

PART 10.

Confidential filing.

European Council meeting in Brussels,

29/30 March 1982 - Policy.

EUROPEAN POLICY.

Part 1: Oct 1979

Part 10: Feb 1982.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
25-2-82							
8-3-82							
11-3-82							
16-3-82							
31-3-82							
8-4-82							
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PART 10 ends:-

PM to Len Murray Tuc 8.4.82

PART 11 begins:-

☎ Hancette to Pac 02 02/25 24.6.82

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10 DOWNING STREET

THE PRIME MINISTER

8 April 1982

Alan D. Murray

Thank you for your letter of 26 March about the European Council meeting on 29/30 March.

Most of the meeting was devoted to a discussion of the economic and social situation, including the problem of unemployment, particularly among young people, which affects all the Member States. I enclose a copy of the conclusions issued after the Council by the Belgian Presidency. You will see that we were all concerned at the level of productive investment in Europe. We discussed the role that the Community could play in the development of information technology and the important role of small businesses in providing new jobs. I stressed the need for greater freedom of trade between the Member States in the services sector. The Council called on both sides of industry to contribute to achieving the objectives of promoting productive investment and of controlling the evolution of all production costs.

Paragraph 7 of the conclusions refers to various measures to be taken by the Member States in connection with unemployment, particularly to assist young people entering the labour market, and requests the Council of Ministers to report back to the European Council at the end of this year. We in the UK Government are very willing to consider with our Community

/colleagues

JD

colleagues and with the representatives of the social partners any measures which can usefully be undertaken at Community level to help reduce unemployment and which are consistent with the aim of maintaining competitiveness and reducing inflation. The Council conclusions usefully underlined the link between these two aims in stating that all the Community countries had the same interests in combating unemployment and restoring economic growth while preserving monetary stability and ensuring the competitiveness of their economies.

Yours sincerely

Raymond Shelta

The Right Honourable Lionel Murray, O.B.E.

CF? Not C/F



Foreign and Commonwealth Office

London SW1A 2AH

5 April 1982

0 kits way
6/4

Dear Willie ✓

Pl type and ask Eco to
send us a clean copy of
the envelope, which we don't
seem to have.

Thank you for your letter of
29 March enclosing a letter to the
Prime Minister from the General
Secretary of the TUC.

wh
6/4

I enclose a draft reply.

Yours ever.

(F N Richards)
Private Secretary

Francis Richards

Willie Rickett Esq
10 Downing St

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:
The Prime Minister

Reference

DEPARTMENT: **TEL. NO:**

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:
Rt Hon L Murray OBE
General Secretary,
Trades Union Congress
Congress House
Great Russell Street
London WC1B 3LS

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

Thank you for your letter of 26 March about the European Council meeting on 29/30 March.

Most of the meeting was devoted to a discussion of the economic and social situation, including the problem of unemployment, particularly among young people, which affects all the Member States. I enclose a copy of the conclusions issued after the Council by the Belgian Presidency. You will see that we were all concerned at the level of productive investment in Europe. We discussed the rôle that the Community could play in the development of information technology and the important rôle of small businesses in providing new jobs. I stressed the need for greater freedom of trade between the Member States in the services sector. The Council called on both sides of industry to contribute to achieving the objectives of promoting productive investment and of controlling the evolution of all production costs.

*enclosure **

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Enclosures—flag(s).....

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Euro Pol.

European Council Meeting

3.30 pm

The Prime Minister, (Mrs. Margaret Thatcher): With permission, Mr. Speaker, I will make a statement on the meeting of the European Council in Brussels on 29 and 30 March, which I attended with my noble Friend the Foreign and Commonwealth Secretary.

At the end of the meeting, the President of the Council issued a statement of his conclusions on the economic and social situation and the 30 May mandate. Agreed texts on political co-operation were also released. I have placed copies of these documents in the Library.

The Council devoted most of its meeting on this occasion to the economic and social situation, both within the Community and in the world at large. We agreed that, although the specific characteristic of the situation in each member State might call for varying policies, all the member States had the same interest in combating unemployment and restoring economic growth, while preserving monetary stability and ensuring the competitiveness of their economies. The Council expressed its concern at the level of productive investment in Europe, especially in the industries of the future, and agreed that the Community and the member States would take whatever steps were open to them to improve that level, while recognising that an increase in investment would mean a reduction in consumption.

During our discussions, I laid particular stress on the need to complete the Common Market in the services sector. We have made disappointingly little headway with the liberalisation of services such as insurance and air transport.

We also discussed the role that the Community can play in the development of information technology and the vital contribution that small businesses can make to the provision of new jobs.

On youth unemployment, which was a matter of special concern, we agreed that each member State would strive to ensure over the next five years that all young persons entering the labour market for the first time would receive vocational training or initial work experience.

In our discussion of external policies, the Council looked forward to the Versailles economic summit in June. We agreed that our aim at that summit should be to encourage increased co-operation between the major industrial countries. In particular, we agreed that the persistence of high real interest rates in the international markets, combined with inadequate economic activity, was leading to a significant reduction in productive investment and made unemployment worse because of the squeeze on company liquidity and profits.

The Council urged Japan to open its market so as to integrate it more fully into international trade. We also urged Japan to follow an economic, commercial, monetary and exchange rate policy which was more compatible with the balance of responsibilities to be borne by the whole of the industrialised world, thereby contributing to economic recovery.

On the mandate, we had a relatively brief discussion in the light of the recent suggestions put forward by M. Tindemans and M. Thorn. We and most other member States were prepared to accept these proposals as a basis for negotiation. I emphasised the need for a solution to the United Kingdom budget problem which gave us a fair

scale of compensation, which was sufficiently flexible to take account of either an improvement or a deterioration in the underlying situation and which would last for a substantial period.

I underlined the conclusion we had all reached in London in November that decisions on all aspects of the mandate must be taken together, that is to say decisions on the budget, the common agricultural policy and the industrial and social affairs of the Community. At this point the President of France stated that he could not accept the Thorn-Tindemans proposals as a basis for discussion.

As the Presidential conclusions indicate, foreign affairs Ministers have been asked to do all in their power to secure early decisions. The Ministers will meet in Luxembourg on 3 April.

The Council also had a very full political agenda. We spoke about transatlantic relations and welcomed the very warm message sent by President Reagan on the 25th anniversary of the European Community.

We discussed the economic and commercial state of East-West relations, in the light of the significant role played by Community trade with the Soviet Union and Eastern Europe. We agreed that these matters, including the related credit problems, should be studied further by the European Community and member States in close consultation with other members of OECD.

We also discussed the situation in Poland, where martial law continues in force, many thousands of persons are detained, and a dialogue with the Church and with Solidarity is still suspended.

We agreed that it was essential not to lose sight of the tragic sufferings of Afghanistan. There can be no solution except on the basis which two-thirds of the United Nations have endorsed, and which the Soviet Union alone has so far frustrated.

On Central America, our main conclusion was the need to support any initiative that could bring an end to the violence, and we noted proposals by Mexico and Honduras, among others. We agreed that economic aid given to Central America and the Caribbean should be co-ordinated and, where possible, increased.

This was not the moment for a major statement of policy on the Middle East. We expressed grave concern about the situation in the area, especially on the West Bank. The Council welcomed, as a contribution to the achievement of a just and lasting peace in the Middle East, the participation of four member states in the Sinai multinational force. My noble Friend the Foreign and Commonwealth Secretary is paying an official visit to Israel today and tomorrow.

This was a very busy Council in its discussion, both of Community affairs and of international problems. While we were all disappointed and surprised at the attitude of the French Government on the mandate, the same realism will have to be applied to decisions on those problems as was applied in the wider discussions during this European Council.

~~Mr. Michael Foot (Ebbw Vale): First, I shall refer to what the right hon. Lady said about the mandate and discussions on the budget which were, of course, briefly referred to in the communiqué.~~

~~The right hon. Lady referred to her capacity for stubbornness in these matters. We all recognise that she has that capacity. As long as she is stubborn in defence of~~

the Government stand firm, the Opposition will support them? We do not want any backing down whatever on this question.

Mr. Atkins: I take note of what the hon. Gentleman says, and I am always grateful for his support. I shall not give him details of any plans that we might have in mind if there were a total breakdown in the discussions because it is our hope and belief that there will not be such a breakdown.

Reform

55. **Mr. Skinner** asked the Lord Privy Seal whether, in view of his statement in the *Official Report* on 3 March, c. 267, he has anything further to add on British budget contributions; and if he will make a statement.

Mr. Humphrey Atkins: I refer the hon. Member to my reply earlier today to my hon. Friend the Member for Southend, East (Mr. Taylor).

Mr. Skinner: Is the Minister aware that when Britain entered the Common Market we were told that, irrespective of budget contributions, unemployment would be reduced? Throughout the five-year transitional period, when we were paying less than the others, we were told that that would also assist Britain to reduce unemployment. During the referendum campaign in 1975, we were also told that, whatever the budget contribution, unemployment would be reduced. We were also told that the refund that has just been mentioned would also help Britain to bring down the level of unemployment. Is it not a fact that the Common Market, coupled with this Tory Government, is an unmitigated disaster whatever the budget contribution?

Mr. Atkins: It seems to have escaped the hon. Gentleman's attention that countries outside the Community also suffer from unemployment.

Mr. Teddy Taylor: Will the Lord Privy Seal at least remind his colleagues in Europe that since we joined the EEC we have paid net more than £3,000 million, or more than £1 million every day of the week, including Saturdays and Sundays?

Mr. Atkins: My hon. Friend has used those figures before. I remind him that our total net contribution last year was £55 million. That is an improvement, and the present discussions taking place in the Community are designed to secure the position for the future.

Mr. Squire: Does my right hon. Friend think that the nature of questions tabled by the Opposition in any way reflects their disappointment that the Labour Government were unable to achieve what the Conservative Government have manifestly done—secure a major reduction in the amount that we pay to the EEC?

Mr. Atkins: I am sure that it does, and the Labour Party has a great deal about which to be disappointed.

Mr. Cryer: As the right hon. Gentleman is so scathing about the alternative of the guaranteed deficiency payments system that Britain operated before making such massive contributions to the CAP, will he say what calculations have been made by his Department on the possibility of again embarking upon a guaranteed deficiency payments system?

Mr. Atkins: No, because our efforts at present are designed to reform the CAP, and we believe that we shall be successful.

European Commission (Presidents Interview)

56. **Mr. Arthur Lewis** asked the Lord Privy Seal whether he will obtain a transcript of the interview with M. Gaston Thorn, President of the EEC Commission, during which he made comments upon the Prime Minister and Her Majesty's Government; and whether he will publish this in the *Official Report*.

Mr. Humphrey Atkins: No, Sir. The hon. Member will have noted that the Commission has issued a statement which makes it clear that Mr. Thorn was misreported. I understand that the radio station concerned has since confirmed this.

Mr. Lewis: The original statement contained some rude and offensive remarks about our Prime Minister. That is now supposed to have been withdrawn. Why cannot we be told what the original statement said? If there was a correction, why should we not be told the facts? We have not yet seen the official details. The Minister has them. Why cannot he place them in the Library?

Mr. Atkins: I did not say that the statement had been withdrawn. It could not have been withdrawn, because it was never made. Mr. Thorn's office and the radio station have confirmed that it was misreported. If the hon. Gentleman wishes to see precisely what Mr. Thorn did say, I shall arrange for that information to be made available.

Mr. Teddy Taylor: As Mr. Thorn is obviously embarrassed about this, will my right hon. Friend seek his help and advice to establish what I am unable to establish—the view of the Commission and the EEC about our legal rights to keep EEC fishing vessels out of British waters after 31 December this year?

Mr. Atkins: I do not think that matter arises from this question, but I shall pursue my hon. Friend's point.

Ref. A07978

PRIME MINISTER

Cabinet: Community Affairs

You will wish to highlight for the Cabinet the main features of the discussion of Community topics at the 29-30 March European Council, including the economic and social situation, preparations for the Versailles Economic Summit, relations with Japan, Mr Papandreou's statement on the position of Greece in the Community, and Monsieur Mitterrand's rejection of the Thorn/Tindemans proposal as a basis for negotiation on the budgetary aspects of the mandate.

2. The Foreign and Commonwealth Secretary (who is, of course, in Israel) will be attending a special Foreign Affairs Council in Luxembourg on 3 April to discuss the mandate problem. So far as we can tell the discussion will be based on the proposals put forward by Monsieur Thorn and Monsieur Tindemans, despite President Mitterrand's statement; but there is a possibility that the French will make a new proposal in order to get themselves out of the box into which they have now put themselves.

3. The Minister of Agriculture will be in Brussels for further talks on the Common Agricultural Policy price-fixing negotiations which are continuing in the 31 March-2 April Agriculture Council.

4. Next week an informal meeting of Employment Ministers will take place on 5-6 April.

RA

ROBERT ARMSTRONG

31 March 1982

WITH PERMISSION, MR. SPEAKER, I WILL MAKE A STATEMENT ON THE MEETING OF THE EUROPEAN COUNCIL IN BRUSSELS ON 29 AND 30 MARCH WHICH I ATTENDED WITH MY NOBLE FRIEND THE FOREIGN AND COMMONWEALTH SECRETARY.

AT THE END OF THE MEETING THE PRESIDENT OF THE COUNCIL ISSUED A STATEMENT OF HIS CONCLUSIONS ON THE ECONOMIC AND SOCIAL SITUATION AND THE 30 MAY MANDATE.

AGREED TEXTS ON POLITICAL CO-OPERATION WERE ALSO RELEASED.

I HAVE PLACED COPIES OF THESE DOCUMENTS IN THE LIBRARY.

/ THE COUNCIL DEVOTED

THE COUNCIL DEVOTED MOST OF ITS MEETING ON THIS OCCASION TO
THE ECONOMIC AND SOCIAL SITUATION, BOTH WITHIN
THE COMMUNITY AND IN THE WORLD AT LARGE.

WE AGREED THAT, ALTHOUGH THE SPECIFIC CHARACTERISTICS
OF THE SITUATION IN EACH MEMBER STATE MIGHT CALL FOR
VARYING POLICIES, ALL THE MEMBER STATES HAD THE SAME
INTEREST IN COMBATING UNEMPLOYMENT AND RESTORING
ECONOMIC GROWTH, WHILE PRESERVING MONETARY STABILITY
AND ENSURING THE COMPETITIVENESS OF THEIR ECONOMIES.
THE COUNCIL EXPRESSED ITS CONCERN AT THE LEVEL OF
PRODUCTIVE INVESTMENT IN EUROPE, ESPECIALLY IN THE
INDUSTRIES OF THE FUTURE, AND AGREED THAT THE
COMMUNITY AND THE MEMBER STATES WOULD TAKE WHATEVER
STEPS WERE OPEN TO THEM TO IMPROVE THAT LEVEL,

/ WHILE RECOGNISING THAT

WHILE RECOGNISING THAT AN INCREASE IN INVESTMENT
WOULD MEAN A REDUCTION IN CONSUMPTION.

DURING OUR DISCUSSIONS I LAID PARTICULAR STRESS ON THE
NEED TO COMPLETE THE COMMON MARKET IN THE SERVICES
SECTOR.

WE HAVE MADE DISAPPOINTINGLY LITTLE HEADWAY WITH
THE LIBERALISATION OF SERVICES SUCH AS INSURANCE
AND AIR TRANSPORT.

WE ALSO DISCUSSED THE ROLE THAT THE COMMUNITY CAN
PLAY IN THE DEVELOPMENT OF INFORMATION TECHNOLOGY
AND THE VITAL CONTRIBUTION THAT SMALL BUSINESSES
CAN MAKE TO THE PROVISION OF NEW JOBS.

/ ON YOUTH UNEMPLOYMENT,

ON YOUTH UNEMPLOYMENT, WHICH WAS A MATTER OF SPECIAL CONCERN,
WE AGREED THAT EACH MEMBER STATE WOULD STRIVE TO
ENSURE OVER THE NEXT FIVE YEARS THAT ALL YOUNG
PERSONS ENTERING THE LABOUR MARKET FOR THE FIRST
TIME WOULD RECEIVE VOCATIONAL TRAINING OR INITIAL
WORK EXPERIENCE.

IN OUR DISCUSSION OF EXTERNAL POLICIES, THE COUNCIL LOOKED
FORWARD TO THE VERSAILLES ECONOMIC SUMMIT IN JUNE.
WE AGREED THAT OUR AIM AT THAT SUMMIT SHOULD BE TO
ENCOURAGE INCREASED CO-OPERATION BETWEEN THE MAJOR
INDUSTRIAL COUNTRIES.

IN PARTICULAR, WE AGREED THAT THE PERSISTENCE OF
HIGH REAL INTEREST RATES IN THE INTERNATIONAL

/ MARKETS, COMBINED

MARKETS, COMBINED WITH INADEQUATE ECONOMIC
ACTIVITY, WAS LEADING TO A SIGNIFICANT REDUCTION
IN PRODUCTIVE INVESTMENT AND MADE UNEMPLOYMENT WORSE
BECAUSE OF THE SQUEEZE ON COMPANY LIQUIDITY AND
PROFITS.

THE COUNCIL URGED JAPAN TO OPEN ITS MARKET SO AS TO INTEGRATE
IT MORE FULLY INTO INTERNATIONAL TRADE.

WE ALSO URGED JAPAN TO FOLLOW AN ECONOMIC, COMMERCIAL,
MONETARY AND EXCHANGE RATE POLICY WHICH WAS MORE
COMPATIBLE WITH THE BALANCE OF RESPONSIBILITIES TO
BE BORNE BY THE WHOLE OF THE INDUSTRIALISED WORLD,
THEREBY CONTRIBUTING TO ECONOMIC RECOVERY.

/ ON THE MANDATE,

ON THE MANDATE, WE HAD A RELATIVELY BRIEF DISCUSSION IN THE LIGHT OF THE RECENT SUGGESTIONS PUT FORWARD BY M. TINDEMANS AND M. THORN.

WE AND MOST OTHER MEMBER STATES WERE PREPARED TO ACCEPT THESE PROPOSALS AS A BASIS FOR NEGOTIATION.

I EMPHASISED THE NEED FOR A SOLUTION TO THE UNITED KINGDOM BUDGET PROBLEM WHICH GAVE US A FAIR SCALE OF COMPENSATION, WHICH WAS SUFFICIENTLY FLEXIBLE TO TAKE ACCOUNT OF EITHER AN IMPROVEMENT OR A DETERIORATION IN THE UNDERLYING SITUATION AND WHICH WOULD LAST FOR A SUBSTANTIAL PERIOD.

I UNDERLINED THE CONCLUSION WE HAD ALL REACHED IN LONDON IN NOVEMBER THAT DECISIONS ON ALL ASPECTS OF THE MANDATE MUST BE TAKEN TOGETHER, THAT IS TO SAY DECISIONS ON THE BUDGET, THE COMMON AGRICULTURAL POLICY AND THE INDUSTRIAL AND SOCIAL AFFAIRS OF THE COMMUNITY.

/ AT THIS POINT

AT THIS POINT THE PRESIDENT OF FRANCE STATED THAT HE WOULD NOT ACCEPT THE THORN/TINDEMANS PROPOSALS AS A BASIS FOR DISCUSSION.

AS THE PRESIDENTIAL CONCLUSIONS INDICATE, FOREIGN AFFAIRS MINISTERS HAVE BEEN ASKED TO DO ALL IN THEIR POWER TO SECURE EARLY DECISIONS. THE MINISTERS WILL MEET IN LUXEMBOURG ON 3 APRIL.

THE COUNCIL ALSO HAD A VERY FULL POLITICAL AGENDA.

WE SPOKE ABOUT TRANS-ATLANTIC RELATIONS AND WELCOMED THE VERY WARM MESSAGE SENT BY PRESIDENT REAGAN ON THE 25TH ANNIVERSARY OF THE EUROPEAN COMMUNITY.

/ WE DISCUSSED

WE DISCUSSED THE ECONOMIC AND COMMERCIAL STATE OF EAST/WEST
RELATIONS, IN THE LIGHT OF THE SIGNIFICANT ROLE
PLAYED BY COMMUNITY TRADE WITH THE SOVIET UNION AND
EASTERN EUROPE.

WE AGREED THAT THESE MATTERS, INCLUDING THE RELATED
CREDIT PROBLEMS, SHOULD BE STUDIED FURTHER BY THE
EUROPEAN COMMUNITY AND MEMBER STATES IN CLOSE
CONSULTATION WITH OTHER MEMBERS OF OECD.

WE ALSO DISCUSSED THE SITUATION IN POLAND, WHERE MARTIAL
LAW CONTINUES IN FORCE, MANY THOUSANDS OF PERSONS
ARE DETAINED, AND A DIALOGUE WITH THE CHURCH AND
WITH SOLIDARITY IS STILL SUSPENDED.

/ WE AGREED THAT

WE AGREED THAT IT WAS ESSENTIAL NOT TO LOSE SIGHT OF
THE TRAGIC SUFFERINGS OF AFGHANISTAN.

THERE CAN BE NO SOLUTION EXCEPT ON THE BASIS
WHICH TWO-THIRDS OF THE UNITED NATIONS HAVE
ENDORSED, AND WHICH THE SOVIET UNION ALONE
HAS SO FAR FRUSTRATED.

ON CENTRAL AMERICA, OUR MAIN CONCLUSION WAS THE NEED TO
SUPPORT ANY INITIATIVE THAT COULD BRING AN
END TO THE VIOLENCE, AND WE NOTED PROPOSALS
BY MEXICO AND HONDURAS AMONG OTHERS.

WE AGREED THAT ECONOMIC AID GIVEN TO CENTRAL
AMERICA AND THE CARIBBEAN SHOULD BE COORDINATED
AND, WHERE POSSIBLE, INCREASED.

/THIS WAS NOT

THIS WAS NOT THE MOMENT FOR A MAJOR STATEMENT OF POLICY
ON THE MIDDLE EAST.

WE EXPRESSED GRAVE CONCERN ABOUT THE SITUATION
IN THE AREA, ESPECIALLY ON THE WEST BANK.

THE COUNCIL WELCOMED, AS A CONTRIBUTION TO THE
ACHIEVEMENT OF A JUST AND LASTING PEACE IN THE
MIDDLE EAST, THE PARTICIPATION OF FOUR MEMBER
STATES IN THE SINAI MULTINATIONAL FORCE.

MY NOBLE FRIEND, THE FOREIGN AND COMMONWEALTH
SECRETARY, IS PAYING AN OFFICIAL VISIT TO
ISRAEL TODAY AND TOMORROW.

/ MR. SPEAKER,

MR. SPEAKER, THIS WAS A VERY BUSY COUNCIL IN ITS
DISCUSSION BOTH OF COMMUNITY AFFAIRS AND
OF INTERNATIONAL PROBLEMS.

WHILE WE WERE ALL BOTH DISAPPOINTED AND
SURPRISED AT THE ATTITUDE OF THE FRENCH
GOVERNMENT ON THE MANDATE, THE SAME REALISM
WILL HAVE TO BE APPLIED TO DECISIONS ON
THOSE PROBLEMS AS WAS APPLIED IN THE WIDER
DISCUSSIONS DURING THIS EUROPEAN COUNCIL.



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

31 March 1982

A.J. Coles, Esq.,
No.10, Downing Street

New Idn,

PRIME MINISTER'S STATEMENT ON THE EUROPEAN COUNCIL

Sir Kenneth Couzens has asked me to draw your attention to two possible lines of questioning on investment which could arise out of the Prime Minister's Statement.

First, the lobby for greater public investment (including investment by the Nationalised Industries) may try to use the conclusions of the European Council in support of their views. Secondly, it might be argued that there are so many 'unused resources' in the economy that more investment could be undertaken without any offsetting reductions in consumption or public expenditure.

.... The best way to handle such suggestions might be to respond on the lines of the attached three points.

.... I also attach a fourth point which could be used in response to any suggestion that the European Council conclusions point to some dramatic change in policy on interest rates.

I understand that the FCO will be including this material in their co-ordinated briefing.

Copies of this letter go to Brian Fall in the FCO and David Wright in the Cabinet Office. I am also sending a copy to Michael Scholar.

Yours ever,

J.O. Kerr

J.O. KERR

INVESTMENT

1. To get more investment we need to reduce costs. The Council decisions recognised that. Reduced costs make investment profitable and more investment then means more jobs.

2. The Council was concerned with productive investment. Investment is not productive if it does not pay its way. It is just wasteful. Adequate profitability is the main route to higher investment.

3. We took many measures in the Budget which were helpful to investment. In particular the reduction of the National Insurance Surcharge should reduce costs and so encourage investment and jobs, provided the benefit is not taken away in higher pay.

INTEREST RATES

4. There is no change in our interest rate policy but it will be part of the discussion in Versailles to consider the contribution lower public deficits can make towards lower interest rates.

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31 March 1982

PAPANDREOU'S STATEMENT ABOUT THE
BRITISH DETERRENT"

Thank you for your letter of 26 March. The Prime Minister noted its contents but, as things turned out, did not have an opportunity to raise the matter with Mr. Papandreu during the European Council.

I am sending a copy of this letter to David Omand (Ministry of Defence).

A. J. COLES

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

RB

CONFIDENTIAL

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Qz.02524

MR COLES

EUROPEAN COUNCIL: PRIME MINISTER'S STATEMENT

--- I attach a draft statement for the Prime Minister to make tomorrow. I am sending copies to the Departments concerned and will let you know if they have any comments.

D.H.

D J S HANCOCK

30 March 1982

Prime Minister

This is just a first draft which you may care to go through with us tomorrow morning, when comments from departments will be available.

2. I attach the Council's conclusions.

A.J.C. $\frac{30}{3}$

f.a. $\frac{27}{3}$



DRAFT: 30 MARCH 1982

EUROPEAN COUNCIL: PRIME MINISTER'S STATEMENT TO THE HOUSE

With permission Mr Speaker I will make a statement on the meeting of the European Council in Brussels on 29 and 30 March which I attended with my noble friend the Foreign and Commonwealth Secretary.

Council

At the end of the meeting the Council President ^{of the} issued ^{his} statement of conclusions on the economic and social situation, ^{and the 30th Day mandate.} ^{and agreed} texts on political co-operation. ^{which also stated} I ^{referred} have placed copies of these documents in the library.

The Council devoted most of its meeting on this occasion to the economic and social situation, both within the Community and in the world at large. We agreed that ^{although} all the Member States had the same interest in combating unemployment and restoring economic growth, while preserving monetary stability and ensuring the competitiveness of their economies. The Council expressed its concern at the level of productive investment in Europe, especially in the ^{prospects} ~~inclusion~~ of the future, and agreed that the Community and the member states would take whatever steps were open to them ^{recognizing that an increase in investment would mean a reduction in consumption} to improve that level. During our discussions I laid particular stress on the need to complete the Common Market in the services sector, ^{to also discuss} ~~the~~ the role that the Community can play in the development of information technology and the vital contribution that small businesses can make to the provision of new jobs. ^{Next} ~~We also discussed~~ youth unemployment

We have made disproportionately little headway with the inclusion of services such as insurance and transport

1 which was a /and matter of special concern

^{we}
and agreed that each Member State would work to ensure that all young persons entering the labour market for the first time would receive vocational training or initial work experience.

In our discussion of external policies, the Council looked forward to the Versailles Economic Summit in June. We agreed that our aim at that Summit should be to encourage increased co-operation between the major industrial countries. In particular, we agreed that the persistence of high real interest rates in the international markets, combined with ~~inadequate~~ ^{inadequate} economic activity, was leading to a significant reduction in productive investment and made unemployment worse because of the squeeze on company liquidity and profits.

The Council urged Japan to open its market so as to integrate it more fully into international trade. We also urged Japan to follow an economic, commercial and a ^{monetary - exchange rate} monetary policy which was more compatible with the ^{balanced} ~~functioning of the international system and with economic recovery.~~ ^{responsibilities to be borne by the whole of the industrialized world} ~~recovery.~~ ^{thereby contributing to economic recovery}

On the mandate, we had a relatively brief discussion in the light of the recent suggestions put forward by M. Tindemans and M. Thorn ~~which are to be discussed by~~ ^{which are to be discussed by} Foreign Ministers in Luxembourg on 3 April. There was ^{no dissent from the Presidency view that we should do} ~~no dissent from the Presidency view that we should do~~ ^{all we could to ensure that the Foreign Ministers brought} ~~all we could to ensure that the Foreign Ministers brought~~

Interest France

monetary

responsibilities to be borne by the whole of the industrialized world

Version

We must other ... member states ... prepared

/these

these long negotiations to an early and successful conclusion. While warmly endorsing that view, I did not go into any detail. I did however ^{emphasised} ~~underline~~ the ^{of} need ~~desirability of reaching~~ a solution on the UK ^{not} budget contribution which would ^{look for} ~~take that divisive issue out~~ of Community politics for a substantial period. And I emphasised the need for the solution to measure up to the scale of the problem, to be sufficiently flexible to take account of either an improvement in or a deterioration of the underlying situation and to be a fair and equitable one for the UK (as a country below the Community average in prosperity).

a scaled compromise that would be fair
2 We must refer to the French posture. Final decision on all chapters of Maastricht in 11.

The Council took note of a statement, by Mr Papandreou, the Prime Minister of Greece, on the position of his country in the Community. The Commission are now studying a memorandum submitted by the Greek government and will make a report to the Council.

The Council also had a very full political agenda.

We spoke about trans-atlantic relations, and were able to welcome and reciprocate the very warm message sent by President Reagan on the 25th anniversary of the European Community.

We discussed ^{the economic & commercial relations} East/West relations, particularly the economic aspect. The United States has recently raised with several European Governments, including Britain,

by the UK of the significant role played by the Community, would call that to attention. The

3 /the Summit between the UK and Europe

the Soviet Union and Eastern Europe

the question of Western credits to the Soviet Union. ~~It had~~
~~seemed to us in Brussels that this is part of a much wider~~
~~problem which needs to be urgently and carefully studied,~~
~~both by governments and in the international groupings~~
~~concerned - not least the Versailles Summit in June.~~
the same as in 1970
the question that should be
these matters including the added credit problems should be
by the UN. in close consultation with other members of UN.

the same as

We were not able to see any improvement in the situation
in Poland, where martial law continues in force, many
thousands of persons are detained, and a dialogue with the
Church and with Solidarity is still suspended.

On Central America, our main thought was the need to
support any initiative that could bring an end to the
violence, and we noted proposals by Mexico and Honduras among
others. We intend to co-ordinate and, to the extent
possible, increase the economic aid which the Ten and the
Community are already giving to the region.

*Talk about
Solidarity
com*

The Foreign Minister of Belgium reported, in terms which
I found encouraging, on his recent visit to Turkey, especially
the prospects for the return to democracy within about two years
from now.

This was not the moment for a major statement of policy on
the Middle East. But we expressed ^{grave} concern about the
situation in the area, especially on the West Bank. The
discussion of this subject will have been helpful to my right
hon. and noble Friend, the Foreign and Commonwealth Secretary,
who is ^{visiting} to Israel today.

/ Lastly,

Lastly, among so many pressing international problems we agreed that it was essential not to lose sight of the tragic sufferings of Afghanistan.^{that} There can be no solution except on the basis which two-thirds of the United Nations have endorsed, and which the Soviet Union alone has so far frustrated.

RR TRIPOLI

RR TUNIS

GRS 2000

ADVANCE COPY + 5

Hd of ECB (e)

PS

PS/LPS

Mr Goodison

~~Mr~~ PS/Sir R Armstrong - Cabinet Office

Mr Bates - No 10

UNCLASSIFIED

DESKBY 331600Z

FROM UKREP BRUSSELS 331400Z MAR 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1296 OF 30 MARCH 1982

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EUROPEAN COUNCIL BRUSSELS 29/30 MARCH

FOLLOWING IS TEXT OF EUROPEAN COUNCIL CONCLUSIONS ON
POLITICAL COOPERATION ASPECTS

I. TRANSATLANTIC RELATIONS.

THE EUROPEAN COUNCIL DISCUSSED THE STATE OF TRANSATLANTIC
RELATIONS.

IT EMPHASISED THE IMPORTANCE WHICH IT ATTACHES TO THE
LINKS OF THE TEN WITH THE UNITED STATES AND ITS WILLINGNESS
TO DEVELOP FURTHER CONSULTATIONS BETWEEN EUROPEANS AND
AMERICANS.

IT VALUED THE STATEMENT MADE BY PRESIDENCY REAGAN ON THE
OCCASION OF THE 25TH ANNIVERSARY OF THE TREATIES OF ROME,
IN WHICH THE UNITED STATES CONFIRMED ITS WISH TO COOPERATE
CLOSELY AND ON THE BASIS OF PARTNERSHIP WITH A UNITED EUROPE
AND IN ACCORDANCE WITH EUROPE'S ECONOMIC AND POLITICAL
IMPORTANCE, AND ITS ROLE IN THE WORLD.

II. EAST-WEST RELATIONS.

(A) THE HEADS OF STATE AND OF GOVERNMENT NOTED THAT THE
SITUATION IN POLAND CONTINUED TO PLACE A STRAIN ON EAST-WEST
RELATIONS, AND THUS TO AFFECT THE RELATIONS OF THE TEN WITH
POLAND, AND THE U.S.S.R. WHICH BORE A CLEAR RESPONSIBILITY
IN THIS SITUATION.

THE TEN RECALLED THEIR EARLIER STATEMENTS ON THE GRAVE CONSEQUENCES
OF THE PRESENT SITUATION IN POLAND FOR SECURITY AND COOPERATION IN
EUROPE, AND FOR EAST-WEST RELATIONS AS A WHOLE.

THEY RENEWED THEIR CALL TO THE POLISH AUTHORITIES WITH THE MINIMUM DELAY TO END THE STATE OF MARTIAL LAW, RELEASE THOSE ARRESTED AND RESUME A GENUINE DIALOGUE WITH THE CHURCH AND SOLIDARITY.

THE TEN ALSO NOTED WITH CONCERN THE RECENT STATEMENTS OF THE POLISH AUTHORITIES ON THE POSSIBILITY OF THE DEPARTURE OF DETAINEES FROM THE COUNTRY. THE TEN REJECTED ANY ATTEMPT TO PLACE PRESSURE ON THOSE CONCERNED. THEY WOULD INTERPRET SUCH A POLICY AS A FURTHER DETERIORATION OF THE SITUATION IN POLAND, AND A GRAVE BREACH OF FUNDAMENTAL HUMAN RIGHTS.

(THE GREEK DELEGATION HAS RESERVED ITS POSITION ON THE SECTION OF THE FIRST SENTENCE WHICH INDICATES THAT THE POLISH SITUATION AFFECTS THE RELATIONS OF THE TEN WITH THE U.S.S.R.)

(B) THE HEADS OF STATE AND OF GOVERNMENT REVIEWED THE STATE OF ECONOMIC RELATIONS BETWEEN THEIR OWN COUNTRIES AND THOSE OF EASTERN EUROPE, PARTICULARLY IN THE LIGHT OF THE SIGNIFICANT ROLE PLAYED BY COMMUNITY TRADE WITH THESE COUNTRIES.

THEY RECOGNIZED THE ROLE WHICH ECONOMIC AND COMMERCIAL CONTACTS AND COOPERATION HAVE PLAYED IN THE STABILISATION AND THE DEVELOPMENT OF EAST-WEST RELATIONS AS A WHOLE AND WHICH THEY WISH TO SEE CONTINUE ON THE BASIS OF A GENUINE MUTUAL INTEREST. THEY DISCUSSED THE BASIS ON WHICH EAST-WEST ECONOMIC AND COMMERCIAL RELATIONS HAD BEEN CONDUCTED.

THE HEADS OF STATE AND OF GOVERNMENT AGREED THAT THESE QUESTIONS, INCLUDING THE IMPORTANT AND RELATED QUESTION OF CREDIT POLICY, SHOULD BE THE SUBJECT OF CAREFUL STUDY BY THE EUROPEAN COMMUNITY AND BY THEIR OWN AND OTHER GOVERNMENTS, BOTH NATIONALLY AND INTERNATIONALLY AND IN CLOSE CONSULTATION WITH OTHER MEMBERS OF THE O.E.C.D.

(THE GREEK DELEGATION HAS RESERVED ITS POSITION ON THE SECTION OF THIS TEXT BEGINNING "THEY DISCUSSED" AND ENDING "...THE OTHER MEMBERS OF THE O.E.C.D.").

(C) THE EUROPEAN COUNCIL REGRETTED THAT VIOLATIONS OF THE PRINCIPLES OF THE HELSINKI FINAL ACT, OF WHICH THE REPRESSION IN POLAND CONSTITUTES A PARTICULARLY GRAVE ELEMENT, HAD NOT ONLY PREVENTED THE MADRID MEETING FROM ACHIEVING POSITIVE RESULTS, BUT ALSO PUT AT RISK THE ENTIRE C.S.C.E. PROCESS.

IT NOTED THAT THE ADJOURNMENT OF THE MADRID MEETING WAS NECESSARY TO PRESERVE THE C.S.C.E. PROCESS,

TO WHICH THE TEN REMAINED FULLY COMMITTED. THE OBJECTIVE REMAINED THE ADOPTION OF A SUBSTANTIAL AND BALANCED FINAL DOCUMENT.

DOCUMENT.

THE TEN EXPRESSED THE HOPE THAT, WHEN THE MADRID MEETING RESUMED IN NOVEMBER, THE PREVAILING CIRCUMSTANCES WOULD BE MORE CONDUCTIVE TO THE ACHIEVEMENT OF A POSITIVE OUTCOME.

III. AFGHANISTAN

WITH THE RECENT INTERNATIONAL DAY OF AFGHANISTAN IN MIND, THE EUROPEAN COUNCIL CONSIDERS IT RIGHT TO DRAW PARTICULAR ATTENTION TO THE TRAGIC SITUATION OF THAT COUNTRY, NOW IN ITS THIRD YEAR OF MILITARY OCCUPATION. THE SOVIET EXPEDITIONARY FORCE HAS RECENTLY BEEN STRENGTHENED; REPRESSION OF THE CIVILIAN POPULATION CONTINUES WITHOUT RESPITE; AND EVERY DAY ADDS TO THE TOTAL OF REFUGEES, WHO ALREADY NUMBER SOME 3 MILLION, OR ONE IN FIVE OF THE POPULATION.

IN THE VIEW OF THE EUROPEAN COUNCIL, IT IS MORE NECESSARY THAN EVER TO HASTEN THE SEARCH FOR A POLITICAL SOLUTION TO THE AFGHANISTAN PROBLEM. THIS CAN ONLY BE ON THE BASIS OF THE COMPLETE WITHDRAWAL OF THE SOVIET TROOPS AND RESPECT FOR THE INDEPENDENCE, SOVEREIGNTY AND NON-ALIGNMENT OF AFGHANISTAN. THE COUNCIL STRONGLY REAFFIRMS THE POSITION TAKEN BY THE EUROPEAN COUNCIL OF LUXEMBOURG AND LONDON, AND THE DESIRE OF THE TEN TO CONTRIBUTE UP TO THE LIMIT OF THEIR POWERS TO AN ACCEPTABLE SETTLEMENT. IT DENOUNCES THE NEGATIVE ATTITUDE OF THE SOVIET UNION IN REJECTING SUCCESSIVELY THE PROPOSALS MADE BY THE TEN, THE NON-ALIGNED MOVEMENT, THE ISLAMIC CONFERENCE AND THE GENERAL ASSEMBLY OF THE UNITED NATIONS.

THE COUNCIL WELCOMES THE NOMINATION BY THE SECRETARY-GENERAL OF THE UNITED NATIONS OF A PERSONAL REPRESENTATIVE FOR THE AFGHAN QUESTION, AND HOPES THAT THIS INITIATIVE WILL CONTRIBUTE TO A SOLUTION IN ACCORDANCE WITH THE PRINCIPLES OF THE RESOLUTIONS ADOPTED BY THE GENERAL ASSEMBLY.

IV. MIDDLE EAST

THE EUROPEAN COUNCIL DISCUSSED DEVELOPMENTS IN THE MIDDLE EAST. DEEPLY CONCERNED BY THE GRAVE EVENTS TAKING PLACE IN THE WEST BANK, THE EUROPEAN COUNCIL APPEALED URGENTLY FOR AN END TO THE DANGEROUS CYCLE OF VIOLENCE AND REPRESSION. IT PARTICULARLY DENOUNCED MEASURES IMPOSED ON THE PALESTINIAN POPULATIONS SUCH AS THE DISMISSAL OF DEMOCRATICALLY ELECTED MAYORS BY THE ISRAELI AUTHORITIES, AS WELL AS THE VIOLATIONS OF THE LIBERTIES AND RIGHTS OF THE INHABITANTS OF THESE TERRITORIES WHICH FOLLOWED THE MEASURES TAKEN BY ISRAEL WITH REGARD TO THE

THE IDENTITIES AND RIGHTS OF THE PEOPLE WHICH FOLLOWED THE MEASURES TAKEN BY ISRAEL WITH REGARD TO THE GOLAN HEIGHTS, AND WHICH COULD ONLY DAMAGE THE PROSPECTS FOR PEACE.

CONCERNED AT THE CONTINUING CLASHES IN THE LEBANON, THE EUROPEAN COUNCIL URGED ALL THE PARTIES INVOLVED TO RENOUNCE THE USE OF FORCE AND TO ASSURE CONDITIONS FOR THE RESPECT OF THE FULL SOVEREIGNTY AND TERRITORIAL INTEGRITY OF THE COUNTRY. IT FURTHERMORE REAFFIRMED THE WISH OF THE TEN, EXPRESSED ON MANY OCCASIONS, TO CONTRIBUTE TO THE ACHIEVEMENT OF A JUST AND LASTING PEACE IN THE MIDDLE EAST.

THE PARTICIPATION OF FOUR MEMBER STATES OF THE EUROPEAN COMMUNITY IN THE MULTINATIONAL FORCE AND OBSERVERS IN SINAI (MFO) WAS A POSITIVE CONTRIBUTION IN THE CONTEXT OF THE FORTHCOMING COMPLETION, ON 25 APRIL, OF THE ISRAELI WITHDRAWAL FROM SINAI.

V. CENTRAL AMERICA.

THE EUROPEAN COUNCIL DISCUSSED THE SITUATION IN CENTRAL AMERICA. IT EXPRESSED SERIOUS CONCERN AT THE CONTINUED GROWTH OF TENSIONS IN THE REGION. IT WELCOMED WITH INTEREST ANY INITIATIVE LIKELY TO PUT AN END TO VIOLENCE AND LEAD, THROUGH DIALOGUE, AND RESPECT FOR DEMOCRATIC NORMS AND FOR HUMAN RIGHTS, TO THE RESTORATION OF PEACE IN THE REGION, WHILE SAFEGUARDING NATIONAL SOVEREIGNTY AND THE WISHES OF THE PEOPLE. IN THIS CONTEXT IT NOTED WITH INTEREST THE PROPOSALS MADE BY A NUMBER OF COUNTRIES IN THE REGION.

NOTING THAT THE TENSIONS AND CONFLICTS RAVAGING CENTRAL AMERICA FREQUENTLY STEMMED FROM THE GRAVE ECONOMIC PROBLEMS AND SOCIAL INEQUALITIES WHICH HAD BEEN AGGRAVATED BY WORLD ECONOMIC CONDITIONS TO THE DETRIMENT OF THE POOREST COUNTRIES, THE EUROPEAN COUNCIL BELIEVED THAT THE INTERNATIONAL COMMUNITY COULD NOT REMAIN INDIFFERENT TO THESE EVILS. IT WELCOMED THE EFFORTS CURRENTLY BEING EXERTED TO REMEDY THEM, AND PARTICULARLY HOPES THAT THE INITIATIVE OF THE NASSAU GROUP WILL CONTRIBUTE TO THIS IN ACCORDANCE WITH THE PRINCIPLES SET OUT ABOVE.

THE COMMUNITY AND ITS MEMBER STATES TOO HAD, IN THE PAST PROVIDED SUBSTANTIAL ASSISTANCE TO THE REGION.

THE EUROPEAN COUNCIL HOWEVER AGREED THAT THE AID GIVEN BY THE MEMBER STATES OF THE COMMUNITY AND BY THE COMMUNITY ITSELF FOR DEVELOPMENT IN CENTRAL AMERICA AND THE CARIBBEAN SHOULD BE COORDINATED AND INCREASED WITHIN THE LIMITS OF THEIR POSSIBILITIES.

VI. TURKEY.

VI. TURKEY.

THE EUROPEAN COUNCIL HEARD THE REPORT OF THE PRESIDENT OF THE COUNCIL OF MINISTERS, MR LEO TINDEMANS, ON THE EXECUTION OF THE MANDATE GIVEN TO HIM BY THE TEN ON 23 FEBRUARY.

IT EXPRESSED ITS APPRECIATION FOR THE WAY IN WHICH THIS TASK HAD BEEN CARRIED OUT.

MR LEO TINDEMANS HAD IMPRESSED UPON THE TURKISH GOVERNMENT THE SERIOUS CONCERN OF THE TEN WITH REGARD TO HUMAN RIGHTS IN TURKEY, AND HAD EMPHASIZED THE NEED FOR THAT COUNTRY TO RETURN AS SOON AS POSSIBLE TO A DEMOCRATIC REGIME, WHICH PRESUPPOSES IN PARTICULAR THE RELEASE OF THOSE ARRESTED FOR THEIR VIEWS OR FOR TRADE UNION ACTIVITIES, AND THE ENDING OF MARTIAL LAW.

HIS INTERLOCUTORS HAD ASSURED HIM OF THE COUNTRY'S RETURN TO DEMOCRACY WITHIN TWO YEARS AT THE MOST. ACCORDING TO THEIR DECLARATIONS THE REFERENDUM ON THE APPROVAL OF A DEMOCRATIC CONSTITUTION WOULD TAKE PLACE IN NOVEMBER 1982 AND THE GENERAL ELECTIONS IN AUTUMN 1983 OR, AT THE LATEST, IN SPRING 1984.

THE EUROPEAN COUNCIL TRUSTS THAT MR LEO TINDEMANS' VISIT WILL PROVE TO HAVE CONTRIBUTED TO THE ACHIEVEMENT OF ITS OBJECTIVES, TO WHICH THE TEN ATTACH ESSENTIAL IMPORTANCE.

FCO ADVANCE TO:-

FCO - PS PS/LPS BULLARD CROWE COOPER

CAB - PS/SIR R ARMSTRONG

NO 10 - COLES

FCO PASS SAVING TO STRASBOURG LISBON MADRID

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 HD/ERD
 HD/...E.C.D.(E)
 HD/.....

PLUS FCO

ps/Sir R Carrington
CABINET OFFICE
 MR D HANCOCK
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TELNO 1295 OF 30 MARCH

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INFO SAVING WASHINGTON UKDEL NATO

EUROPEAN COUNCIL BRUSSELS 29/30 MARCH

FOLLOWING IS TEXT OF PRESIDENCY CONCLUSIONS ON COMMUNITY ASPECTS.

PREAMBLE

1. THE EUROPEAN COUNCIL COMMEMORATED THE 25TH ANNIVERSARY OF THE SIGNING OF THE TREATY OF ROME, RECALLING THE IMPORTANCE OF THE CONTRIBUTION MADE BY THE EUROPEAN COMMUNITY OVER A QUARTER OF A CENTURY TO THE ACHIEVEMENT OF THE OBJECTIVES OF ECONOMIC AND SOCIAL PROGRESS IN THE MEMBER COUNTRIES. IT EMPHASIZED THE IMPORTANCE OF THE PROGRESS MADE TOWARDS UNION DESPITE THE WORLDWIDE ECONOMIC DIFFICULTIES OF THE

THE EUROPEAN COUNCIL CONFIRMED ITS INTENTION OF CONTINUING ALONG THE ROAD TOWARDS GREATER ECONOMIC INTEGRATION.

2. THE EUROPEAN COUNCIL DEVOTED MOST OF ITS MEETING TO DISCUSSING THE ECONOMIC AND SOCIAL SITUATION ON THE BASIS OF THE REPORT FROM THE COMMISSION.

THE WORLD ECONOMY WAS IN A STATE OF MAJOR STRUCTURAL CRISIS WHICH WAS AFFECTING EVERY COUNTRY. THIS CRISIS COULD BE OVERCOME ONLY IF ALL GOVERNMENTS TOOK THE NECESSARY MEASURES WITH THE SUPPORT OF ALL ECONOMIC AND SOCIAL CIRCLES.

ALTHOUGH THE SPECIFIC CHARACTERISTICS OF THE SITUATION IN EACH MEMBER STATE MIGHT CALL FOR VARYING POLICIES AND SOLUTIONS TO COMBAT THE ECONOMIC CRISIS, ALL THE COMMUNITY COUNTRIES WERE FACED WITH THE SAME RISKS AND HAD THE SAME INTERESTS IN COMBATING UNEMPLOYMENT AND RESTORING ECONOMIC GROWTH WHILE PRESERVING MONETARY STABILITY AND ENSURING THE COMPETITIVENESS OF THEIR ECONOMIES.

3. THE EUROPEAN COUNCIL NOTED SIGNS OF AN IMPROVEMENT IN THE SHORT TERM FOR 1982. HOWEVER, A SLIGHT RECOVERY WAS INSUFFICIENT TO ARREST THE GROWTH OF UNEMPLOYMENT, THE HIGH LEVEL OF WHICH, MORE PARTICULARLY AMONG YOUNG PEOPLE, WAS CREATING AN INTOLERABLE SITUATION: MOREOVER, THAT RECOVERY COULD NOT ON ITS OWN RESOLVE THE COMMUNITY'S FUNDAMENTAL STRUCTURAL PROBLEMS, IN PARTICULAR AN EXCESSIVELY HIGH AVERAGE RATE OF INFLATION, INSUFFICIENT PRODUCTIVE INVESTMENT AND A DEGREE OF ENERGY DEPENDENCE WHICH WAS STILL TOO GREAT.

THE EUROPEAN COUNCIL CONSIDERED A SERIES OF PRACTICAL COMPLEMENTARY MEASURES TO BE NECESSARY.

1. POLICIES WITHIN THE COMMUNITY

4. THE COUNCIL EMPHASIZED THE NEED FOR A CO-ORDINATED POLICY TO PROMOTE INVESTMENT AND TO COMBAT UNEMPLOYMENT.

SUCH CONCERTED ACTION SHOULD BE ACCOMPANIED BY INTENSIFIED EFFORTS TO CONTROL THE EVOLUTION OF ALL PRODUCTION COSTS. STRESS SHOULD BE LAID MORE ON PRIVATE AND PUBLIC PRODUCTIVE INVESTMENT. IT WAS ESSENTIAL IN THIS CONNECTION THAT...

AND PUBLIC PRODUCTIVE INVESTMENT. IT WAS ESSENTIAL IN THIS CONNECTION THAT BOTH SIDES OF INDUSTRY CONTRIBUTE TO THE ACHIEVEMENT OF THOSE OBJECTIVES.

5. AS REGARDS INVESTMENT, THE EUROPEAN COUNCIL EXPRESSED ITS CONCERN AT THE LEVEL OF PRODUCTIVE INVESTMENT IN EUROPE, ESPECIALLY IN THE INDUSTRIES OF THE FUTURE, WHICH WAS STILL TOO LOW IN RELATION TO ITS GDP. IT THEREFORE AGREED ON THE NEED FOR THE COMMUNITY AND EACH MEMBER STATE TO TAKE, AS FROM THIS YEAR, EACH AS FAR AS IT WAS INDIVIDUALLY CONCERNED, ALL APPROPRIATE STEPS OR INITIATIVES TO REVERSE THIS TREND.

IN THIS CONNECTION, IT CONFIRMED THE IMPORTANCE IT ATTRIBUTED TO THE LOWERING OF INTEREST RATES AND THE STRENGTHENING OF THE COMMUNITY LENDING INSTRUMENTS FOR THE BENEFIT OF INVESTMENT, PARTICULARLY IN THE FIELDS OF ENERGY AND INDUSTRIAL AND AGRI-FOODSTUFFS DEVELOPMENT.

THE EUROPEAN COUNCIL REQUESTED THE COMMISSION TO MAKE ANY PROPOSALS IT DEEMED USEFUL AND THE COUNCIL TO ADOPT THE MEANS AND PROCEDURES FOR ATTAINING THESE OBJECTIVES.

A FIRST REPORT ON THE PRACTICAL MEASURES TAKEN ON THE BASIS OF THESE GUIDELINES WOULD BE DRAWN UP FOR THE EUROPEAN COUNCIL MEETING IN JUNE.

6. THE EUROPEAN COUNCIL STRESSED THE IMPORTANCE OF MAINTAINING AND DEVELOPING THE COMMUNITY'S INTERNAL MARKET, WHICH, ALSO AS A CONSEQUENCE OF A MORE ACTIVE EXTERNAL POLICY, GAVE IT A CONTINENTAL DIMENSION COMPARABLE TO THAT OF ANY OF THE MAIN ECONOMIC UNITS OF THE WORLD. THAT DIMENSION MADE IT POSSIBLE TO DEVELOP COMMUNITY INDUSTRIAL STRATEGIES AND FORMULATE A TECHNOLOGY AND INNOVATION POLICY.

THE SERVICES SECTOR WAS FELT TO BE OF PARTICULAR IMPORTANCE IN THIS CONNECTION.

THE INDUSTRIAL, ENERGY AND RESEARCH POLICIES AND THE AGRICULTURAL POLICY WERE AMONGST THOSE WHERE THE COMMUNITY DIMENSION COULD MAKE THE GREATEST CONTRIBUTION.

THE EUROPEAN COUNCIL ASKED THE COUNCIL, IN ALL ITS COMPOSITIONS, TO REINFORCE THOSE POLICIES ON THE BASIS OF COMMISSION PROPOSALS.

A REPORT ON THE FOLLOW-UP TO THESE GUIDELINES WOULD BE DRAWN UP FOR THE MEETING OF THE EUROPEAN COUNCIL AT THE END OF THE YEAR.

7. AS REGARDS EMPLOYMENT, THE COUNCIL RECOGNIZED THAT, IN ADDITION TO INCREASED EFFORTS TO FOSTER PRODUCTIVE INVESTMENT AND CONTROL PRODUCTION COSTS, THE GRAVITY OF THE UNEMPLOYMENT SITUATION CALLED FOR SPECIFIC QUICK-ACTING MEASURES.

IN ORDER TO CONTRIBUTE THE PROGRESSIVE DEFINITION OF A EUROPEAN SOCIAL POLICY, THE MEMBER STATES WOULD TAKE MEASURES CONCERNING MORE PARTICULARLY THE VOCATIONAL TRAINING OF YOUNG PEOPLE.

AS A FIRST STEP, THE MEMBER STATES WOULD STRIVE TO ENSURE OVER THE NEXT FIVE YEARS THAT ALL YOUNG PERSONS ENTERING THE LABOUR MARKET FOR THE FIRST TIME WOULD RECEIVE VOCATIONAL TRAINING OR INITIAL WORK EXPERIENCE WITHIN THE FRAMEWORK OF SPECIAL YOUTH SCHEMES OR CONTRACTS OF EMPLOYMENT: THE COUNCIL WAS REQUESTED TO REPORT BACK TO THE EUROPEAN COUNCIL AT ITS MEETING AT THE END OF THE YEAR ON THE DECISIONS AND MEASURES ADOPTED TO THIS END, BOTH BY THE MEMBER STATES AND AT COMMUNITY LEVEL. FOR THIS PURPOSE A SPECIAL MEETING OF THE COUNCIL WOULD STUDY THE SPECIFIC MEASURES TO BE TAKEN TO PROMOTE EMPLOYMENT. THE MEMBER STATES WOULD CONSULT EACH OTHER ON THEIR NATIONAL MEASURES FOR THE ADAPTATION OF WORKING TIME.

8. THE EUROPEAN COUNCIL NOTED THAT THE EUROPEAN MONETARY SYSTEM HAD OPERATED SATISFACTORILY IN ITS FIRST THREE YEARS. ACTION SHOULD NOW BE TAKEN TO GIVE FRESH MOMENTUM TO THE SYSTEM BY STRENGTHENING ECONOMIC CONVERGENCE, THE EMS MECHANISMS, THE ROLE OF THE ECU AND MONETARY CO-OPERATION BETWEEN THE COMMUNITY AND THIRD COUNTRIES. IT ASKED THE ECO-FIN COUNCIL TO REPORT BACK.

II. INTERNATIONAL ECONOMIC POLICY

9. THE EUROPEAN COUNCIL LOOKED TO THE VERSAILLES SUMMIT AT THE BEGINNING OF JUNE TO INSTITUTE INCREASED CO-OPERATION BETWEEN THE MAJOR INDUSTRIAL PARTNERS, AIMED PARTICULARLY AT ENCOURAGING A REDUCTION IN INTEREST RATES, MAKING EXCHANGE RATES LESS VOLATILE AND STRENGTHENING NORTH-SOUTH RELATIONS. THIS

BASED ON A JOINT DEFINITION OF

CO-OPERATION MUST BE BASED ON A JOINT DEFINITION OF THE OBLIGATIONS INCUMBENT UPON EACH PARTY. THE COMMUNITY WAS READY TO MAKE ITS CONTRIBUTION TO SUCH CO-OPERATION AND WOULD SUBMIT PROPOSALS ON THE MATTER.

10. THE PERSISTENCE OF HIGH REAL INTEREST RATES ON THE INTERNATIONAL FINANCIAL MARKETS, COMBINED WITH THE INADEQUACY OF ECONOMIC ACTIVITY AND THE LOW LEVEL OF OVERALL DEMAND WAS LEADING TO A SIGNIFICANT REDUCTION IN PRODUCTIVE INVESTMENT AND A FURTHER WORSENING OF UNEMPLOYMENT SINCE, BECAUSE OF THE CONSIDERABLE SQUEEZE ON THEIR LIQUIDITY AND PROFITS, UNDERTAKINGS WERE REDUCING THEIR INVESTMENTS AND STAFFING LEVELS. THIS DEVELOPMENT WAS PARTICULARLY DISTURBING AT A TIME WHEN THE ADJUSTMENT OF INDUSTRIAL STRUCTURES, FOLLOWING THE OIL PRICE RISES AND THE NEED TO DEAL WITH UNEMPLOYMENT, CALLED FOR AN INCREASE IN THE PART PLAYED BY INVESTMENT IN OVERALL DEMAND.

HIGH INTEREST RATES ALSO GREATLY INCREASED THE COST OF SERVICING THE PUBLIC DEBT IN MANY INDUSTRIALIZED COUNTRIES AND DEVELOPING COUNTRIES.

11. FLUCTUATIONS IN EXCHANGE RATES NOT JUSTIFIED BY THE BASIC FACTS OF THE ECONOMY ADDED A FURTHER ELEMENT OF UNCERTAINTY AND WERE AFFECTING INTERNATIONAL TRADE.

THE CO-ORDINATION OF THE MAJOR INDUSTRIAL COUNTRIES' EXCHANGE-MARKET POLICIES IN ORDER TO AVOID UNCONTROLLED FLUCTUATIONS IN PRICE LEVELS CONTINUED TO BE A MATTER OF URGENCY.

12. THE COMMUNITY URGED JAPAN TO OPEN ITS MARKET AND INTEGRATE IT MORE FULLY INTO INTERNATIONAL TRADE. JAPAN SHOULD FOLLOW AN ECONOMIC, COMMERCIAL AND EXCHANGE POLICY WHICH WAS MORE COMPATIBLE WITH THE BALANCE OF RESPONSIBILITIES TO BE BORNE BY THE WHOLE OF THE INDUSTRIALIZED WORLD, THEREBY CONTRIBUTING TO ECONOMIC RECOVERY.

13. THE COUNCIL INTENDED TO PERSEVERE IN A POLICY OF ACTIVE CO-OPERATION FOR THE BENEFIT OF THE DEVELOPING COUNTRIES AND WOULD LIKE TO SEE NORTH-SOUTH DIALOGUE RESUMED WITHOUT DELAY. THE EUROPEAN COUNCIL POINTED

... THAT THE COUNTRIES OF EASTERN EUROPE ALSO HAD
RESPONSIBILITIES IN THIS CONTEXT.

CONCLUSIONS

14. THE EUROPEAN COUNCIL STRESSED THAT THE ECONOMIC RECOVERY OF EUROPEAN COUNTRIES DEPENDED ON INTERNAL ACTION AND EXTERNAL FACTORS WHICH THE COMMUNITY SHOULD CONTRIBUTE TO CONTROLLING MORE EFFECTIVELY WITHIN THE FRAMEWORK OF INCREASED AND BETTER ORGANIZED INTERNATIONAL CO-OPERATION. TO THIS END, THE STRENGTHENING OF EUROPEAN UNITY BY GREATER CONVERGENCE OF ECONOMIC POLICIES WITHIN THE COMMUNITY AND BETTER CO-ORDINATION OF ECONOMIC RECOVERY MEASURES WOULD BE LIKELY TO STRENGTHEN THE COMMUNITY'S INTERNATIONAL ROLE.

AT ITS MEETING AT THE END OF THE YEAR, THE EUROPEAN COUNCIL WOULD UNDERTAKE AN INITIAL REVIEW OF THE IMPLEMENTATION OF THE MEASURES WHICH IT HAD JUST DECIDED ON AND WOULD WORK OUT NEW GUIDELINES.

MANDATE OF 30 MAY

THE EUROPEAN COUNCIL HEARD A REPORT FROM MR TINDEMANS ON THE PROGRESS OF THE WORK OF THE COUNCIL (MINISTERS FOR FOREIGN AFFAIRS) ON THE MANDATE.

THE EUROPEAN COUNCIL ASKED THE COUNCIL OF MINISTERS (FOREIGN AFFAIRS) TO DO ALL IN THEIR POWER TO ENABLE DECISIONS TO BE TAKEN AS SOON AS POSSIBLE.

MEMORANDUM FROM THE GREEK GOVERNMENT

THE EUROPEAN COUNCIL NOTED A STATEMENT BY THE GREEK PRIME MINISTER. THE COMMISSION WOULD MAKE A STUDY OF THE MEMORANDUM SUBMITTED BY THE GREEK GOVERNMENT AND WOULD REPORT BACK TO THE COUNCIL.

FCO ADVANCE TO:

FCO - PS, PS/LPS, PS, PUS, BRIDGES, HANNAY, SPRECKLEY, CROWE
CAB - PS/SIR R ARMSTRONG, HANCOCK, ELLIOTT, GOODENOUGH
TSY - COUZENS, LITTLER, EDWARDS
NO 10. - COLES

FCO PASS SAVING TO:

WASHINGTON

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RM



FILE

cc DJW

10 DOWNING STREET

From the Private Secretary

30 March, 1982

Dear John,

MEETING BETWEEN THE PRIME MINISTER AND THE
TAOISEACH, BRUSSELS, 30 MARCH, 1982

The Prime Minister had a 20-minute meeting with Mr Haughey, at the latter's request, in the margins of the European Council. I enclose a record of the conversation.

I am copying this letter and enclosure to Stephen Boys-Smith (Northern Ireland Office).

Your ever

John Cole

John Holmes, Esq
Foreign and Commonwealth Office

CONFIDENTIAL

SUBJECT

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
TAOISEACH IN THE CHARLEMAGNE BUILDING, BRUSSELS, at 0930 HRS
ON TUESDAY, 30 MARCH, 1982

Present: The Prime Minister Mr Haughey
 Sir Robert Armstrong Mr Nally
 Mr A J Coles

Commenting on his election success, Mr Haughey explained that the normal Parliamentary term was five years but the electoral situation was such that governments rarely lasted for long. There followed a brief discussion of the difficulties caused by the proportional representation system. The Prime Minister then enquired about the economic situation in Ireland. Mr Haughey stated that the main problems were fiscal and budgetary. He hoped that the PSBR would be down to 14% of GDP later this year. This was still high but given the state of the economy, there was an imperative need for investment and that made a high rate of borrowing inevitable. The budgetary deficit was running at about 5.5% of GDP. The balance of payments was very much "out of order". But the reserves were still benefiting from a flow of inward investment, even though American investment was not at its previously high level. Reflation in the UK would solve most of Ireland's problems. The Prime Minister commented that reflation would not solve the UK's problems but an upturn in the economy, which was another matter, could help the Irish situation. Mr Haughey asked whether an upturn was expected. The Prime Minister said that we were forecasting 1 - 1½% growth this year but we, like others, were very much dependent on economic trends in the United States.

Mr Haughey asked whether it would be possible to have an early meeting in the context of the Anglo/Irish Inter-governmental Council? The Prime Minister replied that she thought that an early meeting would be difficult. Her programme for May and June was extremely full, with the visit of the Pope, the Versailles and NATO Summits, President Reagan's visit to the United Kingdom, her visit to New York for the UN Special Disarmament Session and another European Council. Mr Haughey asked whether July was a
/possibility.

possibility. The Prime Minister replied that that was more likely, though of course she would be meeting Mr Haughey at the European Council in June.

The Prime Minister said that she hoped that the Pope's visit to Britain would be extremely successful. The vast majority of people had great respect for him. Mr Haughey said that the Pope's earlier visit to Ireland had had a marked influence on the resurrection of religious feeling. People who had earlier drifted away from religion had come back to it as a result of the visit.

Mr Haughey observed that Mr Collins would be calling on Mr Prior in London on 31 March to talk about the proposed political initiative in Northern Ireland. Would the Cabinet then be discussing the initiative? The Prime Minister confirmed that there would be a Cabinet discussion on Thursday. Mr Haughey asked whether the Prime Minister was optimistic about the initiative, implying in an aside ^{that} he did not view it with favour. The Prime Minister explained that the proposal had not been discussed in full at Cabinet before. No proposals were trouble-free.

After a brief discussion of the situation in the Falkland Islands, Mr Haughey asked whether July could be tentatively earmarked for his next meeting with the Prime Minister. The Prime Minister replied that she thought some date around that time might be possible.

A. J. C.

30 March, 1982

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FM UKREP BRUSSELS 301545Z MAR 82
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TELNO 1297 OF 30 MARCH
INFO PRIORITY EC POSTS ROUTINE WASHINGTON TOKYO

EUROPEAN COUNCIL 29/30 MARCH

1. THE FOLLOWING ARE VERBATIM EXTRACTS FROM THE PRIME MINISTER'S PRESS CONFERENCE IN BRUSSELS IMMEDIATELY AFTER THE EUROPEAN COUNCIL:

INVESTMENT AND EMPLOYMENT

2. WE HAD A VERY EXTENSIVE DISCUSSION ON ECONOMIC AND SOCIAL POLICIES, CENTRED ROUND HOW TO RELIEVE UNEMPLOYMENT... WE ARE ANXIOUS TO HAVE INCREASED INVESTMENT BUT VERY MUCH AWARE THAT YOU CAN ONLY HAVE INCREASED INVESTMENT IF YOU REDUCE CONSUMPTION. THE SECOND POINT WAS THAT NOT ALL INVESTMENT IS PRODUCTIVE INVESTMENT AND YOU HAVE TO BE CAREFUL TO CHOOSE INVESTMENT WHICH WILL HAVE A RETURN AND WHICH WILL ESSENTIALLY BELONG TO THE INDUSTRIES OF THE FUTURE AND NOT OF THE PAST. THE THIRD POINT WAS THAT WE WILL HAVE IN THE MEANTIME TO HAVE POLICIES TO TRY TO ALLEVIATE THE EFFECTS OF UNEMPLOYMENT ON OUR YOUNG PEOPLE. IN GREAT BRITAIN WE HAVE A VERY VERY LARGE PROGRAMME RECENTLY ANNOUNCED FOR JUST THIS PURPOSE. ANOTHER POINT IN THE COMMISSION PAPER WAS THE NEED TO ENCOURAGE SMALL BUSINESS AND SERVICE INDUSTRIES. THIS WAS ALL AGAINST THE BACKGROUND THAT ONE MUST CONTINUE TO FIGHT INFLATION.

THE MANDATE

3. THERE WAS A BRIEF DISCUSSION ON THE MANDATE. THE COUNCIL OF FOREIGN MINISTERS HAVE BEEN DEALING WITH THAT IN DETAIL AND PROPOSALS HAVE BEEN MADE BY M. TINEMANS AND M. THORN ABOUT A METHOD WHICH WOULD FORM THE BASIS FOR NEGOTIATION ON THE BUDGET SIDE OF THE MANDATE. WE ARE PREPARED TO WORK ON THAT AND I MADE A BRIEF SPEECH YESTERDAY, SAYING THE FUNDAMENTALS WE WOULD REQUIRE FROM THAT FORMULA. WE ALL RECOGNISE THAT ALL THREE PARTS OF THE MANDATE HAVE TO BE SOLVED TOGETHER. CAP AND THE BUDGET SOLUTION HAVE TO GO HAND IN HAND BECAUSE, AS THE COMMISSION POINTS OUT, IT IS THE WAY IN WHICH THE CAP WORKS WHICH IS LARGELY RESPONSIBLE FOR BRITAIN'S BUDGETARY PROBLEMS. SOLUTIONS TO ALL THREE PARTS HAVE TO BE FOUND AND IMPLEMENTED SIMULTANEOUSLY.

4. Q. ARE YOU SATISFIED THAT THE FRENCH GOVERNMENT ACCEPTS THE THORN/TINDEMANS PROPOSAL AS A BASIS FOR FUTURE DISCUSSION BY THE FOREIGN MINISTERS IN LUXEMBOURG?

/A. THEY

A. THEY MADE IT PERFECTLY CLEAR THAT THEY DID NOT IN FACT ACCEPT THOSE PROPOSALS AS A BASIS FOR FUTURE DISCUSSION. WE DO, AND WE ARE PREPARED TO GO AHEAD AND WORK ON THEM. WE ARE PREPARED TO GO AHEAD ON THAT BASIS, MODIFYING IT CONSIDERABLY TO MEET SOME OF OUR PROBLEMS.

Q. THEY DID NOT OUTLINE THE POSSIBLE ALTERNATIVE BASIS?

A. NO, NO. THEY MADE IT CLEAR BOTH YESTERDAY AND AGAIN THIS MORNING THAT THEY DID NOT ACCEPT THE PROPOSALS OF MR THORN AND MR TINDEMANS AS A BASIS FOR DISCUSSION. BUT THAT IS THEIR PROBLEM..... I WOULD THINK IT WOULD BE A VERY OPTIMISTIC PERSON WHO WOULD THINK THAT WE WOULD GET A SOLUTION ON SATURDAY.

MANDATE/AGRICULTURE LINK

5. Q. IN VIEW OF THE PRIME MINISTER'S INSISTENCE THAT THE MANDATE ASPECTS SHOULD BE IN PARALLEL AND FOLLOWING THE FRENCH STATEMENTS OF LAST NIGHT, WHAT CHANCE DOES THE PRIME MINISTER SEE FOR AGREEMENT BEING REACHED AT THE AGRICULTURE COUNCIL THIS WEEK?

A. I SHOULD THINK IT IS VERY SLIGHT. WE HAVE ALL AGREED THAT WE HAD TO COME TO DECISIONS IN PARALLEL ON THE THREE CHAPTERS. QUITE APART FROM THAT AGREEMENT IT WOULD JUST NOT BE POSSIBLE TO COME TO AN AGREEMENT ON THE CAP KNOWING FULL WELL THAT BOTH PRICE LEVELS AND OTHER PROPOSALS, - ON THE PROPORTION WHICH THE CAP TAKES OF THE BUDGET, ON MILK, ON MEDITERRANEAN PRODUCTS - ALL HAVE A VERY CONSIDERABLE EFFECT ON OUR BUDGET PROBLEM. THE DIFFICULTY IS NOT OF GREAT BRITAIN'S MAKING. WE ARE ANXIOUS TO GO AHEAD ON ALL ASPECTS AS SOON AS POSSIBLE BECAUSE WE BELIEVE IT IS IN THE INTERESTS OF THE COMMUNITY TO DO SO.

COMMUNITY INDUSTRIAL POLICIES

6. Q. PARAGRAPH 6 OF THE CONCLUSIONS DEALS WITH A SPECIFIC COMMUNITY DIMENSION OF THE INDUSTRIAL STRATEGY. MRS THATCHER, COULD YOU GIVE US ANY SPECIFIC EXAMPLES OF WHETHER YOU EXPECT THE COMMUNITY TO BE DOING THINGS IN THIS AREA IT IS NOT DOING AT PRESENT, IN SOME WAY DISTINCT FROM WHAT NATIONAL GOVERNMENTS ARE DOING?

A. ONE THING IS SERVICES. THERE ARE STILL BARRIERS TO FREEDOM OF SERVICES WITHIN THE COMMON MARKET. IT IS ABOUT TIME THEY WERE REMOVED. INSURANCE IS ONE. ARE FARES IS ANOTHER. IT IS ABOUT TIME THOSE BARRIERS WERE REMOVED. ANOTHER ONE IS IN THE LATEST DEVELOPMENTS IN TELECOMMUNICATIONS, INFORMATION TECHNOLOGY, AND ELECTRONICS. YOU NEED CROSS - COOPERATION BETWEEN COUNTRIES OR BETWEEN FIRMS. YOU COULD CALL SOME OF THE THINGS WE HAVE BEEN DISCUSSING AN ACTUAL INDUSTRIAL STRATEGY.

RELATIONS WITH THE UNITED STATES

7. WE HAVE RECEIVED A MESSAGE FROM PRESIDENT REAGAN ON THE OCCASION OF THE 25TH ANNIVERSARY OF THE COMMUNITY SAYING HOW VERY MUCH IN FAVOUR THE UNITED STATES HAS ALWAYS BEEN OF A COMMUNITY AND OF COURSE WE WISH TO HAVE CLOSER CONSULTATIONS, EVEN CLOSER THAN WE HAVE HAD IN THE PAST.

EAST/WEST RELATIONS.

8. WE HAD A LONG DISCUSSION ON EAST/WEST RELATIONS AND ON POLAND. PARTS OF THE EASTERN BLOC ARE FINDING IT DIFFICULT TO MEET THEIR CREDIT OBLIGATIONS AND WE HAVE HAD TO DO SOME RESCHEDULING OF DEBT WITH POLAND. WE NEED TO HAVE A LOOK AT THE WHOLE QUESTION OF CREDIT PROVIDED BY THE WEST TO THE EASTERN BLOC IN VIEW OF ALL THE LATEST DEVELOPMENTS.

AFGHANISTAN

9. THERE IS A COMMUNIQUE ON AFGHANISTAN AND I AM PARTICULARLY ANXIOUS THAT AFGHANISTAN SHOULD NOT BE FORGOTTEN. WE STILL HAVE NOT FOUND A SOLUTION TO IT.

MIDDLE EAST

10. THERE IS A SHORT COMMUNIQUE ON THE MIDDLE EAST BECAUSE OF OUR CONCERN WITH EVENTS IN THE WEST BANK. ON THE BASIS OF THAT COMMUNIQUE LORD CARRINGTON WILL BE GOING TO ISRAEL TONIGHT

JAPAN

11. WE HAD SOME THINGS TO SAY ABOUT JAPANESE TRADE, AND THE WAY IN WHICH JAPAN RUNS HER ECONOMY. IF YOU HAVE AN ECONOMY LIKE JAPAN, WHERE YOU HAVE A LOW LEVEL OF INFLATION, A HIGH RATE OF GROWTH, HIGH BALANCE OF PAYMENTS, YOU WOULD NORMALLY EXPECT THE YEN TO REACT TO THIS BY BEING HIGH. IT IS NOT. IT IS LOW AND THAT IS BECAUSE OF THE VERY SLACK WAY THEY RUN THEIR MONETARY POLICY AND A VERY TIGHT FISCAL POLICY. THAT HAS REPERCUSSIONS ON THE EXPORTS OF JAPAN.

FCO ADVANCE TO:

FCO - FENN, HANNAY, SPRECKLEY, PS, PS/PUS, PS/LPS

CAB - HANCOCK

TSY - COUZENS

MAFF - PS/HAYES, MISS BROWN (EC DIV)

NO 10 - INGHAM

OOI - GORDON-WALKER

BUTLER

[ADVANCED AS REQUESTED]

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1296 OF 30 MARCH 1982

INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
BONN LUXEMBOURG ATHENS UKMIS NEW YORK WASHINGTON WARSAW MOSCOW
ANKARA INFO ROUTINE MIDDLE EAST POSTS
INFO SAVING STRASBOURG LISBON MADRID UKDEL NATO

EUROPEAN COUNCIL BRUSSELS 29/30 MARCH

FOLLOWING IS TEXT OF EUROPEAN COUNCIL CONCLUSIONS ON
POLITICAL COOPERATION ASPECTS

I. TRANSATLANTIC RELATIONS.

THE EUROPEAN COUNCIL DISCUSSED THE STATE OF TRANSATLANTIC
RELATIONS.

IT EMPHASISED THE IMPORTANCE WHICH IT ATTACHES TO THE
LINKS OF THE TEN WITH THE UNITED STATES AND ITS WILLINGNESS
TO DEVELOP FURTHER CONSULTATIONS BETWEEN EUROPEANS AND
AMERICANS.

IT VALUED THE STATEMENT MADE BY PRESIDENCY REAGAN ON THE
OCCASION OF THE 25TH ANNIVERSARY OF THE TREATIES OF ROME,
IN WHICH THE UNITED STATES CONFIRMED ITS WISH TO COOPERATE
CLOSELY AND ON THE BASIS OF PARTNERSHIP WITH A UNITED EUROPE
AND IN ACCORDANCE WITH EUROPE'S ECONOMIC AND POLITICAL
IMPORTANCE, AND ITS ROLE IN THE WORLD.

II. EAST-WEST RELATIONS.

(A) THE HEADS OF STATE AND OF GOVERNMENT NOTED THAT THE
SITUATION IN POLAND CONTINUED TO PLACE A STRAIN ON EAST-WEST
RELATIONS, AND THUS TO AFFECT THE RELATIONS OF THE TEN WITH
POLAND, AND THE U.S.S.R. WHICH BORE A CLEAR RESPONSIBILITY
IN THIS SITUATION.

THE TEN RECALLED THEIR EARLIER STATEMENTS ON THE GRAVE CONSEQUENCES
OF THE PRESENT SITUATION IN POLAND FOR SECURITY AND COOPERATION IN
EUROPE, AND FOR EAST-WEST RELATIONS AS A WHOLE.

THEY RENEWED THEIR CALL TO THE POLISH AUTHORITIES WITH THE
MINIMUM DELAY TO END THE STATE OF MARTIAL LAW, RELEASE
THOSE ARRESTED AND RESUME A GENUINE DIALOGUE WITH THE
CHURCH AND SOLIDARITY.

THE TEN ALSO NOTED WITH CONCERN THE RECENT STATEMENTS OF THE
POLISH AUTHORITIES ON THE POSSIBILITY OF THE DEPARTURE OF
DETAINEES FROM THE COUNTRY. THE TEN REJECTED ANY ATTEMPT TO
PLACE PRESSURE ON THOSE CONCERNED. THEY WOULD INTERPRET SUCH A
POLICY AS A FURTHER DETERIORATION OF THE SITUATION IN POLAND,
AND A GRAVE BREACH OF FUNDAMENTAL HUMAN RIGHTS.

(THE GREEK DELEGATION HAS RESERVED ITS POSITION ON THE SECTION
OF THE FIRST SENTENCE WHICH INDICATES THAT THE POLISH
SITUATION AFFECTS THE RELATIONS OF THE TEN WITH THE U.S.S.R.)

/(B) THE

(B) THE HEADS OF STATE AND OF GOVERNMENT REVIEWED THE STATE OF ECONOMIC RELATIONS BETWEEN THEIR OWN COUNTRIES AND THOSE OF EASTERN EUROPE, PARTICULARLY IN THE LIGHT OF THE SIGNIFICANT ROLE PLAYED BY COMMUNITY TRADE WITH THESE COUNTRIES.

THEY RECOGNIZED THE ROLE WHICH ECONOMIC AND COMMERCIAL CONTACTS AND COOPERATION HAVE PLAYED IN THE STABILISATION AND THE DEVELOPMENT OF EAST-WEST RELATIONS AS A WHOLE AND WHICH THEY WISH TO SEE CONTINUE ON THE BASIS OF A GENUINE MUTUAL INTEREST. THEY DISCUSSED THE BASIS ON WHICH EAST-WEST ECONOMIC AND COMMERCIAL RELATIONS HAD BEEN CONDUCTED.

THE HEADS OF STATE AND OF GOVERNMENT AGREED THAT THESE QUESTIONS, INCLUDING THE IMPORTANT AND RELATED QUESTION OF CREDIT POLICY, SHOULD BE THE SUBJECT OF CAREFUL STUDY BY THE EUROPEAN COMMUNITY AND BY THEIR OWN AND OTHER GOVERNMENTS, BOTH NATIONALLY AND INTERNATIONALLY AND IN CLOSE CONSULTATION WITH OTHER MEMBERS OF THE O.E.C.D.

(THE GREEK DELEGATION HAS RESERVED ITS POSITION ON THE SECTION OF THIS TEXT BEGINNING "THEY DISCUSSED" AND ENDING "...THE OTHER MEMBERS OF THE O.E.C.D."').

(C) THE EUROPEAN COUNCIL REGRETTED THAT VIOLATIONS OF THE PRINCIPLES OF THE HELSINKI FINAL ACT, OF WHICH THE REPRESSION IN POLAND CONSTITUTES A PARTICULARLY GRAVE ELEMENT, HAD NOT ONLY PREVENTED THE MADRID MEETING FROM ACHIEVING POSITIVE RESULTS, BUT ALSO PUT AT RISK THE ENTIRE C.S.C.E. PROCESS.

IT NOTED THAT THE ADJOURNMENT OF THE MADRID MEETING WAS NECESSARY TO PRESERVE THE C.S.C.E. PROCESS, TO WHICH THE TEN REMAINED FULLY COMMITTED. THE OBJECTIVE REMAINED THE ADOPTION OF A SUBSTANTIAL AND BALANCED FINAL DOCUMENT.

THE TEN EXPRESSED THE HOPE THAT, WHEN THE MADRID MEETING RESUMED IN NOVEMBER, THE PREVAILING CIRCUMSTANCES WOULD BE MORE CONDUCTIVE TO THE ACHIEVEMENT OF A POSITIVE OUTCOME.

III. AFGHANISTAN

WITH THE RECENT INTERNATIONAL DAY OF AFGHANISTAN IN MIND, THE EUROPEAN COUNCIL CONSIDERS IT RIGHT TO DRAW PARTICULAR ATTENTION TO THE TRAGIC SITUATION OF THAT COUNTRY, NOW IN ITS THIRD YEAR OF MILITARY OCCUPATION. THE SOVIET EXPEDITIONARY FORCE HAS RECENTLY BEEN STRENGTHENED; REPRESSION OF THE CIVILIAN POPULATION CONTINUES WITHOUT RESPITE; AND EVERY DAY ADDS TO THE TOTAL OF REFUGEES, WHO ALREADY NUMBER SOME 3 MILLION, OR ONE IN FIVE OF THE POPULATION.

IN THE VIEW OF THE EUROPEAN COUNCIL, IT IS MORE NECESSARY THAN EVER TO HASTEN THE SEARCH FOR A POLITICAL SOLUTION TO THE AFGHANISTAN PROBLEM. THIS CAN ONLY BE ON THE BASIS OF THE COMPLETE WITHDRAWAL OF THE SOVIET TROOPS AND RESPECT FOR THE INDEPENDENCE, SOVEREIGNTY AND NON-ALIGNMENT OF AFGHANISTAN.

/THE

THE COUNCIL STRONGLY REAFFIRMS THE POSITION TAKEN BY THE EUROPEAN COUNCIL OF LUXEMBOURG AND LONDON, AND THE DESIRE OF THE TEN TO CONTRIBUTE UP TO THE LIMIT OF THEIR POWERS TO AN ACCEPTABLE SETTLEMENT. IT DENOUNCES THE NEGATIVE ATTITUDE OF THE SOVIET UNION IN REJECTING SUCCESSIVELY THE PROPOSALS MADE BY THE TEN, THE NON-ALIGNED MOVEMENT, THE ISLAMIC CONFERENCE AND THE GENERAL ASSEMBLY OF THE UNITED NATIONS.

THE COUNCIL WELCOMES THE NOMINATION BY THE SECRETARY-GENERAL OF THE UNITED NATIONS OF A PERSONAL REPRESENTATIVE FOR THE AFGHAN QUESTION, AND HOPES THAT THIS INITIATIVE WILL CONTRIBUTE TO A SOLUTION IN ACCORDANCE WITH THE PRINCIPLES OF THE RESOLUTIONS ADOPTED BY THE GENERAL ASSEMBLY.

IV. MIDDLE EAST

THE EUROPEAN COUNCIL DISCUSSED DEVELOPMENTS IN THE MIDDLE EAST. DEEPLY CONCERNED BY THE GRAVE EVENTS TAKING PLACE IN THE WEST BANK, THE EUROPEAN COUNCIL APPEALED URGENTLY FOR AN END TO THE DANGEROUS CYCLE OF VIOLENCE AND REPRESSION. IT PARTICULARLY DENOUNCED MEASURES IMPOSED ON THE PALESTINIAN POPULATIONS SUCH AS THE DISMISSAL OF DEMOCRATICALLY ELECTED MAYORS BY THE ISRAELI AUTHORITIES, AS WELL AS THE VIOLATIONS OF THE LIBERTIES AND RIGHTS OF THE INHABITANTS OF THESE TERRITORIES WHICH FOLLOWED THE MEASURES TAKEN BY ISRAEL WITH REGARD TO THE GOLAN HEIGHTS, AND WHICH COULD ONLY DAMAGE THE PROSPECTS FOR PEACE.

CONCERNED AT THE CONTINUING CLASHES IN THE LEBANON, THE EUROPEAN COUNCIL URGED ALL THE PARTIES INVOLVED TO RENOUNCE THE USE OF FORCE AND TO ASSURE CONDITIONS FOR THE RESPECT OF THE FULL SOVEREIGNTY AND TERRITORIAL INTEGRITY OF THE COUNTRY.

IT FURTHERMORE REAFFIRMED THE WISH OF THE TEN, EXPRESSED ON MANY OCCASIONS, TO CONTRIBUTE TO THE ACHIEVEMENT OF A JUST AND LASTING PEACE IN THE MIDDLE EAST.

THE PARTICIPATION OF FOUR MEMBER STATES OF THE EUROPEAN COMMUNITY IN THE MULTINATIONAL FORCE AND OBSERVERS IN SINAI (MFO) WAS A POSITIVE CONTRIBUTION IN THE CONTEXT OF THE FORTHCOMING COMPLETION, ON 25 APRIL, OF THE ISRAELI WITHDRAWAL FROM SINAI.

V. CENTRAL AMERICA.

THE EUROPEAN COUNCIL DISCUSSED THE SITUATION IN CENTRAL AMERICA. IT EXPRESSED SERIOUS CONCERN AT THE CONTINUED GROWTH OF TENSIONS IN THE REGION. IT WELCOMED WITH INTEREST ANY INITIATIVE LIKELY TO PUT AN END TO VIOLENCE AND LEAD, THROUGH DIALOGUE, AND RESPECT FOR DEMOCRATIC NORMS AND FOR HUMAN RIGHTS, TO THE RESTORATION OF PEACE IN THE REGION, WHILE SAFEGUARDING NATIONAL SOVEREIGNTY AND THE WISHES OF THE PEOPLE.

IN THIS CONTEXT IT NOTED WITH INTEREST THE PROPOSALS MADE BY A NUMBER OF COUNTRIES IN THE REGION.

NOTING THAT THE TENSIONS AND CONFLICTS RAVAGING CENTRAL AMERICA FREQUENTLY STEMMED FROM THE GRAVE ECONOMIC PROBLEMS AND SOCIAL INEQUALITIES WHICH HAD BEEN AGGRAVATED BY

WORLD ECONOMIC CONDITIONS TO THE DETRIMENT OF THE POOREST COUNTRIES, THE EUROPEAN COUNCIL BELIEVED THAT THE INTERNATIONAL COMMUNITY COULD NOT REMAIN INDIFFERENT TO THESE EVILS. IT WEL- COMED THE EFFORTS CURRENTLY BEING EXERTED TO REMEDY THEM, AND PARTICULARLY HOPES THAT THE INITIATIVE OF THE NASSAU GROUP WILL CONTRIBUTE TO THIS IN ACCORDANCE WITH THE PRINCIPLES SET OUT ABOVE.

THE COMMUNITY AND ITS MEMBER STATES TOO HAD, IN THE PAST PROVIDED SUBSTANTIAL ASSISTANCE TO THE REGION.

THE EUROPEAN COUNCIL HOWEVER AGREED THAT THE AID GIVEN BY THE MEMBER STATES OF THE COMMUNITY AND BY THE COMMUNITY ITSELF FOR DEVELOPMENT IN CENTRAL AMERICA AND THE CARIBBEAN SHOULD BE COORDINATED AND INCREASED WITHIN THE LIMITS OF THEIR POSSIBILITIES.

VI. TURKEY.

THE EUROPEAN COUNCIL HEARD THE REPORT OF THE PRESIDENT OF THE COUNCIL OF MINISTERS, MR LEO TINDEMANS, ON THE EXECUTION OF THE MANDATE GIVEN TO HIM BY THE TEN ON 23 FEBRUARY.

IT EXPRESSED ITS APPRECIATION FOR THE WAY IN WHICH THIS TASK HAD BEEN CARRIED OUT.

MR LEO TINDEMANS HAD IMPRESSED UPON THE TURKISH GOVERNMENT THE SERIOUS CONCERN OF THE TEN WITH REGARD TO HUMAN RIGHTS IN TURKEY, AND HAD EMPHASIZED THE NEED FOR THAT COUNTRY TO RETURN AS SOON AS POSSIBLE TO A DEMOCRATIC REGIME, WHICH PRESUPPOSES IN PARTICULAR THE RELEASE OF THOSE ARRESTED FOR THEIR VIEWS OR FOR TRADE UNION ACTIVITIES, AND THE ENDING OF MARTIAL LAW.

HIS INTERLOCUTORS HAD ASSURED HIM OF THE COUNTRY'S RETURN TO DEMOCRACY WITHIN TWO YEARS AT THE MOST. ACCORDING TO THEIR DECLARATIONS THE REFERENDUM ON THE APPROVAL OF A DEMOCRATIC CONSTITUTION WOULD TAKE PLACE IN NOVEMBER 1982 AND THE GENERAL ELECTIONS IN AUTUMN 1983 OR, AT THE LATEST, IN SPRING 1984.

THE EUROPEAN COUNCIL TRUSTS THAT MR LEO TINDEMANS' VISIT WILL PROVE TO HAVE CONTRIBUTED TO THE ACHIEVEMENT OF ITS OBJECTIVES, TO WHICH THE TEN ATTACH ESSENTIAL IMPORTANCE.

FCO ADVANCE TO:-

FCO - PS PS/LPS BULLARD CROWE COOPER
CAB - PS/SIR R ARMSTRONG
NO 10 - COLES

FCO PASS SAVING TO STRASBOURG LISBON MADRID

BUTLER		[ADVANCED/REPEATED AS REQUESTED]
STANDARD		[COPIES SENT TO NO 10 DOWNING STREET]
ECD (E)	SAD	MCAD
ECD (I)	MED	SED
NAD	NENAD	CABINET OFFICE
EESD		

FCO
 P.S.
 PS/LORD PRIVY SEAL
 PS/MR HURD
 PS/PS
 MR BULLARD
 MR HANNAY
 LORD BRIDGES

RESIDENT CLERK
 HD/ECD I (3)
 HD/NEWS
 HD/ERD
 HD/...E.C.D.(E)
 HD/.....

PLUS FCO

Ps/Sir R Oram
CABINET OFFICE
 MR D HANCOCK
 MR D M ELLIOTT
 MR RHODES
 MR S WENTWORTH
 MR GARDNER

D.O.T.

PLUS OGDS

MW COLES No 10

H M TREASURY
 SIR H COUBENS
 MR ASHFORD
~~MR HANCOCK~~ *Mr J & Hillier*
 MR EDWARDS

M.A.F.F.

MR P KENT
H M CUSTOMS &
EXCISE

SIR B HAYES
MR G STAPLETON

UNCLASSIFIED
 FRAME ECONOMIC
 DESKBY 301600Z
 FM UKREP BRUSSELS 301407Z MAR 82
 TO IMMEDIATE FCO
 TELNO 1295 OF 30 MARCH
 INFO PRIORITY EC POSTS STRASBOURG
 INFO SAVING WASHINGTON UKDEL NATO

EUROPEAN COUNCIL BRUSSELS 29/30 MARCH

FOLLOWING IS TEXT OF PRESIDENCY CONCLUSIONS ON COMMUNITY ASPECTS.

PREAMBLE

1. THE EUROPEAN COUNCIL COMMEMORATED THE 25TH ANNIVERSARY OF THE SIGNING OF THE TREATY OF ROME, RECALLING THE IMPORTANCE OF THE CONTRIBUTION MADE BY THE EUROPEAN COMMUNITY OVER A QUARTER OF A CENTURY TO THE ACHIEVEMENT OF THE OBJECTIVES OF ECONOMIC AND SOCIAL PROGRESS IN THE MEMBER COUNTRIES. IT EMPHASIZED THE IMPORTANCE OF THE PROGRESS MADE TOWARDS UNION DESPITE THE WORLDWIDE ECONOMIC DIFFICULTIES OF THE

THE EUROPEAN COUNCIL CONFIRMED ITS INTENTION OF CONTINUING ALONG THE ROAD TOWARDS GREATER ECONOMIC INTEGRATION.

2. THE EUROPEAN COUNCIL DEVOTED MOST OF ITS MEETING TO DISCUSSING THE ECONOMIC AND SOCIAL SITUATION ON THE BASIS OF THE REPORT FROM THE COMMISSION.

THE WORLD ECONOMY WAS IN A STATE OF MAJOR STRUCTURAL CRISIS WHICH WAS AFFECTING EVERY COUNTRY. THIS CRISIS COULD BE OVERCOME ONLY IF ALL GOVERNMENTS TOOK THE NECESSARY MEASURES WITH THE SUPPORT OF ALL ECONOMIC AND SOCIAL CIRCLES.

ALTHOUGH THE SPECIFIC CHARACTERISTICS OF THE SITUATION IN EACH MEMBER STATE MIGHT CALL FOR VARYING POLICIES AND SOLUTIONS TO COMBAT THE ECONOMIC CRISIS, ALL THE COMMUNITY COUNTRIES WERE FACED WITH THE SAME RISKS AND HAD THE SAME INTERESTS IN COMBATING UNEMPLOYMENT AND RESTORING ECONOMIC GROWTH WHILE PRESERVING MONETARY STABILITY AND ENSURING THE COMPETITIVENESS OF THEIR ECONOMIES.

3. THE EUROPEAN COUNCIL NOTED SIGNS OF AN IMPROVEMENT IN THE SHORT TERM FOR 1982. HOWEVER, A SLIGHT RECOVERY WAS INSUFFICIENT TO ARREST THE GROWTH OF UNEMPLOYMENT, THE HIGH LEVEL OF WHICH, MORE PARTICULARLY AMONG YOUNG PEOPLE, WAS CREATING AN INTOLERABLE SITUATION; MOREOVER, THAT RECOVERY COULD NOT ON ITS OWN RESOLVE THE COMMUNITY'S FUNDAMENTAL STRUCTURAL PROBLEMS, IN PARTICULAR AN EXCESSIVELY HIGH AVERAGE RATE OF INFLATION, INSUFFICIENT PRODUCTIVE INVESTMENT AND A DEGREE OF ENERGY DEPENDENCE WHICH WAS STILL TOO GREAT.

THE EUROPEAN COUNCIL CONSIDERED A SERIES OF PRACTICAL COMPLEMENTARY MEASURES TO BE NECESSARY.

1. POLICIES WITHIN THE COMMUNITY

4. THE COUNCIL EMPHASIZED THE NEED FOR A CO-ORDINATED POLICY TO PROMOTE INVESTMENT AND TO COMBAT UNEMPLOYMENT.

SUCH CONCERTED ACTION SHOULD BE ACCOMPANIED BY INTENSIFIED EFFORTS TO CONTROL THE EVOLUTION OF ALL PRODUCTION COSTS. STRESS SHOULD BE LAID MORE ON PRIVATE AND PUBLIC PRODUCTIVE INVESTMENT. IT WAS ESSENTIAL IN THIS CONNECTION THAT...

AND PUBLIC PRODUCTIVE INVESTMENT. IT WAS ESSENTIAL IN THIS CONNECTION THAT BOTH SIDES OF INDUSTRY CONTRIBUTE TO THE ACHIEVEMENT OF THOSE OBJECTIVES.

5. AS REGARDS INVESTMENT, THE EUROPEAN COUNCIL EXPRESSED ITS CONCERN AT THE LEVEL OF PRODUCTIVE INVESTMENT IN EUROPE, ESPECIALLY IN THE INDUSTRIES OF THE FUTURE, WHICH WAS STILL TOO LOW IN RELATION TO ITS GDP. IT THEREFORE AGREED ON THE NEED FOR THE COMMUNITY AND EACH MEMBER STATE TO TAKE, AS FROM THIS YEAR, EACH AS FAR AS IT WAS INDIVIDUALLY CONCERNED, ALL APPROPRIATE STEPS OR INITIATIVES TO REVERSE THIS TREND.

IN THIS CONNECTION, IT CONFIRMED THE IMPORTANCE IT ATTRIBUTED TO THE LOWERING OF INTEREST RATES AND THE STRENGTHENING OF THE COMMUNITY LENDING INSTRUMENTS FOR THE BENEFIT OF INVESTMENT, PARTICULARLY IN THE FIELDS OF ENERGY AND INDUSTRIAL AND AGRI-FOODSTUFFS DEVELOPMENT.

THE EUROPEAN COUNCIL REQUESTED THE COMMISSION TO MAKE ANY PROPOSALS IT DEEMED USEFUL AND THE COUNCIL TO ADOPT THE MEANS AND PROCEDURES FOR ATTAINING THESE OBJECTIVES.

A FIRST REPORT ON THE PRACTICAL MEASURES TAKEN ON THE BASIS OF THESE GUIDELINES WOULD BE DRAWN UP FOR THE EUROPEAN COUNCIL MEETING IN JUNE.

6. THE EUROPEAN COUNCIL STRESSED THE IMPORTANCE OF MAINTAINING AND DEVELOPING THE COMMUNITY'S INTERNAL MARKET, WHICH, ALSO AS A CONSEQUENCE OF A MORE ACTIVE EXTERNAL POLICY, GAVE IT A CONTINENTAL DIMENSION COMPARABLE TO THAT OF ANY OF THE MAIN ECONOMIC UNITS OF THE WORLD. THAT DIMENSION MADE IT POSSIBLE TO DEVELOP COMMUNITY INDUSTRIAL STRATEGIES AND FORMULATE A TECHNOLOGY AND INNOVATION POLICY.

THE SERVICES SECTOR WAS FELT TO BE OF PARTICULAR IMPORTANCE IN THIS CONNECTION.

THE INDUSTRIAL, ENERGY AND RESEARCH POLICIES AND THE AGRICULTURAL POLICY WERE AMONGST THOSE WHERE THE COMMUNITY DIMENSION COULD MAKE THE GREATEST CONTRIBUTION.

THE EUROPEAN COUNCIL ASKED THE COUNCIL, IN ALL ITS COMPOSITIONS, TO REINFORCE THOSE POLICIES ON THE BASIS OF COMMISSION PROPOSALS.

COMMISSION PROPOSALS

A REPORT ON THE FOLLOW-UP TO THESE GUIDELINES WOULD BE DRAWN UP FOR THE MEETING OF THE EUROPEAN COUNCIL AT THE END OF THE YEAR.

7. AS REGARDS EMPLOYMENT, THE COUNCIL RECOGNIZED THAT, IN ADDITION TO INCREASED EFFORTS TO FOSTER PRODUCTIVE INVESTMENT AND CONTROL PRODUCTION COSTS, THE GRAVITY OF THE UNEMPLOYMENT SITUATION CALLED FOR SPECIFIC QUICK-ACTING MEASURES.

IN ORDER TO CONTRIBUTE THE PROGRESSIVE DEFINITION OF A EUROPEAN SOCIAL POLICY, THE MEMBER STATES WOULD TAKE MEASURES CONCERNING MORE PARTICULARLY THE VOCATIONAL TRAINING OF YOUNG PEOPLE.

AS A FIRST STEP, THE MEMBER STATES WOULD STRIVE TO ENSURE OVER THE NEXT FIVE YEARS THAT ALL YOUNG PERSONS ENTERING THE LABOUR MARKET FOR THE FIRST TIME WOULD RECEIVE VOCATIONAL TRAINING OR INITIAL WORK EXPERIENCE WITHIN THE FRAMEWORK OF SPECIAL YOUTH SCHEMES OR CONTRACTS OF EMPLOYMENT: THE COUNCIL WAS REQUESTED TO REPORT BACK TO THE EUROPEAN COUNCIL AT ITS MEETING AT THE END OF THE YEAR ON THE DECISIONS AND MEASURES ADOPTED TO THIS END, BOTH BY THE MEMBER STATES AND AT COMMUNITY LEVEL. FOR THIS PURPOSE A SPECIAL MEETING OF THE COUNCIL WOULD STUDY THE SPECIFIC MEASURES TO BE TAKEN TO PROMOTE EMPLOYMENT. THE MEMBER STATES WOULD CONSULT EACH OTHER ON THEIR NATIONAL MEASURES FOR THE ADAPTATION OF WORKING TIME.

8. THE EUROPEAN COUNCIL NOTED THAT THE EUROPEAN MONETARY SYSTEM HAD OPERATED SATISFACTORILY IN ITS FIRST THREE YEARS. ACTION SHOULD NOW BE TAKEN TO GIVE FRESH MOMENTUM TO THE SYSTEM BY STRENGTHENING ECONOMIC CONVERGENCE, THE EMS MECHANISMS, THE ROLE OF THE ECU AND MONETARY CO-OPERATION BETWEEN THE COMMUNITY AND THIRD COUNTRIES. IT ASKED THE ECO-FIN COUNCIL TO REPORT BACK.

II. INTERNATIONAL ECONOMIC POLICY

9. THE EUROPEAN COUNCIL LOOKED TO THE VERSAILLES SUMMIT AT THE BEGINNING OF JUNE TO INSTITUTE INCREASED CO-OPERATION BETWEEN THE MAJOR INDUSTRIAL PARTNERS, AIMED PARTICULARLY AT ENCOURAGING A REDUCTION IN INTEREST RATES, MAKING EXCHANGE RATES LESS VOLATILE AND STRENGTHENING NORTH-SOUTH RELATIONS. THIS

BASED ON A JOINT DEFINITION OF

CO-OPERATION MUST BE BASED ON A JOINT DEFINITION OF THE OBLIGATIONS INCUMBENT UPON EACH PARTY. THE COMMUNITY WAS READY TO MAKE ITS CONTRIBUTION TO SUCH CO-OPERATION AND WOULD SUBMIT PROPOSALS ON THE MATTER.

10. THE PERSISTENCE OF HIGH REAL INTEREST RATES ON THE INTERNATIONAL FINANCIAL MARKETS, COMBINED WITH THE INADEQUACY OF ECONOMIC ACTIVITY AND THE LOW LEVEL OF OVERALL DEMAND WAS LEADING TO A SIGNIFICANT REDUCTION IN PRODUCTIVE INVESTMENT AND A FURTHER WORSENING OF UNEMPLOYMENT SINCE, BECAUSE OF THE CONSIDERABLE SQUEEZE ON THEIR LIQUIDITY AND PROFITS, UNDERTAKINGS WERE REDUCING THEIR INVESTMENTS AND STAFFING LEVELS. THIS DEVELOPMENT WAS PARTICULARLY DISTURBING AT A TIME WHEN THE ADJUSTMENT OF INDUSTRIAL STRUCTURES, FOLLOWING THE OIL PRICE RISES AND THE NEED TO DEAL WITH UNEMPLOYMENT, CALLED FOR AN INCREASE IN THE PART PLAYED BY INVESTMENT IN OVERALL DEMAND.

HIGH INTEREST RATES ALSO GREATLY INCREASED THE COST OF SERVICING THE PUBLIC DEBT IN MANY INDUSTRIALIZED COUNTRIES AND DEVELOPING COUNTRIES.

11. FLUCTUATIONS IN EXCHANGE RATES NOT JUSTIFIED BY THE BASIC FACTS OF THE ECONOMY ADDED A FURTHER ELEMENT OF UNCERTAINTY AND WERE AFFECTING INTERNATIONAL TRADE.

THE CO-ORDINATION OF THE MAJOR INDUSTRIAL COUNTRIES' EXCHANGE-MARKET POLICIES IN ORDER TO AVOID UNCONTROLLED FLUCTUATIONS IN PRICE LEVELS CONTINUED TO BE A MATTER OF URGENCY.

12. THE COMMUNITY URGED JAPAN TO OPEN ITS MARKET AND INTEGRATE IT MORE FULLY INTO INTERNATIONAL TRADE. JAPAN SHOULD FOLLOW AN ECONOMIC, COMMERCIAL AND EXCHANGE POLICY WHICH WAS MORE COMPATIBLE WITH THE BALANCE OF RESPONSIBILITIES TO BE BORNE BY THE WHOLE OF THE INDUSTRIALIZED WORLD, THEREBY CONTRIBUTING TO ECONOMIC RECOVERY.

13. THE COUNCIL INTENDED TO PERSEVERE IN A POLICY OF ACTIVE CO-OPERATION FOR THE BENEFIT OF THE DEVELOPING COUNTRIES AND WOULD LIKE TO SEE NORTH-SOUTH DIALOGUE RESUMED WITHOUT DELAY. THE EUROPEAN COUNCIL POINTED OUT THAT THE COUNTRIES OF EASTERN EUROPE ALSO HAD

... THAT THE COUNTRIES OF EASTERN EUROPE ALSO HAD
RESPONSIBILITIES IN THIS CONTEXT.

III. CONCLUSIONS

14. THE EUROPEAN COUNCIL STRESSED THAT THE ECONOMIC RECOVERY OF EUROPEAN COUNTRIES DEPENDED ON INTERNAL ACTION AND EXTERNAL FACTORS WHICH THE COMMUNITY SHOULD CONTRIBUTE TO CONTROLLING MORE EFFECTIVELY WITHIN THE FRAMEWORK OF INCREASED AND BETTER ORGANIZED INTERNATIONAL CO-OPERATION. TO THIS END, THE STRENGTHENING OF EUROPEAN UNITY BY GREATER CONVERGENCE OF ECONOMIC POLICIES WITHIN THE COMMUNITY AND BETTER CO-ORDINATION OF ECONOMIC RECOVERY MEASURES WOULD BE LIKELY TO STRENGTHEN THE COMMUNITY'S INTERNATIONAL ROLE.

AT ITS MEETING AT THE END OF THE YEAR, THE EUROPEAN COUNCIL WOULD UNDERTAKE AN INITIAL REVIEW OF THE IMPLEMENTATION OF THE MEASURES WHICH IT HAD JUST DECIDED ON AND WOULD WORK OUT NEW GUIDELINES.

MANDATE OF 30 MAY

THE EUROPEAN COUNCIL HEARD A REPORT FROM MR TINDEMANS ON THE PROGRESS OF THE WORK OF THE COUNCIL (MINISTERS FOR FOREIGN AFFAIRS) ON THE MANDATE.

THE EUROPEAN COUNCIL ASKED THE COUNCIL OF MINISTERS (FOREIGN AFFAIRS) TO DO ALL IN THEIR POWER TO ENABLE DECISIONS TO BE TAKEN AS SOON AS POSSIBLE.

MEMORANDUM FROM THE GREEK GOVERNMENT

THE EUROPEAN COUNCIL NOTED A STATEMENT BY THE GREEK PRIME MINISTER. THE COMMISSION WOULD MAKE A STUDY OF THE MEMORANDUM SUBMITTED BY THE GREEK GOVERNMENT AND WOULD REPORT BACK TO THE COUNCIL.

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INFO SAVING STRASBOURG WASHINGTON UKDEL NATO

p.a.
ML 2/3

MIPT: EUROPEAN COUNCIL BRUSSELS 29/30 MARCH

1. FOLLOWING IS TEXT OF PRIME MINISTER'S STATE ON THE
30 MAY MANDATE:

BEGINS

IT IS DISAPPOINTING THAT THE FOREIGN MINISTERS
HAVE SO FAR BEEN UNABLE TO COMPLETE THE TASK WHICH
WE SET THEM LAST NOVEMBER AT LANCASTER HOUSE DESPITE THE
SERIES OF MEETINGS THEY HAVE DEVOTED TO IT. THEY HAVE
BEEN UNABLE TO REACH AGREEMENT ON THREE KEY PROBLEMS:
A FINANCIAL GUIDELINE ON THE CAP, MILK AND THE BUDGET PROBLEM.
IT WOULD NOT BE IN THE COMMUNITY'S INTEREST FOR
THIS DEADLOCK TO CONTINUE AND IT IS FOR US, AS
HEADS OF STATE AND GOVERNMENT, TO ENSURE THAT THE
NECESSARY INSTRUCTIONS ARE GIVEN TO ENABLE SUBSTANTIVE
SOLUTIONS TO BE FOUND WITHOUT FURTHER DELAY.

THE PRESIDENTS OF THE COMMISSION AND THE COUNCIL
HAVE NOW MADE NEW SUGGESTIONS FOR A METHOD TO SOLVE THE
BUDGET PROBLEM. IT IS GOOD THAT THE NEGOTIATIONS ARE
NOW SERIOUSLY UNDER WAY AGAIN AND THAT THE FOREIGN MINISTERS
HAVE SET THEMSELVES A TIGHT TIMETABLE FOR AGREEMENT BOTH
ON THE METHOD AND ON THE SUBSTANTIVE SOLUTION OF THE
PROBLEM. IT IS UP TO ALL OF US TO MAKE SURE THAT OUR
FOREIGN MINISTERS ARE IN A POSITION TO FIND AN AGREEMENT
BOTH ON THE METHOD AND ON THE FIGURES AT THEIR MEETING
ON 3 APRIL SO AS TO ENABLE EARLY DECISIONS TO BE TAKEN
ON THE THREE CHAPTERS OF THE MANDATE IN PARALLEL AS WE
AGREED LAST YEAR.

AS FOREIGN MINISTERS ARE TO MEET SOON, I DO NOT
WANT TO PRESS FOR A DISCUSSION HERE AND NOW ABOUT THE
DETAILS OF A SOLUTION. I WOULD LIKE, HOWEVER, TO MAKE
A FEW GENERAL POINTS WHICH I HOPE FOREIGN MINISTERS
WILL BEAR IN MIND.

FIRST, WE MUST TRY TO GIVE THE COMMUNITY A PERIOD
OF STABILITY BY TAKING THIS PROBLEM OUT OF THE ARENA

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/ OF

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OF POLITICAL DISCUSSION FOR A SUBSTANTIAL PERIOD. A BUDGET SOLUTION WHICH INVOLVED EITHER NEGOTIATIONS ABOUT FIGURES EVERY YEAR, OR ANOTHER MAJOR NEGOTIATION LIKE THIS ONE IN TWO OR THREE YEARS TIME, WOULD NOT GIVE THE COMMUNITY THE BREATHING SPACE THAT IT NEEDS IF IT IS TO RESPOND EFFECTIVELY TO THE CHALLENGES PRESENTED BY ITS INTERNAL ECONOMIC PROBLEMS AND AN INCREASINGLY DANGEROUS WORLD ENVIRONMENT.

SECOND, THE METHOD OF CORRECTION MUST DEAL WITH THE PROBLEM IN ITS ENTIRETY AND MUST BE SUFFICIENTLY FLEXIBLE TO ENSURE A FAIR OUTCOME IF CIRCUMSTANCES CHANGE.

THIRD, THE SCALE OF COMPENSATION MUST BE FAIR. AS A LESS PROSPEROUS MEMBER STATE, THE UK COULD REASONABLY EXPECT TO BE A NET BENEFICIARY OF THE COMMUNITY'S FINANCIAL ARRANGEMENTS, ESPECIALLY IN VIEW OF THE COMMON COMMITMENT TO THE CONVERGENCE OF THE ECONOMIES OF THE MEMBER STATES. WE REALISE THAT SUCH A BIG CHANGE IN THE PRESENT FINANCIAL PATTERN WOULD CREAT PROBLEMS FOR OUR PARTNERS AND WE ARE READY TO TAKE ACCOUNT OF THIS. BUT WE CAN SEE NO JUSTIFICATION FOR THE UNITED KINGDOM BEING MORE THAN A VERY MODEST NET CONTRIBUTOR.

THESE SEEM TO ME TO BE ESSENTIAL POLITICAL POINTS WHICH FOREIGN MINISTERS WILL NEED TO BEAR IN MIND. I HOPE THAT WE CAN ALL AGREE THAT IT IS IN THE INTERESTS OF THE COMMUNITY THAT ALL ASPECTS OF THE MANDATE SHOULD NOW BE RESOLVED WITH ALL POSSIBLE SPEED AND THAT WE SHOULD INSTRUCT FOREIGN MINISTERS ACCORDINGLY.
ENDS

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CABINET OFFICE

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MR D M ELLIOTT
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D.O.T.

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PLUS OGDS

~~Mr Coles~~ No 10

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FROM UKREP BRUSSELS 301405Z MAR 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1293 OF 30 MARCH 1982

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EUROPEAN COUNCIL BRUSSELS 29/30 MARCH

A. ECONOMIC AND SOCIAL SITUATION

1. THE FIRST THREE HOURS WERE TAKEN UP WITH USUAL ROUND OF SET SPEECHES. AMONG THE POINTS MADE, MAINLY BASED ON THE COMMISSION'S PAPER, INTRODUCED BY THORN AND ORTOLI, WERE THE FOLLOWING:

(A) THE NEED TO TAKE ACTION INCLUDING TRAINING TO COPE WITH

(A) THE NEED TO TAKE ACTION INCLUDING TRAINING TO COPE WITH UNEMPLOYMENT AMONG THE YOUNG (NEARLY ALL DELEGATIONS), AND TO REDUCE WORKING HOURS OR SHARE EXISTING WORK (F,L,NL):

(B) THE NEED TO CURB WAGES AND REDUCE CONSUMPTION (D,F,UK), EXPAND COMMUNITY LENDING CAPACITY (I,IRL) IN ORDER TO INCREASE INVESTMENT : WITH DK STRESSING THE PRIMACY OF ACTION AGAINST UNEMPLOYMENT.

(C) THE NEED TO CONVINCING THE USA AND JAPAN TO TAKE ACCOUNT OF EUROPEAN INTERESTS, EG IN MATTERS OF INTEREST RATES, EXCHANGE RATES, PARTLY BY STRENGTHENING EMS (NEARLY ALL):

(D) THE NEED TO CURB BUDGET DEFICITS (B, I, D):

(E) THE NEED TO REDISTRIBUTE INCOMES FROM RICH TO POOR DURING RECESSION, AS A MEANS OF STIMULATING GROWTH (E,F).

2. SCHMIDT LED THE SCEPTICS ABOUT THE EFFICACY OR POSSIBILITY OF COMMUNITY ACTION, BUT SPADOLINI ALSO SPOKE OF THE DIFFERENCES BETWEEN EACH MEMBER STATE'S ROOM FOR MANOEUVRE. MITTERRAND SPOKE AT GREAT LENGTH. HE NOTED THE PROBLEM CAUSED BY MULTINATIONALS WHO ENCOURAGED THE TRANSFER OF TECHNOLOGY TO THE NEWLY INDUSTRIALISING. HE ARGUED FOR THE REDISTRIBUTION OF INCOME: THE STIMULATION OF INVESTMENT IN MAJOR WORKS AND RESEARCH (AGREEING ON THE NEED TO REDUCE CONSUMPTION): THE ENCOURAGEMENT OF EMPLOYMENT: THE REFORM OF THE SOCIAL SECURITY "ASSIETTE": THE NORTH-SOUTH DIALOGUE: DEFENCE AGAINST JAPANESE AND US ACTIONS AND POLICIES. JORGENSEN SAID MUCH THE SAME AS HIS LETTER TO SCHMIDT. WERNER WAS THE ONLY SPEAKER TO SPECIFICALLY TO SUGGEST PUTTING INTO EFFECT THE DRAFT GUIDELINES ON CHAPTER I OF THE 30 MAY MANDATE, BUT OTHERS IMPLIED THE SAME (EG SPADOLINI ON INCREASING THE NIC TO 3 BN ECUS, MAKING IT PERMANENT AND PROVIDING IT WITH INTEREST RATE SUBSIDIES.)

3. THE PRIME MINISTER MADE THE FOLLOWING POINTS:

(A) THE NEED TO TAKE ADVANTAGE OF THE FALL IN OIL PRICES IN THE BEST WAY:

(B) NEED TO TACKLE UNEMPLOYMENT WITHOUT JEOPARDISING THE FIGHT AGAINST INFLATION:

(C) INVESTMENT COULD ONLY COME FROM CUTTING CONSUMPTION: BUT NOT ALL INVESTMENT WAS WORTHWHILE (EG IN SHIPS.

(C) INVESTMENT COULD ONLY COME FROM CUTTING CONSUMPTION; BUT NOT ALL INVESTMENT WAS WORTHWHILE (EG IN SHIPS, STEEL, CARS); ONE SHOULD STRESS INVESTMENT IN NEW TECHNOLOGIES AND IN SMALL FIRMS WHO EMPLOYED MORE LABOUR, WHILE LARGE FIRMS SET WAGE LEVELS TOO HIGH TO THE DETRIMENT OF THE SMALL FIRMS;

(D) NEED FOR TRAINING SCHEMES FOR THE YOUNG UNEMPLOYED;

(E) THE EMPLOYMENT PROSPECTS OF THE FUTURE WERE IN THE SERVICE SECTOR, IN WHICH FREEDOM OF ESTABLISHMENT/MOVEMENT WAS THEREFORE IMPORTANT;

(F) NEED TO TACKLE THE CHALLENGE OF JAPANESE COMPETITION.

4. MARTENS' SUMMING UP INCLUDED A NUMBER OF POINTS WHICH HAD NOT FOUND MUCH SUPPORT AROUND THE TABLE OR HAD NOT EVEN BEEN MENTIONED, SUCH AS COORDINATION OF POLICIES, A GUIDELINE THAT INVESTMENT BE INCREASED BY 1 PER CENT, REDUCING CONSUMPTION BY THE SAME AMOUNT, THAT THE EMS HAD WORKED WELL, THE NEED FOR A JUMBO COUNCIL (VAN AGT). THE PRIME MINISTER RESISTED THE MENTION OF AN INVESTMENT TARGET FIGURE, AND SCHMIDT WARNED THAT THE EMS HAD NOT BEEN INVENTED SO THAT EVERYONE COULD DEVALUE WITHIN IT.

5. A DRAFT TEXT WAS PRODUCED OVERNIGHT, DISCUSSED DURING THE TUESDAY MORNING SESSION AND AGREED.

B. 30 MAY MANDATE

6. TINDEMANS MADE A BRIEF REPORT. AFTER A SILENCE THE PRIME MINISTER SPOKE AS IN MIFT.

7. MITTERRAND AGREED THAT DISCUSSION SHOULD BE RESUMED. FRANCE WAS NOT REFUSING TO EXAMINE ANY ASPECT, BUT ON THE BASIS OF THE THORN/TINDEMANS NON-PAPER IT WOULD BE DIFFICULT WITHOUT DIRECTIVES FROM THE EUROPEAN COUNCIL. HE COULD NOT ACCEPT THE BASIS OF THE THORN/TINDEMANS PROPOSAL.

8. MARTENS MERELY CONCLUDED THAT FOREIGN MINISTERS WOULD NEED TO DO THEIR BEST.

9. DISCUSSION CONTINUED AT THE FOREIGN MINISTERS' DINNER. TINDEMANS TOLD CHEYSSON HE HAD BEEN DISTRESSED BY MITTERRAND'S STATEMENT. CHEYSSON MADE A LONG, INVOLVED AND UNCONVINCING REPLY, THE MAIN THRUST OF WHICH WAS THAT FRANCE COULD NOT AGREE A SETTLEMENT THE OUTCOME OF WHICH WOULD BE AS ILL - DEFINED AS THE THORN/TINDEMANS FORMULA. PRECISE FIGURES WERE NEEDED. (COMMENT: THE MAIN FRENCH

PRECISE FIGURES WERE NEEDED. (COMMENT: THE MAIN FRENCH WORRY SEEMS TO BE THAT THEIR CALCULATIONS SHOW THE FORMULA WOULD YIELD PROGRESSIVE RESULTS FOR THE UK.)

10. DURING AN EXTENDED DISCUSSION, YOU SAID YOU HAD BEEN PUZZLED BY MITTERRAND'S REMARKS. FOREIGN MINISTERS HAD BEEN RESCUED FROM FAILURE BY THE THORN/TINDEMANS FORMULA, AND THE MEETING ON 3 APRIL WAS TO BE HELD ON THE BASIS OF IT. YOU DID NOT LIKE IT ALL, BUT IT WAS A BASIS FOR DISCUSSION. YOUR OTHER COLLEAGUES AGREED; MANY EXPRESSED CONCERN TO CHEYSSON. GENSCHER INTERVENED STRONGLY, WARNING THAT IF THE AFFAIR DRAGGED ON GERMAN DEMANDS FOR ACTION ON THEIR PROBLEM WOULD GROW.

C. DINNER DISCUSSION

11. MITTERRAND REPORTED AT LENGTH ON HIS VISITS TO ISRAEL AND THE USA. THERE WAS SOME DISCUSSION OF EAST-WEST AND US-CHINA RELATIONS. PAPANDREOU RAISED THE QUESTION OF THE TURKS IN CYPRUS: GREECE WAS PREPARED TO PAY THE WHOLE COST OF REPLACING THE TURKISH ARMY BY UN TROOPS.

12. VAN AGT RAISED COMMUNITY REPRESENTATION AT THE VERSAILLES SUMMIT AND OTHER SMALLER STATES SUPPORTED HIM. THE PRIME MINISTER SAID SHE HAD NO OBJECTION TO BOTH PRESIDENTS ATTENDING, BUT THEY WOULD NEED TO SORT OUT WHO WENT TO WHICH DISCUSSIONS. SCHMIDT SAID THAT THE NON-EUROPEAN PARTICIPANTS WOULD THINK THAT THE COMMUNITY WAS OVEREGGING IT IF IT WAS REPRESENTED BY SO MANY PEOPLE.

13. SCHMIDT SAID THAT THE FRG WAS PREPARED TO HELP THE HUNGARIANS WITH THEIR DEBT PROBLEM, AS DID THE PRIME MINISTER AND VAN AGT. THERE SEEMED TO BE GENERAL AGREEMENT THAT IT WOULD BE BETTER TO RESCHEDULE POLAND'S DEBTS RATHER THAN HAVING AN ENFORCED DEFAULT. BUT THE WHOLE FUTURE OF CREDIT TO EASTERN EUROPE SHOULD BE EXAMINED. AT THEIR SEPARATE DINNER FOREIGN MINISTERS ALSO DISCUSSED THE OUTCOME OF THE BUCKLEY MISSION IN THE CONTEXT OF THE DRAFT EUROPEAN COUNCIL DECLARATION. (THEY ALSO DISCUSSED THE OTHER POLITICAL COOPERATION TEXTS.)

TUESDAY 30 MARCH

D. GREECE AND THE EC

D. GREECE AND THE EC

14. PAPANDEOU INTRODUCED THE GREEK PAPER ON THE EXPECTED LINES, WITH A SIDE-SWIPE AT NATO'S FAILURE TO RESPOND TO THE HIGH LEVEL OF GREECE'S CONTRIBUTION TO THE ALLIANCE BY DEFENDING GREECE'S FRONTIERS (IE AGAINST TURKEY). THORN SAID THAT THE COMMISSION WOULD MAKE ITS FIRST RESPONSE NEXT MONTH AND REPORT TO THE COUNCIL IN JUNE.

E. CONCLUSION

15. AFTER DETAILED EXAMINATION OF THE DRAFT PRESIDENCY CONCLUSIONS ON COMMUNITY AND POLITICAL CO-OPERATION MATTERS THE MEETING ENDED SHORTLY AFTER 2.00 PM.

16. PRESIDENCY CONCLUSIONS ON COMMUNITY MATTERS IN MY SECOND IFT AND ON POCO MATTERS IN MY THIRD IFT.

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TO IMMEDIATE TEL AVIV

TELNO 1 OF 30 MARCH

INFO FCO

EUROPEAN COUNCIL 29/30 MAY: MIDDLE EAST

1. FOLLOWING IS TEXT OF PRESIDENCY CONCLUSIONS ON MIDDLE EAST.

THE EUROPEAN COUNCIL DISCUSSED DEVELOPMENTS IN THE MIDDLE EAST. DEEPLY CONCERNED BY THE GRAVE EVENTS TAKING PLACE IN THE WEST BANK, THE EUROPEAN COUNCIL APPEALED URGENTLY FOR AN END TO THE DANGEROUS CYCLE OF VIOLENCE AND REPRESSION. IT PARTICULARLY DENOUNCED MEASURES IMPOSED ON THE PALESTINIAN POPULATIONS SUCH AS THE DISMISSAL OF DEMOCRATICALLY ELECTED MAYORS BY THE ISRAELI AUTHORITIES, AS WELL AS THE VIOLATIONS OF THE LIBERTIES AND RIGHTS OF THE INHABITANTS OF THESE TERRITORIES WHICH FOLLOWED THE MEASURES TAKEN BY ISRAEL WITH REGARD TO THE GOLAN HEIGHTS, AND WHICH COULD ONLY DAMAGE THE PROSPECTS FOR PEACE.

CONCERNED AT THE CONTINUING CLASHES IN THE LEBANON, THE EUROPEAN COUNCIL URGED ALL THE PARTIES INVOLVED TO RENOUNCE THE USE OF FORCE AND TO ASSURE CONDITIONS FOR THE RESPECT OF THE FULL SOVEREIGNTY AND TERRITORIAL INTEGRITY OF THE COUNTRY.

IT FURTHERMORE REAFFIRMED THE WISH OF THE TEN, EXPRESSED ON MANY OCCASIONS, TO CONTRIBUTE TO THE ACHIEVEMENT OF A JUST AND LASTING PEACE IN THE MIDDLE EAST.

THE PARTICIPATION OF FOUR MEMBER STATES OF THE EUROPEAN COMMUNITY IN THE MULTINATIONAL FORCE AND OBSERVERS IN SINAI (MFO) WAS A POSITIVE CONTRIBUTION IN THE CONTEXT OF THE FORTHCOMING COMPLETION, ON 25 APRIL, OF THE ISRAELI WITHDRAWAL FROM SINAI.

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Presidency

DRAFT CONCLUSIONS OF THE EUROPEAN COUNCIL

Only three passages need amendment

- see (1), (2) & (3) below.

Preamble

1. The European Council commemorated the 25th anniversary of the signing of the Treaty of Rome, recalling the importance of the contribution made by the European Community over a quarter of a century to the achievement of the objectives of economic and social progress in the member countries. It emphasized the importance of the progress made towards union despite the worldwide economic difficulties of the last decade.
2. The European Council devoted most of its meeting to discussing the economic and social situation on the basis of the report from the Commission.

The world economy was in a state of major structural crisis which was affecting every country. This crisis could be overcome only if all governments took the necessary measures with the support of all economic and social circles.

Although the specific characteristics of the situation in each Member State might call for varying policies and solutions to combat the economic crisis, all the Community countries were faced with the same risks and had the same interest in combating unemployment and restoring economic growth while preserving monetary stability and ensuring the competitiveness of their economies.

.../...

3. The European Council noted signs of an improvement in the short term for 1982. However, a slight recovery was insufficient to arrest the growth of unemployment, the high level of which, more particularly among young people, was creating an intolerable situation; moreover, this recovery alone could not resolve the Community's fundamental structural problems, and particularly an excessively high average rate of inflation, insufficient productive investment and a degree of energy dependence which was still too great.

The European Council considered a series of practical complementary measures to be necessary.

POLICIES WITHIN THE COMMUNITY

4. The Council emphasized the need for a co-ordinated policy to promote investment and to combat unemployment.

Such concerted action should be accompanied by intensified efforts to control trends in all production costs, ~~including incomes~~. Stress should be laid ^{more} on private and public productive investment, ~~rather than on consumption~~. It was ^{of paramount importance} important in this connection that both sides of industry should contribute towards achieving these objectives.

5. [As regards investment,] the European Council expressed its ^{grave} concern at the level of investment in Europe ^{productive} [which was still ⁵⁰ very low in relation to GDP;] it therefore agreed on the need for the Community and each Member State to take, as from this year, and each as far as it was individually concerned, any appropriate steps or initiatives to reverse this trend. ^{especially in the markets of the future;}

In this connection, it confirmed the importance it ^{attributed to} strengthening the Community lending instruments for the benefit of investment, particularly in the fields of energy and industrial development. ^{of good will}

The European Council requested the Commission to make any proposals it deemed useful and the Council to adopt the means of and procedures for attaining these objectives.

A report on the practical measures taken further to these guidelines would be drawn up in time for the European Council meeting at the end of the year.

Initial report for the June Council.

6. The European Council stressed the importance of maintaining and developing the Community's internal market, which ^{as a result of a new common agricultural policy} gave it a continental dimension and thus put it on an equal footing with the main economic units of the world. This made it possible to develop a Community industrial strategy and formulate a policy on technology and innovation.

The services sector was felt to be of particular importance in this connection.

The industrial, energy and research policies were amongst those where the Community dimension could make the greatest contribution.

The European Council asked the Council, in all its compositions, to reinforce these policies on the basis of Commission proposals.

A report on the follow-up to these guidelines would be drawn up for the meeting of the European Council at the end of the year.

7. As regards employment, the Council recognized that, in addition to increased efforts regarding productive investment and the control of production costs, the gravity of the unemployment situation called for specific measures producing rapid effects. These measures would concern more particularly the vocational training of young people.

will use their best endeavours to ensure

As a first step, the Member States ~~undertook~~ to ensure over the next five years ~~that~~ all young persons entering the labour market for the first time would receive

In order to contribute to the development of the Community, the Member States shall take measures to help young people to be able to find work. The Council will work with young people.

vocational training or initial work experience within the framework of special youth schemes or contracts of employment; the Council was requested to report back to the European Council at its meeting at the end of the year on the decisions and measures adopted to this end, both by the Member States and at Community level. For this purpose a special meeting of the Council would study the specific ^{said} measures to be taken to promote employment.

8. The European Council noted that the European Monetary System had operated satisfactorily in its first three years. Action should now be taken to give fresh momentum to the system by strengthening economic convergence, the EMS mechanisms, the role of the ECU and monetary co-operation between the Community and third countries. It asked the ECO/FIN Council to report back ^{to} at the European Council, ~~meeting in June.~~

*Conclude
consult. to settle
did not refer measure
for adjustment however
work.*

INT ECONOMIC
II. ~~EXTERNAL~~ POLICIES

The Council invited the ECOFIN Council to have a preparatory discussion at its meeting in May.

Co-operation

3

9. The European Council looked to the Versailles Summit at the beginning of June to institute increased co-operation between the major industrial partners, aimed particularly at encouraging a reduction in interest rates, making exchange rates less volatile and strengthening North-South relations. This co-operation must be based on a joint definition of the obligations incumbent upon each party. [The Community was ready to make its contribution to this co-operation and would submit proposals on the matter.]

on int'l capital markets

10. The persistence of high real interest rates combined with the ^{widely spread trend} ~~slackening~~ in economic activity and the low level of overall demand was leading to a significant reduction in productive investment and a further worsening of unemployment situations since, because of the considerable squeeze on their liquidity and profits, undertakings were reducing their investments and staffing levels. This development was particularly disturbing at a time when the adjustment of industrial structures following the oil price rise and the need to deal with unemployment called for an increase in the part played by investment in overall demand.

High interest rates also greatly increased the cost of servicing the public debt in many industrialized countries and developing countries.

11. Fluctuations in exchange rates not justified by the basic facts of the economy added a further element of uncertainty and was affecting international trade.

The need for co-ordination of the policies of the major industrialized countries in monetary in order to avoid major fluctuations in exchange rates .../...

12. The Community urged Japan to open its market and integrate it more fully into international trade. Japan should follow an economic, commercial and monetary policy which was more compatible with the balance of responsibilities to be borne by the whole of the industrialized world, thereby contributing to economic recovery.

13. The Council intended to persevere in a policy of active co-operation for the benefit of the ~~southern~~ ^{developing} hemisphere and would like to see ^{some} dialogue with the countries concerned resumed without delay.

14. Finally, the European Council pointed out that the countries of Eastern Europe also had responsibilities ~~(within the world economy, and with helping the developing countries)~~ ^{In this context}

III. CONCLUSIONS

15. The European Council stressed that the economic recovery of European countries depended on internal action and external factors which the Community should contribute to controlling more effectively within the framework of increased and more efficiently organized international co-operation. To this end, the strengthening of European unity by greater convergence of economic policies within the Community and better co-ordination of economic recovery measures would be likely to strengthen the Community's international role.

At its meeting at the end of the year, the European Council would undertake an initial review of the implementation of the measures which it had just decided on and would agree on complementary policies.

.../...

MANDATE OF 30 MAY

The European Council heard a report ~~from Mr. TINDEMANS~~ on the progress of the work of the Ministers for Foreign Affairs on the Mandate.

Further

Council of

Min

The European Council asked the Ministers for Foreign Affairs to do all in their power to ~~conclude~~ their discussions as soon as possible.

Ministers

by

~~To a successful conclusion.~~

to reach decision to be made as soon as possible in order to make it possible for

~~a decision to be made~~

as soon as possible.

Area.

Taken note -

~~approved~~ *Comm*

would like to

examine it.

as submitted to Heads of Govt 12.00 30/3

DRAFT CONCLUSIONS

POLITICAL COOPERATION SUBJECTS

I. TRANSATLANTIC RELATIONS.

The European Council discussed the state of transatlantic relations.

The Council underlined the desire of the Ten to reinforce their links with the United States and to develop further consultations between Europeans and Americans.

It valued the statement made by President Reagan on the occasion of the 25th anniversary of the Treaties of Rome, in which the United States confirmed its wish to cooperate closely and on the basis of partnership with a united Europe and in accordance with Europe's economic and political importance, and its role in the world.

II. EAST-WEST RELATIONS.

(a) The Heads of State and of Government noted that the situation in Poland continued to place a strain on East-West relations, and thus to affect the relations of the Ten with Poland [and the U.S.S.R., which bore a clear responsibility in this situation].

The Ten recalled their earlier statements on the grave consequences of the present situation in Poland for security and cooperation in Europe, and for East-West relations as a whole. They renewed their call to the Polish authorities with the minimum delay to end the state of martial law, release those arrested and resume a genuine dialogue with the Church and Solidarity.

The Ten also noted with concern the recent statements of the Polish authorities on the possibility of the departure of detainees from the country. The Ten rejected any attempt to place pressure on those concerned. They would interpret such a policy as a further deterioration of the situation in Poland, and a grave breach of fundamental human rights.

(b) In the context of events in Poland and elsewhere, the Heads of State and of Government reviewed the state of economic relations between their own countries and those of Eastern Europe, particularly in the light of the significant role played by Community trade with these countries.

They recognized the role which economic and commercial contacts and cooperation have played in the stabilisation and the development of East-West relations as a whole and which they wish to see continue on the basis of a genuine mutual interest. They noted the existence of certain problems resulting in part from the special nature of the state-trading economies and they discussed the basis on which East-West economic and commercial relations had been conducted. /There was an inevitable interaction between economic and political factors./

/The Heads of State and of Government agreed that these questions, including the important and related question of export credit policy, should be the subject of urgent and careful study by the European Community and by their own and other governments, both nationally and internationally and in close consultation with the U.S. and the other countries with market economies./

(c) The European Council regretted that violations of the principles of the Helsinki Final Act, of which the repression in Poland constitutes a particularly grave element, had not only prevented the Madrid meeting from achieving positive results, but also put at risk the entire C.S.C.E. process.

It noted that the adjournment of the Madrid meeting was necessary to preserve the C.S.C.E. process, to which the Ten remained fully committed. The objective remained the adoption of a substantial and balanced final document.

The Ten expressed the hope that, when the Madrid meeting resumed in November, the prevailing circumstances would be more conducive to the achievement of a positive outcome.

III. AFGHANISTAN

With the recent International Day of Afghanistan in mind, the European Council considers it right to draw particular attention to the tragic situation of that country, now in its third year of military occupation. The Soviet expeditionary force has recently been strengthened; repression of the civilian population continues without respite; and every day adds to the total of refugees, who already number some 3 million, or one in five of the population.

In the view of the European Council, the problem of Afghanistan more than ever requires that a political solution be found without further delay. This can only be on the basis of the complete withdrawal of the Soviet troops and respect for the independence, sovereignty and non-alignment of Afghanistan. The Council strongly reaffirms the position taken by the European Council of Luxembourg and London, and the desire of the Ten to contribute up to the limit of their powers to an acceptable settlement. It denounces the negative attitude of the Soviet Union in rejecting successively the proposals made by the Ten, the Non-Aligned Movement, the Islamic Conference and the General Assembly of the United Nations.

The Council welcomes the nomination by the Secretary-General of the United Nations of a personal representative for the Afghan question, and hopes that this initiative will contribute to a solution in accordance with the principles of the resolutions adopted by the General Assembly.

IV. MIDDLE EAST.

The European Council discussed developments in the Middle East.

Deeply concerned by the grave events taking place in the occupied territories of the West Bank and Gaza, the European Council appealed urgently for an end to the dangerous cycle of violence and repression. It particularly denounced all unilateral measures such as the dismissal of democratically elected mayors by the Israeli authorities, as well as the violations of the liberties and rights of the inhabitants of these territories, which followed the measures taken by Israel with regard to the Golan heights, and which could only damage the prospects for peace.

Concerned at the continuing clashes in the Lebanon, the European Council urged all the parties involved to renounce the use of force and to assure conditions for the respect of the full sovereignty and territorial integrity of the country.

It furthermore reaffirmed the wish of the Ten, expressed on many occasions, to contribute to the achievement of a just and lasting peace in the Middle East.

The participation of four Member States of the European Community in the Multinational Force and Observers in Sinai (MFO) was a positive contribution in the context of the forthcoming completion, on 25 April, of the Israeli withdrawal from Sinai.

V. CENTRAL AMERICA.

The European Council discussed the situation in Central America. It expressed serious concern at the continued growth of tensions in the region. It welcomed with interest any initiative likely to put an end to violence and lead, through dialogue and respect for democratic norms and for human rights, to the restoration of peace in the region, while safeguarding national sovereignty and the wishes of the people. In this context it noted with interest the proposals made by a number of countries in the region.

Noting that the tensions and conflicts rawaging Central America frequently stemmed from the grave economic problems and social inequalities which had been aggravated by world economic conditions to the detriment of the poorest countries, the European Council believed that the international community could not remain indifferent to these evils. It welcomed the efforts currently being exerted to remedy them, and noted in particular the initiative of the Nassau group [the United States, Canada, Mexico, Venezuela and Columbia].

The Community and its Member States too had, in the past, provided substantial assistance to the region.

The European Council however agreed that the aid given by the member States of the Community and by the Community itself for development in Central America and the Caribbean should be coordinated and increased within the limits of their possibilities.

The European Council instructed the Foreign Ministers to work out detailed arrangements for the provision of Community aid on the basis of proposals by the Commission.

VI. TURKEY.

The European Council heard the report of the President of the Council of Ministers, Mr Leo Tindemans, on the execution of the mandate given to him by the Ten on 23 February.

It expressed its appreciation for the way in which this task had been carried out.

Mr Leo Tindemans had impressed upon the Turkish Government the serious concern of the Ten with regard to human rights in Turkey, and had emphasized the need for that country to return as soon as possible to a democratic regime.

His interlocutors had assured him of the country's return of democracy within two years at the most, according to their declarations the referendum on the approval of a democratic constitution would take place in November 1982, and the general elections in Autumn 1983 or, at the latest, in spring 1984.

The European Council, welcomed, took note of the timetable thus indicated. It trusted that Mr Leo Tindemans' visit would prove to have contributed to the achievement of the objectives to which the Ten attached essential importance, and looked to the Turkish authorities to give effect in the near future to the assurances thus given.

REV

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(b)

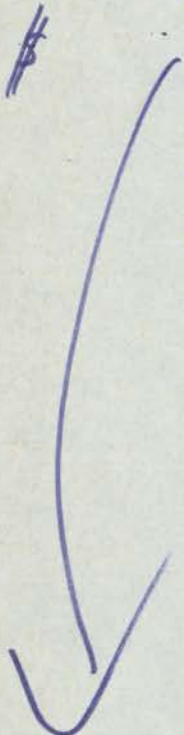
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Took note
2
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STATEMENT FOR PRESS ON THE MANDATE

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SUPPLEMENTARY QUESTIONS AND ANSWERS ON THE MANDATE

What about the French position? Mitterrand's view etc?

I have no intention of commenting on President Mitterrand's attitude on the Mandate. What I can do is tell you ours. We consider the Tindemans/Thorn suggestions on the budget a reasonable basis for further negotiations. Of course some aspects of them are less good than others but we will be ready to get down to serious negotiation this weekend.

/Linkage,

Linkage, agricultural prices etc?

I would like to see all these matters settled at the earliest possible date. As you know it has from the beginning been the general view that all three chapters of the Mandate should be dealt with in parallel. There are in fact many inherent links between the different chapters. And as the Commission pointed out in its report last year the root cause of the UK problem is the pattern and scale of CAP expenditure. So what I would like to see is not delay or blockage but early decisions on all these matters.

Are we in a crisis? Community breaking up? Funereal 25th Anniversary

I think talk of crisis is often excessive. And a lot of the gloom and doom we have had in recent days over the 25th Anniversary has been very overdone. If you look at the past 25 years the Community has had a number of major achievements (no war, trade liberalisation, increased prosperity, beginnings of common foreign policy). Moreover, its history shows that it has a real capacity to overcome difficulties. I believe it will do that on this occasion too.

Are you more (or less) happy about prospects for the Mandate after this conference?

We were not negotiating about the Mandate here as we were when we met in London last November. The Foreign Ministers are deeply and directly involved in a complex negotiation and are meeting again this weekend. I have been through far too many

/Community

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PRIME MINISTER

I am making arrangements for you to give your press conference, followed by short radio and TV interviews, some 30 minutes after the Council ends. I assume you will wish to have a short briefing in the UK delegation before meeting the press on the first floor.

As usual the media will be predominantly British and American but there will be a wide spread of nationalities.

The radio and TV interviews (BBC radio and TV, ITN and IRN) will be conducted in the same room. I shall ask the writing press to leave immediately after the press conference. It would be better on this occasion if I chaired the conference and selected the questioners.

MATTERS OF INTEREST

The Council has so far been dominated by three issues:

- The economic debate: which rapidly got downgraded when the French turned awkward on the Mandate. A speaking note by David Hancock is at Annex I; I suggest you open with this to bring out the positive points from our standpoint in the presidential conclusions. I have portrayed your sound policies as encouraging evidence for the Community that sound policies rather than massive reflation really work.
- The Mandate and the French turning nasty. A speaking note by David Hannay is at Annex II.
- Foreign Affairs in a sort of desultory way, apart from the Falklands on which British journalists have bored the rest to tears. A brief on the Presidency conclusions by Julian Bullard is at Annex III. I suggest you deal with this last in your opening summary. - to follow.

The 25th anniversary celebrations have scarcely raised a question in my briefings beyond why you wore black. (I said you often did; it's executive).

I am sure you will be asked questions about Mr Haughey's call upon you. I have portrayed it as the brief meeting which has become a fairly regular feature of European Councils.

QUESTIONS LIKELY TO BE RAISED

ECONOMY

- What really has the Community decided to do about unemployment, investment, information technology - or what can it do?
- Can you clarify the wide measure of agreement in the Council over the need to curb consumption to make room for investment? And how does curbing consumption help investment - wouldn't more consumption encourage investment?
- Why did you take a poor view of the idea of raising investment by 1%?
- How do you expect the USA, Japan and the Versailles Summit to be affected by the Council - especially on interest rates and Japanese trade?

MANDATE

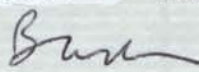
- What precisely did Mitterrand say and do you really expect the Budget to be sorted out this weekend? If not, when?
- Can we expect a farm price settlement this week ad referendum and subject to agreement on the rest of the Mandate?

Mr Hannay has drafted Annex II with an eye to our tactical advantage.

INTERNATIONAL - here the main interest is:

- West Bank (and how the tough words of the presidential conclusions will affect Lord Carrington's visit)
- El Salvador - reaction to election result; where next? Why we sent observers and what are they reporting? Was aid for Central America discussed?
- Polish etc debt - rescheduling versus allowing them to go bust.

And of course the FALKLANDS on which there is speculation we are sending gunboats and getting worked up about it. You will be questioned on why Lord Carrington has returned (because he wishes to make a statement to the Lords) - and before Lord Carrington's statement. You can play questions away at the press conference. But are you prepared to take a question on the subject from radio and TV reporters? You don't want this issue to take over the Council.


B Ingham

EUROPEAN COUNCIL: PRIME MINISTER'S STATEMENT TO THE HOUSE

DRAFT

The Council devoted most of its meeting on this occasion to the economic and social situation, both within the Community and in the world at large. We agreed that all the Member States had the same interest in combating unemployment and restoring economic growth, while preserving monetary stability and ensuring the competitiveness of their economies.

The Council expressed its concern at the level of productive investment in Europe especially in the markets of the future. We agreed that the Community and the Member States would take appropriate steps to increase productive investment.

We discussed youth unemployment and agreed that each Member State would work to ensure over the next five years that all young persons entering the labour market for the first time would receive vocational training or initial work experience within the framework of special youth schemes or contracts of employment.

During our discussions I laid particular stress on the need to complete the Common Market in the services sector and I emphasised the role that the Community can play in the development of information technology.

There was a very brief discussion of the European monetary system on its third anniversary. The Economic and Finance Council have been asked to consider a number of

/technical

technical improvements in the working of the system and to report their conclusions to the next European Council in June.

In our discussion of external policies, the Council looked forward to the Versailles Economic Summit in June. We agreed that our aim at that Summit should be to encourage increased cooperation between major industrial partners, aimed particularly at reducing interest rates, making exchange rates less volatile and strengthening North/South relations.

In particular, we agreed that the persistence of high interest rates in real terms, combined with the slackening in economic activity, was leading to a significant reduction in productive investment and made unemployment worse because of the squeeze on company liquidity and profits. We invited the Economic and Finance Council to hold a preparatory discussion for the Versailles Summit at its meeting in May so that the Member States not directly represented at Versailles would be able to put their views to those of us who will be attending.

The Council urged Japan to open its market so as to integrate it more fully into international trade. We urged Japan to follow an economic, commercial and monetary policy which was more compatible with the functioning of the international system and with economic recovery.

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POLITICAL COOPERATION SUBJECTS

The political part of the agenda was discussed by the Foreign Ministers at dinner last night and by the Heads of State and Government this morning. I will mention briefly the main points.

Transatlantic relations. As you know, there has been much discussion about this and several of those present at this meeting have recently been in Washington. The Communique underlines the *importance* ~~determination of all of us in the Ten~~ *we attach importance to* to strengthen our links and consultations with the United States. At the same time we reciprocate the very warm message sent to the Community by President Reagan on its 25th anniversary.

East/West Relations Under this heading we discussed in particular the state of economic relations between East and West. The Eastern economies have not escaped the effects of the world recession; indeed they have serious problems of their own. The question of government-backed and government-subsidised credit, to which the United States has recently drawn attention, is part of the problem, but only part. The Ten are agreed that this whole complex of questions needs to be urgently and carefully studied. There is work here for everybody: national governments, the Community and the various international organizations and groupings from the Versailles Summit of Seven to OECD which has 22 members.

On Poland, sadly, there is little new to say. The martial law regime and the accompanying repression are a burden on the Polish people and on East/West relations, affecting the relationship

/which

which we in the Ten are able to have with both Poland and the Soviet Union.

The Helsinki Final Act is fundamental in East/West relations. We found ourselves in agreement that it was right to adjourn the Madrid Conference until November, in order to preserve both the Helsinki process and the neutral draft which we hope will one day provide the basis for a concluding document for this conference.

Among so many world problems it is important not to lose sight of Afghanistan, now in its third year under Soviet military occupation. The Sunday before last was the International Day of Afghanistan when many Heads of Government sent messages of solidarity to the Afghan people, including the Belgian Presidency on behalf of the Ten. We have today repeated the main points in our well-known position: withdrawal of Soviet troops and restoration of Afghan sovereignty, independence and non-alignment.

On the Middle East, this was not the moment for a major statement by the Ten on the scale of the Venice Declaration of June 1980. What we did today was to express our extreme concern about the current situation in the occupied West Bank. The terms of our communique will be the basis on which Lord Carrington speaks when he goes to Israel later today.

/He

He is, of course, going there to listen as well as to speak. It is a long time since we have had such exchanges with Israel at Foreign Minister level, and following the state visit to Israel by the President of France I have no doubt that Lord Carrington's talks will be of value to both sides. He will incidentally be visiting one or two Arab capitals in the coming weeks.

Jordan (Syria)

There is also great concern among the Ten about the situation in several countries of Central America. Our resources are limited, but within our means we want to do what we can by way of economic aid to help resolve the fundamental problems of that region. The Commission have been asked to make proposals.

Lastly, Turkey is an ally of Nine out of the Ten and has a close association agreement with the Community. There has been much concern in all our countries about the suspension of democratic forms of government in Turkey in September 1980, and about reports of violations of human rights. The Belgian Foreign Minister was invited by his colleagues in the Ten to go to Turkey to express this concern and to bring back his personal impressions. I think I can say that he returned greatly encouraged by what he had heard and seen, as we were encouraged by hearing what he had to tell us this morning. The Turkish Authorities have announced a timetable for the return to full democracy from within two years from now, and I myself will await with confidence the concrete steps which they have said they will be taking in that direction.

/South Georgia

South Georgia . Perhaps I should say a word about this subject, since it is the reason why Lord Carrington is not with me here today. It is ^a complex situation and potentially a difficult one. But we have to bear in mind that we are talking about a small number of persons on a normally unhabited island in a remote corner of the Atlantic. We are determined to find a diplomatic solution, and that is what we are engaged in at the moment. But I know that there is intense interest in the matter in Parliament and among public opinion at home, and this was why Lord Carrington thought it right, with my full agreement, to fly to London this morning to make a statement on behalf of the Government in the House of Lords. His visit to Israel will, of course, proceed according to plan.

Mr. Pittman

For Redman

CORRECTION

PoCo Tests agreed by Pol. Ctr 20.00 2/13

I. EAST-WEST RELATIONS.

- (a) The Heads of State and Government note that the situation in Poland continues to place a strain on East-West relations, and thus to affect the relations of the Ten with Poland and the U.S.S.R., which bears a clear responsibility in this situation.

The Ten recall their earlier statements on the grave consequences of the present situation in Poland for security and cooperation in Europe, and for East-West relations as a whole. They renew their call that with the minimum delay, the Polish authorities should end the state of martial law, release those arrested and resume a genuine dialogue with the Church and Solidarity.

The Ten also noted with concern the recent statements of the Polish authorities on the possibility of the departure of detainees from the country. The Ten reject any attempt to place pressure on those concerned. They would interpret such a policy as a further deterioration of the situation in Poland, and a grave breach of fundamental human rights.

(b) In the context of events in Poland and elsewhere, the Heads of State and Government reviewed the state of economic relations between their own countries and those of Eastern Europe, particularly in the light of the significant role played by Community trade with these countries.

They recognized the role which economic and commercial contacts have played in the development of East-West relations as a whole. They noted the existence of certain problems resulting in part from the special nature of the state-trading economies and they discussed the basis on which East-West economic and commercial relations have been conducted. There is an inevitable interaction between economic and political factors.

The Heads of State and Government agreed that these questions including the important and related question of export credit policy, should be the subject of urgent and careful study by the European Community and by their own and other governments, both nationally and internationally and in close consultation with the U.S. and the other countries with market economies.

(c) The European Council regrets that violations of the principles of the Helsinki Final Act of which the repression in Poland constitutes a particularly grave element, have not only prevented the Madrid meeting from achieving positive results, but also put at risk the entire C.S.C.E. process.

It notes that the adjournment of the Madrid meeting was necessary to preserve the C.S.C.E. process, to which the Ten remain fully committed. The objective remains the adoption of a substantial and balanced final document.

The Ten express the hope that, when the Madrid meeting resumes in November, the prevailing circumstances will be more conducive for the achievement of a positive outcome.

II. AFGHANISTAN

On the question of Afghanistan, the Council strongly reaffirmed the position expressed by the European Councils of Luxembourg and London, and endorsed the statement published on behalf of the Ten by the Presidency to mark Afghanistan day on 21 March.

III. MIDDLE EAST.

The European Council has discussed developments in the Middle East.

Deeply concerned by the grave events taking place in the occupied territories of the West Bank and Gaza, the European Council appeals urgently for an end to the dangerous cycle of violence and repression. It deplores particularly all unilateral measures such as the dismissal of democratically elected mayors by the Israeli authorities, as well as the violations of the liberties and rights of the inhabitants of these territories, which add to the measures taken by Israel with regard to the Golan heights, and which can only damage the prospects for peace.

Concerned at the continuing clashes in the Lebanon, the European Council urges all the parties involved to renounce the use of force and to assure conditions for the respect of the full sovereignty and territorial integrity of the country.

It furthermore reaffirmed the wish of the Ten, expressed on many occasions, to contribute to the achievement of a just and lasting peace in the Middle East.

It notes /with satisfaction/ the participation of four member States of the European Community in the Multinational Force of Observers in Sinai in the context of the forthcoming completion, on 25 april, of the Israeli withdrawal from Sinai.

IV. CENTRAL AMERICA.

The European Council discussed the situation in Central America. It is seriously concerned at the continued growth of tensions in the region. It welcomes with interest any initiative likely to put an end to violence and lead, through dialogue and respect for democratic norms and for human rights, to the restoration of peace in the region, while safeguarding national sovereignty and the wishes of the people. In this context it noted with interest the proposals made by a number of countries in the region.

Noting that the tensions and conflicts which are rife in Central America frequently stem from the grave economic problems and social inequalities which have been aggravated by world economic conditions to the detriment of the poorest countries, the European Council believes that the international community cannot remain indifferent to these evils. It welcomes the efforts currently being exerted to remedy them, and notes in particular the initiative of the Nassau group [The United States, Canada, Mexico, Venezuela and Columbia].

The Community and its member States have in the past also provided substantial assistance to the region.

The European Council is agreed, however, that the assistance afforded by the E.E.C. member States for the economic development of Central America and the Caribbean should be [stepped up] [continued] and coordinated.

At the same time the European Council was in favour of [an increase / the maintenance] of Community assistance to the region.

The European Council has instructed the Foreign Ministers to work out detailed arrangements for the provision of this aid.

V. TURKEY.

The European Council heard the report of the President of the Council of Ministers, Mr Tindemans, on the execution of the mandate given to him by the Ten on 23 February, which was defined as follows :

"to communicate to the Turkish authorities the Tens concern about the development of the situation in that country, in particular as regards respect for Human Rights and a rapid return to Democracy, and to make clear their firm hope that there be progress in this direction with the minimum delay".

It expressed its appreciation for the thoroughness with which Mr Tindemans has carried out his task.

It noted that Mr Tindemans has impressed upon the Turkish Government the serious concern of the Ten with regard to Human Rights in Turkey, and has emphasised the need for that country to return as soon as possible to a democratic regime.

It also noted that those members of the Government to whom Mr Tindemans spoke indicated to him that their intention is still to return the country to pluralist democracy within two years at the latest.

The European Council looks to the Turkish authorities to give concrete effect in the near future to the assurances given to Mr Tindemans, and trusts that his visit will have contributed to the achievement of the objectives to which the Ten attach essential importance.

VI. TRANSATLANTIC RELATIONS.

The European Council discussed the state of transatlantic relations.

The Council underlined the desire of the Ten to reinforce their links with the United States and to develop further consultations between Europeans and Americans.

It warmly welcomed the statement made by President Reagan on the occasion of the 25th anniversary of the Treaties of Rome, in which the United States confirms its wish to cooperate closely and on the basis of partnership with a united Europe and in accordance with Europe's economic and political importance, and its role in the world.

FLASH*PS/PM 2'*

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CONFIDENTIAL

FM F C O 290925Z MAR 82

TO FLASH UKREP BRUSSELS

TELEGRAM NUMBER 254 OF 29 MARCH. *FOR PS/PM*

FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF RID WAS RECEIVED FROM DUBLIN TELEGRAM NO 88 OF 26 MARCH TO FCO AND TO PRIORITY INFO N I O (BELFAST) INFO SAVING TO WASHINGTON.

AMBASSADOR'S TELEGRAM NUMBER 76: MR HAUGHEY AND ANGLO-IRISH RELATIONS

1. BEFORE ANY POSSIBLE MEETING AT THE EUROPEAN COUNCIL, IT IS WORTH ASKING WHY MR HAUGHEY HAS ADOPTED HIS PRESENT FUNDAMENTALIST FIANNA FAIL POSITION ON IRISH UNITY AND TAKEN AN UNHELPFUL LINE ON MR PRIOR'S NORTHERN INITIATIVE.
2. THERE ARE A NUMBER OF FACTORS AND PROBABLY NO INDIVIDUAL ONE IS DECISIVE. MR HAUGHEY'S OWN BACKGROUND IS NATIONALIST AND HIS COMMITMENT TO IRISH UNITY ENABLED HIM TO OUST MR LYNCH IN 1979. HE ORIGINALLY HOPED THAT THE ANGLO-IRISH PROCESS WOULD INDUCE HMG TO PUT PRESSURE ON THE UNIONISTS AND HE CERTAINLY IMPLIED TO HIS OWN PARTY AND THE SDLP THAT THIS WAS PART OF THE DEAL. BY THE TIME HE LEFT OFFICE LAST YEAR IT WAS CLEAR THAT THE ANGLO-IRISH TALKS HAD NOT LIVED UP TO HIS ORIGINAL EXPECTATIONS (HOWEVER UNREALISTIC) AND HAD DONE NOTHING TO EASE THE PRESSURE WHICH THE HUNGER STRIKE IMPOSED ON THE IRISH GOVERNMENT.
3. THERE IS ALSO THE BLANEY FACTOR. THE TAOISEACH NEEDS DEPUTY BLANEY'S SUPPORT IN THE DAIL AND BLANEY MADE CLEAR THAT HE REQUIRED A FIRM STATEMENT THAT "WE WANT BRITAIN OUT OF THIS COUNTRY". SOME CYNICAL COMMENTATORS HAVE SUGGESTED THAT MR HAUGHEY IS ~~SUBSIDING THE NORTHERN ISSUE IN ORDER TO DIVERT ATTENTION FROM~~ TOO: THE ECONOMIC NEWS HAS BEEN BAD AND MAY GET WORSE DESPITE YESTERDAY'S BUDGET. BEATING THE NATIONALIST DRUM UNITES THE FIANNA FAIL PARTY BEHIND HIM, EVEN IF IT FAILS TO AROUSE A WIDER NATIONAL RESPONSE.
4. WHEN ALL THESE FACTORS ARE COMBINED WITH THE ELATION OF VICTORY AND THE MUTUAL CONGRATULATION OF ANY IRISH AMERICAN FUNCTION, IT IS NOT SURPRISING THAT MR HAUGHEY SHOULD LOSE SIGHT OF THE MORE PROSAIC REALITIES OF THE ANGLO-IRISH RELATIONSHIP AND LET HIS NATIONALIST ENTHUSIASM RUN AWAY WITH HIM. SO FAR, HOWEVER, THERE HAS BEEN NO SLACKENING IN SECURITY COOPERATION (THOUGH WE MUST WATCH THIS CAREFULLY) AND I BELIEVE HE CAN BE EDGED INTO A MORE REALISTIC RELATIONSHIP THROUGH RELATIONSHIPS WITH BRITISH MINISTERS. BUT WE CANNOT EXPECT HIM TO BE AS SYMPATHETIC TO PROPOSALS TO RESTORE DEVOLVED GOVERNMENT TO NORTHERN IRELAND. AS FAR AS HE IS CONCERNED, ANY EVIDENCE THAT THE NORTH IS A "FAILED POLITICAL ENTITY" IS GRIST TO HIS MILL AND THE EMPHASIS HE PLACES ON ANGLO-IRISH RELATIONS IS LARGELY EXPLAINED BY HIS DESIRE TO AVOID CONFRONTING THE REALITY OF THE UNIONIST MAJORITY IN NORTHERN IRELAND.

CARRINGTON

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Mr Hancock

1. You asked last week for a suggested form of words for the Prime Minister to use eg over dinner tonight on the subject of the problems facing the Community and the Ten, from outside.

2. I attach a draft which has not been looked at in detail by other recipients of this minute. I should be glad to discuss it with you at some convenient moment today.

J Bullard

29 March 1982

(J L Bullard)

copies to (with draft):

✓ Mr Coles
Private Secretary
Sir M Palliser
Lord Bridges
Mr Hannay
Mr Fenn
Mr Cooper
Mr Ingham

CONFIDENTIAL

SPEAKING NOTES FOR PRIME MINISTER

THE COMMUNITY'S EXTERNAL RELATIONS

1. Each of the two world economic systems under serious strain.

2. Communist plight far the worse. Socialism has never met spiritual needs of peoples living under it; not meeting material needs either. Only question is which country of Eastern Europe will default first, and how far collapse will spread.

3. But difficulties of Communist economy could damage ours if we mishandle problem of their debts (\$80 billion), of which question of credit for Soviet Union (Buckley Mission) is part. This requires urgent and careful study. Community much more deeply involved, for good or ill, than United States, and must make proportionate contribution to discussion of the subject. Commission should prepare a factual paper as first step.

4. Community also faces other external challenges:-
 - Japan: How cope with super-competitor?
 - US: Not only interest rates (Schmidt and Mitterrand) but also action on steel, threat of reciprocity legislation and divergent political perceptions on many subjects.

/Third World

- Third World: OPEC under pressure, could turn vicious; resentment at traditional commodity markets (tin); truce in "North/South" debate only temporary; problems of LDCs no nearer solution.

5. Need to use impending series of international meetings to tackle these problems in the round and in detail. Industrialised democracies must take full account of their responsibility for maintenance of open trading system on which future prosperity depends. Message to be brought home, especially to US and Japanese, in OECD in May, Versailles in June, IMF Board of Governors in October and GATT Ministerial in November. On East/West and North/South, important to bring Americans along to appreciation of European view.

6. Need for Community to speak with common voice on all these issues so as to make its weight felt. Welcome Council decision of 22 February on Japan. Must build on that and on regular contacts with US, eg over trade issues and recent Buckley mission.

7. Need for European Council to give clear signal of unity, and of determination to tackle and defeat these problems. Better a communique that says a few basic things clearly than many complicated things at greater length.

8. Immeasurably better able to act as Community and as
Ten if we have solved our own internal problems, as Prime
Minister Mertens pointed out in his letter last week.

Private SecretaryEuropean Council: Political Cooperation subjects

1. I attach a copy of the French texts of the Presidency conclusions in the form in which they emerged from meetings of the Political Directors today. English texts will be available at dinner tonight, when it is assumed that they may be discussed.

2. I have the following comments:-

- (i) East/West Relations
 - (a) Poland: Text is satisfactory
 - (b) Debt, credits etc: This follows the lines of the version which the Secretary of State saw over the weekend. The mention of credits is a bit less prominent: some wanted to cut it out altogether. The remaining square brackets represent Danish reserves: the Danes have been complaining for some time that we risk raising American expectations as to what the European allies might be prepared to do. It was not helpful that the White House issued a statement on 25 March foreseeing a meeting at which "agreement would be reached on the limitation of officially backed credits to the Soviet Union" (Washington telno 1005).
 - (c) Satisfactory text.
- (ii) Afghanistan: The text does little more than endorse the statement made by the Belgian Presidency on Afghanistan Day (21 March) - copy attached.
- (iii) Middle East: The text omits most of the general verbiage to which the Secretary of State objected, so that the passage about events on the West Bank is prominent. It is the Greeks who are not prepared at my level to express "satisfaction" at the participation of four of the Ten in the Sinai MFO.

/(iv)

(iv) Central America: I explained to the Secretary of State that the desertion of the Danes and Dutch had left the UK alone in refusing to say that economic aid by the Ten and the Community to the Central European region would be increased. Hence the square brackets. The FCO say that they could accept a compromise which blurs the question whose aid exactly is going to be increased, eg

"The European Council however agree that the aid given by the member states of the Community and by the Community itself for development in Central America and the Caribbean should be increased within the limit of their possibilities".

(v) Turkey: There is a disagreement of substance between those who think that Tindemans had the wool pulled over his eyes by the Turks (Danes, Dutch, French and Greeks) and those who were pleased that his impressions had coincided with the views which they had been expressing for some time (especially FRG and UK). The text is meant to cover up the gap.

(vi) Transatlantic Relations: This short text is designed to show President Reagan that his message on the 25th Anniversary of the Community was appreciated, and to reflect any discussion which there may be about the proposals made by Colombo and others.

JL Bullard

29 March 1982

(J L Bullard)

copies to:

Mr Whitmore	Sir Kenneth Couzens	Sir Michael Palliser
Mr Coles		Lord Bridges
Mr Ingham		Mr Hannay
		Mr Fenn
		Mr Cooper

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No changes were made to this text.

OBJET: JOURNEE DE L'AFGHANISTAN

4/3

REF.: CPE/MUL/ETR 824, 1132, 1140 ET 1156

1. LA PRESIDENCE SOUMET CI-DESSOUS LE PROJET DE DECLARATION DES DIX QUI SERA PUBLIEE LE 21 MARS A L'OCCASION DE LA JOURNEE DE L'AFGHANISTAN. CE TEXTE TIEN COMPTE DES COMMENTAIRES DES PARTENAIRES:

QUOTE

LES DIX SE FELICITENT DE L'INITIATIVE DU PARLEMENT EUROPEEN DE COMMEMORER LE 27 MARS 1982 COMME "JOURNEE DE L'AFGHANISTAN". ILS FONT APPEL AUX GOUVERNEMENTS DE TOUS LES PAYS LIBRES DE SE RALLIER A CETTE INITIATIVE, REAFFIRMANT AINSI QU'IL IMPORTE DE DEGAGER SANS DELAI LES VOIES D'UNE SOLUTION POLITIQUE DE LA CRISE AFGHANE, CONFORMEMENT A LA RESOLUTION DU 18 NOVEMBRE 1981 DE L'ASSEMBLEE GENERALE DE L'O.N.U..

LA SITUATION EN AFGHANISTAN JUSTIFIE PLUS QUE JAMAIS DE TELLES INITIATIVES: LE CORPS EXPEDITIONNAIRE SOVIETIQUE A ETE RECEMMENT RENFORCE, LA REPRESSION CONTINUE SANS RELACHE CONTRE LES POPULATIONS CITADINES, L'EXODE QUI FAIT D'ORES ET DEJA D'UN AFGHAN SUR CINQ UN REFUGIE, SE POURSUIT INEXORABLEMENT. L'UNION SOVIETIQUE A REJETE LES NOMBREUX APPELS ADRESSES PAR LES NATIONS UNIES, LES DIX, LE MOUVEMENT DES NON-ALIGNES ET LA CONFERENCE ISLAMIQUE POUR UNE SOLUTION PACIFIQUE DE LA CRISE AFGHANE.

LES DIX REAFFIRMENT AVEC FORCE LA POSITION EXPRIMEE PAR LES CONSEILS EUROPEENS DE LUXEMBOURG ET DE LONDRES, ET LEURS DISPOSITIONS A CONTRIBUER DANS TOUTE LA MESURE DE LEURS MOYENS A UNE SOLUTION POLITIQUE VERITABLE DU DRAME AFGHAN.

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/LES

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LES DIX SE FELICITENT DE LA NOMINATION D'UN REPRESENTANT
PERSONNEL POUR L'AFFAIRE AFGHANE PAR LE SECRETAIRE GENERAL DES
NATIONS UNIES. ILS EXPRIMENT LEUR ESPOIR QUE L'ACTION AINSI

ENTREPRISE EN VUE D'UNE SOLUTION CONFORME AUX PRINCIPES RAPPELES
PAR L'ASSEMBLEE GENERALE DES NATIONS UNIES POURRA DEBOUCHER
RAPIDEMENT SUR UNE PRISE DE CONTACTS AVEC TOUTES LES PARTIES A
LA CRISE AFGHANE.

UNQUOTE

2. SAUF AVIS CONTRAIRE DES PARTENAIRES AVANT LE 19 MARS A 12H.,
LE TEXTE AINSI MODIFIE SERA COMMUNIQUE A LA PRESSE LE 21 MARS.

COREU DRU
FIN DE TEXTE.

LIMITED
SAI
EES
EC(E)
MR BUKHARI
MR HANNAY
MR GIFFARI

[COPIES SENT TO
EC EMBASSIES IN LONDON]

THIS TELEGRAM
WAS NOT
ADVANCED

2
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10 DOWNING STREET

Note for the Record.

The PM did not
make a speech at the signing
of the 25th anniversary of the
Treaty of Rome at Palais des
Academies in Brussels on 29.3.82.

~~D.S.S.~~ Collier

(Duty clerk)

TWENTY-FIFTH ANNIVERSARY
OF THE SIGNING OF THE TREATIES OF ROME

PALAIS DES ACADEMIES, BRUSSELS

29 MARCH 1982

SPEECH BY MR GASTON E. THORN
PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES

CHECK AGAINST DELIVERY

EMBARGO

Revolutionary and prophetic are the only words to describe the vision and achievement of the small group of European politicians who advocated a united Europe in the days after the Second World War.

Their design - to bring the divided nations of Europe together and transform their tempestuous, battle-scarred history into a shared destiny - was a grand one. And it is still ours today.

The best tribute we can pay to the founders of the European Community is, surely, to make a clear-headed analysis of Europe's past and

present and draw some conclusions for its future.

If I were asked to put the case in a nutshell, I would make three submissions:

First, I would say that Europe's path has always been marked by setbacks and crises, delays and missed opportunities.

Memory tends to embellish the facts and gloss over the difficulties.

But the truth is that Europe has always had problems. The

pioneers of European integration in the fifties were already running into well-nigh insurmountable obstacles and riding out crisis after crisis. Following the spectacular debut of the Coal and Steel Community, the debacle of the Defence Community led to the failure of the Political Community and blocked the fast lane to integration. The Treaties of Rome became the next milestone on the road to unity.

My second submission would be that impressive progress has been made in a mere twenty-five years. Much of what Europe has achieved is of real historical significance. There is no need for me to quote example after example, or to reel off figures, to convince you of that. The creation of a vast European market and a European Monetary system, the introduction of common policies, election of the European Parliament by direct universal suffrage,

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the accession of four new Member States, the spread of cooperation agreements - the Lomé Convention being the most progressive -- with developing countries, all of these bear witness to the Community's vitality and its power of attraction.

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However - and this would be my third submission - we are forced to recognize that, despite the record of the last twenty-five years, Europe's achievements and Europe's institutions are frail and inadequate faced with the challenges of today and tomorrow. It seems to me that Europe's achievement is under serious threat from nationalist and protectionist tendencies and from the short view being taken by Member States as the crisis grinds on,

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as unemployment continues to rise for the ninth year running, as firms close down and public deficits grow. The crisis is widening the economic and social gap between the Member States to alarming proportions; it is sapping solidarity and undermining internal cohesion.

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The European idea is losing popularity as a feeling grows that Europe serves no purpose, that it can do nothing to resolve the economic crisis or relieve international tension.

More generally, I am afraid that commitment to Europe, and the political will to complete the construction of Europe, are

losing much of their stamina. We all know how far actual achievements over the last ten years fall short of the objectives for European Union, and economic and monetary union, set by Heads of State and Government.

What has gone wrong?

To my mind there is a definite causal link between Europe's debility and application of the unanimity rule introduced in 1966 contrary to the letter and the spirit of the Treaties. To begin with, this practice has eroded the Community's capacity to take decisions and made the functioning of the institutions cumbersome. In the second place

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- and this is the worst feature to my mind - recourse to the unanimity rule has perverted the spirit and behaviour of the protagonists, legitimizing their refusal to compromise and making a virtue of exercising a veto. There has in fact been an insidious return to inter-governmental negotiations and traditional deadlocks. Instead of the broad view being taken, there is a growing tendency for the balance between the advantages and disadvantages of Community membership to be struck piecemeal.

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Different interpretations of the nature and purpose of the Community have emerged and have gradually won recognition. Indeed, some Member States have gone so far as to defend positions which are clearly incompatible with the basic principles of the Treaties. All of this has upset the institutional balance and made the Commission's task more difficult.

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The cohesion of the Community and its capacity to take decisions were vitiated at the very time that they should have been enhanced, first of all to offset the inevitable dilution effect of new Member States joining and secondly to initiate new policies which, though not expressly provided for in the Treaties, were in keeping with the spirit of the Treaties and the logic of the Community venture.

Paradoxically, this weakening of the political will to press ahead with the European venture coincided with a period rich in political initiatives, such as the introduction of European Summits, the development of political cooperation and the gradual extension of the powers of the European Parliament. All of this took place on the fringes of the Treaties, if not entirely outside them. These initiatives were not inspired by an overall view but rather

by a pragmatic approach, opportunities being seized as they arose. Gradually, an exciting grey area emerged. But, because they drew on different sources, the rules governing it did not dovetail with the initial enterprise. Developments of this kind can be tolerated, indeed actively encouraged, for a while, because they allow progress to be made on specific issues and serve as a testing ground for new formulae. But if they proceed unchecked,

if they are not brought under the umbrella of the Treaties, they become dangerous: the imprecision of pragmatic rules tends to triumph over the institutional mechanisms and orderly procedures provided for by the Treaties. To my mind the time has come to review these random developments and put Europe's house in order. We must know where we stand before we move on to a new phase of integration.

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* *

It is true that our situation today bears little resemblance to the situation of Europe and the world at the end of the Second World War. But it is no less true that the factors which militated in favour of European integration in the fifties are as valid today as they were thirty years ago.

There can be no doubt that the major challenges which the nations of Europe must face, at home and abroad, before they step into the 21st century call for closer European integration and increased exploitation of the European dimension.

The job of politicians, and of Heads of State and Government in particular, is to make the necessary possible. If they fail history will take its course without them, if not against them.

If we believe that the only alternative to decline is economic and political integration, then it is for us to create the conditions that will allow the Community to advance.

I am convinced that, if we are to overcome the centrifugal forces now at work and get things moving again, we must take a series of political initiatives. And I think that everyone can sense what

these political initiatives are:

We must solemnly confirm that the Community we want is the Community born of the Treaties, their basic principles and their initial inspiration; and that this Community will continue to be the centre of gravity of the essentially political process of European unification.

We must restore the Community's capacity to take decisions by applying the rules laid down in the Treaties and honouring its basic principles.

We must complete the internal market, launch new Community policies to complement the common agricultural policy and extend the European Monetary System. In short, we must act on ideas the Commission has put to the Council in response to the mandate it was given on 30 May 1980. This is essential if we are to win the battle for investment

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and employment, our number one priority.

We must further European Union and develop the Community's political personality **would be inconceivable without a further extension of the powers of the European Parliament.**

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It would be most appropriate if this ambitious but necessary programme could be approved at a new Messina Conference in this, the Treaties' jubilee year. This would clearly demonstrate our willingness to build a second-generation Europe which will, I trust, be the Europe of generations yet unborn.

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SIGNING OF THE TREATY OF ROME

- 25th ANNIVERSARY -

Palais des Académies, Brussels

29 March 1982

Speech by Mr Leo TINDEMANS

President of the Council

The history of Europe, this ancient continent, covers 2,000 years; but the history of the new Europe which we are celebrating today, this Europe which is still seeking its own identity and its own unity, is much shorter: the embodiment of the dreams of a handful of visionaries, it is only since the second World War that she has begun to take form. Nevertheless, throughout this brief history how many landmarks and many important dates have there been! And amongst these dates, 25 March 1957 is of particular significance since it marked both the end of one era and the beginning of another, just as it marked the realization of an immense hope and the materialization of a certain concept of the dream of unification.

Robert Schuman said that Europe would come into existence neither suddenly nor all of one piece but its construction would be of tangible achievements such as would create effective solidarity above all else. These tangible achievements were first of all the European Coal and Steel Community to which later were added, on 25 March 1957, the European Economic Community and European Atomic Energy Community. Great indeed was the profound originality of these early designs and great the prudent realism which inspired these ventures!

Originality both in conception and in realization. Here were countries which, throughout their long and even most recent history have engaged repeatedly in bloody conflicts and yet decided to unite in a common effort to create something new on a fully democratic basis. Out of a multitude of centuries old hatreds grew the will to confront the future together. The traditional methods of unifying peoples - blood and fire, force and war - were replaced by a construction entirely based on the free consent of the nations involved, their declared intent being to respect the interests of each and contribute to the progress and well-being of all. What an impressive victory of reason and will is this enterprise unparalleled throughout history; in its blend of boldness and common sense it is indeed typical of the most impressive feats of the European spirit! That the Community should be made accessible to other States, so that the European construction might become more complete and more harmonious - even at the cost sometimes of threatening a state of equilibrium reached before there was time to improve it, is a remarkable demonstration of magnanimity and even more of adaptability and remarkable vitality.

Originality then there is; but also realism, for although we can speak of the European "adventure" - that is to say a spectrum of activities involving innovation and even risks - this adventure has been conceived and followed with great

realism and remarkable husbandry ensuring the strength of the whole. These were the tangible achievements which have brought about the effective solidarity of which the fathers of Europe dreamt.

However both of these two concepts - originality and realism - were to bring inevitable consequences in their train. This originality, without precedent or exemplar, was almost inevitably to lead to achievements being somewhat slow, especially where there was a desire not to harm existing structures. As to realism it will be remembered that the Rome Treaties were the progeny of the Messina Resolution of 1955 in which it was agreed to refrain, for the time being, from continuing to strive towards political integration, since economic integration should one day lead to political integration.

Constrained as we were to choose the path of economic unification before that of political unification - because this was the best choice in the circumstances, as experience has shown - choosing as I say, the economic path, we necessarily opted for a Europe of economists and technicians, a Europe of realism and achievements - tangible, to be sure, but also highly technical and hard to explain in simple terms: this is the Europe of levies and refunds, customs duties and tariff quotas, threshold prices and monetary compensatory amounts, fluctuation margins and safety standards

- in short, a huge arsenal of measures which are difficult to describe. While our thoughts focussed on solidarity, fraternity and unity, the interest of the peoples of Europe had to be aroused; nay, they had to be motivated and their enthusiasm fired by telling them of the rules governing the grading of eggs for size and the extent to which certain chemical products are used.

Add to this an admirably thought-out and very comprehensive institutional framework, of great complexity for the layman however and open therefore to wide-ranging criticisms, since the need for such structures, although self-evident for the initiated, is far from clear to the citizen of Europe.

These are the reasons which led me to emphasize, in the report on European union which I was asked to draw up in 1974 and I presented to the Member States in January 1976, the urgent need to acquaint the European citizen with this Europe which was being built for him, albeit rather without his involvement, at least without his full comprehension. What we need is the Europe of the individual, for was it not indeed Jean Monnet himself who said that the task should not consist of unifying States but of unifying mankind. It is that Europe, the true Europe, which is in my thoughts on this, the twenty-fifth anniversary of the Rome Treaties.

This need is all the more acute in that a quirk of human nature further complicates the task of those devoted to building our unity. Indeed favourable situations can become so much part of our daily life that we take them for granted; we forget how recent they are or how fleeting and we sometimes run the risk of jeopardizing these fundamental privileges by treating them too familiarly.

And the same holds good on a European scale: Europe is no longer the Utopian dream of a few visionaries, from Danté to the Abbé de St. Pierre, from Bentham to Kant, from Comenius to von Lilienfeld, from Saint-Simon to Mazzini, from Briens to Coudanhove-Calargi. Since it first came into being in the form of the European Coal and Steel Community in 1952, Europe has acquired a tangible reality - sometimes more readily perceived outside than within its Member States themselves; it has become a reality and has reached out to encompass new fields and new fields and new States, is always at the centre of the stage in current affairs and the subject of the critical interest of the press, radio and television. Hopes in Europe abound and from time to time Europe makes a significant step forward; but all too often it disappoints through the tardiness of its achievements - even if such tardiness is more than justified by the boldness of the undertaking.

The European Citizen has gradually become used to Europe in this mould and to its frequent growing pains; it would even be true to say that, by virtue of the psychological quirk to which I referred a moment ago, he has become so accustomed to it that he is to some degree no longer aware of Europe's existence or, more precisely, that he has no more than a partial view of its existence, since he has gradually ceased to associate the existence of Europe with a number of the advantages he enjoys - such as the restoration of a lasting peace to the Western World, the resolution of economic conflicts by negotiation and no more through confrontation, the opening of each country's market to the products of its neighbours, the pursuit of greater monetary stability despite a financial world in disarray and, as regards international economic relations, a commercial and industrial potential such as allows us to negotiate with third countries on the most beneficial terms, the revival of the prestige of a Europe whose voice once more is heard in the world, preaching justice and democracy and which, through joint action, is helping to find a solution for the development of the Third World. All this is an impressive achievement, a priceless heritage which we must not only defend but also teach our European citizens to appreciate lest, in ignorance of the origins of these advantages, they be tempted to call them into question.

Whenever, therefore, we cross the borders between our States, we should ever more be aware, in the simplification and even the abolition of formalities, that the Community does indeed exist. And, from day to day, the citizens of Europe

.../...

should be aware of the benefits the Community has brought them, whether these derive from action on the consumer protection front, on the environment or on freedom of establishment, to cite but a few fields of direct concern to our everyday life.

One of the instruments in this vital task of awakening public awareness of Europe's achievements will undoubtedly be the European Foundation, the Agreement establishing which we are about to sign, and which - alongside Community and intergovernmental action - is to bring this little-known Europe closer to the citizens for whom it was brought into being. The Foundation will help to give form to European solidarity, particularly by means of stimulating the exchange of ideas, fostering contacts across frontiers among individuals and schemes for the exchange of young people and of scientists as well as a whole range of activities in the cultural sphere - in short everything which can show the magnitude of this great enterprise to advantage.

The first twenty-five years of the common market have seen its birth and its gradual growth. During the years which lie ahead, above and beyond what has been achieved in the technical sphere, Europe must be seen to flower and show a human face.

But let us not deceive ourselves: all that we have achieved hitherto will be maintained only if it is steadily

.../...

reinforced by new steps forward. Churchill spoke of continuous creation and, like all human endeavours, Europe's momentum will be preserved only through new moves towards ever-closer unity. After all, for ages the criterion for the difference between life and inanimate matter has been that of change and metamorphosis.

Progress can be along a number of different paths, but we must ensure that:

- the common market is reinforced and extended, particularly in those sectors and through those systems referred to in the discussions which took place at the last meeting of the European Council in London as regards regional, social, industrial, monetary, energy and agricultural matters;
- the functioning of the institutions be improved, by giving more frequent application to the oft-stated will of the Member States not to resort to a consensus where such a practice can be avoided;
- European political co-operation should be developed and made more systematic, so as to bring it up to the level attained in the economic sphere;
- lastly, and above all, the effort to create the "citizen's Europe" be effectively put in hand.

As Christopher Dawson said, "the true foundations of our culture are not the nation State but European unity. Admittedly", he continued, "this unity has not hitherto had a political form. But it is social reality, and the various national cultures have attained their present-day level only because they have communed with this reality." He went on to say, "If our civilization is to survive, it is essential that it aspire to a common European awareness and that it acquire a sense of its historical and organic unity."

It cannot be repeated often enough that the construction of Europe is the necessary and only possible path for the safeguard of our civilization. It is, for each of our countries, the sole response to the challenges of the world today. It alone can allow us to preserve our independence and choose ourselves the society in which we wish to live and which we would wish for our children. The duty of preparing for this society devolves upon us. As Voltaire put it: "Were man to have the misfortune to look only to the present, he would neither sow, nor build, nor plant, nor make any provision for the future; all would be lacking in the midst of this fools' paradise."

Text of a speech delivered by
the President of the Court of Justice
of the European Communities,
J. Mertens de Wilmars, at the Palais des Académies, Brussels,
on 29 March 1982,
on the occasion of the 25th anniversary of the
signing of the Treaty of Rome

Your Majesty,

The Court of Justice joins with the other institutions in expressing to Your Majesty its respectful feelings of gratitude for the lustre which your presence lends to this ceremony and for the interest which Your Majesty has unfailingly shown in the grand design of which we are today commemorating the beginning. Your Majesty's reign began almost at the same time and the Court's wish is that that reign may continue in peace and prosperity. This wish is shared with another - that the future of the European Community may be assured

since its destiny and the destiny of the States and peoples which comprise it have become inseparable.

Ladies and Gentlemen,

The economic storm which buffets the world and the widespread anxiety which, like a fog, obscures the perspectives marked out for the younger generation are not incurable evils. Man has at hand the means of action to overcome them and in the "ever closer union among the peoples of Europe", the primary objective laid down in the preamble to the EEC Treaty, lies one of the most powerful means of action, both for the nations directly involved and for its beneficial consequences for peace and for the establishment of a new world economic order.

However imperfect and incomplete the task to be accomplished remains, it is nevertheless true that the great economic progress which has come about in the 25 or 30 years since the historic initiative by Robert Schuman would not have been achieved, and certainly not to the extent which has proved possible, if we maintained closed national economies

which sought to resolve their own difficulties only in the light of their own interests. If that incomplete union has succeeded in making us more prosperous in times of prosperity, then it must be taken further and made better so as to make us less vulnerable in times of economic crisis and to establish new foundations for further progress.

We have, at our disposal, appropriate methods to implement such actions since those methods are, for the most part, already to hand in the objectives of the Treaties, in the instruments provided for the realisation of those objectives and in the powers which the institutions possess to that end. These considerations rest on two underlying concepts. The first is the necessary will to reach agreement and in so doing to respect the law. The second is to respect the law once agreement has been reached.

The authors of the Treaties organised with wisdom and flexibility the institutional form given to the search for agreement at the highest level in the Community decision-making process. They provided for the necessary weighting so that the search for and the implementation of that harmony

might be pursued equitably and effectively. The immediate benefits for all of any action which brought us closer to respect for those wise precepts would be remarkable since it is in the interests of all, and in particular of the Member States, to accept the possibility of being wrong and right in turn, rather than always being right only in the near impossibility of agreeing on any common action.

At the beginning of this century Paul Valéry urged us, as if by premonition, rather to differ in unity than to be similar in disunity since there is little to choose between the distrust, not to say hostility, of some and the distrust, not to say hostility, of others. The ever closer union among the peoples of Europe is as necessary in 1982 as it was in 1953 and 1958. It would be a mistake to believe that there is too much interdependence between us, and a mistake to believe that further interdependence would be harmful or ineffective. The unique scientific and technical evolution of our time which has not yet run its course, the emergence in the rest of the world of great national or supra-national public or private entities, the

development of ideas which rightly move minds in search for modern expressions of equality, liberty, justice and hope, all these will take place without and to the detriment of the old Continent if the European ideal were to go by default.

Community law, if I may say so, is one of the pre-eminent instruments in accomplishing the task before us, since the law is in essence "peaceful change" and European integration is just that. Respect for the law as much on an institutional plane as in the field of economic and social interdependence is a duty imposed on the Institutions here represented as well as on the Member States and on the Community citizen. However, the Treaties established, thanks to a carefully considered sharing of jurisdiction, a hierarchy of courts whose task it is to ensure the performance by all of that duty. That hierarchy of courts, that is to say, the judicial competence of the Community, does not merely comprise the Court of Justice but also the totality of the courts of the ten Member States in the form of a systematic and organic co-operation between them and the Court of Justice. I cannot let an occasion such as this pass without emphasizing how well that co-operation -

in spite of certain inevitable difficulties - has worked, how trustful and fruitful it has been and that it is thanks to that co-operation that it has been possible to give effect to the determination of the founders of the Community to set the building of Europe on legal foundations which are beyond challenge and recognised by all, and which ensure within the Community a degree of legal protection worthy of the principle of the rule of law.

The Court of Justice strives to make the best possible contribution to that common task. It has an overriding duty in particular to be objective and restrained but it does not seek, for all that, merely to be an unconcerned and impassive observer of the dramas of the time, of the victories or defeats for freedom, or of the progress or failure of peaceful change. In discharging its task, which is to ensure observance of the law, and while still keeping within the limits of its duties, it endeavours to ensure that breaches of Community law can be of benefit to nobody and that this is apparent.

The Court thus considers that it has encouraged the growth of a European legal "esprit", namely an awareness,

not merely by lawyers but also by individuals, of the existence and benefits of a Community legal order. Within that order the Court has given first place to a respect for fundamental rights and freedoms and it has applied rigorous standards to ensure that the action of Institutions and Member States should be in conformity with the Treaties.

With regard to the free movement of goods it has shown itself particularly demanding since one of the foundations of the Common Market is here at stake. As regards the free movement of persons and, in particular as regards the rules of social justice which are ancillary to the free movement of workers, it has shown itself no less exacting, not merely because what is involved is one of the foundations of the Community, but because it hopes thereby to contribute to keeping alive the flame from which one day a socially interdependent Europe will emerge. In the institutional sphere it has shown equal firmness of purpose since it believes that the cohesiveness of action taken by the Institutions is at stake and since it is profoundly convinced that respect for the law, far from complicating the decision-making process, lends aid to it, and at the same time ensures obedience to decisions once adopted as a result of that process.

The Court of Justice is but one of the instruments by means of which the objectives of the Treaties are to be achieved. The Court takes part in this process within the framework of its own powers. Its task, which is to ensure respect for the law, imposes upon it a duty to extend to all, Institutions, Member States and private citizens, the protection of the rights which they all derive from the Treaties. If need be, it will remind all, Institutions, Member States and individuals, of their obligations which are the counterpart of those rights. It will ever strive, as in the past, to be equal to its task.

In that spirit and, the Court feels sure, in accord with the deep feeling of our peoples, the Court wishes to express its earnest desire that the pursuit of further European integration should be crowned with success.

SIGNING OF THE TREATIES OF ROME

- Ceremony to mark the 25th anniversary -

Paleis der Academiën, Brussels

29 March 1982

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Speech by Mr P. DANKERT

President of the European Parliament

The fact that the 25th anniversary of the signing of the Treaties of Rome is being celebrated on the morning of the meeting of the European Council which has now become the supreme body of the Community although no provision is made for it in the Treaties, is surely one of the paradoxes of European cooperation. The fact that the European Council is to decide whether certain stipulations of the Treaties should be suspended temporarily or permanently is a second paradox.

However, a modest celebration of this silver jubilee does seem to be in order. Although many things have been left undone in the past 25 years much has been done. In addition an anniversary of this kind always provides a good opportunity to take stock of the course of events and compare the original prospects with those which lie ahead today. When one reaches the 'âge de la raison', as the EEC now has, it seems appropriate to consider how further progress can be made.

The concept of 'nothing but the Treaty' which reared its head in the campaign for the first direct elections to the European Parliament cannot provide the answer because a Treaty written in 1957 cannot possibly set out guidelines for the development of European society up to the year 2000. It cannot be the answer because the Europe of Six proved incapable of turning the 1957 texts into concrete policies and the Europe of the Ten is even

less capable of doing so - not just because it is larger but also because its nature has changed. The juridical reality of the Treaties must be reconciled more closely with the political reality of this Europe of Ten in such a way that the further progress of European integration is ensured and democratic control made more effective. Only then can the Treaties become the instrument of a joint approach to all those problems which we must solve jointly if we are to retain our credibility to the outside world and also to our own citizens in the European Community. Perhaps I should have said 'if we are to become more credible'.

The Treaties signed on the Capitol in Rome were more than practical instruments designed to put an end to the Franco-German conflict which had resulted in three wars. They also helped to bring Europeans from the other Member States much closer together. They safeguarded internal, western European security without the need to vote defence budgets to achieve that aim. The task made necessary by the events of 1914-1918 and 1940-1945 has been completed and the past has now been forgotten. The question now arises in 1982 as to what extent a past which the European Community has helped to overcome can continue to inspire generations born after 1945 - which now form the majority of our population - to cooperate in a manner which has become an established fact of their lives rather than an ambition to be attained. The conflict is no longer between France and Germany; the confrontation is now between the east and west or north and south and in those particular areas policy is determined more by the national governments than by the Community - at least that is the impression which we have. And so the problems which we were unable to solve in 1954 and which we avoided in 1957 by concluding a Treaty which was essentially economic in nature, have, by a roundabout route, reared their head again in a rather different form conditioned by the specific features of our contemporary world. The success of 1957 can be attributed to political motivation and an eye to the future. In 1982 the Treaties are still much as they were 25 years ago - at least on paper. But in the absence of political motivation among the Europeans and without prospects for the future, they cannot be worth much more than the paper on which they are written.

The political background is important as is the procedure for reaching decisions. The institutional system designed in 1957 was logical and coherent when measured against the tasks which were assigned to the EEC at that time. In 1982 on the other hand, now that new tasks have to be tackled - such as European political cooperation which falls outside the structure of the Treaty and the enormous increase of the workload of the Councils of Ministers - we can no longer speak of a system or of coherent action. The system has ground to a halt and it has therefore become still more difficult to keep the actual development of the Community in step with the objective need for such development. Thus we come to a further paradox: the mandate given to the European Commission on 30 May 1980 to restructure Community policies and the Community budget in such a way that a new settlement in respect of the British contribution would be superfluous, is threatening to degenerate into an effort to settle the problem of the contributions of several Member States.

Although members of parliament in general and certainly Members of the European Parliament without a national government, have an innate tendency to criticize the executive - even though we often have two executives in our daily lives in the Community there are still plenty of opportunities to indulge in criticism - I think it would be wrong to indulge solely in criticism on a ceremonial occasion such as this. The Community has meant a great deal for its citizens. The growth in the prosperity of the EEC Member States which has been unique in history since 1957 would scarcely have occurred without the Customs Union and our competition policy. Agricultural policy, which is now in urgent need of renewal, has been of central importance to the modernization of farm holdings and to the substantial reduction in Europe's dependence on fluctuating world markets. The Yaoundi Convention and, above all, the two Lomé Conventions are models of development cooperation of a kind which has not been equalled by any great power. Thanks to the Community, Europe sometimes has an even stronger presence outside our continent than within the EEC itself, although I must add that the realization is slowly growing that the present economic crisis can more easily be remedied by ten countries

than by each individual State going it alone. That realization must be acted upon if Europe is to be developed further.

The direct elections to the European Parliament in themselves give reason for such further development. Since 1979 each individual elector has been directly involved in the European Community. That in itself has changed the nature of the underlying situation. The Council of Ministers now represents the peoples of Europe less directly than our Parliament. Hence the growing need for good cooperation between the Council and Parliament. That cooperation can only be good if the demands which the electors make of their representatives are honoured by the Council. The Council must therefore strike out in a new direction if it is to be equal once again to its responsibilities in Europe. European elections oblige the members of the Council more than ever before, and I quote from the preamble to the Treaty, to show resolve 'to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe'. Now that the confidence in increasing prosperity, which gave a free rein to the builders of Europe for twenty years, has given way to anxiety over the maintenance of employment, the Community can no longer expect to survive with impunity its inability to find European solutions to problems that are insoluble at national level. The reduction of working hours, energy policy, industrial innovation, further coordination of economic policy and the restructuring of certain sectors of industry - the situation in all these areas in 1984 will condition the reaction of a majority of citizens in the elections to the European Parliament and will determine whether or not they are still interested in the Community. At present the future looks uncertain. The Community is too important to run the risk of rejection by its citizens. Information about the importance of the EEC can help but the main need is for 270 million Europeans to associate their economic and social prospects with the existence of the Community. How can that aim be attained? The Council of Ministers has still made little progress. I wonder whether it would not now be appropriate to point the way forward through more

informal discussions with the participation of employers and employees; the results could then be set down definitively in a 1983 Messina. The Community is too important to become un-governed. Our predecessors in 1957 and in the immediately following years proved that the prospects are good as long as there is a guiding ambition. The problems of 1982 are serious enough to warrant an effort to mobilize once again the necessary political determination.

SIGNING OF THE TREATIES OF ROME

- 25th ANNIVERSARY -

Palais des Académies, Brussels

29 March 1982

Speech by His Majesty the King of the Belgians

Ladies and Gentlemen,

The celebration of the 25th anniversary of the Treaty of Rome should firstly prompt us to recognize and to emphasize the importance of the results achieved thanks to the initial impetus and the continuing action of the European Community.

Even if we are weighed down by the problems of the world, even if we regret that we have not attained all our European objectives, we must not underestimate what has been acquired and pooled over the past 25 years.

When the Treaty of Rome was signed we already made a distinction between our ultimate objectives and the immediate commitments. Our political aims were enshrined in the preamble to the Treaty of 25 March 1957: we declared our resolve to "lay the foundations of an ever closer union among the peoples of Europe". But our legal commitments, to be enacted over a period of time, proceeded from the Articles of the Treaty: they bound us to create a common market in addition to the European Coal and Steel Community set up in 1953. When we

.../...

started on the phase of application of the Treaty of Rome in 1970 each of our legal commitments had been fulfilled: tariff protection between the countries of Europe had been abolished, free movement of persons, services, capital and goods introduced, and the stability and security of agricultural production and trade ensured.

Policies were becoming receptive to the ideas of economic, energy and monetary integration. The Community was enlarged to encompass nine and then ten countries. Now it is negotiating the accession of Spain and Portugal. It has established solid ties with sixty or so Third World States, in a mutually advantageous association.

If only the purely economic and commercial results had to be considered, how would we have justified the prediction made by Paul Hoffman, administrator of the Marshall Plan, when he said in 1950 that the Europeans could triple their national products, if they created the Common Market?

Our Community commitments have therefore borne fruit: those who drafted and laid down the rules of operation of the Treaty of Rome were not wrong: with great sagacity they laid the foundations of the gradual development which has taken place.

As one of those who have followed every twist and turn of the Community's progress, allow me to pay homage to the distinguished group of statesmen, parliamentarians, members of the Commission and the European Court and European officials who have contributed to that achievement. Through me, Belgium thanks them for what they have done for Europe.

By executing the commitments of the Treaty we have accomplished some of the political aims which we set ourselves. By delegating, in certain well-defined areas, a fraction of their sovereign power to the European Community, our States have created a completely new model for political institutions, in some respects going beyond the degree of integration generally conferred upon confederations of States.

Thanks to the habit of working together which we have thus acquired, we have gone even further: the beginnings of union have emerged in a series of areas - economic, social, monetary, energy - and in the last ten years co-operation has gradually extended to essential sectors of external policy. The same impetus has led to election of the European Parliament by universal suffrage and the strengthening of its budgetary powers.

An objective appraisal of the ways in which the Member States have come closer together in the Community inevitably arouses two conflicting emotions: pride and frustration! We welcome the fact that we have overcome some of the excesses of the exaggerated nationalism of 19th-century Europe; but in a world which is already no longer that which saw the beginnings of the Community we have little time, as Louis Armand wrote as early as 1968, in which to construct a Europe which differs from the one we had foreseen and can meet the demands of the planetary age.

In 25 years the upsurge of life and youth in the world has rapidly moved towards the southern hemisphere: it is there that the most crying needs of humanity are concentrated, and we cannot ignore it. In this new situation the peoples of Europe will soon account for a percentage of the world's population no greater than the area which our territories occupy on earth: barely five per cent!

At the same time, the more the European economy has developed, the more its dependence on distant sources of supplies has grown.

Finally, in a world where the build-up of arms is a threat to the entire human race, questions of survival transcend each of the problems which the European Economic Community has to face. And the distinction between economic and external policy becomes blurred: all European questions are now highly political. They concern our security and our existence.

The independence of Europe is extremely relative. Its dependence is much more apparent. The important question is how to make ourselves interdependent in relation to the other major partners in the world.

Our security requires the links uniting us in an alliance with our friends and partners in North America to be maintained. But even this common defence will be in jeopardy unless each partner shoulders its burden of responsibilities and safeguards the individual interests of Europe and those of North America through continuous dialogue.

We must establish with the countries of the Southern hemisphere a system of relations which favours those countries whose growth is the most hampered; our efforts at interdependence must lead us to establish with them a permanent pattern of relations which satisfy our economies but from which also these countries derive hope for years to come.

Finally, with respect of the States of Central and Eastern Europe, whatever the ideological differences dividing us, we have no alternative but to initiate negotiations in which the legitimate nature of our concern for the freedom of the seas is seen as a vital problem going beyond any defence problems, since this is our only guarantee of security of our industrial supplies.

.../...

One last thought must override all the above considerations: the European Community developed during a respite from the tensions in a world which had become bipolar, whereas relations have now become multipolar and the entire world must seek new equilibria. In the meantime, tension is growing and Europe is not immune.

Are we together to join in the construction of a new world order? Can we not apply ourselves to organizing equitable relations on all sides which safeguard peace in Europe as well as worldwide?

How can we expect to realize these tasks without giving priority to the objectives and means of joint action which so many new circumstances require?

I believe that these new challenges can only be met by a common vision, jointly exercised diplomacy and European solidarity.

That is what the 1957 Treaty meant by "an ever closer union". And that is also what the Paris Summit had in mind in 1972 when it decided to complete "European Union". Ten years have gone by since then!

I am convinced that we can delay no longer. It is time for the Heads of State and of Government of the ten member countries of the Community to provide a decisive impetus for a strengthening of the bonds which unite us in the face of these grave realities. The 25th anniversary of the signing of the Treaty of Rome provides the occasion for taking up this challenge.

MR COLES ✓

cc: Mr Richards

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THE MANDATE

Mr Hancock and I met M. Attali this morning.

M. Attali said that President Mitterrand's mood was very bad. They had been looking at the Thorn-Tindemans formula (the "non-paper") and had concluded that it did not constitute a basis on which they could proceed, at any rate without substantial amendment. Its particular defect was that it was ^{if} "progressive": in other words, the refund to us would increase/our unadjusted contribution increased. He said that President Mitterrand would be "removing the ambiguity" about this in the session of the European Council today.

From a purely tactical point of view it is advantageous to us that he should do this. We have been saying that we were prepared to see if the formula could be adapted to meet our needs. If the President rejects it, it is the French who will be in the dog house from the point of view of other members of the Community.

Mr. Attali also said that the figures that we had mentioned to him last Wednesday (a refund of about 16 hundred million ecus) had very much surprised the President. It was far greater than he could contemplate. There was no advance on the figures he had mentioned to us when we last met (about 12 hundred million ecus, which was virtually the same as the 30 May position).

We then explained to M. Attali once again the nature of our political problem. The cost of Community membership to the UK was of the order of £500 million a year, even on the basis of a 90% refund; excluding agricultural trade losses, the cost would still be of the order of £250 million, or about 400 million ecus. That was a charge on the British budget. It would be very difficult to justify to the British Parliament. We then produced a table of net contributions and receipts which was prepared for you before the weekend (but without forecasts). This, of course, showed the unadjusted net contribution for 1981 only a little less than that of Germany (and everyone else a net beneficiary). We said that

/if

if there was no adjustment in 1982, we concluded that our contribution would be 18 hundred million ecus, and the French would benefit 350 million ecus net. We stressed the political importance of this picture. M. Attali seemed to be much struck by this table; he said that he wanted to show it to the President before lunch, and he suggested that we should resume our discussion later in the day. We are to meet again at 1530 hrs.

D. Havel *hr*

Sir Robert Armstrong.

29 March, 1982

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INFO BRUSSELS AND UK REP BRUSSELS (BONN PSE PASS)

1. ON 26 MARCH, MR WILLY DE CLERCQ, BELGIAN DEPUTY PM AND CHAIRMAN OF EC MINISTERIAL COUNCIL FOR ECONOMIC AND FINANCIAL AFFAIRS, DELIVERED AN EC JUBILEE LECTURE TO THE FRANKFURT CHAMBER OF COMMERCE.

2. IN A GENERAL CALL TO THE EUROPEAN COMMUNITY TO PULL ITSELF TOGETHER BECAUSE "EITHER WE REACH WELFARE IN COMMON OR NO WELFARE AT ALL", THE UK WAS SINGLED OUT FOR CRITICISM. ALL MEMBER STATES WERE NOW BETTER OFF THEN IN 1957 WITH THE EXCEPTION OF THE UK WHICH HAD LOST POLITICAL PRESTIGE, INTERNAL COHESION AND INTERNATIONAL INFLUENCE, AND HAD SUFFERED ECONOMIC DECLINE. BRITISH INSISTENCE ON SPECIAL FAVOURS IN THE COMMUNITY BUDGET AND THE LABOUR PARTY'S FOOLISH DESIRE TO WITHDRAW FROM THE COMMUNITY WOULD ONLY DEEPEN THE UK'S ECONOMIC AND POLITICAL DECLINE. THE UK FAILED TO UNDERSTAND THE SIGNIFICANCE OF THE EUROPEAN COMMUNITY AND SAW IT IN ECONOMIC TERMS ONLY (HENCE THE STILL FREQUENT REFERENCE IN THE BRITISH MEDIA TO THE COMMUNITY AS THE "COMMON MARKET"). THE COMMUNITY WAS NOT TO BE EVALUATED IN TERMS OF CASH. IT WAS ABSURD FOR THE UK TO INSIST AS SHE WAS DOING ON A "JUSTE RETOUR". SHE NEEDED A WIDER UNDERSTANDING OF WHAT MEMBERSHIP ENTAILED.

4. THE LECTURE HAS SCARCELY BEEN REPORTED AT ALL IN THE PRESS HERE, AND IT MAY BE THAT THE ABOVE ARE STANDARD BELGIAN VIEWS. BUT THE ADVERSE STATEMENTS ABOUT THE UK ARE DISTINCTLY MORE ONE-SIDED THAN MOST GERMAN COMMENT.

FILE

SD

2/4

Len MURRAY

Chased on 5/4
should be here tomorrow

29 March, 1982

I enclose a letter to the Prime Minister from Mr. Len Murray, General Secretary of the TUC. He urges her to respond favourably to the suggestion made by the Danish Prime Minister that the European Council should discuss ways of promoting economic growth to reduce unemployment.

I should be grateful for a draft reply for the Prime Minister's signature by 2 April, if at all possible.

W. F. S. RICKETT

John Holmes, Esq.,
Foreign and Commonwealth Office

tel

MR COLES

cc: Mr Richards

COMMUNITY REPRESENTATION AT THE VERSAILLES SUMMIT

M. Attali told me this morning that this was likely to come up during the course of the European Council this afternoon. It seems likely that the Presidency will be trying to persuade the European Council to insist upon their being two representatives of the Community - the President of the Council and the President of the Commission - at restricted sessions of Heads of State or Government only at the Versailles Summit. M. Attali said that the President would continue to resist this.

I said that the Prime Minister's position was that there should only be one Community representative at restricted sessions; she was content to leave it to the President of the Council and the President of the Commission to decide which of them it should be.

D. Harwood for

Sir Robert Austley

29 March, 1982

FILE

Sw.

29 March, 1982

The Prime Minister has asked me to thank you for your letter of 26 March.

This is receiving attention, and a reply will be sent to you as soon as possible.

W. F. S. RICKETT

The Rt. Hon. Lionel Murray, O.B.E.

Prime Directive

Asc

A.F.C. 25/3.

EUROPEAN COUNCIL : POLITICAL COOPERATION SUBJECTS

Private Secretary

cc: PE/LPS)
 PS/PUS) with
 Lord Bridges) attach-
 Mr Hannay) ments
 Mr Goodison
 Mr Mallaby
 Mr Moberly
 Mr Ure

J Coles Esq, No.10

1. The following is the upshot of yesterday's special meeting of the Political Committee (briefs are being amended as necessary, with the new texts attached):-

East-West Economic Relations

2. Having learned from Sir M Butler's telegram No.1244 that the Americans want the European Council to discuss the Buckley proposals on credit, I circulated a draft designed to put this problem into the context of East-West economic relations as a whole. It was accepted with little amendment (text attached), but with reserves from several Political Directors unwilling to commit their economic colleagues. I made a point of saying that the text had not been cleared in London.

3. Later, after telephoning Bonn, the Germans produced amendments of a watering-down character. If the Secretary of State could instruct me to amend it in the other (pro-American) direction, we might end up roughly where we are now. Judging from the mood yesterday, it would be very difficult to get a text which would give Washington any real satisfaction: see my reporting telegram to Washington, copy attached.

4. Since returning from Brussels I have seen Mr Haig's new message pinning further hopes on the European Council in the Buckley context. This makes it all the more desirable that the Secretary of State's reply, with the new last paragraph, should be despatched over the weekend in order to reduce expectations in Washington.

Transatlantic Relations

5. The Presidency will draft a short paragraph, for possible incorporation into the conclusions of the European Council, saying that the Ten welcomed President Reagan's message on the 25th Anniversary of the Community and are resolved to maintain their links with the US and to reinforce consultations. The Italians did not press Colombo's proposal, but you will have seen that he will come to Brussels straight from another visit to the US.

/Middle East

- 2 -

Middle East

6. We drafted a message for the conclusions, concentrating on the Situation on the West Bank. This will need to be looked at on Monday in the light of developments there and in New York. The French did not ask for a mention of Mitterrand's visit to Israel, but it is for consideration whether there should not be one.

Central America

7. The draft has square brackets reflecting the division between those of the Ten who do and those who do not want the European Council to say categorically that Community aid to the region will be (a) increased; and, (b) made available to all countries without discrimination. The French and Germans belong to the first group, we to the second. The problem will be for resolution at the Council itself.

Turkey

8. The Danes, Dutch, Greeks and Irish behaved as if Tindemans' excellent report did not exist. The Germans and I argued that the Council, if it says anything at all, should express willingness to encourage and support the efforts which the Turkish authorities are making to return the country to democracy in the shortest feasible time, and meanwhile to eliminate violations of human rights. The Presidency will have a draft ready on our arrival.

Madrid, CSCE

9. There is a harmless text, to which the Germans attach importance.

Boat People

10. The Germans circulated a draft about their ship. It got no support whatever. Genscher may raise it again.

Poland

11. We need a measured text recalling past statements by the Ten and taking a firm line against any attempt by the régime to drive detainees into exile. The draft we worked out will do very well.

27 March 1982

J L Bullard

[Against the sombre background of events in Poland and elsewhere] the Heads of State and Government reviewed the state of economic relations between their own countries and those of Eastern Europe, particularly in the light of the preponderant and specific role played by the Ten in these relations.

They recognised the role which economic and commercial contacts had played in the stabilisation and development of East-West relations as a whole. They noted the existence of certain problems resulting from world economic trends, but in part also from the special nature of the state-trading economies and the basis on which East-West economic and commercial relations had come to be conducted. They saw an inevitable interaction between economic and political factors.

The Heads of State and Government agreed that these questions should be the subject of urgent and careful study by the European Community and by their own and other governments, both nationally and in the international organisations concerned, in close consultation with the US and other major trading partners.

[It is in this context that the Heads of State and Government placed the particular question of government-subsidised and government-guaranteed export credit, to which the Government of the United States had recently drawn attention.]

GR 670

CONFIDENTIAL

FM F C O 270100Z MAR 82

TO PRIORITY WASHINGTON

TELEGRAM NUMBER 582 OF 27 MARCH 1982,

INFO PRIORITY BRUSSELS, UKREP BRUSSELS, BONN, PARIS, ROME, UKDEL

NATO, ROUTINE MOSCOW, OTHER E C POSTS

INFO SAVING WARSAW, BUDAPEST AND BUCHAREST.

UKREP BRUSSELS TELNO 1244: EAST BLOC INDEBTEDNESS

1. THE SPECIAL MEETING OF THE POLITICAL COMMITTEE HELD IN BRUSSELS ON 26 MARCH PREPARED A DRAFT PASSAGE ON EAST-WEST ECONOMIC RELATIONS FOR INCORPORATION INTO THE PRESIDENCY CONCLUSIONS FOR THE EUROPEAN COUNCIL MEETING ON 29-30 MARCH. FOR TEXT, WHICH IS MAINLY A U K DRAFT, SEE M I F T, NOT TO ALL.

2. IN LATER CONVERSATION OVER LUNCH, BULLARD (U K) EXPLAINED OUR CURRENT IDEAS AS REGARDS FOLLOW-UP TO THE BUCKLEY MISSION AND REPLY TO THE LETTER TO ME FROM MR HAIG. WE COULD ACCEPT HIS POINTS ON

(A) NEED FOR MORE TRANSPARENCY AND MUTUAL INFORMATION

(B) THE SOVIET UNION IS "DIFFERENT" - A BETTER RISK, FOR ONE THING

(C) TOO LITTLE ATTENTION HAS BEEN PAID TO THE PROBLEM IN THE PAST, AND

(D) ANY ACTION MUST BE BASED ON THE PRINCIPLES OF BURDEN-SHARING AND EQUITY. WE FORESAW THAT THE SUBJECT WOULD NEED TO BE DISCUSSED AMONG THE VERSAILLES SEVEN AND PROBABLY IN O E C D, BUT A PARTICULARLY SUITABLE FORUM WAS N A T O. THE N A T O COMMUNIQUE OF 11 JANUARY HAD SPECIFICALLY SPOKEN OF THE NEED TO EXAMINE "THE CONDITIONS SURROUNDING EXPORT CREDITS" (PARA 14) AS WELL AS "LONGER-TERM ECONOMIC RELATIONS, PARTICULARLY ENERGY, AGRICULTURAL COMMODITIES AND OTHER GOODS, AND THE EXPORT OF TECHNOLOGY" (PARA 16).

3. DYVIG (DENMARK) SAID THAT 90 PERCENT OF CURRENT CREDITS TO EASTERN EUROPE WERE BEING GUARANTEED BY WESTERN GOVERNMENTS, WHICH HAD GOOD REASONS FOR DOING SO. THE TEN SHOULD MAKE UP THEIR MINDS WHETHER OR NOT THE PURPOSE OF RESTRICTING CREDIT WOULD BE POLITICAL. THE EUROPEAN COUNCIL SHOULD BE CAREFUL NOT TO RAISE AMERICAN HOPES OF ACTION BY THE EUROPEAN ALLIES, WHICH WERE ALREADY EXAGGERATED.

4. REININK (NETHERLANDS) SAID THAT THE QUESTION OF EAST-WEST ECONOMIC RELATIONS WAS ALREADY ON THE AGENDA FOR THE MINISTERIAL COUNCIL OF THE O E C D ON 10/11 MAY. THIS WAS THE PROPER FORUM TO CONSIDER CREDIT. THE O E C D SECRETARIAT SHOULD PREPARE A PAPER.

5. MCKERNAN (IRELAND) SAW THE DILEMMA THAT IF THOSE INTERESTED IN RESTRICTING CREDIT TO THE SOVIET UNION CHOSE TO ACT IN A SMALL GROUPING OF LIKE-MINDED GOVERNMENTS, THEY COULD PUT THEMSELVES AT A DISADVANTAGE COMPARED WITH OTHERS OUTSIDE THEIR CIRCLE: WHILE IF THEY BROUGHT THE MATTER UP IN A WIDER GROUP SUCH AS O E C D, THEY WOULD FIND THAT THEIR OBJECTIVES WERE NOT SHARED. BUT THE IDEA OF DEVISING A MORE FINELY ADJUSTED CREDIT INSTRUMENT, CAPABLE OF BEING USED E G FOR PURPOSES OF LINKAGE, WAS NOT NECESSARILY BAD.

6. JENKINS (COMMISSION) URGED THE NEED FOR THE COMMUNITY AS SUCH TO MAKE AN INPUT INTO THIS EXERCISE. HE COULD ENVISAGE TWO POSSIBLE OBJECTIVES:-

(A) A CREDIT-MONITORING INSTRUMENT IN WHICH TRANSPARENCY WOULD BE AN END IN ITSELF, OR

(B) TRANSPARENCY LEADING TO A COMMITMENT TO PHASE OUT OR PHASE DOWN THE ELEMENT OF SUBSIDY IN CREDIT TO THE SOVIET UNION.

JENKINS DESCRIBED (A) AS A MAJOR STEP AND (B) AS LIKELY TO PROVE VERY DIFFICULT.

CARRINGTON

NNNN

o/r

TRADES UNION CONGRESS

CONGRESS HOUSE · GREAT RUSSELL STREET · LONDON WC1B 3LS

Telephone 01-636 4030

Telegrams TRADUNIC LONDON WC1

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

YOUR REFERENCE

OUR REFERENCE
LM/MW/EAC
DEPARTMENT

International

March 26, 1982.

Dear Mrs. Thatcher,

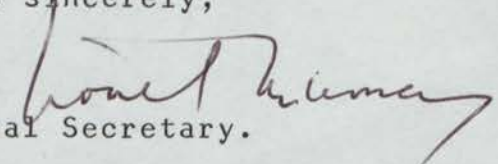
107/3

European Council Meeting

Our Danish trade union colleagues have informed us of the approach made to you and to other heads of Government in the European Community by the Danish Prime Minister concerning the need to devote the forthcoming European Council meeting to discussion of ways of promoting economic growth to reduce unemployment. The approach of the Danish Government is very much on the lines of the policies presented to you in London at the end of November by a delegation of the European Trade Union Confederation before you presided over the Council. The Danish Government seeks coordinated action to create jobs through investment in the public sector as well as encouraging private investment, in that way increasing EC competitiveness in the long term. We sincerely hope that the British Government will respond constructively to the proposal and that the issues raised in Mr. Jorgensen's letter will be tackled at length at the Council meeting.

We understand that the Danish Government may propose that there should be a conference - held at the earliest time consistent with thorough preparation - of government representatives to work out positive, coordinated measures which could be taken in the European Community to reduce unemployment in the member countries. I hope that you will be able to agree to the proposal and that the British Government will be party to making arrangements for the ETUC and the national trade union centres concerned to be enabled to contribute to the search for workable and urgent measures to reduce unemployment.

Yours sincerely,


General Secretary.

GENERAL SECRETARY: RT. HON. LIONEL MURRAY OBE DEPUTY GENERAL SECRETARY: NORMAN WILLIS
ASSISTANT GENERAL SECRETARIES: KENNETH GRAHAM OBE AND DAVID LEA OBE

29 MAR 1982





Prime Minute

ADN/3

h.a.

Qz.02522

MR COLES

EUROPEAN COUNCIL: 30 MAY MANDATE

At her briefing meeting on 24 March the Prime Minister asked for a draft speaking note on the Mandate for use at the European Council. This is attached in a form agreed with the Departments concerned. We believe that it will be most effective if it is confined to the main political points, and in particular to the need to make parallel progress on the three chapters of the Mandate, as agreed at Lancaster House.

2. Also attached to this minute are four Annexes as follows:-

Annex A - the text of the "non paper" by the Presidency and the Commission.

Annex B - the five essential changes that the Foreign Secretary will be seeking to make in that proposal.

Annex C - the text of a message which the Foreign Secretary is sending today to Monsieur Tindemans and Monsieur Thorn.

ANNEX D - a supplementary speaking note for the Prime Minister to use if it is suggested that the UK should agree to an agricultural price settlement in advance of an agreement on the budget problem.

D.H.

D J S HANCOCK

26 March 1982

cc: Mr Wright
Mr Elliott
Mr Wentworth
Mr Rhodes

Sir K Couzens)
Mr Littler)
Mrs Hedley-Miller } HMT
Mr Edwards)

PS/Foreign and Commonwealth Secretary)
Lord Bridges)
Mr Hannay) FCO
Mr de Fonblanque)

Mr Andrews, MAFF
Sir M Butler, UKREP



SPEAKING NOTE ON THE MANDATE

OK

It is disappointing that the Foreign Ministers have so far been unable to complete the task which we set them last November at Lancaster House despite the series of meetings they have devoted to it. They have been unable to reach agreement on three key problems: a financial guideline on the CAP, ① ② milk ③ and the budget problem. It would not be in the Community's interest for this deadlock to continue and it is for us, as Heads of State and Government, to ensure that the necessary instructions are given to enable substantive solutions to be found without further delay.

Saturday

The Presidents of the Commission and the Council have now made new suggestions for a method to solve the budget problem. It is good that the negotiations are now seriously under way again and that the Foreign Ministers have set themselves a tight timetable for agreement both on the method and on the substantive solution of the problem. It is up to all of us to make sure that our Foreign Ministers are in a position to find an agreement both on the method and on the figures at their meeting on 3 April so as to enable early decisions to be taken on the three chapters of the Mandate in parallel as we agreed last year.

/As

As Foreign Ministers are to meet soon, I do not want to press for a discussion here and now about the details of a solution. I would like, however, to make a few general points which I hope Foreign Ministers will bear in mind.

First, we must try to give the Community a period of stability by taking this problem out of the arena of political discussion for a substantial period. A budget solution which involved either negotiations about figures every year, or another major negotiation like this one in two or three years time, would not give the Community the breathing space that it needs if it is to respond effectively to the challenges presented by its internal economic problems and an increasingly dangerous world environment.

Second, the method of correction must deal with the problem in its entirety and must be sufficiently flexible to ensure a fair outcome if circumstances change.

Third, the scale of compensation must be fair. As a less prosperous Member State, the UK could reasonably expect to be a net beneficiary of the Community's financial arrangements, especially in view of the common commitment to the convergence of the economies of the member states. We realise that such a big change

/in

in the present financial pattern would creat^a problems for our partners and we are ready to take account of this. But we can see no justification for the United Kingdom being more than a very modest net contributor.

These seem to me to be essential political points which Foreign Ministers will need to bear in mind. I hope that we can all agree that it is in the interests of the Community that all aspects of the Mandate should now be resolved with all possible speed and that we should instruct Foreign Ministers accordingly.

NON PAPER

Subject: specific details of items 2 and 3 of the document of 18 January 1982 from the Council General Secretariat

1. The Community will grant compensation to the United Kingdom for 5 years, starting in 1982.
2. The basic amount of this compensation will be set at a uniform level for 1982, 1983 and 1984 of $\frac{1}{x}$ million ECU $\frac{1}{7}$. This amount represents y % of the objective indicator for 1981. If this ratio between the compensation and the objective indicator varies in 1982, 1983 or 1984 by more than 10 %, a correction will be made on the basis of a Commission proposal, on which the Council will take a decision by a qualified majority.
3. A further correction will be made if the United Kingdom's V.A.T. share exceeds its GDP share. This compensation will represent z % of the difference.
4. The amount of compensation for 1985 and 1986 will be decided on by the Council before the end of 1984 acting unanimously on a proposal from the Commission.

ESSENTIAL CHANGES IN THE "NON-PAPER"

- a. A genuine five-year solution and not one which would involve a fresh negotiation in the third year.
- b. A review at the end of the period of agreement.
- c. A method of dealing with changes in the size of the receipts gap (as measured by the Commission's objective indicator) which is both more flexible and more automatic.
- d. A method of dealing with the whole of the contributions gap and not just part of it.
- e. Figures which produce an acceptable net contribution for the UK after compensation.

OUT TELEGRAM

ANNEX C

Classification and Caveats

CONFIDENTIAL

Precedence/Deskby

IMMEDIATE

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BY
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1 ZCZC
2 GRS
3 CONFIDENTIAL
4 FRAME ECONOMIC
5
6 FM FCO 261145Z MARCH 82
7 TO IMMEDIATE ~~BRUSSELS~~ BRUSSELS
8 TELEGRAM NUMBER
9 AND TO PRIORITY ALL EC POSTS
10 30 MAY MANDATE

IMMEDIATE URREP
BRUSSELS,

11 1. Following is the text of a message from me to M. Tindemans
12 about the Presidency/Commission text (UKREP Telno 1188).
13 Please arrange delivery urgently. Please also ensure
14 that M. Thorn receives a copy. Other posts should make these
15 points at a senior level to Foreign and Finance Ministries
16 after the European Council but before 3 April.
17 BEGINS
18 I am most grateful to you and Gaston Thorn for the efforts
19 you made at our meeting on 23 March to give an impulse
20 to the search for a settlement of the 30 May Mandate. I
21 particularly welcome your initiative in putting forward
22 your joint ideas for the method of deciding the amount of
23 compensation to be paid to the UK. As I said during the
24 meeting, there are a number of elements in the text which
25 I welcome, but some difficulties. We shall want to examine

NNNN ends telegram	BLANK	Catchword /these
File number	Dept ECD(I)	Distribution FRAME ECONOMIC ECD(I)
Drafted by (Block capitals) G H FRY		
Telephone number 233-5701		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

Classification and Caveats

CONFIDENTIAL

IMMEDIATE

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2 these carefully, but I am sure that your proposals will pro-
3 vide a good basis for our discussion on 3 April. Our con-
4 sideration of them will naturally be greatly helped by
5 having the illustrative figures which the Commission agreed
6 to provide, and I hope that these will be made available in
7 good time.

8 I thought that in making your own preparations for our next
9 meeting you and Gaston Thorn might find it helpful if I
10 gave you an account of our main preoccupations with the method
11 which you have put forward.

① 12 Let me start with the question of duration. I naturally
13 welcome your suggestion that this should be five years. I am
14 sure that it is right to take this issue right out of Com-
15 munity politics for a substantial period so that we can con-
16 centrate on the other urgent tasks which face us. To achieve
17 this objective, which I am sure that we all share, we must
18 however have an arrangement which genuinely provides a five-year
19 breathing space. I am concerned that the ideas now on the table
20 would not give us that, and in particular I have great doubts
21 about the idea of fixing the method of deciding the amount of
22 compensation for the first three years only, so that we would
23 need to have a completely fresh negotiation to decide on the
24 arrangements for the last two years.

② 25 As regards the method you propose for applying the objective
26 indicator, this is rather complicated and I would prefer some-
27 thing simpler. I agree with you that it would be insufficient
28 simply to specify fixed sums of compensation. There must be
29 provision for adjusting the amount of compensation in the
30 light of variations in the objective indicator, and I accept
31 that, unlike the 30 May 1980 arrangements, the possibility
32 that the actual gap will turn out lower than expected should
33 be allowed for as well as the possibility of its being higher. ~~END~~

34 ~~CARRINGTON NNNN~~

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telegram

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Catchword AT THE MOMENT
~~AT~~ 3 ~~AT~~

OUT TELEGRAM (CONT)

Classification and Caveats

CONFIDENTIAL

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2 At the moment I am inclined to think that it may rise, but
 3 if, as happened in 1981, CAP expenditure did not grow as
 4 expected, the gap could well turn out lower. But I also
 5 think that if we are to avoid an annual negotiation over the
 6 figures - which I think we all believe would be divisive
 7 and damaging to the Community - then we shall need to have a
 8 method of adjustment which is clear, precise and of direct
 9 application. I fear that the present suggestion of proposals
 10 on each occasion from the Commission followed by decisions by
 11 the Council would not prove satisfactory in practice, and I
 12 do not think it would be right to leave unadjusted a divergence
 13 of as much as 10% in either direction. What I would propose
 14 therefore is that on and before 3 April we should all bend
 15 our minds to the task of finding an alternative method which
 16 would enable us to get away from annual negotiations but at
 17 the same time give the certainty that even if there is some
 18 unexpected variation in the outturn the result will be
 19 equitable for all concerned. I am sure that something of
 20 this sort can be devised.

3

21 At our meeting on 23 March I explained that the contributions
 22 gap was an important element in the UK problem and circulated
 23 some figures designed to illustrate this. I am pleased that
 24 in paragraph 3 of your non-paper you have put forward a sugges-
 25 tion which is clearly designed to take some account of this
 26 problem, but your proposal would not in my view provide an
 27 adequate solution. What is needed is an objective indicator
 28 which measures the whole of this problem rather than one which
 29 measures only a part of it. In saying this, I am not arguing
 30 that the UK should receive 100% compensation for the whole
 31 gap; I accept that we should receive an agreed percentage
 32 less than 100%. But it should be a percentage applied to
 33 the whole extent of the problem. Perhaps I should add that
 34 I do not understand the feeling sometimes expressed that an

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/indicator

OUT TELEGRAM (CONT)

Classification and Caveats

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2 indicator measuring the whole gap would in some way be con-
 3 trary to Community principles. Such an indicator is not a
 4 new idea; there are precedents both in the Dublin Financial
 5 Mechanism and in the agreement of 30 May 1980. And customs
 6 duties and agricultural levies collected in the UK, even
 7 though they are the Community's own resources, do place a
 8 burden on UK taxpayers and consumers in just the same way as do
 9 VAT contributions. It is the disproportionate amount paid
 10 under both headings which constitutes an important part of
 11 the UK's budget problem.

12 Finally, as I said on 23 March, I attach importance to
 13 including provision for a review of the operation of the
 14 arrangement towards the end of the 5 year period. This need
 15 not of course prejudge whether the arrangement or something on
 16 similar lines will continue after the period. That would
 17 depend on the situation at the time. No-one would be more
 18 delighted than the British Government if by then the problem
 19 had ceased to exist and there were no need for any corrective
 20 arrangements. But unfortunately experience suggests that we
 21 cannot afford to make that assumption. It is inconceivable
 22 that if the problem continued the Community should simply
 23 turn its back on it and leave it unresolved, and I therefore
 24 think that we must find some language about a review, perhaps
 25 on the lines of the text of 18 January.

26 I hope that you will find it useful to have these comments in
 27 advance of our meeting on 3 April. I am particularly glad that
 28 your proposals will provide a basis on which we can on 3 April
 29 try to agree not only on a method but on a full settlement
 30 including the figures. I think that we are all increasingly
 31 aware of the need to find an early solution of these problems
 32 and of the risks if we do not. I shall be approaching our next
 33 meeting in a spirit of determination to find a basis for
 34 agreement.

NNNN ends
telegram

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Catchword

/ENDS

SPEAKING NOTE FOR USE IF IT IS SUGGESTED THAT THE UK SHOULD AGREE TO AN
AGRICULTURAL PRICE SETTLEMENT IN ADVANCE OF AN AGREEMENT ON THE BUDGET PROBLEM

We all agreed last November that progress on the three Chapters of the Mandate should be made in parallel. The measures which are being considered in the context of the price fixing are organically linked with the proposals for CAP reform which have been discussed in the context of the Mandate. For example, the price proposals cover the treatment of Mediterranean⁽¹⁾ products, help for small milk producers⁽²⁾, modulation of guarantees for surplus products⁽³⁾ and the regime for cereals⁽⁴⁾. They also have implications for the proposed guideline on the rate of growth⁽⁵⁾ of agricultural expenditure. We should not envisage decisions being taken on the CAP when comparable decisions on the implementation of the other Chapters have yet to be taken. Moreover, decisions taken now on the level of CAP prices will be a crucial determinant of the level of the UK net contribution in this and future years, and some of the current proposals, such as aid for small milk producers, and Mediterranean agriculture, would significantly add to the UK's budget burden. It would not be right to take decisions of this kind when we have still not agreed how that burden is to be alleviated.

Pa. M

{ Method and
Figures

To be discussed

Do not agree with basis of discussion
suggested by T. & T.

26 MAR 1952

4 12 1 2 3
8 7 9 4
9 1 2 3
8 7 6 5

Do not recognize or accept
basis T & T.

Much importance to foreign
Ministers doing everything possible
to settle matter rapidly

PRIME MINISTER *K.A.*

EUROPEAN COUNCIL

Briefs

Since you last saw the briefs, the following have been added:

- (a) There is a revised version of Brief No. 3 on the economic and social situation. To this is annexed the Commission paper, which was not available yesterday, and some statistics which include figures for member States' net borrowing or lending expressed as a percentage of GDP.
- (b) A minute by Mr. Hancock to which is annexed a draft speaking note on the Mandate.
- (c) A Treasury table showing net contributions to and receipts from the Community Budget by member States over a period of years.
- (d) The figures provided at your "tutorial" the other day are behind Brief No. 4.
- (e) Some recent telegrams, e.g. on Mitterrand's approach to the Council and on Papandreou which are included at the back of the briefing folder.

Bilaterals

The only request for a bilateral comes from Mr. Haughey. You are already aware of this. As agreed, I told the FCO that you were prepared to see him - that this would not be a meeting of the Anglo/Irish Inter-Governmental Council but a meeting of fellow Heads of Government at the European Council, that you would wish to be accompanied to the meeting and that they should avoid the impression that you had matters of substance to discuss. Mr. Nally rang this afternoon to say that he had "got the message" and asked if he could see me in Brussels to fix a time for your meeting. The attached minute by Sir Robert Armstrong is also relevant, *as is the attached letter from the Northern Ireland Office.*

/Mr. Papandreou

Mr. Papandreou has not asked for a bilateral but you will wish to see the attached letter from the FCO which suggests that you should find an opportunity to take him to task about his recent statement welcoming Brezhnev's SS20 moratorium offer and stating that British and French nuclear systems should be included in the current INF negotiations at Geneva. I understand that the Americans and French have already made representations about this unfortunate statement.

A.F.C.

26 March 1982

RESTRICTED



Prime Minister

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

*p.a.
21/3*

26 March 1982

A.J. Coles, Esq.,
No.10 Downing Street

Dear Sir,

EC BUDGET

NET CONTRIBUTIONS AND RECEIPTS BY MEMBER STATES

I understand that, during Wednesday morning's briefing meeting for the European Council, the Prime Minister asked for a table showing net contributions to, and receipts from, the Community budget by member states over a period of years. I accordingly attach such a table.

.....

I am copying this letter to Francis Richards (FCO) and David Wright (Cabinet Office).

Yours ever,

J.O. Kerr

J.O. KERR

RESTRICTED

NET CONTRIBUTIONS (-) AND RECEIPTS (+) BY MEMBER STATE

million ecus

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
I. <u>Net positions before UK refunds</u>							(provisional)	estimated		
Belgium/Luxembourg	+135	+346	+329	+337	+610	+484	+650	+740	+860	+910
Denmark	+237	+294	+293	+381	+380	+332	+307	+340	+390	+440
Germany	-1007	-1054	-1467	-597	-1430	-1534	-1622	-1860	-1900	-2120
Greece	-	-	-	-	-	-	+126	+570	+610	+690
France	+35	+58	-310	-371	-78	+432	+678	+350	+370	+430
Ireland	+175	+155	+212	+326	+545	+644	+589	+670	+750	+820
Italy	+40	+248	+294	-334	+534	+732	+623	+930	+880	+980
Netherlands	-27	+222	+88	+41	+288	+437	+197	+260	+230	+260
United Kingdom	+104	-90	+126	-228	-849	-1527	-1548	-2000	-2190	-2410
[Residual]	[+308]	[-179]	[+435]	[+445]	[-]	[-]	[-]	[-]	[-]	[-]

II. <u>Net positions after UK refunds</u>	Actual	Pro- visional	As expected at time of 30 May agreement	
	1980	1981	1980	1981*
Belgium/Luxembourg	+422	+522	+ 709	+ 846
Denmark	+299	+271	+ 389	+ 523
Germany	-1965	-2117	-1623	-1836
Greece	-	+97	[-]	[-]
France	+82	+246	- 335	- 421
Ireland	+633	+575	+ 524	+ 656
Italy	+522	+387	+ 598	+ 589
Netherlands	+359	+102	+ 347	+ 463
United Kingdom	-352	-138	- 609	- 730

Sources: Commission, 1975 - 1981; Treasury estimates 1982 to 1984.

As the residuals show, the figures for 1975 to 1978 are unsatisfactory, but they give some guidance as to orders of magnitude.

*The residual of -90 reflected a last-minute revision to the UK figure which the Commission made without revising the figures for other member states.



26 MAR 1982



CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

26 March 1982

Dear John,

Anglo-Irish Relations: Possible Meeting of the
Prime Minister with Mr Haughey in Brussels on
29/30 March 1982

The Minister at the Irish Embassy proposed on 25 March a meeting between the Prime Minister and the Taoiseach in the margins of the European Council on 29/30 March. Dempsey said that his instructions referred to a discussion of bilateral issues but were not more specific. But there can be no doubt that the Taoiseach wishes to discuss Northern Ireland.

Lord Carrington believes that, unless the Prime Minister feels that her existing commitments do not allow it, there would on balance be advantage in her agreeing to such a meeting. It is true that since returning to office the Taoiseach has made statements which are unhelpful and unwelcome, rehearsing as they do arguments which are unacceptable to us (Dublin telno 67 of 10 March and 75 of 23 March and Washington telno 899 of 17 March). But unhelpful as these statements are, they do not go very much beyond what he has said in the past. It seems likely that it might be possible for the Prime Minister to discourage Mr Haughey from support for an SDLP boycott of the Assembly elections or other action likely to obstruct the Northern Ireland initiative. It would, moreover, be consistent with the improved Anglo-Irish relationship which it is in our interests to foster.

But if the Prime Minister feels unable to take on this added commitment, the Foreign Secretary believes that it would be valuable, in turning down the proposal for substantive discussions, to refer to the possibility of an occasion for a few words in the margins of the Council.

The Irish press have already referred to the likelihood of a meeting and an express rejection of the possibility might in those circumstances be counter-productive. At the same time there would be advantage in referring to the fact that Mr Prior is proposing to meet the Irish Foreign Minister very shortly.

/(I understand

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THE NATIONAL ARCHIVES
COLLECTIONS DEVELOPMENT DIVISION

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(I understand that Mr Prior has in mind a meeting in London timed to make it apparent that the Irish are being informed and not consulted).

Yours ever

(J E Holmes)
Private Secretary

John Holmes

A J Coles Esq
10 Downing Street

CONFIDENTIAL

GRS 350

UNCLASSIFIED

FM DUBLIN 101310Z MAR 1982

TO IMMEDIATE F C O

TELEGRAM NUMBER 67 OF 10 MAR

AND TO INFO IMMEDIATE N I O (BELFAST) , WASHINGTON, B I S NEW YORK.

F C O PLEASE PASS SAYING TO UKREP BRUSSELS AND OTHER E C POSTS.

NEW IRISH GOVERNMENT : COMMENTS ON NORTHERN IRELAND

1. MR HAUGHEY'S FIRST SPEECH TO THE NEW DAIL ON 9 MARCH INCLUDED THIS SECTION ON NORTHERN IRELAND:

BEGINS

THE FIRST POLITICAL PRIORITY OF THIS GOVERNMENT WILL CONTINUE TO BE THE QUEST FOR A SOLUTION TO THE TRAGIC PROBLEMS OF NORTHERN IRELAND. IT IS THE GRAVEST OF ALL OUR PROBLEMS, WHICH FOR TOO LONG HAS DISTORTED RELATIONS BETWEEN IRELAND AND BRITAIN, BEEN A SEVERE DRAIN ON OUR RESOURCES, AND CONTINUES TO ENDANGER IRISH LIVES AND LIVELIHOODS. NO OPPORTUNITY CAN BE LOST WHICH OFFERS ANY PROSPECT OF FINDING A LASTING SOLUTION.

IT IS MY HOPE THAT PROGRESS WILL BE RESUMED ON THE POLITICAL INITIATIVE BEGUN BY THE BRITISH PRIME MINISTER AND MYSELF IN DUBLIN CASTLE IN DECEMBER 1980. WHILE I WOULD WELCOME ANY POLITICAL PROGRESS THAT MIGHT BE MADE BETWEEN THE TWO COMMUNITIES IN NORTHERN IRELAND, OVERALL RESPONSIBILITY FOR SATISFACTORILY RESOLVING THE PROBLEM LIES WITH THE TWO SOVEREIGN GOVERNMENTS AND MUST BE EXERCISED BY THEM.

I ATTACH GREAT IMPORTANCE TO THE DEVELOPMENT OF THE ANGLO-IRISH COUNCIL STRUCTURE AND TO THE INCORPORATION OF AN EFFECTIVE PARLIAMENTARY TIER TO THE COUNCIL STRUCTURE AND IN THIS CONNECTION AND I LOOK FORWARD TO CONSULTATIONS ON ANY NEW INITIATIVE BROUGHT FORWARD BY THE BRITISH GOVERNMENT.

THE ECONOMIC CRISIS IN NORTHERN IRELAND, WHICH IS OF A MORE ACUTE AND DEEP-SEATED NATURE THAN THE DIFFICULTIES WE ARE SUFFERING HERE, MAKES IT ESSENTIAL THAT POLITICAL STABILITY BE RESTORED AND THAT CLOSER ECONOMIC COOPERATION BETWEEN THE TWO PARTS OF IRELAND BE ESTABLISHED.

WE LOOK FORWARD TO, AND WILL ACTIVELY SEEK TO BRING CLOSER THE

/DAY

DAY WHEN THE RIGHTS OF SELF-DETERMINATION OF ALL THE PEOPLE OF IRELAND WILL AGAIN BE EXERCISED IN COMMON, AND WHEN THE FINAL WITHDRAWAL OF THE BRITISH MILITARY AND POLITICAL PRESENCE TAKES PLACE. WE SHALL SEEK THE ACTIVE ENCOURAGEMENT OF THE BRITISH GOVERNMENT AND INTERNATIONAL BACKING AND SUPPORT FOR OUR EFFORTS TO BRING ALL THE PARTIES INVOLVED AROUND THE CONFERENCE TABLE WHERE WE WILL BE PREPARED TO GO TO VERY GREAT LENGTHS INDEED TO MEET AND ACCOMMODATE THE INTERESTS, IDENTITY AND ASPIRATIONS OF ALL THE TRADITIONS ON THIS ISLAND.

ENDS

2. FOR COMMENTS SEE M I F T

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MR WRIGHT
MR ADAMS
MR BULLARD
MR GOODISON
LORD N G LENNOX
MR URE

ADDITIONAL DISTRIBUTION
NORTHERN IRELAND

GRS 430
UNCLASSIFIED
FM WASHINGTON 172250Z MAR 82
TO IMMEDIATE F C O
TELEGRAM NUMBER 899 OF 17 MARCH
INFO IMMEDIATE DUBLIN N I O LONDON N I O BELFAST
ROUTINE B I S NEW YORK
INFO SAVING ALL CONSUL GENERALS IN THE U S A

MY TELNO 895: NORTHERN IRELAND

1. FOLLOWING IS THE SUBSTANTIVE PART OF THE SPEECH GIVEN BY THE IRISH PRIME MINISTER AT THE WHITE HOUSE TODAY.
MR HAUGHEY ALSO GAVE THE PRESIDENT AN ENGLISH 16TH CENTURY MAP SHOWING THE TERRITORY OF THE O'REGANS. MR HAUGHEY SAID THAT THE FACT THAT THE O'REGANS HAD BEEN LISTED AS AMONG THE MOST REDOUBTABLE IRISH CHIEFTAINS WAS A GREAT COMPLIMENT PAID BY THE ENGLISH QUOTE AT ONE STAGE OF THEIR LONG AND UNSUCCESSFUL EFFORTS TO CONQUER OUR COUNTRY UNQUOTE.

2. TEXT BEGINS.

THE GREATER PART OF THE ISLAND OF IRELAND TODAY HAS BECOME A MODERN STATE WHERE ALL ARE FREE AND EQUAL BEFORE THE LAW: WHERE BIGOTRY AND DISCRIMINATION HAVE FADED AWAY AND SECTARIANISM HOLDS NO PLACE IN OUR LAWS, OUR CONSTITUTION OR OUR DAILY LIVES BUT THERE IS ONE THING WE IRISH HAVE NOT ACHIEVED: AND OF WHICH WE ARE CONSTANTLY REMINDED EVERYWHERE WE GO IN THIS GREAT CAPITAL CITY WHERE THE MEMORY OF ABRAHAM LINCOLN AND HIS STRUGGLE TO SAVE THE AMERICAN UNION AND TO AVOID THE PARTITION OF HIS COUNTRY ARE SO BEAUTIFULLY AND SPLENDIDLY COMMEMORATED.

WHEREAS LINCOLN SOUGHT TO PREVENT THE PARTITION OF HIS COUNTRY, WE ARE SEEKING TO BRING AN END TO THE PARTITION OF OURS.

THE OBSTACLES TO THAT GOAL ARE IN PART THE AGE-OLD ONES WHICH ALSO NEARLY SUNDERED THE YOUNG UNITED STATES: MISUNDERSTANDING, IGNORANCE, PREJUDICE, SUSPICION AND FEAR.

WE HAVE PLEDGED OURSELVES TO OVERCOMING THOSE OBSTACLES, TO FURTHER THE RECONCILEMENT OF THE TWO GREAT TRADITIONS OF OUR ISLAND: TO GIVING, TO THAT END, ANY PLEDGE THAT MAY BE SOUGHT, ANY GUARANTEE THAT MAY BE THOUGHT NECESSARY AND TO MAKING UNASSAILABLE

CONSTITUTIONAL ARRANGEMENTS FOR THOSE IN THE NORTHERN PART OF IRELAND AND WHO MAY FEEL A SPECIAL NEED FOR SUCH PROVISIONS.

IRISH PEOPLE EVERYWHERE YEARN FOR THAT DAY WHEN THEIR COUNTRY WILL FINALLY FIND PEACE AND JUSTICE IN UNITY AND THEY IN THEIR TURN IN THEIR LAND WILL CREATE QUOTE A SHINING CITY ON A HILL UNQUOTE.

WITH THE GOODWILL OF THAT WORLD-WIDE IRISH SPIRITUAL EMPIRE WHICH IS STRONGER HERE IN THE UNITED STATES OF AMERICA THAN ANYWHERE ELSE,

THE IRISH GOVERNMENT WILL DO ALL WE CAN THROUGH THE ANGLO-IRISH PROCESS OR ANY OTHER FORUM TO ACHIEVE THAT HISTORIC PURPOSE.

/ IN THE

IN THE NOBLE WORDS OF LINCOLN'S SECOND INAUGURAL ADDRESS, INSCRIBED ON THE WALLS OF HIS BEAUTIFUL MEMORIAL IN THIS CITY THE WORK WE ARE ENGAGED UPON IS: QUOTE TO BIND UP THE NATION'S WOUNDS UNQUOTE. COUNTLESS MILLIONS OF ORDINARY IRISH MEN AND WOMEN HAVE BY THEIR LABOUR AND THEIR SACRIFICE CONTRIBUTED TO THE POWER AND STATURE OF THIS GREAT AMERICAN REPUBLIC AND IN THEIR NAME I LOOK CONFIDENTLY FOR SUPPORT AND ENCOURAGEMENT FOR OUR ENDEAVOURS IN IRELAND TODAY. IRELAND HOLDS A SPECIAL PLACE IN THE AFFECTIONS OF MILLIONS OF AMERICANS AND IT IS MY HOPE THAT THAT FEELING WILL INFORM AMERICAN POLICY AND ACTIONS AND ENSURE THAT THE ENCOURAGEMENT OF IRISH UNITY RANKS HIGH AMONG HER INTERNATIONAL OBJECTIVES. THERE IS MUCH TO BE DONE: AND THE FIRST THING IS THAT BRITAIN BE ENCOURAGED TO SEEK MORE POSITIVELY AND PERSUADE MORE ACTIVELY A CHANGE IN ATTITUDES AND OUTLOOKS WHICH WOULD PAVE THE WAY FOR UNITY AND SO ENABLE HER FINAL WITHDRAWAL FROM IRELAND TO TAKE PLACE WITH HONOUR AND DIGNITY.
ENDS.

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MR WRIGHT
MR ADAMS
MR BULLARD
MR GOODISON
LORD N G LENNOX
MR URE

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NORTHERN IRELAND

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FM DUBLIN 231530Z MAR 1982

TO IMMEDIATE F C O

TELEGRAM NUMBER 75 OF 23 MARCH

AND TO IMMEDIATE INFO N I O (B)

F C O PLEASE PASS SAVING TO WASHINGTON

NORTHERN IRELAND : TAOISEACH'S MEETING WITH HUME

1. FOLLOWING IS THE TEXT OF THE JOINT STATEMENT ISSUED ON 22 MARCH AFTER THE MEETING BETWEEN THE TAOISEACH AND JOHN HUME.

BEGINS

THE TAOISEACH, MR CHARLES J HAUGHEY , T D , ACCOMPANIED BY THE MINISTER FOR AGRICULTURE, MR BRIAN LENIHAN T D AND MINISTER FOR TRANSPORT AND POSTS AND TELEGRAPHS , MR JOHN WILSON, T D, MET A DELEGATION FROM THE S D L P IN GOVERNMENT BUILDINGS TODAY. THE DELEGATES CONSISTED OF MR JOHN HUME, M E P, LEADER OF THE PARTY , MR SEAMUS MALLON, DEPUTY LEADER, MR EDDIE MCGRADY SPOKESMAN ON THE ENVIRONMENT AND DR JOE HENDRON, CHAIRMAN OF THE CONSTITUENCY REPRESENTATIVES.

THE MEETING CONSIDERED THE CURRENT SITUATION IN NORTHERN IRELAND, IN PARTICULAR THE PROPOSALS BEING DEVELOPED BY THE NORTHERN IRELAND SECRETARY OF STATE FOR A FORM OF ADMINISTRATION THERE.

BOTH SIDES CONSIDERED THAT THE PROPOSALS AS THEY WERE EMERGING WERE UNWORKABLE. THEY FOUND THEM DEFICIENT IN THAT THEY CONCENTRATED ON THE DETAILS OF AN ADMINISTRATION FOR NORTHERN IRELAND, WITHOUT DUE REGARD FOR THE BROADER DIMENSIONS OF THE PROBLEM.

/ BOTH

BOTH SIDES AGREED THAT ANOTHER FAILED INITIATIVE IN NORTHERN IRELAND COULD ONLY LEAD TO FURTHER FRUSTRATION THERE AND LESSEN THE PROSPECTS FOR PROGRESS BY DEMOCRATIC POLITICAL MEANS. THEY SHARED THE CONVICTION THAT SUCH PROGRESS SHOULD BE PURSUED IN PRESENT CIRCUMSTANCES THROUGH THE FURTHER DEVELOPMENT OF THE ANGLO-IRISH PROCESS INITIATED BETWEEN THE TAOISEACH AND THE BRITISH PRIME MINISTER AT THEIR MEETING IN DECEMBER, 1980..

THE MEETING ALSO NOTED THAT THE MAIN UNIONIST PARTIES HAD ALREADY REJECTED THE PROPOSALS AS UNACCEPTABLE.

ENDS

2. SEE M I F T FOR COMMENTS.

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(REPEATED AS REQUESTED)

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PS/MR LUCE
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SIR J LEAHY
MR WRIGHT
MR ADAMS
MR BULLARD
MR GOODISON
LORD N G LENNOX
MR URE

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NORTHERN IRELAND



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

John Coles Esq
No 10 Downing Street
LONDON
SW1

26 March 1982

Dear John,

*p.a.
M 2/3.*

MEETING WITH MR HAUGHEY

... In the light of your letter earlier today I enclose briefing for the Prime Minister's use when she meets Mr Haughey in Brussels next week. It focuses on the points Mr Haughey will have in mind or which should be made to him, and does not of course attempt to give full summary of the scheme. The Secretary of State for Northern Ireland has not been able to see it.

Copies of this letter and its enclosure go to Francis Richards (FCO) and David Wright (Cabinet Office)

*Francis
Steph.*

S W BOYS SMITH

MEETING WITH MR HAUGHEY IN THE MARGINS OF THE EUROPEAN COUNCIL:

29/30 MARCH 1982

NORTHERN IRELAND

POINTS TO MAKE

1. HMG has yet to reach decisions on Mr Prior's proposals but they involve very substantial safeguards for the minority.
2. Devolution of powers would require the consent of Parliament which would not be forthcoming unless arrangements were acceptable to both sides of the community.

3. It is difficult to see how Northern Ireland could be properly represented in an Anglo-Irish inter-parliamentary body unless there were an elected regional Assembly - Mr Haughey has publicly suggested either special elections or appointment of Northern Ireland representatives by Mr Prior, both are impracticable.

4. Direct rule is unsatisfactory. If devolution proves impossible we may have to consider integration or a system of regional councils, or more powers to local government.

5. The initiative has many hurdles to surmount from Unionist as well as nationalist opinion. If it is seen to founder on account of unwillingness to compromise by the minority, British opinion could well draw the conclusion that the majority deserve more sympathy, support and freedom of action.

This is a very rough "draft".

This raises all my fears about the N.I. office.

No - we have N.I. M.P.'s

NORTHERN IRELAND OFFICE

26 March 1982

RESTRICTED

MEETING WITH MR HAUGHEY IN THE MARGINS OF THE EUROPEAN COUNCIL:

29/30 MARCH 1982

NORTHERN IRELAND

BACKGROUND

Mr Haughey has sought the meeting. He knows that decisions on Mr Prior's proposals (details in the paper considered by OD on 25 March) are imminent. In a joint statement with the SDLP on 22 March he said "the proposals as they were emerging were unworkable" and "deficient in that they concentrated on the details of an administration for Northern Ireland without due regard for the broader dimensions of the problem". He may want to press for a stronger Irish dimension, particularly through the setting up of an inter-parliamentary body, but he has in fact shown little inclination to support the concept of a devolved government for Northern Ireland. His recent speeches, including at the White House on 17 March, have sought to put pressure on HMG to express support for Irish unity.

2. One cannot hope to persuade Mr Haughey to support Mr Prior's proposals. But he could be urged to adopt a less negative approach. It is in the interests of both sides of the community in Northern Ireland and Anglo-Irish relations to promote political development there.

3. Mr Prior has offered to see the new Irish Minister for Foreign Affairs in London on Wednesday to explain the proposals at more length than is feasible in a meeting in the margin of the Council.

NORTHERN IRELAND OFFICE

26 March 1982

RESTRICTED

26 MAR 1982





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PRIME MINISTER

Anglo-Irish Relations

As you know, the Irish election interrupted a certain amount of ongoing business, following up the Summit which you had with Dr. FitzGerald on 6th November 1981. In particular you and the then Taoiseach committed yourselves to holding the next Anglo-Irish Summit "in the spring". Clearly, if Dr. FitzGerald had been returned, Anglo-Irish activity would have resumed at the point where it was broken off when the election was called. But since he was not returned, the question arises whether we should revert to business as usual and, if so, how.

2. Given Mr. Haughey's utterances since the election and during his visit to the United States about British withdrawal from Northern Ireland and reunification, I see no case for taking the initiative: that could be misunderstood in Dublin. Nevertheless, there remains the question of what, if anything, you should say about these matters to Mr. Haughey, if you see him and if he raises them with you at the European Council next week.

3. The Foreign and Commonwealth Office view is that what Mr. Haughey has recently been saying does not go much beyond what he said as long ago as June 1980. Moreover, bombast apart, there remains a careful obscurity in his language which leaves him uncommitted.

4. I understand that Mr. Haughey has now asked for a meeting in Brussels next week, at which he will no doubt wish to discuss Northern Ireland. The Foreign and Commonwealth Office will advise that you should see him. It would clearly be difficult to refuse to do so. It is also likely that I will myself see Dermot Nally, my opposite number on the Irish side, in Brussels next week; so the question also arises of what I should say to him on Anglo-Irish Intergovernmental Council (AIIC) business if he raises the matter.

5. I think that the correct line to take is that we remain ready to carry on with business as usual but that the running will have to be made by the Irish. There is to be another Ministerial meeting, which will (unless we specify

CONFIDENTIAL

otherwise) be in the AIIC framework, when Mr. Wyn Roberts meets Mr. Flynn, Irish Minister for the Gaeltacht, on 30th March. Other meetings are in the offing, for example between Mr. Adam Butler and the new Irish Energy Minister on Kinsale Gas. If Mr. Haughey talks about a Summit, you could say that we have assumed the new Government would need more time than a Summit as early as May would allow them, and that May would now be very difficult for you. Similarly, I could say to Mr. Nally that we shall expect to hear from them in due course about dates for a meeting of the Official Co-ordinating Committee. All this would be in low key and handled very much as a routine resumption of business.

6. If you agree to see Mr. Haughey in Brussels, and if he is to be accompanied by Mr. Nally, it would be a help to me if I could be with you, so as to know how to deal with Mr. Nally in the light of your meeting.

7. There is another loose end which might usefully be tied up. I sought your agreement last January to my inviting Sir David Orr to be British Chairman of the Executive Board of the Anglo-Irish Encounter organisation. You thought that a decision on this should be deferred until after the election. If Mr. Nally raises AIIC business with me, I should be grateful for authority to mention this to him in order to confirm that there will be no difficulty from the Irish side, and then to approach Sir David himself. I should like to get ahead with this because Sir David's name has come up in connection with an appointment in Northern Ireland, and I should not wish to risk losing such an ideal candidate for the Encounter organisation.

REA

Robert Armstrong

26th March 1982

26 March 1982

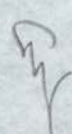
European Council

Thank you for your letter of 25 March, proposing a draft reply by the Prime Minister to the letter of 22 March from the Belgian Prime Minister about the subjects to be discussed at the European Council.

As I told you on the telephone this morning, the Prime Minister has approved the draft reply. I enclose the signed version of her letter.

AJC

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



SUBJECT



PRIME MINISTER'S
PERSONAL MESSAGE

10 DOWNING STREET SERIAL No. T 52 A/82

26 March 1982

THE PRIME MINISTER

cc'd to minister's office
(see tel 63)

Thank you for your message about the way you see our discussion going at the European Council next week.

I agree with you that it is important for us to exchange views about the economic problems which face all our countries and to learn from each other's experience. I found our discussion on these subjects last November particularly constructive and hope we shall again be able to agree on the need to control public deficits and monetary growth if we are to achieve our objectives of fighting inflation and unemployment. I also agree with you that our discussions should cover the creation of the right climate for investment. I am convinced that improving the economic environment for the private sector is the key to achieving sustainable recovery.

As regards the external economic problems, I think it is particularly important in the run up to the Versailles economic summit to discuss our economic and commercial relations with the US and Japan and I hope we shall be able to reach agreement on a united stand by the Community to urge the US and Japanese governments to co-operate in reducing the present strains on the world trading system.

The Foreign Ministers will be meeting again shortly after our meeting to carry forward the work on their Mandate of 30 May 1980. While I agree with you that it would not be appropriate to get involved in discussion of detailed solutions, I am sure that you would agree that the Council should receive a report on the progress made on the remit that it gave to Foreign Ministers last November; that some time should therefore be set aside for this subject; and that we should collectively underline the desirability of reaching an early solution.

/As to B

As to Political Cooperation, I agree that we should discuss the subjects you mention in your letter with the clarifications that emerged from the Foreign Ministers' meeting on 23 March. I am glad to hear that the Presidency has arranged for Political Directors to meet on 26 March to prepare this part of our discussion.

(SGD) MARGARET THATCHER

His Excellency Mr. Wilfried Martens

Euro Pol
Euro Council notes
At 10.

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GRS 125

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FM LUXEMBOURG 26164Z MARCH 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 35 OF 26 MARCH

LUXEMBOURG PRIME MINISTER

mf

HD WED
HD ECDE
HD ERD, HD News Dept.
PS (6)
PS/LPS (3)
PPS/PUS
PS/MITURD
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~~NO. 10DS.~~

1. I THINK THE PRIME MINISTER WILL FIND MONSIEUR WERNER MORE THAN USUALLY SUBDUED AT NEXT WEEK'S EUROPEAN COUNCIL.

2. HE IS MAINLY BOTHERED ABOUT THE LUXEMBOURG FRANC FOLLOWING THE DEVALUATION. HE IS JUST STARTING A RENEGOTIATION OF THE MONETARY ASSOCIATION WITH BELGIUM WHICH WILL BE HARD SLOGGING. HE IS HAVING TROUBLE WITH HIS UNIONS OVER WAGES, FUTURE OF STEEL INDUSTRY AND JOBS. AND HIS YOUNGER DEMOCRATIC PARTY COALITION PARTNERS ARE RESTIVE. BUT HE STILL DOMINATES THE POLITICAL SCENE HERE. HE STILL HANKERS AFTER THE DEVELOPMENT OF THE EMS. HE STILL THINKS GASTON THORN TALKS TOO MUCH. HE LOOKS FORWARD TO HIS VISIT TO LONDON IN OCTOBER. MADAME WERNER'S HEALTH IS NOT TOO GOOD.

THOMAS

NNNN

SENT/RECD AT 26 1645Z SJW/



MINISTER OF AGRICULTURE, FISHERIES & FOOD

AGRICULTURE COUNCIL: 31 MARCH

We have discussed next week's Agriculture Council, and the difficult hand you will then have to play. You know my views on the main CAP price issues, and the importance of maintaining the line agreed in OD(E), ie that there should be no increases beyond the Commission's original proposals, and lower increases for certain cereals prices, milk, sugar, oil seeds and Mediterranean products. The purpose of this minute is to add a point about the green pound.

2. If at the end of the day we were obliged to consider price increases beyond the Commission's original proposals, we should need, in my view, to offset any excess above a 9% average by a one-for-one revaluation of the green pound. I quite see that you may be concerned at the risk that such a revaluation could be followed by a further EMS realignment, and a consequential devaluation of the green franc. But the essential criterion which should govern our own decision is that the level of the green pound must strike the right balance between the needs of consumers and of producers. I hope you won't mind my writing at this late stage to put on record once again my firm belief that a revaluation of the green pound to prevent any excess above a 9% increase in common prices will be sufficient to protect the position of producers, while enabling us to ensure that the impact on prices in the shops is kept within defensible limits.

3. I am sending copies of this minute to the Prime Minister, to OD(E) colleagues, and to Sir Robert Armstrong.

J. H. S.

*Approved by the Chancellor
and signed in his absence.*

(G.H.)

26 March 1982

070
CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

26 March 1982

*The Americans and French have
already taken action on their own
account with the Greeks.*

A.S.C. 26/3.

Dear John,

Papandreou's Statement about the British Deterrent

Since Mr Papandreou is expected to attend the European Council on 29 March, the Prime Minister may wish to be aware that in a public statement on 18 March welcoming Brezhnev's SS20 moratorium offer, Mr Papandreou said that British and French nuclear systems should be included in the current INF negotiations at Geneva.

We have already summoned the Greek Ambassador to express our serious concern that the Greek Prime Minister should have spoken in this vein. Sir Michael Palliser spoke similarly to the Greek Ambassador at a social function last night. We have instructed Sir Iain Sutherland to take parallel steps in Athens. This may give the Greeks pause before contemplating a public repetition.

It might nevertheless be useful if the Prime Minister could take an appropriate opportunity in the margins of the European Council to bring home the point to Mr Papandreou personally. As the Prime Minister will be aware, the exclusion of British and French systems from the INF negotiations has been a cardinal element in the Alliance position since the double-track decision of December 1979. It has been reaffirmed on numerous occasions since: the North Atlantic Council last December issued a declaration, to which Greece subscribed, expressing full support for the US negotiating position. Quite apart from the aberration in substance, it is reprehensible that the Greek Government should make a public statement on a matter touching Britain's vital interests without any prior consultation with us through either bilateral or multilateral channels.

I am sending a copy of this letter to David Omand at the Ministry of Defence.

Yours ever,

Francis Pichard
(F N Richard)
Private Secretary

A J Coles Esq
10 Downing Street

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

*I take it that you did
not raise this with Mr.
Papandreou? Correct?*

No.

26 March 1982

Dear John,

A.S.C. 30/3

K.A. 12/3

Papandreou's Statement about the British Deterrent

Since Mr Papandreou is expected to attend the European Council on 29 March, the Prime Minister may wish to be aware that in a public statement on 18 March welcoming Brezhnev's SS20 moratorium offer, Mr Papandreou said that British and French nuclear systems should be included in the current INF negotiations at Geneva.

We have already summoned the Greek Ambassador to express our serious concern that the Greek Prime Minister should have spoken in this vein. Sir Michael Palliser spoke similarly to the Greek Ambassador at a social function last night. We have instructed Sir Iain Sutherland to take parallel steps in Athens. This may give the Greeks pause before contemplating a public repetition.

It might nevertheless be useful if the Prime Minister could take an appropriate opportunity in the margins of the European Council to bring home the point to Mr Papandreou personally. As the Prime Minister will be aware, the exclusion of British and French systems from the INF negotiations has been a cardinal element in the Alliance position since the double-track decision of December 1979. It has been reaffirmed on numerous occasions since: the North Atlantic Council last December issued a declaration, to which Greece subscribed, expressing full support for the US negotiating position. Quite apart from the aberration in substance, it is reprehensible that the Greek Government should make a public statement on a matter touching Britain's vital interests without any prior consultation with us through either bilateral or multilateral channels.

I am sending a copy of this letter to David Omand at the Ministry of Defence.

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

A J Coles Esq
10 Downing Street

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GRS 1098
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FRAME ECONOMIC
DESKBY 261700Z
FM FCO 261145Z MAR 82
TO IMMEDIATE BRUSSELS
TELEGRAM NUMBER 64 OF 26 MARCH
AND TO IMMEDIATE UKREP BRUSSELS,
PRIORITY TO ALL OTHER EC POSTS.

30 MAY MANDATE

1. FOLLOWING IS THE TEXT OF A MESSAGE FROM ME TO M. TINDEMANS ABOUT THE PRESIDENCY/COMMISSION TEXT (UKREP TELNO 1188). PLEASE ARRANGE DELIVERY URGENTLY. PLEASE ALSO ENSURE THAT M. THORN RECEIVES A COPY. OTHER POSTS SHOULD MAKE THESE POINTS AT A SENIOR LEVEL TO FOREIGN AND FINANCE MINISTRIES AFTER THE EUROPEAN COUNCIL BUT BEFORE 3 APRIL.

BEGINS

I AM MOST GRATEFUL TO YOU AND GASTON THORN FOR THE EFFORTS YOU MADE AT OUR MEETING ON 23 MARCH TO GIVE AN IMPULSE TO THE SEARCH FOR A SETTLEMENT OF THE 30 MAY MANDATE. I PARTICULARLY WELCOME YOUR INITIATIVE IN PUTTING FORWARD YOUR JOINT IDEAS FOR THE METHOD OF DECIDING THE AMOUNT OF COMPENSATION TO BE PAID TO THE UK. AS I SAID DURING THE MEETING, THERE ARE A NUMBER OF ELEMENTS IN THE TEXT WHICH I WELCOME, BUT SOME DIFFICULTIES. WE SHALL WANT TO EXAMINE THESE CAREFULLY, BUT I AM SURE THAT YOUR PROPOSALS WILL PROVIDE A GOOD BASIS FOR OUR DISCUSSION ON 3 APRIL. OUR CONSIDERATION OF THEM WILL NATURALLY BE GREATLY HELPED BY HAVING THE ILLUSTRATIVE FIGURES WHICH THE COMMISSION AGREED TO PROVIDE, AND I HOPE THAT THESE WILL BE MADE AVAILABE IN GOOD TIME.

I THOUGHT THAT IN MAKING YOUR OWN PREPARATIONS FOR OUR NEXT MEETING YOU AND GASTON THORN MIGHT FIND IT HELPFUL IF I GAVE YOU AN ACCOUNT OF OUR MAIN PREOCCUPATIONS WITH THE METHOD

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WHICH YOU HAVE PUT FORWARD.

LET ME START WITH THE QUESTION OF DURATION. I NATURALLY WELCOME YOUR SUGGESTION THAT THIS SHOULD BE FIVE YEARS. I AM SURE THAT IT IS RIGHT TO TAKE THIS ISSUE RIGHT OUT OF COMMUNITY POLITICS FOR A SUBSTANTIAL PERIOD SO THAT WE CAN CONCENTRATE ON THE OTHER URGENT TASKS WHICH FACE US. TO ACHIEVE THIS OBJECTIVE, WHICH I AM SURE THAT WE ALL SHARE, WE MUST HOWEVER HAVE AN ARRANGEMENT WHICH GENUINELY PROVIDES A FIVE-YEAR BREATHING SPACE. I AM CONCERNED THAT THE IDEAS NOW ON THE TABLE WOULD NOT GIVE US THAT, AND IN PARTICULAR I HAVE GREAT DOUBTS ABOUT THE IDEA OF FIXING THE METHOD OF DECIDING THE AMOUNT OF COMPENSATION FOR THE FIRST THREE YEARS ONLY, SO THAT WE WOULD NEED TO HAVE A COMPLETELY FRESH NEGOTIATION TO DECIDE ON THE ARRANGEMENTS FOR THE LAST TWO YEARS.

AS REGARDS THE METHOD YOU PROPOSE FOR APPLYING THE OBJECTIVE INDICATOR, THIS IS RATHER COMPLICATED AND I WOULD PREFER SOMETHING SIMPLER. I AGREE WITH YOU THAT IT WOULD BE INSUFFICIENT SIMPLY TO SPECIFY FIXED SUMS OF COMPENSATION. THERE MUST BE PROVISION FOR ADJUSTING THE AMOUNT OF COMPENSATION IN THE LIGHT OF VARIATIONS IN THE OBJECTIVE INDICATOR, AND I ACCEPT THAT, UNLIKE THE 30 MAY 1980 ARRANGEMENTS, THE POSSIBILITY THAT THE ACTUAL GAP WILL TURN OUT LOWER THAN EXPECTED SHOULD BE ALLOWED FOR AS WELL AS THE POSSIBILITY OF ITS BEING HIGHER. AT THE MOMENT I AM INCLINED TO THINK THAT IT MAY RISE, BUT IF, AS HAPPENED IN 1981, CAP EXPENDITURE DID NOT GROW AS EXPECTED, THE GAP COULD WELL TURN OUT LOWER. BUT I ALSO THINK THAT IF WE ARE TO AVOID AN ANNUAL NEGOTIATION OVER THE FIGURES - WHICH I THINK WE ALL BELIEVE WOULD BE DIVISIVE AND DAMAGING TO THE COMMUNITY - THEN WE SHALL NEED TO HAVE A METHOD OF ADJUSTMENT WHICH IS CLEAR, PRECISE AND OF DIRECT APPLICATION. I FEAR THAT THE PRESENT SUGGESTION OF PROPOSALS ON EACH OCCASION FROM THE COMMISSION FOLLOWED BY DECISIONS BY THE COUNCIL WOULD NOT PROVE SATISFACTORY IN PRACTICE, AND I DO NOT THINK IT WOULD BE RIGHT TO LEAVE UNADJUSTED A DIVERGENCE OF AS MUCH AS 10 PERCENT IN EITHER DIRECTION. WHAT I WOULD PROPOSE THEREFORE IS THAT ON AND BEFORE 3 APRIL WE SHOULD ALL BEND

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OUR MINDS TO THE TASK OF FINDING AN ALTERNATIVE METHOD WHICH WOULD ENABLE US TO GET AWAY FROM ANNUAL NEGOTIATIONS BUT AT THE SAME TIME GIVE THE CERTAINTY THAT EVEN IF THERE IS SOME UNEXPECTED VARIATION IN THE OUTTURN THE RESULT WILL BE EQUITABLE FOR ALL CONCERNED. I AM SURE THAT SOMETHING OF THIS SORT CAN BE DEvised.

AT OUR MEETING ON 23 MARCH I EXPLAINED THAT THE CONTRIBUTIONS GAP WAS AN IMPORTANT ELEMENT IN THE UK PROBLEM AND CIRCULATED SOME FIGURES DESIGNED TO ILLUSTRATE THIS. I AM PLEASED THAT IN PARAGRAPH 3 OF YOUR NON-PAPER YOU HAVE PUT FORWARD A SUGGESTION WHICH IS CLEARLY DESIGNED TO TAKE SOME ACCOUNT OF THIS PROBLEM, BUT YOUR PROPOSAL WOULD NOT IN MY VIEW PROVIDE AN ADEQUATE SOLUTION. WHAT IS NEEDED IS AN OBJECTIVE INDICATOR WHICH MEASURES THE WHOLE OF THIS PROBLEM RATHER THAN ONE WHICH MEASURES ONLY A PART OF IT. IN SAYING THIS, I AM NOT ARGUING THAT THE UK SHOULD RECEIVE 100 PERCENT COMPENSATION FOR THE WHOLE GAP: I ACCEPT THAT WE SHOULD RECEIVE AN AGREED PERCENTAGE LESS THAN 100 PERCENT. BUT IT SHOULD BE A PERCENTAGE APPLIED TO THE WHOLE EXTENT OF THE PROBLEM. PERHAPS I SHOULD ADD THAT I DO NOT UNDERSTAND THE FEELING SOMETIMES EXPRESSED THAT AN INDICATOR MEASURING THE WHOLE GAP WOULD IN SOME WAY BE CONTRARY TO COMMUNITY PRINCIPLES. SUCH AN INDICATOR IS NOT A NEW IDEA: THERE ARE PRECEDENTS BOTH IN THE DUBLIN FINANCIAL MECHANISM AND IN THE AGREEMENT OF 30 MAY 1980. AND CUSTOMS DUTIES AND AGRICULTURAL LEVIES COLLECTED IN THE UK, EVEN THOUGH THEY ARE THE COMMUNITY'S OWN RESOURCES, DO PLACE A BURDEN ON UK TAXPAYERS AND CONSUMERS IN JUST THE SAME WAY AS DO VAT CONTRIBUTIONS. IT IS THE DISPROPORTIONATE AMOUNT PAID UNDER BOTH HEADINGS WHICH CONSTITUTES AN IMPORTANT PART OF THE UK'S BUDGET PROBLEM.

FINALLY, AS I SAID ON 23 MARCH, I ATTACH IMPORTANCE TO INCLUDING PROVISION FOR A REVIEW OF THE OPERATION OF THE ARRANGEMENT TOWARDS THE END OF THE 5 YEAR PERIOD. THIS NEED NOT OF COURSE PREJUDGE WHETHER THE ARRANGEMENT OR SOMETHING ON SIMILAR LINES WILL CONTINUE AFTER THE PERIOD. THAT WOULD DEPEND ON THE SITUATION AT THE TIME. NO-ONE WOULD BE MORE

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DELIGHTED THAN THE BRITISH GOVERNMENT IF BY THEN THE PROBLEM HAD CEASED TO EXIST AND THERE WERE NO NEED FOR ANY CORRECTIVE ARRANGEMENTS. BUT UNFORTUNATELY EXPERIENCE SUGGESTS THAT WE CANNOT AFFORD TO MAKE THAT ASSUMPTION. IT IS INCONCEIVABLE THAT IF THE PROBLEM CONTINUED THE COMMUNITY SHOULD SIMPLY TURN ITS BACK ON IT AND LEAVE IT UNRESOLVED, AND I THEREFORE THINK THAT WE MUST FIND SOME LANGUAGE ABOUT A REVIEW, PERHAPS ON THE LINES OF THE TEXT OF 18 JANUARY.

I HOPE THAT YOU WILL FIND IT USEFUL TO HAVE THESE COMMENTS IN ADVANCE OF OUR MEETING ON 3 APRIL. I AM PARTICULARLY GLAD THAT YOUR PROPOSALS WILL PROVIDE A BASIS ON WHICH WE CAN ON 3 APRIL TRY TO AGREE NOT ONLY ON A METHOD BUT ON A FULL SETTLEMENT INCLUDING THE FIGURES. I THINK THAT WE ARE ALL INCREASINGLY AWARE OF THE NEED TO FIND AN EARLY SOLUTION OF THESE PROBLEMS AND OF THE RISKS IF WE DO NOT. I SHALL BE APPROACHING OUR NEXT MEETING IN A SPIRIT OF DETERMINATION TO FIND A BASIS FOR AGREEMENT.

ENDS

CARRINGTON

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FRAECONOMIC
FM FCO 261300Z MARCH 82
TO IMMEDIATE BRUSSELS
TELEGRAM NUMBER 63 OF 26 MARCH
AND TO IMMEDIATE UKREP BRUSSELS

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 52 A/82.

cc. Martens ask
of.

1. PLEASE PASS FOLLOWING MESSAGE TO M. MARTENS FROM PRIME MINISTER:

THANK YOU FOR YOUR MESSAGE ABOUT THE WAY YOU SEE OUR DISCUSSION GOING AT THE EUROPEAN COUNCIL NEXT WEEK.

I AGREE WITH YOU THAT IT IS IMPORTANT FOR US TO EXCHANGE VIEWS ABOUT THE ECONOMIC PROBLEMS WHICH FACE ALL OUR COUNTRIES AND TO LEARN FROM EACH OTHER'S EXPERIENCE. I FOUND OUR DISCUSSION ON THESE SUBJECTS LAST NOVEMBER PARTICULARLY CONSTRUCTIVE AND HOPE WE SHALL AGAIN BE ABLE TO AGREE ON THE NEED TO CONTROL PUBLIC DEFICITS AND MONETARY GROWTH IF WE ARE TO ACHIEVE OUR OBJECTIVES OF FIGHTING INFLATION AND UNEMPLOYMENT. I ALSO AGREE WITH YOU THAT OUR DISCUSSIONS SHOULD COVER THE CREATION OF THE RIGHT CLIMATE FOR INVESTMENT. I AM CONVINCED THAT IMPROVING THE ECONOMIC ENVIRONMENT FOR THE PRIVATE SECTOR IS THE KEY TO ACHIEVING SUSTAINABLE RECOVERY.

AS REGARDS THE EXTERNAL ECONOMIC PROBLEMS, I THINK IT IS PARTICULARLY IMPORTANT IN THE RUN-UP TO THE VERSAILLES ECONOMIC SUMMIT TO DISCUSS OUR ECONOMIC AND COMMERCIAL RELATIONS WITH THE US AND JAPAN AND I HOPE WE SHALL BE ABLE TO REACH AGREEMENT ON A UNITED STAND BY THE COMMUNITY TO URGE THE US AND JAPANESE GOVERNMENTS TO COOPERATE IN REDUCING THE PRESENT STRAINS ON THE WORLD TRADING SYSTEM.

THE FOREIGN MINISTERS WILL BE MEETING AGAIN SHORTLY AFTER OUR MEETING TO CARRY FORWARD THE WORK ON THEIR MANDATE OF 30 MAY 1980. WHILE I AGREE WITH YOU THAT IT WOULD NOT BE APPROPRIATE TO GET INVOLVED IN DISCUSSION OF DETAILED SOLUTIONS, I AM SURE THAT YOU WOULD AGREE THAT THE COUNCIL SHOULD RECEIVE

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A REPORT ON THE PROGRESS MADE ON THE REMIT THAT IT GAVE TO FOREIGN MINISTERS LAST NOVEMBER: THAT SOME TIME SHOULD THEREFORE BE SET ASIDE FOR THIS SUBJECT: AND THAT WE SHOULD COLLECTIVELY UNDERLINE THE DESIRABILITY OF REACHING AN EARLY SOLUTION. AS TO POLITICAL COOPERATION, I AGREE THAT WE SHOULD DISCUSS THE SUBJECTS YOU MENTION IN YOUR LETTER WITH THE CLARIFICATIONS THAT EMERGED FROM THE FOREIGN MINISTERS' MEETING ON 23 MARCH. I AM GLAD TO HEAR THAT THE PRESIDENCY HAS ARRANGED FOR POLITICAL DIRECTORS TO MEET ON 26 MARCH TO PREPARE THIS PART OF OUR DISCUSSION. ENDS

CARRINGTON

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. COPIES SENT TO
No 10 DOWNING STREET



10 DOWNING STREET

From the Private Secretary

25 March 1982

Possible meeting between the Prime Minister and
Mr. Haughey in Brussels on 29/30 March 1982

Thank you for your letter of 26 March (not copied to Stephen Boys-Smith or David Wright).

Following the discussion in OD yesterday, the question of a meeting between the Prime Minister and Mr. Haughey is of some delicacy and it will be important that the Prime Minister's views on the matter are carefully observed. These are:

- (a) The Prime Minister is prepared to have a meeting with Mr. Haughey in the margins of the European Council.
- (b) This would not be a meeting of the Anglo/Irish Inter-Governmental Council. The Prime Minister would be meeting Mr. Haughey as a fellow Head of Government at the European Council.
- (c) The Prime Minister would be accompanied by a Private Secretary (we imagine that Mr. Haughey will similarly be accompanied).
- (d) The impression should not be created that the Prime Minister has anything of substance to say to Mr. Haughey.

The Prime Minister has noted that Mr. Prior proposes to meet the Irish Foreign Minister in London shortly. She would not object to that meeting being described, if necessary, as a meeting of the Anglo/Irish Inter-Governmental Council.

I am copying this letter to Stephen Boys-Smith (Northern Ireland Office) and David Wright (Cabinet Office).

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

25 March 1982

*Overtaken. Mr. Haughey has now
asked for a meeting. F/C.O. will
submit new advice.*

*A.S.C. 25.
3*

h.a.

Dear John,

Anglo-Irish Relations: Possible Meeting of the Prime Minister
With Mr Haughey in Brussels

When John Marshall (Deputy Secretary in the NIO) and Patrick Evers (Republic of Ireland Department, FCO), were in Dublin on Friday, 19 March, Irish officials told them that the Irish had in mind to suggest that Mr Haughey might have a short but substantive meeting with the Prime Minister in the margins of the European Council on 29/30 March. Evers said that the Prime Minister would have a very heavy load of business during the European Council, and that she might not find it easy to find time to take on an additional substantive discussion. The Irish officials asked whether an early discussion between Mr Prior and the Irish Foreign Minister might be possible instead. Marshall said that he thought that Mr Prior would not be averse to such a meeting.

Lord Carrington believes that, after the meeting of OD on 25 March, there could be advantage in pursuing the suggestion of a meeting between the Northern Ireland Secretary and Mr Collins if Mr Prior believes that it would be useful to explain the conclusions of OD to the Irish. Mr Haughey has made several unwelcome statements concerning Northern Ireland since taking office. In these circumstances, a short meeting between him and the Prime Minister in the margins of a European Council would be unlikely to be productive. A meeting between the Northern Ireland Secretary and Mr Collins would be a more appropriate occasion for a first discussion at Ministerial level with the new Irish Government of their ideas on the North.

/The Irish

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The Irish do not appear to expect a further reply on the possibility of a meeting between the Prime Minister and Mr Haughey next week. Subject to the Prime Minister's views, Lord Carrington believes that the best course would therefore be to take no further action until after OD, but thereafter, depending on the conclusions reached by OD, to propose an early meeting between the Northern Ireland Secretary and Mr Collins. I understand that the Northern Ireland Secretary agrees.

I am sending copies of this letter to Steven Boys-Smith (NIO) and David Wright (Cabinet Office).

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street



Foreign and Commonwealth Office

London SW1A 2AH

25 March 1982

*Please type letter
by tonight's box.*

*M 25
/ 3.*

Dear John,

The Belgian Prime Minister wrote to the Prime Minister on 22 March with some suggestions about the subjects to be discussed at the European Council. He invited the Prime Minister to give her views.

I attach a draft reply which generally welcomes Mr Martens's proposals, but makes clear that while we agree that the European Council should not discuss detailed solutions on the Mandate, there should be time for some discussion.

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Mr W Martens
Prime Minister
Belgium

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your message about the way you see our discussion going at the European Council next week.

CAVEAT.....

I agree with you that it is important for us to exchange views about the economic problems which face all our countries and to learn from each other's experience. I found our discussion on these subjects last November particularly constructive and hope we shall again be able to agree on the need to control public deficits and monetary growth if we are to achieve our objectives of fighting inflation and unemployment. I also agree with you that our discussions should cover the creation of the right climate for investment. I am convinced that improving the economic environment for the private sector is the key to achieving sustainable recovery.

Enclosures—flag(s).....

As regards the external economic problems, I think it is particularly important in the run up to the Versailles economic summit to discuss our economic and commercial relations with the US and Japan and I hope we shall be

/able to

able to reach agreement on a united stand by the Community to urge the US and Japanese governments to cooperate in reducing the present strains on the world trading system.

The Foreign Ministers will be meeting again shortly after our meeting to carry forward the work on their Mandate of 30 May 1980. While I agree with you that it would not be appropriate to get involved in discussion of detailed solutions, I am sure that you would agree that the Council should receive a report on the progress made on the remit that it gave to Foreign Ministers last November; that some time should therefore be set aside for this subject; and that we should collectively underline the desirability of reaching an early solution.

As to Political Cooperation, I agree that we should discuss the subjects you mention in your letter with the clarifications that emerged from the Foreign Ministers' meeting on 23 March. I am glad to hear that the Presidency has arranged for Political Directors to meet on 26 March to prepare this part of our discussion.

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RR LUXEMBOURG

RR ROME

RR ATHENS

RR UKREP BRUSSELS

RR DUBLIN

GRS 69φ

CONFIDENTIAL

FM PARIS 251557Z MAR 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 281 OF 25 MARCH 1982

INFO ROUTINE WASHINGTON, BONN, BRUSSELS, COPENHAGEN, LUXEMBOURG, ROME, ATHENS, UKREP BRUSSELS, DUBLIN, INFO SAVING UKDEL STRASBOURG, CONSULS GENERAL FRANCE.

MIPT: EUROPEAN COUNCIL

1. AT THE EUROPEAN COUNCIL PRESIDENT MITTERRAND'S SIGHTS ARE LIKELY TO BE SET PRINCIPALLY ON THE PREPARATIONS FOR THE VERSAILLES SUMMIT. THE COUNCIL WILL BE AN IMPORTANT STEP ON THE WAY TO HIS OBJECTIVES AT VERSAILLES.

2. MITTERRAND'S PRIME AIM AT VERSAILLES, WHERE FRANCE WILL OCCUPY FOR A MOMENT THE CENTRE OF THE WORLD STAGE, WILL BE TO ENSURE THAT THE SUMMIT IS SEEN TO BE A SUCCESS. HE WILL HOPE TO SECURE RESOUNDING STATEMENTS ON THE WORLD ECONOMY, EMPLOYMENT AND SOCIAL POLICIES WHICH CAN BE PRESENTED INTERNATIONALLY AS A MAJOR STEP FORWARD IN DEALING WITH GLOBAL ECONOMIC PROBLEMS, AND DOMESTICALLY AS BENEFICIAL TO FRANCE. DISCUSSIONS WITH OFFICIALS IN THE ELYSEE AND ELSEWHERE INDICATE THAT MITTERRAND IS NO LONGER KEEN TO GET OUT IN FRONT IN ATTACKING US AND JAPANESE POLICIES AT VERSAILLES, AND WILL CERTAINLY NOT WANT TO IMPAIR HIS IMAGE AS A WORLD STATESMAN.

3. THE OUTCOME OF THE MANDATE DISCUSSIONS AT THIS WEEK'S FOREIGN AFFAIRS COUNCIL WILL SUIT MITTERRAND TO THE EXTENT THAT IT HELPS TO CLEAR THE WAY FOR PROLONGED DISCUSSIONS OF ISSUES TO BE RAISED AT VERSAILLES. THE PRINCIPAL NEGOTIATIONS ON THE MANDATE AND AGRICULTURAL PRICE-FIXING WILL TAKE PLACE AFTER THE EUROPEAN

Prime Minister
WED *25/3 67*

PS
PS/UPS

M' Bolland

M^r Goodson

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RC [STANDARD]

TO CLEAR THE WAY FOR PROLONGED DISCUSSIONS OF ISSUES TO BE RAISED AT VERSAILLES. THE PRINCIPAL NEGOTIATIONS ON THE MANDATE AND AGRICULTURAL PRICE-FIXING WILL TAKE PLACE AFTER THE EUROPEAN SUMMIT. MITTERRAND CAN COMFORTABLY MAKE FIRM STATEMENTS ON BOTH ISSUES FOR THE RECORD, LEAVING MME CRESSON AND CHEYSSON TO TAKE RESPONSIBILITY FOR ANY SUBSEQUENT CONCESSIONS WHICH WILL NEED TO BE MADE IF AGREEMENT IS TO BE REACHED. MITTERRAND'S STATEMENT ON AGRICULTURE MAY WELL INCLUDE A THREAT TO PROCEED WITH NATIONAL AIDS TO FARMERS IF THE PRICE-FIXING IS NOT CONCLUDED BY, OR SHORTLY AFTER 1 APRIL. MAUROY'S VISIT TO BONN TODAY SEEMS MAINLY DESIGNED TO TRY TO COORDINATE FRENCH AND GERMAN POSITIONS ON THE MANDATE AND PRICE-FIXING BEFORE THE EUROPEAN COUNCIL.

4. IN THE DISCUSSION ON THE ECONOMIC AND SOCIAL SITUATION, MITTERRAND'S CONTRIBUTIONS ARE LIKELY TO BE AFFECTED BY THE SEVERE PRESSURE WHICH THE FRANC HAS BEEN UNDERGOING (MY TEL NO 277). HE WILL HOPE TO SEE SOME ACCOUNT TAKEN OF FRENCH IDEAS ON A "RELANCE EUROPEENNE", AND ON THE PRIORITY TO BE GIVEN TO EMPLOYMENT AND SOCIAL QUESTIONS. HE MAY WISH TO EXPLORE THE OPPORTUNITIES FOR EASING THE EXCHANGE RATE PRESSURE ON FRANCE. ON THE OTHER HAND MANY GOVERNMENTS WILL REGARD THE TURBULENCE SURROUNDING THE FRANC AS EVIDENCE OF THE CONTINUING NEED FOR STRICT CONTROL OVER BUDGET EXPENDITURE AND THE INFLATION RATE AND FOR COUNTRIES WITH CURRENCIES UNDER STRAIN TO TAKE FIRM MEASURES THEMSELVES TO RESTORE CONFIDENCE IN THEIR ECONOMIES. FACED WITH DOUBTS ABOUT FRENCH POLICY ON THIS SCORE MITTERRAND WILL BE KEEN TO ENSURE THAT THE PRESIDENCY CONCLUSIONS CONTAIN SOME PHRASING WHICH COULD BE INTERPRETED AS AN ENDORSEMENT, HOW EVER QUALIFIED, OF FRANCE'S OWN APPROACH, THUS AVOIDING ANY IMPRESSION THAT HE WAS PUT IN THE DOCK. THIS REQUIREMENT COULD LEAD TO SOME TOUGH NEGOTIATIONS IN THE DRAFTING GROUPS, IF NOT AT THE COUNCIL ITSELF.

5. ON FOREIGN AFFAIRS, MITTERRAND WILL PROBABLY SEEK SOME FORM OF ENDORSEMENT, IN ANY FINAL DECLARATION, OF FRENCH ACTIVITIES IN THE MIDDLE EAST. HE MAY MAKE A FURTHER APPEAL FOR COMMUNITY AID TO ALL THE NEEDY COUNTRIES IN THE CARIBBEAN AREA, BUT AS A RESULT OF HIS LATEST VISIT TO WASHINGTON, HE COULD BE LESS INCLINED TO PUSH THE COUNCIL TOWARDS A POLITICAL ANALYSIS VERY FAR REMOVED FROM THAT OF THE UNITED STATES. DESPITE A MUFFLED RESPONSE TO THE RECENT BREZHNEV MORATORIUM PROPOSAL, HE WOULD BE NO DOUBT READY TO SUBSCRIBE TO FIRM LANGUAGE ABOUT THE SOVIET UNION. HE WILL NEVERTHELESS ARGUE FOR A LONG-TERM ASSESSMENT OF WHAT WESTERN RELATIONS WITH THE USSR SHOULD BE RATHER THAN ANYTHING WHICH WOULD LOOK LIKE SHORT-TERM PUNITIVE MEASURES.

ANYTHING WHICH WOULD LOOK LIKE SHORT-TERM PUNITIVE MEASURES.

6. MITTERRAND HAS NOT, AT PREVIOUS EUROPEAN COUNCILS, ADOPTED HIS PREDECESSOR'S HABIT OF PULLING RABBITS OUT OF THE HAT, AND I HAVE NO REASON TO BELIEVE THAT HE HAS ANY GRAND INITIATIVES IN MIND THIS TIME.

FCO PLEASE PASS SAVING TO UKDEL STRASBOURG.

FRETWELL

NNNN

SENT AT 251822Z GDS/DAB

TIC FOR TAPE

RR BONN

Prime Minister

*W
25/3*

RR BRUSSELS

RR COPENHAGEN

RR DUBLIN

RR THE HAGUE

RR LUXEMBOURG

RR ROME

RR UKREP BRUSSELS

RR ATHENS

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PS/LPS

Mr Bullard

Mr Goodson

No 10.

RL

(STANARDS)

IMMEDIATE

~~ADVANCE COPY~~

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CONFIDENTIAL

FM PARIS 251530Z MAR 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 280 OF 25 MARCH 1982

INFO ROUTINE WASHINGTON, BONN, BRUSSELS, COPENHAGEN, DUBLIN, THE HAGUE, LUXEMBOURG, ROME, UKREP BRUSSELS, ATHENS.

INFO SAVING UKDEL STRASBOURG, CONSULS GENERAL FRANCE.

EUROPEAN COUNCIL: PRESIDENT MITTERRAND'S FRANCE

1. PRESIDENT MITTERRAND WILL COME TO THE EUROPEAN COUNCIL SHORTLY AFTER THE FRENCH LEFT'S SETBACK IN THE RECENT CANTONAL (EQUIVALENT OF COUNTY COUNCIL) ELECTIONS. BUT HE STILL HAS AT HIS COMMAND A LARGE ABSOLUTE MAJORITY IN THE NATIONAL ASSEMBLY AND HIS ABILITY TO GOVERN, AS THE OPPOSITION ITSELF RECOGNISES, REMAINS UNIMPAIRED.

2. THE FRENCH GOVERNMENT'S MAIN PREOCCUPATION REMAINS THE STIMULATION OF DOMESTIC ECONOMIC RECOVERY. IN RECENT DAYS THIS HAS BECOME CLOSELY LINKED WITH THE STRUGGLE TO DEFEND THE FRENCH FRANC (MY TEL NOS 259 AND 277). THE EFFECT MAY BE TO STRENGTHEN THE HAND OF MINISTERS WITHIN THE FRENCH GOVERNMENT WHO ARE ARGUING FOR GREATER FISCAL AND MONETARY RESTRAINT AND THAT THE PACE OF THE GOVERNMENT'S REFORM PROGRAMME SHOULD TAKE MORE ACCOUNT OF THE NEED TO PRESERVE FOREIGN AND DOMESTIC BUSINESS CONFIDENCE.

3. THE ELECTORAL SETBACK IS UNLIKELY TO HAVE SHAKEN MITTERRAND'S BELIEF IN THE RIGHTNESS OF HIS PROGRAMME. IT MAY HOWEVER FORCE HIM TO MAKE SOME CHANGES IN HIS STYLE OF LEADERSHIP. HE CAME TO THE ELYSEE WITH THE PROCLAIMED INTENTION OF LETTING THE GOVERNMENT GOVERN WHILE HE CONCERNED HIMSELF WITH THE DEFINITION OF THE BROAD LINES OF POLICY. THIS HAS ENABLED HIM SINCE HIS ELECTION TO REMAIN ALOOF FROM MUCH OF THE HURLY-BURLY OF PARTISAN POLITICS. BUT IT HAS ALSO CONTRIBUTED TO THE GOVERNMENT'S APPARENT LACK OF DIRECTION. MINISTERS HAVE RATHER TOO FREQUENTLY SPOKEN WITH DISCORDANT VOICES. JUST AS HIS PREDECESSORS UNDER THE FIFTH REPUBLIC FOUND THEMSELVES PROGRESSIVELY DRAWN INTO EVERYDAY DECISION-MAKING, SO MITTERRAND MAY FIND THAT ONLY BY INTERVENING MORE REGULARLY IN THE EARLY STAGES OF POLICY FORMATION CAN HE INCREASE THE COHERENCE OF THE GOVERNMENT'S POLICIES. IN DUE COURSE HE MAY RE-SHUFFLE SOME OF HIS MINISTERS, BUT PROBABLY NOT SO IMMEDIATELY AS TO MAKE IT APPEAR AN ADMISSION OF FAILURE.

4. MITTERRAND'S DOMESTIC POLITICAL PREOCCUPATIONS ARE UNLIKELY TO MAKE MUCH DIFFERENCE TO HIS GENERAL APPROACH TO THE EUROPEAN COUNCIL. HE CAN BE EXPECTED TO ADOPT HIS CUSTOMARY ELLIPTIC AND SOMEWHAT PHILOSOPHICAL ATTITUDE IN THE DISCUSSIONS, REMAINING AS FAR AS POSSIBLE ON THE LEVEL OF BROAD GENERALITIES. HE WILL NEVERTHELESS HAVE SOME CLEAR OBJECTIVES, ON WHICH SEE MIFT.

FCO PLEASE PASS SAVING TO UKDEL STRASBOURG.

FRETWELL

NNNN

SENT AT 251814Z GDS/DQB



Prime Minister

A.F.C. 24/3.

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Qz.02515

MR COLES

30 MAY MANDATE - LATEST SCHEME

Mr Littler, Mr Edwards and I are to discuss the latest scheme with the Prime Minister tomorrow afternoon. We thought that it might be more helpful to look at illustrative figures than the rather ambiguous "non-paper". I am therefore sending you with this minute some tentative costings done by the Treasury. I would stress that the percentages shown are mere assumptions - we have no information about what the authors of the scheme might have in mind.

2. Clearly the scheme is unsatisfactory in a number of respects. During the negotiations on 3 April we shall have to attempt to secure improvements on the following essential points:-

- (i) The duration. The scheme purports to be for 5 years but is in fact only for 3 - see last paragraph of the non-paper.
- (ii) There is no mention of a review before the end of the 5 year period to consider what might happen in the years following 1986.
- (iii) The formula giving some flexibility in the second half of paragraph 2 is unsatisfactory since there is no guidance given to the Commission about the nature of the proposal that they might make and absolutely no-commitment by the Council on what sort of a decision that they might take.
- (iv) Paragraph 3 is unsatisfactory because it refers to only a part of our contributions gap.
- (v) Finally, of course, the scheme will only give us what we need if the percentages are big enough.



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3. The Prime Minister will no doubt wish to discuss each of these points when we see her tomorrow.

WJ

for D J S HANCOCK

24 March 1982

CONQUEROR
LONDON

24 MAR 1982

1981

1982

Million ecus

	Moving average GDP	In-year GDP	Higher net contrib- ution, moving average GDP	Lower net contribution In-year GDP
1. Our net contribution <u>before</u> refunds has been/might be:	-1548	-1548	-2154	-1800
2. The 'Objective Indicator' receipts gap for 1981 was 1371 (based on in-year GDP) or 1100 (based on 3-year running average). Applying differing compen- sation rates to this gap produces the following:				
95%	1045	1302	1045	1302
85%	935	1165	935	1165
75%	825	1028	825	1028
3. If the sums shown for 1982 differ by more than 10% from the sums obtained by applying the same compensation rates to the 1982 objective indicator receipts gap, the difference would be shared between the UK and other Member States (we assume a 50/50 split of the whole of the difference)	95%		137	-175
	85%		122	-157
	75%		108	-138
4. The VAT compensation might provide the following amounts depending again on the rate of compensation:				
95%	67	-	252	269
85%	60	-	226	241
75%	53	-	199	213
5. The UK would be left with a net contribution after refunds of: (= 1+2+3+4)				
95%	-436	-246	-720	-404
85%	-553	-383	-871	-551
75%	-670	-520	-1022	-697
<u>Memo Item</u>				
6. The loss to the UK from not being compensated for excessive gross contributions through levies and duties would be:				
95%	-356	-239	-476	-489
85%	-319	-214	-426	-438
75%	-281	-189	-376	-386



Prime Minister

A.F.C. 23/3

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ms

Tg 01272

MR COLES

29/30 MARCH EUROPEAN COUNCIL: SPEAKING NOTE ON ECONOMIC AND SOCIAL SITUATION

1. Paragraph 9 of the Steering Brief for the March European Council (EHG(B)(82) 2) suggests that the Prime Minister might wish to make use of the discussion of the economic and social situation within the Community to stress a number of points of importance to the United Kingdom, and indicates that a speaking note will be submitted later.

2. I now attach the speaking note, which has been agreed by officials in the Treasury, the Foreign and Commonwealth Office, and the Departments of Trade, Industry and Energy. If necessary it could no doubt be discussed at the Prime Minister's briefing meeting tomorrow morning.

DM

D M ELLIOTT
23 March 1982

Cabinet Office

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① Comité d'exp

- Co-ordinated policy -
Coordinated action

- income social security

1982 -



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p.a.
W27/3.

EUROPEAN COUNCIL 29-30 MARCH 1982

THE ECONOMIC AND SOCIAL SITUATION

SPEAKING NOTE FOR THE PRIME MINISTER

*Oil prices.
rise &
then
fall*

1. Whenever we meet we face fresh problems. At present the world is adjusting, not to a violent rise in oil prices, but to a collapse in the oil market. Like any violent change this brings problems. The loss of income to the OPEC countries may in some cases endanger their political stability and the markets that they provide for Community exports. The fall in oil prices reduces the immediate incentive to search for measures to conserve energy and reduce dependence on oil; but as the Energy Council agreed on 16 March this must not lead to a relaxation of our efforts.

2. From the point of view of the Community and of the industrial world as a whole, the advantages of these events far outweigh the disadvantages. The adjustment in the terms of trade will offset the shift of income away from oil consuming countries in the industrial and developing worlds that occurred during the 1970s. The external financing problems of a number of countries should be greatly eased as the OPEC surplus disappears more rapidly. On balance the development should be good and not bad for output and employment.

3. Yet unemployment and inflation remain our problems. We should welcome the growing realism in pay bargaining in some parts of Europe and more strikingly in the United States. Our efforts to bring home to our peoples the need for a fundamental restructuring of our economies are beginning to have some effect. But the modest general recovery of activity which ought to get under way soon could quickly be brought to a halt by imprudent action. Inflation rates for the last year declined by less than had been predicted and the absolute level of inflation is, as a result, still far too high in the Community. The alarming rise in unemployment shews how far we are from achieving a climate of confidence for business.

*Un. inflation
Realism in
pay bargaining*

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*Indicates
Most known
threat to
recovery*

4. The most serious threat would be a new upward surge of interest rates caused by the size of the U.S. federal deficit in the Budget which Congress has been asked to pass into law. The strong public reaction both in Congress and elsewhere to President Reagan's proposals may well enable their deficit to be reduced. A number of us have already made our views known in Washington and we should all continue to do so, firmly but quietly and in a way that will not cause resentment. The starting point must be a reaffirmation of our support for U.S. policies to counter inflation. But we must make it clear that fiscal policy needs to support the Fed's monetary policy - we have no interest in a one-sided relaxation of monetary policy. We can point to the threat of an unsatisfactory balance of policy both to U.S. inflation and, through interest rates, to the growth of the European economies. We could also mention the risk of damage to trans-Atlantic relations as a whole.

*Show home
in order*

5. The only effective way to prevent high U.S. interest rates damaging our own economies is to set our own house in order. Attempts to isolate Europe from the American economy through artificial means would not work. Such devices are no substitute for fiscal and monetary discipline. Exchange controls would impede the free flow of money and goods which has been the foundation of the prosperity of the industrial democracies for thirty years. Such financial barriers would add to the obstacles which are being created in the world of commerce.

6. We need to press on with our efforts to develop a firm common front on economic relations with Japan. This requires an appropriate mix of trade and macro-economic policies.

Japan

7. Japan's low import propensity for manufactured products is a deep rooted part of present economic frictions. The Community should take its stand on the ground that Japan, having benefitted enormously from the open world trading system, should now make a major effort to increase its imports from the rest of the world. This means not just removing specific barriers but government action to achieve a fundamental shift in attitudes in favour of importing. We should bring home to the Japanese

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that the free trade system embodied in the GATT can not work effectively if a major member state such as Japan is in fundamental dis-equilibrium and fails to take corrective action.

8. Japan's recovery from the second oil shock has been more successful than that of other industrial countries. Its GDP growth in the past two years has averaged 4 per cent compared to 1 per cent elsewhere. Japanese inflation is 3 per cent, which is less than half the average in other major economies. But this recovery has been biased heavily towards increased exports, resulting in a sharp improvement in Japan's current external payments.

9. Underlying the difficulties which Japan's exports cause us is the fact that the high level of Japanese savings is not matched by private domestic investment or public borrowing. The Government's stringent fiscal policy which is expected to reduce the budget deficit to 2 per cent of GDP this year should be seen in this light. At the same time, the Japanese are pursuing a policy of accommodating monetary growth and low interest rates which is preventing the yen appreciating fully to reflect Japan's underlying competitive strength. It is no part of our thinking that we should urge net expansionary measures on the Japanese at a time when we are concerned to consolidate the gains that we have made in the world as a whole in reducing inflation. But we should ask them to cut back less in the fiscal field where they are effectively increasing taxation and to rein back their relaxed monetary stance so that the yen can rise. This would help to restore a better balance in the international economy as a whole.

Micro-electronics 10. We also need to take action ourselves if the challenge from Japan is to be met. A major change is taking place in the industrial base of the western world. Developments in micro-electronics, computers and telecommunications are leading to the growth of the "information society". If we fail to keep pace with these developments our economies will suffer increasingly.

11. There is much that can be done, and must be done, at a national level. But the Community too has a role to play. It can help to create the

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right economic environment for the growth of information technology. It can provide a market for companies of a size that will permit the level of production they need if they are to compete on an international scale. And it can provide a basis for collaboration between companies which will be less effective on their own. Both in Japan and the U.S. firms are co-operating in the research effort needed for the next generation of products. It is therefore encouraging that the Commission are considering with leading Community manufacturers the scope for collaboration in long lead-time research.

12. Information technology is too fundamental a development for the Community to ignore. This is why the United Kingdom worked so hard to bring the micro-electronics Regulation to a conclusion and why we are pressing for the adoption of the telecommunications Recommendations. This is essential if the European communications industry is to have the benefit of a home market on a continental scale.

13. But other industries too need to be able to take advantage of the common market. The Council agreed last year that a concerted effort must be made to strengthen and develop the internal market for goods and services which lies at the very heart of the Community. Considerable progress has been made in eliminating non-tariff barriers to trade in manufactures, even though a good deal of work remains to be done. But we have made disappointingly little headway with the liberalisation of services such as insurance and air transport. Yet the freedom of a company established in one member state to offer a service to a customer elsewhere in the Community is a fundamental principle of the Treaty. Within the Community, more than half the workforce is now employed in services, nearly twice as many as work in manufacturing industry. It is the service industries whose continued expansion could provide the employment opportunities for the workers shed by the declining industries of the first industrial revolution. Freedom of services is thus not only a Treaty right but an economic necessity. We want to make the free flow of services a reality in the Community. We look for the same commitment from our partners.

Eliminating
non-tariff
barriers

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14. To sum up, if the Community is to face the challenges of the difficult current world economic situation it must be strong and united. Internally we must adopt sound policies to deal with the problems of inflation and unemployment. Externally we must agree, in the run up to the Versailles Economic Summit, on an approach towards the policies of the United States and Japan which will ensure that they take full account of the repercussions which their actions have on our economies.

[Handwritten mark]

conqueror

①

Investment - Cut consumption.

More into
Syrus,
Spindles
Machinery
Schnells

Wages - too high

Can't take or more without
becoming uncompetitive.

Exports

Different pattern of trade - High level
- different regimes.

Transfer Opportunities for Europe

Innovation does not call for
extensive investment.

Technological
Change

How much is larger than
than it will solve
in the market.

different pattern
of trade

Swiss

① Oil

Steel,
Copper,
Car. Stone

② Investment = Competition
Collection wage increases

③ Export formula

③ ~~Product market~~ -
sell better.

3 ④ - know to recruit more workers

4 ⑤ Transfer opp. for help

5 ⑥ Swiss = 6 ⑦ Overseas
Japan
U.S. Int. Rel.
Co. K. K. K.

7 ⑧ New technology -

Financing of budget deficits
surplus.

FRAME ECONOMIC

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TO PRIORITY FCO TELNO 110 OF 24 MAR 1982

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SAVING INFO DUBLIN, LUXEMBOURG, COPENHAGEN, BRUSSELS, THE HAGUE,
NICOSIA, ANKARA AND UKDEL NATO.GREECE AND THE EUROPEAN COUNCIL

1. THE PASOK GOVERNMENT IS 5 MONTHS OLD, BUT THE HONEY-MOON BETWEEN PAPANDREOU AND THE GREEK PEOPLE CONTINUES. I HAVE NO DOUBT THAT WERE ELECTIONS TO TAKE PLACE TOMORROW PASOK WOULD BE RE-ELECTED. BUT THE FIRST FLUSH OF EXHILARATION OVER THE NEW GOVERNMENT OF "CHANGE" HAS WORN OFF AND PAPANDREOU GOES TO BRUSSELS NEXT WEEK WITH A NUMBER OF CARES. ONE IS THE PERFORMANCE OF HIS TEAM IN OFFICE. HE AND HIS MINISTERS ARE SETTING THEMSELVES A KILLING PACE. THE COMPULSORY RETIREMENT OF SENIOR CIVIL SERVANTS AND THE TOP MANAGEMENT OF ALL THE PARA-STATAL ORGANISATIONS WHICH BECAME EFFECTIVE EARLIER THIS MONTH, AND NOW OF THE REGIONAL PREFECTS ALSO, HAS REINFORCED THE CENTRALISING TENDENCIES OF A GOVERNMENT NOMINALLY COMMITTED TO DECENTRALISATION AND INCREASED THE LOAD ON MINISTERIAL SHOULDERS INCLUDING THOSE OF PAPANDREOU HIMSELF, WHO CONTINUES TO INSIST THAT ALL MAJOR AND TOO MANY MINOR DECISIONS ARE REFERRED TO HIM PERSONALLY. HE IS SAID TO BE COMPLAINING PRIVATELY OF EXHAUSTION, THOUGH THERE WAS NO SIGN OF IT WHEN HE ADDRESSED AN ENTHUSIASTIC RALLY OF FARM WORKERS IN LARISSA ON 21 MARCH. HE MUST BE WORRIED AT THE FAILURE OF SEVERAL MEMBERS OF HIS TEAM TO MEASURE UP TO THEIR JOBS. A RESHUFFLE AROUND EASTER IS A POSSIBILITY.

THE GREEK ECONOMY

2. CONCERN ABOUT THE ECONOMY WILL BE AT THE FOREFRONT OF PAPANDREOU'S MIND. THE BUDGET, LAID BEFORE PARLIAMENT ON 8 MARCH, PROPOSES AN INCREASE OF 35 PERCENT IN PUBLIC EXPENDITURE. THE ADDITIONAL TAXES PROPOSED TO COVER THE EXTRA EXPENDITURE (AND MARGINALLY TO REDUCE THE PSBR) WILL FALL HEAVILY ON INDUSTRY, ALREADY IN POOR SHAPE. IN RESPONSE TO WIDESPREAD PROTESTS IN INDUSTRIAL CIRCLES, THE GREEK PRIME MINISTER HAS EMBARKED ON A SERIES OF CONSULTATIONS AND SOME AMENDMENTS TO THE TAX PROPOSALS HAVE BEEN ANNOUNCED. OTHERS MAY FOLLOW.

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3. INFLATION, WHICH FELL BACK IN FEBRUARY TO A LITTLE UNDER 20 PERCENT, WILL BE GIVEN A BOOST BY THE INCREASES IN PUBLIC EXPENDITURE AND BY WIDE-RANGING PRICE INCREASES ANNOUNCED AT THE SAME TIME WHICH COVER FUEL, FOOD STUFFS AND - DEEPLY RESENTED BY INDUSTRY- ELECTRIC POWER FOR INDUSTRIAL USE.

4. THE BILL REVISING INVESTMENT INCENTIVES, NOW UNDER DISCUSSION WITH REPRESENTATIVES IF GREEK INDUSTRY PROPR TO BEING TABLED IN PARLIAMENT, IS AS CONTROVERSIAL AS THE BUDGET. IT INTRODUCES OBLIGATORY STATE PARTICIPATION IN COMPANIES WHICH RECEIVE INVESTMENT GRANTS ABOVE A CERTAIN THRESHOLD. IT ALSO PROPOSES AMENDMENTS TO LAW 89 WHEREBY COMPANIES ESTABLISHING MIDDLE EAST REGIONAL OFFICES IN THIS COUNTRY ARE GIVEN TAX PRIVILIDGES AND WHICH HAVE BEEN THE MAINSPRING FOR GREEK ECONOMIC SUCCESS IN THAT AREA. THE GOVERNMENT WILL HAVE TO AGREE AMENDMENTS TO THE BILL IF INVESTMENT IS TO BE ENCOURAGED AND THE GROWTH TARGET FOR 1982 OF 1.5-2.0 PERCENT ACHIEVED.

INTERNATIONAL QUESTIONS

5. PAPANDEOU'S MAIN EXTERNAL PREOCCUPATION OF LATE HAVE BEEN CYPRUS AND TURKEY. HIS LETTER OF 4 MARCH TO OTHER EC HEADS OF GOVERNMENT REFLECTS HIS DETERMINATION TO EBGAGE GREECE MORE ACTIVELY OVER THE CYPRUS ISSUE AND IS CALCULATED TO SUGGEST THAT FAILURE BY THE COMMUNITY TO DO LIKEWISE WILL BRING CLOSER AN INTERNATIONAL CONFERENCE INVOLVING THE RUSSIANS. BUT A FIRM REAFFIRMATION THAT THE INTERCOMMUNAL TALKS STILL HAVE LIFE IN THEM COULD HAVE SOME EFFECT. I SEE ADVANTAGE IN THE PRIME MINISTER REPLYING BEFORE THE EUROPEAN COUNCIL BUT IT IS MORE IMPORTANT THAT ALL HEADS OF GOVERNMENT SHOULD ANSWER IN SIMILAR TERMS.

6. IN GREEK-TURKISH RELATIONS, FOLLOWING A NEW BOUT OF TENSION ARISING FROM PROVOCATIVE TURKISH BEHA VIOUR IN THEIR EXERCISE SEAWOLF AND FROM GREEK AUTHORISATION OF SURVEYS OF THE AEGEAN CONTINENTAL SHELF EAST OF THASSOS, THINGS HAVE TAKEN A TURN FOR THE BETTER. GREECE HAS GIVEN ASSURANCES ON THE OIL EXPLORATION ISSUE WHICH THE TURKS FIND ENCOURAGING. WITHOUT GIVING UP WHAT HE CONSIDERS TO BE POINTS OF PRINCIPLE PAPANDEOU APPEARS READY TO BE CONCILIATORY. THOUGH HIS HARPING ON THE TURKISH THREAT HAS BEEN POPULAR WITH GREEK PUBLIC OPINION, PAPANDEOU IS, I THINK, BEGINNING TO REALISE THAT IT IS NOT WINNING HIM INTERNATIONAL SUPPORT AND THUS OF NO REAL HELP IN CHANGING THE BALANCE OF POWER IN THE AEFEAN IN GREECE'S FAVOUR. THE HOPE MUST BE THAT SOONER RATHER THAN LATER, HE WILL SEE THE NECESSITY OF A RENEWED DIALOGUE WITH TURKEY.

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7. DECISIONS AFFECTING THE FUTURE OF THE US BASES AND MEMBERSHIP OF THE ALLIANCE HAVE BEEN TEMPORARILY SET ASIDE AND RELATIONS WITH WASHINGTON HAVE BEEN COMPARATIVELY CORDIAL. WITHOUT THE BAROMETER OF GREEK INTERNATIONAL PERFORMANCE PROVIDED BY POLITICAL COOPERATION, THE AMERICANS ARE PERHAPS LESS CONSCIOUS OF THE EXTENT TO WHICH PAPANDEOU HAS DEPARTED FROM FORMER POLICIES. UNLESS THERE IS A MARKED IMPROVEMENT IN RELATIONS WITH ANKARA BETWEEN NOW AND JUNE, AND THE PROSPECT EITHER OF PROGRESS BY SACEUR ON THE COMMAND BOUNDARIES ISSUE OR OF SATISFYING PAPANDEOU'S DEMAND FOR A GUARANTEE, THE GREEKS ARE LIKELY AGAIN TO BE A DISRUPTIVE ELEMENT AT THE NEXT NATO SUMMIT. NO STEPS HAVE BEEN TAKEN TO RATIFY THE AGREEMENT ON SPANISH MEMBERSHIP OF THE ALLIANCE AND IT MAY BE SALUTARY TO REMIND PAPANDEOU OF OUR CONCERN OVER THIS IN THE MARGINS OF THE COUNCIL.

GREECE AND THE EUROPEAN COMMUNITY

8. JUDGING FROM THE MEMORANDUM HANDED OVER IN BRUSSELS ON 22 MARCH (MY TELNO 108) I THINK WE CAN CONCLUDE THAT PAPANDEOU HAS NOW TACTILY ACCEPTED THAT GREECE'S PLACE IS WITHIN THE COMMUNITY. THE MEMORANDUM CONTAINS A FORMIDABLE LIST OF DEMANDS BUT THE ABSENCE OF A DEADLINE SUGGESTS THAT THE GREEKS WILL NOT BE TOO INSISTENT UPON IMMEDIATE CHANGES IN THE EXISTING REGIME LAID DOWN IN THE TREATY OF ACCESSION AND WILL BE PREPARED TO WORK FOR THE SPECIAL CONCESSIONS THEY SEEK WITHIN EXISTING COMMUNITY MACHINERY AND TO A RELATIVELY EXTENDED TIMETABLE.

9. THE PAPER POINTS HOWEVER TO ONE IMMEDIATE PROBLEM—THAT OF AGRICULTURAL PRICES. I UNDERSTAND THAT IN BRUSSELS IT IS PAPANDEOU'S INTENTION TO GIVE A REASONED RESUME OF THE MARCH 22 MEMORANDUM, BUT I HAVE NO DOUBT THAT HE WILL INSIST THAT THE REAL INCOME OF GREEK FARMERS SHOULD BE SAFEGUARDED. IF, AS A RESULT OF FAILURE TO AGREE ON THE BUDGET, WE BLOCK AGREEMENT ON THE 1982 CAP PRICES, WE SHALL FIND OURSELVES AT ODDS WITH HIM. BUT I SEE NO REASON WHY THIS SHOULD AFFECT THE PRIME MINISTER'S HANDLING OF THE BUDGET ISSUE AT THE COUNCIL

FCO PSE PASS ALL SAVING ADDRESSEES

SUTHERLAND

[REPEATED AS REQUESTED]

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1190 OF 23 MARCH
INFO EC POSTS

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FOREIGN AFFAIRS COUNCIL 22-23 MARCH; 30 MAY MANDATE

1. AT HIS PRESS CONFERENCE AFTER THE COUNCIL, TINDEMANS MADE THE FOLLOWING COMMENTS:

THE PROPOSAL PUT BY THORN AND HIMSELF HAD BEEN WELL RECEIVED; ALL MEMBER STATES HAD INDICATED REAL INTEREST IN IT AS A VALID BASIS FOR DISCUSSION AT THE POLITICAL LEVEL. THE QUESTION WOULD NOT BE ON THE AGENDA OF THE EUROPEAN COUNCIL, BUT INDIVIDUAL HEADS OF GOVERNMENT COULD OF COURSE SPEAK ABOUT IT. THERE WAS CLOSE COOPERATION BETWEEN THE PRESIDENT OF THE COMMISSION AND HIMSELF ON THE ISSUE.

TINDEMANS EVADED SUPPLEMENTARY QUESTIONS AND DETAILS INCLUDING

ON THE ISSUE.

2. TINDEMANS EVADED SUPPLEMENTARY QUESTIONS AND DETAILS, INCLUDING DEGRESSIVITY. HE SAID THAT THE PROPOSAL WAS DESIGNED TO AVOID THE BOOBY TRAPS INHERENT IN BOTH THE GUIDELINES APPROACH AND SETS OF FIGURES.

3. SEE MIFT

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TELEGRAM NUMBER 1187 OF 23 MARCH
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FOREIGN AFFAIRS COUNCIL: 23 MARCH
MANDATE

SUMMARY

1. THORN AND TINDEMANS, HAVING STARTED THE MEETING APPARENTLY
EMPTY-HANDED, CONCOCTED A PROPOSAL FOR DEALING WITH THE UK
BUDGET PROBLEM. OVER LUNCH AND DURING A BRIEF AFTERNOON
SESSION MOST OTHER MINISTERS WELCOMED THIS INITIATIVE. LORD
CARRINGTON NOTED A NUMBER OF GOOD AND NOT
SO GOOD FEATURES OF THE PROPOSAL. MINISTERS AGREED TO

CARRINGTON NOTED A NUMBER OF GOOD AND NOT SO GOOD FEATURES OF THE PROPOSAL. MINISTERS AGREED TO PURSUE THE DISCUSSION IN DETAIL, WITH A VIEW TO REACHING FINAL DECISIONS, IN LUXEMBOURG ON 3 APRIL.

DETAIL

2. TINDEMANS, OPENING THE MEETING, REFERRED TO THE REMIT TO THORN AND HIMSELF ON 25 JANUARY. IT WAS TO SOUND OUT CAPITALS, NOT TO FORMULATE PROPOSALS. THEY HAD FOUND IRRECONCILIABLE POSITIONS. HE THEREFORE CALLED ON FOREIGN MINISTERS TO REVIEW THEIR POSITIONS, ESPECIALLY THOSE AT THE TWO EXTREMES.

3. GENSCHER (GERMANY) URGED COLLEAGUES TO AVOID RESTATING POSITIONS AND ASKED THE TWO PRESIDENTS TO MAKE A PROPOSAL. COLOMBO (ITALY) MADE A PLEA THAT THE DISCUSSION SHOULD MOVE MATTERS FORWARD. AGREEING, YOU SAID THE MEETING SHOULD START FROM THE POINTS WHICH HAD BEEN PROVISIONALLY AGREED LAST TIME. TINDEMANS THEN LISTED THE OUTSTANDING POINTS ON THE BUDGET GUIDELINES AND YOU MADE A STATEMENT ON THE UK'S POSITION.

4. YOU SAID THAT IT HAD BEEN AGREED IN ALL THE DISCUSSIONS FLOWING FROM THE COMMISSION'S REPORT OF JUNE LAST YEAR THAT THE PROBLEM SHOULD BE MEASURED BY OBJECTIVE INDICATORS. THE PROBLEM CONSISTED TO TWO PARTS: DISPROPORTIONATE CONTRIBUTIONS AND RECEIPTS. IT MADE NO SENSE TO IGNORE THE CONTRIBUTIONS GAP IN DETERMINING THE SIZE OF THE PROBLEM. THE COMMISSION HAD RECOGNISED THE ROLE OF THE FINANCIAL MECHANISM IN PARA 47 OF THEIR REPORT. YOU HAD THEREFORE BEEN PUZZLED BY A LETTER FROM THORN SAYING THAT THE FINANCIAL MECHANISM GAP SHOULD NOT BE COVERED. YOU WERE NOT ARGUING ABOUT THE LEVEL OF REFUNDS; THIS WAS FOR LATER BUT THE CHOSEN METHOD MUST MEASURE THE REAL PROBLEM, NOT SOME OTHER PROBLEM. THE PRESENT FINANCIAL MECHANISM PROVIDED FOR 100 PER CENT COMPENSATION. YOU COULD ACCEPT A REDUCTION IN THIS IN EXCHANGE FOR A UNIFORM RATE OF NET COMPENSATION APPLYING BOTH TO THE CONTRIBUTIONS GAP AND THE RECEIPTS GAP. YOU CIRCULATED A TABLE WHICH SHOWED THAT THE CONTRIBUTIONS GAP WAS LIKELY TO ACCOUNT FOR ONE THIRD OF THE UK PROBLEM IN 1982 COMPARED WITH 10-15 PER CENT FOR 1980 AND 1981.

5. THORN REACTED. THE COUNCIL HAD NOT SAID IT WAS IN FAVOUR OF A FINANCIAL MECHANISM, THE UK APPROACH WAS BASED ON THE UNACCEPTABLE CONCEPT OF NET BALANCES AND THE UK FIGURES EXAGGERATED THE SIZE OF THE 1982 PROBLEM. HE AGREED THAT THE CONTRIBUTIONS GAP WOULD NOT BE AS HIGH AS ONE THIRD IN 1982.

EXAGGERATED THE SIZE OF THE 1982 PROBLEM. HE AGREED THAT THE CONTRIBUTIONS GAP WOULD NOT BE AS HIGH AS ONE THIRD IN 1982. MOREOVER, 1982 WAS EXCEPTIONAL.

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6. YOU SAID THAT YOU HAD HEARD THORN USE THE FIGURE OF 1800M ECU. THE DIVISION BETWEEN THE RECEIPTS GAP AND THE CONTRIBUTIONS GAP MIGHT BE UNCERTAIN BUT THE ESSENTIAL UK POINT WAS THAT A SOLUTION COULD NOT BE BASED ON ONLY PART OF THE PROBLEM.

7. TINDEMANS CONCLUDED THAT AS THERE WAS NO AGREEMENT TO DEAL WITH BOTH GAPS OR ON AN OBJECTIVE INDICATOR IT WOULD BE BEST TO TRY TO AGREE ON THE AMOUNT OF THE COMPENSATION FOR THE UK. YOU POINTED OUT THAT, IF THIS MEANT A RETREAT FROM OBJECTIVE INDICATORS TO A LUMP SUM, THERE WAS A DANGER THAT - AS WITH THE 30 MAY AGREEMENT - IT WOULD TURN OUT TOO BIG OR TOO SMALL.

8. THERE WAS A BREAK OF ABOUT ONE AND A HALF HOURS DURING WHICH THE TWO PRESIDENTS CONFERRED. WHEN THE MEETING RESUMED, TINDEMANS PRODUCED THEIR PROPOSAL IN A NON PAPER (CONTAINED IN MIFT). HE EXPLAINED THAT IT WAS THE JOINT RESPONSIBILITY OF HIMSELF AND THORN. IT TOOK ACCOUNT OF THEIR SOUNDINGS AND OF ELEMENTS IN PARAGRAPHS 2 AND 3 OF THE GUIDELINES. HE PROPOSED THAT MINISTERS SHOULD ADJOURN TO LUNCH AND THAT COREPER SHOULD MEET TO OBTAIN CLARIFICATION.

9. MINISTERS AGREED OVER LUNCH THAT IT WOULD NOT BE FRUITFUL TO DISCUSS THE DETAILS OF THE PROPOSAL TODAY; IT WOULD FLOUNDER. INSTEAD THEY WOULD HAVE A SECOND READING DEBATE AND MEET AGAIN ON 3 APRIL IN LUXEMBOURG WITH A VIEW TO REACHING DECISIONS. IT EMERGED THAT CHEYSSON HAD NO INSTRUCTIONS. HE DENIED ANY LINK BETWEEN THIS ISSUE AND AGRICULTURAL PRICES.

10. COREPER MET IN PARALLEL TO HEAR A MORE DETAILED EXPLANATION BY NOEL (COMMISSION) OF THE PROPOSALS (REPORTING LETTER BY BAG TO SPRECKLEY).

11. WHEN THE COUNCIL RESUMED IN THE AFTERNOON, TINDEMANS SAID THAT THE DISCUSSION OVER LUNCH HAD SHOWN THE POSSIBILITY OF MOVEMENT. DISCUSSIONS MUST THEREFORE PROCEED AT THE POLITICAL LEVEL AND MINISTERS SHOULD MEET ON 3 APRIL. HE INVITED INITIAL REACTIONS.

12. CHEYSSON (FRANCE) WELCOMED THE TEXT AS INTERESTING.

ON 3 APRIL HE INVITED INITIAL REACTIONS.

12. CHEYSSON (FRANCE) WELCOMED THE TEXT AS INTERESTING. HE PUT DOWN A NUMBER OF MARKETS FOR 3 APRIL: THE BUDGET WAS ONLY ONE OF THE ISSUES COVERED BY THE GUIDELINES, HE RESERVED ON FIVE YEARS, PAYMENTS TO THE UK SHOULD BE IN ARREARS AND HE NOTED THE REFERENCE TO RISK-SHARING ARRANGEMENTS.

13. YOU THANKED THE PRESIDENTS FOR THEIR EFFORTS AND SAID THAT YOU WOULD NOT REACT HASTILY OR TORPEDO IT. YOU WELCOMED THE MOVE FORWARD FROM PURE GUIDELINES. YOU SAW SOME GOOD ELEMENTS, AND SOME NOT SO GOOD, IN IT. GOOD WAS THE RECOGNITION OF FIVE YEARS, THAT A LUMP SUM WAS NOT ADEQUATE AND THAT THE RECEIPTS GAP WAS NOT THE WHOLE PROBLEM. MORE DIFFICULT WAS THE TREATMENT OF RISK-SHARING IN PARAGRAPH 2, THE ABSENCE OF A REVIEW IN 1986 AND THE FACT THAT THE WHOLE OF THE CONTRIBUTIONS GAP WAS NOT COVERED. YOU ASKED THE COMMISSION TO PROPOSE AN AUTOMATIC FORMULA ON RISK SHARING. YOU POINTED OUT THAT A MID-TERM REVIEW IN 1984 PRESENTED A POLITICAL PROBLEM FOR THE UK GOVERNMENT.

14. GENSCHER SAID THE PROPOSAL WAS A GOOD BASIS FOR A SOLUTION. IN PRINCIPLE HE COULD AGREE TO IT. COLOMBO SAW THE POSSIBILITY OF A SOLUTION ON THESE LINES. VAN DER STOEL (NETHERLANDS) THOUGHT IT WAS A POSSIBLE BASIS FOR AGREEMENT. THERE REMAINED A PROBLEM ABOUT FINANCING AND PARAGRAPH 3 NEEDED CLARIFICATION. COLLINS (IRELAND) REFERRED TO THEIR PROBLEMS WITH OTHER CHAPTERS BUT HOPED THESE COULD BE RESOLVED. KEERSMAECKER (BELGIUM) THOUGHT IT WAS A BALANCED PROPOSAL AND THEY WOULD REACT CONSTRUCTIVELY. OLESEN (DENMARK) CONCURRED WITH THE FAVOURABLE COMMENTS. A SOLUTION SHOULD BE FOUND WITHIN THE BUDGET. THEY WOULD BE CONSTRUCTIVE.

15. THORN SAID THIS REPRESENTED THE COMMISSION'S LAST EFFORT. A SOLUTION DEPENDED NOW ON MINISTERS. AGRICULTURE AND OTHER ISSUES SHOULD BE DISCUSSED ON THEIR MERITS.

16. YOU INSISTED THAT IF THE COUNCIL AGREED ON A METHOD ON 3 APRIL IT MUST ALSO SETTLE THE MISSING FIGURES (X, Y, Z). ALL SHOULD COME PREPARED TO DO THIS. CHEYSSON AGREED.

17. TINDEMANS, SUMMING UP THE DISCUSSION, SAID THERE WAS CLEAR INTEREST IN THE PROPOSAL. NO ONE WISHED TO MEET IN PARALLEL WITH THE EUROPEAN COUNCIL AND SO FOREIGN MINISTERS WOULD CONVENE IN LUXEMBOURG ON 3 APRIL IN THE HOPE THAT IT WOULD BE THE DAY OF FINAL DECISION.

DAY OF PIRRE DESTROYED
FCO ADVANCE TO:

FCO - PS, PS/PUS, PS/LPS, BRIDGES SPRECKLEY, DE FONBLANQUE, PIRNIE

CAB - ARMSTRONG DESKBY 231900, HANCOCK ELLIOTT

MAFF - HAYES, HADDON

TSY - COUZENS, LITTLER, EDWARDS

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MR HANNAY
LORD BRIDGES

HD/.....
HD/.....

PS/PS

PS/Nº 10 COLES

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MR D M ELLIOTT
MR RHODES
S WENTWORTH

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H M TREASURY

M.A.F.F.

MR P KENT
H M CUSTOMS &
EXCISE

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MR ASHFORD
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ANDREWS.

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FM UKREP BRUSSELS 231840Z MAR 82
TO IMMEDIATE FCO
TELNO 1191 OF 23 MARCH
INFO PRIORITY EC POSTS.

ADVANCE COPY

DESKBY

mf

FOREIGN AFFAIRS COUNCIL 22-23 MARCH:

30 MAY MANDATE

1. IN SPEAKING TO THE PRESS IMMEDIATELY AFTER THE COUNCIL
YOU TOOK THE FOLLOWING LINE.

GENERAL

2. USEFUL DISCUSSION OF MANDATE.

THE TWO GAPS

3. TOOK THE OPPORTUNITY TO CLARIFY THE "TWO GAPS" AND TO
CIRCULATE A DIAGRAM WHICH ILLUSTRATED AND EXPLAINED THE POINTS.

THE TWO GAPS

3. TOOK THE OPPORTUNITY TO CLARIFY THE "TWO GAPS" AND TO CIRCULATE A DIAGRAM WHICH ILLUSTRATED AND EXPLAINED THE POINTS. THE REAL SCALE OF THE PROBLEM DERIVES FROM THE CUMULATIVE EFFECT OF TWO ELEMENTS. BRITAIN, ONE OF THE LESS PROSPEROUS MEMBER STATES, NOT ONLY GETS DISPROPORTIONATELY SMALL SHARE OF RECEIPTS BUT ALSO PAYS DISPROPORTIONATELY LARGE SHARE OF CONTRIBUTIONS.

PRESIDENCY PROPOSAL

4. WELCOMED THE MAJOR EFFORT MADE BY THE TWO PRESIDENTS IN PRESENTING THEIR PROPOSAL. WE IN BRITAIN WILL STUDY IT WITH VERY GREAT CARE, WHICH IT FULLY DESERVES. WRONG TO PRE-EMPT THIS BY HASTY COMMENT. THEREFORE OFFER ONLY THE MOST TENTATIVE FIRST REACTIONS.

5. IT IS A CONSTRUCTIVE INITIATIVE WITH A NUMBER OF VERY WELCOME FEATURE. REPRESENTS A STEP FORWARD FROM THE EARLIER GUIDELINES TO THE DISCUSSION OF A METHOD OF ACTUALLY CALCULATING A BUDGETARY CORRECTIVE ARRANGEMENT. FOR TOO LONG WE HAVE BEEN DISCUSSING THINGS IN A VACUUM.

WELCOME ELEMENTS

6. A. FIVE YEARS. SURE THAT IT WOULD BE RIGHT TO TAKE DIVISIVE ISSUE OUT OF NEGOTIATING FORUM FOR SUBSTANTIAL PERIOD, BUT IT MUST BE A REAL FIVE YEAR SETTLEMENT.

B. RECOGNITION THAT A SINGLE LUMP-SUM APPROACH IS NOT ADEQUATE; THE SOLUTION MUST BE RELATED IN SOME WAY TO THE SCALE OF THE PROBLEM, WHICH WILL CHANGE OVER TIME.

C. RECOGNITION THAT THE GAP BETWEEN BRITAIN'S GDP SHARE AND BRITAIN'S RECEIPTS DOES NOT REFLECT THE WHOLE OF THE PROBLEM.

PROBLEMS

7. AT FIRST SIGHT THERE ARE REAL DIFFICULTIES.

A. THE PROPOSAL AS IT STANDS DOES NOT CONTAIN ENOUGH PRECISION TO ENSURE THAT WE AVOID A RENEGOTIATION EVERY YEAR. WE NEED A FORMULA WHICH CAN BE APPLIED TO FUTURE YEARS. AND WE NEED SOME ILLUSTRATIVE FIGURES SO THAT WE CAN SEE HOW IT WILL WORK OUT IN PRACTICE. THIS I THINK THE COMMISSION ARE GOING TO PROVIDE US WITH.

B. THE CONTRIBUTIONS GAP IS INCOMPLETELY COVERED BY THE FORMULA WHICH RELATES TO VAT. THIS IS A REAL PROBLEM.

B. THE CONTRIBUTIONS GAP IS INCOMPLETELY COVERED BY THE FORMULA WHICH RELATES TO VAT. THIS IS A REAL PROBLEM.

C. THERE IS NO PROVISION FOR REVIEW. THIS WILL CLEARLY BE NEEDED.

D. I AM NOT AT ALL HAPPY ABOUT THE DISTINCTION BETWEEN A THREE YEAR PERIOD OF CERTAINTY AND A NEW NEGOTIATION BEFORE THE LAST 2 YEARS. (THAT WOULD BE 1984 - HARDLY A GOOD YEAR TO HAVE IT).

CONCLUSION

8. SO THERE IS STILL A LONG WAY TO GO. BUT ALL OF US ARE CONTENT TO USE THIS PROPOSAL AS A BASIS OF FURTHER DISCUSSION, AND WE ARE TO MEET AGAIN IN LUXEMBOURG ON SATURDAY 3 APRIL TO CONSIDER IT FURTHER AND TO AGREE ON THE FIGURES FOR X, Y, AND Z (A REFERENCE TO THE PRESIDENCY TEXT). THERE WAS GENERAL AGREEMENT WITH MY VIEW THAT THESE SHOULD BE FIXED ON 3 APRIL.

9. IT WAS A GOOD BASIS FOR DISCUSSION, BUT I SUSPECT THAT MEETING IN LUXEMBOURG WILL BE HARD WORK.

FCO ADVANCE TO:

FCO - PS/SOFS, PS/LPS, PS/PUS, BRIDGES, HANNAY, NEWS DEPT

CAB - HANCOCK, ELLIOTT, WENTWORTH

MAFF - ANDREWS

TSY - LITTLER, EDWARDS

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1194 OF 23 MARCH

INFO EC POSTS WASHINGTON

INFO SAVING UKDEL NATO

FOREIGN AFFAIRS COUNCIL 23 MARCH

PREPARATION OF EUROPEAN COUNCIL

SUMMARY

1. GENERAL AGREEMENT ON APPROACH OUTLINED IN MARTENS' LETTER TO HEADS OF GOVERNMENT (MY TELNO 1171). YOU GAVE NOTICE THAT THE PRIME MINISTER WOULD PROBABLY WISH TO RAISE THE MANDATE. POLITICAL DIRECTORS TO MEET ON FRIDAY 26 MARCH TO PREPARE POLITICAL COOPERATION SUBJECTS.

DETAIL

DETAIL

2. THORN AND ORTOLI INTRODUCED THE COMMISSION'S PAPER ON THE ECONOMIC AND SOCIAL SITUATION, THE LATTER ARGUING THAT THE EUROPEAN COUNCIL NEEDED TO HAVE A SERIOUS DISCUSSION NOT JUST EXCHANGE SPEECHES AND THEN ISSUE BLAND WORDS. EACH HEAD OF GOVERNMENT SHOULD COME WITH A CLEAR IDEA OF WHAT THE MEMBERS OF THE COMMUNITY OUGHT TO BE DOING TOGETHER. OLESEN (DENMARK), AFTER HARD WORDS ABOUT THE LACK OF A DANISH TEXT OF THE COMMISSION PAPER, SUPPORTED THE LINE IN MARTENS' LETTER. TINDEMANS QUOTED FROM IT TO DEMONSTRATE THAT MARTENS AGREED WITH ORTOLI'S APPROACH. VAN DER STOEL (NETHERLANDS) HOPED THAT THE PRESIDENCY WOULD PREPARE DRAFT CONCLUSIONS INCORPORATING DEFINITE ACTION.

3. YOU SAID THAT THE PRIME MINISTER WOULD PROBABLY FEEL THAT IT WOULD BE VERY DIFFICULT IF THERE WERE NO MENTION OF THE 30 MAY MANDATE AT THE EUROPEAN COUNCIL; YOU SUSPECTED THAT SHE WOULD WISH TO RAISE IT. VARFIS (GREECE) REMINDED THE COUNCIL THAT PAPANDEOU WOULD WISH TO SPEAK TO THE GREEK MEMORANDUM.

4. VAN DER STOEL WANTED THE EUROPEAN COUNCIL TO DISCUSS CENTRAL AMERICA. HE WAS CONVINCED THAT THINGS WERE GETTING RAPIDLY WORSE IN THE AREA. THE RECENT MEXICAN IDEAS FOR DE-ESCALATION SHOULD BE EXAMINED. FOREIGN MINISTERS SHOULD DISCUSS AT DINNER ON 29 MARCH. CHEYSSON RATHER GRUDGINGLY AGREED WITH TINDEMANS THAT MITTERRAND WOULD ALSO PROBABLY WISH TO DISCUSS CENTRAL AMERICA. THERE WAS TACIT AGREEMENT THAT POLAND AND EAST/WEST SHOULD BE DISCUSSED. TO THE SUGGESTION OF A DISCUSSION ON THE MIDDLE EAST YOU SAID THAT FOREIGN MINISTERS HAD NOT TALKED ABOUT THE PROBLEM FOR TWO MONTHS OR SO AND SHOULD DO SO BEFORE HEADS OF GOVERNMENT MET.

5. AT THE END OF THE POLITICAL COOPERATION DISCUSSION WHICH THEN FOLLOWED (SEPARATELY REPORTED) TINDEMANS AGREED THAT POLITICAL DIRECTORS SHOULD MEET ON FRIDAY 26 MARCH TO PREPARE EUROPEAN COUNCIL DISCUSSION ON :

- (A) MIDDLE EAST (ESPECIALLY RECENT EVENTS ON THE WEST BANK);
- (B) CENTRAL AMERICA IN THE LIGHT OF THE EL SALVADOR ELECTIONS;
- (C) VIETNAMESE REFUGEES;
- (D) EAST/WEST (ADJOURNMENT OF CSCE, POLAND, EAST BLOC INDEPTEDNESS, AND TRANSATLANTIC ASPECTS).

IT WAS NOT CLEAR WHETHER TURKEY WOULD ALSO BE DISCUSSED.

GRS 1300

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Prime Minister
this shows how the sign
want to handle the discussion

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FRAME GENERAL
DESKBY 230900Z
FM UKREP BRUSSELS 222118Z MAR 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 1171 OF 22 MARCH
INFO SAVING EC POSTS

A. J. C. $\frac{23}{3}$

mt

EUROPEAN COUNCIL 29/30 MARCH

1. FOLLOWING IS TEXT OF LETTER TO THE PRIME MINISTER
FROM MR MARTENS, DELIVERED TO ME TODAY (ORIGINAL FOLLOWS BY
BAG):
BEGINS

DEAR PRIME MINISTER,
FOLLOWING THE EXAMPLE OF MY PREDECESSORS, I HAVE THOUGHT IT
USEFUL TO INFORM YOU OF MY POSITION WITH A VIEW TO THE NEXT
MEETING OF THE EUROPEAN COUNCIL, TO BE HELD AT THE END OF
THE MONTH.

AS YOU KNOW, OUR MEETING WILL TAKE PLACE IN THE MONTH IN
WHICH WE CELEBRATE THE 25TH ANNIVERSARY OF THE SIGNING OF
THE TREATIES OF ROME. IT SEEMS TO ME THAT THIS IS A SUITABLE
OCCASION TO TAKE STOCK OF THE PRESENT SITUATION OF THE
COMMUNITY. I AM SURE YOU WILL AGREE WITH ME THAT THE PRESENT
SITUATION IS FAR FROM REASSURING AS REGARDS THE FUTURE OF
OUR COMMON ENTERPRISE.

I WOULD THEREFORE PROPOSE TO MY COLLEAGUES THAT DURING OUR
GENERAL DEBATE ON THE ECONOMIC AND SOCIAL SITUATION AND IN
THE LIGHT OF THE COMMISSION DOCUMENT, WE TRY TO ANALYSE THE
CIRCUMSTANCES UNDERLYING THE DIFFICULTIES WE HAVE BEEN
EXPERIENCING IN RECENT YEARS AS REGARDS OVERALL PROGRESS
WITHIN THE COMMUNITY.

I PERSONALLY CONSIDER THAT WE MUST TRY - NOTWITHSTANDING THE
FACT THAT EACH GOVERNMENT TACKLES IN A DIFFERENT WAY ITS
MAIN ECONOMIC PROBLEMS - TO FIND COMMON OBJECTIVES AND TO
UNDERTAKE JOINT ACTION IN THOSE AREAS WHERE THIS IS IN THE
LONG-TERM INTEREST OF ALL MEMBERS OF THE COMMUNITY.

SUCH AN ATTITUDE IS OF CRUCIAL IMPORTANCE NOT ONLY FOR THE
COMMUNITY'S CONTINUOUS EXISTENCE AND ITS DEVELOPMENT BUT IS
ALSO INDISPENSABLE IF OUR POSITION IS TO BE DEEMED CREDIBLE
IN OUR DEALINGS WITH OUR MAIN PARTNERS.

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/WE

WE CAN UNDOUBTEDLY ACHIEVE RESULTS IF WE SPEAK WITH ONE VOICE OR IF WE ALIGN OUR ATTITUDES WITH REGARD TO THIRD COUNTRIES. HOWEVER, THESE COUNTRIES KNOW THAT WE ARE OFTEN HARDLY ABLE TO UNDERTAKE ANY COMMON ACTION, AND THIS WEAKENS OUR POSITION ON A WORLD SCALE ACCORDINGLY. THERE IS A PLETHORA OF EXAMPLES ILLUSTRATING THIS TYPE OF SITUATION: IT MAY THUS BE NOTED THAT WE HAVE NOT YET MANAGED TO WORK OUT A REAL COMMON COMMERCIAL POLICY OR TO ACHIEVE GENUINE MONETARY SOLIDARITY OR JOINT ACTION TO MAINTAIN OUR INDUSTRIAL POTENTIAL. FINALLY, THE PRINCIPLE SHORTCOMING REMAINS THE FACT THAT WE HAVE STILL NOT SUCCEEDED IN COORDINATING OR ALIGNING OUR ECONOMIC POLICIES.

I DO NOT BELIEVE THAT THE TYPE OF GENERAL EXCHANGE OF VIEWS WHICH WE NORMALLY HAVE, AND WHICH LEADS TO GENERAL CONCLUSIONS THE BROAD OUTLINES OF WHICH ARE FORMULATED BY THE PRESIDENT, COULD BE SUFFICIENT UNDER THE PRESENT CIRCUMSTANCES. MY OWN CONVICTION IS THAT WE SHOULD CHOOSE ONE OR TWO MAJOR TOPICS IN RESPECT OF WHICH WE WOULD TRY TO LAY DOWN CLEAR POLITICAL GUIDELINES. ONE SUCH TOPIC COULD BE THE REPLY TO BE GIVEN TO THE QUESTION OF HOW TO CREATE A SUITABLE CLIMATE TO PROMOTE INVESTMENT IN ALL OUR MEMBER STATES. THIS IS AN AREA WHERE NATIONAL AND COMMUNITY ACTION SHOULD GO HAND IN HAND AND BE CO-ORDINATED IN ORDER TO BE COMPLEMENTARY. THE COMMISSION HAS CONSTANTLY REMINDED US OF THE NEED FOR MORE ENERGETIC ACTION IN THIS RESPECT AND IT HAS MADE USEFUL AND COHERENT PROPOSALS WITHIN THE CONTEXT OF ITS MANDATE.

MOREOVER, THIS TOPIC IS IN LINE WITH THE PROPOSAL MADE ON OTHER OCCASIONS BY MANY OF OUR COLLEAGUES, AND RECENTLY RENEWED BY PRIME MINISTER JOERGENSEN, THAT THE EUROPEAN COUNCIL SHOULD GIVE PRIORITY ATTENTION TO THE PROBLEM OF UNEMPLOYMENT.

ANOTHER SUBJECT WHICH WE COULD TACKLE CONCERNS OUR COMMERCIAL AND ECONOMIC RELATIONS WITH THE UNITED STATES AND JAPAN. AS I HAVE ALREADY STATED, I AM CONVINCED THAT IT IS NOT ENOUGH TO AGREE TO EXPRESS OUR GRIEVANCES CONCERNING THE POLICIES OF OUR PARTNERS. TO HAVE A CHANCE OF BEING HEARD, SUCH COMPLAINTS MUST BE BACKED BY PROGRESS IN ALL COMMUNITY POLICIES, AND WE MUST SHOW OUR CAPACITY TO TAKE THE ACCOMPANYING MEASURES NECESSARY TO INDUCE OUR PARTNERS TO PLAY THE GAME AND RESPECT, AS WE HAVE DONE SO FAR, THE INTERNATIONAL RULES BASED ON RECIPROCAL RIGHTS AND OBLIGATIONS. NEITHER THE COMMUNITY, NOR ANY COUNTRY OF THE FREE WORLD FOR THAT MATTER, WOULD BENEFIT FROM A TRADE OR ECONOMIC WAR. I AM, HOWEVER, CONVINCED THAT IF THE COMMUNITY IS UNABLE TO BACK UP ITS POSITIONS WITH ACTS, IT WILL BE THE FIRST TO SUFFER, WITH IN ADDITION THE RISK OF DESTRUCTION OF OUR INTERNAL COHESION. LOOKING AHEAD TO THE MAJOR ECONOMIC

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AND POLITICAL MEETINGS AND PARTICULARLY THE VERSAILLES SUMMIT, WE MUST SIMULTANEOUSLY CARRY OUT JOINT PREPARATION AND STRENGTHEN OUR SOLIDARITY. AT THESE MEETINGS, WE SHOULD ALSO SEIZE THE OPPORTUNITY OF PUTTING FORWARD OUR COMMON POSITION IN FAVOUR OF A RESUMPTION OF THE DIALOGUE WITH THE DEVELOPING COUNTRIES.

IN THE SAME CONNECTION, I WOULD REMIND YOU THAT IN LONDON WE INSTRUCTED OUR MINISTERS FOR FINANCE TO CARRY OUT A DETAILED EXAMINATION OF THE ACHIEVEMENTS AND DEVELOPMENT OF THE EUROPEAN MONETARY SYSTEM AFTER THREE YEARS OF OPERATION AND TO REPORT BACK TO OUR COUNCIL. SO FAR, THIS WORK HAS NOT BEEN AS FRUITFUL AS WE MIGHT HAVE HOPED. I WONDER WHETHER, WITHOUT ENTERING INTO THE TECHNICAL ASPECTS OF THE DEBATE, WE SHOULD NOT PROVIDE SOME IMPETUS THAT WILL ENSURE A SUCCESSFUL OUTCOME FOR THIS WORK.

THE MINISTERS FOR FOREIGN AFFAIRS ARE TO REPORT TO US ON THEIR ATTEMPTS TO SETTLE THE UNRESOLVED PROBLEMS IN CONNECTION WITH THE MANDATE OF 30 MAY. I AM CONFIDENT THAT YOU SHARE MY HOPE THAT THEY WILL MAKE SUFFICIENT PROGRESS FOR US TO TAKE NOTE OF THEIR REPORT AND TO LEAVE THEM TO COMPLETE THEIR TASK. IN ANY CASE, IT WOULD NOT BE DESIRABLE FOR THE EUROPEAN COUNCIL TO REOPEN THE SUBSTANCE OF THE DISCUSSION.

THE INTERNATIONAL POLITICAL SITUATION ALSO GIVES RISE TO SOME CONCERN. I SHOULD THEREFORE LIKE TO RAISE THE QUESTION OF EAST-WEST RELATIONS WITH YOU, PARTICULARLY IN THE LIGHT OF DEVELOPMENTS IN THE SITUATION IN POLAND TO WHICH WE HAVE GIVEN OUR FULL AND CONTINUOUS ATTENTION SINCE 13 DECEMBER 1981. IN THE SAME CONTEXT, I FEEL THAT WE SHOULD ALSO RAISE THE PROBLEM OF AFGHANISTAN IN ORDER TO CONFIRM PUBLICLY THE POSITION ADOPTED AT OUR PREVIOUS MEETINGS, AND EXAMINE THE SITUATION CREATED BY THE DECISION TO ADJOURN THE MADRID MEETING ON CO-OPERATION AND SECURITY IN EUROPE UNTIL NOVEMBER.

WE COULD ALSO HOLD AN EXCHANGE OF VIEWS ON THE SITUATION IN THE MIDDLE EAST AND IN CENTRAL AMERICA IN ORDER TO EXAMINE THE ROLE WHICH EUROPE CAN PLAY IN SECURING PEACE IN THOSE REGIONS.

FINALLY, IT SEEMS HIGHLY DESIRABLE TO ME THAT WE SHOULD HAVE A DETAILED EXCHANGE OF VIEWS ON THE PRESENT STATE OF THE TEN'S RELATIONS WITH THE UNITED STATES OF AMERICA AND THAT WE SHOULD EXAMINE WAYS AND MEANS OF DEVELOPING CONSULTATIONS WITH THIS FRIEND AND PARTNER.

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I SHOULD BE GRATEFUL IF YOU COULD LET ME KNOW YOUR VIEWS ON THESE PRELIMINARY CONSIDERATIONS AND, IF YOU AGREE, I SHOULD OF COURSE GREATLY APPRECIATE ANY CONTRIBUTION YOU MIGHT WISH TO MAKE TO THE DEBATE.

YOURS RESPECTFULLY,

WILFRIED MARTENS

ENDS

FCO ADVANCE TO:

FCO - PS, PS/LPS, PS/PUS, BRIDGES, SPRECKLEY, DEFONBLANQUE ECD(1)

CAB - HANCOCK, ELLIOTT, GOODENOUGH

NO. 10 - COLES

MAFF - ANDREWS

TSY - LITTLER

FCO PASS SAVING COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
LUXEMBOURG ATHENS

BUTLER

REPEATED AS REQUESTED

ADVANCED AS REQUESTED

FRAME GENERAL

ECD (1)

Brussels, March 22 1982



DE EERSTE MINISTER

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No: T 50A/82

Dear Prime Minister,

cc. Minister set.
ops.

Following the example of my predecessors, I have thought it useful to inform you of my position with a view to the next meeting of the European Council, to be held at the end of the month.

As you know, our meeting will take place in the month in which we celebrate the 25th anniversary of the signing of the Treaties of Rome. It seems to me that this is a suitable occasion to take stock of the present situation of the Community. I am sure you will agree with me that the present situation is far from reassuring as regards the future of our common enterprise.

I would therefore propose to my colleagues that during our general debate on the economic and social situation and in the light of the Commission document, we try to analyse the circumstances underlying the difficulties we have been experiencing in recent years as regards overall progress within the Community.

I personally consider that we must try - notwithstanding the fact that each government tackles in a different way its main economic problems - to find common objectives and to undertake joint action in those areas where this is in the long-term interest of all members of the Community.

The Right Honourable Mrs Margaret THATCHER, M.P.

Prime Minister

L O N D O N SW 1

Such an attitude is of crucial importance not only for the Community's continuous existence and its development but is also indispensable if our position is to be deemed credible in our dealings with our main partners.

We can undoubtedly achieve results if we speak with one voice or if we align our attitudes with regard to third countries. However, these countries know that we are often hardly able to undertake any common action, and this weakens our position on a world scale accordingly. There is a plethora of examples illustrating this type of situation: it may thus be noted that we have not yet managed to work out a real common commercial policy or to achieve genuine monetary solidarity or joint action to maintain our industrial potential. Finally, the principle shortcoming remains the fact that we have still not succeeded in coordinating or aligning our economic policies.

I do not believe that the type of general exchange of views which we normally have, and which leads to general conclusions the broad outlines of which are formulated by the President, could be sufficient under the present circumstances. My own conviction is that we should choose one or two major topics in respect of which we would try to lay down clear political guidelines. One such topic could be the reply to be given to the question of how to create a suitable climate to promote investment in all our Member States. This is an area where national and Community action should go hand in hand and be co-ordinated in order to be complementary. The Commission has constantly reminded us of the need for more energetic action in this respect and it has made useful and coherent proposals within the context of its mandate.

Moreover, this topic is in line with the proposal made on other occasions by many of our colleagues, and recently renewed by Prime Minister JOERGENSEN, that the European Council should give priority attention to the problem of unemployment.

Another subject which we could tackle concerns our commercial and economic relations with the United States and Japan. As I have already stated, I am convinced that it is not enough to agree to express our grievances concerning the policies of our partners. To have a chance of being heard, such complaints must be backed by progress in all Community policies, and we must show our capacity to take the accompanying measures necessary to induce our partners to play the game and respect, as we have done so far, the international rules based on reciprocal rights and obligations. Neither the Community, nor any country of the free world for that matter, would benefit from a trade or economic war. I am, however, convinced that if the Community is unable to back up its positions with acts, it will be the first to suffer, with in addition the risk of destruction of our internal cohesion. Looking ahead to the major economic and political meetings and particularly the Versailles Summit, we must simultaneously carry out joint preparation and strengthen our solidarity. At these meetings, we should also seize the opportunity of putting forward our common position in favour of a resumption of the dialogue with the developing countries.

In the same connection, I would remind you that in London we instructed our Ministers for Finance to carry out a detailed examination of the achievements and development of the European Monetary System after three years of

operation and to report back to our Council. So far, this work has not been as fruitful as we might have hoped. I wonder whether, without entering into the technical aspects of the debate, we should not provide some impetus that will ensure a successful outcome for this work.

The Ministers for Foreign Affairs are to report to us on their attempts to settle the unresolved problems in connection with the Mandate of 30 May. I am confident that you share my hope that they will make sufficient progress for us to take note of their report and to leave them to complete their task. In any case, it would not be desirable for the European Council to reopen the substance of the discussion.

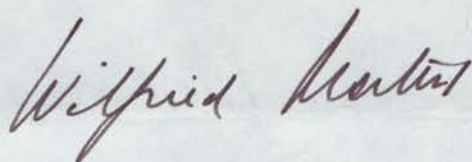
The international political situation also gives rise to some concern. I should therefore like to raise the question of East-West relations with you, particularly in the light of developments in the situation in Poland to which we have given our full and continuous attention since 13 December 1981. In the same context, I feel that we should also raise the problem of Afghanistan in order to confirm publicly the position adopted at our previous meetings, and examine the situation created by the decision to adjourn the Madrid meeting on Co-operation and Security in Europe until November.

We could also hold an exchange of views on the situation in the Middle East and in Central America in order to examine the role which Europe can play in securing peace in those regions.

Finally, it seems highly desirable to me that we should have a detailed exchange of views on the present state of the Ten's relations with the United States of America and that we should examine ways and means of developing consultations with this friend and partner.

I should be grateful if you could let me know your views on these preliminary considerations and, if you agree, I should of course greatly appreciate any contribution you might wish to make to the debate.

Yours respectfully,

A handwritten signature in dark ink, written in a cursive style, that reads "Wilfried Martens".

Wilfried MARTENS

File

DSC

MR. WRIGHT

CABINET OFFICE

EUROPEAN COUNCIL: PRIME MINISTER'S BREEFING
MEETING

Thank you for your minute of 17 March.
I agree that those listed in paragraph 2 of
your minute should be invited to the brief-
ing meeting.

A.J. COLES

18 March 1982

sil

Prime Minister

Agree?

A.F.C. 12.
3

Ref. A07829

MR COLESEuropean Council: 29-30 March 1982Prime Minister's Briefing Meeting, 24 March at 9.00 am

Since the Prime Minister has now agreed the composition of the United Kingdom delegation to the meeting of the European Council on 29-30 March (your letter of 15 March to Mr Richards refers), you may wish to decide who should attend the Prime Minister's preparatory meeting on Wednesday 24 March at 9.00 am.

2. The Prime Minister will no doubt wish to invite the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Agriculture. It would also be appropriate to invite the following officials who will be going to Brussels: Sir Robert Armstrong, Sir Michael Palliser, Sir Michael Butler, Mr Bullard, Lord Bridges, Mr Hancock and Mr Hannay. In addition you might wish Sir Brian Hayes and Sir Kenneth Couzens to attend.

Agreed
ms

D J Wright

D J WRIGHT

17 March 1982

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Euro PA

Prime Minister

A.J.C. 16/3

[Handwritten mark]

A.J.C. 22/3

f-a.

FOREIGN AND COMMONWEALTH SECRETARY

EUROPEAN FOUNDATION

will request if required

Thank you for your minute of 10 March about the level of financial commitment for the new European Foundation. I understand that the latest compromise proposal involves commitments of 1m ecu in the first year, and 1.5m in the second and third. I am content that we should settle for that. I agree with you that the expenditure should be classified as "obligatory".

2. Copies of this minute go to the Prime Minister and the Secretary of State for Education.

[Handwritten signature]

(G.H)

16 March 1982



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11061-1001 082



MR. WRIGHT
CABINET OFFICE

BRIEFING FOR THE EUROPEAN COUNCIL

B/F
Thank you for your minute of 16 March.
It will be perfectly acceptable for the
briefs on the 30 May Mandate and on Fish
to reach me on Monday, 22 March.

A. J. COLES

16 March 1982

SM

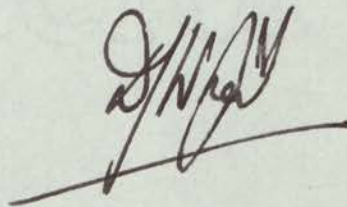
CONFIDENTIAL

MR. COLES

Briefing for the European Council - 29th-30th March, 1982

In your minute of 11th March you confirmed that it will be acceptable if briefs for the next European Council reach you by noon on Friday, 19th March.

2. We do not anticipate any difficulty in meeting this deadline for most of the briefs. It would however be helpful to the European Secretariat and the Departments concerned if they were able to discuss the briefs on the 30 May Mandate (including the CAP) and Fish with Sir Michael Butler when he is in London on 19th March. To permit this, I should be grateful to know whether you would be content for these two briefs to reach you by 5.00 pm on Monday, 22nd March. The Prime Minister's briefing meeting for the European Council is on Wednesday, 24th March.



D.J. Wright

16th March 1982

CONFIDENTIAL



FILE
LH
Euro PM

10 DOWNING STREET

From the Private Secretary

MR WRIGHT
CABINET OFFICE

BRIEFING FOR THE EUROPEAN COUNCIL: 29/30 MARCH, 1982

Thank you for your minute of 4 March. I confirm that it will be acceptable if briefs for the next European Council reach me by noon on Friday, 19 March.

I shall be in touch separately about the Prime Minister's decision on who is to attend the European Council.

RECEIVED

S

11 March, 1982

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

11 March 1982

pl. Copy to detatives

then 8.4.25/3

A.S.C. 25/3
h-a-

AR 11-2

Dear John,

European Council

You wrote on 8 March about the possibility of demonstrations by European farmers. We asked UKREP for their assessment and you will already have seen UKREP Brussels telno 919 (copy enclosed). I hope that this provides the background you needed.

You will note that the inspiration for a demonstration seems to be coming, as it did last year, from the French farmers union and may be directed principally at stiffening the negotiating resolve of French Ministers. But the risk of it taking on an anti-British flavour might be enhanced if by the end of the month we were seen as the principal obstacle to early agreement on farm prices. We should hope to avoid that becoming apparent. On the face of it, it would in any case be more likely to do so at the end of the Agriculture Council than at the beginning. The fact that there is a gap of twenty-four hours between the end of the European Council on 30 March and the beginning of the Agricultural Council on 31 March also makes it less likely that the demonstrators would try to cover both events. The Agriculture Council would be their more obvious target. Nevertheless, those responsible for security arrangements for Ministers attending both the European and Agriculture Councils will wish to be aware of these potential developments. We have warned our own people who will no doubt be in touch with their colleagues.

I am copying this letter to Robert Lowson (MAFF).

Yours ever,

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

11 MAR 1982





FCS/82/42
CHANCELLOR OF EXCHEQUER

European Foundation

1. You will recall that the Belgian Presidency has proposed the signing of an agreement at the European Council on 29/30 March to set up the European Foundation in accordance with the agreement reached in principle in 1977. (Background note is enclosed.)

2. Agreement has now been reached in Brussels on all the main issues except the level of financial commitment from the Community. On this, we have, in agreement with your officials, been arguing that the furthest the Community could go would be a commitment to a five year financing period with 1m ecu a year for two years followed by a review. At the meeting of COREPER on 4 March the Belgian Presidency put forward a compromise on finance proposing 1m ecu in the first year, 1.25m ecu in the second and 1.75m in the third. Whilst these figures are not as low as we should like they fall a long way short of the French proposal of 3 to 5m ecu a year and I hope you can agree that we can accept them. (We will however try to get the amounts for the second and third years evened out, so as to reduce the suggestion of a high growth rate.) Another important matter is the classification of the Community funding of the Foundation as obligatory expenditure, so as to prevent the European Parliament from being able to determine the level of support. I would propose that in accepting the Presidency's compromise we should seek agreement in the minutes that the expenditure will in the Council's view be obligatory.

3. The Presidency is seeking a final decision in COREPER on 11 March. That is probably unrealistic but I should like to be able to give our assent either in COREPER on 18 March or at the Foreign Affairs Council on 22/23 March.

4. I am copying this minute to the Prime Minister and the Secretary of State for Education.

*1. duty/more of it -
but what does it mean in
these matters is not
clearly to proceed*

Prime Minister

To be aware.

Discussed. No action.

ADR 10/3

ADR 11/3

(2)

European Foundation

Agreement to set up a Foundation was reached in principle at the European Council of December 1977 following the recommendation of Mr Tindemans in his report on European Union. Its general aim would be to project the Community to the man in the street through the promotion of social and cultural activities. It would be indirect in its operations, extending and supporting the activities of non-governmental organisations and giving them a European dimension.

The European Council in April 1978 agreed that "the Foundation will be set up by means of agreements concluded by Representatives of the Governments of the Member States meeting within the Council" and that its seat should be in Paris. During 1978 a draft Agreement was prepared for the Foundation to work through activities in the cultural, educational and research fields but no progress was made on the two key problems of Community participation and financing, and work was discontinued until November 1981 when the discussions were re-opened at the request of the French. Considerable progress has been made and the main questions of principle on setting up the Foundation have been agreed.

In particular, French and Danish reservations (on competence grounds) about Community participation in the Foundation have been avoided by agreement that the European Foundation should be set up by the Member States rather than by the Community. A separate agreement will later be concluded between the Foundation and the Community concerning the Community's participation in the Foundation activities.

There is general agreement on the nature of the Foundation's task which will be to improve mutual understanding among the peoples of the Community: to promote a better understanding of the European cultural heritage; to further a greater understanding of European integration and to ensure that this understanding spreads both inside and outside the Community. Its activities will include encouraging knowledge and use of Community languages, exchanges of professional and other people in the Community, and support for projects demonstrating in a popular way co-operation between the countries of the Community.

/On financing,



On financing, we have said that we are prepared to agree to an initial endowment to the Foundation which will take the form of an annual contribution of 1m ECU a year from the EC over a five year period with a review after the Foundation has been in operation for two years. Most Member States can accept this arrangement but France considers that 1m ECU per annum is not sufficient. Discussions on this point are continuing.

If this and other, less serious, outstanding points in the draft inter-governmental agreement establishing the Foundation are resolved in the next month, the way will be clear for all Member States, including the UK, to sign the agreement.



10 MAR 1982

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TO IMMEDIATE FCO
TELNO 919 OF 10 MARCH
INFO PRIORITY PARIS

ms

DEMONSTRATION BY FARMERS AT EUROPEAN AND AGRICULTURE
COUNCILS AT THE END OF MARCH

1. AS REQUESTED (TELECON THOMAS/FAULKNER) WE HAVE OBTAINED FROM THE NFU OFFICE HERE SOME INFORMATION ON THE DEMONSTRATIONS PLANNED BY FARMERS.
2. COPA, THE EUROPEAN FARMERS' ORGANISATION, ARE HOLDING A GENERAL ASSEMBLY IN THE PALAIS DU CONGRESS FROM 11.15 HRS TO 13.15 HRS ON 30 MARCH. THERE WILL BE ABOUT 1,500 DELEGATES FROM THE MEMBER STATES. THE UK CONTINGENT WILL BE 80-100.
3. ALTHOUGH THE MEETING IS OBVIOUSLY DESIGNED TO ENABLE COPA AS A BODY, AND NATIONAL DELEGATES SEPARATELY, TO MAKE TIMELY PROTESTATIONS ABOUT AGRICULTURAL PRICES, COPA HAS NO PLANS TO ORGANISE DEMONSTRATIONS AND HAS MADE IT CLEAR THAT IT DOES NOT SUPPORT THEM.
4. PRESSURE FOR DEMONSTRATIONS HAS COME LARGELY FROM FRANCE, WITH SUPPORT FROM ITALY. WHEN THE MATTER WAS DISCUSSED RECENTLY IN COPA, WE UNDERSTAND THAT THE PRESIDENT OF THE NFU, SIR RICHARD BUTLER TOLD HIS COLLEAGUES THAT THE NFU WANTED NO PART IN ANY DEMONSTRATION. (IT HAS BEEN POINTED OUT TO US THAT THE DEMONSTRATION IS LIKELY TO HAVE A SOMEWHAT ANTI-BRITISH FLAVOUR WHICH WOULD, IN ANY EVENT, INHIBIT UK FARMERS PARTICIPATION.) WE GATHER THAT SENIOR FARM ORGANISATION OFFICERS FROM BELGIUM, GERMANY AND THE NETHERLANDS HAVE ALSO SPOKEN OUT AGAINST ANY DEMONSTRATION.
5. THE FRENCH FARM LEADER, GUILLAME, IS PRESSING AHEAD WITH HIS OWN ARRANGEMENTS. APPARENTLY HE DOES NOT ATTEMPT TO CONCEAL THE FACT THAT A LARGE PART OF HIS MOTIVATIONS IS TO CARRY FORWARD HIS PERSONAL ATTEMPT TO UNDERMIND MADAME CRESSON. HE WILL DOUBTLESS CONTINUE ATTEMPTS TO GATHER SUPPORT FOR HIS DEMONSTRATION, ONE WAY OR ANOTHER, FROM FARM GROUPS IN OTHER EC COUNTRIES TO GIVE IT A PAN-EUROPEAN FLAVOUR.

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16.

CONFIDENTIAL

6. IT IS NOT KNOWN WHETHER GUILLAME INTENDS TO MOUNT THE DEMONSTRATION AT THE COUNCIL BUILDING OR THE PALAIS D'EGMONT OR BOTH, BUT HE HAS CLAIMED THAT HE CAN MOBILISE 5-10,000 PEOPLE.

7. ON THIS EVIDENCE WE MIGHT EXPECT TO SEE SOMETHING OF A REPEAT OF THE DEMONSTRATIONS WHICH TOOK PLACE THROUGHOUT LAST YEARS' PRICE FIXING NEGOTIATIONS.

FCO ADVANCE TO:

FCO - HANNAY, SPRECKLEY, FAULKNER

CAB - WENTWORTH

NO 10. COLES

MAFF - PS/MIN, PS/MON OF S(C) PS/HAYES, ANDREWS, STAPLETON

BUTLER

[COPIES SENT TO NO 10 DOWNING ST]

LIMITED

ECD (1)

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PCD

SECURITY D

NEWS D

PS

PS/LPS

PS/PUS

MR BULLARD

MR HANNAY

MR GOODISON

MR RUSSELL

COPIES TO

MR WENTWORTH, CABINET OFFICE

PS/MIN

PS/MON OF S (C)

PS/SIR B. HAYES

MR ANDREWS

MR STAPLETON

} MAFF

CONFIDENTIAL

Guns PA
R M



FILE

bc: Detectives

10 DOWNING STREET

From the Private Secretary

8 March, 1982

European Council

Robert Lowson rang this morning to report a conversation which Mr Peter Walker had over the weekend with Richard Butler, President of the National Farmers Union. The latter apparently warned Mr Walker that COPA were planning to organise a rally at the time of the European Council and said that he thought this could be a fairly rowdy and unpleasant affair. I should be grateful for any details which you may have of COPA's plans.

I am sending a copy of this letter to Robert Lowson (MAFF).

A. J. COLES

F N Richards, Esq
Foreign and Commonwealth Office

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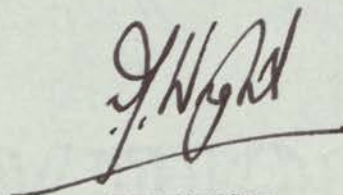
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Ref. A07708

MR COLES

Briefing for the European Council, 29/30 March 1982

The preparation of the briefs for the next European Council is now being set in hand. I should be grateful for confirmation that it would be acceptable for them to reach you by noon on Friday 19 March.

2. When the Prime Minister has decided who is to attend the European Council, we shall be glad to provide advice as to whom you might invite to the briefing meeting which you have arranged for Wednesday 24 March.



D J WRIGHT

4th March 1982



1944

1944

Reference for the Bureau of Customs

E-4 MAR 1944



The Department of State has received information from the Bureau of Customs that the following information is being furnished to the Bureau of Customs for their information and use:

The Bureau of Customs is requested to advise the Department of State of any information received from the Bureau of Customs which may be of interest to the Department of State.

[Faint, illegible text, possibly a signature or stamp]

1944



Foreign and Commonwealth Office

London SW1A 2AH

4 March 1982

Dear John,

att European Economic Situation

Thank you for your letter of 24 February. I enclose a draft reply from the Prime Minister to the letter of 19 February from Mr Jorgensen, the Danish Prime Minister. Both HM Treasury and the Cabinet Office European Secretariat have been consulted about the draft.

Lord Carrington does not believe that it would be right for the Prime Minister to send a copy of this reply to other European colleagues although Mr Jorgensen so copied his own letter. He believes that a better alternative would be to authorise our Ambassadors in the other eight capitals and Sir M Butler to convey the gist of the Prime Minister's reply to the authorities to whom they are accredited.

Yours ever,

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT: **TEL. NO:**

SECURITY CLASSIFICATION

TO:
Mr A Jørgensen
Prime Minister of Denmark

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Thank you for your letter of 19 February about the European economic situation.

I too look forward to ^a ~~having~~ thorough discussion of the economic and social situation at the next European Council. As you say, these are difficult times for the economies of all the Member States and it is ~~especially~~ important for us to exchange views and learn from each other's experiences.

I found our discussion last November particularly ^{Constructive} ~~positive~~ and was glad to be able to ^{announce afterwards} ~~report to the press~~ our broad agreement that the objectives of fighting inflation and unemployment required ^{that} ~~public~~ deficits and monetary growth ^{should} ~~to~~ be kept under control within tight limits. I remain convinced that the key to creating competitive jobs and achieving sustainable recovery lies in continuing the fight against inflation, improving the economic environment for the private sector and bringing about necessary structural change.

Vitally important though these problems are, ~~however,~~ I think it is our duty at our meeting in March ^{also} ~~also~~ to discuss the other major problems which face the Community. I am sure for example that we should devote adequate time to discussion of the international political situation, and we should also review the position reached in the 30 May Mandate negotiations. My hope has been that by 29

Enclosures—flag(s).....



5 MAR 1982



March these negotiations will be completed. If not, we may need to devote a substantial amount of time to these issues, which are basic to the whole cohesion and development of the Community. Failure to do so would, I think, be generally misunderstood and would certainly be hard to defend to the people of Britain.

I hope therefore that it will prove possible within the time available not only to have a thorough review of the economic and social situation, to which I ~~too~~ attach importance, but also to consider the other main Community problems of the day.

MR $\frac{5}{3}$



10 DOWNING STREET

From the Private Secretary

25 February 1982

BF's

Le Soir

Thank you for your letter of 22 February.

The Prime Minister is prepared to give a written interview to the above newspaper. We should be grateful if you could arrange for Le Soir to be approached and their written questions obtained. We should like the interview to be published a day or so in advance of the European Council. We hope the questions posed will give the Prime Minister ample scope to get across our position as positively as possible.

We should be grateful to see a copy of the questions as soon as they are available. We shall also need the draft replies as early as possible because the Prime Minister will be particularly busy in the period immediately before the Council.

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

R



10 DOWNING STREET

25 February 1982

LE SOIR

Please refer to Brian Fall's letter of 22 February to John Coles about the possibility of the Prime Minister giving an interview to Le Soir shortly before next month's European Council meeting.

The Prime Minister has agreed to give a written interview and I should be grateful if you could now approach Le Soir to obtain their questions. Our aim should be for the interview to be published a day or so in advance of the Council, and you should attempt to ensure that the questions give us ample scope to get across our position as positively as possible.

As the period immediately before the Council will be very busy please could we have the draft replies as early as possible. Could you also let me have a copy of the questions as soon as they are available.

IAN KYDD

A A Joy, Esq.
News Department,
FCO.

hite

ds



10 DOWNING STREET

From the Private Secretary

24 February 1982

EUROPEAN ECONOMIC SITUATION

I enclose a copy of a letter which the Prime Minister has received from the Danish Prime Minister. This in turn encloses a copy of a letter which Mr. Jørgensen sent to Chancellor Schmidt on 19 February.

You will note that Mr. Jørgensen suggests that the next meeting of the European Council should be devoted entirely to the question of increased economic activity in Europe.

BP
I should be grateful for a draft reply for the Prime Minister's signature in due course.

I am sending a copy of this letter to John Kerr (HM Treasury) and David Wright (Cabinet Office).

A. L. COLES

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.



From the Secretary of the Cabinet

Mr Coles

I attach an advance copy of a message from the Danish Prime Minister to the Prime Minister, which the Danish Ambassador has sent to me expressly for onward transmission to the Prime Minister.

I assume that you

ink copy is to be
Foreign Office ;

I have not done
so.

RA

23. ii. 82

PRIME MINISTER

EUROPEAN COUNCIL - MEDIA

FCO have recommended that you should give an interview to "Le Soir", a Brussels newspaper with a wide Belgian and European readership.

This would be an opportunity to put on the record our principal concerns about the Mandate negotiations immediately before next month's European Council meeting.

Rather than give a personal interview, or a signed article, which has also been suggested, I suggest we should ask Le Soir to submit questions in writing to which FCO would draft replies for your approval. This would have greater impact than an article but would still leave us with full control over content.

Content?

Yes no

IK
IAN KYDD
23 February 1982

Mr. Kydd *IK*
The last part of Nord will be very busy. Let us have the draft replies in very good time please.

A.S.C. - $\frac{24}{2}$



Foreign and Commonwealth Office

London SW1A 2AH

22 Febraury 1982

Dear John,

'Le Soir'

I understand that your press office have been in touch with the News Department here and with UKRep Brussels about the possibility of reviving the idea of an interview with the Prime Minister, or a signed article by her, for the Belgian newspaper 'Le Soir'. As you will recall, a request from this newspaper for an interview in connection with the British Presidency twice had to be declined in the latter half of last year.

The Foreign and Commonwealth Secretary considers that an interview with the Prime Minister shortly before the European Council at the end of March would provide a valuable opportunity to put across, through an influential newspaper with a wide Belgian and European readership, some of our principal concerns about the Mandate negotiations, which are likely to figure prominently in the run up to and at the Council.

An alternative possibility would be to offer an article signed by the Prime Minister for publication in the newspaper. This might impose less of a commitment on the Prime Minister's time.

I should be grateful to learn whether the Prime Minister is agreeable to this proposal, and if so for authority to initiate discussions with 'Le Soir' about the details.

Yours ever,

(B J P Fall)
Private Secretary

A J Coles Esq
10 Downing Street

22 FEB 1982



