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PREM 19/1029

Part 16

M.T

CONFIDENTIAL FILING

European Council Meeting
Stuttgart 17-19 June

EUROPEAN POLICY

PART 1 OCT 1979

PART 16 MAY 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4-5-83							
11-5-83							
18-5-83							
16-6-83							
23-6-83							
30-6-83							
PART UNDS							
PREM 19/1029							

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
EQS(83) 15	06/06/1983
CC(83) 18 th Meeting, item 3	12/05/1983
EQS(83) 13	19/04/1983

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed J. Gray Date 31/1/2013

PREM Records Team



Qz.03186

MR COLES

This is the earlier draft of the Declaration of the European Council, of which the Prime Minister wanted a copy. The contrast between the underlined text on page 2 and the final text is very marked.

D F WILLIAMSON

23 June 1983

CONQUEROR

DECLARATION

adopted by the European Council
in Stuttgart on 18 June 1983

J. W. WILKINSON
Draft T.O. 00
on 18/6

five

At a time when the European Community is faced with enormous social and economic challenges and preparing for a third enlargement ten years after the first accession, the European Council has decided to take broad action to ensure the relaunch of the European Community.

In the course of the coming six months a major negotiation will take place to tackle the most pressing problems facing the Community so as to provide a solid basis for the further dynamic development of the Community over the remainder of the present decade.

With regard to the importance, complexity and linkage of the problems, negotiations will be started under a special emergency procedure. For this purpose special Council meetings will take place at the level of Foreign Ministers and Finance Ministers; where necessary, other Ministers will also participate.

The result of the negotiation will be submitted to the European Council meeting in Athens on 6 December 1983.

.../...

The Common Agricultural Policy

The basic principles of the Common Agricultural Policy and the objectives set forth in Article 39 of the Treaty establishing the EEC will be observed. The Common Agricultural Policy must be adapted to the situation facing the Community in the foreseeable future, so as to correspond to the aims of the Treaty.

Concrete steps will be taken to economize and control agricultural expenditure by making full use of all available possibilities and examining all market organizations.

The examination will in particular centre on:

- price policy,
- thresholds for guarantees,
- Co-responsibility of producers,
- Intervention arrangements,
- Arrangements on export refunds,
- Substitutes,
- Compensatory amounts,
- Aids and premium arrangements,
- Size of enterprises,
- binding financial guidelines.

All Member States must contribute to achieving the savings. In this context account must be taken of the special problems that can arise in disadvantaged regions, such as in the Mediterranean regions, in mountain areas or other regions at a disadvantage because of natural or economic features. Solutions will take appropriate account of the particular situations of the various categories of farmers.

Proposals will be submitted by the Commission by mid-September 1983 at the latest.

Other policies

The European Council is determined to encourage the development of Community policies particularly in the field of innovation and the new technologies.

On the basis of proposals by the Commission, decisions will be taken on new Community actions making use of the Community dimension to improve the international competitiveness of enterprises.

Negotiations on certain projects of an exemplary nature, e.g. the ESPRIT programme, should be concluded as soon as possible.

Expenditure must also be controlled outside the agricultural sector. The policies concerned are to be developed further within the bounds of financial feasibility and supplemented through new actions which must be incorporated in an economically suitable way into Community policies.

By mid-September 1983 the Commission will present a report with proposals for increasing the effectiveness of the use of funds. It will concentrate on a more consistent co-ordination of policies to avoid duplication of effort and expenditure and to achieve greater budgetary discipline.

On the basis of this report, the policies in question will be reviewed and priorities determined on the basis of urgency and importance.

Sound financial management

The Court of Auditors of the European Community will be asked to review the sound financial management of Community activities and to submit a report by the end of 1983.

Enlargement

The accession negotiation with Spain and Portugal will be pursued with the objective of their conclusion by mid-1984. This will permit submission of the accession Treaties for ratification no later than the submission for ratification of the result of the negotiation concerning the future financing of the Community.

Stuttgart
GRS 350
UNCLASSIFIED [FRAME GENERAL]
FM UKDEL STRASBOURG 301255Z JUN 83
TO ROUTINE FCO AND NORTHERN IRELAND OFFICE
TELEGRAM NUMBER 75 OF 30 JUNE
INFO ROUTINE DUBLIN, UKREP BRUSSELS

ROM UKREP BRUSSELS

EUROPEAN PARLIAMENT SPECIAL SESSION
M TELNOS 72 AND 73

1. FOLLOWING IS THE TEXT OF THE RESOLUTION OF THE PARLIAMENT ON THE EUROPEAN COUNCIL ADOPTED BY THE EUROPEAN PARLIAMENT ON 30 JUNE BY 114 VOTES IN FAVOUR, 17 AGAINST:

THE EUROPEAN PARLIAMENT HAVING REGARD TO THE CONCLUSIONS OF THE EUROPEAN COUNCIL MEETING IN STUTTART FROM 17 TO 19 JUNE 1983,

1. DEEPLY REGRETS THE FAILURE OF THE STUTTART SUMMIT TO MAKE PROGRESS IN THE SEARCH FOR MEANINGFUL SOLUTIONS TO THE CRISIS NOW FACING THE PEOPLES OF EUROPE AND THE EUROPEAN COMMUNITY; IN PARTICULAR IT DEPLORES THE FAILURE TO AGREE ON ANY POSITIVE ACTION TO HELP THE 12 MILLION UNEMPLOYED IN EUROPE AND THE YOUNG PEOPLE WHOSE HOPES FOR THE FUTURE HAVE BEEN BLIGHTED;
2. STRESSES THAT NEGOTIATIONS ON THE MAJOR PROBLEMS FACING THE COMMUNITY WILL BE INITIATED BY URGENT PROCEDURE AT INSTITUTIONAL LEVEL, A COURSE WHICH, UNLIKE SIMPLE INTER-GOVERNMENTAL NEGOTIATIONS, MAY PAVE THE WAY FOR A REVIVAL OF EUROPE;
3. CALLS FOR THE JOINT RESOLUTION, WITHIN THE PROPOSED TIMETABLE OF 5/6 DECEMBER 1983, OF THE PROBLEMS OF NEW COMMUNITY RESOURCES, THE DEVELOPMENT OF NEW POLICIES, THE REFORM OF THE COMMON AGRICULTURAL POLICY UNDER ARTICLE 39 OF THE TREATY, AND THE PROBLEM OF EQUITY AND SOLIDARITY IN THE CONTRIBUTION OF ALL THE PEOPLES TO THE FINANCING OF COMMUNITY POLICIES; IN PARTICULAR THE PROBLEM OF THE COMPENSATION TO THE UNITED KINGDOM FOR 1983 SHOULD BE CONSIDERED IN THE CONTEXT OF THE COUNCIL'S DECLARATION ON THE FUTURE FINANCING OF THE COMMUNITY;
4. NOTES THE SOLEMN DECLARATION ON EUROPEAN UNION AND IN PARTICULAR THE PROVISIONS RELATING TO THE ROLE OF PARLIAMENT, BUT REGRETS THAT THE COUNCIL'S PROPOSALS DO NOT FULLY COMPLY WITH THE WISHES EXPRESSED ON SEVERAL OCCASIONS BY PARLIAMENT, IN PARTICULAR IN ITS RESOLUTION OF 12 APRIL 1983;

5. REITERATES ITS DESIRE TO EXTEND PARLIAMENT'S INFLUENCE AND POWERS ON THE BASIS OF THE INTER-INSTITUTIONAL RESOLUTIONS ADOPTED IN 1980, '81 AND '82 AND ITS RESOLUTION OF 6 JULY 1982 ON EUROPEAN UNION:
- 6 STRESSES THE ASPECTS OF THE DECLARATION REFERRING TO THE INTERNAL MARKET AND INSISTS IN PARTICULAR THAT PRIORITY BE GIVEN TO THE REALIZATION OF THIS MARKET:
7. INSTRUCTS ITS PRESIDENT TO FORWARD THIS RESOLUTION TO THE COUNCIL, THE GOVERNMENTS OF THE MEMBER STATES AND THE COMMISSION.

FCO PSE PASS INFO ROUTINE TO DUBLIN AND UKREP BRUSSELS.

LUSH

FRAME GENERAL

FCD (I)

REPEATED AS REQUESTED

GRS 200

RESTRICTED

RESTRICTED [FRAME GENERAL]

FM UKDEL STRASBOURG 291815Z

TO PRIORITY FCO

TELEGRAM NUMBER 72 OF 29 JUNE

INFO PRIORITY UKREP BRUSSELS

INFO ROUTINE BONN, ATHENS

INFO SAVING ALL OTHER EC POSTS

FROM UKREP

EUROPEAN PARLIAMENT SPECIAL SESSION

1. GENSCHER OPENED THE TWO-DAY SPECIAL SESSION ON THE OUTCOME OF THE STUTTGART EUROPEAN COUNCIL AND THE GERMAN PRESIDENCY WITH AN UNREMARKABLE SPEECH ON THE PRESIDENCY. VARFIS ATTENDED FOR THE GREEK PRESIDENCY. KOHL WILL SPEAK TOMORROW ABOUT THE EUROPEAN COUNCIL.

2. THORN FOLLOWED GENSCHER WITH A MORE INTERESTING STATEMENT, DESIGNED TO ALLY THE COMMISSION WITH THE PARLIAMENT IN THE FOLLOW-UP TO STUTTGART. THE PARLIAMENT GAVE HIM A CONSIDERABLY BETTER RECEPTION THAN USUAL.

3. ON THE DECISION ON THE UK REFUND FOR 1983, THORN SAID THAT THERE MUST BE NO MORE INTERIM SOLUTIONS OTHER THAN IN THE CONTEXT OF THE LONG-TERM ARRANGEMENT. DISAGREEMENT ON THE REFUND TO THE UK - WHICH HAD BEEN PROMISED IN MARCH - WOULD HAVE LED TO A CRISIS OF CONFIDENCE. NINE MEMBER STATES HAD AGREED TO GRANT COMPENSATION TO THE TENTH FOR A SITUATION WHICH THEY ALL AGREED TO BE UNACCEPTABLE AND IN THE KNOWLEDGE THAT DISAGREEMENT WOULD LEAD TO CRISIS. HOWEVER THE AGREEMENT ON COMPENSATION OF 750 MECU NET WAS:

- (A) IN THE CONTEXT OF THE ADOPTION OF A DECLARATION ON THE FINANCING OF THE COMMUNITY AND
- (B) COVERED ONLY 1983

4. DEBATE ON THE STATEMENTS WILL BE TOMORROW. THE POLITICAL GROUPS ARE TABLING DRAFTS FOR A SINGLE RESOLUTION TO VOTED UPON TOMORROW, AND DESIGNED TO PROVIDE A COMMENT BY THE PARLIAMENT ON THE OUTCOME OF STUTTGART.

5. TEXTS OF THE SPEECHES BY BAG TO ECD(1) AND UKREP.

REPEATED AS REQUESTED

LUSH
FRAME GENERAL
ECD(1)

RESTRICTED

010
Qz.03203

MR COLES

A.S.C. 29/6

P.A.

This is a small re-draft of one or two sentences in the second paragraph of the draft minute from the Prime Minister to Herr Kohl, about which we spoke.

Df Williamson

D F WILLIAMSON

29 June 1983

It will clearly be in the interests of the Community that these negotiations should be brought to a successful conclusion by December. There will be much work to do over the next six months and I believe that the views of our two countries on the longer term development of the Community have come closer together. I have greatly valued the bilateral discussions which we have had on these matters and I very much hope that we can continue to cooperate closely. As I see it, if the Community is to go forward as we wish, there are two particularly important tasks. The first is to introduce better control of agricultural and other expenditure, including in particular the setting of strict financial guidelines. The second task is to establish some kind of safety net, which would prevent any Member State from being placed in an unacceptable situation, and would thus solve the problem of budgetary inequities which has so bedevilled the Community in recent years. I have instructed my officials to cooperate very closely with yours on those problems. I know that we have a similar approach and hope that we can establish together as much common ground as possible in our handling of these problems.

Qz.03187

MR COLES

cc: Sir Robert Armstrong

UK BUDGET REFUNDS

The Prime Minister asked for further information about the 65.9% figure which has been quoted as the expected refund (refund expressed as a percentage of the estimated net contribution) under the 30 May 1980 agreement. The situation is as follows:-

	million ecu			
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Unadjusted net contribution as estimated at time of negotiation	1784 (£1080 m)	2140 (£1300 m)	1530 (£880 m)	1900 (£1107 m)
Refund negotiated on basis of estimate	1175 (£710 m)	1410 (£860 m)	850 (£490 m)	750 (£437 m)
Expected percentage refund	65.9%	65.9%	55.5%	39.5%
Actual unadjusted net contribution	1512	1419	2037	
Actual refund	1175 (£645 m)	1410 (£783 m)	1155 (£668 m)	
Actual refunds as percentage of unadjusted net contribution	77.7%	99.4%	56.7%	39.5% 4 year average 65.4%

2. You may also wish to draw to the Prime Minister's attention that:-

- (i) the refund for 1980 and 1981 (£1570 million, ie £710 million for 1980 and £860 million for 1981) representing the 65.9% refund originally expected was announced in the House of Commons by the then Lord Privy Seal on 2 June 1980;

/(ii)

(ii) the figure for 1982 (£490 million) is in principle a refund of 65.9% adjusted by an element of correction of the earlier "overpayment".

D F Williamson

D F WILLIAMSON

23 June 1983

Bob

File

loc CS
NR



10 DOWNING STREET

From the Private Secretary

23 June 1983

Dear Bob

European Council:
17/19 June

I attach two copies of the statement that the Prime Minister will be making at 1430 hours this afternoon, 23 June.

I am copying this letter to Brian Fall (Foreign and Commonwealth Office), Michael Arthur (Lady Young's Office), John Kerr (HM Treasury), Robert Lawson (Ministry of Agriculture, Fisheries and Food), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

yours ever
Willie Rickett

Bob Whalley, Esq.,
Private Secretary to the Lord President

STATEMENT: EUROPEAN COUNCIL

MR. SPEAKER

I ATTENDED THE EUROPEAN COUNCIL IN STUTTGART ON 17/19 JUNE,
ACCOMPANIED BY MY RT HON AND LEARNED FRIEND,
THE FOREIGN AND COMMONWEALTH SECRETARY.

THE MAIN QUESTIONS DISCUSSED WERE:

- FIRST, THE FUTURE FINANCING OF THE COMMUNITY
AND A MORE EQUITABLE BASIS FOR SHARING THE BURDEN
OF MEMBER STATES' CONTRIBUTIONS TO ITS BUDGET
- SECOND, THE 1983 BUDGET REFUND FOR THE UNITED KINGDOM
- THIRD, THE DECLARATION ON EUROPEAN UNION PROPOSED
EARLIER BY THE FOREIGN MINISTERS OF THE FEDERAL
REPUBLIC OF GERMANY AND ITALY, HERR GENSCHER AND
SIGNOR COLOMBO
- FOURTH, ECONOMIC RECOVERY WITH PARTICULAR CONCERN FOR
YOUTH UNEMPLOYMENT.

/THE COUNCIL'S

THE COUNCIL'S CONCLUSIONS AND THE TEXT OF THE DECLARATION HAVE
BEEN PLACED IN THE LIBRARY OF THE HOUSE.

FUTURE FINANCING

AS REGARDS THE FUTURE FINANCING OF THE COMMUNITY, IT WAS
OUR OBJECTIVE TO ACHIEVE CLEAR DIRECTIONS ON THE
DETAILED ISSUES TO BE RESOLVED, TOGETHER WITH A
TIGHT TIMETABLE AND AN EFFECTIVE PROCEDURE FOR
DISCUSSION DURING THE AUTUMN.

THE COUNCIL'S CONCLUSIONS MEET THIS OBJECTIVE AND PROVIDE:-

- THAT NEGOTIATIONS WILL BE STARTED UNDER
AN URGENT PROCEDURE

- THAT SPECIAL MEETINGS WILL TAKE PLACE AT THE
LEVEL OF FOREIGN AND FINANCE MINISTERS

- AND THAT

- AND THAT THE RESULT OF THE NEGOTIATIONS
WILL BE SUBMITTED TO THE NEXT EUROPEAN
COUNCIL IN ATHENS ON 6 DECEMBER 1983.

THE MAIN ISSUES FOR DISCUSSION WILL BE:

- MEASURES TO ENSURE GREATER BUDGETARY
DISCIPLINE AND EFFECTIVE CONTROL OF
AGRICULTURAL AND OTHER COMMUNITY
EXPENDITURE

/ - MEASURES

- MEASURES TO AVOID THE CONSTANTLY RECURRING PROBLEMS OF CERTAIN MEMBER STATES AND TO ASSURE A MORE EQUITABLE SHARING OF THE BURDEN OF FINANCING THE COMMUNITY BUDGET,

- AND THE COMMUNITY'S REQUIREMENTS IN TERMS OF OWN RESOURCES TAKING INTO ACCOUNT THE ACCESSION OF SPAIN AND PORTUGAL AND FUTURE COMMUNITY ACTION IN OTHER FIELDS,

DECISIONS WILL BE TAKEN IN COMMON ON ALL THESE ISSUES AT THE END.

I MADE IT CLEAR THAT WE REMAINED TO BE CONVINCED THAT THERE IS A CASE FOR INCREASING THE FUTURE RESOURCES OF THE COMMUNITY,

1983 BRITISH REFUND

AGREEMENT WAS ALSO REACHED ON A 1983 BUDGET REFUND FOR THE UNITED KINGDOM OF 750 MILLION ECU (437 MILLION POUNDS).

CONSEQUENTLY, THE UNITED KINGDOM WILL HAVE RECEIVED FOR THE FOUR YEAR PERIOD 1980^{*} TO 1983, BUDGET REFUNDS OF MORE THAN 2,500 MILLION POUNDS, ROUGHLY TWO-THIRDS

/ OF OUR

OF OUR UNADJUSTED NET CONTRIBUTION WHICH HAD BEEN THE INTENDED RESULT OF THE 1980 AND 1981 SETTLEMENTS AND WHICH, IN THE ABSENCE OF A LONG TERM ARRANGEMENT FOR 1982, WAS TO APPLY TO THAT YEAR.

AS THE HOUSE KNOWS, NO LONG TERM ARRANGEMENTS WERE AGREED IN SPITE OF MANY EFFORTS.

A SERIES OF UNDERTAKINGS TO FIND A SOLUTION WERE MADE IN 1982 AND 1983 BUT BY THE TIME OF THE STUTTGART COUNCIL NO DECISION HAD BEEN TAKEN.

AS THE CONCLUSIONS OF THE COUNCIL STATE, THE FIGURE OF 750 MILLION ECU "WILL BE INCORPORATED IN THE DRAFT COMMUNITY BUDGET FOR 1984."

DECLARATION ON EUROPEAN UNION

TOGETHER WITH OTHER MEMBERS OF THE COUNCIL I SIGNED THE DECLARATION ON EUROPEAN UNION.

WE STRONGLY SUPPORT THE OBJECTIVES OF GREATER POLITICAL CO-OPERATION AND MORE EFFICIENT DECISION-MAKING PROCEDURES WHICH ARE SET OUT IN THIS DECLARATION.

AND WE WELCOME THIS REAFFIRMATION OF THE WIDER OBJECTIVES OF THE EUROPEAN COMMUNITY.

OTHER ISSUES

ON OTHER MATTERS

- THE EUROPEAN COUNCIL WELCOMED THE DECISION OF THE COUNCIL OF MINISTERS ON THE REFORM OF THE EUROPEAN SOCIAL FUND WHICH WILL GIVE HIGH PRIORITY TO THE FIGHT AGAINST YOUTH UNEMPLOYMENT.

- IT CALLED FOR COMPLETION OF THE INTERNAL MARKET AND CONTINUED WORK TO REMOVE VARIOUS FORMS OF DISTORTION INCLUDING TRADE BARRIERS CAUSED BY DIFFERENCES IN NATIONAL STANDARDS, AND DISTORTION IN THE SERVICES SECTOR.

- IT STRESSED THE NEED FOR ACTION TO COMBAT THE POLLUTION OF THE ENVIRONMENT, IN PARTICULAR PROTECTION OF FORESTS, REDUCTION OF THE AMOUNT OF LEAD IN THE ENVIRONMENT AND PROGRESS TOWARDS THE USE OF LEADLESS PETROL.

* / POLITICAL CO-OPERATION

POLITICAL CO-OPERATION

FINALLY, THE EUROPEAN COUNCIL DISCUSSED A NUMBER OF INTERNATIONAL
POLITICAL QUESTIONS, INCLUDING POLAND, THE CSCE REVIEW
CONFERENCE IN MADRID, THE MIDDLE EAST AND CENTRAL
AMERICA.

THE PRESIDENCY'S CONCLUSIONS ON THESE MATTERS HAVE
BEEN PLACED IN THE LIBRARY OF THE HOUSE.

/ THIS WAS A CRITICAL

THIS WAS A CRITICAL MEETING OF THE COUNCIL.

AT THE OUTSET NO FIGURES OF ANY KIND HAD
BEEN PROPOSED FOR THE BRITISH REFUND.

SOME MEMBER STATES HAD SAID THAT THEY WOULD
REFUSE TO NEGOTIATE ANY REFUND AT ALL.

HAD THAT VIEW PREVAILED, I SHOULD HAVE HAD
TO MAKE A VERY DIFFERENT STATEMENT TODAY.

THANKS TO THE EFFORTS OF THE GERMAN PRESIDENCY AND
OF A NUMBER OF OTHER COUNTRIES WE ACHIEVED NOT
ONLY A SETTLEMENT OF THE BRITISH REFUND FOR
THIS YEAR BUT ALSO MADE ENCOURAGING PROGRESS
TOWARDS A LONG-TERM SETTLEMENT OF THE FINANCING
PROBLEMS WHICH HAVE FOR SO LONG BEDEVILLED
COMMUNITY DISCUSSION.

House of Commons

Thursday 23 June 1983

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

MEMBER SWORN

The following Member took and subscribed the Oath:
Eldon Wylie Griffiths, esquire, Bury St. Edmunds.

European Council (Stuttgart)

2.35 pm

The Prime Minister (Mrs. Margaret Thatcher): I attended the European Council in Stuttgart on 17 to 19 June, accompanied by my right hon. and learned Friend the Foreign and Commonwealth Secretary.

The main questions discussed were, first, the future financing of the Community and a more equitable basis for sharing the burden of member states' contributions to its budget; secondly, the 1983 budget refund for the United Kingdom; thirdly, the declaration on European union proposed earlier by the Foreign Ministers of the Federal Republic of Germany and Italy, Herr Genscher and Signor Colombo; and, fourthly, economic recovery with particular concern for youth unemployment.

The Council's conclusions and the text of the declaration have been placed in the Library of the House.

I shall deal with these matters in order.

As regards the future financing of the Community, it was our objective to achieve clear directions on the detailed issues to be resolved, together with a tight timetable and an effective procedure for discussion during the autumn. The Council's conclusions meet this objective and provide that negotiations will be started under an urgent procedure in which special meetings of Foreign and Finance Ministers will take place, and that the result of the negotiations will be submitted to the next European Council in Athens on 6 December 1983.

The main issues for discussion on that occasion will be measures to ensure greater budgetary discipline and effective control of agricultural and other Community expenditure, measures to avoid the constantly recurring problems of certain member states and to assure a more equitable sharing of the burden of financing the Community budget, and the Community's requirements in terms of own resources, taking into account the accession of Spain and Portugal and future Community action in other fields. Decisions will be taken in common on all these issues at the end. I made it clear that we remained to be convinced that there is a case for increasing the future resources of the Community.

The second matter concerned the 1983 British refund. Agreement was also reached on a 1983 budget refund for the United Kingdom of 750 million ecu—about £437 million net. Consequently, the United Kingdom will have received, for the four-year period 1980 to 1983, budget refunds of more than £2,500 million—roughly two-thirds of our unadjusted net contribution. This was the

intended proportion in the 1980 and 1981 settlements, and the 1982 settlement was to be on similar lines and was so settled. A series of undertakings to find a solution for 1983 had been given, but by the time of the Stuttgart Council no arrangements had been made.

Nevertheless, as the conclusions of the Council state, a net refund of 750 million ecu was agreed and a consequential figure

"will be incorporated in the draft Community budget for 1984".

The third matter that we discussed was the declaration on European union. Together with other members of the Council, I signed the declaration on European union. We strongly support the objectives of greater political co-operation which are set out in this declaration, and we welcome the reaffirmation of the wider objectives of the European Community.

On other matters, the European Council welcomed the decision of the Council of Ministers on the reform of the European social fund which will give high priority to the fight against youth unemployment. It called for completion of the internal common market and continued work to remove various forms of distortion, including trade barriers caused by differences in national standards, and distortion in the services sector. It stressed the need for action to combat the pollution of the environment, in particular protection of forests, reduction of the amount of lead in the environment and progress towards the use of leadless petrol.

Finally, the European Council discussed a number of international political questions, including Poland, the Madrid conference, the Middle East and Central America. The Presidency's conclusions on these matters have been placed in the Library of the House.

This was a critical meeting of the Council. At the outset, no figures of any kind had been proposed for the British refund. Some member States had said that they would refuse to negotiate any refund at all. Had that view prevailed, I should have had to make a very different statement today.

Thanks to the efforts of the German Presidency and of a number of other countries, we achieved not only a settlement of the British refund for this year, but also made encouraging progress towards a long-term settlement of the financing problems which have for so long bedevilled Community discussion.

Mr. Michael Foot (Blaenau Gwent): Does the right hon. Lady agree, first, that the best way to describe the outcome of the Stuttgart Council in general is that, like the increase in the mortgage interest rate, it is extremely disappointing? Certainly it is disappointing for the country.

Will the Prime Minister say how far the £437 million that she has negotiated falls short not only of the estimates made in the public expenditure White Paper by her Government only a few weeks ago but of the figure that she has often mentioned before?

Does the right hon. Lady's acceptance of this amount now and the result of previous negotiations mean that she has finally abandoned the principles laid down in the resolutions accepted unanimously by the House on 16 July and 22 November 1979, when it was agreed that Britain's contribution to the budget should be no greater than receipts? That is the principle laid down by the House. Will the right hon. Lady confirm how far she has fallen short of securing that aim?

[Mr. Michael Foot]

Will the right hon. Lady also clear up the matter that she failed to deal with properly yesterday by giving the House an absolute assurance that there will be no increase in Britain's VAT contribution to the European Community? She said that she remains to be convinced. Does that mean that she is now contemplating an increase in the contribution that we make, despite the wholly unjust contribution that Britain has had to make over the years?

The Prime Minister: There has never been any agreement that our contribution should not be greater than our receipts. That is a *juste retour* that has always been totally and utterly rejected. In the settlement, which I have in my hand, on 30 May 1980 we agreed arrangements for the years 1980 and 1981 which amounted to 65.9 per cent. It was expected that by the end of that time there would be long-term arrangements. In the absence of long-term arrangements, it was agreed that the arrangements for 1982 should be along the lines of the 1980 and 1981 solution. Those lines were 65.9 per cent., but the formula was so geared that the actual amount that we received back in 1980 was 77 per cent. and in 1981 it was 99.4 per cent. When it came to 1982 to be settled along the same lines, which had been expected to be 65.9 per cent., we naturally had to take into account the overpayments on 1980 and 1981. By the time that we came to 1983 there were no arrangements for refunds at all.

The amounts which we have secured give us an average of 65.4 per cent. over the four years. I remind the right hon. Gentleman that the Labour Government left us with no arrangements for refunds of any kind. After renegotiation, there were no arrangements. Despite that, over the four years we have secured 2,500 million ecu in refunds. That is a reasonable arrangement for Britain.

As regards own resources, all the decisions on the long-term budget are to be made after all the discussions. When we started the discussions on own resources—[HON. MEMBERS: "Too long."] It is too long because it sets out the facts. I was faced with two proposed clauses. One, the end result of the negotiations, will be the decision on the extent and timing of an increase in the Community's own resources. That is no longer in the statement because we would not have it. It committed us to an increase in own resources, and we could not be committed to that.

I was also faced with a commitment not only to an increase in own resources, which we fought out, but to a method which meant that an increase in own resources would take the form of a decision on a new ceiling, which of course is a VAT ceiling.

Both those clauses have gone, so we are not committed to any increase in own resources, even in the face of the accession of Spain and Portugal. We are committed to considering it provided there is a more equitable arrangement for burden sharing of the contributions and strict budgetary control of agricultural and other expenditure.

Mr. Foot: The right hon. Lady's statement makes the position even more unsatisfactory than it was before. Will she now tell us exactly what is the figure that she has agreed to pay this year? Will she also tell us how she thinks that there will be any progress with the timetable over this period? Does she really think that the other members of the Community will agree to the fundamental change in the common agricultural policy of which she talks? Will

the right hon. Lady give an absolute undertaking that she will not agree to the proposition about increasing the VAT contribution to the EC? She says that she is not committed to favouring it, but will she give a proper undertaking to the House?

Why has the right hon. Lady flouted the resolution passed in the House? If she was not prepared to work and fight for it, why did she not put up a Minister to speak against it in the House of Commons? This House has authority in these matters. We are prepared to debate the matter on the same resolution as we had before, for which the Government voted at the time.

The Prime Minister: The 750 million ecu this year was calculated on a reference figure of 1,900 million ecu for our unadjusted contributions this year—[*Interruption.*] It is about 0.6 if that is how the right hon. Member for Bethnal Green and Stepney (Mr. Shore) chooses to do the calculations—[*Interruption.*] I am sorry. One never knows what the budget is until the end of the year. That is why for the years—[*Interruption.*] Of course, but if the right hon. Member for Bethnal Green and Stepney thinks that in the middle of the year one knows the precise budget, he is mistaken. This is how we got the overpayment of refunds in 1980 and 1981. I know that the right hon. Gentleman wishes us to come out of Europe. I think that it is reasonable to pay what we are paying, which is 65.4 per cent. over four years, for some 2 million jobs which would be put at risk if we came out of Europe.

Sir Brandon Rhys Williams (Kensington): May we congratulate my right hon. Friend on bringing back from Stuttgart an extremely reasonable settlement on current account? But does she recognise that for the future of the Community, the way our resources are spent on capital account is of probably much great significance in the long run? Will the British Government therefore pay attention to the way in which funds will be disbursed under the terms of the new Ortolí facility and by the European Investment Bank? Will my right hon. Friend pledge this Government to work for a united European market for capital?

The Prime Minister: My hon. Friend goes a good deal further than we went, although at Lancaster House last year we agreed to increase the amount available for the Ortolí facility. I think that it would be most unwise to go any further at the moment. The long-term budget is trying to consider methods of effective control of expenditure, both for the agricultural budget and other budgets. Without effective control and a more equitable and fair distribution of the burden of contributions, we could not possibly consider agreeing to an increase in own resources.

Mr. J. Enoch Powell (Down, South): To what extent will the implementation of any of these financial arrangements depend upon the willingness of the European assembly to approve the budget?

The Prime Minister: I believe that it has to go before the European assembly towards the end of the year. The importance of Stuttgart was that we had to get the amount entered into the draft budget for next year, and the first significant draft budget is the one in July. That is why this Council was so critical. It is considered by the European assembly towards the end of the year. The European assembly likewise wants a better long-term financial arrangement for the Community budget. So far we have

RR LUXEMBOURG

RR PARIS

RR ROME

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FM BONN 230900Z JUN 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 632 OF 23 JUNE

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✓ PS/No 10 (2)

PS
Mr Evans
Mr Hamman

Hd (EC) (1) (2)
IECO (2)
News D

Mr Williamson } CAPS
Mr Devine }
Mr Lither }
Mr Edwards }

STUTTGART EUROPEAN COUNCIL: STATEMENT BY CHANCELLOR KOHL

1. CHANCELLOR KOHL REPORTED TO THE BUNDESTAG YESTERDAY ON THE STUTTGART EUROPEAN COUNCIL AND THE GERMAN PRESIDENCY.

2. HE SAID THAT STUTTGART HAD BEEN AN IMPORTANT STEP IN THE DEVELOPMENT OF THE COMMUNITY. EUROPE WAS IN SERIOUS ECONOMIC DIFFICULTIES. CRITICISM THAT STUTTGART HAD DEALT ONLY WITH MONEY WAS ILL-FOUNDED. EUROPE COULD ONLY MEET THE CHALLENGES OF ENLARGEMENT DEVELOPMENT OF NEW POLICIES, AND STRUCTURAL ECONOMIC AND ENVIRONMENTAL PROBLEMS IF ITS FINANCIAL BASE WAS SOUND. THIS MUST BE SECURED THROUGH CONTROL OF THE GROWTH OF EXPENDITURE, PARTICULARLY ON AGRICULTURE, ECONOMIES, RESTRUCTURING, AND, IN SO FAR AS NECESSARY, AN INCREASE IN OWN RESOURCES. THE COMMUNITY MUST BE FREED OF REPEATED ARGUMENTS ABOUT THE BUDGET SO THAT IT COULD DEVOTE ITS ENERGIES TO THE ECONOMIC, POLITICAL AND SECURITY ISSUES CONFRONTING IT. STUTTGART HAD AGREED PROCEDURES AND A TIMETABLE FOR SHORT AND MEDIUM TERM WORK AND, THROUGH THE SOLEMN DECLARATION ON EUROPEAN UNION, OPENED A PERSPECTIVE FOR THE FUTURE.

FUTURE FINANCING

3. TURNING TO THE STUTTGART DECLARATION ON FINANCIAL RESOURCES, KOHL SAID THAT THE COUNCIL HAD INSTRUCTED FOREIGN AND OTHER MINISTERS TO NEGOTIATE URGENTLY IN THE NEXT SIX MONTHS ON FUTURE FINANCING, THE DEVELOPMENT OF COMMUNITY POLICIES, ENLARGEMENT, BUDGETARY BALANCE, AND THE NEED FOR STRICT FINANCIAL DISCIPLINE. THESE ELEMENTS WERE LINKED AND OF EQUAL PRIORITY. AND WOULD BE

~~BUDGETARY BALANCE, AND THE NEED FOR STRICT FINANCIAL DISCIPLINE.~~
~~THESE ELEMENTS WERE LINKED AND OF EQUAL PRIORITY, AND WOULD BE~~
~~NEGOTIATED IN PARALLEL. REFERRING TO THE PURPOSE OF THE NEGOTIAT-~~
~~ION HE QUOTED THE TEXT OF THE DECLARATION AS FOLLOWS: QUOTE (TO)~~
SECURE THE FINANCING OF COMMUNITY POLICIES AND ACTIONS AND THEIR
FURTHER DEVELOPMENT OVER A LONGER PERIOD OF TIME TAKING INTO ACCOUNT
THE ADDITIONAL FINANCIAL REQUIREMENTS WHICH WOULD FLOW FROM THE
ACCESSION OF SPAIN AND PORTUGAL, WHILE EXHAUSTING ALL POSSIBILITIES
FOR SAVINGS UNQUOTE. HE WENT ON TO SAY THAT DECISIONS WOULD BE
TAKEN IN COMMON ON ALL THESE QUESTIONS AT THE END, AND THE EXTENT
AND TIMING OF THE COMMUNITY'S REQUIREMENTS IN TERMS OF OWN RESOURCES
WOULD BE DETERMINED ON THE BASIS OF THE CONCLUSIONS REACHED.

4. THE OUTCOME OF STUTTGART TOOK FULL ACCOUNT OF THE GERMAN WISH
FOR CONTROL OF BUDGETARY GROWTH, ECONOMIES, RESTRUCTURING AND
BETTER BUDGETARY BALANCE. IT ALSO OPENED THE WAY FOR EARLY PROGRESS
ON ENLARGEMENT.

UK REFUNDS

5. THE FIGURE AGREED BY THE COUNCIL FOR GREAT BRITAIN'S 1983 REFUND
WOULD BE ENTERED IN THE 1984 BUDGET (COMMENT: SIC, NOT PRELIMINARY
DRAFT BUDGET), AND QUOTE WAS CLOSELY CONNECTED WITH THE OTHER
QUESTIONS UNQUOTE (OF LONG TERM FINANCING). THE BRITISH REFUND WAS
CONSIDERABLY SMALLER THAN THE PREVIOUS YEAR. THE GERMAN CONTRIBUTION
TO THE REFUND, IN CORRESPONDING TO LAST YEAR, REMAINED ABATED.

GERMAN PRESIDENCY

6. AGREEMENT HAD ONLY BEEN POSSIBLE AT STUTTGART BECAUSE OF HARD
WORK BEFOREHAND. DESPITE THE FEDERAL ELECTIONS THE GERMAN PRESIDENCY
HAD ACHIEVED GOOD RESULTS, VIZ:

- (A) REFORM OF THE SOCIAL FUND, WITH AN EMPHASIS ON YOUTH UNEMPLOY-
MENT.
- (B) EFFORTS TO LIBERALISE THE INTERNAL MARKET.
- (C) A FRAMEWORK PROGRAMME FOR RESEARCH FOR APPROVAL AT THE JULY
RESEARCH COUNCIL.
- (D) A NEW IMPULSE TO ENVIRONMENTAL POLICY, INCLUDING A MEMORANDUM
ON ACID RAIN Tabled AT STUTTGART, WHICH PAPANDREOU HAD
PROMISED TO TAKE FURTHER.

7. THE AGREED NEGOTIATIONS ON FUTURE FINANCING MUST GET UNDER WAY
AS FAST AS POSSIBLE. THEY WOULD BE DIFFICULT, AND REQUIRED MUTUAL
TRUST. BUT EUROPE HAD NO ALTERNATIVE BUT TO PROGRESS IF IT WAS NOT
TO FALL BACK INTO 19TH CENTURY NATIONALISM. UNITY WAS VITAL TO
EUROPE'S ECONOMIC AND POLITICAL SECURITY, AND TO ITS STRENGTH
IN THE EAST/WEST AND NORTH/SOUTH DEBATES. THE AMERICANS NEEDED AND
WANTED A STRONG EUROPEAN PARTNER. THE STUTTGART COUNCIL HAD MADE

WANTED A STRONG EUROPEAN PARTNER. THE STUTTGART COUNCIL HAD MADE
A CONTRIBUTION TO THIS UNITY.

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LITTLER, EDWARDS - TSY

TAYLOR

NNNN

around Stuttgart



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

22 June 1983

F E R Butler Esq
10 Downing Street

Note
I have told Bob Whalley that this has always been the standing arrangement.

Mr. Rickett
Pl. deal.

Dear Robin,

(Will the PM's statement on Stuttgart be repeated in the Lords?)

WR
23/6

STATEMENTS IN THE HOUSE OF LORDS

FERB
22.6.

As I mentioned to John Coles in the context of the Stuttgart meeting, the Lord President of the Council has asked if it would be possible, on the occasions when he repeats in the House of Lords a statement which the Prime Minister is making in the House of Commons, for the background briefing supplied to the Prime Minister to accompany the statement. I wonder if you see any difficulty about this? If not, I would be grateful if a standing arrangement could be made for this purpose.

I am copying this note to Richard Hatfield.

Yours sincerely,

Bob Whalley

R M WHALLEY
Private Secretary

010
Tf 03318

MR COLES *AR 23/6. h.a.*

cc: Mr Fall - FCO
Mr Kerr - Treasury
Mr Ballard - DOE
Mr Shaw - D Em
Mr Spencer - DTI
Sir Robert Armstrong

EUROPEAN COUNCIL, 17-19 JUNE: DRAFT WRITTEN PARLIAMENTARY STATEMENT BY THE PRIME MINISTER *with PM*

I refer to Mr Williamson's minute of 20 June which did not contain a mention of the political cooperation discussions. The following draft, which has been agreed with the FCO, might be included at the end of the statement:-

"As is customary, the European Council also discussed a number of international political questions including Poland, the CSCE Review Conference in Madrid, the Middle East and Central America. Copies of the Presidency conclusions on these subjects have been placed in the Library of the House."

D.R.C.

D R C DURIE

21 June 1983

Evils for Budget

A 34



Mr. Speaker - 171
 Mr. Gwynne - 172
 Mr. Gwynne - 173
 Mr. Gwynne - 174
 Mr. Gwynne - 175
 Mr. Gwynne - 176
 Mr. Gwynne - 177
 Mr. Gwynne - 178
 Mr. Gwynne - 179
 Mr. Gwynne - 180

THE HOUSE OF COMMONS, 17 JUNE 1953; GREAT BRITAIN PARLIAMENTARY PAPER BY THE
 GREAT BRITAIN

... to Mr. Williams a minute of 27 June which did not contain a
 mention of the political cooperation discussions. The following draft, which
 has been agreed with the FCO, might be included at the end of the statement:-

"In connection with the European Council also discussed a number of
 international political questions including the 1953 Berlin
 Conference in Berlin, the 1953 and 1954 American, copies of
 the President's Commission on the Berlin Question have been placed in the
 library of the House."

27 JUN 1953

17 JUNE 1953

Qz.03180

MR COLES

cc: Sir Robert Armstrong

EUROPEAN COUNCIL OF 17-19 JUNE: PARLIAMENTARY STATEMENT
ON 23 JUNE

NOTES FOR SUPPLEMENTARIES

I attach Notes for Supplementaries on the 1983 United Kingdom budget refund and the long term budget solution. These take account of discussions with the Foreign and Commonwealth Office, who are submitting also the supplementary notes on the other questions covered by the meeting of the European Council on 17-19 June.


D F WILLIAMSON

22 June 1983

EUROPEAN COUNCIL OF 17-19 JUNE: PARLIAMENTARY

STATEMENT ON 23 JUNE

NOTES FOR SUPPLEMENTARIES

I. THE INTERIM SOLUTION: UK BUDGET REFUND FOR 1983

"REFUND TOO LOW"

Over the 4 years 1980-83 we have now brought back more than £2,500 million. On 2 July 1980 the then Chancellor of the Exchequer, reporting on the settlement of 30 May 1980, told the House that we had a rebate "reducing our estimated net contribution for those years by about two-thirds" [Hansard, 2 July 1980, col 1550] . We have now achieved in Stuttgart last weekend a further settlement, as a result of which we have for the 4 years 1980-83 an average refund of about two-thirds of our net contribution (65.4%). Hon. Gentlemen opposite never did anything effective to get back a penny piece.

"REFUND LESS THAN WE ASKED FOR"

We were prepared in the negotiation to accept less than two-thirds of 1983 net contribution because we did much better than expected in respect of 1980 and 1981. That is why the agreement has to be seen in the context of the full 4-year period.

WHY NO RISK SHARING FOR 1983?

WHY NO RISK SHARING FOR 1983?

In earlier years the reference figure on which the calculations were based was set rather low. It was to our advantage to have a risk sharing formula. The 1982 risk sharing formula, for example, is now operating in our favour and an extra refund for 1982 of an estimated 305 million ecu (£178 million) will very shortly be made to the United Kingdom. In 1983, on the contrary, the reference figure has been set at a higher level. It is quite probable that it will be to our advantage to have no risk sharing formula in 1983.

WILL FRENCH BLOCK PAYMENT OF THE REFUNDS?

The French have, like all member states, agreed to the European Council conclusions, which specify the amount of the UK compensation and say that it will be included in the draft 1984 Community budget. There are no conditions attached.

WHAT ABOUT 1984?

The European Council in Stuttgart has now launched a major effort to achieve a permanent solution to the problem of a more soundly based and more fairly financed Community. This has been the aim of UK policy for some years and we

/strongly welcome the

strongly welcome the initiative now being taken. The results will be reported to the next meeting of the European Council on 6 December. It is the objective of all member states that any revision of the system should apply to 1984. If not, it is also understood that an appropriate solution will need to be found for 1984.

WHAT WILL THE MONEY BE SPENT ON?

This will be decided when the figures are entered in the Community's draft budget shortly. The money will be spent on measures of Community interest in the United Kingdom. These may include action to improve transport and to make better use of energy.

II. THE LONG TERM SOLUTION

"PASS SOLD ON INCREASE IN COMMUNITY'S OWN RESOURCES?"

No. Other member states pressed us hard to commit ourselves to such an increase. But the conclusions do not contain such a commitment. This question has not been prejudged.

Main elements for discussion in important negotiation ahead are control of agricultural and other expenditure; greater budgetary discipline; a more equitable financial arrangement; the extent

/and timing of the Community's

and timing of the Community's requirements in terms of its own resources; the development of Community action on research, innovation and new technologies; and the conclusion of accession negotiations with Spain and Portugal. We are prepared to look at the Community's financial requirements "on the basis of the conclusions reached on . . . improving budgetary discipline and the examination of the financial system".

AGRICULTURAL AND OTHER SPENDING

We have agreed, for the first time, that the Community is committed to taking measures "to ensure effective control of agricultural expenditure" and that "expenditure must also be controlled . . . outside the agricultural sector". One element under discussion is strict financial guidelines on agricultural spending.

TACKLING THE UNFAIR BUDGET BURDEN PERMANENTLY

We have agreement on the objective "to agree measures which, taken as a whole, will avoid the constantly recurrent problems between the member states over the financial consequences of the Community's budget and its financing". This is the first time that we have set ourselves a long term aim to settle this problem once and for all as a Community.

"OPENING THE DOOR"

"OPENING THE DOOR"

In these conclusions we have at last really opened the door to a sounder based financial system which will deal on a permanent basis with the budget problem which has plagued Britain since its entry. The work which is to be carried out on a tight timetable and with a special procedure in the autumn will be important. First meeting: 8 July. We shall support the work fully.

POSSIBLE REACTION OF EUROPEAN PARLIAMENT

The European Parliament wants what we want - a long term solution. The United Kingdom is one of the member states most concerned that the future financing and development of Community actions should be put on a sounder and fairer basis. We shall be pressing strongly for such a solution, if possible by the end of this year, when the Parliament will have to adopt the 1984 budget. Mr Dankert stated recently that "Interim solutions, such as a financial mechanism to increase benefits and compensate disadvantages seemed virtually inevitable".

/IS THE COMMUNITY'S MONEY RUNNING OUT?

IS THE COMMUNITY'S MONEY RUNNING OUT?

Yes. It seems likely that, when the Commission proposes a supplementary budget for 1983, the Community will be almost at the limit of own resources even in the current year.

22 JUN 1983





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

21 June 1983

A J Coles Esq
10 Downing Street
LONDON SW1

Jone.
MR 22/6.
p.a.

Dear Sir,

EUROPEAN COUNCIL: STATEMENT TO THE HOUSE

The Chancellor has asked me to suggest the following two minor changes to the draft statement on Stuttgart submitted by Mr Williamson on 20 June. - *WTH/PM*

First, in the last line on page 1, insert "greater budgetary discipline and" before "effective control". The concept of budgetary discipline was mentioned in the communique, and deserves a mention in the statement.

Secondly, revise lines 5 and 6 on page 2 to read "the development of more effective Community action in such fields as research, innovation..." The communique referred to "action" rather than "policies", and this is in our view preferable.

Copies of this letter go to David Williamson and Brian Fall.

Yours ever,
J O Kerr

J O KERR
Principal Private Secretary

2 - 1983



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TO IMMEDIATE F C O

TELEGRAM NUMBER 2448 OF 20 JUNE 1983

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EUROPEAN COUNCIL STUTT GART: 17-19 JUNE 1983

1. THE EUROPEAN COUNCIL, AT WHICH YOU AND THE PRIME MINISTER REPRESENTED THE UK, REACHED AGREEMENT ON

- A. A FRAMEWORK FOR THE NEGOTIATION ON THE FUTURE FINANCING AND DEVELOPMENT OF THE COMMUNITY, THE RESULTS OF WHICH ARE TO BE REPORTED TO THE EUROPEAN COUNCIL IN ATHENS IN DECEMBER:
- B. A REFUND OF 750 MECU NET OF THE UK'S CONTRIBUTION IN 1983 THE CONSEQUENTIAL FIGURES TO BE PUT IN THE 1984 DRAFT BUDGET:
- C. THE SOLEMN DECLARATION ON EUROPEAN UNION PROMOTED BY GENSCHER AND COLOMBO, WHICH WAS SIGNED ON 19 JUNE BY ALL PRIME MINISTERS (MITTERRAND HAVING LEFT) AND FOREIGN MINISTERS.

2. CONCLUSIONS WERE ALSO AGREED ON ECONOMIC MATTERS (ECONOMIC RECOVERY, YOUTH UNEMPLOYMENT, ENVIRONMENT, INTERNAL MARKET, STEEL, TRANSPORT, THE GREEK MEMORANDUM AND UNCTAD VI) AND POLITICAL CO-OPERATION SUBJECTS (CSCE, POLAND, MIDDLE EAST AND CENTRAL AMERICA).

3. THE TEXTS RECORDING THESE AGREEMENTS HAVE BEEN REPORTED IN STUTT GART TELEGRAMS NOS 22 TO 25. (THE TEXT ON UNCTAD WAS TRANSMITTED SEPARATELY TO BELGRADE.) MORE DETAILED REPORTS ON SOME ASPECTS WILL BE SENT BY BAG.

4. THE EUROPEAN COUNCIL DECIDED (WITH GREECE ABSTAINING) THAT THE SECOND EC-ISRAEL FINANCIAL PROTOCOL SHOULD NOW BE SIGNED. IT ALSO CONFIRMED THAT THE STEEL COUNCIL SHOULD BE HELD AS PLANNED ON 21 JUNE, EVEN THOUGH NO ITALIAN MINISTER COULD BE PRESENT. LUXEMBOURG MADE A STATEMENT AS EXPECTED ON THE SEAT OF THE INSTITUTIONS.

5. FOR THE UK THE MAIN ACHIEVEMENT WAS AGREEMENT ON A REFUND FOR 1983 YIELDING A TOTAL REFUND OVER 1980-1983 ONLY FRACTIONALLY LOWER THAN TWO-THIRDS, WITHOUT CONCEDING THE FRENCH AND ITALIANS' DEMAND THAT THERE SHOULD BE NO SUCH REFUND WITHOUT AN AGREEMENT IN PRINCIPLE TO INCREASE OWN RESOURCES. THIS AGREEMENT WAS REACHED ONLY AFTER MANY HOURS OF NEGOTIATION. UK REFUNDS WERE BRIEFLY DISCUSSED IN THE FIRST SESSION, BEFORE BEING TAKEN UP IN DETAIL OVER THE FOREIGN MINISTERS' DINNER. FOREIGN MINISTERS REPORTED TO HEADS OF GOVERNMENT AT THE INFORMAL AFTER DINNER DISCUSSION THAT THEY HAD REACHED NO AGREEMENT. THIS WAS STILL THE POSITION

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BY THE END OF THE EVENING. BUT IT WAS BY THEN CLEAR THAT THE OTHER MEMBERS OF THE COUNCIL WANTED TO HEAR AN OPEN-MINDED STATEMENT OF THE UK'S POSITION ON OWN RESOURCES BEFORE THEY WOULD MOVE ON SHORT TERM. AT THE BEGINNING OF THE MORNING SESSION ON 18 JUNE THE PRIME MINISTER SAID:

QUOTE I THINK THAT WE ALL NEED TO RECOGNISE THAT THESE MATTERS MUST BE TAKEN FORWARD TOGETHER. THERE IS NO WAY IN WHICH IT WOULD BE SENSIBLE TO PREJUDGE ONE IN ADVANCE OF THE OTHERS. IN THE CONTEXT OF A LONG TERM SETTLEMENT OF ALL THESE PROBLEMS I WOULD BE PREPARED TO CONSIDER AN INCREASE IN OWN RESOURCES ((NEXT TWO WORDS UNDERLINED)) WE REACHED AGREEMENT ON AN EFFECTIVE CONTROL OF THE RATE OF INCREASE OF AGRICULTURAL AND OTHER EXPENDITURE AND ((NEXT TWO WORDS UNDERLINED)) PROVIDED THAT IT IS ACCOMPANIED BY AN ARRANGEMENT TO ENSURE A FAIR SHARING OF THE FINANCIAL BURDEN SO THAT NO COUNTRY HAS TO PAY A SHARE DISPROPORTIONATE TO ITS RELATIVE NATIONAL WEALTH. UNQUOTE

6. FOREIGN MINISTERS WERE THEN ASKED TO CONTINUE DISCUSSION OF THE UK PROBLEM, WHILE HEADS OF GOVERNMENT WENT ON WITH THE LONG-TERM. FIGURES AT LAST BEGAN TO APPEAR: BY THE END OF THE SESSION SOME SEEMED PREPARED TO OFFER 400 MECUS, THOUGH CHEYSSON WAS STILL STUCK AT ZERO. WHEN THE EUROPEAN COUNCIL RESUMED AT NOON, WITH GENSCHER NEAR TO REPORTING FAILURE TO AGREE, KOHL TOOK OVER THE TASK OF EASING MITTERRAND UP. DURING THE NEXT THREE HOURS THE COUNCIL WAS SUSPENDED SEVERAL TIMES FOR BILATERALS IN THE ROOM, DURING WHICH KOHL GOT HIM TO 600 AND THEN TO 700, WITH THE PRIME MINISTER UNWILLING TO GO MUCH BELOW 850. MITTERRAND THEN STUCK AND AT ONE TIME THREATENED TO LEAVE (PRESS REPORTS THAT THE PRIME MINISTER DID SO ARE NOT TRUE). KOHL SHOWED SIGNS OF BEGINNING TO DESPAIR, AND SO THE PRIME MINISTER INDICATED PRIVATELY A WILLINGNESS TO SPLIT THE DIFFERENCE AT 775 IF THAT WOULD SOLVE THE PROBLEM. MITTERRAND REMAINED NEGATIVE AND IN A SESSION OF THE COUNCIL ITSELF TURNED DOWN A DUTCH COMPROMISE OF 775. FINALLY, THE SETTLEMENT WAS MADE AT 750 MECUS. KOHL IMMEDIATELY ADJOURNED FOR A LATE LUNCH, LEAVING THE OTHER ASPECTS OF THE SHORT TERM SETTLEMENT FOR LATER DISCUSSION. AFTER LUNCH MITTERRAND RETURNED TO PARIS.

7. DISCUSSION CONTINUED ON THE PAPER ABOUT THE LONG TERM. A REVISED PRESIDENCY DRAFT WAS UNSATISFACTORY TO US SINCE IT CONTAINED NOT ONLY A COMMITMENT TO INCREASE OWN RESOURCES BUT A STATEMENT THAT THE 1 PER CENT VAT CEILING WOULD BE RAISED. THE PRIME MINISTER WAS ABLE TO GET AGREEMENT THAT YET ANOTHER DRAFT SHOULD BE PREPARED IN THE LIGHT OF THE DISCUSSION. LOBBYING BEHIND THE SCENES HELPED TO PRODUCE THE EXISTING SHORT PARAGRAPH ON OWN RESOURCES:-

QUOTE ON THE BASIS OF THE CONCLUSIONS REACHED ON DEVELOPMENT OF POLICIES, IMPROVING BUDGETARY DISCIPLINE AND THE EXAMINATION OF THE FINANCIAL SYSTEM, THE EXTENT AND TIMING OF THE COMMUNITY'S REQUIREMENTS IN TERMS OF OWN RESOURCES WILL BE DETERMINED. UNQUOTE THE PRIME MINISTER REGARDED THIS AS CONSISTENT WITH HER STATEMENT IN PARA 5 ABOVE AND WAS ABLE TO SEE OFF ALL ATTEMPTS TO AMEND IT.

8. THROUGHOUT THE FOREIGN MINISTERS' DISCUSSIONS OF THE INTERIM SOLUTION GENSCHER MAINTAINED THAT GERMANY WOULD ONLY CONTRIBUTE 50 PER CENT OF ITS NORMAL CONTRIBUTION AS IN 1982. HE SOUGHT TO PRESENT THIS AS AGREED IN REPORTING TO THE EUROPEAN COUNCIL, THOUGH THE MATTER WAS NOT SETTLED ON SATURDAY. THERE SEEMED TO BE AGREEMENT THAT THE GERMAN ALLEVIATION WOULD BE ACCEPTED BUT AT MITTERRAND'S REQUEST NOT MENTIONED IN WRITING (THOUGH THE DUTCH NEVER WITHDREW THEIR OPPOSITION AND THERE IS SOME DOUBT WHETHER THE 50 PER CENT WAS AGREED). THIS LED GERMAN OFFICIALS TO BE EXTREMELY RELUCTANT TO TABLE ANY WRITTEN TEXT TO REFLECT THE AGREEMENT ON 750 MECUS NET. WE INSISTED AT EVERY LEVEL, AIMING TO HAVE A SETTLEMENT ON THE OVER PAYMENT, THE RISK SHARING AND 1984, BUT THE GERMANS WERE EVASIVE. FINALLY, ON SUNDAY MORNING, THE PRESIDENCY TABLED THE 2 PARAGRAPHS IN SECTION (B) OF STUTTGART TELNO 23, PLUS A COMPLETELY NEW AND NONSENSICAL RISK SHARING FORMULA. WITH MAUROY NOW IN THE FRENCH CHAIR, SAYING THAT HE HAD NO LATITUDE WHATSOEVER TO DO ANYTHING EXCEPT CONFIRM THE 750 ECUS AGREEMENT AND SPECIFICALLY OPPOSING ANY RISK-SHARING, THE PRIME MINISTER DECIDED:-

A. TO DEAL WITH THE OVER-PAYMENT BY A FLAT STATEMENT IN THE EUROPEAN COUNCIL THAT AS FAR AS SHE WAS CONCERNED IT WAS FINALLY SETTLED. THIS WAS NOT CONTRADICTED:

B. TO ACCEPT THAT THERE SHOULD BE NO RISK SHARING FORMULA FOR 1984 (PARTICULARLY SINCE WE WERE TOLD PRIVATELY BY NOEL THAT THE CENTRE OF THE COMMISSION RANGE FOR THE UK UNADJUSTED NET CONTRIBUTION IS STILL COMING DOWN AND WAS 1850 MECUS ON 16 JUNE): AND

C. TO DEAL WITH 1984 BY SAYING THAT THE LONG TERM SOLUTION IS SUPPOSED TO BE AGREED BY THE END OF THIS YEAR AND SHOULD APPLY TO THE 1984 BUDGET. IF NOT, EVERYONE KNOWS THAT THE INTERIM WILL REQUIRE AN APPROPRIATE SOLUTION.

TOWARDS THE END OF THE MEETING, THE QUESTION OF THE GERMAN CONTRIBUTION TO OUR REFUND CAME UP AGAIN, WITH IRISH AND GREEKS TRYING AGAIN TO BE LET OFF CONTRIBUTING. LUBBERS SAID THAT THIS ISSUE SHOULD BE DISCUSSED LATER, AND KOHL DID NOT SUM UP.

9. THE FRENCH CONTINUED TO SAY THAT THE UK SHOULD NOT RECEIVE ITS REFUND UNTIL THE LONG TERM SETTLEMENT WAS AGREED, DESPITE THE FACT THAT THEY ACCEPTED YET AGAIN THAT QUOTE CONSEQUENTIAL FIGURES WILL BE INCORPORATED IN THE DRAFT COMMUNITY BUDGET FOR 1984 UNQUOTE. THE ITALIANS GAVE THEM SOME RATHER CLOUDY SUPPORT. CHEYSSON LATER GAVE ERSBOELL AN QUOTE ENTRY IN THE MINUTES UNQUOTE SETTING OUT THE FRENCH POSITION AND REFERRED TO THIS IN THE FRENCH PRESS CONFERENCE. (IT WOULD BE AN INNOVATION TO HAVE MINUTES OF THE EUROPEAN COUNCIL AND ERSBOELL HAS DISAPPEARED WITH THE TEXT. SO THE POSITION REMAINS OBSCURE).

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10. THERE IS ONE OTHER POINT TO NOTE. MITTERRAND WAS UNWILLING TO AGREE TO A POSITIVE PRESIDENCY TEXT ON ENLARGMENT AND IN PARTICULAR KNOCKED OUT A TARGET DATE OF MID-1984 FOR THE COMPLETION OF THE NEGOTIATIONS.

FCO ADVANCE TO:-

FCO - PS, PS/MR RIFKIND, PS/PUS, EVANS, HANNAY, FAIRWEATHER
DE FONBLANQUE (ECD(1))

CAB - WILLIAMSON, STAPLETON, LAMBERT, DURIE

MAFF - ANDREWS

TSY - LITTLER, UNWIN, AJC EDWARDS

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MR COLES *AR 2/6*

cc: Mr Fall, Foreign and Commonwealth Office
Mr Kerr, H M Treasury
Mr Ballard, Dept of Environment
Mr Shaw, Dept of Employment
Mr Spencer, Dept of Trade and Industry
Sir Robert Armstrong

EUROPEAN COUNCIL, 17-19 JUNE: DRAFT WRITTEN PARLIAMENTARY
STATEMENT BY THE PRIME MINISTER

--- You said that the Prime Minister would like to have
the draft of a written parliamentary statement on the
results of the European Council of 17-19 June. This is
attached. It is in a form which might be readily adapted
if it were decided that the statement should be oral.

D F Williamson

D F WILLIAMSON

20 June 1983

EUROPEAN COUNCIL, 17-19 JUNE: DRAFT WRITTEN
PARLIAMENTARY STATEMENT BY THE PRIME MINISTER

The European Council met in Stuttgart on
17-19 June. My rt. hon. Friend, the Secretary of
State for Foreign and Commonwealth Affairs, and
I represented the United Kingdom. The
principal questions discussed were the future
financing of the Community and the long term
correction of budget problems; the 1983 budget
refund for the United Kingdom; and the declaration
on European Union initiated by Herr Genscher and
Signor Colombo. *Conclusions in letter*

On the long term problems I made clear that
the United Kingdom attached the highest importance
to the establishment of guidelines, a tight
timetable and an effective procedure for
discussions during the autumn on the major issues.
It has now been agreed that negotiations will be
started under an urgent procedure; that special
Council meetings will take place at the level
of Foreign Ministers and Finance Ministers; and
that the result of the negotiation will be
submitted to the next meeting of the European
Council in Athens on 6 December 1983. The main
issues for discussion will be measures to ensure
effective control of agricultural and other
/Community

Community expenditure; measures to avoid the constantly recurring problems of the financial consequences of the Community budget and its financing; the Community's requirements in terms of own resources; the development of Community policies particularly in the field of research, innovation and new technologies; and the objective of concluding the accession negotiations with Spain and Portugal. The decisions on all these issues have not been prejudged but the negotiation within the Community to achieve acceptable results has now been effectively launched.

Agreement was also reached on a 1983 budget refund for the United Kingdom of 750 million ecu (£437 million). The effect of this agreement is that over the period 1980-83 the United Kingdom receives budget refunds of more than £2,500 million, which is broadly equivalent to two-thirds of its unadjusted net contribution. This result is fully in line with what my rt. hon. Friend, the then Chancellor of the Exchequer, told the House on 2 July 1980. The figure of 750 million ecu will now be put into the draft Community budget for 1984, in accordance with the undertaking made by the European Council at its March meeting. The refunds will be made available through measures of Community interest within the United Kingdom.

I am making available in the Library of the House the text of the Solemn Declaration on European Union, which I signed. We strongly support the objectives of greater political cooperation and more efficient decision-making procedures which are set out in this declaration. We welcome this reaffirmation of the wider objectives of the European Community.

In addition, the European Council discussed a number of other issues of immediate importance. It welcomed the decisions of the Council of Ministers on the reform of the European Social Fund, which will allow a high degree of priority to be given to the fight against youth unemployment and called for active consideration of the Commission's communication on the promotion of youth employment.

The European Council stressed that the completion of the internal market must remain a priority aim and that work must continue on the removal of various forms of distortion of competition, including trade barriers in the form of differences between national standards, as well as in the services sector.

The European Council also underlined the urgent necessity to exert and reinforce action at national, Community and international level

aimed at combatting the pollution of the environment. In particular, it emphasised the importance of reducing the amount of lead in the environment and called for [REDACTED] progress towards the use of leadless petrol.

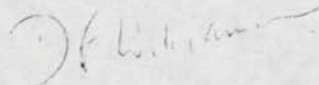
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MR COLES

cc: Mr Fall, Foreign and Commonwealth Office
Mr Kerr, H M Treasury
Mr Ballard, Dept of Environment
Mr Shaw, Dept of Employment
Mr Spencer, Dept of Trade and Industry
Sir Robert Armstrong

EUROPEAN COUNCIL, 17-19 JUNE: DRAFT WRITTEN PARLIAMENTARY
STATEMENT BY THE PRIME MINISTER

--- You said that the Prime Minister would like to have the draft of a written parliamentary statement on the results of the European Council of 17-19 June. This is attached. It is in a form which might be readily adapted if it were decided that the statement should be oral.



D F WILLIAMSON

20 June 1983

EUROPEAN COUNCIL, 17-19 JUNE: DRAFT WRITTEN
PARLIAMENTARY STATEMENT BY THE PRIME MINISTER

The European Council met in Stuttgart on 17-19 June. My rt. hon. Friend, the Secretary of State for Foreign and Commonwealth Affairs, and I represented the United Kingdom. The principal questions discussed were the future financing of the Community and the long term correction of budget problems; the 1983 budget refund for the United Kingdom; and the declaration on European Union initiated by Herr Genscher and Signor Colombo.

On the long term problems I made clear that the United Kingdom attached the highest importance to the establishment of guidelines, a tight timetable and an effective procedure for discussions during the autumn on the major issues. It has now been agreed that negotiations will be started under an urgent procedure; that special Council meetings will take place at the level of Foreign Ministers and Finance Ministers; and that the result of the negotiation will be submitted to the next meeting of the European Council in Athens on 6 December 1983. The main issues for discussion will be measures to ensure effective control of agricultural and other

/Community

Community expenditure; measures to avoid the constantly recurring problems of the financial consequences of the Community budget and its financing; the Community's requirements in terms of own resources; the development of Community policies particularly in the field of research, innovation and new technologies; and the objective of concluding the accession negotiations with Spain and Portugal. The decisions on all these issues have not been prejudged but the negotiation within the Community to achieve acceptable results has now been effectively launched.

Agreement was also reached on a 1983 budget refund for the United Kingdom of 750 million ecu (£437 million). The effect of this agreement is that over the period 1980-83 the United Kingdom receives budget refunds of more than £2,500 million, which is broadly equivalent to two-thirds of its unadjusted net contribution. This result is fully in line with what my rt. hon. Friend, the then Chancellor of the Exchequer, told the House on 2 July 1980. The figure of 750 million ecu will now be put into the draft Community budget for 1984, in accordance with the undertaking made by the European Council at its March meeting. The refunds will be made available through measures of Community interest within the United Kingdom.

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In addition, the European Council discussed a number of other issues of immediate importance. It welcomed the decisions of the Council of Ministers on the reform of the European Social Fund, which will allow a high degree of priority to be given to the fight against youth unemployment and called for active consideration of the Commission's communication on the promotion of youth employment.

The European Council stressed that the completion of the internal market must remain a priority aim and that work must continue on the removal of various forms of distortion of competition, including trade barriers in the form of differences between national standards, as well as in the services sector.

The European Council also underlined the urgent necessity to exert and reinforce action at national, Community and international level

aimed at combatting the pollution of the environment. In particular, it emphasised the importance of reducing the amount of lead in the environment and called for progress towards the use of leadless petrol.

Town Cross

M 27/2

h.c.

X Ref



10 DOWNING STREET

I attach for information and record purposes copies of the transcripts of the Prime Minister's press conference and subsequent television and radio interviews following the conclusion of the meeting of the European Council in Stuttgart on Sunday, 19 June 1983.

Signed

B INGHAM
CHIEF PRESS SECRETARY

20 June 1983

EXTRACT FROM STUTTGART PRESS CONFERENCE

MRS THATCHER

11

I was faced with two paragraphs headed 'own resources and particular problems of certain member states'. The original third and fourth paragraph of that section were couched in these terms. 'The end result of the negotiation will be a decision on the extent and timing of an increase in the Community's own resources'. That was one that I was faced with. The next one - 'any increase of the own resources will take the form of a decision on a new ceiling to be ratified by the Parliament of the member states', it went on. Now you see there were two things, a decision on an increase in the Community own resources and then a particular method of increasing which could only relate to the VAT ceiling. ^{both} ~~some~~ of these paragraphs are gone - kaput'. The paragraph that is in now is as you will see - 'on the basis of the conclusions reached on development of policies, improving budgetary discipline, and examination of the financial system, the extent and timing of the Community's requirements in terms of own resources will be determined'. I gave it to you at length so you could see the kind of hard pounding it's been.

June 19, 1983

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 progress and in particular to the problem of employment by the development of a European social policy,

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 December 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.

- 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 and economic aspects of security, so as to promote and facilitate the progressive development of such positions and actions in a growing number of foreign policy fields.

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 which were agreed on in the Luxembourg (1970), Copenhagen (1973) and London (1981) reports will apply, together with 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 President of the Commission assisted by the Foreign Ministers of the Member States 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 promote the objective of a Europe speaking with a single voice and acting in common in the field of foreign policy, the Governments of 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 Assembly of the European Communities has an essential role to play in the development of European Union.

2.3.2. 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 consultation procedures 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.

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 to debate and to vote on that programme.

2.3.6. (*) The Council will enter into talks with the European Parliament and the Commission with the aim, within the framework of a new agreement, of improving and extending the scope of the conciliation procedure provided for in the Joint Declaration of 4 March 1975.

2.3.7. In addition to the consultations provided for in the Treaties with respect to certain international agreements, the opinion of the European Parliament will be sought 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.

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 the work of 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.

3. 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 of the state of economic development of the Member States. 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 Community and national levels in particular by means of specific action on behalf of young people (*) and by improved harmonization of social security systems.

- 3.1.2. More effective co-ordination of the national economic policies, which is 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 a free and 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 certain Mediterranean areas the development of which is heavily dependent on agriculture, merit special attention.
- 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. In order to provide the Community with the means for vigorous development in the long term, co-operation between enterprises in advanced technologies will be strengthened by the establishment of projects of common interest.
- 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.

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 and economic aspects of security;
- 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 third 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.

3.3.

CULTURAL CO-OPERATION

With a view to complementing Community action and stressing that, in consideration of the membership of their States 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;
- more extensive contacts between writers and artists 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.

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;

- *) - identification of areas of criminal and procedural law in which co-operation between Member States might be desirable.

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. *) The Heads of State or Government will subject this Declaration to a general review as soon as the progress achieved towards European unification justifies such action, but not later than five years from signature of the Declaration.

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.

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

*) Danish reservations on paragraphs 1.4.2., 2.3.5., 2.3.6., 3.I.I., 3.4.3. and 4.3.

cf. Greek declarations in the minutes with reference to paragraphs 2.2.2 and 2.2.3.

(Members of both Houses should be aware that other declarations on the text, including the United Kingdom declaration on paragraph 2.2.2, are contained in the list of declarations for the minutes made on the occasion of the signature of the 'Solemn Declaration on European Union' which has also been laid in the Library.)

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CONCLUSIONS OF THE EUROPEAN COUNCIL
Stuttgart - June 17-19, 1983

SOLEMN DECLARATION ON EUROPEAN UNION

The Heads of State and Government received the report of the Foreign Ministers concerning the conclusion of their work on the German-Italian initiative on European Union following the mandate given by the European Council in November 1981. The Heads of State and Government and the Foreign Ministers of the Ten signed the Solemn Declaration on European Union. They expressed their deep satisfaction at this important step towards European Union.

POLAND

At the moment when the important visit of Pope John Paul II is taking place in Poland, the Heads of State and Government reviewed the situation in that country, to which their peoples are linked by strong ties of solidarity.

At a time when the depth of the aspirations of the Polish people is more than ever apparent, they expressed their conviction that only a national reconciliation, which takes full account of these aspirations, can lead Poland out of its grave crisis.

CSCE

The Heads of State and Government reviewed the progress of the CSCE follow-up meeting in Madrid, noting with interest the timely and important initiative taken on 17 June by Señor Felipe Gonzales as the Prime Minister of the host country. Their governments will examine this proposal with due care and in a positive spirit. They appeal to the governments of other participating States to do likewise. They reiterated their view that the adoption of a substantial and balanced concluding document at Madrid would register progress in the human dimension, open the way to a Conference on disarmament in Europe, give fresh impetus to the CSCE process and make a useful contribution to the improvement of East/West relations as a whole.

MIDDLE EAST

The Heads of State and Government consider that the return of full sovereignty and final peace in Lebanon requires the complete and prompt withdrawal of foreign forces from its territory, except for those whose presence may be requested by the Lebanese Government.

They confirmed their full support for President Gemayel and his Government in their determined action to re-establish their authority over the entire territory of Lebanon. In this respect, they consider that the signing of the Israel-Lebanon agreement constitutes a step which must be followed by others. They consider, however, that peace will not be able to become a reality unless the security and legitimate interests of the other States and peoples of the region are taken into account.

They stated their readiness to use all the means at their disposal to support the efforts undertaken by the parties in question so as to find a broader area of agreement.

They remain convinced that a just, lasting and comprehensive peace in the Middle East can only be secured on the basis of the principles which they have stated many times in the past.

They again voiced their very serious concern at the distress of the Palestinian civilian population. They hope that the relevant international organizations will be allowed to assist this population without hindrance.

CENTRAL AMERICA

The Heads of State and Government confirmed their close interest in developments in Central America. They are deeply concerned at the economic and social conditions in many parts of the region, at the tensions which these create and at the widespread misery and bloodshed.

They are convinced that the problems of Central America cannot be solved by military means, but only by a political solution springing from the region itself and respecting the principles of non-interference and inviolability of frontiers. They, therefore, fully support the current initiative of the Contadora Group. They underlined the need for the establishment of democratic conditions and for the strict observance of human rights throughout the region.

They are ready to continue contributing to the further development in the area, in order to promote progress towards stability.

NRB 1060

(FRANK GENERAL)

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TO IMMEDIATE FCG

TELEGRAM NUMBER 24 OF 19 JUNE

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MY SECOND IPT: EUROPEAN COUNCIL STUTTGART 17-19 JUNE 1983.

1. FINAL TEXTS ON OTHER COMMUNITY SUBJECTS ARE AS FOLLOWS:
CONCLUSIONS OF THE PRESIDENCY ON THE
PROCEEDINGS OF THE EUROPEAN COUNCIL
STUTTGART - 17 TO 19 JUNE 1983.

ECONOMIC RECOVERY.

THE EUROPEAN COUNCIL CONSIDERS THAT THE PROSPECTS FOR SUSTAINED AND NON-INFLATIONARY ECONOMIC RECOVERY SHOULD BE REINFORCED BY DEVELOPING AND DEFINING MORE PRECISELY THE ACTION INITIATED COMMUNITY-WIDE, AND THUS PROVIDING THE COMMUNITY'S CONTRIBUTION TO THE IMPLEMENTATION OF GUIDELINES ADOPTED BY THE OECD COUNCIL OF MINISTERS.

IN THIS CONTEXT THE NEED TO SUSTAIN THE EFFORT TO PROMOTE THE LEVEL OF EMPLOYMENT AND PRODUCTIVE INVESTMENT WAS EMPHASIZED.

THE EUROPEAN COUNCIL THEREFORE REQUESTS THE COMMISSION, WITHIN THE COMING MONTHS:

- TO PREPARE A DETAILED ANALYSIS OF THE NATURE AND EXTENT OF THE RECOVERY AND WHAT THE AUTHORITIES ARE ALREADY DOING TO SUPPORT, CONSOLIDATE AND ACCELERATE IT;
- TO MAKE FULL USE OF COMMUNITY FINANCIAL INSTRUMENTS IN A COORDINATED MANNER TO SUSTAIN AND CONSOLIDATE THE ECONOMIC RECOVERY;
- ON THIS BASIS, TO INDICATE WHAT NEW FACTORS THE MEMBER STATES AND THE COMMUNITY CAN BRING FORWARD TO UNDERPIN THE RECOVERY, AS AND WHEN NECESSARY.

YOUTH EMPLOYMENT

THE EUROPEAN COUNCIL EXPRESSES ITS PROFOUND ANXIETY IN THE FACE OF A SITUATION WHERE MORE THAN 4.5 MILLION YOUNG PEOPLE IN THE COMMUNITY ARE WITHOUT JOBS, INCLUDING MORE THAN ONE AND A HALF MILLION WHO HAVE BEEN UNEMPLOYED FOR MORE THAN A YEAR.

IT TAKES NOTE OF THE IMPORTANCE OF THE MEMBER STATES EMBARKING UPON SUSTAINED ACTION IN THIS AREA FORTHWITH.

IT WELCOMES WITH SATISFACTION THE DECISIONS OF THE COUNCIL ON THE REFORM OF THE EUROPEAN SOCIAL FUND, WHICH WILL ALLOW A HIGH DEGREE OF PRIORITY TO BE GIVEN TO THE FIGHT AGAINST YOUTH UNEMPLOYMENT.

THE RESOURCES OF THE FUND WILL BE DIRECTED TO THOSE COUNTRIES AND REGIONS WHERE UNEMPLOYMENT, AND IN PARTICULAR YOUTH UNEMPLOYMENT, IS AT ITS HIGHEST.

-IT FURTHER WELCOMES THE RESOLUTIONS ON VOCATIONAL TRAINING IN THE EIGHTIES AND ON VOCATIONAL TRAINING MEASURES IN RELATION TO THE INTRODUCTION OF NEW INFORMATION TECHNOLOGIES.

THE EUROPEAN COUNCIL EXPECTS OF THESE COMMUNITY MEASURES AS SPEEDY AND LASTING AN EFFECT AS POSSIBLE AND STRESSES HOW IMPORTANT IT IS THAT THE MEMBER STATES SHOULD, AS A CONCOMITANT MEASURE, PERSEVERE IN THE EFFORTS THAT THEY THEMSELVES HAVE UNDERTAKEN.

IT CALLS UPON THE COMPETENT COMMUNITY BODIES ACTIVELY TO PURSUE CONSIDERATION OF THE COMMISSION'S COMMUNICATION ON THE PROMOTION OF YOUTH EMPLOYMENT TOGETHER WITH THE MEMORANDUM ON THE REDUCTION AND READJUSTMENT OF WORKING TIME.

INTERNAL MARKET

THE EUROPEAN COUNCIL NOTES THAT PROGRESS HAS BEEN MADE IN THE STRENGTHENING OF THE INTERNAL MARKET SINCE THE MANDATE GIVEN AT COPENHAGEN, PARTICULARLY ON INFORMATION PROCEDURES FOR STANDARDS, WHICH HAS BEEN IDENTIFIED AS A KEY QUESTION, AND ON COMPANY LAW (WITH THE ADOPTION OF THE 7TH DIRECTIVE ON CONSOLIDATED ACCOUNTS).

IT REGRETS, HOWEVER, THAT FURTHER PROGRESS ON THE OTHER KEY QUESTIONS, (CERTIFICATION FOR THIRD COUNTRY PRODUCTS AND FRONTIER FORMALITIES), HAS NOT YET BEEN FORTHCOMING.

IT IN PARTICULAR CALLS ON THE COUNCIL AT ITS SESSION OF 31 JUNE TO MAKE EVERY EFFORT TO SETTLE AS MANY OF THE OUTSTANDING INTERNAL MARKET MATTERS AS POSSIBLE, AS WELL AS THE EQUALLY RELEVANT QUESTION OF THE REINFORCEMENT OF THE TRADE POLICY INSTRUMENTS. APPROPRIATELY CONSTRUCTIVE NATIONAL POSITIONS WILL BE WORKED OUT SO THAT THIS AIM IS ACHIEVED.

COMPLETION OF THE INTERNAL MARKET MUST REMAIN A PRIORITY AIM: THE MEASURES DECIDED AT COPENHAGEN CONSTITUTE ONLY A FIRST STEP IN THIS DIRECTION: WORK MUST THEREFORE CONTINUE INTER ALIA ON THE REMOVAL OF THE VARIOUS FORMS OF DISTORTION OF COMPETITION THAT STILL EXIST, INCLUDING TRADE BARRIERS IN THE FORM OF DIFFERENCES BETWEEN NATIONAL STANDARDS, AS WELL AS IN THE SERVICES SECTOR.

STEEL POLICY.

GIVEN THE URGENCY OF REACHING AGREEMENT ON THE COMMUNITY'S STEEL POLICY FOR THE TIME AFTER 30TH JUNE 1983 THE EUROPEAN COUNCIL EXPRESSED THE HOPE THAT THE COUNCIL WILL ARRIVE AT AN AGREEMENT ON THIS QUESTION.

TRANSPORT POLICY

THE EUROPEAN COUNCIL EMPHASIZES THE IMPORTANCE OF TRANSPORT POLICY IN COMPLETING THE INTERNAL MARKET. IT NOTES WITH INTEREST THE IDEAS EXPOUNDED IN THE MEMORANDUM SUBMITTED BY THE NETHERLANDS GOVERNMENT. IT ASKS THE COUNCIL OF TRANSPORT MINISTERS TO CONTINUE THE EFFORT RECENTLY MANIFESTED IN THE CONCRETE RESULTS ACHIEVED BY THE COUNCIL, THUS TESTIFYING TO THE IMPORTANCE WHICH THIS POLICY ASSUMES FOR THE COMMUNITY.

ENVIRONMENT

THE EUROPEAN COUNCIL UNDERLINES THE URGENT NECESSITY OF ACCELERATING AND REINFORCING ACTION AT NATIONAL, COMMUNITY AND INTERNATIONAL LEVEL AIMED AT COMBATING THE POLLUTION OF THE ENVIRONMENT. IT UNDERLINES IN PARTICULAR THE ACUTE DANGER THREATENING THE EUROPEAN FOREST AREAS, WHICH CALLS FOR IMMEDIATE ACTION.

THE EUROPEAN COUNCIL WELCOMES IN THIS CONNECTION THE MEMORANDUM FROM THE FEDERAL GERMAN GOVERNMENT AND THE COMMISSION COMMUNICATION WHICH ILLUSTRATES THE URGENCY OF THE QUESTION AND THE NECESSITY TO TAKE COORDINATED AND EFFECTIVE INITIATIVES BOTH WITHIN THE COMMUNITY AND INTERNATIONALLY, PARTICULARLY WITHIN THE ECE, IF AN IRREVERSIBLE SITUATION IS TO BE AVOIDED. IT CALLS ON THE ENVIRONMENT COUNCIL TO PURSUE ITS WORK ON THE DIFFERENT SPECIFIC DOSSIERS RELEVANT TO THIS PROBLEM AND EXAMINE RELEVANT INITIATIVES PROPOSED BY THE COMMISSION, WITH A VIEW TO RAPID SIGNIFICANT PROGRESS.

THE EUROPEAN COUNCIL ALSO WELCOMED THE CONCLUSIONS OF THE ENVIRONMENT COUNCIL ON THE SPECIAL CASE OF LEAD IN PETROL. IT EMPHASISED THE IMPORTANCE OF REDUCING THE AMOUNT OF LEAD IN THE ENVIRONMENT AND CALLED FOR PROGRESS WHICH MAY LEAD TO THE USE OF LEADLESS PETROL.

UNCTAD VI.

THE EUROPEAN COUNCIL REGARDS THE SIXTH UNITED NATIONS TRADE AND DEVELOPMENT CONFERENCE (UNCTAD VI) IN BELGRADE AS A VERY IMPORTANT EVENT IN THE NORTH/SOUTH DIALOGUE IN 1983. THE CONFERENCE IS BEING HELD AGAINST THE BACKGROUND OF A DIFFICULT ECONOMIC SITUATION, PARTICULARLY IN MANY DEVELOPING COUNTRIES. THE COMMUNITY IS PARTICIPATING IN THE BELGRADE NEGOTIATIONS IN A SPIRIT OF CO-OPERATION AND READINESS TO DISCUSS. THE EUROPEAN COUNCIL AGREES THAT IT HAS SPECIAL RESPONSIBILITY FOR MAINTAINING AND IMPROVING THE MARKETING OPPORTUNITIES OF THE DEVELOPING COUNTRIES. THIS WILL BE GIVEN CONCRETE SHAPE BY MEANS OF A POLICY DIRECTED AT GROWTH AND AT MAINTAINING AND REINFORCING THE OPEN NATURE OF THE COMMUNITY. THE EUROPEAN COUNCIL EXPECTS THE CONFERENCE TO CONTRIBUTE TO STRENGTHENING CONFIDENCE IN THE WORLD ECONOMIC RECOVERY AND TO THE PROMOTION OF DEVELOPMENT IN THE THIRD WORLD. THE COMMUNITY WILL MAKE A CONSTRUCTIVE CONTRIBUTION TO THAT END.

COMPENSATION FOR THE UNITED KINGDOM.
THE EUROPEAN COUNCIL AGREED ON COMPENSATION FOR THE
UNITED KINGDOM FOR 1983.

GREEK MEMORANDUM.

THE EUROPEAN COUNCIL IS CONSCIOUS OF THE SPECIAL
ECONOMIC AND SOCIAL PROBLEMS FACED BY GREECE AND THE
DIFFICULTIES WHICH THESE CREATE IN THE PROCESS OF INTE-
GRATING GREECE INTO THE EUROPEAN COMMUNITIES.

THE EUROPEAN COUNCIL AGREES THAT THE COMMUNITY SHOULD
PLAY ITS PART IN HELPING TO OVERCOME THESE DIFFICULTIES.

IT WELCOMES IN THIS CONNECTION THE DETAILED AND
CONSTRUCTIVE EXAMINATION OF THESE PROBLEMS UNDERTAKEN BY
THE COMMISSION AND THE TWO COMMUNICATIONS WHICH HAVE RESULTED
FROM THIS WORK. THE COMMUNICATIONS CLEARLY INDICATE THAT
SOLUTIONS CAN BE FOUND IN THE COMMUNITY FRAMEWORK IN ORDER
TO PERMIT THE INTEGRATION OF GREECE INTO THE COMMUNITY SYSTEM
IN A HARMONIOUS AND MUTUALLY BENEFICIAL MANNER.

IT WELCOMES THE FACT THAT THE COMMISSION INTENDS
SHORTLY TO SUBMIT SPECIFIC PROPOSALS (INCLUDING THEIR
FINANCIAL ASPECTS) IN VARIOUS SECTORS COMPLEMENTING ITS
EARLIER PROPOSALS. IT INVITES THE COUNCIL TO EXAMINE THESE
PROPOSALS WITH A VIEW TO CONCRETE DECISIONS BEFORE THE
NEXT EUROPEAN COUNCIL.

ROSE

FRANK CONGRAL
ECD (1)

MR THOMAS
~~MR MANNING~~
HD/ERD
~~MR ECD (S)~~
MR RAMSDEN - ERD

MR EMDEN - DOT (Rm 463)
MR BESTALL HM TREASURY
MR MANNING APD/ODA

RESIDENT CLERK

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EUROPEAN COUNCIL STUTTGART 17-19 JUNE 1983.
FINAL TEXT OF PRESIDENCY CONCLUSIONS ON UNCTAD AS FOLLOWS:

UNCTAD VI.

THE EUROPEAN COUNCIL REGARDS THE SIXTH UNITED NATIONS TRADE AND DEVELOPMENT CONFERENCE (UNCTAD VI) IN BELGRADE AS A VERY IMPORTANT EVENT IN THE NORTH/SOUTH DIALOGUE IN 1983. THE CONFERENCE IS BEING HELD AGAINST THE BACKGROUND OF A DIFFICULT ECONOMIC SITUATION, PARTICULARLY IN MANY DEVELOPING COUNTRIES. THE COMMUNITY IS PARTICIPATING IN THE BELGRADE NEGOTIATIONS IN A SPIRIT OF CO-OPERATION AND READINESS TO DISCUSS. THE EUROPEAN COUNCIL AGREES THAT IT HAS SPECIAL RESPONSIBILITY FOR MAINTAINING AND IMPROVING THE MARKETING OPPORTUNITIES OF THE DEVELOPING COUNTRIES. THIS WILL BE GIVEN CONCRETE SHAPE BY MEANS OF A POLICY DIRECTED AT GROWTH AND AT MAINTAINING AND REINFORCING THE OPEN NATURE OF THE COMMUNITY. THE EUROPEAN COUNCIL EXPECTS THE CONFERENCE TO CONTRIBUTE TO STRENGTHENING CONFIDENCE IN THE WORLD ECONOMIC RECOVERY AND TO THE PROMOTION OF DEVELOPMENT IN THE THIRD WORLD. THE COMMUNITY WILL MAKE A CONSTRUCTIVE CONTRIBUTION TO THAT END.

ROSE

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EUROPEAN COUNCIL STUTTGART 17-19 JUNE 1983
1. FINAL TEXTS ON BUDGETARY ISSUES - A DECLARATION ON FUTURE
FINANCING PLUS A CONCLUSION ON UK REFUNDS FOR 1983 - ARE AS
FOLLOWS

(A) DECLARATION
ADOPTED BY THE EUROPEAN COUNCIL IN STUTTGART ON 18 JUNE

1983

AT A TIME WHEN THE EUROPEAN COMMUNITY IS FACED WITH ENORMOUS
SOCIAL AND ECONOMIC CHALLENGES AND IS IN THE PROCESS
OF NEGOTIATING A THIRD ENLARGEMENT TEN YEARS AFTER THE FIRST
ACCESSION, THE EUROPEAN COUNCIL HAS DECIDED TO TAKE BROAD
ACTION TO ENSURE THE RELAUNCH OF THE EUROPEAN COMMUNITY.

IN THE COURSE OF THE COMING SIX MONTHS A MAJOR NEGOTIATION
WILL TAKE PLACE TO TACKLE THE MOST PRESSING PROBLEMS FACING THE
COMMUNITY SO AS TO PROVIDE A SOLID BASIS FOR THE FURTHER DYNAMIC
DEVELOPMENT OF THE COMMUNITY OVER THE REMAINDER OF THE PRESENT
DECADE.

WITH REGARD TO THE IMPORTANCE, COMPLEXITY AND LINKAGE OF
THE PROBLEMS, NEGOTIATIONS WILL BE STARTED UNDER A SPECIAL
EMERGENCY PROCEDURE. FOR THIS PURPOSE SPECIAL COUNCIL SESSIONS
WILL TAKE PLACE AT THE LEVEL OF FOREIGN MINISTERS AND FINANCE
MINISTERS: WHERE NECESSARY, OTHER MINISTERS WILL ALSO PARTICIPATE,
ESPECIALLY MINISTERS OF AGRICULTURE. STATE SECRETARIES MAY ASSIST
THE MINISTERS.

THE RESULT OF THE NEGOTIATION WILL BE SUBMITTED TO THE
EUROPEAN COUNCIL MEETING IN ATHENS ON 6 DECEMBER 1983.

THE NEGOTIATION WILL COVER THE SUBJECTS MENTIONED IN
THE CONCLUSIONS OF THE EUROPEAN COUNCIL OF 21-22 MARCH 1983.
THE FUTURE FINANCING OF THE COMMUNITY, THE DEVELOPMENT OF
COMMUNITY POLICIES, THE ISSUES RELATING TO ENLARGEMENT,
PARTICULAR PROBLEMS OF CERTAIN MEMBER STATES IN THE BUDGET
FIELD AND IN OTHER FIELDS AND THE NEED FOR GREATER
BUDGETARY DISCIPLINE.

DECISIONS WILL BE TAKEN IN COMMON ON ALL THESE QUESTIONS
AT THE END.

THE NEGOTIATION WILL AIM AT EXAMINING ALL THE EXISTING
POLICIES WITH PARTICULAR ATTENTION TO THE COMMON AGRICULTURAL
POLICY.

THE EXAMINATION OF POLICIES WILL TAKE PLACE WITH THE PURPOSE
ON THE ONE HAND OF MODERNIZING AND MAKING MORE EFFECTIVE
THE EXISTING POLICIES AND TO DETERMINE THE PRIORITY AREAS FOR
NEW COMMUNITY ACTION, AND ON THE OTHER HAND TO ENSURE THAT
POLICIES ARE COST EFFECTIVE AND THAT ECONOMIES ARE MADE
WHEREVER POSSIBLE.

THE NEGOTIATION WILL IN ADDITION AIM AT A MORE BALANCED
AND EQUITABLE SITUATION, ALSO IN FINANCIAL TERMS FROM THE
POINT OF VIEW OF THE INTERESTS OF THE DIFFERENT MEMBER STATES
AND OF THE COMMUNITY AS A WHOLE.

THE NEGOTIATION WILL BE BASED ON THE FOLLOWING GUIDELINES:

THE COMMON AGRICULTURAL POLICY

THE BASIC PRINCIPLES OF THE COMMON AGRICULTURAL POLICY
WILL BE OBSERVED IN KEEPING WITH THE OBJECTIVES SET FORTH
IN ARTICLE 39 OF THE TREATY ESTABLISHING THE EEC. THE COMMON
AGRICULTURAL POLICY MUST BE ADAPTED TO THE SITUATION FACING
THE COMMUNITY IN THE FORESEEABLE FUTURE, IN ORDER THAT IT CAN
FULFILL ITS AIMS IN A MORE COHERENT MANNER.

THE FOLLOWING

- THE FOLLOWING QUESTIONS WILL IN PARTICULAR BE EXAMINED:
- PRICE POLICY.
 - THRESHOLDS FOR GUARANTEES, IN RELATION TO OBJECTIVES FOR PRODUCTION
 - CO-RESPONSIBILITY OF PRODUCERS,
 - INTERVENTION ARRANGEMENTS,
 - ARRANGEMENTS ON EXPORT REFUNDS,
 - SUBSTITUTES AND COMMUNITY PREFERENCES,
 - COMPENSATORY AMOUNTS,
 - AIDS AND PREMIUM ARRANGEMENTS,
 - INTERNAL BARRIERS TO TRADE,
 - TYPE AND SIZE OF FARMS, AND PARTICULAR SITUATIONS OF THE VARIOUS CATEGORIES OF FARMERS,
 - THE NEED FOR STRICT FINANCIAL GUIDELINES,
 - EXTERNAL AGRICULTURAL POLICY,
 - SPECIAL PROBLEMS ARISING IN CERTAIN REGIONS, SUCH AS IN THE MEDITERRANEAN REGIONS, IN MOUNTAIN AREAS OR OTHER REGIONS AT A DISADVANTAGE BECAUSE OF NATURAL OR ECONOMIC FEATURES.

THE EXAMINATION WILL RESULT I.A. IN CONCRETE STEPS COMPATIBLE WITH MARKET CONDITIONS BEING TAKEN TO ENSURE EFFECTIVE CONTROL OF AGRICULTURAL EXPENDITURE BY MAKING FULL USE OF AVAILABLE POSSIBILITIES AND EXAMINING ALL MARKET ORGANIZATIONS.

ALL MEMBER STATES MUST CONTRIBUTE TO ACHIEVING THE SAVINGS.

PROPOSALS WILL BE SUBMITTED BY THE COMMISSION BY 1ST AUGUST 1983.

THE EUROPEAN COUNCIL HAS TAKEN NOTE OF THE COMMUNICATIONS OF THE COMMISSION ON INTEGRATED MEDITERRANEAN PROGRAMMES WHICH AIM IN PARTICULAR AT MODERNIZING MEDITERRANEAN AGRICULTURE AND ITS BETTER INTEGRATION INTO THE GENERAL ECONOMY. IT ASKS THE COUNCIL TO EXAMINE THEM AS SOON AS THE COMMISSION'S PROPOSALS ARE SUBMITTED.

OTHER POLICIES

DEVELOPMENT OF POLICIES AND NEW COMMUNITY ACTION.
THE EUROPEAN COUNCIL IS DETERMINED TO DEVELOP AND MAKE MORE EFFECTIVE COMMUNITY ACTION IN RESEARCH, INNOVATION AND THE NEW TECHNOLOGIES WITH A VIEW TO FACILITATING COOPERATION BETWEEN ENTERPRISES. ON THE BASIS OF PROPOSALS BY THE COMMISSION, DECISIONS WILL BE TAKEN ON NEW COMMUNITY ACTIONS MAKING USE OF THE COMMUNITY DIMENSION TO IMPROVE THE INTERNATIONAL COMPETITIVENESS OF ENTERPRISES.

NEGOTIATIONS ON CERTAIN PROJECTS OF AN EXEMPLARY NATURE, E.G. THE ESPRIT PROGRAMME, SHOULD BE CONCLUDED AS SOON AS POSSIBLE. LIKEWISE CONCRETE PROGRESS SHOULD BE MADE TOWARD UNIFORM STANDARDS AND NORMS.

THE PROTECTION OF THE ENVIRONMENT, EMPLOYMENT POLICY, IN PARTICULAR CONCERNING YOUNG PEOPLE AND SOCIAL POLICY WILL BE GIVEN EQUALLY HIGH PRIORITY.

BUDGETARY DISCIPLINE.

EXPENDITURE MUST ALSO BE CONTROLLED, IN COOPERATION WITH THE EUROPEAN PARLIAMENT, OUTSIDE THE AGRICULTURAL SECTOR. POLICIES ARE TO BE DEVELOPED WITHIN THE BOUNDS OF FINANCIAL FEASIBILITY AND SUPPLEMENTED THROUGH NEW ACTIONS WHICH MUST BE INCORPORATED IN AN ECONOMICALLY SUITABLE WAY INTO COMMUNITY POLICIES.

BY 1ST AUGUST 1983 THE COMMISSION WILL PRESENT A REPORT WITH PROPOSALS FOR INCREASING THE EFFECTIVENESS OF THE COMMUNITY'S STRUCTURAL FUNDS (THE REGIONAL FUND, THE SOCIAL FUND AND THE GUIDANCE SECTOR OF THE EAGGF). IT WILL CONCENTRATE ON A MORE CONSISTENT CO-ORDINATION OF POLICIES TO AVOID DUPLICATION OF EFFORT AND EXPENDITURE AND TO ACHIEVE GREATER BUDGETARY DISCIPLINE.

ON THE BASIS OF THIS REPORT, THE POLICIES IN QUESTION WILL BE REVIEWED AND PRIORITIES DETERMINED ON THE BASIS OF URGENCY AND IMPORTANCE.

OWN RESOURCES AND PARTICULAR PROBLEMS OF CERTAIN MEMBER STATES.

THE OBJECTIVE IS:

-TO SECURE THE FINANCING OF COMMUNITY POLICIES AND ACTIONS AND THEIR FURTHER DEVELOPMENT OVER A LONGER PERIOD OF TIME TAKING INTO ACCOUNT THE ADDITIONAL FINANCIAL REQUIREMENTS WHICH WOULD FLOW FROM THE ACCESSION OF SPAIN AND PORTUGAL, WHILE EXHAUSTING ALL POSSIBILITIES FOR SAVINGS:

-TO AGREE MEASURES WHICH, TAKEN AS A WHOLE, WILL AVOID THE CONSTANTLY RECURRENT PROBLEMS BETWEEN THE MEMBER STATES OVER THE FINANCIAL CONSEQUENCES OF THE COMMUNITY'S BUDGET AND ITS FINANCING. ALL APPROPRIATE WAYS AND MEANS WILL BE EXAMINED TO THIS END, IN PARTICULAR THE PROPOSALS MADE BY THE COMMISSION AND THE SUGGESTIONS OF CERTAIN MEMBER STATES WITH A VIEW TO ENSURING EQUITABLE FINANCIAL SITUATIONS FOR ALL MEMBER STATES.

ON THE BASIS OF THE CONCLUSIONS REACHED ON DEVELOPMENT OF POLICIES, IMPROVING BUDGETARY DISCIPLINE AND THE EXAMINATION OF THE FINANCIAL SYSTEM, THE EXTENT AND TIMING OF THE COMMUNITY'S REQUIREMENTS IN TERMS OF OWN RESOURCES WILL BE DETERMINED.

SOUND FINANCIAL MANAGEMENT

THE COURT OF AUDITORS OF THE EUROPEAN COMMUNITY WILL BE ASKED TO REVIEW THE SOUND FINANCIAL MANAGEMENT OF COMMUNITY ACTIVITIES AND TO SUBMIT A REPORT BY THE END OF 1983. THIS REPORT WILL BE FOLLOWED UP IN THE COURT'S ANNUAL REPORTS.

ENLARGEMENT

THE ACCESSION NEGOTIATIONS WITH SPAIN AND PORTUGAL WILL BE PURSUED WITH THE OBJECTIVE OF CONCLUDING THEM, SO THAT THE ACCESSION TREATIES CAN BE SUBMITTED FOR RATIFICATION WHEN THE RESULT OF THE NEGOTIATION CONCERNING THE FUTURE FINANCING OF THE COMMUNITY IS SUBMITTED.

(B) COMPENSATION TO THE UNITED KINGDOM FOR 1983
CONCLUSIONS OF THE EUROPEAN COUNCIL IN STUTTGART ON 17-19 JUNE 1983.

THE EUROPEAN COUNCIL, FOLLOWING THE DECISION TAKEN AT ITS MEETING ON THE 21/22 MARCH 1983 REGARDING COMPENSATION TO THE UNITED KINGDOM FOR 1983, AGREED ON THE AMOUNT OF 750 MILLION ECU NET FOR THIS PURPOSE. CONSEQUENTIAL FIGURES WILL BE INCORPORATED IN THE DRAFT COMMUNITY BUDGET FOR 1984.

THIS DECISION WAS TAKEN IN THE CONTEXT OF THE ADOPTION OF THE DECLARATION ON THE FUTURE FINANCING OF THE COMMUNITY.

ROSE

E C BUDGET

LIMITED

ECD (I)

ECD (E)

PS

PS/LADY YOUNG

PS/MR RIPPIND

PS/PUS

SIR J BULLARD

MR HANNAY

MR EVANS

COPIES TO

MR HANCOCK)

MR DURIE)

MR PEARSON)

CABINET OFFICE

MISS WRIGHT TREASURY

ECD ODA

EUROPEAN COUNCIL MEETING, STUTTGART, 17-19 JUNE 1983

INTERVIEW BETWEEN THE PRIME MINISTER, THE RT. HON.
MARGARET THATCHER MP AND MICHAEL BRUNSON OF ITN
HELD ON SUNDAY, 19 JUNE 1983.

PRESS OFFICE

10, DOWNING STREET
LONDON SW1

MICHAEL BRUNSON: PRIME MINISTER, AT THE END OF THE LAST SUMMIT IN BRUSSELS YOU SAID THAT IF NECESSARY YOU WOULD COME HERE AND BANG THE TABLE TO GET WHAT YOU WANT, HOW HARD DID YOU HAVE TO HIT IT?

MRS. THATCHER: WELL, WE SPOKE VERY VERY FORCEFULLY INDEED, WE DID VERY VERY TOUGH NEGOTIATING, INDEED SOME OF THE TOUGHEST I'VE EVER DONE.

M. BRUNSON: ARE YOU SATISFIED WITH THE RESULT?

MRS. THATCHER: THE RESULT EXCEEDS ANYTHING I HAD EXPECTED TO ACHIEVE HERE AT STUTTGART, FIRST WHEN WE CAME HERE NO-ONE WAS PREPARED TO PUT ANYTHING ON THE TABLE AT ALL AND WE SENT THE FOREIGN MINISTERS OUT OF THE MEETING TO TRY TO AGREE WHAT WOULD BE AN ACCEPTABLE RESULT FOR BRITAIN: THEY CAME BACK UNABLE TO AGREE EVEN TO OFFER A SINGLE POUND AND SO WE HAD TO START RIGHT FROM NOTHING. THEY OFFERED SOME £200 MILLION, THAT WAS RIDICULOUS, I'M TALKING IN TERMS OF EUROPEAN ECU. WE GOT UP TO £400 MILLION AND WE GOT STUCK THERE, ABSOLUTELY STUCK AND SOMEONE SUGGESTED WE PUT IN 400 - ' - AS A PROVISIONAL FIGURE AND I KNEW THAT IF WE AGREED A PROVISIONAL, THEY'D SAY, OH ALL RIGHT, THAT'S SETTLED AND I SAID THAT IF WE CAN AGREE NEXT MONTH - AT THE END OF THIS YEAR WE CAN AGREE NOW. AND WE HAD TO FIGHT IT ALL THE WAY UP. IT WAS HARD GOING.

M. BRUNSON: WHAT DO YOU DO IN A SITUATION LIKE THAT THOUGH WHEN YOU'RE OFFERED SOMETHING AND YOU'RE PRESENTED WITH THAT SORT OF FIGURE. STARTING WITH NOTHING AND THEN IT GRADUALLY CREEPS UP, I MEAN HOW DO YOU ACTUALLY BEHAVE....?

MRS. THATCHER: WELL, YOU JUST ARGUE IN FACT YOUR CASE BECAUSE DON'T FORGET LABOUR LEFT ME WITH MAKING VERY HIGH CONTRIBUTIONS TO THE COMMUNITY WITHOUT ANY ARRANGEMENT OF ANY KIND FOR A REBATE, AND THEREFORE I HAD TO FIGHT RIGHT AT THE OUTSET, FROM YEAR 1980 AND IN THE YEAR 1980 THE REST OF THE COMMUNITY ACCEPTED THAT WHAT WE HAD TO FACE WAS UNACCEPTABLE AND THEREFORE WE MUST HAVE REBATES AND THEY SAID FOR THREE YEARS. IN 1980 THEY AGREED THAT THOSE REBATES SHOULD BE OF THE ORDER OF TWO-THIRDS OF OUR CONTRIBUTIONS WOULD BE REBATED, TWO-THIRDS OF OUR NET CONTRIBUTIONS WOULD BE REBATED. THE ACTUAL FIGURE WAS 65.9 PER CENT. TAKING THE AVERAGE OF OVER FOUR YEARS WHAT WE'VE GOT IS 65.4 PER CENT. NOT BAD! NOW YOU FIGHT IT OUT ON THE GROUNDS OF REASON AND THEY FIGHT IT ON THE GROUNDS OF WHAT THEY CAN AFFORD. I MUST SAY CHANCELLOR KOHL OF GERMANY AND MR. LUGUS+ OF THE NETHERLANDS, WERE VERY HELPFUL IN SAYING THAT WE HAD A FAIR CASE AND IT MUST HAVE A FAIR RESULT. VERY HELPFUL INDEED.

M. BRUNSON: YOU MENTIONED THERE THE SORT OF THING THAT THE LABOUR GOVERNMENT HAS DONE AND YET LABOUR POLITICIANS TODAY ARE SAYING THAT WHAT HAS BEEN AGREED HERE IS A HUMILIATION FOR BRITAIN.

MRS. THATCHER: WELL THAT'S RIDICULOUS. THEY DIDN'T GET A PENNY PIECE, THEY DIDN'T ARRANGE FOR US TO HAVE A PENNY PIECE BACK, THEY JUST ... THE ARRANGEMENTS THEY LEFT AFTER THEIR RENEGOTIATIONS .. LEFT US WITH THESE ENORMOUS NET CONTRIBUTIONS WITH NO REDRESS AT ALL.

M. BRUNSON: BUT PRIME MINISTER, I KNOW THAT YOU SAY THAT ON THE AVERAGE WE'VE COME OUT AT ABOUT TWO-THIRDS, ISN'T THOUGH THE FACT THAT YOU HAVE ACHIEVED HERE FAR LESS THAN YOU WANTED WHEN YOU CAME HERE?

MRS. THATCHER: NO, I HAVE ALWAYS BASED OUR CASE ON BEING FAIR AND EQUITABLE. BRITAIN IS A FAIR AND EQUITABLE COUNTRY AND WE EXPECT OTHER PEOPLE TO ACT IN A FAIR WAY TOWARDS US. NOW IF I TAKE THAT VIEW ABOUT WHAT I EXPECT BACK THEN I HAVE TO TAKE A FAIR VIEW ABOUT WHAT WE'VE HAD BACK UNDER THE AGREEMENT WHICH I NEGOTIATED. YOU CAN'T DEMAND FAIRNESS WITHOUT BEING FAIR. WE'D DEMAND FAIRNESS - WE ARE FAIR. WE HAVE GOT A TOTAL AMOUNT WHICH OVER FOUR YEARS AMOUNTS UP TO £2,500 MILLION, THAT IS FAIR.

M. BRUNSON: BUT IF YOU TAKE JUST THIS YEAR IS IT NOT ONLY 40%?

MRS. THATCHER: IF YOU TAKE JUST THIS YEAR IT IS 40%, BUT THEN YOU GO AND LOOK AT OTHER YEARS AND IT IS OVER 90%. NOW I CAN'T JUST IGNORE THE 90%, IF I'M SAYING YOU'VE GOT TO BE FAIR TO ME, THEY SAY BUT YOU'VE GOT TO BE FAIR TO US. BRITAIN, AS I'M CONSTANTLY TELLING THEM, IS A FAIR COUNTRY. WE EXPECT TO RECEIVE FAIRNESS, WE EXPECT TO GET IT OUT. IF WE ASK FOR THE ONE WE MUST GIVE THE OTHER.

M. BRUNSON: BUT ISN'T THERE A DANGER THAT THEY WILL COME BACK NEXT YEAR AND SAY - AH, MRS. THATCHER, YOU'VE HAD A VERY GOOD RUN IN THE PAST, I'M SORRY, YOU'RE NOT HAVING ANY MORE.

MRS. THATCHER: ? IT WILL BE HARD POUNDING, I HOPE THAT BY THE TIME WE HAVE NEXT YEAR WE WILL HAVE GOT A MUCH FAIRER METHOD OF CONTRIBUTING BECAUSE THAT'S THE AIM OF THE LONG TERM BUDGET THAT WE'RE TRYING TO ARRANGE.

M. BRUNSON: BUT SUPPOSE THESE NEGOTIATIONS WHICH ARE NOW GOING TO TAKE PLACE RUN IF I MAY SAY SO TRUE TO COMMON MARKET FORM AND YOU HAVEN'T GOT SOMETHING BY THE END OF THE YEAR, WHAT HAPPENS THEN WE'RE OUT IN THE COLD AGAIN IN '84 AREN'T WE?

MRS. THATCHER: YOU DON'T HAVE TO SAY IT LIKE THAT YOU'RE QUITE RIGHT, IT MAY HAPPEN, MAY HAPPEN, THEY'VE GOT AN EXTRA SPUR FOR IT NOT TO BECAUSE THEY'RE RUNNING OUT OF CASH AND THERE'S NO SPUR GREATER THAN THAT TO COME TO A NEW ARRANGEMENT. AS THINGS ARE AT THE MOMENT THEIR EXPENDITURE WOULD EXCEED THEIR INCOME, THEY CAN'T HAVE THAT SO THEY'VE GOT TO LOOK AT THEIR EXPENDITURES THEY'VE ALSO THEN GOT TO HAVE A LOOK IF THEY WANT ANY MORE AT HOW THEY DO ALL OF THEIR PROMISES RIGHT ACROSS THE BOARD BECAUSE IF THEY ARE ECONOMICAL THEY MAY NOT NEED ANY MORE RESOURCES, SO THEY'VE GOT A SPUR THAT THEY HAVEN'T HAD BEFORE. THEY MIGHT EVEN THEN NOT DO IT, IF NOT WE HAVE TO GO RIGHT BACK TO THE BEGINNING AGAIN AND WE HAVE TO FIGHT AGAIN, YES, AND IT WILL BE DIFFICULT.

M. BRUNSON: DESPITE ALL THAT YOU'VE SAID I'M SURE THERE ARE GOING TO BE SOME PEOPLE WHO WILL STILL SAY IT WASN'T A VERY GOOD WEEKEND HERE.

MRS. THATCHER: WELL THEY'RE THE PEOPLE WHO USUALLY DID NOT ARRANGE FOR BRITAIN TO GET A PENNY PIECE BACK IN REBATE, SO YOU CAN SAY TO THEM - SOUR GRAPES!

M. BRUNSON: WHAT SORT OF A WEEKEND DO YOU THINK IT WAS?

MRS. THATCHER: EXCELLENT! I GOT FAR MORE THAN I EXPECTED BOTH IN THE TAKING THE WHOLE PATTERN, THE WHOLE PATTERN TOGETHER IT'S BEEN A VERY GOOD WEEKEND FOR BRITAIN.

M. BRUNSON: THANK YOU VERY MUCH INDEED.

EUROPEAN COUNCIL, STUTTGART, 17-19 JUNE 1983

INTERVIEW BETWEEN THE PRIME MINISTER, THE RT. HON.
MARGARET THATCHER MP AND NICK PETERS OF IRELAND ON
SUNDAY, 19 JUNE 1983.

PRESS OFFICE
10, DOWNING STREET,
LONDON SW1

NIC PETERS/ MRS-THATCHER, THE MONEY THAT YOU HAVE ACHIEVED FOR THE REBATE FOR 1983 IS CONSIDERABLY LESS, I THINK, THAN YOU WANTED AND THAT BRITAIN EXPECTED, IT ADDS UP TO A FAIRLY LIMITED ACHIEVEMENT DOESN'T IT?

MRS. THATCHER: I DID NOT EXPECT TO BE OFFERED ANYTHING HERE, ACCORDING TO HOW THE REPORTS WERE GOING. SOME OTHER HEADS OF GOVERNMENT CAME HERE DETERMINED NOT TO OFFER A PENNY PIECE WHICH WAS GOING TO PUT ME IN ACUTE DIFFICULTY BECAUSE THEN I'D HAVE HAD TO HAVE GONE TO PARLIAMENT AND SEEN WHAT MEASURES WE HAD TO TAKE. NEVERTHELESS CHANCELLOR KOHL WAS DETERMINED TO GET A SETTLEMENT, BOTH OF THE SHORT TERM AND GUIDELINES FOR THE LONG TERM FINANCING OF THE COMMUNITY. HE WAS A VERY VIGOROUS AND EFFECTIVE CHAIRMAN AND I WAS FACED AT FIRST WITH SOMETHING LIKE AN OFFER OF TWO HUNDRED MILLION - AND I SPEAK IN TERMS OF EUROPEAN CURRENCY - ECU - WHICH WAS WHOLLY UNACCEPTABLE, FOUR HUNDRED MILLION - WHOLLY UNACCEPTABLE, FIVE HUNDRED MILLION - WHOLLY UNACCEPTABLE. THEY THEN SAID SUPPOSING WE PUT THAT IN A PROVISIONAL AGREEMENT AND THEN GO ON NEGOTIATING, I SAID NO, IF WE CAN NEGOTIATE NEXT WEEK, NEXT MONTH, WE CAN NEGOTIATE NOW, SO IN THE END WE GOT SEVEN HUNDRED AND FIFTY MILLION.

N. PETERS: THAT'S ABOUT FOUR HUNDRED AND FIFTY MILLION POUNDS...

MRS. THATCHER: .. MILLION POUNDS. YES, I AM PLEASED WITH THAT BECAUSE IF YOU AVERAGE IT UP OVER FOUR YEARS IN WHICH I'VE BEEN NEGOTIATING, WHAT WE'VE GOT - WE'VE GOT BACK FOR BRITAIN TWO THOUSAND FIVE HUNDRED MILLION POUNDS AND IT'S ALMOST EXACTLY THE SAME PERCENTAGE OF OUR CONTRIBUTIONS BACK THAT I WAS PROMISED AT THE OUTSET: I WAS PROMISED SIXTY FIVE POINT NINE PER CENT, THIS AVERAGES OUT AT SIXTY FIVE POINT FOUR PER CENT, SO IT'S VERY GOOD.

N. PETERS: GIVEN THE FACT THAT THESE NEGOTIATIONS GET MORE DIFFICULT YEAR BY YEAR, DOES IT NOT MEAN THAT 1984 LOOKS LIKE BEING EVEN TOUGHER AND THAT WE MIGHT NOT EVEN EXPECT A REBATE FOR NEXT YEAR?

MRS. THATCHER: WELL NOW, THE OTHER HALF OF THE STORY IS WE HAVE AGREED GUIDELINES FOR SETTING UP A NEW METHOD OF FINANCING THE COMMUNITY. AS YOU KNOW, THE PRESENT METHOD IS THOROUGHLY INEVITABLE AND UNFAIR, THAT'S WHY WE HAVE TO COME EACH YEAR AND SAY, LOOK, IT WON'T DO, YOU CAN'T LEAVE IT LIKE THIS, WE HAVE TO HAVE REBATES. NOW THE COMING ... THEY'RE RUNNING OUT OF MONEY, THEIR EXPENDITURE IS GOING TO EXCEED THEIR INCOME IF THEY CARRY ON LIKE THIS, SO THEY'VE GOT TO LOOK AT NEW METHODS OF FINANCING ALTOGETHER AND IN LOOKING AT NEW METHODS OF FINANCING THEY HAVE TO LOOK AT HOW THEY'RE SPENDING EXISTING MONEY AND HOW THE BURDEN IS FORMED BETWEEN THOSE WHO CONTRIBUTE. NOW WE'VE GOT AGREEMENT ON TO HOW WE SHALL LOOK AT THAT AND WE'VE GOT AGREEMENT WITHOUT MY HAVING TO AGREE WITH ANY INCREASE IN WHAT ARE CALLED OWN RESOURCES WHICH IS ANY INCREASE IN CONTRIBUTIONS TO THE EUROPEAN ECONOMIC COMMUNITY. SO I HOPE THAT THAT NEW ARRANGEMENT WILL COME IN IN TIME FOR 1984. IF NOT, WE SHALL HAVE TO SAY, ALL RIGHT, YOU'VE GOT ANOTHER UNACCEPTABLE SITUATION AND WE SHALL HAVE TO START ALL OVER AGAIN.

N. PETERS: BUT THIS AGREEMENT IS ONLY A FRAMEWORK FOR A WORKING PROGRAMME LEADING UP TO THE ATHENS SUMMIT IN DECEMBER, THE ISSUES ARE STILL AS DIVISIVE AS EVER ON SPENDING ON AGRICULTURE, ON THIS QUESTION OF INCREASING THE COMMUNITY'S AVAILABLE INCOME, DO YOU NOT THINK THAT IT'S GOING TO BE A VERY ROUGH SIX MONTHS AND THAT WE MIGHT NOT HAVE AN AGREEMENT BY DECEMBER, IN WHICH CASE WE HAVE GOT TO GET A REBATE FOR '84?

(2)

MRS. THATCHER: IT IS POSSIBLE THAT WE MIGHT NOT GET AN AGREEMENT BY DECEMBER. IN WHICH CASE WE HAVE, AS I INDICATED, TO GO BACK AND HAVE ANOTHER AD HOC ARRANGEMENT FOR THE NEXT YEAR AND THAT TOO WOULD BE HARD POUNDING. BUT THERE IS A PARTICULAR SPUR TO THEM TO GET A NEW LONG TERM ARRANGEMENT, IT'S QUITE SIMPLY THIS: THEIR EXPENDITURE IS GOING TO EXCEED THEIR INCOME IF THEY GO ON LIKE THIS AND THEREFORE FIRST - FOR THE FIRST TIME THEY HAVE TO AGREE TO LIMIT THE INCREASE IN AGRICULTURAL EXPENSE, TO LOOK AT LIMITING THE INCREASE IN AGRICULTURAL EXPENDITURES AND LOOK AT THE SOUND, FINANCIAL CONTROL OF ALL THEIR EXPENDITURE POLICIES. YOU WOULD SAY THEY'VE LOOKED AND AGREED BEFORE .. 75, YOU SEE, THEY'RE GOING TO RUN OUT OF CASH NOW, THAT'S THE DIFFERENCE SO THEY'VE GOT TO LOOK AT IT.

N. PETERS: DO YOU THINK THE COMMUNITY CAME AS CLOSE THIS WEEKEND AS IT HAS EVER COME TO A REAL SPLIT, A REALLY DIVISIVE SPLIT, BETWEEN THE MEMBER STATES WHICH COULD HAVE SERIOUSLY DAMAGED THE COMMUNITY'S FUTURE?

MRS. THATCHER: WELL... YOU GET PEOPLE GETTING OBVIOUSLY VERY FORCEFUL IN WHAT THEY SAY, I MEAN WE WERE AFTER ALL OURSELVES ... I WAS PRETTY FORCEFUL AT ONE STAGE, I SAID WHAT THEY WERE ASKING WAS ABSOLUTELY SHAMEFUL, BUT ALL RIGHT, THESE WORDS WERE EXCHANGED, I DON'T THINK ANY OF US THINK OF BREAKING UP THE COMMUNITY, GOOD HEAVENS NO, IT'S TOO VALUABLE TO ALL OF US, IT'S VERY VERY IMPORTANT FOR THE FUTURE OF JOBS IN BRITAIN.

N. PETERS- : BUT PEOPLE ARE STILL ARGUING LIMITED NATIONAL INTERESTS THESE DAYS, THERE DOESN'T SEEM TO BE A VERY STRONG EUROPEAN DIMENSION TO THE DISCUSSIONS.

MRS. THATCHER: YES, IT'S LIKE A FAMILY AND YOU ARE ONE FAMILY, AND MY GOODNESS ME, YOU HAVE PRETTY FIERCE ARGUMENTS BUT YOU KNOW YOU'RE ONE FAMILY - YES, ALL RIGHT, IT'S ALL RIGHT TO HAVE FIERCE ARGUMENTS SO WE DO HAVE FIERCE ARGUMENTS IN THE COMMUNITY, YES, WE DO FIGHT OUR CORNER. I GIEEEEE I FIGHT BRITAIN'S CORNER AND I FIGHT IT HARD AND WE THOUGHT IT WAS A VERY GOOD WEEKEND FOR BRITAIN IN STUTTGART THIS WEEKEND. I GOT REALLY SUS EEE SUMS BEYOND MY WILDEST DREAMS, TAKING INTO ACCOUNT BOTH THE SHORT TERM SETTLEMENT AND TAKING INTO ACCOUNT WHAT WE DO IN THE LONG TERM AND TAKING INTO ACCOUNT WHAT WE'VE HAD OVER THE PAST THREE YEARS, SO IT WAS A VERY VERY GOOD WEEKEND FOR BRITAIN BUT WE GOT IT BY TOUGH ARGUMENT AND TOUGH NEGOTIATIONS.

N. PETERS: THANK YOU PRIME MINISTER.

EUROPEAN COUNCIL MEETING, STUTTGART, 17-19 JUNE 1983

INTERVIEW BETWEEN THE PRIME MINISTER, THE RT. HON.
MARGARET THATCHER MP AND NICHOLAS WITCHELL OF BBC
TELEVISION HELD ON SUNDAY, 19 JUNE 1983.

PRESS OFFICE

10, DOWNING STREET
LONDON SW1

NICHOLAS WITCHELL: MRS. THATCHER, BEARING IN MIND THE RESULTS THAT YOU'VE BROUGHT AWAY FROM THIS SUMMIT, WOULD YOU DECLARE THIS A WIN FOR BRITAIN OR MERELY A DRAW?

MRS. THATCHER: OH I THINK IT WAS A MAJOR ACHIEVEMENT FOR BRITAIN, MAJOR ON TWO FRONTS: FIRST BECAUSE THE AMOUNT WHICH WE GOT FOR THIS YEAR, WHEN AVERAGED UP WITH THE AMOUNT WE'D HAD FOR THE PREVIOUS THREE, COINCIDES ALMOST EXACTLY WITH THE PROMISE I HAD AT THE BEGINNING OF 1980. THAT'S NOT BAD FOR FOUR YEARS. IN CASH IT AMOUNTS TO TWO THOUSAND FIVE HUNDRED MILLION ALL TOLD, THAT'S A VERY GOOD REBATE FOR BRITAIN. EVEN MORE IMPORTANT, FOR THE FIRST TIME WE'VE WORKED ON A LONG TERM SOLUTION FOR FINANCING THE COMMUNITY. AT THE MOMENT IT'S THOROUGHLY INEQUITABLE, IT'S EXTRAVAGANT AS WELL. WE'VE MADE ARRANGEMENTS TO TRY TO DEAL WITH BOTH AND AGAIN I HAD TO FIGHT THAT ALL THE WAY BUT WHAT WE'VE GOT IS GOOD.

N. WITCHELL: BUT ISN'T THE REBATE THAT YOU'RE TAKING AWAY FROM STUTTGART REALLY THE MINIMUM FIGURE THAT YOU COULD HAVE ACCEPTED AND WHICH YOU COULD DEFEND BACK AT HOME?

MRS. THATCHER: IT IS A FIGURE WHICH I CAN DEFEND BACK AT HOME BECAUSE, YOU KNOW, I'VE ALWAYS TAKEN THE VIEW THAT WE BRITISH ARE FAIR. FAIRNESS IS PART OF OUR CHARACTER, WE'RE FAIR AND EQUITABLE TO OTHERS AND WE EXPECT THEM TO BE FAIR AND EQUITABLE TO US. IF I'M ASKING FOR A REASONABLE DEAL THIS YEAR THEN I MUST TAKE INTO ACCOUNT THE FACT THAT ONE YEAR, INSTEAD OF GETTING ABOUT SIXTY FIVE PER CENT BACK, WE GOT NINETY PER CENT BACK. IF YOU'RE ASKING FOR FAIRNESS YOU HAVE TO BE FAIR BOTH WAYS AND WE ARE AND THEREFORE AGAINST THAT BACKGROUND WE GOT A GOOD DEAL.

N. WITCHELL: SO YOU'RE SATISFIED THAT AS YOU SAY FORTY PER CENT IS A GOOD DEAL HERE?

MRS. THATCHER: I AM INDEED.

N. WITCHELL: PEOPLE CLOSE TO YOU WERE SAYING THAT YOU CAME HERE FEELING THAT YOU HAD A TREMENDOUS MANDATE FROM THE BRITISH ELECTORATE TO SORT THE WHOLE MATTER OUT. NOW PARTICULARLY INsofar AS THE LONG TERM PROBLEMS OF BUDGETARY DISCIPLINE ARE CONCERNED, DO YOU FEEL THAT YOU ARE DOING THAT?

MRS. THATCHER: I'M VERY PLEASED WITH WHAT WE'VE GOT IN THAT DECLARATION ABOUT THE LONG TERM BUDGET, VERY PLEASED INDEED. FIRST BECAUSE THE COMMUNITY IS RUNNING OUT OF MONEY AND THEREFORE IT WANTS MORE. NOW OBVIOUSLY THEY COME TO PEOPLE LIKE GERMANY AND OURSELVES FOR MORE AND I AM SAYING THAT YOU ALREADY SPEND TOO MUCH, YOU'VE GOT TO LOOK AT YOUR EXPENDITURE AND YOU'VE GOT TO PUT A LIMIT ON IT, BUT THEN I SAY DON'T ASK ME FOR MORE MONEY FOR WE HAVE SUCH AN UNEVEN SHARING OF THE BURDEN. BEFORE YOU DO THAT WE'VE GOT TO HAVE AN ARRANGEMENT BOTH TO BE MUCH MORE ECONOMICAL AND HAVE A MUCH FAIRER SHARE OF THE BURDEN, SO THE SITUATION DOESN'T ARISE IN WHICH BRITAIN HAS TO OVER PAY TO THE COMMUNITY COMPARED WITH OTHERS.

N. WITCHELL: WOULD YOU ACCEPT THAT PEOPLE TEND TO BE RATHER SUSPICIOUS OF THESE COMMISSIONS AND COMMITTEES? CAN YOU BE ABSOLUTELY SURE THAT THIS ISN'T A WAY OF RATHER BRUSHING THE WHOLE LONG TERM PROBLEM UNDER THE CARPET?

MRS. THATCHER: NO, BECAUSE THAT'S WHAT THEY'VE TRIED TO DO AND HAVE DONE BEFORE AND THE REASON THEY'VE DONE IT IS BECAUSE ON THE PRESENT ARRANGEMENTS FOR INCOME THEY HAD PLENTY OF INCOME IN RELATION TO THEIR EXPENDITURE. NOW THEY'RE RUNNING OUT OF INCOME THEY EEEEE INCOME, THEIR EXPENDITURE HAS GONE UP FAR TOO FAST, PARTLY BECAUSE OF THE WAY THEY'VE RUN THE COMMON AGRICULTURAL POLICY AND THE WAY IN WHICH THIS YEAR, IN SPITE OF THE FACT THAT WE IN OUR HOME BUDGETS ARE HAVING TO ECONOMISE, EXPENDITURE HAS GONE UP BY ABOUT THIRTY PER CENT AND SO OF COURSE THEY'VE GOT TO LOOK AT IT BUT THE REASON THEY'VE GOT TO IS, AS ANY MAN OR ANY WOMAN AT HOME, IF YOU'RE RUNNING OUT OF INCOME TO MEET YOUR EXPENDITURE, YOU'VE GOT TO FIGHT YOUR EXPENDITURE DOWN. (2)

N. WITCHELL: SO ARE YOU CONFIDENT THAT THIS STUTTGART SUMMIT IS THE LAST OCCASION ON WHICH YOU WILL NEED TO POUND THE TABLE, AS I THINK YOU WERE SAYING?

MRS. THATCHER: I THINK I'LL HAVE TO POUND THE TABLE QUITE OFTEN. FIRST WE'VE GOT TO GET THE LONG TERM ARRANGEMENT FULLY AGREED, WE'VE GOT ALL THE THINGS ON THE TABLE NOW TO DISCUSS AND WE'VE AGREED WHAT CAN AND SHOULD BE DISCUSSED, THAT'S GOT TO BE AGREED. IT WILL BE TOUGH, THE SPUR IS THEY CAN'T WAIT THAT LONG BECAUSE OF THE CASH POSITION. NEVERTHELESS, IT WILL BE DIFFICULT. IT SHOULD BE IN POSITION TO BE THE FORMULA FOR NEXT YEAR. IF IT ISN'T, YOU'RE QUOTE RIGHT, WE HAVE ANOTHER ARRANGEMENT WHERE WE HAVE NO FORMULA AND WE'LL HAVE TO FIGHT ALL THE WAY AND IT WILL BE EXTREMELY DIFFICULT, VERY DIFFICULT INDEED. I DON'T DISGUISE THAT.

N. WITCHELL: ON THIS OCCASION I THINK IT WAS RESIDENT MITTERRAND WHO WAS MOST DETERMINED THAT YOU WOULDN'T HAVE YOUR WAY - HOW DID YOU PERSUADE HIM?

MRS. THATCHER: I HAVE SOME VERY VERY GOOD COLLEAGUES: CHANCELLOR KOHL WAS DETERMINED WE SHOULD HAVE A SETTLEMENT AND HE KNEW THAT I WOULDN'T SETTLE UNLESS IT WAS REASONABLE AND CHANCELLOR KOHL DID A SUPERB JOB FOR BRITAIN AND FOR THE COMMUNITY AND I HAD ONE OR TWO OTHER VERY GOOD FRIENDS AMONG OUR COMMUNITY PARTNERS WHO HELPED ALL THE WAY BECAUSE THEY BELIEVE IN THE SAME THINGS: THEY BELIEVE IN FAIRNESS AND THEY KNEW THAT WE ARE BEING VERY LOYAL MEMBERS OF THE COMMUNITY. SO IN THE END BEING LOYAL AND BEING FAIR PAYS BECAUSE PEOPLE RECOGNISE THAT YOU'VE BEEN VERY HELPFUL.

N. WITCHELL: SO THE SUGGESTION THAT THIS WAS A HUMILIATION -

MRS. THATCHER: OH JUST NONSENSE, THOSE SUGGESTIONS ARE MADE BY PEOPLE WHO NEVER GOT A PENNY PIECE BACK FOR BRITAIN AND LEFT US WITHOUT ANY FORMULA FOR REBATES AT ALL.

N. WITCHELL: THANK YOU VERY MUCH, PRIME MINISTER.

EUROPEAN COUNCIL, STUTTGART, 17-19 JUNE 1983

INTERVIEW BETWEEN THE PRIME MINISTER, THE RT. HON.
MARGARET THATCHER MP AND PAUL REYNOLDS OF BBC RADIO 4
ON SUNDAY, 19 JUNE 1983.

PRESS OFFICE
10, DOWNING STREET
LONDON SW1

PAUL REYNOLDS: PRIME MINISTER, ARE YOU SATISFIED WITH THE REFUND AGREEMENT AND THE SECOND HALF OF THE PACKAGE DEAL ON LONGER TERM FINANCING AT THIS SUMMIT?

MRS. THATCHER: I'M VERY SATISFIED WITH THE WEEKEND'S WORK IN STUTTGART FOR BRITAIN, IT WAS A VERY GOOD WEEKEND FOR BRITAIN IN WHAT WE MANAGED TO PRODUCE, BOTH IN THE ... THIS YEAR'S REFUND, AND IN GUIDELINES FOR THE LONGER TERM FINANCING OF THE COMMUNITY.

P. REYNOLDS: IT HAD BEEN SUGGESTED THAT YOU MIGHT HAVE BEEN ASKING FOR MORE MONEY IN THE WAY OF A REFUND, ARE YOU SATISFIED WITH THE ACTUAL FIGURE THAT YOU'VE GOT?

MRS. THATCHER: THAT ACTUAL FIGURE WHICH I'VE GOT, WHICH WAS GOT ONLY AFTER VERY VERY HARD FIGHTING AND VERY TOUGH NEGOTIATIONS - SOME OF THE TOUGHEST I'VE EVER ENCOUNTERED, THE ACTUAL FIGURE ADDED UP WITH THAT WE'VE RECEIVED IN THE PREVIOUS THREE YEARS, ADDS UP WITH TO WHAT I WAS PROMISED AT THE BEGINNING, APPROXIMATELY A REBATE FOR BRITAIN, TWO-THIRDS OF OUR CONTRIBUTIONS. THE ACTUAL AMOUNT WE STARTED WITH IN 1980 WAS 65.9 PER CENT REFUND OF OUR CONTRIBUTION, THE AVERAGE WE'VE FINISHED UP WITH IS 65.4, IT COULD BE ALTERED A LITTLE BIT BECAUSE YOU DON'T KNOW PRECISELY WHAT THIS YEAR'S BUDGET WILL BE BUT THAT'S WHAT THE FIGURES ARE NOW AND THAT'S PRETTY GOOD. MUCH MORE IMPORTANT IN CASH, IT AMOUNTS IN TOTAL TO £2,500 MILLION AND THAT'S PRETTY GOOD.

P. REYNOLDS: IT HAS BEEN SAID IN LONDON THIS MORNING BY SOME LABOUR SPOKESMEN THAT THIS IS A HUMILIATION FOR YOU. WHAT IS YOUR COMMENT ON THAT?

MRS. THATCHER: WELL, I CAN TAKE LOTS MORE HUMILIATIONS OF £2,500 MILLION.

P. REYNOLDS: DID YOU HAVE TO BANG THE TABLE OR POUND YOUR FOOT?

MRS. THATCHER: THERE WAS SOME FORCEFUL SPEAKING.

P. REYNOLDS: WHAT ABOUT THE ARRANGEMENTS FOR THE LONG-TERM FINANCES? DO YOU THINK THAT YOU ARE EVENTUALLY GOING TO HAVE TO AGREE TO LIFT THE CEILING ON THE AMOUNT OF MONEY THAT GOVERNMENTS PAY TO THE COMMUNITY BUDGET?

MRS. THATCHER: RIGHT AT THE OUTSET OF CONSIDERING THE LONG-TERM NEW ARRANGEMENTS FOR THE BUDGET IT WAS SUGGESTED TO ME THAT IF I WAS TO GET ANY SETTLEMENT THIS YEAR I WOULD HAVE TO AGREE TO AN INCREASE IN THE COMMUNITY'S INCOME. I ABSOLUTELY REFUSED TO AGREE TO THAT BECAUSE I SAID YOU SHOULD NEVER NEVER EVEN BE ASKED TO ACCEPT AN INCREASE IN SOMETHING WHICH IS LONG TERM, IN RETURN FOR SOMETHING WHICH IS JUST TEMPORARY AND IT WAS SHAMEFUL EVEN TO CONSIDER ASKING FOR SUCH A THING. I ASKED WE MUST LOOKEEEEEEEEEEE I SAID WE MUST LOOK AT THE COMMUNITY'S INCOME, AGAINST A BACKGROUND OF TWO THINGS, FIRST HOW IT SPENT ITS MONEY AND WHETHER IT WAS ECONOMICAL IN EXPENDITURE SO WE'VE GOT TO HAVE FIRM BUDGETRY CONTROL: AND SECONDLY, ON HOW THE BURDEN WAS SHARED BECAUSE IT WAS TOTALLY UTTERLY WRONG AND QUITE SHAMEFUL TO ASK A PERSON WHO WAS ALREADY CONTRIBUTING QUITE A LOT TO THE COMMUNITY, TO SAY WE WANT MORE BUT WE'RE NOT GOING TO GET A BETTER ARRANGEMENT FOR THE SHARING OF THE BURDEN AND SO I SAID I WAS PREPARED TO CONSIDER IT BUT WE MUST FIRST BE SATISFIED ON THE OTHER THINGS AND WE'RE NOT PREJUDGING ANYTHING, NO DECISIONS WILL BE MADE UNTIL THE END.

P. REYNOLDS: ARE YOU GOING TO BE BACK NEXT YEAR, ARE WE GOING TO BE ARGUING IN THE FRENCH CAPITAL, PARIS, ABOUT A REBATE?

MRS. THATCHER: OH I EXPECT WE SHALL BE ARGUING, I EXPECT WE SHALL BE ARGUING ABOUT MONEY....

P. REYNOLDS: ABOUT A REBATE? (2)

MRS. THATCHER: I HOPE THAT THE LONG-TERM ARRANGEMENTS WILL BE IN PLACE BY THEN, I HOPE SO, IF THEY'RE NOT WE'RE GOING TO HAVE TO ARGUE BECAUSE I THINK IT'S QUITE WIDELY UNDERSTOOD THAT THE CONTRIBUTION WE MAKE, THE NET CONTRIBUTION WE MAKE IS JUST UNACCEPTABLY LARGE AND WE SHOULD HAVE TO ARGUE AGAIN ABOUT A REBATE. I HOPE IT WILL NOT BE NECESSARY BUT IF SO WE SHALL HAVE TO ARGUE AND THEN IT WOULD BE VERY VERY DIFFICULT BUT WE'VE FACED DIFFICULT SITUATIONS BEFORE.

P. REYNOLDS: PRIME MINISTER THANK YOU.

EUROPEAN COUNCIL MEETING, STUTTGART, 17-19 JUNE 1983.

TRANSCRIPT OF THE PRESS CONFERENCE GIVEN BY THE
PRIME MINISTER, THE RT. HON. MARGARET THATCHER MP,
FOLLOWING THE CONCLUSION OF THE SUMMIT ON SUNDAY,
19 JUNE 1983.

Press Office,
10, Downing Street,
London SW1

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CHAIRMAN: LADIES AND GENTLEMEN, THE PRIME MINISTER WILL MAKE A SHORT OPENING STATEMENT AND THEN WE'LL TAKE QUESTIONS. PRIME MINISTER.

MRS. MARGARET THATCHER: LADIES AND GENTLEMEN, STUTTGART HAS BEEN A GOOD WEEKEND'S WORK FOR BRITAIN AND FOR THE COMMUNITY. FIRST, THE DEAL WE HAVE ACHIEVED ON OUR REBATE FOR 1983 IS CONSISTENT, ALMOST EXACTLY, WITH THE ORIGINAL TWO-THIRDS REBATE DEAL WE SECURED IN 1980. OVER THE LAST FOUR YEARS OUR TWO-THIRDS AGREEMENT HAS SECURED FOR BRITAIN REFUNDS TOTALLING OVER TWO THOUSAND FIVE HUNDRED MILLION POUNDS AND THAT'S BEEN WON BY HARD, TOUGH NEGOTIATING OF WHICH WE'VE HAD A LOT THIS WEEKEND. AS YOU KNOW, MORE THAN ONE MEMBER STATE CAME HERE DETERMINED AND PUBLICLY COMMITTED TO REFUSING TO NEGOTIATE ANY BRITISH REFUND BUT IT'S BEEN WON FOR BRITAIN BY A DETERMINATION TO SUREEE SECURE JUSTICE FOR OUR COUNTRY, AND EVEN MORE IMPORTANT, FOR THE LONGER TERM, THIS WEEKEND WE'VE ALSO SECURED AGREEMENT TO TACKLE OVER THE SECOND HALF OF THIS YEAR THE REST OF THE PROBLEM, NAMELY, THE COMMUNITY'S METHOD OF LONG TERM FINANCING. WE'VE BEEN WANTING TO DO THIS IN BRITAIN FOR SOME TIME AND THIS IS A MAJOR ACHIEVEMENT. THE DECLARATION ON LONG TERM FINANCING, RESULTING FROM OUR LONG DISCUSSIONS, MAKES IT CLEAR THAT THE SPECIAL EMERGENCY COUNCIL APPOINTED TO DO THE WORK MUST COME UP WITH, FIRST, EFFECTIVE CONTROL OF AGRICULTURE AND OTHER EXPENDITURE, WHAT WE'VE BEEN SEEKING SINCE WE SET OUT ON FIRST TAKING OFFICE IN 1979, TO SECURE A FORM OF THE COMMUNITY'S FINANCES, AND MEASURES WHICH WILL AVOID THE BRITISH BUDGET PROBLEM IN THE FUTURE AND ENSURE EQUITY FOR ALL MEMBER STATES, WHICH OF COURSE IS OUR OBJECTIVE. THE SPECIAL COUNCIL HAS TO DO BOTH THESE THINGS AND THESE ARE THE TWO KEY CONFOUNDATIONS FOR A FAIRER AND MORE EFFECTIVE MANAGEMENT OF THE COMMUNITY'S FINANCES FOR WHICH WE'VE BEEN ARGUING FOR LONG. WE HAVE THUS STARTED THE PROCESS AND WITH A GREAT DEAL OF URGENCY BEHIND IT, TO GIVE THE COMMUNITY A FRESH START, TO GIVE IT, AS THE DECLARATION ON LONG TERM FINANCING SAYS, A SOLID BASIS FOR THE FURTHER DYNAMIC DEVELOPMENT OF THE COMMUNITY AND WE'VE DONE IT - AND THIS IS VERY IMPORTANT - WITHOUT PRE-JUDGING ANY ISSUE, INCLUDING THAT OF WHETHER THE COMMUNITY'S OWN FINANCIAL RESOURCES SHOULD BE INCREASED. IT'S BEEN A WEEKEND WELL SPENT AND I'D LIKE TO PAY A WARM AND RICHLY DESERVED TRIBUTE TO CHANCELLOR KOHL'S LEADERSHIP AND FORCEFUL PRESIDENCY. HE CAME HERE DETERMINED THAT THE COMMUNITY SHOULD MAKE PROGRESS, HIS DETERMINATION HAS BEEN REWARDED AND I'M DELIGHTED WITH HIS SUCCESS. MONEY WASN'T THE ONLY THING WE TALKED ABOUT, IT'S BEEN A VERY BUSY COUNCIL, AS THE PRESIDENCY'S CONCLUSIONS WILL SHOW. WE ALSO SIGNED THE SOLEMN DECLARATION ON EUROPEAN UNIONS. HERR GENSCHER AND SENOR COLOMBO HAVE WORKED HARD FOR A EUROPEAN UNION. WE LOOKED AT A NUMBER OF INTERNATIONAL ISSUES, THE MOST IMPORTANT OF WHICH ARE POLAND AND MADRID C.A.E. CONFERENCE AND THE MIDDLE EAST. WE HAD A CONSIDERABLE DISCUSSION AS MOST IMPORTANT OF ALL ON THE ECONOMIC POSITION WHICH WE'LL HAVE SEEN FROM THE PRESIDENCY'S CONCLUSION WITH PARTICULAR REFERENCE TO THE PROBLEM OF HOW TO DEAL WITH YOUTH UNEMPLOYMENT AND HOW TO SET OUT TO ALLEVIATE IT. SO I RETURN TO LONDON SATISFIED THAT THIS CONFERENCE HAS BEEN EXTREMELY WORTHWHILE. IT OFFERS THE PROSPECT NO LESS OF A MORE SOUNDLY BASED AND FAIRER COMMUNITY AND THEREFORE OF A STRONGER AND MORE CONFIDENT COMMUNITY WHICH IS WHAT THE WORLD HAS NEED OF AT THE PRESENT TIME.

YOUR QUESTIONS, GENTLEMEN, I UNDERSTAND YOU HAVE NOT YET GOT THE CONCLUSIONS - WELL, I HAVE THEM WITH ME IF ANY QUESTION ARISES ON THEM.

JOURNALIST: COULD WE HAVE THE EXACT WORDING ON THE COMMITMENT TO EXAMINE THE LONG TERM FINANCIAL REFORM AND THE WORDING ON WHAT YOU SAY ... (REMAINDER OF QUESTION LOST)

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MRS. THATCHER: YES, LOOK, THIS IS THE LONG TERM FINANCIAL REFORM ONE, IT'S QUITE LONG AND YOU CAN UNDERSTAND WHY IT TOOK A LONG TIME TO NEGOTIATE AND IT REALLY DID. IT WAS HARD POUNDING THE WHOLE WAY. CAN I ... WOULD I ... ANSWERED LATE YOU'LL BEGIN TO UNDERSTAND, I WAS FACED AND I'M GOING TO GIVE YOU ONE OF THE EARLIER DRAFTS, I WAS FACED WITH TWO PARAGRAPHS HEADED 'OWN RESOURCES AND PARTICULAR PROBLEMS OF CERTAIN MEMBER STATES', THE ORIGINAL THIRD AND FOURTH PARAGRAPH OF THAT SECTION WERE COINED IN THESE TERMS, 'THE END RESULT OF THE NEGOTIATION WILL BE A DECISION ON THE EXTENT AND TIMING OF AN INCREASE IN THE COMMUNITY'S OWN RESOURCES', THAT WAS ONE THAT I WAS FACED WITH. THE NEXT ONE - 'ANY INCREASE OF THE OWN RESOURCES WILL TAKE THE FORM OF A DECISION ON A NEW CEILING TO BE RATIFIED BY THE PARLIAMENT OF THE MEMBER STATES', IT WENT ON. NOW YOU SEE THERE WERE TWO THINGS, A DECISION ON AN INCREASE IN THE COMMUNITY OWN RESOURCES AND THE N A PARTICULAR METHOD OF INCREASING WHICH COULD ONLY RELATE TO THE VAT CEILING. BOTH OF THESE PARAGRAPHS ARE GONE - KAPUT! THE PARAGRAPH THAT IS IN NOW IS AS YOU WILL SEE - 'ON THE BASIS OF THE CONCLUSIONS REACHED ON DEVELOPMENT OF POLICIES, IMPROVING BUDGETRY DISCIPLINE, AND EXAMINATION OF THE FINANCIAL SYSTEM, THE EXTENT AND TIMING OF THE COMMUNITY'S REQUIREMENTS IN TERMS OF OWN RESOURCES WILL BE DETERMINED'. I GAVE IT TO YOU AT LENGTH SO YOU COULD SEE THE KIND OF HARD POUNDING, IT'S BEEN.

CHAIRMAN: JOHN WILDE++

JOURNALIST: PRIME MINISTER, TWO QUESTIONS, ONE IS - DOESN'T THE DOCUMENT ON THE FUTURE FINANCING ACTUALLY JUST REFLECT THE ENORMOUS DIFFERENCE BETWEEN MANY OF YOU OVER THE FUNDAMENTAL ISSUES LIKE THE NEED TO RAISE OWN RESOURCES. HOW TO HANDLE THE FUTURE OF THE COMMON AGRICULTURAL POLICY. I MEAN WHAT BASIS CAN THERE BE FOR ANY KIND OF OPTIMISM THAT YOU'LL REACH AGREEMENT BY THE END OF THE YEAR AND SECONDLY, ARE THERE ABSOLUTELY NO CIRCUMSTANCES IN WHICH YOU CAN SEE YOURSELF AGREEING TO RAISE OUR OWN RESOURCES WITHIN THE NEXT TWELVE MONTHS?

MRS. THATCHER: WHAT BASIS IS THERE FOR HOPE THAT THIS TIME WE SHALL GET DOWN TO LONG TERM FINANCING, THE FACT THAT ON PRESENT POLICIES THE COMMUNITY'S RUNNING OUT OF CASH. WE'VE EXPECTED THIS FOR A LONG TIME, IT IS NOW RUNNING OUT OF CASH. OF COURSE A LOT DEPENDS IN ANY YEAR OF THE RELATIONSHIP BETWEEN COMMUNITY AGRICULTURAL PRICES AND WORLD PRICES, THE AMOUNT OF SURPLUSES WHICH ARE SOLD BUT THEY ARE COMING NOW HARD UP AGAINST THE FACT THAT THEIR EXPENDITURE LOOKS LIKE EXCEEDING THEIR INCOME. NOW THEREFORE YOU HAVE TO LOOK AT IT ON THE BASIS OF MORE EFFECTIVELY CONTROLLING AND LIMITING THE INCREASES IN YOUR BUDGETRY POLICIES WHETHER IT BE ON AGRICULTURE OR OTHER POLICIES. WHATEVER THE LEVEL OF YOUR EXPENDITURE YOU REALLY OUGHT TO CONTROL IT PRETTY EFFECTIVELY AND IT'S THIS FACTOR WHICH IS LEADING TO A MUCH MORE CAREFUL EXAMINATION THAN ANY IN THE PAST. NOW CERTAINLY WE HAVE LISTED A WHOLE LOT OF THINGS WHICH HAVE TO BE LOOKED AT ON COMMON AGRICULTURAL POLICY, FOR THE FIRST TIME WE'VE ACTUALLY GOT TO BE LOOKED AT ONE FACTOR, THE NEED FOR STRICT FINANCIAL GUIDELINES. CERTAINLY I ACCEPT THAT IN THIS DOCUMENT THERE IS A PHRASE AND IT APPLIES TO US ALL - 'DECISIONS WILL BE TAKEN IN COMMON ON ALL THESE QUESTIONS AT THE END' SO NOTHING IS PREJUDGED, A MOTIVATING FACTOR IS THE SHORTAGE OF CASH.

JOURNALIST: BUT YOU WILL... WILL YOU ANSWER MY QUESTION WHICH .. CAN YOU SEE ANY CIRCUMSTANCES IN WHICH YOU WOULD BE AGREEING TO AN INCREASE IN OUR RESOURCES

3

MRS. THATCHER: WHAT WE SAID WAS AND I THINK I INDICATED THROUGH SO ME WORDS THAT CAME OUT EARLIER, WE WOULD BE PREPARED TO CONSIDER AN INCREASE IN OWN RESOURCES PROVIDED THERE WAS EFFECTIVE CONTROL, EFFECTIVE LIMITATION ON AGRICULTURE EXPENDITURES AND EXPENDITURES ON OTHER POLICIES AND ALSO PROVIDED THERE WAS A FURTHER DISTRIBUTION OF THE FINANCIAL BURDEN. THOSE TWO THINGS HAVE BEEN TELESCOPED INTO THE WORDS 'IMPROVING BUDGETRY DISCIPLINE', AND THE EXAMINATION OF THE FINANCIAL SYSTEM.

JOHN DICKIE - JOURNALIST: PRIME MINISTER, EVER SINCE WE WERE AT DUBLIN FOUR YEARS AGO WE'VE HAD WHAT YOU'VE CALLED HARD POUNDING TO GET A BALANCED CONTRIBUTION ESTABLISHED - HOW ARE YOU CONFIDENT NOW THAT WE WON'T BE IN FOR ANOTHER SPOT OF HARD POUNDING EEEEEEE NOW THAT WE WON'T BE IN FOR ANOTHER SPOT OF HARD POUNDING IN ATHENS FOR THE 1984 BUDGET? ARE YOU CERTAIN THAT THE FRAMEWORK FOR THESE SPECIAL COUNCIL MEETINGS WILL ESTABLISH A FAIR AND BALANCED BUDGETRY CONTRIBUTION FOR BRITAIN IN THE FUTURE?

MRS. THATCHER: I EXPECT HARD POUNDING THE WHOLE WAY, THE WHOLE WAY, BUT TO PRODUCE OUT OF FOUR YEARS HARD POUNDING TWO THOUSAND FIVE HUNDRED MILLION POUNDS IN REFUNDS HAS MADE THE HARD POUNDING WORTHWHILE. I HOPE THAT ON THE LONG TERM BUDGET THE .. THE KIND OF INEQUITY ON THE BUDGET WILL NOT ARISE WHICH MAKE IT NECESSARY TO GET .. TRY TO GET REFUNDS. THE WHOLE PURPOSE OF THE LONG TERM BUDGET IS TO HAVE AN EQUITABLE MODERN - MUCH MORE EQUITABLE DISTRIBUTION OF THE BURDEN AND THAT WAS THE DIFFICULTY OF GETTING THAT CONCEPT INTO THE AGENDA FOR THE DISCUSSION OF THIS SPECIAL COUNCIL, SO IT SHOULDN'T ARISE AND THAT WILL BE HARD POUNDING, TO GET A REASONABLE RESULT THERE AND I DON'T SHRINK FROM THAT IN ANY WAY.

IAN MURRAY - JOURNALIST: PRIME MINISTER, TO CONTINUE ON JOHN DICKIE'S QUESTION: ARE YOU GOING TO BE STARTING NOW TO NEGOTIATE FOR THE 1984 REBATE, GIVEN THAT THERE'S NO WAY OUT THE DEAL CAN BE SIGNED IN ATHENS IN TIME TO PREVENT THAT BEING NECESSARY AND WILL YOU THEN BE SEEING TWO-THIRDS PAY BACK

MRS. THATCHER: WELL NOW, BY THE TIME WE COME TO THE 1984 REFUND WE SHOULD HAVE GOT A LONG WAY, IF NOT CONCLUDED THE ARRANGEMENTS FOR THE LONG TERM BUDGET AND THOSE ARRANGEMENTS SHOULD BE REFLECTED IN WHATEVER IS OUR LIABILITY IN 1984. IF NOT, THE ARRANGEMENTS WILL GIVE A GUIDELINE AS TO WHAT WE SHOULD BE PAYING IN 1984. IF WE DO NOT GET THAT FAR, AND THAT IS ALWAYS A POSSIBILITY WHICH WE HAVE TO FACE, THERE IS AN UNDERSTANDING TODAY AND PREVIOUSLY THAT THERE WOULD BE A PROVISION AND WE SHOULD HAVE TO HAVE APPROPRIATE SOLUTIONS. THAT OF COURSE GOES RIGHT BACK TO THE ASSASSINATION TREATIES WHEN WE HAD A SPECIAL UNDERSTANDING THAT UNACCEPTABLE SITUATIONS WOULD BE DEALT WITH BY THE COMMUNITY, THAT WAS THE BASIS ON WHICH WE GOT THE THREE YEAR AGREEMENT, THE BASIS ON WHICH WE GOT THIS, WHICH IS A SEPARATE AGREEMENT, AND THE BASIS ON WHICH, IF NECESSARY, WE WOULD HAVE TO GO FOR ONE IN AN INTERIM BASIS IN 1984, BUT THE FIRST LINE OF DEFENCE - IF I MIGHT PUT IT THAT WAY - IS WE WILL HOPE TO HAVE REACHED AGREEMENT ON THE LONG TERM FINANCING. IF NOT, I'VE GIVEN YOU THE FALLBACK POSITION.

ALAN COCHRANE - JOURNALIST: PRIME MINISTER, THE BRITISH PUBLIC EXPECTED A REBATE OF SOMETHING AROUND EIGHT HUNDRED MILLION POUNDS FROM THIS COUNCIL++ YOU HAVE ACHIEVED SOMETHING A BIT SOMEWHAT LESS THAN THAT FIGURE, WHY SHOULD THEY NOT BE DISAPPOINTED BY YOUR ACHIEVEMENTS THIS WEEKEND?

MRS.THATCHER: WELL, I CANNOT THINK WHERE THEY GOT THAT EXPECTATION FROM BECAUSE ALL THAT I READ IN THE PRESS WAS THAT 'MAGGIE PLANS TO WITHHOLD' BECAUSE THEY DIDN'T THINK I WAS GOING TO GET ANYTHING - AND NEITHER DID I WHEN I CAME HERE TO THIS EUROPEAN COUNCIL, I DID NOT THINK WE WERE GOING TO BE OFFERED ANY REMOTELY ACCEPTABLE FIGURES OR INDEED ANY FIGURES AT ALL.... WHEN WE CAME HERE THERE WERE NO FIGURES ON THE TABLE, FOREIGN AFFAIRS MINISTERS WERE ASKED TO TRY AND GO AND FIND FIGURES ON CERTAIN GUIDELINES, THEIR MEETING BROKE UP WITHOUT ANY FIGURES BEING ON THE TABLE. THAT WAS HERE. THEN CAME A FIGURE, SOMEONE ... TWO HUNDRED MILLION ECU I'M TALKING ABOUT NOW BECAUSE EXCHANGE RATE VARIES AS YOU KNOW, TWO HUNDRED MILLION ECU, THAT GOT UP TO FOUR HUNDRED MILLION ECU, THEN IT GOT STUCK FOR A LONG TIME. THEN AS SOMEONE SUGGESTED, WELL, PERHAPS THE BEST THING WOULD BE TO GO UP TO FIVE HUNDRED MILLION ECU AND PUT IT IN AS ... WELL, LET'S SAY THE ARRANGEMENT IS NOT COMPLETE BUT WE'LL PUT THAT IN AS A PRELIMINARY AMOUNT. I KNEW FULL WELL THAT THE MOMENT WE PUT IN AN INADEQUATE PRELIMINARY AMOUNT THEY'D REST ON THAT AND WE SHOULD GET NOT A PENNY PIECE MORE, SO I SAID NO. IF WE COULD AGREE ON AN AMOUNT FOR THE REST OF THIS YEAR WE COULD AGREE ON AN AMOUNT THIS WEEKEND. WE THEN BASHED ON, IF I MIGHT PUT IT THAT WAY, UNTIL EVENTUALLY, AFTER VERY VERY HARD POUNDING INDEED, - WE CAME UP TO SEVEN HUNDRED AND FIFTY MILLION ECU - THAT WORKS OUT, TAKEN OVER THE FOUR YEARS, WE WERE PROMISED IN THE 1980 AGREEMENT A SETTLEMENT OF SIXTY-FIVE POINT NINE PER CENT REFUND, OVER THE FOUR YEARS THE SEVEN HUNDRED AND FIFTY MILLION ECU WORKS OUT AT SIXTY FIVE POINT FOUR PER CENT, NOT BAD, RIGHT.

JOURNALIST: CAN I THEREFORE ASK THE PRIME-MINISTER WHETHER SHE CONSIDERS SHE'S ACHIEVED A VICTORY ...

MRS.THATCHER: WHETHER WHAT?

CHAIRMAN: ACHIEVED A VICTORY...

JOURNALIST: ACHIEVED A VICTORY ...

MRS.THATCHER: I'M VERY PLEASED WITH THIS WEEKEND'S WORK, I CAME FEARING THAT WE WOULD BE OFFERED NOTHING, THAT WE WOULD GET NOWHERE, THAT WE WOULD HAVE TO REMIT IT TO THE NEXT FOREIGN AFFAIRS MEETING, HAVING HAD TWO EUROPEAN COUNCILS THIS YEAR AND THAT IF WE DID THAT THAT WE WOULD HAVE TO HAVE A DEBATE BEFORE PARLIAMENT SETTING OUT ALL OF THE PROMISES WHICH WE ... BEEN MADE TO US, THAT THERE WOULD BE A REASONABLE SETTLEMENT BUT NOT HAVING ANY MAIN LEVER, AND THEN CONSIDERING WHETHER WE WOULD HAVE TO TAKE OTHER MEASURES. NOW CHANCELLOR KOHL AND SOME COLLEAGUES ARE ALSO VERY MUCH AWARE OF THIS AND ALTHOUGH, AS I SAY, THERE WAS NOT A SINGLE ECU OR A POUND OR A DOLLAR OR WHATEVER YOU LIKE TO CALL IT ON THE TABLE, WHEN WE ARRIVED, BY VERY HARD POUNDING WE GOT A SETTLEMENT ON THE SHORT TERM AND I MUST SAY ALSO A SETTLEMENT ... NOT A SETTLEMENT, BUT ARRANGEMENTS FOR CONSIDERATION IN THE LONGER TERM WHICH I MUST SAY EXCEEDED ANYTHING WHICH I EXPECTED TO GET THIS WEEKEND.

JOURNALIST: PRIME MINISTER, HOPING YOUR HANDS DON'T HURT TOO MUCH FROM ALL THIS HARD POUNDING YOU HAVE DONE

MRS.THATCHER: YOU POUND WITH YOUR FEET DON'T YOU? WE POUND WITH OUR FEET HERE. I MEAN IN BRITAIN WE POUND WITH OUR FEET.

JOURNALIST: ... DID THE FACT THAT YOU'VE GOT THAT 144 SEAT MAJORITY HELP IN YOUR POUNDING? DID YOU FEEL THAT THAT ADDED TO YOUR INFLUENCES, THAT ADDED TO YOUR INFLUENCES IN THE POUNDING?

MRS.THATCHER: NO, I THINK I WOULD HAV POUNDED EVEN IF I'D GOT 200 SEATS .. (LAUGHTER)

JOURNALIST: DID YOU FIND IT BETTER WITH 144...

5

MRS. THATCHER: NO, I'D HAVE GONE JUST AS HARD, I'M HERE BECAUSE WE WON, I WOULD HAVE GONE JUST AS HARD WHATEVER THE MAJORITY, WHETHER IT MADE A PSYCHOLOGICAL DIFFERENCE IN THEIR MINDS OR NOT I DON'T KNOW, BUT I DID MAKE IT PERFECTLY CLEAR THAT I THOUGHT WE HAD DONE AN EXTREMELY GOOD JOB, REALLY THROUGHOUT OUR MEMBERSHIP AND THROUGH THE ELECTION, IN DEMONSTRATING OUR LOYALTY TO THE EUROPEAN IDEAL AND TO THE EUROPEAN COMMUNITY AND ALL QUESTION ALL QUESTION ABOUT WHETHER WE ARE OR NOT, I THINK IS OUT OF BRITISH POLITICIS.

CHAIRMAN: ALAN OSBORNE.

ALAN OSBORNE - JOURNALIST: QUESTION INDISTINCT.

MRS. THATCHER: WELL, NOW CAN I ANSWER THOSE TWO FIRST BECAUSE WE'RE GOING TO GET ... THE FIRST ONE, YES, BUT LOOK WE HAVE NO LEGAL ENTITLEMENT TO ANYTHING THIS YEAR AT ALL, NO LEGAL ENTITLEMENT. I'D HAVE HAD TO HAVE GONE BACK AND ARGUED ON UNACCEPTABLE SITUATIONS. THEY WOULD SAY WE HAD NO LEGAL ENTITLEMENT TO ANYTHING LAST YEAR, 1983, BECAUSE THE FORMULA WAS LEFT TOO OPEN, SO NO LEGAL ENTITLEMENT TO ANYTHING THIS YEAR AND THAT WAS A FACTOR ONE ALSO HAD TO TAKE INTO ACCOUNT. I THINK IF IT COMES TO WHAT THEY CALL OVERPAYMENT TO WHICH WE REFERRED SPECIFICALLY TO THE YEAR 1981, WE WOULD ARGUE VERY MUCH ABOUT THE EXTENT OF .. OR WHETHER THERE WAS AN OVERPAYMENT AT LAW AND EVEN IF YOU DON'T LOOK, THERE'S A LEGAL MATTER, THE EXTENT OF THE OVERPAYMENT, WE WOULD ARGUE VERY MUCH ABOUT THAT BUT I HAD TO TAKE INTO ACCOUNT THIS YEAR I'VE NO LEGAL ENTITLEMENT. NOW I WANT TO DO A TWO-THIRD GUIDELINE - THEY WOULD SAY THIS YEAR, LET ME MAKE IT PERFECTLY CLEAR, IT DOES, WHICH IS WHY I SAY WE POUNDED EXTREMELY HARD AND GOT WHAT WE COULD DEPEND AS TWO-THIRDS AVERAGE OVER THE WHOLE FOUR YEARS, THEY WILL SAY THAT WHAT THEY AGREED WAS AN AD HOC LUMP SUM. IT HAPPENS THAT WHAT I AGREED IN THE AD HOC LUMP SUM WAS DELIBERATELY BROUGHT UP TO WHAT WAS AN AVERAGE OF TWO-THIRDS OVER THE WHOLE FOUR YEARS. NOW HAVE I MADE THAT CLEAR? THERE'S A DIFFERENT WAY OF SEEING IT, IT IS AS THE FACTS ARE, AS THE NEGOTIATIONS WENT, AN AVERAGE OF TWO-THIRDS OVER THE WHOLE FOUR YEARS BRINGING I UP TO £2,500 MILLION. THEY WILL NOT ACCEPT THAT AS A FORMULA WHICH SHOULD GO THROUGH TO FUTURE YEARS. THEY SAY THIS IS AN AD HOC ARRANGEMENT.

JOURNALIST: PRIME MINISTER, WOULD YOU GIVE US YOUR ASSESSMENT ON THE SOLEMN DECLARATION - I MUST SAY IT'S A LITTLE VAGUE IN PARTS -

MRS. THATCHER: WELL YES, SOLEMN DECLARATIONS TEND TO BE BUT THEY REALLY ARE .. YOU'RE TALKING ABOUT THE GENSCHER/COLOMBO ONE?

JOURNALIST: YES.

MRS. THATCHER: YES BUT THEY REALLY ... THEY DO TEND TO BE A RENEWAL OF THE PRINCIPLES AND IDEALS WHICH BROUGHT THE COMMUNITY TOGETHER AND REALLY THOSE ARE VERY IMPORTANT AND, YOU KNOW, ONE OF THE THINGS THAT I ALWAYS CONSTANTLY SAY AT HOME IS ONE OF THE REASONS WHY I, MYSELF, AM A GREAT PASSIONATE BELIEVER IN THE EUROPEAN ECONOMIC COMMUNITY IS THAT IT'S ABSOLUTELY VITAL, LOOKING AT THE WORLD AS A WHOLE, THAT THOSE WHO BELIEVE IN FREEDOM AND JUSTICE AND DEMOCRACY SHOULD STAND TOGETHER, SHOULD BE SEEN TO STAND TOGETHER AS AN AREA OF STABILITY. NOW THAT'S THE WHOLE BELIEF AND BACKGROUND OF THIS AND THEN WE GO ON TO TRY TO GET CLOSER POLITICAL CO-OPERATION, CLOSER CO-OPERATION ON A NUMBER OF ISSUES AND SOME OF THE THINGS WHICH ... WE FOUND DIFFICULT AT FIRST IN THE EARLIEST TEXTS: - FOR EXAMPLE, THINGS ABOUT THE LUXEMBOURG COMPROMISE, THE MAJORITY OF VOTING, SOME OF THOSE THINGS HAVE BEEN ELIMINATED FROM THE TEXT OR TAKEN CARE OF IN PROTOCOLS.

CHAIRMAN: I'LL TAKE TWO MORE QUESTIONS .. THE LADY .. THAT'S RIGHT THERE, YES.... (6)

JOURNALIST: QUESTION INDISTINCT

MRS.THATCHER: NO RISK SHARING CLAUSE, EITHER UP OR DOWN - NEITHER

JOURNALIST: QUESTION INDISTINCT.

MRS.THATCHER: YES, WE MET .. I NEVER REVEAL WHAT WE DISCUSS UP
EEE BUT IT NEED NOT WORRY YOU IN ANY WAY.(LAUGHTER)

JOURNALIST: ... SUGGESTS THAT IT MAY LEAD TO AN ANGLO/IRISH
SUMMIT LATER THIS YEAR.

MRS.THATCHER: THE ANGLO/IRISH SUMMIT WILL BE RESUMED, WE HAVE NOT
GOT A DATE FOR RESUMPTION.

JOURNALIST: IF I CAN JUST COME BACK TO ... IN THE 'DAILY EXPRESS'
THIS WEEK YOU SAID YOU WERE AGAINST .. WERE NO KIND OF BELIEVER AT
ALL IN A FEDERAL EUROPE. TODAY YOU'VE SIGNED A DOCUMENT WHICH
COMMITTS NONE OF THE MEMBER STATES TO ACHIEVING EUROPEAN UNION.
YOUR ~~SISTER~~ YESTERDAY SAID THAT ONCE THE BUDGET THING WAS
OUT OF THE WAY YOU WOULD DEVOTE YOUR CONSIDERABLE ENERGY TO
BUILDING UP A EUROPEAN CAUSE BUT WHAT EXACTLY IS YOUR KIND OF
OBJECTIVE, YOUR KIND OF EUROPE THAT YOU'RE WORKING FOR?

MRS.THATCHER: NO, I'M ABSOLUTELY AGAINST A FEDERAL EUROPE, SO ARE
MOST OTHER PEOPLE ROUND THAT TABLE. EUROPEAN UNION HAS A TERM ...
HAS A MEANING OF ITS OWN IN EUROPE WHICH DOESN'T MEAN EUROPEAN UNION,
I THINK THAT'S REASONABLE TO SAY, MICHAEL, YOU'RE A EUROPEAN ...

JOURNALIST: IT CERTAINLY DOESN'T MEAN A FEDERATION

MRS.THATCHER: THAT'S RIGHT, THAT'S RIGHT. SO I BELIEVE AND CONTINUE
TO BELIEVE IN A EUROPEAN COMMUNITY OF TEN NATION STATES COMING
TOGETHER BECAUSE THEY HAVE COMMON BELIEFS IN FREEDOM, JUSTICE
AND DEMOCRACY AND THEY WORK TOGETHER IN COMMON ECONOMIC AND
TRADING MATTERS IN PARTICULAR AND TRY TO GET GREATER POLITICAL CO-
OPERATION BUT I'VE NEVER DEPARTED FROM THAT AND I THINK I AM
UNLIKELY NOW TO DO SO.

CHAIRMAN: WELL, THANK YOU VERY MUCH, LADIES AND GENTLEMEN.

PRIME MINISTER

PRESS CONFERENCE

I have arranged for you to give a press conference in the Press Centre adjacent to the Schloss, where you are holding your meeting. I suggest you see the media (followed by the usual BBC radio and tv, ITN and IRN interviews) as soon as possible after the Summit is over and you have had time to brief yourself in the delegation office.

Our room at the press centre is small and it will be very crowded. It will not serve your interests if the press conference runs on. I propose to close it after 30 minutes.

Radio and tv are very important after the bad Sunday press today, and you should aim to get on BBC Radio 4 'World This Weekend' which starts at 2.00pm Stuttgart time.

Background

Today's press (which tends to judge the 750m rebate in annual rather than 4 year terms, in spite of all our efforts) reflects two things:

- Fleet Street's (and Britain's) dislike of a winner and its early determination in your second Government to take you down a peg or two as the opportunity offers;
- the treatment of the short term provisional rebate settlement on its own and against old objectives - eg. half a loaf.

I would expect Monday's press to be better when Stuttgart can be seen as a whole. But there is still the risk of a "double sell-out story" - ie. 750m ecu and selling the pass on 1% VAT. You should not ignore this risk.

Press Conference

It will however be very important that you should not be defensive in your approach to the press conference. Stuttgart should be sold as a very good weekend's work for Britain and the Community, however hard the pounding.

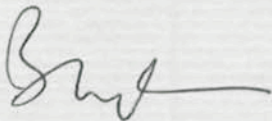
/You will

You will no doubt wish to pay tribute to Chancellor Kohl's firm and determined chairmanship and to share his joy at a successful outcome. (I have also told the press privately, as distinct from in briefings, of the Dutch help).

The media will of course concentrate on the Budget. But you might care to mention in your opening (see Annex I) the Solemn Declaration and generally the weight of other business at this Summit.

At Annex II I have summarised the Budget settlement figures in a presentational form. We have briefed every journalist in sight on these lines, but you should have them by you.

Finally, you may care to mention your meeting with Dr Fitzgerald. The press release is at Annex III.



B. INGHAM

19 June 1983

Declaration says, "a solid basis for the further dynamic development of the Community".

And we have done this without prejudging any issue, including that of whether the Community's own financial resources should be increased.

This has been a weekend well spent. And I would like to pay a warm and richly deserved tribute to Chancellor Kohl's leadership. He came here determined that the Community should make progress. His determination has been rewarded. And I am delighted with his success.

Money was not the only thing we talked about. This has been a very busy Council as the Presidency's conclusions will show.

I am also pleased to say we have signed the Solemn Declaration on European Union for which Herr Genscher and Sig. Colombo have worked hard for a long time.

We also looked at a number of international issues - the most important of which are Poland, the Madrid CSCE conference and the Middle East.

[I have also had a friendly and constructive bilateral meeting with Dr Fitzgerald.]

So I return to London satisfied that this conference has been extremely worthwhile. It offers the prospect no less of a more soundly based and fairer Community - and therefore of a stronger and more confident Community which is what the world needs.

REBATE SETTLEMENT ARITHMETIC

Basic Facts

		mecu
Estimated unadjusted net contribution	=	1900
65.9%	=	1252
Less concession on overpayment	=	200
Starting point	=	1052
French starting point	=	400

2500
1/2

1900
9

Two-thirds over 4 years.

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983 (Est)</u>
1. Net contribution	1512	1419	2040	1900
2. Rebate	1175	1410	1158	750
3. 2 as % of 1	77%	99.4%	56.8%	39.5%

Average settlement over 4 years 65.4%

400 40%

1980 agreement presented and accepted in Parliament as two-thirds settlement.

Total repayments over 4 years exceed £2.5bn:

1980	£705m
1981	£775m
1982	£648m
1983	£450m

1250
2.500

anyway

PRESS STATEMENT

As arranged earlier this year at the European Council in Brussels, the Taoiseach, Dr. Garret FitzGerald, met the Prime Minister the Right Honourable Margaret Thatcher briefly in Stuttgart today.

In a friendly and constructive atmosphere, they discussed matters of mutual concern, including arrangements for future contacts between the two Governments.

19 June 1983

Stuttgart has been a good weekend's work for Britain and the Community.

First, the deal we have achieved on our rebate for 1983 is consistent - almost exactly - with the original two-thirds rebate deal we secured in 1980.

~~And I have made it clear that I regard it as dealing finally with the claims that we were overpaid in 1980 and 1981.~~

Over the last 4 years our two-thirds agreement has secured for Britain refunds totalling over £2500million, £2.5billion. That has been won by hard, tough negotiating, of which we have had a lot this weekend.

As you know, more than one Member State came here determined and publicly committed to refusing to negotiate any British refund. But it has been won for Britain by our determination to secure justice for our country.

And - even more important for the longer term - this weekend we have also secured agreement to tackle over the second half of this year the root of the problem - namely, the Community's method of financing.

This is a major achievement.

^{on long term financing}
The declaration resulting from our long discussions makes it clear that the special, emergency Council appointed to do the work must come up with:

- effective control of agriculture and other expenditure - what we have been seeking since we set out on first taking office in 1979 to secure reform of the Community's finances;
- measures which will avoid the British Budget problem in the future and ensure equity for all Member States.

They have to do both - and these are the two key foundations for fairer and more effective management of the Community's finances for which the UK has been arguing for a long time.

We have thus started the process - and with a great deal of urgency behind it - to give the Community a fresh start. To give it, as the

Declarations for the Minutes made on the occasion of the signature of the "Solemn Declaration on European Union"

On the occasion of the signature of the "Solemn Declaration on European Union" by the Heads of State or Government as well as by the Foreign Ministers of the Member States meeting within the European Council in Stuttgart on 19 June 1983, the following joint and unilateral declarations with reference to certain paragraphs of the "Solemn Declaration on European Union" were recorded in the minutes:

1. Declaration of the Heads of State or Government of the Member States meeting within the European Council

The Heads of State or Government stress the high political significance which they attach to this document which has the character of a solemn political declaration affirming the determination of the Member States to progress towards European Union; it is thus not eligible for registration under Article 102 of the Charter of the United Nations. The Government of the Federal Republic of Germany is requested to transmit the text for information to the Secretary-General of the United Nations and to the Secretary-General of the Council of Europe.

2. Declaration of the Commission and the Member States

In order to avoid any possible misunderstanding which the words "political and economic aspects of security" in No. 1.4.2 and No. 3.2 could give rise to, the President of the Commission attaches importance to recalling that these words could not affect the competence of the Community. Ministers agree that this is the case.

3. Declaration of the Prime Minister of the French Republic with reference to paragraph 2.2.2:

The Presidency will have recourse to voting where the Treaties so provide, it being accepted that voting will be postponed if one or more Member States so request in order to defend an essential national interest directly related to the subject under discussion, which they confirm in writing.

4. Declaration of the British and Danish delegations with reference to paragraph 2.2.2:

While subscribing to section 2.2.2 of the Solemn Declaration, Denmark and the United Kingdom remain of the view that, when a Member State considers its very important interests to be at stake, discussion should be continued until unanimous agreement is reached.

5. Declaration of the Irish delegation with reference to paragraph 2.2.2:

The Presidency will have recourse to voting where the Treaties so provide, it being accepted that voting will be postponed where one or more Member States so request in order to defend an essential national interest directly related to the subject under discussion, which they confirm in writing.

6. Declaration of the Greek delegation with reference to paragraph 2.2.2:

In signing this declaration Greece maintains the position that discussion of a subject should be continued until unanimous decision is reached in cases where vital and essential national interests of a member-state are at stake and a written notification has been made to this end.

7. Declaration of the Belgian, German, Luxemburg, Italian and Dutch delegations with reference to paragraph 2.2.2:

While subscribing to paragraph 2.2.2 of the Solemn Declaration on European Union, the Belgian, German, Luxemburg, Italian and Dutch delegations state that the Presidency must have recourse to voting where the Treaties so provide.

8. Declaration of the Greek delegation with reference to paragraph 2.2.3:

In signing this declaration Greece states that nothing may restrain its right to determine its foreign policy in accordance with its national interests.

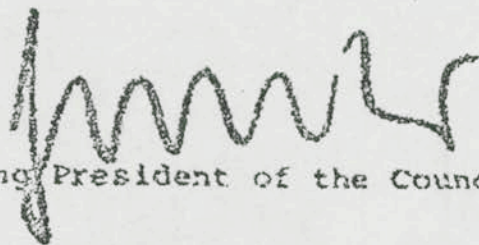
9. Declaration of the German delegation with reference to paragraph 3.3

The Government of the Federal Republic of Germany is of the opinion that cultural co-operation, with a view to complementing Community action, will take place without prejudice to other existing fora, for example the Council and the Ministers of Education united in Council.

10. Declaration of the Dutch delegation with reference
to paragraph 2.1.1.:

The Dutch delegation states that the content of paragraph 2.1.1. cannot affect the competence of the Minister for Foreign Affairs in the exercise of its national competence.

Done at Stuttgart on June 19, 1983


Acting President of the Council

PRIVATE SECRETARY

CC Mr. Butler
 Mr. Coles
 Sir. R. Armstrong
 Sir J. Taylor
 Sir M. Butler
 Mr. Evans
 Mr. Hannay
 Mr. Ingham
 Mr. Goulden
 Mr. Shepherd
 Mr. Brenton

PRESIDENCY CONCLUSIONS: POLITICAL COOPERATION ITEMS

1. I attach the draft Presidency Conclusions on political cooperation items in the form in which the Political Directors are recommending them to Foreign Ministers.

2. As instructed by the Secretary of State, I argued strongly for confining this part of the conclusions to the first four subjects: Solemn Declaration, Poland, Madrid and the Middle East. But the Dutch, Irish and one or two others were insistent that there must be something on Central America also. Iran/Iraq and Afghanistan were added in consequence. I certainly think that Afghanistan must be mentioned if Central America is.

Solemn Declaration: the text of course depends on what Heads of State and Government decide.

Poland: most of the Political Directors wanted to highlight the Pope's visit and its political significance. The Dutch are a bit nervous about this. The draft is a compromise, the grandiloquent tone reflecting the fact that it was drafted in French.

Madrid: the draft refers to the only recent event of significance viz the initiative taken yesterday by the Spanish Prime Minister. We should not commit ourselves one way or another as to accepting it.

Middle East: this was the usual struggle between the Greeks, who more or less take the Syrian position, and the Dutch, who would have liked the Israel-Lebanon agreement to be more warmly welcomed. The rest is in accordance with previous texts.

As I say, this is the point in the list where the French and we and some others would be very content to stop.

Iraq/Iran: we should resist any attempt to shift the draft towards greater sympathy for Iraq: the French may try this on.

/Central America

Central America: the Americans told us some time ago that they would like the Ten to say something welcoming about the Contadora Group's initiative. We need to be careful not to say so much about human rights, dialogue, etc., that the Americans wish we had said nothing. The last paragraph commits the Ten only to continue economic aid, not to increase it, and there are no figures.

Afghanistan: The reason for referring explicitly to the bombing and shelling of inhabited areas in para 1 is that this is a relatively new tactic employed by the Russians to try to crush not just the guerrillas but their supporters in the towns and villages. It would be a pity to have this deleted, as the Greeks and one or two others would like to do.

JL Bullard

J L BULLARD
18 June 1983

C O N F I D E N T I A L

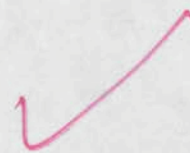
DRAFT CONCLUSIONS OF THE EUROPEAN COUNCIL
IN STUTTGART - JUNE 17-19, 1983

1. SOLEMN DECLARATION ON EUROPEAN UNION

✓ The Heads of State and Government received the report of the Foreign Ministers concerning the conclusion of their work on the German-Italian initiative on European Union following the mandate given by the European Council in November 1981. The Heads of State and Government and the Foreign Ministers of the Ten signed the Solemn Declaration on European Union. They expressed their deep satisfaction at this important step towards European Union.

C O N F I D E N T I A L

C O N F I D E N T I A L



2. POLAND

At the moment when the important visit of Pope John Paul II is taking place in Poland, the Heads of State and Government reviewed the situation in that country, to which their peoples are linked by strong ties of solidarity.

At a time when the depth of the aspirations of the Polish people is more than ever apparent, they expressed their conviction that only a national reconciliation which takes full account of these aspirations can lead Poland out of its grave crisis.

C O N F I D E N T I A L

C O N F I D E N T I A L3. CSCE

The Heads of State and Government reviewed the progress of the CSCE follow-up meeting in Madrid, noting with interest the timely and important initiative taken on 17 June by Senor Felipe Gonzales as the Prime Minister of the host country. Their governments will examine this proposal with due care and in a positive spirit. They appeal to the governments of other participating States to do likewise. They reiterated their view that the adoption of a substantial and balanced concluding document at Madrid would register progress in the human dimension, open the way to a Conference on disarmament in Europe, give fresh impetus to the CSCE process and make a useful contribution to the improvement of East/West relations as a whole.

C O N F I D E N T I A L

C O N F I D E N T I A L

4. MIDDLE EAST

5787
The Heads of State and Government consider that the return of full sovereignty and final peace in Lebanon requires the complete and prompt withdrawal of foreign forces from its territory, ~~except~~ except for those whose presence may be requested by the Lebanese Government.

They confirm their full support for President Gemayel and his Government in their determined action to re-establish their authority over the entire territory of Lebanon. In this respect, they consider the signing of the Israel-Lebanon agreement constitutes a significant step which must be followed by others. They consider, however, that peace will not be able to become a reality unless the security and legitimate interests of the other States and peoples of the region are taken into account.

They state their readiness to use all the means at their disposal to support the efforts undertaken by the parties in question so as to find a broader area of agreement.

They remain convinced that a just, lasting and comprehensive peace in the Middle East can only be secured on the basis of the principles which they have stated many times in the past.

They again voice their very serious concern at the distress of the Palestinian civilian population. They hope that the relevant international organizations will be allowed to assist this population without hindrance.

C O N F I D E N T I A L

5. IRAQ-IRAN

The Heads of State and Government deeply deplore the absence of progress towards a solution to the conflict between IRAQ and IRAN.

They support all efforts at mediation between the two States and voice once again their hope that these efforts will produce tangible results in the interests of all the countries of the region.

They are gravely concerned by the fate of the civilian population and of the prisoners of war, and appeal once again to both sides to respect the GENEVA Conventions and enable the ICRC to carry out its humanitarian duties.

C O N F I D E N T I A L

6 . CENTRAL AMERICA

The Heads of State and Government confirm their close interest in developments in Central America. They are deeply concerned at the economic and social conditions in many parts of the region, at the tensions which these create and at the widespread misery and bloodshed.

They are convinced that the problems of Central America cannot be solved by military means, but only by a political solution springing from the region itself and respecting the principles of non-interference and inviolability of frontiers. They therefore fully support the current initiative of the Contadora Group. They underline the need for the establishment of democratic conditions and for the strict observance of human rights throughout the region.

They are ready to continue contributing to the further development in the area, in order to promote progress towards stability.

C O N F I D E N T I A L

C O N F I D E N T I A L7. AFGHANISTAN

The Heads of State and Government discussed the situation in Afghanistan. They expressed concern at the ruin and destruction being inflicted on the Afghan population as a result of the Soviet armed occupation, in particular by the bombing and shelling of inhabited areas, and at the plight of over three million refugees, especially the very large number in Pakistan.

They stressed the urgent need for a solution enabling Afghanistan to recover its independence and non-aligned status, allowing refugees to return home voluntarily in safety and honour, and permitting the Afghan people as a whole to exercise their right to self-determination.

They support any constructive initiative aimed at a political solution in conformity with the resolutions of the United Nations and leading to the complete withdrawal of Soviet troops.

They call upon the Soviet authorities to refrain from placing obstacles in the way of the activities of humanitarian organisations in Afghanistan.

C O N F I D E N T I A L

Mr Coles

DRAFT

CONCLUSIONS OF THE PRESIDENCY
ON THE PROCEEDINGS OF THE
EUROPEAN COUNCIL

STUTT GART - 17 to 19 JUNE 1983

Economic and social situation

The European Council considers that the prospects for economic recovery should be reinforced by developing and defining more precisely the action initiated Community-wide, and thus providing the Community's contribution to the guidelines adopted by the OECD Council of Ministers.

In this context the need to sustain the effort to promote productive investment was emphasized.

The European Council therefore requests the Commission, within the coming months:

- to prepare a detailed analysis of the nature and extent of the recovery and what the authorities are already doing to support, consolidate and accelerate it;
- to examine how the Community financial instruments can best be used to sustain and consolidate the economic recovery;
- on this basis, to indicate what new factors the Member States and the Community can bring forward to underpin the recovery, as and when necessary.

Youth employment

The European Council expresses its profound anxiety in the face of a situation where more than 4.5 million young people in the Community are without jobs, including more than one and a half million who have been unemployed for more than a year.

It takes note of the importance of the Member States embarking upon sustained action in this area forthwith.

It welcomes with satisfaction the decisions of the Council on the reform of the European Social Fund, which will allow a high degree of priority to be given to the fight against youth unemployment. It further welcomes the resolutions on vocational training in the eighties and on vocational training measures in relation to the introduction of new information technologies.

The European Council expects of these Community measures as speedy and lasting an effect as possible and stresses how important it is that the Member States should, as a concomitant measure, persevere in the efforts that they themselves have undertaken.

It calls upon the competent Community bodies actively to pursue consideration of the Commission's communication on the promotion of youth employment together with the memorandum on the reduction and readjustment of working time.

INTERNAL MARKET

The European Council notes that progress has been made in the strengthening of the internal market since the mandate given at Copenhagen, particularly on information procedures for standards, which has been identified as a key question, and on company law (with the adoption of the 7th directive on consolidated accounts).

It regrets, however, that further progress on the other key questions, (certification for third country products and frontier formalities), has not yet been forthcoming.

It in particular calls on the Council at its session of 21 June to make every effort to settle as many of the outstanding internal market matters as possible, as well as the equally relevant question of the reinforcement of the trade policy instruments. Appropriately constructive national positions will be worked out so that this aim is achieved .

Completion of the internal market must remain a priority aim; the measures decided at Copenhagen constitute only a first step in this direction; work must therefore continue inter alia on the removal of the various forms of distortion of competition that still exist, including trade barriers in the form of differences between national standards, as well as in the services sector.

Transport policy

The European Council emphasizes the importance of transport policy in completing the internal market. It notes with interest the ideas expounded in the memorandum submitted by the Netherlands Government. It asks the Council of Transport Ministers to continue the effort recently manifested in the concrete results achieved by the Council, thus testifying to the importance which this policy assumes for the Community.

ENVIRONMENT

The European Council underlines the urgent necessity of accelerating and reinforcing action at national, Community and international level aimed at combatting the pollution of the environment. It underlines in particular the acute danger threatening the European Forest areas, which calls for immediate action.

The European Council welcomes in this connection the Memorandum from the Federal German Government and the Commission communication which illustrates the urgency of the question and the necessity to take coordinated and effective initiatives both within the Community and internationally, particularly within the ECE, if an irreversible situation is to be avoided. It calls on the Environment Council to pursue its work on the different specific dossiers relevant to this problem and examine relevant initiatives proposed by the Commission, with a view to rapid significant progress.

UNCTAD VI

The European Council regards the Sixth United Nations Trade and Development Conference (UNCTAD VI) in Belgrade as the most important event in the North/South Dialogue in 1983. The Conference is being held against the background of a difficult economic situation, particularly in many developing countries. The Community is participating in the Belgrade negotiations in a spirit of co-operation and readiness to discuss. The European Council expects the Conference to contribute to strengthening confidence in the world economic recovery and to the promotion of development in the Third World. The Community will make a constructive contribution to that end.

DECLARATION

adopted by the European Council
in Stuttgart on 18 June 1983

At a time when the European Community is faced with enormous social and economic challenges and is in the process of negotiating a third enlargement ten years after the first accession, the European Council has decided to take broad action to ensure the relaunch of the European Community.

In the course of the coming six months a major negotiation will take place to tackle the most pressing problems facing the Community so as to provide a solid basis for the further dynamic development of the Community over the remainder of the present decade.

With regard to the importance, complexity and linkage of the problems, negotiations will be started under a special emergency procedure. For this purpose special Council sessions will take place at the level of Foreign Ministers and Finance Ministers; where necessary, other Ministers will also participate, especially Ministers of Agriculture.

The result of the negotiation will be submitted to the European Council meeting in Athens on 6 December 1983.

.../...

The negotiation will cover the subjects mentioned in the conclusions of the European Council of 21-22 March 1983: the future financing of the Community, the development of Community policies, the issues relating to enlargement, particular problems of certain Member States in the budget field and in other fields and the need for greater budgetary discipline.

Decisions will be taken in common on all these questions at the end.

The negotiation will aim at examining all the existing policies with particular attention to the common agricultural policy.

The examination of policies will take place with the purpose on the one hand of modernizing and making more effective the existing policies and to determine the priority areas for new Community action, and on the other hand to ensure that policies are cost effective and that economies are made wherever possible.

The negotiation will aim at a more balanced and equitable situation, also in financial terms from the point of view of the interests of individual Member States and of the Community as a whole.

The negotiation will be based on the following guidelines:

.../...

The Common Agricultural Policy

The basic principles of the Common Agricultural Policy will be observed in keeping with the objectives set forth in Article 39 of the Treaty establishing the EEC. The Common Agricultural Policy must be adapted to the situation facing the Community in the foreseeable future, in order that it can fulfill its aims in a more coherent manner.

The following questions will in particular be examined:

- price policy,
- thresholds for guarantees,
- co-responsibility of producers,
- intervention arrangements,
- arrangements on export refunds,
- substitutes and Community preferences,
- compensatory amounts,
- aids and premium arrangements,
- internal barriers to trade,
- size of enterprises, and particular situations of the various categories of farmers,
- the need for binding financial guidelines.

The examination will result i.a. in concrete steps compatible with market conditions being taken to ensure effective control of agricultural expenditure by making full use of available possibilities and examining all market organizations.

All Member States must contribute to achieving the savings. In order to bring about the desired result account should be taken of the special problems arising in certain regions, such as in the Mediterranean regions, in mountain areas or other regions at a disadvantage because of natural or economic features.

Proposals will be submitted by the Commission by mid-September 1983 at the latest.

.../...

Other policies

The European Council is determined to develop and make more effective the Community action in research, innovation and the new technologies. The protection of the environment and social policy will be given high priority.

On the basis of proposals by the Commission, decisions will be taken on new Community actions making use of the Community dimension to improve the international competitiveness of enterprises.

Negotiations on certain projects of an exemplary nature, e.g. the ESPRIT programme, should be concluded as soon as possible.

Expenditure must also be controlled, in cooperation with the European Parliament, outside the agricultural sector. Policies are to be developed within the bounds of financial feasibility and supplemented through new actions which must be incorporated in an economically suitable way into Community policies.

By mid-September 1983 the Commission will present a report with proposals for increasing the effectiveness of the use of funds. It will concentrate on a more consistent co-ordination of policies to avoid duplication of effort and expenditure and to achieve greater budgetary discipline.

On the basis of this report, the policies in question will be reviewed and priorities determined on the basis of urgency and importance.

.../...

Own resources and particular problems of certain Member States

The objective is:

- to secure the financing of Community policies and actions and their further development over a longer period of time taking into account the additional financial requirements which would flow from the accession of Spain and Portugal, while exhausting all possibilities for savings ;
- to agree measures which, taken as a whole, will avoid the constantly recurrent problems between the Member States over the financial consequences of the Community's budget and its financing. All appropriate ways and means will be examined to this end including the proposals made by the Commission and the suggestions of certain Member States with a view to ensuring equitable financial situations for all Member States.

On the basis of the conclusions reached on development of policies, improving financial control and the examination of the Financial System, the extent and timing of the Community's requirements in terms of Own Resources will be determined.

Sound financial management

The Court of Auditors of the European Community will be asked to review the sound financial management of Community activities and to submit a report by the end of 1983 and annually thereafter.

Enlargement

The accession negotiation with Spain and Portugal will be pursued with the objective of concluding them as rapidly as possible and in time for submission of the accession Treaties for ratification no later than the submission of the result of the negotiation concerning the future financing of the Community.

DECLARATION

adopted by the European Council

in Stuttgart on 18 June 1983

At a time when the European Community is faced with enormous social and economic challenges and is in the process of negotiating a third enlargement ten years after the first accession, the European Council has decided to take broad action to ensure the relaunch of the European Community.

In the course of the coming six months a major negotiation will take place to tackle the most pressing problems facing the Community so as to provide a solid basis for the further dynamic development of the Community over the remainder of the present decade.

With regard to the importance, complexity and linkage of the problems, negotiations will be started under a special emergency procedure. For this purpose special Council sessions will take place at the level of Foreign Ministers and Finance Ministers; where necessary, other Ministers will also participate, especially Ministers of Agriculture. State Secretaries may assist the Ministers.

The result of the negotiation will be submitted to the European Council meeting in Athens on 6 December 1983.

.../...

The negotiation will cover the subjects mentioned in the conclusions of the European Council of 21-22 March 1983: the future financing of the Community, the development of Community policies, the issues relating to enlargement, particular problems of certain Member States in the budget field and in other fields and the need for greater budgetary discipline.

→ Decisions will be taken in common on all these questions at the end.

The negotiation will aim at examining all the existing policies with particular attention to the common agricultural policy.

The examination of policies will take place with the purpose on the one hand of modernizing and making more effective the existing policies and to determine the priority areas for new Community action, and on the other hand to ensure that policies are cost effective and that economies are made wherever possible.

The negotiation will in addition aim at a more balanced and equitable situation, also in financial terms from the point of view of the interests of the different Member States and of the Community as a whole.

The negotiation will be based on the following guidelines:

The Common Agricultural Policy

The basic principles of the Common Agricultural Policy will be observed in keeping with the objectives set forth in Article 39 of the Treaty establishing the EEC. The Common Agricultural Policy must be adapted to the situation facing the Community in the foreseeable future, in order that it can fulfill its aims in a more coherent manner.

The following questions will in particular be examined:

- price policy,
- thresholds for guarantees, in relation to objectives for production
- co-responsibility of producers,
- intervention arrangements,
- arrangements on export refunds,
- substitutes and Community preferences,
- compensatory amounts,
- aids and premium arrangements,
- internal barriers to trade,
- type and size of farms, and particular situations of the various categories of farmers,
- the need for strict financial guidelines,
- external agricultural policy
- special problems arising in certain regions, such as in the Mediterranean regions, in mountain areas or other regions at a disadvantage because of natural or economic features.

The examination will result i.a. in concrete steps compatible with market conditions being taken to ensure effective control of agricultural expenditure by making full use of available possibilities and examining all market organizations.

All Member States must contribute to achieving the savings.

Proposals will be submitted by the Commission by 1st August 1983.

The European Council has taken note of the communications of the Commission on Integrated Mediterranean Programmes which aim in particular at modernizing Mediterranean Agriculture and its better integration into the general economy. It asks the Council to examine them as soon as the Commission's proposals are submitted.

Other policies

Development of policies and new Community action

The European Council is determined to develop and make more effective Community action in research, innovation and the new technologies with a view to facilitating cooperation between enterprises. On the basis of proposals by the Commission, decisions will be taken on new Community actions making use of the Community dimension to improve the international competitiveness of enterprises.

Negotiations on certain projects of an exemplary nature, e.g. the ESPRIT programme, should be concluded as soon as possible. Likewise concrete progress should be made toward uniform standards and norms.

The protection of the environment, employment policy, in particular concerning young people and social policy will be given equally high priority.

Budgetary discipline

Expenditure must also be controlled, in cooperation with the European Parliament, outside the agricultural sector. Policies are to be developed within the bounds of financial feasibility and supplemented through new actions which must be incorporated in an economically suitable way into Community policies.

SECRETARY OF STATE

Budget Timetable

The BBC reported this morning that people in Brussels were saying that according to the Treaty the draft Budget does not need to be adopted until 5 October. The French are probably putting this about. There is an excellent answer if President Mitterrand were to say this in the European Council.

It is indeed true that Article 203(4) says that the draft Budget must be adopted no later than 5 October, but: -

- a) In the early 1970's the Treaty timetable was found to be impossibly tight and in 1976 the Council, Parliament and the Commission agreed on "the pragmatic timetable" under which the Council undertook in future to adopt the draft Budget by 31 July. This has been the practice since 1976.
- b) Within the last few days the Council has agreed a reply to a letter from President Dankert of ^{Parliament} 27 April, agreeing to a timetable which includes 21 July for the adoption of the draft Budget.
- c) When asked in the European Council in March what the last date for the inclusion of "the consequential figures" in the draft Budget would be, President Thorn said the July Budget Council. You said this to the Foreign Affairs Council in Luxembourg on 13 June in front of President Thorn and M. Cheysson, neither of whom contradicted you.

17 June 1983

(Michael Butler)

cc : Prime Minister

W.0379

SIR ROBERT ARMSTRONG

EUROPEAN SUMMIT BRIEFING - ACID RAIN

I cannot stress too strongly the danger of making concessions to the German line on acid rain at the European Summit. I wholly endorse the Department of Environment brief which stresses the major scientific uncertainties and completely unknown cost-effectiveness of so-called "solutions" to the problem.

2. I accept that there are times when scientific uncertainty has been reduced to a low enough level for it to be sensible to take action despite the remaining possibility of poor cost-effectiveness. (The recent Government decision on lead in petrol is a good example.)

3. Action on acid rain is still a very long way, probably many years, from this position. The scientific uncertainties are very substantial and there are few signs yet that current research is reducing them. Possible "solutions" to the problem could be found to be totally ineffective. Thus we are so far from being able to assess cost-effectiveness as to be virtually at the 'pot-luck' stage.

4. The UK can wholly support calls for 'action' in so far as they relate to more and better research and to better transnational co-operation in research.

5. But an immense commitment to capital and revenue expenditure in the UK, with small chance of any worth while result, would result if we were to support the German line for 'action' on statutory reductions in emissions through the fitting and retro-fitting of equipment in plant and vehicles emitting sulphur and nitrogen oxides.

16 June 1983

RBN
ROBIN B NICHOLSON

cc: Mr Gregson
Mr Williamson
→ Mr Scholar



Qz.03168

MR COLES

EUROPEAN COMMUNITY BUDGET: TABLE OF NET CONTRIBUTIONS

As requested by the Prime Minister, I attach an updated table of net contributions and receipts by member state. In addition to the latest figures for the United Kingdom, you may wish to draw to the Prime Minister's attention the trend in the receipts of Italy and Greece. The Italian figures, in particular, because there is no element of transition, do reflect the increase in cost of support for Mediterranean agricultural products. This point is highly relevant when the Mediterranean countries repeat the old argument, not valid in our view, that these products are not adequately supported.

D F WILLIAMSON

15 June 1983

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

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

(Allocated budget)

million ecus

I. <u>Net positions before UK refunds</u>	1975	1976	1977	1978	1979	1980	1981	1982 (provisional)
	Belgium/Luxembourg	+135	+346	+329	+337	+610	+439	+515
Denmark	+237	+294	+293	+381	+380	+327	+279	+294
Germany	-1007	-1054	-1467	-597	-1430	-1526	-1684	-2085
Greece	--	--	--	--	--	--	+173	+698
France	+35	+58	-310	-371	-78	+431	+576	+14
Ireland	+175	+158	+212	+326	+545	+650	+582	+721
Italy	+40	+248	+294	-334	+534	+737	+788	+1586
Netherlands	-27	+222	+88	+41	+288	+454	+239	+302
United Kingdom	+104	-90	+126	-228	-849	-1512	-1419	-2040
[Residual]	[+308]	[-179]	[+435]	[+445]	[--]	[--]	[--]	[--]

II. <u>Net positions after UK refunds</u>	1980	1981*	1980	1981	1982
	As expected at time of 30 May agreement	As expected at time of 30 May agreement	Actual	Actual	Provisional
Belgium/Luxembourg	+709	+846	+377	+441	+447
Denmark	+389	+523	+294	+242	+262
Germany	-1623	-1836	-1957	-2185	-2442
Greece	--	--	--	+161	+682
France	-335	-421	+81	+139	-366
Ireland	+524	+656	+639	+568	+708
Italy	+598	+589	+527	+549	+1373
Netherlands	+347	+463	+376	+94	+245
United Kingdom	-609	-730	-337	-9	-883

Source: Commission

As the residuals show, the figures for 1975 to 1978 are unsatisfactory, but they give some guidance as to the orders of magnitude; the figures for 1982 remain subject to revision.

* These figures give rise to a residual of -90, reflecting a last-minute revision to the United Kingdom figure which the Commission made without revising the figures for other member states.

PP ATHENS

PP BRUSSELS

PP COPENHAGEN

PP DUBLIN

PP THE HAGUE

PP LUXEMBOURG

PP PARIS

PP ROME

RR TFC RELAY

GRS 398

CONFIDENTIAL

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TO IMMEDIATE FCO

TELEGRAM NUMBER 605 OF 15 JUNE

INFO IMMEDIATE UKREP BRUSSELS

INFO PRIORITY ATHENS BRUSSELS COPENHAGEN DUBLIN THE HAGUE

LUXEMBOURG PARIS ROME

STUTTGART EUROPEAN COUNCIL

SUMMARY

1. KOHL NEEDS SUCCESS AT STUTTGART. WHAT ADVANTAGE CAN WE DRAW FROM THIS?

DETAIL

2. BOTH HIS PERSONAL COMMITMENT TO EUROPE AND THE NEED TO BRING THE GERMAN PRESIDENCY TO A DECENT CLOSE MAKE A SUCCESSFUL MEETING AT STUTTGART IMPORTANT FOR CHANCELLOR KOHL. HE WILL ALSO BE ANXIOUS TO AVOID A DISPLAY OF WESTERN DISSENSION SO SOON AFTER WILLIAMSBURG AND SHORTLY BEFORE HIS VISIT TO MOSCOW ON 4 JULY. WHATEVER MODEST PROGRESS CAN BE HOPED FOR ON OTHER MATTERS (SEE MY TELNO 594), THE KEY TO THE COUNCIL'S SUCCESS OR FAILURE WILL BE THE DISCUSSION OF THE BUDGETARY ISSUES. WHILE THE PRESIDENCY'S DRAFT PAPER ON THE FINANCIAL RESOURCES AND RELATED PROBLEMS HAS NOT YET BEEN

ADVANCE COPY

(+12)



PS
PS / Mr Rifkin
PS / PUS
Sir J Bullard
Mr Hayes
Mr James
Hel / (E) (1)
(WED)

Nº 10 JS
Munich Cabinet Office / Planning Staff

mt

FINANCIAL RESOURCES AND RELATED PROBLEMS WAS NOT SATISFACTORY, THERE IS STILL MUCH GROUND FOR MAKING COMMON CAUSE WITH THE GERMANS. OUR AIM AT STUTTGART SHOULD BE TO COLLABORATE WITH THEM, AND ISOLATE THE FRENCH AND ITALIANS IN THEIR INTRANSIGENCE.

3. ON THE INTERIM SOLUTION THE GERMANS WILL CONTINUE TO INSIST THAT THE MARCH EUROPEAN COUNCIL UNDERTOOK TO INSCRIBE FIGURES IN THE DRAFT BUDGET FOR 1984 (WE IN JULY), AND THAT THIS MUST BE DONE. KOHL WILL BE READY TO DISCUSS A FRAMEWORK, BUT NOT TO NEGOTIATE FIGURES AT STUTTGART. THE GERMANS SAY THAT A SERIOUS DISCUSSION OF FUTURE FINANCING, AND AN QUOTE OPENING UNQUOTE ON NEW OWN RESOURCES (SUCH AS THEY HAVE RELUCTANTLY DECIDED TO ACCEPT) WILL BE NECESSARY IF WE ARE TO UNBLOCK DISCUSSION OF 1983. WHILE WE SHOULD LEAVE THE GERMANS IN NO DOUBT OF HOW UNWELCOME THEIR ACQUIESCENCE IN LINKAGE IS TO US, I RECOMMEND THAT WE SHOULD BUILD AS CONSTRUCTIVELY AS POSSIBLE AT STUTTGART ON THE CLOSE IDENTITY OF VIEW BETWEEN US ON FUTURE FINANCING (THE SAFETY NET, THE NEED FOR SAVINGS, REFORM OF CAP), MAINTAINING A RESERVE ON THE OWN RESOURCES QUESTION IF NO FORM OF WORDS CAN BE FOUND ON WHICH WE CAN AGREE (MY TELNO 603). IF, DESPITE OUR BEST EFFORTS TO STRENGTHEN THE GERMANS' ARM, WE DO NOT GET AGREEMENT ON FIGURES FOR 1983 AT STUTTGART, WE MUST MAKE QUITE CLEAR OUR SENSE OF BETRAYAL THAT THE COMMUNITY HAS ONCE MORE FAILED TO LIVE UP TO ITS UNDERTAKINGS TO US. I HOPE HOWEVER THAT WE CAN DEFER A MAJOR ROW, OR WITHHOLDING ACTION, UNTIL A FIRST ATTEMPT HAS BEEN MADE TO INSERT FIGURES IN THE 1984 BUDGET. THE GERMANS, WHOSE SUPPORT WE NEED AND CAN HOPE TO GET IN NEGOTIATING LONG-TERM REFORMS, SHOULD BE GIVEN NO EXCUSE TO RETIRE TO THEIR TENTS CLAIMING THAT THE BRITISH WERE THE CAUSE OF STUTTGART'S FAILURE.

TAYLOR

NNNN

SENT AT 151342Z KBG



FILE

SH

10 DOWNING STREET

From the Private Secretary

15 June, 1983

The Prime Minister has asked me to thank you for your letter of 14 June containing a message from the Chancellor of the Federal Republic of Germany about the agenda and organisation of the European Council meeting at Stuttgart and your letter of 15 June containing a further message from Chancellor Kohl about the problem of damage to forests caused by acid rain.

The Prime Minister has this morning sent a reply to the first of these messages. The second will, of course, be carefully considered before the European Council meeting in Stuttgart.

A1 DOLES

His Excellency Dr. Jurgen Ruhfus, K.B.E.

6



FILE

SH

10 DOWNING STREET

From the Private Secretary

15 June, 1983

European Council

Following yesterday's meeting here on the European budget, the Prime Minister decided that she should send messages to Chancellor Kohl and Mr. Lubbers.

I enclose with this letter texts approved by the Prime Minister and should be grateful if you would arrange for their delivery.

I am copying this letter and enclosures to John Kerr (Treasury), Robert Lawson (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

A. J. COLES

R. Bone, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

sc

SUBJECT
cc Minister
CPS

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 87/83

MESSAGE FROM THE PRIME MINISTER TO MR. LUBBERS

I was disappointed that at their meeting on 13 June Foreign Ministers made so little progress on the future financing of the Community and particularly on the interim solution. We shall have to tackle this question ourselves at Stuttgart.

I would like to say to you, however, how much we appreciated the position which Mr. van de Broek took at yesterday's meeting. I very much hope that we shall be able to continue to work together at Stuttgart. In particular I believe our two governments agree about the need to bring CAP expenditure under control and to avoid any language in the Stuttgart conclusions which would prejudge the question whether or not the Community's own resources should be increased. It will also be essential for the conclusions to contain a clear statement of the need to solve the problem of budgetary imbalances. As regards the interim solution, we shall have to work for specific conclusions so that the agreement we reached in March, that figures should be included in the draft 1984 budget, can be fulfilled.

Our recent elections have clearly demonstrated this country's commitment to the European Community. This makes it all the more important that we should now reach a solution to these problems, so that the Community can get away from these arguments which have so bedevilled our membership and can concentrate on its future development.

I very much look forward to seeing you again in Stuttgart.

CONFIDENTIAL

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T88/83

SUBJECT c. MGR
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MESSAGE FROM THE PRIME MINISTER TO CHANCELLOR KOHL

Thank you for your message about the European Council. I look forward very much to seeing you in Stuttgart and I am extremely anxious that the meeting should be a success both for you personally and for the Community.

The discussion of future financing will of course be at the centre. I hope that the Stuttgart meeting will be able to make real progress and lay down a tight timetable and framework for the detailed negotiation which must follow.

The key issue is the problem of budget imbalances. The Commission have proposed a scheme for modulated VAT which would go some way to reducing the problem, but other measures will certainly be necessary. In addition to the development of cost-effective Community policies in fields other than agriculture some kind of safety net scheme will be needed to ensure that no Member State is again put in an unacceptable situation. Such a scheme would enable Member States to consider new proposals for Community policies on their merits and not have constantly in mind whether they would increase their financial burden.

The UK and Germany have always taken the lead in calling for better financial discipline in the Community, particularly over CAP expenditure. Most other Member States now recognise the need for action in this field. I hope that we can now get acceptance of the need both to set a binding limit on the rate of growth of CAP expenditure, so that it increases markedly less than own resources, and to take the necessary measures in the agricultural sector to keep expenditure within this limit.

I know that a number of Member States, and the Commission, believe the case for new own resources is already clear. I am afraid I am not so convinced and I could not agree to any form of prior commitment to increase own resources. I can see no case for such an increase while there is no effective discipline on CAP spending and no lasting solution to budgetary imbalances.

/ As well as

As well as dealing with the long term problem, the Stuttgart European Council must agree on a settlement of the interim problem for the UK until the lasting solution is in place. I was greatly heartened when at our bilateral meetings both in February and in April you showed so much understanding of our need to get this problem resolved during the German Presidency. Now that the British people have shown yet again that they are in favour of Community membership, the need to resolve the immediate difficulty over the budget and so fulfil the promises made by the Community in May and October last year and again at the March European Council this year, is all the more pressing. I can see no other fair and reasonable basis for a settlement than the two-thirds principle which underlay the earlier agreement of 30 May 1980.

Given the failure by Foreign Ministers to get to grips with this issue. I fear that we have no choice but to do so ourselves, so that our agreement in March to include the figures for 1983 in the draft 1984 budget can be carried out. If the Community fails to implement this clear commitment, as well as those made earlier, a most serious situation will arise, and we shall have no alternative but to react to it in such a way as to safeguard our interests.

I very much hope that our Stuttgart meeting will take the decisions which are necessary to the positive outcome we both want.

Prime Minister

DRAFT MESSAGE FROM PRIME MINISTER
TO CHANCELLOR KOHL

*Agree message?
It is very long.
Can we not cut the
Carbon part
a little? not
A.T.C. 15/16.*

~~Many thanks for your kind message after the General Election result. I too welcome the great opportunity now afforded us over the next few years to cooperate closely in Europe. Thank you also for your message about the Stuttgart European Council. I look forward very much to seeing you ^{in Stuttgart} then, and I am extremely anxious that the meeting should be a success both for you personally and for the Community.~~

2. I very much hope the European Council will give a further impetus to work on the internal market, including that on insurance. I hope it will also be able to reach agreed conclusions on environmental questions including our joint view that the Community should move quickly towards unleaded petrol. We should like to see the Genscher/Colombo proposals for a Solemn Declaration adopted. And I hope the European Council will lend its weight to the unblocking of the enlargement negotiations on agriculture.

3. The discussion of future financing will of course be at the centre. [There is, I know, much common ground between us on the right way to approach the long term negotiation.] I hope that the Stuttgart meeting will be able to make real progress and to lay down a tight timetable and framework for the detailed negotiation which must follow.

4. The key issue is the problem of budget imbalances [which has so bedevilled the Community's development in recent years]. The Commission have proposed a scheme for modulated VAT which would go some way to reducing the problem, but other measures will certainly be necessary. ~~We think that~~ in addition to the development of cost-effective Community policies in fields other than agriculture some kind of safety net scheme will be needed to ensure that no Member State is again put in an unacceptable

situation. Such a scheme would enable Member States to consider new proposals for Community policies on their merits and not ~~as at present~~ to have constantly in mind whether they would increase their financial burden.

5. The UK and Germany have always taken the lead in calling for better financial discipline in the Community, particularly over CAP expenditure. ~~I am pleased that~~ most other Member States now recognise the need for action in this field. I hope that we can now get acceptance of the need both to set a binding limitation on the rate of growth of CAP expenditure, so that it increases markedly less than own resources, and to take the necessary measures ^{in the} ~~of~~ agricultural ^{sector} ~~policy~~ to keep expenditure within this limitation.

6. I know that a number of Member States, and the Commission, believe the case for new own resources is already clear. I am afraid I am not so convinced and I could not agree to any form of prior commitment to increase own resources. I can see no case for such an increase while there is no effective discipline on CAP spending and no lasting solution to budgetary imbalances.

7. As well as ^{dealing with} the long term ^{problem}, the Stuttgart European Council must agree on a settlement of the interim problem for the UK until the lasting solution is in place. I was greatly heartened when at our bilateral meetings both in February and in April you showed so much understanding of our need to get this problem resolved during the German Presidency. Now that the British people have shown yet again that they are in favour of Community membership, the need to resolve the immediate difficulty over the budget and so fulfil the promises made by the Community in May and October last year and again at the March European Council this year, is all the more pressing. I can see no other fair and reasonable basis for a settlement than the two-thirds principle which ^{underlay} ~~has underlain~~ the earlier agreement of 30 May 1980.

8. Given the failure by Foreign Ministers to get to grips with

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this issue, I fear that we have no choice but to do so ourselves, so that our agreement in March to include the figures for 1983 in the draft 1984 budget can be carried out. If the Community fails to implement this clear commitment, as well as those made earlier, a most serious situation will arise, and we shall have no alternative but to react to it in such a way as to safeguard our interests.

I very much hope that our Stuttgart meeting will take the decisions which are necessary to the positive outcome we both want.

Prime Minister

Agree message?

CONFIDENTIAL

A.S.C. $\frac{14}{6}$

Yes not

DRAFT MESSAGE FROM PRIME MINISTER TO MR LUBBERS

I was disappointed that at their meeting on 13 June Foreign Ministers made so little progress on the future financing of the Community and particularly on the interim solution. We shall have to tackle this question ourselves at Stuttgart.

I would like to say to you, however, how much we appreciated the position which Mr van den Broek took at yesterday's meeting. I very much hope that we shall be able to continue to work together at Stuttgart. In particular I believe our two governments ~~are in~~ agree ~~agreement~~ about the need to bring CAP expenditure under control and to avoid any language in the Stuttgart conclusions which would prejudge the question whether or not the Community's own resources should be increased. It will also be essential for the conclusions to contain a clear statement of the need to solve the problem of budgetary imbalances. As regards the interim solution, we shall have to work for specific conclusions so that the agreement we reached in March, that figures should be included in the draft

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1984 budget, can be fulfilled.

Our recent elections have clearly demonstrated this country's commitment to the European Community. This makes it all the more important that we should now reach a solution to these problems, so that the Community can get away from these arguments which have so bedevilled our membership and can concentrate on its future development.

*I very much look forward to seeing you
again in Stuttgart.*

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

15 June, 1983

European Council: Acid Rain

I enclose with this letter a copy of a message which the Prime Minister has just received from Chancellor Kohl about the above subject. I also enclose a German Memorandum on action to combat the depletion of forests.

I should be grateful if this could be taken account of in the briefing for the Summit.

I am copying this letter and its enclosures to Dave Edmonds (Department of the Environment), Jonathan Spencer (Department of Industry) and Richard Hatfield (Cabinet Office).

A. J. COLES

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

010
DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

London, 15 June 1983

Dear Prime Minister

In view of the forthcoming Stuttgart Summit I have been instructed to convey to you a message from Dr. Helmut Kohl, Chancellor of the Federal Republic of Germany and a memorandum of the Government of the Federal Republic of Germany on action to combat the depletion of forests.

I enclose texts of both papers and translations.

Identical messages have been sent to the other Heads of State or Government taking part in the Stuttgart meeting, and to the President of the Commission.

I am, dear Prime Minister
Yours very sincerely
Jürgen Ruhfus

Jürgen Ruhfus

The Rt.Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister and
First Lord of the Treasury
L o n d o n

186/83

SUBJECT

Message from
Chancellor Kohl

Translation

cc Muler
cjs

Dear Prime Minister,

At our last meeting in Brussels we were agreed that effective cross-frontier measures are urgently needed to deal with the damage to our forests caused by acid rain.

In the meantime I have become even more convinced of this. The scope and speed of the damage to our forests are alarming. Effective action to counter this is indispensable.

The Government of the Federal Republic of Germany has therefore initiated a systematic environmental policy to combat damage to forests. However, national measures are not sufficient. The facts show that action at the European level is urgently needed to save our forests.

For your information I am enclosing a memorandum explaining the damage caused by pollution thus far and the joint action needed in the view of the Federal Government.

In my policy statement of 4 May 1983 I pointed out the inestimable value of forests for the water balance, for our climate and for health and recreation. If we do not succeed in saving our forests, the world that we live in would change beyond recognition.

I am confident that on the problem of air pollution, too, we can achieve progress through joint action and thus take a first step towards the effective protection of our forests.

Yours sincerely,

(sgd.) Helmut Kohl

Chancellor of the Federal Republic of Germany

Memorandum of the Government of the
Federal Republic of Germany on
action to combat the depletion of
forests

1. The Federal Government is convinced that conserving and safeguarding our natural environment is a particularly

important political goal. caring for and preserving an environment that is ecologically intact and thus an asset for coming generations, too, calls for preventive action. but, owing to the cross-frontier effects of environmental pollution, every national environmental policy, however resolutely it is pursued, must be supplemented by effective international action.

2. in recent years, especially of late, there has been an alarming increase in the number of reports on hazards and damage to forests.

as early as 1982 it was established that 8 per cent of the forests in the federal republic of germany had suffered damage to varying extents. this damage is likely to increase still further.

ende uebersetzung seite 1

folgt uebersetzung seite 2

in other countries, too, forest damage has been detected. in april 1983, a european conference of forest experts, organized by the food and agriculture organization of the united nations (fao), established that damage to forest ecosystems, soil, lakes and waterways as a result of emissions is increasingly occurring to varying extents in central and eastern europe as well as in north america and must be seen as an international problem. damage to lakes and waterways has been observed in northern europe.

the studies and discussions thus far have not produced absolute certainty as to the primary causes of the damage and their interaction. however, all attempts at explaining the problem indicate that atmospheric pollutants - especially sulphur dioxide and nitrogen oxides, including their conversion products - play a major part in creating the damage.

3. the government of the federal republic of germany has therefore taken a number of effective measures at the national level to reduce the emission of atmospheric pollutants.

industrial plant producing emissions requires statutory approval. operating licences may only be issued for plants in line with the state of the art. the use of modern equipment to reduce emissions may also be stipulated by dint of statutory provisions for plants already in operation.

since 1979 the sulphur content of light heating oil and diesel oil has been limited to a maximum of 0.3 per cent. a new directive on furnaces, which will come into effect in 1983, will drastically reduce the emissions of large industrial plants. as a result, power stations must possess equipment for flue gas desulphurization. this applies not only to new power stations. those already in operation must comply with the stringent limits on a step-by-step basis by 1993 at the latest. it is estimated that as a result of these steps the emission of sulphur dioxide in the federal republic of germany will be over 30 per cent lower by 1993 than in 1980. regional differences in admissible emission levels are not envisaged.

4. the sulphur dioxide and nitrogen oxides emitted everywhere

do not stop at frontiers. consequently, national action is not sufficient.

for instance, about half of the sulphur dioxide precipitated from the atmosphere in the federal republic of germany originates in neighbouring countries. at the same time, a large part of the air pollution caused here is conveyed across our frontiers into other countries.

ende uebersetzung seite 2

folgt uebersetzung seite 3

what we need is a comprehensive preventive policy which tackles the causes of air pollution and swiftly reduces on a step-by-step basis the quantity of air pollutants. each member country of the european community is therefore called upon to take action against the emission of atmospheric pollutants.

every effort must be made to expedite the adoption of regulations at the community level. in particular, these include

- the directive already submitted to the council regarding the control of air pollution caused by industrial plant, which is designed to ensure general use of equipment in line with the state of the art,

- a directive on emission limits for important atmospheric pollutants, especially sulphur dioxide and nitrogen oxides,

- further directives for permanently reducing air pollution caused by vehicles exhaust, especially in view of the emission of nitrogen oxides and hydrocarbons,

- adoption of the directive submitted to the council quite some time ago regarding environmental impact assessments for major private or public projects.

in connection with vehicle exhaust, the federal government urges that lead-free petrol be introduced community-wide.

it is supported by the danish, netherlands and british governments, who also advocate the introduction of lead-free petrol.

in addition, action is needed to record, assess and monitor damage to forests, to investigate the causes and their

in addition, action is needed to record, assess and monitor damage to forests, to investigate the causes and their interaction, to initiate suitable forestry activities, and to develop further technology for reducing or preventing emissions.

5. a preventive european environmental policy cannot be confined to the member states of the european community. a suitable body for dealing with these issues at the overall european level is the united nations economic commission for europe (ece).

ende uebersetzung seite 3

folgt uebersetzung seite 4

an instrument for the envisaged preventive policy already exists in the shape of the convention on long-range transboundary air pollution, which was concluded by the ece

in 1979 and came into force in march 1983. on the basis of this convention a specific strategy should be developed and adopted as quickly as possible to reduce the emission of atmospheric pollutants in the contracting states. the point of departure for such a joint strategy of air purification must be the obligation to reduce emission at its source by the general use of equipment in keeping with the state of the art.

the federal government suggests that sulphur dioxide emissions in all ece countries should be reduced by at least 30 per cent between 1983 and 1993.

Sehr geehrte Frau Premierminister,

bei unserer letzten Zusammenkunft in Brüssel waren wir uns einig, dass der Schaden, den der saure Regen an den Waldbeständen angerichtet hat, wirksame grenzüberschreitende Massnahmen dringend erforderlich macht.

Dieser Eindruck hat sich bei mir in der Zwischenzeit noch verstärkt. Die Schäden an unseren Wäldern und die Schnelligkeit des Schadensverlaufes sind besorgniserregend, wirksame Gegenmassnahmen sind unumgänglich.

Die Regierung der Bundesrepublik Deutschland hat deshalb eine konsequente Umweltpolitik zur Bekämpfung der Waldschäden eingeleitet. Nationale Massnahmen reichen aber allein nicht aus. Die Fakten zeigen, wie eilbedürftig europäische Massnahmen zur Rettung der Wälder sind.

Zu Ihrer Unterrichtung übersende ich Ihnen ein Memorandum, in dem die bisher durch Luftverunreinigungen hervorgerufenen Schäden und die nach Auffassung der Bundesregierung notwendigen gemeinsamen Anstrengungen näher dargelegt sind.

In meiner Regierungserklärung vom 4. Mai 1983 habe ich auf die unschätzbare Bedeutung der Wälder für Wasserhaushalt, für Klima sowie für Gesundheit und Erholung hingewiesen. Gelingt es uns nicht, die Wälder zu retten, wäre die Welt, in der wir leben, nicht wiederzuerkennen.

Ich bin zuversichtlich, dass wir auch bei dem Problem der Luftverunreinigungen durch gemeinsames Handeln Fortschritte erzielen werden und damit einen Anfang zum wirksamen Schutz unserer Wälder machen.

Mit freundlichen Grüßen

Helmut Kohl

Bundeskanzler der Bundesrepublik Deutschland

'memorandum der regierung der bundesrepublik deutschland zur bekaempfung des waldsterbens

1. die bundesregierung ist davon ueberzeugt, dass die schonung und erhaltung einer natuerlichen umwelt ein besonders wichtiges politikziel ist. pflege und erhaltung einer oekologisch intakten und daher auch fuer die kommenden generationen leistungsfahigen umwelt muss sich am grundsatz der vorsorge ausrichten. wegen der grenzueberschreitenden auswirkungen von umweltbelastungen bedarf aber jede noch so entschlossene nationale umweltpolitik einer wirksamen internationalen ergaenzung.

2. in den letzten jahren, insbesondere aber in juengster zeit, haeufen sich die meldungen ueber die schaedigung und gefaehrung von waeldern in besorgniserregender weise.

schon 1982 wurde festgestellt, dass 8 der waldbestaende in der bundesrepublik deutschland mehr oder weniger stark geschaedigt sind. mit einer weiteren zunahme dieser schaeden muss gerechnet werden.

auch in anderen staaten sind waldschaeden beobachtet worden. so hat eine europaeische forstexpertenkonferenz der food and agriculture organisation of the united nations (fao) im april 1983 festgestellt, dass immissionsbedingte schaeden an forstlichen oekosystemen, boeden und gewaessern in mittel- und osteuropa und ebenso in nordamerika in unterschiedlicher auspraegung zunehmend auftreten und als internationales problem anzusehen sind. in nordeuropa werden schaeden in gewaessern festgestellt.

die bisherigen untersuchungen und diskussionen haben noch keine letzte klarheit ueber die primaeren schadensursachen und deren zusammenwirken gebracht. alle erklarungsversuche deuten jedoch darauf hin, dass luftverunreinigungen - vor allem schwefeldioxid und stickstoffoxide einschliesslich ihrer umwandlungsprodukte in der atmosphaere - eine massgebliche rolle bei der entstehung der schaeden spielen.

3. die regierung der bundesrepublik deutschland hat deshalb auf nationaler ebene eine reihe von wirksamen massnahmen ergriffen, um die emission von luftschadstoffen zu reduzieren.

gesetzlich vorgeschrieben ist die genehmigungspflicht fuer gewerbliche anlagen, von denen emissionen verursacht werden. die betriebsgenehmigung fuer solche anlagen darf nur erteilt werden, die zum zeitpunkt der genehmigung dem stand der technik entsprechen. auch fuer bereits bestehende anlagen kann aufgrund gesetzlicher vorschriften nachtraeglich die anwendung moderner emissionsmindernder techniken vorgeschrieben werden.

seit 1979 ist der schwefelgehalt in leichtem heizuel und dieseluel auf maximal 0,3 begrenzt.

durch eine neue verordnung ueber grossfeuerungsanlagen, die 1983 in kraft treten wird, werden die emissionen aus

grossen industrieanlagen drastisch begrenzt. dies bedeutet, dass kraftwerke mit anlagen zur rauchgasentschwefelung ausgeruestet werden muessen. dies gilt nicht nur fuer neubauten. bereits in betrieb befindliche kraftwerke muessen nach einem stufenplan bis spaetestens 1993 die strengen grenzwerte einhalten. es kann abgeschaezt werden, dass durch diese massnahmen die emission von schwefeldioxid in der bundesrepublik deutschland bis 1993 um mehr als 30 gegenueber dem stand von 1980 vermindert wird. regionale unterschiede hinsichtlich der zulaessigen emissionen sind nicht vorgesehen.

4. die ueberall auftretenden schwefeloxide und stickstoffoxide machen an grenzen nicht halt. daher reichen nationale massnahmen allein nicht aus.

so wird beispielsweise rund die haelfte der in der bundesrepublik deutschland aus der luft niedergehenden schwefeldioxid-mengen aus den nachbarlaendern hereingeweht. gleichzeitig wird ein erheblicher teil der hier entstehenden luftverunreinigungen ueber unsere grenzen in die nachbarschaft abtransportiert.

was wir brauchen, ist eine umfassende vorsorgepolitik, die an der quelle der luftverschmutzung ansetzt und die schadstoffbelastung der luft zuegig schritt fuer schritt abbaut. daher ist jedes mitgliedland der europaeischen gemeinschaft aufgerufen, massnahmen gegen die emission von luftschadstoffen zu ergreifen.

mit allem nachdruck muss die verabschiedung von regelungen auf gemeinschaftsebenen vorangetrieben werden. hierzu gehoeren insbesondere

- die bereits dem rat vorliegende richtlinie zur bekampfung der luftverunreinigung durch industrieanlagen, die eine allgemeine anwendung des standes der technik zur regel machen soll,

- eine richtlinie ueber grenzwerte fuer die emission wichtiger luftschadstoffe, insbesondere schwefeldioxide und stickstoffoxide,

- weitere richtlinien zur nachhaltigen verringerung der verunreinigung der luft durch abgase von kraftfahrzeugen, insbesondere im hinblick auf die emission von stickstoffoxiden und kohlenwasserstoffen,

- die verabschiedung der dem rat seit laengerem vorliegenden richtlinie ueber die durchfuehrung einer umweltvertraeglichkeitspruefung fuer private und oeffentliche grossprojekte.

in zusammenhang mit den kraftfahrzeugabgasen draengt die bundesregierung auf eine eg-einheitliche einfuehrung bleifreien benzins. sie wird darin unterstuetzt von der daenischen, niederlaendischen und britischen regierung, die sich ebenfalls fuer die einfuehrung bleifreien benzins einsetzen.

weiterhin sind massnahmen zur erfassung, beurteilung und ueberwachung der waldschaeden, zur erforschung der ursachen und wirkungszusammenhaenge sowie zur entwicklung forstlicher massnahmen und zur weiterentwicklung der technologien zur reduzierung bzw. vermeidung von emissionen erforderlich.

5. eine europaeische umwelt-vorsorgepolitik kann auch nicht auf die mitgliedstaaten der eg beschraenkt bleiben. ein geeignetes gremium fuer die behandlung dieser fragen auf gesamteuropaeischer ebene ist die vn-wirtschaftskommission fuer europa (ece).

ein bereits vorhandenes instrument fuer die angestrebte vorsorgepolitik ist die im rahmen der ece im jahre 1979 abgeschlossene konvention ueber den weitraeumigen grenzueberschreitenden transport von luftverunreinigungen, die im maerz 1983 in kraft getreten ist. im rahmen dieser konvention sollte so schnell wie moeglich eine konkrete strategie zur vermindering der emissionen von luftschadstoffen in den vertragsstaaten entwickelt und verabschiedet werden. ausgangspunkt fuer eine solche gemeinsame strategie zur luftreinhaltung muss die verpflichtung sein, die emissionen durch die allgemeine anwendung des standes der technik an der quelle zu reduzieren.

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10 DOWNING STREET

Schn

O.K.

A.S.C. 15/6.

Cabinet office inform
me that Sir Julian
Biland is unable to
attend tomorrow briefing
meeting

Andy 15/6

Mr Coles.



10 DOWNING STREET

From the Press Secretary

15 June 1983

Dear John.

Many thanks for your letter of June 10 proposing some media activity by the Prime Minister before Stuttgart. John Coles and I have considered this in the light of Ministerial meetings already held, our likely overall advantage and the Prime Minister's diary. We find it difficult to recommend the Prime Minister to give the interview/s you propose but I have, as you know, cleared a briefing line with the Prime Minister and we shall be deploying it vigorously before Stuttgart. I should add that the Prime Minister has asked me to damp down expectations from this Summit.

Yours sincerely
Bernard Ingham

BERNARD INGHAM

P. J. Goulden, Esq.

1. MR COLBY

2. PRIME MINISTER

I think this is all right for pre-Stuttgart
briefing. The time to begin it will be at
Stuttgart. APR 14
6

STUTTGART

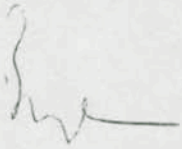
In the light of the outcome of the Foreign Affairs Council I propose to take the presentational line set out below in briefing the media this week.

It is designed to present a firm but fair, determined but not threatening, committed but not supplicant stance.

The proposed line is as follows:

1. there is no doubt that the UK will achieve a satisfactory rebate (not to mention satisfactory reform of the EC's financial structure) because the principle has been conceded (1980/82); it is not a question of whether but precisely when;
2. the European Council's commitment to incorporate a satisfactory rebate in the 1984 draft Budget is unambiguous and unconditional; the Prime Minister takes such commitments, given on at least 3 occasions (twice in 1982 and again in March), very seriously indeed;
3. in short the principle has long been conceded and promises have long been made; the UK has right and EC duty on its side;
4. no increase in own resources required if the financial structure is reformed;
5. no point in playing it long; Mrs Thatcher is there for 5 years with huge majority and tremendous mandate to secure fair and reasonable settlement;
6. no advantage to anyone to put off a settlement; every advantage to bite on the bullet now because delay can only damage the Community's fabric and credibility;

7. moreover, the European Community needs to put its finances on a firmer and fairer footing - and that too has been recognised by our partners; the need to curb agriculture spending and to husband our own resources is manifest;
8. no point in souring the EC atmosphere or in holding up the application of the Prime Minister's energies to the development of the Community;
9. the British public would not understand a failure to achieve a settlement and this would put the Community into a serious predicament. In that event, the British Government would have to consider its position very seriously because a very serious situation would have arisen;
10. moral: let's sort it out and remove a major obstacle in the way of the EC's development as a greater economic/political force in the world.



B. INGHAM

14 June 1983

AJC



10 DOWNING STREET

Stuttgart Briefing Meeting

Mr. Holdgate (Environment)
is unable to attend on
Thursday. Mr Harrop
(2nd term see) will
come instead. Agree?

Mark
14/6/83.

Agreed.

MR 14/6.

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PROSPECTS FOR STUTTGART

1. ARTICLES IN TODAY'S FRENCH PRESS SUGGEST THAT FRANCE COULD FIND HERSELF IN A DIFFICULT AND SOMEWHAT ISOLATED POSITION AT STUTTGART FOLLOWING MONDAY'S COUNCIL. THE FRANCO/GERMAN AXIS IS DESCRIBED AS 'MORE FRAGILE THAN EVER', AND COMMENTATORS NOTE THAT BRITAIN, GERMANY AND NOW THE NETHERLANDS ARE INSISTING THAT THERE SHOULD BE NO INCREASE IN OWN RESOURCES WITHOUT A PRIOR COMMITMENT TO REDUCE CAP EXPENDITURE, IN WHICH FRANCE'S MAJOR INTERESTS ARE AT STAKE. A MAJOR RE-THINK OF EUROPEAN POLICIES COULD BE BEGUN AT STUTTGART - AND MITTERRAND IS SAID TO BE CONVINCED THAT THE COMMUNITY MUST HAVE NEW PROSPECTS FOR DEVELOPMENT. BUT IT IS ALSO NOTED THAT MITTERRAND HIMSELF WILL NOT BE IN STUTTGART FOR THE WHOLE OF THE COUNCIL. THIS AFTERNOON'S LE MONDE SUGGESTS THAT THE OUTCOME COULD BE UNATTRACTIVE FOR FRANCE: A PROMISE OF A SUBSTANTIAL NEW CHEQUE FOR MRS THATCHER, A MORE RIGOROUS CAP, AND ONLY RATHER VAGUE PROSPECTS OF THE DEVELOPMENT OF THE EC AND ITS FINANCING, PLUS A COMMITMENT TO SPAIN AND PORTUGAL NOT TO PUT OFF THE COMPLETION OF THEIR ACCESSION NEGOTIATIONS. THE UK POSITION IS SAID TO HAVE THE MERIT OF SIMPLICITY - TO PRESS WHAT BRITAIN CONSIDERS TO BE ITS ESTABLISHED RIGHT TO COMPENSATION: ACCORDING TO LE MONDE BRITAIN'S PARTNERS SHOULD LIMIT THE SUM PAYABLE AND INSIST ON DEGRESSIVITY.

2. IN AN INTERVIEW PUBLISHED IN TODAY'S LE MATIN (SOCIALIST), CHEYSSON IMPLIED SOME UNDERSTANDING OF THE UK'S NEED FOR BUDGET REFUNDS. HE SAID THAT HE HAD HIGH EXPECTATIONS OF STUTTGART, BUT IF FRANCE'S PARTNERS FAILED THERE, THE COMMUNITY WOULD HAVE GREAT DIFFICULTY IN NOT BEING OVERWHELMED BY THE MULTITUDE OF SPECIFIC PROBLEMS. FOR MRS THATCHER THE PROBLEM WAS COMPENSATION. 'IT SHOULD BE RECOGNISED THAT THE MATTER BECAME SERIOUS IN 1982 BECAUSE THE DIFFERENCE BETWEEN COMMUNITY EXPENDITURE IN BRITAIN AND RECEIPTS LEVIED THERE WAS PROVISIONALLY ESTIMATED AT 2,000 MECU' (A FORMULA WORTH NOTING). IN THE CAP FRAMEWORK THE REDISTRIBUTIVE MECHANISMS WERE OUT OF CONTROL. THOSE WHO GAINED MORE THAN THEY PAID SAW THEIR NET RECEIPTS GROWING AT HALLUCINATORY SPEED. IN 1982 ITALY WOULD HAVE GAINED UNDER THE CAP MORE THAN TWICE WHAT SHE GAINED IN 1981. GREECE SIX TIMES AS MUCH.

/3. CHEYSSON

3. CHEYSSON CONTINUED THAT THE MACHINERY HAD RUN AWAY IN OTHER DIRECTIONS. THE COST TO THE EC OF OILSEEDS AND PROTEIN PRODUCTS HAD INCREASED SIXFOLD. BUT THE NECESSARY EFFORT TO DEAL WITH THESE SPECIFIC PROBLEMS WOULD BE MADE ONLY IF THE PROSPECT OF EUROPE COMMANDED REAL INTEREST. AT STUTTGART, GOVERNMENTS MUST COMMIT THEMSELVES TO THIS PROSPECT OF EUROPE AND DRAW UP THE EXCEPTIONAL PROCEDURES WHICH WOULD ALLOW THEM TO PURSUE IT. WHEN IT WAS DECIDED TO CREATE THE TREATY OF ROME, A SPECIAL STRUCTURE WAS SET UP - MESSINA. THE MESSINA PATTERN NEED NOT NECESSARILY BE FOLLOWED BUT A SPECIAL STRUCTURE WAS REQUIRED. UNLESS THIS COULD BE DONE AT STUTTGART, THE COMMUNITY WOULD GET STUCK IN IMMEDIATE PROBLEMS WITHIN THE FRAMEWORK OF THE USUAL PROCEDURES. IF THAT HAPPENED, HE (CHEYSSON) WOULD BE VERY PESSIMISTIC ABOUT THE OUTLOOK.

4. ACCORDING TO AGENCE FRANCE PRESSE, MITTERRAND IS DUE TO LEAVE STUTTGART ON SATURDAY AFTERNOON, TO TAKE PART IN THE ANNUAL CEREMONY AT MOUNT VALERIEN (THE RESIDENCE MONUMENT) MARKING THE ANNIVERSARY OF DE GAULLE'S BROADCAST FROM LONDON CALLING THE FRENCH PEOPLE TO CONTINUE THE STRUGGLE AGAINST THE GERMANS.

FRETWELL

FRAME GENERAL
RED(1)

THIS TELEGRAM
WAS NOT
ADVANCED



10 DOWNING STREET

From the Private Secretary

14 June 1983

EUROPEAN COUNCIL

I enclose a copy of a letter, together with an English translation, which the Prime Minister has just received from Chancellor Kohl setting out his ideas on the agenda for, and the organisation of, the European Council meeting at Stuttgart.

I am copying this letter and the English translation of the Chancellor's message to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment), Jonathan Spencer (Department of Industry), Julian West (Department of Energy), David Edmonds (Department of the Environment) and Richard Hatfield (Cabinet Office).

A. J. COLES

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

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

London, 14 June 1983

Dear Prime Minister

I have been instructed to convey to you a message from Dr. Helmut Kohl, Chancellor of the Federal Republic of Germany, setting out his ideas about the topics and the organisation of the European Council Meeting at Stuttgart.

I enclose the text of the message and a translation.

Identical messages have been sent to the other Heads of State or Government taking part in the Stuttgart meeting, and to the President of the Commission.

I remain, dear Prime Minister
Yours very sincerely
Jürgen Ruhfus
Jürgen Ruhfus

The Rt.Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister and
First Lord of the Treasury

L o n d o n

SUBJECT

computer
cjs

Translation

Dear Prime Minister,

I should like to present to you my thoughts on the topics and course of our deliberations at the European Council Meeting to take place from 17 to 19 June in Stuttgart.

First of all, we shall have to consider the difficult questions dealt with in the report to the European Council concerning the 'Community's financial resources and related problems'. It will be important to allow sufficient time for these issues. I would therefore suggest that we focus first on this area, and it is likely that we will have to continue our discussion of these questions on Saturday morning.

Later Saturday morning we should direct our attention to the solemn declaration on European union, so that we can, I hope, wind up that discussion before the departure of the French President, planned for later that day.

We might subsequently discuss the work programmes decided upon at our two previous meetings - regarding social issues, particularly unemployment among young people, the continuation of community policies on research and energy, the problems of European industry and its competitiveness, including particularly steel-related issues, and environmental protection.

I consider it vital that we avoid limiting ourselves again in Stuttgart to merely taking note of progress achieved and calling upon the Council to continue its efforts. Our meeting will only be credible if we succeed in arriving

Interest
needed
June 26th
Peace up with
market
Common
policy right
Strengthen internal
harmony.

at sufficiently specific guidelines which will ensure that the Council of Ministers achieves the results we are striving for.

We must also consider the special problems confronting our Greek partner, which were dealt with by the Commission in its most recent communication.

Before and during the Williamsburg summit, the general economic and social situation already occupied a central position in our considerations. I do not believe that we should devote a great deal of time to an assessment of the economic and social situation, supplementing the Commission's communication on this topic. What we need is to give a clear signal that the Community and its member states are making a suitable contribution to the process of economic recovery worldwide.

On Saturday afternoon we should also direct our attention to the topics of political co-operation. As you know, I would like to conclude the second day with a dinner for the Heads of Government and the foreign ministers, where we could continue our discussion of political co-operation.

On Sunday morning we should go through the draft conclusions resulting from the deliberations of the two previous days. My aim is to conclude our meeting before lunch.

Finally, I cannot deny my concern about the prospects for achieving results at the Stuttgart meeting of the European Council. I am convinced that a positive outcome can only

be reached if all parties are prepared to meet each other half-way. In view of the complex nature of the issues at hand, I regard it as indispensable, in the interest of balanced, positive results, for each of us to go to Stuttgart willing and able to make a concrete contribution to a successful summit meeting and to strengthening the Community.

I am looking forward very much to seeing you in Stuttgart.

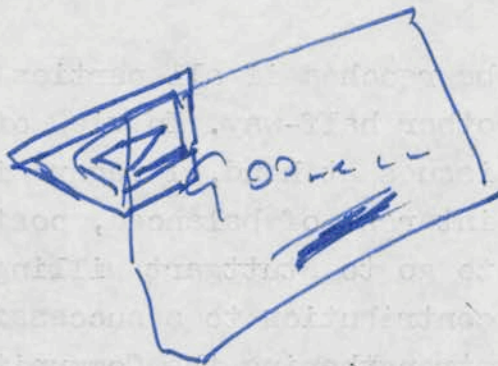
Yours sincerely,

(sgd.) Helmut Kohl

Chancellor of the Federal Republic of Germany

30-7-20

80°



Caris did not do anything for
the rest.

Lehman - not needed.

No link between 80-P2 and 83

(No 4)

Sehr geehrte Frau Premierminister,

zur Tagung des Europäischen Rats vom 17. bis 19. Juni 1983 in Stuttgart darf ich Ihnen auf diesem Weg meine Vorstellungen über die Gegenstände und den Ablauf unserer Beratungen übermitteln :

Zunächst werden wir uns mit den schwierigen Fragen zu befassen haben, die im Bericht an den Europäischen Rat über die "finanziellen Ressourcen der Gemeinschaft und damit zusammenhängende Fragen" behandelt werden. Hierfür werden wir uns ausreichend Zeit nehmen müssen. Ich schlage daher vor, dass wir die Diskussion zunächst auf diese Fragen konzentrieren.

Ich halte es im übrigen für wahrscheinlich, dass wir die Diskussion zu diesem Fragenkreis am Samstag vormittag fortsetzen müssen.

Im Laufe des Samstag vormittag sollten wir die feierliche Erklärung zur Europäischen Union behandeln, damit wir diese - so hoffe ich jedenfalls - noch vor der für den gleichen Tag vorgesehenen Abreise des französischen Staatspräsidenten abschliessend behandeln können.

Anschliessend könnten wir uns den Arbeitsprogrammen zuwenden, die wir auf unseren beiden vorhergehenden Tagungen beschlossen haben: den Sozialfragen, insbesondere der Frage der Jugendarbeitslosigkeit, der Stärkung des Binnenmarktes, der Fortsetzung der Gemeinschaftspolitik im Forschungs- und Energiebereich, den Problemen der Industrie in der Gemeinschaft und ihrer Konkurrenzfähigkeit und hier insbesondere den Stahlfragen, sowie dem Umweltschutz.

Ich halte es für notwendig, dass wir uns in Stuttgart nicht noch einmal darauf beschränken, lediglich den Stand der Arbeiten zur Kenntnis zu nehmen und den Rat aufzufordern, seine Anstrengungen fortzusetzen. Unsere Tagung kann nur dann glaubwürdig sein, wenn wir hinreichend konkrete Orientierungen verabschieden, durch die gewährleistet wird, dass im Ministerrat die von uns angestrebten Ergebnisse erreicht werden.

Wir müssen uns auch mit den besonderen Problemen befassen, die sich unserem griechischen Partner stellen, und die von der Kommission in ihrer jüngsten Mitteilung geprüft worden sind.

Die allgemeine wirtschaftliche und soziale Lage stand bereits vor und in Williamsburg im Vordergrund unserer Überlegungen. Ich glaube nicht, dass wir in Ergänzung der Kommissionsmitteilung viel Zeit für die Beurteilung der wirtschaftlichen und sozialen Lage aufwenden sollten. Was wir brauchen, ist ein deutliches Zeichen, dass die Gemeinschaft und ihre Mitgliedstaaten in angemessener Weise zum Prozess des weltweiten wirtschaftlichen Aufschwungs beitragen.

Im Laufe des Samstag nachmittag sollten wir uns auch mit den Themen der politischen Zusammenarbeit befassen. Wie Sie wissen, möchte ich den zweiten Tag mit einem Essen abschliessen, an dem sowohl die Regierungschefs als auch die Aussenminister teilnehmen. Wir könnten dabei unsere Beratungen über die politische Zusammenarbeit fortsetzen.

Am Sonntag vormittag sollten wir den Entwurf der Schlussfolgerungen aus den Beratungen der beiden Vortage durchgehen. Ich strebe an, unsere Tagung vor dem Mittagessen zu beenden.

Abschliessend will ich Ihnen meine Sorge über den Ausgang des Europäischen Rats in Stuttgart nicht verhehlen. Ich sehe nur dann Aussichten für positive Ergebnisse, wenn alle bereit sind, aufeinander zuzugehen. Angesichts der Vielschichtigkeit der zur Beratung stehenden Fragen erscheint es mir für ein ausgewogenes positives Ergebnis unumgänglich, dass jeder von uns mit dem Willen und der Möglichkeit nach Stuttgart kommt, seinen konkreten Beitrag zum Gelingen dieses Gipfels und zur Stärkung der Gemeinschaft zu leisten.

Ich freue mich sehr, mit Ihnen in Stuttgart zusammenzutreffen und bin

mit freundlichen Grüßen

Ihr Helmut Kohl

Bundeskanzler der Bundesrepublik Deutschland



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10 DOWNING STREET

From the Private Secretary

MISS LINDSAY WILKINSON
CABINET OFFICE

EUROPEAN COUNCIL, STUTTGART

I agree that those listed in paragraph 2 of your minute of 6 June, together with Dr. Holdgate from the Department of the Environment, should be invited to the Prime Minister's briefing meeting which has been provisionally arranged for Thursday, 16 June at 4.45 pm. I should be grateful if you could arrange for those concerned to be informed in due course.

We shall invite those listed in paragraph 3 of your minute to attend a meeting at 4 pm on Thursday, 16 June to discuss the EC Budget, if and when the Prime Minister confirms that she wishes to have such a meeting.

A. J. COLES

8 June 1983

NR



10 DOWNING STREET

John,

Hindray Wilkinova tells me that it will also be necessary to have a representative from the Dept. Environment at the Stuttgart briefing, to discuss Acid Rain and lead in Petrol.

She will let us know the name of the representative as soon as possible.

Susan.

7/6.



Ref. A083/1586

MR COLES *dlr*

European Council, Stuttgart: 17-19 June:
Prime Minister's Briefing Meeting, 16 June at 4.45 pm

The Prime Minister has now decided on the delegation to the European Council if the Conservative Party wins the Election (your letter of 31 May to Mr Bone) and you will wish to decide who should be invited to the Prime Minister's briefing meeting provisionally arranged for Thursday 16 June at 4.45 pm.

2. The Prime Minister will no doubt wish to invite the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food. In addition, it would be appropriate to invite the following officials:

Sir Julian Bullard	FCO
Sir Michael Butler	UKREP, Brussels
Mr Richard Evans	FCO
Mr David Hannay	FCO
Mr Geoffrey Littler	Treasury
Mr Brian Unwin	Treasury
Mr Michael Franklin	MAFF
Mr Robin Gray	Department of Trade
Sir Robert Armstrong	Cabinet Office
Mr David Williamson	Cabinet Office

3. For the proposed preliminary meeting on Thursday 16 June at 4.00 pm to discuss the EC budget the following might be invited:

Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Minister of Agriculture, Fisheries and Food
Sir Michael Butler
Sir Robert Armstrong
Mr David Williamson

Lindsay Wilkinson
LINDSAY WILKINSON

6 June 1983



10 DOWNING STREET

From the Private Secretary

31 May 1983

European Council

In order to help internal planning you may like to know that, if the Conservative Party wins the Election on 9 June, the Prime Minister would wish to be accompanied to the European Council at Stuttgart on 17 June by the same party which accompanied her to Brussels in March, namely:

Foreign and Commonwealth Secretary
Sir Robert Armstrong
Sir Julian Bullard
Mr. Evans
Mr. Williamson
Mr. Littler
Mr. Hannay

I am copying this letter to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

SECRET

Roger Bone, Esq.,
Foreign and Commonwealth Office.

050
Qz.03142

MR COLMS

A.F.C. 1/6

p.a.

cc: Sir Robert Armstrong

FUTURE FINANCING OF THE COMMUNITY: PREPARATIONS FOR STUTTGART

--- You may be interested to see this copy of the report made by State Secretary Lautenschlager on his discussions with the Foreign Ministers of the member states.

D F Williamson

D F WILLIAMSON

31 May 1983

Mr President, in accordance with the brief assigned me at Gymnich, the Commission representative Mr SCHAUS and I held discussions with all nine Foreign Ministers in their respective capitals during the period from 16 to 21 May. The basis for the discussion was a previously forwarded questionnaire which had been drawn up on the basis of the Gymnich discussions.

First of all I too should like to thank the Ministers around this table for having given us the opportunity to hold the discussions after such short preparation and in such a short period of time, and I should also like to express my gratitude for the open and trusting atmosphere which was a feature of all the discussions.

II

I should like to summarize my impressions of our talks as follows:

1. In all the countries the particular urgency and significance which everybody attributes to the solution of the problems facing us was made clear to me. Everyone was aware that there was at least a political, and partly also a factual connection between the problems, but that they could not all be solved according to the same timetable. Practically everywhere there was a desire to concentrate on the main problems and to make decisive progress in the Council meetings before Stuttgart, so that the European Council might make the desired practical decisions, set out political guidelines and also take the most useful procedural decisions.
2. The following four areas emerged as the main topics:
 - the long-term financial settlement,
 - other questions which had to be solved in connection with or as a precondition for the settlement, such as:

- improvement in the restructuring or extension of existing policies and introduction of new Community projects in the advanced technologies sector,
- substantial savings, especially in the agricultural sector,
- efforts to improve the balance between the so-called north and south agricultural products and
- the interim solution for the UK (and Germany)
- finally, the problems of accession and the time scale for solving them.

I would add that our Greek friends have particularly asked the European Council to look sympathetically at the special problems facing Greece.

3. (a) As regards the long-term financial settlement I have been able to ascertain that it is more or less certain that seven and perhaps even eight countries would be prepared in principle, subject to certain conditions, to exceed the 1% value added tax limit, either up to 1.4% or higher, but in any case for a period of time which would relieve Community difficulties on this subject for a considerable period. Most countries were also in agreement with the principle of correctives, although of course there were different ideas about the form which should be given the basic criteria. Some countries were considering the creation of a safety net or a system which has become known as "égrettement des soldes".

Two capitals, one of which I did not have to visit specially, have fundamental objections to exceeding the 1% limit, although I have the impression that here too, under certain conditions, there would be readiness to discuss the Commission proposals, although of course the outcome cannot be prejudged.

In general it is my impression that despite some individual objections, the aims of the Commission proposal, i.e. to remove existing imbalances in budget responsibilities, were received not in a negative, but in a positive manner. The majority expressed the opinion that any increase in the financial framework must remain a matter for the national parliaments. Individual Ministers did not exclude the possibility that, in a framework to be decided on by the national Parliaments, tranches would be fixed by a Community procedure that could be based on the Commission's deliberations.

The question whether ratification of the long-term solution in every eventuality to coincide with ratification of the increase was answered differently according to the various interests and domestic political situations and remained open.

As for the rest I noted a general reluctance to provide for financial resources other than value added tax, at least at the present stage in the development of the Community.

(b) At the same time it was clear that most Ministers could only consider a long-term financial settlement on the lines of the Commission's basic idea if a number of conditions and preconditions were fulfilled at the same time. These included:

- substantial savings in the agricultural sector through specific decisions and not simply by establishing principles, as for example the principle that agricultural expenditure should not rise faster than income. While fully maintaining the basic principles of the common agricultural policy, the following measures were mentioned by way of example (this is not an exhaustive list):
- restrictive price policies,
- lowering of the guarantee thresholds or introduction of production quotas,
- producer co-responsibility,

- Superlevy in the milk sector,
- discussion of the problems of substitutes,
- problems of frontier compensation,
- removal of irregularities in the implementation of the common agricultural policy in certain sectors.

I was impressed by the definite desire which now exists to make really substantial savings. It is obvious that for the Council to act it must have before it the corresponding Commission proposals, which are expected in the very near future.

At the same time great importance was attached in many capitals to the fact that in addition to savings being made when the long-term solution is adopted, specific decisions for the improvement, extension and restructuring of existing policies and for the introduction of new Community measures, in particular in the field of new technologies, are also regarded as indispensable. This is seen from the standpoint of the desired further development of our Community as much as a means of resolving the so-called British problem in the longer term.

Specific proposals from the Commission in good time are also a prerequisite for decisions in this area.

In this connection reference was also made here and there to the strengthening and extension of existing Community instruments and to the importance of the continued development of the European Monetary System.

-- Finally, in the south of our Community, I came across a request that, when the long-term solution is adopted, decisions or guidelines should also be issued on possible ways of achieving a better balance between northern and southern agricultural products irrespective of enlargement. In other countries it was pointed out that the mistakes made or perhaps made in the case of northern products (in inverted commas) must not be repeated with southern

.../...
E

products and that various measures have moreover already been set in train which in principle should allay the concerns of our partners in the Mediterranean.

The idea contemplated in one Member State that when the decision is taken on the long-term financing arrangement the existing budget rights of the European Parliament be limited, above all in the non-compulsory sphere, perhaps in exchange for greater powers on the revenue side, was overwhelmingly regarded as a non-viable political direction.

On the other hand there was support in many capitals for resolving by common accord any still obscure points between the Council and the European Parliament as regards budget procedures, e.g. as regards a more binding delimitation of compulsory and non-compulsory expenditure and consequently a precise definition of the so-called margin of the European Parliament.

- (c) As far as the interim solution for the United Kingdom and the Federal Republic of Germany is concerned, all the people I spoke to were satisfied with the decisions of the European Council held in March.

The overwhelming majority of the people I spoke to see some connection between the short-term and long-term solution, in particular

- not only because they would like to have an idea of whether and how the envisaged long-term solution and the decisions accompanying it might be appropriate for providing a lasting solution to the United Kingdom problem,
- but also because they are afraid that if some sort of link is not established the European Parliament could cause difficulties.

Our British friends do not see this link, or at least not in the same way, and refer to the decisions of the European Council held in March 1963 and the decisions of the Foreign Ministers

preceding them. The amount is to be entered in the 1984 budget not later than July 1983, which means that concrete decisions will have to be taken in May or June. At the same time, however, they emphasized of course that, as before, they are still interested in a long-term solution being found quickly and will co-operate in particular as far as participation in new Community measures is concerned.

With reference to the German problem in this connection, I met with understanding from some partners, while others rejected any further relief for the Federal Republic of Germany when the 1983 British problem is settled and yet others were open on the issue.

On the matter of what form the short-term solution should take, the majority opinion was that such a solution - including the risk-sharing arrangement - could be modelled on that adopted for 1982, whereby the excess payment and the limits drawn by the European Parliament would have to be taken into account, i.e. only a solution by means of Community policies could be envisaged.

- (d) I also spoke about the problems of accession and whether a date should be set for its conclusion or ratification. There was no doubt in any quarter that the accession negotiations should, for reasons of foreign policy as well, be terminated as swiftly as possible. The target date frequently cited was the first half of 1984. The question of when ratification should be concluded and accession take effect remained open, since this was mostly seen as depending on many internal policy developments in the individual countries, over which the Governments have only partial control.

4. With regard to the procedure for dealing with the entire complex issue I have just described, doubt was voiced as to whether, with the existing normal Community procedures, all problems could be resolved in time, since they touch on the areas of responsibility of many other Ministers. Overwhelming preference was, however, given to a Community procedure the details of which would be decided by the Foreign Affairs Council and which would be organized by the Presidency-in-Office, possibly in the form of a special urgent procedure. The idea of a procedure modelled on the Messina Conference was seen by some as worthy of consideration but finally gave way to a majority in favour of reserved judgment.

5. I was able to record agreement in principle that the conclusions of the Stuttgart European Council should as far as possible have three sections:

- an operative section with concrete decisions;
- a section containing political guidelines, also in respect of reports then tabled in which - I would add - other areas need to be dealt with on which progress reports need to be submitted, namely such areas as
 - = unemployment, particularly youth unemployment,
 - = the internal market,
 - = environmental protection, including de-afforestation,
 - = the adjustment of the "acquis".
- Lastly, the conclusions should have a procedural section stating how and over what period the entire dossier should be further tackled.

III

In conclusion, I should also like to mention that I have also spoken in some capitals about the solemn declaration on European Union. I made it plain that it was desirable that the solemn declaration be signed in Stuttgart, as an outward

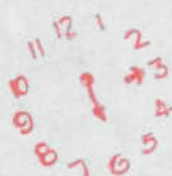
expression both of determination and of the political will to give the Community a perspective which is important for the progress and successful conclusion of further discussions.

IV

In this short report I have selected from the wealth of material only what appear to me to be the most essential points. Perhaps, therefore, some of you around this table will note the absence of a matter which is important to you. I would ask for your indulgence if that is the case. The debate over the next few weeks will in any case afford you every opportunity of returning to the various points which will naturally then receive the attention of us all.

Thank you.

31 MAY 1983



GRS 320

UNCLASSIFIED [FRAME GENERAL]

FM BONN 192020Z MAY 83

TO PRIORITY FCO

TELEGRAM NUMBER 520 OF 19 MAY

INFO PRIORITY PARIS UKREP BRUSSELS

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ROME THE HAGUE

POSTPONEMENT OF EUROPEAN COUNCIL: GERMAN MEDIA COMMENT

1. THE POSTPONEMENT IS GENERALLY WELCOMED IN THE MEDIA HERE YESTERDAY AND TODAY. THE SUMMIT IS SEEN AS HAVING HAD LITTLE CHANCE OF SUCCESS IF THE PRIME MINISTER HAD BEEN UNABLE TO ATTEND, AND GOVERNMENT SOURCES HERE HAD REPORTEDLY FEARED THAT IF SHE MADE A BRIEF APPEARANCE IT WOULD HAVE BEEN MAINLY FOR ELECTORAL PURPOSES.

2. POSTPONEMENT, HOWEVER, IS ALSO SEEN BY THE MEDIA AS REMOVING THE ONLY EXCUSE THERE MIGHT HAVE BEEN FOR FAILURE AT STUTTGART. SEVERAL PAPERS (MOST NOTABLY WELT AND FAZ) BELIEVE IT DOES NOTHING TO INCREASE THE CHANCES OF SOLVING THE MASSIVE PROBLEMS FACING THE COMMUNITY, WHILE THE SUEDEUTSCHE ZEITUNG ACTUALLY FEELS THAT IT HAS INCREASED THE PRESSURE ON KOHL TO PRODUCE A SUCCESS. ONLY HANDELSBLATT SUGGESTS THAT THE PRIME MINISTER MIGHT BE MORE FLEXIBLE AT STUTTGART IF SHE GOES THERE AFTER AN ELECTION VICTORY.

3. STUTTGART IS WIDELY SEEN BY THE MEDIA AS A MOMENT OF TRUTH FOR THE COMMUNITY AND THERE IS SOME RECOGNITION THAT GERMAN CONCESSIONS ON FINANCING MAY HAVE A PART TO PLAY IN MAKING A SUCCESS OF THE MEETING. NEVERTHELESS THE PRESS REPORTS THAT THERE IS STILL NO AGREEMENT IN BONN TO RAISE THE ONE PER CENT CEILING AND DOES NOT ITSELF SHOW ANY ENTHUSIASM FOR SUCH A COURSE. SZ IS OPPOSED TO ANYTHING THAT MIGHT LEAD TO MORE MONEY BEING WASTED ON AGRICULTURE WHILE THE FAZ THINKS THAT RAISING THE CEILING WOULD ONLY BE JUSTIFIABLE, IF AT ALL, IN EXCHANGE FOR GREATER READINESS BY PARTNERS TO PUT THE EUROPEAN INTEREST FIRST. FAZ HIGHLIGHTS BRITISH INSISTENCE ON RETAINING A RIGHT OF VETO IN THE COUNCIL NOTING THAT THIS VIEW IS ALSO SHARED BY FRANCE AND DENMARK. FRANCE FOR HER PART HAS A CONCEPT OF THE COMMUNITY DIFFERING FUNDAMENTALLY FROM THOSE HELD BY HER PARTNERS - A BLOC TO GIVE POLITICAL AND ECONOMIC ROOM FOR MANOEUVRE VIS A VIS THE US FOLLOWING FRENCH-STYLE DIRIGISTE AND PROTECTIONIST ECONOMIC AND INDUSTRIAL POLICIES.

FCO PLEASE PASS TO ABOVE SAVING ADDRESSEES

TAYLOR

[REPEATED AS REQUESTED]

[THIS TELEGRAM WAS NOT ADVANCED]

FRAME GENERAL
ECD (I)



10 DOWNING STREET

From the Private Secretary

19 May 1983

B/F 1

Thank you for your letter of 11 May about the article by Mr. Lubbers in the NRC Handelsblad. I am sure you will understand that I do not want to trouble the Prime Minister with this at present (we are keeping all papers to a minimum during the Election campaign). But if a suitable opportunity arises I will show the Prime Minister the article on the way to Stuttgart.

A. J. COLES

His Excellency Mr. P. R. A. Mansfield, C.M.G.

5c

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TO ALL COREU - IMMEDIAT DESK BY 181600Z
CPE/MUL ETR 1877 (BRU BIL 138)
18.05.1983 1730HRS

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LA BELGIQUE PEUT MARQUER SON ACCORD SUR LES NOUVELLES DATES
PROPOSEES PAR LA PRESIDENCE POUR LE PROCHAIN CONSEIL EUROPEEN.

COREU BRU
FIN DE TEXTE

NNNN



10 DOWNING STREET

From the Private Secretary

17 May 1983

Dear Brian,

STUTTGART

The Prime Minister held a meeting here this morning, attended by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and officials, to consider the prospects for the Stuttgart European Council.

Mrs Thatcher gave a brief account of her telephone conversation with Chancellor Kohl yesterday (my letter to you of 16 May) and said that in all the circumstances it seemed best to agree to the postponement of the European Council, though this would unfortunately mean that some of the pressure on our partners to settle the UK budget problem would be relieved. The Foreign and Commonwealth Secretary commented that it was true that the extreme pressure had now been lifted but even if it had been maintained it was most unlikely that a settlement of our problem would have been agreed on 24 May and there was no certainty that agreement would have been reached on 6/7 June. It now seemed likely that the Council would take place on 17/19 June.

It was agreed that, when the German Presidency announced the postponement, our public line should be that we had not sought this, but the decision of the German Chancellor to postpone the meeting was most courteous because it would have been difficult for the Prime Minister to attend the European Council just two days before the British election. We should, when necessary, make it clear that our position on the question of the budget would be the same after the election as before (on the assumption that the Conservative Party won the election).

The Chancellor of the Exchequer pointed out that, although the postponement meant that we no longer possessed one trump card, if the present Government were returned in the election we should have a trump card of another kind - our partners would have to reckon with the prospect of a British Government in power for a further number of years with a firm attitude on the question of the budget. Agreeing, the Prime Minister said that we must maintain pressure for a settlement at the next meeting of the Foreign Affairs Council. It should be made clear to our partners that they must not renege on the obligations contained in the conclusions of the European Council held in March.

The Chancellor of the Exchequer said that we also needed to give thought to our posture with respect to the 1% VAT ceiling. We and the Germans were now virtually alone in opposition to

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- 2 -

lifting the ceiling - and the German position was not very firm. Nevertheless, our opposition placed a card of great importance in our hands. There was no prospect of the British Parliament agreeing to lift the ceiling unless there was a solution to our budget problem which transformed the nature of the budgetary process. We should not appear to be willing to concede an increase in own resources when we might not be able to persuade Parliament of the desirability of doing this. The Foreign and Commonwealth Secretary said that he had made it quite clear at the Schloss Gymnich meeting that there could be no increase in own resources unless there was a completely satisfactory agreement not only on our budget solution but on restraining EC agriculture expenditure. Herr Genscher had taken the line that there could be no increase except in the context of enlargement. The Prime Minister commented that she could see no reason to concede an increase even in the context of enlargement. We should not give one inch on this issue otherwise the prospect of reforming the CAP would disappear.

The Foreign and Commonwealth Secretary said that he might need to consult the Prime Minister by telephone over the weekend, following the visit by a representative of the German Presidency to London later in the week.

I am copying this letter to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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010
Mr Fairweather - ECD(I)

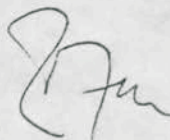
A. & C. 17/5

Stuttgart

f.a.

Mr Mallaby telephoned early this morning to say that the French had difficulties with the afternoon of 19 June for a postponed European Council, and that the Germans were therefore asking us whether a European Council from about lunchtime on 17 June to about lunchtime on 19 June would be acceptable to us. After checking with Number 10, I have told Mr Mallaby that we would have no diary difficulties over this proposal.

Mr Mallaby understands that these dates were acceptable to the Italians and will try to find out the results of the other soundings which the Germans are presumably undertaking.

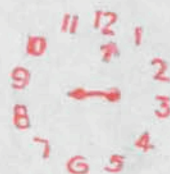


17 May 1983

(B J P Fall)

cc: PS
PS/PUS
Sir J Bullard
Mr Evans
Mr James
Mr Hannay
ECD(E)
WED
PS/No. 10

74 MAY 1983



A & C. 16/10

Mr Fairweather (ECD(I))

Stuttgart

Mr Tugendhat has just phoned and spoke to me in the absence of the Secretary of State. He had been asked by M. Thorn to pass on the hope that if we were to make an announcement about Stuttgart we would not do so while the Agriculture Council was sitting if the substance of the announcement was such that it might reduce the pressure on Agriculture Ministers to reach agreement (on which point Tugendhat sounded rather pessimistic).

I said that I would of course ensure that this message was passed on as appropriate and added that I did not anticipate our making an announcement in this time-scale. I also made it clear that the only announcement which would in my view be likely to be made in London would be one concerning British representation: if announcements were required on other questions they would be a matter for the Presidency. Mr Tugendhat took the point and said that he thought - though he did not know - that M. Thorn would have spoken to Herr Genscher.

(B J P Fall)

16 May 1983

- cc: PS
- Mr Evans
- Mr Hannay
- Mr Coles (No 10)
- Mr Williamson (Cabinet Office)
- Mr Lawson (MAFF)



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Treasury Chambers, Parliament Street, SW1P 8AG
01-233 3000

PRIME MINISTER

SCHLOSS GYMNICH AND THE INTERIM SOLUTION

Although the Stuttgart Council is less than five weeks away, progress in Brussels towards an interim solution has been minimal. The Commission have not so far put forward specific proposals, and anything they did propose would be likely to be unfavourable to us. We also know in confidence that the German Foreign Office have drafted a Presidency compromise proposal, not yet agreed in Bonn, which would appear effectively to give us a fixed net refund for 1983 of only some 400 m ecus after settlement of the 'overpayment' for 1980 and 1981. The idea seems to be that we would receive a lump-sum net refund of only some 700 m ecus net for 1983 with no risk-sharing, and would simultaneously give up our risk-sharing entitlement for 1982 of some 300 m ecus net. This compares with our own objective of a basic refund of 1320 m ecus net for 1983 (66 per cent of an assumed net contribution of 2 billion ecus), together with risk-sharing, less a figure of up to 250 m ecus net for the 'overpayment'.

2. This is all very unsatisfactory. Francis Pym and I think that we must now aim -
 - i. to get serious negotiations started as a matter of urgency with a view to reaching agreement within the timescale foreseen at the last European Council - ie by Stuttgart;
 - ii. to pre-empt any unhelpful proposals by the German Presidency or the Commission; and
 - iii. to place ourselves in the best possible position in the event that no agreement is possible and we have to withhold.
3. With these objectives in mind, we believe that we should now move quickly to stake out our position. Specifically, we should take an early opportunity to



... table in the Council our own ideas for an interim solution, in the form set out in the annex. The key points are (a) a 66 per cent rate of refund, as in the 30 May 1980 agreement; (b) symmetrical risk-sharing arrangements, up and down: those suggested in the annex lie halfway between the formulae for 1980 and 1981 in the 30 May agreement; and (c) provision for extending the formula to cover later years as well, pending a lasting solution. The amount and timing of any ex gratia payments in recognition of the 'overpayment' for 1980 and 1981 would be for negotiation: our line would continue to be that this needs to be settled at the political level, and that we are under no legal obligation to repay anything.

4. We should need to make it quite clear that what we are suggesting for our basic refund (66 per cent of our estimated net contribution) is the only basis we can see for a settlement and is in no sense an 'opening position' from which we could be expected to retreat in negotiation. As to risk-sharing, we should aim to avoid falling back on the asymmetrical 1982 formula if we can.

5. Francis Pym and I agree on this approach. If you too agree, he would propose to launch a pre-emptive strike on the above lines at the informal meeting of Foreign Ministers at Schloss Gymnich on 14/15 May. He would at the same time emphasise our interest in achieving a lasting reform of the budgetary system: this would pave the way for us to set out at the appropriate time the ideas on a lasting solution about which I wrote to you on 17 March. I myself would consider how best to pursue these matters with Stoltenberg.

6. Copies of this minute go to Francis Pym, Peter Walker and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G.H.' with a flourish.

(G.H.)

5 May 1983

ELEMENTS FOR THE INTERIM SOLUTION

1. Reference figure: 2000 mecu (as mentioned by M. Noel at COREPER)
2. Basic refund: 1320 mecu (net)
3. Risk-sharing upwards and downwards: Differences in either direction from reference figure:
 - (a) First 10 mecu: no change in refund.
 - (b) 10-60 mecu: refund increased or reduced by 50 per cent of difference in excess of 10 mecu.
 - (c) Beyond 60 mecu: refund increased or reduced by 25 mecu plus 75 per cent of difference in excess of 60 mecu.
4. 'Overpayment': Amount in full and final settlement to be agreed and deducted from basic refund over agreed period.
5. Later years: Firm intention to apply long term solution in respect of 1984. If not possible, similar arrangement to 1983.
6. Method of payments: Gross sums equivalent to figure in 2 above to be entered in 1984 budget either under supplementary measures or under special programmes of Community interest in the UK for eg energy, transport. Flexibility within categories during budgetary procedure, subject to maintaining the total decided. Sums due under 3 above to be treated in an analogous fashion.

COMMISSION PROPOSALS ON FUTURE FINANCING OF THE COMMUNITY

This note summarises and assesses the proposals in the Commission's communication of 5 May 1983 on "The Future Financing of the Community: Draft Decision on Own Resources".

Summary of the Commission's proposals

2. The Communication proposes a new Decision on "Own Resources" to replace the Decision of April 1970 which set up the present own resources system. The new Decision would include the following provisions:-

i. The VAT ceiling

3. The existing 1 per cent limit to be raised to the equivalent of 1.4 per cent of the VAT base for the Community as a whole. The Commission propose also that this new limit could be raised subsequently by further tranches of 0.4 per cent without the need for ratification by national parliaments. Proposals to raise the limit would be made by the Commission and be subject to unanimous agreement in the Council and a three-fifths majority of votes cast in the European Parliament.

ii. A modulated VAT key

4. Part of VAT own resources, within the new 1.4 per cent limit, to be raised on the basis of a special key reflecting shares in the Community's agricultural production and 'net operating surplus', modified to take some account of relative prosperity. The total amount to be raised by this means to be determined as the excess of CAP guarantee expenditure (less food aid and expenditure resulting from the ACP sugar protocol) over 33 per cent of the total budget. The contribution key for each country to be based on averaging its shares in (a) agricultural production subject to common market regimes and (b) the Community's "net operating surplus" (roughly gross profits plus income from self-employment less depreciation), the resulting average being multiplied by its index of relative prosperity (calculated by averaging its relative GDP per head measured at market exchange rates and purchasing power parities).

iii. ECSC import levies

5. The Community to retain as own resources the import levies on products covered by the European Coal and Steel Community (ECSC) treaty, which are currently kept by member states.

iv. Refunds of levies and duties for collection costs

6. The Community's budgetary authorities (the Council acting unanimously, the Parliament by three-fifth majority) to have discretion to reduce the rate of own resource refunds paid to member states in reimbursement of collection costs (currently 10 per cent of total levies and duties).

v. Surplus revenue

7. The Community to be able to keep any surplus of revenue over expenditure at the end of the financial year and carry it forward to finance the next year's budget rather than repay it to member states.

8. The Commission also says it is considering the possibility of introducing a tax on non-industrial energy consumption to finance expenditure on energy-related projects. It will be submitting a package of energy proposals next month.

General assessment

9. The Commission's proposals, if adopted, would increase the own resources available to the Community by some 25-30 per cent in the first instance, as well as enabling further increases without ratification by national parliaments. The latter aspect seems likely to cause insuperable difficulties for several member states, not just the UK. The 'modulated VAT' could reduce the UK's net contribution by around one-quarter if it were used to substitute for normal VAT without any increase in the ceiling on total own resources. The proposal is however so complicated and counter-intuitive that it seems unlikely to attract general support.

10. The paragraphs which follow comment on the proposals in more detail.

Effects of the proposals on own resources available

11. The proposal to raise the present VAT limit by 0.4 per cent would give the Community access to extra revenues of some 6 billion ecus in 1984, an increase in total own resources of the order of 25 per cent. The ECSC levies would raise 50 to 60 million ecus for the budget, while the 10 per cent refund of own resources for collection costs amounts to about 1 billion ecus. The maximum increase in total own resources available for expenditure on Community policies would thus, in the first instance, be some 25-30 per cent.

12. Under the Commission's proposals, the Community would in future be able to raise the VAT own resources limit without ratification by national parliaments. This proposal obviously has major constitutional significance. It would, however, have to be ratified by national parliaments, along with the other proposals made in this Communication, and it seems unlikely that all the 10 national parliaments would agree to deprive themselves of the right to control and ratify future increases in own resources.

Modulated VAT/agricultural key (see tables A1 and A2)

13. The proposal for a new 'modulated VAT' key is the only element in the Commission's communication which would alleviate the UK's budget problem to any significant extent. This key is a development of the "agricultural own resource" idea put forward in the Commission's Green Paper published in February 1983. The earlier idea was to base the key simply on an agricultural indicator such as shares in Community production. The major beneficiary from such a key would have been Germany, although the UK's net contribution would also have been reduced significantly. Italy, Ireland and Greece would, however, have been heavy losers. In their current proposal therefore the Commission suggest the key based on agricultural production should be modified in two ways.

14. The use of relative prosperity indices as one of the modifiers to achieve some redistribution from richer to poorer countries can readily be justified. Indeed, it is a principle that the UK has been advocating for some years (albeit applied to net contributions rather than just gross). The proposal to use an average of relative prosperity measured at market exchange rates and at purchasing power parities is, however, somewhat curious given that all the other elements in the key are measured at market exchange rates, and that contributions to and receipts from the budget are of course effected at actual exchange rates. The Commission are in effect proposing that 'ability to pay' (as measured by relative prosperity indices) and budget contributions should be measured in different currencies.

15. In the Commission's latest proposal shares in "net operating surplus of the economy" are now given equal weight to shares in agricultural production. Thus one half of the CAP expenditure to be financed through contributions made on the new key can be regarded as being financed through an agricultural production key modulated by relative prosperity and one

half through a shares in "net operating surplus" key modulated by relative prosperity. It is difficult to see why the Commission should regard net operating surplus as a suitable tax base for financing the CAP, especially as they are implicitly saying that it should be used as a base for financing only CAP and not other budget expenditures.

16. The Commission envisage that the total yield of the new tax would be defined so as to equal CAP guarantee expenditure in excess of 33 per cent of the budget total. They have chosen, however, to redefine guarantee expenditure to exclude food aid (which has been running at 150-200 mecu a year) and expenditure resulting from the operation of the ACP sugar protocols (which could amount to some 400 mecu in 1983, although the amount varies widely from year to year with world sugar prices). This redefinition works to the UK's disadvantage as it reduces the amount of own resources to be raised on the basis of the new key. The proposed exclusions are also objectionable in principle. The expenditures in question arise directly or indirectly from the operation of the CAP and the surpluses it encourages by setting Community prices substantially above world prices. The UK and Germany have in fact been resisting for some years proposals to remove the food aid export refunds and the ACP sugar equivalent from the EAGGF guarantee part of the budget. Amongst other things, the impact of our agricultural expenditure guideline would be made even more blunt if the exclusions were allowed to take place.

17. The Commission propose that the revenue from the new tax should substitute for part of normal VAT. The amounts due would presumably be paid over at the same time as normal VAT payments. The result of the new key would be that member states would in effect pay VAT at different rates (some of which might be over 1.4 per cent even though total payments by all member states of normal VAT and the new tax were equivalent to less than 1.4 per cent of the Community VAT base). The Commission has suggested that, as with the present VAT regime, contributions on the new modulated key would be made in year n on the basis of forecasts agreed the previous year and would then be corrected in years $n + 1$ and $n + 2$ in the light of the actual outturn.

Budgetary gains and losses from the new contributions key

18. The UK's share of the modulated VAT would have varied between around 11 per cent and around 13 per cent over the last three years. It might have been around 12½ per cent this year. This is well below our VAT share of rather over 20 per cent. Estimates of the net budgetary gain for the UK if their own resource had been used in partial substitution for VAT are set out in table 1 below. As a rough rule of thumb, introduction of this modulated tax on the basis proposed by the Commission might have reduced the UK's net contribution by about one quarter.

Table 1 : The Commission's modulated agriculture/VAT key - budgetary implications for the budget

	mecu			
	1980	1981	1982	1983
Total budget (net of UK refunds)	16000	17000	18620	23400*
33% threshold for CAP expenditures	5280	5610	6140	7720
EAGGF guarantee (less food aid and ACP sugar)	10930	10820	11910	15200*
Implied additional own resources	5650	5210	5770	7480
UK share on new key	11.4%	12.7%	[13.0%]	[12.5%]
UK VAT share (assiette basis)	19.3%	19.0%	[21.3%]	[20.7%]
Net gains to UK	450	330	[480]	[610]

Notes: * Assumes EAGGF Guarantee expenditure of 15.8 billion ecus, of which food aid and ACP sugar account for 0.6 billion.

19. As can be seen from table 2, there would also be significant effects on the net budgetary positions of other member states. Germany would gain, though to a lesser extent than the UK. France, the Netherlands, Denmark and Italy would be losers, but just as the gains for the UK and Germany are comparatively modest so would be the losses of others. The potential losers are all net gainers from the operation of the CAP and the budget at the moment.

Table 2 : Losses and gains from proposed partial substitution of modulated VAT/agriculture key for VAT own resources

	Average of 1980 and 1981 (mecu)
<u>Gainers</u>	
UK	+ 390
Germany	+ 140
<u>Little change</u>	
Belgium	0
Greece	-10
Ireland	0
Luxembourg	+10

TABLE 2 (continued)

<u>Losers</u>	
Denmark	-70
France	- 240
Italy	- 120
Netherlands	- 100

20. The inclusion of "net operating surplus" in the key has little effect on the benefit that would have been derived by the UK over this period. The UK's share of Community net operating surplus has varied in a fairly narrow range of 11 to 14 per cent through the past decade, much the same order of magnitude as its present share of agricultural production. Shares of agricultural production and net operating surplus are, however, rather different for other member states. Table 3 disaggregates contribution shares on the Commission's proposal for a new key into its component parts of "agricultural production" and "net operating surplus", both being modulated by relative prosperity. It can be seen that Germany would benefit from the exclusion of net operating surplus from the new key, but Denmark, France, Ireland and Italy would lose. French officials have told us that France's share of the Community's 'net operating surplus' has fluctuated a great deal in recent years and that they consider it would not provide a stable basis for a new own resource.

Table 3 : Contribution shares under the Commission's proposal and its component parts

	<u>Commission's Proposal</u>			<u>Agricultural Production</u>			<u>Net operating surplus</u>		
	1979	1980	1981	1979	1980	1981	1979	1980	1981
Belgium	4.3	4.2	3.8	3.9	3.7	3.5	4.8	4.7	4.2
Denmark	3.9	3.4	3.6	5.0	4.5	4.6	2.9	2.5	2.8
France	27.6	27.8	27.6	30.7	30.5	30.0	24.6	25.1	25.2
Germany	30.4	28.1	26.9	24.1	22.5	21.4	36.6	33.4	32.2
Greece	1.8	1.8	2.0	2.3	2.2	2.5	1.4	1.4	1.6
Ireland	0.9	0.8	0.9	1.3	1.3	1.4	0.4	0.3	0.4
Italy	13.2	15.3	14.9	14.6	16.1	15.7	11.9	14.6	14.0
Lux.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
NL	7.8	7.4	7.5	8.3	7.9	8.0	7.3	6.9	7.0
UK	9.9	11.2	12.7	9.8	11.2	12.8	9.9	11.0	12.5

21. Analysis of the effects of what changes in net contributions would have been produced in the past by the new modulated agriculture/VAT key can only be a partial guide to the future. The Commission are not proposing that the new key should simply substitute for part of VAT within the existing 1 per cent limit, but that the limit should also be raised by 0.4 per cent. Much will depend therefore on how these additional own resources are spent. Of particular importance is that the new key would not protect the UK from having to make a substantial contribution to any expansion of CAP expenditure. The reason for this is that total expenditure would increase as well. Hence one third of an expansion in CAP expenditure would still be financed from traditional VAT so that the UK's marginal financing share would be of the order of 14 to 15 per cent - far above our prospective share of receipts from most of the likely increases in CAP expenditure (eg on Mediterranean agriculture).

22. Increases in non-agricultural expenditure by the Community could be of greater benefit on the receipts side to the UK, but the operation of the modulated agriculture/VAT key would serve to increase our marginal contribution share to their financing. An increase in non-agricultural expenditure of 1000 mecu, for instance, would reduce the amount raised on the new key by 330 mecu. The UK's effective marginal contribution share would thus not be its simple VAT share, but this VAT share adjusted for the additional contribution that the UK would have to make to financing the CAP. This could raise our marginal contribution share for non-agricultural expenditure by 2 to 3 percentage points.

Energy consumption tax

23. The Commission have dropped the idea of a tax on imported energy. They now say they are considering the possibility of introducing a tax on non-industrial energy consumption.

24. Table B attached shows shares of member states in non-industrial energy consumption. The UK would clearly not benefit from the introduction of such a tax by comparison with its marginal VAT rate. Such a tax is unlikely to find much support among other member states.

Own resources refunds

25. Under present rules the Commission refunds to member states 10 per cent of their total contributions of levies and duties. The purpose is ostensibly to cover collection costs. Since the UK's share of total levies and duties is high, our share of these refunds is correspondingly high (about 24.4 per cent

in 1983, compared with Germany's 26.4 per cent, France's 16.5 per cent and Italy's 11.8 per cent), and giving up these refunds would therefore cost us more than providing an equivalent amount of extra VAT. On the other hand, agreement by member states to give up the refunds could be a useful expedient if a situation should arise in which there was no headroom for UK budget refunds within the own resources ceiling.

Customs duties on ECSC products

26. The Commission have proposed on previous occasions that these should be made own resources. The reason they are not is that they are collected under special variable tariffs rather than the CCT. The yield of ECSC customs duties is about 60 mecus, with Germany paying by far the largest share (nearly 50 per cent). Officials are studying the proposal further.

Retention of surpluses

27. The Commission have sought powers to retain surpluses before too. Under the present arrangements, all surpluses of revenue (eg arising from VAT adjustments, higher than expected receipts of levies and duties or under-spending) must be entered in a subsequent budget (hence reducing the VAT rate). The Commission wishes to have discretion to retain the revenue without entering it immediately in a budget. They are seeking changes accordingly in the relevant regulations. The proposal would clearly not be conducive to tight financial management.

DETERMINATION OF MODULATED AGRICULTURAL KEY - 1980

ANALYSIS
Table A1

	(a) Share of "profits" %	(b) share of agricultural production %	(c) GDP/head EC10 average =100 <i>Average of PPP and MEX c.r. figure</i>	(d) $\frac{(a)+(b) \times (c)}{2}$	(e) Scaled to sum to 100	(f) GDP shares
Germany	28.8	18.8	120	28.6	28.1	29.1
France	22.8	26.9	114	28.3	27.8	23.3
Italy	19.3	20.8	78	15.6	15.3	14.1
Netherlands	6.5	7.1	111	7.5	7.4	6.0
Belgium	4.4	3.3	111	4.3	4.2	4.2
Luxembourg	0.1	0.1	121	0.1	0.1	0.2
UK	12.4	12.3	92	11.4	11.2	18.7
Ireland	0.6	2.2	57	0.8	0.8	0.6
Denmark	2.2	3.8	118	3.5	3.4	2.4
Greece	2.9	4.6	48	1.8	1.8	1.4
				<u>101.9</u>	<u>100</u>	<u>100</u>

DETERMINATION OF MODULATED AGRICULTURAL KEY - 1981

T. 100 111

	(a) Share of "profits" %	(b) Share of agricultural production %	(c) GDP/Head EC10 average = 100 Average of PPP-adjusted e.r. figure	(d) $\frac{(a) + (b)}{2} \times (c)$	(e) Scaled to sum to 100	(f) GDP shares
Germany	27.9	18.0	119	27.3	26.9	27.9
France	22.8	26.3	114	28.0	27.6	23.2
Italy	18.5	20.1	78	15.1	14.9	14.3
Netherlands	6.7	7.5	107	7.6	7.5	5.7
Belgium	4.1	3.3	106	3.9	3.8	3.9
Luxembourg	0.1	0.1	120	0.1	0.1	0.2
UK	13.6	13.5	95	12.9	12.7	20.3
Ireland	0.6	2.3	59	0.9	0.9	0.7
Denmark	2.4	3.9	119	3.7	3.6	2.4
Greece	3.3	5.0	49	2.0	2.0	1.5
				<u>101.5</u>	<u>100</u>	

TABLE B NATIONAL SHARES IN ENERGY CONSUMPTION

	% of Total E.C. (1981)		
	Non Industrial Uses of Energy	Total Final Consumption of Energy	GDP
Belgium	4.4	4.9	3.9
Denmark	2.7	2.1	2.4
France	19.9	19.9	23.2
Germany	27.8	28.1	27.9
Greece	1.6	1.6	1.5
Ireland	1.1	1.0	0.7
Italy	14.2	15.1	14.2
Luxembourg	0.3	0.4	0.2
Netherlands	6.8	7.0	5.7
UK	<u>21.2</u>	<u>19.8</u>	<u>20.3</u>
EC 10	100	100	100

EXTRACT OF CONCLUSIONS OF THE MARCH EUROPEAN COUNCIL

The Community's Financial Resources and Related Problems

"The European Council notes the report on work done on the Commission's communication on the future financing of the Community. The European Council further notes the Commission's intention to submit specific proposals as soon as possible. It expects these proposals to take account of the development of the Community's policies, the problems connected with enlargement, budgetary imbalances and the need to strengthen budgetary discipline. It invites the Council (General Affairs) to discuss those proposals and to report its conclusions to the June European Council.

The European Council agrees that this report will contain conclusions also concerning the so-called subsequent solution in accordance with the undertaking made by the Foreign Affairs Ministers on 25 May and 26 October 1982 regarding compensation to the United Kingdom. Consequential figures for 1983 will be incorporated in the draft Community budget for 1984."

24 MAY FOREIGN AFFAIRS COUNCIL: PROPOSED STATEMENT BY THE
FOREIGN SECRETARY

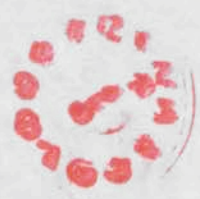
1. I want to make clear at the outset today how important it is that our discussion should not follow the circular pattern of our meetings over the last few months but should lead to firm decisions. We have been charged by the European Council with reporting conclusions to Stuttgart. It is critical that we fulfil our remit so that the figures for 1983 which flow from these conclusions can be incorporated in the draft Community budget for 1984.
2. The problem of Britain's budgetary burden has long been recognised. Even before we joined the Community we were promised that an unacceptable situation would be remedied. That promise has been repeated time and again since - in 1974 during the so-called renegotiation, in 1980 when temporary refunds were agreed and we were promised a structural solution. When that was not forthcoming and further refunds were agreed for 1982 in May and October, we were promised a decision on the subsequent solution by the end of November 1982. After that deadline had been passed and no progress on the subsequent solution had been made in the interval, the European Council in March this year decided that we must report our conclusions on the subsequent solution to the next European Council.
3. Throughout this history the Community has failed to provide a lasting solution. We have received short-term compensation over the last 3 years, but the underlying problem remains. Now the Commission has made a proposal which could contribute to a long-term settlement, and we must make every effort to reach agreement by the end of the year, but it cannot be implemented in time for 1983. So we have to fall back yet again on a temporary solution, as the only way in which the Community can fulfil its assurances.
4. Last November the Commission put forward its ideas for the framework of this temporary solution. No-one has come up with any alternative to that approach, and I hope that we can now take it as agreed. At Gymnich I tabled a piece of paper which put some figures to that framework. I set out the main elements of a solution on the basis of the agreements covering the last three years.

5. A key element is of course the size of the basic refund. My figure of 1320 mecu is calculated on the same basis as underlay our earlier agreements. I cannot see that there is any other basis on which we can agree today. I am not asking for a more favourable arrangement to the United Kingdom than the Community has agreed in the past. Equally, it would be unreasonable of you to expect me to accept anything less favourable.

6. I am of course ready to agree to an amount to be deducted in full and final settlement of the alleged "overpayment" for 1980-1981, but subject to your acceptance of the other key elements of the solution.

7. It is now 24 May and time to get this matter finally settled. I therefore hope very much that we can today reach agreement on these lines so that our conclusions can be reported to the European Council and the consequential figures for 1983 can be included in the draft Community Budget for 1984. A failure to meet that very specific commitment would have the most serious consequences.

MAY 1987



cc Stuttgart file

PRIME MINISTER

MEETING ON WILLIAMSBURG & STUTTGART

This minute lists the issues for decision at your meeting on Tuesday, together with supporting facts.

- 1. Will you attend Williamsburg?

I think you intend to do so.

- 2. For how long and by what transport?

I attach the Summit Programme (Flag A).

Outward Journey

The Americans have suggested (though the idea has not yet been put to President Reagan) that each meal should be devoted to discussion of a particular topic and that you should lead a discussion of arms control/INF at dinner on Saturday evening. You may feel the best plan is to attend all the Saturday events, including the official arrival ceremonies. That would mean arriving in Williamsburg at 3.30 p.m. US time.

You could do this:-

- (a) either by commercial Concorde leaving Heathrow at 1330 London time, arriving Washington at 1220 US time, and reaching Williamsburg an hour or so later.
- (b) or by VC10, leaving Heathrow at 12 noon London time and flying direct to Langley Air Force Base and on by helicopter to Williamsburg, arriving at 3.30 US time (we shall have to check that this suits the Americans).

The VC10 journey would be 4 hours longer but has certain advantages - the freedom of your own aircraft, no extra cost, no possibility of criticism and you could have your briefing meeting

on the plane with the whole team (we could then dispense with the usual briefing meeting at No.10 and save campaigning time).

You have no campaign commitments on the Saturday.

Return Journey

The options depend on how long you want to stay at Williamsburg. But the priority should perhaps be to get you back to No. 10 in good time on the night of Monday, 30 May for an up-date on the election campaign and a decent night's rest.

There is no commercial Concorde from Washington on that day.

The options I see are:-

- (a) Leave Williamsburg at about 11.30 a.m. US time, fly to New York by US Government aircraft (which they have offered), leave New York by commercial Concorde at 1345 and arrive Heathrow at 2225 London time.
- (b) Cut Monday's proceedings entirely and fly back overnight on Sunday by VC10. This would cut down jet lag and give you maximum resting time before Tuesday - but it would be expensive because the remainder of the party would have to fly back commercial on Monday.
- (c) Hold a meeting at 8.00 a.m. on Monday in Williamsburg, leave instructions on the overnight draft conclusions, depart at 9.00 a.m. and take the VC10 to arrive back at Heathrow at about 2230 on Monday night.

/ (d)

- (d) Stay until mid-afternoon on Monday, attend President Reagan's press conference when, flanked by other participants, he will read the agreed conclusions, and then leave - but you will then get back to No.10 in the middle of the night. (You will wish to bear in mind that the next day (31 May) you have a news conference, a Panorama recording and a rally in Edinburgh).

I suggest you go by VC10, and come back with minimal staff on the Concorde, leaving the rest of the party to return by VC10 after the Summit (the "extra" costs for Concorde to be borne by Conservative Central Office). There will be a host of details to be sorted out but I can settle these in the light of your decisions on the above.

3. Who will represent you in Williamsburg, if you decide to leave before the end?

Someone should be there to negotiate the final conclusions, attend President Reagan's press conference and attend the State Dinner on the Monday evening. All these events probably require a Minister. Either the Chancellor, or the Foreign Secretary, or both might be asked to stay behind. Sir Robert Armstrong will presumably also stay.

4. Do you agree that the Summit should issue a statement on INF?

The present US idea is that this should be issued on the Sunday.

There will of course be an "economic" statement on Monday (see Sir Robert Armstrong's minute at Flag B).

5. With whom should you have bilateral meetings at the Summit?

Mitterrand has offered an hour at 1730 on Sunday, which we should perhaps accept.

You will want to talk to Kohl but I doubt if we need arrange a formal bilateral.

On the other hand, I suggest that we do try to arrange a bilateral meeting with President Reagan. Most other participants are doing this and it will look odd if you do not.

I doubt if you will now have time for Nakasone but you could consider when we have arranged the others.

6. Press statement?

You told ITN today that you would take a clear decision on Tuesday. I suggest that we first let President Reagan know that you have decided to attend and that then Bernard puts out a statement saying:

"The Prime Minister will attend the Economic Summit at Williamsburg. She will be accompanied by the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary".

He would not disclose details of travel plans (we have to have security in mind, especially if you are to use Concorde) and in answer to questions about Stuttgart would say:

"The question of attendance at Stuttgart is still being considered. A decision will be taken in due course".

STUTTGART

We await news from Chancellor Kohl as to whether our partners have agreed to postponement until 18/19 June. Meanwhile there is little point in discussing the question of attendance. We should be very careful not to leak Kohl's proposal.

You may like to invite the Foreign Secretary to give an account of Schloss Gymnich.

The meeting could then usefully discuss Mr. Williamson's minute at Flag C which seeks decisions on three points:-

- (a) handling of our Budget problem at the Foreign Affairs Council on 24 May;
- (b) action if the outcome of that Council is unsatisfactory;
- (c) the longer-term Budget problem.

A. J. COLES

16 May 1983

010
RESTRICTED



BRITISH EMBASSY,
THE HAGUE.

11 May 1983

A J Coles Esq
10 Downing Street
London

Dear John

LUBBERS: THE ECONOMIC CRISIS AND SOCIETY

1. This is absolutely not urgent, or a must. But if the Prime Minister goes to the Stuttgart European Council she might like to glance in advance at the enclosed summary of a lengthy (full page) article recently contributed by Lubbers to the NRC Handelsblad, the Dutch equivalent of "The Times". It is notably vague in parts, but nonetheless of interest, and there are some striking points of similarity between the approach advocated by Lubbers and that favoured by our present Government.
2. Alternatively Mrs. Thatcher might like to send Lubbers a brief note saying that she had seen a summary of his article and been interested by it.

Yours truly
Philip Mansfield
Philip Mansfield



"NRC HANDELSBLAD" OF 27 APRIL 1983

"HAVE WE ENOUGH CREATIVE ABILITY TO RESHAPE OUR SOCIETY?"

by Drs R F M Lubbers

Summary

In face of the economic crisis my instinctive response is to search for a synthesis of the competing remedies. Extremism is doomed to impotence. Appearances are often deceptive: Keynes was in fact a monetarist. In political and publicity terms an approach aiming at synthesis has drawbacks, being relatively unclear. Nonetheless that is my preference: synthesis pursued with energy and efficiency.

We have to combat protectionism and solve the main trade problems confronting us. We must defuse the US/EC dispute over agricultural trade, and get the Japanese to limit their exports and increase their imports. We must help the Third World, and ensure that its problems do not get pushed into the background by the East-West conflict.

In the Netherlands we have completed the first phase in our campaign of retrenchment. Government expenditure, not counting interest on the national debt and the cost of unemployment benefits, is no longer growing. We are now in the second phase: cutting expenditure to compensate for increased payments and unemployment costs. We are severely handicapped here by the fall in gas revenues. Our dilemma is: how do we control the financing deficit without causing deflation? This Cabinet is determined to cut that deficit, by hook or by crook.

/The key is



- 2 -

The key is to get growth going in the private sector - the growth for which our balance of payments surplus cries out. But in the Netherlands the relationship between the public and private sectors is so lop-sided that we cannot just wait for growth to get under way again. We must begin not only by cutting back public expenditure, but also by creating the conditions necessary for entrepreneurs to flourish. The burdens on the private sector must be reduced: there must be effective deregulation, a more mobile labour force, better training facilities, and a reorganisation of electricity production. The private sector must regain its confidence. Bureaucracy must be controlled, reduced and simplified.

Another important target is the redistribution of work. The annual collective bargaining agreements now being worked out are beginning as a matter of routine to incorporate agreements on shorter working hours. This is necessary for a number of reasons: not least because it helps to reduce unemployment and to provide jobs for the increasing percentage of the population who want them. But it is of course not easy: it involves a cut in income for those with jobs, just at a time when such cuts are extremely unwelcome.

The main question underlying all this is whether or not we have enough creative ability to reshape our society. How far do the conditions for creative expression have to be created by government expenditure? And so on. In my view the real threat is from lassitude. We must muster the energy to get our society moving forward again.

/In doing so



- 3 -

In doing so we must maintain tolerance as the guiding principle of our society. And we must stress the importance of self-help: voluntary work and self development. These virtues must be respected in building on the traditions of the past, and keeping going real community feeling. This too is necessary if the process of reforming our economy is not to impoverish our society.

BBN 1000

1 2 3 4 5 6 7 8 9 10 11 12



Mr. Ples.

We spoke.

W. Ples



A.S.C. 11/5

h-a

With the compliments of

THE PRIVATE SECRETARY

**FOREIGN AND COMMONWEALTH OFFICE
SW1A 2AH**

POSTPONEMENT OF STUTTGARD

Line to Take

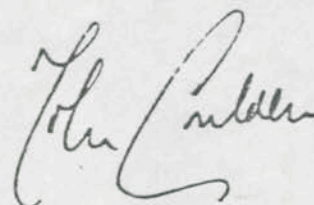
1. (Having ascertained whether Herr Genscher is speaking in the name of Chancellor Kohl, and also whether he is putting a definite proposal or just sounding us out). We regard a decision to postpone as a matter for the Presidency. We are not ourselves asking for such a postponement, nor are we encouraging the Presidency to decide to postpone.
2. On attendance, as the Prime Minister told the Chancellor in her message of 9 May, she has not yet decided whether to attend all or part of the Stuttgart meeting or whether electoral commitments will prevent this. She will be in touch. Meanwhile we have noted the importance he (Genscher) attaches to her attendance if positive results are to be achieved.
3. (If Genscher insists on us giving a view on postponement). What are the views of others? I will naturally consult the Prime Minister again to see whether she wishes to modify the line at para 1 above. ~~I assume you are taking account of the implications of postponement for a situation where there is change of government in the UK as a result of the election?~~

Private Secretary

A.S.C. 1/5.

ATTENDANCE AT THE STUTTGART EUROPEAN COUNCIL

1. Mr John Palmer (Guardian) telephoned me this lunchtime to say that "German sources" in Bonn were putting it about that the Prime Minister had sent a message to Dr Kohl warning that she would probably be able to attend only part of the Stuttgart Summit. Palmer claimed that German sources had been considerably put out by this message, since Mrs Thatcher's absence for part of the Summit would make their Presidency role much more difficult.
2. I said that I could confirm that messages had gone to various friendly governments, including the FRG; that the questions of attendance or representation at Stuttgart had not yet been decided; but that a decision would be announced by the Prime Minister in good time.
3. After talking to Mr Hannay, I think that it would help to reduce the risk of yet another mischievous article by Mr Palmer if we were to go back to him with a rather fuller reply on the following lines:
"The report attributed to German sources is incorrect. The Prime Minister's message to Dr Kohl forecloses no option about attendance or representation at Stuttgart. The Prime Minister will announce her decision in good time."



P J GOULDEN

News Department

11 May 1983

CC: Mr Hannay
ECD(E)
WED
Mr Ingham, No. 10

CC IK

CC JC

CC RC

SW

TB

GS

RESTRICTED

cc Stuttgart file



Foreign and Commonwealth Office

London SW1A 2AH

10 May 1983

Dear John,

A.J.C. 10/5

Williamsburg and Stuttgart

We spoke about a line for use in the House of Commons this afternoon. As you know, Mr Pym looks forward to discussing the question of representation with the Prime Minister. Meanwhile, he would suggest the following:

'We shall of course be represented both at Williamsburg and at Stuttgart. I shall take my decision on Williamsburg in good time before the meeting which starts on 28 May. Similarly, I shall take a decision on Stuttgart nearer the time of the European Council on 6 and 7 June.'

Yours ever,

John

(B J P Fall)
Private Secretary

A J Coles Esq
10 Downing Street

RESTRICTED

ECON POL.
ECON SUMMIT
(Williamsburg)
P1-13.

cc Stuttgart file

mb

PRIME MINISTER

WILLIAMSBURG AND STUTTGART

Following your meeting with the Foreign and Commonwealth Secretary today, I have arranged a meeting at 0930 on Tuesday (the Chancellor is away on Monday) to discuss the question of representation at these two events.

Stuttgart

Sir Jock Taylor is seeking an appointment to call on Chancellor Kohl on Thursday of this week. I shall let you have a proposed telegram of instructions tomorrow.

Sir Michael Butler rang today to report that some people in Brussels, including Emile Noël (the Secretary General of the Commission), are beginning to talk about postponing the European Council until after the UK elections - and so as not to put Italian noses out of joint, until after the Italian elections as well. This would mean a meeting right at the end of June. The thought in these peoples minds is that there would be a better chance at the end of June of your agreeing to an increase in own resources, which you would not contemplate during an election campaign.

Postponement until late June would in some ways be a help. But we should not become too excited about the prospect. There has not been the slightest hint from the Germans that they could contemplate this - and the difficulty of getting Heads of Government together for a new date may well be quite insuperable. Nor can we reasonably ask for a postponement since the date of the Council was fixed before our election date.

I have asked the FCO to consider advice on the question of postponement and this will be available tomorrow also.

The Chancellor of Mr. Decheguer told me that he thought that postponement, if it could be achieved, was a very attractive course. ✓
SERB

/ Williamsburg

Williamsburg

I attach a reply from President Reagan to your message. He wants you to go to Williamsburg and suggests that you could attend from noon on the Sunday until the "formal closing" on the Monday. I think we can reply after your meeting next week.

A. J. C.

10 May 1983

STUTTGART AND WILLIAMSBURG

STUTTGART

The report in today's Guardian about Stuttgart bears no relation to either the spirit or the content of my exchanges with the German Chancellor. He is a very good friend of this country and an utterly dependable ally.

We are in close touch with the German Presidency and will announce our plans for representation when we are ready. I should like to go.

WILLIAMSBURG

Again, I should like to go. The Summit does not open for more than another two weeks. We shall announce our plans in good time.



ADL 1/5

With the compliments of

h.a.

R. B. BONE

FOREIGN AND COMMONWEALTH OFFICE
LONDON, SW1A 2AH

File No.

Department ECD (I)

OUTWARD

Drafted by J R DE FONBLANQUE
(Block Capitals)

TELEGRAM

Tel. Extn. 233 5629

Security Classification
CONFIDENTIAL
Precedence
DESKBYZ

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USE

Despatched (Date)
(Time)Z

POSTBYZ

PREAMBLE

(Time of Origin).....Z(G.M.T.) (Restrictive Prefix).....
(Security Class.)..... (Caveat/
(Codeword)..... (Deskby).....Z
Privacy marking).....

TO..... BONN Tel. No. of.....
(precedence) (post)

AND TO (precedence/post)..... OTHER EC POSTS, UKRep BRUSSELS

AND TO SAVING.....

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[TEXT]

STUTTGART EUROPEAN COUNCIL

It has been reported from Brussels that ^(suggestion) ideas are circulating there for the postponement of the Stuttgart European Council. These have not surfaced in any formal way and you should on no account raise the matter.

If the idea is raised with you, you should say that ^{that} no such idea has been put to us ^{that} and you do not know ^{we are} how the Prime Minister would react if it were. ^{not} ^{making} ^{any} ^{reference}

Copies to:-

Mr Faulkner
WED
W65.

cc Martin
+
Ope

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PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T61AA/83 SECRET

7184 - 1

ZZ BONN

GRS 335

SECRET

FM FCO 091252Z MAY 83

TO FLASH BONN

TELEGRAM NUMBER 248 OF 9 MAY

EUROPEAN COUNCIL, STUTTGART: BRITISH ELECTIONS

TELECON PRIVATE SECRETARY/EASTWOOD

1. DATE OF ELECTIONS WILL BE ANNOUNCED HERE AT 1430 LOCAL TIME. THE PRIME MINISTER WOULD LIKE THE FOLLOWING SECRET AND PERSONAL MESSAGE TO BE DELIVERED TO CHANCELLOR KOHL BEFORE THEN AND, FAILING THAT, AS SOON AS POSSIBLE THEREAFTER: BEGINS.

DEAR HERR CHANCELLOR

WE ARE ANNOUNCING TODAY THAT THERE WILL BE A GENERAL ELECTION IN THE UNITED KINGDOM ON 9 JUNE. " I WANTED TO BE IN TOUCH WITH YOU AT ONCE.

AFTER THE MOST CAREFUL THOUGH I HAVE DECIDED THAT IT WOULD NOT BE IN THE NATIONAL INTEREST TO DELAY AN ELECTION ANY LONGER. BUT THE DATE I HAVE HAD TO CHOOSE IS VERY CLOSE TO THE EUROPEAN COUNCIL IN STUTTGART ON 6/7 JUNE. WE SHALL BE TELLING THE PRESS IN ANSWER TO THE INEVITABLE QUESTIONS THAT THE UNITED KINGDOM WILL OF COURSE BE REPRESENTED AT STUTTGART BUT THAT DECISIONS ON OUR REPRESENTATION HAVE YET TO BE TAKEN.

I SHALL NEED A LITTLE TIME TO CONSIDER WHETHER IT WILL BE POSSIBLE FOR ME TO ATTEND THE EUROPEAN COUNCIL IN PERSON, IF ONLY FOR PART OF THE PROCEEDINGS. I VERY MUCH WANTED TO ATTEND TO HELP MAKE THIS COUNCIL, UNDER YOUR PRESIDENCY, AN OUTSTANDING SUCCESS (AND THIS CONSIDERATION HAS BEEN MUCH IN MY MIND IN THE DIFFICULT DECISION I HAD TO MAKE ABOUT THE TIMING OF THE ELECTION). ON THE OTHER HAND, I KNOW YOU WILL UNDERSTAND HOW DIFFICULT IT WOULD BE FOR ME TO BE AWAY FROM THE UNITED KINGDOM DURING THE CRUCIAL CLOSING DAYS OF OUR CAMPAIGN. I SHALL BE IN TOUCH WITH YOU AGAIN ABOUT THIS ISSUE AS SOON AS POSSIBLE.

/OF COURSE,

1

SECRET

SECRET

7184 - 1

OF COURSE, THE QUESTION OF OUR BUDGET PROBLEM NOW BECOMES ALL THE MORE CRITICAL AND URGENT. I VERY MUCH HOPE THAT WE CAN FIND A SOLUTION AT THE FOREIGN AFFAIRS COUNCIL ON 24 MAY.

MEANWHILE, I AM MOST GRATEFUL TO YOU FOR ALL THE HELP YOU HAVE GIVEN TO THE UNITED KINGDOM AND TO ME PERSONALLY. THIS WILL BE OF CONTINUING IMPORTANCE TO ME IN THE DAYS AND WEEKS AHEAD.

WITH MY BEST WISHES, YOURS EVER, MARGARET THATCHER.
ENDS.

PYM

NNNN

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HEAD/ECD (E)

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PS

PS/MR HURD

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MR EVANS

MR

MR HANNAY

cc Election: Grand Election 1988

OUT TELEGRAM

cc 1/10/88

Classification and Caveats

Precedence Deskby

SECRET AND PERSONAL

FLASH

V

ZCZC 1 ZCZC
 GRS 2 GRS
 CLASS 3 SECRET AND PERSONAL
 CAVEATS 4
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 TEL NO 8 TELEGRAM NO

A-J.C. 9/5
k-a.

9 EUROPEAN COUNCIL, STUTTGART: BRITISH ELECTIONS
 10 TELECON PRIVATE SECRETARY/EASTWOOD

11 1. Date of elections will be announced here at 1430
 12 local time. The Prime Minister would like the following
 13 message to be delivered to Chancellor Kohl before then and,
 14 failing that, as soon as possible thereafter:
 15 Begins.

16 Dear Herr Chancellor

17 We are announcing today that there will be a General
 18 Election in the United Kingdom on 9 June. I wanted to be
 19 in touch with you at once.

20 After the most careful though I have decided that it
 21 would not be in the national interest to delay an Election
 22 any longer. But the date I have had to choose is very close
 23 to the European Council in Stuttgart on 6/7 June. We shall
 24 be telling the press in answer to the inevitable questions
 25 that the United Kingdom will of course be represented at

NNNN ends telegram		BLANK	Catchword Stuttgart
File number	Dept	Distribution	
Drafted by (Block capitals) BJP/AM		LIMITED Head ECD (I) PS PS/Mr Hurd PS/PUS Mr Evans Mr James Mr Hannay Head WED Head ECD(E) Head, News Dept	
Telephone number	Authorised for despatch of 9/5		
Comcen reference	Time of despatch		

PS / No 10

OUT TELEGRAM (CONT)

Classification and Caveats

SECRET AND PERSONAL

Page

2

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1 <<<<
 2 Stuttgart but that decisions on our representation have
 3 yet to be taken.
 4 I shall need a little time to consider whether it will
 5 be possible for me to attend the European Council in
 6 person, if only for part of the proceedings. I very much
 7 wanted to attend to help make this Council, under your
 8 Presidency, an outstanding success (and this consideration
 9 has been much in my mind in the difficult decision I had
 10 to make about the timing of the Election). On the other
 11 hand, I know you will understand how difficult it would
 12 be for me to be away from the United Kingdom during the
 13 crucial closing days of our campaign. I shall be in
 14 touch with you again about this issue as soon as possible.
 15 Of course, the question of our budget problem now
 16 becomes all the more critical and urgent. I very much
 17 hope that we can find a solution at the Foreign Affairs
 18 Council on 24 May.
 19 Meanwhile, I am most grateful to you for all the
 20 help you have given to the United Kingdom and to me
 21 personally. This will be of continuing importance to
 22 me in the days and weeks ahead.
 23 With my best wishes, Yours ever, Margaret Thatcher.
 24 Ends.

26 PYM

27 NNNN

/// 31

// 32

/ 33

34

NNNN ends
telegram

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Catchword



M. C. (No 10)
Ad 9/5 We spoke
h-a - [Signature] 3/5

Stuttgart and the General Election

1. These notes are written on the assumption that the timing of Stuttgart (6-7 June) will not, and should not, influence the choice of the election date; but that, once the choice has been made, there are important issues relating to Stuttgart which need to be settled.

2. If the choice is October or later, then the implications for Stuttgart are reasonably clear. We continue to go all out for an interim settlement on 1983 refunds by, or at, Stuttgart; and the avoidance of any commitment there on new own resources. Failure at Stuttgart on the first objective need not be decisive. There are Foreign Affairs Councils in June and July which could provide the occasion for a settlement which would fulfil the March European Council timetable. There will be time after Stuttgart for Ministers to decide what action we should take if we do not obtain a satisfactory agreement by the Summer break.

3. If the choice is June, the chances of success for our present approach of trying to bounce through a satisfactory decision on 1983 refunds could be enhanced. The 'election factor' - bringing into play considerations of Alliance unity at a crucial time as well as continuing British membership of the Community - will be at its maximum. The avoidance of any damaging linkage between the long term and the interim will be easier; it will be clear to all that commitments on the long term cannot be sought on the eve of an election.

/4.

4. The Prime Minister's willingness to attend at least part of the Stuttgart meeting will be very important. It is difficult to see Chancellor Kohl exerting himself on our behalf, as we need him to do, in the Prime Minister's absence: he may even feel that his own plans for a major European success at Stuttgart are being undermined. It is equally difficult to see other Heads of Government swallowing the bitter pill of an interim resettlement which will give them pain if we are not represented at their level. The conclusions that will be (tendentiously) drawn in many European capitals, that we attach only secondary importance to Community issues, will be thoroughly unhelpful for the achievement of our EC objectives both at Stuttgart and thereafter.

5. Of course there can be no guarantee of success at Stuttgart. But the domestic handling of a setback there could be easier if the Prime Minister had attended the meeting than if she had not.

6. This suggests that if there is to be a June election:

- (i) the Prime Minister should go to Stuttgart for at least some of the time;
- (ii) she should tell Chancellor Kohl (either directly or through his office) of her intentions before - even if only just before - an announcement is made;
- (iii) she should emphasise to him the importance to the British Government of a satisfactory outcome on the budget, and ask for his help in achieving this and in explaining to the participants that she will not be able to attend the whole of the European Council; and
- (iv) it would probably also be wise to envisage messages to the other participants in the European Council.

DF



file 1/2

10 DOWNING STREET

From the Private Secretary

MISS WILKINSON
CABINET OFFICE

EUROPEAN COUNCIL, STUTT GART 6-7 JUNE

Thank you for your minute of 3 May.
It will suffice for my purposes if all the
briefs for the above Council reach me by
Wednesday, 1 June.

A. J. COLES

3 May 1983

W



Ref. A083/1227

MR COLES

European Council, Stuttgart 6-7 June

The preparation of briefs for the next European Council is now being set in hand. As the contents of some of the briefs will be affected by the Williamsburg Economic Summit on 28-30 May, I suggest that as for the last European Council we arrange for the briefs to reach you in two batches: those not affected by Williamsburg by Thursday 26 May (as 27 May is a privilege holiday), and the remainder by Wednesday 1 June. In this way the need to issue revises of individual briefs should be reduced.

2. We shall also provide advice on who might be invited to the Prime Minister's briefing meeting at 10.30 on 2 June once you have notified us of the Prime Minister's decision on who should attend the European Council itself.

Lindsay Wilkinson

J L WILKINSON

3 May 1983

Cable Noted.

To note. Cl: 14/12

A.P.C. 14/2.

GRS 50

UNCLASSIFIED
FRAME GENERAL
FROM UKREP BRUSSELS 101945Z FEBRUARY
TO ROUTINE FCO
TELEGRAM NUMBER 589 OF 10 FEBRUARY
INFO BONN
INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
LUXEMBOURG ATHENS

JUNE EUROPEAN COUNCIL

1. THE PRESIDENCY ANNOUNCED AT COREPER TODAY THAT THE 6/7 JUNE
EUROPEAN COUNCIL WILL BE HELD IN STUTTGART.

FCO PASS SAVING COPENHAGEN THE HAGUE ROME DUBLIN PARIS LUXEMBOURG
ATHENS

BUTLER

REPEATED AS REQUESTED

FRAME GENERAL

ECD(1)

THIS TELEGRAM
WAS NOT
ADVANCED



10 DOWNING STREET

From the Private Secretary

1 November 1982

I am writing to confirm that it was agreed with Buckingham Palace on 18 August that the Prime Minister and the Foreign and Commonwealth Secretary would return after the arrival of the State Visitor on Tuesday 7 June 1983 due to the European Council in Bonn. But they would both arrive back in time for the State Banquet at the Palace.

CAROLINE STEPHENS

Miss Marsha Fenwick,
Foreign and Commonwealth Office.

CU

PART 14

CONFIDENTIAL FILING

EUROPEAN COUNCIL MEETING IN ~~B~~ STUTTGART

7 JUNE 1983 - POLICY

Combined with Part 16

EUROPEAN POLICY

Part 1 : OCT 1979

Part 14 : JAN 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
1.11.83							
14.2.83							
19.4.83							

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