, in view of the serious economic problems faced by all, genuine reciprocity was necessary. This required both a strengthened dialogue with the Community's main industrial partners and recognition of the needs of the developing countries.

F. Common Market and Industrial Strategy

11. The European Council recognized that the changes which had come about in recent years as regards both the structure of world markets and energy costs require a major industrial response. There was therefore a need for an industrial strategy at the Community level in order to develop industry, make it competitive and create productive jobs in Europe.

(i) Internal market and competition policy

The European Council recognized that the completion of the internal market, in accordance with the Treaties, would make an important contribution to solving the economic problems currently facing Member States, in particular by facilitating industrial co-operation and restructuring at the European level. A closely linked objective was the enforcement of proper conditions of competition, in particular transparency and effective control in the field of State aids, which would stimulate innovation and durable employment and enhance the international competitiveness of Community industry. Accordingly it called for a further intensive effort to secure decisive progress in 1982 concentrating on the following:

- (a) an effective competition policy including stricter discipline regarding aids, both single and cumulative, distorting competition;
- (b) progress towards establishing a common legal framework for Community industry, where this would bring tangible economic benefits for Community industry;
- (c) the effective implementation of the liberalization within the Community of public purchasing arrangements, in particular for high technology products, in order to take full advantage of a market on a continental scale;
- (d) the creation of a free market for services as provided for by the Treaties. An important objective is the early adoption of measures to give effect to the freedom to provide insurance services within the Community;
- (e) progress in equivalence of professional qualifications;

- (f) the simplification of formalities and procedures to reduce frontier delays affecting the free movement of goods within the Community on the Benelux model;
- (g) a renewed effort to harmonize existing technical provisions and certification procedures as well as to prevent the proliferation of new national measures, where these create real or potential barriers to trade. A decision should be taken before the end of 1981 on the treatment of third country products, in order to enable those Directives affected by this problem to be adopted.

12. The European Council welcomed the decisions which had been taken by the Community in the steel sector and noted the vital importance for the future of the Community's textile industry of a satisfactory outcome to the current negotiations on the MFA.

(ii) Innovation, research and development

13. The European Council, conscious that the Community had lagged behind American and Japanese competition, agreed that Member States and the competent authorities of the European Community should expand and concert their research and development effort in order to promote industrial restructuring and innovation. The Community's efforts should be concentrated in areas where the Community has a comparative advantage and should be focussed to support agreed policy objectives. It welcomed the priority given

by the Council (Research) to the principle of a common strategy consisting of increased concertation of national and Community policies on the basis of common objectives and requested the Commission to prepare more detailed proposals. These proposals should be examined by the Council (Research) in March 1982 and decisions should be taken not later than July 1982.

14. It welcomed the adoption by the Council of the regulations on micro-electronics, and invited the Commission to consider with Member States other appropriate actions with a view to securing the wider benefits which would follow from the development of high technologies and other industries of the future.

15. It noted the Commission's communication on innovation emphasizing the key role which the successful application of innovation by industry, including small and medium enterprises, could have in ensuring the healthy development of the Community; and invited the Commission to bring forward specific practical proposals so that decisions could be taken before the end of October 1982.

(iii) Energy Policy

16. The European Council considered that the Community's energy strategy must be based on common objectives to be achieved by co-ordinated action on the part of the Member States, observing collective discipline, and by action on the part of the Community when this will lead to greater efficiency for the Community as a whole.

17. It agreed that priority should be given to the following points:

.../...

- (a) monitoring the progress of Member States towards agreed Community objectives including those for energy saving, on the basis of annual reports by the Commission and appropriate recommendations;
- (b) investment on an economic basis in the production and efficient use of energy should be brought up to a high level, where appropriate, with the support of Community instruments. Community action should be fitted into the framework of efforts at the national level to attain agreed Community objectives. It noted that the Commission would rapidly complete its examination of energy investments, including those on the rational use of energy, and make specific proposals during the first quarter of 1982;
- (c) a common approach to pricing policy based on economic principles and transparency in the energy market;
- (d) an effective and united Community response to limited shortfall in oil supplies and the attendant dangers of disproportionate oil price increases. The Community should ~~also~~ pursue its consultations with other industrialized countries, whose participation was necessary for the effectiveness of the action;
- (e) a balanced and co-ordinated approach in relations on energy matters with third countries. It reaffirmed its support for the establishment of an energy affiliate to the World Bank as one suitable instrument for this;
- (f) research and development in the energy sector should continue to receive priority and be focussed on essential projects where action at the Community level was necessary. Demonstration projects chosen in the light of the evaluation of existing programmes and designed to promote the industrial application of new techniques should also be continued.

C. Social Policy

18. The European Council emphasized the importance it attached to the concerted use of all appropriate Community instruments to encourage better living and working standards for the men and women making up the Community work force. It underlined that a coherent approach should be taken both at national and at Community level to promote access for school-leavers to education, vocational training, other forms of training or work-experience, instead of being unemployed. Particular attention should be given to developing the employment potential, especially in small and medium-sized enterprises and co-operatives, by easing the process of expansion, innovation and development of new technology. This implied also a renewed effort in the field of training.
19. The European Council underlined the need for consideration at the Community level of different aspects of the re-organization of working time, taking account of the competitive position of the Community. The Commission's forthcoming proposal for a Community initiative on part-time and temporary work and flexible retirement should be examined by the Council as a matter of urgency in closer consultation with the social partners.
20. It considered that the review of the Social Fund, which should be completed by 1 July 1982, provided an occasion to make it more effective and more relevant to present day conditions. It agreed that the financial resources of the Fund should continue to grow in real terms and that, while the Fund should continue to support a major effort in the field of vocational training, it should also in future concentrate more on the need to ensure better access to the labour market for the young. It should also encourage occupational mobility where problems were caused by industrial restructuring following Community decisions.

The Fund's resources should continue to be particularly directed towards areas of greatest need, including those suffering from the decline in traditional manufacturing industries.

H. Regional policy

22. The European Council agreed that it was essential to maintain and develop the Community's efforts in the regional sphere so that all Community policies and instruments could play their full role in promoting convergence. It stressed the value of a better co-ordination of national regional aids and Community efforts.
23. With regard to the review of the European Regional Development Fund, on which decisions should be taken not later than 1 April 1982, the European Council agreed that the financial resources of the Fund should continue to grow in real terms and that the quota section of the Fund should concentrate its activities on regions of greatest need [of the less-prosperous Member States]. The non-quota section, whose operations, while not subject to geographical limitations, might give preference to the less-prosperous Member States, could be increased and should be particularly directed to deal with structural imbalances caused by problems of industrial decline or by the effects of certain Community policies.

I. Transport

24. The European Council considered that the development of a unified internal market implied a need for positive action in the transport field to improve communications, particularly in the more remote areas of the Community. This action should aim to increase the efficiency and freedom of circulation of goods and passengers between Member States,

.../...

while taking account of the diversity of Member States' transport requirements, of the desirability of evolving a coherent European transport policy and of the Community's relations with third countries. It invited the Council (Transport) to intensify their work in this field and to speed up the rate of progress on the Commission's proposals, notably those first put forward in 1976 on aid for transport infrastructure. It also agreed that the Commission proposals on air services and air fares should be examined in a positive spirit.

Implementation

25. The European Council requested the Council to take the necessary decisions in all these areas. It agreed that it would itself review the progress made at the June 1982 meeting of the European Council, on the basis of a report by the Commission.

I THE COMMON AGRICULTURAL POLICY

1. The European Council affirmed the fundamental role of the common agricultural policy in the Community, and agreed on the need for the policy to continue to develop in harmony with other policies, at the same time fully respecting the objectives of the Treaty, notably Article 39, and the principles of unity of the market, Community preference and financial solidarity.
2. Taking full account both of its considerable achievements and of the problems which have manifested themselves and persist, it concluded that the common agricultural policy should in future be developed in conformity with the guidelines set out in the following paragraphs.
3. The Community should pursue a prudent price policy, having regard in particular to the need:
 - (a) to ensure a fair standard of living for the agricultural community;
 - (b) to achieve in some sectors a greater market equilibrium by tackling the problem of structural surpluses;
 - (c) to aim, progressively and in real terms, to reduce the difference between the level of Community support prices for appropriate products and the level of comparable support prices for similar products in the main competitor countries.]
4. Monetary compensatory amounts should be phased out in conformity with the conclusions of the Council on 5/6 March 1979 and of 6/7 May 1980.
5. The Commission is invited to study the particular problem for farm incomes arising from differential rates of inflation and to report by 1st April 1982.

.../...

The following paragraphs lay down for certain products guidelines for arrangements to adjust the level of guarantee when production in an individual sector exceeds an agreed guarantee threshold. The modalities for other sectors will vary depending on the circumstances, taking into account the Commission's memorandum of 23 October 1981.

Modalities for products

7. The following modalities should be adopted:

- (a) Cereals The Community's prices for cereals should be progressively reduced in real terms so as to achieve a better hierarchy of agricultural prices. This would reduce the gap between Community support prices and comparable support price levels in main competitor countries. This policy will reduce and in the long term remove the competitive advantage enjoyed by imports of products which substitute for cereals.] [Discussion with the principal third country suppliers should be undertaken by the Community, where necessary, to stabilize the volume of imports of such substitutes in the short and medium term.]

The modulation of guarantees for cereals should take the form of a reduction in the intervention price if production exceeds the guarantee threshold.

- (b) Milk Modulation of the guarantee should be achieved:
- (i) [by continuing the existing co-responsibility levy at its present level] [with a general exemption for a certain quantity of milk from each herd in order to assist the incomes of small producers.]

- (ii) [by the introduction of a supplementary levy on additional deliveries of milk to dairies so that producers participate in the cost of disposing of production in excess of the guarantee threshold.]
- (iii) [through a special levy applied on intensive milk production.]
- (iv) [by a reduction in the intervention price if production exceeds the guarantee threshold.]

Structural Policy

- 8. The European Council recognizes^{sed} the need for an active policy for improving agricultural structures, adapted to the particular needs of individual regions. The problems of less-favoured agricultural regions, including some Mediterranean areas, which are heavily dependent on rural occupations for employment, merit special attention.
- 9. The European Council noted the Commission's intention to present, by the end of 1982, proposals for integrated programmes, to take account of the special problems affecting the less-advantaged regions in the Mediterranean countries.

Mediterranean agriculture

- 10. The European Council agrees that there is an urgent need to review the existing provisions for olive oil, wine and fruit and vegetables. The Council should carry forward urgently, with a view to taking decisions not later than 1st April 1982, its examination of the Commission's suggestions

for amending the acquis in the context of enlargement, having regard to the related paragraphs in the Commission's memorandum of 23 October 1981 and these guidelines. [They should also have regard to the following considerations:

- (a) for wine, the Council should rapidly decide on the changes in the wine regime needed to improve the market balance while safeguarding the incomes of producers in this sector;
- (b) for fruit and vegetables, the Council should decide the necessary changes in the market regime, taking account of the need to afford a fair level of support for producers;
- (c) for olive oil, the Council should decide the necessary changes in the market regime, taking account of the budgetary and other implications arising from future enlargement of the Community.]

Export and Import Policy

11. The Community should continue to co-operate, for appropriate products, with other major trading partners with a view to achieving greater stability in world markets.

12. In its policy concerning trade in agricultural and processed agricultural products, including Mediterranean products, the Community should have regard to Community preference, to the Community's international obligations, and to the good management of the markets and the budget. In particular:

- (a) There should be an active export policy.

- (b) [The Council should adopt framework agreements for the multi-annual 'supply' of products to importing countries, specifying in each case the products and provisions to be included.]
- (c) The Commission should monitor the level of imports of products which could affect the Community markets.

National Aids

13. The European Council noted that national aids represent a significant proportion of the overall expenditure on agriculture within the Community. Aids to agriculture complement in some cases the Community's expenditure on agriculture; but they can also singly or cumulatively distort competition and encourage surplus production. The Member States must therefore ensure greater respect for the Community rules and procedures concerning national aids, and the Commission should ensure that these provisions are more strictly observed by applying the necessary disciplines and sanctions. The Council should adopt, on a proposal from the Commission, a regulation specifying which aids are to be notified, which are prohibited, and which are authorized.
14. The Commission ^{was} invited to submit to the Council a study of the economic impact of national aids, taking account of their consequences for agricultural production, incomes and financial solidarity.

Budgetary aspects

15. The European Council welcomed the substantial reduction in the rate of growth in agricultural guarantee expenditure in the last 2 years. This has been achieved in part as a result of sound management of expenditure and careful regard by the Council and Commission to the costs of price and other decisions which have contained the growth of agricultural expenditure.

16. It invited the Council and Commission to build on this achievement by strengthening effective management and financial control to ensure the most efficient use of the Community's financial resources. The effectiveness of all measures under the CAP should be kept under review.

17. If the above guidelines are implemented, agricultural spending in the years ahead will continue to grow less rapidly than the Community's own resources.

18. [It should be the objective to reduce the proportion of the budget taken by agricultural expenditure to not more than 60 per cent in 1983. This category of expenditure should therefore for the time being grow markedly less rapidly than the Community's own resources.]

[The rate of growth in agricultural guarantee expenditure shall be not more than 2/3 of the rate of growth of the own resources base. It will be the responsibility of the Council, acting on proposals by the Commission, to adopt the necessary decisions to ensure that agricultural expenditure remains within that limit. It will be the responsibility of the Commission to manage agricultural expenditure within this limit.]

Implementation

19. The European Council accordingly invited the Commission to make the appropriate proposals, and the Council to take the necessary decisions, to ensure that the adaptations outlined in the preceding paragraphs enter into force from the 1982/83 season.

III. BUDGETARY PROBLEMS

1. The European Council reviewed the Community's budgetary arrangements on the basis of the report from the Commission and in accordance with the agreement of 30 May 1980. It confirmed the necessity, taking account of the situation and interests of all Member States, of avoiding the emergence or recurrence of an unacceptable situation for any Member State and in this way of ensuring that a sound basis was provided for the Community's future development and enlargement. It reaffirmed the basic principles of the Community's financial arrangements and in particular the own resources decision. It noted that until now a preponderant share of the Community budget had been devoted to expenditure on the CAP. It stated as its firm intention that the further development of Community policies, to which their decisions on expanding Community activity in such areas as social, regional and industrial policy had given renewed impetus, combined with the application of the agreed guidelines to the CAP, should enable the budget to contribute to the objective of economic convergence. It would at the same time help to reduce the likelihood of unacceptable budgetary situations for individual Member States. [This process would however take time and it recognized that it would therefore be necessary to make provision for dealing with the problems which would remain until the desired results were achieved by these means. It therefore agreed that from 1982 the measures based on the following operational guidelines should be applied]:

(Operational guidelines on budgetary problems to be agreed.)

REPORT ON EUROPEAN POLITICAL COOPERATION

PART I

The Foreign Ministers of the Ten member states of the European Community have examined the development of European Political Cooperation. It is their constant concern that this should be improved and to this end they have considered how it might be further strengthened.

Political Cooperation, which is based on membership of the European Community, has developed to become a central element in the foreign policies of all member states. The Community and its member states are increasingly seen by third countries as a coherent force in international relations. The Foreign Ministers of the Ten note that in the years since the foundations of European Political Cooperation were laid in the Luxembourg Report (approved by Heads of State and Government on 27 October 1970) and the Copenhagen Report (approved by Foreign Ministers on 23 July 1973 and subsequently agreed by Heads of State and Government) significant progress has been achieved towards the objectives set out in those reports.

The development of European Political Cooperation over these years has shown that it answers a real need felt by the member states of the European Community for a closer unity in this field. It is a mark of its proven value that European Political Cooperation has steadily intensified and its scope continually broadened. This development has contributed to the ultimate objective of European Union.

The Foreign Ministers agree that further European integration, and the maintenance and development of Community policies in accordance with the Treaties, will be beneficial to a more effective coordination in the field of foreign policy, and will expand the range of instruments at the disposal of the Ten.

The Foreign Ministers believe that in a period of increased world tension and uncertainty the need for a coherent and united approach to international affairs by the members of the European Community is greater than ever. They note that, in spite of what has been achieved, the Ten are still far from playing a role in the world appropriate to their combined influence. It is their conviction that the Ten should seek increasingly to shape events and not merely to react to them.

As regards the scope of European Political Cooperation, and having regard to the different situations of the member states, the Foreign Ministers agree to maintain the flexible and pragmatic approach which has made it possible to discuss

in Political Cooperation certain important foreign policy questions bearing on the political aspects of security.

The Ten Foreign Ministers also consider it timely to renew their commitment to implement fully the undertakings in the Luxembourg and Copenhagen Reports. In particular they underline the importance of consultation among the Ten, which lies at the heart of European Political Cooperation. They emphasise their commitment to consult partners before adopting final positions or launching national initiatives on all important questions of foreign policy which are of concern to the Ten as a whole. They undertake that in these consultations each member state will take full account of the position of other partners and will give due weight to the desirability of achieving a common position. They note that such consultations will be particularly relevant for important international conferences where one or more of the Ten are to participate, and where the agenda will include matters under discussion in European Political Cooperation, or on which the Ten have a common position.

The Foreign Ministers note that it is increasingly possible for the Ten to speak with one voice in international affairs. Where substantial common positions have been achieved, they undertake to give due prominence to these by means of appropriate references in national statements on foreign policy questions. At the same time they emphasise that not merely a common attitude but joint action, which has always been an objective of European Political Cooperation, should be increasingly within the capacity of the Ten.

The Foreign Ministers have also examined the machinery and procedures of Political Cooperation and have agreed on certain practical improvements which are set out in Part II of this document.

PART II1. Ministerial MeetingsA. Formal Meetings

The agenda for meetings at Ministerial level will include only items of major importance. The agenda will, where possible, also be annotated in such a way that the discussion will concentrate on matters for decision.

The analyses and draft texts submitted to Ministers should contain either precise recommendations or clearly defined options, so that the Ministers can make decisions for future action.

When declarations are issued by Ministerial meetings and the European Council, they should as a rule be accompanied by a list of posts in third countries where the local representative of the Ten will draw the declaration to the attention of the host government. In the absence of such a list the Presidency has discretion to take action on its own initiative.

B. Gymnich Type Meetings

In order to protect the informal character of these meetings, the following guidelines should be observed:

Consultations are confidential;

There will be no formal agenda, official interpretation or officials present (except for a Presidency notetaker);

The Presidency will summarise for the attention of partners any guidelines of an operational nature that emerge from the meeting.

The press will only be briefed on subjects authorised by the Ten. The Presidency will be responsible in the first instance for such briefing, the lines of which will be agreed in advance with partners.

2. The Political Committee

The Political Committee is one of the central organs of European Political Cooperation. It is responsible for directing the work of the Working Groups and for the preparation of discussions at Ministerial level.

The Political Committee will ensure the effective operation of Working Groups by giving them a clear mandate to report on matters of current interest. The Presidency will make the proposals necessary to achieve this. The Working Groups, will, however, remain free to suggest topics for reports to the Political Committee.

The Correspondants' Group

In order to permit the Political Committee to focus on the more important items on its agenda the European Correspondants will identify those Working Group reports which are not likely to require substantive discussion in the Political Committee.

4. Working Groups

Working Groups' Reports will include a summary drawing the attention of the Political Committee to points which will require decisions for future action, or on which the Political Committee should concentrate.

In general, partners' comments via the COREU system on the oral reports of Working Groups should concentrate on points of substance and not of drafting.

If the Presidency considers a partner to be particularly well qualified on an agenda point at a Working Group meeting, it may request that partner to introduce the discussion on that topic.

5. Studies

Even when partners do not hold the Presidency, they should be encouraged to offer proposals and ideas for consideration by the Working Groups.

At present most of the efforts of political cooperation are devoted to reacting to world events as they occur. In future the Political Committee may wish to take a longer term approach to certain problems, and to institute studies to that end. Such studies are already mentioned in the Copenhagen Report (part II, paragraph 15) and should wherever possible be undertaken by existing Working Groups.

The Ten may also prepare studies on areas where their positions diverge (eg subjects on which they do not vote unanimously at the United Nations).

It is particularly important that the confidentiality of these studies should be maintained.

6. Confidentiality

The success of the process of Political Co-operation depends to a large degree on its confidentiality; certain particularly delicate matters need to be handled in a way which guarantees that the required level of confidentiality is maintained. In such cases papers will be transmitted to the Foreign Ministries via Embassies, and distributed within Foreign Ministries by the European Correspondant.

Procedures for EPC/Third Country Contacts

As European Political Co-operation intensifies and broadens the Ten as such will appear as significant interlocutors. Third countries will increasingly express the desire to enter into more or less regular contact with them. It is important that the Ten should be able to respond effectively to these demands, in particular vis-à-vis countries of special interest to them, and that they should speak with one voice in dealings with them.

The Presidency may meet individual representatives of third countries in order to discuss certain matters of particular interest to the country in question.

The Presidency may respond to a request for contacts by a group of Ambassadors of Member States of organisations with which the Ten maintain special links.

The Heads of Mission of the Ten in a country which expresses the desire for closer contacts with EPC may meet representatives of that country in order to hear its views and to explain the position of the Ten.

If necessary, and if the Ten so agree, the Presidency, accompanied by representatives of the preceding and succeeding Presidencies, may meet with representatives of third countries.

If necessary, and if the Ten so agree, the Presidency may meet the representative of a third country in the margins of a Ministerial level meeting of the Ten.

8. Procedure for Political Co-operation in Third Countries

In view of the increasing activities of the Ten in third countries it is important that the Heads of Mission of the Ten maintain the practice of meeting regularly in order to exchange information and co-ordinate views. In considering their response to significant developments in the country to which they are accredited their first instinct should be to co-ordinate with their colleagues of the Ten.

The participation of the Head of Mission at Political Co-operation meetings should remain the rule. When this is impossible he may be represented by a member of his Mission.

The Political Committee welcomes joint reports from Heads of Missions of the Ten. These may be prepared in response to a request from the Political Committee, or, exceptionally, on the Heads' of Missions' own initiative, when the situation requires it. Recommendations for joint action are particularly valuable.

Where reports are made on the Heads of Missions' own initiative, it is for them to decide whether to draft a joint report, or to report separately on the basis of their joint discussions. An equally acceptable alternative is for the Presidency to draft an oral report on its own authority reflecting the views expressed.

9. Contacts in the Capitals of the Ten

In certain capitals of the Ten the practice has developed of regular meetings between the nine Heads of Mission and the Political Director of the host government. This has proved useful and is to be encouraged.

10. The Presidency

As Political Co-operation has developed, the areas of agreement among the Ten have enlarged and the range of subjects handled has become more extensive. The workload of the Presidency in its role as spokesman in the European Parliament, and in contacts with third countries, has also increased. These trends may be expected to continue, particularly in the light of the enlargement of the Community.

As a result it has become desirable to strengthen the organisation and assure the continuity of Political Cooperation and to provide operational support for the Presidency without, however, reducing the direct contact, pragmatism and economy which are among the chief virtues of the present arrangements.

Henceforth the Presidency will be assisted by a small team of officials seconded from preceding and succeeding Presidencies. These officials will remain in the employment of their national Foreign Ministries, and will be on the staff of their Embassy in the Presidency capital. They will be at the disposition of the Presidency and will work under its direction.

The burden of work during the Presidency falls particularly heavily on the Foreign Minister who is President-in-office. The Ten note that should he wish to do so the President may delegate certain tasks to his successor; he may also request his predecessor to finish tasks which are close to completion when the Presidency is handed over.

11. Relations with the European Parliament

In accordance with the Luxembourg and Copenhagen reports, which underline the importance of associating the European Parliament with Political Co-operation, there are frequent contacts between the European Parliament and the Presidency. These take the form of four annual colloquies with the Political Affairs Committee, answers to Questions on Political Co-operation, the Annual report on Political Co-operation, and the Presidency Speeches at the beginning and end of its term of office which now usually include Political Co-operation subjects.

The contacts between the Council of Ministers and the European Parliament have been extended to include informal meetings between Ministers and the leaders of the different political groups represented in the Parliament; these informal meetings provide a further opportunity for informal exchanges on Political Co-operation.

Taking account of the need further to strengthen ties with the directly elected Parliament the Ten envisage the possibility of more frequent reference to resolutions adopted by the

Parliament in the deliberations, communiqués and declaration of the Ten, and in Ministers' opening statements at colloquies with the Political Affairs Committee of the Parliament.

The Ten note that after a meeting of the European Council the President of the European Council will make a statement to the Parliament. This statement will include Political Cooperation subjects discussed at the meeting.

12. Relations between the Activities of Political Cooperation and those of the European Community

The Ten will provide, as appropriate, for Political Co-operation meetings on the occasion of Foreign Affairs Councils. The Presidency will ensure that the discussion of the Community and Political Co-operation aspects of certain questions is co-ordinated if the subject matter requires this.

Within the framework of the established rules and procedures the Ten attach importance to the Commission of the European Communities being fully associated with Political Cooperation at all levels.

13. Crisis Procedures

The Political Committee or, if necessary, a Ministerial meeting will convene within 48 hours at the request of three member states.

The same procedure will apply in third countries at the level of Heads of Mission.

In order to improve the capacity of the Ten to react in an emergency Working Groups are encouraged to analyse areas of potential crisis and to prepare a range of possible reactions by the Ten.

EUROPEAN UNION

1. The European Council welcomed the initiative of the German and Italian governments on European Union and took note of their proposals.
2. The Council recognised the importance of strengthening economic integration in parallel with political development.
3. The European Council invited the Foreign Ministers in co-operation with the Commission to examine and clarify the German/Italian proposals and to report back to a future meeting of the European Council.
4. The Council took note of the reports of the Commission, and of the Foreign Ministers of the Ten on European Union, and received the report on Political Co-operation agreed by the Foreign Ministers of the Ten in London on 13 October.

EUROPEAN COUNCIL : CONCLUSIONS ON PORTUGAL AND SPAIN

The European Council recalled that the member states of the Community decided to open negotiations for the accession of Portugal and Spain in the knowledge that all the objectives of the Community, as set out in the preamble to the EEC Treaty, were shared by the democratic governments and by the peoples of the two countries concerned.

The European Council confirmed the political commitment which was the basis for that decision and emphasised the determination of the Community to bring the negotiations to a successful conclusion and stressed the importance of continuing progress. It recalled the acceptance by the applicant countries that they will accede on the basis of the Community treaties and subordinate legislation in force on the date of accession, subject only to such transitional arrangements as may be agreed. It emphasised the need for both the Community and the acceding countries to make good use of the period until accession for careful preparations for the Community's further enlargement by introducing the necessary reforms so that the potential benefits for both sides can be realised. The Council agreed that in the Community's deliberations on its internal development, regard would need to be paid to the importance of the accession of Portugal and Spain. It also agreed on the importance of the contacts established between the Ten and the applicant countries in the framework of political co-operation and confirmed that it is their intention to continue to keep Portugal and Spain closely informed about developments in political co-operation. It looks forward to the day when the leaders of those two countries will take their places in the European Council as full and equal members.

POLITICAL CO-OPERATION

A. The Chancellor of the Federal Republic of Germany gave his colleagues an account of his conversations with President Brezhnev in Bonn on 22-25 November. The European Council were in full agreement on the significance of this meeting, and on the need to keep channels of East/West communication open between governments at all times. The European Council welcomed the presentation by the Federal Chancellor on detente, cooperation and disarmament.

B. The European Council welcomed the commitment of the United States, announced in President Reagan's speech of 18 November, to the goal of major disarmament by means of mutual reductions in nuclear and conventional forces and Confidence Building Measures. They looked forward to the opening next week of negotiations between the United States and the Soviet Union on intermediate range nuclear weapons, and expressed the hope that these would lead to early and positive results.

C. The European Council considered the state of negotiations at the CSCE follow-up meeting at Madrid. Despite the difficulties, they expressed the desire for a positive outcome in the form of a substantive and balanced document by the end of the year, including agreement on a precise mandate for a Conference on Disarmament in Europe to negotiate Confidence Building Measures in the whole of Europe. They are ready to make every effort towards this end and they look to all participants to show the same positive spirit.

D. The European Council heard a report from Lord Carrington about the visit of the Polish Foreign Minister to London on 20 November. They took note of past and current Community programmes to supply food at special prices to Poland and welcomed the Budget Council's recent acceptance of an initiative from the European Parliament to make additional sums available for this purpose. The Heads of State and Government reaffirmed their willingness, within the limits of the means of the Community and its member states and in collaboration with others, to respond to the requests of the Polish Government for continued support for the efforts of the Polish people to promote the recovery of their national economy. They believe that the rescheduling of the Polish debt and the provision of new credit would make an important contribution to that end.

E. The European Council considered the continuing tragedy of Afghanistan. They noted that, in flagrant defiance of international opinion as expressed in three successive resolutions passed by overwhelming majorities of the General Assembly of the UN, the Soviet occupation of Afghanistan continued with its associated repression and bloodshed. The Heads of State and Government agreed that the situation was immensely damaging to international trust and confidence. They confirmed their belief that their proposals of 30 June offer a reasonable and practical approach to solving the problem.



10 DOWNING STREET

THE PRIME MINISTER

27 November 1981

Dear Signor Panella,

Thank you for your recent telex asking for the question of hunger in the world to be inscribed on the agenda of this week's European Council.

The European Parliament's concern over hunger in the world is well known and respected in the Community. The Parliament's concern is shared by the Council of Ministers and the Commission, who are placing a new emphasis on the Community's food aid policies, on aid for agricultural development and on aid for the least developed.

This emphasis is demonstrated by the Community's "Plan of Action" to combat world hunger, agreed upon at the Development Council on 3 November, which includes a special immediate allocation of 40 mecu extra food aid for the least developed countries.

There is no formal agenda for meetings of the European Council. But I expect that there will be discussion of relations between developed and developing countries, and, in that context, the very serious problem of world hunger will no doubt be addressed.

Yours sincerely,

MT

Signor Marco Pannella

UB
c. FCO
D/C



Foreign and Commonwealth Office

London SW1A 2AH

26 November 1981

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Shut*

Dear Michael,

Human Rights in the Soviet Union:
Possible Action at the European Council

We were informed late on 25 November that President Mitterrand was sending a message to President Brezhnev on behalf of Dr and Mrs Sakharov who have begun a hunger strike in the Soviet Union in protest against the repeated refusal of the Soviet authorities to allow Lisa Alexeyeva, the wife of Mrs Sakharov's son by an earlier marriage, to join her husband in the United States.

The French Embassy have indicated that President Mitterrand would like this to be discussed at the European Council and mentioned in the Communique or Presidency Conclusions at the end of the meeting.

I enclose a brief.

Yours ever,

F N Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

CONFIDENTIAL

EUROPEAN COUNCIL: 26/27 NOVEMBER 1981

POLITICAL COOPERATION

HUMAN RIGHTS IN THE SOVIET UNION

POINTS TO MAKE

1. Understand President Mitterrand wishes to raise issue of Dr and Mrs Sakharov.
2. Interested in views of Chancellor Schmidt. Noted that joint press communique following Mr Brezhnev's visit referred to exchange of views on humanitarian questions.
3. Three possible courses:
 - a. Public reference to this by the Council: statement or mention in communique/Presidency conclusions;
 - b. confidential démarche to President Brezhnev by Presidency on behalf of the Ten;
 - c. individual messages by Ten drawing on a number of common points.
4. Also disturbing reports about Anatoly Shcharansky. Might therefore be appropriate to include reference to him.

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BACKGROUND

1. Dr Andrei Sakharov has been in exile, virtually in isolation, in Gorky since 1978 for his human rights activities. There have recently been reports that Dr Sakharov and his wife, Yelena Bonner, began a hunger strike on 22 November in protest at the refusal by the Soviet authorities to grant an exit visa to Lisa Alexeyeva to enable her to join her husband-by-proxy under US law (Mrs Bonner's son by a previous marriage) in the United States.
2. President Mitterrand has indicated that he will be sending a message to Brezhnev informing him of public interest in France and asking him to grant Sakharov's request so that he can terminate his hunger strike.
3. There have also been reports that Anatoly Shcharansky has been given an additional sentence of three years in prison, and returned from his labour camp to the closed prison at Chistopol.
4. Mr Shcharansky, a "refusenik" since 1973, was sentenced in 1978, accused of treason. The ill-treatment he has received in prison is reported to have seriously damaged his health.
5. The Prime Minister saw Mrs Avital Shcharansky in April this year during the latter's tour of Western capitals to seek support for her husband's case. She was also seen by Mr Blaker, who subsequently issued a statement condemning Soviet treatment of Shcharansky. Lord Trefgarne raised Shcharansky and Sakharov's cases with the Soviet Ambassador when the latter called on 23 November.
6. The joint press communique issued at the end of Brezhnev's visit to Bonn stated that 'Both sides had an exchange of views on humanitarian questions and declared their intention of resolving these in a spirit of good will.'

/7. Possible

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7. Possible elements of a statement by the European Council, or of message(s) to Brezhnev, are attached.

EESD
26 November 1981

CONFIDENTIAL



ELEMENTS OF A POSSIBLE STATEMENT BY THE EUROPEAN COUNCIL, OR
OF A MESSAGE(S) TO PRESIDENT BREZHNEV

1. Reports that Dr and Mrs Sakharov have begun a hunger strike have been received with great ^{It appears that} concern. They have been brought to take this desperate action by the refusal of the Soviet authorities to allow Dr Sakharov's step daughter-in-law, Lisa Alexeyeva, to emigrate and join her husband in the United States.
2. There are also reports that Anatoly Shcharansky has been given an additional three year sentence and, despite his , failing health, sent back from labour camp to prison.
3. Appeal to Soviet Government to demonstrate humanity in these two cases, in the spirit of the Helsinki Final Act. This would help create the confidence which is so important for better East-West relations.



Foreign and Commonwealth Office

London SW1A 2AH

26 November 1981

Not raised.

Richards
20/11

Dear Michael,

European Foundation

// You may wish to draw the Prime Minister's attention to UKREP telnos 4490 and 4489 of 25 November which report the outcome of yesterday's COREPER discussion on the European Foundation. The Chairman concluded that the subject was not ready for discussion by the European Council but the French indicated they might raise it nonetheless.

If so, the Prime Minister might like to take the following line:

the Presidency welcomes the recent progress that has been made towards agreement on the essential points of a framework to the establishment of a European Foundation and hopes that officials will be able to resolve the outstanding problems very quickly.

If the French press for the Council's communiqué to include a reference to the Foundation, the Prime Minister may wish to suggest the following text:

The European Council recalled their December 1977 decision in principle to establish a European Foundation to project the European Community to "the man in the street". They welcomed the progress which has been made recently towards agreement on the implementation of this decision, and agreed that the Council should endeavour to find early solutions to the outstanding problems.

Yours ever,

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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FM UKREP BRUSSELS 251414Z NOV 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 4490 OF 25 NOVEMBER
INFO EC POSTS

UKREP TELNO 4436 : EUROPEAN FOUNDATION; COREPER 25 NOVEMBER

SUMMARY

1. CHAIRMAN CONCLUDED THAT WE WERE IN SIGHT OF AGREEMENT ON ESSENTIAL POINTS BUT NOT QUITE THERE. SUBJECT THEREFORE HARDLY RIPE FOR DECISION AT LONDON EUROPEAN COUNCIL. GENERAL AFFAIRS GROUP TO STUDY AGAIN ON 30 NOVEMBER. FRENCH AFTERWARDS SAID THEY MIGHT NONETHELESS RAISE AT EUROPEAN COUNCIL.

DETAIL

2. THE NETHERLANDS MODIFIED THEIR POSITION AND SAID THEY WERE PREPARED TO BE FLEXIBLE ON COMMUNITY PARTICIPATION.

3. UKREP SAID WE WERE PREPARED TO ACCEPT FINANCIAL PROVISION, PROVIDED THIS WAS EXPRESSED IN THE FORM OF AN ANNUAL CONTRIBUTION FROM THE COMMUNITY OF A MAXIMUM ANNUAL AMOUNT OF 1 MECU OVER FIVE YEARS. OF THE OTHER DELEGATIONS WITH PROBLEMS ON FINANCE, DANES ACCEPTED UK REQUEST; FRANCE MAINTAINED A RESERVE.

4. THE FRENCH, MORE GENERALLY, HAD FAILED TO CLEAR THEIR LINES; THEY WERE NOT ABLE TO LIFT THEIR RESERVE ON THE PROVISION THAT THE FRENCH GOVERNMENT WOULD MAKE A SITE AND BUILDINGS AVAILABLE TO THE FOUNDATION IN PARIS WITHOUT CHARGE AND WOULD UNDERTAKE THEIR UPKEEP. CONCEIVABLE THAT THEY MAY AGREE TO THIS IN LONDON. THE BELGIANS MADE UNHELPFUL COMMENTS ABOUT THE INADEQUACY OF THE PROPOSED FINANCIAL PROVISION BUT DID NOT APPEAR TO BE UNDERMINING THE COMPROMISE.

5. YOU MAY LIKE TO HAVE A TEXT READY AS A CONTINGENCY IN CASE THE FRENCH PRESS THIS ISSUE AT THE EUROPEAN COUNCIL. MIFT CONTAINS CONCLUSIONS BASED ON THE REPORT TO COREPER TODAY. IT WOULD SEEM LIKELY TO MEET WITH AGREEMENT SUBJECT TO POSSIBLE MINOR AMENDMENTS.

FCO ADVANCE TO:-
FCO - HANNAY O'DONNELL
CAB - ELLIOTT

(ADVANCED AS REQUESTED)

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GRS 250

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FM UKREP BRUSSELS 251412Z NOV 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 4489 OF 25 NOVEMBER

INFO ROUTINE EC POSTS.

MIFT

EUROPEAN FOUNDATION

1. THE EUROPEAN FOUNDATION, AGREED UPON IN PRINCIPLE BY THE EUROPEAN COUNCIL IN 1977, WILL BE SET UP BY MEANS OF AN AGREEMENT CONCLUDED BY THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES MEETING WITHIN THE COUNCIL.
2. THE OBJECTIVES OF THE FOUNDATION WILL BE IN ACCORDANCE WITH THE TEXT ENDORSED BY THE EUROPEAN COUNCIL IN APRIL 1978.
3. AN INDICATIVE LIST OF THE FOUNDATION'S ACTIVITIES WILL BE INCLUDED IN THE AGREEMENT SETTING IT UP. THE ACTIVITIES WILL BE PRACTICAL IN NATURE AND INCLUDE ENCOURAGING KNOWLEDGE AND USE OF COMMUNITY LANGUAGES, PROFESSIONAL AND OTHER HUMAN EXCHANGES WITHIN THE COMMUNITY AND SUPPORT FOR PROJECTS DEMONSTRATING IN A POPULAR WAY COOPERATION BETWEEN THE COUNTRIES OF THE COMMUNITY.
4. AN AGREEMENT WILL BE CONCLUDED BETWEEN THE FOUNDATION AND THE COMMUNITY CONCERNING THE LATTER'S PARTICIPATION IN THE FOUNDATION'S ACTIVITIES, FOR WHICH THE LEGAL BASIS WILL BE AN ACT BASED ON ARTICLE 235 OF THE EEC TREATY.
5. THE FOUNDATION'S INITIAL ENDOWMENT WILL TAKE THE FORM OF AN ANNUAL CONTRIBUTION FROM THE COMMUNITY OF A MAXIMUM ANNUAL AMOUNT OF 1 MECU OVER FIVE YEARS.
6. THE FRENCH GOVERNMENT WILL MAKE A SITE AND BUILDINGS AVAILABLE TO THE FOUNDATION IN PARIS WITHOUT CHARGE, AND WILL UNDERTAKE THEIR UPKEEP.

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British Embassy
Via XX Settembre 80A 00187 Rome

Telex 61049 Telephone 4755.441

R cc this letter
to P. Sen & each
addressed to the letter
from MILLE.

R P Osborne Esq
WED
FCO

Your reference

Our reference

Date 26 November 1981

R.P.S.
11

Dear Ray,

MILLE

/for

1. MILLE stands / Movimento per l'Italια Libera nella Libera' Europa. The organisation was founded by various right wing DC groups in 1976, at a time when there seemed to be a real risk of the PCI overtaking the DC as the largest party in Italian politics. Its leading lights were Mario Segni, Mazzotta, Massimo De Carolis and others of that ilk. The defunct right wing magazine Il Settimanale supported it. There is no evidence that the organisation ever had a thousand sponsors or members.

2. MILLE has now roused itself to send the enclosed appeal, in English and Italian, to various members of the British Government. Identical letters are enclosed to the Prime Minister, Lord Carrington, the Chancellor of the Exchequer, Mr Walker, and Mr Gardyne at the Treasury. They reached us too late to be taken into consideration before the present European Council. Subject to your views and those of ECD, we should recommend in each case no more than a polite letter of acknowledgement from the private secretary.

agreed

Yours ever

R N Culshaw

RESTRICTED



file

cc: fco

BK

10 DOWNING STREET

From the Private Secretary

26 November 1981

The Prime Minister has asked me to thank you for your letter of 23 November addressed to her in her capacity as President of the European Council, and containing a number of comments on various matters related to the European Community of particular concern to consumers.

The Prime Minister is, as you request, arranging for your letter to be brought to the attention of the Member States. She is sure that they will take your views into account, as will the Government, in their deliberations on the important matters which you raise.

In view of the fact that you have released the text of your letter to the press, I am arranging for copies of this reply also to be made available to the press in answer to any enquiries.

M. O'D. B. ALEXANDER

Mrs. Kate Foss

EUROPEAN COUNCIL, LONDON
26/27 NOVEMBER, 1981

1. Mandate - Chapter I: Development of Community policies
(Brief 3)
 - Chapter II: Common Agricultural Policy
(Brief 4)
 - Chapter III: Budgetary aspects
(Brief 5)
2. Economic and Social Situation (Brief 6)
3. European Union - Council and Commission Reports)
 - Endorsement of London Report on Political Cooperation) (Brief 12)
 - German/Italian proposal for a European Act)
4. Enlargement (Brief 9)
5. North/South (if raised) (Brief 10)
6. Political Cooperation - East/West Relations)
 - (including Poland,)
 - Brezhnev visit to Bonn,)
 - Arms Control and C.S.C.E.)) (Brief 13)
 - Middle East (including)
 - Sinai MFO))

Qz.02385

MR ALEXANDER

Kg
Am

1980 AND 1981 REFUNDS

1. It is likely that President Mitterrand, (and possibly Chancellor Schmidt) will refer to the "over-payment" of 900 mecu to the United Kingdom. The background is set out in Mr Kerr's letter to Mr Alexander of 25 November. Further payments now due to us have in fact been blocked by the Budget Committee.
2. Sir M Butler will raise with Coreper at lunch today the serious consequences which could follow if they persist in the line taken in the Budget Committee; and will report the outcome.
3. We do not wish the discussion on the Mandate and the Budget Guidelines to be sidetracked into a major dispute about the 1980 and 1981 payments. If the issue is raised in the European Council, the Prime Minister (or the Foreign Secretary) might say:-
 - (i) we are not discussing the implementation of the 30 May agreement in respect of 1980 and 1981. If necessary, that will have to be discussed by Foreign Ministers on 7/8 December although we are in no doubt that the agreement entitles us to a minimum net refund. It was the rest of the Community who insisted on a minimum refund whereas we wanted a minimum net contribution. What was agreed now has legal force.
 - (ii) the argument that the "over-payment" should be deducted from future refunds is not reasonable. We are considering future arrangements. The 30 May agreement was an ad hoc arrangement limited to two (and possibly three) specific years, which did not entirely suit anyone. We need to establish what is a reasonable level of net contribution for the United Kingdom in the coming years. But I do not think we are ready to negotiate on that today. What happened in respect of 1980 and 1981 is not relevant.

/4.



4. Copies go to the Private Secretaries to the Foreign Secretary and the Chancellor of the Exchequer.

M D M FRANKLIN

26 November 1981

CONFIDENTIAL
SECRET

FILE

VLB

cc HMT
MAFF
CO

25 November 1981

European Council: Messages

I enclose copies of messages which the Prime Minister received this evening from President Mitterrand and from the Taoiseach about their Governments' approach to tomorrow's meeting of the European Council. I do not think that either message requires a reply.

I am sending copies of this letter and its enclosures to John Kerr (HM Treasury), Kate Timms (MAFF) and David Wright (Cabinet Office).

MICHAEL ALEXANDER

F. N. Richards, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



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

25 November 1981

M. O'D B. Alexander, Esq.,
Private Secretary,
10, Downing Street

Dear Michael,

EUROPEAN COUNCIL: ECONOMIC AND SOCIAL SITUATION

Earlier this week the Prime Minister and the Chancellor of the Exchequer discussed the handling of this item on the European Council agenda in relation to the draft conclusions on Chapter I of the Mandate and the Commission paper which is attached as an Addendum to Brief No.6. They agreed that the Commission paper provided an opportunity to strengthen the references in the Mandate conclusions to the need for strong economic disciplines.

*m. hardly
brief folder* I attach a brief which suggests how the Prime Minister might handle the discussion of this item so as to lead up to an amendment to the opening paragraph of the conclusions on Chapter I of the Mandate.

Copies of this letter and enclosure go to Brian Fall (FCO), Richard Dykes (Department of Employment), and to Sir Robert Armstrong and Michael Franklin (Cabinet Office).

Yours sincerely,

Jim Rutter

pp J.O. KERR

CONFIDENTIAL

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EUROPEAN COUNCIL

ECONOMIC AND SOCIAL SITUATION

Handling Brief

Objective

1. To secure endorsement by the European Council of the helpful reference to the need for tight fiscal and monetary policies and competitive labour costs on page 6 of the Commission document on this subject (text attached to EHG(L) (81)6 Addendum).

Opening Statement

2. Commission have circulated a helpful survey of economic developments since the last European Council in June. On the last page of their document they have suggested some guidelines which the Community might set itself. This is a helpful document. Invite Commission (either Thorn or Ortoli) to introduce it.

Handling

3. Probable that, following Commission introduction, a number of Heads of Government will wish to intervene. Important to ensure that Schmidt contributes to the debate - not necessarily at the outset but preferably after anyone who wishes to advocate reflation has spoken.

UK Point to make

4. Very much agree with the point that the Commission make in their first guideline. Determined policies to bring public deficits under control and to keep monetary policy within limits and to control wage costs are necessary to provide the conditions for sustainable growth and the reduction of unemployment. European Council has a role to play in convincing public opinion of the positive contribution that such policies can make to the achievement of the goals that all share, namely lower inflation and less unemployment.

5. More detailed UK points to make are in brief EHG(L)(81)6, if required.

CONFIDENTIAL

Summing-up

6. We have identified an important feature of our policies which is not perhaps brought out as fully as it might be in the draft conclusions on Chapter I of the Mandate that we considered yesterday. I think that it would reflect our discussion under this item of the agenda if we added the following sentence after the first sentence of the draft paragraph on overall Community economic strategy:-

"Such a strategy requires for its success a strict control of public deficits, sound monetary policies and competitive labour costs."

This sentence is a summary of what the Commission say in their first guideline. Can we agree to record the conclusions of our discussion in that way?

[The relevant paragraph of the draft Mandate conclusions, with the new sentence inserted and underlined, is attached as an annex.]

7. [If Mitterrand resists this insertion] The sentence I have suggested is very close to what we agreed at Ottawa. For example:-

"We need in most countries urgently to reduce public borrowing" (paragraph 5 of the Ottawa communique)

"We see low and stable monetary growth as essential to reducing inflation" (paragraph 6 of Ottawa communique).

8. [If Mitterrand tries to exploit the references to falling interest rates in the Commission guidelines on page 6 of their document] I suggest we invite the Finance Council to consider Community interest rate policies at their December meeting. It is a topic to which I know they have been giving attention at successive meetings.

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Paragraph 1 of the draft conclusions on Chapter 1 of the Mandate if revised as suggested in the brief.

1. The European Council agreed that an overall economic strategy in the Community is essential to combat unemployment and inflation and to encourage convergence. Such a strategy requires for its success a strict control of public deficits, sound monetary policies and competitive labour costs. Priority should be given to encouraging productive investment and raising competitiveness as a basis for creating durable jobs, bringing about sustainable economic growth and reducing unemployment. At the same time the Community should pursue the reduction of its dependence on external sources of energy, in particular oil.

I. DEVELOPMENT OF COMMUNITY POLICIES (OTHER THAN THE CAP)

Overall Community economic strategy

(to be completed, as necessary, after the European Council's discussion of the economic and social situation)

1. The European Council agreed that an overall economic strategy in the Community is essential to combat unemployment and inflation and to encourage convergence. Priority should be given to encouraging productive investment and raising competitiveness as a basis for creating durable jobs, bringing about sustainable economic growth and reducing unemployment. At the same time the Community should pursue the reduction of its dependence on external sources of energy, in particular oil.
2. In addition to measures taken at a world-wide level in pursuit of these common objectives, the European Council underlined the contribution that Community policies can make especially in all the areas set out below.
 - A. Employment policy
3. The European Council agreed that as a complement to macro-economic policy decisions effective action in the social field to alleviate unemployment should be taken at both the Community and the national level.
4. At the Community level full use should be made of all appropriate Community instruments and policies, as set out in succeeding sections of these conclusions.
5. It agreed that the Council (Social Affairs) should review as a matter of urgency the various existing means of consulting the social partners with a view to making them a more effective channel for a genuine dialogue. (See also paragraphs 18 and 19.)

F. Economic policy

6. The European Council agreed that the achievement of the Community's overall objectives would require stronger economic disciplines and concertation. The Community should ensure, through a careful comparison of national policies, that the main economic and sectoral objectives of the Member States are consistent with the maintenance and strengthening of the Community as well as with the object of consolidating the EMS. It therefore called for a more effective coordination of national economic policies and invited the Commission and the Council (ECOFIN) to make fuller use of the machinery set up for that purpose and to consider whether it needed strengthening.

C. Monetary policy

7. The European Council welcomed the success of the EMS in creating a zone of currency stability in Europe. It agreed that it should be further developed both as a key element in progress towards economic and monetary union and the creation of a European Monetary Fund, and to encourage a more stable international economic environment. It invited the Council (ECOFIN) to take stock during 1982 of the preparatory work done on these matters and in particular to take the necessary steps:

- to achieve greater concertation of national monetary policies;
- to encourage the use of the ECU for Community loans and on financial markets by both public and private borrowers;
- to seek improvements in monetary co-operation with the Community's principal partners, in particular insofar as exchange rate and interest rate policies were concerned.

D. Borrowing and Lending policy

8. The European Council welcomed the moves recently made to expand the scope of the Community's financial instruments, (EIB, ECSC, EURATOM and the NCI) in order to promote investment

.../...
E



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

25 November 1981

M O'D B Alexander Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

Original on Budget file?

New Michael,

UK BUDGET REFUNDS FOR 1980 AND 1981

At yesterday's Budget Council the German and French delegations made unhelpful statements about the UK's Budget refunds for 1980 and 1981.

We doubt whether we shall want to advise the Prime Minister to raise this matter with either Schmidt or Mitterrand tomorrow. We know from discussions our Bonn Embassy have had with the Federal Chancellor's office that Schmidt will wish to avoid any discussion of the issue. Our Embassy in Paris are still trying to clarify the French position.

Further advice will be submitted if necessary in the light of the outcome of those enquiries.

In the meantime, I thought it might be helpful to let you have tonight a background note which explains what the point at issue is.

Copies go to Brian Fall, Tom Bridges and David Hannay (FCO) and Sir Robert Armstrong and Michael Franklin (Cabinet Office).

*Yours ever,
J O Kerr*

J O KERR
Principal Private Secretary

CONFIDENTIAL

UK BUDGET REFUNDS FOR 1980 AND 1981

1. The German and French delegations made unhelpful statements at yesterday's Budget Council about the UK's budget refunds for 1980 and 1981. They gave no advance warning.
2. The German representative (Dr Schulmann) said that the UK "stood to receive 900 million ecus too much" and warned the Commission that "extreme care was needed.....both in framing and using estimates of net contributions in future."
3. The French representative (M. Vidal) said, more categorically, that France would oppose further supplementary measures payments in 1981 (including advances on refunds for 1981 as well as payments in respect of 1980) until there was agreement in the mandate negotiations on a settlement which was lump-sum, temporary and degressive.
4. The background to the German and French statements is as follows:-

(i) Figures (million ecus). The 30 May agreement was based on Commission projections for the UK's uncorrected net contribution of 1784 in 1980 and 2140 in 1981. The basic figures were:-

	<u>1980</u>	<u>1981</u>
Estimate of unadjusted net contribution	1784	2140
Refund	1175	1410
Net contribution	609	730

The Commission's latest estimates, published earlier this month, put our unadjusted net contribution at 1521 in 1980 and 1505 in 1981 - a reduction of some 900 over the two years. This 900 is the figure mentioned by the German and French representatives at the Budget Council. The implication is that the refunds in the above table should be reduced by 263 in respect of 1980 and 635 in respect of 1981.

CONFIDENTIAL

- (ii) UK position. In our view, the 30 May agreement clearly provides for a minimum net refund to the UK, which is due to us whatever the actual level of our uncorrected net contribution turns out to be. In the negotiations before the 30 May agreement, we in fact argued for a fixed net contribution, but others insisted on a fixed net refund. We finally accepted this subject to the proviso that if our unadjusted net contribution exceeded the Commission's projections we would split the difference with other Member States.
- (iii) Commission position. The Commission stated in the autumn of last year that they shared out interpretation of the 30 May agreement but recognised that other Member States might dispute this and wish to discuss the matter.
- (iv) Council position. An agreed Council Minutes entry in October 1980 stated that the supplementary measures regulation was "without prejudice to the positions of the Member States at [the Council's] discussions in the event of the actual net balance of the United Kingdom in 1980 and 1981 falling short of the forecasts adopted by the Council in its conclusions of 30 May 1980" We cannot therefore avoid a discussion of this issue in the Council if other Member States insist on one.
- (v) German position. In last week's Summit talks in Bonn, Matthöfer made threatening noises about our refunds to the Chancellor of the Exchequer. But Schmidt appeared to go some way, at least, to over-ruling him at the press conference, when he said:-
- "Let me make it quite clear that any request on the part of the German Government for a payment back is absolutely out of the question. This is a rumour and I categorically reject that."

CONFIDENTIAL

As German officials have since pointed out, however, Schmidt's words do not rule out the possibility that the Germans will try to prevent us from receiving in full the amounts which we believe are due to us but not yet paid.

- (vi) French position. The French earlier appeared intent on reducing our refunds for 1980 and 1981. More recently, the line seemed to have changed. The French argued instead that we are doing "much too well" on our refunds for 1980 and 1981 and that the Community will need to exact a terrible revenge in 1982 and subsequent years. As recently as Monday of this week, Beregovoy told Sir Robert Armstrong and Mr Franklin that "although French would not ask repayment for the 'famous 900 million ecus', it had to be taken into account in the compensation paid during 1982, 1983 and 1984". The hard French line in the Budget Council came therefore as a surprise.

5. The Commission have told us that they intend to implement the regulation, as we interpret it, and to make arrangements for paying to us the provision for refunds in the 1981 Budget - unless Member States agree to a different interpretation of the 30 May agreement or decline to approve the necessary budgetary provision. Member States do however have the power to frustrate the Commission's intentions over the next two or three weeks by the following means:-

- (a) Since we have again failed to qualify for the financial mechanism, a transfer is needed from the financial mechanism to supplementary measures. The Council could block this.
- (b) A transfer is also needed from the "reserve" chapter of the Budget to the supplementary measures chapter in order to cover advances in respect of 1981. The Council could block this, too.
- (c) No further refunds can be paid to us until the ad hoc committee of Member States on supplementary measures has considered draft decisions by the

CONFIDENTIAL

Commission. The committee is due to meet on 10 December. If a qualified majority of Member States should vote against the draft decisions, the Commission would not be able to proceed with making the payments until the Council had resolved the matter.

The immediate concern for the UK will be to avoid blocking votes either in the Council or in the ad hoc committee.

28120 AMBLUX G1
3405A AFETR LU

LUXEMBOURG, LE 25 NOVEMBRE 1981
NO. 1793/81

A L'ATTENTION DE MADAME LE MINISTRE

VEUILLEZ TROUVER CI-APRES TELEX A VOTRE ATTENTION DANS LEQUEL
ON SOLLICITE ENTREVUE A LONDRES :

"

MONSIEUR LE MINISTRE,

LA DELEGATION DE LAUREATS DU PRIX NOBEL, DE PARLEMENTAIRES
EUROPEENS ET NATIONAUX PRESENTS A LONDRES 25/26/27 SOLLICITE
REPONSE URGENTE AU TELEX DU 23.11.81 ET DEMANDE D'ETRE RECUE
POUR PRESENTER LES PRISES DE POSITIONS D'AUTORITES POLITIQUES
ET RELIGIEUSES AFIN QUE LA RESOLUTION DU PARLEMENT EUROPEEN
CONTRE LA FAIM DANS LE MONDE SOIT DISCUTEE AU CONSEIL EUROPEEN
DES 10 ET DES DECISIONS CONCRETES SOIENT IMMEDIATEMENT PRISES.

FOOD AND DISARMAMENT INTERNATIONAL - C.D.I. - P.E.
3, BD DE L'EMPEREUR - 1000 BRUXELLES - TEL. 511.61.55
TELEX 63992

"

NOUS EN AVONS ACCUSE RECEPTION A FDI

AFFETRA/ H. WURTH

28120 AMBLUX G
3405A AFETR LUT

Mr Alexander

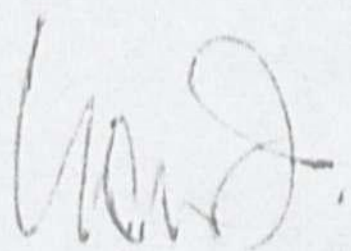
Qz 02378

CONFIDENTIAL

NOTE FOR THE RECORD

MANDATE: 1980 and 1981 REFUNDS

M. Morel called me back at 4 pm (see my minute to Sir Robert Armstrong of 25th November). He said he had made rapid enquiries and had spoken to M. Beregovoy. The intervention by the French representative at the Budget Council had followed the German statement. It should be understood in the context of the decision of the French Government that the "over payment" must form part of current Mandate negotiations. I said we understood, although we certainly did not accept, that the French Government wished to bring this matter into the discussions about the arrangements which would apply from 1982 onwards. However the immediate issue related to the 30 May agreement itself. The wording used by M. Vidal appeared to call into question that agreement. There would be a serious reaction if the French attempted to block any of the procedures which were required to implement the 30 May agreement. M. Morel reiterated that this was a political position taken by the French Government: he could only assume that the French representative had felt obliged to intervene (thus clearly implying that he had not been acting on instructions). I said the German intervention at the Budget Council had been directed at the Commission's forecasting abilities. It was not in conflict with the public assurance we had had from Chancellor Schmidt that the Federal Government had no intention of asking the British Government to repay. Could I advise British Ministers that ^{the} M. Vidal's intervention should be understood as putting down a marker about/French attitude but did not constitute a block on procedures? He was inclined to accept that, but then went on to say that we should understand the French need to have their position recorded in the proces verbale of the Budget Council. In this way the French Government wanted "in every sense to have its hands free". I said the Ambassador would probably revert to the question when he saw M. Beregovoy. M. Morel said he would make some further enquiries.



M D M FRANKLIN

25th November 1981

CONFIDENTIAL

Distribution:

Mr Hancock Treasury

Mr Culpin "

Lord Bridges FCO

Mr Hannay "

Mr Petrie Paris

Sir M Butler UKREP

(already informed by telephone)

(19)

Mr Alexander

CONFIDENTIAL

to Aunt

Q2 02376

Rennie Minister

SIR ROBERT ARMSTRONG

cc Lord Bridges
Mr Hannay
Mr Hancock
Sir M Butler

It is depressing that the French are taking such a difficult line: if necessary they will have to be told to "take a powder". But perhaps one should wait to hear Mrs Pittenand before reacting. (para 4 + attached minute)

EUROPEAN COUNCIL: DRAFT BUDGET GUIDELINES

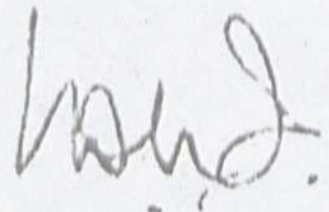
I have spoken on the telephone both to Thiele in Bonn and Morel in Paris to tell them, as I promised to do, what we had decided to do about the draft guidelines. Aunt 29/11

2. With Thiele I said we had altered the end of paragraph 5 to make it even clearer that we had the Federal Republic in mind. He acknowledged that the text was an improvement but was still unhappy that it appeared to give greater recognition to the United Kingdom's problem than to that of Germany and that we continued to treat the less prosperous countries (Italy and Ireland) too favourably. On the first point I said that we felt we had produced now a balanced text which did not refer specifically either to the United Kingdom or to the Federal Republic. If the Federal Chancellor felt he had to propose stronger language he was of course free to do so. On the less prosperous member states I pointed out that we were only following the thinking in the Commission report and were only using the words "will have regard to".

3. I subsequently spoke to Morel who had not yet received the revised text. I told him that there were only slight changes. I explained that we had reflected carefully after the meeting with M. Beregovoy and had felt that distributing the draft budget guidelines was the best way to ensure a sensible discussion at the European Council. He would be receiving through the Embassy some further reactions to the meeting on Monday morning. He took note.

4. I went on to say that we had been extremely disturbed to learn that the French representative at the Budget Council (UKREP tel no 4470) had declared that France

would oppose further supplementary measures payments in 1981 and advances on 1982 refunds until agreement had been reached in the Mandate negotiations. This statement was in total contradiction to the assurance we had been given by M. Beregovoy that there would be no question of demanding repayments for 1980 and 1981. Unless he could tell me that M. Vidal had been speaking out of turn we would need to inform the Prime Minister who might feel obliged to raise the question with the President. He promised to investigate and ring me back.



M D M FRANKLIN

25th November 1981



Foreign and Commonwealth Office

London SW1A 2AH

25 November 1981

Type for PM's
Signature

Ans

Dear Michael,

Telex Message from Signor Marco Pannella, MEP, on Hunger in
The World

I enclose a draft reply from the Prime Minister to Signor Marco Pannella MEP's telex, undated but received here on 23 November.

Signor Pannella has called for the question of hunger in the world, and specifically a Resolution of the European Parliament of 30 September calling for an emergency plan to save 5 million lives by the end of 1982, to be put on the agenda of the European Council and to feature in its formal conclusions.

We do not want to complicate any European Council discussion of North/South issues (which, if unavoidable, we hope will be brief) by references to this new Resolution. Nor do we want to dignify Signor Pannella's antics. But we may not be able to prevent others, especially the Italians, from raising the question of world hunger. The brief on North/South and the language prepared for the Council conclusions take account of this.

Signor Pannella has managed to generate a fair head of steam behind his campaign on world hunger and it would be sensible to give him a fairly gentle brush-off, especially since he may make any reply public. It would also be best if any reply could be given to Pannella before the European Council begins. If the Prime Minister agrees we therefore propose to telex the reply direct to Signor Pannella at the European Parliament's Brussels Office.

/The Lord Privy Seal

M O'D B Alexander Esq
10 Downing Street



The Lord Privy Seal will be replying separately to the earlier missive from Signor Pannella to the Prime Minister (sent to us under cover of your letter of 16 November). This earlier message was sent also to a number of other members of the Government and to MPs. The Lord Privy Seal's reply will be designed as a single reply to all the copies which have been received by Ministers.

Yours ever,

A handwritten signature in dark ink, appearing to read 'Francis Richards', written in a cursive style.

(F N Richards)
Private Secretary

DSR 11 (Revised)

MESSAGE

DRAFT: ~~XXXX/XXXX/XXXX/XXXX/XXXX/XXXX~~

TYPE: Draft/Final 1+

FROM:

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Signor Marco Pannella
European Parliament
Brussels

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your recent telex asking for the question of hunger in the world to be inscribed, on the agenda of this week's European Council.

CAVEAT.....

The European Parliament's concern over hunger in the world is well known and respected in the Community. The Parliament's concern is shared by the Council of Ministers and the Commission, who are placing a new emphasis on the Community's food aid policies, on aid for agricultural development and on aid for the least developed.

This emphasis is demonstrated by the Community's "Plan of Action" to combat world hunger, agreed upon at the Development Council on 3 November, which includes a special immediate allocation of 40 mecu extra food aid for the least developed countries.

Enclosures—flag(s).....

There is no formal agenda for meetings of the European Council. But I expect that there will be discussion of relations between developed and developing countries, and, in that context, the very serious

/problem of

problem of world hunger will no doubt be addressed.

Mr Alexander

to, Ant

Qz 02377

NOTE FOR THE RECORD

EUROPEAN COUNCIL: BUDGET GUIDELINES

It is going to be uphill work, I
 fear. But I understand Herr Schmidt is
 coming in a positive frame of mind (following
 today's Cabinet in Bonn). You will want to allow
 time for the negative influences to be forced into the open.

I telephoned several of my contacts in other European capitals this morning to explain the draft budget guidelines. I said we had thought carefully about how to prepare the discussion at the European Council. We were disappointed that we could not go further but something like this draft represented the minimum which could be regarded by us as producing a balanced and successful outcome to the meeting. We thought they reflected something like the consensus which appeared to be emerging at the last Foreign Affairs Council. Reactions were:-

- i) Posthumus Meyjes (The Hague) was concerned to avoid a complete impasse and confrontation. He had not then received the text but promised to study it carefully. We must aim for modest results.

He then went on to ask me for an assurance - which I gave - that in spite of the presence of four Ministers in the French delegation we were only providing two seats per delegation at the meeting.

- ii) Berlinguer (Rome) had just received the text. He was grateful for the call and acknowledged that in the latest draft on Chapters I and II we had tried to take account of Italian preoccupations. I thanked him for the Italian memorandum.

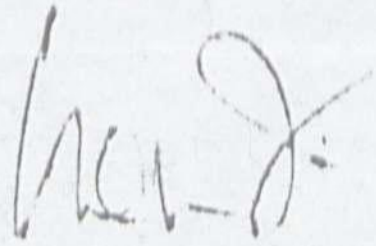
- iii) Dermott Nally (Dublin) had not received the text either. His response was predictable: what are you going to give us on Chapter II? He quoted what was obviously in Mr Fitzgerald's brief about the extent to which the cost of the CAP and its share in the budget had already been reduced ^{from} and which should be / ^{deducted} the "cost" of all the Community's special import arrangements. He was not surprised when I told him that the last point was bogus and that what we wanted was to continue with the good work of reducing the CAP's share of the budget.

- iv) Holm (Copenhagen) was extremely negative. Our draft had arrived in time

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for a meeting of Danish Ministers. The reaction had been extremely negative. The circulation of this text was not constructive. The Danish Prime Minister would be very reluctant to engage in detailed discussion; the three chapters were still unbalanced; and had we given thought to postponing the whole discussion until spring 1982. I said we had not. We realised that the Danish Government was in a difficult position but a failure at this meeting would be very damaging and without significant progress on all three chapters this could not be disguised. He said that anything Mr Joergensen committed himself to would have to be ad-referendum.

I have recorded separately my conversations with Thiele in Bonn and Morel in Paris.



M D M FRANKLIN

25th November 1981

cc Sir Robert Armstrong
Lord Bridges
Mr Hannay
Mr Hancock
Sir M Butler



Foreign and Commonwealth Office

London SW1A 2AH

25 November 1981

Dear Michael,

/ As requested in your letter of 23 November, I enclose a draft reply to the letter addressed to the Prime Minister, in her capacity as President of the European Council, by the Chairman of the Consumers in the European Community Group (UK) (CECG).

The CECG is an umbrella organisation coordinating the Community-related activities of the main British Consumer organisations (eg National Consumer Council and Consumer Association). It acts as a lobby group in London and has equivalents in other EC capitals. It receives some UK governmental funds through the National Consumer Council. It is a small group and is in regular contact with the Department of Trade.

The Foreign and Commonwealth Secretary considers that it would not be appropriate to reply on the substance of the points raised in the letter which concern CAP reform, the Multi-Fibre Arrangement, air fares, and prudent liability. Since the letter is addressed to the Prime Minister in her Presidency capacity, any reply on these points would have to reflect not the UK national point of view, but that of the Community as a whole, which would be difficult given that a number of these matters are the subject of disagreement among Member States. Equally, although most of these are matters on which the UK as Presidency is anxious to make progress, it would be unwise to give the CECG any firm commitment to pursue them which they might later exploit.

It therefore seems best to do no more than respond to the request that the letter should be circulated to the members of the Council. The CECG clearly mean that this should happen prior to or at the European Council itself;

/but

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



but there seems no reason to do this with a document that does not have any official status. The request could best be met by sending the letter to UKREP Brussels with instructions to bring it to the attention of Member States. The reply is drafted as from the Prime Minister, but you may consider that a Private Secretary letter would be adequate for the purpose.

If the recommendation is agreed, it is proposed that the No 10 Press Office and FCO News Department should hold copies of the reply available to give to the press in answer to any enquiries that may be generated by the fact that the CECG's letter has been released to the Press.

I am copying this letter to the recipients of yours.

Yours ever,

A handwritten signature in blue ink that reads "F N Richards".

(F N Richards)
Private Secretary

DSR 11 (revised)

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:

PRIME MINISTER

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Mrs Kate Foss
Chairman
Consumers in the European
Community Group (UK)
34 Tufton Street
LONDON SW1P 3RB

Your Reference

Copies to:

Top Secret

Secret

Confidential

Restricted

Unclassified

PRIVACY MARKING

SUBJECT:

Letter The Prime Minister has asked me to

.....In Confidence

Thank you for your letter of 23 November addressed to ~~me~~ ^{her} in ~~my~~ ^{her} capacity as President of the European Council, and containing a number of comments on various matters related to the European Community of particular concern to consumers.

The Prime Minister is,

~~I~~ am, as you request, arranging for your letter to be brought to the attention of the Member States. ^{She is} ~~who I~~ am ^{not} sure ^{that they} will take your views into account, as will the Government, in their deliberations on the important matters which you raise.

CAVEAT.....

In view of the fact that you have released the text of your letter to the press, I am arranging for copies of this reply also to be made available to the press in answer to any enquiries.

Enclosures—flag(s).....



10 DOWNING STREET

THE PRIME MINISTER

25 November 1981

Thank you so much for the message you sent me after your return to Brussels yesterday. Your ideas have been valuable in my preparation for tomorrow's Council.

I indeed hope we can make solid progress on all three chapters of the Mandate. That is what the Presidency will be working for, and your support will be invaluable.

I have one reservation about your suggestions. If we do get stuck, and if we are not able to agree clear and precise guidelines for future policies, I am not entirely convinced that handing the matter back in the way you suggest to the Foreign Affairs Council, even with a tight deadline for decision, will be the best way to proceed. A lot will depend on how the discussion goes. But there is surely a limit to the amount of time we should devote to agreeing guidelines when what we have to do, sooner or later, is find substantive solutions to the problems that face us.

I am extremely grateful for what you said at your press conference, which set just the right tone for our meeting.

We must keep in close touch during the Council. I look forward very much to seeing you in London again tomorrow.

(SGD) MARGARET THATCHER

His Excellency Monsieur Gaston Thorn
c/o Ritz Hotel

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

25 November 1981

Type for PM's signature

Rich

Dear Michael,

European Council: President of the
Commission's Message to the Prime Minister

M Thorn has sent a message to the Prime Minister about the prospects for the European Council. What he has to say is generally very familiar to us and does not advance matters. But it would be advisable to send a polite reply which should cover the question of follow-up in the event of difficulties with the guidelines, on which his approach differs from ours. I attach a draft reply, which it would be advisable to send off very quickly.

I am sending copies of this letter to Private Secretaries to the Chancellor of the Exchequer, Minister for Agriculture and Sir Robert Armstrong.

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

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

CONFIDENTIAL

DSR 11 (revised)

DRAFT: ~~minute~~/letter/~~teletype~~/~~despatch~~/~~note~~

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

M Gaston Thorn

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

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I am extremely grateful for what you said at your press conference, which set just the right tone for our meeting.

Enclosures—flag(s).....

We must keep in close touch during the Council. I look forward very much to seeing you in London again tomorrow.

7166/81

As
Mitt

MESSAGE DE MONSIEUR FRANCOIS MITTERRAND,
PRESIDENT DE LA REPUBLIQUE FRANCAISE

A

THE RT. HON. MARGARET THATCHER, M.P.
PRIME MINISTER

Paris, le 25 novembre 1981

"Chère Madame le Premier Ministre,

Je vous remercie du message que vous m'avez adressé pour m'indiquer de quelle façon vous envisagiez d'aborder les problèmes qui se posent au prochain Conseil Européen de Londres.

Je souhaite vivement que soit reconnue la nécessité de parvenir à un accord sur les trois principaux chapîtres de la négociation.

Je pense, comme vous, qu'il nous faut réussir à dégager des arbitrages durables s'inspirant des

.../...

règles de la Communauté. C'est dans cet esprit que
je me rendrai à Londres avec la volonté d'aboutir.

Sincèrement vôtre et meilleurs sentiments
personnels.

signé : François Mitterrand"./. .

AMBASÁID NA HÉIREANN, LONDAIN.



IRISH EMBASSY, LONDON.

17 Grosvenor Place

SW1X 7HR

T 164/81

25 November 1981

For Aunt

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

My dear Prime Minister

I have been asked by the Taoiseach to convey the following reply to your message of the 20th November:

My Dear Prime Minister

Thank you for your message of 20 November concerning this week's meeting of the European Council.

I would like to reciprocate your kindness in letting me have in advance your preliminary thinking by setting out rather fully some central elements in my own approach.

I fully understand your desire, as President of the Council, to make real progress on the mandate. My efforts in London will certainly be directed to the same end but I think you will agree that considerable differences of view remain and there may be difficulty in reaching agreement on what is appropriate.

My Government's general approach is that the Community should emerge, when our work is completed, with a result that sets us firmly on the road to further development of the Community in a wide range of policy areas, while dealing adequately with certain current problems. In particular, we are required by the mandate not to call into question common policies financed from the Community's own resources system or the basic principles of the Common Agricultural Policy.

While some useful progress has been made on Chapter 1, the direction and scope of policy initiatives in some areas remains rather nebulous especially when

/...

contrasted with proposals in the areas of Chapters 2 and 3. Prospective lines of policy development seem blurred in this Chapter and firm commitments are lacking. Indeed what I find rather puzzling about the entire mandate exercise is that much more attention has been given to the CAP than to the recession, unemployment and convergence which appear to me the really large issues facing the Community at present.

On accession to the Community, we accepted certain risks in other areas (risks which have materialised in the form of two out of every five jobs in manufacturing industry permanently lost) on the basis that we were absolutely assured of compensating benefits in agriculture. Our dependence on this sector is among the highest in the member states, but, for historical reasons, our development potential in this sector is still very much unrealised. Instead, our farmers have suffered over the last three years a decline of almost 50 percent in their real incomes which are now lower than at accession. You will understand that against this background, it would be politically and economically impossible for me to assent to some of the guidelines and conclusions that have hitherto been proposed in the mandate discussions. It would clearly be wrong that in seeking solutions to current transitional problems affecting some member states, we should create a long-term, unacceptable situation for other member states, in areas of their vital interest. If there are to be guidelines on the CAP, I shall have to insist that they should provide opportunities for restoring the income situation of farmers and for the development of agriculture in those less prosperous member states whose economies are heavily dependent on agriculture.

Finally, Ireland has all along adhered to the view that the avoidance of unacceptable situations, on a basis consistent with the terms of the mandate, must be ensured through the further development of common policies. It follows that before giving approval to any special derogation from the basic rules for financing the Community, the Council must be satisfied that adequate resources will be available to fund policy development on a broad front and must also be in a position to assess how far progress on these lines will ensure an equitable balance within the Community.

In Ireland's view it will not be possible to achieve these objectives if we retain beyond its useful life an arbitrary limit to the expansion of

/...

own resources. However, were this limit to be maintained for the moment, we take it as axiomatic that the funding of policies which are part of the Community acquis and are fundamental to its development would take priority over any temporary arrangement which, of its nature, must represent a temporary departure from the basic principles on which the Community is founded.

I look forward to seeing you in London and to discussing these issues.

May I add that my colleagues and I have admired the resolve shown in both statements and actions by your Government in handling the events of recent days in Northern Ireland.

Yours very sincerely

Garret FitzGerald

*I am, my dear Prime Minister
Yours very sincerely
Eamon Kennedy*

Eamon Kennedy
Ambassador

25 November 1981

MESSAGE FROM THE PRESIDENT OF THE
ITALIAN COUNCIL OF MINISTERS

I enclose a copy of a message which the Prime Minister has received from the President of the Italian Council of Ministers. Subject to your views, I do not think that the Prime Minister need reply to Signor Spadolini's message.

MODBA

Francis Richards, Esq.,
Foreign and Commonwealth Office.

25 November 1981

Thank you for your letter of 24 November.
I have, of course, brought the message from
Signor Spadolini to the Prime Minister's
immediate attention.

M. O'D. B. ALEXANDER

MODBA

His Excellency Signor Andrea Cagiati, GCVO.

ADVANCE COPIES

D/B 251400Z

Mr Alexander

FRAME ECONOMIC

25 XEROX COPIES

IMMEDIATE

FCO

PS/LORD PRIVY SEAL
PS/MR HURD

MR BULLARD
MR HANNAY
LORD BRIDGES

~~RESIDENT-CLERK~~

HD/ECD(1) (3)
HD/NEWS
HD/ERD
HD/Pres Sec
HD/.....

PLUS FOO

Sir R. Armstrong
CABINET OFFICE

MR M D M FRANKLIN
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FRAME ECONOMIC

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TO IMMEDIATE FCO

TELNO 4485 OF 25 NOVEMBER

INFO PRIORITY EC POSTS.

EUROPEAN COUNCIL: PRESIDENT THORN'S PRESS CONFERENCE, 25 NOVEMBER 1981

1. THORN GAVE A PRESS CONFERENCE AT MIDDAY TODAY ABOUT THE EUROPEAN COUNCIL. THE MAIN FOCUS WAS ON THE MANDATE. THE FOLLOWING WERE THE SALIENT POINTS:

(A) HEAVY EMPHASIS ON THE MACRO-ECONOMIC CRISIS FACING THE COMMUNITY. DECISIONS ON THE MANDATE WERE THEREFORE URGENT AND MUST BE TAKEN AT THIS EUROPEAN COUNCIL. IT WAS WRONG TO SAY THAT THEY COULD BE LEFT OVER FOR THE NEXT ONE. THE ECONOMIC SITUATION WOULD ONLY GET WORSE. PRICE FIXING DECISIONS ON AGRICULTURE IN ADVANCE OF DECISIONS BY THE EUROPEAN COUNCIL WOULD ALSO MAKE THE

WOULD ONLY GET WORSE. PRICE FIXING DECISIONS ON AGRICULTURE IN ADVANCE OF DECISIONS BY THE EUROPEAN COUNCIL WOULD ALSO MAKE THE SITUATION WORSE. THE COMMISSION'S AND ALSO THE PRESIDENCY'S PREOCCUPATIONS WERE THEREFORE TO GET DECISIONS IN LONDON. FAILURE WOULD BE VERY SERIOUS. HE DID NOT AGREE THAT PREPARATION OF THE MANDATE HAD BEEN INSUFFICIENT. AT THE VERY LEAST THE EUROPEAN COUNCIL SHOULD FIX DEADLINES AND PROCEDURES FOR DECISIONS IN JANUARY OR FEBRUARY, BUT AT ANY RATE BEFORE THE NEXT EUROPEAN COUNCIL.

(B) ASKED WHETHER THERE WOULD BE A COMMISSION INITIATIVE, THORN SAID HE HAD GONE OVER THE GROUND YESTERDAY WITH MRS THATCHER. PERHAPS DURING THE DAY HE WOULD MAKE CONTACT WITH ALL GOVERNMENTS TO MOTIVATE THEM ON CERTAIN ASPECTS. THERE WAS NO PROGRAMMED INITIATIVE OR SECRET INITIATIVE IN HIS POCKET ALTHOUGH, AS BEFITTED THE ROLE OF THE COMMISSION, HE WAS READY TO TAKE THE INITIATIVE AT THE APPROPRIATE MOMENT DURING THE EUROPEAN COUNCIL. (ASKED BY US TO CLARIFY THIS AFTERWARDS, DURIEUX - THORN'S CHEF DE CABINET - ASSURED US PRIVATELY THAT THE PRESIDENT HAD NO CONTACTS OR FURTHER MESSAGES IN MIND; BUT THE PRESIDENT COULD NOT APPEAR TO THE PRESS TO BE INACTIVE ON THE DAY BEFORE THE EUROPEAN COUNCIL. THE COMMISSION'S ORIENTATION ON THE SUBSTANCE WAS (UNANIMOUSLY) AS SET OUT IN THE PAPERS ALREADY TABLED; BUT THERE WAS A NEED FOR A NEW LOOK AT THE TACTICS ON PROCEDURE, PERHAPS A SPECIAL COUNCIL.

(C) ASKED WHAT HE HOPED WOULD EMERGE FROM THE EUROPEAN COUNCIL, ON CHAPTER I THORN HAD DETECTED A POLITICAL WILL TO DRAW OUT THE ESSENTIALS OF AGREEMENT ON NEW POLICIES AND ADJUSTMENT OF EXISTING POLICIES. ON CHAPTER II, THE CAP WAS THE BEST POSSIBLE SYSTEM BUT AFTER 20 YEARS NEEDED ADJUSTMENT. AGREEMENT WOULD BE DIFFICULT AT LONDON BECAUSE OF NEED FOR DETAILED DISCUSSION, BUT WAS ESSENTIAL AT LEAST ON HOW TO PROCEED AFTERWARDS TOWARDS DECISIONS BEFORE THE NEXT EUROPEAN COUNCIL. THE CAP MUST BE REFORMED BEFORE THE 1 PER CENT CEILING COULD BE INCREASED. ON CHAPTER III, HE RECOGNISED THE GERMAN PROBLEM, BUT GERMANY WAS THE RICHEST COUNTRY IN THE COMMUNITY. THE UK WAS ALSO NOT IN A CATASTROPHIC SITUATION BECAUSE OF THE UNEXPECTEDLY LARGE REFUNDS FOR 1980/81. PAYMENTS FOR 1981 WOULD NOT BE MADE UNTIL THE 1983 BUDGET. SO THE COMMUNITY WAS MUCH MORE PRESSED FOR TIME ON CHAPTERS I AND II THAN ON CHAPTER III.

(D) ASKED WHETHER HOLDING THE PRESIDENCY HAD BEEN A HANDICAP FOR THE UK IN THE CONDUCT OF THE MANDATE, THORN SAID THAT THE UK HAD ACCOMPLISHED ITSELF IN THE ROLE OF PRESIDENCY VERY WELL

(D) ASKED WHETHER HOLDING THE PRESIDENCY HAD BEEN A HANDICAP FOR THE UK IN THE CONDUCT OF THE MANDATE, THORN SAID THAT THE UK HAD ACQUITTED ITSELF IN THE ROLE OF PRESIDENCY VERY WELL, PUSHING FORWARD ALL THE DOSSIERS AND NOT JUST ITS OWN. "WE SHOULD ALL BE GRATEFUL".

(E) ON THE GENSCHER/COLOMBO EUROPEAN UNION PROPOSALS THORN SAID HE EXPECTED THIS TO BE REMITTED TO THE FOREIGN AFFAIRS COUNCIL.

FCO ADVANCE TO:

FCO - BRIDGES HANNAY FENN SPRECKLEY

CAB - ARMSTRONG FRANKLIN ELLIOTT WENTWORTH

MAFF- EDWARDS

TSY - HANCOCK EDWARDS

BUTLER

NNNN



PM/81/54

PRIME MINISTER

ks. Am

European Council

1. I was rather surprised by Peter Walker's minute of 25 November. After our discussion at your briefing meeting, I had thought that we were all agreed that the budget guidelines, if we can get them, would represent a substantial step towards our objectives. I expect that the Chancellor will have views on this. My own is that they are certainly not platitudes or meaningless phrases. Nor do I think that any of the texts on the CAP which we have agreed we could accept in the context of conclusions on all three chapters represents a substantial concession. All these texts are at the level of principles and leave details to be worked out later.

2. In the event of our failing to get agreement on budget guidelines, it is clear that we would not make concessions on agriculture.

3. I am sending a copy of this minute to the Minister of Agriculture, the Chancellor of the Exchequer, and Sir Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office

25 November 1981

* I now attach his comment!



And

(2)

10 DOWNING STREET

Prime Minister.

Mr Walker uses some very
'loaded' language in his brief
minute. No-one is suggesting
that you should agree to "platitudes
& meaningless phrases" on the
budget - still less that you should
pay a price for them.

I would be more impressed by the
ferocity of Mr Walker's advocacy of a
"no concessions" stance now if I thought
he would stand equally firm when it
came to the price fixing in the Spring.
I have the unworthy feeling that Mr
Walker is more devoted to the interests
of the ^{U.K.} farm lobby than of the ordinary
consumer (& to his interests rather than yours).

I imagine the Foreign Secretary will reply.*

And



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

From the Minister

CONFIDENTIAL

25 November 1981

PRIME MINISTER

K.G. Hunt
Ronni Minister

(2)

Hunt

EUROPEAN COUNCIL

Further to our discussions yesterday, I have today seen the revised draft handling brief and a further draft fall-back text, covering chapter 2 of the Mandate Document.

I do wish to strongly confirm my view that it would be a great mistake to make any concessions in this chapter unless we were certain of obtaining very important concessions on the budget. I would be very much opposed to any concessions on the CAP in return for platitudes and meaningless phrases on the budget.

Indeed at this stage, if others are showing no willingness to do a clear and firm deal with us on the budget issue, we should be highlighting the price that would need to be paid if we were to make any movement on the CAP.

I am sending a copy of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and Sir Robert Armstrong.

Kate Timmins

for

PETER WALKER
Approved by the Minister
and signed in his absence

PART 8 ends:-

Franklin to MODBA QZ 02373

24/11/81

PART 9 begins:-

FCS to PM pm/81/54

25/11/81