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EHG(B)(83)1 Revise

COPY NO 1

15 MARCH 1983

EUROPEAN COUNCIL, BRUSSELS  
21/22 MARCH 1983

INDEX OF BRIEFS

Brief by Foreign and Commonwealth Office

1. Index
2. General Brief

Main Briefs

3. Economic and Social Situation
4. Political Cooperation
5. Budget Problem
6. Enlargement
7. Genscher/Colombo Proposals
8. International Trade Issues
9. Internal Market
10. Energy (including Oil Prices)
11. Research
12. Innovation/Industrial Policy (including Davignon Initiative)
13. New Community Instrument
14. Mutual Recognition of Diplomas
15. Social Matters including Youth Unemployment

Contingency Briefs

16. Greenland

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17. Greece and the EC
18. CAP prices
19. Reform of the Mediterranean Acquis
20. Integrated Mediterranean Programmes
21. Uniform Electoral Procedure
22. North/South
23. Steel
24. ERDF

Additional Briefs

25. Preparation for Williamsburg Summit
26. Environment - *AWd Ran*
27. Transport Questions.

[NB1 The following briefs were submitted on Friday 11 March:  
Nos 1,9,13,15,17,22,23,24]

[NB2 An addendum to Brief No 6 (to cover the institutional aspects of  
Enlargement) will be submitted later]

Foreign and Commonwealth Office  
15 March 1983

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15 March 1983

GENERAL BRIEF FOR EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

Brief by the Foreign and Commonwealth Office

INTRODUCTION

1. This European Council will be looking at progress on the work commissioned on various Community policies at its December meeting, including enlargement, may discuss developments in the oil market and will discuss the forthcoming Williamsburg Economic Summit and the budget issue. On the latter, the Commission have now tabled their green paper on the future financing of the Community and there are some signs of greater understanding on the need for a long term reform of the Community's financial system. But there has so far been no progress on the solution for 1983 and later. The time before the June European Council is now short; and it will be important for this Council to give a real impetus to discussion if we are to get agreement on this by the end of the German Presidency. The possibility of an EMS realignment, either shortly before or even at the same time as the European Council cannot be excluded.

2. The only Head of State/Government who was not present in December will be Mr Fitzgerald, who has of course attended previous Councils. With the German elections over, the UK is the only Member State where elections are in prospect. The Prime Minister may wish to congratulate Chancellor Kohl on his victory.



AGENDA AND DOCUMENTATION

3. Chancellor Kohl will be writing to members of the European Council saying how he proposes to handle the meeting. Meanwhile, the Presidency have proposed the following list of subjects for discussion:

I Economic and Social Situation

a) General Situation (Brief No 3)

The Commission will provide the usual paper on the internal situation. However not a great deal has changed since December and Chancellor Kohl is anxious to avoid a series of reports from Heads of State on the economic and social situation in their countries and hopes instead to have an exchange of views on major issues such as youth unemployment (Brief No 15) and recapturing growth. There may also be discussion on recent developments in the oil market (Brief No 10) under this item.

b) The Copenhagen Mandate - Interim Report

Discussion is likely to be based on a written report by the Presidency on what has been done to follow up the conclusions of the December European Council covering:

- Internal Market (Brief No 9)
- Research (Brief No 11) and Innovation/Industrial Policy (Brief No 12) (There is also likely to be a short paper by the Commission setting out Davignon's ideas on industrial policy).
- New Community Instrument (Brief No 13)
- Energy (Brief No 10)

In addition the Dutch have said that Mr Lubbers will want to make a statement about Transport Policy in anticipation of fuller discussion at the June European Council.

c) Other Community Questions

- Future Financing of the Community ) (Brief No 5)
- the subsequent solution )

Discussion on these 2 items will be introduced by



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- an oral report from Herr Genscher and M Thorn.
- Commercial Policy (Brief No 8) The most likely subjects are EC-US agricultural trade, Japan and the Commission's proposal for new common commercial policy procedures.
  - Mutual Recognition of Diplomas (Brief No 14) The European Council will be asked to recognise the importance of the mutual recognition of diplomas and to request the appropriate Council to pursue the subject.
  - Environment (Brief No 26 ) The Germans want the European Council to instruct Environment Ministers to make progress on environmental questions particularly on the problem of acid rain.
  - Greece (Brief No 17) Papandreou may raise the Greek Memorandum on problems relating to their accession.

II Preparation for Williamsburg (Brief No 25 )

Those who will not be represented at Williamsburg will want to make their views known.

III Enlargement (Brief No 6)

The main subjects will be reform of the Mediterranean agricultural regimes on which there will be a report from Agriculture Ministers and the Commission's inventory of the problems of Enlargement on which there will be a report from the Foreign Affairs Council. The substantial points raised in the Agriculture Ministers' report are covered in Brief No 19 but it would be preferable to remit detailed discussion to agriculture ministers.

IV Genscher/Colombo (Brief No 7)

Herr Genscher will report on progress but will not press for signature on this occasion.

V Political Cooperation (Brief No 4) - This will cover East-West and the Middle East. The French are keen that the Non-Aligned summit should be discussed.



UK OBJECTIVES

- 1) On the budget problem to secure a commitment from the European Council that decisions will be taken at latest by the time of the European Council in June, and to get the Commission to accept a remit to produce proposals in good time before the April Foreign Affairs Council covering both a scheme for the long term reform of the Community's financial system and a solution (with figures) for 1983 and later.
- 2) On enlargement to secure a commitment to early decisions on the reform of the Mediterranean agricultural regimes. To avoid expensive commitments on integrated Mediterranean programmes.
- 3) In discussion of the economic and social situation, to see that there is no weakening in Member States' determination to maintain present policies aimed at fighting inflation and to resist the argument that some countries have "room for manoeuvre"
- 4) On the follow up to the December European Council, to secure a commitment to further progress on the internal market, including services, and in the energy field, on new Community coal measures, benefitting the UK.
- 5) On trade issues to get endorsement for continuing restraint in dealing with the US over agriculture, and continuing pressure on Japan.



SUMMARY OF BRIEFS

A MAIN BRIEFS

Economic and Social Situation (Brief No 3)

The Council will as usual have before it a paper from the Commission on the economic and social situation. There should be fairly general agreement on the need to maintain present policies of bringing budget deficits under control and combatting inflation. The Commission and some Heads of Government may however argue that those Member States - in particular Germany and Britain - which have been relatively successful in achieving those aims now have scope for a degree of reflation. The Prime Minister will wish to stress the importance of maintaining the firm anti inflationary thrust of present policies and not dissipating the hard won gains of the last few years. She may wish to outline the Government's current priorities, including the main features of the British budget.

Political Cooperation (Brief No 4)

Discussions are likely to concentrate on the Middle East and East-West relations. This is a crucial moment for the Middle East and we would expect the European Council to engage in a thorough discussion and possibly a major statement, particularly at a time when the US is looking for European support. On East-West relations, our aim is to encourage the Ten to maintain an approach based on firmness and dialogue. The emphasis must be kept on Soviet actions rather than words. On CSCE we will wish to see a thorough consideration of future strategy in the light of recent developments in Madrid. On Poland we will wish to emphasise the need to keep all aspects of our policy (including rescheduling) under close review within the Ten and with the US. The French are keen that the outcome of the Non Aligned summit should also be discussed. Our aim is to avoid any positive public statement.



Budget Problem (Brief No 5)

Our aim is to initiate a process of negotiation which will result in agreement- preferably at the May Foreign Affairs Council and in any case before the next meeting of the European Council in June - on a solution for 1983 and later as well as substantial progress on long term reform. The Prime Minister will wish to ensure that all our partners understand the political importance for us of reaching a satisfactory agreement by June on the solution for 1983 and later. At the same time she will want to make it clear that we are keen to make progress on long term reform. It is likely to be important for a number of Member States, as well as for subsequent acceptance by the European Parliament, that any solution for 1983 and later should be presented as a bridge towards long term reform. In any case we can only hope for a lasting solution to our structural imbalance in the context of long term reform. Our immediate objectives are therefore to secure a commitment by the European Council that decisions will be taken before the June meeting and to get the Commission to accept a remit to come forward with separate proposals to the April Foreign Affairs Council covering:

- (a) a scheme for the long term reform of the Community's financial system (covering both the revenue and expenditure sides of the budget) which will solve the problem of budgetary imbalances and secure effective control of the rate of growth of agricultural expenditure; and
- (b) a solution for 1983 and later (with figures).

Enlargement (Brief No 6)

There will be two strands to the discussions on enlargement (on the assumption that our bilateral trade problems do not need to figure). The greatest contribution the European Council can make to progress in the accession negotiations is by keeping up the pressure for early agreement on the reform of the Mediterranean agricultural regimes, without which there can be no serious negotiations with Spain on agriculture. The December European Council called for this to be achieved by March but the special



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Agriculture Council on 8/9 March made little progress and the European Council will only receive a progress report. We shall want the European Council to agree (if possible without getting drawn into discussion of the details) that a solution covering both fruit and vegetables and olive oil is imperative and that Agriculture Ministers should be instructed to complete their work and take the necessary decisions without delay. The second strand will be further discussion, on the basis of a report from the March Foreign Affairs Council, of the Commission's Inventory of the Problems of Enlargement. This is likely to focus on the question of pre-accession disciplines to be adopted by the candidates in the light of the exploratory contacts held by the Commission following the mandate from the December European Council. Discussion will almost certainly cover the general absence of progress in the negotiations at Presidency's insistence and own resources at French insistence. We shall want to look as positive as possible about the need for early progress in the enlargement negotiations and the Prime Minister may want to explain our approach to the reform of the Community's institutions to take account of enlargement, and our proposal that the size of the Commission be reduced to 12, ie that the large Member States should forego their second Commissioner.

Genscher/Colombo Proposals (Brief No 7)

Herr Genscher will report to the meeting on the state of progress. The Germans will not be seeking to have the final text signed at the March European Council, but will aim for the June European Council.

International Trade issues (Brief No 8 )

Three subjects are likely to come up. EC/US agricultural trade relations will be a cause for general concern. The Commission may hold their political level talks with the US (planned for March) before the European Council. The message which we want the Community to send to the US is that these agricultural trade issues need to be settled by consultation and agreement, not by unilateral action. If Japan is discussed we should argue that the



Community's pressure on Japan by virtue of its ability to act jointly is now starting to show results. The Japanese Government has publicly recognised the need to meet the Community's concerns both by export restraint and by increasing manufactured imports. The need now is for the Community to maintain the pressure on Japan to ensure implementation of the restraint on exports and, through action in the GATT, to increase imports. If there is discussion of the Commission's proposal for new Common Commercial Policy procedures we shall want to steer a middle course between likely French pressure for a more blatantly protectionist instrument and German opposition to any strengthening in the Community's means of action against unfair trade practices by third countries.

Internal Market (Brief No 9)

The European Council will no doubt consider what has been done to follow up its call, in December for progress on priority areas on the Internal Market by 31 March. These are:

- (a) the treatment of goods of Third country origin covered by EC harmonised standards;
- (b) a directive establishing a technical standards information procedure; and
- (c) measures to ease frontier formalities delaying intra-Community trade.

The Internal Market Council has now met twice, but made only partial progress. There is no agreement yet in sight on (a); (b) and some of (c) are agreed. We will wish to support the Presidency's aim to get faster progress and in particular, to get work speeded up on services (insurance, air transport and the road haulage quotas) and to resist any French demands that the Internal Market Council's remit should be extended to include external trade questions.

Energy (Brief No 10)

The Council agreed in December that work in the field of energy should be speeded up. In discussion of Community energy policy, we will want to press for progress at the next Energy Council



scheduled for April towards agreement on Community coal measures (as the leading coal producer the UK could benefit substantially). The Council may discuss the current state of the oil market and it is possible that Thorn will propose that the Community should take up ideas which are circulating in Brussels for a system to maintain a minimum selling price for oil sold in the Community by means of a variable levy. If the Commission express disappointment about the failure to reach agreement on energy demonstration projects, we should make it clear that we hope that a realistic ceiling for a 5 year programme will be agreed.

Research (Brief No 11)

This is another area on which the European Council called for progress. We consider the Commission's framework programme for research which is still under discussion by the Council to be a useful initiative. In any discussion of the decision to cancel Super Sara, we should assuage any Italian suspicion that we are trying to close down Ispra.

Innovation and Industrial Policy (Brief No 12)

Here again the European Council called for progress. The Commission's proposal for Community aid to stimulate innovation has been heavily criticised as inadequate but Davignon has recently put forward some new ideas. The Prime Minister will want to stress the importance of cooperation on new technology for Community industry and our wish to see progress and to give encouragement to the Commission to come forward with positive ideas, while retaining our open attitude to inward investment from the US and Japan.

New Community Instrument (Brief No 13)

The December European Council called for agreement by March on expanding the New Community Instrument by 3000 m ecu. The ECO/FIN Council agreed on a common position at its February meeting; adoption of the necessary regulation now awaits the outcome of discussions with the European Parliament.



Mutual Recognition of Diplomas (Brief No 14)

The Germans are anxious to make progress on mutual recognition of diplomas and will probably seek agreement to give renewed momentum to work in this area. We support the principles both of academic recognition (to help mobility of students) and of the recognition of professional qualifications (to further rights of establishment for the professions), but there are problems for us, as for others, over two specific proposals currently under discussion, which relate to architects and engineers.

Social Matters (Including Youth Unemployment) (Brief No 15)

The Council may have before it a report on the conclusions at the Informal meeting of employment ministers held on 21/22 February about Youth Unemployment. We can welcome these, though we would need to resist any proposals for conclusions which went beyond the scope of the Youth Training Scheme. In any discussion of the Social Fund, the Prime Minister will want to emphasise the need to give priority to regions of high unemployment and to training for young people.

B CONTINGENCY BRIEFS

Greenland (Brief no 16)

The Commission's paper on Greenland's application to withdraw has been remitted to Coreper for study. Much work will be needed, particularly on fisheries which raises complex problems and on the proposal for Greenland to receive aid, in lieu of its current receipts from the regional and social funds. There is not likely to be much discussion of substance but Denmark may take the opportunity to press for early progress.



Greece and the EC (Brief no 17)

Papandreou may raise the Greek Memorandum on problems relating to their accession. The Commission's final report on this has only just been completed and further work is needed on it. Full Greek compliance with their existing obligations would help their case.

CAP Prices (Brief No 18)

The Prime Minister will wish to express concern at the prospect of overspending on FEOGA guarantee expenditure; and our determination to see a low overall level of CAP price increases, with zero increases for products in surplus. The growth of CAP expenditure must be brought under control, and producers made to understand that the Community can no longer guarantee open-ended support for an escalating level of production.

Reform of the Mediterranean Acquis (Brief No 19)

If there is discussion of the points raised by agricultural ministers on the olive oil and fruit and vegetables regimes, the Prime Minister will want to emphasize that we must find solutions which will not encourage over-production or penalise consumers, will have regard to the legitimate interests of the Community's trading partners (eg Cyprus) and will keep down the cost of enlargement. Specifically, we will want to resist ideas for an oils and fats tax or for expensive strengthening of the régimes for these products and to emphasise the merits of the flat rate production aid for olive oil.

Integrated Mediterranean Programmes (Brief No 20)

If the Italians seek to secure approval in principle of the Commission's new proposals for Integrated Mediterranean Programmes (IMPs), we will want to block this by arguing that the proposals should be carefully considered in the context of the Community's examination of its other structural expenditure policies (Regional, Social, and CAP guidance policies are all being reviewed this year), so that the full financial implications of the IMPs can be properly weighed.



Common Electoral System (Brief No 21)

The Council has concluded that it is not possible to reach agreement on a uniform system in time for the 1984 European Parliament elections, but work continues on the extension of the franchise. Some Heads of Government may express regret at the failure to reach agreement.

North/South (Brief No 22)

In any discussion of North/South issues, the Prime Minister will want to stress the need for Western unity in preparing for UNCTAD VI, so as to ensure that the independence of the international financial institutions is not compromised.

Steel (Brief No 23)

If steel is discussed the Prime Minister will wish to urge the need for more rigorous implementation of the anti-crisis measures and for all Member States to bear their fair share of capacity reductions.

European Regional Development Fund (Brief No 24)

In the current review of the Regional Fund, our main aim is to secure the largest possible quota share for the UK but also to resist demands for tightening up the administration in ways which would make it more difficult for the UK to secure its share of the money. The Presidency are making a serious effort to break the longstanding deadlock over quota shares and other issues.

Preparation for Williamsburg Summit (Brief No 25)

As this is the last European Council before the economic summit at Williamsburg, there will be discussion of international economic issues in which those who will not be represented will want to put forward their views. The Prime Minister will wish to welcome the agreement on increased IMF quotas as a positive contribution to solving current international financial problems and the rightness of the Chancellor of the Exchequer's move to bring the Interim Committee meeting forward to February.



Environment (Brief No 26)

The Germans are keen to see progress on environmental matters generally, and will raise in particular the problem of acid rain. Whilst the UK is a net "exporter" of acid rain (though mainly to Scandinavia not Germany) we recognise that this is a serious problem. We can accept a call for Environment Ministers to study the problem and consider appropriate action.

Foreign and Commonwealth Office  
15 March 1983



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17 March 1983

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EUROPEAN COUNCIL, BRUSSELS  
21/22 MARCH 1983

**GENERAL BRIEF**

Note by Foreign and Commonwealth Office

The Presidency's report to the European Council (Doc 5545/1/83) on the "Copenhagen mandate", and Annexes I - III of the report (Annexes I and II on the Internal Market, and Annex III on Enlargement) are circulated herewith.

Annex IV of the report (Mediterranean Acquis) has not yet issued.

Foreign and Commonwealth Office  
17 March 1983

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Brussels, 16 March 1983

EUROPEAN COMMUNITIES  
THE COUNCIL

5545/1/83
REV 1
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REPORT

presented under the responsibility of the Presidency

from: the COUNCIL  
to: the EUROPEAN COUNCIL

Subject: Progress made on issues discussed by the European Council in Copenhagen

INTRODUCTION

The European Council of 3/4 December 1982 defined a series of goals and specific actions to be taken in the economic and social field and on the enlargement dossier. The present report to the European Council describes progress made under each heading in fulfilment of this remit, and indicates where progress is still to be achieved.

1. INTERNAL MARKET

The Council was asked "to decide, before the end of March 1983, on the priority measures proposed by the Commission to reinforce the internal market".

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Progress so far: (1)

A first special Council was held on 1st February and the second on 1st March. Agreement was reached on information on standards, one of the key areas identified at Copenhagen, and progress was also made in the area of border formalities including agreement on directives to facilitate the import of personal property and on the temporary import of vehicles. A solution to the third country certification problem proved not yet possible, however.

Future work:

The Presidency has presented its programme for the forthcoming months (2) for further work and progress in other important areas of the internal market, including services.

2. EXTERNAL TRADE POLICY

The Commission has just transmitted a proposal on the strengthening of the common trade policy especially in the area of defense against unfair trading practices. Work has been put in hand on this dossier. Some Delegations consider this matter to be closely related to progress in developing the internal market. Work on this matter will consequently be given comparable priority.

3. RESEARCH, ENERGY, INNOVATION, INDUSTRIAL POLICY...

The Council's mandate was "to speed up the adoption of the Commission's current and forthcoming proposals in the

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(1) Members of the European Council will have received a detailed report from the Council on progress in the internal market

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(2) doc. 5490/83.



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field of research, innovation and energy".

i) Research

Progress so far:

The Research Council of 8 February treated the following points:

- the framework programme: the Commission has proposed a new global approach to the Community's R & D policy and policy with regard to demonstration projects. The Commission suggests that in the future 4 % of the Community budget should be devoted to these activities instead of 2,7 % at present.

The Council shares the fundamental aim of the Commission. It considers that it should be able, during the first half of 1983, to reach agreement on the programme.

- FAST II : The Council has a preliminary exchange of views. It considers the experience gained with the FAST I programme to be generally positive. Work will proceed with the objective of reaching a decision on FAST II in the first half of 1983, (current FAST I programme expires in August 1983).

- J.R.C.

The Council, which considers that the J.R.C. should continue to play a central role in the Research Strategy of the Community, on March 10 approved programme guidelines for the activities of the Joint Research Centre over the coming 5 years. Decisions on the basis of Commission proposals still to be presented will be taken later in the year for inclusion of the necessary appropriations in the 1984 budget. (1)

(1) Subject to the lifting of two outstanding waiting reservations concerning the outcome of the Council (Research) on March 10.

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Future work

Specific results should materialize before the end of the year on the basis of a general framework, which should ensure a much more effective implementation of research policy.

ii) Energy

The Commission requests that the Council takes stock of the Community's energy policy and of the evolution as regards oil prices. The Commission has announced a communication to the Council on this subject. The Council has agreed to carry out this exercise in April 1983.

Progress so far:

Demonstration projects:

The Council has adopted a common position on 2 Regulations with a duration of one year concerning demonstration projects in the fields of alternative energy sources, energy saving and substitution of hydrocarbons as well as demonstration and pilot industrial projects relating to liquefaction and gasification of solid fuels.

The Council envisages to amend the financial and duration aspects of these Regulations to cover a 5 year total period before the adoption of the 1984 draft budget.

Future work

The next Energy Council on 21 April, which will undertake an in-depth stocktaking of the Community's energy situation, will also debate the communication on solid fuels. The latter question is for some delegations, who stress the need for specific proposals, of central importance for achieving a balanced development of the Community's energy policy.

5545/1/83

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The Council will also discuss the decision on the use of financial incentives for the rational use of energy.

The political basis for agreement is not yet at hand. Preparation for the April Council will concentrate on achieving the necessary balance between the interests of Member States.

iii) Innovation/Industrial policy

Progress so far:

The Commission has presented a communication to the European Council in which the Commission draws the attention of the European Council to the situation of the information industry of the Community. It invites the European Council to facilitate a Community debate on this problem and those of other high technology industries.

The Commission will before the European Council in June present suggestions for action and concrete orientation in the new information technology, telecommunications and biotechnology sectors.

4. N.C.I.

The Council's mandate was "to agree rapidly and before the next European Council on the Commission's proposal to expand the N.C.I. by a further 3 billion ECU".

Progress so far:

The ECO/FIN Council of 7 February agreed on a common position in accordance with the mandate. This common position has been presented to the European Parliament. Meanwhile, the Parliament has asked that a conciliation procedure be opened on the question.

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5. SOCIAL

The Council's mandate was "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".

Progress so far:

In this context the following dossiers are being dealt with:

- Social Fund revision
- Professional training
- youth employment (on which specific Commission proposals are announced)
- reorganisation of working time.

Social and Labour Ministers held an informal meeting on 21/22 February in Bonn.

The discussion at this meeting permitted the conclusion that a general concensus exists as regards the need for rapid progress. The Ministers considered that unemployment remains the most important problem of the Community, unemployment of young people being the essential concern.

Future work:

a) Professional training

The informal discussion led to the conclusion that a joint meeting of Ministers of Education and Ministers of Labour could be envisaged.

b) Other items

Ministers agreed at the informal meeting that the objective is to aim at specific decisions at the regular meeting at the beginning of June.



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6. ENLARGEMENT

i) Negotiations:

The European Council asked the Council to press ahead with the negotiations with both countries as rapidly as possible.

Progress made:

Three ministerial meetings are taking place with each partner, (in alternative months), during the first 6 months of 1983, with the appropriate deputies' meetings in support.

- i) In the case of Portugal, Community positions have been presented at ministerial level on agriculture, social affairs, investments, customs union and VAT.
- ii) In the case of Spain, declarations have been exchanged in the area of external relations and there are prospects that negotiations on quantitative restrictions and textiles can soon be completed.

Future work:

For both Spain and Portugal aspects of certain otherwise well-developed chapters still remain to be negotiated before these can be considered closed; other major chapters remain to be finalized in substance (e.g. social affairs in the case of both).

Negotiations on fisheries can now be started after the establishment of the common fisheries policy. The Commission is at present preparing proposals for a Community position in this sector. On agriculture progress depends on decisions concerning the revision of existing rules for certain Mediterranean agricultural products (see below). There remain certain chapters normally left till the end of the negotiating process such as institutional problems, EIB, own resources, relations between the candidates and with Greece, etc.

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ii) Inventory

The Council's mandate has 3 parts :

"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."

Progress so far and future work :

a) General considerations : <sup>(1)</sup>

There is a general consensus on the Community's approach to the problems set out in the inventory and on the need for a global approach on questions connected with enlargement. The objective is on the one hand to ensure more rapid progress in negotiations and on the other to achieve the integration of Spain and Portugal in the Community without creating undesirable consequences for the Community's dynamic development, including its relations with a number of third countries.

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<sup>(1)</sup> Members of the European Council will find in doc. 5490/83 an exposé by Vice-President NATALI on the Commission's general approach to this subject.



On the other hand it is essential to avoid the creation of preconditions over a wide area. The approach must therefore be the parallel development of Community policies and rapid progress in the negotiations with both candidates.

A clear brief to the Council in accordance with this principle would improve the prospects of a rapid breakthrough in negotiations, in addition to having a positive effect on the development of Community policies.

This would in the Council's view provide a more credible signal about the Community's determination than a declaration on a target date for completion of the negotiations.

b) Individual questions dealt with in the Commission's inventory

i) The acquis communautaire concerning certain Mediterranean products

At several meetings, the most recent of which was held on 8 and 9 March 1983, the Agriculture Council held detailed discussion on the adjustment of the rules for certain Mediterranean products. Although some progress was made on important points, particularly in the fruit and vegetables and olive-oil sectors, there are still considerable differences of opinion between the delegations.

The Council has given an account of the progress of negotiations in a note for the information of the European Council. It will immediately continue its discussions in the light of the talks at the European Council, in order to reach final decisions on both sectors as soon as possible.



It should however be pointed out that both in the olive-oil and in the fruit and vegetables sector there are questions which

either cannot be solved by the Agriculture Council alone, i.e.

- The measures to be taken since accession will entail additional financial burdens ;
- The longer transitional period of 10 years for oilseeds which has been proposed by the Commission for accession,

or are of fundamental significance, i.e.

- The system of producer aid for olive oil
- Internal rules for fruit and vegetables
- Change of the external arrangements for fruit and vegetables.

The European Council should give an orientation on all these questions.

ii) Preaccession measures in the candidate countries

The Commission's exploratory discussions with Spain and to a lesser degree with Portugal have resulted in a number of preliminary conclusions. These will be followed up by more specific proposals.

The Council agrees that this matter needs urgent consideration. It is in the interest of the candidate countries and the Community that the accession should be seriously prepared. Discussions should be pursued with the aim of obtaining clear statements from the candidate countries of their intentions as regards restructuring in sensitive sectors. On the Community side the EIB could make a contribution to the adaptation of the candidate countries' economies. It is also clear that appropriate measures taken in the candidate countries could facilitate the negotiations proper.



iii) Relations with third countries in the Mediterranean area

It is generally recognized that enlargement could change substantially the position of certain Mediterranean countries with traditional trade flows with the Communities unless the necessary steps are taken to avoid such a development notably by maintaining access for their agricultural products.

The Commission suggested in a memorandum submitted to the Council in June 1982 a general approach to the Community's relations to third countries in this area.

The Council on 25 January 1983 invited the Commission to intensify its exploratory talks with the third countries in question with a view to examining the difficulties which the enlargement could create for them. These talks have now started. The Commission intends to submit proposals on the basis of its exploratory contacts in the near future concerning association agreements and changes in Community policy which might be necessary. The Council has agreed to pursue this subject matter in parallel with the enlargement negotiations.

iv) Regional problems in the Community's Mediterranean area

The Commission has now announced its proposal for integrated Mediterranean programmes, and discussions in the Council will start shortly. The work will be carried out in parallel with the enlargement negotiations.

v) Own resources

The Commission's tentative estimate of the financial costs of enlargement amounts to 850-1400 MECU.



The Council is of the opinion that the financial aspects of enlargement need to be carefully examined but also that they are one of several factors relevant to the general problem of the Community's financial situation.

vi) Institutional problems

Two types of institutional questions arise in connection with enlargement :

On the one hand those amendments to the Treaties which in any case must be decided, such as the voting weight to be given the candidate countries and the composition of the Commission.

On the other hand there is the question of the general need to improve the decision making process of the Community. Solutions to this problem are likely to become even more urgent for a Community of 12 Member States.

In this connection the Commission has recently submitted a memorandum setting out its detailed suggestions for modifications in the decision making procedure.

The Council will examine these suggestions in due course.



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EUROPEAN COMMUNITIES

Brussels, 10 March 1983

THE COUNCIL

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ANNEX to

report: drawn up under the aegis of the Presidency

to : European Council

Subject: Progress made in the fields discussed at the  
European Council in Copenhagen

Members of the European Council will find annexed the documents referred to in the abovementioned report from the Presidency, circulated under reference 5545/83:

- in Annex I: Strengthening of the internal market: Report on activities in the internal market sector in the first quarter of 1983. [see Chapter 1 of the report]
- in Annex II: Strengthening of the internal market: the Presidency's work programme until the end of the first half of 1983 in the internal market sector [see also Chapter 1]
- in Annex III: Statement by Vice-President NATALI at the meeting of the Permanent Representatives Committee (7.3.1983) on the problems of enlargement ("taking stock") [see Chapter 6 of the report].

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The Agriculture Council's detailed report to the European Council concerning the "acquis" [see also Chapter 6 of the report] will be drawn up after its meeting on 14 and 15 March 1983. It will constitute Annex IV and will be circulated in the form of an addendum.

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## NOTE

from: Permanent Representatives Committee (Part 1)  
to : Council

No. prev. doc. 5451/83

Subject: Strengthening the Community's internal market  
- Report to the Council (General Affairs) on activities  
in the internal market sector in the first quarter  
of 1983

Internal market

Strengthening the common market and intensifying action to eliminate practices and measures which restrict trade and distort competition were among the Community priority goals laid down by the European Council on 3 and 4 December 1982. This led the European Council to instruct the Council, in particular, to take decisions before the end of March 1983 on the priority measures proposed by the Commission to strengthen the internal market. (It should be pointed out that the European Council's conclusions also covered other fields - research, innovation, energy, trade policy etc. - which are discussed elsewhere).

I. Priority measures

The measures which the Commission proposed in its communication of 12 November 1982 on re-activating the European internal market <sup>(1)</sup> cover:

- a solution to the problem of Community certification for products originating in third countries, on which the adoption of a considerable number of harmonizing Directives in the industrial sector depends;

<sup>(1)</sup> 10997/82



- the adoption of a Directive relating to an information system in the field of technical standards and regulations;
- the simplification of formalities in trade within the Community.

The "Internal Market" Council addressed itself to the task of examining these three aspects at two meetings, held on 1 February and 1 March 1983.

- (a) The question of certification for products originating in third countries involves conformity checks on these products and on access of such products to the Community market. Lengthy discussion by the Council has narrowed the issue down to a draft clause of which only certain points are still under examination; these relate to the Community procedures to back-up any decisions to be taken.
- (b) Agreement was reached on the second aspect, namely the information system in the field of technical standards and regulations. Formal adoption of the Directive, the advantages of which are briefly outlined in Section II, will follow shortly.
- (c) The very thorough discussions which have taken place both at a technical level and within the Council on the simplification of formalities in trade within the Community have made it possible to note, with regard to the proposal on a single document, that



simplifying formalities is an objective which all the Member States support. Most of the Member States which have already put such simplification into practice in respect of both intra- and extra-Community trade, particularly by means of simplified or computerized procedures, have doubts, however, about the simplifying effect of the proposed single document.

Discussions will continue on the basis of the Commission proposals as part of a more overall approach, taking into account the practical problems arising for national administrations and economic operators. It was suggested in particular that ways be sought of incorporating the advantages already offered by the simplified or computerized procedures into the proposed context. These discussions will continue apace, but may take some time in view of the technical nature of the subject.

As regards the proposal relating to the deferred payment of VAT (14th VAT Directive), the Commission is currently seeking ways round delegations' fundamental objections, in conjunction with the delegations concerned. The Permanent Representatives Committee will resume examination of this dossier in the light of the outcome of these contacts.

The Council has also noted the progress of discussions on the proposal for a Directive on the facilitation of formalities and inspections in respect of the carriage of goods between Member States.

## II. Agreements already reached

1. Within the framework of the general programme for the abolition of technical barriers to trade, the Council has already adopted 150 Directives which harmonize technical specifications while ensuring better consumer protection and industrial production on a Community scale.

.../...



However, each year a very large number of standards are drawn up in the Member States; and although they may ensure consumer protection they may also create new technical barriers to trade if there is no co-ordination at Community level. The information system introduced under the Directive on technical standards and rules which has already been approved by the Council will make it possible to obtain and disseminate better information on national technical standards and regulations in preparation and will enable the Commission and the other Member States to submit their comments in time to prevent any new trade barriers arising.

2. As regards the simplification of formalities in trade within the Community, emphasis should be laid on the importance of the "veterinary" Directive which the Council adopted on 7 February in order to adapt and update the provisions of the 1964 Directive on health problems affecting intra-Community trade in fresh meat.

The principle that it is for the health authorities of the countries of origin to ensure by means of harmonized checks, that products comply with Community requirements and that they are recognized as fit for human consumption, was reaffirmed in the new Directive, and confidence in these checks at source was strengthened by the introduction of Community inspection to ensure uniform application of these requirements. As soon as these measures are implemented, controls in the countries of destination will have to be confined to checking the submission of the required certificates, while inspection will only be allowed on a sample basis where there is a serious presumption of irregularity.

Moreover, on 1 March the Council reached agreement, subject to finalization of the texts, on two Directives relating to tax exemptions; these were designed to abolish certain tax barriers to the free movement of goods and persons within the Community. The Council is due to adopt these Directives definitively at its meeting on 21 March 1983.



The first of these Directives concerns tax exemptions for the temporary importation of certain means of transport for both private and professional use. It is also intended to cover certain specific cases, such as that of students abroad, who will be able to use a vehicle registered in their country of normal residence for the actual period of their studies, and the case of frontier workers.

The purpose of the second of these Directives, on permanent imports of the personal property of individuals, is to enable individuals to move their personal property within the Community without paying tax when transferring their residence from one Member State to another and in certain special cases such as inheritance, marriage or furnishing a second residence.

### III. Future discussions

As regards strengthening the internal market, further discussions will focus on the certification of products originating in third countries and the simplification of formalities in trade within the Community. They will be extended to other fields in the coming months under a work schedule prepared by the Presidency for the Permanent Representatives Committee (Part I).

In this connection, it should be noted that on 21 February 1983, the Commission forwarded to the Council a report assessing the working of the internal market requested by the Joint Council (Economic and Financial Questions and Social Affairs) at its meeting on 16 November 1983 (5079/83).



## NOTE

from: Presidency

to : Council

No. prev. doc. 5387/83

Subject: Strengthening of the Community internal market -  
Organization of future meetings

- Presidency's work programme until the end of the first  
half of 1983 (1)

Abolition of technical barriers to trade in industrial products

- Community certification for products originating in third countries
- Proposals for Directives on technical barriers blocked by the preceding question (see attached list of these Directives)
- Amendment of Directive on textile names
- Examination by the Permanent Representatives Committee of the problem of conferring powers on the Commission to adopt special Directives (building materials, measuring instruments) (fourth indent of Article 155 EEC) (2)

(1) This programme

- includes the subjects on which either the PRC Part I ("A" items) or the Council (General Affairs, Agriculture, ECO/FIN, Transport, Internal Market) could complete work or make progress in the coming months;
- does not concern the other conclusions of the European Council in Copenhagen (regarding, in particular, innovation, research and commercial and industrial policies) which are covered in the overall report;
- does not exclude continued examination of other subjects pending in the various areas mentioned below.

(2) Wide use has already been made of this practice of conferring powers on the Commission in the context of the adaptation of Directives to technical progress, the Commission having already adopted over 43 Directives in this connection as compared with 150 Directives adopted by the Council (5079/83 p. 28). .../...



Harmonization in the foodstuffs sector (Questions dealt with by the PRC and if necessary by the Council (AGRI)) <sup>(1)</sup>

1. Regenerated cellulose film intended to come into contact with foodstuffs
2. Amendment of the Directive on preserving agents
3. Casein and caseinates
4. Amendment of the Directive on preserved milk

Proprietary medicinal products

Amendment of Directives 65/65/EEC, 75/318/EEC, 75/319/EEC and Recommendation

Company law (Questions dealt with by the ECO/FIN Council)

- Consolidated accounts (7th Directive)
- Approval of persons responsible for carrying out statutory audits of accounting documents (8th Directive) (probably after agreement on 7th Directive)

Insurance (Questions dealt with by the ECO/FIN Council)

- Insurance other than life assurance - provision of services (2nd Directive)
- Civil liability for motorized
- Insurance: Tourist assistance

Strengthening of industrial infrastructures

- Plan for the transnational development of the supporting infrastructure for innovation and technology transfer
- Extension of the multi-annual programme in the field of data processing

Simplification of formalities in intra-Community trade

- Arrangements for the intra-Community movement of goods ("Plumbers Regulation")
- Continuation of proceedings on the simplification of the documents to be submitted in trade within the Community

<sup>(1)</sup> See 11892/82 AGRILEG 262, Progress of harmonization in the agricultural and foodstuffs sector (2nd half 1982).



Relief from taxes and customs duties

- Exemption from VAT on the final importation of certain goods (Article 14(1)(d), 6th Directive on VAT)
- Community system of relief from customs duties

Consumer protection

- Liability for defective products
- Contracts negotiated away from business premises (door to door)

Right of establishment - Recognition of diplomas

- Architects

It should be noted that the Presidency's programme deals with the following subjects in the transport sector:

weights and dimensions of commercial vehicles, changes in national systems of taxing commercial vehicles, co-operation between railways, measures to facilitate the carriage of goods across borders, duty-free admission of fuel, support for infrastructure projects and inter-regional air services.



LIST, DRAWN UP BY THE SECRETARIAT, OF DIRECTIVES BLOCKED  
BY THE THIRD COUNTRY PROBLEM (1)

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Lifting and mechanical-handling appliances

- Common provisions for lifting and mechanical-handling appliances (Framework Directive)
- Electrically operated lifts (\*)

Pressure vessels

- Seamless steel gas cylinders
- Seamless aluminium-alloy gas cylinders (\*)
- Welded unalloyed-steel gas cylinders (\*)

Measuring instruments

- Amendment to Directive 71/316/EEC relating to common provisions for both measuring instruments and methods of metrological control (4517/79 and COM(78) 766 final) (\*)

Electrical equipment

- Electro-medical equipment (\*)

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(<sup>1</sup>) The sign (\*) is indicated in respect of Directives on which certain technical problems also remain.



Construction plant and equipment

- Common provisions for construction plant and equipment (Framework Directive)
- Permissible sound level for powered concrete-breakers and picks (\*)
- Permissible sound-emission level for current generators for welding (\*)
- Permissible sound-emission level for current generators for power supply (\*)
- Permissible sound-emission level for tower cranes (\*)
- Limitation of the notes emitted by compressors (\*)

Motor vehicles

- Safety glass of motor vehicles (\*)
- Tyres for motor vehicles (\*)
- Weights and dimensions of certain motor vehicles (\*)
- Amendment to Directive 70/156/EEC concerning the type-approval of motor vehicles (\*)

Lawnmowers

- Noise emitted by lawnmowers (\*)

Non-electric appliances for heating, cooking and hot-water production

- Appliances using gaseous fuels, safety and control devices for these appliances and methods of inspecting them (Framework Directive)
- Appliances using gaseous fuels for the instantaneous production of hot water for sanitary purposes (\*)



Statement by Vice-President NATALI  
at the meeting of the Permanent Representatives Committee  
on 7 March 1983

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TAKING STOCK

INTRODUCTION

First of all, Mr Chairman, I should like to thank you for this opportunity to take part in the Committee's discussions in preparation for the forthcoming European Council, particularly in connection with the action to be taken on questions concerning enlargement; these questions were dealt with by the Commission in the so-called "taking stock" document.

You have already received the Commission's point of view and proposals in the form of documents, but the uncertainties and differences of opinion on the future of the negotiations seem so numerous that I feel it is necessary to ensure that the Commission's position is not only expressed and confirmed but also included, Mr Chairman, in the Council's report.

I shall therefore go quickly through the following points, returning to particular aspects if they give rise to requests for clarification or additional questions: amendments to the agricultural "acquis" which are on the agenda for tomorrow's Agriculture Council, possible pre-accession commitments with the applicant countries, internal and external Mediterranean aspects, own resources and finally a brief reference to institutional problems. The Council was to decide on the



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- 2 -

agricultural merit of the relation between the prices of vegetable oils and olive oil, the competence of producers' associations and structural measures in the olive oil sector, etc.

If, as seems likely, the Agriculture Council sends the European Council a simple admission of failure, given that, in spite of the additional proposals sent by the Commission, the possibility of a unanimous agreement at the European Council is remote, all that will remain for the European Council and therefore the General Affairs Council to examine on 14 and 15 March will be the option of a long, but finite, transitional period, e.g. ten years, during which the necessary margin of elasticity will be maintained to fix the first stage of the process of adaptation to an "acquis" which must however, I repeat however, be reviewed by GATT under Article XXIV(6).

If the European Council is not in a position to take such a decision, this will mean in practice not only that, in view of the Spanish reactions to the last Ministerial Conference, the negotiations are in fact at a standstill, but also that the Community finds itself unable, between now and the end of the century, to solve a problem like that of olive oil, which is after all relatively small in spite of the symbolic importance it has now acquired.



I. AGRICULTURAL PROBLEMS - "ACQUIS"

Last week the Commission approved and forwarded to the Council a document which may be regarded more as a complement to the proposals which have been before the Agriculture Council for over a year than as a proposal in itself.

With regard to olive oil in particular, the Commission wished to state its own position on the duration of the transitional period as this cannot be left to conjecture. Suspicion about motives has gone deepest and furthest within the CAP - which comes in for much justified and unjustified criticism - and therefore any unspecified transitional period would lead to unforeseeable difficulties and inevitable requests for compensation especially in agricultural matters.

All too often the agricultural chapter of accession negotiations is identified with Mediterranean agriculture. All too often we forget that the Mediterranean sector of Spanish and Portuguese agriculture is the one in which the applicant countries have been more successful with exports whilst most of their agriculture presents only advantages for the future of the common agricultural policy. However, by concentrating on the Mediterranean aspect, we transform the enlargement negotiations into trade negotiations which are typical of relations with a third country. This distorts the whole negotiating framework.

Moreover, if the matter of the amendments to the "acquis communautaire" with a view to the entry of the applicant countries was forwarded to the Agriculture Council, it was certainly not so that the Agriculture Council could solve the negotiation problems.



**CONFIDENTIAL**

- 4 -

II. PRE-ACCESSION

In view of the reciprocal pre-accession commitment between the applicant countries and the Community and as proposed by the Commission in the stocktaking document, I must state that a first report on the investigations requested by the European Council was approved by the Commission last week and has been forwarded to you.

The Commission had clearly stated the terms of this reciprocal commitment. On one side the adoption of certain measures to restrict production in sensitive sectors in the applicant countries and on the other, i.e. Community, side a clear prospect of the conclusion of negotiations by a date taken as a target or, as was the case for the Greek negotiations, a date by which the essential, vital part of the negotiations would be finished (the back would be broken). Furthermore, if this discipline were accepted it would be inconceivable to deny some financial support for the effort involved.

The Spanish and Portuguese reactions were positive in that both Madrid and Lisbon recognized that accession in a period of protracted crisis required sacrifices on their part too. In Spain in particular many of the problems of productivity and excess production capacity already encountered in Community countries are also to be found in much the same way.

It should be said that if the reciprocal commitment is an honest proposal with Community counterconcession already mentioned, it loses all value if it is answered that the "disciplines" to which the applicants must submit before accession are an obligation and that they must adopt them without asking for anything in exchange. It is better not to ask for anything if we cannot give anything.

We certainly cannot say "no" twice. No to the target date and no to EIB financial co-operation which, amongst other things, the applicants are already entitled regardless of any pre-accession commitment. This is particularly true for Portugal, which is already implementing restrictions in its textile production without this being offset either by EIB financial co-operation or by direct aid from the Community budget.



III. (A) MEDITERRANEAN POLICY: EXTERNAL ASPECT

1. As regards Mediterranean policy, I should like to add further points for consideration to those mentioned during the informal discussion on 17 February 1983 and, in particular, to state the Commission's position on the request formulated in the note from the Secretary-General concerning the timing of the presentation of the concrete proposals.

2. The Commission felt it preferable to know the positions of the Council and the applicant countries on the guidelines set out in the June communication before specifying how they would be carried out, amongst other things in the light of exploratory conversations with the Mediterranean countries.

The progress made within the Council Working Party has shown clearly that the Commission's approach is meeting with "reticence" from some delegations when it comes to taking part in detailed discussions before the guidelines have been transformed into specific proposals. Moreover, the Council Decision of 25 January 1983 in a way forces us to speed up our own discussions and especially our contacts with the applicant countries and the Mediterranean countries.

3. In the light of these considerations and to avoid creating unjustified delays, particularly in the progress of accession negotiations, the Commission will state its position as soon as possible on the implementation of its guidelines, which are perfectly summarized in the note from the Secretary-General.

4. I am obviously not in a position to give details as the preparations have only just begun. What I can say, and this will not be too much of a surprise to you, is that the most complex items concern the trade aspect of the agreements and in particular the agricultural sector.

The Working Party's discussions have confirmed that in industry, with the exception of textiles, there are no real difficulties in the short term. It is really a question of organizing active co-operation among the parties to avoid phenomena of accumulation and concentration of production. As regards textiles, it is necessary to examine ways to meet and manage any problems which may arise in the right way, i.e. according to the agreements.



5. In agriculture the problems are more immediate and of a dual nature: firstly it is necessary, for economic and political reasons, to maintain the flow of trade with partner Mediterranean countries. Secondly, production of and trade in Mediterranean products must be made to "cohere" so as to avoid creating surpluses, ensure fair levels of income for all producers, guarantee supplies to consumers at a reasonable price and allow trade between the two sides of the Mediterranean.

The Commission will undertake its responsibilities and propose suitable mechanisms for achieving all these objectives. This means in particular that the concept of "supply threshold" should take into account the flow of trade with Mediterranean countries, which must be safeguarded because it is economically essential to them. These objectives can be achieved through measures for Mediterranean discipline and solidarity. In this connection I should like to stress that the Community as a whole constitutes a Mediterranean power; these solidarity measures should therefore, at the same time, tend towards discipline in production and also stimulation of consumption. This supposes, amongst other things, the elimination of certain national energy and taxation policies which border on the unorthodox and stimulate production on the one hand whilst curbing consumption on the other. Another equally important aspect of this solidarity policy will obviously be Community action to promote and maintain the necessary and possible conversions and the development of alternative activities both within the Community and in the partner Mediterranean countries.

### III.(B) INTEGRATED MEDITERRANEAN PROGRAMMES (internal aspects)

After more than a year and a half of preparatory work by the Commission departments, the Commission has, over the last few days, been winding up its discussions on the integrated Mediterranean programmes. Given the complexity of the dossier, it was considered preferable to divide the decisions into several stages. Thus, the basic principles and the arrangements for implementing the new instrument were defined one by one. Now the details of the specific programmes for each country must be defined. The press was informed of the most significant decisions in order to avoid partial leaks of news and consequent distortion of the facts.

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The programmes were announced in the report that followed from the Mandate of 30 May 1980. It had become clear that the problems of the Mediterranean regions must be considered, in both political and economic terms, as part of a strategy aimed at giving the Community greater coherence and therefore greater prospects in a context overshadowed by the economic crisis and increasing international confrontation. Such coherence is especially important on the eve of the third enlargement and in view of the role that the Community is increasingly being called upon to play in the Mediterranean area.

As its decisions reflect, the Commission considers that the programmes should be spread over a period of six years and should mobilize additional Community resources of 6 628 million ECU. These resources are intended for all the Mediterranean regions of the Community (in France, Languedoc-Roussillon, Provence-Côte d'Azur, Midi-Pyrenees, Aquitaine and Corsica; in Greece, all regions; and in Italy, the Mezzogiorno, Lazio, Marche, Umbria, Tuscany and Liguria). These are predominantly rural regions, geographically peripheral to the main industrial centres of the Community and suffering from serious structural and natural deficiencies. In the past, because of their specific features, such regions have benefited less than others from the advantages of Community integration, a favourable economic climate, and the implementation of common policies. For the same reasons, such regions are now feeling the effects of the crisis particularly acutely.

The prospect of enlargement to include Portugal and Spain and the development of preferential relations in the Mediterranean basin accentuate the problems insofar as they force such regions to adjust and impose restrictions on their development options.

Clearly, aside from these common characteristics, the degree and the nature of the problems varies from one region to another. In this respect, Greece and the Italian Mezzogiorno are in a particularly serious position. Greece, because practically the whole country suffers from the handicaps peculiar to the Mediterranean regions and because it must, at the same time, integrate itself into the Community, prepare for the new enlargement, and cope with the current economic crisis. The Mezzogiorno, by virtue of its level of development which, despite action at national and Community level is still one of the lowest in the Community, especially in the inland areas.



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- 2 -

Although not as poor as these regions, certain southern regions of France, by virtue of their geographical position and the importance of Mediterranean agricultural products for their economies, will be particularly hard hit by the adjustments deriving from enlargement.

The idea of the Mediterranean programmes springs from a profound conviction that structural problems are one of the basic handicaps of such regions. It also reflects the limited results obtained from measures taken so far in the field of agricultural structures. The programmes are designed for rural areas and intended to resolve the agricultural difficulties of the regions concerned. This objective has not, however been pursued by means of a sector-by-sector approach.

The many restraints imposed by the Community context and by the general difficult economic situation, and the interdependence which conditions sectoral development mean that an exclusively agricultural approach would be both ineffective and irrational. Notwithstanding the fact that, in the regions under consideration, agriculture remains a mainstay of economic development, the Commission intends to propose measures for the analysis of overall regional potential, dealing with all sectors with development possibilities in the areas selected, in particular agriculture, fisheries, craft industries, small and medium-sized undertakings, tourism, alternative energy sources, infrastructures and services.

As the programme consists of several parts and involves several funds, its implementation will call on considerable administrative effort and adequate structures. This means that even if the Council adopts it rapidly, it will be operational only from 1985 onwards and the instrument will presumably be working at full capacity only from the third or fourth years onwards.

As I said at the beginning, the programmes fulfil a basic Community need, but at the same time, help to resolve age-old development problems. These programmes were designed taking the needs of the regions under consideration as their starting point, but they also impose restraints on production choices in order to take account of Community objectives. Thus, major Community assistance is provided for, but at the same time, a very substantial commitment by the Member States concerned is also required, which will be obtained from the Community budget but also from additional direct allocations at national level. This



direct commitment can be estimated very roughly at four and a half million ECU. Both the Community contribution and the national allocation should, as the Commission sees it, be distributed in a way that takes account of the seriousness of the problems to be resolved and of the level of wealth and thus the contributive capacity of the Member State concerned. Thus, according to the Commission's approach, the Community contribution would be allocated as follows: 38.4% to Greece, 44.5% to Italy and 17.1% to France. However, the direct national contribution would be allocated as follows: 32% would be borne by Greece, 46% by Italy and 22% by France.

Before concluding on this point I should like to say something about Spain and Portugal. Some people wonder whether there are plans to extend these programmes to the new applicants. In this connection, I should like to say that these programmes were designed on the basis of a very thorough analysis of the situations to which they were to be applied (which explains their long gestation period). Automatic extension cannot therefore be considered. As for implementation of ad hoc measures, may I remind you that in the case of Portugal, pre-accession measures are already under way and that, for that country, the Commission has already pointed out the need for specific action as regards agricultural structures. This need was recognized before "integrated Mediterranean programmes" were thought of.

Spain must be approached differently. For this country too, pre-accession measures via the EIB are under way. As for the possibility of specific action of the "integrated programme" kind, we clearly cannot be categorical. But one thing seems certain to me, in the case of Spain, such action should not be "Mediterranean" in nature as the most deficient regions of that country in structural terms and those which will have to make the greatest effort to adjust to Community integration, are the continental regions, in particular Galicia. But in Spain it will be the structurally sounder Mediterranean regions, which will reap the greatest benefit from integration.

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IV. OWN RESOURCES

1. The Commission's estimates appearing in the stock-taking document provide for a net transfer of resources to the new Member States of the order of between 850 and 1 400 million ECU. We arrived at these figures by constantly updating the simulations started as far back as the time of the Spanish and Portuguese application to join the Community.

These simulations are obviously based partly on static projections, but also on dynamic ones. In other words we have calculated, in constant ECU, what would be the effect of applying the existing "acquis communautaire" to the applicant countries, if the transitional period were over. Of the various factors assessed in the stock-taking document the most important is expenditure on olive oil; for it was thought that once the transitional period was over, that is, if the existing "acquis" could be fully applied, the effect of zero-rated imports of vegetable oils and fats competing with olive oil would increase the expenditure necessary to support the consumption of surplus olive oil.

The unknown factor, then, in the estimates for the Community's own resources in the stock-taking document can only be supplied by the negotiations, as it depends on how the transitional period is regulated. In its absence, the Commission has taken for its calculations the highest, or, if you prefer, the most pessimistic range of figures, consisting in assuming the application - after a transitional period - of the existing "acquis".

2. In taking stock it was clearly stated that the increase in own resources was not the result of enlargement alone.



**CONFIDENTIAL**

- 11 -

Leaving aside the budgetary consequences of the accession of the new Member States, consequences taken into account in preparing the green paper, in the manner and according to the criteria that I have just mentioned, it is obvious that without an increased amount of own resources it is not only enlargement that would become impossible. Nor is it the possibility of new common policies that would be jeopardized but, as my colleague Mr Tugendhat has already had occasion to point out, the Community's very survival would be at stake if there were no increase in its own resources.

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- 12 -

V. INSTITUTIONS

The document on institutional changes which the Commission approved last week and circulated to you takes up and develops the theme - already touched on in 1978 by the "Fresco" - of increased recourse to majority voting. This proposes a series of articles in the Treaties for which transition from unanimous to majority voting would appear both desirable and feasible if the decision-making process in the Community is not to become even more rigid and prone to seize up than it already is.

In the document, however, one essential aspect of the problem was not touched on, that of the weighting of votes. For when we speak of majorities we should also deal with weightings, given that these exist and make possible an unlimited series of possible majorities. I feel that I must stress here the more immediate and concrete question of the blocking minority. Assuming for argument's sake that Spain, as may legitimately be assumed, is granted large-country status for weighting purposes and assuming that the blocking minority were to remain substantially one consisting of two large countries, instead of there being, as there are today, six possible combinations of two large countries, there would be ten such combinations. This would mean in practice that the decision-making process would be twice as rigid.



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ANNEX IV

REPORT BY THE AGRICULTURE COUNCIL TO THE EUROPEAN COUNCIL ON THE  
"ACQUIS" <sup>(1)</sup>

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<sup>(1)</sup> will come out as an Addendum after the meeting of the Agriculture Council on 14 and 15 March 1983.

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EHG(B)(83)3  
14 March 1983

COPY NO 1

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

ECONOMIC AND SOCIAL SITUATION

Brief by HM Treasury

OBJECTIVE

1. To encourage the maintenance of current counter-inflationary policies. To resist suggestions that some countries, notably the UK and Germany, are in a position to adopt expansionary policies.

POINTS TO MAKE

2. Increasing signs of recovery but world economy yet to pick up. Short term prospects in the Community for lower inflation but continuing slight rise in unemployment.

3. Only way to secure growth and higher employment in longer term is to maintain counter-inflationary monetary and fiscal policies. Monetary policy should be firm but flexible. Structural budget deficits should be reduced over the medium term. Essential to resist calls for major reflation, which would put at risk gains we have made so far.

4. Suggestion that UK and Germany may have room for expansion. Following last week's budget, prospect that real domestic demand in UK will grow by 3½ per cent this year - a substantial contribution to the recovery of the European economies. Excessively expansionary measures would put at risk our achievement in securing much lower

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inflation. Latest annual inflation figures in any case somewhat overstate degree to which underlying rate has fallen.

5. (Oil Prices). Recent developments should improve growth prospects and help bring down inflation. (See brief No. 10 for further points on developments in oil markets).

6. EMS. (Subject to latest developments). Recent pressures in foreign exchange markets largely attributable to divergent economic performance in the Community. May necessitate further realignment. Serves to emphasise importance of Community pursuing firm counter-inflationary policies to produce greater economic convergence and damp down exchange rate fluctuations.

7. (Approach to Williamsburg and International Debt). See separate brief No. 25.

8. (Youth employment). See brief No. 15.

9. (New Community Instrument). See brief No. 13.

#### BACKGROUND

Reference : A Commission paper on economic and social situation (not yet received).

10. Chancellor Kohl has said that he wishes to discuss the prospects for growth as well as exchanging views on youth unemployment (on which there is a separate brief No. 15).

11. The Community economy failed to recover as expected towards the end of last year. The Commission forecast for GDP growth in 1983, which assumes only a marginal fall in oil prices, has accordingly been revised down from 1 to  $\frac{1}{2}$  per cent. In comparison, output in the US and Japan is expected to grow by  $1\frac{1}{2}$  per cent and  $3\frac{1}{2}$  per cent respectively.



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12. A cautious assessment of prospects is still necessary but latest signs suggest the beginnings of a recovery may be underway. In Europe, business confidence may now be firming, particularly in the UK and in Germany where construction activity has been increasing and industrial output may have picked up. In the US, growth forecasts have been revised upwards. Moreover, the recent and prospective fall in oil prices is likely to promote faster world growth and reduce inflation. (See separate brief on oil market developments for further background).

13. Unemployment in the Community has risen from 5½ per cent in 1979 and is expected to reach 10½ per cent this year. Despite a general fall in inflation, particularly in the UK, inflation differentials within the Community remain considerable. Inflation in 1982 remained over 20 per cent in Greece, 17 per cent in Ireland and 16 per cent in Italy while in Germany, the UK and the Netherlands it has recently fallen below 6 per cent. Some further decline in the Community's inflation rate is expected this year.

14. Divergent economic performance has placed increasing strains on the EMS. This is most acute for the French franc/DM cross rate, with intervention from both sides especially heavy in recent days. The Belgian franc has also been very weak. The foreign exchange markets continue to anticipate an early EMS realignment, possibly involving a combination of a revaluation of the deutschemark and Dutch guilder with a devaluation of the French franc and perhaps other currencies.

15. Despite efforts by most governments to control public finances, the recession has inevitably pushed up budget deficits from 3½ per cent of Community GDP in 1979 to 5 per cent in 1982. With little real growth, deficits may be unchanged this year ranging (on Commission estimates) from 13 per cent of GDP in Ireland and double figures in Italy and Belgium down to 4 per cent of GDP in Germany and 1 per cent in the UK. The Commission projections

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also show the French budget deficit at the low level of 3 per cent of GDP, but unofficial estimates put the French PSBR at around 5-7 per cent of GDP. The tough Irish budget may succeed but there are doubts over the Italian and Belgian governments' ability to reduce their deficits.

HM TREASURY

14 March 1983

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EHG(B)(83)3 Addendum

COPY NO

1

16 March 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

ECONOMIC AND SOCIAL SITUATION

Brief by HM Treasury

1. The Commission paper on the economic and social situation is circulated herewith. It will be the subject of a brief discussion at the Finance Council on the morning of Monday 21 March.
2. The paper was apparently written by Vice-President Ortoli himself; several of his officials are somewhat embarrassed at its departure from the usual form. Many of the points are already covered in the main brief. This covering note comments briefly on the principal themes of M. Ortoli's paper.
3. The introduction and historical background (pages 1-4) do not call for special comment, although they seem unduly optimistic about France's prospects in particular. But the paper then goes on to suggest that the Heads of Government should endorse five main points, some of which are at odds with our economic strategy.
- ① 4. The first point is a call for an EC effort to secure the stability of the international financial system. Points on this are covered in brief no 25. Ortoli's bid for a greater information and surveillance role for the EC is unnecessary: the IMF exists precisely for this purpose. He also calls for greater aid to developing countries, which is not likely to strike a chord with most member states.
- ② 5. Ortoli's second point, the need to contribute to greater international monetary stability, also has ramifications beyond the EC. He calls for reinforcement of the EMS, and for sterling and the drachma to join the



exchange rate mechanism; and also for efforts to secure greater international exchange rate stability. As always, the objective is laudable, but the interference with market forces which is implicit in the proposal is not the right means of securing it. What is really essential is action on the fundamentals - in particular, inflation and public sector and current account deficits.

6. The third point concerns oil prices. Ortoli is deliberately vague here. He gives a broad welcome to the prospect of a moderate fall in oil prices, which should help with both inflation and growth. But he also warns of the danger of too sharp a drop, and suggests that consideration might be given to a 'safety net', presumably in the form of a possible tax. Points to make on this are included in brief no 10.

7. In his fourth point, Ortoli calls for a flexible application of monetary targets, in order to ensure that interest rates continue to fall. He identifies Germany, the Netherlands and the UK as being in a position to relax their monetary policies as appropriate. Together with his fifth point, this has something of the air of a 'locomotive' theory of expansion, with these three countries expected to pull the rest of the Community out of recession. Paragraph 4 of the main brief suggests a line to take in response to this idea. The objective of lower interest rates is shared by everyone, but relaxation of monetary policy carries clear inflationary risks. If we sustain the attack on inflation, interest rates should come down anyway.

8. Point five is Ortoli's budgetary prescription. He correctly stresses the need further to reduce budget deficits and public expenditure in most EC countries. But he also suggests that the UK and Germany should be considering budgetary action to support the economic recovery. He needs to be reminded of previous European Council (and Versailles summit) conclusions that the thrust of policy must continue to be primarily directed against inflation. As UK short term prospects demonstrate, a fall in inflation will itself create room for greater expansion. To try to underpin this expansion by large-scale fiscal reflation would be counter-productive, since its effects on interest rates, wage settlements and confidence would seriously risk refuelling inflation.



9. At the Council, Ortoli will probably introduce this paper at some length, and his five points may be supported by a number of other Heads of Government. The Prime Minister will wish to take a firm line on them, and can expect to receive support from Chancellor Kohl and Mr Lubbers.

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{ Gen. loan agreement.  
Security net.

Avoid deflation,

Along banking system.

"Control financial  
fall-out" ?

H M Treasury  
16 March 1983

Maintain our monetary system  
knowing full international  
financial stability



THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY

CONTENTS

1. Introduction

2. The facts and immediate prospects

3. Guidelines

Tables 1-3 : Main economic indicators 1981-83



I. Introduction

In early 1983, the Community economy is hesitating.

1. Recent indicators point to some incipient recovery in a number of Member States that is attributable in part to the more favourable trend of the US economy since the end of 1982, to the downward movement in interest rates internationally and, with some reservations, to the prospect of an easing of the oil constraints.

This does not mean that the end to the recession is already assured. The favourable developments observed still need to be confirmed as to their scale and duration. In addition, many of the world's economies have not as yet adjusted sufficiently to the consequences of the 1979 oil shock and the trend in the dollar since 1980. The international financial situation also needs to be closely monitored.

2. There is thus the chance of a positive turnaround, but there are also uncertainties. This chance to start bringing down unemployment through non-inflationary and hence sustained growth is offered to us for the first time in several years and must be seized.

For this reason, the ways and means of accentuating the favourable tendencies and initiating a period of sound growth must be the main point of the debate that is started at this European Council, will continue at the OECD and at the Williamsburg summit, and will be completed at the European Council to be held in June.

3. This memorandum should help to launch the discussion and prepare the ground for follow-up action at Community level :



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- it gives a brief description of the current economic situation and of the outlook for the immediate future.
- and sets out a number of thoughts on how to manage the recovery, that is to say on how to reinforce it and make it last.

II The Present Situation and Immediate Outlook

A. Developments in 1982

1. On account of a very pronounced fall-off in the third quarter, growth in the Community in 1982 was weaker than forecast: it was 0.2% in volume terms, with Denmark showing the largest increase of 2.3% and Germany and the Netherlands recording declines of 1% and 1.5% respectively. This experience was common to all the industrialized countries, their real output falling in 1982 for the first time since 1975.

Much of the deterioration was due to the combined impact of:

- a worsening in the recession in the United States, where real GDP declined by 1.7%
- a contraction in world trade attributable to cyclical conditions but also to the growing difficulties in international financing. World trade, which had expanded at an average annual rate of 6.9% in volume terms between 1976 and 1979, declined by 1.5% in 1982, after having been flat in 1981.

2. The number of people out of work continued to climb, to reach 9.6% of the labour force in 1982 on average, ie a level 75% higher than in 1979. As a result, unemployment in the Community, which, on average, has not shown any contraction since 1973, has risen steadily since 1978/79.

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3. Two more positive aspects should be stressed.

- inflation, which dropped from 11.8% in 1981 to 10.5% in 1982, has eased in all Member States. However, the slowdown is less pronounced than in the United States or Japan and, what is more, quite marked divergences are still discernible within the Community. Inflation is below 6% in Germany and the Netherlands and has been brought down from 15.5% in 1980 to 8.5% in 1982 in the United Kingdom but it is still running at over 15% in Greece, Ireland and Italy;
- for the Community as a whole, progress in bringing the current account of the balance of payments back into equilibrium has been faster than anticipated: the deficit was equivalent to only 0.5% of GDP in 1982

Here too, the overall result masks sharp divergences between Member States. Belgium, Denmark, Greece, France, Ireland and Italy are in deficit while Germany, Luxembourg, the Netherlands and the United Kingdom are running a surplus, in some cases a large one.

B. Outlook for 1983

1. The forecasts at present available for 1983 are subject to three external factors of uncertainty:
  - the first is the scale and duration of the US recovery, which are bound up inter alia with the prospects for interest rates, themselves dependent to a large degree on how developments in the Federal budget deficit will affect monetary policy;
  - the second factor of uncertainty has to do with international financial developments;
  - lastly, there is no way of knowing at the moment what the full extent or effects of the fall in oil prices will be.



Confirmation of the upturn in the US economy and, under certain conditions, a decline in oil prices should make it easier for the European economy to pick up again, although the combined effect of these two factors cannot be expected to alter fundamentally the profile for 1983.

2. The poor performance in the third quarter of 1982 has made it necessary to revise the GDP forecast for 1983 downwards for virtually all Member States (an increase of only 0.4% in volume terms compared with one of just over 1% forecast at the end of the last year). Growth is expected to pick up during the second half of the year, helped by restocking, some support from public-sector demand and a recovery in exports, while private consumption and, at least in the first half of 1983, investment are unlikely to make any major contribution to a revival in activity.

These forecasts are based on a very cautious assumption regarding oil prices. All in all, in the present cyclical situation, the strength and duration of the hesitant expansion which is now getting under way are not assured even if the tendency towards recovery were to be more pronounced than expected.

3. According to present forecasts, there will probably be a further slowdown in the rate of inflation: in 1983, this rate is likely to be 8.6% for the Community as a whole, which is the lowest for seven years (with the exception of 1978 when it was 7.1%). While the need for consolidation remains as pressing as ever and differences in inflation rates will not disappear, 1983 is likely to see some narrowing of the differences in price rises within the Community: the rate of inflation will probably be slow in the Federal Republic of Germany and the Netherlands and relatively moderate in many countries (Belgium,



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Denmark, Luxembourg, France and the United Kingdom).

4. Unemployment, on the other hand, is likely to continue to rise in 1983 throughout the Community: the average rate of unemployment as a proportion of the labour force will easily exceed 10% in 1983, giving a total of more than 12 million jobless; the rates of increase will vary from one Member State to another.

5. The prospects in 1983 should see further improved equilibrium in the balance of payments on current account, with the deficit for the Community as a whole likely to fall to approximately 0.3% of GDP, notably as a result of reduced deficits in Belgium, Denmark, France, Ireland and Italy.

III. Guidelines

Despite the modest outlook for growth and the present uncertainties, there is a possibility of a change of trend, of a gradual upturn in the economy and therefore of a check to and then a reversal of the unemployment trend. If we miss this opportunity, the danger of continued stagnation is likely to increase. It is therefore more than ever necessary to define a common approach which can encompass the various elements of healthy and sustained growth.

The following three lessons can be drawn from the experience of recent years:

(a) The crisis, which is both cyclical and structural in nature, calls for national policies which are directed equally towards stability (the fight against inflation) and - if the employment problem is to be solved - towards the development of productive activities through creation of the conditions necessary for growth (improvements in supply, investment, mobility and competitiveness).

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(b) The Community, which is a large integrated market helping, through the EMS, to pull individual policies closer together and so to make them more effective, which acts as a catalyst for the strategies pursued in the fields of investment, industrial development and energy, and which is an influential spokesman in dealings with the outside world, is an asset which must be exploited at all costs. This theme is one which constantly underlies the Commission's actions and which the European Council has begun to examine. The fact that it is not set out in detail in this Communication in no way lessens the degree of priority it is given nor the obligation to observe the programmes laid down and to propose new courses of action.

(c) Economies are now so interdependent that no national policy can be sure of success without an orderly external framework. It is this order which is lacking, depriving economies and firms of a sufficiently stable environment, distorting expectations and altering management conditions through abrupt and unforeseen changes which do not reflect economic fundamentals. The economies which are most market-oriented cannot endure the present level of disorganization in the international economic system. Here lies also one of the dangers of rising protectionism, which we must join forces to roll back. The Community must cooperate with its main partners in order to assure the international conditions of a recovery - particularly in trade, financial, monetary and interest rate policies, but also in the economic domain proper.

This document, drawn up ahead of important international meetings, is largely centred on this final aspect. If recovery is



to be brought about, it is not so much ad hoc measures, however firm they may be, but rather the awareness of interdependence and the manner of administering that interdependence more effectively which must form the substance of future concerted action.

It is with this in mind that the Commission, aware that the evidence which it has cited is now beginning to be generally accepted, proposes that discussions should cover five points relating to the strengthening of international economic organization or to the search for a cohesion in national policies which will improve the chances of a return to growth.

A. The Security of the International Financial System

1. The level, in absolute terms, of the indebtedness of the developing countries, the level of real interest rates and the effects of stagnation have created strains in the international financial system. Reactions have been rapid and effective: the amendment of the General Arrangements to Borrow, the increase in IMF quotas and the way in which a number of specific cases have been settled all bear witness to this fact.

2. These results do not obviate the need for continued and more thorough-going work to consolidate a still fragile situation. In addition to the decisions already taken, lessons must be learnt from developments which the western world has been unable to ward off.

Priority must be given to establishing an information and monitoring mechanism, to reinforcing the capacity of the international financial system as a whole to react, and to improving preventative machinery. In these various fields, the Community must define common



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positions and cooperate with its partners in order first to consolidate the results achieved and then to establish means of preventing a repetition of similar situations.

3. The solutions adopted will have to take account of a second factor: one of the reasons for the present stagnation lies in the low level of international demand. The Community and its Member States must therefore actively help to maintain an adequate flow of funds to the developing countries, both via the banking sector and through official development aid. The aim must be to carry out the necessary adjustment and at the same time to maintain international trade at an adequate level.

This last point is all the more important in that the health of the international financial system will depend greatly - through the development of trade, improved terms of trade and the reduction of indebtedness on strong and lasting growth.

B. The Stability of the International Monetary System

1. One of the major lessons to be learnt from recent events is that the international economy can no longer withstand upheavals in its essential components. This applies not only to energy prices and interest rates, but also to exchange rates.

Volatile exchange rates, whose financial function is ominously tending to supplant the trade function:

- make business decisions more difficult at a time when a vigorous investment effort is a key condition for recovery;
- above all, disrupt trade relations to an intolerable extent, and jeopardize the maintenance of free trade.

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2. The EMS, an essential element of stability, has shown, despite its setbacks, the value of systematic monetary cooperation. It is a major asset for internal Community purposes and a valuable means of influencing international monetary developments. Consequently:

- the Council of Ministers, and subsequently the European Council, should give careful thought to strengthening it and extending it to include sterling and the drachma:

- for the reasons which led to the setting up of the EMS and for basic economic reasons, the Community must get its partners to share its determination to stabilize international exchange rate relationships.

3. A step in this direction was taken at the Versailles summit. The Community must not be content with adopting a common position on the follow-up to the study of intervention problems. It must also persuade the United States and Japan of the importance of bringing exchange rates more into line with economic facts and of bringing down real interest rates. It must put across to them its view of how monetary cooperation should be organized. The Commission will put forward guidelines for this purpose and hopes that a Community position on these points can be voiced clearly at Williamsburg.

C. Oil prices, growth and energy policy

1. The recent drop in oil prices is likely under certain conditions to produce a moderate but real increase in growth, and this is to be welcomed.

However, the net results are difficult to forecast in any detail: they will depend on the impact of physical, financial and

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It is therefore essential that those Member States which have been the first to achieve favourable results in terms of inflation and the balance of payments (the Federal Republic of Germany, the Netherlands and the United Kingdom) should pursue their monetary policy with the degree of flexibility and openness that is consistent with a steady and lasting fall in real interest rates. Closer monetary policy coordination and greater efforts to achieve economic convergence within the EMS would help to extend the benefits of this policy to the whole of the Community.

3. The same need to provide rapid support for the early signs of recovery is evident at international level, especially as the results achieved in the United States will be decisive even for the success of our own efforts. The Community must endeavour to get its main partners to recognize explicitly the central role of lower interest rates in improving the economic situation and the need to pursue the measures that will allow this objective to be attained, and to affirm their desire to establish the necessary close cooperation.

#### E. Public Finance

1. With regard to public finance, the two-pronged approach adopted in December remains entirely valid. The first element was the steadfast pursuit of efforts to bring the deficits and the growth of the budget aggregates under control and to change the emphasis of budget structures, with a shift towards investment. But provided that this general line was observed, a second element was that in certain Member States, for example the Federal Republic of Germany and the United Kingdom, when the results of current policies permitted, public finance could be used to fuel the upturn, in



fostering the development of productive activities by stimulating investment, adjustment taxation or reducing company costs.

2. At any event, the present situation holds out two definite, and one possible, courses of action for these few countries in the use of public expenditure:

- the basic principle to be respected absolutely must be to restore or to reinforce confidence in governments' ability to bring budgets under control; this means that every instance of the use of public finance must be compatible with the fight against inflation, must comply with the imperatives for restructuring public expenditure, and must not impede the rundown of the deficits; these are the essentials for credibility in a situation where lack of confidence is rife;

- even if the 'automatic stabilizers'<sup>1</sup> must, in any event, operate on the assumption that developments are disappointing, they must not be allowed, with the first uncertain signs of recovery, to move prematurely in the direction of lowering deficits;

- lastly, despite the hopes that the economic situation will improve, should it not do so as rapidly and as substantially as wished, there is no reason why, in the present situation, certain Member States should rule out the use of cyclical budgetary action which satisfies the above conditions and will consolidate an upturn which is still hesitant.

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<sup>1</sup> By 'automatic stabilizers' is meant those public expenditures or receipts whose impact tends to attenuate economic fluctuations.



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The question of whether to pursue such a course of action must be decided soon, as soon as the facts are clearer, so that if it is decided to go ahead action can be taken at the right time in the cycle. The decision ought to be taken as part of the process of determining internationally coordinated economic action in the few weeks between the next European Council meeting and the Williamsburg summit.

To permit Europe to approach the forthcoming international meetings in a position of initiative, the European Council should approve the proposed guidelines on the five main domains of action indicated above, and take the procedural decisions necessary for the Council of Ministers to assure their rapid and precise implementation.

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EHG(B)(83)4 Revise 1

COPY NO

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18 March 1983

EUROPEAN COUNCIL, BRUSSELS

21-22 MARCH 1983

POLITICAL COOPERATION

Brief by Foreign and Commonwealth Office

The following Political Cooperation briefs are attached:

- ANNEX A EAST-WEST RELATIONS: POLITICAL (INCLUDING AFGHANISTAN)
- ANNEX B EAST-WEST RELATIONS: POLAND
- ANNEX C EAST-WEST RELATIONS: PRAGUE DECLARATION
- ANNEX D EAST-WEST RELATIONS: CSCE
- ANNEX E EAST-WEST RELATIONS: ECONOMIC
- ANNEX F MIDDLE EAST: ARAB-ISRAEL
- ANNEX G MIDDLE EAST: IRAN-IRAQ
- ANNEX H NON-ALIGNED SUMMIT (7-12 MARCH): DECLARATION

FOREIGN AND COMMONWEALTH OFFICE

14 March 1983

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ANNEX A

EAST-WEST RELATIONS: POLITICAL (INCLUDING AFGHANISTAN)

OBJECTIVE

1. To urge adherence to Ten's agreed principles of 'firmness and dialogue'; stress need for continuing close consultation over East-West contacts.

POINTS TO MAKE

2. Ten's approach of 'firmness and dialogue' has been generally followed and should be maintained. Individually Members of Ten have continued without ostentation to make Western concerns clear to new Soviet leadership.

3. Welcome timely decision by Foreign Ministers to review principles of relations and contacts with Soviet Union and Eastern Europe. Can expect divisive tactics on part of Andropov as 1983 progresses. Must keep in step.

4. Essential to keep focus on Soviet actions, not words. Key fact remains that no evidence yet of any change in Soviet policy, only in style.

Aghanistan: UN Mediation Effort

5. No sign of substantive change in Soviet policy. Essential to  
]maintain

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maintain pressure on Russians to withdraw.

6. Keep close watch on mediation effort, now at a critical stage. Important to make sure that Cordovez adheres to principles of UN resolutions.

**BACKGROUND**

Reference

A: Text of conclusions on East-West relations at European Council meeting of 3-4 December

7. Ten's position is to maintain firmness (particularly in face of propagandistic tactics on 'double decision'), but to be ready to respond to any genuine moves by Soviet leadership. European Council statement of 4 December stated 'principles of firmness and dialogue'.

8. Since then some increase in contacts: Gromyko to Bonn (16-19 January), Cheysson to Moscow (16-21 February), Tikhonov to Athens (21-24 February), and in our case visit to London of Soviet Deputy Foreign Minister Ryzhov (17-18 February). Italians have renewed invitation to Gromyko to visit Rome. With exception of Tikhonov/Greece these visits have been marked by a businesslike rather than warm tone. Both Genscher and Cheysson spoke plainly. Russians kept accent on INF. No hint of any reorientation of Soviet foreign policy.



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9. Foreign Ministers agreed (1 March, Bonn) on need for a review of principles of relations and contacts, partly in response to implicit criticism by Belgium and Netherlands of recent visits. Also some hints recently that level of contacts may be raised. Cheysson reserved in response to press questions about possibility of a Mitterrand/Andropov summit, and (NOT FOR USE) we have heard from well placed source in Paris that Mitterrand may be contemplating a visit to Moscow in Autumn. Kohl indicated in background briefing for press before election that he was ready to make visit to Moscow in 'very foreseeable future'. Position complicated by Papandreu's separate foreign policy.

10. One uncertain factor will be how US policy develops. Andropov has kept door open for summit; US cool at present but electoral considerations may affect position later in 1983.

11. If there is a move towards more high level contacts with Soviet leadership, it will be particularly important to maintain close coordination within the Ten.

Afghanistan: UN Mediation Effort

12. Diego Cordovez, Secretary-General's personal representative, recently visited Iran, Pakistan and Afghanistan to pursue his mediation effort. Pakistan and Karmal regime have agreed to further round of indirect talks in Geneva in April based on Cordovez's draft agreement covering withdrawal of Soviet troops, guarantees of non-interference and conditions for return of refugees.



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13. There has been no substantive progress. Karmal regime agreement to concept of a timetable for Soviet troop withdrawal is still conditional on an end to "outside interference" (ie resistance activity). Pakistan has stood firm so far.

14. Cordovez believes Russians are looking for a way out, but there seem no grounds for optimism. Perez de Cuellar and Cordovez visit Moscow on 27-28 March and will be looking for Soviet readiness to make concessions to justify continuation of UN mediation.

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EUROPEAN COUNCIL  
COPENHAGEN DECEMBER 3-4 1982

TEXT OF CONCLUSIONS ON POLITICAL COOPERATION SUBJECTS

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 emphasised that their relations with that country will continue to be based on the same principles of firmness and dialogue. They will call upon the Soviet Union to make the necessary contributions to improve confidence 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 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.

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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.

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.

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ANNEX B

EAST-WEST RELATIONS: POLAND

OBJECTIVE

1. To emphasise need to keep all aspects of our policy (including rescheduling) under review within Ten and with US.

POINTS TO MAKE

2. Little evidence yet of real improvement. Authorities appear to have crushed active dissent but without commitment from work force, economy will not recover and political instability will continue. Papal visit likely to be most important single indicator of chances of reconciliation between regime and people.
3. Western criteria fulfilled in part but hoped for changes have not occurred. Not the time to change broad lines of policy but should keep this under review and consider carefully our long term objectives towards Poland and how these may be achieved. Must keep in close touch with US and maintain united Western position.
4. Share partners' view that Ten should now discuss with other Western creditors resumption of preliminary contacts with Poles to reschedule latter's debts. Important that Poles should be called to account. Will need however to be satisfied that an  
]arrangement

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arrangement can be reached without provision of new credits or unacceptably high percentage of rescheduling. Will need to bring US along.

5. (If raised) Right in principle that Community's humanitarian aid to Poland should continue. But there are difficult budgetary and aid policy questions which must be looked at in Council machinery.

6. (If raised) Aware Polish Church currently discussing its plans for aid to private farmers with Polish Government. See little scope for action by Ten (if at all) until formal approach is made. (If pressed) Have examined proposals with interest. Recognise however that there would be a number of difficulties, both political and economic: practical operation of scheme still unclear.

BACKGROUND

Reference

A: Bonn tel 210 reporting discussion on Poland by Ministers on 1 March

7. Situation in Poland outwardly calmer but no evidence that Jaruzelski's policies are winning over popular opinion. Government have recently acted leniently (reduced prison sentences or discharges) to number of minor dissidents but major trials of KOR (a well known group of Polish intellectuals) and some  
]Solidarity

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Solidarity leaders appear to be going ahead and may provoke public demonstrations. Authorities and Church in joint statement on 10 March confirmed Pope would visit Poland from 16-22 June. It is not yet clear however whether a formal invitation has now issued and Government have emphasised need for calm if visit is to take place.

8. Western reactions to developments in Poland have continued to be cautious. No EC or NATO statement is planned until a full assessment of the suspension of martial law and its practical effect has been made. EC Foreign Ministers agreed on 1 March that Ten should now re-examine their objectives towards Poland and the nature of their short and medium term relations with that country. It is expected that these questions will also be looked at in NATO when the latter's assessment of the recent changes in Poland is complete.

9. EC Ministers agreed on 1 March that Ten should prudently explore with other Western Governments in Creditors' Group question of debt rescheduling talks with Poles. Latter have now provided information on Polish economic plans requested by Paris Club. Creditors' Group will review position on 13 April. It will be necessary to emphasise need to keep in line with US who remain opposed to resumption of talks at present but are looking at this in the context of a general review of policy towards Poland. Whitehall studies on technical aspects of rescheduling 1982 debts are now underway at official level.

10. Existing EC aid funds for Poland (up to 35 mecu) agreed by the Foreign Affairs Council in February 1982 will run out by

]the end

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the end of April. Funds have been used to provide humanitarian aid in the form of foodstuffs and medical supplies channelled to Polish Church via voluntary agencies in EC countries. Although the political arguments in favour of further EC aid are still valid, it would clearly not be appropriate for Poland to become a permanent aid client of the Community. The provision of more aid also gives rise to considerable budgetary difficulties as there are no funds available in the 1983 budget and it therefore seems almost certain that a supplementary budget would be required. (We have indicated to the Treasury that this should not be attributed to the UK aid programme.) The Commission told Ministers on 1 March they were still considering what resources might be available beyond April. No formal proposal has yet appeared.

Church Aid Plans (if raised)

11. Polish Church have drawn up plans for an international aid programme for Polish private farmers to be implemented over five years at a cost of some \$2 billion (50% to be provided by EC Governments; 25% each by Church and Banks). Aid would be channelled through a Church Foundation direct to private sector. Discussion on possible modalities of Scheme are underway between the Church and the Polish Government.

12. Initial discussions within Ten have revealed a considerable lack of enthusiasm for this scheme on grounds of cost, precedent, aid policy (Poland is not a developing country) and a feeling that Western Governments should not help the Polish Government ]by providing

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by providing massive assistance to Polish agriculture. It was agreed in the Ten in January that no further action would be taken until a formal approach had been made to the Ten. The Germans, however, have shown some enthusiasm for this scheme and may raise this informally in Brussels.

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FM BONN 011620Z MAR 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 210 OF 01 MARCH

INFO PRIORITY UKMIS NEW YORK ATHENS EMBASSY BRUSSELS COPENHAGEN  
DUBLIN THE HAGUE LUXEMBOURG PARIS ROME UKREP BRUSSELS UKDEL NATO  
ANKARA LISBON OSLO OTTAWA REYKJAVIK WASHINGTON MOSCOW UKDEL MADRID  
WARSAW PRAGUE BUDAPEST BUCHAREST EAST BERLIN COFIA  
INFO SAVING PEKING TOKYO CANBERRA WELLINGTON UKDEL STRASZBOURG

EUROPEAN POLITICAL COOPERATION: MEETING OF MINISTERS: BONN, 1 MARCH:  
POLAND.

SUMMARY

1. AGREED THAT TEN SHOULD RE-EXAMINE THEIR OBJECTIVES AND PRUDENTLY  
EXPLORE QUESTION OF DEBT RESCHEDULING. COMMISSION STUDYING RESOURCES  
AVAILABLE FOR CONTINUATION OF FOOD AID.

DETAIL

2. GENSCHER (FRG) SAID THAT THE TEN SHOULD MAINTAIN THEIR JOINT  
POSITION ON THE QUESTION OF VISITS TO POLAND, AT LEAST UNTIL THE  
FORM OF THE POPE'S FORTHCOMING VISIT BECAME CLEAR. WE SHOULD ALSO  
MAINTAIN OUR PROGRAMME OF HUMANITARIAN AID. HOWEVER IF WE MAINTAINED  
OUR REFUSAL TO CONSIDER DEBT RESCHEDULING, THERE WAS A DANGER THAT  
WE WOULD PUSH POLAND FURTHER IN THE DIRECTION OF THE USSR AND WOULD  
PLACE THE WESTERN CONSENSUS ON THIS SUBJECT UNDER STRAIN. WE SHOULD  
DISCUSS ANY POSSIBLE CHANGE OF ATTITUDE ON THIS WITH THE USA AND THE  
PARIS CREDITORS CLUB. WE SHOULD ALSO MAKE CLEAR TO THE POLES THAT  
FULL REPAYMENT WOULD EVENTUALLY BE REQUIRED, AND THAT THEY SHOULD  
WORK TO IMPROVE THE CONFIDENCE OF POLISH WORKERS IN THE GOVERNMENT.  
THIS LAST CONDITION WAS NOT POLITICAL BUT ECONOMIC: THE MISTRUST  
OF POLISH WORKERS FOR THEIR GOVERNMENT HAD BEEN A MAJOR SOURCE OF  
POLISH ECONOMIC WEAKNESS IN THE PAST.

3. ELLEMANN-JENSEN (DENMARK) SAID THAT IN 1982 THE TEN HAD TAKEN  
THE VIEW THAT NEGOTIATIONS ON RESCHEDULING WOULD GIVE THE WRONG  
POLITICAL SIGNAL. THE QUESTION WAS WHETHER WE WERE HURTING OURSELVES  
MORE THAN THE POLES BY MAINTAINING THIS APPROACH.

4. MR HURD (UK) SUPPORTED THE LINE TAKEN BY GENSCHER. BY AND LARGE  
THE CHANGES WE HAD HOPED TO SEE IN POLAND HAD NOT TAKEN PLACE. THE  
TEN SHOULD LOOK AGAIN AT THEIR CRITERIA AND LONG TERM OBJECTIVES.  
THIS REASSESSMENT HAD PARTICULAR IMPLICATIONS FOR OUR ATTITUDE ON  
POLITICAL CONTACTS AND DEBT RESCHEDULING. ON THE LATTER, THE TEN  
SHOULD CONCENTRATE ON AN APPROACH TO THE US AND SHOULD ALSO DISCUSS  
WITH OTHER WESTERN COUNTRIES WHETHER AND HOW TO APPROACH THE POLES.  
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5. CHEYSSON (FRANCE) NOTED THAT THE POLITICAL SITUATION IN POLAND WAS STAGNANT. THE GOVERNMENT WAS TAKING AN INCREASINGLY TOUGH LINE. THE OPPOSITION HAD BEEN SILENCED. THE PRESENT DE FACTO MORATORIUM ON DEBTS WAS UNSATISFACTORY. THE TEN SHOULD THEREFORE CONSIDER ENGAGING IN PRUDENT CONTACTS WITH THE POLES ON THIS SUBJECT. THIS WOULD NOT BE PLAIN SAILING: THE FRENCH DIRECTOR OF TREASURY HAD RECENTLY SOUGHT A MEETING WITH HIS POLISH OPPOSITE NUMBER, BUT THE POLE HAD POSTPONED THE ENCOUNTER. THE POLISH EMBASSY IN PARIS HAD PROMISED THE FRENCH AUTHORITIES ADDITIONAL INFORMATION BUT HAD NOT YET PROVIDED IT. THE FRENCH SUPPORTED THE ADOPTION OF A NEW APPROACH, BUT THE WATCHWORD MUST BE PRUDENCE. RESCHEDULING WOULD BE PAINFUL FOR THE BANKS BUT ANY DEFAULT COULD LEAD TO MORE SERIOUS PROBLEMS AND EVEN PLACE SOME INSTITUTIONS IN PERIL.

6. BARRY (IRELAND) SAID THAT THE THREE CRITERIA IMPOSED IN 1982 BY THE TEN HAD HAD LIMITED SUCCESS. THE CURRENT SITUATION REQUIRED REASSESSMENT TO SEE WHETHER THE TEN SHOULD TAKE A MORE FLEXIBLE LINE. ON RESCHEDULING, IRELAND WAS NOT DIRECTLY INVOLVED BUT COULD SUPPORT THE ACTION PROPOSED.

7. HAFERKAMP (COMMISSION) RAISED THE SUBJECT OF FOOD AID TO POLAND. FUNDS WERE ADEQUATE FOR CONTINUATION OF THIS UP TO APRIL THIS YEAR. THE COMMISSION WERE STUDYING WHAT RESOURCES THEY HAD AVAILABLE FOR ACTION BEYOND THAT DATE. THEY COULD NOT EXCLUDE THE POSSIBILITY THAT A SUPPLEMENTARY BUDGET WOULD BE NEEDED.

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EWER FOLLOW-UP



ANNEX C

EAST-WEST RELATIONS: PRAGUE DECLARATION

OBJECTIVE

1. If the subject is raised, to maintain a concerted Community approach.

POINTS TO MAKE (if raised)

2. Objective remains to prevent Russians taking propaganda points. We should continue to ask the East Europeans difficult questions about implications of the Declaration. We should stress in public that what really matters is that we should not be distracted from achieving results in arms control negotiations (eg INF and START). But we should discourage exaggerated expectations of a detailed Western response, given current US views.

BACKGROUND

3. Heads of Government of the Warsaw Pact issued a lengthy Declaration in Prague on 5 January which contained several disarmament proposals, most notably a proposal for a non-aggression pact between the two Alliances. Many of the proposals contained old material, and there is a heavy propaganda content in the Declaration.
2. Ministers of the Ten have endorsed a policy whereby individual Member States adopt an interrogative approach on a

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bilateral basis. The purpose is:

- a. to put the ball back in the Russians' court thus limiting their opportunities for scoring propaganda points;
  - b. while not appearing wholly negative, to point up the propaganda aspects of the Declaration by asking difficult questions - eg would non-aggression pact apply outside the Alliance (Afghanistan) or within each Alliance (Poland)?; and
  - c. to prevent the Russians drawing the West into a new negotiating process which could be used as further means of exerting pressure on NATO not to deploy INF in 1983.
3. NATO are completing work on an analysis of the Declaration. But formulating an agreed Alliance public position is complicated by the Americans' opposition to the interrogative approach on the grounds that it might dignify the Declaration and embroil us in dialogue with the Russians. Any move by the Ten to formulate a public reaction at this stage would run the risk of a damaging transatlantic dispute.
4. Russians can be expected to resume their propaganda attack after Warsaw Pact Foreign Ministers produce a draft non-aggression treaty when they next meet (May, or perhaps April).

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ANNEX D

EAST-WEST RELATIONS: CSCE

OBJECTIVE

1. To maintain a firm and united Western position in Madrid with the aim of achieving a substantial final document containing our essential points.

POINTS TO MAKE

2. Ten should reaffirm their objective of a substantial and balanced concluding document.

3. Need to promote a concerted Western response to the revised draft by the Neutral and Non-Aligned (NNA). Important for Europeans to keep United States with them. Easter recess will provide opportunity for consultation.

4. NNA revised draft disappointing. Important to decide on the right way in which to improve it and on what would be acceptable. We will need time to take these decisions, which will have a crucial bearing on the way the Madrid meeting ends.

5. If possible to bring recess date forward from 25 March to say 23 March, this would limit Soviet opportunities for wedge driving.



6. Resumed session after Easter is likely to be the decisive round.

7. Must not allow ourselves to be put under time pressure.

BACKGROUND

References

A FCO tel 119 to Bonn - Political Committee meeting on 8 March

B) UKDEL Madrid tels 66 and 67 - Alliance reactions to new  
&) NNA draft  
C)

8. The Madrid meeting is entering a decisive phase. On 15 March the NNA delegations tabled a revised draft concluding document. There has been no time yet for consultations between capitals. Alliance delegations in Madrid are divided on how to react. A majority in the Ten, including the FRG and France, are inclined in principle, subject to minor clarifications, to accept the new draft despite its omission of important Western points. Other members of the Alliance, particularly the United States, want the Alliance to continue their efforts to incorporate the essence of the Western points. Our initial reaction inclines to the latter view, but the over-riding UK objective is to preserve Alliance unity and agree on a concerted Alliance response: this matters more than that the Conference should have a particular outcome.



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9. On 8 March in Bonn, Political Directors agreed on the need to avoid any hint of time pressure, to preserve Western unity and to maintain the objective of a substantial and balanced concluding document, including progress on the human dimension. There should be no backing away from the Western amendments to the NNA draft tabled originally in December 1981. However the view was that at some stage, possibly quite soon, it would be necessary to consider a package solution. It was agreed that delegations in Madrid should report on the eve of the European Council.

10. The US position continues to be uncompromising. In a letter to his NATO colleagues last November associating the US with the Western package, Mr Shultz said that the West should not accept any dilution of the amendments. He also required specific action by the Soviet Union to demonstrate respect for the existing commitments of the Helsinki Final Act. The US Permanent Representative to NATO told his Western colleagues in Brussels on 15 March that the US still stood by this position: his Government were concerned at what they saw in Madrid as a willingness of the Ten to give ground on the concluding document and to discount Soviet performance.

11. It is possible that, at the European Council, the Germans and/or others may urge the Ten to put concerted pressure on the US to accept the latest NNA draft pretty much as it is. This would result in a public row at a time when (for INF and other reasons) Alliance solidarity is more than usually important. In our view it would be better to bring the present session in

]Madrid

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Madrid to an end as soon as possible. This would enable Western coordination to take place during the recess, away from the more or less public discussions in Madrid where any divisions on the Western side will be magnified.

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FM FCO 091300Z MAR 83

TO IMMEDIATE BONN

TELEGRAM NUMBER 119 OF 9 MARCH

INFO ROUTINE PARIS COPENHAGEN, ATHENS, DUBLIN, ROME,  
LUXEMBOURG, THE HAGUE, BRUSSELS, UKREP BRUSSELS, UKDEL NATO,  
UKDEL MADRID, WASHINGTON, MOSCOW, WARSAW, PRAGUE, BUDAPEST,  
BELGRADE, BUCHAREST, SOFIA

INFO SAVING TOKYO, UKMIS NEW YORK, UKDEL STRASBOURG, LISBON,  
HELSINKI, STOCKHOLM, CANBERRA

EUROPEAN POLITICAL CO-OPERATION: POLITICAL COMMITTEE. BONN,  
8 MARCH

CSCE

SUMMARY

1. THE COMMITTEE AGREED ON THE NEED TO AVOID ANY HINT OF TIME PRESSURE, TO PRESERVE WESTERN UNITY AND TO MAINTAIN THE OBJECTIVE OF A SUBSTANTIAL AND BALANCED CONCLUDING DOCUMENT INCLUDING PROGRESS ON THE HUMAN DIMENSION. THERE SHOULD BE NO BACKING AWAY FROM WESTERN AMENDMENTS. THE US MIGHT BE MORE FLEXIBLE THAN THEY SEEMED. AT SOME STAGE, POSSIBLY QUITE SOON, IT WOULD BE NECESSARY TO CONSIDER A PACKAGE SOLUTION. THIS WOULD INVOLVE DIFFICULT DECISIONS.

2. IT WAS AGREED THAT DELEGATIONS IN MADRID SHOULD PRODUCE A REPORT ON THE EVE OF THE EUROPEAN COUNCIL.

DETAIL

3. WIJNAENDTS (NETHERLANDS) ADVISED THAT THE REFUSAL OF THE SOVIET SIDE SO FAR, TO CONSIDER SOME ESSENTIAL ELEMENTS FOR THE WEST SHOULD NOT (NOT) BE THE BASE LINE FOR CONSIDERING POSSIBLE WESTERN CONCESSIONS. HE WARNED AGAINST THE ARGUMENT THAT TIME WAS RUNNING OUT FOR THE WEST AND HOPED THAT ALL COULD STILL AGREE ON THE NEED FOR A SUBSTANTIAL AND BALANCED FINAL DOCUMENT COVERING THE HUMAN DIMENSION AS WELL AS PROGRESS ON A EUROPEAN DISARMAMENT CONFERENCE.

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4. ALL SUBSEQUENT SPEAKERS AGREED THAT THE WEST WAS NOT UNDER TIME PRESSURE, THOUGH MAC KERNAN (IRELAND) POINTED OUT THAT THE EASTER BREAK OF ITSELF WOULD CREATE CERTAIN PRESSURES. ANDREANI (FRANCE) THOUGHT THAT THE WEST SHOULD MAINTAIN ITS HARD POSITION BUT BE CAREFUL NOT THEREBY TO MISS CHANCES OF REACHING AGREEMENT. DURING CHEYSSON'S VISIT TO MOSCOW THE RUSSIANS HAD TRIED ON SEVERAL POINTS TO CORRECT IMPRESSIONS OF INFLEXIBILITY GIVEN BY THEIR NEGOTIATORS. THE AMERICANS SEEMED LIKELY TO BE READY TO RETREAT FROM SOME OF THE WESTERN AMENDMENTS IN MADRID IF THEIR BILATERAL NEGOTIATIONS WITH THE SOVIET UNION YIELDED A SUFFICIENT NUMBER OF HUMANITARIAN GESTURES. THE MOMENT WOULD COME WHEN CHOICES WOULD HAVE TO BE MADE, THOUGH IT MIGHT NOT BE AS SOON AS THE NEUTRALS THOUGHT. IN THE MEANTIME ONE COULD DO LITTLE MORE THAN ASK DELEGATIONS TO BE WATCHFUL AND REPORT IN TIME FOR THE EUROPEAN COUNCIL ON 21/22 MARCH.

5. BULLARD (UK) THOUGHT THAT SINCE CHRISTMAS THERE HAD BEEN PROGRESS ON SOME POINTS, EG ON PRINCIPLES, CDE AND VISITORS TO EMBASSIES. HE WAS NOT PREPARED TO SAY NOW WHICH WESTERN AMENDMENTS MIGHT BE DISCARDABLE, IF ANY. THERE WOULD IN ANY CASE BE A SCRAMBLE AFTER THE NEW NNA DRAFT WAS TABLED ABOUT 15 MARCH. AN AGREED ASSESSMENT FROM DELEGATIONS ON PROGRESS ACHIEVED, AND THE DEGREE OF SOVIET RESISTANCE ON EACH OF THE OUTSTANDING POINTS, TOGETHER WITH RECOMMENDATIONS AS TO THE WAY FORWARD, WOULD BE USEFUL BEFORE 15 MARCH IN JUDGING HOW TO RESPOND TO THE NNA DRAFT. IF THE TEN FINALISED THAT POSITION AT THE RIGHT MOMENT AND SHOWED DETERMINATION THEY COULD ONCE AGAIN LEAD THE WESTERN GROUP: VITAL US NATIONAL INTERESTS WERE NOT ENGAGED TO THE SAME DEGREE.

6. CAHEN (BELGIUM) AGREED WITH BULLARD AND STRESSED THE NEED TO DETERMINE PRIORITIES IN ORDER TO AVOID BEING TAKEN BY SURPRISE. HE NOTED KAMPELMAN'S INSISTENCE ON PERFORMANCE FROM THE SOVIET UNION AS A CONDITION OF PROGRESS IN MADRID. MACKERNAN WAS SCEPTICAL ABOUT THIS APPROACH. PFEFFER (GERMAN PRESIDENCY) SUMMED UP AS IN PARAS 1 AND 2. THE IDEA OF A REPORT FROM DELEGATIONS BEFORE 15 MARCH WAS NOT TAKEN UP.



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7. LATER, OVER DINNER, WIJNAENDTS REVERTED TO HIS THEME THAT DELEGATIONS IN MADRID WERE SHOWING UNNECESSARY ZEAL FOR AN EARLY AGREEMENT. IF IT WAS TRUE THAT A WESTERN REPRESENTATIVE HAD ACCEPTED THE SOVIET FOOTNOTE NULLIFYING THE WESTERN AMENDMENT ON THE IMPORTATION BY JOURNALISTS OF PRINTED MATERIAL FOR THEIR PROFESSIONAL USE, THIS WAS A GRAVE MISTAKE. IT SEEMED ALL TOO LIKELY THAT THE NNA'S REDRAFT OF RM-39 WOULD INCLUDE ONLY THOSE OF THE WESTERN AMENDMENTS THAT WERE ACCEPTABLE TO THE SOVIET UNION. THERE WOULD THEN BE NOTHING ON THE RIGHT OF SELF-DETERMINATION, ON MINORITY GROUPS, ON TRADE UNIONS, ON JAMMING OR ON THE PRESENCE OF MINISTERS IN FEBRUARY/MARCH 1982. THIS QUOTE RIVER KWAI COMPLEX UNQUOTE MUST BE RESISTED.

8. THESE DUTCH FEARS WERE SHARED BY SOME OTHER POLITICAL DIRECTORS, BUT NOT BY ALL. ON THE WHOLE IT WAS THOUGHT THAT THE NNA HAD SO FAR SHOWN REMARKABLE UNDERSTANDING OF THE WESTERN POSITION, AND THAT THE TEN SHOULD CONTINUE TO HAVE FAITH IN THEM. IT WAS NOT TO BE EXPECTED THAT THEIR REDRAFT WOULD INCLUDE ALL THE WESTERN AMENDMENTS; BUT THIS WOULD NOT OBLIGE THE TEN TO DROP THOSE OMITTED. FINALLY, BULLARD SUGGESTED, AND IT WAS AGREED, THAT THE PRESIDENCY AND INDIVIDUAL PARTNERS SHOULD FIND SUITABLE WAYS OF ENSURING THAT THE NNA UNDERSTOOD THAT THE CURRENT POSITION OF THE TEN WAS AS FOLLOWS:

- A. WE WANT A COMPREHENSIVE AND BALANCED CONCLUDING DOCUMENT AS SOON AS POSSIBLE.
- B. BUT WE ARE UNDER NO TIME PRESSURE WHATSOEVER.
- C. AND WE MUST INSIST ON THE ESSENCE (REPEAT ESSENCE) OF ALL OUR AMENDMENTS.

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FM UKDEL MADRID 170900Z MAR 83

TO F L A S H FCO

TELEGRAM NUMBER 66 OF 17 MARCH

REPEATED INFO PRIORITY TO WASHINGTON, PARIS, BONN, MOSCOW,

UKDEL NATO

A

YOUR TELNO: 24 RM 39 REVISED AND MY TELECON WITH BROOMFIELD

1. MY IFT SUMMARISES EC AND WESTERN CAUCUS BRAINSTORMINGS YESTERDAY. ON RECEIPT OF FIRST TELECON MESSAGE AND THEN TUR I HAVE DISCUSSED FURTHER WITH KAMPELMAN ALONE AND SUBSEQUENTLY WITH HIM AND FIVE OTHER MAIN WESTERN DELEGATION LEADERS AT WORKING DINNER.

2. KAMPELMAN'S VIEW, GENERALLY SHARED, IS THAT YOUR ALTERNATIVE (B), MIGHT BE SUITABLE PRESENTATIONAL TIDY-UP IF IT BECOMES APPARENT MADRID MEETING HAS FAILED, BUT, ADOPTED NOW, WOULD PRECIPITATE FAILURE AT OUR HAND. THIXS EVOKES VARYING DEGREES OF HORROR AMONG MY WESTERN COLLEAGUES, BUT IS REGARDED AS AN ACT OF PREMATURE DESPAIR EVEN BY KAMPELMAN. YOUR ALTERNATIVE (A) CORRESPONDS MORE CLOSELY TO WHAT KAMPELMAN AND I WERE ADVOCATING (LIKE ALL OF US, UNDER THE CAVEAT OF ABSENCE OF INSTRUCTIONS) AT ALLIANCE BRAINSTORMING. ESSENTIALLY IT MEANS CAREFULLY SELECTING FOUR OR FIVE CARDINAL REQUIREMENTS OVER AND ABOVE RM 39 REVISED, OPENLY STATING THEM AS OUR BOTTOM LINE AND STICKING TO THEM WILLY NILLY. I THINK ALLIANCE CONSENSUS COLD JUST POSSIBLY BE BUILT ROUND THIS, THOUGH OVER VONSIDERABLE RELUCTANCE OF SCANDINAVIANS, GERMANS, ITALIANS, SPANIARDS, GREEKS AND BELGIANS TO RISK BLAME FOR A FAILED OUTCOME BECAUSE OUR "NEGOTIATING POSITION" IMPLIES NO READINESS TO NEGOTIATE FURTHER. THEY WOULD CERTAINLY WANT THIS TO BE CONSIDERED A FINAL RATHER THAN SIMPLY A RENEWED PHASE OF NEGOTIATION.

/ 3. IT IS



3. IT IS GENERALLY ACCEPTED BY THE CAUCUS, INCLUDING THE AMERICANS, THAT SOVIET BLOC COULD, IF WITH DISCOMFORT, SWALLOW RM 39 REVISED AS IT STANDS. THEY WILL NOT, HOWEVER, PROBABLY SAY SO UNTIL THEY KNOW OUR WESTERN REACTION. I GATHER MR GENSCHER HAS ALREADY PUBLICLY WELCOMED THE REVISED DOCUMENT WHEN SEEING MEP'S AND MOST OF MY ALLIANCE COLLEAGUES (ADDING THE FRENCH TO THOSE MENTIONED ABOVE) WOULD FORESEE MAJOR DOMESTIC POLITICAL EMBARRASSMENT IF SOVIET BLOC AND NNA COULD AGREE TOGETHER THAT MADRID MEETING COULD HAVE HAD USEFUL OUTCOME BUT FOR WESTERN INTRANSIGENCE.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 67 OF 17 MARCH

AND REPEATED PRIORITY TO BONN, PARIS, WASHINGTON, UKDEL NATO,  
MOSCOW

INFO SAYING TO UKMIS NEW YORK, UKDEL STEASBOURG, UKDEL VIENNA  
UKREP BRUSSELS, UKMIS GENEVA, VIENNA, BRUSSELS, SOFIA, OTTAWA  
NICOSIA, PRAGUE, COPENHAGEN, HELSINKI, EAST BERLIN, ATHENS  
HOLY SEE, BUDAPEST, DUBLIN, REYKJAVIK, ROME, LUXEMBOURG,  
VALLETTA, OSLO, THE HAGUE, WARSAW, LISBON, BUCHAREST, STOCKHOLM  
BERNE, ANKARA AND BELGRADE.

CSCE: MIPT (NOT TO ALL) : REVISED DRAFT CONCLUDING DOCUMENTS:  
EC AND NATO CAUCUS REACTIONS.

1. FIRST IN THE TEN AND LATER IN AN EIGHT-HOUR NATO  
BRAINSTORMING SESSION ON 16 MARCH, WESTERN COLLEAGUES AND I MADE  
A POLITICAL ASSESSMENT OF THE NNA REVISED DRAFT CONCLUDING  
DOCUMENT AND CONSIDERED OUR FUTURE STRATEGY AND TACTICS.

ASSESSMENT  
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2. AS WAS TO BE EXPECTED, OPINIONS DIFFERED WIDELY: SOME  
COUNTRIES (DENMARK, NORWAY, FRG, SPAIN, BELGIUM, GREECE  
FRANCE, AND PORTUGAL) FAVOURED EARLY ACCEPTANCE OF THE DRAFT  
WITH ONLY FEW IMPROVEMENTS, MAINLY IN THE CDE MANDATE: OTHERS  
(USA, UK, NETHERLANDS AND LUXEMBOURG) EXPRESSED VARYING DEGREES  
OF DISAPPOINTMENT AND FOUND THE DRAFT INSUFFICIENT FOR THEIR  
PURPOSES: AND THE REMAINDER (CANADA, ITALY, TURKEY AND  
IRELAND - ICELAND FAILED TO ATTEND) SHARED VIEWS FROM BOTH GROUPS  
BUT EXPRESSED NO CLEAR PREFERENCES.

3. THE MAJORITY ARGUED THAT THE REVISED DRAFT WAS AN ADVANCE,  
HOWEVER SMALL, ON RM 39 AND THIS WAS AN ACHIEVEMENT IN ITSELF

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3. THE MAJORITY ARGUED THAT THE REVISED DRAFT WAS AN ADVANCE, HOWEVER SMALL, ON RM 39 AND THIS WAS AN ACHIEVEMENT IN ITSELF VIEWED AGAINST INITIAL EASTERN REFUSAL TO CONSIDER OUR AMENDMENTS AT ALL. IT REPRESENTED A CLEAR IMPROVEMENT ON THE FINAL ACT. THE DOCUMENT NOW REFLECTED EVENTS IN POLAND TO SOME DEGREE BY RECORDING, HOWEVER OBLIQUELY, THE PRESENCE OF MINISTERS IN MADRID TO CRITICISE THOSE EVENTS AND BY INCLUDING A REASONABLE REFERENCE TO TRADE UNION RIGHTS. THE CDE MANDATE WAS MOVING IN THE RIGHT DIRECTION TOWARDS OUR FUNCTIONAL APPROACH. SMALL ADVANCES HAD BEEN MADE IN THE HUMAN DIMENSION AND THE BASIS FOR FUTURE DISCUSSION OF THIS HAD BEEN STRENGTHENED: ANY PROGRESS IN THIS VERY SENSITIVE AREA FOR THE EAST HAD TO BE VIEWED INCREMENTALLY IN THE LONG-TERM. ANY FURTHER GAINS OVERALL COULD ONLY BE ACHIEVED AT THE RISK OF PROLONGING THE MEETING INTOLERABLY, THEREBY STRETCHING ITS CREDIBILITY TO BREAKING POINT AND POSSIBLY JEOPARDISING THE WHOLE CSCE PROCESS. THE WEST COULD NOT AFFORD TO TAKE THE BLAME FOR THIS. LASTLY, THE CONFERENCE HAD TO BE SEEN AS A WHOLE, NOT MERELY THE CONCLUDING DOCUMENT, AND THE WEST HAD ACHIEVED A THOROUGH REVIEW OF IMPLEMENTATION OF THE FINAL ACT WHICH HAD BEEN WELL PUBLICISED. PAN DE SORALUCE (SPAIN) SAID SPECIFICALLY THAT HIS PRIME MINISTER HAD BEEN CONSULTED AND THE SPANISH GOVERNMENT COULD ACCEPT THE DRAFT AS IT STOOD.

4. KAMPELMAN (USA) EXPRESSED THE KEENEST DISAPPOINTMENT. HE THOUGHT THE NNA HAD MISCALCULATED THE STRENGTH OF WESTERN OBJECTIONS TO RM 39 AND HAD MOVED TOO FAR TOWARDS EASTERN VIEWPOINTS. HE BELIEVED THAT THIS WAS DUE TO THE MORE EFFECTIVE RUSSIAN TACTIC OF STONEWALLING IN THE FACE OF ALL OUR CREATIVE, FLEXIBLE APPROACHES AND THAT WE SHOULD EMULATE THE RUSSIANS IN THE FINAL NEGOTIATION. RECOGNISING THAT THE US POSITION ON EASTERN PERFORMANCE WAS NOT NECESSARILY THAT OF NATO AT THE OUTSET, HE THOUGHT THAT IT WAS JUSTIFIABLE TO CHANGE OUR OBJECTIVES IN THE LIGHT OF EVENTS. SINCE SEPTEMBER 1980 THE SOVIET UNION HAD NOT MADE A SINGLE STEP ON IMPLEMENTATION, ALMOST AS IF IN DEFIANCE OF THE WEST. THE WEST SHOULD CONSIDER WHETHER WE COULD ACCEPT THIS BEHAVIOUR. ALTHOUGH WITHOUT INSTRUCTIONS, HE THOUGHT US CONCERN WITH PERFORMANCE WAS JUSTIFIED AND DID NOT BELIEVE ANOTHER DOCUMENT FROM MADRID WOULD OF ITSELF IMPROVE EAST/WEST RELATIONS.

5. I ENDORSED THE VALIDITY OF THE CSCE PROCESS AS A PRIME OBJECT TO DEFEND BUT OBSERVED THAT WHEN OUTSIDE EVENTS OCCURRED WE HAD A DUTY TO RESPOND APPROPRIATELY IN ORDER TO PRESERVE ITS CREDIBILITY. WE COULD CONTRIBUTE TO ITS VITALITY AND CREDIBILITY BY MAINTAINING A CERTAIN DYNAMISM IN THE MADRID DOCUMENT. WE HAD AGREED TO BEEF UP THE DRAFT ACCORDINGLY BUT I QUESTIONED WHETHER WE HAD ACHIEVED THIS OBJECTIVE. THE REVISED DRAFT WAS DISAPPOINTING, PARTICULARLY IN THE HUMAN DIMENSION, WHERE WE HAD BEEN SHORT-CHANGED BY THE NNA ON WHAT HAD BEEN AGREED IN THE NEGOTIATIONS. I THOUGHT THAT A CERTAIN QUANTUM WAS NECESSARY TO MAKE A CREDIBLE DOCUMENT, THAT WE SHOULD NOW RAISE OUR BID, THAT WE COULD USE THE LEVER OF THE CDE TO EXERT PRESSURE ON THE EAST AND THAT WE WOULD NOT APPEAR SABOTEURS IF WE DID SO.

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CROIN (NETHERLANDS) SAID BRIEFLY HIS AUTHORITIES WERE BITTERLY DISAPPOINTED WITH THE LACK OF BALANCE IN THE DRAFT AND OUR FAILURE TO ACHIEVE LESS THAN A THIRD OF OUR OBJECTIVES. SANTER (LUXEMBOURG) ALSO EXPRESSED DISAPPOINTMENT WITH THE PERFORMANCE OF THE NMA, BUT WAS PESSIMISTIC ABOUT IMPROVING THE DRAFT SIGNIFICANTLY.

6. IN SUBSEQUENT DISCUSSION ON THE DETAIL OF THE DRAFT, IT WAS WIDELY RECOGNISED THAT SCOPE EXISTED FOR SEEKING IMPROVEMENTS ON THE ESSENCE OF OUR AMENDMENTS AS REFLECTED IN THE DRAFT ON TRADE UNION RIGHTS, MONITORS, THE CDE MANDATE AND A POSTPONEMENT OF THE DATE FOR HOLDING THE FIRST PHAE, JAMMING AND AN EARLIER DATE FOR THE NEXT FOLLOW-UP CONFERENCE. THE US RESERVED ITS POSITION ON THE PROPOSED HUMAN CONTACTS MEETING.

TACTICS

-----  
7. ON TACTICS, IT WAS THOUGHT UNLIKELY THAT MOST COUNTRIES WOULD BE ABLE TO CONSULT CAPITALS (PARTICULARLY BEARING THE EUROPEAN COUNCIL ON 20/21 MARCH IN MIND) IN TIME TO GIVE A COMPREHENSIVE RESPONSE TO THE ACONFERENCE BEFORE THE EASTER BREAK, STARTING ON 25 MARCH. IT WAS AGREED THAT WE WOULD MEANWHILE REMAIN NON-COMMITTAL AND SEEK FOR A RESUMPTION THREE WEEKS LATER. OPINIONS WERE UNDECIDED ON WHETHER WE SHOULD TRY AND GIVE THE EAST SIGNALS OF OUR INTENTIONS TO REFLECT ON IN THE INTERVAL.

FCO PLEASE PASS SAVING TO ABOVE POSTS.

WILLIAMS

NNNN

CORRECTION: PARA 6, LINE 5 - THE WORD SHOULD BE PHASE.

SENT/RECD AT 17/1030Z VMR/JW

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ANNEX E

EAST-WEST RELATIONS: ECONOMIC

POINTS TO MAKE (for use if raised)

1. Good progress so far on various bits of work in OECD, NATO, COCOM. Believe it is in Community interest to contribute and play constructive role in studies. This will help persuade US Administration that European views are reasonable. Important that Community dimension being respected, and that Commission paper fed into OECD.

2. Despite difficulties in some studies (eg Other High Technology) enough results should now be available for review at the spring ministerial meetings: OECD and Williamsburg (both May) and NATO (June). Important to prepare for all these properly - not just Williamsburg - to avoid misunderstandings.

3. (Defensive, if appropriate) It will not be easy to draw conclusions from the studies. We should leave open how, when, and where this might be done. There must be a Community dimension.

4. (Defensive, if appropriate) Do not accept that Williamsburg has no role simply because not all Community members present there. (If pressed) Non-participating Community Members will be represented by President of Commission.

]BACKGROUND

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BACKGROUND

References

- A: Summary of Conclusions (annotated) - Washington  
Discussions on East-West Economic Relations (Pipeline)
- B: San Francisco tel 12 of 4 March
- C: FCO tels 445 & 446 to Washington: Recent exchange of  
letters with Secretary Shultz

5. Studies following up Summary of Conclusions under way in NATO (Security Aspects of East-West Economic Relations), COCOM (Strategic Technology; and other Other High Technology), and OECD (East - West Trade and Commercial Relations; and Energy Requirements Study). Study of harmonisation of credit policy towards USSR not yet taken up by Americans, but in OECD Export Credit Consensus negotiations they have proposed a general tightening of export credit terms for all rich markets (including USSR). Most controversial study is on Other High Technology, where European partners unlikely to accept controls beyond COCOM, and US may have to settle simply for regular reviews of trade in this technology.

6. Community role in studies agreed and Commission paper fed into OECD in early February. Community competence areas (consensus credit rates and agriculture) will be handled by Commission, otherwise Member States will coordinate positions but speak separately. Commission will also speak where particular Community interest exists (energy).



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7. President Reagan proposed review of East-West Economic Relations at Williamsburg. Progress in NATO and OECD studies now likely to meet this deadline. However, Secretary Shultz told Secretary of State on 3 March that Americans regard all three spring ministerials as important (reference B, para 2).  
B This may help reassure non-Summit Community Member States, as well as French and Germans who have both expressed doubts about Group of Seven format. Question of drawing conclusions from studies best left open at present, although a recent letter from Shultz to Secretary of State (Reference C: probably not to all EC Member States) implies that conclusions should be drawn in the fora where the studies are being conducted.

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WASHINGTON DISCUSSIONS ON EAST/WEST ECONOMIC RELATIONS (PIPELINE)SUMMARY OF CONCLUSIONS

During conversations in Washington between the Secretary of State of the United States of America and representatives of Canada, the Federal Republic of Germany, France, Italy, Japan and the United Kingdom on the subject of East/West relations, in which representatives of the EC participated, a certain number of conclusions have been reached on behalf of the governments represented. The summary of these follows.

1. They recognise the necessity of conducting their relations with the USSR and Eastern Europe on the basis of a global and comprehensive policy designed to serve their common fundamental security interests. They are particularly conscious of the need that action in the economic field be consistent with that global and comprehensive policy and thus be based on a common approach. They are resolved together to take the necessary steps to remove differences and to ensure that future decisions by their Governments on these issues are taken on the basis of an analysis of the East/West relationship as a whole, with due regard for their respective interests and in a spirit of mutual trust and confidence.

NATO  
Security  
Study

2. The following criteria should govern the economic dealings of their countries with the Soviet Union and Eastern European countries:-

- that they will not undertake trade arrangements, or take steps, which contribute to the military or strategic advantage and capabilities of the USSR,
- that it is not in their interest to subsidize the Soviet economy; trade should be conducted in a prudent manner without preferential treatment.
- that it is not their purpose to engage in economic warfare against the Soviet Union. To be consistent with our broad security interests, trade with the USSR must proceed, inter alia, on the basis of a strict balance of advantages.

It is agreed to examine thoroughly in the appropriate bodies how to apply these criteria, taking into account the various economic and political problems involved, with the view to agreeing on a common line of action in the spirit of paragraph one and the above criteria. They will pay due attention in the course of this work to the question of how best to tailor their economic relations with Eastern European countries to the specific situation of each of them, recognizing the different political and economic conditions that prevail in each of these Eastern European countries.

The overall analysis of economic relations with the USSR and the Eastern European countries will touch in particular on the following areas:-

- strategic goods and technology of military significance (COCOM);
- other high technology items;
- credit policy;



- energy;
- agricultural products.

In their analysis of other high technology items, it is agreed to examine immediately whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe of advanced technology and equipment to be jointly determined. This immediate examination of whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe of advanced technology and equipment will include technology and equipment with direct applications to the oil and gas sector. O.H.

In the field of energy, they will initiate a study of their projected energy requirements and dependence upon imports over the next decade and beyond and possible means of meeting these requirements, with particular attention being given to the European energy situation. The study will be conducted under the auspices of the OECD. Energy Stud

3. As an immediate decision and following decisions already made, they have further agreed on the following:-

<sup>HLW2</sup>  
(a) Building on the conclusions of the High Level Meeting, they will work together within the framework of the Coordinating Committee (COCOM) to protect their contemporary security interests: the list of strategic items will be evaluated and, if necessary, adjusted. This objective will be pursued at the COCOM Review now under way. They will take the necessary measures to strengthen the effectiveness and responsiveness of COCOM and to enhance their national mechanisms as necessary to enforce COCOM decisions.

<sup>OECD</sup>  
(b) It was agreed at Versailles that the development of economic and financial relations with the Soviet Union and Eastern Europe would be subject to periodic ex-post review. The necessary procedures for this purpose will be established without delay. Having in mind the criteria in paragraph two above, they will work urgently further to harmonize export credit policies. CREDITS

<sup>Y</sup>  
(c) They have informed each other that during the course of the study on energy requirements, they will not sign, or approve the signing by their companies of, new contracts with the Soviet Union for the purchase of natural gas.

16 November 1982  
Foreign and Commonwealth Office.



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FROM SAN FRANCISCO 040625Z MAR 83.

TO IMMEDIATE F C O

TELEGRAM NUMBER 12 OF 4 MARCH

INFO IMMEDIATE WASHINGTON

PRIORITY BONN, PARIS, UKDEL ~~VAT~~

ROUTINE UKREP BRUSSELS, ROME, ~~UNDEL~~ ~~UNDEL~~ ~~TOKYO~~

FROM PRIVATE SECRETARY.

SECRETARY OF STATE'S MEETING WITH SHULTZ AT PALO ALTO  
ON 3 MARCH: EASE-WEST ECONOMIC RELATIONS.

1. MR PYM SAID THAT THE STUDIES PUT IN HAND TO FOLLOW UP THE SUMMARY OF CONCLUSIONS SEEMED TO BE GOING AHEAD AS QUICKLY AND AS WELL AS COULD BE EXPECTED. THINGS WOULD NO DOUBT GET MORE DIFFICULT (E.G. OVER OHT AND THE FRENCH POSITION) AS WE CAME NEARER TO DRAWING CONCLUSIONS. BUT SO FAR SO GOOD. SHULTZ AGREED. THE MAIN DIFFICULTIES HE SAW WERE OVER QUOTE OHT IN THE COCOM CONTEXT UNQUOTE AND IN GETTING THE JAPANESE AS FULLY INVOLVED AS HE WOULD WISH: GIVEN THE FRENCH DIFFICULTIES OVER THE TROIKA, THE UNITED STATES WOULD HAVE TO DO THE JOB THEMSELVES INFORMALLY. BURT SAID THAT THE PROBLEMS OVER OHT COULD PROBABLY BE RESOLVSD, BUT THERE WERE GENUINE DIFFICULTIES WITH THE FRENCH OVER CREDIT. ANDREANI HAD BEEN IN WASHINGTON YESTERDAY AND IT WOULD BE DIFFICULT TO MAKE PROGRESS IF THE FRENCH STUCK TO THEIR PRESENT POSITION.

2. SHULTZ SAID THAT WE SHOULD TRY TO ACCOMPLISH AS MUCH AS WE COULD, WHILE ENSURING THAT DISAGREEMENTS WERE NOT ALLOWED TO FOUL THE NEST. THE OECD MINISTERIAL MEETING WOULD BE THE PLACE TO DECIDE WHAT COULD REALISTICALLY BE ACHIEVED. ITS CONCLUSIONS SHOULD THEN BE FED INTO THE WILLIAMSBURG SUMMIT AND THE HATO MINISTERIAL SHOULD IN TURN TRY TO CONSOLIDATE WHAT HAD EMERGED FROM WILLIAMSBURG. SHULTZ EMPHASISED THAT WILLIAMSBURG SHOULD NOT BE SEEN AS THE ONLY FOCUS: WE WOULD BE MEETING THREE TIMES WITHIN A MONTH. MR PYM AGREED GENERALLY WITH THIS APPROACH AND UNDERLINED THE NEED FOR CAUTION IN ESTIMATING HOW MUCH COULD BE ACHIEVED AT WILLIAMSBURG, GIVEN IN PARTICULAR MITTERRAND'S DISLIKE OF USING THE SEVEN AS A STEERING GROUP. BESIDES, THERE

/ WOULD BE

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WOULD BE A LOT TO DO AT WILLIAMSBURG ON THE CENTRAL ISSUES AND WE MUST NOT REPEAT THE EXPERIENCE OF VERSAILLES. SHULTZ SAID THAT THE MANAGEMENT OF EAST-WEST RELATIONS WAS A CENTRAL ISSUE AND DETERMINING OUR ECONOMIC APPROACH TO THE SOVIET UNION WAS AN IMPORTANT ASPECT OF IT. WE WOULD LOSE PEOPLE IF WE TRIED TO DO TOO MUCH BUT IT WAS IMPORTANT TO IDENTIFY WHAT WE WERE REALLY WORRIED ABOUT.

3. BEFORE LEAVING THE SUBJECT OF WILLIAMSBURG SHULTZ SAID THAT PRESIDENT REAGAN WOULD WANT A MAXIMUM OF INFORMALITY AND OPPORTUNITY FOR REAL TALK. EVERYONE SEEMED AGREED, BUT THE PRESS AND THE BUREAUCRACIES WOULD SEEK TO CONTROL AND FORMALISE THE PROCEEDINGS AS THEY HAD DONE IN THE PAST.

FCO PASS ALL ADDRESSEES

BEAVEN

[REPEATED AS REQUESTED]

[COPIES SENT TO NO 10 DOWNING ST]

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CONS EM UNIT  
MR THOMAS  
CABINET OFFICE

ADDITIONAL DISTRIBUTION  
EWER FOLLOW-UP

*Copy also sent to PS/Sir R Armstrong*

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GRS 685

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FM FCO 171425Z MAR 83

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 445 OF 17 MARCH.

AND TO PRIORITY PARIS, BONN, ROME, UKDEL NATO, UKDEL OECD,  
UKREP BRUSSELS, TOKYO, OTTAWA.

INFO SAVING TO MOSCOW, OTHER EC POSTS, UKMIS GENEVA

EAST/WEST ECONOMIC RELATIONS: LETTER FROM SECRETARY SHULTZ

1. FOLLOWING IS TEXT OF LETTER TO ME FROM SHULTZ DATED  
14 MARCH. REPLY IS IN MIFT.

BEGINS: DEAR FRANCIS, WHEN I WROTE TO YOU IN LATE DECEMBER,  
FOLLOWING MY RETURN FROM A HIGHLY USEFUL VISIT TO EUROPE, I  
SHARED WITH YOU MY IMPRESSIONS OF WHERE WE STOOD IN DEVELOPING  
OUR FOLLOW-UP WORK ON EAST-WEST ECONOMIC RELATIONS. I AM  
PLEASED TO NOTE THAT WE HAVE MADE GOOD PROGRESS SINCE THAT TIME.

PROCEDURAL QUESTIONS ARE LARGELY BEHIND US AND WE ARE WELL  
LAUNCHED WITH THE SUBSTANCE OF THE STUDIES IN NATO, COCOM AND  
THE OECD/IEA. I AM GRATIFIED BY THE COOPERATIVE SPIRIT WHICH  
HAS CHARACTERIZED OUR WORK THUS FAR.

AT THIS MID-POINT IN OUR EFFORTS, I WOULD LIKE TO EMPHASIZE  
OUR HOPE THAT THE STUDIES UNDERWAY REFLECT THE HIGHEST QUALITY  
ANALYSIS AND WILLINGNESS TO DEAL WITH TOUGH ISSUES THAT WE CAN  
COLLECTIVELY MUSTER. OUR OWN RESOLVE TO PUSH THESE STUDIES  
THROUGH TO MEANINGFUL RESULTS, AND TO DO SO IN TIME FOR THE  
MINISTERIAL AND ECONOMIC SUMMIT MEETINGS OF THIS SPRING, HAS NOT  
SLACKENED. IN OUR DELIBERATIONS IN NATO AND COCOM IN PARTICULAR,  
WE ARE APPROACHING MID-MARCH MEETINGS WHICH WILL BE MOST  
IMPORTANT IN MOVING OUR EFFORTS FORWARD.

WE ATTACH GREAT IMPORTANCE TO A SUBSTANTIVE RESULT FROM THE  
FORTHCOMING NATO ECONOMIC COMMITTEE MEETINGS ON THE SECURITY  
IMPLICATIONS OF OUR ECONOMIC DEALINGS WITH THE SOVIET UNION. WE  
HAVE MADE A PARTICULAR EFFORT TO PROVIDE USEFUL ANALYTICAL INPUTS  
TO THE MARCH 14-15 MEETING, INCLUDING A RECENT PAPER BEING MADE

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AVAILABLE HERE AND IN BRUSSELS ADDRESSING THE SPECIFIC ISSUE OF THE IMPORTANCE OF EAST-WEST ECONOMIC RELATIONS TO THE SOVIET ECONOMY. I URGE YOUR SUPPORT IN ASSURING THAT THIS ALLIANCE STUDY PRODUCES A SOLID ANALYTICAL PRODUCT WHICH WILL ASSIST OUR GOVERNMENTS IN DRAWING MEANINGFUL CONCLUSIONS.

AS REGARDS OUR WORK IN COCOM, THE HIGH LEVEL MEETING WHICH HAS BEEN AGREED FOR THE END OF APRIL IS ESPECIALLY IMPORTANT TO US. MUCH USEFUL WORK HAS BEEN DONE SINCE THE LAST SUCH MEETING A YEAR AGO. WE ARE WELL ALONG IN THE LIST REVIEW AND HAVE ENGAGED IN EXTENSIVE DISCUSSIONS ABOUT HOW WE CAN STRENGTHEN THE EFFECTIVENESS OF OUR COOPERATION ON STRATEGIC TRADE CONTROLS. WE ARE ABOUT TO ENGAGE IN THE STUDY OF WHETHER OUR SECURITY INTERESTS REQUIRE NEW CONTROLS IN OTHER HIGH TECHNOLOGY AREAS, INCLUDING OIL AND GAS EQUIPMENT. WE REGARD THE OUTCOME OF THIS WORK AS VITALLY IMPORTANT TO OUR MUTUAL SECURITY AND I HOPE YOU WILL DO ALL YOU CAN TO ASSURE THAT THE HIGH LEVEL MEETING TAKES THE DECISIONS NEEDED TO IMPEDE SOVIET ACQUISITION OF EQUIPMENT OR TECHNOLOGIES WHICH COULD UNDERMINE OUR SECURITY.

WE ARE PLEASED THAT THE WORK OF THE OECD/IEA ON A STUDY OF OUR COMMON ENERGY REQUIREMENTS AND SECURITY IS PROCEEDING WELL. THE OECD/IEA IS EXPECTED TO DISTRIBUTE A DRAFT OF THE STUDY IN THE NEXT FEW DAYS; TO BE REVIEWED BY GOVERNMENTS AT IEA AND OECD MEETINGS LATER THIS MONTH. WE THINK THE COMBINED SECRETARIAT IS TAKING A USEFUL APPROACH TO THE ISSUE OF ENERGY SECURITY, AND I UNDERSTAND IT IS FINDING THAT SIGNIFICANT ENERGY SECURITY PROBLEMS EXIST IN THE SUPPLY OF OIL AND NATURAL GAS TO MEMBER COUNTRIES. SINCE THE STUDY IS NOW WELL ADVANCED, I BELIEVE IT IS APPROPRIATE FOR GOVERNMENTS TO BEGIN TO CONSIDER WHAT POLICY CONCLUSIONS SHOULD BE DRAWN FROM IT.

IT IS MY HOPE THAT WE WILL BE ABLE TO REACH AGREEMENT BEFORE THE END OF APRIL IN THE OVERALL DISCUSSIONS ON EXPORT CREDIT POLICY TOWARDS THE INDUSTRIALIZED NATIONS IN OUR DELIBERATIONS IN THE OECD EXPORT CREDIT ARRANGEMENT.

I ATTACH CONSIDERABLE IMPORTANCE TO OUR WORK IN THE OECD TO IMPROVE THE MONITORING PROCESS BY WHICH WE CAN ASSURE THAT A PROPER BALANCE OF ADVANTAGES IN EAST-WEST ECONOMIC RELATIONS IS MAINTAINED. TO BE MOST USEFUL, THIS WORK SHOULD BE SUBSTANTIALLY IN PLACE BY THE TIME WE MEET AT THE OECD MINISTERIAL MAY 9-10.

I HOPE I CAN COUNT ON YOUR PERSONAL SUPPORT IN THESE EFFORTS. ENDS.

PYM

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GRS 630

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FM FCO 171430Z MAR 83

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 446 OF 17 MARCH

AND TO PRIORITY PARIS, BONN, ROME, UKDEL NATO, UKDEL OECD,  
UKREP BRUSSELS, TOKYO, OTTAWA

TO INFORMATION SAVING MOSCOW, OTHER EC POSTS, UKMIS GENEVA  
MIPT: EWER FOLLOW-UP: REPLY TO SECRETARY SHULTZ

1. PLEASE PASS FOLLOWING TO SECRETARY SHULTZ IN REPLY TO  
HIS LETTER OF 14 MARCH TO ME.

2. BEGINS: THANK YOU FOR YOUR LETTER OF 14 MARCH. AS  
YOU KNOW FROM OUR CONVERSATION IN PALO ALTO, I TOO HAVE  
BEEN PLEASED WITH THE PROGRESS MADE SO FAR ON THE EAST/WEST  
ECONOMIC RELATIONS FOLLOW-UP WORK. MUCH REMAINS TO BE DONE,  
BUT I HOPE THAT WORTHWHILE RESULTS CAN BE ACHIEVED BY THE  
MINISTERIAL MEETINGS IN MAY AND JUNE.

3. I CONSIDER THAT THE WORK IN HAND REPRESENTS THE MOST  
SUSTAINED AND COMPREHENSIVE EFFORT SO FAR UNDERTAKEN BY THE  
WEST IN THIS FIELD. TOGETHER WE HAVE COME A LONG WAY SINCE  
YOU AND I FIRST SPOKE ABOUT THE SUBJECT IN WASHINGTON LAST  
JULY. I BELIEVE THAT IT IS IN ALL OUR INTERESTS TO TRY

TO REACH A CONSENSUS ON WHAT ECONOMIC POLICY TOWARDS THE EAST  
SHOULD BE. THE LEVEL AND DEGREE OF THE BRITISH COMMITMENT TO  
THE STUDIES REFLECT THESE JUDGEMENTS. WE SHALL CONTINUE TO  
PLAY A FULL PART IN MOVING THE WORK FORWARD AS QUICKLY AS WE  
CAN.

4. I AGREE THAT THE NATO SECURITY STUDY IS IMPORTANT. OUR  
OWN EXPERTS HAVE DEVOTED CONSIDERABLE TIME AND ATTENTION TO  
THIS, AND WE WILL CONTINUE TO CONTRIBUTE CONSTRUCTIVELY. WE  
AWAIT WITH INTEREST THE RESULTS OF THE ANALYTICAL PHASE OF THE  
WORK, AND WE SHALL BE READY AT THE APPROPRIATE TIME TO CONSIDER  
ITS POLICY IMPLICATIONS. ON THE POLITICAL/MILITARY SIDE, WE,

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LIKE YOU, HAVE MADE A MAJOR INPUT INTO THE NATO STUDY ON 'SOVIET POLICY TRENDS AND THEIR IMPLICATIONS' WHICH IT WAS AGREED TO UNDERTAKE AT THE NATO MINISTERIAL MEETING LAST DECEMBER. THIS ALSO I REGARD AS IMPORTANT FOR THE ALLIANCE.

5. ON WORK IN COCOM, THE APRIL HIGH LEVEL MEETING WILL BE USEFUL. THE LIST REVIEW HAS GONE WELL. ALL PARTNERS HAVE COOPERATED EFFECTIVELY ON THE AMBITIOUS PROGRAMME WE HAVE SET OURSELVES. WHERE CONTROLS ON OTHER HIGH TECHNOLOGY ARE CONCERNED, MY OFFICIALS RECENTLY HAD A USEFUL EXCHANGE OF VIEWS WITH YOURS IN ADVANCE OF THE AD HOC GROUP MEETING IN PARIS ON 17 AND 18 MARCH. IN OUR VIEW, THE US PROPOSALS FOR THAT MEETING DESERVE A FULL HEARING AND CAREFUL STUDY.

6. I TOO AM PLEASED AT THE GOOD PROGRESS IN THE ENERGY STUDY. AS THE STUDY WILL HIGHLIGHT, THE OECD COUNTRIES CONTINUE TO BE DEPENDENT ON ENERGY IMPORTS FROM NON-OECD SOURCES. ENERGY SECURITY PROBLEMS HAVE BEEN RECOGNISED FOR MANY YEARS, AND APPROPRIATE MEASURES PUT IN PLACE TO MINIMISE RISKS FROM DISRUPTION. THE STUDY PROVIDES AN OPPORTUNITY TO REVIEW THESE ARRANGEMENTS, AND TO CONSIDER WHETHER ANYTHING FURTHER IS NECESSARY. WE, FOR OUR PART, SHALL BE READY TO DISCUSS POSSIBLE CONCLUSIONS WHICH MIGHT BE DRAWN FROM THE STUDY AS SOON AS ITS PROGRESS MAKES THIS POSSIBLE.

7. ON DISCUSSIONS ON THE EXPORT CREDIT CONSENSUS, I SHARE YOUR HOPE THAT WE SHALL BE ABLE TO REACH A SATISFACTORY AGREEMENT BEFORE THE PRESENT ARRANGEMENTS EXPIRE AT THE END OF NEXT MONTH.

8. PROCEDURES HAVE NOW BEEN ESTABLISHED AT OECD TO ENSURE THAT WORK ON THE EX-POST REVIEW OF EAST/WEST TRADE RELATIONS WILL BE COMPLETED IN TIME FOR THE MAY MINISTERIAL MEETING. I AGREE THAT THIS REVIEW SHOULD, INTER-ALIA, LOOK AT THE BALANCE OF ADVANTAGES TO EAST AND WEST FROM THEIR MUTUAL TRADE.

9. AS YOU KNOW, I HAVE THROUGHOUT GIVEN MY PERSONAL SUPPORT TO THE FOLLOW-UP WORK TO THE SUMMARY OF CONCLUSIONS. I SHALL CONTINUE TO DO SO. I THINK IT IS OF GREAT IMPORTANCE TO THE ALLIANCE AND TO THE WEST AS A WHOLE. I HOPE THAT THE SATISFACTORY PROGRESS IN THE STUDIES SO FAR MARKS A STEP IN

THE RIGHT DIRECTION, ALTHOUGH, AS YOU POINTED OUT AT PALO ALTO, WE COULD LOSE PEOPLE IF WE TRY TO DO TOO MUCH.

ENDS

PYM

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ANNEX F

MIDDLE EAST: ARAB-ISRAEL

OBJECTIVE

1. Discussion of major issues with a view to issuing firm statement.

POINTS TO MAKE

2. Crucial moment for peace efforts. Six months lost since Reagan initiative announced. US standing in region at low ebb. Little time left before US become preoccupied with elections, and moderate Arabs lose hope in chances of a negotiated settlement.

3. New movement needed urgently. In Lebanon welcome renewed diplomatic activity. But negotiations have dragged on too long. Limits to what Lebanese can accept if internal authority and external relations not to be jeopardised. Israel must recognise this.

4. Arab/Israel. Significance of Arab League Delegation's visit to London not so much in substance of presentation - on expected lines - but fact that despite differences, Arab side prepared to come under King Hussein's chairmanship and to compromise on PLO representation, to sustain unity achieved at Fez. Vital to build on this unity - which remains highly fragile.

5. King Hussein has crucial role. He has not had serious discussion with Arafat since PNC and cannot yet judge whether Arafat will join public declaration. Some indications that Jordanians



around the King becoming increasingly sceptical that Arafat will deliver. [Prime Minister may wish to give impressions of her talks with the King on 18 March].

6. Israeli approach to Lebanon negotiations and to the West Bank serious obstacles to peace efforts. Disturbed by upsurge of violence on West Bank: incident at Al Aqsa Mosque illustrated the tension there and touched raw nerve in Arab world.

7. Arab League Delegation stressed importance of UK/Ten pressure on US to encourage movement. If US move to showdown with Israel after Hussein statement, they will expect support from Ten. We should consider what leverage we have to encourage Israel to work for compromise settlement. Israel cannot expect warm relations with the Europeans if she refuses to respond to peace initiatives.

8. If distinctive European role to remain credible, need for firm statement from this meeting. Aims: reaffirm European interest in early progress: encourage any realistic approach especially King Hussein: and maintain insistence on certain fundamental principles, such as Palestinian self-determination and genuine security for Israel.

#### BACKGROUND

9. Arab/Israel. King Hussein was unable to have serious discussions with Arafat at the Delhi Summit, and will not therefore be able to judge whether Arafat is willing to join him in a public declaration of willingness to enter peace negotiations until Arafat's next visit to Amman (expected on or about 21 March). Both the King and the Jordanian Foreign Minister made clear before their



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visit to London that the signals coming from the PLO were not encouraging. The King is also disappointed at the degree of support he has received from the Saudis and Moroccans, and remains uncertain about American intentions. In these circumstances his advisers are already beginning to consider how the King should proceed if Arafat fails to deliver. He will face the awkward choice of whether to go it alone, with the risk of isolation in the Arab world which that entails, or to abandon his effort to build on the Reagan proposals. He sees clear dangers for Jordan if the present stalemate is allowed to continue and Palestinian radicalism increases as a consequence. The European Council would no doubt be greatly interested to know the Prime Minister's impressions following her talks with the King on 18 March.

10. Meanwhile the Lebanon negotiations continue to make painfully slow progress despite US efforts to force the pace, during the talks in Washington with Shamir and Salem 12-16 March. The Israelis set out with a wide-ranging series of demands on security arrangements and normalisation of relations with Lebanon. They have let some points go under pressure from the Americans, but important issues remain unresolved. The Israelis are still insisting on joint defence patrols in Southern Lebanon, and a detailed interim arrangement on the free movement of goods and people pending a formal agreement on this subject, which the Lebanese insist should be delayed for six months. Both demands are probably too much for the Lebanese Government if they are not to provoke Syrian retaliation against Lebanon's interests. Shamir showed no flexibility during the Washington talks. The US apparently put detailed proposals to both sides on security, including bolstering the Lebanese Army: Habib is to return to the region to follow up

/shortly.

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shortly. Mr Salem will have been in London for talks with Mr Pym on 18 March and may ask for an extension/expansion of the British contingent to the MNF.

11. Disturbances in Jerusalem and West Bank. Tension has risen in recent weeks on West Bank, with an increase in demonstrations and stone throwing by Palestinians, and incidents of armed Jewish settlers taking the law into their own hands. On 11 March armed Jewish extremists attempted to settle at the Al Aqsa Mosque in Jerusalem. They were intercepted and detained by Israeli police, but the incident sparked off further violence on the West Bank. The Jordanians have protested vigorously and there has been talk of a Security Council meeting, although this has not yet taken place.

12. European Council Statement. In preparations for the European Council there has been widespread support for a firm statement on the Middle East, reaffirming the Ten's principles and underlining the urgent need for progress. There is a draft in existence, but it will need further work by Political Directors on 21 March in the light of latest developments.



ANNEX G

MIDDLE EAST: IRAN-IRAQ

OBJECTIVE

1. To maintain an even-handed approach.

POINTS TO MAKE

2. Iraq still eager to negotiate but Iranians unresponsive.  
No evidence of Iranian interest in mediation attempts inspired by Iraq at 7-10 March Non-Aligned Movement Summit.
3. Iraq angling for initiative by the Ten to help end war. Has also lobbied Security Council members to support NAM initiative. Ten must remain impartial. Best response to Iraq's request would be inclusion of reference to the war in the statement on the Middle East.

BACKGROUND

Annex

- A: Coreu telegram CPE MUL ETR 640 from Bonn dated 17 February 1983: Letter to Herr Genscher from Iraqi Deputy Prime Minister



4. Military Situation

Since 11 February, only sporadic Iraqi air attacks and artillery exchanges. Current Iranian military preparations consistent with a further attack in mid-March. Likely objective recapture of Iranian territory held by Iraq. Attack may have been postponed until after conclusion of NAM Conference on 10 March.

5. Attacks in Gulf

In early March, Iraq attacked small Nowruz oil field 50 miles north-west of Kharg Island. Claimed to have hit five Iranian ships. Sporadic Iraqi attacks on main Iranian oil terminal at Kharg Island have so far failed to affect Iran's oil exports.

6. Mediation

Iraqis asked us on 27 February to give public support to possible Indian initiative at 7-10 March NAM Foreign Ministers' Conference. Moderate Arab States have now floated vague proposal calling for: ceasefire; pull-back to pre-war boundaries; UN peace force and possible ban on arms supplies to any side which rejects ceasefire. Proposals may also include prospect of reparations for both sides, funded by Saudi Arabia and Gulf States. Iraq also proposed that Conference should set up Committee to determine: (a) responsibility for starting the war and (b) responsibility for its continuation. If either belligerent refused to accept its conclusions, would risk

]expulsion



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expulsion from NAM and other penalties. Zambia understood to be member of small NAM Committee pushing initiative. Iranians critical and wary of any effort which does not condemn Iraq as the aggressor.

7. Action by Ten

The Iraqi Deputy Prime Minister and Foreign Minister, Tariq Aziz, wrote to Herr Genscher in February calling for a contribution by the Ten to a settlement of the Iran-Iraq conflict (Annex A). Preliminary discussions have indicated some support for reference to war in statement by European Council along the same lines as the European Council Conclusions of 30 June 1982: 'The Ten express their deep concern at the continuation of the damaging conflict between Iraq and Iran, which is destructive for the two countries and seriously threatens the security and stability of the region. They repeat the Appeal which they made on 24 May for an end to hostilities and a negotiated settlement. They call for an intensification of the peace efforts currently under way, and declare themselves ready to assist in these.'

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FM BONN COREU  
TO ALL COREU - ROUTINE -  
AND UN-MISSIONS IN NEW YORK - ROUTINE -  
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OBJECT: LETTER OF THE IRAQI DEPUTY PRIME MINISTER AND  
- MINISTER OF FOREIGN AFFAIRS, TARIQ AZIZ, TO THE  
- PRESIDENCY CONCERNING THE RECENT IRANIAN MILITARY  
- ACTIONS AGAINST IRAQ

THE IRAQI CHARGE D'AFFAIRES IN BONN HAS SUBMITTED TO  
THE PRESIDENCY A LETTER OF MR. TARIQ AZIZ, DEPUTY PRIME  
MINISTER AND MINISTER OF FOREIGN AFFAIRS OF THE REPUBLIC  
OF IRAQ TO THE GERMAN MINISTER OF FOREIGN AFFAIRS IN HIS  
CAPACITY AS PRESIDENT OF THE COUNCIL OF MINISTERS OF THE  
EC. IN THE LETTER, MR. AZIZ DRAWS THE ATTENTION OF THE TEN  
TO THE RECENT MILITARY ACTIONS OF IRAN AGAINST HIS  
COUNTRY AND WELCOMES ANY CONTRIBUTION BY THE TEN TO A  
PEACEFUL SETTLEMENT OF THE IRANIAN-IRAQI CONFLICT.

THE IRAQI CHARGE D'AFFAIRES HAS ALREADY BEEN TOLD  
THAT THE TEN HAVE DEALT WITH THE MATTER ON PREVIOUS  
OCCASIONS AND THAT APPEALS TO BOTH SIDES TO STOP  
HOSTILITIES HAVE SO FAR MET WITH NO SUCCESS.

THE PRESIDENCY PROPOSES THAT THE LETTER BE DISCUSSED  
AT THE NEXT SESSION OF THE MIDDLE EAST WORKING GROUP.

FOLLOWING IS THE TEXT OF THE LETTER:

HERR HANS-DIETRICH GENSCHER  
FEDERAL MINISTER FOR FOREIGN AFFAIRS  
PRESIDENT OF THE COUNCIL OF MINISTERS  
OF THE EUROPEAN COMMUNITY

PERMIT ME TO POINT OUT THAT THE OFFICIAL IRAQI AUTHORITIES AT THE  
HIGHEST LEVEL HAVE REPEATEDLY WARNED THAT THE IRANIAN REGIME  
INTENDED TO CARRY OUT A LARGE-SCALE OFFENSIVE AIMED AT CROSSING  
THE IRAQI BORDER AND ENDANGERING IRAQ'S SOVEREIGNTY AND SECURITY.  
THIS INDEED CAME TO PASS IN THE NIGHT OF 6/7 FEBRUARY 1983, WHEN  
IRANIAN TROOPS STARTED A HOPELESS OFFENSIVE IN THE MISSAN SECTOR  
OF THE AL-SHIB REGION. IN THE EARLY MORNING OF 7 FEBRUARY 1983,  
THE IRANIAN REGIME ANNOUNCED IN A COMMUNIQUE THAT ITS TROOPS HAD,  
THAT NIGHT, BEGUN THE FIRST PHASE OF THIS OFFENSIVE AND HAD  
ALREADY CROSSED THE IRAQI BORDER. THEY WERE ABOUT TO CONTINUE  
THEIR ADVANCE IN ACCORDANCE WITH THE OBJECTIVES OF THIS OPERATION.  
THUS THE REGIME CONTINUED ITS ATTACKS.

OUR PURPOSE IN POINTING THIS OUT IS TO UNDERSCORE THE THREAT POSED  
BY THIS ACT AND THE GRAVE CONSEQUENCES IT COULD HAVE FOR THE  
SECURITY AND STABILITY OF THE REGION IF IRAN'S AGGRESSION  
CONTINUES UNCHECKED AND IF IT CARRIES OUT ITS PLANS AGAINST IRAQ.  
WE ARE THEREFORE VERY CONFIDENT THAT THE COMMUNITY OF  
NATIONS - WHICH IN SECURITY COUNCIL RESOLUTIONS 514 AND 522 AND IN  
GENERAL ASSEMBLY RESOLUTION 3127 OF 22 OCTOBER 1982 UNDERSCORED  
ITS DESIRE FOR AN IMMEDIATE CEASE-FIRE, FOR THE WITHDRAWAL OF

(FORCES)

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FORCES TO INTERNATIONALLY-RECOGNIZED BOUNDARIES AND FOR A SETTLEMENT OF THE DISPUTE BY PEACEFUL MEANS IN CONFORMITY WITH THE PRINCIPLES OF JUSTICE AND INTERNATIONAL LAW - WILL RECOGNIZE THE DANGEROUS DIMENSIONS OF A CONTINUATION OF IRANIAN AGGRESSION. THE INTERNATIONAL COMMUNITY IS THUS CALLED UPON TO MAKE SERIOUS EFFORTS IN EVERY WAY POSSIBLE TO CONDEMN SUCH AGGRESSION AND PREVENT ITS CONTINUATION. THIS IS IN LINE WITH THE UN RESOLUTIONS AND WITH EFFORTS TO MAINTAIN INTERNATIONAL PEACE AND INTERNATIONAL SECURITY, AS WELL AS WITH THE DESIRE FOR BROADER FRIENDLY RELATIONS AND GREATER HARMONY AND FOR THE CONSOLIDATION OF GOOD-NEIGHBOURLY RELATIONS BETWEEN STATES, IN THE SPIRIT OF THE PURPOSES AND PRINCIPLES OF THE UN CHARTER.

I SHOULD LIKE TO INFORM YOU THAT IRAQI FORCES HAVE IN THE MEANTIME SUCCEEDED IN REPELLING AND CRUSHING THE FIRST WAVES OF THE IRANIAN OFFENSIVE, AND THAT THE IRAQI GOVERNMENT WELCOMES ANY POSITIVE STEP BY THE EUROPEAN COMMUNITY (EC) WHICH WOULD CONTRIBUTE TO MORE PROGRESS IN THE SEARCH FOR A PEACEFUL, JUST AND HONOURABLE SOLUTION TO THE IRAQI-IRANIAN CONFLICT.

YOURS SINCERELY,

TARIQ AZIZ

DEPUTY PRIME MINISTER

AND FOREIGN MINISTER

''

BONN COREU

FIN DE TEKSTE

LIMITED

MED

NENAD

AND

ECG (E)

SIR J BULLARD

SIR J LEAHY

MR EGERTON

MR GOODISON

MR HANNAY

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ANNEX H

NON-ALIGNED SUMMIT (7 - 12 MARCH): DECLARATION

OBJECTIVE

1. Oppose any positive public statement by Ten on results of New Delhi meeting.

POINTS TO MAKE

2. Clear that many "moderates" sought to re-assert influence after 3 years of Cuban distortion. Their efforts only met with very partial success.  
Radicals better organised and more ruthless.

3. Declaration much more critical of West than East. Many criticisms of US, none of USSR by name.

4. Difficult to believe NAM collectively will ever be very helpful to Western interests. Ten should pursue any contacts with great caution.

5. Britain will continue to conduct intensive contacts with individual NAM countries. We have close relations with many.

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BACKGROUND

Annex

A: New Delhi telno 219

6. Prior to the New Delhi Summit a number of our partners proposed a message by the Presidency to the Indians (as Chairman) and Guest Status for the Presidency at the Summit on behalf of the Ten. We and the Dutch expressed misgivings about such forthcoming gestures towards an essentially anti-Western movement. The two proposals were dropped by the Presidency.

7. President Reagan sent a message to Mrs Gandhi as Chairman.

8. The UK lobbied actively a number of friendly Non-Aligned countries (especially Commonwealth) in an attempt to pre-empt extreme language on the Falklands. Our efforts were almost entirely unsuccessful: the final passage supports Argentina and is critical of Britain. Similar but lower key efforts were made to influence the passages on Diego Garcia. But these were equally unsuccessful. The final passage both criticises the military base and supports the Mauritian sovereignty claim.



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9. The Final Document contains 18 or so specific and generally critical references to the United States but the Soviet Union is nowhere explicitly criticised (not even in the context of Afghanistan where the reference is to a withdrawal of 'foreign troops').

10. M Cheysson suggested at the Foreign Affairs Council in Brussels on 14 March that Political Directors might consider the Final Document with a view to including a reference to it in the conclusions of the European Council.

FOREIGN AND COMMONWEALTH OFFICE

18 March 1983



GRS 1200

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FM DELHI 140635Z MAR 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 219 OF 14 MARCH.

INFO IMMEDIATE BRUSSELS.

INFO PRIORITY UKMIS GENEVA, WASHINGTON, MOSCOW, UKMIS NEW YORK,  
BELGRADE, ALGIERS, HAVANA, UKDEL NATO, UKREP BRUSSELS.

INFO SAVING MIDDLE EAST POSTS, COLOMBO, LUSAKA, DACCA, ISLAMABAD.

#### SEVENTH NON-ALIGNED SUMMIT

1. THE SEVENTH NON-ALIGNED SUMMIT ENDED HERE ON 12 MARCH. IN ADDITION TO THE TRADITIONAL POLITICAL AND ECONOMIC DECLARATIONS, THE SUMMIT ISSUED A "NEW DELHI MESSAGE" AND A SEPARATE "DECLARATION ON COLLECTIVE ACTION FOR GLOBAL PROSPERITY". INDIA'S WILLINGNESS TO HOST THE SUMMIT IN PLACE OF IRAW WAS A RELIEF TO MOST NAM COUNTRIES. THIS TOGETHER WITH THE EXCELLENT PRACTICAL ARRANGEMENTS GOT THE MEETING OFF TO A GOOD START. BUT, JUDGED AGAINST THE ORIGINAL INDIAN INTENTION OF PRODUCING MODERATE AND PRAGMATIC DECLARATIONS WHICH EMPHASIZED NOT SO MUCH REGIONAL ISSUES (EXCEPT FOR SUCH CRUCIAL TOPICS FOR THE NAM AS THE MIDDLE EAST AND NAMIBIA) AS THE GLOBEL QUESTIONS OF PEACE, DISARMAMENT AND DEVELOPMENT, THE RESULTS WERE MIXED. ON THE POLITICAL SIDE, THE FORMULATIONS ON THE MIDDLE EAST AND LATIN AMERICA WERE SIGNIFICANTLY TOUGHENED. ON THE CONOMIC SIDE, RADICALISM WAS LEFT LARGELY TO THE RHETORICAL PARTS OF THE DOCUMENT AND, COMPARED TO PREVIOUS NAM DOCUMENTS, A MORE PRAGMATIC APPROACH WAS ADOPTED IN THE OPERATIONAL PARAGRAPHS. SO FAR AS SPECIFIC BRITISH INTERESTS ARE CONCERNED, THE RESULTS ON THE FALKLANDS AND THE INDIAN OCEAN WERE DISAPPOINTING. THE INTRODUCTION OF ANTARCTICA FOR THE FIRST TIME WAS UNWELCOME BUT THE LANGUAGE USED NOT TOO BAD FROM OUR POINT OF VIEW.

#### POLITICAL ISSUES

2. ON THOSE ISSUES IN WHICH THE INDIANS SAW THEIR INTERESTS OR PRESTIGE DIRECTLY ENGAGED (AFGHANISTAN, CAMBODIA, INDIAN OCEAN AND DISARMAMENT) THEY CAN BE SATISFIED WITH THE OUTCOME. THEY WERE HELPED BY THE FACT THAT THE REAL ARGUMENT OVER AFGHANISTAN WAS SETTLED TWO YEARS AGO AT THE FOREIGN MINISTERS MEETING IN DELHI, AND THE PAKISTANIS DID NOT WISH TO CREATE TROUBLE FOR THEM BY REOPENING IT. ON CAMBODIA, ALTHOUGH THE MINISTERIAL MEETING BEFORE THE SUMMIT WAS DOMINATED BY THE ISSUE OF WHO SHOULD OCCUPY THE SEAT, THE OUTCOME (LEAVING IT EMPTY) WAS NEVER SERIOUSLY IN DOUBT.

3. ON THE INDIAN OCEAN, THE MAIN QUESTION WAS THE SINGLING OUT OF DIEGO GARCIA AS A BASE. THE MODERATES, LED BY SRI LANKA, WON IN 1981 BUT WERE UNABLE TO REPEAT THEIR SUCCESS THIS TIME. THE CLINCHING FACTORS WERE PROBABLY THE DETERMINATION OF THE NEW

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/JUGNAUMH



JUGNAUTH GOVERNMENT IN MAURITIUS TO RAISE THE SOVEREIGNTY ISSUE AND MRS GANDHI'S OWN UNWELCOME REFERENCE TO 'THE NUCLEARIZATION OF THE DIEGO GARCIA BASE' IN HER INAUGURAL ADDRESS ON 7 MARCH, WHICH STIFFENED INDIAN OFFICIALS' RESISTANCE TO COMPROMISE.

4. ON THE OTHER MAIN REGIONAL ISSUES, INDIA WAS UNABLE OR UNWILLING TO DEFEND HER ORIGINAL MORE BALANCED TEXT AGAINST THE REGIONAL GROUPS (AND THE RADICAL ELEMENTS WITHIN THEM) WHICH WISHED FOR TOUGHER LANGUAGE. IN THE CASE OF AFRICA, THIS LED TO MORE RHETORIC ABOUT SOUTH AFRICA AND, ON NAMIBIA, A STRONGER CONDEMNATION OF LINKAGE SEMICOLON BUT OTHERWISE RELATIVELY LITTLE CHANGE. ON THE MIDDLE EAST, THERE WAS A WHOLESAL REVERSION TO TRADITIONAL NAM LANGUAGE WHICH, WITH THE ADOPTION OF HARD LINE SYRIAN AMENDMENTS, STRENGTHENED THE ATTACK ON ISRAEL AND INTRODUCED SPECIFIC CONDEMNATION OF THE US. BUT THERE WAS POSITIVE ENDORCEMENT OF THE FEZ PLAN, AND NO DUNUNCIATION OF EITHER THE REAGAN PLAN OR CAMP DAVID SEMICOLON IN THE CIRCUMSTANCES, THESE FEATURES MAY BE MORE SIGNIFICANT FOR THE FUTURE THAN THE INCLUSION OF THE SYRIAN VERBIAGE. THE INABILITY OF THE SUMMIT TO ACHIEVE ANY RECOGNIZABLE PROGRESS TOWARDS RESOLVING THE IRAN/IRAQ CONFLICT MUST BE ONE OF ITS MAJOR DISAPPOINTMENTS. THERE WERE RUMOURS AS THE SUMMIT OPENED THAT MRS GANDHI WOULD HAVE LIKED, IF THE IRANIAN ATTITUDE LOOKED PROMISING ENOUGH, TO BE GIVEN A PERSONAL MANDATE TO TRY TO END THE WAR AND THUS PERHAPS QUALIFY FOR THE NOBEL PEACE PRIZE.

5. IN THE LATIN AMERICAN SECTION, THE ADORTION OF LANGUAGE REFLECTING THE JANUARY 1983 MANAGUA COMMUNIQUE, WITH ITS ANTI-US SLANT, SIGNIFICANTLY ALTERED THE OVERALL BALANCE OF THE DOCUMENT. FROM THE FALKLANDS POINT OF VIEW, THIS WAS PARTICULARLY UNFORTUNATE. THE MOST OUR FIRENDS WERE ABLE TO DO WAS TO PREVENT ANYTHING WORSE BEING ADOPTED.

#### ANTARCTICA

6. THE MALAYSIAN CALL FOR THE UNIVERSALISATION OF ANTARCTICA AS THE 'COMMON HERITAGE OF MANKIND' ENJOYED SUBSTANTIAL SUPPORT. BUT FORTUNATELY ARGENTINA, THE ONLY FULL ANTARCTIC TREATY MEMBER WITHIN THE NAM, OPERATED SKILFULLY WITH STRONG AUSTRALIAN SUPPORT BEHIND THE SCENES TO PERSUADE THE MALAYSIANS TO DROP ANY REFERENCE TO THE 'COMMON HERITAGE'. DESPITE SOME LAST MINUTE OPPOSITION BY A SMALL GROUP OF COUNTRIES (INCLUDING, IT SEEMS, INDIA) THE ARGENTINES WERE ALSO ABLE TO ENSURE THAT THE CALL FOR A STUDY OF ANTARCTICA AT THE NEXT UNGA, ON WHICH THE MALAYSIANS INEVITABLY INSISTED, WAS COUCHED IN TERMS WHICH TOOK ACCOUNT OF THE EXISTENCE OF THE TREATY.

#### ECONOMIC ISSUES

7. THE ORIGINAL INDIAN DRAFT ECONOMIC DECLARATION HAD GIVEN PROMINENCE TO IMMEDIATE MEASURES, PUTTING GLOBAL NEGOTIATIONS ON THE BACK BURNER. THIS WENT TOO FAR FOR MANY NAM MEMBERS, WITH



THE RESULT THAT THE COMMITTEE ~~CONFIDENTIAL~~ NEGOTIATIONS IS REFLECTED MORE STRONGLY IN THE FINAL TEXT. THIS PROPOSES THE CONVENING OF A CONFERENCE WITHIN THE UN TO LAUNCH THE GLOBAL NEGOTIATIONS IN EARLY 1984 "BY TAKING UP IN THE FIRST PHASE THOSE ISSUES ON THE FORMULATION AND ALLOCATION OF WHICH AGREEMENT WOULD HAVE BEEN REACHED (AND) ... IN THE SECOND PHASE OTHER ISSUES, PARTICULARLY THOSE AFFECTING THE STRUCTURE OF THE INTERNATIONAL ECONOMIC SYSTEM AND INSTITUTIONS". BUT THERE REMAINS CONSIDERABLE EMPHASIS ON IMMEDIATE MEASURES, TO BE PURSUED AT FORTHCOMING UN CONFERENCES, PARTICULARLY UNCTAD VI SEMICOLON AND THESE ARE NOT ORGANICALLY LINKED WITH GLOBAL NEGOTIATIONS, AS THE HARDLINERS LED BY THE ALGERIANS HAD WANTED.

8. SO FAR AS SPECIFIC MEASURES ARE CONCERNED, THE FOCUS WAS VERY MUCH ON MONETARY AND FINANCIAL ISSUES. THE ECONOMIC DECLARATION CALLS FOR AN INTERNATIONAL CONFERENCE ON MONEY AND FINANCE FOR DEVELOPMENT. THE INDIANS HAVE LEFT THE PRECISE OBJECTIVE OF THE CONFERENCE DELIBERATELY VAGUE. IT IS LISTED AS AN IMMEDIATE MEASURE SEMICOLON BUT THE REFERENCE TO A "COMPREHENSIVE REFORM FO THE EXISTING INEQUITABLE AND OUT-DATED INTERNATIONAL MONETARY AND FINANCIAL SYSTEM" IN ITS TERMS OF REFERENCE SUGGEST THAT IT WILL IN FACT BELONG TO THE SECOND PHASE ENVISAGED FOR GLOBAL NEGOTIATIONS.

9. OTHER NOTABLE FEATURES OF THE ECONOMIC DECLARATION AND DEBATE ARE:-

(A) THE TONING DOWN OF IDEAS FOR DEBT RESTRUCTURING, THANKS LARGELY TO THE LATIN AMERICAN DEBTORS SEMICOLON

(B) THE SUCCESS OF OPEC COUNTRIES IS PLAYING DOWN DISCUSSION OF ENERGY SEMICOLON

(C) THE BLOW DEALT TO SOUTH/SOUTH COOPERATION BY THE EVIDENT UNWILLINGNESS OF THE ARABS TO FINANCE IT SEMICOLON

(D) THE WELCOME FOR THE SRI LANKAN AND ALGERIAN PROPOSALS FOR HIGH LEVEL MEETINGS. ON THIS LAST POINT THE DECLARATION ASKS INDIA "TO TAKE SUCH ACTION AS DEEMED APPROPRIATE" AND TO INVITE "A GROUP OF HEADS OF STATE OR GOVERNMENT TO HOLD DISCUSSIONS WITH OTHER WORLD LEADERS ON THE SUBSTANCE OF THE NEW DELHI DECLARATIONS AND MESSAGE" SEMICOLON AND NOTES THAT MRS GANDHI'S CALL FOR A UNGA AT HEAD OF GOVERNMENT LEVEL WOULD PROVIDE AN EARLY OPPORTUNITY TO DO THIS.

CONCLUSIONS

10. BEFORE THE START OF THE CONFERENCE THERE WAS CONSIDERABLE SPECULATION ABOUT THE INDIANS' WILLINGNESS - AND ABILITY - TO RECTIFY THE "CUBAN TILT" AND BRING THE MOVEMENT BACK TO A MORE CENTRAL POSITION BETWEEN THE TWO MAJOR BLOCS. ON A PRELIMINARY



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ASSESSMENT, THEY SEEM TO HAVE BEEN ONLY PARTIALLY SUCCESSFUL, AS WITNESS THE RELATIVELY GENTLE TREATMENT OF THE SOVIET UNION IN THE FINAL DOCUMENT AS OPPOSED TO THE 18 OR SO SPECIFIC AND GENERALLY CRITICAL REFERENCES TO THE UNITED STATES. INDEED ONE OF DELHI'S MAJOR ENGLISH LANGUAGE DAILIES HAS COMMENTED ADVERSELY ON THIS FACT.

11. THE UNDOUBTEDLY MADE AN EFFORT TO RESTORE TO THE CHAIRMANSHIP THE INTERNATIONAL PRESTIGE IT COMMANED WHEN THE MOVEMENT'S OUTLOOK WAS MORE DALANCED, BUT THEY WERE FORCED TO TAKE ACCOUNT OF THE STRONGLY HELD VIEWS OF THE MEMBERSHIP. THE POLITICAL DEBATE SHOWED AGAIN THAT THE RADICALS WERE MORE DETERMINED AND EFFECTIVE AT INFLUENCING THE TONE, IF NOT ALWAYS THE CONTENT, OF THE FINAL DECLARATION THAN WERE THE MODERATES. IT REMAINS TO BE SEEN WHETHER THE CONDEMNATIONS IN THE POLITICAL DOCUMENT WILL MAKE IT MORE DIFFICULT FOR THE NON-ALIGNED TO EXTRACT FROM THE WEST, NOTABLY THE US, WHAT THEY WANT, NOT ONLY ON KEY POLITICAL ISSUES, BUT ALSO ON THE ECONOMIC FRONT.

FCO PLEASE PASS SAVING TO ABU DHABI, ADEN, ALGIERS, AMMAN, BAGHDAD, BAHRAIN, BEIRUT, CAIRO, DAMASCUS, DOHA, DUBAI, JEDDA, JERUSALEM, KHARTOUM, KUWAIT, MUSCAT, RABAT, SANAA, TEL AVIV, TRIPOLI, TUNIS, COLOMBO, LUSAKA, ISLAMABAD.

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18 March 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

EC/US AGRICULTURAL TRADE

BRIEF BY FOREIGN AND COMMONWEALTH OFFICE AND MINISTRY  
OF AGRICULTURE FISHERIES AND FOOD

OBJECTIVE

1. To ensure that Community continues to take a restrained line with US in order to strengthen hand of Shultz and others in Washington who seek negotiated solutions and, if necessary, to ensure that Commission makes proposals sufficiently substantive to reach such solutions.

POINTS TO MAKE

2. (If Commission's report on Commissioners' talks with US on 17/18 March indicate chance of negotiated settlement)

Welcome Commission's report on talks in Washington on

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17 March. Must build on these, with both sides showing restraint and serious intention of achieving solutions by discussion.

3. (If Commission have made no progress in talks in Washington)

Concerned by Commission report on talks in Washington. Have to recognise that Americans are behaving unreasonably and that hotheads are in control in Washington. Community must act together to keep up maximum pressure on US to avoid subsidy war.

Understand that authoritative Commission calculations show that a subsidy war would be very costly for Community - at least 1.25 billion ecu this year alone. Obvious that Community could not contemplate this. US Government on other hand would incur little new expenditure, since they own the surplus stocks and have already financed them.

4. Community must now take stock urgently and consider what minimum action might still control this damaging trade dispute. Working with Member States in most expeditious way and with explicit sanction of European Council, Commission must return urgently to the charge with Americans at high level. This will mean further visit to Washington.

5. Meanwhile we must consider what political signal

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to send US. Mr Shultz's letter to President of Council underlines need for Community's discussions with the US to focus on substance if Shultz and like-minded people in Washington are to forestall a damaging trade war. Accordingly suggest signal should be reaffirmation of our serious determination to solve dispute by substantive discussion market by market or commodity by commodity, whichever seems most likely to produce results. Meanwhile Community is prepared to show restraint provided US does also.

6. (If French press for retaliation) Community justified in taking steps to maintain its markets but must avoid being provoked by US into breach of GATT rules. Must continue to put US in wrong by demonstrating that sales like their sale to Egypt of wheat flour at below market prices are illegal under the GATT. No question, when we are striving to keep dispute in bounds, of escalating it by retaliation, eg. against US exports to EC.

BACKGROUND

7. The EC/US talks on 17/18 March were still in progress at the time of drafting. The Commission intended to offer the Americans something on trade in and storage of wheat and wheat flour; the possibility of some market sharing on butter, of which the US is

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not a traditional exporter (eg. if the EC sells to the USSR, it leaves part of its traditional markets elsewhere to the US); collaboration over sales of skimmed milk powder, and measures to transform it into animal feed; plus measures on poultry, eggs and apples. Although each of these measures is modest, the Commission saw some chance that as a package they might be enough to placate the Americans. According to an interim report from our Embassy in Washington, the signs are good that this was achieved. A Commission participant described the talks so far as constructive. They had not solved the problems but were creating an opening that needed to be worked on. The Americans were still pressing on the phasing out of export subsidies for cereals, and for something on dairy subsidies, but were showing interest in what the Community was offering.

8. Mr Shultz wrote to Herr Genscher as President of the Council on 14 March (text at annex). His letter affirms the importance of the talks with the Commission but warns that the Commission's proposals will have to be more imaginative in the short term and more far-reaching in the long term (by comparison with what they presented to the US at the official level talks in January and February) in expressing willingness to

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solve problems arising from EC export subsidies. If the Commission makes meaningful new proposals, Mr Shultz promises to put his full weight into having them seriously considered and seeks a parallel Presidency approach within the Community at the European Council. If not Mr Shultz, and he hopes, the German Presidency should work to contain the dispute to the field of agricultural exports to third markets and, by implication, not allow it to be extended to retaliation against US agricultural exports to the EC, let alone to spill over into wider political relations.

9. All this is very much in accordance with our thinking and with the idea of a message to President Reagan on which Mr Walker and Mr Pym have agreed (see para 16 of main brief) but which should now await the outcome of the Commission talks in Washington and the European Council.

10. There may be particular French resistance to the apparent implication in Mr Shultz's letter that neither side should take further actions. The French have so far gone along with the Community approach on restraint but there are signs that they are toughening up. The Presidency expect trouble from President Mitterrand and his advisers are now talking in terms of reconsidering the current arrangements for levy free imports of US

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cereal substitutes and soya. They argue that the US has challenged EC and French interests (the US wheat flour sale to Egypt was at French expense) in a fundamental way and the Community must rise to that challenge. It will be important to resist such arguments which could prevent any negotiated accommodation being reached with the Americans (a result which might not displease the French).

Foreign and Commonwealth Office  
Ministry of Agriculture Fisheries and Food  
18 March 1983

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march 14, 1983

dear hans-dietrich:

i want to ekspress my deep concern to you that the u.s. and the european community appear to be embarked on a collision course over the use of agricultural eksport subsidies. you surely share my concern about the danger that our differences over agriculture will spill over onto other issues and thereby damage the fundamental relationship between the united states and europe. i am raising tns issue with you now not only because i know we share that point of view, but also because germany, as the presidency country of the european community, has a specific role as interlocutor of the united states. this role was recognized by the other member states when they agreed to your sending me your letter of february 25.

this is not the time to discuss, much less debate, the trans-atlantic differences over the use of agricultural eksport subsidies. at this late stage in the dispute, we must, rather, seek to resolve these differences, or failing that, find ways to contain the harm this dispute can do to the alliance.

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on march 17, vice president naferkamp and commissioner dalsager will be meeting with bill brock and other senior figures in the u.s. government. i sincerely hope they will be bringing with them proposals that will offer the prospect of the composition of our differences. to achieve this, the commission proposals will have to be more imaginative for the short term, and far-reaching for the long term, than what the commission presented to us in january and february. i do not mean to intrude into the internal workings of the community, but since you raised this issue with me, i thought it appropriate to suggest that you consider whether, on the basis of our own understanding of this near-crisis, you wish to reinforce commission president thorn's effort to develop forthcoming proposals.

what happens after march 17 depends heavily on what the commission proposes at the meeting. if the commission makes meaningful new proposals, i shall argue for serious consideration of them within the u.s. government. given the political pressures that have developed here over this issue, we shall have to move very fast-- if there is a basis for movement.

i realize that there are similar pressures in europe, and i understand that this issue will arise at the european council meeting of march 21-22. i would hope that germany could, at that meeting, seek to mobilize support for commission proposals--assuming that these proposals at least create the basis for further us-ec discussion.

if the proposals do not provide a basis for a negotiated settlement of our agricultural differences in the near future, we then have a different set of responsibilities. if the community and the united states must differ over agricultural exports to third markets, let us at least try to restrict the dispute to such markets, and resist pressures for other kinds of actions.

again, i shall argue for such a position here, should that be the only option open (semi) and i hope that germany would resist the pressures that will probably arise within the community, perhaps as soon as the european council of march 21-22.

i hope we can come out with a better result than one of pure damage-limitation. i will bend my best efforts here to achieve a positive result.

with best regards,

sincerely,

george p. shultz.

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F.R.G. - elections of  
unconditional importance  
N.A.T.O.  
Vote for Europe  
Co-op: Solidarity

Ec Solid Fields  
Jobs

Ec/W relations → peace  
Protecting Environment  
Acid Rain  
Protests dying out

Free Union

European elections - important

Strong Community

Not to stand up for national interests



Message of International Partnership

Ec. Political relations

→ Guaranteed relations important

→ First sign of ec recovery  
Confidence: Public } important

Consolidate cohesion by vigorous  
structural policies



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COPY NO 1

18 March 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

INTERNAL MARKET

Brief by Department of Trade

OBJECTIVE

1. To secure a commitment to further progress on the Community's internal market, particularly for services.

POINTS TO MAKE

2. The Councils on 1 February and 1 March have made a start, but made only partial progress. Agree with the Commission that they and the Council should be instructed to increase the momentum - reporting back in June - and go on into the next Presidency. They could now look particularly at trade in services, where the Community's work has lagged behind that on goods.

3. Clear decisions urgently needed on eg insurance, air services and freeing lorry movements. We need to make a reality of the open internal market in services; not only a Treaty right, but also vital to enable the Community to compete effectively with third countries.

4. [If appropriate]

Broadly endorse the list of priority measures proposed by the Presidency.



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[If raised eg by France]

5. Do not agree that progress on internal market should be made conditional on developments on the external trade front, which do merit discussion in their own right - but not in the Internal Market context. Best dealt with elsewhere, eg in Foreign Affairs Council.

BACKGROUND

- References:
- A. Presidency report to the European Council (doc 5545/1/83) on issues discussed at Copenhagen, Section 1
  - B. More detailed Presidency report (doc 5490/83, Annex I)
  - C. Presidency's future work programme (doc 5490/83, Annex II)
  - D. Commission communication (COM(83)144 final)

Councils on the Internal Market

6. The December European Council called for decisions on the completion of the Internal Market by 31 March 1983, and asked the Presidency to report at the March European Council. Mr Rees represented the UK at the 1 February and 1 March Councils. Discussion focussed on 3 priority areas for action:

A) The Third Country Problem - The question of automatic access to all EC markets for imports, whatever their origin, once any member state has agreed that they conform to an EC harmonised standard. [Not for use] The French have blocked agreement on 21 EC standards harmonising directives (including some leading to whole vehicle type approval) because they fear that they would no longer be able to take administrative measures to restrict imports of Japanese cars to 3% of their market. The Councils discussed Commission proposals to unblock the directives by allowing a member state to ban imports in certain circumstances. We wish to see this problem resolved, in the interest of facilitating intra-Community trade, but not at any price:- we and most others insist that a state must win



## CONFIDENTIAL

the support of most of its partners for national measures to ban imports. France is unlikely to agree.

B) Technical Standards Information Procedure - requiring a member state to notify the Commission and its partners before introducing new national standards and technical regulations. Approved on 1 March.

C) Measures to ease formalities at frontiers - only a couple of minor measures agreed. We have pressed for early agreement on most items, but share widespread technical reservations about the proposal for a single document for customs formalities.

### Future Work Programme

7. The Presidency have now put forward a new package of measures (reference C) intended for decision before the June European Council. We have stressed that air transport and insurance deserve special attention (and have secured inclusion of insurance and mention of inter-regional air services) and that the Internal Market Council should assist progress on dossiers belonging to others (eg ECOFIN for insurance). The work programme should not be blurred by being expanded much further.

### Insurance

8. A directive to facilitate cross-frontier business in non-life insurance was first put forward in 1975, but is still far from being agreed. [Not for use] The only genuine support for the liberalisation sought by the Commission is from the UK and the Netherlands. The Presidency has shown signs of wishing to make progress, in discussions with the Commission and the UK. But even if all goes well, the directive will not be adopted by June; and we cannot rely on the Greek Presidency for help.



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Air Services

9. The Netherlands and we are virtually alone in pressing for greater liberalisation through adoption of 3 Commission proposals: a regulation to apply the Treaty competition rules to air transport, a directive on air fares and one on regional air services. The Presidency hopes to see the last adopted by the June Transport Council.

Road Haulage Quota

10. Intra-Community lorry transport is still regulated by quota. Germany, France and Italy prevented any increase in the annual Community quota of road haulage permits at the December Transport Council, despite strong pressure from the Netherlands and the UK.

Internal/External Trade Policy and French Trade Measures

11. The French have repeatedly stressed that progress in the internal market should depend on parallel progress with strengthening the external trade policy. The Presidency and UK have resisted this linkage. The Foreign Affairs Council, the appropriate forum, is to discuss a Commission proposal for a new Common Commercial Policy regulation (see Brief B on International Trade issues).

French Protectionism

12. Rumours are current of possible new French measures to accompany, or stave off, a new devaluation of the franc. French protectionist measures announced last October have had little if any effect on UK exports. The Commission have pursued infraction proceedings. Late last year the French prepared allegations about protectionism in 20 countries, including the UK. We believe France, Greece and Italy are



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the main EC offenders, but we will not gain from mutual  
retribution.

Department of Trade  
18 March 1983

- 5 -

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EUROPEAN COMMUNITIES  
THE COUNCIL

Brussels, 16 March 1983

5545/1/83
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REPORT

presented under the responsibility of the Presidency

from: the COUNCIL

to: the EUROPEAN COUNCIL

Subject: Progress made on issues discussed by the European Council  
in Copenhagen

INTRODUCTION

The European Council of 3/4 December 1982 defined a series of goals and specific actions to be taken in the economic and social field and on the enlargement dossier. The present report to the European Council describes progress made under each heading in fulfilment of this remit, and indicates where progress is still to be achieved.

1. INTERNAL MARKET

The Council was asked "to decide, before the end of March 1983, on the priority measures proposed by the Commission to reinforce the internal market".

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Progress so far: <sup>(1)</sup>

A first special Council was held on 1st February and the second on 1st March. Agreement was reached on information on standards, one of the key areas identified at Copenhagen, and progress was also made in the area of border formalities including agreement on directives to facilitate the import of personal property and on the temporary import of vehicles. A solution to the third country certification problem proved not yet possible, however.

Future work:

The Presidency has presented its programme for the forthcoming months <sup>(2)</sup> for further work and progress in other important areas of the internal market, including services.



## NOTE

from: Permanent Representatives Committee (Part 1)  
to : Council

No. prev. doc. 5451/83

Subject: Strengthening the Community's internal market

- Report to the Council (General Affairs) on activities in the internal market sector in the first quarter of 1983

Internal market

Strengthening the common market and intensifying action to eliminate practices and measures which restrict trade and distort competition were among the Community priority goals laid down by the European Council on 3 and 4 December 1982. This led the European Council to instruct the Council, in particular, to take decisions before the end of March 1983 on the priority measures proposed by the Commission to strengthen the internal market. (It should be pointed out that the European Council's conclusions also covered other fields - research, innovation, energy, trade policy etc. - which are discussed elsewhere).

I. Priority measures

The measures which the Commission proposed in its communication of 12 November 1982 on re-activating the European internal market <sup>(1)</sup> cover:

- a solution to the problem of Community certification for products originating in third countries, on which the adoption of a considerable number of harmonizing Directives in the industrial sector depends;

<sup>(1)</sup> 10997/82



CONFIDENTIAL

- 2 -

- the adoption of a Directive relating to an information system in the field of technical standards and regulations;
- the simplification of formalities in trade within the Community.

The "Internal Market" Council addressed itself to the task of examining these three aspects at two meetings, held on 1 February and 1 March 1983.

- (a) The question of certification for products originating in third countries involves conformity checks on these products and on access of such products to the Community market. Lengthy discussion by the Council has narrowed the issue down to a draft clause of which only certain points are still under examination; these relate to the Community procedures to back-up any decisions to be taken.
- (b) Agreement was reached on the second aspect, namely the information system in the field of technical standards and regulations. Formal adoption of the Directive, the advantages of which are briefly outlined in Section II, will follow shortly.
- (c) The very thorough discussions which have taken place both at a technical level and within the Council on the simplification of formalities in trade within the Community have made it possible to note, with regard to the proposal on a single document, that

.../...



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- 3 -

simplifying formalities is an objective which all the Member States support. Most of the Member States which have already put such simplification into practice in respect of both intra- and extra-Community trade, particularly by means of simplified or computerized procedures, have doubts, however, about the simplifying effect of the proposed single document.

Discussions will continue on the basis of the Commission proposals as part of a more overall approach, taking into account the practical problems arising for national administrations and economic operators. It was suggested in particular that ways be sought of incorporating the advantages already offered by the simplified or computerized procedures into the proposed context. These discussions will continue apace, but may take some time in view of the technical nature of the subject.

As regards the proposal relating to the deferred payment of VAT (14th VAT Directive), the Commission is currently seeking ways round delegations' fundamental objections, in conjunction with the delegations concerned. The Permanent Representatives Committee will resume examination of this dossier in the light of the outcome of these contacts.

The Council has also noted the progress of discussions on the proposal for a Directive on the facilitation of formalities and inspections in respect of the carriage of goods between Member States.

I. Agreements already reached

1. Within the framework of the general programme for the abolition of technical barriers to trade, the Council has already adopted 150 Directives which harmonize technical specifications while ensuring better consumer protection and industrial production on a Community scale.

.../...



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However, each year a very large number of standards are drawn up in the Member States; and although they may ensure consumer protection, they may also create new technical barriers to trade if there is no co-ordination at Community level. The information system introduced under the Directive on technical standards and rules which has already been approved by the Council will make it possible to obtain and disseminate better information on national technical standards and regulations in preparation and will enable the Commission and the other Member States to submit their comments in time to prevent any new trade barriers arising.

2. As regards the simplification of formalities in trade within the Community, emphasis should be laid on the importance of the "veterinary" Directive which the Council adopted on 7 February in order to adapt and update the provisions of the 1964 Directive on health problems affecting intra-Community trade in fresh meat.

The principle that it is for the health authorities of the countries of origin to ensure by means of harmonized checks, that products comply with Community requirements and that they are recognized as fit for human consumption, was reaffirmed in the new Directive, and confidence in these checks at source was strengthened by the introduction of Community inspection to ensure uniform application of these requirements. As soon as these measures are implemented, controls in the countries of destination will have to be confined to checking the submission of the required certificates, while inspection will only be allowed on a sample basis where there is a serious presumption of irregularity.

Moreover, on 1 March the Council reached agreement, subject to finalization of the texts, on two Directives relating to tax exemptions; these were designed to abolish certain tax barriers to the free movement of goods and persons within the Community. The Council is due to adopt these Directives definitively at its meeting on 21 March 1983.

.../...



The first of these Directives concerns tax exemptions for the temporary importation of certain means of transport for both private and professional use. It is also intended to cover certain specific cases, such as that of students abroad, who will be able to use a vehicle registered in their country of normal residence for the actual period of their studies, and the case of frontier workers.

The purpose of the second of these Directives, on permanent imports of the personal property of individuals, is to enable individuals to move their personal property within the Community without paying tax when transferring their residence from one Member State to another and in certain special cases such as inheritance, marriage or furnishing a second residence.

### III. Future discussions

As regards strengthening the internal market, further discussions will focus on the certification of products originating in third countries and the simplification of formalities in trade within the Community. They will be extended to other fields in the coming months under a work schedule prepared by the Presidency for the Permanent Representatives Committee (Part I).

In this connection, it should be noted that on 21 February 1983, the Commission forwarded to the Council a report assessing the working of the internal market requested by the Joint Council (Economic and Financial Questions and Social Affairs) at its meeting on 16 November 1983 (5079/83).

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## NOTE

from: Presidency

to : Council

No. prev. doc. 5387/83

Subject: Strengthening of the Community internal market -  
Organization of future meetings

- Presidency's work programme until the end of the first half of 1983 (1)

Abolition of technical barriers to trade in industrial products

- Community certification for products originating in third countries
- Proposals for Directives on technical barriers blocked by the preceding question (see attached list of these Directives)
- Amendment of Directive on textile names
- Examination by the Permanent Representatives Committee of the problem of conferring powers on the Commission to adopt special Directives (building materials, measuring instruments) (fourth indent of Article 155 EEC) (2)

(1) This programme

- includes the subjects on which either the PRC Part I ("A" items) or the Council (General Affairs, Agriculture, ECO/FIN, Transport, Internal Market) could complete work or make progress in the coming months;
- does not concern the other conclusions of the European Council in Copenhagen (regarding, in particular, innovation, research and commercial and industrial policies) which are covered in the overall report;
- does not exclude continued examination of other subjects pending in the various areas mentioned below.

(2) Wide use has already been made of this practice of conferring powers on the Commission in the context of the adaptation of Directives to technical progress, the Commission having already adopted over 43 Directives in this connection as compared with 150 Directives adopted by the Council (5079/83 p. 28). .../...



Harmonization in the foodstuffs sector (Questions dealt with by the PRC and if necessary by the Council (AGRI)) (\*)

1. Regenerated cellulose film intended to come into contact with foodstuffs
2. Amendment of the Directive on preserving agents
3. Casein and caseinates
4. Amendment of the Directive on preserved milk

Proprietary medicinal products

Amendment of Directives 65/65/EEC, 75/318/EEC, 75/319/EEC and Recommendation

Company law (Questions dealt with by the ECO/FIN Council)

- Consolidated accounts (7th Directive)
- Approval of persons responsible for carrying out statutory audits of accounting documents (8th Directive) (probably after agreement on 7th Directive)

Insurance (Questions dealt with by the ECO/FIN Council)

- Insurance other than life assurance - provision of services (2nd Directive)
- Civil liability for motorized
- Insurance: Tourist assistance

Strengthening of industrial infrastructures

- Plan for the transnational development of the supporting infrastructure for innovation and technology transfer
- Extension of the multi-annual programme in the field of data processing

Simplification of formalities in intra-Community trade

- Arrangements for the intra-Community movement of goods ("Plumbers Regulation")
- Continuation of proceedings on the simplification of the documents to be submitted in trade within the Community

(<sup>1</sup>) See 11892/82 AGRILEG 262, Progress of harmonization in the agricultural and foodstuffs sector (2nd half 1982).



Relief from taxes and customs duties

- Exemption from VAT on the final importation of certain goods (Article 14(1)(d), 6th Directive on VAT)
- Community system of relief from customs duties

Consumer protection

- Liability for defective products
- Contracts negotiated away from business premises (door to door)

Right of establishment - Recognition of diplomas

- Architects

It should be noted that the Presidency's programme deals with the following subjects in the transport sector:

weights and dimensions of commercial vehicles, changes in national systems of taxing commercial vehicles, co-operation between railways, measures to facilitate the carriage of goods across borders, duty-free admission of fuel, support for infrastructure projects and inter-regional air services.



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COMMISSION OF THE EUROPEAN COMMUNITIES

COM (83)144 final

Brussels 15 March 1983

INTERNAL MARKET PROBLEM

I

The European Council session in Copenhagen on 3/4 December 1982 stated that the strengthening of the Common Market was a major component in a growth strategy based on reactivation of investment, and accordingly requested the Council to define its position by not later than the end of March 1983 on the priority measures proposed by the Commission for strengthening the internal market.

The Council sessions on 1 February and 1 March 1983, devoted exclusively to the subject of the internal market, reached agreement on only about one-third of these acknowledged priority measures. On two important sets of matters in the Copenhagen programme positions were not adopted within the time scheduled: the obstacles to agreement are listed in the annex.

The Commission records with regret that the Council has thus not acted on certain important parts of the European council's instructions. As a result the European council's intention of restoring the confidence of the economic sectors in the dynamism of integration has not materialised.

II

Only if the remaining issues are settled as speedily as possible and further substantial progress achieved in the matter of the internal market can the comprehensive strategy adopted by the European Council for overcoming the economic crisis be put into effect.

This being so the European Council should:

- (1) repeat with the utmost firmness its Copenhagen instructions to the Council of Ministers to reach agreement on the Community

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- certificate for third-country products and the Commission proposals for easing customs formalities in intra-Community trade without delay (and in any event by the end of June 1983);
- (2) request the Council to define its position by the end of June 1983 on the Commission proposals concerning the internal market in the Presidency's programme;
- (3) as concerns modus operandi, request the Council to keep to the arrangement of special sessions devoted to internal market matters and to take the necessary steps regarding the preparation of these so that the proceedings can progress quickly.

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ANNEX

### PROBLEMS AT COUNCIL SESSIONS

1. The harmonisation proceedings with respect to obstacles to trade (20 Directives to date), without which there can be no freedom of movement, will remain blocked unless and until the Council takes a decision on the Community certificate for third-country products. The only point still in dispute is how far the individual Member States are entitled to treat a Community certificate as not applying to their territory without sufficient joint control. Two Member States are still holding out for a large measure of discretion in exceptional cases.

2. The Commission is seeking by easing customs formalities at least to make Community-wide the conditions obtaining in the Belge-Luxembourg Union.

Involved here are four proposals, one of which, on easing checks on persons, only came under scrutiny by Council officials in March.

Of the other three, it would appear that agreement could be reached quickly on the proposal for a Directive easing the formalities in connection with intra-Community trade in goods if one Member State in particular would withdraw its objections as regards recognition of test results and the scope of the regulation on customs offices' hours of business.

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The proposal to introduce a single document met with refusal to take the decision in principle by adopting the basic Regulation unless the details of the implementing Regulation were fully spelt out.

One Member State wanted the entire proceedings, aside from the documentary part, concentrated on the future computer network to be established in the customs services. In the Commission's view this proposal would never work unless the single document was introduced first, owing to the disparate data.

The Fourteenth VAT Directive failed to be adopted owing to some Member States' fears of the financial implications of transferring VAT investigations from the frontiers to inland customs offices.

From the arguments adduced one cannot but feel that civil service inertia has once again carried the day.

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EHG(B)(83)19 Addendum  
18 MARCH 1983

COPY No. 1

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

REFORM OF THE MEDITERRANEAN ACQUIS

Supplementary brief by the Ministry of Agriculture, Fisheries and Food

## INTRODUCTION

1. Although Brief No.19 sets out our detailed position on the reform of the Mediterranean acquis, our main aim will be to avoid substantive discussion, and to ensure that the European Council concentrates on the procedural issues arising from the inability of the Agriculture Council so far to reach agreement on the changes on fruit and vegetables and olive oil needed to prepare the way for enlargement.
2. If, however, some more substantive statement by the European Council becomes unavoidable, we will need to ensure that this takes account of the following major United Kingdom points:

### (a) General

- it must avoid any suggestion that the cost of enlargement requires an increase in Own Resources;
- it should endorse the need for the outstanding discussions on fruit and vegetables and olive oil to proceed in parallel, or, if this is not possible, it should (at the very least) avoid any suggestion that decisions can be taken on the first of these dossiers in advance of the second;

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(b) Olive oil

- it should contain a statement to the effect that the application of the existing olive oil regime to a Community of 12 is likely to provoke a serious surplus;
- it should state that the idea of a levy, tariff, or internal tax on oils and fats has been shelved, or, if that is not possible, we must make sure that the extent of the opposition to such a suggestion is made clear and that there is no implied commitment to accept it;
- we would like the European Council to accept the principle of a flat-rate production aid, but, if Italian and Greek resistance prevents this, we must ensure that they in turn do not kill off any possibility of our subsequently securing such an aid (and there should, in any event, be a recognition of the need to improve financial control in the olive oil regime);
- it must avoid any commitment to accept the existing Commission proposal that the consumption subsidy on olive oil should be increased after enlargement so as to achieve a 2:1 ratio between its price and that of other vegetable oils. (It would help to achieve our objective if the suggestion of maintaining Spanish and Portuguese import restrictions on vegetable oils for a period following accession were to be endorsed.)

MINISTRY OF AGRICULTURE, FISHERIES  
AND FOOD

18 March 1983

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EHG(B)(83)5 COPY NO 1  
15 March 1983

EUROPEAN COUNCIL, BRUSSELS  
21/22 MARCH 1983

BUDGET PROBLEM

Brief by Foreign and Commonwealth Office

OBJECTIVE

1. (a) To secure a commitment from the European Council that decisions will be taken at latest by time of 6/7 June European Council.
- (b) To get the Commission to accept a remit to produce proposals before the April Foreign Affairs Council covering both a scheme for the long term reform of the Community's financial system and a solution (with figures) for 1983 and later.

POINTS TO MAKE

2. Vital that we succeed in reforming Community's financial system so as to provide a sounder and more equitable basis for its future development.
3. We need a better balance of Community expenditure. Government is keen to make progress in such areas as the internal market, energy and the Social Fund, and we have put forward a number of ideas for these and other policies.
4. But we need also to ensure that we are running our existing activities in the most efficient way. That means in particular that we have to tackle the problem of CAP surpluses. If they

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go on growing they will undermine CAP itself. Agricultural expenditure is again increasing at an alarming rate and must be brought under control. If we can do that, we shall free resources to finance both enlargement and desirable new policies. Particularly at a time of acute budgetary stringency in all our countries, the top priority must be to use existing own resources to good effect. We have to apply the same discipline to the Community budget as we do at home.

5. So we see both the development of Community policies and the control of CAP expenditure as necessary elements in any restructuring of the budget. They will also contribute to solving the pressing problem of budgetary imbalances, but not solve it on their own. Ideas in the Commission's Green Paper - tax based on agricultural indicators and financial equalisation scheme - could be ways of helping with the imbalances. The next step should be for Commission to clarify these ideas when it makes proposals to the April Foreign Affairs Council. What is crucial is that we use the opportunity of this review to solve this problem and get it off the regular Community agenda. We cannot go on having these annual rows about budget compensation.

6. I want very rapid progress. We should set a tight timetable. But in the meantime we need immediate provision to deal with the problem facing us now because a lasting solution will clearly take time to implement.

7. This must be done. The UK's burden is now some 2000 m ecu a year. This situation must continue to be corrected.

8. The attempt to find a lasting solution a year ago under the 30 May Mandate failed. The Community committed itself to finding a solution for 1983 and later by end November. That was not done. This sequence of failure must stop, and quickly. Since 1980 we have never had to wait beyond May for a budget settlement. We

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need to get provision made in the main 1984 budget to minimise the risk of further trouble with the European Parliament - the Commission's preliminary draft 1984 budget is due in early June.

9. I am therefore asking this Council, first, to ask the Commission to produce proposals in time for the April Foreign Affairs Council on both the long term and the immediate problems, and second, to ask Foreign Ministers to deal with those proposals urgently at both their April and May Councils so that decisive progress is made by the time of our next meeting in June.

\*\*\*\*\*

10. [Commission's Green Paper - if discussed]  
Two of the ideas - a tax based on agricultural indicators and a financial equalisation scheme - could be helpful. Both are hard to assess without fuller explanations from the Commission, but both could contribute to solving the problem of budgetary imbalances. Our own assessment is that the agricultural tax (which should take the place of, not supplement VAT) could only be a partial solution of the problem. The effect of financial equalisation would depend on the nature of the scheme. If designed to help just the least prosperous, it would not help correct budgetary imbalances. But it could solve that problem if it took into account the present burden and benefits of Community membership and adjusted them to a more equitable pattern. The basic point, which applies to any solution to the problem of budget imbalances is that one needs to work out some equitable way of measuring imbalances.

11. [If argued that new policies are the solution]  
Improving the balance of expenditure is a necessary element in any lasting solution to the problem of budgetary imbalances, but it cannot provide the solution on its own. The effect of new policies which helped will be relatively small, and could

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easily be cancelled out by eg more expenditure on the Mediterranean. To give one example of the scale of the problem: on current shares the Regional Fund would need to be increased by some 50 billion ecu (twice the total present Community budget) to give the UK a net benefit equivalent to our basic net refund 1982 of 850 m ecu.

12. [If others say they cannot agree to more refunds].  
A solution must be found. The form of compensation need not be identical to that in 1980, 1981 and 1982; perhaps we can build on the arrangements for 1982 with energy measures etc. But the amount will need to be adequate, and we must be protected from the effects of any unexpected increase in the size of our burden.

13. [If argued that the European Parliament will veto more refunds].

That is not how I read the mood of the Parliament. They want real progress towards a lasting solution. If we can achieve that - as we should - then I do not anticipate fierce opposition from them to an interim solution for the UK.

14. [Alleged overpayment - if raised] The Commission have acknowledged that the 1980 agreement was carried out strictly in accordance with its terms. There is therefore no legal obligation on the United Kingdom to make any restitution. But we acknowledge the political case and have already conceded around 200 m ecu in the agreement for 1982 after risk-sharing has been taken into account. the "overpayment problem" must be dealt with at the same time as the solution for 1983 and later because the United Kingdom's attitude will be determined by the attitude of other member states to the solution of the underlying problem. There is no way of deriving a figure for the overpayment mathematically. The suggestion that the amount at issue could be of the order of 1000m ecu has absolutely no foundation in law in reason or in equity.



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15. [If argued that there will be no room for refunds within the 1% ceiling in the 1984 budget] There are still 9 months of 1983 to go, and we expect the Commission to bring CAP expenditure under control in accordance with their stated aim. In any case, further compensation is a political necessity.

Foreign and Commonwealth Office  
15 March 1983

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COPY NO. 1

15 March 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH

ENLARGEMENT

BRIEF BY FOREIGN AND COMMONWEALTH OFFICE

OBJECTIVES

1. (a) To give a fresh push to the accession negotiations;

(b) More specifically, to get the European Council to instruct agriculture Ministers to complete work on all aspects of reform of Mediterranean agricultural regimes without delay, and to do so in terms which make it clear that the fruit and vegetables and olive oil dossiers should be settled together; and

(c) In the context of the further Commission report on the problems of enlargement, to invite M Thorn to accelerate consultations with the Spaniards

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about pre-accession disciplines, while avoiding a commitment now to pay a price in terms of pre-accession help.

POINTS TO MAKE

General

2. We have just seen Sr Moran in London and he made it quite clear that Spain is most dissatisfied with the rate of progress in accession negotiations. In particular, the Spaniards see lack of agreement on reform of the Mediterranean Agricultural regimes as a major obstacle to progress.

3. Like the Spaniards, we are very disappointed that Agriculture Ministers have not been able to take the negotiations further as they were mandated to do. The issue has been thoroughly explored, now decisions are needed. The European Council should reaffirm that Agriculture Ministers must complete their work without delay.

4. Despite our request to the Council to press on with negotiations with both Spain and Portugal as rapidly as possible, the Commission's progress report on enlargement makes dispiriting reading. We must get on with the negotiations.

5. Believe we must follow up the ideas proposed by the Commission of encouraging the applicants to limit



capacity in sectors where there is already excess capacity in the Community. The Commission should intensify its consultations with the Spaniards, and in particular secure a clear statement of Spanish intentions as regards restructuring their industry in sensitive sectors. Once the results of the consultations are clear, then we can certainly consider whether there is a case for the Community to give further help pre-accession to both Spain and Portugal.

6. I welcome recognition by the Commission that our aims must be to get economic policies in the applicant countries to develop in parallel with Community policies, and to make rapid progress in the negotiations with both candidates. But I strongly dispute that enlargement will make an increase in own resources necessary, or that this should be agreed before Spain and Portugal accede. We shall not know precisely what enlargement will cost the Community budget until the accession negotiations are over. A good deal will depend on the Community taking the right decisions to minimise expenditure on agricultural regimes, including the Mediterranean regimes. By itself, enlargement will place far less strain on the own resources system than the continuing increase in CAP expenditure as a whole.



POINTS FOR USE AS NECESSARY IN DISCUSSION

Mediterranean Agriculture

7. [If it is argued that some issues are beyond competence of Agriculture Ministers] Of course some of these issues have implications - eg budgetary - beyond the strictly agricultural field. But so do many subjects on which Agriculture Council takes decisions, eg annual price fixing. Wrong to suggest that these issues require major decisions on future of budget and/or own resources.
8. [If eg French suggest that the package should be split and decisions on "easier" issue of fruit and vegetables taken first] Attempting to handle this negotiation in bits and pieces will only delay final settlement. Cannot be expected to negotiate on this basis. What is needed is agreement on the whole negotiation in all its aspects without further delay.
9. (If some discussion of substance of dossiers) European Council should not attempt to do work of Agricultural Council - on the contrary we should encourage Ministers to fulfil original mandate. But if we are to talk of substantive issues, must emphasise that in UK view key to early solution is for Commission to come forward with proposal to put olive oil production aid on a flat rate basis. Majority of



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Member States support this course.

Target Date

10. Nothing against this in principle, though need to beware of courting disillusion if not met. Moreover doubt that this is a prize the Spaniards would pay much for. [If necessary] Community must think in terms of speeding Spanish negotiations up rather than holding Portuguese negotiations back.

Institutions (see supplementary brief on number of Commissioners)

11. Community should have a thorough discussion of this important subject which should focus not just on the essential adaptations to the Community institutions as a result of enlargement and the questions raised by the Commission about majority voting, but on how the Community's institutions can be made to work most efficiently in a Community of 12.

EC/Spain

12. (If other Member States complain that Spanish concessions on the 1970 Agreement are heavily slanted towards UK concerns) Spanish unilateral concessions are to Community as a whole, entirely non-discriminatory. If they reflect the concern of some Member States more than others, this can only be because some Member States were backward in expressing

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their concerns and the Commission could only reflect the concerns put to them by Member States. Spanish moves completely non-discriminatory. Open to all Member States to take advantage of Spanish concessions.

13. (If they argue that further Spanish concessions are needed) That is up to Spain and the Commission to consider. But the Spaniards have always made it clear that they could not contemplate major concessions without corresponding concessions from the Community on agriculture. It is not the UK which has made problems about meeting this condition.

BACKGROUND

Mediterranean Agriculture

14. The European Council in Copenhagen gave Agriculture Ministers until March to complete their negotiations. But the crucial Agriculture Council on 8/9 March failed to make progress, and has submitted an interim report outlining the main unresolved issues (See Brief No 19).

15. The two outstanding subjects are fresh fruit and vegetables and olive oil. (The Italians have recently been attempting, so far without support, to get last year's wine agreement re-opened). The Member States divide on producer/non-producer lines. The French, Italians and Greeks argue for improved support



arrangements to protect their producers against Spanish competition on enlargement: we, with the Germans, Dutch and Danes, argue against the reproduction of familiar CAP problems of over-protection, surplus production and heavy budgetary expense.

16. It would clearly be inappropriate for the European Council to go into the detailed issues. What we need is an injection of political momentum, not least to keep up the pressure on the Mediterranean Member States. (We have lobbied our partners - and particularly the Germans, Dutch and Danes - in that sense). The Italians have already shown signs of wishing to play for time, probably with the aim of securing concessions on fruit and vegetables in the CAP price-fixing and delaying conclusion of the renegotiation of the regimes into the summer when they would demand further pay-offs. This reinforces the need for urgent settlement of the whole negotiation in all its aspects. In particular we cannot allow the package to be split and concessions made to the producers on fruit and vegetables without at the same time securing our objectives on olive oil (limitation of budgetary cost).

17. If others are determined to go into the detail of the negotiations Brief No 19 covers the substance on



the basis of the Presidency's report.

PROBLEMS OF ENLARGEMENT

18. The further Commission report records that some progress has been made on Portugal but little on Spain. The Community has not been able to begin negotiations on Spanish agriculture, because the French are blocking discussions until agreement is reached on the Mediterranean fruit and vegetable regimes.

Future Work

19. We can endorse the Commission's proposal on future work, in particular the need to reach rapid agreement on the Mediterranean agricultural regimes and its ideas to hold intensive consultations with Spain (in particular) in order to elicit details of Spanish industrial restructuring plans. However, we do not wish now to commit ourselves to pay a price for pre-accession disciplines in terms of further Community aid.

Foreign and Commonwealth Office

15 March 1983



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EHG(B)(83)6 Addendum

16 March 1983

COPY NO

**1**

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

ENLARGEMENT (INSTITUTIONAL ASPECTS)

Brief by Foreign and Commonwealth Office

Objective

1. To suggest that the Community should take this opportunity to look at all the institutions with a view to improving their efficiency and should not confine itself merely to the adjustments necessary to accomodate Spain and Portugal.
2. To raise the idea of a Commission of 12 after enlargement.

Points to make

3. We must face up to the need to ensure that the Community of 12 has the institutions it needs to function well and efficiently, not just increase them all in size as has been done previously when the Community has been enlarged.

4. Should look at whole range of Community's institutions with this

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in view. In some cases, some slimming down will be desirable. For example we think there are strong arguments against a Commission of 17, which would result from applying the present system to an enlarged Community. We would be prepared to play our part in a reduction in the size of the Commission as part of a slimming down process aimed at ensuring the efficiency of the institutions in a Community of 12.

Background

5. Ministers on 8 March discussed the institutional implications of enlargement on the basis of a number of recommendations drawn up by an ad hoc Group of Officials under Cabinet Office chairmanship. It was agreed that we should take the opportunity provided by enlargement to put forward a number of ideas designed to improve the structure and efficiency of the Community institutions, and that it was important that the Community should not confine itself merely to the adjustments necessary to accommodate Spain and Portugal. One of the main recommendations approved by Ministers and subsequently endorsed by the Prime Minister was that we should aim for a Commission of 12 (ie one per Member State) after enlargement. As well as being desirable in itself, it was also felt that by agreeing to give up one of our Commissioners, we could build up negotiating credit which would facilitate the achievement of our other objectives in this area. It would be useful if the Prime Minister could float this idea at the European Council.

Foreign and Commonwealth Office

16 March 1982



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EHG(B)(83)7

COPY-NO

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15 March 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH

GENSCHER/COLOMBO PROPOSALS

Brief by Foreign and Commonwealth Office

INTRODUCTION

1. The Presidency will report on the state of progress. Any discussion would be likely to concentrate on majority voting.

POINTS TO MAKE [If there is any discussion of majority voting]

2. We can accept an exhortation to increased use of the Treaty provisions on majority voting, but this must be balanced by a statement that member states' positions on the Luxembourg compromise are not affected, as in the Presidency's "non-paper". See no other basis for agreement on this point.

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References:

A: Latest English text.

B: Presidency non-paper on majority voting.

BACKGROUND

3. The Presidency will report orally on the state of progress. It will then be for the Heads of Government to decide whether they wish to have a discussion. There was a largely inconclusive discussion of the outstanding points at the Ministerial meeting on 15 March, which Mr Hurd attended. No progress was made on the main outstanding question - majority voting. Apparently on instructions from Genscher, the Presidency said that they could no longer accept the last sentence in their non-paper which states that member states' existing positions on the Luxembourg compromise are not affected. The UK, France, Greece and Denmark made clear that they could not accept a text without this sentence. The Prime Minister will recall that earlier attempts to arrive at an agreed text which provided for increased majority voting while safeguarding important national interests proved unsuccessful. In our view a text such as that in the Presidency's non-paper provides the only possible basis for agreement.



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4. The Presidency agreed to drop the provision for the European Parliament to hold a "confidence" debate on the new Commission's programme (the only other outstanding point which concerned us). The text now merely provides for the Parliament to debate and vote on the programme.

5. The only other outstanding points are a number of Danish reserves.

Foreign and Commonwealth Office

15 March 1983

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8 February 1983

DRAFT

SOLEMN DECLARATION

ON  
EUROPEAN UNION

P R E A M B L E

The Heads of State or Government of the Member States  
of the European Communities, meeting within the European Council:

- resolved to continue the work begun on the basis of the Treaties of Paris and Rome and to create a united Europe, which is more than ever necessary in order to meet the dangers of the world situation, capable of assuming the responsibilities incumbent on it by virtue of its political role, its economic potential and its manifold links with other peoples;
  - considering that the European idea, the results achieved in the fields of economic integration and political co-operation, and the need for new developments correspond to the wishes of the democratic peoples of Europe, for whom the European Parliament, elected by universal suffrage, is an indispensable means of expression;
  - determined to work together to promote democracy on the basis of the fundamental rights recognized in the constitutions and laws of the Member States, in the European Convention for the Protection of Human Rights and the European Social Charter notably freedom, equality and social justice;
-



- convinced that, in order to resolve the serious economic problems facing the Member States, the Community must strengthen its cohesion, regain its dynamism and intensify its action in areas hitherto insufficiently explored;
- resolved to accord a high priority to the Community's social policy and in particular to the problem of employment, thus progressively developing the social policy of the European Community;
- convinced that, by speaking with a single voice in foreign policy, including political aspects of security, Europe can contribute to the preservation of peace;
- recalling their decisions taken in Paris on 21 October 1972 and 10 October 1974, the Document on the European Identity of 14 December 1973 and the statement made by the European Council in The Hague on 30 November 1976 concerning the progressive construction of European Union;
- determined to achieve a comprehensive and coherent common political approach and reaffirming their will to transform the whole complex of relations between their States into a European Union,

HAVE ADOPTED THE FOLLOWING:



1. OBJECTIVES

- 1.1. The Heads of State or Government, on the basis of an awareness of a common destiny and the wish to affirm the European identity, confirm their commitment to progress towards an ever closer union among the peoples and Member States of the European Community.
- 1.2. The Heads of State or Government reaffirm the Declaration on Democracy adopted by the European Council on 8 April 1978 which stated that respect for and maintenance of representative democracy and human rights in each Member State are essential elements of membership of the European Communities.
- 1.3. In order to achieve ever increasing solidarity and joint action the construction of Europe must be more clearly oriented towards its general political objectives, more efficient decision-making procedures, greater coherence and close co-ordination between the different branches of activity, and the search for common policies in all areas of common interest, both within the Community and in relation to third countries.



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1.4. Desiring to consolidate the progress already made towards European Union in both the economic and political fields, the Heads of State or Government reaffirm the following objectives:

1.4.1. to strengthen and continue the development of the Communities, which are the nucleus of European Union, by reinforcing existing policies and elaborating new policies within the framework of the Treaties of Paris and Rome;

1.4.2. to strengthen and develop European political co-operation through the elaboration and adoption of joint positions and joint action on the basis of intensified consultations in the area of foreign policy, including the co-ordination of the positions of Member States on the political <sup>and economic</sup> aspects of security [~~including economic security~~] <sup>(1)</sup> so as to promote and facilitate the progressive development of

~~[a common foreign policy in a growing number of fields] (2)~~

~~[such positions and actions in a growing number of fields] (3)~~

[common policies in a growing number of foreign policy fields] (4)

---

(1) ~~Waiting reservation by France; final comment by the Commission still open~~

(2) Supported by Belgium, Ireland, Italy, Luxembourg, the Netherlands, the United Kingdom and Germany.

(3) Supported by France, Denmark and Greece who could also accept the first alternative).

(4) Proposed "ad referendum" by France.

[2] *Reservation by Denmark and Greece.*



1.4.3. to promote, to the extent that these activities cannot be carried out within the framework of the Treaties:

- closer co-operation on cultural matters, in order to affirm the awareness of a common cultural heritage as an element in the European identity;
- approximation of certain areas of the legislation of the Member States in order to facilitate relationships between their nationals;
- a common analysis and concerted action to deal with international problems of law and order, serious acts of violence, organized international crime and international lawlessness generally.



2. INSTITUTIONS

The Heads of State or Government emphasize the importance of greater coherence and close co-ordination between the existing structures of the European Communities and European political co-operation at all levels so that comprehensive and consistent action can be taken to achieve European Union.

Matters within the scope of the European Communities are governed by provisions and procedures laid down in or pursuant to the Treaties of Paris and Rome and in agreements supplementing them. In matters of political co-operation, procedures apply which were agreed on in the Luxembourg (1970), Copenhagen (1973) and London (1981) reports, and other procedures to be agreed on if necessary.

2. 1. THE EUROPEAN COUNCIL

2. 1. 1. The European Council brings together the Heads of State or Government and the Ministers for Foreign Affairs of the Member States, as well as the President and a member of the Commission.

2. 1. 2. In the perspective of European Union, the European Council:

- provides a general political impetus to the construction of Europe;
- defines approaches to further the construction of Europe and issues general political guidelines for the European Communities and European political co-operation;



- deliberates upon matters concerning European Union in its different aspects with due regard to consistency among them;
- initiates co-operation in new areas of activity;
- solemnly expresses the common position in questions of external relations.

2.1.3. When the European Council acts in matters within the scope of the European Communities, it does so in its capacity as the Council within the meaning of the Treaties.

2.1.4. The European Council will address a report to the European Parliament after each of its meetings. This report will be presented at least once during each Presidency by the President of the European Council.

The European Council will also address a written annual report to the European Parliament on progress towards European Union.

In the debates to which these reports give rise the European Council will normally be represented by its President or one of its members.



2.2. THE COUNCIL AND ITS MEMBERS

- 2.2.1. The consistency and continuity of the work needed for the further construction of European Union as well as the preparation of meetings of the European Council are the responsibility of the Council (General Affairs) and its members.



With a view to bringing the institutional apparatus of the Community and that of political co-operation closer together, the Council deals with matters for which it is competent under the Treaties in accordance with the procedures laid down by the latter, and its members will deal also, in accordance with the appropriate procedures, with all other areas of European Union, particularly matters coming within the scope of political co-operation.

The Member States will arrange their representation as provided for in their respective constitutions.



2.2.2. The application of the decision-making procedures laid down in the Treaties of Paris and Rome is of vital importance in order to improve the European Communities' capacity to act.

Within the Council every possible means of facilitating the decision-making process will be used, including, in cases where unanimity is required, the possibility of abstaining from voting.



2.2.3.

To attain the objective of a Europe speaking with a single voice and acting in common in the field of foreign policy, the Member States will make a constant effort to increase the effectiveness of political co-operation and will seek, in particular, to facilitate the decision-making process, in order to reach common positions more rapidly.

They recently adopted new arrangements in the London report of 13 October 1981. In the light of experience they will continue in this direction, in particular by:

- strengthening the Presidency's powers of initiative, of co-ordination and of representation in relations with third countries;
- appropriately strengthening operational support for successive Presidencies, corresponding to the increasing tasks which they have to perform.



2.3. THE PARLIAMENT:

2.3.1. The European Parliament has an essential role to play in the development of European Union.

2.3.1. The European Parliament debates all matters relating to European Union, including European Political Co-operation. In matters relating to the European Communities, it deliberates in accordance with the provisions and procedures laid down in the Treaties establishing the European Communities and in agreements supplementing them.

2.3.3. In addition to the procedures of consultation provided for in the Treaties, the Council, its members and the Commission will, in keeping with their respective powers, respond to

- oral or written questions from Parliament,
- resolutions concerning matters of major importance and general concern, on which Parliament seeks their comments.



2.3.4. The Presidency will address the European Parliament at the beginning of its term of office and present its programme. It will report to the European Parliament at the end of its term on the progress achieved.

The Presidency keeps the European Parliament regularly informed through the Political Affairs Committee of the subjects of foreign policy examined in the context of European political co-operation.

Once a year the Presidency reports to the European Parliament in plenary session on progress in the field of political co-operation.

2.3.5. [Before the appointment of the President of the Commission the President of the Representatives of the Governments of the Member States seeks the Opinion of the enlarged Bureau of the European Parliament.] <sup>(1)</sup>

After the appointment of the members of the Commission by the Governments of the Member States, the Commission presents its programme to the European Parliament [for a confidence debate] <sup>(2)</sup>.

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<sup>(1)</sup> Reservation by Denmark.

<sup>(2)</sup> Reservation by France, Denmark, Luxembourg, United Kingdom, Ireland, Greece; final comment by the Commission still open



2.3.6. ["The Council will enter into talks with the European Parliament and the Commission with the aim of improving the conciliation procedure provided for in the Joint Declaration of 4 March 1975 within the framework of a new agreement and of extending it on that basis"] <sup>(1)</sup>

2.3.7. [In addition to the consultations provided for in the Treaties with respect to certain international agreements, the European Parliament is [consulted]<sup>(2)</sup> heard before

- the conclusion of other significant international agreements by the Community,
- the accession of a State to the European Community.

The existing procedures for providing the European Parliament with confidential and unofficial information on progress in negotiations will be extended, taking into account the requirements of urgency, to all significant international agreements concluded by the Communities.] <sup>(3)</sup>

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<sup>(1)</sup> Reservation by Denmark

<sup>(2)</sup> Italy prefers "consulted"

<sup>(3)</sup> Reservation by Denmark



2. 4. THE COMMISSION

The Heads of State or Government underline the particular importance of the Commission as guardian of the Treaties of Paris and Rome and as a driving force in the process of European integration. They confirm the value of making more frequent use of the possibility of delegating powers to the Commission within the framework of the Treaties. In addition to the tasks and powers laid down in those Treaties, the Commission is fully associated with European political co-operation and, where appropriate, with other activities within the framework of European Union.

2. 5. THE COURT OF JUSTICE

The Court of Justice of the European Communities has an essential role to play in progress towards European Union, by securing compliance with and development of Community law. Taking account of the respective constitutional provisions in their States, the Heads of State or Government agree to consider, on a case-by-case basis, the inclusion, as appropriate, in international conventions between Member States of a clause conferring on the Court of Justice appropriate jurisdiction with regard to the interpretation of the texts.



SCOPE

3.1. European Communities

The Heads of State or Government emphasize, in order to give renewed impetus to the development of Community policies on a broad front, the importance of the following policies:

3.1.1. An overall economic strategy in the Community to combat unemployment and inflation and to promote convergence. Priority should be given to encouraging productive investment and raising competitiveness as a basis for creating durable jobs, bringing about sustained economic growth and reducing unemployment. In this context, effective action in the social field to alleviate unemployment should be taken at both the Community and the national levels;

3.1.2. Stronger economic disciplines and more effective co-ordination of the national economic policies, which are required for the achievement of the Community's overall objectives, in order to ensure that the main economic and sectoral objectives of the Member States are consistent with the maintenance and strengthening of the Community and with the object of consolidating the European Monetary System.



- 3.1.3. Strengthening of the European Monetary System, which is helping to consolidate an area of monetary stability in Europe and to create a more stable international economic environment, as a key element in progress towards Economic and Monetary Union and the creation of a European Monetary Fund.
- 3.1.4. Definition of Community instruments and mechanisms which will permit action geared to the situation and specific needs of the least prosperous Member States in an effort to tackle their structural problems and thereby to ensure the harmonious development of the Community.
- 3.1.5. Given the importance of the Community's external relations, strengthening of the common commercial policy and development of its external economic policy on the basis of common positions, the Community will, in this way, give effect to its special responsibility as the principal world trader and to its commitment to the open trading system.

In this context, improvement and co-ordination of national and Community development co-operation policies are needed in order to reflect more fully the needs of the developing countries and the interdependence between them and Europe, and so that Europe plays a stronger and more stimulating role in relations between the industrialized and developing countries.



- 3.1.6. Completion of the internal market in accordance with the Treaties, in particular the removal of the remaining obstacles to the free movement of goods, capital and services, as well as the further development of a common transport policy.
- 3.1.7. Continued development of the common agricultural policy in harmony with other policies, respecting its objectives as defined in the Treaty and the principles of unity of the market, Community preference and financial solidarity, and taking into account the need to ensure a fair standard of living for the agricultural community and the need to achieve a better market equilibrium in some sectors. The problems of less favoured agricultural regions, including Mediterranean areas, which are heavily dependent on rural occupations for <sup>development</sup> employment, merit special attention. (1)
- 3.1.8. The development of an industrial strategy at Community level in order to strengthen industry, make it competitive and create productive jobs in Europe, in particular by encouraging investment and innovation.

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~~(1) Reservation by Italy; Ireland could agree if a consensus is reached.~~



Efforts made by industry and Governments in the areas of energy and research will be complemented by co-ordination and appropriate actions at Community level.

- 3.1.9. Development of the regional and social policies of the Communities, which implies in particular the transfer of resources to less prosperous regions, so that all Community policies and instruments can play their full role and promote convergence and balanced development.



3.2. FOREIGN POLICY

In order to cope with the increasing problems of international politics, the necessary reinforcement of European political co-operation must be ensured, in particular by the following measures:

- intensified consultations with a view to permitting timely joint action on all major foreign policy questions of interest to the Ten as a whole;
- prior consultation with the other Member States in advance of the adoption of final positions on these questions. The Heads of State or Government underline their undertaking that each Member State will take full account of the positions of its partners and give due weight to the adoption and implementation of common European positions when working out national positions and taking national action;
- development and extension of the practice by which the views of the Ten are defined and consolidated in the form of common positions which then constitute a central point of reference for Member States' policies;



- progressive development and definition of common principles and objectives as well as the identification of common interests in order to strengthen the possibilities of joint action in the field of foreign policy;
- co-ordination of positions of Member States on the political <sup>and economic</sup> aspects of security ~~[including economic security]~~ <sup>(1)</sup>;
- increased contacts with third countries in order to give the Ten greater weight as an interlocutor in the foreign policy field;
- closer co-operation in diplomatic and administrative matters between the missions of the Ten in non-member countries;
- the search for common positions at major international conferences attended by one or more of the Ten and covering questions dealt with in political co-operation;
- increasing recognition of the contribution which the European Parliament makes to the development of a co-ordinated foreign policy of the Ten.

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~~(1) Waiting reservation by France, final comment by the Commission still open.~~



3.3. CULTURAL CO-OPERATION

With a view to complementing Community action and stressing that, as members of the Council of Europe, they maintain their firm support for and involvement in its cultural activities, the Heads of State or Government agree to promote, encourage or facilitate the following, taking account of respective constitutional provisions:

- development of the activities of the European Foundation and the European University Institute in Florence;
- closer co-operation between establishments of higher education including exchanges of teachers and students;
- intensified exchanges of experience, particularly among young people, and development of the teaching of the languages of the Member States of the Community;
- improving the level of knowledge about other Member States of the Community and of information on Europe's history and culture so as to promote a European awareness;
- examination of the advisability of undertaking joint action to protect, promote and safeguard the cultural heritage;
- examination of the possibility of promoting joint activities in the dissemination of culture, in particular as regards audio-visual methods;



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- 23 -

- more extensive contacts between writers of the Member States and wider dissemination of their works both inside and outside the Community;
  
- closer co-ordination of cultural activities in third countries, within the framework of political co-operation.

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3.4. APPROXIMATION OF LAWS

3.4.1. Approximation of laws in areas within the competence of the European Communities will be pursued and intensified through effective use of the measures provided for in the Treaties. In this context special attention should be given to further approximation in the field of the protection of industrial and commercial property, consumer protection and, whenever necessary, in the field of the law relating to companies:

3.4.2. With a view to complementing the approximation of laws within the European Communities, and having full regard, in particular, to the work of the Council of Europe, the Member States will endeavour to approximate their laws in other areas by having recourse to the appropriate instruments, including international conventions. A special effort will be made to implement or supplement without delay international conventions already negotiated between Member States in the Community framework, and notably those provided for by the Treaties.

3.4.3. Among new activities which can be conducive to the attainment of European Union, the following deserve special attention:

- the introduction of legal instruments which can strengthen co-operation among the judicial authorities of the Member States, notably in civil and commercial matters, and which can thereby make the administration of justice more efficient and less cumbersome;
- [ co-operation in the area of the suppression of infringements of Community law]; <sup>(1)</sup>
- *identification of areas of*  
[~~co-operation in matters of~~ criminal and procedural law. <sup>(2)</sup>  
*in which cooperation between member states might be desirable*]

<sup>(1)</sup> Reservation by Denmark.

<sup>(2)</sup> ~~Addition requested by France, Italy, Belgium and Germany.~~  
*Reservation by Denmark*



4. FINAL PROVISIONS

4.1. The Heads of State or Government stress the link between membership of the European Communities and participation in the activities described above.

4.2. European Union is being achieved by deepening and broadening the scope of European activities so that they coherently cover, albeit on a variety of legal bases, a growing proportion of Member States' mutual relations and of their external relations.

4.3. Five years from its [signature] [adoption] <sup>(1)</sup>, the Heads of State or Government will subject these provisions to a general review in order to take stock of the progress achieved towards European unification.

(2) In the light of the results of this review they will decide whether the progress achieved should be incorporated in a Treaty on European Union. <sup>(3)</sup>

The Opinion of the European Parliament will be sought on this subject.

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(1) Still to be decided.

(2) General reservation by Denmark.

~~(3) Reservation by France and Greece~~



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EHG(B)(83)7 : Reference B

Ad hoc group meeting 8.2.:

Decision-making procedures, para 2.2.2.:

As a result of a discussion during lunch the presidency circulates the following wording of a non-paper:

"The Presidency will bear particular responsibility in the council for speedy decision-making and the application of these decision-making procedures. Recourse to voting should become normal practice, where the treaties so provide. This does not affect the respective positions of member states regarding the conclusions reached in Luxemburg on January 28th, 1966."

It is understood that this text should serve as a basis for ministers' discussion on this subject with a view to replacing the former four bracketed alternatives which will not figure in the text as of February 8."

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EHG(B)(83)9  
9 March 1983

COPY NO

**1**

EUROPEAN COUNCIL, BRUSSELS  
21/22 MARCH 1983

**INTERNAL MARKET**

Brief by Department of Trade/FCO

OBJECTIVE

1. To secure a commitment to further progress on the Community's internal market particularly for services.

POINTS TO MAKE

2. The Councils on 1 February and 1 March have made a start, but progress frankly disappointing. We should instruct the Commission and the Council of Ministers to increase the momentum - reporting back in June - and go on into the next Presidency. They could now look particularly at trade in services, where the Community's work has lagged behind that on goods.

3. Clear decisions urgently needed on eg insurance, air services and freeing lorry movements. We need to make a reality of the open internal market in services; not only a Treaty right, but also vital to enable the Community to compete effectively with Third Countries.

4. [If appropriate]

Broadly endorse the list of priority measures proposed by the Presidency.

[If raised eg by France]

5. Cannot agree that progress on internal market which is required by Treaties should be made conditional on developments on

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the external trade front, which do merit discussion in their own right - but not in the Internal Market context. Best dealt with elsewhere, eg in Foreign Affairs Council.

**BACKGROUND**

Reference: Presidency report to the European Council on the internal market. (Document not yet issued:- to follow)

Councils on the Internal Market

6. The December European Council called for decisions on the completion of the Internal Market by 31 March 1983, and asked the Presidency to report at the March European Council. Mr Rees represented the UK at the 1 February and 1 March Councils. Discussion focussed on 3 priority areas for action:

A) The Third Country Problem - The question of automatic access to all EC markets for imports, whatever their origin, once any member state has agreed that the goods conform to an EC harmonised standard. [Not for use] The French have blocked agreement on 21 EC standards harmonising directives (including some leading to whole vehicle type approval) because they fear that they would no longer be able to take administrative measures to restrict imports of Japanese cars to 3% of their market. The Councils discussed Commission proposals to unblock the directives by allowing a member state to block imports in certain circumstances. We wish to see this problem resolved, since the directives will facilitate intra-Community trade, but not at any price:- we and most others insist that a state must win the support of most of its partners for national measures to ban imports. Such a procedure guard against import diversion to the UK. France is unlikely to agree with the majority.

B) Technical Standards Information Procedure - requiring a member state to notify the Commission and its partners before introducing new national standards and technical regulations. Approved on 1 March.

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C) Measures to ease formalities at frontiers - only a couple of minor measures agreed. We have pressed for early progress.

Future Work Programme

7. The Presidency have now put forward a new package of measures intended for decision before the June European Council. We have stressed that air transport and insurance deserve special attention (and have secured inclusion of insurance and mention of inter-regional air services) and that the Internal Market Council should assist progress on dossiers belonging to others (eg ECOFIN for insurance). The work programme should not be blurred by being expanded much further.

Insurance

8. A directive to facilitate cross-frontier business in non-life insurance was first put forward in 1975, but is still far from being agreed. [Not for use] The only genuine support for the liberalisation sought by the Commission is from the UK and the Netherlands. The Presidency has shown signs of wishing to make progress, in discussions with the Commission and the UK, but much remains to be done, particularly with regard to official control over the insurance of industrial, commercial and professional risks, where policy holders are able to look after their own interests without the need or desire for Government interference. Even if all goes well, the directive will not be adopted by June. We cannot rely on the Greek Presidency for help.

Air Services

9. The Netherlands and we are virtually alone in working for greater liberalisation through adoption of 3 Commission proposals: a regulation to apply the Treaty competition rules to air transport, a directive on air fares and one on regional air services. The Presidency hopes to see the last adopted by the June Transport Council. The Germans are most unenthusiastic about the other 2 proposals, and have given no time in working group to air fares.

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Road Haulage Quota

10. Germany, France and Italy prevented any increase in the annual Community quota of road haulage permits at the December Transport Council, despite strong pressure from the Netherlands and the UK.

Internal/External Trade Policy and French Trade Measures

11. The French have repeatedly stressed that progress in the internal market should depend on prior progress on a New Community Instrument for external trade policy. The Presidency and UK have resisted this linkage. The Foreign Affairs Council - the appropriate forum - is to discuss Commission proposals to strengthen the Common Commercial Policy (see Brief on International Trade issues).

12. French protectionist measures announced last October have had little effect on UK exports. The Commission have begun infraction proceedings on two of them. Late last year the French prepared allegations about protectionism in 20 countries, including the UK. We believe France, Greece and Italy are the main EC offenders, but we will not gain from mutual recrimination.

Department of Trade/FCO

9 March 1983



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COMMISSION OF THE EUROPEAN COMMUNITIES

COM (83)144 final

Brussels 15 March 1983

INTERNAL MARKET PROBLEM

I

The European Council session in Copenhagen on 3/4 December 1982 stated that the strengthening of the Common Market was a major component in a growth strategy based on reactivation of investment, and accordingly requested the Council to define its position by not later than the end of March 1983 on the priority measures proposed by the Commission for strengthening the internal market.

The Council sessions on 1 February and 1 March 1983, devoted exclusively to the subject of the internal market, reached agreement on only about one-third of these acknowledged priority measures. On two important sets of matters in the Copenhagen programme positions were not adopted within the time scheduled: the obstacles to agreement are listed in the annex.

The Commission records with regret that the Council has thus not acted on certain important parts of the European council's instructions. As a result the European council's intention of restoring the confidence of the economic sectors in the dynamism of integration has not materialised.

II

Only if the remaining issues are settled as speedily as possible and further substantial progress achieved in the matter of the internal market can the comprehensive strategy adopted by the European Council for overcoming the economic crisis be put into effect.

This being so the European Council should:

- (1) repeat with the utmost firmness its Copenhagen instructions to the Council of Ministers to reach agreement on the Community

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- certificate for third-country products and the Commission proposals for easing customs formalities in intra-Community trade without delay (and in any event by the end of June 1983);
- (2) request the Council to define its position by the end of June 1983 on the Commission proposals concerning the internal market in the Presidency's programme;
- (3) as concerns modus operandi, request the Council to keep to the arrangement of special sessions devoted to internal market matters and to take the necessary steps regarding the preparation of these so that the proceedings can progress quickly.

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ANNEX

PROBLEMS AT COUNCIL SESSIONS

1. The harmonisation proceedings with respect to obstacles to trade (20 Directives to date), without which there can be no freedom of movement, will remain blocked unless and until the Council takes a decision on the Community certificate for third-country products. The only point still in dispute is how far the individual Member States are entitled to treat a Community certificate as not applying to their territory without sufficient joint control. Two Member States are still holding out for a large measure of discretion in exceptional cases.

2. The Commission is seeking by easing customs formalities at least to make Community-wide the conditions obtaining in the Belge-Luxembourg Union.

Involved here are four proposals, one of which, on easing checks on persons, only came under scrutiny by Council officials in March.

Of the other three, it would appear that agreement could be reached quickly on the proposal for a Directive easing the formalities in connection with intra-Community trade in goods if one Member State in particular would withdraw its objections as regards recognition of test results and the scope of the regulation on customs offices' hours of business.



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The proposal to introduce a single document met with refusal to take the decision in principle by adopting the basic Regulation unless the details of the implementing Regulation were fully spelt out.

One Member State wanted the entire proceedings, aside from the documentary part, concentrated on the future computer network to be established in the customs services. In the Commission's view this proposal would never work unless the single document was introduced first, owing to the disparate data.

The Fourteenth VAT Directive failed to be adopted owing to some Member States' fears of the financial implications of transferring VAT investigations from the frontiers to inland customs offices.

From the arguments adduced one cannot but feel that civil service inertia has once again carried the day.

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EUROPEAN COUNCIL, BRUSSELS

21-22 MARCH 1983

ENERGY

Revised and Supplementary Brief by Department of Energy  
(Supersedes EHG(B)(83) 10. Revise)

Objectives

1. To gain acceptance, if there is discussion of oil prices, of our line that while the recent fall in oil prices will benefit the Community, a further sharp drop would risk a rise later and create stresses in the international economic and monetary system.
2. To encourage progress towards a new Community fuel policy on coal which would give us a net budgetary benefit.

Points to make

Oil

Policy

3. As Commission paper (COM(83)147) notes, a smooth fall in the oil price can bring economic benefits. But a sharp drop would halt many new energy investments, reduce momentum of conservation and fuel switching, and risk a later rebound leaving us more vulnerable to upheavals in the oil market. Would also put many oil producing LDC's into severe economic difficulty and impose new strains on banking system. Sharp adjustments/shocks in either direction are destabilising.

Safety net

4. In present weak market, we must be careful not to aggravate downward pressures. Intervening in the market would do this. A "safety net" might seem superficially attractive, but would be complex to administer and might not prove effective.





[If pressed - agree to remit for expert group (EPC) to work out pros and cons].

#### UK Prices

5. OPEC countries have been left in no doubt as to British National Oil Corporation's need to respond to market forces. North Sea oil pricing is a matter for commercial negotiation, not for determination by UK Government. Our reliance on market forces is in the interest of the Community and international partners as well as that of our own economy. [If pressed - BNOC will have to consider its price in the light of market developments, but I cannot anticipate precise timing or amount].

#### UK Production

6. North Sea oil is an important source of supply for our Community partners - the most important source for some. UK Government already given assurances it will not impose production cuts, at least before 1985. A moderate reduction in price is most unlikely to cause companies to reduce production.

#### Dialogue

7. We have recently had bilateral meetings, at their request, with some other oil producers (if necessary mention Mexico, Venezuela). Such bilateral, informal contacts are a good way of keeping open channels of communication and maintaining confidence. But a structured dialogue between OPEC and non-OPEC producers as proposed in the European Parliament's Resolution (annexed) is unlikely to be in the Community's interest. Such formal exchanges would inevitably lead to a discussion of attempts to manage the market (eg production limits, price fixing). It would be very curious to be drawn into a dialogue on managing the market just at the time when OPEC is having the greatest difficulty in achieving such management on its side, or in agreeing among its members.





Moreover, no dialogue could really work without the US which at 8½ m. barrels a day is the biggest free world producer, as well as the biggest consumer and a large importer.

8. It would however be undesirable for the UK to be isolated on this question: that could present the wrong profile to OPEC. If all others favoured some move we could accept that the Presidency should take preliminary soundings with OPEC countries (eg Saudi Arabia).

#### Coal

9. Welcome Commission's recent paper on solid fuels. Pleased with progress that has been made. Important to maintain momentum. We look forward to a positive outcome at the Energy Council on 21 April.

10. UK priorities are for more Community aid for investment, social costs of restructuring, and stocks. Such measures will advance the Community's energy strategy, reduce Community dependence on oil and coal imports, and contribute to resolving the problem of budgetary imbalances. This programme is not only justified on merits but is also a test of whether the Community really wishes to rebalance expenditure, even modestly, to assist the UK budgetary problem.

#### New controls on Power Stations Emissions

11. We understand the concern of countries that appear to be suffering adverse environmental effects from acid rain. The problem is best dealt with in a forum going wider than the Community and involving several other European countries. We are playing a full part in work under the ECE Convention on Long Range Transboundary Air Pollution (aimed at establishing causes/effects and cost effective solutions). But control action is costly and there must be a balance between the burden and the benefits (£1bn





cost of retrofit on UK coal-fired power stations).  
(See Environment Brief No 26).

### Background

#### Oil

12. OPEC meeting concluded 14 March with agreement to cut marker price to \$29pb, and hold Nigerian Bonny Light at \$30 pb. Influential OPEC Ministers have urged us to hold BNOC price at \$30.50 pb, or at least not to go below Bonny Light, saying that Nigerians might well respond with price war if BNOC went below \$30. However, BNOC is only a trader, and must reflect market forces. It is almost certain that BNOC will need to cut prices below \$30.50. They have however yet to decide the size and timing of a reduction and it is extremely unlikely they will have to make any announcement before 23 March at earliest. Community partners may be interested in BNOC's next move and conscious of the pressures on us to avoid a price war. Although they are all oil importers, they should share our interest in avoiding a sharp fall in the oil price. Any sharp fluctuation involves painful adjustments.

#### Minimum Support Price

13. The Commission's paper (COM(83)147) refers to a possible safety net for oil prices. They probably have in mind a variable oil import levy to maintain a minimum support price (MSP). The trouble with this is that those exporting oil to the Community from outside it would tend to invoice oil at MSP (thus avoiding payment of the levy), whilst offering oil importers advantages in parallel transactions (which could be anything from special credit terms, through parallel concessions on gas supplies to special export opportunities, as in recent French government to government deals with Iraq, Libya etc). BNOC could thus find stiffer competition for its oil. A straight import levy would be better for the UK, and could make a contribution to solving our budget problem. If the levy question were seriously pursued, the best course will be





to suggest detailed analysis of pros and cons, possibly in the Economic Policy Committee.

14. There might be suggestions for a concerted raising of taxes on energy consumption e.g. petrol or fuel oil. There is a risk that this would further depress the price in a weak market and be contrary to our interests. We might take the line that this has to be a matter for national decision, and that we for our part have just had a Budget.

#### Coal

15. A special meeting of Energy Ministers in Copenhagen on 16 December agreed on the importance of developing a Community strategy on solid fuels: "solid fuels" means hard coal (especially UK, FRG) but also includes peat and lignite (Ireland and Greece). The next Energy Council (21 April) will consider a Commission paper giving some proposals.

16. Coal is a field where Community policy should be able to make a contribution to the reduction of the budget problem, in that it should benefit the two net contributors to the Community budget; the UK and Germany. In Working Group discussions so far there has been only qualified support from most Member States. The French and Dutch have been particularly difficult. We estimate that we could derive a net benefit of about 90 mecu, mainly for investment, stocks and resettlement and retraining. It is possible that Davignon may put forward more ambitious proposals from which our benefit could be larger. If agreement on a Community coal policy should not prove possible, we shall want to argue that this further example of the Community's inability to make structural changes in its spending which would reduce our problem confirms our view that alternative means of achieving a permanent solution to the budget problem must be found.



# EUROPEAN PARLIAMENT

ANNEX

9.2.1983

1-1218/4  
1-1221/1  
1-1239/1

AMENDMENT No. 4

" " 1  
" " 1

tabled by Mrs WIECZOREK-ZEUL and Mr LINKOHR, on behalf of the Socialist Group  
Mr SELIGMAN, on behalf of the European Democratic Group  
Mr PINTAT, on behalf of the Liberal and Democratic Group  
Mr GAUTHIER, on behalf of the Group of European Progressive Democrats

Motion for a resolution by Mr SELIGMAN & others (Doc. 1-1218/82)  
" " " " Mr COUSTE, on behalf of the Group of European  
Progressive Democrats (Doc. 1-1221/82)  
" " " " Mrs WIECZOREK-ZEUL & others (Doc. 1-1239/82)

## ON OIL PRICES AND THE OPEC CONFERENCE

Replace these three motions for resolutions with the following  
text :

- A. welcoming the beneficial effect which a steady reduction of oil prices could have for the world economy in general and for the oil importing countries in particular, but aware, however, that future disagreement within OPEC could lead to a collapse in crude oil prices which would hinder investment in diversification and energy-saving policies in the Member States of the Community,
- B. concerned about erratic and unpredictable developments in oil prices,
- C. whereas unbridled price-cutting competition could theoretically cause oil prices to fall to the marginal cost of the cheapest Middle East producers,

PE 83.189/4  
83.199/1  
83.200/1  
Dr. En.



- concerned about the destabilization of the oil market and the international finance system, which could arise from sharp fluctuations in oil prices,
- E. extremely disturbed by the prospect of regional social and political unrest which could be triggered off by payments difficulties in some oil exporting countries,
  - F. having regard to the Community's energy policy, which is designed to reduce oil imports,
  - G. having regard also to its resolution of 16 September 1981, on the Community's trade relations with Gulf States,
  - H. considering the serious risk over the next few years of undervalued oil prices, which could result in a new oil crisis with a steep rise in prices when market conditions favour exporters again,

Calls upon the Council and Commission to give a new impulse to dialogue with the oil exporting countries, the other industrial nations and developing countries with the aim of a cooperation to prevent cyclical and violent fluctuations in the price of oil and hence cyclical economic crises;

Considers it essential to establish guaranteed long-term prices for crude oil;

Renews its offer of a treaty for cooperation between the Community and the Gulf States and asks the Commission to take the initiative in this matter without delay;

Asks the Commission to submit proposals for adapting in the short term and long term the development of the energy strategy of the Community to the new elements of the oil problem;

Calls on oil companies in the Community to discourage the off loading of oil stocks on a falling market and increasing stocks in a rising market;

Instructs its President to forward this resolution to the Commission, the Council, the Governments of the oil-exporting countries and the Gulf Cooperation Council.



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EHG(B)(83)11

15 MARCH 1983

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EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

RESEARCH

Brief by Foreign and Commonwealth Office

Points to make

1. Congratulate Commission on progress made towards a Framework Programme for Community research and development.
2. Strongly support attempt to bring Community research and development within a coherent framework. This will promote more efficient planning of programmes and resource activities.
3. Recognise need for research and development to have a greater share of Community's available resources. Increased coordination and cooperation at Community level will make a significant contribution to increasing Europe's ability to meet the challenge of its major industrial competitors.

SUPER SARA [ONLY IF RAISED]

4. We are confident that the Ispra establishment has potential

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to make a valuable contribution to Community research. Commission's proposals for alternative activities at Ispra provide a basis for a valuable role for the Joint Research Centre.

DATE OF RESEARCH COUNCIL [ONLY IF RAISED]

5. This is primarily a matter for the Presidency. We would prefer a date later in June but would be content to accept an earlier date if this was the wish of the majority.

BACKGROUND

6. Davignon's 5-year Framework Programme proposals seeks to identify a number of Community research and development objectives, to establish priorities and to indicate the resources required to achieve these goals. The Framework should improve procedures for organising research and development at Community level, and establishing a sensible mix between between 'in house' activities at the Joint Research Centre and collaborative research in the Member States.

7. Under Davignon's proposals, Community research and development spending would increase from its current level of 2.36 b ecu to 3.75 b ecu for the 4 years 1984-87. An increase of this scale is unacceptable. At the Research Council on 8 February, Mr MacGregor confirmed that the UK recognised the need for research and development to have a greater share of the



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Community's available resources but made it clear that, whilst agreeing with the research and development goals selected we questioned the level of resources proposed. (The research goals are: agriculture, industrial competitiveness, raw materials, energy development, environment, improvement of the Community's scientific and technological potential.)

**JOINT RESEARCH CENTRE**

8. The Research Council on 10 March considered the Commission's proposals for an alternative multi annual programme for the joint research centre at Ispra. The cancellation of Super Sara was confirmed (subject to the lifting of a French reserve on alternative projects). The Italians accept cancellation, but we want to reassure them that Ispra has a secure future. We have contributed a number of ideas of our own and our aim is to ensure that it concentrates on sensible and worthwhile activities.

**DATE OF NEXT RESEARCH COUNCIL**

9. The Italians asked at the Foreign Affairs Council on 14 March that the Research Council should meet before the next European Council in June. We (and the German Presidency) favour a later date to allow for better preparation, but could fall in with an earlier Council if necessary.

Foreign and Commonwealth Office

15 March 1983

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15 March 1983 1

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

INNOVATION AND INDUSTRIAL POLICY (INCLUDING DAVIGNON INITIATIVE)

Brief by Department of Industry/FCO

Objectives

1. To reinforce the UK line that Europe's industry must develop within an open and fair international trade and investment regime.
2. To recognise the role of the Community in developing new technologies.

Points to make

Innovation

1. Promotion of innovation and new technologies are key elements in the Community's efforts to compete effectively with the other major industrial powers.
2. We have therefore welcomed the Commission's proposal for a Strategic Programme for Research Information Technology (ESPRIT), as an example of the kind of Community initiative that is required. We

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are also pleased to note that detailed consideration of the Commission's proposals on innovation is now well advanced.

Industrial Policy

3. Recall conclusions of successive European Councils on need for a strategy for European industries: important that we continue to work to this end and that Member States pursue economic and financial policies to promote competitiveness.

4. Strengthening of the internal market is an important element in establishing climate of confidence for Europe's industries.

5. While promoting the coherence of the market we should not deprive ourselves of the benefits of innovative investment from USA and Japan.

Defensive (If Commission Communications raised)

6. Commission paper rightly stresses need to develop Europe's high technologies. UK support for ESPRIT and opening up of our telecommunications sector to competition demonstrates our commitment. Community's failure to adopt present modest Telecommunications Recommendations discouraging.

7. Commission should bring forward specific proposals for consideration by Officials in preparation for Industry Ministers'



Council.

Essential Facts

Innovation

8. The Commission's Communication on Innovation which has been under discussion in Brussels for some months proposes inter alia to develop systems of cooperation at a Community level, between the various national agencies engaged in the promotion of innovation, particularly in small and medium sized enterprises and to stimulate easier access to information on research, inventions, patents and national standards etc, across national boundaries. The Commission are seeking a budget of 15 m ecu (£8.25 m) over 3 years. Most Member States, including the UK, while emphasising their support in principle for the initiative have been critical of the proposals' lack of detailed definition or ordering of priorities.

ESPRIT

9. The ESPRIT proposals are for a number of pilot projects on collaborative pre-competitive research in key areas of information technology identified by industry. The main purpose of the projects will be to give practical experience to provide the basis for a sound management scheme for a full European research programmes. It is a test of feasibility for the programme as a whole.



10. The Telecommunications Recommendations are aimed at harmonising standards, encouraging a freer market in telematic terminals and opening up PTT calls for tenders. Agreement was reached on all aspects during the UK Presidency save the question of whether calls for tenders should be opened to "manufacturers" or "suppliers" in the Community. France and Germany are still unable to agree on this issue. We attach considerable importance to these measures, which are a small but vital step towards a free European market in telecommunication products, in line with our own domestic liberalisation programme.

Industrial Policy

11. A Commission paper on the subject has been promised for the Council. In other presentations Commissioner Davignon has advocated a new approach in the new high technology growth sectors, where the Community's industry is at a competitive disadvantage compared with its rivals in Japan and the US. These latter industries do not suffer from the compartmentalisation resulting from small home markets and from the national approach within the Community. He drew attention to the following sectors: information technology, telecommunications, biotechnology and space technology.

12. An important aspect of his approach would be to provide a systematic improvement of access in competitive conditions to new technology also in more traditional sectors such as the motor car



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industry, the machine tools industry and the food processing industry.

13. Davignon has suggested that the basic objectives should be to draw the full advantage of the Community's total market both in the private sector and in the public sector. The methods to be developed would probably follow the pattern of ESPRIT (see above) and would be intended for the benefit of industry in the Community rather than its competitors in third countries.

14. The UK agrees that the Community should focus on the more innovative aspects of its industrial capacity, as well as the more traditional industries. It sees merit in measures to complete the internal market as a means to encourage the climate of industrial confidence among the Community's industrial enterprises in which collaboration will occur naturally, and achieve economies of scale. However it does not think that Europe's interests are best served by a restrictive or protectionist approach, particularly insofar as inward investment and cooperative ventures with non-EC partners is concerned. Informal presentation of Viscount Davignon's ideas far suggests that it is the route of positive discrimination in favour of European industry, potentially damaging to multilateral trade and investment systems, which he wishes to pursue.

15. We are anxious that the Commission should further develop

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existing measures and proposals in the information technology area. The Commission must now come forward with specific, practical proposals which should be considered by Industry Ministers before being put to the European Council. In encouraging this approach the European Council needs to be reminded that in the telecommunications sector even the very modest set of recommendations for harmonising standards and for liberalisation of public procurement remain unadopted.

Department of Industry

15 March 1983

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EHG(B)(83)12 Addendum  
17 March 1983

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EUROPEAN COUNCIL, BRUSSELS  
21/22 MARCH 1983

INNOVATION/INDUSTRIAL POLICY (INCLUDING DAVIGNON INITIATIVE)  
Note by Foreign and Commonwealth Office

The Commission's communication to the European Council on "Community Industrial Strategy", is circulated herewith as an addendum to Brief No 12.

Foreign and Commonwealth Office  
17 March 1983

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**COMMISSION OF THE EUROPEAN COMMUNITIES**

COM(83) 150 final

Brussels, 16th March 1983

COMMUNITY INDUSTRIAL STRATEGY

(Commission communication to European Council,  
21/22 March 1983)

COM(83) 150 final

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COMMUNITY INDUSTRIAL STRATEGY

1. Discussion of matters arising in connection with a Community industrial strategy is complicated by the fact that it is not agreed—indeed sometimes not clear—what that policy's aims are. A first prerequisite is to dispel this uncertainty.
2. The Community dimension is nowadays called in when harsh facts dictate the orderly contraction of sectors in structural decline.

How is a genuine Community contribution also to be made to the process of positive adjustment of Community industry? The purpose in mounting a Community strategy is to provide practical answers to this question.

3. Two preliminary points:
  - (i) even in the so-called growth sectors the industrial trend in the Community overall and the Member States individually is distinctly less favourable than in the case of its Japanese and American competitors;
  - (ii) in the absence of an alternative, continuing rundown of European industry's productive capacity increases the risk of national action.

.../...



4. Expanding European productive capacity could, the Commission considers, be a Community action priority if it is simultaneously accepted that this must be done in accordance with the requirements of world competitiveness.

5. The moves to achieve a unified market, to reactivate productive investment, to promote research and innovation, and the energy strategy, though essential, have not so far succeeded in reversing the process of decline.

Industrial measures today are primarily planned and carried out nationally, not dovetailed into a Community context. They are leading to dangerous compartmentation of the markets, and impeding the consolidation of the Community.

The industrial strategy is directed to

- (i) discouraging individual or sectoral measures not integrated into a macro-economic framework;
- (ii) endorsing measures, failure to take which would jeopardize a sector's development.

.../...



6. It is worth noting that twelve major European companies in competition, and desirous of remaining in competition, on the European market have told us, in connection with the Esprit programme,

"Information Technology is now a critical factor in virtually every sector of the European Economy. In particular it acts as the activator and amplifier for all industries and services and provides the crucial infrastructure of modern industrial nations. Moreover, as some of the traditional industries decline, IT offers the best, if not the only, prospect of their replacement. Indeed withdrawal from participation in the development of Information Technology is tantamount to renouncement from being a modern industrial nation. Yet against this background of strategic importance, the position of European Industry in this field is depressing if not exactly disastrous. The figures of market share, i.e. European Industry only commanding 10% of the world market and less than 40% of its own indigenous market, make stark reading. Not only is the situation in itself of great concern, but the low market share means that the volume of sales and profit is inadequate to provide the essential investment needed to safeguard the future. Even worse, all the indications are that the situation is deteriorating rather than improving.

"The situation is not a new one but has been developing over a period of years, and many attempts have been made to reverse the trend. Unless a cooperative industrial programme of sufficient magnitude can be mounted, most if not all of the current IT industry could disappear in a few years' time."

7. Where projects have to be selected, the following principles should be observed.

.../...



(a) To avoid dispute over the principle of action by the authorities (Community or national), it would be well to go first for fields where they already play a part, regulating (standards), providing assistance (research grants, investment aid, &c.) and ordering (public contracts.

(b) Stimulating expansion: as concerns information technology and telecommunications the economies of scale essential to achieve world competitiveness will be achieved only if industrialists have access to the Community market.

(c) Ascertaining the impact of certain policies industrially:

- . What, for instance, is the impact of the common agricultural policy on the location of certain agri-food industries?
- . Does our space policy, with the European Space Agency in overall charge, take sufficient account of the claims on States in such matters as aid for the developing countries, environmental conservation and telecommunications?
- . A like assessment will need to be made of our positions on energy, research and innovation.

(d) Seeing to it that funds are more efficiently used—the object is not to increase overall Budget spending: on the contrary, elimination of the extra expense caused by dispersion of effort and duplication could serve to reduce the need for public funding.

.../...



8. Between March and June the Commission will be working out, with due regard for the various considerations and constraints here set out, practical measures and guidelines on information technology, telecommunications and biotechnology.

9. Unless competitive Community productive activity increases it will hardly be possible to deal with the distressing problems of employment. This point is noted for the sake of completeness: there will of course be further Commission communications on the subject.

European Council guidelines would be particularly welcome to help ensure that the Council continues devoting itself to a debate so vital to the future of industry in Europe. In the light of that debate and of the Commission's new proposals the June session of the European Council might determine whether the suggested strategy is calculated to meet the challenge to the Community.



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EEG(B)(83) 13  
9 March 1983

COPY NO 1

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1982

NEW COMMUNITY INSTRUMENT (NCI)

Brief by HM Treasury

OBJECTIVE

1. To endorse Council's common position on the NCI III.

POINTS TO MAKE (if necessary)

2. Pleased that Council quickly achieved common position on Commission's proposal. Delay in adoption due to need for further consultation of European Parliament - not the fault of the Council.

3. If it is suggested that further changes should be made to satisfy European Parliament and secure speedy adoption.

No. Council took account of the Parliament's opinion in reaching its common position. If the Parliament want conciliation, it must of course take place - but no question of changing Council's position. Conciliation need not create much delay as experience with NCI II showed.

BACKGROUND

Reference A : Council common position on NCI III. (4348/1/83)

4. The November European Council instructed the Council to 'agree rapidly and before the next European Council on the Commission's proposal to expand the NCI by a further 3 billion ecu'. The task of reaching agreement quickly was made more difficult by the Commission's decision to amend their proposal in response to the views of the European Parliament. In particular, they proposed that the facility should be permanent and should accordingly have no ceiling.



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5. The February Finance Council agreed on a common position which reinstated the 3 billion ceiling. It also departed from the Commission proposal and the Parliament's opinion in some other less significant respects. Following the precedent of conciliation on NCI I and II, conciliation with the Parliament will probably have to be held before NCI III can be adopted. Hence the failure to respect the European Council deadline is attributable not to delays within the Council but to the Parliament's demand for conciliation.

6. In the cases of NCI I and II, no changes were made to the common position as a result of conciliation, and there is no reason to expect or to seek any changes for NCI III.

H M TREASURY

9 March 1983

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4348/1/83	
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ETG (B) (83) 13

Reference A

COUNCIL DECISION  
of

empowering the Commission to contract loans under the  
New Community Instrument for the purpose of promoting  
investment within the Community

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic  
Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission <sup>(1)</sup>,

Having regard to the Opinion of the European Parliament <sup>(2)</sup>,

Having regard to the Opinion of the Economic and Social Committee <sup>(3)</sup>,

<sup>(1)</sup> OJ No C 28, 3.2.1983, p. 14.

<sup>(2)</sup> OJ No C 13, 17.1.1983, p. 92.

<sup>(3)</sup> Opinion delivered on 26 January 1983 (not yet published in the OJ)

.../...



Whereas, given the vital role of investment in raising growth rates, adjusting production structures and providing a lasting solution to the unemployment problem, the Community's lending instruments should be strengthened to support investment, especially in the growth sectors of the future;

Whereas, in order to stimulate economic activity and support common policies, the financing facility of the New Community Instrument established by Decisions 78/870/EEC <sup>(1)</sup> and 82/169/EEC <sup>(2)</sup> empowering the Commission to contract loans for the purpose of promoting investment within the Community should be pursued and strengthened alongside existing Community financial institutions and bodies, the scope of which should be widened;

Whereas this Community facility makes an additional contribution to investment promotion in the Community and has a real follow-through effect and financial impact far beyond its apparent size, thus promoting the convergence of Member States' economic trends;

Whereas plentiful finance can be found on the capital markets which could be tapped to finance investments within the Community;

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<sup>(1)</sup> OJ No L 298, 25.10.1978, p. 9.  
<sup>(2)</sup> OJ No L 78, 24. 3.1982, p. 19.



Whereas the Community has creditworthiness in its own right which must be used to best advantage to reinforce European support for the said investments and to support policies decided on at Community level;

Whereas the European Investment Bank has stated that it is willing to contribute to the implementation of the facility,

HAS DECIDED AS FOLLOWS:

Article 1

The Commission shall be empowered to contract loans on behalf of the European Economic Community under the New Community Instrument which shall not exceed the equivalent of three thousand million ECU in principal.

The proceeds of these loans shall be lent to finance investment projects which contribute to greater convergence and integration of the economic policies and of the Member States and, through the dissemination of new technology and innovation or by other means, to reinforcing the competitiveness of the Community economy.



These projects shall be such that they serve the Community's priority objectives in the energy and infrastructure sectors, and in the financing of investment principally in small and medium-sized undertakings, in industry and in other productive sectors, taking account inter alia of their regional impact and the need to combat unemployment.

This mechanism may be used on its own or in conjunction with other Community financing instruments.

Article 2

The loans shall be activated in tranches.

After consulting the European Parliament, the Council, acting by qualified majority on a proposal from the Commission, shall authorize the loan tranches and lay down the guidelines for the eligibility of projects.

The Commission shall decide whether or not projects are eligible in accordance with the guidelines thus laid down.

The Commission shall borrow on the capital markets within the limits of the tranches authorized.



Article 3

Connected borrowing and lending transactions shall be expressed in the same monetary units.

Lending terms as regards the reimbursement of the principal and the rate and payment of interest shall be fixed in such a way that, overall, they cover the costs and expenses incurred in concluding and performing both the borrowing and lending side of the transactions.

Article 4

The terms of loans to be contracted shall be negotiated by the Commission in the best interests of the Community, having regard to the conditions on capital markets and in accordance with the constraints imposed by the duration and other financial aspects of the loans to be granted. Funds borrowed shall be deposited with the European Investment Bank, to be invested on a temporary basis if necessary.

Where the loans are expressed, payable or reimbursable in the currency of a Member State, they may be concluded only with the agreement of the competent authorities of that State.

Article 5

A mandate shall be given to the Bank to grant and administer loans in pursuance of this Decision. To this end, a co-operation agreement shall be drawn up between the Bank and the Commission. The Bank shall carry out transactions under this mandate on behalf of, for and at the risk of the Community.



The Commission shall decide, in accordance with Article 2, whether projects are eligible. Where the Commission gives a favourable decision, the Bank shall decide whether and on what terms to grant the loans, in accordance with its usual criteria and with the procedures laid down in its Statute.

Loan procedure as provided for in this Decision shall be as follows:

loan applications shall be transmitted simultaneously to the Commission and to the Bank either directly or through a Member State,

- the Commission and the Bank shall sign the loan contracts.

Article 6

The Commission shall inform the Council and the European Parliament every six months of the rate of utilization of the tranches. No later than the date on which total loans signed amount to two thirds of the current tranche, it shall notify them of the purpose and amount it intends to propose for the next tranche.

Article 7

The Commission shall annually inform the Council and the European Parliament of receipts and expenses resulting from borrowing and lending transactions and present at the same time an assessment of the functioning of the New Community Instrument in all these respects.

.../...



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- 7 -

Article 8

The financial control and audit of the Commission's accounts shall be carried out in accordance with the Financial Regulation applicable to the general budget of the European Communities.

Done at Brussels,

For the Council  
The President

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COPY NO 1

EHG(B)(83)14  
15 March 1983

European Council Brussels

21/22 March 1983

MUTUAL RECOGNITION OF DIPLOMAS

Brief by Foreign and Commonwealth Office

POINTS TO MAKE

1. Welcome German initiative in calling for progress on mutual recognition of both professional and academic qualifications.

2. Support the harmonisation of professional qualifications as a way of furthering Treaty objectives of free movement and rights of establishment, and thus helping to complete the internal market. Also keen to develop ideas on the mutual recognition of academic qualifications to help student mobility. In particular we would like to see further development of joint courses by institutions in different Member States and more collaboration with other Member States in assessing the value of qualifications.



BACKGROUND

References

A: Note from the Presidency including draft conclusions of Council (5554/83)

3. When Herr Genscher raised recognition of diplomas at the Foreign Affairs Council on 21 February, he referred both to the harmonisation of professional qualifications (rights of establishment and freedom to provide services) and the academic recognition of diplomas and periods of study (education). His main interest is to give renewed impetus to work on professional qualifications, particularly architects. The draft conclusions intended to give a new impulse to work in this area are acceptable.

4. Mutual Recognition of Professional Qualifications

We strongly support the principle of mutual recognition of professional qualifications as a way of furthering free movement, but some of the proposals currently on the table cause us difficulties.

5. Directives already agreed cover the legal and most of the medical professions. We believe some Member States impose nationality requirements in the public service which restrict the benefits.



6. Work has stagnated for the last couple of years on the dossiers currently before the Council - architects, engineers and pharmacists.

7. The Architects' Directive has been under discussion since 1967. Agreement was reached in principle in 1980, subject the solving the difficulty over the treatment of 3 year courses in German Fachhochschulen (Polytechnics), but this has so far proved impossible. Since 1980 the view of the profession in the UK has hardened against the compromise proposals which were then put forward and with which the UK were closely associated. Most recently the Greeks have raised a number of problems. France and Luxembourg are also doubtful about renewing work on this dossier; the Italians and Dutch are most strongly in favour.

8. The Engineers' Directive is still at a very preliminary stage. It shares with the Architects' Directive the problem of the treatment of Fachhochschulen and its fortunes are therefore to some extent linked to Architects. The Pharmacists' Directive is also deadlocked in the Council and awaits the opinion of the European Parliament, not now expected until the end of 1983.

9. Academic Recognition of Diplomas and Periods of Study.



EC Education Ministers adopted a report last year on the steps which might be taken to improve the mutual recognition of degrees and other academic qualifications and periods of study, as a way of helping mobility of students in higher education between Community countries.

10. Ministers recognised that progress lies in encouraging Governments and academic institutions to be as liberal as possible in assessing the value of qualifications from institutions abroad, and called on Governments which had not already set up a centre to advise on recognition questions to do so quickly. The UK unit, set up in the British Council in 1975, has proved very successful.

11. Ministers also set up a Working Party to examine practical obstacles to student mobility. The conclusions of the Working Party are likely to be discussed by Education Ministers in May, and discussion would be premature. One recommendation is likely to be that more should be done to help students to spend part of their course in a higher education institution abroad, and that an existing scheme of grants to help institutions in different countries to develop joint courses should be extended.



5554/83	
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ETS 11  
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NOTE

From: Presidency

to : Council

Subject: Mutual recognition of diplomas in the Community

1. At the 827th Council meeting on 21 and 22 February 1983 the Presidency emphasized the importance of the above matter and expressed the intention of referring it to the next European Council.

The issues are, on the one hand, the academic recognition of diplomas and periods of study (education) and, on the other, the mutual recognition of diplomas, certificates and other evidence of formal qualifications in the context of the right of establishment and freedom to provide services (professional activity).

11. The following text is suggested for the conclusions of the European Council:

"The European Council believes that the mutual recognition of diplomas in the Community is an important area. The Community is a unit within which Europeans must be able to move freely to acquire their education and exercise their profession.

.../...

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While appreciable results have been achieved in this area, much remains to be done.

- Concerning the mutual recognition of diplomas and periods of study in establishments of higher education, the mobility of students and young researchers should be increased, thus contributing to better understanding between Member States in specific areas.

The European Council notes that the Council and the Ministers of Education meeting within the Council are examining the problem of the academic recognition of diplomas and periods of study and plan to adopt a position on this question at their next meeting in May/June 1983.

The European Council expects that the discussions of the Ministers of Education will lead to tangible results.

- Concerning the right of establishment and freedom to provide services, the European Council requests the Council to step up its examination of the proposals for Directives before it, in particular those concerning architecture and the technical sphere, and to bring it to a successful conclusion as soon as possible."

II. A summary of progress to date on the matter is annexed.

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PROGRESS REPORT1. Academic recognition of diplomas and periods of study

- (a) On 24 May 1982 the Council and the Ministers of Education meeting within the Council set up a working party to report on progress with academic recognition and the practical aspects of mobility in higher education.
- (b) This report will be discussed at the next meeting of the Education Ministers (May/June 1983), after approval by the Education Committee.
- (c) The main themes of the report may be summarized as follows:
- great importance of promoting the academic recognition of diplomas and periods of study;
  - the bilateral agreements concluded between Member States and the arrangements between establishments themselves are a useful basis for approaching the question of academic recognition in a generous and constructive spirit;
  - priority for short periods of study in the establishments of another Member State;



- several proposed measures to promote mobility, in particular improvement of reciprocal information, facilitated admission to courses of study of limited duration in another Member State and improvement of the social conditions of the students concerned.

## 2. Right of establishment and freedom to provide services

Around 90% of "non-professional" occupations in industry, trade, agriculture, etc., have already been liberalized by some 50 Directives. With regard to the professions, in the medical and para-medical sector the activities of doctors, dentists, veterinarians, nurses and midwives have been liberalized; the Council will be able to examine a proposal concerning pharmacists as soon as it has received the Opinion of the European Parliament. In the legal sector, lawyers may provide services freely throughout the Community.

However, the spheres of architecture and technical activities have not yet been liberalized; despite the fact that proposals for Directives were submitted to the Council some fifteen years ago no agreement has yet been reached.

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EHG(B)(83) Revise(15)

18 MARCH 1983

COPY NO

**1**

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

**SOCIAL MATTERS INCLUDING YOUTH UNEMPLOYMENT**

Brief by the Department of Employment

OBJECTIVE

1. To emphasise the need for practical measures on youth unemployment by making it the top priority for a revised Social Fund.

POINTS TO MAKE

Youth Unemployment and the European Social Fund

2. Welcome the emphasis at the informal meeting of Employment Ministers in February on the need to tackle youth unemployment vigorously. The Social Fund provides the best opportunity for the Council to put fine words into practice. The United Kingdom very much hopes that the review will be completed quickly and will lead to a Fund which gives top priority to the training needs of young people, particularly in those areas where unemployment is especially high.



3. Commitment of European Council last March that all school leavers should be given the opportunity of training or work experience when they first enter the labour market is most important. Essential to improve skills of labour force if the Community is to take advantage of opportunities for new jobs in new industries. We firmly believe that training is the right approach at this stage to youth unemployment, and that we should concentrate our energies for the moment on delivering the training guarantee to school leavers. In the end the unemployment question cannot be solved by massive Government expenditure to create work. Indeed this could make the problem worse.

4. The Commission's paper and the conclusions of the informal meeting of Employment Ministers stress the need for particular attention to be paid to disadvantaged groups of young people. But the Community must not lose sight of the general nature of the commitment by focussing too sharply on special groups.

#### Working Time

5. Quite wrong to impose binding measures on working time which could impair competitive position of firms and cause employers to reduce number of jobs on offer; convinced therefore that this must be handled in accordance with varying national practice. In the UK this is primarily a matter for the employers and employees concerned. We are doubtful therefore of the value of Social Fund to priority treatment under the Fund.



support for the reorganisation of working time. Any such support should be very limited and in no way impair claims of young people

BACKGROUND

References

A: Conclusions of Informal Employment Ministers Meeting

B: Commission's communication on unemployment (COM(83)148)

Youth Unemployment

6. Chancellor Kohl is apparently keen to have an exchange of views on youth unemployment.

7. The Presidency conclusions of the Informal Meeting of Employment Ministers on 21/22 February, referred to in the Presidency report on the follow up to Copenhagen, are broadly acceptable, though placing rather too much emphasis on the needs of particularly disadvantaged groups as compared to those of young people generally.

8. A draft resolution on vocational training is currently under discussion in Brussels. Much in the resolution is in line with the UK's own training policy, in particular the guarantee for school leavers. Nevertheless, there are some difficult points to be resolved before the resolution is acceptable to the UK; in particular it calls on Member States to offer young people two for the spring to agree the resolution.



years' training and lays undue emphasis on the training of women. A special meeting of Employment and Education Ministers is planned

9. The Commission's communication on unemployment gives a foretaste of the proposals they are expected to put forward shortly on youth unemployment. The Commission express concern at the high level of unemployment among young people (40% of all unemployed workers) and call for "specific and immediate measures" at Community level, at least for the most disadvantaged groups of young people. They suggest a minimum employment guarantee (for example for two years) for young people who have been unemployed for more than a year, and wage subsidies to recruit young people. This change in emphasis away from training and towards employment guarantees is unwelcome, both politically, and in the context of the Social Fund review, financially (see para 12 below)

#### European Social Fund

10. The Fund provides grants towards schemes of training, job creation and geographical mobility of workers. It is one of the few Community instruments under which the UK is a net beneficiary (our average share has been 24%, and was 30% in 1982 (£257m)).

11. Negotiations on a fundamental review of the Fund are underway. The United Kingdom's main objectives are:

- a Fund which gives top priority to schemes for young people;



- concentration of Fund support on areas with particularly high unemployment (especially where suffering from industrial decline);
- a Fund whose main task remains assistance towards training (rather than job creation).

12. The proposals signposted in the Community's paper (see para 9 above) would, if implemented with aid from the Social Fund, alter the balance of the Fund towards job creation to our disadvantage. The French are particularly keen on this. The Commission's proposals for the review of the Fund already allow for assistance to recruit young people and we regard this as sufficient provision. We should stress that the Fund should continue to concentrate on vocational training. The Prime Minister will wish to resist any conclusions which would strengthen the French hand in arguing for more of the Fund's resources to be devoted to employment (particularly for disadvantaged young people) rather than training.

#### Working Time

13. The Commission have followed up a 1979 Council resolution on the adaptation of working time with draft directives on part time and temporary work (on which there is little sign of agreement). The Secretary of State for Employment and Commissioner Richard disagreed over the need for binding Community instruments, at the Informal Meeting of EC Employment Ministers. The Commission may refer to their obligations under the Treaty to promote close



cooperation between member states on matters relating to employment and labour laws and working conditions. The Prime Minister will wish to resist the implications of this.

14. The Commission have also followed up the 1979 Resolution with a recent memorandum on the reduction and reorganisation of working time which provides a useful survey of current developments. The Commission communication largely repeats this memorandum. It proposes Community action to encourage flexibility and mobility among the work force, and to place restrictions on overtime "possibly on a statutory basis at national level", though also emphasises the need to avoid increasing business costs.

15. The "Jumbo" Council (joint Finance and Employment Ministers) concluded last November that "a reorganisation and a reduction of working hours can only have positive employment effects if the competitive position of firms is not impaired....." The link between adjustments of working time and the maintenance of competitiveness is both welcome and essential, and should be stressed in any conclusions of the European Council.

Department of Employment

18 March 1983



INFORMAL MEETING OF EC EMPLOYMENT MINISTERS IN BONN  
(21-22 FEBRUARY 1983)

PRESIDENCY CONCLUSIONS

YOUTH UNEMPLOYMENT

The President summarized the discussion in a contribution towards a consensus on employment policy in the European Community.

1. Unemployment is the biggest problem confronting the Community. Ensuring employment for everyone therefore remains the Community's principal task.
2. The combined forces available in the Community must be used to combat youth unemployment.
3. Our main concern are those young people at a particular disadvantage, above all:
  - the long term unemployed;
  - young people living in particularly disadvantaged regions;
  - the handicapped;
  - migrants.

The analysis of disadvantages should be further developed. In this connection, special consideration should be given to employment opportunities for disadvantaged young people.

The Permanent Representatives Committee is asked to use these points as a basis when discussing the report to be made to the European Council.

The Commission is urged to develop further its proposals for a policy designed to ensure that all young people have an opportunity of obtaining vocational training or at least initial on-the-job experience in the next five years.

The Ministers are prepared to discuss this policy at a joint meeting of the Ministers for Education and for Labour, if there is any prospect of achieving tangible results.

The Standing Committee on Employment will be involved in the preparations for the next meeting of the Ministers for Labour.

WORKING TIME

Along with growth and training, reduction of working time is the third aspect of a policy to combat unemployment.

The Ministers for Labour consider the reorganization of working time through increased flexibility to be a contribution to the humanization of work and towards full employment.

(Note: the French Minister expressed his disagreement with the reference under point 3 of "youth unemployment" to "young people living in particularly disadvantaged regions" as a subject of exceptional concern).



B.

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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 148 final

~~Brussels~~ 14th March 1983

COPING WITH THE SHORTAGE OF JOBS IN THE 1980's

(Communication from the Commission to the European Council,  
21/22 March 1983)

COM(83) 148 final

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COPING WITH THE SHORTAGE OF JOBS IN THE 1980s

Even optimistic forecasts do not envisage any significant reduction in unemployment for a number of years. The normal functioning of the labour market has been disrupted and there has in particular been a sharp drop in the turnover of jobs, making access or re-entry to the labour market increasingly difficult.

In response to these problems, Member States are increasingly extending and strengthening their specific actions in the employment field. These aim to provide a more immediate response than can result from macro-economic policies alone and to assure respect for the principles of social equity. To be effective and to avoid resulting in the export of employment problems from one Member State to another, these actions need to form a part of a coherent approach at the Community level. This should pay particular attention to the risks - not only for individuals but for the economy as a whole - of an increasing proportion of the active population becoming permanently detached from the labour market. While the maintenance of adequate income support for those who are out of work or who have permanently left the labour force remains an economic and social necessity, there should be a greater emphasis on their employment needs.

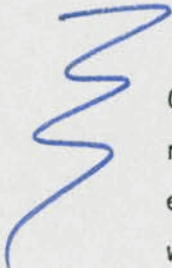
The following paragraphs consider two specific issues to which the European Council has accorded high priority, most recently on 3/4 December, namely the contribution that the reduction and reorganisation of working time can make to providing access to employment for more people, and the employment problems of young people. Policies on these issues find their place in the overall approach. Other policies under preparation in the Commission will concentrate on the one hand on measures designed to stimulate the creation of new employment (especially in small and medium-sized enterprises, through local employment initiatives, under collective management and within voluntary organisations as well as in the public sector); and on the other hand on the means of promoting



the interests of certain vulnerable groups (including not only young people, but also the long-term unemployed, women, minority groups, the handicapped and workers in declining urban areas).

Reduction and reorganisation of working time

Measures to adjust working time and thus achieve a more equitable distribution of available work are increasingly under discussion as a possible means of combatting structural unemployment. Apart from developments which are taking place spontaneously at the level of the social partners, a number of Member States have introduced such measures or have announced plans to do so. The main thrust of these is to reduce individual working time - whether calculated on a weekly, yearly or lifetime basis - while at the same time encouraging, or even obliging employers to recruit additional workers. Certain governments have used public funds to meet the short-term costs of these adjustments or provide added incentives.



The Commission has already expressed the view<sup>1</sup> that "the Community should explicitly support and actively promote the combined reduction and reorganisation of working time as an instrument of economic and social policy". The Joint Council of 16 November agreed with the Commission that the aim of increasing employment opportunities on a durable basis through adjustments to working time was realisable.

In its discussions with the social partners and its preparation of more specific proposals, which it will present to the Council before June, the Commission is giving particular attention to the following points:

- It is necessary to avoid increasing the production costs of enterprises and thus damaging their competitiveness and their future capacity to offer employment. In this context, it is important that reductions in individual working time, allowing work to be shared among more workers, are where necessary combined with measures of reorganisation which contribute to improved productivity and a more efficient use of capital equipment.

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<sup>1</sup>Memorandum on the Reduction and Reorganisation of Working Time COM(82)809 of 10 December 1982, paragraph 19.



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3.

- The redistribution of available work requires mobility and flexibility. Among other necessary supporting measures, a greater effort is required to provide a workforce trained in the range of skills which the labour market is demanding, especially in the area of the new technologies. Moreover, measures - statutory or otherwise - which have the effect of discouraging recruitment or creating unnecessary rigidities in the way work is organised need urgently to be reviewed and where necessary changed.
- Not all types of activity nor all sizes of enterprises lend themselves equally well to achieving increases in the workforce through the reduction and reorganisation of working time. Measures therefore need to allow room for differentiation in their application and should in any case provide for the details to be negotiated at the appropriate level between the two sides of industry. As a very major employer, the public sector can set an example in this field.
- A recourse to more overtime could completely offset the job-creating potential of measures to reduce working time. In order to prevent this, limitations on overtime are required, possibly on a statutory basis at national level.

Discussion and an exchange of experience at the Community level can stimulate the debate and aid the development of effective policies; in addition, the adoption of a Community policy framework can help to ensure the adoption of more coherent and convergent policies across the Community and to allay anxieties about possible risks of competitive disadvantage, especially during the phase of initial adjustments. The proposals which the Commission is preparing, building on the basis established in its Memorandum, will aim to provide such a framework.

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Youth employment

More than 4.5 million young people under 25 are unemployed in the Community at present. This represents 40% of all unemployed workers, whereas young workers represent less than 20% of the labour force. Thus the average rate of unemployment for those under 25 is over 20% compared with 11% for those over 25. Changing demographic patterns will, in most Member States, only have an impact in the 1990s.

The acute shortage of job vacancies hits first and hardest those who have no firm foothold in the labour market. The recruitment of young people which in the past occurred as a result of the normal turnover of manpower and through natural wastage has almost ceased. Insofar as new recruitment does take place, it has tended to be limited to marginal or temporary positions which do not provide young people with the opportunity to acquire skills, obtain satisfaction from their employment or develop a sense of career.

The long duration of periods of unemployment among young people, many of whom have never experienced stable employment, is causing particular concern, not only because of the immediate hardships experienced and social tensions aroused, but also because of the economic and manpower problems that will emerge in future when today's generation of young people form the core of the labour force.

While the problem of youth unemployment must in the first instance be tackled as a part of the general problem of unemployment, the need for more specific and immediate measures is clear. As the Commission pointed out in its Communication to the Joint Council of Economic and Labour Ministers in November 1982, and to the European Council in December, urgent attention should be given to the creation of employment opportunities specifically for young people. This would complement efforts already being made in the education and training of young people (on which the Commission looks to the Council to adopt a resolution in June, on the basis of its communication of September 1982) which though they make an essential contribution, will not of themselves increase the supply of jobs available.



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5.

It is important for the Community as a whole to make a broad political commitment to achieve a significant reduction in the rate of youth unemployment within the next couple of years and to consider how best all its financial instruments may be used to this end.

The Commission will soon present a communication to the Council making recommendations concerning a whole range of different measures, both temporary and more lasting, to increase the job offers made to young people. This will inter alia establish guidelines for the efforts of the social partners in devising ways to ensure that positive action in favour of young people is taken within both the private and public sector, particularly in the context of recruitment policy and agreements on the reduction and reorganisation of working time. Public authorities also have a major responsibility, not only to set an example as employers, but also through legislation and spending. Certain Member States are considering or have already begun to demonstrate a specific commitment in this respect, for instance by developing the concept of a limited employment guarantee to young people who have been unemployed for long periods, by special recruitment provisions for young people in the public service or by using a new payroll tax on employers to finance job-creation schemes.

The Commission's proposals will pay special attention to the most disadvantaged groups of young people who, even in a more healthy economic situation, suffer from a series of handicaps in comparison with other young people. These may result not only from a lack of qualifications and work experience, but also from sexual or racial prejudice and from the impact of poverty and social distress in the home or the local community, especially in areas of severe industrial or urban decline. Particular priority should be given to job creation measures designed to benefit such young people, who not only run a grave risk of long-term unemployment, but who also are frequently deprived of any source of income support, whether from the family or the collectivity.

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6.

The Commission sees the need for a minimum employment guarantee, for instance for a period of two years, which could be offered to all those young people who have already been unemployed for more than twelve months. For those who have not yet benefitted from a period of training, such as envisaged by the Commission in its proposals for a social guarantee, the offer of employment should include appropriate training provisions.

The proposals for the Review of the Social Fund would enhance the role of the Fund in support of action taken by Member States to increase employment opportunities for young people. It will nevertheless be necessary for the Fund's resources to be increased in a way which is commensurate with the demands placed upon it, if it is to make a full contribution to concerted efforts to bring down the overall rate of youth unemployment throughout the Community.

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EHG(B)(83)16

COPY NO. 1

15 March 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

GREENLAND

Brief by Foreign and Commonwealth Office

POINTS TO MAKE (if necessary)

1. Regret Greenland's decision to withdraw but we must respect it.

2. Withdrawal raises complex issues the most difficult of which is fisheries. Work should concentrate on this.

BACKGROUND

1. Greenland opted last year for withdrawal from the Community. It has asked for Overseas Countries and Territories (OCT) status instead. OCT status provides an aid and trade regime for most of the non European dependencies of UK France and the Netherlands. It is moulded on the Lomé Convention and provides development aid from the EDF.

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2. The Commission presented its Opinion to the Council in February. It is in favour of allowing Greenland to negotiate withdrawal on the grounds that this would best preserve the close links between the Community and Greenland, which occupies an important strategic position geographically in the Western Alliance. The Commission favours granting OCT status but with a special Protocol to take account of those features of OCT status which it considers inappropriate.

3. Only Italy is against conceding the principle of withdrawal which they see as setting a dangerous precedent for their own "autonomous regimes". But apart from Denmark, there is no real enthusiasm for granting OCT status, although most Member States (Belgium, Netherlands, Luxembourg, Ireland, France and Greece as well as Denmark) could go along with it. We do not think that OCT would be appropriate in principle for a country which is an integral part of a Member State, and which has a per capita GNP (\$8290.00 in 1980) which is well in excess of several Member States'. But we have said that the first priority is to get the substance of post-membership arrangements right before tackling the issue of status. Important economic interests are at stake,



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particularly on fisheries. The Community's existing fishing rights in Greenland's waters, and the fishing rights there granted by the Community to third countries (eg Norway), are important elements in the CFP. These must be safeguarded.

4. The Presidency have set up an ad hoc Working Group to look at the substance of any agreement, chapter by chapter. The Working Group has had only one meeting so far in the light of which the Presidency submitted a brief oral interim report to last week's Foreign Affairs Council. The Council called for a more detailed report to be submitted to the Council in April.

Foreign and Commonwealth Office

15 March 1983

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EHG(B)(83)17

COPY NO

9 March 1983

1

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH, 1983

GREECE AND THE EC

Brief by Foreign and Commonwealth Office

POINTS TO MAKE [If necessary]

1. Recognise importance of the Greek Memorandum to Greek Government. The Commission's final report will need to be studied carefully and constructively.
2. But must express concern about fact that Greece has yet to comply with all its existing Treaty obligations and to abolish discriminatory taxes, eg on cars; and has introduced new legislation which contravenes Treaty obligations, for example on pharmaceuticals and insurance.

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BACKGROUND

3. Papandreou Government elected in Autumn 1981 on anti-EC platform. Their Memorandum, presented to Community in March 1982, seeks to maximise and accelerate Greece's financial benefits from accession (and thus strengthen arguments for continued membership) through more EC funds to develop agriculture, rural infrastructure and small and medium sized industry; the Memorandum also wants EC competition and export incentive rules to be waived. We - and other Member States - believe appropriate solution to Greece's demands can be found within existing Treaty provisions and funding. Commission's detailed proposals for EC response to Memorandum have not yet been completed, but are imminent. Careful study will be required before Member States will be in a position to take a view on them. No discussion of substance is expected but Papandreou may be expected to seek a Presidency conclusion that the Council should take decisions on the Commission's proposals by the end of June, so that the subject is not active during the Greek Presidency.

4. Significant and growing complaint from UK industry about existing Greek legislation and protectionist practices - eg 1980 legislation imposing a special consumer tax on cars which is higher for imported than for domestically-assembled vehicles - which now contravenes Greece's Treaty obligations, and also about legislation introduced since accession, eg establishing a quasi-monopoly for state-controlled insurance companies in public sector business, and a pharmaceutical law which will largely exclude foreign firms from the Greek market. Since the last European Council, Greece has passed enabling legislation allowing the President to implement EC Directives by decree. This is a minor advance, but against that, Greece only recently lifted an illegal 6-week ban on 11 categories of goods imported from the Community (the Commission authorised quotas on a further 11 categories), and has introduced a questionable Greek language labelling requirement for imports. In discussion of draft directives in Brussels, Greece lines up with the more protectionist states, eg France and Italy,

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which may mean slower progress on the completion of the internal market under the Greek Presidency.

5. Greece is legally obliged to implement a VAT system by 1 January 1984, but has already said that it cannot meet that deadline. Prolonged delay would set a bad precedent for Spain, which has agreed to implement VAT in full on accession, in place of its present discriminatory tax system. Introduction of VAT by Greece would go a long way towards removing a plethora of illegal and discriminatory taxes facing Community imports.

Foreign and Commonwealth Office  
9 March 1983

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EHG(B)(83) 18

COPY NO. 1

15 March 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

CAP PRICES

Brief by Foreign and Commonwealth Office

POINTS TO MAKE (to Mr Lubbers in Council margins)

1. Have been reflecting on our conversation in London about need for Commission's price proposals to be revised downwards, not least in light of oil price fall.

2. Agree that case for price restraint now even more compelling than when Commission tabled proposals. Commission's forecasts now indicate that CAP Budget could be over-spent by as much as 2 billion ecu this year. And Mr Tugendhat has warned European Parliament that CAP expenditure likely to grow next year twice as fast as Own Resources.

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3. Recognise that initial Dutch position in Brussels was that Commission proposals looked about right. But given changed circumstances hope you can instruct your Agriculture Minister to press for prices lower than first proposed. I have told my Minister to take a very firm line.

BACKGROUND

4. The target date for the price-fixing settlement should be early April. But this year's negotiation has not yet got into gear, due to the uncertainties of the German election. Negotiation so far has clarified member states' positions and identified the key issues as the level of price increase; how to deter surplus production; and green rates.

5. On price levels, we have been alone in viewing the Commission's proposals (for an increase averaging 4.4%) as too high. The Germans and Dutch have argued for increases around the Commission's level as have, with less conviction, the Danes and Luxembourgers. The French are less concerned with price levels than with green rates (see below). The others, with high inflation rates, have all sought bigger increases weighted towards their own products. The European Parliament has voted for 7%.



6. Our arguments for price restraint have included:

(a) the resurgent trend of surplus production (120% Community self-sufficiency in milk, 150% in sugar, etc);

(b) rising CAP expenditure (the Commission originally claimed that their proposals are compatible with the principle of restraining the growth of CAP expenditure below that of Own Resources. But CAP expenditure this year is heading for an overspend of up to

2 billion ecu, over and above the cost of the price-fixing, which would bring the Community budget within half a billion ecu of the Own Resources ceiling. And Mr Tugendhat has told the European Parliament that CAP spending in 1984 is likely to increase over the 1983 budget figure at a rate double that of Own Resources);

(c) the need to show the Americans we are resolved to tackle the problem of surpluses; and

(d) an increase in Community farm incomes of 9% in real terms last year (with much of last year's excessive price rise still to work through).

7. On deterring surplus production, Commission proposals to implement the guarantee threshold system introduced last year (Community production in excess of a predetermined "threshold" to trigger price rise abatements the following year) have met with some objections. On milk, the Commission originally proposed a 2.2% abatement (ie a price rise of only 3.2%) to reflect the over-shoot of last year's production target. A further



deterioration in the dairy sector has now led them to propose a further 0.8% price cut-back. But the French (backed by the Irish and Belgians) have rejected this approach and urged instead a differential coresponsibility levy to penalise producers with large herds. The Dutch and the Danes are with us in resisting this, and the proposed extension of aid to small milk producers (from which the French and Germans benefit most). The French have also resisted the Commission's proposed abatement to 3% of the cereals price rise (to reflect last year's grain surpluses; the aim of narrowing the EC/US price gap; and the need to hold down feed-grain prices for livestock producers).

8. On green rates, the French have made clear that their major price-fixing objective is reduction of the German and Dutch positive MCAs (sterling's fall has changed our positive MCA to an MCA of -1.1). But they have made little headway against tough German resistance. France, Italy and Greece could all top up the common price increase by green devaluation; any EMS realignment later this month would probably increase the scope for such action by the high-inflation countries.

Foreign and Commonwealth Office

15 March 1983



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EHG(B)(83)19 Revised COPY NO  
18 March 1983 1

EUROPEAN COUNCIL, BRUSSELS  
21/22 MARCH 1983

REFORM OF THE MEDITERRANEAN ACQUIS  
Brief by Ministry of Agriculture, Fisheries and Food

Annexes

- A. Report from Agriculture Council.
- B. Support arrangements for olive oil.
- C. Support arrangements for fruit and vegetables.

Objectives

- (a) To resist any suggestions for splitting off parts of fruit and vegetables or olive oil and insist that all aspects must be settled together (Brief No. 6).
- (b) To reject proposals for taxes or import levies on vegetable oils.
- (c) To defend the proposal to put the production aid on olive oil on a flat rate basis while indicating that we are ready to consider other solutions.
- (d) To cast doubt on the relevance to enlargement of most of the proposals on fruit and vegetables and emphasise our objections to raising the level of protection.

POINTS TO MAKE ON OLIVE OIL (if necessary)

- (i) If a tax or levy on vegetable oils is proposed -
  - 1. Opposed to creating new Own Resources, especially to spend on the CAP: the CAP must be reformed so that it takes up a smaller proportion of the budget.



2. Wrong to tax consumers of cooking oils and margarine in order to pay for surpluses of olive oil after enlargement. Butter already very expensive: politically unacceptable to tax margarine as well.

3. Would be unacceptable to the Community's trading partners and create serious problems in the GATT. The suppliers of oilseeds and vegetable oils not only developed countries but also a wide range of developing countries.

(ii) If there are attacks on the proposal to put the production on a flat-rate basis -

4. Flat rate aid has been discussed in detail in the Agriculture Council. Understand the idea has had support in principle not just from the UK but from most other Member States.

5. No-one can doubt that olive oil presents a serious problem in the context of enlargement. Existing Community is already self-sufficient in olive oil, and Spain is a net exporter. Returns to Spanish producers will double as a result of accession. High risk that output will be stimulated so as to produce an unsaleable surplus. Markets outside the Community are very limited.

6. Solution would be to divorce the production aid from actual output, in order to reduce the incentive to expand production. This could be done by paying it at a flat rate per tree or per hectare.

7. Flat-rate aid would also help with the acknowledged problems of financial control in this area: it is easier to check the number of a farmer's trees than that he did produce a given quantity of oil.

8. Flat-rate aid is not contrary to the "principles of the CAP". Some olive oil producers (those not members of officially-recognised producer groups) are already paid on this basis.



9. Flat-rate aid could be varied by region to reflect regional variations in yields.

10. Concept of a "guarantee threshold" - ie quantity of output beyond which support to producers is reduced - has already been applied to milk and cereals. This would extend the same principle to olive oil.

(iii) If the French press for commitments on fruit and vegetables -

11. Not at all clear what relevance the proposals on fruit and vegetables have to the problem of enlargement. Would be damaging to Community consumers and the interests of trading partners outside the Community.

12. Cannot take decisions on fruit and vegetables separately from an agreement on olive oil in the Agriculture Council.

#### BACKGROUND

1. Brief No 6 on Enlargement covers the procedural issues arising from the inability of the Agriculture Council so far to reach agreement on the revision of arrangements for Mediterranean agriculture. The main outstanding issues of substance are described in the report to the European Council (drafted by the German Presidency and attached at Annex A). It would be neither appropriate nor helpful for Heads of Government to engage in discussion of the detailed and technical points raised in this report. These must be resolved by Agriculture Ministers. Our aim should be to limit the discussion to a procedural conclusion as set out in Brief No 6.

2. It is likely, however, that the Italians at least will wish to raise matters of substance and, in particular, the production aid arrangements on olive oil. In this event, the French could press their objective for a tax or levy system on vegetable oils and for changes on fruit and vegetables. The following paragraphs discuss each of the five main issues highlighted in the report.



OLIVE OIL

3. The existing support arrangements for olive oil, and the likely effects of enlargement, are described in Annex B.

(i) Financial Aspects

The Commission's estimate of 780 MECU as the extra cost on olive oil arising from enlargement is out of date and we believe an under estimate. Even on this figure, the cost of the olive oil regime would double. One of our main concerns in the negotiation (shared by the Germans, Dutch and Danes) has been to limit this cost. To this end, we have argued for the adoption of a flat-rate production and (see iii below). But the French, with some support from Italy and Greece, argue instead that the additional budgetary cost should be met by applying levies to all imports of competing oils and oilseeds, or alternatively by an internal Community tax; a related French motive is to promote butter consumption by making margarine more expensive. The Commission have floated the suggestion that, at the end of transition, the Community might seek to negotiate some degree of tariff protection against imported oilseeds, in exchange for the dismantling of the Spanish import restrictions (though it is unclear whether the idea would be to limit this to the restrictions on oils and oilseeds or to use "credits" from other sectors to enable a more restrictive regime to be established). We and the other northern states are strongly opposed to any levy or tax idea.

(ii) Transitional Arrangements

The Commission have proposed that the applicant countries should be invited to maintain unchanged their existing restrictions on vegetable oils for some part of a long 10-year transition period. This would avoid for a time increased competition from imported vegetable oils. The Commission consider that this would cause a sudden slump in olive oil consumption in Spain and Portugal, leading to a serious olive oil surplus. We see merit in the idea. But we consider that the Commission exaggerate the consumption effects: in our view the main problem is the likely increase in



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olive oil production in Spain - see (iii) below. Most others could accept this proposal; the French claim to have objections of principle. The Presidency report is correct in suggesting that transitional arrangements as a whole go beyond Agriculture Council responsibility - but that should not prevent Agriculture Ministers taking a view on this particular proposal.

(iii) Production Aid Arrangements

One of our principal negotiating objectives has been to secure the adoption of a flat-rate system for the payment of olive oil production aid. We have argued that, if this aid was paid on a standard basis (eg per tree) instead of on actual volumes of oil produced, this would remove the incentive for a surge in Spanish olive oil production which we fear will otherwise occur on enlargement when returns to Spanish producers rise to Community levels (at present they are less than half). Such a system would substantially reduce the increased cost of olive oil in the enlarged Community. We have argued that the position of producers in the existing Community would be preserved. Most Member States have supported the idea of a flat-rate aid - even the French have not opposed. But the Italians and Greeks are very hostile. They want to see the existing system maintained, and the levels of consumption subsidy increased in the (unrealistic) hope that extra production will be absorbed. The Italians argue in particular that the move to a flat-rate aid (even with regional differentiation) would leave some producers - those with highest productivity - with lower receipts from production aid, and that this is politically unacceptable. We have urged the Commission to come forward with a proposal for a flat-rate production aid for discussion but the Italians have managed to block this.

FRUIT AND VEGETABLES

4. Annex C describes the support arrangements for fruit and vegetables and the effects of enlargement.

(i) Internal Aspects

The Report refers to two Commission proposals for strengthening support on the Community market. The first - the so-called



"extension of discipline" - would allow producer groups to extend specified production and marketing rules to non-members if there was sufficient support from producers in the particular area. This arrangement would be implemented only if the Member State wished to do so. The second proposal would add to the two existing arrangements for the removal of certain types of produce in times of surplus (see paragraph 1 of Annex C) a third withdrawal mechanism. This would require producer Member States to buy in at a specified price tomatoes, aubergines, apricots, peaches and (at certain times) summer pears if wholesale market prices are below certain levels. We should not be directly affected by this proposal because we are not significant producers.

The Germans have strong objections of principle to the extension of discipline. They also consider that it would have a distorting effect on the Community market between areas where the system applied and those where it did not. The French have made it clear that they attach overriding importance to the adoption of this proposal, because they want to legalise what they are already doing. The Italians and Germans have vigorously opposed the withdrawal mechanism. They are concerned that it could be operated to hamper trade between Member States.

We regard both these changes as undesirable. But we could live with what is proposed in the context of a satisfactory overall agreement (ie covering the external aspects of fruit and vegetables and olive oil).

(ii) External Aspects

The Commission have proposed increases in "Community preference" by changing the calculation of reference prices and entry prices to make them more protective for Community producers (see paragraph 5 of Annex C). They have also said that they intend to increase the number of products covered by the reference price system. These proposals have been made to meet demands by the Italians and Greeks, with some French support. The Northern Member States have different attitudes to different elements but the Germans and Dutch in particular are concerned about increased



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protectionism. We have condemned the Commission's proposals as illogical (since, by definition, once Spain is inside the Community such protection will no longer help against Spanish competition); damaging to consumers; and damaging to the Community's trade relations, particularly with the Mediterranean preferential partners.

Ministry of Agriculture, Fisheries and Food  
18 March 1983



**CONFIDENTIAL**EUROPEAN COMMUNITIES  
THE COUNCIL

BRUSSELS, 14 MARCH 1983

## REPORT FROM THE AGRICULTURE COUNCIL TO THE EUROPEAN COUNCIL

Adjustment of the "acquis communautaire" for Mediterranean agricultural products.

1. Preliminary considerations

1. At its meeting on 3 and 4 December 1982 in Copenhagen the European Council stressed:-

"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."

2. The Agriculture Council has discussed these matters in detail on several occasions, most recently on 8 and 9 March 1983. Points which are either of fundamental importance or cannot be resolved by the Agriculture Council alone are indicated below.

II Olive Oil1. Financial Aspects

The accession of Spain and Portugal will involve an additional burden for the Community budget in this sector, in particular because of the Community's seed oil policy. The Commission estimates that at the end of the transitional period the extent of this extra burden on the basis of its proposals should be around 780 million ecu.

The producer countries regard this estimate as too high, while other delegations regard the Commission estimate as too low. Several delegations are of the opinion that the extent of this extra burden cannot be assessed with any great degree of accuracy until the questions of substance still outstanding are resolved.

The delegations took the view that the resulting additional budgetary burden could be financed by introducing a uniform consumption tax on all vegetable oils, or even an import levy system, a measure which they furthermore deemed necessary for a common policy on oils and fats.

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If a levy solution were adopted, these delegations thought that any "GATT Credit" resulting from Community enlargement could be put to account in the necessary international negotiations.

Several delegations reject these mechanisms for economic and commercial reasons.

In this connection some delegations suggest increasing the value added tax percentage. A number of other delegations consider that accession costs must be financed without any increase in revenue from own resources.

In this connection it was recalled that the whole matter of financing is being discussed at present in other Council bodies on the basis of a Commission communication on the future financing of the Community.

This is a matter of fundamental importance which cannot be resolved in the Agriculture Council alone.

2. Transitional Arrangements to apply in the context of accession

The Commission has suggested that the existing Spanish rules for vegetable oils other than olive oil be retained for a longer period and that they be adapted later to Community rules. This would initially reduce the additional cost for the Community Budget resulting from the extension of this sector. Some Member States hold that this question should not be settled in the context of the adjustment of the "acquis communautaire".

This is a question of fundamental importance which the Agriculture Council alone cannot resolve.

3. Production Aid Arrangements

The following options were discussed:

- (a) extensive maintenance of existing aid geared to the volume of production, which does not rule out technical adjustments;
- (b) amendment of the existing production aid mechanism through the introduction of flat-rate arrangements per hectare/per tree. There is no Commission proposal to this effect, but several delegations are calling for one.



This notion (b) is firmly repudiated by the producer countries.

Given the fundamental importance of any amendment to the system of aid the matter is being referred to the European Council.

### III Fruit and Vegetables

#### 1. Internal aspects

The Commission has proposed in respect of the Community market that it is possible for certain rules governing producers' organisations in the principal producer countries to be extended to non-members as well and that compulsory intervention should be introduced enabling producers and dealers to offer particular products for intervention in the event of a fall in prices by a certain amount being recorded at the wholesale stage and not, as in the case of the rules applying at the production stage.

In the Agriculture Council, both proposals have met with, on the one hand, rejection in principle, and on the other hand, the wish for them to be extended. One delegation in particular holds that the extension of the rules must encompass a wider field of application than those proposed by the Commission. Some Member States can accept the Commission's proposals, subject to certain restrictions.

This question whether certain rules of producers' organisations should be extended to non-members and that of extension of State intervention are, in the opinion of some delegations, of such fundamental importance to competition and to the free movement of goods in the Community that they are hereby placed before the European Council.

#### 2. External Aspects

To strengthen the external protection for fruit and vegetables, the Commission has proposed, inter alia, changing the method of calculating reference prices for a wider range of import products. Most delegations consider that this change in the method of calculating reference prices leads, allowing for inflation, to ever greater correlation of these



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prices with production costs and results in an automatic increase in the level of external protection. For this reason, some Member States fear that this will be damaging to trade relations with third countries, in particular the Mediterranean countries. On the other hand, other Member States want external protection going beyond what the Commission proposal would provide (in particular for citrus fruits) since they are convinced the existing level of external protection is ineffective. This argument is repudiated by other delegations.

Because of both its fundamental importance for Community producers and in particular, the fear as to the implications for trade with third countries, this issue too is submitted to the European Council.



## EXISTING SUPPORT ARRANGEMENTS FOR OLIVE OIL

1. Olive oil producers get their return partly from the price they realise on the market and partly from a production aid. The return from the market, as for other CAP commodities, is supported by intervention arrangements.
2. The production aid is paid on actual production in the case of those producers (the majority) who belong to officially recognised producer groups. Individual growers receive aid on the basis of the number of trees harvested multiplied by the average yield for the area concerned. There are about one million producers altogether. There is concern that some of the claims for aid are fraudulent. Aid is required to be confined to production from the areas planted with olive trees at 31 October 1978 (1 January 1981 in the case of Greece).
3. A consumption aid is paid on oil which is packed for retail sale. The object is to enable it to be sold in competition with other vegetable oils. Oilseeds (soyabeans, etc) enter the Community at zero rates of duty, and oils at only low rates (in both cases the duties are bound under the GATT).
4. The current cost of support for olive oil is about 750 million ECU.

Effect of Enlargement

5. The existing Community is self-sufficient in olive oil, and so is Portugal. Spain is an exporter. Both Spain and Portugal



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operate import and/or marketing controls on vegetable oils, with the result that vegetable oil prices are higher than in the Community - both absolutely and in relation to olive oil.

6. Subject to whatever transitional arrangements are negotiated and to any changes in the existing support system, the effect of accession on Spain and Portugal would be: (a) the returns to their producers would approximately double; (b) their controls on competing vegetable oils would be removed, thus making their price more attractive in relation to olive oil.

7. Without changes in the system, therefore, the enlarged Community could be expected to have a substantial surplus of olive oil, markets for which would be difficult to find. The UK believes this would result mainly from the stimulus to extra production in the acceding countries. The Commission, however, claim that the main factor would be reduced consumption.



## EXISTING SUPPORT ARRANGEMENTS FOR FRUIT AND VEGETABLES

1. The internal support arrangements are based on a system of basic prices set annually; these are the prices which producers are expected to obtain in normal market conditions. There is provision for state buying in for eleven major products when market prices are at crisis levels. Buying in prices are around 30% to 40% of basic prices. Member States may obtain exemption from these arrangements provided they have sufficiently well organised producers' organisations (POs) to operate voluntary withdrawal arrangements. Under these POs obtain compensation for withdrawing produce from the market equal to the buying in price plus 10% of the basic price; that is, at prices around one third higher than buying in prices. This is intended to encourage the formation of POs for which financial aid is also available. All Member States except Greece have opted out of state buying in and operate voluntary withdrawal.

2. The external support arrangements are based on a system of reference prices (effectively minimum import prices) coupled with the Common Customs Tariff. Reference prices operate during the Community marketing season for the 14 products to which they apply. They are determined in Management Committee on the basis of producer prices in the main producing Member States in previous years, in some circumstances updated to reflect increases in costs. When prices of at least 30% of imports from any country, after deducting the full rate of tariff, are below reference prices, countervailing charges are applied. Thus imports cannot be sold on Community markets at less than the reference price plus tariff.

Effect of Enlargement

3. The main effect will be to increase substantially competition on Community markets since Spain is a large exporter of fruit and vegetables. The proposed changes to the Acquis are intended to prevent the markets of existing Community producers being weakened. We estimate that the cost of the fruit and vegetable regime will rise by about 50% from the 1982 level of 860 mecu.



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EHG(B)(83)19 Addendum  
18 MARCH 1983

COPY No. <sup>3</sup>

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

REFORM OF THE MEDITERRANEAN ACQUIS

Supplementary brief by the Ministry of Agriculture, Fisheries and Food

## INTRODUCTION

1. Although Brief No.19 sets out our detailed position on the reform of the Mediterranean acquis, our main aim will be to avoid substantive discussion, and to ensure that the European Council concentrates on the procedural issues arising from the inability of the Agriculture Council so far to reach agreement on the changes on fruit and vegetables and olive oil needed to prepare the way for enlargement.

2. If, however, some more substantive statement by the European Council becomes unavoidable, we will need to ensure that this takes account of the following major United Kingdom points:

(a) General

- it must avoid any suggestion that the cost of enlargement requires an increase in Own Resources;
- it should endorse the need for the outstanding discussions on fruit and vegetables and olive oil to proceed in parallel, or, if this is not possible, it should (at the very least) avoid any suggestion that decisions can be taken on the first of these dossiers in advance of the second;

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(b) Olive oil

- it should contain a statement to the effect that the application of the existing olive oil regime to a Community of 12 is likely to provoke a serious surplus;
- it should state that the idea of a levy, tariff, or internal tax on oils and fats has been shelved, or, if that is not possible, we must make sure that the extent of the opposition to such a suggestion is made clear and that there is no implied commitment to accept it;
- we would like the European Council to accept the principle of a flat-rate production aid, but, if Italian and Greek resistance prevents this, we must ensure that they in turn do not kill off any possibility of our subsequently securing such an aid (and there should, in any event, be a recognition of the need to improve financial control in the olive oil regime);
- it must avoid any commitment to accept the existing Commission proposal that the consumption subsidy on olive oil should be increased after enlargement so as to achieve a 2:1 ratio between its price and that of other vegetable oils. (It would help to achieve our objective if the suggestion of maintaining Spanish and Portuguese import restrictions on vegetable oils for a period following accession were to be endorsed.)

MINISTRY OF AGRICULTURE, FISHERIES  
AND FOOD

18 March 1983

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To extend present regime  
 700 m. ecu.  
 1 1/2 b. ecu

700 m. reg. rev. 10 years.

Green - entered too quickly visa-to structure  
 on agriculture  
 - Portugal - transitional period.  
 - long pre-accession period.

Lubbers - 1 - favour of enlargement.

Dijssel common market.

① Com. for products on accession not possible

Olive oil - 10 years.

2 kind of products  
 Prod. products  
 Added products

Prod. distribution  
 - Political fact  
 Recession - olive oil regime  
 Major budget not in balance  
 - 10 years further products  
 Whole sol. could  
 withstand

Olive oil - 10 years

removed in way we  
 work out regime.

Sol. for olive products da. fed



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EHG(B)(83)20

COPY NO. **1**

14 March 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

**INTEGRATED MEDITERRANEAN PROGRAMMES**

Brief by Foreign and Commonwealth Office

**OBJECTIVE**

1. To block any Italian attempt to secure from the European Council approval in principle of Integrated Mediterranean Programmes (IMPs). (They may for example seek to slip through some formula about the need for a "global approach" to enlargement, with IMPs as an integral part.)

**POINTS TO MAKE**

2. Commission's proposals for IMPs will need careful study. Cannot make any sort of commitment. Note that very large sums -  $6\frac{1}{2}$  billion ecu - are involved. Not clear to me how much is new money and how much out of existing expenditure on other structural programmes.

3. Regional and Social Funds already under review; and review of agricultural structural spending (the CAP Guidance Fund) due later this year.

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4. So IMPs should be studied in parallel with these other reviews. The study must take account of the following points:

- extent to which countries in question are already benefitting from existing Community policies  
[See Annex A for Member States' 1982 net balances, with Italy and Greece the biggest net recipients].
- comparison of needs of these countries with disadvantaged areas elsewhere in Community.
- competing claims on Community resources from other policies.

5. See no connection between proposed Mediterranean programmes and enlargement. Implications of enlargement for Mediterranean agriculture being dealt with in the Acquis negotiation.

6. [If Italians suggest that above line is going back on Lancaster House Agreement].

Draft conclusions of Mandate exercise do not amount to commitment to such programmes - and anyway have no validity in absence of agreement on all 3 chapters of Mandate.

7. [If Italians argue that Mediterranean Member States cannot be expected to bear costs of enlargement by themselves]

I am sure that we can all agree we need a system that ensures fair treatment for all Member States in an enlarged Community.



BACKGROUND

Annexes

A: Commission figures for Member States' 1982 net balances.

B: Excerpt from draft Lancaster House Conclusions on the CAP

8. The Commission's new proposals for IMPs envisage spending 6½ billion ecu of Community money over 6 years, starting in 1985, on the most backward regions of Italy (44.5%), Greece (38.4%) and France (17.1%). (The UK contribution to such a programme would be about 200 million ecu per year). There is no provision for money for Spain or Portugal. Just over half the total is intended for agricultural structural programmes, the rest for infrastructure, industrial development and job creation. There is clearly over-lap with the functions of the Regional, Social, and CAP Guidance Funds. The relationship is left obscure, but it must be assumed that at least the bulk of the 6½ billion ecu is intended to be new money.

9. The proposals are the work of Natali, the Italian Commissioner for Mediterranean policy and Enlargement. They were originally conceived as a pay-off to the Italians in the 30 May Mandate context (and were alluded to in the draft Lancaster House Conclusions - Annex B). The Italians now regard them as the prize they aim to extract from the forthcoming major negotiations in the Community on the UK



budget problem, the future of own resources, etc (a further reason, of course, to avoid unrequited concessions in advance of those negotiations). The Commission also hope that the proposals will serve to satisfy the Greeks' principal demands for a better deal from the Community put forward in their Memorandum (the Greeks, however, are unlikely to be persuaded to settle for a bird still in the bush).

10. The Italians are likely to try to get the European Council to agree to approval in principle of such programmes, in the context of a "coherent global approach" to enlargement. The argument will be that the Mediterranean regions of the existing Community need this help to adjust to the accession of Spain and Portugal.

Foreign and Commonwealth Office

14 March 1983



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## COMMISSION FIGURES FOR 1982 NET BALANCES.

1. On 28 January the Commission published estimates of Member States' unadjusted net budget balances for 1982. The figures (which exclude the effect of the UK refunds) are expressed as ranges, as follows:

	MILLION ECU		
BELGIUM	232	TO	292
DENMARK	276	"	312
GERMANY	-2177	"	-1993
GREECE	673	"	723
FRANCE	- 51	"	79
IRELAND	682	"	760
ITALY	1497	"	1675
LUXEMBOURG	233	"	263
NETHERLANDS	252	"	352
UK	-2108	"	-1972



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EXCERPT FROM DRAFT CONCLUSIONS ON CHAPTER 2 OF 30 MAY MANDATE:  
EUROPEAN COUNCIL, NOVEMBER 1981.

Structural Policy

8. The European Council recognized the need for an active policy for improving agricultural structures, adapted to the particular needs of individual regions. The problems of less-favoured agricultural regions, including some Mediterranean areas, which are heavily dependent on rural occupations for employment, merit special attention.

9. The European Council noted the Commission's intention to present, by the end of 1982, proposals for integrated programmes, to take account of the special problems affecting the less-advantaged regions in the Mediterranean countries.



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EHG(B)(83)21 REVISE

17 March 1983

COPY NO

EUROPEAN COUNCIL, BRUSSELS

1

21/22 MARCH 1983

UNIFORM ELECTORAL PROCEDURE

Brief by Foreign and Commonwealth Office

INTRODUCTION

1. In the margins of the European Council, the Foreign Ministers will continue their discussion of a non-binding Council Resolution under which Member States would undertake to "do their best" to extend the franchise to all Community citizens resident in the Community in time for 1984. They will also discuss the Danish problem over the date of the elections, and the question of "conciliation" with the European Parliament.

OBJECTIVES

2. To accept the text now before the Council if this commands general support, but to resist any attempts to "strengthen" it. To resist Danish attempts to reopen the date of the elections. To ensure that further discussions with the Parliament are informal and do not amount to a conciliation procedure.



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POINTS TO MAKE

1. Fully accept objective of extending the franchise. Text now on the table broadly acceptable. We can accept it if others can. We prefer "may" in paragraph 2.
2. Since we are all agreed that this will be a non-binding undertaking, any strengthening would not be appropriate.
3. As I have already made clear in the Council, even if the Resolution is agreed it will be very difficult for us to undertake the necessary legislation given shortage of time and likely disruption of our legislative programme as a result of our election.
4. [If date of election is discussed]. Very difficult now to reopen date of election. Council, after considering alternatives, decided that 17-20 May the only suitable dates. We have already said that we could not accept 24-27 May. Other Member States have difficulty with 7-10 June. European Parliament has been consulted. We have also announced date in our own Parliament.
5. [If conciliation with the Parliament is discussed] Formal conciliation not appropriate since there is no agreed Council position on the Parliament's proposals. But no objection to further informal discussions.

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BACKGROUND

Reference:

A: UKRep Telno 1093, containing draft Council Resolution.

6. At the Foreign Affairs Council on 14 March, agreement was almost reached on the text of a non-binding Council Resolution under which Member States would try to extend the franchise in time for the 1984 elections. Agreement, in the last resort, was not possible because the Italians insisted on the text being "strengthened". It was agreed that Foreign Ministers should continue their discussion in the margins of the European Council. The text now on the table is broadly acceptable, since there would be no obligation on Member States to extend the franchise in time for 1984. We should therefore be able to accept it if others can. We have made clear, however, that even if agreement can be reached on the resolution, it will in practice be very difficult for us to implement the necessary legislation in time for the 1984 elections, given the shortage of time and the disruption to our legislative programme as a result of the UK election.

7. Foreign Ministers will also be asked to discuss the Danish problem over the date of the election. After considering the alternatives, the Council decided on 21/22 February, that the only suitable dates were 17-20 May 1984. (7-10 June coincided with Whitsun, when a number of Member States have public holidays;

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24-27 May was not suitable for us because of the bank holiday on 28 May. 17-20 May was therefore agreed, subject to consultation with the European Parliament. At the Council on 14 March, however, the Danes announced that they had difficulties with these dates (18 May 1984 will apparently be a public holiday in Denmark) and asked for consideration of alternatives. It would be very difficult to reopen this question, however. Other dates have already been rejected as unsuitable for one reason or another. The European Parliament has been consulted. We have informed the House of Commons that the vote in the UK will take place on 17 May 1984. The Danes, in any case, had plenty of opportunity to raise their objections earlier, but failed to do so.

8. There may also be further discussion of the request from the President of the European Parliament for the opening of a conciliation procedure on the Parliament's proposals. Formal conciliation would not be appropriate since there is, as yet, no agreed Council position, but we would have no objection to further informal discussions between the Presidency and the Parliament.

Foreign and Commonwealth Office

17 March 1983

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The Council adopts the following Resolution subject to the constitutional provisions of the Member States:

"1. Nationals of a Member State resident in the territory of that State shall have the right to vote in the Member State in question according to the procedure laid down in the laws of that State.

2. Member States [~~may~~] [~~will endeavour to~~] <sup>(1)</sup> grant the right to vote to nationals of other Member States resident in their territories.

Nationals of one Member State resident in the territory of another Member State who do not have the right to vote in the latter State [~~shall have~~] [~~may be given~~] the right to vote in their country of origin.

Member States may grant the right to vote to their nationals resident in the territory of another Member State even where that right is granted them in the country of residence.

4. Member States shall co-operate to facilitate the unhampered exercise of the right to vote, as provided for in this Resolution and to ensure that the electors do not vote twice in the same election." <sup>(2)</sup>

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<sup>(1)</sup> Suggestion by the Italian delegation.

<sup>(2)</sup> Statement in the minutes, see Annex.



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STATEMENT IN THE COUNCIL MINUTES

The Council considers that the nationals of one Member State resident in another Member State may exercise their right of vote in the latter in accordance with this Resolution independently of whether they vote for candidates in their country of origin or in the country of residence.

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COPY NO

10 MARCH 1983

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EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

NORTH/SOUTH

Brief by Foreign and Commonwealth Office

Points to Make [if necessary]

1. Main North-South event this year will be UNCTAD VI. We shall want to ensure that the independence of the IMF, World Bank and GATT are safeguarded. There are signs of some greater moderation among developing countries.

Background

2. UNCTAD VI Conference takes place in Belgrade from 6-30 June. Four main subjects envisaged: World Economic Situation; International Trade; Commodities; Money and Finance. Principal issues for LDCs likely to be commodities, protectionism and debt.

3. Previous UNCTAD Conferences have been unrealistic and divisive. UNCTAD VI comes at a time of difficulty for the world economy, and there are some signs of greater realism among LDCs. Western Governments have begun to co-ordinate positions in the EC and OECD. American attitude remains enigmatic. Too soon for Council to take position on specific UNCTAD issues.

/4.

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4. Global Negotiations are now stalled. LDCs appear to be losing interest in them for the moment. France has been seeking to persuade Community and other Western Governments to modify Versailles text on lines more acceptable to G77. UK has firmly resisted along with West Germany and USA.

Foreign and Commonwealth Office  
10 March 1983

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10 March 1983

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**1**

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

**STEEL**

Brief by Foreign and Commonwealth Office

POINTS TO MAKE (IF RAISED)

1. The Community's anti crisis measures can only succeed if they are applied fairly and uniformly throughout the Community. In particular all Member States must face up to the need to make substantial capacity reductions. Essential that everyone bears - and is seen to bear - his share of the burden.

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BACKGROUND

2. (MAY BE USED) Steel anti crisis measures consist of a combination of production quotas and price rules as well as controls on imports from third countries.

These are intended to help the industry in the immediate and short term, but the key to long term recovery lies in the Aids Decision, whereby State Aids are permitted only if linked to restructuring (ie capacity reductions) of the enterprise receiving the aid. Under the Aids Decision, all illegal aid must be phased out by 1985.

3. UK is pressing for more rigorous implementation of the steel anti-crisis measures, especially the State aids capacity reduction part.

4. All member states had to submit aid and restructuring proposals to the Commission by 30 September 1982. The Commission must declare its position on these proposals by the end of June 1983. We expect some hard bargaining over the next few months to squeeze out additional capacity costs from most Member States. So far the French have already agreed significant capacity reductions. Other States (notably Germany and Belgium) seem prepared to make significant



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moves to reveal their hand. However there is uncertainty over the Italians. A table showing the steel capacity of Member States since 1974 is attached.

5. As required under the State Aids Decision, HMG notified possible aid for BSC of £1.8 billion. Part of this amount (£400 million) has already been approved. Negotiations are underway for a further interim funding of £550 million.

Foreign and Commonwealth Office

10 March 1983

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Steel Capacity in the Community

Member State	1000 tonnes per annum			Net Changes (%)		
	1974	1980	1985	80/74	85/74	85/80
United Kingdom	21.9	22.7	18.8	+3.6	-13.9	-16.9
West Germany	50.2	53.0	49.6	+5.5	-1.3	-6.4
France	24.4	27.2	22.6	+11.5	-7.4	-16.9
Italy	24.4	36.3	37.8	+48.6	+54.5	+4.6
Belgium	14.9	16.0	14.1	+7.3	-5.3	-11.8
Luxembourg	5.21	5.22	4.8	+0.1	-7.2	-7.3
Netherlands	5.7	7.3	7.6	+27.3	+32.5	+4.1
TOTAL (All EC States*)	147.4	168.7	156.5	+14.6	+6.2	-7.2

\* Includes statistically insignificant amounts for Denmark, Ireland and Greece.

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EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

EUROPEAN REGIONAL DEVELOPMENT FUND

Brief by Foreign and Commonwealth Office

POINTS TO MAKE (IF RAISED)

1. Regional Fund a good example of a Community policy in a field other than agriculture which should be developed so as to produce a better balance in the way the Community uses its resources.
2. UK attaches importance to current review and wants to see it completed as soon as possible.

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3. We support Commission objective that the Fund should concentrate its resources more on the areas of greatest need in the less prosperous Member States. Also important that Fund should remain flexible in its operational rules and administration.

BACKGROUND

4. The review of the Regional Fund, which began in December 1981, is making very slow progress. The European Council in London in November 1981 affirmed that the Fund should continue to grow in real terms and concentrate more on the areas of greatest need in the less prosperous Member States. That Council also identified the ERDF as a Community policy which needed to be developed in order to achieve a better balance between agricultural and other policies. We are stressing these points in current negotiations.

5. The UK objectives are to obtain the largest possible net benefit to the UK from the Fund whilst minimising aspects of the new Regulation which will lead to increased Commission influence in UK domestic policies, and new administration burden for us.



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6. Agreement has not yet been reached on national quotas under the new Regulation nor on the relative sizes of the quota and non quota sections and a number of operational issues remain unsettled. The Commission wanted the non quota section to be expanded from 5% to 20% of the total Fund, and proposed that the quota section should be concentrated on the four least prosperous Member States (including the UK). We welcomed this principle while expressing reservations about the limited effort it would have on our guaranteed share of the total fund; but the other more prosperous Member States, who stood to lose their quota share, opposed it. The German Presidency is working on a compromise proposal, involving a smaller increase in the non-quota section and retention of at least a nominal quota share by all member states, which would still give the UK a larger share of the fund than at present.

7. The Fund has grown rapidly since its introduction in 1975. We are the second largest beneficiary (after Italy). We expect to secure about £300 million from the Fund in 1983.

*Foreign & Commonwealth Office*

*10 March 1983*

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14 March 1983

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EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

PREPARATION FOR WILLIAMSBURG ECONOMIC SUMMIT

Brief by HM Treasury

OBJECTIVE

1. To hear non-Summit participants' views on the points to be discussed at the Summit. On economic policy, as in brief No. 3.

POINTS TO MAKE

2. Expect Summit to endorse maintenance of firm counter-inflationary policies as pre-requisite for world economic recovery. Must also resist firmly any drift towards protectionism, which could jeopardise that recovery (emphasised in recent Economic Policy Committee Opinion on protectionism).

3. Summit participants likely to discuss foreign exchange market developments and need for greater exchange rate stability. Key to that is success with firm counter-inflationary policies.

4. Suggestions for co-ordinated reflation by low inflation countries. Must not put at risk gains from lower inflation. Falling inflation itself creates room for growth.

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5. (International debt). Most major sovereign debtors now have firm adjustment policies in place, often with IMF assistance, though some financing difficulties remain. Welcome recent agreement on IMF quota increase secured at Interim Committee chaired by Chancellor of the Exchequer. Important that quota increase is ratified to make it effective by end of 1983. Should not lose sight of important role for commercial banks in financing adjustment as well.

BACKGROUND

6. A number of non-Summit EC participants have said they would like to review the prospects for the Williamsburg Summit on 28/29 May. (The Sherpas preparatory meeting is taking place on 16-18 March).

7. We share the hopes already expressed for a relatively informal discussion at the Summit focussed on a few key economic issues. Focal points might include the broad counter-inflationary strategy of the major countries, exchange rate stability (perhaps the intervention study), the poorer developing countries and the need to minimise the major threats to recovery from increased protectionism, debt problems and oil prices.

8. There is already considerable pressure from some, notably the French and the Scandinavians, for some co-ordinated reflation by the major low inflation countries. Such expectations need to be defused in advance of the Summit.

9. Lower inflation should, within the bounds of a prudent counter-inflationary strategy, leave room for greater real growth. But there is scope for a better policy mix to ensure a more balanced and sustainable recovery. In particular, the US should be encouraged in its efforts to reduce its budget deficit, while there is a need for high inflation countries such as Italy and France to bring their performance into line with that of other Summit participants.



10. On international debt, most major debtors including Brazil, Mexico and Argentina are now undertaking firm adjustment programmes often with IMF assistance though some financing difficulties persist. The imminent threat of major international defaults has receded. The IMF quota increase secured at the recent Interim Committee meeting chaired by the Chancellor of the Exchequer will help. It needs to be ratified soon in order for it to become effective by the beginning of next year. Also important for World Bank to have adequate resources. Prospects for Congressional approval of US contribution to IDA 6 are causing anxiety.

11. Developments in oil prices could have an impact : a modest fall would promote growth, lower inflation and aid recovery. A sharp fall could severely affect particular debtors and may destabilise financial conditions, although other debtors may benefit. However faster growth in the industrial world should help all developing countries.

HM TREASURY  
14 March 1983

K.M.S. - Stebbins

Int. - Int.  
Int. - Int.  
Int. - Int.  
Int. - Growth -  
Int. - Int.  
Int. -  
- Oil price drop.  
Int. - Int.



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15 MARCH 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

ENVIRONMENT

Brief by the Department of the Environment

POINTS TO MAKE

Acid Rain

1. United Kingdom recognises the importance of the problem and understands the concern of those countries that appear to be suffering adverse environmental effects from acid rain. We welcome idea that Environment Ministers should be asked to examine the problem and make suggestions.

2. But acid rain problem caused by long range transport of pollutants is essentially international in character: all European countries contribute to emissions in the region and all must join in finding solutions. Environment Ministers should consider carefully whether action is more appropriate at European- wide rather than Community level.

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3. [If necessary] UK prepared to press ahead with work on framework directive on industrial emissions but sees difficulty in proposal for uniform emission limits for power stations.

BACKGROUND

Environment - General

4. With the 'Greens' in the Bundestag the Germans are keen to be seen to act vigorously on the environmental front. At the next meeting of Environment Ministers in June the UK may be isolated on some difficult matters, notably procedures for the assessment of the environmental impact of major developments, and control on the discharge of toxic substances into water.

Acid Rain

5. The Germans immediate interest is the problem of acid rain and its possible effects, particularly on German forests.

6. Acid rain is formed as a result of emissions of sulphur dioxide and nitrogen oxides, primarily from fossil-fuelled power stations, which may be transported over long distances and be washed out of the atmosphere by rain as dilute sulphuric or nitric acid. Most scientists agree that only



concerted action for a total reduction in emissions over a large industrial region is likely to reduce acid rain. But scientific uncertainties still exist about the precise cause and effects. (eg the relative role of long range and local pollution).

7. The Economic Commission for Europe Convention on Long Range Transboundary Air Pollution came into force on 16 March 1983. (We and most other Member States ratified in July 1982). The Convention calls for monitoring, research and exchange of information as a basis for policy formulation. This work has been proceeding since 1979; the next step is expected to be a major cost-benefit exercise. Sweden convened an international conference on acidification in June 1982, which emphasised growing international political concern. Our own Royal society is promoting a major scientific seminar in September, and the Commission have also announced a symposium on the effects of acid rain to be held in the autumn.

8. The Germans have recently inspired two draft EC directives which seek to control power station emissions. The first (framework directive to harmonise controls on industrial emissions) has been discussed by experts and may prove acceptable. The second, yet to be discussed, concerns



emissions from power stations and would set uniform standards to which we are opposed in principle and which would impose high costs if applied to existing power stations. (CEGB estimate more than £1,000M for all stations.)

9. The Scandinavians (including Denmark) have taken another approach in proposals circulated in the last few weeks that all ECE countries reduce sulphur dioxide emissions by 30% over the next 10 years. This approach seems preferable, since it does not impose uniform emission limits, though the costs of achieving such a reduction may still be unacceptable.

10. UK is the largest emitter of sulphur dioxide in Western Europe (more than 80% of our electricity is coal based). These emissions affect Scandinavia in particular. Our present policy is to work through the Convention for cost effective and equitable solutions, but this tends to be seen as prevarication and pressure on us has been increased by the more positive stance adopted by some other countries. Since 1974 the Germans have required flue gas desulphurisation on new power stations and are now proposing retrofit to existing stations.



[Not for use]

11. Ministers in the Departments of Environment and Energy have set up a review of policy aimed at developing a more defensible position internationally which would not involve appreciable extra cost.

Department of the Environment

15 March 1983



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15 March 1983

EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH

COMMON TRANSPORT POLICY

Brief by the Department of Transport

#### INTRODUCTION

1. At the Foreign Affairs Council on 14 March, the Netherlands Foreign Minister noted the absence of any reference to transport in the Presidency's Report on the follow-up to the Copenhagen Summit and said that Mr Lubbers would want to make a statement on this subject at the European Council. A general debate is unlikely to develop and there will probably be no need to intervene, but paras 5-7 below set out our views.

#### BACKGROUND

2. A special Transport Council was held on 23 February for a first exchange of views on a Communication from the Commission making proposals for the development of a Common Transport Policy. The discussion took place

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against the background of proceedings initiated by the European Parliament before the Court of Justice accusing the Council of "failure to act" as required by the Treaty of Rome to establish such a policy.

3. The Commission Communication makes proposals for a stage by stage approach to completion of the policy covering road, rail and waterway traffic (sea and air will be dealt with later) and balanced to take account of the concerns of those, like UK and Netherlands, who favour rapid progress towards liberalisation and those who, like the Germans and Italians, favour the maintenance of quantitative restrictions for road transport in the interests of protecting their railways. We regard it as a useful contribution, though we have reservations about some of the specific recommendations contained in it.

4. At the Transport Council, the Netherlands Minister emphasised the way in which transport was lagging behind other sectors such as agriculture and fisheries, pleaded that national interests should give way to a genuinely European approach and urged that railway problems should not be tackled by holding back other transport sectors. Mr Lubbers will no doubt speak in the same vein.



5. We welcome the Commission's lucid and helpful review; look forward to detailed proposals and hope for early action from the Council.

6. Our view is that all forms of transport—land, sea and air—have a part to play in achieving the freest possible movement of people, goods and services within the Community and in the development of the Internal Market. The Common Transport Policy should develop in a balanced way, aiming at the elimination of obstacles to movement in the form of quantitative restrictions, frontier delays and over-rigid rules on drivers' hours.

7. The aim should be to arrive at a system which, consistent with environmental considerations, leaves each mode of transport free to realise its potential to do what it can do best, minimising costs and improving productivity.

Department of Transport

15 March 1983



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