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PREM 19/1023

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PART 12

Confidential Filing

European Council meeting in Copenhagen.

3-4 December 1982

EUROPEAN POLICY

Part 1: October 1979

Part 12: September 1982

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# Cabinet / Cabinet Committee Documents

| Reference | Date |
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| EHG(C)(82) 11 | 26/11/1982 |
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Signed J. Gray Date 23/1/2013

**PREM Records Team**

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FILE

# 10 DOWNING STREET

*From the Private Secretary*

10 February, 1983

At Cabinet this morning the Prime Minister referred to a paper which she had seen during the European Council in Copenhagen which inter alia illustrated the protectionist practices employed by the United Kingdom as seen by France.

Your Secretary of State indicated to me that he had never seen this paper. I now enclose a copy of John Rhodes' letter of 2 December, with its annexes, with Mr. Jenkin may find of interest.

A. J. COLES

J. Spencer, Esq.,
Department of Industry

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Euro Pol
Prime Minister
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Foreign and Commonwealth Office

London SW1A 2AH

13 December 1982

Dear John,

Agreed
MT

European Council: Completion of the Internal Market

At the European Council in Copenhagen on 3/4 December, during discussions of the completion of the Common Market, it was agreed that each government should appoint a Minister to coordinate work on the Internal Market and attend special sessions of the General Affairs Council on this topic.

The Foreign and Commonwealth Secretary suggests, subject to the views of the Secretary of State for Trade, that Mr Rees would be the appropriate Minister. He speaks for us on a number of trade matters at General Councils and was intending to represent HMG at the Internal Market Council planned then cancelled by the Belgian Presidency.

I am copying this to the Private Secretaries to members of OD(E) and to Sir Robert Armstrong.

Yours ever

John Holmes

for (R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

Euro PM

## European Council

3.30 pm

**The Prime Minister (Mrs. Margaret Thatcher):** With permission, Mr. Speaker, I shall make a statement on the European Council in Copenhagen on 3 and 4 December, which I attended accompanied by my right hon. Friend the Foreign and Commonwealth Secretary.

At the end of the meetings, the Danish Prime Minister issued to the press his summary of the Council's conclusions. I have arranged for a copy of this document to be placed in the Library. In its discussion of the economic and social situation, the European Council agreed upon a number of priority goals, including the re-establishment of economic stability; the continued reduction of interest rates as a means of encouraging productive activity; the creation of more employment opportunities and professional training for young people; and increased international co-operation in monetary and trade policy.

A work programme was approved on four specific matters: measures to reinforce the internal market; proposals in the field of research, innovation and energy; a new instalment of the new Community instrument amounting to some £1¾ billion; and urgent consideration to be given to proposals for training young people and reorganising working time.

The Council re-affirmed its political commitment to the enlargement of the Community by the accession of Spain and Portugal and asked the Foreign Affairs Council and the Agriculture Council to press ahead with the necessary preparatory work. I stressed that the Community must take quick and effective action to ensure more equal access in our trade with Spain.

There was some discussion about the implications of enlargement for the ceiling on own resources. We take the view that the Community's present own resources should be sufficient. The essential requirement is effective control over the rate of growth of agricultural expenditure.

The Council expressed its determination to pursue a constructive dialogue with the United States. It noted with satisfaction the agreement reached on steel and the United States' President's decision to lift the sanctions imposed in connection with the Siberian pipeline.

The Council asked the Foreign Affairs Council at its next session in December to take decisions on the various ways and means of improving commercial relations between Japan and the Community.

It was confirmed that nine member States were prepared to accept the Commission's proposals for a revised Common Fisheries Policy. Denmark was not able to do so. The Danish Prime Minister said that he needed some further clarification, which I understood to refer to matters outside the package now proposed. It is my hope and expectation that agreement will be reached at the next meeting of the Fisheries Council on 21 December.

The Council was informed that the Foreign Affairs Council had set work in hand on the Commission's recent communication about the solution to the British budget problem for 1983 and later. I emphasised that unless a decision was reached before March, I should have to raise the matter at the next European Council.

As is usual, the European Council also considered international political questions. The council agreed that the basis for our relations with the Soviet Union should continue to be firmness and dialogue. We stated our readiness to respond positively to any constructive moves which the new leadership in Moscow may make, and we looked for these in particular at the Madrid conference on security and co-operation in Europe and in relation to Afghanistan.

The Council agreed to keep developments in Poland under careful scrutiny so as to be able to judge the real significance of the measures which appear to be under consideration in Warsaw.

On the Middle East, the Council called upon the parties to seize the political opportunity created in September by President Reagan's initiative and the Arab summit in Fez, and urged that all Israeli and other foreign forces be withdrawn from Lebanon without further delay.

On international economic matters, the council stressed that the overriding priority for the Community's economic and commercial relations with other industrialised countries was a strengthening of international co-operation in all major areas to counteract recession, with particular emphasis on a return to a stable monetary, financial and trade situation. In this connection, the Council stated the readiness of member States to work for a substantial increase of IMF quotas and their determination to contribute to an early decision to that effect.

**Mr. Michael Foot** (Ebbw Vale: I shall put several questions on specific matters before turning to the main parts of the Prime Minister's statement.

I am sure that the Prime Minister understands that there must be a further debate in the House on the fisheries issue, before it is concluded. Perhaps she recalls that during the general election she said:

> "Our waters contain more fish than the rest of the Community put together . . . Britain must have a very substantial share of the total allowable catch".

Does the right hon. Lady really think that that has been achieved? Will she give an undertaking that, before any further step is taken, the House will have a chance to state its view? No progress seems to have been made at the meeting on the budget. Does the right hon. Lady really believe that progress will be made at the next meeting, and how much progress does she expect?

The Prime Minister referred to steel only in the context of the agreement made with the United States of America. Surely there should have been proper discussion at the summit meeting of the appalling state of the steel industry, especially as the British steel industry has had to accept bigger cuts than most other countries in Europe. Surely the right hon. Lady should have made a statement on behalf of the British steel industry during those discussions? Perhaps she will give us an account of what happened.

The Prime Minister did not say much about the CAP. Has any progress whatever been made towards the Government's objectives? At such a meeting, important international issues are bound to arise. The right hon. Lady referred to President Reagan's initiative on the Middle East. We all wish to see that initiative succeed, but what will be the next step in that direction?

The Prime Minister did not offer much comfort about the economic situation. It may be very difficult for the Government to urge the other countries to take action on economic matters and unemployment when unemployment in Britain is worse than in other countries, when our bankruptcies are more numerous and when our economy is in a considerably more parlous state than that of most of the other countries. Naturally, they are unlikely to listen

disarmament recently. Will my right hon. Friend take time today to assure the House and emphasise to the country that the Government will take every possible practical initiative to encourage verifiable balanced multilateral disarmament? Does she agree further that if the Russians were interested in disarmament they would start dismantling hundreds of SS20 missiles targeted on Western Europe.

**The Prime Minister:** I agree with both my hon. Friend's points. Many disarmament initiatives are being taken. There is the NATO proposal to eliminate intermediate range nuclear weapons. If that were successful a whole class of nuclear weapons would be eliminated on both sides. It requires agreement by the Soviet Union. There is also NATO's draft treaty for mutual and balanced force reductions, which has been negotiated for a long time. Work continues in Geneva to verify the comprehensive nuclear test ban. There is also in Geneva our proposal for verification and compliance with the chemical weapons ban. There is President Reagan's initative, which we support, for a substantial reduction in strategic ballistic missile warheads. I could continue, because the Government are taking many initiatives on multilateral disarmament. I notice that the Opposition are not interested in multilateral disarmament. They are interested only in unilateral disarmament, which jeopardises this country's security.

**Mr. Coleman:** Is the Prime Miniser aware that her order of priorities for the day is unacceptable to the Opposition. We demand that she gives her attention to the steel industry. Does she recognise that both the public and private sectors of the steel industry are haemorrhaging to extinction fast? When will she give her attention to steel and unemployment which are the real crises facing the country?

**The Prime Minister:** We had a debate on steel last week. My right hon. Friend the Secretary of State for Industry is considering in calm and measured terms the British Steel Corporation's corporate plan for next year. We are also part of the European Community and we negotiated on prices and quotas as part of that Community. All those matters are being considered. It is right that my right hon. Friend the Secretary of State for Industry should consider them thoroughly before making a full statement to the House covering the five major steel plants.

## Engagements

Q4. **Mr Geraint Howells:** asked the Prime Minister if she will list her official engagements for 7 December.

**The Prime Minister:** I refer the hon. Gentleman to the reply that I gave some moments ago.

**Mr. Howells:** Has the Prime Minister any plans to solve the unemployment problem in Wales before the next general election?

**The Prime Minister:** The Government will continue to try to reduce inflation, to contain public expenditure and to keep down interest rates. We look to industry to make itself competitive and to produce goods that can be purchased and that will command an increased share of the market both at home and abroad. There is no other way of obtaining sustainable extra jobs.

**Mr. Robert Atkins:** Is it not a sad comment on the Labour Party that when it is in opposition, membership of the Campaign for Nuclear Disarmament increases, but that membership falls when the Labour Party is in power? Does not my right hon. Friend think that CND at least has courage—a courage that does not seem to lie on the Opposition Benches—because it wants Britain to withdraw from NATO insead of relying on the American nuclear umbrella while at the same time claiming to be a unilateral nuclear disarmer?

**The Prime Minister:** If CND's proposals were followed on any way, peace, security, freedom and justice would be put at risk in our country and war would become more likely. I condemn it completely.

to any appeal from the Prime Minister. However, the Prime Minister surely should have sought to secure a meeting in Europe with some of the other countries so that broader and more international measures could be planned for dealing with the deepening economic crisis. It certainly is a crisis. The Prime Minister has returned from the meeting without any proposals to deal with rising mass unemployment in Europe and throughout the world.

We welcome what the Prime Minister said about some of the international issues, such as Poland and Madrid. However, she had no comfort to offer about the situation in the world as a whole. Even at that conference, should there not have been a discussion on disarmament? Will not the right hon. Lady admit that the real danger facing the world is not the failure to carry out disarmament agreements, but the possibility that we are engaged in a fresh re-armament drive?

If President Reagan's proposal, which he is having great difficulty in getting through Congress, for the new MX missile programme were accepted, that could bring, as a major response, a similar programme in the Soviet Union. If those programmes continue, far from our having any hope of securing multilateral agreement, the major multilateral agreement—SALT 2—might as well be torn up. If we tear up one agreement, it will be much more difficult to obtain new agreements in the future.

The right hon. Lady taunts us and says that we are not interested in multilateral agreements, but she should have fought to sustain the SALT 2 agreement rather than supported President Reagan in abandoning it. She must use her influence, even at this late stage, to try to stop the unilateral re-armament drive that threatens not only world peace but world economic well-being.

**The Prime Minister:** I shall try briefly to reply to the right hon. Gentleman's seven points. For nine member States, the negotiations on fishing are concluded and we have made it clear that there are no further concessions. We cannot have a debate in the House before an agreement on the common fisheries policy. To do so would risk re-opening the agreements that we have already concluded with the other nine member States and could result in our not obtaining a common fisheries policy by the end of this year. It is vital that we do so.

The Foreign Affairs Council will discuss the budget in January.

We discussed steel in the debate on economic and social matters. As the right hon. Gentleman will be aware, world capacity is far in excess of world demand. That is the fundamental problem and we have been negotiating within the European Community as a unit. We have profited from being in the Community. When we had difficulties with the United States of America, after it tried to put on a larger countervailing duty against our steel than other countries, we tried to negotiate separately with America. We were unsuccessful because America preferred to negotiate with the Community. It was a Community matter.

Detailed points on the common agricultural policy are always dealt with at the Agriculture Ministers Council. We tend to confine ourselves to more limited matters, such as the volume of the budget taken by the Common Agricultural Policy and its impact on the demand for more own resources.

We support Mr. Habib's negotiations, which are now taking place with the parties in Lebanon.

As to international economics, I remind the right hon. Gentleman that the jumbo Council, the Council on Economic and Financial Affairs, met recently. We confirmed its conclusions on this matter. We spent much time discussing external relations, hence my references to the International Monetary Fund, trade with Japan and the GATT meeting at which we were forcefully represented not only by our Secretary of State and Minister of State but by the Community.

Disarmament was discussed in detail at NATO. The European Community is not a defence organisation, but we tend to discuss such matters informally in the margins of the meetings and we were all wholeheartedly behind the attempts to achieve multilateral disarmament at Geneva and we hope that they will proceed apace.

**Mr. Foot** *rose*——

**Hon. Members:** Oh, no.

**Mr. Foot:** I wish to put three matters to the right hon. Lady. Such statements are made so that we can put questions on behalf of the House—the Prime Minister has not answered any of my questions—and some Conservative Members must get used to that fact.

It is intolerable for the Prime Minister to suggest that we should not have a further debate on the common fisheries policy. Most hon. Members who have fishing interests in their constituencies have asked for such a debate. If the Prime Minister or the Minister of Agriculture, Fisheries and Food have a good case, that is all the more reason for them to come to the House of Commons. That happened in Denmark and it should happen here.

The Prime Minister talked about having to accept the present world demand in the steel industry. If she has no other proposals, we shall not have a steel industry by the beginning of next year or soon after. I urge the right hon. Lady to take the advice that she received in all the debates to which she referred—that much stronger action must be taken by the British Government to protect the steel industry.

As to the multilateral disarmament discussions, the right hon. Lady still does not refer to the MX missile programme. If that programme goes ahead, it will wreck the chances for multilateral disarmament. Why will not the British Government use their influence to hold up that programme?

**The Prime Minister:** My right hon. Friend the Minister of Agriculture, Fisheries and Food has continually reported to the House on the fisheries negotiations. He has kept in touch continually with the fishing industry and obtained its agreement to the package. If we go along the right hon. Gentleman's course, we shall risk unpacking that package, which will damage both the British and the Community fishing industries. The right hon. Gentleman advocates a debate when we have only a few days before the time when, unless we reach agreement, in theory other countries could fish right up to our shores—[HON. MEMBERS: "Oh!"] In theory, other countries could fish right up to our shores. There is no point in trying to duck the facts. We have achieved a good agreement among the Nine. We hope that Denmark will join us. That is the best way to reach the common fisheries policy that British fishermen need. They have approved the package, as the right hon. Gentleman will have seen from previous correspondence.

*[The Prime Minister]*

We have many discussions about the steel industry, but world demand is down and import penetration in Europe is even worse than it is here. In Europe we have an agreement on a prices and Quota regime. We must try to regain more of our domestic market by being competitive and we must try to do much better in export markets.

MX missiles were not discussed at the European Council. We discussed general multilateral disarmament, but NATO is a much more appropriate forum for the discussion that the right hon. Gentleman wishes to have.

**Mr. Roy Jenkins** (Glasgow, Hillhead): On the central economic and unemployment position with which this European Council was confronted, the Prime Minister's recipe for British recovery is an improvement in competitiveness, which is highly desirable. However, what is her message for European and world recovery, as we are now clearly spiralling down into an increasingly dangerous international slump? Not every country can improve its competitiveness because that is a relative and not an absolute state. What constructive measures does the Prime Minister propose for world recovery?

**Mr. Bob Cryer** (Keighley): He is worried about his pension.

**The Prime Minister:** The right hon. Member for Glasgow, Hillhead (Mr. Jenkins) is well aware that Mr. Ortoli usually reports on those matters and certain proposals and measures are put forward, first, for financial stability and, secondly, to keep interest rates down, preferably through international co-operation as well as by domestic action. In a free enterprise economy, if interest rates have been reduced there should be sufficient people with the initiative to start new businesses and to expand others. I assume that the right hon. Gentleman would approve that mechanism, as he did in days gone by. Therefore, one achieves expansion through new business, more small businesses and productive investment. That is the mechanism by which new jobs are created. The message has not changed since the right hon. Gentleman sat at the table as President of the Commission.

**Sir Anthony Kershaw** (Stroud): What chance is there of Europe leaning more heavily upon the United States of America to persuade Israel to change its policy on the resettlement of the West Bank which, if it is not changed, will wreck even the American initiative in the Middle East?

**The Prime Minister:** We did not make any statement on that. The British Government condemn the setting up of any more settlements by Israel on the West Bank.

**Mr. Andrew Faulds** (Warley, East): Did the Prime Minister discuss with her European colleagues the damage that she does to Britain's relations with the Arab world by interfering in foreign affairs, about which she is so renownedly unknowing, especially the misguided policy of making impossible King Hassan's committee's visit by refusing to meet a PLO representative, simply to keep alive the moribund policies of a defunct politician such as Henry Kissinger?

**The Prime Minister:** Following its visit to the United States, I had hoped that the Arab League delegation would come to Britain when we could have received exactly the same delegation as President Reagan received. That visit was postponed and a number of others have been since. I hope that the visit will be arranged again soon. The hon. Member for Warley, East (Mr. Faulds) knows our view about receiving members of the PLO. We regard that as different from receiving representatives of the Palestinian people.

**Sir Russell Fairgrieve** (Aberdeenshire, West): Was my right hon. Friend able to mention to our colleagues in Europe the dangers, particularly in the severe world recession, of any form of protectionism and import control, especially to a country which lives by exports? Will she consider asking her right hon. and learned Friend the Chancellor of the Exchequer to consider again an early entry of Britain into the EMS?

**The Prime Minister:** On the last point, at present, we do not intend to enter the EMS. As my hon. Friend will know, there are reasons why our currency tends to move differently to the currencies of the EMS.

There are two aspects to protectionism and its dangers. There are a number of barriers to trade within the Common Market. They are there and we all know they are there. We have never yet achieved a common market in services such as in insurance and air fares, in which this country excels. There is also a quota on the number of our lorries that can go to Europe. There is a great deal to be done in the Common Market on services. There is also a great deal to be done to take down some of the non-tariff barriers to trade. We urge the Commission and Ministers from every country to consider those matters, particularly with a view to reducing those barriers.

With regard to outside countries, we have a particular problem with Spain which stems from the 1970 agreement between the Community and Spain, which we regard as damaging. We have asked the Commission to examine that matter. My hon. Friend will also see in the President's summing-up preparations to discuss with Japan commercal relations which, at present, are much too one-sided and cannot continue in that way.

**Several Hon. Members** *rose*——

**Mr. Speaker:** Order. The House is aware that an important and serious statement is to follow. I know that the House is waiting for that statement. I propose to call four more Members from either side which will have been a good run, and then to move on to the next statement.

**Mr. Greville Janner** (Leicester, West): Further to the right hon. Lady's reply on the Middle East, is she aware that some Labour Members consider that her decision not to receive the PLO in the present circumstances was absolutely correct and welcome it? Will she confirm that her policy on this matter will remain firm as an example to other European leaders?

**The Prime Minister:** My policy on that matter has not changed but I hope that in the interests of furthering the peace process we shall be able soon to receive the type of delegation from the Arab League which was received by President Reagan in the United States. It would b a great help to the peace process if it were to come and we were to have talks about these vital matters.

**Viscount Cranborne** (Dorset, South): In view of the terrible atrocities being perpetrated by the Russians in Afghanistan at present, did my right hon. Friend manage to propose to our colleagues in Europe any measures that might be taken to support the fight for freedom of those

brave people in Afghanistan against Russian aggression rather than merely sitting back and wringing our hands, which seems to be the policy of the European Community so far?

**The Prime Minister:** We were particularly careful to make it clear that the plight of the peoples in Afghanistan is not forgotten. We look to the new Russian leadership to see what its policy will be towards Afghanistan. Those who are fighting the Soviet Union in Afghanistan seem to be receiving sufficient weapons to enable them to carry out their task of throwing back the occupying forces. I can assure my hon. Friend that no one around that table has forgotten the plight of the peoples in occupied Afghanistan.

**Mr. T. W. Urwin** (Houghton-le-Spring): As more than three months have elapsed since the Reagan peace initiative on the Middle East was promulgated, since when important proposals have been issued from the Fez summit, does the Prime Minister agree that there should be more positive developments towards securing peace in the Middle East? During the summit, was common agreement reached about the necessity to recognise the right of the PLO to be drawn into negotiations on any matter that affects the future of the Palestinian people?

**The Prime Minister:** The President's summing-up pointed out:

"The European Council expressed its disappointment at the delay in grasping the political opportunity created by the initiative contained in President Reagan's speech on September 1, 1982, and the will to peace expressed in the declaration of Arab Heads of State meeting at Fez on September 9, 1982."

The right hon. Gentleman will be aware of the difficulty of carrying out negotiations to secure the withdrawal of foreign troops from the soil of Lebanon. We support Mr. Habib's efforts to attempt to secure that withdrawal. The European policy towards the PLO is as stated in the Venice declaration, which said that the PLO would have to be associated with any settlement.

**Mr. David Crouch** (Canterbury): Will my right hon. Friend say something more about the consideration by the Council of youth training? Was there any consideration in the Council this time of the German practice of providing full training of three years or more for young people? Does my right hon. Friend agree that that practice is worthy of consideration in Britain?

**The Prime Minister:** We each have our own scheme of youth training. The German scheme has been different from ours for a long time. It is tied in to a different wage level for young people when they go from school to training in industry, where they have particular apprenticeships. Wages for young people are often very much lower than wages under wages council directions in Britain. We pointed out that we are introducing a scheme in Spetember 1983. The other factor which makes Britain different from many other countries is that most of those countries have conscription for young people, which takes from the unemployment list a whole year's worth of young people who are called up for service in their Armed Forces. We do not have compulsory conscription and we have no intention of introducing it.

**Mr. A. J. Beith** (Berwick-upon-Tweed): Is the Prime Minister aware of reports that the number of inspectors to be appointed at European level to police the common fisheries policy may be drastically reduced? Since that was part and parcel of the agreement to the revised common fisheries package, should that not be brought out and debated in the House?

**The Prime Minister:** The number which has now been agreed—I believe it is 13—is thought to be the appropriate number for monitoring the common fisheries policy.

**Mr. Jonathan Aitken** (Thanet, East): Will my right hon. Friend shed further light on the apparent new disunity in the EC over the Middle East? Has there been criticism of the fact that Britain alone has refused to receive the delegation of Middle East leaders led by King Hassan of Morocco? In that context, will the Prime Minister explain why her Ministers are able to meet PLO spokesmen but her Government are not?

**The Prime Minister:** There was no criticism whatsoever in the European Council of Britain's position—none at all. No member of the British Cabinet has ever officially met a representative of the PLO. Contacts are made through officials. My right hon. Friend the Minister of State, Foreign and Commonwealth Office, met an Arab League delegation some time ago, which included a member of the PLO.

**Mr. James Johnson** (Kingston upon Hull, West): What special evidence does the Prime Minister possess that made her state a short time ago that she believes that the Danes will settle on 21 December?

**The Prime Minister:** There was no attempt to gain further concessions on the existing package because we had consistently made it perfectly clear that the negotiating process was at an end. I had made the British position clear when the Danish Prime Minister came to Britain. A meeting of the Common Fisheries Council took place on the Monday before the European Council meeting, at which all the Nine made it quite clear that negotiations were at an end.

It seems to us that that presents Denmark with a new position which it has not faced before. Negotiations are at an end and it either has to agree—it is accepted that the difference between it and the other member States is very small—or it has to face the Nine taking national measures, which would be distasteful for everyone. I cannot give any particular evidence but I still believe that Denmark will agree to the common fisheries policy by the end of the year. The policy is enforced not by the 13 inspectors but by the adjacent coastal States.

**Mr. Anthony Beaumont-Dark** (Birmingham, Selly Oak): Will my right hon. Friend accept how pleased we were in the Midlands to hear her usual robust comments on the problems that we are having with Japan and Spain over unfair imports? Will she instil into some of her appropriate Ministers the same Gaullist approach in trying to ensure that this untenable situation is changed? I hope that she will accept that some of us feel that the footbridge between Gibraltar and Spain may be bought at the expense of an unfair practice that may bankrupt much of the British motor industry.

**The Prime Minister:** I spoke stongly about the difficulty with the 1970 agreement between the Community and Spain, by which we are bound by virtue of our accession. we are bound to observe the tariff barriers, which are very disparate. Spain can get into our market, which has a 4 per cent. tariff barrier, and shelter in its own market behind a 37 per cent. tariff barrier. In

*[The Prime Minister]*

addition, certain bureaucratic measures are operated that make it even more difficult for our exports to get into its market. There can be no question of Spain becoming a full member of the EC unless the Spanish side of the border with Gibraltar is fully and properly opened.

## Bombing Incident (Ballykelly)

4.3 pm

**The Under-Secretary of State for Northern Ireland (Mr. John Patten):** With permission, Mr. Speaker, I should like to make a statement on yesterday's bombing at Ballykelly, County Londonderry. Before I begin my statement, I wish to tell the House that my right hon. Friend the Secretary of State deeply regrets being unable to address the House because of bad weather conditions on the return journey by air from Northern Ireland. This morning my right hon. Friend the Secretary of State visited the headquarters of the 1st Battalion the Cheshire Regiment at Shackleton barracks, Ballykelly. He visited those being treated in Altnagelvin hospital near Londonderry. He also met the chairman and members of Limavady district council.

At a quarter past 11 yesterday evening a bomb exploded in the Dropping Well Inn at Ballykelly, County Londonderry. No warning was given and the inn was crowded at the time with soldiers from the nearby army camp and civilians from the locality. The walls of the building were badly damaged and the roof collapsed. So far 16 people have died, 11 of them soldiers and five civilians. Four of the civilians were women. In addition, 66 people have been injured. Forty of the injured are now being treated in hospitals in the immediate area and in Belfast. The Irish National Liberation Army has claimed responsibility.

I know that the whole House will join me in condemning this merciless massacre and in expressing our sympathy to the injured and to the relatives of all those who have been killed or hurt. Let nobody pretend that this is anything other than ruthless mass murder. May this atrocity bring home to people, wherever they may be, and if they need any reminder, the true consequences of offering support of any kind to terrorists. Support for terrorists inevitably and invariably means support for what they do.

The Royal Ulster Constabulary will pursue relentlessly its search for the criminals responsible. In this task it will have the unreserved backing of the Government and the House.

**Mr. J. D. Concannon** (Mansfield): I make no complaint about the Secretary of State not being present to make the statement. I know full well the vagaries of the weather, especially in December, across the stretch of water from Britain to Northern Ireland.

My right hon. and hon. Friends on the Opposition Benches and the whole, I think, of the Labour Party offer our deepest sympathy to the relatives and friends of those killed and injured in this barbaric act. May I join in the tribute to all our security forces in carrying out their day-by-day grind in Northern Ireland? They warrant a salute from the House. They have told me that they have tended to be something of a forgotten force of late. I trust that the families and the injured receive the same treatment and consideration as that received by all those who have been killed or injured in our service.

Since Sunday, with the agreement of my right hon. Friend the Leader of the Opposition, I have been asking those responsible for the invitation to the Sinn Fein representatives to withdraw it, and I repeat that request today. I suggest to the Secretary of State—I hope that this

cc FCO

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# 10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

President of the European Commission

M. Thorn's Chef du Cabinet told me in Copenhagen on Friday that the President of the Commission would very much welcome a visit to Brussels by you and me in the near future. M. Durieux said that the President would wish us to lunch with him and have a series of meetings in the Commission.

I discussed this briefly with Sir Michael Butler who thought a visit would be a good idea, providing it was well timed in relation to developments on the UK budget problem.

I told M. Durieux that I did not think that a visit would be possible before Christmas but that we could certainly look into the possibility in the New Year. You have subsequently told me that you will be seeing M. Durieux this weekend and will discuss the matter with him then.

I am copying this minute to Brian Fall (Foreign and Commonwealth Office).

6 December 1982

Euro PM.

# EUROPEAN COUNCIL - STATEMENT TO THE HOUSE

I ATTENDED THE EUROPEAN COUNCIL IN COPENHAGEN ON 3 AND 4 DECEMBER, ACCOMPANIED BY MY RT. HON. FRIEND THE FOREIGN AND COMMONWEALTH SECRETARY.

AT THE END OF THE MEETINGS THE DANISH PRIME MINISTER ISSUED TO THE PRESS HIS SUMMARY OF THE COUNCIL'S CONCLUSIONS.

I HAVE ARRANGED FOR A COPY OF THIS DOCUMENT TO BE PLACED IN THE LIBRARY.

IN ITS DISCUSSION OF THE ECONOMIC AND SOCIAL SITUATION, THE EUROPEAN COUNCIL ESTABLISHED A NUMBER OF PRIORITY GOALS INCLUDING THE RE-ESTABLISHMENT OF ECONOMIC STABILITY; THE CONTINUED REDUCTION OF INTEREST RATES AS A MEANS OF ENCOURAGING PRODUCTIVE ACTIVITY; THE CREATION OF MORE EMPLOYMENT OPPORTUNITIES AND PROFESSIONAL TRAINING FOR YOUNG PEOPLE; AND INCREASED INTERNATIONAL CO-OPERATION IN MONETARY AND TRADE POLICY.

/ A WORK PROGRAMME

A WORK PROGRAMME WAS APPROVED ON FOUR SPECIFIC ACTIONS, NAMELY MEASURES TO REINFORCE THE INTERNAL MARKET; PROPOSALS IN THE FIELD OF RESEARCH, INNOVATION AND ENERGY; A NEW INSTALMENT OF THE NEW COMMUNITY INSTRUMENT AMOUNTING TO SOME £1$\frac{3}{4}$ BILLION; AND URGENT CONSIDERATION TO BE GIVEN TO PROPOSALS FOR TRAINING YOUNG PEOPLE AND REORGANISING WORKING TIME.

THE COUNCIL REAFFIRMED ITS POLITICAL COMMITMENT TO THE ENLARGEMENT OF THE COMMUNITY BY THE ACCESSION OF SPAIN AND PORTUGAL AND ASKED THE FOREIGN AFFAIRS COUNCIL AND THE AGRICULTURE COUNCIL TO PRESS AHEAD WITH THE NECESSARY PREPARATORY WORK.

I STRESSED THAT THE COMMUNITY MUST TAKE QUICK AND EFFECTIVE ACTION TO REMEDY THE PRESENT LACK OF BALANCE IN TRADE WITH SPAIN.

/ THERE WAS SOME

THERE WAS SOME DISCUSSION ABOUT THE IMPLICATIONS OF ENLARGEMENT FOR THE OWN RESOURCES CEILING.

NO CONCLUSION WAS AGREED AND I STRESSED THAT THE ESSENTIAL REQUIREMENT WAS EFFECTIVE CONTROL OVER THE RATE OF GROWTH OF AGRICULTURAL EXPENDITURE.

THE COUNCIL EXPRESSED ITS DETERMINATION TO PURSUE A CONSTRUCTIVE DIALOGUE WITH THE UNITED STATES IN ORDER TO ENSURE SOLID AND CONFIDENT RELATIONS.

IT NOTED WITH SATISFACTION THE AGREEMENT REACHED ON STEEL AND THE UNITED STATES' PRESIDENT'S DECISION TO LIFT THE SANCTIONS IMPOSED IN CONNECTION WITH THE SIBERIAN PIPELINE.

THE COUNCIL ASKED THE FOREIGN AFFAIRS COUNCIL AT ITS NEXT SESSION IN DECEMBER TO TAKE DECISIONS ON THE VARIOUS WAYS AND MEANS OF IMPROVING COMMERCIAL RELATIONS BETWEEN JAPAN AND THE COMMUNITY.

/ ON FISH,

ON FISH, IT WAS CONFIRMED THAT NINE MEMBER STATES WERE PREPARED TO ACCEPT THE COMMISSION'S PROPOSALS FOR A REVISED COMMON FISHERIES POLICY BUT THAT DENMARK WAS NOT YET ABLE TO DO SO.

THE DANISH PRIME MINISTER SAID THAT HE NEEDED SOME FURTHER CLARIFICATION WHICH I UNDERSTOOD TO REFER TO MATTERS OUTSIDE THE PACKAGE NOW PROPOSED.

IT IS MY HOPE AND EXPECTATION THAT AGREEMENT WILL BE REACHED AT THE NEXT MEETING OF THE FISHERIES COUNCIL ON 21 DECEMBER.

THE COUNCIL WAS INFORMED THAT THE FOREIGN AFFAIRS COUNCIL HAD SET WORK IN HAND ON THE COMMISSION'S RECENT COMMUNICATION ABOUT THE SOLUTION TO THE BRITISH BUDGET PROBLEM FOR 1983 AND LATER.

I EMPHASISED THAT UNLESS A DECISION WAS REACHED BEFORE MARCH I SHOULD HAVE TO RAISE THE MATTER AT THE NEXT EUROPEAN COUNCIL.

/ AS IS USUAL,

AS IS USUAL, THE EUROPEAN COUNCIL ALSO CONSIDERED INTERNATIONAL POLITICAL QUESTIONS.

THE COUNCIL AGREED THAT THE BASIS FOR OUR RELATIONS WITH THE SOVIET UNION SHOULD CONTINUE TO BE FIRMNESS AND DIALOGUE.

WE STATED OUR READINESS TO RESPOND POSITIVELY TO ANY CONSTRUCTIVE MOVES WHICH THE NEW LEADERSHIP IN MOSCOW MAY TAKE, AND WE LOOKED FOR THESE IN PARTICULAR AT THE MADRID CONFERENCE ON SECURITY AND CO-OPERATION IN EUROPE AND IN RELATION TO AFGHANISTAN.

THE COUNCIL AGREED TO KEEP DEVELOPMENTS IN POLAND UNDER VERY CAREFUL SCRUTINY SO AS TO BE ABLE TO JUDGE THE REAL SIGNIFICANCE OF THE MEASURES WHICH APPEAR TO BE UNDER CONSIDERATION IN WARSAW.

/ LASTLY,

LASTLY, ON THE MIDDLE EAST, THE COUNCIL CALLED UPON THE PARTIES TO SEIZE THE POLITICAL OPPORTUNITY CREATED IN SEPTEMBER BY PRESIDENT REAGAN'S INITIATIVE AND THE ARAB SUMMIT IN FEZ, AND URGED THAT ALL ISRAELI AND OTHER FOREIGN FORCES BE WITHDRAWN FROM LEBANON WITHOUT FURTHER DELAY.

ON INTERNATIONAL ECONOMIC MATTERS THE COUNCIL STRESSED THAT THE OVERRIDING PRIORITY FOR THE COMMUNITY'S ECONOMIC AND COMMERCIAL RELATIONS WITH OTHER INDUSTRIALISED COUNTRIES IS A STRENGTHENING OF INTERNATIONAL CO-OPERATION IN ALL MAJOR AREAS TO COUNTERACT RECESSION, WITH PARTICULAR EMPHASIS ON A RETURN TO A STABLE MONETARY, FINANCIAL AND TRADE SITUATION.

IN THIS CONNECTION THE COUNCIL STATED THE READINESS OF MEMBER STATES TO WORK FOR A SUBSTANTIAL INCREASE OF IMF QUOTAS AND THEIR DETERMINATION TO CONTRIBUTE TO AN EARLY DECISION TO THIS EFFECT.

(1).

PRIME MINISTER

EUROPEAN COUNCIL: STATEMENT TO THE HOUSE

I attach a draft, prepared by Mr. Hancock and agreed with the Departments concerned.

As Mr. Hancock points out, the lack of any reference to steel is a gap which the Opposition may question. But unless you made any specific statement during the Council's discussions, I think we shall just have to deal with the matter in Supplementaries.

We have put the Council's conclusions in the Library of the House.

Supplementaries are attached.

In case you need them, I also attach your briefs for the European Council.

A. J. C.

6 December 1982

EUROPEAN COUNCIL - DRAFT STATEMENT TO HOUSE

I attended the European Council in Copenhagen on 3rd and 4th December, accompanied by my rt. hon. Friend the Foreign and Commonwealth Secretary. At the end of the meetings the Danish Prime Minister issued to the Press his summary of the Council's conclusions. I have arranged for a copy of this document to be placed in the library.

In its discussion of the economic and social situation, the European Council established a number of priority goals including the re-establishment of economic stability; the continued reduction of interest rates as a means of encouraging productive activity; the creation of more employment opportunities and professional training for young people; and increased international cooperation in monetary and trade policy.

A work programme was approved on four specific actions, namely measures to reinforce the internal market; proposals in the field of research, innovation and energy; a new instalment of the New Community Instrument amounting to some £1¾ billion; and urgent consideration to be given to proposals for training young people and reorganising working time.

The Council reaffirmed its political commitment to the enlargement of the Community by the accession of Spain and Portugal and asked the Foreign Affairs



/Council

Council and the Agriculture Council to press ahead with the necessary preparatory work. I stressed that the Community must take quick and effective action to remedy the present lack of balance in trade with Spain.

There was some discussion about the implications of enlargement for the own resources ceiling. No conclusion was agreed and I stressed that the essential requirement was effective control over the rate of growth of agricultural expenditure.

The Council expressed its determination to pursue a constructive dialogue with the United States in order to ensure solid and confident relations. It noted with satisfaction the agreement reached on steel and the United States' President's decision to lift the sanctions imposed in connexion with the Siberian pipeline.

The Council asked the Foreign Affairs Council at its next session in December to take decisions on the various ways and means of improving commercial relations between Japan and the Community.

On fish, it was confirmed that nine member states were prepared to accept the Commission's proposals for a revised Common Fisheries Policy but that Denmark was not yet able to do so. The Danish Prime Minister said that he needed some further



/clarification

clarification which I understood to refer to matters outside the package now proposed. It is my hope and expectation that agreement will be reached at the next meeting of the Fisheries Council on 21st December.

The Council was informed that the Foreign Affairs Council had set work in hand on the Commission's recent communication about the solution to the British budget problem for 1983 and later. I emphasised, Ital. unless a ~~satisfactory~~ decision was reached ~~without contradiction, the importance of reaching a~~ before Dec I should have to raise the matter at the ~~decision before the~~ next European Council ~~in March.~~

As is usual, the European Council also considered international political questions.

The Council agreed that the basis for our relations with the Soviet Union should continue to be firmness and dialogue. We stated our readiness to respond positively to any constructive moves which the new leadership in Moscow may take, and we looked for these in particular at the Madrid Conference on Security and Cooperation in Europe and ~~on~~ in relation to Afghanistan.

The Council agreed to keep developments in Poland under very careful scrutiny so as to be able to judge the real significance of the measures which appear to be under consideration in Warsaw.

/Lastly,

Lastly, on the Middle East, the Council called upon the parties to seize the political opportunity created in September by President Reagan's initiative and the Arab Summit in Fez, and urged that all Israeli and other foreign forces be withdrawn from Lebanon without further delay.

~~But the gradi~~

On international economic matters the Council ~~called~~ stressed that the overriding priority for the Community, economic and commercial relations with other industrialised countries ~~will~~ is a strengthening of international cooperation in all major areas to counteract recession, with particular emphasis on a return to a stable monetary, financial and trade situation.

~~The Europe Council~~

In this connection the Council stated the readiness of Member States to work for a substantial increase of IMF quotas and their determination to contribute to an early decision to this effect.

Qz.02831

MR COLES

cc: Mr Fall
Mr Kerr
Mr Lowson
Sir Robert Armstrong

EUROPEAN COUNCIL - STATEMENT TO HOUSE

I attach a draft statement to the House agreed with officials of the Departments concerned.

2. The Department of Industry have suggested that, if the Prime Minister made use of Mr Lamont's brief on steel, she should tell the House so. I understand that the Prime Minister did not, in fact, make a statement to the European Council on that question.

3. The Foreign and Commonwealth Office are assembling the Notes for Supplementaries and the Foreign Secretary's Private Office will send them across to you by close of play today.

D.H.

D J S HANCOCK

6 December 1982

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The Council was informed that the Foreign Affairs Council had set work in hand on the Commission's recent communication about the solution to the British budget problem for 1983 and later. I emphasised, without contradiction, the importance of reaching a decision before the next European Council in March.

As is usual, the European Council also considered international political questions.

The Council agreed that the basis for our relations with the Soviet Union should continue to be firmness and dialogue. We stated our readiness to respond positively to any constructive moves which the new leadership in Moscow may take, and we looked for these in particular at the Madrid Conference on Security and Cooperation in Europe and ~~on~~ in relation to Afghanistan.

The Council agreed to keep developments in Poland under very careful scrutiny so as to be able to judge the real significance of the measures which appear to be under consideration in Warsaw.

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Lastly, on the Middle East, the Council called upon the parties to seize the political opportunity created in September by President Reagan's initiative and the Arab Summit in Fez, and urged that all Israeli and other foreign forces be withdrawn from Lebanon without further delay.

# THE PRESIDENCY'S CONCLUSIONS
# ON THE PROCEEDINGS OF THE EUROPEAN COUNCIL
# COPENHAGEN, 3/4 DECEMBER 1982

## THE ECONOMIC AND SOCIAL SITUATION

The European Council welcomes the report from the General Affairs Council on the implementation, so far, of the economic strategy that it had itself laid down in March and June. In particulalr, it reaffirms the detailed conclusions from the Joint Council of 16 November 1982 and the Council (Economic and Financial Affairs) of 15 November 1982.

The European Council fully endorses the need for a comprehensive strategy for achieving a marked improvement in the employment situation through the creation of durable new jobs. The implementation of this strategy must be continued comprising a broad range of interlinked and mutually supportive economic and social policies both at Community and national level.

To this end the European Council agrees on the following priority goals :

- reestablishing economic stability

- taking into account the degree of stability achieved, encouraging productive activity, and contributing to economic recovery and structural improvement, particularly through continued reduction of interest rates and through support for productive investments, especially in innovative sectors

- creating more employment opportunities and professional training possibilities for young people to permit a fulfilment of their justified aspirations. In this connection it is important that they are given a chance to take advantage of the opportunities of tomorrow's high technology industries

.../...

- exploring carefully the possibilities for greater flexibility offered by the reorganisation of working time and mobility of labour

- strengthening the common market and intensifying action to eliminate practices and measures which restrict trade and distort competition

- pursuing a vigorous energy policy with a view to saving energy and diversifying supply

- strengthening the European Monetary System; increasing international cooperation and concertation in the field of monetary and financial policy and trade policy.

The European Council agrees that a time-scale for specific actions at Community level should be established to complement the parallel efforts being undertaken nationally by each Member State. It therefore instructs the Council:

- to decide, before the end of March 1983, on the priority measures proposed by the Commission to reinforce the internal market

- to speed up the adoption of the Commission's current and forthcoming proposals in the field of research, innovation and energy

- to agree rapidly and before the next European Council on the Commission's proposal to expand the NCI by a further 3 billion ECU

- to give urgent consideration at the next Council (Social Affairs) to the Commission's proposals for ways and means to ensure young people professional training or a first work experience, and on the reorganisation of working time.

The Council (General Affairs) will report to the European Council in March on the implementation of this work-programme.

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ENLARGEMENT

The European Council reaffirms its political commitment to the enlargement of the Community with Spain and Portugal. The European Council asks the Council (General Affairs) to press ahead with the negotiations with both countries as rapidly as possible.

The European Council welcomes the inventory presented by the Commission which in its view constitutes a new impulse to the enlargement process.

The European Council stresses the importance of rapid progress within the Community on a number of important issues in order to facilitate a harmonious enlargement of the Community. In particular, the European Council asks the Council (Agriculture) to complete urgently and before March 1983 the revision of existing rules for certain Mediterranean agricultural products on the basis of Commission proposals.

The European Council invites the Commission to explore with the two candidate countries the introduction of certain measures in these countries before accession in order to prepare their economy for accession in particularly sensitive sectors.

The European Council asks the Council (General Affairs) to examine the issues set out in the Commission's inventory with a view to balanced decisions.

A report on progress will be submitted for its next session.

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RELATIONS WITH THIRD COUNTRIES

The European Council stresses that the overriding priority for the Community's economic and commercial relations with other industrialised countries will be a strengthening of international co-operation in all major areas to counteract recession, with particular emphasis on a return to a stable monetary, financial and trade situation.

The European Council states the readiness of Member States to work for a substantial increase of IMF quotas and their determination to contribute to an early decision to this effect.

The European Council welcomes the outcome of the GATT ministerial meeting and confirms the Community's readiness to take part constructively in the continuing work within the GATT.

The European Council recalls its conclusion of June that a genuine and effective dialogue should take place between the United States and the Community in areas of possible dispute. The European Community is determined to pursue a constructive dialogue in the appropriate fora with a view to ensuring solid and confident relations between the Community and the United States.

It notes with satisfaction the EC/US arrangement on steel and the lifting of United States sanctions related to the Siberian pipeline.

With regard to relations with Japan the European Council was informed on the work already done by the Commission, and it expects the Council (General Affairs) at its session in December to take decisions on the various ways and means of improving commercial relations between Japan and the Community.

.../...

The Community has successfully remained united in the face of difficult problems over recent months. The European Council is convinced that unified and coherent Community positions are more than ever indispensable to achieving the objectives set out above.

The European Council welcomes the work undertaken within the Council on the recent important Commission initiative in the field of the Community's relations with developing countries. It stresses the importance of proceeding from this stage towards proposals to be followed up by Council decisions on priority questions such as the negotiations for the new ACP-Convention.

There is agreement on the urgent need to bring about an improvement of developing countries' ability to cope with their economic and financial problems. This will be an important factor in favour of international economic recovery.

COMMON FISHERIES POLICY

The Council noted the progress made in the negotiations about a Common Fisheries Policy. It emphasised the need for agreement at the meeting of the Council of Fisheries Ministers on 21 December.

The European Council
Copenhagen, December 3-4, 1982

EAST-WEST RELATIONS

The European Council reviewed recent developments in East-West relations.

Following the change of leadership in the Soviet Union, the governments of the Ten emphasized that their relations with that country will continue to be based on the same principles of firmness and dialogue. They call upon the Soviet Union to make the necessary contributions to improve confidence in internationl affairs. The Ten are ready to respond positively to such efforts and to work together with the Soviet Union and the countries of Eastern Europe for a more constructive East-West relationship.

Therefore, the European Council expressed the hope that all Participating States in the CSCE-Meeting in Madrid would take the necessary decisions to permit the Meeting to arrive at an early and positive conclusion.

With this in mind, the Ten confirmed their commitment to real progress in Madrid by negotiating a substantial and balanced concluding document which will contain a precise mandate for a conference on disarmament in Europe as well as further progress within the human dimension of the Helsinki Final Act. In doing so they will cooperate with other allied and friendly states including the Neutral and Non-aligned Participating States.

Poland

The European Council discussed recent developments in Poland and noted with regret that a large number of persons remain in detention, that martial law continues, and that the free trade union, Solidarity, has been dissolved.

It also noted, however, that the recent release of some internees, including the leader of Solidarity, might constitute a step towards the fulfilment of the appeal made by the Ten on January 4, 1982.

The Ten will continue to follow developments in Poland closely and in particular study the implications of the possible lifting of martial law, including the conditions under which this will take place.

Afghanistan

The European Council in particular expressed the view that the new Soviet leadership could make an important contribution to the improvement of international relations in general and of East-West relations in particular by reassessing its position on the question of Afghanistan. It endorsed the verdict of the international community on the situation in Afghanistan, embodied in the fourth successive vote of the General Assembly of the United Nations. The people of Afghanistan should be permitted to regain their national sovereignty and independence and the status of a non-aligned state.

./3

It expressed its readiness to support any realistic efforts to achieve a political solution and recalled the European Council proposal of June 3o, 1981, for a comprehensive settlement of the conflict.

The situation in the Middle East, including Lebanon

Following a report by the Presidency on recent contacts the European Council discussed events in the Middle East where two aspects in particular continue to cause deep concern.

First, as regards the Arab-Israeli conflict, the European Council expressed its disappointment at the delay in grasping the political opportunity created by the initiative contained in President Reagan's speech on September 1, 1982, and the will to peace expressed in the declaration of Arab Heads of State meeting at Fez on September 9, 1982.

It called upon each of the parties to assume its international responsibilities without further hesitations. It expects each of the parties to cease to ignore the United Nations Security Council resolutions and explicitly make known their approval of these resolutions.

Secondly, the European Council continued to view the situation in Lebanon with the greatest concern. It particularly noted that in spite of the various efforts made by the negotiators on the spot, no significant progress had yet been achieved towards the withdrawal of the Israeli, Syrian, and other foreign forces.

The persistence of this situation would constitute a threat to the integrity and unity of Lebanon, carrying serious dangers for the whole region.

The withdrawal of foreign forces could be of a progressive nature, but should take place within a fixed and short period of time and under conditions which would permit the Lebanese authorities to exercise fully their rights of sovereignty over all of Lebanon.

The Ten have already demonstrated their willingness to contribute to the solution of the problems, especially by giving their support to the UN forces and UN observers established by the Security Council as well as the multinational force in Beirut to which two of their number contribute. The Ten and the Community are equally prepared to continue to contribute to the reconstruction of Lebanon.

# THE PRESIDENCY'S CONCLUSIONS ON THE PROCEEDINGS OF THE EUROPEAN COUNCIL COPENHAGEN, 3/4 DECEMBER 1982

## THE ECONOMIC AND SOCIAL SITUATION

The European Council welcomes the report from the General Affairs Council on the implementation, so far, of the economic strategy that it had itself laid down in March and June. In particulalr, it reaffirms the detailed conclusions from the Joint Council of 16 November 1982 and the Council (Economic and Financial Affairs) of 15 November 1982.

The European Council fully endorses the need for a comprehensive strategy for achieving a marked improvement in the employment situation through the creation of durable new jobs. The implementation of this strategy must be continued comprising a broad range of interlinked and mutually supportive economic and social policies both at Community and national level.

To this end the European Council agrees on the following priority goals :

- reestablishing economic stability

- taking into account the degree of stability achieved, encouraging productive activity, and contributing to economic recovery and structural improvement, particularly through continued reduction of interest rates and through support for productive investments, especially in innovative sectors

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- exploring carefully the possibilities for greater flexibility offered by the reorganisation of working time and mobility of labour

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The European Council agrees that a time-scale for specific actions at Community level should be established to complement the parallel efforts being undertaken nationally by each Member State. It therefore instructs the Council:

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The European Council welcomes the inventory presented by the Commission which in its view constitutes a new impulse to the enlargement process.

The European Council stresses the importance of rapid progress within the Community on a number of important issues in order to facilitate a harmonious enlargement of the Community. In particular, the European Council asks the Council (Agriculture) to complete urgently and before March 1983 the revision of existing rules for certain Mediterranean agricultural products on the basis of Commission proposals.

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There is agreement on the urgent need to bring about an improvement of developing countries' ability to cope with their economic and financial problems. This will be an important factor in favour of international economic recovery.

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Copenhagen, December 3-4, 1982

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Therefore, the European Council expressed the hope that all Participating States in the CSCE-Meeting in Madrid would take the necessary decisions to permit the Meeting to arrive at an early and positive conclusion.

With this in mind, the Ten confirmed their commitment to real progress in Madrid by negotiating a substantial and balanced concluding document which will contain a precise mandate for a conference on disarmament in Europe as well as further progress within the human dimension of the Helsinki Final Act. In doing so they will cooperate with other allied and friendly states including the Neutral and Non-aligned Participating States.

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It also noted, however, that the recent release of some internees, including the leader of Solidarity, might constitute a step towards the fulfilment of the appeal made by the Ten on January 4, 1982.

The Ten will continue to follow developments in Poland closely and in particular study the implications of the possible lifting of martial law, including the conditions under which this will take place.

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It called upon each of the parties to assume its international responsibilities without further hesitations. It expects each of the parties to cease to ignore the United Nations Security Council resolutions and explicitly make known their approval of these resolutions.

Secondly, the European Council continued to view the situation in Lebanon with the greatest concern. It particularly noted that in spite of the various efforts made by the negotiators on the spot, no significant progress had yet been achieved towards the withdrawal of the Israeli, Syrian, and other foreign forces.

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The persistence of this situation would constitute a threat to the integrity and unity of Lebanon, carrying serious dangers for the whole region.

The withdrawal of foreign forces could be of a progressive nature, but should take place within a fixed and short period of time and under conditions which would permit the Lebanese authorities to exercise fully their rights of sovereignty over all of Lebanon.

The Ten have already demonstrated their willingness to contribute to the solution of the problems, especially by giving their support to the UN forces and UN observers established by the Security Council as well as the multinational force in Beirut to which two of their number contribute. The Ten and the Community are equally prepared to continue to contribute to the reconstruction of Lebanon.

PM

# DRAFT CONCLUSIONS

## THE ECONOMIC AND SOCIAL SITUATION

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The European Council fully endorses the need for a comprehensive strategy for achieving a marked improvement in the employment situation through the creation of durable new jobs. This strategy must now be carried out comprising a broad range of interlinked and mutually supportive economic and social policies both at Community and national level.

To this end

The European Council agrees on the following priority goals:

1 - reestablishing economic stability

Taking into account the degree of stability achieved

2 - ~~stimulating~~ encouraging productive activity, and contributing to economic recovery and structural improvement, particularly through continued reduction of interest rates and through support for productive investments, especially in innovative sectors

ESPRIT

5 - strengthening the common market and intensifying action to eliminate practices and measures which ~~distort~~ restrict trade ~~in the common market~~ within it.

Netherlands

3 - a parallel effort towards the creation ~~of~~ more employment opportunities or professional training for young people, thereby meeting the needs of tomorrow's high technology industries

with a view to

4 - careful exploration of the possibilities for greater flexibility offered by the reorganisation of working time and monitoring trends in collective labour

6 - increasing international cooperation and concertation in the field of monetary and financial policy and trade policy.

Shortfall US $ & £

7 - ~~energy~~ An active energy policy aimed at diversifying resources

The European Council agrees that a time-scale for specific actions at Community level should be established to complement the parallel efforts being undertaken nationally by each Member State. It therefore instructs the Council :

- to decide, by the end of April 1983, on the priority measures proposed by the Commission to reinforce the internal market

- to speed up the adoption of the Commission's current and forthcoming proposals in the field of research, innovation and energy

- to decide rapidly on the Commission's proposal to expand the NCI by a further 3 billion ECU

- to give urgent consideration to the Commission's proposals for ways and means to ensure professional training or employment of young people, and on the reorganisation of working time.

The Council (General Affairs) will report to the European Council in June on the implementation of this work-programme.

ENLARGEMENT

The European Council reaffirms its political commitment to the enlargement of the Community with Spain and Portugal. The European Council asks the Council (General Affairs) to press ahead with the negotiations with both countries as rapidly as possible.

The European Council welcomes the inventory presented by the Commission which in its view constitutes a new impulse to the enlargement process.

The European Council stresses the importance of rapid progress within the Community on a number of important issues in order to facilitate a harmonious enlargement of the Community. In particular, the European Council asks the Council (Agriculture) to complete urgently and before March 1983 the revision of existing rules for certain Mediterranean agricultural products on the basis of the necessary Commission proposals.

The European Council invites the Commission to explore with the two candidate countries the introduction of certain measures in these countries before accession in order to prepare their economy for accession in particularly sensitive sectors.

The European Council asks the Council (General Affairs) to examine the issues set out in the Commission's inventory. A report on progress will be submitted for its next session.

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with a view to balanced decision

## RELATIONS WITH THIRD COUNTRIES

The European Council stresses that the overriding priority for the Community's economic and commercial relations with other industrialised countries will be a strengthening of international co-operation in all major areas, with particular emphasis on a return to a stable monetary, financial and trade situation.

The European Council states the readiness of Member States to accept a substantial increase of IMF quotas and their determination to contribute to an early decision to this effect.

The European Council welcomes the outcome of the GATT ministerial meeting and confirms the Community's readiness to take part constructively in the continuing work within the GATT.

The European Council recalls its conclusion of June that a genuine and effective dialogue should take place between the United States and the Community in areas of possible dispute.

It notes with satisfaction the EC/US arrangement on steel and the lifting of United States sanctions related to the Siberian pipeline. The European Community is determined to pursue ~~the~~ a constructive dialogue with a view to ensuring solid and confident relations between the Community and the United States.

The Community has successfully remained united in the face of difficult problems over recent months. The European Council is convinced that unified and coherent Community positions are more than ever indispensable to achieving the objectives set out above.

The European Council welcomes the work undertaken within the Council on the recent important Commission initiative in the field of the Community's relations with developing countries.

.../...

It stresses the importance of proceeding from this stage towards proposals to be followed up by Council decisions on priority questions such as the negotiations for the new ACP-Convention, a global mediterranean policy and aid to non-associated developing countries.

There is agreement on the urgent need to bring about an improvement of developing countries' ability to cope with their economic and financial problems. This will be an important factor in favour of international economic recovery.

MR BUTLER

Revised draft conclusions on political cooperation subjects

as agreed by political committee 1.30 a.m. 4 December

distribution:

Mr Butler (x2)
Mr Coles
Mr Ingham
Mr Bone (x2)
Sir Julian Bullard
Mr Evans
Mr Hannay
Mr Goulden
Mr Brenton
Sir Michael Butler
Mr Shepherd
Mr Smith

European Council, Copenhagen December 3-4, 1982

Draft Conclusions

East-West Relations

The European Council reviewed recent developments in East-West relations.

Following the recent change of leadership in the Soviet Union the governments of the Ten emphasized that their relations with that country will continue to be based on a policy of firmness and openness. They call upon the Soviet Union to make the necessary contributions to improve confidence and trust in international affairs. The Ten are ready to respond positively to such efforts and to work together with the Soviet Union and the countries of Eastern Europe for a more constructive East-West relationship.

Among the fields where the Ten are ready to respond to a positive Soviet attitude is the CSCE follow-up meeting in Madrid. Accordingly the European Council expressed the hope that all Participating States would take the necessary decisions to permit the Meeting to arrive at an early and positive conclusion.

With this in mind, the Ten confirmed their commitment to real progress in Madrid by negotiating a substantial and balanced concluding document which will contain a precise mandate for a conference on disarmament in Europe as well as further progress within the human dimension of the Helsinki Final Act. In doing so they will cooperate with other allied and friendly states including the Neutral and Non-aligned Participating States.

## Poland

The European Council discussed recent developments in Poland.

It noted with regret that a large number of persons remain in detention, that martial law continues and that the free trade union, Solidarity, has been dissolved.

It also noted, however, that the recent release of some internees, including the leader of Solidarity, Mr. Lech Walesa, might constitute a positive step towards the fulfilment of the appeal made by the Ten on January 4, 1982.

The Ten will continue to follow developments in Poland closely and in particular study the implications of the possible lifting of martial law, including the conditions under which this will take place.

Their profound concern for Poland - expressed in their declaration of January 4, 1982 - continues to be the establishment of fundamental liberties, respect for human rights and for trade union rights, as well as the resumption of the process of reform implying the restoration of a genuine dialogue with all the representatives of spiritual and social forces. This would permit the Ten to develop, as they desire, their relations with Poland and the Polish people, to whom they have proved

their attachment, in particular through the humanitarian aid being extended to them by their countries and the European Community.]

Afghanistan

The European Council in particular expressed the view that the new Soviet leadership could make an important contribution to the improvement of ~~East-West and~~ international relations in general and East/West relations in particular, by reassessing its position on the question of Afghanistan. It endorsed the verdict of the international community on the situation in Afghanistan, embodied in the fourth successive vote of the General Assembly of the United Nations. The Ten reaffirmed their conviction that the Soviet army of occupation must be withdrawn and the people of Afghanistan permitted to rega their national sovereignty and independence and the status of a non-aligned state.

It expressed its readiness to support any realistic efforts to achieve a political solution and recalled the European Council proposal of June 30, 1981, for a comprehensive settlement of the conflict.

The situation in the Middle East, including Lebanon

Following a report by the Presidency on recent contacts the European Council discussed events in the Middle East where two aspects in particular continue to cause deep concern.

First, as regards the Arab-Israeli conflict, the European Council expressed its disappointment at the delay in grasping the political opportunity created by the initiative contained in President Reagan's speech on September 1, 1982, and the will to peace expressed in the declaration of Arab Heads of State meeting at Fez on September 9, 1982.

It called upon each of the parties to assume its international responsibilities without further hesitations and upon Israel in particular to abandon its illegal policy of settlements in the occupied territories.

The European Council reaffirmed the delcaration to the press issued by the Foreign Ministers on September 2o, 1982. [It remains the view of the Ten that the Middle East can enjoy true peace and lasting stability only through a comprehensive settlement based on the principles of security for all States in the region, including Israel's right to exist, justice for all peoples, including the right of self-determination for the Palestinians with all that this implies, and mutual recognition by all the parties involved. These principles are embodied

in the Franco-Egyptian draft resolution tabled in the Security Council./ /The main principles of this statement are embodied in the Franco-Egyptian draft resolution tabled in the Security Council/.

Secondly, the European Council continued to view the situation in Lebanon with the greatest concern. It particularly noted that in spite of the efforts made, especially by the Government of the United States, no significant progress had yet been achieved toward the withdrawal of the Israeli forces, nor towards the evacuation of all other foreign forces.

The persistence of this situation would constitute a threat to the integrity and unity of Lebanon, carrying serious dangers for the whole region.

The withdrawal of foreign forces could be of a progressive nature but should take place within a fixed and short period of time and under conditions which would permit the Lebanese authorities to exercise fully their rights of sovereignty over all of Lebanon.

The Ten have already demonstrated their willingness to contribute to the solution of the problems, especially by giving their support to the UN forces and UN observers established by the Security Council as well as the multinational force in Beirut to which two of their number contribute. The Ten and the Community are equally prepared to continue to contribute to the reconstruction of Lebanon

Euro Pol Council Pt 12

Prime Minister

PRESS CONFERENCE/INTERVIEWS

You have agreed to give a press conference when the Council is over then to give the usual short news interviews to BBC radio and TV, IRN and ITN.

2. You have also agreed to give BBC radio a short comment on the 10th anniversary of our accession for use later. IRN would like to get a similar comment from you. A speaking note (which you have already seen) is at Annex II.

3. The press conference will be held in the press centre which is housed in an adjacent converted fish warehouse. The radio and TV studio is on the first floor so you will have a short walk through the centre after the press conference to your interviews.

4. I will chair the press conference and select the questioners. I suggest 30 minutes is ample and I will close it promptly. We shall not be able to confine it to British journalists.

5. I suggest we meet in the UK Delegation's office before you go to the press centre.

SUBSTANCE

6. This has been a difficult Council to present because the main debate - on the economic and social situation - rambled on without much form or substance; and because the fish and budget

/.....

controversies slid away from the media. The main issue has become protectionism. I would expect this to be the main topic at your press conference because it can be projected forward to the Shultz meeting with the Commission next week - a meeting which is assuming considerable importance in journalists' eyes.

7. As you know, President Mitterrand is meeting the press at 1030. We shall give you a line upon what he says.

8. Your press conference might however take place before the Presidency meets the media. You may therefore have a reasonably clear field to present the Council on your terms.

9. I attach at Annex I a speaking note for your press conference based on the draft conclusions you considered at 9a.m.

POINTS OF MEDIA ATTACK

10. The points the media are likely to raise in questions, under the main topic headings are:

Unemployment/Protectionism

- How do you reconcile your concern to protect industries from the Japanese with your commitment to free trade?

- In spite of all your protestations, are you not inevitably sliding into protectionism?

/.....

- Why, in view of the importance of the Shultz meeting next week, did you apparently spend so little time on the transatlantic trade dimension and threat of a world trade war?

- What has the Council achieved in view of Mitterrand's protectionism and Thorn's apparent plan to protect high technology industries in the EC?

Fish

- Do you see next week's/December 21st meetings going into further negotiations?

- Will the Danish give in? Will you have to order the Royal Navy in? Has our fishery protection force been halved for economic reasons?

Budget

- What do you mean in expecting good progress to have been made before the next Council? Do you want it settled by then? If not what will you do?

Enlargement

- Have you developed the momentum you hoped to achieve?
- Any action on Spanish car tariffs?

East/West

- What are the prospects for the Andropov era? And in Poland, Afghanistan?

- Would you care to rise to Mr Foot's bait and make some comment on President Reagan's MX missiles densepack plan?

Middle East

- Arab League Delegation. Will you ever see PLO?

- Will you join the Lebanese peace force?

Other topics arising today

- Spy - Why did you not announce expulsion of Russian Naval Attaché?

- Butter Sales to Russia, since a British Commission official is quoted today as defending them.

- Coalition Will you, as Mr St John Stevas suggests, form a coalition with SDP/Liberal Alliance and introduce proportional representation to stay in office?

Bunham
4.12.82

ANNEX II

PRIME MINISTER

EUROPEAN COUNCIL

I am going ahead with the usual arrangements for handling the media after the European Council, namely:

- a Press Conference at a time to be fixed after the Council has broken up;
- the usual 4 radio and tv news interviews following the Press Conference.

In addition you have agreed to give BBC Radio (Paul Reynolds) a short interview for a programme they are getting together to mark the 10th Anniversary of our accession. I attach a speaking note for this interview.

I shall of course prepare you a brief for Saturday morning for the Press Conference.

B. INGHAM
2 December 1982

DRAFT SPEAKING NOTE FOR THE PRIME MINISTER TO USE IN AN INTERVIEW WITH THE BBC FOR A PROGRAMME ON THE TENTH ANNIVERSARY

1. Britain has now been in the Community for ten years. We joined at the time of the first oil crisis and these have been a difficult ten years. World economic growth has slowed and many of the hopes of the sixties have been disappointed.

2. Even so, the Community has achieved much. It has grown in world status since Britain joined.

3. We now look ahead to a new decade. My hopes for the Community in the next ten years are that it will provide:-

(i) A large and stable area of freedom, democracy and shared values; unity in a fractious, fragmented world.

(ii) A strong and coherent European voice with an increasing weight in world counsels. This is what the world is looking for and Britain must be a part of it.

(iii) A defence against beggar-my-neighbour policies that would close world markets to British exports.

(iv) An open and growing common market - in services as well as goods.

(v) a fair and lasting solution to our problem over contributions;

..../(vi)

(vi) Solutions on a European scale to the challenges that face us in the fields of energy and the new technologies.

(vii) Continuing help with the problems of the depressed regions and youth unemployment.

4. Britain's future lies in Europe and Britain is vital to the future of Europe. We must ensure that the Community develops in ways which benefit all its citizens no matter where they live. This is a challenge to which we should respond with vigour and enthusiasm.

ANNEX I

PRESS CONFERENCE SPEAKING NOTE

This has been a very serious-minded. concerned and responsible Council, concentrating on the economic situation and internationa trade - a discussion which took up much of yesterday's session.

All of us deeply concerned about jobs - the preoccupation of this Council.

All of us recognise the need to maintain economic discipline and to fight inflation if we are to achieve a stable base on which to build.

All of us recognise, as the Communiqué says, the need to strengthen the Common Market and eliminate practices which distort trade within it.

All of us, the Communiqué says, see the need for increasing international cooperation.

All of us want to see, as the conclusions state, a genuine and effective dialogue with the United States. A great deal of follow-up work is required in transatlantic relations, especially post-GATT.

The Community is, as the conclusions state, determined to pursue a constructive dialogue with the United States to ensure solid, confident relations between us.

I am encouraged by two things:

- first, there is now broad agreement in the Council on the need to pursue the kind of policy we have held to over three and a half years in the United Kingdom - a policy of conquering inflation to create a sound basis for jobs.

/- second, a clear

- Second, a clear recognition of the dangers of protectionism and the need for international cooperation to avoid it, in an era of deep recession and rising unemployment.

On that last point, I am very pleased that the Council has clearly signalled its wish for constructive talks and good confident relations with the United States.

On other topics, I made clear:-

1. Our position on fish; there are no more concessions to be made and 9 member states are firm on this;
2. Our position on the Budget - I want to see very substantial progress before the next Council in March - indeed the basis for a fair and lasting solution by that time.

I believe we have given new impetus to enlargement.

We also reviewed international affairs, in particular two areas:

1. East/West relations. Ready to work for safer and more productive relationship. We are ready to respond to any clear evidence that new Soviet leadership wants to work for this.
2. Middle East: Very concerned that opportunities for peace should be seized. In particular we look for a change in Israeli policy in the occupied territories and for withdrawal of all foreign forces as soon as possible from the Lebanon.

CONCLUSION

So a serious, hard-working Council deeply concerned about the

/international

international economic situation and one which I believe has clearly identified our priorities:

- To maintain our attack on inflation

- To do all we can to resist the pressure for protectionism.

EC Council Pt 12

Private Secretary (2)

European Council: Political Cooperation Subjects

1. Political Directors have this afternoon produced texts on the following subjects for inclusion in tomorrow's Summary of Conclusions:-

(a) East-West Relations:
- General, including relations with the new Soviet leadership and a reference to the Madrid Conference
- Poland
- Afghanistan

(b) Middle East:
- The Arab-Israel problem
- Lebanon

(c) Latin America (4 lines only)

/ 2. I attach copies of the best texts now available.

3. The Presidency intends to suggest that at dinner tonight Heads of Government should discuss East-West relations and Foreign Ministers the Middle East.

4. In accordance with the usual procedure, the Presidency will circulate the texts to Foreign Ministers tonight, in case they wish to discuss them, but not to Heads of Government at this stage.

J L Bullard

3 December, 1982

J L Bullard

cc: Mr Coles (3)
Sir M Butler
Mr Ingham
Mr Evans
Mr Hannay
Mr Goulden
Mr Shepherd
Mr Smith
Mr Brenton

CONFIDENTIAL

DRAFT CONCLUSIONS ON POLITICAL ITEMS
AS AGREED IN THE POLITICAL COMMITTEE
ON DECEMBER 3, 1982.

Text by the Political Committee

European Council, Copenhagen,

December 3-4, 1982

East/West Relations

The European Council reviewed recent developments in East/West relations. It emphasized that relations of the Ten with the Soviet Union would continue to be based on a policy of /firmness and/ openness. It calls upon the new leadership of the Soviet Union to make the necessary contributions to the improvement of confidence and trust in international affairs. The Ten are ready to respond positively to such efforts and to work together with the Soviet Union and the countries of Eastern Europe for a more constructive East/West relationship.

(GREEK RESERVE)

The European Council envisaged that such a trend in international relations would have a favourable effect on negotiations at the Madrid meeting. In this context the European Council confirmed the commitment of the Ten to real and early progress by negotiating a substantial and balanced concluding document, entailing progress in all fields of the Helsinki Final Act.

DRAFT REV. 2

## Poland

The European Council discussed recent developments in Poland.

It noted with regret that a large number of persons remain in detention, that martial law continues and that the free trade union, Solidarity, has been dissolved.

It also noted, however, that the recent release of some internees, including the leader of Solidarity, Mr. Lech Walesa, might constitute a positive step towards the fulfilment of the appeal made by the Ten on January 4, 1982.

The Ten will continue to follow developments in Poland closely and in particular study the implications of the possible lifting of martial law, including the conditions under which this will take place.

Their profound concern for Poland - expressed in their declaration of January 4, 1982 - continues to be the establishment of fundamental liberties, respect for human rights and for trade union rights, as well as the resumption of the process of reform implying the restoration of a genuine dialogue with all the representatives of spiritual and social forces. This would permit the Ten to develop, as they desire, their relations with Poland and the Polish people, to whom they have proved

their attachment, in particular through the humanitarian aid being extended to them by their countries and the European Community.

Afghanistan

The European Council called upon the Soviet Union to make an important improvement in East-West and international relations by revising its attitude on the question of Afghanistan.It endorsed the verdict of the international community on the situation in Afghanistan, embodied in the fourth successive vote of the General Assembly of the United Nations, preceded by the declarations adopted by the Non-aligned Movement and the Islamic conference. They affirmed their conviction that the Soviet army of occupation must be withdrawn and the people of Afghanistan permitted to regain their national sovereignty and independence and the status of a non-aligned state.

It expressed its readiness to support any realistic efforts to achieve a political solution.

The situation in the Middle East, including Lebanon

The European Council discussed events in the Middle East where two aspects in particular continue to cause deep concern.

First as regards the Arab-Israeli conflict the European Council expressed its disappointment at the delay in grasping the political opportunity created by the initiative contained in President Reagan's speech on September 1, 1982, and the will to peace expressed in the declaration of Arab Heads of State meeting at Fez on September 9, 1982.

It called upon each of the parties to assume its international responsibilities without further hesitations.

The European Council reaffirmed the declaration to the press issued by the Foreign Ministers on September 2o, 1982. It remains the view of the Ten that the Middle East can enjoy true peace and lasting stability only through a comprehensive settlement based on the principles of security for all States in the region, including Israel's right to exist, justice for all peoples, including the right of self-determination for the Palestinians with all that this implies and mutual recognition by all the parties involved.

Secondly, the European Council continued to view the situation in Lebanon with the greatest concern. It particularly noted that in spite of the efforts made, especially by the Government of the United States, no significant progress had yet been achieved towards the withdrawal of the Israeli forces, nor towards the evacuation of all other foreign forces.

The persistence of this situation would constitute a threat to the integrity and unity of Lebanon carrying serious dangers for the whole region.

The reaffirmation and continuous reenforcement of the authority of the Lebanese Government are indispensable and require the withdrawal of all foreign forces. This withdrawal could be of a progressive nature but should take place within a fixed and short period of time and should cover the whole Lebanese territory. Withdrawal should take place in accordance with modalities and under conditions which would permit the Lebanese authorities to exercise fully and without reservations their normal rights of sovereignty over all of Lebanon.

The Ten called on all states and forces concerned to comply with the resolutions adopted by the Security Council.

./2

They consider that the International Community has a duty to further the search for a solution, making use in the first place of the competence and resources of the United Nations, but also of possibilities for action of individual states.

The Ten have already demonstrated their willingness to contribute to the solution of the problems, especially by giving their support to the UN forces and UN observers established by the Security Council, as well as the multi-national force, established in Beirut at the request of the Government of Lebanon. The Ten and the Community are equally prepared to contribute to the reconstruction of Lebanon.

The Presidency reported on recent contacts with the parties concerned with a view to promoting a comprehensive, just and lasting peace settlement. The European Council confirmed that the Ten will continue to be active in these efforts and in this context will maintain and expand their contacts with all parties.

Latin America

The European Council noted with satisfaction that the Foreign Ministers have agreed upon certain measures aimed at strengthening the relations of the Ten with Latin America, including a programme of Community aid to Central America.

Prime Minister 2

This is interesting. Please protect carefully – & give to John Stafford to bring back time

A.J.C. 3/12

PRIME MINISTER

We have reason to believe that the main lines to be taken by Mitterrand and Kohl at this European Council are as follows:

Mitterrand

(i) UK Budget

Hopes to avoid a discussion here. Accepts in principle funds will be needed for the UK over the next two or three years. But against cash payments and would prefer to work by increasing normal Community expenditure in UK.

(ii) Own Resources

Likely to insist on timetable or procedure for increasing own resources. Must be settled before enlargement. Could be achieved either by rising 1% ceiling or other technical means. Expects to be opposed on this by UK but still not clear how Germans will play it (Germans are divided; this is borne out by next report).

(iii) Two-Teir Community

Opposed to this and in particular to Italian ideas for letting ~~France~~ Spain and Portugal in and negotiating terms afterwards.

Kohl

(i) Concerned that main opposition at this Council would be France on whole number of issues (investment, protectionism, enlargement). Other partners would hide behind French. He should try hard to ensure that German/French disagreements did not surface at the Council even in his private discussion with Mitterrand at breakfast tomorrow.

(ii) On economic policy should emphasise need for all member states to make major effort but not at expense of others. Touch only lightly on protectionism.

(iii) On enlargement leave the running to be made by Genscher but if own resources and the 1% ceiling were pressed very hard by Mitterrand should take line that enlargement would not necessarily cause breach of 1% ceiling. Everything possible should be done to finance enlargement within existing framework, particularly by savings on agriculture. But if it became absolutely necessary should say if, in course of time, and despite all economies being made, own resources limit was reached would need to then examine what restructuring necessary.

(iv) At dinner should argue strongly to avoid further transatlantic rows. But must tell the USA they could not play up contentious issues like the CAP.

(v) He should participate constructively in a discussion of Poland (no explanation of this delphic phrase) and speak up for Genscher/~~and~~ Colombo.

DHHannay

3 December, 1982 (D H A Hannay)

ALTERNATIVE OPENING TO THE PERORATION

MR CHAIRMAN, WE MUST ~~SEIZE THE CHANCE~~ Pick up the challenge WHILE IT IS ~~AVAILABLE TO US.~~ THERE.

THE GOVERNMENT IS DOING EVERYTHING ~~THAT IS~~ POSSIBLE TO CREATE THE ATMOSPHERE OF SUCCESS THAT HAS FOR SO LONG BEEN LACKING IN THIS COUNTRY.

FOR YEARS WE HAVE ENVIED THE SUCCESS OF OTHERS, WHILE TAXING OUR OWN OUT OF EXISTENCE. FOR YEARS WE HAVE ~~LET OUR~~ been a MARKETS ~~SUPPORT~~ for THE SUCCESS OF OTHERS, WHILE LOSING FAITH IN OUR ABILITY TO MEET OUR HOME DEMAND OURSELVES.

BUT THERE ARE NOW FORTUNES TO BE MADE BY PEOPLE WHO CAN GET NEW PRODUCTS INTO THE MARKET PLACE. THE DOOR IS WIDE OPEN FOR TODAY'S ~~ENTREPRENEURS~~ technologists TO BECOME TOMORROW'S TYCOONS.

IN THE END, MR CHAIRMAN, THE NEW TECHNOLOGY, FOR ALL ITS POWER AND ITS WONDER, IS NO MORE THAN THE CREATION OF MAN'S INGENUITY.

/WHEN I WAS IN JAPAN

President of Council.

(1)

Ministers for consultation.

## Thorn

Uncertainty . . . ? wheat blood. Trade etc.

EEC / U.S. — 2 issues sorted out.

GATT — result all right.

Japan. — 5 members of U.S. cabinet.

Internal EEC. — Investment.
Convergence.
New technology.

Political fit. — Serious situation
— Bradley point.
FG — bad year — DEM. — determined fit.

Union say should / give inflation.
FRG. Netherlands. U.K.

Inflation still high.

Recovery of competitiveness — not yet sufficient.

Too few new jobs being created

J.U. — start again.

Waiting for American recovery.

Sit. in developing countries.

Rearrangement of debt — we suffer
— no new trade.

1. Productive investment
2. Research — development — certain sectors. [-17.]
3. Domestic market — Consolidation. — energy protection etc.
4. Ministers — No new external markets
— investment without markets

Outlook

(2)

Business cycle less favourable

82 - year without growth

83 - worse than we expected - less than 1½%

- inflation falling - i. sound basis for return to growth.

Now dealing with indexation.

'Normal' budget deficits

- demand slowing down eg. U.S. even in Japan.
- right not to be stimulate - private demand
- Int debt. - Great change in difficulty
  - surpluses disappear - OPEC.
  - debt in developing countries.
  - commodity prices down.

Lic. expansion (post) in wave - world trade 6 - 8% a year.

No sense of recovery.

If no confidence in market - no investment

Business - climate of pessimism.

- absence of demand - problem structural →

Is a new demand not cyclical.

but can provide goods and services

Rigid overhead cost system.

Competitiveness vital. Difficult to evade existing social achievements.

Identify problems - then tackle them.

Pursue fight against - inflation resolutely.

Outlook June - a year will be spent to show.

- hard to fight inflation. Have to have an approach.

- no easy solution.

1) Fight inflation 2) Competitiveness 3) High technology.

4) Monetary stability – international
major enormous task.
5) Interest rates.
6) Differences in Exchange rates.
Dollar will go down.
Inc. in US$ in one year – dollar shock
$ – currency of world. – effects – price of
energy
U.S. – deficit – balance of payments.
Japan – great balance – weak yen.
∴ drop in Europe
← In fact – stability. Sustainable drop in
interest rates.
Uncertainty bad for business.

Own Action: – Strengthening monetary system.
– No competitive devaluation.
– Close links with France, Germany, Japan, Sweden, Norway.
– COMMON THINKING.

Developing Countries. – IMF quotas increase.
– avoid financial crisis
Baker – help developing countries debt.
Relief – Money supply is only hard objective
Investment – if to track downward
movement – don't go beyond what is
necessary. Interest rates further.
Allow deficit spending to reflect business
cycle.
DEMAND – if other monetary

① NATIONAL ACTION – Manpower / Wages / Prices / Borrowing – } 4

② EEC. – Internal Market. Technology. Productivity. Investment.

③ New technologies – new demand – it exists. Let's exploit it. Not making headway in EEC. Rationalisation

④ Investment in small & medium size co's

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Greece – Same strategy as Italy.
– No industry 1929-33 – Overcome by rearmament & demand
Infl. – wage log. – 1 key sector.
Reconstruction of Europe in post-war world.

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Netherlands.

"We protect where necessary"

We combat protectionism with protectionism.

Apart from tariff barriers – series of other barriers
Health of persons & animals.
Protection against hard / cold
"Fascist" protects than French!

France prepared to abandon protectionism.

F.R.G. accusing France of "

General protectionist trend – can disappear with honest broker

Kissinger internal market dismantled entirely. –
EEC – Preferential system protection from outside

WALT

Notes

5

- Urban ultimate. free trade concept promulgated
  - not the community of any real meaning

Do away with <u>ideal</u>.

Agree <u>terms</u> with outside world

<u>Absence</u> of certain types of protection
we would like to have.

—

New community Instrument.

We need money.

Already have cash box – let's use it.

Not any <u>old</u> investment not.
— — abroad investment.

Warning clock <u>steel</u>.

Energy – transport – electronics
– room for study.

? Airbus? – Possibly not only aeroplane.

Not necessary to compete with U.S.
out of urban national pride.

French cars exact more successful position
than Japanese.

Need <u>productive</u> – <u>socialist</u>
<u>investment</u>..

Useful European investment.

New needs - not yet clarified. 6

Modernism: too much of gov. lead
capital investment. which
impoverishes industry.

Hong-Kong - villages in France sells
shirts & handkerchiefs to H-K

No such thing as vector which is lost.

Identify those areas where product - will succeed

Outside world - U.S. in particular.

Acting like a bull in a china shop.

Mark - strong currency.
- often taught behaviour
DM or ¥.
can be raised by producing raw materials.

Work on basis of mutual respect rather
than survival of the fittest.

Not anti U.S. - enjoy company of
Americans, prefer them to most others!

N A alliance. - strategic considerations

Pinchuk against U.S. - Community must not be
pushed around.

3rd world Double IMF effort.
Intr. Debt. - U.S too dominant -
Commodity conditions 3rd world unable to buy anything

∴ intelligent planning to 3rd world
from Europe.

We have military problems.

Few Scandinavians have as liberal as the Dutch.

All in favour of political democracy.

Consciousness of European identity – too much abstract.

War is the real crisis.

Another the crisis of decolonisation

There 2 much more than anything today

---

Werner – Reports of EPSC accepted throughout.

---

Belgium:

① Co-ordn of Econ Policies

a) EMS – anchor

b) Investment – vehicle for Outside investment.

c) To stem loss of jobs

in industry

25,000 new jobs a year

Scrapped indexn – cut back real pay.

4.6% this year further 2.7% next year

Cut back working week to bring

about 3% increase in jobs without

---

OWN RESOURCES CEILING

If pressure develops for a commitment to increase own resources at the time of enlargement and the Germans weaken, the Prime Minister should make the following points.

1. The determining factor in the pressure on the own resources ceiling is CAP expenditure and not enlargement. If CAP expenditure could be brought under effective control and grow less rapidly than own resources, then there would be money not only for enlargement but also for other policies.

2. In any case, the whole discussion is premature. The Commission say that they will produce a paper next year. We cannot be expected to express views today about a paper which we have not even seen.

Forward view of Feoga

3. The Commission would be well advised to concentrate their attention on the point that really matters, namely agricultural surpluses and how they can be contained. Heads of Government also need to be informed about the reasons for the recent change in the trend of agricultural expenditure and what should be done about it. Heads of Government should receive papers on these points before they are expected to look at papers about the own resources system. We must do things in the right order.

1. Red. products.

2. Fo. Ottawa - Aff. Merchant - Inventory -

3. Nature of Pre-accession Questions

① Euro Soc.

② [illegible] Enlargement.

③ Relations with outside countries.

④ F. Affairs. – Budget.

Tentro – Community Relations.

E/W. Middle East

Lingua/Lucia – Cancun Colombo.

CFP. – Today. 6.30p.

Iran

Oil ?

Financial Institutions.

Technology

Employment.

Overtime. Trade. No major solution

Productivity investment. IMF.

Help for unemployed. Slant.

Sidling trade → ① Investment → Unemployment → Small business Overtaxed → Trade unions.

② Banking.

① Investment

R.A. – Dom – with

② Trade →

③ In Finance

IMF. →

F. Tripoli

④ Psychological Public Opinion

Competitive.

Free trade.

Protect – Many more – Index-linked. – Reduce load Finance

① Investment

② Unemployment

③ Trade

④ Psychological

1) Cyclical

2) Structural.

3) Technological.

4) Wage/Employment

1000 million lost

700 –

Unemp%

Wages

Inflation Credit Control Monetary Policy

Financial Tripoli

1903 1.

Enlargement -

Pres. Com. document - useful basis.

Mitterrand. 3 months ago, wrote Chirac expressing my reservations about Spain - with effects on Portugal.
Said to my public I am in favour of Spain joining.
If we cannot clarify the issues that arise before joining, we shall oppose.
We must not go again what happened with UK
No timetable - not in 5 years, or 10 years.
Need guarantees before, not after accession.
Satisfied with Com.'s work - clarified certain issues & carried it forward.
Responsible - guarantees it needs - but waiting for clear replies to Qs I've asked.

Thorn. Things look up -
3 points.
1. Mediterranean products -
We must continue work on the agenda - research the problems we have
2. Ask Foreign Ministers to make a report to next E. Council, to tell us what problems still remain
3. Com. ct he requested to look into pre-accession Qs jointly with in an informal way

KH. Welcome what Mitterrand said about the democracy of Spain.
vital to contribute to stabilising democratic process, & encourage.

Because of of. problems, need to settle many matters first.
We need to know what we are agreeing to.
Like the sound of Roy's proposals – provided we stick to the date.

PM Agree Sp. rep looking for encouragement & support.
" Com's proposals
" Report that enlargement should not add undue to need for resources.
That is why I think existing resources adequate. (para 3 of speaking note, General).
Substantial change in FEOGA requirement this year.
Advisable if Com. reports to Ads or Sat early in New Year on this aspect, & gives his views how trends will develop.
In anticipation of joining, Spain received investment which has been used to exports a advantageous terms. Reinforced by advantageous administrative practices.
On that basis, I agree.

Pandani

Prem. Must talk to Spaniard about PM's points.
(Interrupted).
0.9% or shifting > 1% -
Pandani on '80 Budget Carpe than we had expected.
Shd not run into danger.

Ares. No comment to press tonight.

---

Budget.

Allerman - Seven - AE FAC last week, agreed procedure.
Para) on conclusions on Reg.
CORETER examine e.s.c.p. & report to
FAC in January
on CORETER. report 9 & 16 Dec -

PM - Hope speed progress, & conclusion
next E.C. is hard.
If not, discuss then.

Pres. Agreed.

Fish.

Pres. Fish Co. meet 21/12. Leaves us little time to be used to get detailed agreement.
Hope some - not too important - matters can be clarified. DK demands cut down now to almost nothing:
Must go to the Spec. Mkt. Cttee in DK Parliament.
I want to be able to conclude this matter in a positive manner.

Hope to conclude on 21/12.

PM. All v. much aware difficulty on part in Chair as politician.

We have had to be v. courageous to the other 9 - others have too. We have reached limit of concessions - what to make clear.

Hamphey -

NL. I understand - think I can draw conclusion that Govt. wish to bring about solution to end Doc - Govt. wish to bring about solution to end Doc - important for the public opinion confidence in way EC takes decisions. If no satisfactory conclusion, pol. problems for all of us.

Pres. If 'yes' or 'no' now - could say 'no'. Hope matters can be clarified positively by 21/12. DK cut longest. Accept we suffer some cut.

Thorn. Essential to have CFP before year end.

1530.

Pres. Agenda.

1 Ecn. & Soc.
2 Enlargement
3 Relance & other ind. combined
4 Oral report from FAC Pres. on UK Budget.

tomorrow - 5 Texts on Community matters
6. " " Pol. Coop E/U
Ind Ecn

Heads of State tonight at Dinner - E/U relations post Brussels
- Ind Ecn

Foreign Ministers
7 Reports on E. Union - FRG/Italian.

Understand Fisheries to be raised - before we end this fm. at ca. 1830

Agreed

Ecn & Soc Situation

Pres: Referred to Reports / Documents
Suggest endorse - guidelines for future action
then concentrate on strengthening internal mkt
investment
etc
Key note or conclusion = timetable for rapid action

Thorn. · Third time looking at the "crisis" in this context.
getting worse - analyse reasons & scope.
public anxiety
We've got Ford agreement + US steel.
Done all we cd, within mandate given, at SAFT meeting

Fried results along lines hoped for.

Kept Japan under surveillance
Close consultation + US.
Internal market not so satisfactory
83 will be best year - OECD thinks situation will deteriorate
- Unions against fighting inflation
- deflationary period cd begin
- poor employment prospects
- Unions cd start agitating

Third world in financial difficulties.

1. Protective instinct
2. Return. super help
3. Consolidate internal mkt.
We're giving too few external mkts.

+ Technology

late - rather long, verbose, & lacking in clarity)

Carrington. Business cycle less favourable than hoped at Versailles.
1982 - improvement.
1983 - a worse year than expected
+ 1½% - doubtful.
but inflation falling. Must get back to normal trade
Demand is slack everywhere - incl. USA
In developing countries hope debts
& trade of protection dropped.

- No econ. recovery in any country under way -
  Investment can be key - but there must be confidence.
  Climate of pessimism -
  International situation worrying -
  Problem looks structural, not cyclical.
  People think crisis coming - we must act.
  Otherwise there can be downward inflationary spirals.
  ∴ adjustments
  No investment without confidence.
  Protectionism will begin to bite.
  Must have to sink or pull together -
  Temptation = to drop out v. efficiency. must not be allowed.
  1. Get back to monetary stability
  2. Exchange rates, — if shock after oil shock
     Yen too weak
     Lab. reflect fundamentals.
     in search of de facto stability
  Talk with US -
  Give world confidence in our econ. environment -
  2. Strengthen EMS - I see this as centre of community
     together in corset.
     We need to remain
     Vital to reaffirm the value of the system.
     EMS stabilist close links + keep outside - Austria
     Norway
     Switzerland
     etc

  We've been too passive
  3. Rights may crumble because of developing countries' difficulties

EMS has played good role in stability
– also in cohesion.

EC shd dismantle discrepancies.
Make room for further cuts in interest rates – &
wipe change of policy in US.

Head off drift to protectionism.
Interdependence. Kept under control. Support IMF.
Summit) shd come out in favour of free policies.
Do everything to restore confidence.
Cmx of procedure = get rid of backlog of decisions with FAC
in non-dogmatic way.

FRG presidency – appoint someone full time to cope.
Who here might be chairman of such a group?
(Pth comment: ridiculous)

To summarise –
We shall go ahead for EC working in right direction –
But we must ecd put our own countries in order.
Have taught a spec. trg. scheme for young people
with inverse trg opportunities – better than standing at street corners –
EC must give lead to young people – they face a bleak lot.
Training is my suggestion.

Summit: I found rather disappointing. Not well thought through.
At least 2 references to Germany losing the war(s).
Inexperienced, obvious). I did not feel we got to
the heart of it – the dynamics fine.

1955

7

Fontana

New govt & new approach.
Try & clear up general mess.
Trade Unions : indebtedness : balance of payments :
demand & supply of labour : disintegration of
political forces – the structure of parties no longer
coincides with views of people voting for them :
unions effective every cause for complaint :
election within 15 months

The new majority we've found is based on certain
commitments.

inflation down to 7% in 1953 – 10% in '54
to achieve this must reduce cost of labour.
index-linking unproductive – must get away from it –
through reducing taxes on employers
lowering charges on employers.
this agreement may not work.

prevent charges for services rising.
counter fear of rising unemployment.
Private investment

EC shd finance infrastructure works in some cities/regions

"Make dis fantasies we have to become reality"

Housing – 1m. houses ct be sold ....;
10% sold in 2 years ct be enough to
force some useful measures.

Local Govt. etc.
Need new money – tax on black market labour
etc etc etc

Comment : I wd take my money out of Italy now.

1/25

NL - What can we do as a Community?

NL policy objectives
(1) reducing public deficit - to cause drop in interest rates
(2) direct support for investment, deregulation
(3) social - job sharing
unemp. among young people.

tough policy to reduce consumption.
We wish a freeze in wages - ie not to compensate for rise in cost of living - to improve competitiveness

Private sector has taken this advice on board.
We do not expect fundamental results from job sharing.

All new vacancies advertised 32 hours for 32 hours' pay

(1) requires for international role - contradiction.
National restrictive policy requires expansionary international policy
involves IMF, World Bank etc
let carried out + financial disciplines

(2) requires
International free trade - within "our precious Community"
EC "must not crumble".
Maintain free trade - + extend wherever possible.
ought to be possible in conjunction with NICs which have big potential to contribute towards world growth.
We do not like to help them bring about a mutually beneficial trade system

Not many measures can be taken to help here at Community level.

Signals sh'd emit from our discussions here to indicate how serious we take this

Adopt a new approach – esp. for young chs need a brighter prospect.

1740

PM. Compat. the Con. a paper – & their presentation.

Present ecn. sit. result of 4 factors –

1. Oil price rises – transfer of purchasing power
2. New pattern of internat. Trade.
   many things now produced by Japan, Singapore, NIEs etc
   more cheap) (wage cost).
   structural problem, will persist.
3. Also experience 3rd Wd. Rev. – microchip
   must look for labour intensive industries – which means service industries.

   Hit is simultaneous –
4. Price oil last mat, internat. financial sit. has worsened – Mexico, Brazil, E Europe etc.

   Overlent.

What is analysis – eg)

How feasible?

4 points:

1. Nat. prots – & set at at Versailles
a Jumbo limit.

Control money supply
Control inflation
etc. etc. to get int. rates down –

Must not export our problems to each other.
Not all investment good – must be selective.
spent billions in building up steel –
now .. .. taking it down –
~~also shipbuilding~~

Investment that is productive.
Schemes to alleviate unemp. among young.
also training schemes.

Encourage small business – not mind
new empl. in big business.

2. Euro' trade.
The internal mkt – far far free mkt yet.
How well the Com. did at the GATT conference.
Hope we have can endorse conclusions.
Capitulate Com.

3. International Finance.
IMF have tackled it as well as possible,
in conjunction with Central Banks.

~~Sh say so here.~~
Discipline here, as in each country.

4. Pub. Opinion factor.
expectations too high - fatal jolt.
economic truth.

1957.
Humphrey -

Mitterand -

All of us up against same problems. More or less inflation
" everything
etc

Our national experiences an advantage to us -
(starting being - this)

We have our difficulties.
tried to avoid to meet political & social upset
Inflation coming down -
"some of you have never been able to deal with unemployment".

Germany in 1933 was the result of despair for unemployment

France now adopting strict eco. position - like UK.
Concentrate about what we call popular consumption -
Improve recovery our productive capability.
France less competitive than many -.
Our success is going to reduce trade

EC lacks a certain confidence in itself.
We protect where necessary - We don't do it if all can't afford.

We counter protection with protection.
Super Com. should make facts available.
Lots of barriers - health in animals etc.
You all have protection policies - can tell you what I cannot sell in your countries only
All examine our conscience -

13.

(implying all greater sinners like France)

Can't dossier a table –
Shocked that Kohl shd accuse us of protectionism
(setting like Greece Turkey!)

Comment – defensive, muddled, & based solely on France interests & attitudes as perceived by.

Dealing with internal protection – & combine together to protect as Community.

United we stand – or fall.

Create internal mkt, & defend it.

New Com. instruments –

We need money –
New financial instrument wanted.
Not any investment – space with POL.
eg street – energy – electronics.
train for skills Lee.
eg. Leisting air – airbus – may cor be time of possibility.

etc. . .

& and on . . . about mkt or substance –.

Conclusion – take up Versailles proposals ecn, $, JR.
" " challenge of US.
Bretton Woods . . . . . 1933

Comment – zero confidence – I fail impossible to record & make any sense of it!

~~Martens~~ Lux. Fire up my chances to speak.
Reports on completed acceptable time.

Martens Reports v.t.
4 points –

1. Coordination of our econ. policies.
EMS anchor point or concerted policy

2. Investment
New community instrument.

3. Better use of mkt or 2% in consumer.
Accede to Com proposals – simplify border procedures

4. Slang available jobs – must be optional.
Preferential investment.
25,000 new jobs p.a. needed in Belgium.
a scaffold idea.

Pres. 5 Nat'l points discussed:
Fear continuation of present trend of lead to serious depression

Anti-inflation policy should not stand alone.
Kohl's suggestion of kind of "troubleshooting group"
– might be positive result.
Discuss informally tonight, & return to it tomorrow.

NOTES FOR BILATERAL TALKS WITH FANFANI, LUBBERS AND SCHLUETER

TRADE

1 We see a serious risk of a trade war with the United States.

2 The Presidency conclusions on trade must be helpful to those in Washington, like Shultz, who are doing their best to prevent the Administration adopting destructive policies.

3 Hope we can all take a helpful line at our individual press briefings as well.

UK BUDGET PROBLEM

4 The budget problem is not ready for discussion at this Council but we must encourage our Foreign Ministers to settle it as quickly as possible next year.

5 The Commission's framework - in their paper for Foreign Ministers - is the only one that we can see which is likely to lead to successful negotiations. We all have problems with it - but a start must be made somewhere.

6 You will appreciate my desire to get this settled so that it does not become an election issue in the UK.

TO FANFANI:-

7 Would it be helpful to arrange talks between our close advisers? I will gladly send an official to Rome if you could suggest a contact who has your confidence.

/TO LUBBERS

TO LUBBERS:-

7 The Netherlands has been helpful to the UK in the past, despite a difference of interest, and this has been much appreciated. I hope we shall continue to cooperate - in the interest of the whole Community.

TO SCHLUETER:-

7 Mr. Ellerman-Jensen did a remarkably good job as Chaiman of the meetings which solved the problems over the 1982 refunds. I do hope our two countries will cooperate in the next round of negotiations on this issue to prevent it damaging the Community.

Soviet Export reductions
expired Dec 31st 1982

E.R.

II

FURTHER NOTES ON OWN RESOURCES CEILING

1 Ministers of Agriculture fight for the interests of their farmers. That is their job. Heads of State and Government have wider responsibilities - to all Community citizens, consumers and taxpayers as well as farmers; and for the Community's place in the world.

2 In our national governments none of us would allow our Ministers of Agriculture to spend public money without limit. In the Community we must insist on the same standards of value for money as at home.

3 We must do first things first. Let us see an assessment of the trend of expenditure on the CAP and the outlook for agricultural surpluses. Then, in the light of that analysis, we shall be better placed to consider what the Commission may have to say to us about the changes needed in the financial system as a whole.

CONFIDENTIAL

## EUROPEAN COUNCIL BRIEFING MEETING

1. FISH

How hard do we push? (a) At Council table? (b) At dinner?
What do we say to the press?

2. ENLARGEMENT

Let France and Germany speak first.
Ask Thorn to report on agricultural surpluses.
Is it necessary to mention 1970 Agreement with Spain?

3. UNITED STATES AND JAPAN

Must prevent trade war with United States.
European Secretariat have new speaking note for discussion.

4. BRITISH BUDGET PROBLEM

Make very short statement as in brief.
Try to get new deadline in Presidency conclusions - but do not risk rebuff.

5. ECONOMIC AND SOCIAL SITUATION

Avoid confrontation with Mitterrand - Kohl will stop him going too far.
Some scope for being nice to Mitterrand, eg on his Versailles technology initiative (Mr Hancock can explain).

6. STEEL

Mr Lamont will provide a speaking note.

7. POLITICAL COOPERATION

The Foreign Secretary will speak.

4

% increase in investment.
Fr. Technology initiative
Debt facility.

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PRIME MINISTER

CC Foreign and
Commonwealth Secretary

I attended a lunch with the four Versailles Summit personal representatives from France, Germany, Italy and the United Kingdom. There were some advance indications of the line that their Heads of State and Government will take this afternoon.

Fish

There was no sign of any breaking of ranks. All agreed that we must maintain a united front.

President Mitterrand's Technological Initiative

Both the Commission and France attach importance to this. Thorn is going to say this afternoon that technological co-operation within Europe is the only way to save us from a collapse of living standards and total dependence on the United States and Japan. Mitterrand will refer to his Versailles initiative and the Working Party on which the United Kingdom is represented by Dr. Nicholson. The Working Party is to report to the Heads of Government in January and will propose a number of collaborative projects among the seven Versailles countries. Some of these are thought to be suitable for exclusively European participation. The French President is likely to suggest that Versailles exercise be given a Community dimension by opening these projects to those non-Versailles Community countries who are interested. (A line to take on all this is in brief no. 27 )

Pipeline and Shultz Non-Paper

The French are ready to go along with any studies about credits to the Soviet Union, exports of high technology etc in any appropriate OECD forum; but they will not agree to any follow-up among the seven Versailles countries.

/New Community

New Community Instrument

France and Italy are extremely anxious that the Summit gives a political steer to Finance Ministers so that the third tranche can be agreed early next year. The Germans are not ready to agree. Kohl is likely to come under sharp pressure over this.

D J S HANCOCK

3 December 1982

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

CONFIDENTIAL

*From the Secretary of State*

John Coles Esq
Private Secretary
10 Downing Street
London SWI

2 December 1982

Dear John,

EUROPEAN COUNCIL: PROTECTIONIST AND TREATY INFRINGEMENTS

Following this afternoon's briefing meeting with the Prime Minister I attach the following:-

(i) "league tables" of Treaty infringements by Member States;

(ii) A note on French protectionist measures; and

(iii) A copy of my 26 October letter to Michael Scholar, outlining German protectionist measures.

I should emphasise, as the note to the "league tables" explains, that the figures have to be treated with some caution, and that they do not relate simply to trade "crimes". We believe that the 1981 figures are more trade related. That said, France and Italy do seem to dominate both tables.

I am copying this letter to the Private Secretaries of the Chancellor of the Exchequer and the Foreign Secretary.

Yours sincerely,

JOHN RHODES
Private Secretary

INFRINGEMENT OF THE TREATY OF ROME

Two tables are attached as examples of the apparent number of Treaty infringements by EC Member States. The first shows allegations of infractions made to the Commission. It appeared in 1980, was said to be based on a Commission Working Paper, and was widely quoted at the time. The second shows infringements by Member States for which procedures had been opened as of 1 October 1981. This table was produced by a private research organisation, European Research Associates, which also attributed its calculations to a Commission Working Paper.

There is a similarity of "league position" of the Member States in the two tables. It should be noted that neither set of calculations, or any others which have been produced, make clear exactly what is being counted. The Commission has said, in a reply to the European Parliament, that it does not "keep a record of the national regulations or measures against which it has taken action in order to ensure compliance with Community law". The figures do not, unfortunately, distinguish between serious and relatively trivial infringements. Nor is it possible to say how many of the infringements amounted to a direct obstruction to trade.

Department of Trade

2 December 1982

ALLEGATIONS OF TREATY INFRINGEMENTS MADE TO THE COMMISSION: 1980

| | |
|---|---|
| Italy | 70 |
| France | 60 |
| Belgium | 48 |
| FRG | 41 |
| UK | 32 |
| Luxembourg | 32 |
| Netherlands | |
| Ireland | 30 |
| Denmark | 24 |

TREATY INFRINGEMENTS BY MEMBER STATES FOR WHICH PROCEDURES HAD BEEN OPENED: 1.10.81

| | |
|---|---|
| France | 40 |
| Italy | 27 |
| Germany | 17 |
| Demark | 12 |
| Netherlands | 11 |
| Belgium | 11 |
| UK | 9 |
| Ireland | 7 |
| Luxembourg | 5 |

FRENCH PROTECTIONIST MEASURES

1 A programme of measures "to recapture the home market" (a Socialist pre-election slogan) was announced in Paris in December 1981. See Annex A.

2 A list of 13 further measures (Annex B) was announced on 20 October 1982 but has apparently not yet been fully implemented. Those marked * appear to be most significant. In addition, the well-publicised requirement that video-tape-recorders can only be cleared through customs at Poitiers was announced at the same time.

3 A member of the Cabinet of M. Jobert, the French Foreign Trade Minister, told the British Embassy on 29 October that he has a further 50-60 measures "up his sleeve" to introduce in the coming weeks. There has been speculation that they may include an import deposit scheme and more Poitiers-type measures.

4 By way of counter-attack against the widespread international criticism of French protectionism that has been evoked, the French have prepared and circulated in Paris lists of "protectionist measures" of a couple of dozen countries including the UK (Annex C). A recent public opinion poll indicated that 35% of Frenchmen thought the UK the most protectionist country in Europe; they appear to have been influenced by the poultry dispute.

ANNEX A

FRENCH MEASURES TO RECAPTURE THE INTERNAL MARKET

Early in December 1981, the French Government announced a programme for the "reconquête du marché intérier". Subsequent press and other reports said that the plan covered fourteen industrial sectors including furniture, textiles, toys, footwear, machine tools, domestic appliances and TV and Radio. For some sectors only, so far, have specific schemes been announced. Precise details of all the plans are not known but measures are reported to include new state aids and measures to reduce imports (producer/distributor agreements).

2. The UK joined other Member States in voicing concern at the potential implications of these measures. The French subsequently played the matter down. Although they have left some ambiguity about whether their main interest was to strengthen exploitation of the Community market, there is little doubt that their main preoccupation was the flood of imports into the home market following reflationary policies. On 22 June President Mitterrand was reported as having told the French cabinet that the recapture must be pursued with "fierce determination". More recently Mitterrand has been quoted as describing the policy in terms of improving the quality of French goods, adapting them to the requirements of the French market, and "managing public sector markets" in a manner consistent with these aims.

3. In the UK, so far, actual complaints of trade distortion have, perhaps significantly, far from matched the publicity given to the French measures. Most vociferous has been the footwear and leather sector. So far we have been able to obtain copies of certain exchanges between the French authorities and footwear and leather industries. However, we have not been able to detect concrete evidence of formal arrangements under which the French are breaching the Treaty or that they are going any further than we have been in trying to get domestic suppliers and consumers together in the Sector Working Party. There is anxiety that we are failing to match what the French may be doing but we believe, if the Commission would use its powers of enquiry with vigour, the situation could be kept in check. But it is perhaps inevitable that business circles are anxious about frustration or diversion of trade, and that some are pressing governments to adopt similar measures.

4. The Commission have been investigating the French measures. In the Official Journal of 17 June the Commission announced its intention, pursuant to the state aids provisions of the Treaty, of making a thorough assessment of all assistance to the textile and clothing industries in France. It is particularly

critical of a measure relieving these industries of certain social security payments. After eight months, however, the Commission should be ready to make a more comphrehensive and definite statement about the French 'recapture'. A reaffirmation by the Commission that they are carrying out their responsibilities and not letting the French off the hook should help to allay concern.

Department of Trade

ANNEX B

GRS 305
UNCLASSIFIED
FRAME ECONOMIC
FM PARIS 211814Z OCT 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 993 OF 21 OCTOBER 1982
INFO PRIORITY UKREP BRUSSELS, BONN.
INFO ROUTINE ATHENS, BRUSSELS, COPENHAGEN, THE HAGUE, LUXEMBOURG, ROME, DUBLIN, WASHINGTON, TOKYO.
INFO SAVING TO UKDEL OECD (PASSED BY PARIS)

FRENCH TRADE POLICY

1. THE FRENCH COUNCIL OF MINISTERS YESTERDAY APPROVED WHAT THE COMMUNIQUE DESCRIBED AS A ''FIRST SERIES'' OF MEASURES DESIGNED TO IMPROVE FRANCE'S EXTERNAL TRADE BALANCE.

2. DETAILS OF THE NEW MEASURES, AS DESCRIBED IN THE COUNCIL COMMUNIQUE, ARE AS FOLLOWS:-

A. ENERGY SAVING

I) A NEW INVESTMENT PROGRAMME FOR ENERGY CONSERVATION IN THE NATIONALISED INDUSTRIES

II) MORE EFFECTIVE APPLICATION OF RULES RELATED TO NIGHT - TIME ILLUMINATION AND HEATING IN SHOPS AND PUBLIC BUILDINGS

III) INCREASED CREDIT FOR ENERGY - SAVING IN THE LOW COST HOUSING SECTOR

B. STIMULATION OF EXPORTS, PARTICULARLY TOWARDS EUROPE, US AND JAPAN

I) EXEMPTION FROM 1983 OF COMPANIES' 30% TAX LIABILITY IN RESPECT OF EXPENDITURE ON GENERAL OVERHEADS LINKED TO EXPORTS

II) IMPROVEMENT OF CREDIT INSURANCE COVER FOR SHORT TERM EXPORT BUSINESS

III) MORE AID FOR COMMERCIAL INVESTMENT UNDERTAKEN BY SMALL AND MEDIUM SIZED FIRMS.

C. NON - ENERGY IMPORTS

* I) ALL PRODUCTS SOLD IN FRANCE MUST IN FUTURE SHOW THEIR COUNTRY OF ORIGIN *

II) SURVEILLANCE OF UNFAIR COMMERCIAL PRACTICE WITH REGARD TO IMPORTS TO BE STRENGTHENED AND THE REROUTING OF GOODS TO BE FIRMLY SUPPRESSED.

/ III)

III) ALL DOCUMENTATION ACCOMPANYING IMPORTS PASSING THROUGH CUSTOMS TO BE WRITTEN IN FRENCH *

D. OTHER MEASURES

I) NATIONALISED INDUSTRIES TO ESTABLISH BEFORE THE END OF THE YEAR A BALANCE SHEET OF THEIR FOREIGN EXCHANGE TRANSACTIONS AND TO ACCEPT PRECISE COMMITMENTS (ON FUTURE DEALINGS) WITHIN THE FRAME - WORK OF THEIR PLANNING CONTRACTS WITH THE GOVERNMENT

II) COMMERCIAL NEGOTIATIONS TO BE BEGUN (AND CONTINUED) WITH SEVERAL COUNTRIES, WITHIN THE FRAMEWORK OF TRADITIONAL BILATERAL CONTACTS, WITH A VIEW TO RESTORING BALANCE TO THEIR TRADE WITH FRANCE

III) THE TRANSFER OF PATENTS AND LICENCES ABROAD TO BE STRICTLY CONTROLLED

IV) NATIONAL SERVICE VOLUNTEERS TO BE INCREASINGLY DIRECTED TOWARDS OVERSEAS ACTIVITY.

3. ACCORDING TO THE COUNCIL OF MINISTERS COMMUNIQUE THESE MEASURES ARE TO IMPLEMENTED WITHIN SIX WEEKS.

4. SEE MIFT.

FRETWELL.

FRAME ECONOMIC
ECD (E)

SFC

ANNEX C

LTS1434/82/French/CD

Protectionist practices employed by Great Britain

I Barriers.

1 Barriers created by the government

1.1. Customs regulations and practices

- Tariffs: Excise duties preferential to beer rather than wine.

Delays in payment of excise duties discriminating against imported products.

- Voluntary restraint agreements with: Japan, Korea, Taiwan, Singapore, India, Bongladesh, Poland and Czechoslovakia for about ten products.

- Quantitative restrictions

- Administrative formalities:

Small number of customs clearing posts.

The possibility of delaying customs clearance indefinitely in order to verify the origin of a product.

Special procedures for verifying export licences for China, Portugal, Spain and Cyprus.

1.3. Consumer protection regulations

Plant health regulations:

Poultry and eggs: market closed for one year.

Pork (swine fever): frontier closed particularly to French products.

Milk, untreated, sterilised, pasturised, UHT. The regulations guarantee that British organisations have a monopoly on processing and distribution.

Spirits: Requirement for a certificate of ageing which closes the market to our clear spirits.

Standard for denaturing alcohol: Treats ourperfumes and toilet waters in the same way as alcohol for consumption and thus makes them subject to the duties on spirits.

The marketing of crème Chantilly in aerosol packs containing vanilla is prohibited.

- Origin marking on certain products (clothes, other textile products, footwear, domestic electrical appliances, cutlery) at the retail stage. These regulations also apply to products originating in the Community. The publicity documents relating to these products are also affected.

Origin marking also affects all imported products when the names on the labels suggest that they could be British products.

Technical controls restricting individual imports of cars.

1.5. Other barriers arising from the public sector

Public sector buying policy

Adaptation of the rules on the awarding of contracts in favour of the lowest bidders. These arrangements favour British firms.

Organisation of privileged links between British suppliers and public purchasers.

Aim: To direct the supplies from firms and arrange the purchasing programmes of public bodies to favour the development of certain industrial sectors.

Creation of a special line of credit of £10M for administrations buying British products likely to be exported.

List of suppliers authorised to tender.

Setting up of a small administration for public purchasing and for the centralisation of public orders.

- Purchasing policy for public undertakings.

Coalmining: 97% of purchases are of British origin.

Petroleum exploitation. Setting up of a body (the OSO) to supervise orders for equipment for the North Sea. The OSO must be consulted when a foreign company is likely to win an order. It then attempts to find a British substitute. About 70% of orders go to British undertakings.

Foreign oil companies must associate themselves with British research bodies in order to perfect new techniques.

On the other hand, denationalisation in theory means an opening of the markets of the former public undertakings: railway and telephone equipment. However, these markets will be open only for countries open to British exports.

- "Buy British" campaigns set up by the government and managed by a body representing the government, management and unions.
- Details of imported products given in order to encourage competitive British offers.

2. Barriers arising from the private sector

- Participation of management and unions in the "Buy British" campaign.
- Union pressure in favour of protectionist measures. Threats to boycott vehicles imported from Spain.
- Purchasing policy of department stores and advertising in favour of British products. Some state that they sell 90% British products (Marks and Spencer, Debenhams).
- Company cars: foreign makes have a smaller share.
- Advertising in favour of British agricultural products.

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

PS/MFT
PS/Secretary
Mr Caines
Mr Gray
Miss Lackey
Mr Burbridge
Mr Wells
Mr Garrod.

*From the Secretary of State*

CONFIDENTIAL

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

MT

26 October 1982

Dear Michael,

ANGLO-GERMAN SUMMIT: PROTECTIONISM

At her briefing meeting this afternoon the Prime Minister asked for a note of some examples of what might be termed German protectionism.

The most glaring relate to the services sector, notably:-

Insurance: the Germans are among the most rigid Community countries in their insistence on retaining national controls, impeding operation of the proposed non-life insurance services directive and so obliging United Kingdom insurance companies to establish subsidiaries in Germany rather than write business for German policyholders direct from the United Kingdom.

Air Transport: again the Germans are one of the most illiberal of our partners. Their attitude to the modest Community reforms that have been proposed - in respect of both fares and new services - is dominated by regard to the cost of support for their railways and by energy-conservation considerations.

CONFIDENTIAL

*From the Secretary of State*

Road Transport: the Germans have a very restrictive quota against movements by lorries operated by, and from, other Member States. The United Kingdom is permitted only 40,000 lorry movements per annum: our quota is particuarly small, being based on our pre-Accession trade pattern. We operate a similar quota only by means of retaliation. Germany's quota is only matched in its severity by the Italians'.

In trade in goods, the German market is in theory as open as any. However, the operation of their machinery safety regulations creates, in practice, as the Germans well know, significant impediments to the sale of foreign machinery, particularly if it is not constrictedto a German standard.

A celebrated German non-tariff barrier is the medieval law on the "purity of beer", which in practice prevents the sale of foreign beer in Germany. This has, we believe, recently caught M. Mitterand's attention, and the Commission are at last taking the matter up in Bonn.

The Prime Minister will no doubt prefer to avoid the area of public procurement.

I am copying this to John Kerr (Treasury), Brian Fall (FCO) and to Jonathan Spencer (Industry).

Yours sincerely,

JOHN RHODES
Private Secretary

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| CABINET OFFICE | D O T | PLUS OGDS |
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| MR D HANCOCK<br>MR G STAPLETON<br>MISS S J LAMBERT | MR R GRAY | MR GRAHAM HARRISON<br>ODA |
| **H M TREASURY** | **M A F F** | |
| SIR K COUZENS<br>MR ASHFORD | SIR B HAYES | |

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TO IMMEDIATE FCO
TELEGRAM NUMBER 305 OF 02 DECEMBER
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MY TELNO 301: EUROPEAN COUNCIL 3/4 DECEMBER

1. I UNDERSTAND FROM POSTHUMUS MEYJES THAT LUBBERS IS KEEN THAT THE EUROPEAN COUNCIL SHOULD BE SEEN TO ACT TO FOLLOW UP ITS OWN DECISIONS. THUS HE WILL BE PREPARED TO ANNOUNCE A YOUTH EMPLOYMENT SCHEME AS CONSEQUENT UPON THE MARCH COUNCIL. HE WILL ALSO BE FIRM ON NOT BREACHING THE 1% CEILING, IF THIS SHOULD COME UP.

2. IF THERE IS FULL DISCUSSION ABOUT FISH (UKREP BRUSSELS TELNO 4607), THE DUTCH WILL BE FIRM, THOUGH THEY ARE CONCERNED THAT THIS COULD LEAD TO DETAILED REQUESTS FROM THE DANES FOR E.G. MORE MACKEREL, POINTS WHICH THEY FEEL MAY BE DIFFICULT TO HANDLE IN THE COUNCIL.

3. POSTHUMUS MEYJES SAID THAT HE FELT IT WAS PERFECTLY REASONABLE

3. POSTHUMUS MEYJES SAID THAT HE FELT IT WAS PERFECTLY REASONABLE FOR US TO ARGUE (PARA 6 OF MY TELNO 301) THAT WE NEEDED A NEW AND EARLY DEADLINE FOR THE UK BUDGET PROBLEM AND THE DUTCH WOULD SUPPORT THIS. BUT HE FEARED THAT INSISTENCE ON MARCH WOULD MAKE IT EASIER FOR THE FRENCH TO TAKE A VERY HARD LINE.

4. ON EC/US RELATIONS, POSHUMUS MEYJES HOPED THERE WOULD NOT BE DETAILED DISCUSSION BECAUSE OF THE FRENCH. HE THOUGHT THE COMMISSION WERE PROCEEDING ON THE RIGHT LINES AND FELT THAT DISCUSSION IN THE COUNCIL WOULD ONLY BE LIKELY TO TIE THE COMMISSION'S HANDS AND MAKE THEIR TASK MORE DIFFICULT. THORN WOULD BE ABLE TO REPORT ON THE COMMISSION'S DISCUSSIONS WITH THE AMERICANS TO THE GENERAL AFFAIRS COUNCIL IN MID-DECEMBER.

5. SCHULTZ WILL BE COMING TO THE HAGUE ON 11 DECEMBER AND WILL LUNCH WITH LUBBERS. IN ADDITION TO SECURITY QUESTIONS, EC/US RELATIONS ARE ON THE AGENDA.

MANSFIELD

NNNN

CONFIDENTIAL

Qz.02828

MR COLES

EUROPEAN COUNCIL

COMMUNITY RELATIONS WITH OTHER INDUSTRIALISED COUNTRIES

At the Prime Minister's briefing meeting this afternoon there was some discussion about what the Prime Minister should say during the Council itself (in addition to the lobbying that Sir Michael Butler and others will be doing behind the scenes).

2. The Department of Trade have asked for a small amendment to the draft I showed the Prime Minister. The revised version is attached.

D.H.

D J S HANCOCK

2 December 1982

CONFIDENTIAL

TRADE

COMMUNITY RELATIONS WITH OTHER INDUSTRIALISED COUNTRIES

1. At Geneva, the Community worked hard to maintain a common front and to ensure an outcome which was realistic and safeguarded our interests. Congratulate Commission. But underlying problems remain. I see a real risk that protectionist forces will gain the upper hand in the United States. What the Community does in next few weeks will therefore be of major importance. We have seen what happened on steel. The pipeline was another case where normal trading practices were all too quickly subordinated to other US policy considerations. Shultz will doubtless do his best to fight off protectionism. It is in our interest to help him. We must not supply ammunition to US protectionist lobbies.

(1) 2. We ought first to negotiate speedily on issues like exports of stainless and special steels in a pragmatic way. And while we are doing so, we must avoid retreating into protectionism ourselves. We should be very careful to minimise the risk that (2) the Community will have to subsidise still bigger exports of agricultural surpluses in 1983 and 1984, in a way which would seriously provoke the United States, and which would also alienate other countries, including many LDCs. The need to finance enlargement and the need to avoid stimulating an agricultural trade war both point to taking great care to minimise surpluses. At its meeting with Shultz, Commission should explore ideas to reduce confrontation.

(3) 3. On Japan, we should get some help from the recent appreciation of the yen which has gained over 10 per cent against the dollar in the last month. But in our dealings with Japan, the United States or the developing countries, I think it is essential that the Community should operate effectively as a unit. We have to avoid unilateral statements and present a firm Community position to the new Japanese Government, stressing the unique strains that Japan's trading patterns are continuing to put on the open trading system.

4. Meanwhile important that we should not succumb to protectionism within the Community. Whatever our relations with third countries, we must not forget that free trade is what the Community is all about. We must work together towards completion of the internal market.

Subject

cc Motor Ops

for PM

cc FCO

10 DOWNING STREET

THE PRIME MINISTER

2 December 1982

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 230/82

Dear Prime Minister,

Thank you for your letter of 26 November. It was most useful to have this indication of how you see our discussions in Copenhagen on Friday and Saturday, and I very much agree with the way you propose to organise the proceedings.

I note that, in addition to the subjects specifically mentioned in your letter, you envisage that further issues may be raised by any Heads of Government. I have now received a report on the meeting of Fisheries Ministers on 29 November and I am sure that, as I told you in London, we shall need to have a thorough discussion about the Common Fisheries Policy. I believe you will find that others, as well as myself, will wish this.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Paul Schlüter,

Foreign and Commonwealth Office

London SW1A 2AH

2 December, 1982

MS

Dear John,

European Council: Poland

As you know, we received yesterday the Presidency's suggestions on the agenda for the European Council on 3/4 December. Poland is on the list of political cooperation subjects.

Both the European Council and the NATO Ministerial meeting on 9/10 December fall before the anniversary of martial law on 13 December, when, according to the Polish Ambassador, martial law itself will be lifted and the detainees released, except for those to be charged with specific offences; both actions to be subject to there being 'calm' in Poland. Given the Solidarity Underground's decision to call off the protest actions planned for 13 December, and also the moderate line now being taken by the Church and by Walesa, it looks as if this condition may well be fulfilled.

Against this background, and in the light of the probable need to refer to Poland in statements and communiques after the European Council, the NATO Ministerial Meeting and the Foreign Affairs Council on 13/14 December, we have been considering the line that the Prime Minister might take in Copenhagen and on which Mr Pym could thereafter build in Brussels. Discussion so far in NATO appears to be tending towards a consensus for a cautiously positive response if the Polish moves are actually announced on 13 December, followed thereafter by a pause during which the practical effects of the new measures would be assessed, together with the reactions of the Polish people. The Foreign and Commonwealth Secretary believes that this is the right approach. In formal terms, at least, the expected Polish moves would go a considerable way towards satisfying the three criteria set out in the 11 January Declaration. But everything depends on how far the situation in Poland actually improves as a result.

I enclose a note of the elements which Mr Pym suggests might be worked into public statements following the European Council and other meetings later in the month.

/Mr Pym

Mr Pym would be grateful to know whether the Prime Minister agrees. If so, her briefing will reflect this for the European Council and he will take a similar line - subject to any new developments - in his own later discussions in NATO and with the Ten.

Mr Pym's view is that our overriding aim in all this must be to maintain Alliance unity. He recognises that to judge the genuineness of any Polish moves on 13 December will not be easy. However, if the moves forecast for 13 December are implemented, and if they lead to tangible improvements in the situation in Poland, he believes the West should respond by sending a positive but controlled signal both to keep Jaruzelski on his present course and to avoid Poland turning still further towards the Soviet Union.

Yours ever

Roger Bone

(R B Bone)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

## Poland: Public Statements

The following are the elements which might be reflected in any public statements on Poland by the European Council or by NATO Ministers.

EC partners/NATO Ministers

A. Wish to stress their desire to maintain and develop links with the Polish people;

B. Recall the communique of 4 January 1982 or the NATO Declaration of 11 January; (Any reference to the three criteria to be inserted in a retrospective context);

C. Note that the release of Lech Walesa and the Polish Government's expressed intention to lift martial law on 13 December are positive developments, but note also that Solidarity has been dissolved contrary to the Polish Government's expressed intention to pursue a policy of reconciliation;

D. Will continue to follow the situation closely, particularly on how the Polish Government intends to implement its promise of lifting martial law;

E. Draw to the attention of the Polish authorities the fact that in this regard their actions will be assessed by their effects;

F. Reiterate the expectations of the International Community that the Polish authorities will fulfil their promise to return to path of renewal and reform;

G. Hope that the situation will develop in such a way as to make it possible for the Ten/NATO to resume and develop the kind of relationship which they would wish to have with Poland and the Polish people.

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

*From the Secretary of State*

CONFIDENTIAL

John Coles Esq
Private Secretary to the Prime Minister
10 Downing Street
London
SW1

2 December 1982

Dear John,

EUROPEAN COUNCIL: COMMUNITY RELATIONS WITH OTHER INDUSTRIALISED COUNTRIES

1 Since Lord Cockfield's minute to the Prime Minister adding to the brief on this subject, we have heard from Paris that President Mitterrand's first priority at the Council will be to reach a common position on the need to strengthen the Common Market in the face of third country imports. As well as being predictably muscular on Japan and the United States of America, the French may refer once more to their proposals for strengthening the instruments of the Common Commercial Policy.

2 These proposals date back to April, and have been the subject of considerable work in Brussels. The most contentious idea is the establishment of a body along the lines of the United States International Trade Commission, which could similarly harrass imports. We see quite a lot of merit in the French ideas, although any proposition put forward by the French needs to be scrutinised with more than ordinary care. Subject to this, we have been working to get the French proposals into a reasonable shape. But not all our partners agree. Work in Brussels is nearing its final stages. There seems little point in trying to pre-empt its conclusions by decisions at the European Council.

3 I am copying this to the Private Secretaries to Member of OD(E) and to Sir Robert Armstrong.

Yours sincerely,

JOHN RHODES
Private Secretary

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| MAFF | | |
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No 10 DST (2)

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| MR BONE, N I O GOGGS<br>MR MORRISON DANI<br>MR G JONES WOAD | PS/S of S<br>MR McGEE<br>MR CORMACK<br>MR FINDLAY | D A F S<br>c/o Scottish Office |

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TELEGRAM NUMBER 420 OF 2 DECEMBER
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EUROPEAN COUNCIL: DANISH POSITION: CFP

1. DANISH MINISTERS COME TO THE EUROPEAN COUNCIL UNCERTAIN WHETHER THEY WILL FACE DEFEAT IN THE FOLKETING ON THE ISSUE OF INF INFRASTUCTURE PAYMENTS ON TUESDAY, 7 DECEMBER. IF THIS HAPPENED ON A MOTION THEY FELT MUST BE TREATED AS ONE OF CONFIDENCE, THEY WOULD VERY PROBABLY CALL AN ELECTION, EVEN THOUGH NUCLEAR POLICY WOULD BE AN UNFORTUNATE ELECTORAL ISSUE. NEGOTIATIONS BETWEEN THE DANISH PRIME MINISTER AND HIS PREDECESSOR, COVERING ALSO DEFENCE SPENDING AND SOME ASPECTS OF GOVERNMENT ECONOMIES, ARE UNLIKELY TO BE CONCLUDED TODAY.

2. IN THIS SITUATION, I JUDGE THAT IT WILL BE OUT OF THE

2. IN THIS SITUATION, I JUDGE THAT IT WILL BE OUT OF THE QUESTION FOR THE DANISH GOVERNMENT TO DUDGE ON THE CFP AT THE EUROPEAN COUNCIL. DESPITE MR ANKER JOERGENSEN'S RELATIVELY HELPFUL POSITION, MY TELNO 419) MR SCHLUETER IS UNLIKELY TO FEEL HE CAN RELY ON HIM WITH A POSSIBLE ELECTION IN THE OFFING AND HE WILL NOT WANT TO OFFER ANY POLITICAL HOSTAGES BEFORE TUESDAY'S VOTE.

3. I STILL, HOWEVER, GET THE STRONG IMPRESSION THAT, ASSUMING THEY SURVIVE, THE DANISH GOVERNMENT MEAN TO ACCEPT THE CFP BEFORE THE END OF THE YEAR, PROBABLY AT THE FISHERIES COUNCIL ON 21 DECEMBER. THEIR PUBLIC PRESENTATION IS THEN LIKELY TO BE THAT TIME IS NEARLY OUT: DENMARK HAS GOT ALL IT CAN GET: IN THE LIGHT ALSO OF UNDERTAKINGS FROM SOME PARTNERS, THE GOVERNMENT THEREFORE CONCLUDE THAT IT IS BEST FOR DENMARK (NOT LEAST AS PRESIDENCY) AND FOR THE EC NOW TO ACCEPT.

4. THE DANES ARE EXPECTING TOUGH TALK FROM US AT THE COUNCIL AND PROBABLY NEED TO BE ABLE TO POINT TO FURTHER PRESSURE IF AND WHEN THEY DECIDE TO ACCEPT. THE PRESSURE WILL, HOWEVER, BE MORE ACCEPTABLE TO THE GOVERNMENT - AND TO THE DANISH PUBLIC - AND HENCE MORE LIKELY TO ACHIEVE OUR GOAL OF A CFP - IF IT COMBINES FIRMNESS WITH UNDERSTANDING OF THEIR PROBLEMS. (I STILL HEAR COMMENTS ABOUT THE PERSUASIVENESS OF MR WALKER'S TV INTERVIEW A FORTNIGHT AGO.)

5. IN THE COUNCIL, I ASSUME THE PRIME MINISTER MAY WISH TO CONCENTRATE ON THE COMMUNITY ARGUMENTS, EG:

- POLITICAL BENEFITS OF A CFP:

- CONSIDERABLE EFFORTS MADE TO NEGOTIATE AN AGREEMENT AS FAIR AS POSSIBLE AND ACCEPTABLE TO ALL, INVOLVING ALL IN REAL SACRIFICES AND CONTAINING CONCESSIONS TO DENMARK ON SPECIES OF GREATEST VALUE TO HER:

- REMAINING DISAGREEMENT INSIGNIFICANT BY COMPARISON BUT DANISH DEMANDS CANNOT BE MET BY HER PARTNERS BECAUSE THEY BREACH WHOLE PRINCIPLE OF BASING QUOTAS ON HISTORIC PERFORMANCE:

- THE NINE, WHO HAVE BEEN PATIENT AND CO-OPERATIVE IN HELPING DENMARK ALSO OUTSIDE THE PACKAGE AND IN ALLOWING EXTRA TIME TO REFLECT, ARE AGREED THAT WE ARE AT THE END OF THE ROAD AND A DECISION MUST BE TAKEN:

- FROM ALL POINTS OF VIEW (CONSERVATION, SECURE FUTURE FOR ALL COMMUNITY FISHERMEN, COMMUNITY SOLIDARITY AND PROGRESS) SHORT-SIGHTED FOR DENMARK NOT NOW TO REMOVE LAST OBSTACLES TO AGREEMENT.

6. FOR THE DANISH MEDIA, WE SUGGEST IN ADDITION ELABORATING FURTHER ON

(A) BRITISH SACRIFICES, NOTABLY 50% REDUCTION IN DEEP SEA FISHING FLEET (80% FOR TRAWLERS) IN LAST 5 YEARS AND

(B) MACKEREL ARGUMENTS

- ONLY 2 AND A QUARTER % BY VALUE OF DANISH CONSUMER CATCH:

- MACKEREL QUOTA WEST OF SCOTLAND PRECLUDED BECAUSE WOULD BREACH VITAL BASIS FOR WHOLE CFP, HISTORIC PERFORMANCE:

- UK HAS, HOWEVER, CHANGED OWN LICENSING ARRANGEMENTS TO MAKE AVAILABLE TO DANISH PROCESSING FACTORIES DOUBLE THE IMPORTS OF LAST YEAR (DENMARK HAS TRADITIONALLY BOUGHT MUCH OF ITS MACKEREL SUPPLY).

(C) (DEFENSIVE) COMPARISON OF UK AND DANISH GAINS: DISCREPANCY BETWEEN MR WALKER'S AND MR SCHLUETER'S FIGURES DUE TO OMISSION OF GREENLAND FROM THE LATTER: WITH IT, DENMARK'S SHARE HAS NOT FALLEN.

THE FINAL NOTE MIGHT BE THAT THE RIGHT COURSE IS THE DIFFICULT ONE BUT DENMARK NEVER PREVIOUSLY SHIRKED DIFFICULTIES OR RESPONSIBILITIES AND SURELY WILL NOT DO SO NOW.

FCO PSE ADVANCE TO PS/S OF S
PS/NO 10
PS/MR WALKER, MAFF
HANNAY
SPRECKLEY

WARBURTON

NNNNN

SENT /RECD AT 02/1344Z MGD/JW

Euro Council Pt 12

DM 2/12 Mr. Coles (No 10)
For your information. Apologies for the copy.
J Holmes

CONFIDENTIAL

cc Mr J Holmes (Private Office)
Mr A Brenton (ECD(E))
No. 10 (Mr Coles)

Sir J Bullard

EUROPEAN COUNCIL 3/4 DECEMBER: AFGHANISTAN

Introduction

1. The Secretary of State was briefed to propose at the Foreign Ministers' meeting, 23 November, that Afghanistan should be discussed at the European Council on 3/4 December and referred to in the communiqué. Unfortunately an opportunity to do so did not arise. We nevertheless think that the Council should refer to Afghanistan if this can be arranged at this late stage.

Recommendation

2. We propose this is raised with the Political Directors in the margins of the European Council meeting 3/4 December and the attached passage recommended for inclusion in the communiqué.

BACKGROUND

3. Any omission of Afghanistan in the communiqué could be taken as a sign of declining interest. This would be most unwelcome when the UN General Assembly has just voted overwhelmingly in favour of the Pakistani draft resolution on Afghanistan (114-21-13). We have seen no evidence to substantiate recent press speculation that Andropov may be more flexible over Afghanistan, and the EC needs to reaffirm its views.

4. The attached draft is based on the passage on Afghanistan in the EC conclusions on political cooperation, 29/30 March.

1 December 1982

M StE Burton
South Asian Department
233 3131 W132

CONFIDENTIAL

With the recent overwhelming vote at the UNGA in mind, the European Council considers it right to draw particular attention once more to the tragic situation in Afghanistan which has suffered nearly three years of military occupation. Soviet forces now total some 100,000 men; repression of the civilian population continues unabated. The massive exodus of refugees, who already number more than one fifth of the population, represents an increasing humanitarian and social problem.

In the view of the European Council, it is more necessary than ever to hasten the search for a political solution to the Afghanistan problem. This can only be on the basis of the complete withdrawal of the Soviet troops and respect for the independence, sovreignty and non-alignment of Afghanistan.

The Council strongly reaffirms the desire of the Ten to contribute to an acceptable settlement. It denounces again the negative attitude of the Soviet Union in rejecting successively the proposals made by the Ten, the Non-aligned Movement, the Islamic Conference and the General Assembly of the United Nations. The Council strongly urges consideration of their proposals of 30 June 1981 for a comprehensive political settlement of the conflict. These remain on the table and offer a reasonable and practicable way forward if the political will exists. They seek to bring about the cessation of external

/intervention

intervention and the establishment of safeguards to prevent such interventions in the future, and take into full account the legitimate interests of the area.

The Council welcomes the nomination by the Secretary-General of the United Nations of a Personal Representative for the Afghan question, and continue to follow with interest the efforts of the Secretary-General and his Personal Representative.

III. AFGHANISTAN

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

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



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

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

Prime Minister

CONFIDENTIAL

Qz.02826

MR 1/12

MR COLES

cc: Mr Kerr
Mr Fall
Mr Lowson
Sir Robert Armstrong

EUROPEAN COUNCIL: FRENCH OBJECTIVES

Monsieur Pierre Morel, the French President's Adviser on Community Affairs, called at the Cabinet Office yesterday as part of the arrangements for closer contacts between British and French officials that were agreed at the recent Anglo/French Summit. He described the line that the French President would be likely to take on a number of items to be discussed at the Copenhagen Summit.

Common Fisheries Policy

2. The French have no wish to offer more concessions to the Danes and consider that the Danish Prime Minister should be subjected to "the right amount of pressure". By this they mean that too much pressure could make it politically impossible for the weak Danish Government to accept the package now on offer, whereas any hint of a willingness to "compromise" would be ruthlessly exploited by the Danes. Monsieur Morel suggested that the nine Heads of Government should state clearly that the choice lay between agreement on the package now on offer and national measures; but should not make a great fuss about it.

Economic and Social Situation

3. President Mitterrand attaches importance to this item. He believes that the European Council has a problem of credibility. It should stop its habit of inconclusive discussions about major problems followed by remits to subordinate bodies that then also fail to solve them. Instead, the European Council should select a limited number of realistic actions and endorse them. President Mitterrand's list is as follows:-

/(i)



CONFIDENTIAL

(i) Investment. All member states should announce their resolve to achieve "a sufficient level" of investment. (The French Finance Minister, Monsieur Delors, tried to persuade the Jumbo Council on 16 November to endorse a commitment to devote 1% of Community GNP to additional investment. The French now know that this is not attainable.)

(ii) An agreement that countries with healthy balance of payments (meaning Germany) should do what they could to help the Community out of recession. (Monsieur Morel seemed to think that the Germans might go along with some formula on these lines.)

(iii) An indication to the Finance Council that it would be appropriate for them to agree to the third tranche of the New Community Instrument.

(iv) The creation of a Community Working Party on technology, growth and employment to follow up, in the Community context, President Mitterrand's initiative at the Versailles Summit (which is now being followed up by a Working Party of the Versailles countries).

(v) An invitation to the Commission to make proposals for spending more Social Fund money on youth employment and retraining. The French see this as bringing forward one of the new developments which can be expected to result from the impending review of the Social Fund.

(vi) An invitation to the Commission to arrange for its "Tripartite Sector Committees" (which include representatives of employers and employees) to examine the scope for the reduction of working hours in various particular industries; and also to study the social consequences of technical change in those industries.



/4.

Enlargement

4. Monsieur Morel confirmed that the French President would insist that decisions must be taken to increase own resources and to reform the Mediterranean Acquis before Spain and Portugal join. He explained that this was an absolute political imperative for the French President.

Comment

5. The French line on the Common Fisheries Policy raises an important question of tactics which the Prime Minister will need to discuss with the Foreign Secretary and the Minister of Agriculture at her briefing meeting tomorrow. What degreee of pressure is most likely to secure the objective of inducing the Danish government to accept the package?

6. None of the specific suggestions about the economic and social situation need oblige the Prime Minister to oppose the President's ideas. He is surely right to believe that agreement on a limited number of practical steps would be better for the European Council's image than the usual sort of communique language in the Presidency conclusions. On the other hand, it so happens that the conclusions of the Jumbo Council and the Finance Council which are on the Agenda of the European Council are couched in terms satisfactory to us and any attempt by the French to move beyond them could create difficulties in particular cases. Our general line could therefore be to endorse the President's idea of picking on a few specific topics while at the same time insisting that the agreements achieved in the Jumbo and Finance Councils be retained.

7. In the case of investment it will be especially important not to lose the valuable phrase in the Finance Council's conclusions - namely that member states should restructure public expenditure in favour of productive expenditure (ie and not increase public expenditure to accommodate investment projects regardless of their expected rate of return). A brief will be circulated tomorrow on the specific proposal to approve the third tranche of the New Community Instrument.



/8.

8. The proposal to have a Community dimension to President Mitterrand's Versailles initiative on technology, growth and employment was mentioned again today at a meeting in Paris. It is clear that President Mitterrand intends to make a considerable speech on this subject. A telegram reporting today's discussions is on its way and a new brief will be circulated tomorrow.

9. The UK would stand to benefit from further expenditure by the Social Fund on youth employment and retraining so that this idea could be welcomed. The proposal for discussions in the Commission's "Tripartite Sector Committees" is less attractive. Neither the Government nor UK employers would want to see these committees used as a forum for negotiations about Community legislation. But there would be no objection to discussions which were intended to encourage the working out of practical solutions within each industry between the employers and the employees concerned, without Government involvement.

10. The line on enlargement comes as no surprise and requires no change in the brief already circulated. What Monsieur Morel said in discussion yesterday about enlargement confirmed that the United Kingdom has a bargaining lever here. At one point in the talks he even described the UK position on the own resources ceiling as "rather frightening"!

D.H.

D J S HANCOCK

1 December 1982

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

Prime Minister

A.S.C. 6/12.

*From the Secretary of State*

CONFIDENTIAL

John Coles Esq
Private Secretary to the Prime Minister
10 Downing Street
London
SW1

1 December 1982

Dear John,

EUROPEAN COUNCIL: THE GATT MINISTERIAL MEETING

1 This letter supplements the brief on "Community Relations with other Industrialised Countries" which was completed before the outcome of the GATT Ministerial Meeting was known.

2 First, the GATT meeting itself, though it came close to failure, managed to produce a realistic declaration and commitment to useful studies, notably on services and trade between the developed and developing countries. The outcome could have been much worse. The EC was seen as unhelpfully intransigent, but in fact its attitudes were no more entrenched than those of the United States or some of the developing countries. Any follow-up should be a matter for the Foreign Affairs Council, not Heads of Government.

3 EC/United States relations came under strain on agriculture because of the United States' insistence on getting their way on agricultural subsidies. In the end, however, they compromised, a study being agreed, but the EC declining to commit itself to a further round of negotiations on trade in agriculture. This outcome served the purpose of this meeting. However, the underlying disagreements, particularly over the effects of the CAP, remain. It is not yet clear to what extent the compromise will satisfy United States hawks. In my view they are likely to be critical. It will therefore remain important for the EC to work to avoid an all-out confrontation on this issue. We ourselves of course have a very considerable stake in the matter as the CAP also lies at the heart of the Budgetary problem.

4 If relations were strained on agriculture, EC/United States relations on services were harmonious, largely as a result of United Kingdom efforts to keep the EC position open. Whether this success will be enough to satisfy United States domestic concerns is still uncertain, but the United States has certainly avoided failure on this issue.

*From the Secretary of State*

CONFIDENTIAL

5 Unsurprisingly, since this was a multilateral negotiation, and not a gathering of like minds, the reference to Japan in the Ministeral document is veiled. This makes it all the more important for the EC to continue to press Japan bilaterally to do something to reduce their trade surplus.

6 I am sending copies of this letter to the Private Secretaries to the membes of OD(E) and to Sir Robert Armstrong.

Yours sincerely,

JOHN RHODES
Private Secretary

ADVANCE COPIES FRAME FISHERIES (43) ~~58~~ XEROX COPIES

No 10 DS Mr COLES.

FCO

PS
PS/MR HURD
PS/PUS
SIR J BULLARD
~~LORD BRIDGES~~
MR HANNAY
MR EVANS

RESIDENT CLERK

HD/ECD(I) (3)
HD/NEWS D
HD/WED
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HD/

PLUS FCO

MR ~~BARWEN~~, ANDERSON
LEGAL ADV.

ECD(1)
Mr de Fontblanque

CABINET OFFICE

MR D HANCOCK
MR STAPLETON
MR DURIE
~~MR J RUDGE~~
MR MR KEAY

D O T ( 1Victoria St)

Mr R GRAY
Mr R WELLS
[WEG]

H M TREASURY

SIR K COUZENS.
MISS J COURT
Mr ASHFORD
Mr LITTLER

Miss LAMBERT.

MAFF

PS/MINISTER
SIR B HAYES
PS/MR BUCHANAN-SMITH

MR MASON
~~MR KELSEY~~
MR PACKER
MRS BLACKWELL
MR NASON
MR BELCHAMBER
MR HENSHAW
Mr P Pooley

Fisheries Division,
Great Westminster House

PLUS O G D's

MR BONE, N I O GOGGS
MR MORRISON DANI
MR G JONES WOAD

PS/S of S
MR McGHEE
MR CORMACK
MR FINDLAY

D A F S
c/o Scottish Office

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TO IMMEDIATE F C O
TELEGRAM NUMBER 4607 OF 1 DECEMBER 1982
INFO PRIORITY COPENHAGEN ROUTINE THE HAGUE ROME DUBLIN PARIS BONN
LUXEMBOURG ATHENS
INFO SAVING TOKYO

COREPER (AMBASSADORS) 1 DECEMBER

PREPARATION FOR EUROPEAN COUNCIL

SUMMARY

1. CLEAR THAT THERE WILL BE DISCUSSION INTERNAL MARKET AND JAPAN. I GAVE NOTICE OF PRIME MINISTER'S INTENTION THAT THERE SHOULD BE A FULL DISCUSSION OF FISH.

DETAIL

2. THORN (PRESIDENT OF COMMISSION) SAID THAT HE INTENDED TO SOUND A NOTE OF ALARM AT THE EUROPEAN COUNCIL ABOUT DEVELOPMENTS IN THE INTERNAL MARKET. HE WARNED AGAINST A PUBLIC EXCHANGE OF REPROACHES. IF HEADS OF GOVERNMENT ARRIVED IN COPENHAGEN WITH FILES OF COMPLAINTS AGAINST OTHER MEMBERS, THEY SHOULD DISCUSS THEIR GRIEVANCES IN PRIVATE.

3. AFTER A DIVERSION ON THE FORTHCOMING TALKS BETWEEN THE COMMISSION AND THE USA (SEPARATELY REPORTED) THORN SAID THAT THE COMMUNITY

AND THE USA (SEPARATELY REPORTED) THORN SAID THAT THE COMMUNITY MUST KEEP UP THE PRESSURE ON THE JAPANESE, WHO SEEMED TO PAY LITTLE ATTENTION TO US. RIBERHOLDT (PRESIDENCY) SAID THAT THE PRESIDENCY DID NOT AT PRESENT INTEND TO INCLUDE ANYTHING ON JAPAN IN THE EUROPEAN COUNCIL'S CONCLUSIONS. THE FOREIGN AFFAIRS COUNCIL WOULD BE DISCUSSING ON 13/14 DECEMBER. THORN SAID IT WAS IMPORTANT TO GET RESULTS OUT OF JAPAN, BOTH BECAUSE OF THE IMPORTANCE OF THE PROBLEM ITSELF AND IN ORDER TO SET AN EXAMPLE FOR THE NICS. BUT HE DID NOT PRESS FOR CONCLUSIONS IN COPENHAGEN.

4. I THEN SAID, AS INSTRUCTED (YOUR TELNO 837), THAT THE PRIME MINISTER WOULD EXPECT TO HAVE A FULL DISCUSSION OF FISH. POENSGEN (FRG) SUPPORTED ME. RIBERHOLDT SAID THAT HIS PRIME MINISTER WOULD NOT RAISE THE SUBJECT BUT EXPECTED THAT OTHERS WOULD. PERHAPS IT COULD BE DISCUSSED OVER DINNER. I SAID THAT IT MUST BE IN FORMAL SESSION. THERE WAS GENERAL SUPPORT. (RIBERHOLDT CONFIRMED TO ME AFTERWARDS THAT FISH WOULD BE TAKEN IN FORMAL SESSION.)

5. RIBERHOLDT THEN SAID THAT THE TRADE UNIONS HAD BEEN UNABLE TO ACCEPT THE USUAL INVITATION TO MEET THE PRESIDENT OF THE EUROPEAN COUNCIL BEFOREHAND, THOUGH THE EMPLOYERS HAD ACCEPTED. THORN SAID THAT THE UNIONS HAD TOLD HIM THIS MORNING THAT THEY HAD AGREED TO MOUNT A CONCERTED CAMPAIGN OVER UNEMPLOYMENT AGAINST ALL THE MEMBER GOVERNMENTS AND THE COMMISSION. BUT THEY WERE ALSO PREVENTED FROM GOING TO COPENHAGEN BY CLASHING ENGAGEMENTS. RIBERHOLDT SAID THAT THE PRESIDENCY THOUGHT THE EUROPEAN COUNCIL WOULD ENDORSE THE CONCLUSIONS OF THE ECOFIN AND JUMBO COUNCILS AND AGREE A WORK PROGRAMME ON INTERNAL MARKET, INVESTMENT, AND SOCIAL MEASURES AS AGREED IN THE JUMBO COUNCIL CONCLUSIONS.

FCO ADVANCE TO:-
FCO - PS, EVANS, HANNAY, DE FONBLANQUE
CAB - HANCOCK
DOT - GRAY
MAFF - MASON, POOLEY
TSY - COUZENS, LITTLER
NO 10 - COLES

FCO PASS SAVING TOKYO

BUTLER

NNNN

SENT AT 01/1924Z ERW

Foreign and Commonwealth Office

London SW1A 2AH

1 December 1982

Dear John,

With your letter of 30 November, you enclosed a letter from the Prime Minister of Denmark to the Prime Minister about the European Council. I attach a draft reply for the Prime Minister to send, which has been agreed by all the Departments to whom your letter was copied. As you will see, the only substantive point we recommend the Prime Minister to make is about fisheries.

Mr Schlüter says that the Presidency will report on the budget problem but that he does not envisage any substantial discussion. This will enable the Prime Minister to speak on the subject and we see no need for her to comment further in her reply to Mr Schlüter. To do so we would only alert others and increase the chances that they will come to the Council armed with lengthy, defensive speeches.

I am copying this letter to the recipients of yours.

Yours ever,

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

DSR 1 (Revised)

**DRAFT:** ~~minute~~/letter/~~telegram/despatch/memo~~

**TYPE:** Draft/Final 1+

FROM:

The Prime Minister

DEPARTMENT: TEL. NO:

Reference

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

TO:

Mr Schlüter

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

Thank you for your letter of 26 November. It was most useful to have this indication of how you see our discussions in Copenhagen on Friday and Saturday, and I very much agree with the way you propose to organise the proceedings.

I note that, in addition to the subjects specifically mentioned in your letter, you envisage that further issues may be raised by any Heads of Government. I have now received a report on the meeting of Fisheries Ministers on 29 November and I am sure that, as I told you in London, we shall need to have a thorough discussion about the Common Fisheries Policy. I ~~am sure that~~ believe you will find that others, as well as myself, will wish this.

Type please.

MT 1/12.

Enclosures—flag(s).....

FCO

SW

# 10 DOWNING STREET

*From the Private Secretary*

30 November, 1982

Dear Roger,

European Council

I enclose a copy of a letter to the Prime Minister from the Prime Minister of Denmark. Although this is dated 26 November, it has just reached me.

I should be grateful if you could let me have early advice, coordinated with the other addressees of this minute, on the reply which the Prime Minister might send.

I am copying this letter to John Kerr (Treasury), John Rhodes (Department of Trade), Robert Lowson (Ministry of Agriculture), Barnaby Shaw (Department of Employment) and David Hancock (Cabinet Office).

Yours ever

John Coles.

R. B. Bone, Esq.,
Foreign and Commonwealth Office

Eur Council
PM 12 with AT

PRIME MINISTER

Statement on the European Council

I do not think there is any way of avoiding an oral statement on the European Council. You will remember that Mr. Foot was adamant in his demands for an oral statement after the last Council.

The earliest day for a statement would be Monday. However, we have unfortunately arranged a military briefing on Gibraltar and Belize at 3.30 that afternoon, and it would be very difficult to rearrange this. I think we could defend your making a statement on Tuesday, given that Tuesdays and Thursdays are days on which the Prime Minister traditionally answers Questions in the House.

Agree that we should aim for a statement on Tuesday?

CDP

Yes MT

29 November, 1982

cc Master Ops

T 226 A/82

(2)

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 226 A/82.

November 26, 1982. Prime Minister

We shall let you have a draft reply. A.J.C. 30/11

Dear Mrs. Thatcher,

As President of the European Council I have, like many of my predecessors, found it useful, prior to the meeting, to let my colleagues know my ideas concerning the arrangement and the objectives of the meeting in Copenhagen on December 3 and 4, 1982.

Like me, some of the participants are attending a meeting in the European Council for the first time. This fact also adds to the desirability of a briefing.

I consider it essential that the general message which should emerge as the result of our discussions is a clear statement of the wish of the Heads of Government for a concentration of our common endeavours concerning the fundamental economic and social problems and the challenges which the Community faces. It is in everybody's interest not to strengthen a negative judgement of the Community by concentrating their attention around disagreement about special issues of minor importance.

As you will know, the following points are expected as subjects of discussion within the Community fields:

- the economic and social situation
- the enlargement of the Community
- Community relations to the other industrialized countries. — Japan.

To this list should be added any further issues which might be raised by any Head of Government.

The three issues mentioned above are very closely interconnected.

In particular concerning the point "the economic and social situation" it is my opinion that we would benefit by building upon the conclusions which were the result of the recent joint meeting of the Ministers for Economy, Finance, Labour and Social Affairs as well as of the Council ("Ecofin"). If any of my colleagues should wish to raise special questions in this field this will, of course, be possible.

../..

It would be natural for us to stress the fact that the endeavours of the Community concerning the co-ordination of the national efforts as well as the endeavours at the Community level have the clear objective of bringing about a reestablishment of the economic and monetary stability which would make a substantial improvement of the employment situation possible. It is, moreover, important that the European Council underlines the wish that the conclusions are followed up by expedient proceedings of the Commission's proposals in a number of central areas. This, first and foremost, applies externally where the Community should aim at a more energetic effort in order to counter the dangers which threaten the international monetary system. Secondly, it applies internally, where the Commission in its reports to the European Council has pointed out such priority tasks including not least the need for a completion of the Common Market and the need to further actions aimed at strengthening investments, in particular in priority sectors as energy, research and development.

Concerning the question of the enlargement of the EC with Portugal and Spain I hope that we can join the constructive assessment presented in the Commission's statement that the enlargement problems primarily will be found in the internal preparations of the Community with a view to facilitating the two coming member countries' harmonious entry into the Community. The fact that the Community makes a serious effort to solve these problems should, of course, be considered as something positive in relation to the enlargement.

As to the point "Community relations to the other industrialized countries" it is clear that our relations to USA and Japan play a prominent part. I hope that we shall be able to reach agreement on conclusions which demonstrate that we are ready to make our contribution to secure a positive development of these relations and at the same time create conditions which secure the interest of the Community. In this connection the internal development of the Community is of decisive importance.

Considering the crucial importance of foreign trade to the Community, we must attach great importance to the confirmation of the general adherence to the international trade system at the just concluded GATT ministerial meeting. Thus it is important that we succeeded in reaching an agreement on a final document. We regret, however, that the character of the text concerning agriculture made it necessary to express the EC's views in a special statement. On that occasion no progress was

../..

thus made towards a settlement of the threatening conflict with USA in this field. It is, on the other hand, my hope that on the basis of the positive results which have, all in all, been achieved concerning the other problems we discussed at the meeting of the European Council in June, we shall agree on a statement from the European Council expressing our wish that this development be continued in such a way that by mutual efforts normal, confident relations between the Community and our American ally can be established.

The Presidency will give a short, oral report on the ongoing work on the Genscher/Colombo initiative concerning the European Act. However, it is not the intention at this meeting of the European Council to have a substantial discussion on this subject.

4 The Presidency will, moreover, give a brief report on the agreement reached on the further proceedings concerning the budget problems. On this point I do not envisage any substantial discussion.

As usual, the European Council will also take note of the two annual reports on progress made towards the European Union.

I would, moreover, find it natural if the European Council, as is the common practice, also at this meeting discusses matters which are under consideration within the framework of the European Political Cooperation (EPC).

5 In this connection I find that East-West relations must be accorded the highest priority. One of the main reasons for this is of course the recent change of leadership in Moscow, where I suppose we are all looking for signs of a more constructive and cooperative attitude. This may also apply to the Madrid meeting, which we should presumably discuss in any case. But also the current situation in Poland and the Ten's relations to this country are of continuous interest to us.

6 Furthermore, it seems reasonable to discuss the situation in the Middle East including the ways in which the Ten may contribute to preserving the momentum in the peace process which was initiated by President Reagan's speech on September 1, 1982, and the statement adopted by the Arab Heads of State and Government at the Fez summit on September 9, 1982.

../..

As to the practical planning of the meeting, it is my intention to try to conclude the discussions about the three subjects within the Community area on Friday afternoon so that on Saturday we can concentrate partly on the Presidency's conclusions concerning these discussions, partly on discussions of the other subjects. It is not my intention to propose specific and in advance prepared items for discussion during and after our dinner in the evening. The original character of these conversations as informal fireplace talks is in my opinion the right form. We might for instance discuss some of the EPC issues I have just mentioned.

I hope that you agree on these views about the forthcoming meeting and look forward to receiving your comments and proposals.

Yours sincerely,

(signed) Poul Schlüter

HL

10 DOWNING STREET

*From the Private Secretary*

MISS WILKINSON
CABINET OFFICE

Thank you for your minute of 26 November.

I agree with the list of participants you propose for the Prime Minister's pre-Council briefing, except that the Private Secretary to the Foreign and Commonwealth Secretary is not invited on these occasions.

A. J. COLES

26 November 1982

Ref: A082/0289

CONFIDENTIAL

MR. COLES

European Council, Copenhagen: 3rd-4th December
Prime Minister's Briefing Meeting,
2nd December at 4.00 pm

Now that the composition of the United Kingdom Delegation to the European Council has been decided (your letter of 17th November to Mr. Bone), and the subjects likely to be discussed at the Council are clearer, you will wish to decide who should attend the Prime Minister's pre-Council briefing meeting at 4.00 pm on 2nd December.

2. The Prime Minister will no doubt wish to invite the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade, the Secretary of State for Industry (on Steel), the Minister of Agriculture, Fisheries and Food if the Common Fisheries Policy has not been settled. As the outcome of the General Agreement on Tariffs and Trade (GATT)Ministerial Meeting is likely to be raised at the European Council, she may also wish to invite the Minister of Trade who will have represented the United Kingdom at the GATT Ministerial Meeting. In addition, it would be appropriate to invite the following officials who will be attending the Council:-

Sir Julian Bullard
Mr. Richard Evans
Mr. David Hannay
[The Private Secretary to the Foreign and Commonwealth Secretary]
Sir Kenneth Couzens
Sir Michael Butler
Mr. David Hancock
Mr. William Mason (MAFF - if the fisheries question has not been resolved).

3. It would also be appropriate to invite Mr. Robin Gray, who is accompanying Mr. Rees to the GATT Ministerial Meeting.



CONFIDENTIAL

4. Sir Robert Armstrong would also wish to attend the briefing meeting, even though he will not be going to the Council.

Lindsay Wilkinson

Lindsay Wilkinson

26th November 1982

Prime Minister

CONFIDENTIAL

A. & C. 26/11

Qz.02809

Budget

MR COLES

cc: Mr Kerr, H M Treasury
Mr Fall, FCO
Mr Lowson, MAFF
Sir Robert Armstrong

EUROPEAN COUNCIL: COMMUNITY BUDGET PROBLEM

I refer to the brief on the budget problem - EHG(C)(82) 11, copy attached. I should like to call the Prime Minister's attention to three of its tactical recommendations which may need some explanation.

The own resources ceiling

2. In paragraph 6 of the Points to Make, the brief recommends the Prime Minister to use the words:

> ". . . the essential requirement is effective control over the growth of surpluses and of CAP expenditure. We take the view that the present own resources will be sufficient even after enlargement."

This passage has been drafted to avoid both:-

(i) committing the United Kingdom to any increase in the funds available to finance Community expenditure; and also

(ii) giving the impression that our minds are closed to any change in the Community's financial system.

3. To go as far as (ii) would be a tactical mistake. We need a fundamental reform of the Community's financial system in order to secure a lasting solution to our budget problem. We also need to break down resistance in the other member states to giving us what we require on the budget. Some of the other Heads of Government are genuinely worried that the 1% ceiling will frustrate the development of the Community and cause their

/farmers



CONFIDENTIAL

farmers to suffer because FEOGA has run out of money.

4. The point is one of presentation and psychology and not of substance. The Treaty gives us an absolute veto over any increase in own resources and the others all know it. (The Luxembourg Compromise is not relevant to this decision.) We should arouse unnecessary hostility if we gave the impression that we would veto an increase in own resources no matter what the merits of the case. We have lots of good arguments on our side. We can point out that it is the CAP and not enlargement that constitutes the threat to the 1% ceiling. The other member states cannot deny that the Community has so far failed to take effective action to curb agricultural surpluses which are the cause of the problem.

Review of the Community's financing system

5. The Commission or the Presidency may invite Heads of Government to comment on the Commission's proposal to conduct a "thorough review of the Community's financing system" and make proposals next Spring. Paragraph 7 of the Points to Make suggests that, if required to comment on this point, the Prime Minister should say:-

> "We are certainly prepared to discuss the Commission's proposals for changes to the Community's financial system, but I am not prepared today to agree that, regardless of what is done about CAP expenditure, new money will be needed."

6. This formula would leave us free to advocate changes in the revenue and expenditure sides of the Community budget which would solve the problem of our net contribution without increasing our gross contribution.

/. . .

The timetable for a solution to the UK problem

7. On this point the brief in paragraph 4 suggests that the Prime Minister should try to persuade Mr Schlueter to say in his Presidency conclusions that the European Council has asked Foreign Ministers to find a solution to the problem before their next meeting (ie the first European Council under the German Presidency, at present scheduled for the end of March). The Prime Minister should not make an issue of this because it is quite probable that President Mitterrand would not agree and we do not wish to be seen to have been rebuffed.

8. If the attempt to get suitable words in the Presidency conclusions failed, the Prime Minister could say (both in the Council and to the press afterwards) that, if the Foreign Ministers failed to solve the problem before the next European Council, then a serious situation would have arisen which would require priority attention at that Council.

9. The background to this advice is that the French Minister, Monsieur Chandernagor, refused to agree to a new deadline when the Foreign Secretary argued for one at the Foreign Affairs Council on 22 November. President Mitterrand may well take the same line at Copenhagen and, if he did, he would not be likely to give way.

D.H.

D J S HANCOCK

26 November 1982

Euro Pol Brl
file

MR. HATFIELD
CABINET OFFICE

EUROPEAN COUNCIL, COPENHAGEN, 3 - 4 DECEMBER

Thank you for your minute of 2 November.

I confirm that it will be acceptable for the briefs for the European Council to reach me by noon on Friday, 26 November.

A. J. COLES

3 November 1982

Ref. A09948

MR COLES

European Council, Copenhagen, 3-4 December

The preparation of the briefs for the next European Council is now being set in hand. I should be grateful for your confirmation that it would be acceptable if they were to reach you by noon on Friday 26 November, although, as usual, it may be necessary to delay the submission of briefs on certain fast moving subjects. We will also provide advice on who might be invited to the briefing meeting on 2 December once a decision has been taken on those attending the European Council itself.

R P HATFIELD

2 November 1982

CONFIDENTIAL

i) ANGLO/GERMAN BILATERAL: European
MAY 1982.
ii) Anglo French Summit iii) European Council Copenhagen

Foreign and Commonwealth Office

London SW1A 2AH

24 September, 1982

Mr Coles OIR

Dear Michael,

Speeches in Europe

At OD on 22 July it was agreed that there would be value in a series of Ministerial speeches during the autumn, which would both firmly state our case on the budget but would, at the same time, set out in a positive fashion our views on the future development of the Community. Our principal aim would be to influence Community opinion in the context of the budget negotiations.

The first two speeches in this series - Mr Pym's in Copenhagen on 10 September, and Mr Hurd's in Brussels on 20 September - have now been delivered. The rest of the programme is shaping up as follows:

| | | |
|---|---|---|
| Mr Baker | Paris | 28 September |
| Mr Tebbit | The Hague | 4 October |
| Mr Walker | Paris | 5 October (not yet confirmed) |
| Mr Prior | Rome | 12 October |
| Mr Rees | Bremen | Mid-October (not yet confirmed) |
| Sir Geoffrey Howe | Frankfurt | 28 October (not yet confirmed) |
| Mr Heseltine | Antwerp | 3 November |
| Mr Rifkind | Luxembourg | 11 November |
| Mr Lawson | Bonn | 29 November |

The first two speeches have set the stage for a more detailed elaboration of positive British thinking in the fields for which the individual Ministers concerned are responsible. Mr Pym does not suppose that such a programme of speeches will make the budget negotiations less tough and difficult than they would otherwise be; but he remains convinced that we should do all we can to influence European opinion if we are to achieve our aims. As the going on the budget gets rough, as it certainly will, it will become all the more important to bring out the positive role we wish to play in the Community as an antidote to the negative response which the budget negotiations will certainly arouse.

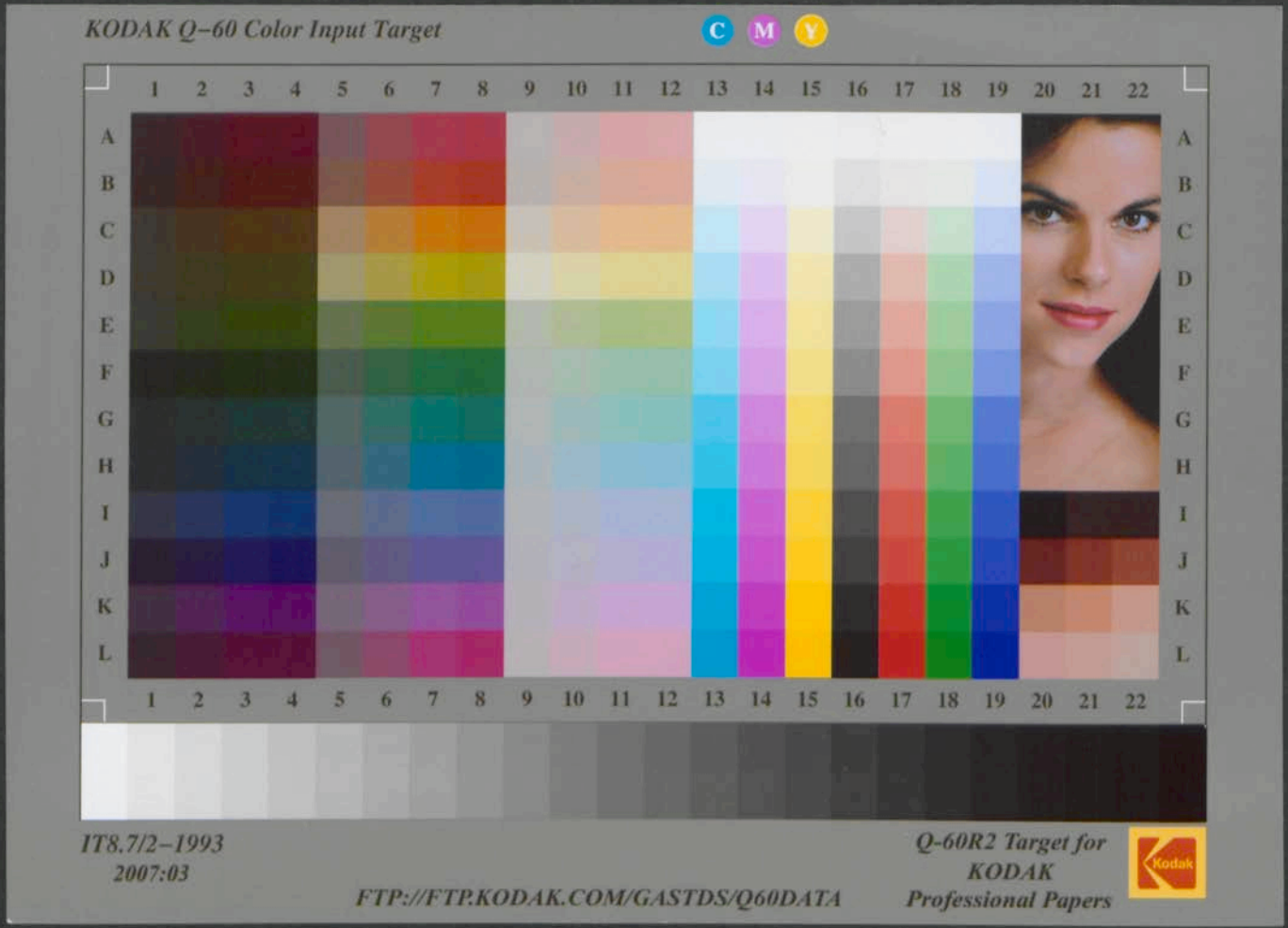
CONFIDENTIAL /Mr Pym

Mr Pym feels that the exercise would pay much greater dividends if the Prime Minister were seen to be personally involved in it. He therefore hopes that she will agree to appear on German and French TV at the time of the Anglo-German Summit on 28/29 October and the Anglo-French Summit of 4/5 November. Press interviews and signed articles for the press, to coincide with these Summits, would also be most valuable. In addition the Prime Minister may wish to consider using a speech - or part of a speech - to bring together the various themes and ideas developed by other Ministers. This could be done either in Europe or at home. Late November must be the ideal time to wrap up the programme of speeches before the Copenhagen Summit on 3/4 December; but there would be value in such a speech even after the Copenhagen Summit - perhaps to mark the 10th anniversary of British Community membership (which falls in the new year), in a way which lays emphasis on the challenges of the future.

Yours ever,

(B J P Fall)
Private Secretary

M Scholar Esq
Private Secretary
10 Downing Street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