

PART II

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EUROPEAN COUNCIL MEETINGS IN  
BRUSSELS!

28<sup>th</sup> + 29<sup>th</sup> JUNE 1982. - POLICY

EUROPEAN POLICY

Part I : Oct 1979.

Part II : ~~From~~ JUNE 1982.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>29.6.82</del>							
1.7.82		PREM 19/751					

Brief for Euro Council: Brussels 28-29 June 82  
in attached folder.





## EXPORT CREDITS

Minimum interest rates (where official financing support is given).

		EXISTING		LATEST PROPOSAL	
		2-5 years	Over 5 years	2-5 years	Over 5 years.
I	Rich	11.0	11.25	12.15	12.4
II	Intermediate	10.5	11.0	10.85	11.35
III	Poor	10.0	10.0	10.00	10.00

Note For countries which it is proposed to reclassify from Category III to II the interest rate increase would be phased as follows:-

a) until 31 December 1982

10.5 for 2-5 years  
10.75 over 5 years

b) from 1 January 1983

10.85 for 2-5 years  
11.35 over 5 years.

Relations with United States.

Trade. - Law - Applic<sup>n</sup> of  
U.S measures goes beyond  
what is customary in  
int. law. Treaties should  
be taken literally.

' Abuse of dominant-  
position under Article 96 "

Couper meeting on Thursday.

President of France

Versailles - Exchange rate document.  
"manip less"

Pape - lre, Ag. policy. Sted (with  
intervention).

Ref. to import goods produced by  
national co's.

G.A.T.T.

N.A.F.A.



Central Economy.

Start: Open Trade

Private  
Banking

① Lobbying by ~~Am~~  
Special interests  
groups.

② Merger  
without  
much consultation  
of  
affected  
community

Effect of merger on own people

Announcement of intentions

Private  
future  
credit

Old Kind  
Avenue

Blocked Av.

High Income  
- high

Industry

- Low Income

- High

## Cabinet / Cabinet Committee Document

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

Reference:

CC(82)36th Conclusions, Minute 3

Date:

1 July 1982

Signed

On Wayland

Date

28 August 2012

**PREM Records Team**



take part in the decision about an inquiry. Indeed, they have just as equal a right as the leaders of the opposition parties. By what constitutional right does my right hon. Friend presume to institute an inquiry into the policies and management of previous Administrations—*[Interruption.]* What is more, may I ask my right hon. Friend what consultations have taken place with the previous heads of Administration? As far as I am concerned, there have been none.

**Mr. Winnick:** Scandalous.

**Mr. Heath:** I have no objection to the record of my Administration being examined. However, I have not been asked to give authority for the release of papers from 1970 to 1974, which are still covered by the 30-year rule. May I also ask the Prime Minister whether she recognises that those of us who have experienced the treatment of a previous Administration by herself and her advisers can have no confidence whatever in an inquiry set up without consultation or consideration with the previous Heads of Administration?

**The Prime Minister:** With regard to going back over the records of previous Administrations, it is necessary to adjudge our intelligence and defence assessments by the side of previous intelligence messages and defence assessments. I am sure that my right hon. Friend would not

wish to prejudice a judgment made on a very distinguished Foreign Secretary in any way by withholding that or by withholding the documents. With regard to permission to consult Cabinet papers, I am advised that I do not necessarily have to ask for that. Nevertheless, I have made it known that it would be my intention to ask each and every previous Prime Minister, as a matter of courtesy, whatever is the constitutional position, if he would agree that the appropriate Cabinet minutes and committees can be looked at. At present the rule is that they can be looked at only by those who were involved. They have a right to look at anything in which they personally were involved. I shall, of course, therefore consult previous Prime Ministers—[HON. MEMBERS: "Ah".]—about whether they will agree to the papers connected with their Administration being put at the disposal of the inquiry. That will be the right way to proceed. I shall be astonished if there are any difficulties.

**Mr. Douglas:** On a point of order, Mr. Speaker. In reply to questions, the Prime Minister said that she would make an announcement on the Falkland Islands inquiry next week. Can it be made indelibly clear that that announcement will be in the form of a statement to the House, which is absolutely necessary, in view of the previous exchanges?

**The Prime Minister:** I confirm that.



## European Council

3.33 pm

**The Prime Minister Mrs. Margaret Thatcher):** With permission, Mr. Speaker, I shall make a statement about the meeting of the European Council which I attended in Brussels on 28 and 29 June with my right hon. Friend the Secretary of State for Foreign and Commonwealth Affairs. That meeting of the European Council was dominated—[*Interruption.*]

**Mr. Speaker:** Order. The House should listen to the statement that is being made. There will be no questions on it if we cannot hear it.

**The Prime Minister:** This meeting of the European Council was dominated by external problems of a political and economic kind. The texts of a number of conclusions were agreed and I have placed copies in the Library. They deal with the hostilities in the Middle East, economic relations with the United States, and the economic and social situation.

As is customary, the meeting discussed current political questions, notably the Middle East. We shared the intense concern at the situation in Lebanon, where the present ceasefire must be preserved and used to secure first disengagement of the forces in and around Beirut, and thereafter full implementation of the recent resolutions of the Security Council.

In the broader Arab-Israel context we continued to see no alternative to negotiations between the parties, based on the two fundamental principles of the Venice declaration: security for all States, including Israel, and justice for all peoples, including the Palestinian people.

**Mr. Bob Cryer (Keighley):** On a point of order, Mr. Speaker. Two hon. Members are talking so loudly that I cannot hear the statement.

**Mr. Speaker:** Order. Everyone in the House should settle down and listen to the statement.

**The Prime Minister:** The European Council's discussion of economic relations with the United States reflected the concern that all of us felt about certain decisions taken by the United States Government. Their actions in respect of steel imports and the Siberian gas pipeline could have serious consequences, which everyone in the Community wants to avoid.

The European Council agreed that representatives of the Community should immediately contact the responsible authorities in the United States to see if an acceptable solution could be found.

The discussion of the economic and social situation was relatively brief. The European Council had already decided at its last meeting in March that industrial questions and unemployment should be a major theme at the meeting to be held in Copenhagen in December under Danish Presidency.

During yesterday's discussion the Governments of the member States, the Commission and the Council of Ministers were asked to take certain specific steps between now and December so that the next European Council will be in a good position to review this whole area of policy.

The question of the enlargement of the Community was discussed informally and we did not seek to reach precise conclusions. It is agreed that the negotiations with Spain

and Portugal will continue and the Commission has been asked to make a list of the outstanding problems and to propose solutions to them.

All member States recognise that there are problems that must be solved in these negotiations. The position of the United Kingdom is clear—we want these negotiations to succeed as soon as possible and we shall continue to work towards that objective.

Finally, the Greek Prime Minister made a statement of his Government's reactions to a recent Commission paper about the position of Greece in the Community. This paper, together with the earlier memorandum on the subject by the Greek Government, is now to be studied by the Council of Ministers.

**Mr. Michael Foot (Ebbw Vale):** The Prime Minister referred to Lebanon in her statement, and it was also referred to in the communiqué. We fully support the proposition that the Security Council's resolution should be backed and sustained. Can the Prime Minister give us any information on the response of the Israeli Government on that subject?

I am surprised that the right hon. Lady did not refer to the operation of the Luxembourg compromise and the veto. Before she left the summit meeting, did she raise the matter with the other Heads of State, and if so, what response did she receive? The Foreign Secretary had led us to believe that the matter would be discussed at the meeting. In any case, does the Prime Minister think that if it is right for the matter to be formally established before there is any further movement on the proposal to secure a fisheries agreement? The veto might arise in that connection.

With regard to trading policy, we were glad to hear what the right hon. Lady said in answers to questions on the steel industry. Is it not the case that in some of the reports it is suggested that she has sought to soften the representations that were made on trading policy matters? Is there not a real danger of a trade war between the United States and European countries? We have major interests in the matter.

In the last day or two a statement has been made by a spokesman from the Department of Trade, who said:

"What we are seeing is an attempt to export unemployment from the United States to Europe, through the unilateral use of a protectionist weapon based on what we regard as an unreasonable and arbitrary definition of subsidy."

Is that not the view of the British Government? If it is, should it not be pressed with all possible strength, as our steel industry and other industries are seriously affected?

I have some questions to put to the right hon. Lady on what she said about more general economic matters. She or the Council seems to envisage that a discussion on unemployment in general terms is not to come forward again to the Council until December. However, the situation is extremely serious.

I hope that I shall not be thought indelicate or discourteous to the right hon. Lady in quoting the right hon. Member for Sidcup (Mr. Heath), who had something to say on this matter. He made a few remarks some minutes ago, but he was in equally explicit form yesterday. He said that what was happening at the moment in the United States was more misguided than what has happened in the history of the Western Alliance. He was talking about the policies that were being pursued and their relationship to Western Europe as a whole and the United Kingdom in particular.



The right hon. Gentleman continued:

"The vicious spiral of increasing budget deficits and high interest rates is deflating the entire world economy, throwing millions out of work and provoking a desperate race by Governments to subsidise exports in order to cling to what they can of the world's dwindling markets."

Does the right hon. Lady agree with her right hon. Friend? I am sure that she does on this matter. If she agrees with him, as I am sure she does—I am certain that she will be eager to say so—does she not think that more much more urgent action must be taken to deal with a matter of such seriousness?

We hope that, far from being content with this statement, which seems, incidentally, to dissipate all the prospects held out at the Versailles summit a couple of weeks ago, the right hon. Lady will bring to the House next week a policy and programme for trying to get British proposals accepted for dealing with this world-wide crisis at a much earlier stage than December.

**The Prime Minister:** Let me deal with the four main points that the right hon. Gentleman has raised. The first is the serious situation in the Lebanon. There obviously has been no response direct to the Ten from Israel, but, as the right hon. Gentleman will know, it looks as though there is some hope that the PLO will leave West Beirut without any further fighting. If that could be arranged it would be very welcome.

The Luxembourg compromise was discussed in detail at a special meeting of the Council of Foreign Ministers. There was a good deal of support for the view of the British Government that where a member State considers that a very important matter of national interest is at stake, voting should be deferred. I am well aware that that arrangement has been broken once in practice, but if the right hon. Gentleman goes right back to the initiation of the Luxembourg compromise in 1966 he will see that it was never universally agreed, although when we went into the Common Market we assumed that all highly important decisions would be taken by unanimity and not on majority voting.

Trading policy was discussed mainly under two heads. We discussed, first, the countervailing duties on steel. I agree with the right hon. Gentleman that, as far as we are concerned, the countervailing duties seem to be wrongly applied, because most of the assistance that goes to the British Steel Corporation now is to help to reduce productive capacity. A great deal, therefore, goes to redundancy payments, and that cannot properly be called a subsidy to output. It has been treated in that way, we believe wrongly, and we are taking it up both bilaterally and through the Community itself. The Community is pursuing this matter with the United States very vigorously.

With regard to the Siberian gas line, we have an interest because John Brown has a contract to deliver a certain amount of equipment to the Soviet Union. With regard to the announcements made by the United States, the right hon. Gentleman will have seen that my right hon. and noble Friend yesterday made an order under section 1(1) of the Protection of Trading Interests Act 1980. British firms that are adversely affected by the measures taken by the United States Administration are invited to make representations to the Department of Trade. I must agree with the right hon. Gentleman, and we take what has happened very seriously. Whatever measures are taken by

a nation as far as ordinary contracts are concerned, existing contracts should always be allowed to be fulfilled in the proper way.

With regard to interest rates and the United States financial policy, I am very much against high deficits. I hope that the right hon. Gentleman is. High deficits lead to high interest rates and high public expenditure leads to high deficits. I am delighted to have the right hon. Gentleman's support.

With regard to unemployment, we had a considerable discussion at the last European Council and at Versailles. The right hon. Gentleman will have seen in the communiqué that the Council confirmed the conclusion that it reached in March regarding a co-ordinated policy for combating unemployment by promoting productive investment. He will see elsewhere in the communiqué that that can be promoted only by transferring resources, usually from consumption to investment, and increasing competitiveness and productivity as well as developing a Community industrial strategy based on a technology and innovation policy. These issues were discussed in detail and published in European Council documents. They will be further discussed in December.

**Mr. Foot:** I must ask the right hon. Lady to amplify one or two matters. In view of the extreme importance of the questions raised about the economic future by the right hon. Member for Sidcup, we shall be happy to stage a debate in which all can participate. Certainly the questions are so serious, if what the right hon. Gentleman says is true, that much more urgent action should be taken, and we should discuss them before the House rises for the Summer Recess. That is one request that I make to the right hon. Lady.

I think it is most extraordinary that the right hon. Lady made no attempt to comment upon the veto in her original statement. She may have said that it was discussed by the Foreign Ministers elsewhere, but what she has said today is not satisfactory thereto and we want a statement about that matter also. As for taking action to protect ourselves and British traders from unfair action from the United States, the right hon. Lady will certainly have the strongest support from the Opposition. I hope that she will not weaken the representations that are made by other countries.

**The Prime Minister:** With regard to high interest rates, to which I think the right hon. Gentleman is alluding, they are caused directly by a high deficit coupled with a low savings ratio. They are caused by the fact that the market does not believe that the reductions in expenditure that are going through Congress will be sufficient. If they were sufficient, the deficit would come down and interest rates would fall very quickly. In my view it is important that interest rates come down. I do not see how there can be a major recovery in the United States with the present levels of interest that are charged. The other way is to put up taxation. That was the way that we followed during our second year of office. We have been correct in getting down those high deficits. I am delighted that the right hon. Gentleman agrees with us.

With regard to the Luxembourg compromise, I said that opinions were always divided as they have been since this issue first came up at the instance of the French President in 1966. If the right hon. Gentleman goes back to those papers, he will see that there was never unanimous



[The Prime Minister]

agreement on the use of the compromise. The matter was extensively discussed. There is disagreement about it. We believe that it is in Britain's interests still to retain the Luxembourg compromise.

**Mr. Roy Jenkins** (Glasgow, Hillhead): Does the Prime Minister regard 1984 for Portuguese and Spanish entry as having slipped? Will she confirm that it is still the Government's view that such delays are highly undesirable in the interests of democratic stability in an important part of Europe?

**The Prime Minister:** A number of us had hoped that Spain and Portugal would come in before 1984. Many of us think that it is extremely important that they both come into the European Community for the reason that the right hon. Gentleman has given, which is to keep democracy in both countries. I have no doubt that that would be helped by their being full members of the European Community. With the present problems, we shall be doing quite well if we succeed in getting them in by 1984, but the Government hope that they will be in by that time.

**Mr. Peter Tapsell** (Horncastle): Will my right hon. Friend bear in mind the fact that whatever view we may take of current American trading and financial practices, some of us believe that the United States Administration is right in believing that the pipeline deal with the Soviet Union is a most profound mistake which will greatly weaken the West since most of the large amounts of foreign exchange which the Soviet Union will earn as a result of it will be spent on armaments designed to destroy liberty?

**The Prime Minister:** Many people would agree with my hon. Friend. However, at the moment that is not the point at issue. The question is whether one very powerful nation can prevent existing contracts from being fulfilled. It is wrong that it should prevent those contracts from being fulfilled. It is also ultimately harmful to American interests because many people will now say that there is no point in making a contract for materials, machinery and equipment from the United States if, at any time, that contract can be cancelled. It is not, therefore, in their or our interests to stop those contracts being fulfilled.

**Mr. David Steel** (Roxburgh, Selkirk and Peebles): What policy action is the Council of Ministers prepared to take to register the Community's disapproval of the continued presence and activities of the invading Israeli forces in Lebanon?

**The Prime Minister:** We have issued vigorous statements on the matter whenever we or the Council of Ministers have met. A further vigorous statement was issued this time. The fact remains that the country that is likely to have the most influence with Israel is the United States. We also make our views known to the United States.

**Mr. Jack Ashley** (Stoke-on-Trent, South): Does the Prime Minister agree that our friends in Washington recently have not sufficiently appreciated the economic anxiety in Western Europe and that unless they change their attitude there is a real danger of conflict between the United States and its allies in Western Europe?

**The Prime Minister:** They now appreciate our anxiety, which is on three fronts—first, the continuation

of high interest rates in the United States. They will say that they are trying to deal with them by reducing public spending. That will depend upon the decision that their Congress makes. Of course, it is not for us to tell their Congress how to act. It would be counter-productive if we did. Secondly, they are aware of our dismay at the duties that they have placed on steel. Both we and the Community are taking that matter up. Thirdly, we issued a strong statement about the termination of existing contracts.

**Sir Hugh Fraser** (Stafford and Stone): Whatever the rhetoric of United Nations statements or communiqués, I hope that my right hon. Friend agrees that the most important thing now is to avoid further bloodshed in Beirut. To that purpose, her statement is welcome. I hope that the PLO will now face military reality and remove itself.

**The Prime Minister:** My right hon. Friend knows that many efforts have been made during the past three or four days to make arrangements for the PLO to leave West Beirut and the Lebanon, possibly by boat, if necessary with small arms. As my right hon. Friend will be aware, the difficult questions are, where do they go to, who will accept them and will they go to those places? That has still to be arranged.

**Mr. Ernie Ross** (Dundee, West): Does the Prime Minister agree that, however late the President of the United States' statement was, the statement that he made today warned the Israeli Government that they do not have the tacit approval of the Americans to continue the genocide in the Lebanon? Does she further agree that now is the time to implement economic sanctions against Israel until she withdraws from Lebanon?

**The Prime Minister:** I also heard the statement to which the hon. Gentleman refers, in which the President of the United States made it perfectly clear that any further Israeli action in Beirut would not have the consent of the United States. He also said that he too, hoped that it would be possible to make arrangements for the PLO to leave West Beirut and for there to be no further bloodshed. On the hon. Gentleman's second point, the Community is not signing a financial protocol with Israel but there was not agreement on whether further economic sanctions should be imposed.

**Mr. John H. Osborn** (Sheffield, Hallam): Will my right hon. Friend bear in mind that the revival of the economy is the concern of both the Council of Europe and the European Parliament and that revival means the elimination of unemployment? Will she therefore establish guidelines or urge that guidelines be established as quickly as possible to deal with the problem? Does she agree that unemployment is the cause of recession in the steel industry—a mutual problem between the United States of America and Western European countries? When the next discussions take place, will she ensure that the interests of the private sector steel industry are looked after?

**The Prime Minister:** My hon. Friend is absolutely correct. That is why, when we referred in our communiqué to the problem of unemployment and to the need for more investment, we made it perfectly clear that productive investment was needed. Most of that investment occurs in the private sector, although there is some in the public sector. The Commission will soon produce a paper. We



are aware that we must not spend so much in the public sector that we deprive the private sector of the finances that it needs to expand its activities.

**Several Hon. Members** *rose*—

**Mr. Speaker:** Order. I propose to call four more hon. Members from each side. Thereafter, we shall proceed to the second statement.

**Mr. Ioan Evans** (Aberdare): Does the Prime Minister agree that the problem of high interest rates and deficit in the United States affects the European economy and that it was brought about by the massive arms expenditure in which the United States is indulging? Will she therefore examine the Siberian pipeline in a different light? Does she agree that it would be better to improve trading relations between East and West—for there to be peaceful co-operation between East and West Europe? What is the EEC doing to ensure that the United Nations special session on disarmament will be a success?

**The Prime Minister:** There is nothing that I can usefully add to what I have already said about high deficits and high interest rates. Getting the one down will lead to the reduction of the other. With regard to the high deficit being caused by arms expenditure, the hon. Gentleman will also discover that there is an enormous projected increase for social services expenditure. The President intends to deal with that increase at the same time as reducing the deficit for two or three years. With regard to the Siberian pipeline, the President has expressed his view and we have confined our comments to what I have already said—that existing contracts should be allowed to be fulfilled.

**Mr. Michael Latham** (Melton): When my right hon. Friend gave a positive reply to the right hon. Member for Glasgow, Hillhead (Mr. Jenkins) about Spain entering the Common Market, did she forget about Gibraltar? Did she raise that matter in the Council of Ministers? Did she make it absolutely clear that the people of Gibraltar will not be sold out and that there can be no question of letting Spain into the Common Market so long as the border remains closed?

**The Prime Minister:** We are fully committed to the people of Gibraltar. There can be no possible change in the status or sovereignty of Gibraltar without the full consent of the people of Gibraltar. That has always been our position. I agree with my hon. Friend that Spain cannot enter the Common Market as long as her side of the border with Gibraltar remains closed.

**Mr. Nigel Spearing** (Newham, South): In an earlier reply about the Luxembourg compromise, the Prime Minister referred to a meeting of the Foreign Ministers where she said that there was a view that matters should be postponed or deferred if there was disagreement. Was that postponement or deferment indefinite or just until the next meeting? Was that the unanimous view of all the Foreign Ministers present?

**The Prime Minister:** The hon. Gentleman has taken the word "deferred" as referring to something else. I said that there was a good deal of support for the British Government's view that when a member State considered that a very important national interest was at stake, voting should be deferred. That refers to the language of the

original Luxembourg compromise—one does not come to a conclusion so long as there is disagreement between the States.

The main discussion on the Luxembourg compromise took place on 20 June. Opinions were divided. They have always been divided on the Luxembourg compromise. We continue to discuss it. We believe that it is in Britain's interests to continue the Luxembourg compromise.

**Mr. Anthony Nelson** (Chichester): Is my right hon. Friend aware that she will receive widespread support for what she has said about conditions of contract? Does she agree that the principle of upholding the obligations of contracts in international trade extends far beyond the immediate issue of obtaining the turbines order for the Siberian pipeline? Will she employ whatever diplomatic channels are open to Britain to impress a more considered attitude on the American Administration in addition to the representations that are being made by the Community?

**The Prime Minister:** Yes, I have already made my own views on this known directly to the President when I spoke to him. I entirely agree that ordinary commercial contracts should be fulfilled. The only exception to that is if there are hostilities or war breaks out. On such occasions, with regard to military arms, we have asked other countries to hold up the delivery of arms and have ourselves done so, but that is a separate question from an ordinary commercial contract.

**Mr. Sidney Bidwell** (Ealing, Southall): Has the right hon. Lady looked at the standard practices in the EEC regarding women's rights as they apply to foreign husbands and the right to choose whether to go to the husband's country or to stay put to raise their families? Is it not ridiculous that in some instances women citizens of this country have to go to another EEC country where equality of spouses is standard practice? Will she consider the immigration debate on Monday, in which this matter was highlighted, and stop acting against the interests of women in my constituency?

**The Prime Minister:** I have nothing further to add to what was said in the immigration debate on Monday. The specific point that the hon. Gentleman raised was not discussed at the European Council, but with the presence of Madame Flesch and myself, our fellow heads of Government and Foreign Secretaries will have been in no doubt whatever that women have rights.

**Mr. John Browne** (Winchester): Does my right hon. Friend accept that the stated American deficit of \$100 billion is grossly understated, as, when off-balance-sheet items are added, it is almost \$250 billion? Does she agree that it is grotesquely misleading to try to blame a deficit of that size on the current American Administration? The Reagan Administration was quite obviously locked in to many of those deficit expenditures by the policies of past Administrations?

**The Prime Minister:** My hon. Friend is correct. Many of the increases now taking place arise from decisions taken previously and it is they which are partly giving rise to the enormously increased deficit. I agree that there is also a certain amount of off-balance-sheet financing. Indeed, that is a factor that we should remember when people say that we could remove things from the public sector borrowing requirement. That would not help, because the money still has to be found.



**Mr. Michael English** (Nottingham, West): With regard to the possible admission of Portugal and Spain to the EEC, which was raised by the right hon. Member for Glasgow, Hillhead (Mr. Jenkins), has the Prime Minister conveyed her own and the country's appreciation to Portugal, our oldest ally, for its attitude in our recent war with Argentina? In the opposite sense, has she also conveyed our view of the malign and mendacious attitude of Spain? Will she bear both those factors in mind in relation to future events in the EEC?

**The Prime Minister:** I have personally thanked Portugal for its splendidly supportive attitude throughout the whole of the Falklands crisis. It was much appreciated by all our people. In the same spirit, we felt very resentful of the attitude taken by the Spanish, and they are in no doubt about that.

**Mr. Bill Walker** (Perth and East Perthshire): On this very important day for Scots who wear the kilt—the anniversary of the wearing of the kilt—does not the matter of John Brown show clearly how important it is for this country to maintain research and development facilities and manufacturing capacity in the high technology areas on which Scotland is so dependent for export orders?

**The Prime Minister:** Yes, it does indeed, but I think that it is common practice in almost every country to manufacture good, high technology products under licence from other countries. As my hon. Friend knows, that is what has happened in this case. Therefore, we still need the export licence from the United States.

## Business of the House

4.4 pm

**The Lord President of the Council and Leader of the House of Commons (Mr. John Biffen):** I wish to make a short business statement. The business for next week will be as follows:

**MONDAY 5 JULY**—Private Members' motions until seven o'clock. Afterwards, Supply (22nd Allotted Day)—(First part). Debate on a Liberal motion on specific and practical measures to reduce unemployment.

Second Reading of the Duchy of Cornwall Management Bill.

**TUESDAY 6 JULY**—Conclusion of the debate of the statement on the Defence Estimates, 1982.

Motion relating to the National Health Service (Charges to Visitors) (No. 2) Regulations.

**WEDNESDAY 7 JULY**—Conclusion of consideration of Lords amendments to the Local Government Finance (No. 2) Bill.

Motions on the international fund for agriculture development and the African development fund orders and on the Building Societies (Special Advances) Order.

**THURSDAY 8 JULY**—Supply (23rd Allotted Day). There will be a debate on the Army, on a motion for the adjournment of the House.

**FRIDAY 9 JULY**—Private Members' Bills.

**MONDAY 12 JULY**—Progress on remaining stages of the Finance Bill.

**Mr. Michael Foot** (Ebbw Vale): I wish to put first to the right hon. Gentleman one or two matters arising from the Prime Minister's statement today.

The Prime Minister's answers on the Luxembourg compromise leave a most confused situation. I therefore believe that we must have a further statement from the Prime Minister at a very early stage to clear up the discrepancies.

The Prime Minister's remarks about the general economic situation only reinforce the case that we have urged for a general debate on unemployment at a very early stage. We certainly renew that application today.

I also reiterate the case that I put to the right hon. Gentleman last week for a further debate on disarmament—not a debate concerned solely with defence matters, but a general debate on disarmament. While the United Nation's session on the subject continues, the House should have that opportunity.

Can the right hon. Gentleman give any information on when the 1982-83 higher education mandatory awards regulations will be laid before the House? Does he appreciate that further delay will cause confusion among students and universities? Is he aware that if the regulations are not laid until late July the House will be denied an effective opportunity to influence the regulations which, due to cuts, are extremely contentious? I hope that the right hon. Gentleman will ensure that that matter is speeded up.

Finally, I am sure that the right hon. Gentleman will assist us by ensuring that proper reports are given to the House about what the Government are trying to do to stop the railway strike. A few minutes ago, we urged the Prime Minister to support the current discussions at ACAS. I hope that the right hon. Gentleman will give an



2-7-82

EUROPEAN COUNCIL, 28/29 JUNE

DRAFT STATEMENT FOR THE PRIME MINISTER TO MAKE TO THE  
HOUSE OF COMMONS

With permission Mr Speaker I will make a statement about the meeting of the European Council which I attended in Brussels on 28 and 29 June with my rt hon Friend the Foreign and Commonwealth Secretary..

This meeting of the European Council was dominated by external problems of a political and economic kind. The texts of a number of conclusions were agreed and I have placed copies in the library. They deal with the hostilities in the Middle East, economic relations with the United States, and the economic and social situation.

As is customary, the meeting discussed current political questions, notably the Middle East. We shared the intense concern at the situation in Lebanon, where the present ceasefire must at all costs be preserved and used to secure first disengagement of the forces in and around Beirut, and thereafter full implementation of the recent resolutions of the Security Council. In the broader Arab-Israel context we continued to see no alternative to negotiations between the parties, based on the two fundamental principles of the Venice Declaration: security for all states, including Israel, and justice for all peoples, including the Palestinian people.

/The



The European Council's discussion of economic relations with the United States reflected both the very real concern that all of us felt about certain decisions taken by the United States Government since the Versailles Summit, and also our united wish to resolve the problems that have thus been created by dialogue and, where possible, by negotiated solutions. The actions of the United States Government in respect of steel imports and the Siberian gas pipeline could have serious political and economic consequences which everyone in the Community wants to avoid. The European Council agreed that representatives of the Community should immediately get into contact with the responsible authorities in the United States to see if a way forward could be found.



The discussion of the economic and social situation on this occasion was relatively brief. The European Council had already decided at its last meeting in March that industrial questions and unemployment should be a major theme at the meeting to be held in Copenhagen in December under Danish Presidency. During yesterday's discussion the Governments of the member states, the Commission and the Council of Ministers were asked to take certain specific steps between now and December so that the next European Council will be in a good position to review this whole area of policy.

The question of the enlargement of the Community was discussed informally over dinner and we did not seek to reach precise conclusions. It is agreed that the negotiations with Spain and Portugal will continue and the Commission has been asked to make a list of the outstanding problems and to propose solutions to them. All <sup>member states</sup> / recognise that there are problems that must be solved in these negotiations. Some place rather more emphasis on the problems and others on the need to solve them. The position of the United Kingdom is clear - we want these negotiations to succeed as soon as possible and we shall continue to work towards that objective.

/Finally,



Finally, the Greek Prime Minister made a statement of his government's reactions to a recent Commission paper about the position of Greece in the Community. This paper, together with the earlier memorandum on the subject by the Greek government, are now to be studied by the Council of Ministers.



NOTE FOR SUPPLEMENTARIES

ECONOMIC AND SOCIAL SITUATION

What are the steps to be taken before December?

1. Member states have been asked to give priority to encouraging productive investment in their economic and budget policies.
2. Governments have been reminded of the need to convince public opinion that investment can only be increased if resources are shifted from other uses.
3. A special Council of Ministers will be held in November to consider measures to combat unemployment, especially among young people.



## EUROPEAN COMMUNITY - UNITED STATES RELATIONS

The European Council had a detailed discussion of the development of economic relations between the European Community and the United States.

In particular, the European Council considered that it was in the interests of the world economy to adhere to the lines of policy agreed by the participants at Versailles. It confirmed its intention for its part of doing so to the full.

It considered that a lowering of interest rates was a prerequisite for the recovery of the world economy and expressed the hope that the US Administration and Congress will take the necessary decisions to resolve the problem of the budget deficit.

So far as trade policy issues were concerned, the European Council confirmed the conclusions of the Ministers for Foreign Affairs, meeting in the Council on 21-22 June, with respect to the decisions or intentions announced by the United States concerning steel markets, and export and licencing of equipment for inclusion in the gas pipeline, and those concerning the Common Agricultural Policy.

The European Council emphasised its view that the maintenance of the open world trade system will be seriously jeopardised by unilateral and retroactive decisions on international trade, attempts to exercise extraterritorial legal powers and measures which prevent the fulfilment of existing trade contracts.

The European Council expressed its concern at these recent developments which could have adverse consequences for their relations with the United States.



LATIN AMERICA

The European Council has examined the state of the relations of the Ten with the countries of Latin America and the Caribbean.

It confirmed the lively interest that the Ten attach to the development of their relations with the peoples of this part of the world, with so many links with Europe and called upon to play an expanding role on the world stage. In this spirit it instructed Ministers to study appropriate means to strengthen cooperation between the Ten and this region.

The European Council asked the Community institutions to pursue actively the study with which they had already been entrusted of the problem of aid to Central America. It also discussed the means of helping, with the agreement of the countries concerned, to reduce tension and promote peace in this latter region.



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29. 6. 82 1300

IRAK-IRAN

Les Dix expriment leur vive préoccupation devant la prolongation du conflit meurtrier entre l'Irak et l'Iran, qui est destructeur pour les deux pays et qui menace gravement la sécurité et la stabilité de la région.

Ils réitèrent l'appel à un arrêt des hostilités et à un règlement négocié qu'ils avaient lancé le 24 mai.

Ils appellent à une intensification des entreprises de paix actuellement en cours et se déclarent prêts à y apporter leur concours.

IRAQ-IRAN.

The Ten express their deep concern at the continuation of the damaging conflict between Iraq and Iran, which is destructive for the two countries and seriously threatens the security and stability of the region.

They repeat the appeal which they made on 24 May for an end to hostilities and a negotiated settlement.

They call for an intensification of the peace efforts currently under way, and declare themselves ready to assist in these.



29/6/1982

MIDDLE EAST

1. The Ten maintain their vigorous condemnation of the Israeli invasion of Lebanon. They are greatly concerned about the situation in that country and in particular in Beirut. They believe that the present ceasefire must at all costs be preserved.

This ceasefire should be accompanied on one hand by an immediate withdrawal of Israeli forces from their positions around the Lebanese capital as a first step towards their complete withdrawal, and on the other hand by a simultaneous withdrawal of the Palestinian forces in West Beirut in accordance with procedures to be agreed between the parties.

In order to facilitate this withdrawal the separation of forces would be controlled during this short transitional period by Lebanese forces and, by agreement with the Lebanese government, by U.N. observers or forces.

2. The establishment of a final peace in the Lebanon requires the complete and prompt withdrawal of Israeli forces from that country as well as the departure of all foreign forces except those which may be authorised by a legitimate and broadly representative government of Lebanon whose authority would be fully reestablished over all its national territory. The Ten support all efforts for the achievement of these objectives.

3. For the present the Ten have decided to continue their activity to bring relief to the population in distress and, in this context, call on all parties to act in accordance with Security Council resolutions 511 and 512 and to cooperate with the responsible international agencies as well as with UNIFIL. They are also ready in due course to assist in the reconstruction of the country.



4. Anxious to initiate, over and above the settlement of the Lebanese problem, the lasting restoration of peace and security in the region, the Ten wish to see negotiations based on the principles of security for all states and justice for all peoples. All the parties concerned should be associated with these and thus should accept one another's existence. Israel will not obtain the security to which it has a right by using force and creating "faits accomplis" but it can find this security by satisfying the legitimate aspirations of the Palestinian people, who should have the opportunity to exercise their right to self-determination with all that this implies.

They believe that for negotiations to be possible the Palestinian people must be able to commit themselves to them and thus to be represented at them. The position of the Ten remains that the PLO should be associated with the negotiations.

The Ten wish to see the Palestinian people in a position to pursue their demands by political means and wish that the achievement of these should take account of the need to recognise and respect the existence and security of all.



Economic and social situation, investment policy

The European Council discussed the economic and social situation on the basis of the Commission report. It confirmed the conclusions it had reached in March regarding a co-ordinated policy for combating unemployment by promoting productive investment, increasing competitiveness and productivity as well as the development of a Community industrial strategy based on a technology and innovation policy. It agreed to step up efforts in the following three areas:

1. Modernization of European economic structures

This objective can be attained only if investment is developed purposefully. In line with its conclusions in March, the European Council welcomed with interest the guidelines proposed by the Commission in its report.

It calls upon the Member States to take account of the priority to be given to developing investment when formulating their economic and budget policies. It asks for practical proposals for its December meeting.

In addition it looks forward to proposals for the development of new technologies, particularly on the basis of the Communication of the Commission on communications.

2. Increased convergence of the economies of the Community

Development of investment will be a vain hope unless Governments manage to convince public opinion, economic circles and both sides of industry of the need to transfer resources in favour of both public and private productive investment.



3. A specific Community measure to combat unemployment, particularly in the case of young people

The European Council asks the Joint Council (Ministers of Finance, Economic Affairs and Social Affairs) to adopt firm decisions, on a proposal from the Commission, at its November meeting.

4. The European Council therefore requests that the discussions in meetings of the Council, particularly that in July on national budgetary guidelines for 1983, should aim at guaranteeing that such guidelines are compatible with the common objectives.
-





Foreign and Commonwealth Office

London SW1A 2AH

29 June, 1982

Prime Minister

We can discuss at 0930

tomorrow. A.S.C.  $\frac{29}{6}$

Dear John,

I enclose a draft statement on the European Council for the Prime Minister's use tomorrow afternoon.

The large majority of the supplementaries will follow tomorrow morning.

I am copying this letter to Mr Rhodes (DOT), John Kerr (Treasury) and David Wright (Cabinet Office).

Yours ever,

*F N Richards*

(F N Richards)  
Private Secretary

A J Coles Esq  
Private Secretary  
10 Downing Street

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with  
WR?

*[Handwritten mark]*

①



*Mr Coles, No 10*

Foreign and Commonwealth Office

London SW1A 2AH

29 June 1982



D Hancock Esq  
Cabinet Office  
Whitehall

*My dear David*

EUROPEAN COUNCIL 28/29 JUNE 1982

- ...
1. I enclose, as requested, a draft passage for the Prime Minister's statement in the House of Commons tomorrow covering Political Cooperation questions. I do not think it necessary to mention anything except the Middle East.
  2. I am copying this letter to John Coles at No 10.

*Yours ever  
Julian*

J L Bullard



DRAFT

As usual the meeting also discussed current political questions, notably the Middle East. We shared the intense concern at the situation in Lebanon, where the present cease-fire must at all costs be preserved and used to secure first disengagement of the forces in and around Beirut, and thereafter full implementation of the recent resolutions of the Security Council. In the broader Arab-Israel context we continued to see no alternative to negotiations between the parties, based on the two fundamental principles of the Venice Declaration: security for all states, including Israel, and justice for all peoples, including the Palestinian people.



Private Secretary (2)

EUROPEAN COUNCIL: POLITICAL SUBJECTS

1. In addition to the Lebanon, which Foreign Ministers have discussed at dinner this evening, the Presidency have distributed draft texts on 3 other subjects, either for inclusion in tomorrow's communique or as guidelines for use by the Presidency with the press: -

ASEAN

Tindemans was in Singapore recently, talking to Asean. There is a suggestion that Foreign Ministers of the Ten should go there in January or February next year for a full scale Ministerial meeting on the lines of the one held in London last autumn. It is thought that Asean will be looking for some sign of interest from the European Council. I attach a translation of the draft text as recommended by Political Directors. I think it is harmless.

Latin America

Some weeks ago the Ten Foreign Ministers expressed interest in the idea of a special effort to contribute to peace and economic development in Central America. In addition, although nobody has mentioned it tonight, there is a feeling among colleagues that the moment is ripe for some signal to the countries of Latin America as a whole. Here again I attach a translation of the text as recommended by Political Directors. It takes account of the point which the Prime Minister has been making about the need to avoid looking upon 'Latin America' as a monolithic whole.

Iraq/Iran

It was intended at one time that this should be covered as part of the declaration on the Middle East, but the two subjects have become separated. I attach the text worked out by the Political Directors.

2. In addition, it was thought that questions might be asked tomorrow about Poland and Afghanistan. There is nothing new to say on either subject, but short drafts could be produced by Political Directors very quickly if this was thought necessary.

*J L Bullard*

28 June 1982

J L Bullard

cc: Mr Coles (2) ✓  
 Lord Bridges  
 Mr Hannay  
 Sir Michael Butler

Mr Ingham  
 Mr Goulden  
 Mr Cooper  
 Mr Marsden

Mr Shepherd



TRANSLATION

DRAFT PARAGRAPHS FOR COMMUNIQUE/GUIDELINES FOR THE PRESS

ASEAN

The Ten attach great importance to their political and economic cooperation with the countries of Asean, which has recently been demonstrated again in the framework of the Asean-Community dialogue at Singapore on 18 June.

The Ten are following with interest the efforts by Asean to encourage a political solution to the Cambodian crisis. They have noted the agreement reached on the establishment of a Cambodian coalition government.

The Ten continue to believe that a political solution of the Cambodian crisis is to be achieved through the withdrawal of the Vietnamese forces from Cambodia and the exercise by the Cambodian people of their right to self determination.



TRANSLATION

DRAFT PARAGRAPHS FOR COMMUNIQUE/GUIDELINES FOR THE PRESS

LATIN AMERICA

The European Council examined the state of relations between the Ten and the countries of Latin America and the Caribbean.

They confirmed ~~that~~ the strong interest of the Ten in the development of their relations with the peoples of that area, connected as they are to Europe by so many links, and destined to play a growing role on the world scene. In this spirit they instructed Ministers to study the appropriate means for strengthening the cooperation between the Ten and this region. In particular, the European Council instructed the organs of the Community actively to pursue the task, already entrusted to it, of examining the question of aid to Central America. It also discussed means of providing assistance, with the agreement of the countries concerned, in reducing tensions and promoting peace in the region.



TRANSLATION

DRAFT PARAGRAPHS FOR COMMUNIQUE/GUIDELINES FOR THE PRESS

IRAQ/IRAN

The Ten express their deep concern at the continuation of the murderous conflict between Iraq and Iran, which is destructive for the two countries and a grave threat to the security and stability of the region.

They reiterate the appeal which they made on 24 May for a cessation of hostilities and a negotiated settlement.

They call for an intensification of the peace efforts now in train and declare their willingness to give their support to these.



J Bullard

Private Secretary (2)

## EUROPEAN COUNCIL: POLITICAL SUBJECTS

1. Political Directors have this morning produced a draft on Lebanon. The Presidency will distribute copies during lunch. The English translation may need some checking.
2. This draft takes account of instructions received this morning from Mr Hurd, especially in the paragraph asking Israel to understand that her security will not be assured by acts of force, and calling on the Palestinian people and the PLO to pursue their objectives by political means.
3. The square brackets round the references to the PLO were inserted by the Germans. I think myself that the wording does not go beyond what was already implied in the Venice Declaration, ie that the PLO must be associated with negotiations.
4. It was left open whether Heads of State and Government would issue this statement today, or keep until the end of the meeting tomorrow - in which case it may have to be revised in the light of events.
5. There will also be a draft of the reply which the Presidency and individual delegations should give to questions about what the Ten are actually doing to persuade Israel to comply with the Security Council Resolutions. This draft is still under discussion. The most important point in it is the idea that the Ten will stop sales of military equipment to Israel, to the extent that this has not been done already. The Commission said that there is nothing we can do in the economic and commercial field, short of denouncing the EC-Israel Cooperation Agreement - which requires 12 months notice.
6. There may also be a short text on Iraq/Iran.
7. The Presidency say that Tindemans wants a text on relations between the Ten and the countries of Latin America. A draft has not yet been produced.

J Bullard

J L Bullard

cc: Mr Coles (2)  
Lord Bridges  
Mr Hannay  
Mr Ingham  
Mr Fenn  
Mr Cooper



MIDDLE EAST.

1. The Ten are shocked by the events taking place in the Middle East and by their tragic consequences for Lebanon and the Palestinian people. They condemn the continuing occupation of Lebanon by Israeli forces, in contravention of Security Council resolutions 508 and 509. They deplore the death and the destruction, and demand that they should immediately be brought to an end.
  
2. Seriously concerned by the dramatic situation prevailing in West Beirut and the threatened destruction of Palestinian resistance they vigourously appeal as a first step for an immediate and complete ceasefire and the disengagement of the forces involved. The Ten have decided to continue their activity to bring relief to the population in distress and <sup>in</sup> this context call on all parties to act in accordance with Security Council resolutions 511 and 512 and to cooperate with the responsible international agencies as well as with UNIFIL. They are also ready in due course to assist in the reconstruction of the country.
  
3. The restoration of peace requires the withdrawal of Israeli forces from Lebanon as well as the departure of all foreign forces except those authorised by a legitimate and broadly representative government of Lebanon, whose authority would be fully reestablished over all national territory : the Ten support all efforts intended to achieve these objectives.
  
4. All efforts to restore lasting peace and security in Lebanon and in the region require a concomitant effort to reestablish the legitimate rights of the Palestinian people, some of whom have taken refuge on Lebanese soil.



The Ten also demand that this people be permitted as part of a global settlement to exercise their right to self-determination /no option being excluded in the exercise of this right / and that it be possible for them to equip themselves with the state structure of their choice.

5. In order to initiate the settlement of these closely linked problems the Ten wish to see negotiations based on the principles of security for all the states and justice for all the peoples. All the parties concerned should be associated with these, and thus should accept one another's existence. The Ten firmly believe that Israel will not obtain the security which is its right by using force and creating "faits accomplis", but that it can find this security by satisfying the legitimate aspirations of the Palestinian people. They believe that for negotiations to be possible the Palestinian people must be able to commit themselves to them and thus be represented at them. Consequently the PLO seems to be an essential interlocutor. The Ten wish to see the Palestinian people pursue their demands by political means and wish that the achievement of these should take account of the need to recognize and respect the existence and security of all. Should the Palestinians including the PLO / the PLO commit themselves to this route European support would not be lacking.



FOBU 005/28

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**INWARD TELEGRAM**

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TO IMMEDIATE FCO

TELEGRAM NUMBER 290 OF 28 JUNE

AND IMMEDIATE BRUSSELS

INFO PRIORITY BEIRUT, TEL AVIV, JEDDA, AMMAN, DAMASCUS, WASHINGTON,  
UKMIS NEW YORK.

**RESTRICTED**

MIPT: FOLLOWING IS TEXT OF ORAL MESSAGE FROM PRESIDENT MUBARAK  
TO THE EUROPEAN COUNCIL

BEGINS

THE EUROPEAN COUNCIL MEETS AT A TIME WHEN A VERY SERIOUS AND  
DANGEROUS CRISIS IN THE MIDDLE EAST THREATENS WORLD PEACE AND  
STABILITY AND THE GAINS ACQUIRED BY THE RELENTLESS EFFORTS  
EXERTED THROUGH THE PAST FIVE YEARS IN ORDER TO ATTAIN A JUST  
AND COMPREHENSIVE PEACE IN THE AREA.

PRESIDENT MUBARAK WOULD LIKE TO SEND A MESSAGE OF FRIENDSHIP TO  
THE EUROPEAN HEADS OF STATE AND GOVERNMENTS AND TO EXPRESS EGYPT'S  
APPRECIATION FOR THE CONCERN SHOWN BY THE EUROPEAN COMMUNITY TOWARDS  
THE SITUATION IN LEBANON RESULTING FROM ISRAEL MILITARY AGGRESSION  
AGAINST LEBANON.

AFTER ALMOST 22 DAYS SINCE THE ISRAEL INVASION OF LEBANON  
BEGUN, THE SITUATION IS DETERIORATING AT A VERY DANGEROUS PACE, THE  
ISRAELI FORCES ARE STILL OCCUPYING MORE THAN A THIRD OF LEBANON,  
THOUSANDS OF CIVILIANS PALESTINIANS AS WELL AS LEBANESE HAVE BEEN  
KILLED AND OTHERS ARE STILL FACING THE HORRORS AND THE IMPACT OF  
ISRAELI ADVANCED MILITARY TECHNOLOGY.

FURTHERMORE ISRAEL IS GETTING READY TO LAUNCH AN ALL OUT ATTACK  
AGAINST THE CITY OF BEYROUTH AND ENSURE THE PHYSICAL LIQUIDATION OF  
THE PALESTINIAN LEADERS.

EGYPT HAS CONDEMNED THE ISRAELI ACTION AS ILLEGAL, INHUMAN AND  
CONTRARY TO THE SPIRIT OF THE CAMP DAVID ACCORDS IN THAT IT VIOLATES  
THE PRINCIPLE OF SOLVING ALL DISPUTES BY PEACEFUL MEANS.



THE EGYPTIAN GOVERNMENT HAS SPARED NO EFFORT IN ITS CONTACTS WITH PALESTINIANS TO PERSUADE THEM TO BE RESPONSIVE AND COOPERATIVE.

BUT ISRAEL MUST BE MADE TO UNDERSTAND THAT THE INTEREST OF PEACE AS WELL AS ITS OWN INTEREST REQUIRE A MORE FLEXIBLE ATTITUDE AND RESPECT OF THE NORMS OF INTERNATIONAL BEHAVIOUR.

THE USE OF THE VETO BY THE UNITED STATES IN THE SECURITY COUNCIL WAS DISCOURAGING AND DISAPPOINTING. IT PROVED THAT ALTHOUGH THE UNITED STATES HAS ACCEPTED TO PLAY THE ROLE OF FULL-PARTNER IN THE PEACE PROCESS, IT IS NOT YET WILLING TO ADOPT THE POLICY THAT WOULD BE CONSISTENT WITH THIS ROLE. LACK OF FIRMNESS ON THE PART OF THE UNITED STATES GIVES ISRAEL THE IMPRESSION THAT IT CAN COUNT ON AN AMERICAN BACKING REGARDLESS OF ITS POLICY TOWARDS THE PALESTINIAN PEOPLE.

IN THIS FRAMEWORK THE EUROPEAN COUNTRIES CAN AND SHOULD PLAY AN IMPORTANT PART TO ENSURE THAT THE AGRESSION WOULD NOT BE REWARDED, THAT THE INDEPENDENCE OF LEBANON, ITS TERRITORIAL INTEGRITY AND SOVEREIGNTY WOULD BE RESPECTED AND THAT A JUST POLITICAL SOLUTION SHOULD BE SOUGHT TO THE PALESTINIAN PROBLEM INSTEAD OF THE ATTEMPT TO ANNIHILATE THE PALESTINIANS LEADERSHIP.

PRESIDENT MUBARAK TRUSTS THAT THE EUROPEAN LEADERS WILL ASSUME THEIR RESPONSIBILITY AND WILL DO THEIR UTMOST IN THE POLITICAL, DIPLOMATIC AS WELL AS HUMANITARIAN FIELD TO HELP CONTAIN THE CRISIS AND EAST THE UNTOLD SUFFERINGS OF THE LEBANESE AND PALESTINIAN CIVILIAN POPULATION.

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FM BONN 251122Z JUN 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 598 OF 25 JUNE

INFO ROUTINE UKREP BRUSSELS PARIS

INFO SAVING ATHENS BRUSSELS COPENHAGEN DUBLIN THE HAGUE LUXEMBOURG  
ROME

#### EUROPEAN COUNCIL

##### SUMMARY

1. THE FEDERAL CHANCELLOR AND FOREIGN MINISTER COME TO THE COUNCIL UNDER THE SHADOW OF A SERIOUS COALITION CRISIS: HERR GENSCHER IN PARTICULAR IS UNDER STRAIN OVER DECISIONS AFFECTING THE FUTURE OF HIS PARTY. THE FEDERAL GOVERNMENT ARE ONCE MORE SERIOUSLY WORRIED OVER TRANSATLANTIC RELATIONS (THE EMBARGO ON GAS PIPELINE EQUIPMENT IN PARTICULAR). THEIR OTHER MAIN CONCERN WILL BE WITH FRENCH ATTITUDES ON ENLARGEMENT. EC AND FALKLANDS ISSUES ARE IRRITANTS ON ANGLO-GERMAN RELATIONS.

##### PREOCCUPATIONS AT HOME

2. THE OUTSTANDING DIFFERENCES BETWEEN THE TWO FEDERAL COALITION PARTIES WILL NOW NOT BE RESOLVED BY THE TIME SCHMIDT AND GENSCHER COME TO BRUSSELS, AS HAD BEEN HOPED (MY TELNO 592). DESPITE HOURS OF DISCUSSION THE BUDGET GAP OF DM 11 BILLION REMAINS UNBRIDGED, WITH THE SPD SETTING THEIR FACE AGAINST SUBSTANTIAL FURTHER SAVINGS IN PUBLIC EXPENDITURE, AND THE FDP EQUALLY STRONGLY OPPOSED TO HIGHER TAXES OR CUTS IN INDUSTRIAL SUBSIDIES. BECAUSE OF THE COUNCIL, THERE IS TO BE NO FURTHER MEETING OF THE TWO PARTIES UNTIL 30 JUNE. IT REMAINS, IN MY JUDGEMENT, ON BALANCE UNLIKELY THAT THE CRISIS WILL BRING DOWN THE FEDERAL GOVERNMENT. BUT IT IS PUTTING A GREAT STRAIN ON THE PARTICIPANTS - MOST OF ALL ON GENSCHER, WHO AS CHAIRMAN OF THE FDP, THE JUNIOR COALITION PARTNER, WILL HAVE IF THE TALKS FINALLY FAIL TO TAKE THE VITAL DECISION WHETHER TO LEAVE THE COALITION.

##### US/EUROPE RELATIONS

3. OF THE ISSUES TO BE DISCUSSED IN BRUSSELS, THE GERMANS HAVE ON THE PAST FEW DAYS BEEN PARTICULARLY CONCERNED WITH TWO. THE QUESTION OF RELATIONS WITH THE US HAS BEEN BROUGHT SMARTLY BACK TO THE TOP OF THE PILE BY PRESIDENT REAGAN'S EXTENSION OF THE EMBARGO ON EQUIPMENT FOR THE SIBERIAN PIPELINE. THIS DECISION, WITH ALL ITS FOREIGN POLICY IMPLICATIONS AND COMING ON TOP OF US/EC PROBLEMS OVER STEEL, TEXTILES AND AGRICULTURAL EXPORTS, SEEMS TO THE GERMANS TO REPRESENT A SERIOUS CHANGE IN THE TRANSATLANTIC CLIMATE, WHICH THEY FEEL ALL THE MORE SEVERELY AFTER THE REASSURANCE OF THE VERSAILLES AND NATO SUMMITS. SCHMIDT WAS UNUSUALLY STRONG IN HIS PUBLIC CRITICISM OF US POLICY DURING HIS STATEMENT IN THE BUNDESTAG YESTERDAY, EXPRESSING CONCERN AND REGRET OVER THE PIPELINE DECISION- THE FRANKFURTER ALLGEMEINE ZEITUNG TODAY ASKS WHY HE DOES NOT USE THE SAME TONE ABOUT THE RUSSIANS.

CONFIDENTIAL



4. AT THE SAME TIME GERMAN OFFICIALS HAVE BEEN SAYING TO US THAT, WHILE THEY HOPE THE COMMUNITY CAN RESIST AMERICAN POLICY WITH ALL AVAILABLE LEGAL MEANS, THEY THINK IT IMPORTANT TO AVOID AGGRESSIVE PUBLIC STATEMENTS THAT COULD ONLY RESULT IN A DETERIORATION OF THE TRANSATLANTIC CLIMATE AND MAKE RESOLUTION OF THE PROBLEMS MORE DIFFICULT. THEY SEE THE DANGER THAT FIERY RHETORIC (A LA VHANDERNAGOR) COULD LEAD TO THE SITUATION GETTING OUT OF CONTROL. THEY ALSO WANT TO AVOID THE UNITED STATES BEING TURNED INTO THE SCAPEGOAT FOR COMMUNITY AND INDIVIDUAL MEMBER COUNTRIES' ECONOMIC DIFFICULTIES, SINCE THAT WOULD IN ITSELF BE NEGATIVE AND MIGHT PROVIDE THE FRENCH WITH A PRETEXT FOR GOING IT ALONE AND PERHAPS REVERTING TO A GREATER DEGREE OF PROTECTIONISM.

#### ENLARGEMENT

5. THIS IS THE OTHER COUNCIL ISSUE WHICH HAS BEEN WORRYING THE GERMANS IN THE PAST FEW DAYS THEY RECOGNISE THAT ENLARGEMENT WILL POSE VERY REAL DIFFICULTIES FOR THE FRENCH, BUT BELIEVE THAT THERE IS A VERY LARGE TACTICAL ELEMENT IN THE FRENCH POSITION. THEY NOTE A CONTRADICTION BETWEEN FRENCH FEARS ON DESTABILISING TENDENCIES IN THE MEDITERRANEAN AND FRENCH DEMANDS IN THE MEDITERRANEAN PRODUCTS NEGOTIATIONS, POINTING OUT THAT A SOFTER FRENCH POSITION COULD REDUCE THE POTENTIAL FOR DESTABILISATION. THEY ALSO POINT OUT THAT IF THE SOCIALISTS COME TO POWER IN SPAIN NEXT YEAR IT WOULD MAKE IT MORE DIFFICULT FOR THE FRENCH TO BLOCK SPANISH ACCESSION. BUT THEY DO NOT EXCLUDE THE POSSIBILITY THAT THE FRENCH MAY BE READY TO CONTEMPLATE JUST THAT EVENTUALITY. WHILE SCHMIDT AND GENSCHER ARE FULLY DETERMINED TO SECURE ENLARGEMENT, THE FORMER WORRIES MUCH MORE ABOUT THE PROBLEMS OF ABSORBING THE NEW MEMBERS THAN THE LATTER. THEIR AIMS REMAIN TO MAINTAIN MOMENTUM OF THE NEGOTIATIONS, TO RESIST ATTEMPTS TO DE-LINK SPANISH ACCESSION FROM PORTUGAL'S AND TO LIMIT THE COSTS TO THEMSELVES OF WHAT THEY SEE AS A FRENCH ATTEMPT TO MAKE OTHER MEMBERS PAY A HIGHER PRICE FOR ENLARGEMENT.

#### ANGLO-GERMAN RELATIONS

6. THE FEDERAL GOVERNMENT CONTINUES TO WORRY ABOUT PROBLEMS CREATED BY THE FALKLANDS AND WHAT THEY REGARD AS OUR RIGID STANCE, AND BY THE PROSPECT OF FURTHER DIFFICULT NEGOTIATIONS IN THE COMMUNITY OVER THE UK BUDGET CONTRIBUTION. WE ARE NOT THE MOST POPULAR PARTNERS AT PRESENT: BUT I HOPE THAT THE REASONABLENESS OF OUR STANCE ON THESE ISSUES MAY GET THROUGH FOR THE STATEMENTS WHICH THE PRIME MINISTER WILL NO DOUBT HAVE TO MAKE.  
FCO PLEASE PASS SAVING ADDRESSEES.

REPEATED AS REQUESTED

TAYLOR

[COPIES SENT TO NO 10 DOWNING ST]

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FM BRUSSELS 251645Z JUNE 82

TO IMMEDIATE FCO

TELNO 236 OF 25 JUNE

INFO PRIORITY UKREP BRUSSELS

INFO ROUTINE BONN PARIS DUBLIN COPENHAGEN LUXEMBOURG THE HAGUE  
ATHENS AND ROME

EUROPEAN COUNCIL: 28/29 JUNE

1. IN AN INTERVIEW ON THE FRONT PAGE OF THIS MORNING'S EDITION OF LIBRE BELGIQUE TINDEMANS DEVOTED HIS REMARKS ENTIRELY TO US/EC TRADE RELATIONS. HIS MAIN POINT WAS THAT IN THE AFTERMATH OF VERSAILLES AND THE AMERICAN DECISION TO EXTEND ITS EMBARGO OVER EQUIPMENT FOR THE EURO-SIBERIAN GAS PIPE-LINE, IT IS ESSENTIAL TO HAVE A BROADER FRAMEWORK FOR THE US/EUROPEAN DIALOGUE. WHAT IS NEEDED, HE SAID, IS AN INSTITUTIONAL LINK WITH REGULAR CONTACTS AT MINISTERIAL LEVEL.

2. TINDEMANS REMINDED HIS INTERVIEWER THAT HE HAD LONG ADVOCATED QUOTE THE CREATION OF A FORUM WHERE THE UNITED STATES AND THE EUROPEAN COMMUNITY COULD DEBATE THE PROBLEMS WHICH EXIST BETWEEN THESE TWO LARGE ECONOMIC ENTITIES UNQUOTE. HE SAID IT WAS NO GOOD INDULGING IN MUTUAL RECRIMINATIONS ABOUT HIGH AMERICAN INTEREST RATES AND EUROPEAN STEEL SUBSIDIES AND PROTECTIONIST AGRICULTURAL POLICIES. AMERICANS AND EUROPEANS SHOULD GET ROUND A TABLE TO TRY TO WORK OUT A COMMON APPROACH OR AT LEAST TO UNDERSTAND EACH OTHER. THIS WOULD HAVE AVOIDED THE QUOTE COMMERCIAL WAR UNQUOTE WHICH NOW SEEMED IMMINENT AND WHICH COULD ENTAIL A RETURN TO THE ECONOMIC NATIONALISM OF THE 1930S, WITH SIMILAR CONSEQUENCES. EVERYTHING SHOULD BE DONE TO AVOID THIS.

3. THESE IDEAS ARE VERY MUCH IN LINE WITH PREVIOUS INDICATIONS OF TINDEMANS' THINKING(C.F. MY TELEGRAM NO 228), BUT TIMING OF THE INTERVIEW COULD PRESAGE AN EFFORT BY THE BELGIAN PRESIDENCY TO PUSH FOR THE ESTABLISHMENT OF SOME KIND OF PERMANENT MACHINERY, AND PERHAPS ALSO FOR A MORE CONCILIATORY COMMUNITY APPROACH TO THE STEEL QUESTION IF ONE CAN BE AGREED.

4. IN THE BROADER CONTEXT THE BELGIANS WILL BE CONSCIOUS OF THE GAP BETWEEN THEIR HOPES AT THE BEGINNING OF THEIR PRESIDENCY AND THE RATHER MEAGRE OUTCOME. FROM THE PROBABLE AGENDA(UKREP TELEGRAM NO 2584), THE PROSPECTS OF THE COUNCIL PRODUCING ANY MAJOR STEP FORWARD SEEM UNPROMISING, AND MARTENS AND TINDEMANS MAY WELL FEAR THAT THE HINTS WHICH THE FRENCH HAVE BEEN DROPPING(UKREP TELEGRAM NO 2574) PRESAGE AN ACRIMONIOUS DISCUSSION ABOUT ENLARGEMENT WHICH WOULD BRING THEIR PRESIDENCY TO AN END ON A SOUR AND NEGATIVE NOTE.

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5. HOWEVER, NOW THAT THE PRESIDENCY HAVE DECIDED NOT TO DELIVER AN INTERIM REPORT ON GENSCHER/COLOMBO(LUXEMBOURG TELEGRAM NO 217), THERE ARE NO VERY OBVIOUS SUBJECTS ON WHICH THE BELGIANS SEEM LIKELY TO BE ABLE TO PUSH FOR A POSITIVE CONCLUSION. IN THE LIGHT OF DEVELOPMENTS IN THE LEBANON IT SEEMS UNLIKELY THAT TINDEMANS WILL FEEL ABLE TO TAKE HIS MIDDLE EAST INITIATIVE VERY MUCH FURTHER. AND ALTHOUGH HE HAS SHOWN SOME DISPOSITION IN THE PAST TO LAY STRESS ON NORTH/SOUTH AND ON THE DESIRABILITY OF LAUNCHING GLOBAL NEGOTIATIONS, THIS SUBJECT DOES NOT SEEM TO OFFER MUCH SCOPE FOR FORWARD MOVEMENT AT THE MOMENT.

6. NOTERDAEME'S COMMENTS REPORTED IN UKREP TELEGRAM NO 2584 SUGGEST THAT MARTENS HIMSELF, WITH DOMESTIC PREOCCUPATIONS OVER THE BELGIAN ECONOMY(SEE MIFT), WILL NOT WANT TO GET INVOLVED IN A FURTHER SESSION ON THE ECONOMIC AND SOCIAL SITUATION, ESPECIALLY SINCE THE BELGIANS ARE CONFIDENT THAT THEY ARE ON THE SIDE OF THE ANGELS.

7. PRESIDENCY TACTICS FOR THE COUNCIL MAY THEREFORE BE LARGELY TO CONCENTRATE ON DAMAGE LIMITATION. IF SUCCESSFUL THIS WILL AT LEAST ENABLE THE BELGIANS TO DRAW SOME COMFORT FROM THE SMALLER SUCCESSES WHICH THEY CHALKED UP IN THE EARLIER MONTHS OF THEIR PRESIDENCY AND TO WHICH TINDEMANS DREW ATTENTION IN HIS SPEECH AT STRASBOURG ON 15 JUNE. THIS WOULD ALLOW THEM TO HAND OVER TO THE DANES WITH THEIR EUROPEAN REPUTATION NOT MUCH ENHANCED BUT STILL INTACT.

JACKSON

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*Prime Minister.  
To see.*

Foreign and Commonwealth Office

London SW1A 2AH

*255 colling  
(Duty desk)  
25/6/82*

25 June 1982

*M**Dear John,*European Council: Middle East

I enclose a copy of a report on the Middle East which M. Tindemans circulated to his colleagues at the Foreign Affairs Council on 21 June. We are trying to ensure that any necessary discussion of this report takes place at Political Director level, but it may be referred to in the course of ministerial discussions and the Prime Minister may therefore like to be aware of it.

The report reflects contacts with a range of Middle East countries by M. Tindemans in his Presidency capacity. In general, his impressions of the attitude of the various Middle East states are sound. His main conclusions (in the section entitled 'Proposals' starting at paragraph 51) are as follows:

- i. that the Ten should continue to keep the pressure on the United States both over the Lebanon and more generally the Palestinian question. M. Tindemans produces a new idea at paragraph 58, namely that part of the first phase of a settlement should be the return of Palestinian refugees from Lebanon to the West Bank and Gaza. This is ingenious but unrealistic;
- ii. that there should be a 'widespread ceasefire' (para 60a). This idea, which could be more accurately described as a moratorium, would cover use or threat of violence both in the region and beyond; and would also seem to involve a halt on such provocative measures as Israeli settlements. The idea risks legitimising existing Israeli settlements, but the principle of trying to establish a balance between settlements and acts of violence, both of which are unhelpful to peace, is a fair one. The Belgians accept that the idea of a moratorium is not one which could be put forward with any credibility at the present moment; they have not pressed for any reference to it in the European Council communique;
- iii. that further consideration should be given to strengthening the Ten's machinery for dealing with

/Middle East





Middle East problems in Political Cooperation by the appointment of a senior figure or group of figures who would be charged with maintaining contact with the parties on a more permanent basis than is possible with a rotating Presidency. In principle we welcome this idea, although in the past it has not proved possible to identify the right people for the job.

In general, M. Tindemans' report is a good one. It is not surprising that he has failed to produce a ready-made solution to the problem.

*Yours ever*

*J E Holmes*

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street



S E C R E T

REPORT BY MR LEO TINDEMANS, PRESIDENT-IN-OFFICE OF THE TEN  
ON THE ARAB-ISRAEL CONFLICT

INTRODUCTION

1. The Ten last adopted a substantive position on the Arab-Israel problem two years ago in the Venice declaration.
  
2. Without placing in question the philosophy of this text the European Community countries cannot be unaware that a sequence of significant events has since taken place, as much within the region as around it and in the outside world, which have in various ways exercised an influence on the evolution of the problem. Thus;
  - the war between Iran and Iraq,
  - the elections in the United States, France and Israel, and the changes that they have brought about in the governments of these countries,
  - the assassination of President Sadat,
  - the withdrawal of Israeli troops from Sinai in accordance with the Camp David accords,
  - the annexation of the Golan,
  - the presentation of what has come to be called the Fahd Plan,
  - the approval of the Israeli law proclaiming Jerusalem "the united and eternal capital of the State of Israel",
  - the appointment by Israel of a civilian administrator in the occupied territories.
  
3. It is thus important to reconsider the question in the context of these new factors and to move towards a new evaluation. This was the objective of the fact finding trip that I undertook in my role as President-in-office. My colleagues were kind enough to express interest in the preliminary report that I presented at Villers-le-Temps, and so encouraged me to continue with this task and to deepen my enquiry.

.../...



4. In section II below I have tried to assemble all the information that I have gathered from the parties concerned. I should like to say here how useful I have found the information that my predecessors brought back from their trips to the region.

5. This report is being presented at a time when the situation in the region is undergoing brutal and profound change as a result of the Israeli operation in the Lebanon, all the consequences of which cannot yet be evaluated. Thus the aims of this report remain limited. It does not constitute, in any way, a plan aspiring to provide a systematic solution.

Simply, I have chosen to present my reflections and to sketch, taking into account the fluidity of the situation, some proposals. It is my wish thereby to facilitate the task, in this context more arduous than ever, of Ministers and of the European Council.

SECTION I. - THE SITUATION IN THE REGION.

6. The Israeli-Arab problem can be placed in the context of a veritable arc of conflicts which, going from west to east, includes, in addition to the confrontation between Israel and the Arab countries, the war between Iraq and Iran and the armed intervention of the Soviet Union in Afghanistan; not to mention the tense relations existing between Iraq and Syria, and between the latter and Jordan.

7. This problem cannot be analysed in any serious way without taking into account this larger framework within which it falls, nor by dissociating it from those other theatres of war or of tension which exert an extremely significant influence upon it.

8. The Iran-Iraq conflict is probably the one which has the most striking consequences for the Israel-Arab question because of the serious concerns which it causes in the Gulf States, the deep division which it causes in the Arab world, and because it mobilises the armed forces of Iraq and Iran at the cost of any possible action by these countries in the Israel-Arab theatre.

The divisions in the Arab world are deepened, on the other hand; by the state of relations between Iraq and Syria and between Jordan and Syria, situations which contain all kinds of dangers.



Although Afghanistan is geographically more distant from the region, the situation prevailing there is not without influence if only because it is of serious concern to certain of those involved by reason of the fears which it arouses. I was struck to hear the Saudis express themselves with at least as much feeling

on the Soviet armed intervention in Afghanistan than he had shown when giving his views on the conflict between Israel and the Arab countries or on the war between Iraq and Iran.

In this context the state of affairs <sup>the</sup> in Horn of Africa and in the Western Sahara is not without its effects.

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9. On the Arab-Israel question itself, the Ten noted with satisfaction the total evacuation of Sinai by Israel at the date agreed in the Camp David accords and in particular in the Israel-Egypt peace treaty.
10. This positive development has not however sufficed to prevent the emergence of a spiral of tension currently culminating in the Lebanese tragedy, whose components have been as follows :
- 1°) The negotiations on autonomy for the occupied territories, which constitute the second phase anticipated in the Camp David accords, mark time.
- 2°) Now that Sinai is totally evacuated the question arises if, when and how Egypt will resume the leading position in the Arab world that it is appointed to fill. In domestic politics this country must, furthermore, confront numerous economic and social problems. All of which provokes Israeli mistrust and leads Israel to stiffen its position and to take its own "guarantees".
- 3°) Amongst these "guarantees" can be included the annexation of the Golan, the intensification of the policy of settlement in the occupied territories and the adoption of legislation intended to eliminate every prospect of seeing these settlements called upon ultimately to disappear, like Yamit in the Sinai, as part of a definitive solution for these territories.

.../...



4°) In these conditions, it is not surprising that the occupation is resented by the populations of the West Bank and Gaza as increasingly onerous. Thus trouble is more and more frequent and clashes between these populations and the Israeli security forces increase both in number and destructiveness.

5°) What could be called "Palestinian consciousness" is consequently strengthened as is, at least before the Israeli action in Lebanon, the international position of the P.L.O.

6°) The quantity and the quality of armes accumulated in the region grows day by day.

11. The Israeli operation in the Lebanon, which has marked the culmination of this spiral of tension, clearly forms part of the policy of the Jerusalem government as it was discribes to me by the Israel leadership and as it is summarised in section I below.

In effect, there is no question that this government will envisage even the possibility of the creation of a Palestinian State, or of the exercise by the Palestinians within the boundaries of the occupied territories of any right to self-determination. Furthermore there is no question, in the context of a settlement for the occupied territories, of allowing the Palestinians currently living outside these territories the opportunity to install themselves within them.

The problem of the Palestinian presence in Lebanon - under the umbrella of the politico-military organization which is the Palestine Liberation Organization - can therefore not, for Israel, be solved by offering these Palestinians the prospect, even if long term, of finding a homeland outside Lebanon. The alternative is thus for the Jerusalem government either to accept the continuation and possible aggravation of the situation which has developed in the Lebanon since 1972 or to resolve the problem by eliminating partially or if possible totally - either for a long time or if possible for ever - one of its components: the P.L.O. They have chosen the second solution. I recall from a very recent conversation with an Israeli responsible in Brussels that, for Israel, the Palestinians of the Lebanon, deprived of their politico-military organization, would cease to be dangerous and would be ready for a "diaspora" which would take some of them to Jordan, leave others in the Lebanon and which might even take a number of them to the occupied territories.



It would suffice then to negotiate a Syrio-Israeli withdrawal from the Lebanon, to define demilitarised zones guaranteed by the presence of international forces, and to confirm the de facto armistices on the Syrio-Israeli and Jordano-Israeli borders with which Jerusalem declares itself entirely satisfied.

12. This line of reasoning may appear seductive. It seems to me in reality to be extremely dangerous.

As I have said above, we cannot at this stage evaluate all the consequences of the Israeli operation in the Lebanon nor in particular know whether in the short term the calculations of the Jerusalem government have been correct; whether it has succeeded in decapitating the P.L.O. while enjoying - as has in fact happened so far - an absence of significant reactions from the Arab and Islamic countries.

However that may be, in the longer term, the Israeli action leaves untouched the bases of the Arab-Israel problem and in particular the essential basis : the Palestinian problem.

It is the latter which caused the foundation of the P.L.O.. If it remains it will once again give birth to this organization or to a similar organization.

The problem, whatever may be the current situation, will arise again in the same terms but in an even worse climate than before because of the frustrations and the hatreds which the Israeli operation in the Lebanon will have aroused in the whole of the Arab world.

13. That said, the Israeli operation in the Lebanon will also have the consequence of reshuffling the cards within the region and among the countries concerned.

1°) It will evidently oblige Cairo to place itself at a distance, if only temporarily, from Israel. Egypt has in fact asked the Jerusalem government to postpone sine die the visit which five Israeli delegations (economic, commercial, touristic, cultural, and youth) should have made to the Egyptian capital.

2°) At the same time it allows Cairo to make its reentry into a bruised Arab world. President Mubarak has chosen to go personally to Ryadh to offer his condolences and his congratulations to the new king of Saudi Arabia.



3°) The P.L.O. feels extremely isolated and abandoned by the Arab countries. It is not wrong. If Syria fought in the Lebanon, that was primarily to maintain its own positions. Furthermore this combat was very limited and Damascus did not truly commit itself to the conflict, any more than did Amman as will be seen in section II of this report.

The reactions of the whole of the Arab world have been essentially verbal. The P.L.O. has thus felt itself profoundly undermined, and says so without restraint to its "Arab brothers".

A responsible of the P.L.O. has declared last manday, June 14, in front of members of my Departement, to several arabs Ambassadors in Brussels, rather brutally, that his <sup>h</sup>organisation had been abandoned by the "arabs Brothers". The only answed he got were embarrassed smiles.

4°) On the other hand, Iran has already sent "volunteers" who, travelling via Damascus, should reach the Lebanon in little groups to support what remains of the organization. Furthermore the Ayatollah Khomeini has called for the use of the oil weapon. Does this indicate the reappearance of Tehran on the Arab-Israel stage ?

5°) Finally, even if the U.S.S.R. has given two warnings on the subject of Israel, its genuine support for the Arab countries which are direct targets, and for the P.L.O., has been practically zero, and the Arab world knows that throughout these events Moscow has remained in contact with Washington.

## SECTION II. - MY CONTACTS.

14. The list of the personnalities I had the opportunity to consult is annexed to the present note. They were essentially governemental or legislative personnalities of Saoudi Arabia, Koweit, Egypt, Jordania, Marocco and Israël, leaders of interarab - organisations, representatives of the P.L.O., personnalities of occupied territories. I also met in the same perspective the main responsables of the United Nations.

.../...



15.

Due to lack of time I was not able to meet representatives of the Governments of other countries concerned although I had invited some of them to Brussels, who expressed interest but could not come to my capital until after the month of July.

16.

I indicated to each of those to whom I spoke that my mission was purely fact finding ; I limited myself to putting questions and carefully recording the replies without making any proposal or engaging in any negotiation. I had, in any case, no mandate to do so.

.../...



17. You will not be surprised to learn that a proportion of the information given to me by my interlocutors did no more than confirm already existing positions with which you are already acquainted. Other parts, on the other hand, had a new tone.

18. How did my various interlocutors see the peace process.

A. For the Israelis the Camp David accords remain the absolutely sole valid instrument to develop the peace process. These accords, which are the result of a difficult compromise, are, for Israel, untouchable. All other formulae are unacceptable and dangerous for the peace process, in particular the Venice declaration, the Fahd Plan, the Rogers Plan and the eleven Egyptian points put forward at the non-aligned conference in Kuwait.

A first phase of the Camp David accords has been completed thanks to the implementation of the Egypt-Israel treaty and the total withdrawal from Sinai by Israel.

The treaty and its application are in themselves of capital importance for - because of the precedent that they create, the area of peace which they have engendered and the essential importance of Egypt in the Arab world - they cannot fail to have a positive influence in one or two years on the attitude of other Arab countries in the region.

The Israelis nevertheless passionately insist on the enormous sacrifice which the withdrawal from Sinai represents for the Israeli people and on the trauma which certain aspects of this evacuation have caused them, in particular the circumstances surrounding the departure of the settlers from Yamit.

For them Europe has not sufficiently appreciated this sacrifice and this trauma.

What is required now is time to "digest" this significant event and to evaluate the evolution of the Egypt-Israel peace and the relations between the two countries. The Israelis wish to have confidence in Egypt and in its leaders and are optimists in this respect. It nevertheless remains true that Israel must be able to weigh the evolution of matters between itself and Cairo, and the impact of the treaty and its application in the region. For this, time is necessary, time which will permit the birth of the indispensable confidence.

.../...



For the Israelis, the great merit of autonomy for the occupied territories, as agreed at Camp David, is, among other things, to provide a transitional period during which Jews and Arabs will live together and confidence can develop, resulting in a negotiation which, after five years, should lead to the establishment of a definitive solution.

That said, I repeat that for <sup>the</sup> israël <sup>Government</sup> this definitive solution can absolutely not be a Palestinian State nor a solution based on the exercise by the Palestinians of their right to self-determination. Furthermore the Israeli leaders show a distinct inclination to consider that the group of Palestinians who will benefit from autonomy should include only those currently living in the occupied territories, excluding refugees in camps in areas not controlled by Israel.

B. For the Egyptians, the route chosen by President Sadat when he gave his agreement to the camp David accords was the only practical one. Indeed the U.S.S.R. and a series of the Arab countries who depend on it (the so-called "radicals") are against every form of negotiated solution. As for the so-called "moderate" countries, they are extremely sensitive to the fear of terrorism, a fear engendered by the diverse factions of the P.L.O. and Syria. They thus find themselves paralysed. Consequently the only possible outcome was to negotiate with the U.S.A. and Israel.

Is Camp David still the only practical route ?

The Egyptians insist that since the beginning their intention has been to implement fully the Camp David accords in all their aspects, progressively associating the Palestinians and the Jordanians and - who knows ? - once again making possible a "Jordanian solution" to the Palestinian problem while easing the way to peace in a reunited Lebanon.

The Israeli approach, pointing finally towards a rejection of the full autonomy agreed at Camp David, accelerating the establishment of settlements in the occupied territories, adopting legislation which precludes any dismantlement of these in the future, multiplying acts of force, makes the implementation of that part of the agreements concerned with the negotiation of Palestinian autonomy very difficult.

.../...



Egypt wishes to continue to negotiate in the Camp David framework. She demands that her friends do nothing which could compromise these negotiations. But she cannot negotiate endlessly.

At this stage some time is necessary to :

- either unblock the negotiation,
- or reach the conclusion that they are at a dead end, when other ways would have to be found.

C. For the other countries and Arab organizations whose leaders I have consulted the Camp David accords remain unacceptable.

Other ways must therefore be found.

19. What are these other ways.

The leaders of the interarab: organisation the Kuwaiti authorities, the Saudi authorities, the Jordanian authorities and certain Arab personalities from the occupied territories believe that the best way is an international conference. Should this be under the auspices of the United Nations or not? The reply is largely positive but not emphatically so.

In any case the two superpowers should participate with the P.L.O., Syria, Jordan, Egypt and Israel. Certain representatives from the occupied territories also insist that the Ten should be present.

For Kuwait and for Jeddah the content of such a negotiation is of primary importance. It is inconceivable as far as they are concerned to enter it in an entirely open fashion.

On the contrary it should take place in the context of a preestablished conceptual framework of which withdrawal from the occupied territories and the self-determination of the Palestinian people constitute the essential points.

(We should note that the Kuwait leaders and above all the Saudi, have always spoken of self-determination without ever going as far as mentioning a Palestinian State; the same applies to Jordan and Morroco).

There exist terms of reference for this conceptual framework. Certainly resolutions 242 and 338 of the Security Council but also others. The Saudi insist that the Rogers Plan, although already old, has always had, and still has, the approval of the Arabs.



20. In this context what about the Fahd Plan ?

A. This plan, which the Saudis call the Arab Plan, is, for my Arab interlocutors other than Egypt, still current. RIYADH believes that in practice it has already been adopted by all the Arab countries including Syria and the P.L.O., but that this acceptance still has to be formalised. Nevertheless the Saudi ask that Europe should publicly give the plan a favourable mention and so improve the probability of its formal acceptance by the Arab summit when it meets again. The arab league goes further. It wants Europe purely and simply to endorse the plan.

B. The Egyptians consider for their part that the Fahd Plan has not achieved, atleast at this stage, the unanimous support of the Arab world, and ask that no one should make the pursuit of the Camp David process more difficult by calling, in the immediate future, for recourse to it.

C. We have already noted that the Israelis totally reject it.

D. That said, all the Arab countries, including Egypt, believe that it would be possible at the appropriate moment (i.e., for Cairo, in the event that it were necessary to admit that the Camp David process had reached a dead end) to try to combine the substance of the Fahd Plan and the Camp David process under other names.

They believe, in fact, that there is no major contradiction between Camp David and the Fahd Plan and that by not introducing the name Camp David which is taboo for almost all Arabs and - for some of those involved - perhaps also the name of the Fahd Plan, it would be perfectly possible to find a useful solution by combining the two. Need it be said that there is no question of this for the Israelis ?

21. What did my Arab interlocutors think of the autonomy proposals in the Camp David accords as a transitional phase towards a final status for the occupied territories.

A. In the case of Israel, it should be clearly stated that if, for some, the autonomy regime is genuinely transitional, leaving all options open to negotiation, it is not so for others, except in a very relative way, as they already exclude certain not insignificant options.



The Israeli Government, , for example, there is no question, as we have seen, of a Palestinian State, which would be "the death of Israel", nor indeed of self-determination, which for him amounts to the creation of a Palestinian State. As for the substance of autonomy, the Israeli government affirms that its proposals fully satisfy the requirements of the formula "full autonomy" contained in the Camp David accords. Better, they go beyond these and constitute the most generous offers in this area so far made anywhere. That said, some admit that the negotiations on the powers in connexion with land ownership problems, and those concerning water, are of essential importance. On the other hand they deny that they are at this stage conducting a policy of expropriation in the occupied territories; deny it with such force that it proves that even if such a policy is, in fact, occasionally being applied, they understand the limits and the dangers. On the other hand the policy of establishing settlements seems justified to them and not prejudicial for the future. "If", they say, "we have some 600.000 Israeli Arabs in Israel why should the occupied territories, whatever their final status, not contain 100 or 200.000 Hebrews". What if the Palestinians should reject a regime negotiated without their participation? This question is countered by "they wouldn't be stupid. They will finally accept" or by a reference to a comment of President Sadat : "Well so much the worse. We will have done our duty".

The fact that the problem of sovereignty will not have been dealt with during the autonomy period does not trouble the Israeli leaders, even if it does create serious difficulties such as that of leaving the 350.000 inhabitants of Gaza with no national status.

- B. As for Egypt, she remains attached to the Camp David process and thus to the idea of autonomy as it appears in the accords, but deplores the lack of progress on this problem, a lack of progress which she attributes to Israel.
- C. Rejecting as they do the Camp David accords, the Arab countries remain extremely cautious about the transitional autonomy formula for the occupied territories.
- D. These latter countries, like Egypt, are not necessarily hostile to an autonomy plan subject to international rule or control and which would lead at the appropriate moment to self-determination.

A number of personalities in the occupied territories share this point of view and one of them , even speaks of an autonomy period under international rule for five or ten years. .../...



22. That said, all the Arab leaders whom I have met spoke as if for them the recognition of the State of Israel already constitutes an established fact.

The Kuwaitis have said : "What we ask from Europe is not to take positions against Israel, but objectivity, impartiality".

For his part, on the Saudi side it is fully recognised that Israel has a security problem which should be dealt with in a satisfactory way, but not at the price, he specified, of the legitimate rights of the Palestinians. For him the two problems are distinct and can each be solved on their proper merits, that of the security of Israel naturally finding its place in the "package" which a negotiation should lead to.

As for the Jordanians they have said

"We are ready to recognise Israel, but which Israel; that of the partition plan, that of 1948, that of 1967, the current one? We must be told".

23. For my Arab interlocutors, Kuwaiti, Saudi, Jordanian, Moroccan, leaders of interarab organizations and for the Arab personalities from the occupied territories the problem is that Israel does not think in terms of negotiation and does not accept the decisions of the international community as expressed at the U.N. and in particular in the Security Council.

For the Jordanians there is escalation as follows : Israel conquers buffer zones for its security and that of its citizens; there is settlement in the buffer zones. It then becomes a matter of conquering other buffer zones to protect the settlements set up in the previous buffer zones. It is this kind of process which has produced the current events in the Lebanon.

Kuwaitis and Saudis believe that Israel thus acts against its well-understood interest. To-day it has military superiority. But tomorrow? Time and demography are working against it.

24. It is clear that all the Arabs, including the Egyptians, agree in thinking that the settlement of the Palestinian problem is at the heart of any peaceful solution.

The Israelis, for their part, believe that this is important but also believe that it will be solved by the Camp David accords and, as has already been said, their top leaders exclude the possibility of a Palestinian State or of any act of self-determination, which would only result, according to them, in a Palestinian State.



25. This is to say that the Israelis refuse ever to consider the P.L.O. as a partner or interlocutor. For them no analogy between the P.L.O. and the Algerian FLN is relevant.

Egypt has serious reservations about the P.L.O. From her point of view the organization does not exist but is composed of factions, each under the control of the country which pays it.

That said, while encouraging dialogue with the leading Palestinian personalities in the occupied territories, all the Egyptian leaders, \_\_\_\_\_, do not exclude contacts with the majority faction of the organization.

For other Arab interlocutors, of whom the majority gave their views before the recent events in the Lebanon, there continues to be no doubt that the organization is the sole legitimate representative of the Palestinian people. They believe that the facts - the results of the elections in the occupied territories, the Israeli failure to find other Palestinian interlocutors (such as the village leagues) - prove that the organization has the Palestinian people behind it. They therefore think that it matters that the P.L.O. be recognized by Europe as what it is in reality : the sole legitimate representative of the Palestinian people (which was furthermore the decision of the Rabat summit in 1974).

In any case, for them it is out of the question to negotiate in the hope of reaching a conclusion without the P.L.O.

26. It is to be noted that a personality belonging to the P.L.O. and occasionally used by them to launch "trial balloons" discreetly approached our Department of External Relations, before the Israeli operation in Lebanon. The aim of this demarche was to find out what would be the reactions of the West, and in particular of the Ten, if the P.L.O. should take the initiative in one form or another and state its recognition of the Israeli State. The conversation had no conclusion. The emissary was simply listened to.

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27. If we look at the views of the Arab leaders from the occupied territories whom I met before the recent events in the Lebanon we notice that they differ in more than nuances.

They have, however, five major points in common :

a) The complaint that their current situation as well as autonomy in the form proposed, make them second class citizens lacking identity, sometimes stateless and outsiders everywhere, even in Arab countries.

b) The complaint that the Israeli policy of settlement tends to place the most important land under Israeli control and to shut the Arabs into "ghettos".

c) The complaint about the weight of the restraints that the Israeli occupation authorities impose on inhabitants, contrary to basic human rights, as well as imposing every possible impediment, human, social and economic, on those who dare to exercise their right to criticize.

d) as noted above, the conviction that the P.L.O. must be associated with the solution of the Arab-Israel problem and in particular with that of the Palestinian question which constitutes its nub. This Palestinian question is not limited to the occupied territories. There are a considerable number of exiles and refugees whose fate must also be settled.

e) The desire to see Europe act, in particular in line with the Venice declaration, to help to resolve the Arab-Israel problem.

28. Most of my Arab interlocutors from the occupied territories insisted on the fact that what they want is "a country, small or large" where "they would be themselves". They assigned to this country the geographical area of Gaza and the West-Bank of the Jordan taken by Israel in 1967.

They specified that it is not a matter of threatening Israel or of throwing the Israelis into the sea. For them it is a matter of not being thrown into the desert.

If they reject the Camp David accords it is because they believe that they will not permit the achievement of this objective.

They do not believe there is any chance that the autonomous regime as currently conceived will ever see the light of day. They fur-

.../...



thermore believe that Israel is in fact only seeking to gain time so as to assure its hold on the occupied territories through its settlement policy and so make the Arabs foreigners in their own country.

29. Some of them can accept a transitional period for the occupied territories. They believe that the moderate faction of the P.L.O. could also accept this but under international rule with "semi self-government". One of them spoke unprompted of such control for five or ten years.

Of course the ideal objective for them all remains self-determination.

30. One of the personalities confirmed to me that he put a request to the leaders of the P.L.O. to launch a peace initiative, accepting that in order for this to succeed they will have to recognize Israel immediately. He believes, in fact, that time is working against the Arabs in the occupied territories and for Israel, notably in the context of the Israeli hold on the land.

\*

\* \*

31. As for the contacts which I undertook after the beginning of the Israeli operation in the Lebanon, and bearing in mind what has been said above, all my Arab interlocutors - and also ~~one~~ Israeli interlocutor, - have pointed out or suggested to me that the Israeli plan is to break the power of the P.L.O. and to reduce the Palestinians in the Lebanon to a diaspora.

The same view was given at United Nations.

32. The Jordanians who I saw the very day after the Israeli intervention in the Lebanon, said to me that he had been expecting this intervention. The Jerusalem government had taken all national and international measures in this direction. The Amman authorities having foreseen this blow had advised all the other Arab countries concerned not to give Israel the least pretext to intervene.

33. It is not uninteresting to note that during my stay in Israel (29 May to 1 June) I had the same impression. I had the opportunity to report it to my colleagues as well as to the heads of State and Government at Versailles.

.../...



34. What the same Jordanians said to me on the position of his country on the current Lebanese conflict quite closely reflects, I suppose, the attitudes of the other Arab countries. They said to me that Ammans principal preoccupation was not to give the least pretext to the Jerusalem government, by acting against them, to seize further Jordanian territory.

35. They added that the Israeli operation in the Lebanon, and the impossibility for the Arab world of reacting, would no doubt have the consequence of radicalising the Arab world and even of threatening moderate Arab regimes. .

One representative of the P.L.O. in Brussels has echoed to this disquiet. Although he belongs to the majority, and relatively moderate, faction of the organization, he did not hide from some of my collaborators that in the face of the absence of reaction from the Arab countries and of their lack of solidarity with the P.L.O., the nationalists would have to think henceforth of "overthrowing" some of their governments.

36. United Nations leading personalities obviously deplore the events in Lebanon.

They were pleased that the first two resolutions of the Security Council on the subject were adopted, but are sure that Israel will not obey them : according to them its action is irreversible.

37. For them one of their serious concerns is the future of Unifil and beyond that of the mandate of the U.N. peacekeeping force.

If on 19 June the U.S.S.R. does not veto the continuation of Unifil, which is not certain, what mission could be given to the force? The U.N. secretariat responsables fear that it will be difficult to define. Should it be to replace the Israeli forces in the zone of the Lebanon currently occupied by Israel, with extended powers? But that would be in some sense to validate aggression. Should it be to continue with their current tasks with their current powers? But events have shown the limitations on their ability to act in such a context. Furthermore both the chiefs of the secretariat of the U.N.

have seen signs of Arab, and notably P.L.O., resentment at the inefficacy in the event of Unifil, which is of concern to them.



38. The Arab Ambassadors that my Political Director met on 14 June expressed above all the frustration of their countries at the development of the situation, but added hardly anything to what I have just said.

\*  
\*      \*

39. It should be noted that most of my interlocutors both Israeli and Arab, as well as the leading United Nations personalities mentioned the other conflicts and tensions existing in the region.

a) Of course the Israelis insist on the necessity, when discussing the Israel-Arab problem, not to consider it as the only, or even the gravest, in the region : that between Iran and Iraq is more so.

There is the confrontation between Iraq and Syria. There is tension between Syria and Jordan, all of which endanger the region while having nothing to do with the Arab-Israeli problem.

b) The Iran-Iraq conflict worries some Arabs more than the Israel-Palestinian. It is not surprising to learn that this is the case with the Kuwaiti authorities among others.

c) Furthermore, in the United Nations it has <sup>been</sup> not/concealed that the war between Iran and Iraq is potentially more dangerous than the conflict between Israel and the Arabs.

d) We have already seen that the Saudi ~~are~~ are extremely conscious of what is happening in Afghanistan and most concerned about it.

\*  
\*      \*

40. On one thing all my interlocutors, Israeli, Arab or U.N. officials were agreed. It is absolutely necessary to reduce tension in the region and to create a minimum of confidence in progress towards peace.

Before the Israeli operation in the Lebanon the idea of reducing tension through confirmation and extension of the cease-fire found favourable responses on the Arab side, and did not give rise to a negative Israeli reaction. The same applied to the possibility of completing this confirmation and this extension to the cease-fire by use of confidence building measures. The Egyptian authorities emphasized, furthermore, that they had been seeking the adoption of confidence building measures

.../...



for a long time, and that they had offered more than twenty suggestions on this subject, during their discussions with the Israelis.

After the Israeli operation in the Lebanon it is still thought at the United Nations that a diminution of tension and the creation of confidence are more important than ever. Some of my Arab interlocutors also believe this, but also indicate that the first condition for movement in this direction is an immediate Israeli withdrawal from the Lebanon.

\*

\* \* \*

41. Do the Ten have a role to play in the Arab-Israel problem ?

A. The Arab countries, including Egypt, unanimously believe so.

B. The Arab countries other than Egypt want this role to be as active as possible, and the Ten to contribute to the search for a solution outside the camp David framework, or which goes further than Camp David.

Some believe this to be urgent.

If some note with regret that Europe does not have sufficient material power, others recognize that it holds certain cards and a certain authority.

All underline its responsibility.

Most want Europe to recognize the P.L.O. All welcome the Venice declaration, emphasizing the importance for the Ten of remaining faithful to it, and regretting that they seem to be moving away from it.

One role for Europe on which several insist is to place pressure on the United States and on Israel.

The Arab countries other than Egypt, being hostile to the Camp David accords, insist that the object of this pressure should be to persuade the United States above all that it must recognize that the Camp David process is at a dead end and that the time has come to start on another route capable of leading to a solution to the central question, that of the Palestinians.

The Jordanians speaking after the beginning of the Israeli operation in the Lebanon, saw in it a demonstration of Washington's policy of "no peace no war", which favours Israel and makes more necessary than ever an active peace policy by the Ten.

.../...



- C. On the Egyptian side, it is believed that the Ten should remain present in the Middle Eastern theatre either to help create the conditions which would assist the progress of a peaceful solution in the context of the Camp David accords - unless Israel accepts another solution - or, in case of blockage, to suggest other ways forward. For Egypt this should be done in close contact with the United States.

— One Egyptian personality specifies that Europe should

- keep attention on the Palestinian problem,
  - remain in close contact with the United States to encourage them to do what is necessary to ensure that Camp David, and in particular the autonomy negotiations, do not run into a dead end,
  - conduct contacts with the Palestinians, particularly those living in the occupied territories.
- D. The Israelis for their part are more reserved. Certainly Europe has a role to play but it is to support the implementation of the Camp David accords - whose application remains the exclusive domain of Israel, the United States and Egypt, - and to make in this context unambiguous public declarations and place the necessary pressure on the Arab countries. Furthermore Europe, together with Israel, should set up projects in Egypt intended to combat the grave economic problems of that country.

### SECTION III. - THE AMERICAN DIMENSION.

42. I was careful to make contact on the subject of the Arab-Israel problem with our colleague, Secretary of State Haig, several of his collaborators responsible for the subject, and the United States Embassy in Brussels.
43. At this point in the Israeli operation in the Lebanon it can be stated that :
- a) While taking up a position through their votes for Security Council resolutions 598 and 509, the attitude of Washington in the early days revealed both some indecision and great prudence, whether that reflected their surprise at what had happened, or was due to divergences of view in the U.S. administration, or whether both factors had an effect.

.../...



b) Currently it seems that the United States hope that the new situation created by the Israeli military action in Lebanon will permit the emergence of the elements of a settlement which :

- would rid that country of the various foreign forces which occupy it (Israeli, Syrian but also, in any case essentially, the P.L.O.),
- would be of a nature to make the Lebanon an independent sovereign and unified State offering Israel full guarantees of security.

44. For our American friends, the objective is not to return to the status quo ante but to achieve a new and better state of affairs on the basis of what has happened i.e. to transform bad into good.

45. It should be noted that our American interlocutors describe the attitude of the Soviet Union in the context of the Lebanese problem as non-destructive and are pleased with the moderation of the reactions from Moscow.

46. It is essential that we Europeans convince Washington that this new state of affairs must one way or another lead in particular to a solution of the Palestinian problem considered as a whole, without which no genuinely lasting settlement is possible.

This is what I have tried, and continue to try, to do.

47. It is a fact that our American friends are conscious that the Palestinian problem genuinely constitutes one of the fundamental and ineluctable causes of the problem of the Middle East.

While they know, like everyone, that the Israel-Arab problem is not the only conflict in the region and that there is great concern, particularly in the Gulf countries, at the danger of an extension of the Iran-Iraq conflict, they do not think that this is enough entirely to divert the attention of the Arabs from the Palestinian question. On the contrary, perhaps the Gulf conflict only reinforces the anxiety already aroused by the Israel-Arab question and the Palestinian problem. One of the close collaborators of Mr Haig, has spoken in this context of "escalating anxiety".

.../...



In such conditions the United States wish in the immediate future to try simulaneously to :

- restore calm in Lebanon,
- promote if possible a cease-fire between Iran and Iraq,
- take up again the threads of the negotiation on the Palestinian question.

48. For Washington Camp David remains the framework for any negotiation. It is the only process which deserves to exist. It is necessary to remain faithful to it under whatever name, as there is evidently no inconvenience in changing its name if that would facilitate the participation of other Arab countries.

49. As for the Fahd-Plan, it has in any case the double disadvantage :

- not to have the approval of all of the Arab world,
- in these conditions, to have little use other than to impede the Camp David process.

50. One point on which my American interlocutors greatly insisted was that the influence that the United States can exercise on Israel is exaggerated.

This influence certainly exists but it is very limited, if only because Israel possesses logistical reserves and a military industry which permit it to conduct operations in complete independence for several weeks.

#### SECTION IV. - PROPOSALS.

51. The pursuit of a global, just and lasting peace in the Middle East should remain the aim of the ten countries of the European Community.

They have several times, and notably at Venice, demonstrated their willingness to contribute to this. They should continue in this way. It contributes to their credibility and is in their interest.

52. They should do it - again as much for their credibility as for their interest - on the basis of the essential principles which underlie the Venice declaration i.e. :

.../...



- the right to existence and security of all the states in the region, including Israel,
- recognition of the legitimate interests of all the peoples in the region including the Palestinian people, these legitimate rights including the right to self-determination and therefore of having a homeland.

53. The global, just and lasting settlement of the Israel-Arab problem cannot be dissociated - and the Ten should say so - from the situation in the whole region, in particular from the settlement of other tensions and other conflicts, and, firstly, of the Iran-Iraq war.

54. But it is clear that a settlement of this kind presupposes that the consequences of the Israeli operation in the Lebanon have been overcome.

55. This signifies the withdrawal of Israeli forces from Lebanese territory in conformity with Resolutions 508 and 509 of the Security Council.

The Ten who have publicly demanded that Israel respect these resolutions could without difficulty repeat their demand.

Nevertheless they should be under no illusion about the response that the government of Jerusalem would give to the mere expression of their wish. Their statements such as the request for assurances drawn up by the Political Committee on 14 June, as well as the postponement of signature of the financial protocol, were badly received by the Israeli government.

56. The latter has, furthermore, a precise objective : to settle the Lebanese problem in the context of the withdrawal of all foreign forces from the Lebanon and especially of the elimination of the P.L.O. as a significant political military force.

57. The Israelis will not change their objective because of European pressure alone. If any pressure could be useful it is that of the United States. But, as has been seen, Washington is, to an extent which it is not entirely possible to establish, in agreement with certain Israeli views.



58. The first objective of the Ten should therefore be :

- while publicly reaffirming the principles to which they have declared themselves attached, to approach the United States to persuade them that the new situation created by the Israeli intervention in the Lebanon does not only have the consequence of allowing the Israeli plan -seductive through it is in appearance - to be applied, but has resulted in redistributing the cards in the Arab world;

- to explain to Washington that it cannot be excluded that the tragic isolation in which Palestinians find themselves may permit them to be brought to the Western side to the extent that they are given hope;

- in this context, to get Washington to apply pressure on the Jerusalem government to agree to envisage immediate withdrawal, which could in fact be coupled with a Syrian withdrawal, Unifil remaining where it is with a larger mandate in future, and the principle of return by the Palestinian refugees in Lebanon to the West-Bank and Gaza, in stages to be determined, being accepted.

59. <sup>Israeli</sup> The Palestinian withdrawal envisaged in such a context would constitute the first measure essential to reduce tension in the region.

60. Immediately afterwards the Ten could propose, following these withdrawals, a new step intended to bring down the temperature.

A. It would consist, firstly, of an extremely wide spread cease-fire. The proposal would be made to all the parties to the Israel-Arab conflict, including the Palestinian people and the P.L.O., to renounce totally and for a time to be determined both inside and outside the region every new "aggressive measure".

One would give this idea of "aggressive measure" the widest scope. It would of course cover the use of force and violence and recourse to threats of force and of violence. But it would also cover unilateral acts of occupation. Its geographical area of application would not be limited. It would extend not only to the countries concerned and to the region but also to the whole world.

.../...

*Israeli withdrawal by PLO...  
What about...?*



Thus understood, the prohibition on all new "aggressive measures" could refer, amongst other things, to :

- anti-Israeli or anti-Jewish terrorist acts wherever they might happen. Certainly we know that the majority faction of the P.L.O. does not control all the organisations, but it could commit itself to try with all the means at its disposal to prevent uncontrolled acts and to punish them if they take place;

- the creation of new settlements and employment of repressive measures in the occupied territories.

There would be no pronouncement in this context, on the principles underlying the question of the creation of new settlements. The implementation of a settlement policy would be stopped for a given time. ...

This time could be six months.

B. It would also be a matter of reinforcing the new status of Lebanon by all those concerned confirming the commitments made in respect of this country.

61. Such a formula would have, among other advantages, that of being able to include, without the Israelis having to acquiesce in any formal way, the Palestinian people and the P.L.O. It would suffice that the heads of organizations should agree publicly to this formula to be partners to it.

There are, furthermore, precedents for this idea, notably the partial cease-fire which was formerly negotiated in response to the situation in the Lebanon.

This would begin to integrate the organization into the peace process.

62. At the end of six months, if the temperature had really fallen, the time would have come to propose to the parties concerned the adoption of confidence building measures appropriate to create the conditions for a final settlement.

63. The autonomy talks agreed at Camp David could themselves constitute a confidence building measure if it were to appear that administrative autonomy is no an end in itself and that the process could be

.../...



expanded - transcended - in such a way as to launch a "peace dynamic" from which the prospect of self-determination would not be excluded. Some Israelis say, furthermore, that during the interim period of five years foreseen in the Camp David accords, Jews and Arabs might establish neighbourly relations among themselves which would mark progress towards a global solution.

Furthermore it is possible to consider measures of various kinds, for example (this is not exhaustive) :

a) military : in and around the occupied territories, a limitation on the size of manoeuvres and of forces, notification of all movement of forces and consultation between the parties, establishment of an increased number of demilitarised zones, as already foreseen in resolution 242 of the Security Council.

b) another series of measures might bear on the softening of the occupation regime : a freeze on the creation of settlements, liberation of prisoners and of economic restrictions, termination of expropriations, reuniting of families, cessation of terrorist attacks in Israel or the occupied territories.

64. If these generally conservative measures could be introduced and bore fruit it would then be possible to move towards a global, just and lasting settlement, towards which all our wishes are directed and which could be inspired by the following principles :

1) Security Council resolutions 242 and 338 remain important reference points, it being understood that the idea of refugees should be expanded and overtaken, as has already been done in the Venice declaration.

2) The process of evacuation of the occupied territories and establishment of autonomy could be controlled by a provisional international authority relying on international security forces;

3) the final point of the process could be a Geneva type conference which would include those principally concerned as well as the U.S.S.R., the United States and Europe, and the results of which could be legitimised by a further Security Council resolution.

4) All action by Europe should from the beginning take place in very close contact with the United States.



5) From the beginning the Ten should also declare themselves ready to contribute to the economic development of the region in concert with other countries and with the competent international organizations. Their action could take as its departure point the agreements which already exist between the E.E.C. and the States of the Middle East. It would be made clear that their offer did not constitute an attempt at interference and it would have to have the consent of all the parties concerned.

6) They would have to take account of the special situation of Egypt.

65.

That said certain precautions will have to be taken :

1) Whatever might be their opinion on the prospects for the "autonomy negotiations" the Ten would avoid any declaration or demarche which might undermine the implementation of this second part of the Camp David accords. Besides, we have seen that this process could be seen as a confidence building measure.

2) In parallel they should avoid giving too marked support to the Fahd Plan in such a way as to cause suspicion among the countries who have not supported this.

3) The Middle East situation cannot be analysed on the basis of purely rational criteria. We are in the kingdom of the word and of emotion. Negotiators should take account of susceptibilities and taboos : words like "autonomy", "Camp David", "P.L.O.", "Fahd Plan" are loaded with passion and provoke in one or other camp a reaction of rejection.

4) The protagonists furthermore often think in manichaeian terms. Perhaps the confidence building measures mentioned above could diminish these "blockages" and introduce a little grey where, at the moment, there is only black or white.

66.

Finally, what about the Euro-Arab Dialogue? This has undoubtedly been inhibited by the insufficiency of progress on the political front. Used in a judicious manner and introduced into the process at the appropriate moment the procedures of the dialogue could make a useful contribution. It would, however, be worth implementing them in such a way that they do not emphasize Egypt's isolation by comparison with the Arab world. For the rest the question of who is more "demandeur" in the dialogue is academic.



67. One of the things which struck me during my contacts in the Middle East is the perplexity of my interlocutors at the repetition, in each presidency, of a run round the track by the president-in-office.

68. I believe that this procedure damages our credibility and that it is desirable that any European demarche take on, in the eyes of my interlocutors, an attraction infinitely more marked than that of continuity.

69. I draw your particular attention to this subject as it is a point to which mine was drawn by the different personalities in the Middle East to whom I had the honour to speak. Whatever may be the formula that we think of :

- a mandate given to one of us to maintain contact with the parties concerned with the israel-Arab problem,
- troika,
- any other procedure,

I believe that we should henceforth adopt a *modus operandi* which does not leave our interlocutors with the impression that every six months the Ten once again start to interest themselves while taking no account of what they had done before.

#### CONCLUSION

70. Taking into account the information that I have gathered while carrying out the mission that you have given me, as well as our exchanges of view and those of our collaborators, I am circulating by Coreu a draft text which could be used at the wish of the European Council either as a declaration or as part of the final communiqué. It will in any case be studied by our Middle East experts, by our Political Directors and by ourselves before being submitted to the European Council.

71. It is quite clear that this draft text does not take up everything in the present report, but attempts, particularly in the context of its major themes, to transmit to the parties concerned the message from the Ten which seems most adequate.





Prime Minister.  
To see.  
Foreign and Commonwealth Office

London SW1A 2AH

25 June, 1982

Dear John,

European Council: Relations with Latin America

Following the briefing meeting of 24 June, the Prime Minister / might find helpful some additional points to make on relations with Latin America, to supplement the brief (No 6) on EC/Argentina. Many of our partners are likely to call for a major effort in relations between Europe and Latin America.

I am sending a copy of this letter to Mr Hancock in the Cabinet Office.

Yours ever

J E Holmes

(J E Holmes)  
Private Secretary

A J Coles Esq  
Private Secretary  
10 Downing Street



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EHG(B2)(82)6 ADDENDUM 1

25 June 1982

EUROPEAN COUNCIL, BRUSSELS

28/29 JUNE 1982

EC/ARGENTINA:

EUROPEAN RELATIONS WITH LATIN AMERICAN COUNTRIES

Brief by Foreign and Commonwealth Office

POINTS TO MAKE

1. Share our partners' wish to restore/reinforce good relations with the countries of Latin America. But Latin America not a single entity, rather a number of countries with common features, including language - but very different. Approach therefore needs to be made on a country by country basis.
2. Falklands crisis pointed up differences: Compare: Venezuela, which was particularly strident; Colombia, which remained loyal to UN principles; Brazil, measured and reasonable; Chile, where the special factors of its own disputes with Argentina were most important, privately supported UK; Mexico was similarly sympathetic.

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3. Should not exaggerate damage done by crisis. OAS reluctance to impose sanctions on UK indicates majority of States value their relations with UK and Europe. Most Latin American countries' reaction was restrained. Many, especially those with territorial disputes of their own (Guyana, Ecuador, Chile) privately relieved to see international law upheld.

4. [If there is pressure for some new initiative.] Note many attempts at cooperation already under way. In most cases ball is in Latin American court. Suggest Political Directors should analyse European relations with Latin America on a country by country basis and report to Foreign Ministers.

5. [If necessary] UK Relations. UK has been making a major effort in relations with Latin America for some time. Falklands crisis has placed strain on relations in some particular cases but we do not expect this to be a lasting or insuperable obstacle. Aim to continue working on a country by country basis and building on past efforts.

BACKGROUND

1. Aspects of EC/Latin America relations which are currently live are:
  - a. Aid to Central America. The Commission have proposed a special programme of aid, mostly to agricultural production, worth 65 MECU. The Foreign Affairs Council are to reach a decision on this on 19-20 July.
  - b. EC/Andean Pact Negotiations for a non-preferential Cooperation Agreement. The Community has already

]offered

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offered to resume negotiations. Once the Pact are ready, the Cooperation Agreement could be finalised very quickly.

- c. EC/GRULA Dialogue. GRULA (the group of all Latin American States) have told the Belgian Presidency that it would not be appropriate to hold the regular meeting of the Dialogue at ambassadorial level planned for June.
- d. EC/Brazil Cooperation Agreement. This awaits ratification by Brazil.
- e. Opening of further Commission offices in Latin America. It is agreed in principle that a Commission office should be opened in Brasilia but the Commission have not yet formally renewed their proposal for this.
- f. Bilateral textile agreements. Agreement has been reached with Peru and negotiations with others are pending, including one with Argentina.

2. a. is only partially relevant since in this context partners will be more concerned with countries in South America as opposed to Central America. Signature of the Andean Pact Agreement and a resumption of the GRULA Dialogue would be welcome signs of a return to normal relations with Latin America and at a suitable moment the Community could give a push to b. and c.. e. would have only limited impact. Bilateral textile agreements (f.) are normally restrictive. Other initiatives in the aid field would have the disadvantages of making it necessary to find more money and devoting a higher proportion of Community aid to a relatively rich area.



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MR COLES

EUROPEAN COUNCIL

BILATERAL TALK WITH CHANCELLOR SCHMIDT

Prime Minister

There would be other material  
for a bilateral talk with Chancellor  
Schmidt - your visit to the U.S., the  
South Atlantic etc. Perhaps we could  
discuss on the plane whether you wish  
us to arrange one.

A.S.C.  $\frac{25}{6}$

At her briefing meeting yesterday the Prime Minister agreed to seek an opportunity for a bilateral talk with Chancellor Schmidt about fish and Northern Ireland housing.? She might also take the opportunity to arouse Chancellor Schmidt's interest in the financial cost of enlargement. The briefing is attached as follows:-

- (i) Fish. The objective is to persuade Chancellor Schmidt to intervene with the Danish Prime Minister to stop the Danish Fisheries Minister vetoing the settlement in the Fisheries Council which will be going on at the same time as the European Council. A brief is attached at Annex A.
- (ii) Northern Ireland Housing. The objective is to persuade Chancellor Schmidt to lift the German reserve on this Commission proposal. A speaking note is contained in the Foreign Office Private Secretary letter of  
\* 24 June at Annex B.
- (iii) Financial consequences of enlargement. There is some evidence that President Mitterrand is trying to ensure that France does not have to pay the cost of allowing Spain and Portugal to enter the Community. The Germans are just as much at risk as the United Kingdom and, for tactical reasons, it would be better if Chancellor Schmidt would make the point that the cost must be shared equitably among the more prosperous member states, including France. A brief is attached at Annex C.

D.H.

D J S HANCOCK

25 June 1982

\* Filed separately

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BILATERAL TALK WITH CHANCELLOR SCHMIDT  
COMMON FISHERIES POLICY

Points to make

1. There seems to be a better chance of getting agreement to a Common Fisheries Policy at the Fisheries Council on 28/29 June than ever before. This follows Mr Walker's success in a series of bilateral negotiations on access with the French and the other member states with historic rights around our coast. Our impression is that all the member states except the Danes want an agreement and are willing to take part in a final bargaining session with the intention of getting one.
  
2. There is everything to be said for resolving this long-standing and acrimonious dispute. It would be a real achievement for the Community to settle it now. If agreement is not reached under the Belgian Presidency the carefully constructed package may start to fall apart when the Danes take over. It would be very dangerous to reach the end of 1982 with no agreement because the derogations in the Accession Treaty expire at that time.
  
3. Unfortunately the Danish Fisheries Minister, Mr Hjortnaes, is taking a very negative line and may intend to veto any agreement. He appears to believe that he will be able to exploit the Danish Presidency to secure some advantage for Denmark. In fact he would find it very difficult to do so and the Danes, who are in any case unpopular because of their over-fishing, would find themselves isolated in the Presidency.

/Could



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4. Could Chancellor Schmidt use his influence with Prime Minister Joergensen to get the Danish Government to look carefully at the wider implications at the line taken by Mr Hjortnaes? It would be better for them, and certainly better for the Community, if the matter were settled before they took over the Chair.

Background

The discussions in the high level official group which is preparing for the Fisheries Council on 28/29 June indicate that a settlement could be achieved at the Council if it were not for the attitude taken by the Danish Fisheries Minister, Mr Hjortnaes. Mr Hjortnaes's public statements suggest that he may intend to veto an agreement and he is generally behaving in a wild and irresponsible fashion. The German Government, and Chancellor Schmidt in particular, have considerable influence with the Danish Government. There is already evidence that the Danish Foreign Minister, Mr Olesen, is becoming concerned at the behaviour of his colleague. If the Prime Minister could persuade Chancellor Schmidt to intervene with the Danish Prime Minister on 28 June, it might be possible to settle this long-standing dispute at the Fisheries Council on the following day.

The Prime Minister should be aware that there are still some relatively minor problems of access to be resolved between the United Kingdom and Germany, but Mr Walker hopes to sort them out in bilateral negotiations during the Council. There is no need for the Prime Minister to ~~mention the point~~ - it is unlikely that Chancellor Schmidt is aware of it.



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## BILATERAL TALK WITH CHANCELLOR SCHMIDT

## FINANCIAL CONSEQUENCES OF ENLARGEMENT

Points to make

1. We are not sure what President Mitterrand's motive is in raising this subject at dinner following his speech in Madrid. But he may be trying to limit the cost to France of enlargement.
2. He cannot expect Germany and the United Kingdom to pick up the cheque for enlargement. The cost has to be shared equitably among all the more prosperous member states, including France.
3. This is a Community problem; not a German or a United Kingdom problem. It would be helpful if Chancellor Schmidt could take the lead in stimulating a discussion about the need for equitable financial arrangements in an enlarged Community. An appropriate first step might be a report from the Commission for consideration by the Foreign Affairs Council in the autumn.

Background

This is set out in the brief on enlargement, EHG(B2)(82) 11, Revise 1, dated 24 June. Some points to make on the financial implications are in paragraph 6 of that brief. It is important that this aspect should be properly discussed but, in view of the unresolved problem of the British budget contribution, it would be tactically better for the first intervention to come from Chancellor Schmidt and not the Prime Minister.





H M Treasury

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Sir Kenneth Couzens KCB  
Second Permanent Secretary  
Overseas Finance

25 June 1982

C A Whitmore Esq  
Principal Private Secretary  
10 Downing Street  
London SW1

Dear Chris

EXPORT CREDIT CONSENSUS

The Chancellor asked me to submit a short note for the Prime Minister about action that might be taken at the European Council on the export credit consensus.

2. We are faced at this Council with a series of differences between the Community and the United States on economic and trade policy. There will be complaints about US interest rates and the gyrations of the dollar; about the US budget situation and growing uncertainties of US policy; and about US action on steel imports and the contracts for the Siberian gas pipeline. The French will make much of these differences and the Germans and others do not seem likely to do much to stop them.
3. This is not good for international confidence, even if the US have by their actions invited some of this criticism. There is one area where there is a chance of finding common ground and reaching a useful international agreement, not at the Council, but soon after it. There is a compromise available on renewing the export credit consensus for a further year which is at a pinch acceptable to everybody (including ourselves). but against which the French alone are holding out. President Mitterrand is indeed likely to add the need to meet the US half-way on the consensus to his list of anti-US grievances.
4. On a straight vote in the Community the French view would fail. If however they plead the Luxembourg compromise and if we then abstain in line with our views on the need to uphold the Luxembourg compromise, the Community cannot agree to the revised consensus. Some parts of British industry will not be happy





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about the increases in interest rates in the revised consensus, but it is not in the wider UK interest that the consensus should lapse and we be exposed to a credit war on the terms of capital exports. Moreover we do not want another signal of disarray and conflict in the international order.

5. In these circumstances we wonder whether, if there is no sign from President Mitterrand that he will accept the consensus agreement, the Prime Minister would care to suggest to Chancellor Schmidt that he should speak privately to Mitterrand about this. We know that the Germans are as keen as anyone to achieve an agreement. Chancellor Schmidt seems best placed to persuade Mitterrand to give up any idea of vetoing the agreement. A good result would be if Mitterrand gave a private assurance before leaving Brussels that France intended no veto. We do not suggest however that the Prime Minister should herself take an initiative on these lines with Mitterrand.

6. All this would be without prejudice to what was said in any open discussion on the consensus, when we would say we were ready to accept the revised agreement.

7. I am copying this letter to Mr Hancock.

*Yours ever*

*Ke*

K E COUZENS



GPS 440

UNCLASSIFIED

FM BONN 241530Z JUN 82

TO PRIORITY FCO

TELEGRAM NUMBER 596 OF 24 JUNE

INFO SAVING DUBLIN PARIS ROME LUXEMBOURG COPENHAGEN THE HAGUE

UKREP BRUSSELS EMBASSY BRUSSELS ATHENS WASHINGTON MOSCOW UKDEL

NATO

CHANCELLOR SCHMIDT'S FOREIGN POLICY STATEMENT: 24 JUNE

1. CHANCELLOR SCHMIDT MADE A FOREIGN POLICY STATEMENT TO THE BUNDESTAG ON 24 JUNE WHICH COVERED RECENT DEVELOPMENTS IN THE EC, THE VERSAILLES AND NATO SUMMITS, PRESIDENT REAGAN'S VISIT TO THE FRG, AND THE UN SPECIAL ASSEMBLY ON DISARMAMENT. TEXT BY BAG TO WED.

2. FOLLOWING ARE SOME OF THE MAIN POINTS HE MADE:

- (A) HE REAFFIRMED THE FRG'S COMMITMENT TO EUROPE, TOKEN OF WHICH WAS THE FACT THAT QUOTE THE FRG IS BY FAR THE LARGEST NET CONTRIBUTOR TO THE COMMUNITY BUDGET UNQUOTE AND IN 1981 WAS IN EFFECT, THE ONLY NET CONTRIBUTOR:
- (B) A JUST SYSTEM OF BURDEN-SHARING IN THE COMMUNITY WAS HOWEVER ESSENTIAL. THE FRG COULD NOT CONTINUOUSLY JUSTIFY A SITUATION IN WHICH IT PAID MORE TO A COMMUNITY OF 10 RICH, INDUSTRIALISED COUNTRIES THAN ITS TOTAL DEVELOPMENT AID TO GROUP 77 COUNTRIES:
- (C) HE REFERRED TO THE NEED TO STRENGTHEN THE POLITICAL SOLIDARITY OF THE COMMUNITY. THE IMPORTANCE OF THIS HAD BEEN SHOWN BY THE FALKLANDS CRISIS. QUOTE AS AN ACT OF SOLIDARITY WITH AN ALLIANCE PARTNER, WE AGREED TO MEASURES WHICH WERE NOT EASY FOR US. A FEW DAYS AGO WE LIFTED THEM - WITH THE AGREEMENT OF THE BRITISH - BECAUSE THE GENERAL EUROPEAN INTEREST IN THE WORLD DEMANDED IT UNQUOTE:
- (D) AN IMPORTANT THEME AT VERSAILLES HAD BEEN EAST-WEST ECONOMIC RELATIONS. THE FRG AGREED WITH THE CONCLUSIONS OF THE VERSAILLES SUMMIT IN THIS AREA, BUT WOULD NEVER AGREE TO QUOTE A TRADE WAR WITH THE SOVIET UNION WHICH COULD USHER IN A NEW ERA OF THE COLD WAR UNQUOTE:
- (E) IN COMMON WITH ITS EUROPEAN PARTNERS, THE FEDERAL GOVERNMENT HAD THEREFORE RECEIVED NEWS OF THE LATEST US DECISION OVER THE SOVIET GAS PIPELINE PROJECT WITH QUOTE CONCERN AND REGRET UNQUOTE. THE CHANCELLOR FIRMLY ENDORSED THE EC COUNCIL'S CONCERN AT THE EXTRA-TERRITORIAL IMPLICATIONS OF THE DECISION. THE PROJECT REPRESENTED A NECESSARY DIVERSIFICATION OF EUROPEAN ENERGY SUPPLIES WHICH DID NOT IMPLY DEPENDENCE ON THE SOVIET UNION. TALKS WERE NOW URGENTLY NECESSARY TO ENSURE THAT THE DECISION WOULD CAUSE NO LASTING DAMAGE TO EUROPE/US TRADE RELATIONS: (F)



(F) HE HAD SPOKEN WITH THE POLISH FOREIGN MINISTER AT THE NEW YORK CONFERENCE ON DISARMAMENT AND MADE CLEAR THAT THE WEST COULD NOT NORMALISE ITS RELATIONS WITH POLAND UNTIL THE SITUATION IN POLAND ITSELF WAS NORMALISED:

(G) HE SAID LITTLE NEW ON THE NATO SUMMIT OR PRESIDENT REAGAN'S VISIT. WHILE REPEATING (AS AT THE UNSSD) HIS SYMPATHY FOR THE AIMS OF THE PEACE MOVEMENT IN GENERAL, HE ROUNDLY CONDEMNED THE FACT THAT DEMONSTRATIONS AGAINST THE PRESIDENT'S VISIT TO BERLIN HAD LED TO SOME VIOLENT AND CRIMINAL ACTIVITY.

FCO PLEASE PASS SAVING ADDRESSEES.

TAYLOR

REPEATED AS REQUESTED

FCO | WH  
WED

THIS TELEGRAM  
WAS NOT  
ADVANCED



IMMEDIATE

ADVANCE COPIES: FALKLAND ISLANDS GENERAL (40)

PS  
PS/MR HURD  
PS/MR ONSLOW  
PS/PUS  
SIR J BULLARD  
SIR A SINCLAIR  
MR GIFFARD  
MR WRIGHT  
MR ADAMS  
LORD N GORDON LENNOX  
LORD BRIDGES  
MR URE  
MR GILLMORE  
HD/PUSD (2)  
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HD/PLANNING STAFF  
HD/WED

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MR J STEWART AUSD STAFF MOD

PS/CHANCELLOR }  
MR ILETT } TREASURY  
MR LITTLER }

MISS DICKSON D/ENERGY

SIR R ARMSTRONG }  
SIR M PALLISER } CABINET OFFICE  
MR WADE GERRY ADS. Goodall }  
MR FULLER SAPU/DIO }  
DIO }

Room 8 FOR MODUK C IN C FIELD

[Passed to E.R.]  
[Typists a.a.]

CONFIDENTIAL

FM BRUSSELS 241400Z JUNE 82  
TO IMMEDIATE FCO  
ELNO 233 OF 24 JUNE  
INFO IMMEDIATE UKREP BRUSSELS

EUROPEAN COUNCIL: BELGIAN PERFORMANCE ON THE FALKLANDS

1. I HOPE THAT THE PRIME MINISTER CAN BE RECOMMENDED TO MAKE A SPECIAL POINT DURING HER VISIT TO BRUSSELS OF THANKING THE KING AND MR MARTENS FOR THE LARGELY UNQUALIFIED AND USUALLY RAPID SUPPORT WHICH THE BELGIAN GOVERNMENT HAVE GIVEN HMG THROUGHOUT THE FALKLANDS CRISIS.

2. WITH THE EXCEPTION OF A CERTAIN AMOUNT OF INITIAL HESITATION OVER THE CORRECT FORM FOR SANCTIONS AND OVER WITHDRAWING EXPORT CREDIT GUARANTEES, BELGIAN SUPPORT FOR HMG'S WHOLE APPROACH TO THE FALKLANDS AND BELGIAN UNDERSTANDING OF THE ISSUES AT STAKE HAS BEEN VIRTUALLY COMPLETE. IT HAS ALSO BEEN TRANSLATED RAPIDLY INTO EFFECTIVE ACTION IN BELGIUM'S NATIONAL AND PRESIDENCY ROLES.



EFFECTIVE ACTION IN BELGIUM'S NATIONAL AND PRESIDENCY ROLES.

3. WE ARE PARTICULARLY INDEBTED TO THE BELGIANS FOR:

I) BELGIUM'S INITIATIVE IN SUMMONING AN EARLY POCO MEETING ON 9 APRIL TO SET UP INITIAL COMMUNITY SANCTIONS:

II) TINDEMANS' CRUCIAL TELEPHONE CALL TO GENSCHER ON 15 MAY IN ORDER TO ENSURE GENSCHER'S PRESENCE AT THE MEETING ON 16 MAY TO DISCUSS THE RENEWAL OF SANCTIONS:

III) THE IMMEDIATE BELGIAN RESPONSE TO OUR REQUEST FOR A BELGIAN SPEECH IN THE SECURITY COUNCIL ON 24 MAY:

IV) READY WILLINGNESS TO INVESTIGATE REPORTS OF EFFORTS BY ONE OR TWO LOCAL DEALERS TO CIRCUMVENT THE ARMS EMBARGO.

4. YOU THANKED TINDEMANS FOR (III) ABOVE IN THE COURSE OF A TELEPHONE CONVERSATION WITH HIM THE SAME EVENING. I ALSO EXPRESSED THANKS TO HIS CABINET. I HAVE ALSO TAKEN EVERY SUITABLE OPPORTUNITY OF THANKING BELGIAN MINISTERS, OFFICIALS AND INDIVIDUALS FOR BELGIAN GOVERNMENTAL SUPPORT, WHICH HAS BEEN REFLECTED INCIDENTALLY IN A LARGE NUMBER OF ENCOURAGING LETTERS FROM THE PUBLIC AT MANY LEVELS. SOME FURTHER GESTURE OF APPRECIATION FROM THE PRIME MINISTER WOULD, HOWEVER, NOW BE APPROPRIATE, ESPECIALLY SINCE (I) BELGIUM WAS NOT MENTIONED IN MRS THATCHER'S INTERVIEW WITH NEWS AT TEN ON 2 JUNE, ALTHOUGH HOLLAND WAS, (HARTLAND SWANN'S LETTER OF 7 JUNE TO FEARN) (II) AN ECONOMIST ARTICLE OF 19 JUNE SIMILARLY DID NOT MENTION BELGIUM AMONG THE ALLIES WHO HAD WHOLEHEARTEDLY SUPPORTED US BUT DID MENTION GREECE, NORWAY AND CANADA. (III) A FINANCIAL TIMES REPORT ON 22 JUNE SIMILARLY OMITTED BELGIUM FROM A LIST OF EUROPEAN COUNTRIES WHICH HAD DECIDED TO CONTINUE THE ARMS EMBARGO.

5. I HAD ALREADY TAKEN UP THE ECONOMIST'S OMISSION WITH THE ECONOMIST OFFICE HERE WHEN CASSIERS, WHO IS SPECIAL ASSISTANT TO TINDEMANS ON DEFENCE MATTERS, TACKLED MY COUNSELLOR ABOUT IT. HARTLAND SWANN WAS THUS ABLE TO REPLY THAT I ALSO HAD REGRETTED THE OMISSION AND HAD ALREADY TAKEN IT UP WITH THE ECONOMIST AND WAS ABOUT TO DO SO WITH THE DEPARTMENT. THE OMISSION IS INDEED LIKELY TO HAVE BECOME FAIRLY WIDELY KNOWN AMONG BELGIAN MINISTERS AND OFFICIALS, AND CASSIERS' COMPLAINT IS AN ADDITIONAL REASON FOR THE PRIME MINISTER TO SAY SOMETHING APPRECIATIVE WHILE SHE IS HERE.

6. IN PREPARATION FOR THE LUNCH AT LAEKEN ON 28 JUNE THE PRIME



6. IN PREPARATION FOR THE LUNCH AT LAEKEN ON 28 JUNE THE PRIME MINISTER MIGHT ALSO LIKE TO KNOW THAT WHEN MY WIFE AND I WERE AT A SMALL DIPLOMATIC RECEPTION THERE JUST AFTER THE ARGENTINE SURRENDER, KING BAUDOUIN EXPRESSED HIS CONGRATULATIONS ON THE OUTCOME OF THE CAMPAIGN IN THE FALKLANDS. WHEN I THANKED HIM AND MENTIONED THE RELATIVELY LIMITED NUMBER OF CASUALTIES WHICH MERCIFULLY THE FIGHTING HAD INVOLVED, HE EXPRESSED SADNESS NEVERTHELESS AT THE NUMBER OF YOUNG LIVES LOST. WHEN I SPOKE OF THE LONGER-TERM PROBLEMS, THE KING IMMEDIATELY REMINDED ME HOWEVER OF THE CONFIDENCE IN BRITISH DIPLOMATIC SKILLS WHICH HE HAD EXPRESSED WHEN I PRESENTED MY CREDENTIALS (MY DESPATCH OF 10 MAY).

JACKSON

NNNN

SENT/RCVD 241515Z AGP/RV





MR 29  
h.a.

Qz.02625

PRIME MINISTER

EUROPEAN COUNCIL BRIEFING MEETING, 5.30pm

I suggest that you ask Ministers to speak at the briefing meeting as follows:-

Chancellor of the Exchequer

Economic and social situation - Investment -  
Export credits

Secretary of State for Trade

Trade issues with the United States  
Other trade issues

Mr Hurd

The Falkland Islands and relations with Latin America  
Midde East

Enlargement - Unlink

North/South dialogue and global negotiations - Legal rights

- Fish -

Luxembourg Compromise Reheard

British budget problem (if necessary).

Belarus -  
Finance

Report

D.H.

D J S HANCOCK

24 June 1982



PART 10 ends:-

PM to Len Murray<sup>(TUC)</sup> 8.4.82.

PART 11 begins:-

Handed to PM @ 2625. 24/5





