



PREM 19/1030

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You have dared to address
Britain's basic problems. The British
people have expressed their approval.
They supported your resolve to
tackle the basic causes of economic
social decline.

Those who wish Britain well
welcome the prospect of a significant
change in social values and attitudes.
They are the fundamentals of any
economic revival.

EC BUDGET



I THE INTERIM SOLUTION

UK BUDGET REFUND FOR 1983 "REFUND TOO LOW"

Over the four 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 four 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?

In earlier years the reference figure on which the calculations were based was either set a year in advance (1981) or it was set rather unrealistically low (1982). It was necessary 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 more realistic level. It may even turn out 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 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 well understood that we will insist on an appropriate solution being found for 1984 to avoid the recurrence of an unacceptable situation.

WHAT WILL THE 1983 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 public expenditure projects of Community interest in the United Kingdom. These will be selected by the British Government and 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 for an advance commitment to such an increase. But the conclusions do not contain such a commitment. This question had 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 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"

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?

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



CAP REFORM

We continue to seek improvements in the operation of the CAP to tackle the problem of surpluses and to meet the rise in costs. At Stuttgart, Heads of Government agreed to take concrete steps to control agricultural expenditure. The Commission will submit proposals by the 1st of August. Amongst other questions they will examine the need for strict financial guidelines.

WHAT REFORMS DO WE SEEK?

Reluctant to prejudge the Commission's report. It is clear, however, that Community support mechanisms need to be adjusted to bring about sensible levels of production and to introduce greater market discipline into the operation of the CAP.



INTEGRATED MEDITERRANEAN PROGRAMMES

The Commission has put forward ideas for 'Integrated Mediterranean Programmes' (IMPs) involving Community expenditure of an additional 6,600 mecu (about £4 billion) over six years. The programmes would be intended to increase incomes and improve employment levels in certain rural areas of France, Italy and Greece. At Stuttgart it was agreed that the Council should examine specific proposals in accordance with these ideas as soon as they are submitted.

WHAT IS UK VIEW?

We are ready to enter into discussion of these ideas, but there has, as yet, been no agreement on them, even in principle. Such proposals would need to compete for priority with other Community expenditure. There is inevitable overlap with other ideas to help the Mediterranean through the Regional and Social Funds, and in the forthcoming review of the Agricultural Guidance Fund.



COMMUNITY RESEARCH PROGRAMMES

The European Council reaffirmed its determination to make Community action in this area more effective and to improve the international competitiveness of European enterprises. The UK supports greater Community activity in research and the development of new technologies and we look forward to practical and realistic proposals from the Commission. In particular, we hope for early agreement on the ESPRIT programme (European Strategic Programme for Research in Information Technology).



ENLARGEMENT

PROGRESS?

Reasonable. Outstanding questions for both Spain and Portugal include difficult areas of social affairs, agriculture, fisheries and own resources.

TIMING OF ACCESSION?

Negotiations must be concluded during 1984 so that Spain and Portugal may accede to Community by 1986 as they wish.

LINK BETWEEN ENLARGEMENT AND OWN RESOURCES?

Stuttgart European Council called for accession negotiations to be concluded so that the accession treaties could be submitted to national parliaments for ratification when the results of the negotiation on the future financing of the Community is submitted. This underlines the fact that both sets of negotiations need to be given the highest priority: but there is no more link between them than that.

WHAT NEXT? MEDITERRANEAN AGRICULTURAL REGIMES?

First requirement is for Agriculture Ministers to conclude their work on reform of Mediterranean agricultural regimes quickly, so that progress can be made on agriculture chapters of accession negotiations.

SPANISH TARIFFS?

Spanish industry has developed behind high tariff barriers. Negotiations continue on the industrial chapters in order to achieve a fair balance between Community wish for the rapid dismantlement of tariff barriers and the Spanish wish to dismantle her protective barriers more slowly.

EC/SPAIN: GIBRALTAR?

The restrictions on movement which exist between Gibraltar and Spain are incompatible with the obligations which Spain will assume as a member of the Community. Partial opening of the frontier will not solve this problem. The terms of the Lisbon Agreement of April 1980 envisage the removal of all the restrictions. We remain committed to the Lisbon Agreement. We continue to look for the total lifting of all the current restrictions.

(If necessary) In our view it is inconceivable that Spain should join the Community while restrictions remain on ordinary traffic between Spain and Gibraltar.



EUROPEAN UNION: GENSCHER/COLOMBO "SOLEMN DECLARATION ON
EUROPEAN UNION"

WHAT IS THE PRESENT POSITION?

The text of the Solemn Declaration was signed at the 17th
to 19th^d June European Council in Stuttgart.

WHAT DOES THE GENSCHER/COLOMBO PROPOSALS SAY ABOUT MAJORITY
VOTING/LUXEMBOURG COMPROMISE?

The Solemn Declaration refers to the importance of applying
the decision-making procedures laid down in the Treaties.
There is no specific reference to majority voting or the
Luxembourg Compromise.

WILL IT AFFECT OUR VETO?

We do not anticipate that there will be any change in the
position regarding the Luxembourg Compromise. To ensure
that there could be no possible misunderstanding, we
recorded in the minutes our view that when a Member State
considers its very important interests to be at stake,
discussions should be continued until unanimous agreement is
reached. Four other Member States made similar statements.

WILL THE TEXT BE DEPOSITED IN THE HOUSE?

A copy of the text was deposited in the Library of the
House of Commons on the 21st of June.



ECONOMIC RECOVERY

"STUTTGART OFFERS NO HOPE OF ECONOMIC RECOVERY"

On the contrary, the European Council agreed on the need to sustain the present economic up-turn - but without jeopardising the success achieved in combatting inflation. The Commission has been given a specific task of analysing the situation and indicating what new factors the Member States and the Community can bring forward to underpin the recovery as and when necessary. There was of course no support for the ruinous course advocated by the Opposition of a massive increase in public expenditure; that would simply abort the recovery now under way.



UNEMPLOYMENT

YOUTH UNEMPLOYMENT

The European Council underlined the deep concern we all feel at the level of youth unemployment across the Community. They also warmly welcomed the recent agreements on new rules for the European Social Fund and on vocational training policies, both of which give priority to the needs of the young unemployed.



INTERNAL MARKET

The European Council agreed on the need for further work to remove non-tariff barriers to intra-Community trade, including ironing out differences between national standards and the simplification of frontier formalities to speed up the passage of goods. They also urged the need to develop free trade in services. We welcome these conclusions which could bring real benefits to British industry including the insurance industry and will continue to work to get them implemented. There was, regrettably, little progress at the Internal Market Council on the 21stst June.

TRANSPORT

The European Council emphasised the importance of progress towards a Common Transport Policy. We shall continue to work for this and to seek greater freedom for lorry movement across the Community and liberalisation in European air transport.



STEEL

The European Council recognised the urgent need for agreement on the future of the Community's steel regime. We fully support the Community approach to the problems of the steel industry and believe that the Community steel regime is a key element in bringing the industry back to viability. In current discussions of steel matters in Community fora we are pressing the other European steel producers to shoulder their fair share of the burden of capacity reductions and are arguing that BSC and the other UK steel companies have a very good case for better and more flexible production quotas to reflect the restructuring they have already achieved.



ENVIRONMENT

ENVIRONMENTAL PROBLEMS

We share the concern expressed by the European Council about environmental problems including damage to German forests. The Council called for urgent action to combat the pollution of the environment. We shall continue to play a full part in furthering initiatives in this area both within the Community and in the wider international context. Our recent initiative on unleaded petrol is an example.

ARE FORESTS BEING DAMAGED BY ACID RAIN IN THE UK?

The main reports of forest damage come from the Federal Republic of Germany. Recent research indicates that a variety of factors is involved and it is not clear what part is played by acid rain.

DO THE COUNCIL'S CONCLUSIONS IMPLY THAT THE UK SHOULD NOW TAKE URGENT STEPS TO REDUCE EMISSIONS, PARTICULARLY FROM POWER STATIONS?

In the Government's view what is now important is to press ahead to establish the effectiveness of a concerted international programme of emission reductions. UK sulphur emissions have declined substantially over the last few years.



LEAD IN PETROL

We warmly welcome the endorsement by the European Council of the conclusions reached by Community Environment Ministers in response to our initiative on unleaded petrol. There is a clear wish to see exposure to environmental lead reduced throughout the Community, and the European Commission are to bring forward proposals to reduced the amount of lead used in petrol.

BUT NO CLEAR COMMUNITY COMMITMENT TO LEAD-FREE PETROL?

We have always recognised that one or two of our Community partners might not be won over to the UK's views on unleaded petrol overnight. But we are strongly supported by a majority of Member States.

GREEK MEMORANDUM

At Stuttgart it was agreed that the Council should examine proposals which the Commission is to produce about problems over Greek membership with a view to decisions before the European Council meeting in Athens in December.

WHAT IS UK VIEW?

We will participate fully in consideration of the formal proposals when they are produced. The cost of any proposals will, of course, have to be measured against other demands on the Community's resources.

WHAT ABOUT GREEK INFRACTIONS?

We are concerned that Greece has yet to comply with all her Treaty obligations, for example over taxation, and look to her to regularise her position with the least delay.



EUROPEAN REGIONAL DEVELOPMENT FUND

The European Council called on the Commission to report by the 1st August on ways of improving the effectiveness and coordination of the structural funds (Regional Fund, Social Fund and FEOGA). We welcome this. In current negotiations of a new regulation we are pressing for early agreement on a fund which concentrates its resources on areas of greatest need in the less prosperous Member States.



COMMUNITY ENERGY POLICY

We seek to play a constructive role in the development of realistic Community energy policies which provide a framework for the national energy programmes of Member States. In particular we are keen to see rapid progress in the important area of a comprehensive and balanced Community coal policy, from which as the Community's leading coal producer we stand to benefit.



UNCTAD

UNCTAD VI?

UNCTAD VI (which is currently taking place at Belgrade until the 1st of June) is an important opportunity to achieve a more practical and realistic dialogue with the developing countries. The Williamsburg Summit Declaration emphasised this. The outcome of the Conference will not become clear until the final stages. Britain is playing a full and constructive part along with our Community partners.



EXTERNAL TRADE POLICY

REINFORCEMENT OF TRADE POLICY INSTRUMENTS?

COMMON COMMERCIAL POLICY REGULATION?

This was a subject of discussion at the Internal Market Council on the 21st of June on which a separate statement will be made on the of June.

REFERENCES

FLAG A 10 JUNE 1983 EXTRACT NATO MINISTERIAL COMMUNIQUE
FLAG B 19 JUNE 1983 EXTRACT EUROPEAN COUNCIL CONCLUSIONS

NOTES FOR SUPPLEMENTARIES P O L I T I C A L C O O P E R A T I O N

POLAND

WESTERN POLICY?

The Government's views and those of our partners and allies were set out fully in the recent statements by NATO Foreign Ministers on the 10th of June and by the European Council on the 19th of June. I have nothing to add.

OUTCOME OF PAPAL VISIT?

We naturally hope that this visit will help contribute to national reconciliation in Poland which alone can lead that country out of its crisis. We remain in close touch with our partners and allies and are keeping the situation under close review.

AID TO POLAND?

The European Community has made a substantial contribution (some fifteen million pounds) channelled through voluntary agencies and distributed by the Polish Church. A proposal by the European Commission for further EC aid is now under active consideration. (If pressed) Right that aid should continue within the resources available.

(288)

CSCE

MADRID MEETING?

The Ten agreed to examine, with due care and in a positive spirit, the Spanish proposal that the meeting be brought to a close with only three amendments to the draft concluding document tabled by the neutral and non-aligned countries. A key question is the attitude of the Soviet Union to the proposal. So far the East have refused even to discuss modest advances on the draft which Western countries put forward early in May.

MIDDLE EAST

ISRAEL-LEBANON

The Israel-Lebanon agreement (of the 17th of May) is a welcome step towards removal of all foreign forces from Lebanon and the restoration of Lebanon's territorial integrity and sovereignty. We hope it can be implemented soon.

PALESTINIAN CIVILIANS

As the Stuttgart conclusions state, we are very concerned about reports of harassment of Palestinian civilians. The Ten have made their concern known to both the Israeli and Lebanese Governments.



RELATIONS WITH ISRAEL

We and our Community partners have agreed that the Community should resume financial cooperation with Israel, which was suspended at the time of the Israeli invasion of Lebanon. Our bilateral relations with Israel are close and we are fully committed to Israeli security. But we are disappointed by Israeli rejection of the Reagan proposals, and especially by her refusal to freeze the expansion of Jewish settlements on the West Bank. There is no change in the decision by certain members of the Ten, ourselves included, not to sell Israel arms in present circumstances.

EUROPEAN POLICY ON ARAB-ISRAEL

We remain committed to a distinctive European approach based on the balanced principles set out in the Venice Declaration of June 1980. The Ten have a dense web of interests and relationships with the Middle East and a long-standing commitment to work for peace in the area. We shall use our influence to encourage movement towards compromise and negotiated solutions.

CENTRAL AMERICA

ATTITUDE OF THE TEN

The passage on Central America reflects the concern felt in EC countries at events in that part of the world. We continue to follow these developments closely and are regularly in touch with our EC partners, as well as with the US and regional governments, about them.

ROLE FOR THE EC

As the European Council Statement indicates, we believe it is for the countries of the region to judge how best to resolve these problems. Although European Community countries are keeping a close watch on the situation, we do not see a particular role for the Community as such at the moment.



CONTADORA GROUP

We have already made clear that we support the efforts of the Contadora Group and that support is reflected in the Statement of the European Council.

US POLICY

Ministers have made clear on several occasions that they support the basic aims of US policy as set out in President Reagan's address to Congress on the 27th of April.

MAIN SECTION ON POLAND FROM NATO MINISTERIAL COMMUNIQUE
OF 9/10 JUNE 1983

The Allies deplore the continuing violation by the Polish authorities of the commitments undertaken by Poland in the Helsinki Final Act. They look to those authorities to honour the wish of the Polish people for national reconciliation, the release of political prisoners and the establishment of civil rights, including the right of the workers to have trade unions of their own choice. This would enable Poland to overcome its crisis. More normal trade and economic co-operation with Poland, for which the Allies wish, could be effective if progress were made towards national reconciliation without which there can be no genuine economic and social recovery. The Allies urge the Soviet Union to cease its pressure on Poland so as not to impede the efforts of the Polish people for national renewal and reform.

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

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.

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13 JUNE 1983

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

INDEX OF BRIEFS

Brief by Foreign and Commonwealth Office

1. Index.
2. General Brief.

Main Briefs

3. Future Financing of the Community and Interim Solution.
- 3.A CAP.
4. Economic and Social Situation.
5. Youth Unemployment/Social Affairs.
6. Internal Market and Common Commercial Policy Regulation.
7. Environment (Acid Raid, Lead in Petrol).
8. Industrial Policy, Research and Development.
9. Enlargement.
10. Greece.
11. Political Cooperation.
12. Genscher/Colombo Proposals.

Contingency Briefs

13. Energy.
14. International Trade Issues.
15. Integrated Mediterranean Programmes.
16. Uniform Electoral System.
17. North/South.
18. Steel.

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19. ERDF.
 20. Greenland.
 21. Mediterranean Acquis.
 22. EC Aid to Costa Rica.
 23. Tornado for Greece.
 24. Seat of the European Parliament.
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Foreign and Commonwealth Office
13 June 1983

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10 JUNE 1983

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

GENERAL BRIEF

Brief by the Foreign and Commonwealth Office

INTRODUCTION

1. This European Council will be dominated by the budget problem and the future financing of the Community. It should launch the major negotiation on the long term reform of the Community's finances on which minds in the Community are becoming increasingly concentrated, now that Community spending is so close to the 1% VAT ceiling. The Council must also take decisions as agreed in March, on an interim solution for the UK.
2. Progress on the long term will increase the chances of progress on the interim solution, though the signs are that most of our partners are well dug in both on the link to the longer term (on which some are demanding prior agreement to an increase in own resources) and on the details of an interim solution (the size of UK refunds for 1983). The Presidency draft report will suggest that Foreign Ministers be instructed to settle the details of the interim solution and others will be reluctant to discuss figures. The last opportunity for the Foreign Affairs Council to reach agreement, if the March agreement to have figures in the 1984 is to be fulfilled, would be their meeting on 18/19 July. The extent to which we insist on discussing and settling figures at Stuttgart will be a matter for tactical decision. The Prime Minister will also wish to consider in what terms she would wish to warn her colleagues of the consequences of a further failure in July.

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3. The list of those attending the meeting is likely to be much the same as in March. Most of the Governments are relatively secure at the present time though the Italians face an election on 26/27 June and it is uncertain whether Signor Fanfani will remain Prime Minister thereafter. Chancellor Kohl will be anxious that this, the culminating event of the German Presidency, should be a success and is well aware that the key to success is to secure agreed conclusions on Community financing, and the interim settlement. He is however likely to insist that the interim settlement should provide some alleviation for Germany as well as the UK. President Mitterrand's aim will be to avoid any commitment to refunds at this Council. He may want to put forward French ideas for special agencies to encourage cooperation in the industrial field. Both Signor Colombo and Herr Genscher will be keen for the European Council to sign the Solemn Declaration on European Union.

AGENDA AND DOCUMENTATION

4. Chancellor Kohl will be writing to his colleagues saying how he proposes to handle the discussion. A full two days have been set aside, exceptionally, for this Council. The Presidency have proposed the following topics for discussion:

A Economic and Social Situation

In addition to discussion of the economic situation in the Community based on the Commission's usual paper, and of current international economic issues, the Presidency have maintained three specific subjects:

- (i) Unemployment (particularly youth) This will probably be based on a Presidency report.
- (ii) Internal Market The Presidency are likely to report on developments since March.
- (iii) Environment The European Council will probably have a report from the Environment Council (16/17 June) including the memorandum we have circulated, with the Germans and Dutch on unleaded petrol and the report called for in March on acid rain.

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B Financing of Community including interim solution

- (i) New own resources.
- (ii) "Conditions for own resources".
- (iii) Interim solution for the UK and FRG.

The European Council's discussions will be based on the draft report prepared by the German Presidency which was considered at the 13 June Foreign Affairs Council.

C Enlargement

Discussion will be based on a Presidency report on progress on reforming the arrangements for Mediterranean agriculture (fruit and vegetables, olive oil) and on a separate Presidency Report on progress in the negotiations including the measures that should be taken by Spain and Portugal in advance of their accession.

D Greek Memorandum

The basic document will be the Commission's recent communication on the Greek requests for improved membership terms.

E Political Cooperation Topics and the Solemn Declaration

(Genscher/Colombo) The main subjects are likely to be East/West, the Middle East and Central and Latin America. The Presidency are likely to press for removal of the remaining Danish and Greek reserves on the Genscher/Colombo Solemn Declaration on European Union so that the text can be adopted and signed at the meeting.

UK OBJECTIVES

5a) On the future financing of the Community and interim solution, to secure an interim solution to cover the period until a lasting solution is in place, with an acceptable figure for our 1983 refunds, and without accepting any advance commitment to increase own resources; on the longer term to get agreement in the communique on a timetable and a framework for future work, which must cover control of CAP expenditure and the problem of budget imbalances.

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b) In discussion of the economic and social situation to get the Community as a whole to endorse the conclusions and calls for action in the Williamsburg declaration on economic recovery.

c) To secure conclusions on the internal market which will help towards settlement of the linked third country and common commercial policy problems at the 21 June Internal Market Council and which will keep up the pressure for progress under the Greek Presidency, particularly on services.

d) On the environment to secure endorsement of our memorandum calling for a Community decision to move to unleaded petrol; but to avoid any commitment to costly measures on acid rain.

e) To facilitate progress in the enlargement negotiations by getting the Council to urge agriculture ministers to settle the fruit and vegetables arrangements (if they have not already done so); and to agree a text on olive oil which recognises that changes in the regime are necessary before it can be applied to Spain and Portugal.

f) On political cooperation, to agree on action by the Ten to encourage withdrawal of foreign forces from Lebanon and revival of the Reagan initiative on Arab/Israel. To ensure that any reference to INF in the Council Conclusions is no less firm than other recent statements on this subject.

SUMMARY OF BRIEFS

A MAIN BRIEFS

Future Financing of the Community and interim solution (Brief No 3)

Discussion will be based on a revised version of the President's draft report which was considered at length by Foreign Ministers

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on 13 June. The revised paper is likely to show a considerable number of reserves and disagreements, which will have to be resolved at the European Council. On the longer term, the original text contained references only to the "extent and timing" of an increase in own resources and we shall need to ensure that this is amended so as not to prejudge the question whether there should be such an increase or not. There are a number of other points to be resolved on the text. On the interim solution, the text does little more than repeat pledges already made to us. It also unhelpfully suggests that the framework for the solution should be the 1982 arrangements (when we accepted a refund of 56% to take account of the "over payment") rather than the 1980-82 arrangements (which derive from the 66% refund provided for in the 30 May agreement). We have insisted that the paper we tabled at Gymnich setting out the framework for the interim solution should be attached.

On the long term, our aim is to get the negotiation rapidly and successfully launched with the right agenda and a tight timetable. We want the negotiation to focus on the control of agricultural expenditure (see separate brief below) and a lasting solution to the problem of budgetary imbalances (and to avoid the inclusion of extraneous subjects such as integrated Mediterranean Programmes - see separate brief below). On the budgetary imbalances the Commission's proposals for a CAP related tax (modulated VAT) while going in the right direction, would need to be supplemented by something on the lines of our ideas for a safety net arrangement. The French have been developing ideas with some similarities. All the others are in favour of some text on increasing own resources, though with varying degrees of enthusiasm and varying views on the timetable. The Prime Minister will want to make it clear that we cannot agree to any advance commitment on this. At the same time we cannot prevent the inclusion of the question whether or not own resources should be increased on the agenda for future work. Nor would it be in our interest to do so, since other Member States will not otherwise be prepared to work seriously on limiting CAP expenditure and dealing with budget imbalances.

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On the interim, we shall face an uphill struggle. Other Member States will be reluctant to discuss figures and some will make a link more or less explicitly with the longer term solution. Some (Italy, Ireland and the Commission) will be aiming to secure some kind of commitment on own resources; others (France) will primarily use this link as an excuse for not agreeing to an interim settlement. The Prime Minister will wish to resist any such linkage and press strongly for a settlement based on the 66% formula which was the basis of the 30 May 1980 settlement, and a satisfactory risk-sharing arrangement while accepting some reduction to take account of the alleged over payment for 1980/81. On duration, she will want to ensure that the Council agrees that arrangements on the same basis as those for 1983 will be applied in subsequent years until a lasting solution is implemented.

Common Agricultural Policy (Brief No 3A)

The Presidency paper on future financing includes a passage on constraining the cost of the CAP, and the Commission have also submitted a paper including draft guidelines on this subject. Our aim is to get endorsement of an effective and binding limitation on the rate of growth of CAP expenditure, and an instruction to the Council to adopt the necessary measures to ensure that it can be implemented. If the idea of adopting more detailed guidelines is pursued, we will need to ensure that the text accords with our views.

Economic and Social Situation (Brief No 4)

In discussion of the economic and social situation in the Community, the Prime Minister will wish to stress the need to sustain the present incipient economic recovery, and thereby help create durable long-term employment, while maintaining prudent monetary and fiscal policies to contain inflationary pressures. On international economic matters, concern may be expressed about prospective US budget deficits and the effects of high American interest rates on the emerging recovery. As there is still no clear prospect of agreement on the US budget proposals for FY 1984, further efforts at persuasion, private or otherwise, are

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desirable. A reference in the Presidency Conclusions to the statement in the Williamsburg communique on reducing structural budget deficits could be a peg on which to hang further efforts. President Mitterrand may renew his call for a new international monetary order, but it should be possible to go no further than the Williamsburg Communiqué.

Youth Unemployment/Social Affairs (Brief No 5)

The Council is likely to have before it a Report by the Presidency on the measures adopted at national level encouraging the employment of young people, and the Commission's ideas on this subject. They will also report on the recent successful conclusion of the negotiations on reforming of the Social Fund (which came out well for us). The European Council may be invited to endorse the resolution recently agreed by the Joint Employment/Education Council on vocational training for young people.

Internal Market and Common Commercial Policy Regulation
(Brief No 6)

Discussion is likely to be based on a Presidency report on progress since March. Our aim is to get agreement on the need to keep up the momentum in particular on services including insurance after 1 July, under the Greek Presidency. There could be discussion of a possible compromise, covering French acceptance of a solution to the problem of certifying the conformity of imports from outside the Community with European standards (which is currently holding up progress on the internal market over a broad field) in exchange for German agreement to the proposed new Common Commercial Policy instrument for dealing with trade policy issues. We would welcome a Franco-German compromise on these lines though the details would have to be settled by the Internal Market Council. The Dutch will raise their memorandum calling for further progress, on a Common Transport Policy, which we support.

Environment (Brief No 7)

We have circulated with the Germans and the Dutch a memorandum

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pressing for a Community decision to move to unleaded petrol, which will have been considered by Environment Ministers on 16 June. Subject to developments there, we would hope for a brief discussion at Stuttgart leading to as firm an endorsement in principle of such a move as we can obtain. On acid raid, the March European Council agreed on the need for joint action and called for an interim Report. The Germans will no doubt press once again for action, and may seek our support in return for their helpful stance on unleaded petrol. There is however little support in the Community for expensive measures to reduce sulphur dioxide emissions substantially though others may be willing to go somewhat further than we are. We should resist any conclusion calling for specific action.

Industrial Policy, Research and Development (Brief No 8)

President Mitterrand may well raise French ideas for special agencies to encourage cooperation in the industrial field. For tactical reasons we need to show polite interest in this French initiative and can agree that the Community should study their ideas in greater detail. We should like early examination of the new Commission proposals on biotechnology and telecommunications. There may also be discussion of Commission initiatives in the research field: we should continue strongly to support ESPRIT.

Enlargement (Brief No 9)

The Council will have two reports before it:

- (i) a report from the Agriculture Council of 13/14 June on the reform of the Mediterranean agricultural arrangements;
- (ii) a Presidency report on enlargement in general and on the measures that should be taken by Spain and Portugal in advance of their accession.

Three main issues may arise:

- (a) in the general discussion on enlargement, the Presidency are likely to propose setting a date for completing the accession negotiations in order to permit Spanish and Portuguese entry by 1 January 1986. We think Spain and Portugal are in fact keener on

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making substantive progress, particularly on agriculture, than on setting an unenforceable deadline. But we can agree if others want it;

(b) on the "stock-taking exercise", the Presidency are likely to report that the Commission's proposed package involving the acceptance of disciplines by Spain and Portugla before accession in return for aid has not proved acceptable to the Community. We should still like pre-accession measures (particularly for Spain) in sensitive sectors to be pursued in the appropriate chapters of the accession negotiations.

(c) on Mediterranean agricultural arrangements, detailed discussion should be avoided. If Agriculture Ministers have no progress to report, they should be urged to try harder. If they have reached agreement on fruit and vegetables, we shall want to argue that this permits agricultural negotiations with Spain and Portugal to go ahead. There is now no prospect that detailed agreement will have been reached on olive oil; it will be important to make sure that any text agreed does not prejudice our position that changes in the regime are needed before it is applied to Portugal and Spain.

Greece (Brief No 10)

Papandreou wants from the Council an expression of political will to solve Greece's problems on the basis of the ideas recently put forward by the Commission. These seem likely to be costly, and most member states will want to avoid commitment to them, particularly as the Greeks are already doing well out of the Community. We must avoid specific commitments but with the Greek Presidency only 2 weeks off, it will be preferable to let others make the running in opposing Greek demands.

Political Cooperation (Brief No 11)

Political Directors will as usual prepare draft conclusions for the Council on all major agenda items. We wish to see a substantial statement on Afghanistan. On Central America we will wish the Council to endorse basic US policy objectives as set out in President Reagan's address to Congress and to express support

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for the Contadora Group's peace initiatives. There may be pressures for a statement on Lebanon, since the Ten have said nothing collectively since the signing of the Israel-Lebanon agreement. We have no objection to such a statement, but its terms will have to be carefully judged. On Iran-Iraq we will wish to resist any French pressure for a statement giving one-sided support to Iraq. On INF we will wish to avoid any public reference less robust than the statements made at Williamsburg and by the NAC in Paris. On Arab-Israel the Council will wish to concentrate on how to focus US minds on the dangers of the present stalemate, and the need to revive the Reagan initiative.

As regards East-West relations, the Council may wish to discuss Western Policy towards the Soviet Union in the light of Chancellor Kohl's visit to Moscow (4-8 July). On Poland, the Prime Minister could emphasise the need for rapid evaluation and coordination of Western policy following the papal visit (16-22 June), particularly on debt rescheduling. There may also be discussion of the CSCE review meeting in Madrid, where it is important for the West to maintain pressure on the Russians to secure a balanced concluding document which would open the way for a Conference on Disarmament in Europe.

Genscher/Colombo Proposals (Brief No 12)

The text has now been watered down, with the dropping of the paragraph on voting, elimination of the reference to a parliamentary confidence debate on the Commission's programme and the change in the title from "Act" to "Solemn Declaration" and we have no further difficulty with it. The Danes however have difficulties with their Parliament over the text and the Greeks also have some reserves and said at the Foreign Affairs Council on 13 June that they had a general reserve linked to progress on the Greek memorandum. The Presidency will press for agreement and signature at Stuttgart.

B CONTINGENCY BRIEFS

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Energy (Brief No 13)

The March European Council agreed that work on the Commission's current proposals for energy (including coal) should be speeded up. We should continue to emphasise the need for progress towards a Community coal policy as an example of a desirable new policy which could also make a small contribution to budget restructuring.

International Trade Issues (Brief No 14)

In any discussion we will want to urge support for the anti-protectionist theme emerging from OECD and Williamsburg, including the maintenance of the open trading system and closer cooperation between trade and financial institutions.

Integrated Mediterranean Programmes (Brief No 15)

The Commission have put forward proposals for ambitious development programmes for Italy, Greece and France and these countries may seek the inclusion of the subject on the agenda of the negotiation for the longer term reform of the Community's finances. If implemented in the way proposed these programmes would cost the Community budget a great deal of money. If the subject is raised the Prime Minister might say that while we have no objection to discussing the Commission's proposals in an appropriate forum, all Member States have their priorities for the development of new Community policies; we would like to see progress on the internal market for services, a coal policy and reform of the regional fund to concentrate its efforts more on the less prosperous member states. The negotiation on future financing will never get off the ground if everybody's favourite subjects are added to the agenda for it.

Uniform Electoral System (Brief No 16)

It is now accepted that it will not be possible to reach agreement on a uniform electoral procedure in time for the June 1984 European Parliament elections, or on an agreed Community basis for extending the franchise. The Council has, however, adopted a resolution under which member states agree to "do their

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best, as far as possible" to ensure that all their citizens resident in the Community are able to vote in those elections. If asked whether we intend to take any action to extend the franchise in time for 1984, the Prime Minister might say that we will consider whether there is anything we can do, though time is now short.

North/South (Brief No 17)

The European Council takes place during the UNCTAD VI meeting in Belgrade (6-30 June). Further consideration of Community positions for UNCTAD VI will take place in Belgrade and discussion of these positions at Stuttgart is unlikely. But the Germans (and others) may well press for a passage in the communique which refers to UNCTAD VI and the attitude of the Community towards it. If so, the Prime Minister will wish to argue that the passage should be consistent with Williamsburg language.

Steel (Brief No 18)

The Germans have tabled draft conclusions calling for the continuation of the Article 58 production quota regime. In any discussion at the European Council, we will want to support rigorous implementation of the anti-crisis measures and equitable sharing of the burden of capacity reductions. We too look for agreement at the Council on 21 June on continuation of the Article 58 regime, though we must have fairer share of the quotas.

ERDF (Brief No 19)

Despite some signs of progress the negotiations for the reform of the Regional Fund remain deadlocked on the question of national quota shares. We believe that the available resources should be concentrated on the areas where they are most needed and regret the failure to agree on quota shares which would implement the principle of concentration, provisionally agreed at the London European Council. This demonstrates yet again the inability of the Community to agree to develop its policies in a way which would make some contribution to reducing our budget problem. We would welcome conclusions calling for an early decision which

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would implement this principle of concentration as agreed at Lancaster House.

Greenland (Brief No 20)

Greenland's application to withdraw has been under study by a working group, which has focussed mainly on fisheries, the major economic issue. The Danish aim is to secure Greenland's control over fisheries in her own waters, while maintaining duty free access to the Community for fishing products, which they believe will be secured by Overseas Territory status. Other Member States have so far resisted these demands, which would put a severe strain on the Common Fisheries Policy. If the Danes seek to make headway at Stuttgart it will be important to ensure that any conclusions are of a balanced kind.

Mediterranean Agricultural Arrangements (Brief No 21)

This brief gives more detail on the conditions under which we could agree to a detailed settlement on fruit and vegetables with a more limited procedural agreement on olive oil. On fruit and vegetables we want to be sure that protection against third country imports is not inordinately increased and that agreed changes at least on the external side should not come into operation until enlargement takes place or, if necessary until the enlargement negotiations are complete. On olive oil, we continue to prefer putting production aid payments on a flat-rate basis, as a disincentive to the growth of surpluses after enlargement. At the least we want agreement that the potential surpluses are a real problem which necessitate changes in the olive oil regime before it can be applied to a Community of 12. And we must avoid any endorsement, even implied, of an oils and fats tax.

EC Aid to Costa Rica (Brief NO 22)

The Netherlands may raise in the margins EC aid to Costa Rica and urge that this be increased. Although we favour EC support for Costa Rica it is too wealthy to justify further capital aid but we could agree to a small amount of technical assistance.

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Tornado (Brief NO 23)

In the margins of the Council Mr Papandreou may raise the possible purchase by Greece of Tornado aircraft with the Prime Minister and also with the German and Italian Premiers. In concert with Chancellor Kohl and Signor Fanfani the Prime Minister should emphasise the wider political, economic and operational advantages to Greece of purchasing Tornado, but not get drawn into detailed financial discussions.

Seat of the European Parliament (Brief No 24)

The Luxembourg Foreign Minister has said that they will raise the recent European Parliament resolution which calls for the transfer of a number of European Parliament Secretariat staff from Luxembourg to Strasbourg. Luxembourg is concerned that this is another step on the way to the elimination of Luxembourg as one of the Parliament's provisional locations. There is no need for us to get involved in this argument.

Foreign and Commonwealth Office
10 June 1983

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EHG(S) (83) 2 Addendum
15 June 1983

COPY NO

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EUROPEAN COUNCIL, STUTTGART
17/19 JUNE 1983

GENERAL BRIEF

Note by Foreign and Commonwealth Office

The Presidency's report on progress made on issues discussed
by the European Council in Brussels, and the principal texts
referred to in the report, are circulated herewith.

Foreign and Commonwealth Office
15 June 1983

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EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 7 June 1983

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DRAFT REPORT

presented under the responsibility of the Presidency

from: the COUNCIL

to: the EUROPEAN COUNCIL

prev. doc. 5545/1/83

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

The European Council of 21/22 March 1983 defined a series of goals and specific actions to be taken in the economic and social field, on the enlargement dossier and in the area of the Community's financial resources and related problems. The present report describes progress made under each major heading and indicates where progress is still to be achieved.

The principal texts referred to in this report will be circulated in the form of an addendum (doc n° 7312/83 ADD 1).

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A. ECONOMIC AND SOCIAL SITUATION1. Youth unemployment:

The European Council requested a report on progress made both nationally and at Community level on action to improve the employment situation of young people; a report on national measures is included in the addendum to the present report (as its annex I).

This report shows the considerable effort devoted by the individual Member States to countering youth unemployment ; it summarizes the specific measures already taken and points out that Member States intend to develop and supplement these in the future.

As for action at Community level, this aspect was on the agenda of the Social Affairs Council of 2 June 1983 and the conclusions reached by this Council relevant to this aspect are to be found in annex II to the same addendum.

At the centre of the Council's debate was the reexamination of the Social Fund, on which an agreed orientation was reached on all points hitherto open. The priority to combat youth unemployment by the means of the Social Fund was clearly underlined and of particular relevance is the decision to grant no less than 75 % of available funds to help the employment prospects of the young under 25 years old.

This problem was also tackled by the Joint Meeting of Ministers of Labour and Social Affairs and Ministers of Education held on 3 June 1983 who agreed a Resolution on professional training policies for the 1980's [see annex III to the same addendum].

This Resolution sets out how Member States can improve the quality and scope of professional training and how the Community can supplement and assist such actions ; in this context a specific objective is envisaged for the young over the next 5 years: basic training and/or a first professional experience should be made available to all school-leavers for a period of at least 6 months, and if possible 1 year. In addition, Member States, within their national policies and practices, will continue their efforts to provide training for young people with insufficient qualifications.

Furthermore the Council (Social Affairs) had a first debate on 2 June 1983 on the Commission's recent communication on youth unemployment. This debate was prepared by the Standing Committee on Employment.

2. Internal market:

Under the mandate given at Copenhagen, 3 special Councils were held, on 1 February, 1 March and 26 May 1983.

As already reported to the last European Council (Brussels 21/22 March 1983)⁽¹⁾, agreement has been reached on information on standards, one of the key areas identified at Copenhagen.

On another key area, that of Community certification for 3rd country products, substantial progress can be hoped for at another special session of the Council planned for 21 June.

On the 3rd key area, that of intra-Community formalities, it has not as yet been possible to reach agreement, due to the complexity of the subjects⁽²⁾; work continues, and positive orientations have in fact been arrived at already on several of the individual topics.

⁽¹⁾ doc 5545/1/83

⁽²⁾ single document; postponement of VAT payments (14th directive); formalities on transfer of goods between Member States; circulation of goods for temporary use

The Council has been pushing forward on many of the other files listed in the Presidency's programme as presented to the last European Council (¹). It has adopted on 16 May 1983 (Council for Economic and Financial Affairs), the important 7th Company Law Directive on consolidated accounts;

directives have also recently been adopted on certain tax exemptions, on the codification of tax and customs arrangements and in the area of foodstuffs and veterinary legislation and work is currently progressing on modifications to the directives on proprietary medicines. However, many problems remain

outstanding with the insurance services directive despite recent intensive work. A sustained effort will be needed on this, and other internal market dossiers not yet ready for decision, in order to complete the internal market.

In keeping with the mandate from the Brussels European Summit, equal priority is being given to work on the strengthening of the Community's external trade policy instruments ; the dossier has been given a first examination both by the Special Council on the Internal Market and by the Foreign Affairs Council.

3. Other specific mandates already carried out, in whole or in part :

- a) Mutual recognition of diplomas : the conclusions reached by the Council and the Ministers of Education on 2 June 1983 are attached to the same addendum as annex IV.

⁽¹⁾ doc 5490/83

The Resolution sets out ways in which mutual recognition of academic qualifications could be developed and also suggests ways of improving the social and material situation of students studying in other Member States. The guiding principle is that of the greatest possible generosity and flexibility to be shown by the authorities responsible for recognition of qualifications. Emphasis is, *inter alia*, placed on bilateral agreements, on regular information exchange between centres responsible for academic recognition questions, on twinning, on intensified information and counselling for students abroad, on the promotion of short study periods abroad, and on the instrument of joint study programmes (already promoted by the Commission). National measures are also suggested to alleviate the financial and social difficulties of students abroad.

- b) Acid rain : interim report. This interim report, specifically commissioned by the European Council, is attached to the addendum to the present report as annex V.

It sets out the actions already undertaken at Community level, listing measures adopted so far, *inter alia* in the field of exchange of information, of standards for atmospheric quality and for the contents of certain products and for vehicle exhaust ; this is complemented by a research effort and by the Community's ratification in 1982 of the Geneva Convention on long distance atmospheric pollution.

The report also explains current and future work, particularly on vehicle exhaust, on further atmospheric quality standards, on large installations, on the problems of solid fuels and in the research field.

The Environment Council of 16 June 1983 will, in this context, be examining a new Commission proposal for a directive of general application in the realm of air pollution (the first of its kind) which would aim to create a system of prior authorisation for the construction of industrial installations likely to cause pollution.

c) Transport

[See attached
Memorandum]

The Council met on 7 June 1983 with a very full agenda ; many items have been under discussion for a considerable period (several years in some cases). The major items debated concerned the application of competition rules to sea transport, interregional air traffic, vehicle weights and dimensions and aid for transport infrastructure.

The Netherlands delegation tabled a memorandum /doc 7315/83/ setting out its dissatisfaction with the lack of progress made in developing a Community transport policy and concluding that the European Council should ask for quicker progress towards liberalisation in this field and should request an annual report on this matter, and that the Transport Council should meet more frequently.

4. Other specific mandates to be carried out by Councils falling after the European Council at Stuttgart

a) Energy, research and development :

The next Energy Council will take place in July and preparation is in hand with a view to continuing the work of the previous Council (21 April) on the Community's energy strategy, on solid fuels, and on demonstration projects.

The Research Council will meet on 28 June 1983 and will aim at reaching decisions on the Framework Programme 1984-87 as well as holding a first debate on the Joint Research Centre and on the new Commission proposal on ESPRIT. It is also likely to be able to confirm a substantial measure of agreement on "FAST II".

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b) Industrial policy and innovation:

Alongside the information technology proposals (ESPRIT) which the Committee of Permanent Representatives has decided to treat with a high degree of priority, work will be put in hand on proposals - awaited shortly - on telecommunications and biotechnology.

The "Internal Market" Council of 26 May debated the proposed plan for the transnational development of the infrastructure to help innovation and will take the file up at its next session; work is also progressing on the extension of the current multi-annual programme in the field of data-processing.

c) Investment:

At the meeting of the Economic and Financial Affairs Council of 16 May 1983, the Commission presented its new proposal on tax and financial measures to favour investment; work is now in hand on this file.

A proposal will shortly be received on financial incentives for innovation.

B. ENLARGEMENT

1. Regarding the progress of the negotiations with the two candidate countries, the Council can report that, in the period since the previous European Council, a Ministerial session has been held with each country (Spain 26.4.83 ; Portugal 25.5.83) as well as sessions at deputies' level.

In the case of Spain an important aspect of the Customs Union chapter (that of textiles and quotas) has been settled ; the Community has also been able to spell out its position on various other dossiers still under negotiation (inter alia : tobacco, scrap, patents, external relations, ECSC).

In the case of Portugal the Community was able to take position on fisheries, which is an important remaining file, as well as on several other questions (inter alia : VAT zero rate, direct investment, patents, environment, external relations).

As to the prospects for the future, the following are the major dossiers to be tackled ⁽¹⁾ and completed :

- the social affairs question (in both cases)
- Customs Union : the period of transition (Spain)
- ECSC restructuring (Spain)
- fisheries (in both cases); a declaration has just been presented to Portugal to start the negotiating process (see above), and a similar one is scheduled to be presented to Spain
- agriculture.

2. Regarding the issues within the "Inventory", the state of work is as follows :

a) agricultural "acquis" : this aspect is being dealt with by Agriculture Ministers, meeting on 13/14 June ; a separate report will be submitted to the European Council.

b) Preaccession

It is agreed that ways and means should be found to ensure that the accession does not worsen the situation in certain sensitive sectors - agricultural or industrial - where the Community is trying (through production disciplines) to keep or restore a certain equilibrium.

⁽¹⁾ There are also certain specific questions within chapters otherwise near completion and certain files which are to be left till the end of the negotiations (such as EIB, processed agricultural products, ECU, own resources, institutions).

It is generally felt in the Council that this goal must be pursued in the context of the accession negotiations and through better mutual information and coordination with the candidate countries. The Commission has already held contacts with the candidate countries and will continue to do so.

Work is also in hand on the related Commission proposals for the continuation of aid in the form of EIB loans.

c) Relations with the Mediterranean countries

In parallel with internal work on the "Natali memorandum", the Commission continues its exploratory conversations with these countries ; in the light of these and of the progress made in the accession negotiations themselves, the Commission plans to submit a communication, before the summer, on the general guidelines for future work. This will then be followed by concrete proposals for each country.

d) Integrated mediterranean programmes

The Commission has presented to the Council the substance of these programmes including their financial consequences. The COREPER has held a introductory debate on this issue. The formal detailed proposals are expected shortly.

C. FINANCIAL RESOURCES AND RELATED PROBLEMS

The General Affairs Council will report separately to the European Council after its meeting of 13 June next.

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EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 8 June 1983

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CORRIGENDUM TO
DRAFT REPORT

presented under the responsibility of the Presidency

from: the COUNCIL
to: the EUROPEAN COUNCIL

prev. doc 5545/1/83

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

Chapter 3 c), page 6

The first paragraph should read as follows:

"The Council met on 7 June 1983 with a very full agenda, and was able to make progress on several dossiers: in particular, an agreement⁽¹⁾ was finally reached on the directive on inter-regional air services; an orientation was obtained on a regulation on road transport pricing, on a framework decision covering national counter-measures in the shipping sector, and on a directive simplifying the formalities for removals within the Community; a decision was also agreed covering the cooperation of national railways in the field of passenger traffic. Work was advanced on the application of competition rules to shipping, on the file on weights and measures of goods vehicles, and on aid for transport infrastructure."

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a) agricultural "acquis" : this aspect is being dealt with by Agriculture Ministers, meeting on 13/14 June ; a separate report will be submitted to the European Council.

b) Preaccession

It is agreed that ways and means should be found to ensure that the accession does not worsen the situation in certain sensitive sectors - agricultural or industrial - where the Community is trying (through production disciplines) to keep or restore a certain equilibrium.

⁽¹⁾ There are also certain specific questions within chapters otherwise near completion and certain files which are to be left till the end of the negotiations (such as EIB, processed agricultural products, ECU, own resources, institutions).

It is generally felt in the Council that this goal must be pursued in the context of the accession negotiations and through better mutual information and coordination with the candidate countries. The Commission has already held contacts with the candidate countries and will continue to do so.

Work is also in hand on the related Commission proposals for the continuation of aid in the form of EIB loans.

c) Relations with the Mediterranean countries

In parallel with internal work on the "Natali memorandum", the Commission continues its exploratory conversations with these countries ; in the light of these and of the progress made in the accession negotiations themselves, the Commission plans to submit a communication, before the summer, on the general guidelines for future work. This will then be followed by concrete proposals for each country.

d) Integrated mediterranean programmes

The Commission has presented to the Council the substance of these programmes including their financial consequences. The COREPER has held a introductory debate on this issue. The formal detailed proposals are expected shortly.

C. FINANCIAL RESOURCES AND RELATED PROBLEMS

The General Affairs Council will report separately to the European Council after its meeting of 13 June next.

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EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 8 June 1983

7312/83	
CORR 1 (e)	
	RESTREINT

CORRIGENDUM TO
DRAFT REPORT

presented under the responsibility of the Presidency

from: the COUNCIL
to: the EUROPEAN COUNCIL

prev. doc 5545/1/83

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

Chapter 3 c), page 6

The first paragraph should read as follows:

"The Council met on 7 June 1983 with a very full agenda, and was able to make progress on several dossiers: in particular, an agreement⁽¹⁾ was finally reached on the directive on inter-regional air services; an orientation was obtained on a regulation on road transport pricing, on a framework decision covering national counter-measures in the shipping sector, and on a directive simplifying the formalities for removals within the Community; a decision was also agreed covering the cooperation of national railways in the field of passenger traffic. Work was advanced on the application of competition rules to shipping, on the file on weights and measures of goods vehicles, and on aid for transport infrastructure."

⁽¹⁾ 2 delegations ad referendum

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CORR 1 (e)

CONFIDENTIAL

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EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 9 June 1983 (10.06)

7312/83	
ADD 1	
	RESTREINT

ADDENDUM TO THE DRAFT REPORT

presented under the responsibility of the Presidency

from: the COUNCIL
to : the EUROPEAN COUNCIL

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

Members of the European Council will find attached the various texts to which reference is made in the report from the Council to the European Council:

- in Annex I : Report by the Presidency to the European Council on the measures taken nationally to promote employment for young people ⁽¹⁾
- in Annex II : Summary of the proceedings of the Labour and Social Affairs Council on 2 June 1983 on the same subject
- in Annex III: Resolution concerning vocational training policies in the European Communities in the 1980s, approved as to the substance by the Council (joint meeting) of Ministers for Social Affairs and Education on 3 June 1983 ⁽²⁾
- in Annex IV : Conclusions of the Council and of the Ministers for Education on the promotion of mobility in higher education ⁽³⁾
- in Annex V : Interim report on air pollution ⁽⁴⁾

⁽¹⁾ already circulated under reference 6905/83

⁽²⁾ already circulated under reference 7477/83 with the statements to be entered in the minutes of the Council meeting at which this Resolution is formally adopted

⁽³⁾ UK reservation pending further examination

⁽⁴⁾ already circulated under reference 7007/83

Report by the Presidency to the European Council
on the measures taken nationally to promote
employment for young people

The Presidency suggests that the Council take cognizance of this report which is intended for the European Council on 17, 18 and 19 June 1983, in accordance with the conclusions of the European Council of 21 and 22 March 1983 on employment for young people.

This report consists of a brief summary of the communications forwarded to the General Secretariat by the delegations on the measures taken in their respective countries to promote employment for young people.

It comprises the following chapters:

- I. Essential data concerning unemployment (recent developments and prospects)
- II. Measures taken to promote employment for young people
- III. New measures under consideration.

I. ESSENTIAL DATA CONCERNING UNEMPLOYMENT

1. The proportion of unemployed young people under 25 years of age in the total number of unemployed, which in March 1983 stood at approximately 37% for the Community as a whole, which corresponds to a figure of about 4,5 million, has in general stayed relatively stable compared with the same period in 1982. In some Member States this proportion has dropped slightly, while in others it has risen slightly.
2. According to the Member States the proportion of young people in the total number of unemployed ranges from 23,4% (D) to 47,4% (I)⁽¹⁾. It should be noted that the proportion of unemployed young women is everywhere higher than that for young men (the Community average is 44,3% as against 32,2%), although the women's relative share in the unemployment figures is tending to fall in some Member States.
3. It is difficult to forecast future developments. The economic situation and demographic trends are unlikely to afford much hope either of any substantial improvement in the immediate future.

⁽¹⁾ B : 36% = 202 900
 (unemployed people
 receiving full benefits:
 + 33,5% = 170 600
 DK: 30% = 78 000
 D : 23,4% = 559 200
 F : 39,5% = 797 600
 G : 43,4%

IRL: 30% = 56 600
 I : 47,4% = 1 304 000
 L : 43,2% = 999
 NL : 38,2% = 293 300
 UK : 37,6% = 1 192 300

.../...

II. MEASURES TAKEN TO PROMOTE EMPLOYMENT FOR YOUNG PEOPLE

4. The Member States have made considerable efforts, both technically and financially, to improve the possibilities for and chances of employment for young people. The measures taken consist not only in the refinement, strengthening and extension of existing ways and means, but also in new and innovatory initiatives.
5. The following measures should be mentioned in the field of vocational guidance and training:
- information, guidance, induction and measures to help young people feel at home in their working environment, in particular with a view to enabling them better to identify their interests and abilities, to find their way through the offers of training and vocational activities, to familiarize themselves as far as possible with the world of work, and to encourage them, where appropriate, to continue their training;
 - vocational training provided increasingly in the form of linked work and training, in accordance with Community guidelines; training and work experience particularly in the form of training periods or on the basis of fixed-term contracts, including where appropriate the performance of specific work in return (*); extension of the apprenticeship system and increase in the number of apprenticeships offered in the private and public sectors; specific measures and assistance for the most disadvantaged young people (the long-term unemployed, the disabled, young migrants, women etc.).

(*) In some countries contracts may later be changed into employment contracts of indefinite duration.

.../...

6. Some Member States wish to concentrate training measures on a particular age group (young people at the end of their compulsory schooling), while others address all young people. The duration of the measures ranges from several months to three years.

7. In the sphere of the direct promotion of employment for young people, the large variety of measures taken reflects the efforts the Member States are making to exploit all the possibilities and ways afforded under their national systems.

These specific measures supplement the general economic policies of the Member States which have been devised in such a way as to promote investment and growth and, thereby, to improve the employment situation as a whole.

Some Member States consider that the problem of unemployment in general and that of unemployment among the young in particular cannot be resolved by massive public expenditure aimed at creating jobs, but by an appropriate economic and financial policy and by giving high priority to training.

8. Amongst the specific measures in question, particular mention should be made of the following:

- recruitment premiums and subsidies for employment openings
- partial exemption from social security contributions.

These aids and exemptions are granted to undertakings for a limited period and in certain countries are aimed primarily at disadvantaged groups of young people.

.../...

- employment training contracts or comparable measures also comprising a temporary subsidy or exemption mechanism; the employment training contracts have been extended to local authorities;
- early retirement or flexible retirement linked, where appropriate, to additional recruitment;
- public programmes for temporary employment, in particular in jobs of benefit to the community;
- system of "entitlement to job offers" for young people who have been unemployed for a long time;
- encouragement for young people to set up as self-employed or for the setting up of firms by unemployed people.

9. Despite severe budgetary difficulties, the funds granted for these measures have in general been increased, in many cases very substantially.

III. NEW MEASURES UNDER CONSIDERATION

10. The Member States intend in general to expand and supplement the abovementioned measures.

Thus, they intend to widen the general provision of training or work experience in order to satisfy as far as possible the needs of all young people in this sphere and also to put greater emphasis on the preparation of young people for technical change (e.g. by means of integrated technical and vocational training courses).

Some Member States intend to ensure that young people benefit to a greater extent from the opportunities stemming from the reduction in and in particular the reorganization of working time.

Summary of the proceedings of the
Labour and Social Affairs Council on 2 June 1983

At Community level, the Council (Labour and Social Affairs) responded to the European Council's appeal with a number of important decisions which it took at its meeting on 2 June.

1. Firstly, it reached general agreement on the review of the Social Fund, on the basis of a compromise suggestion from the Presidency with which the Commission and all delegations co-operated in a constructive spirit. In reaching this agreement the Council stressed, in several ways, the top priority which should be given to the training and employment needs of young people under 25.

This priority is reflected in the provisions which:

- establish the tasks of the Social Fund (Article 1(1) of the basic Decision),
- relate to labour market policy measures in the Member States (Article 3(1) of the basic Decision),
- define the persons covered (Article 4(1) of the basic Decision),
- provide for special aid for recruitment and work experience (Article 1 of the implementing Regulation).

CONFIDENTIAL

- 2 -

To back up these measures for young people the Council decided to earmark the bulk of the Fund's resources for them: at least 75% of the available appropriations are allocated to promoting the employment of young people under 25, in particular those whose chances of employment are especially poor, in particular because of a lack of vocational training or inadequate training, and those who are among the long-term unemployed.

The provisions adopted are not, however, exclusively for the benefit of young people: many other categories of workers over 25, including the long-term unemployed, women wishing to return to work, the disabled, migrant workers, those in small and medium-sized undertakings, will also be taken into consideration by the Social Fund, albeit to a more limited extent, given the EEC Council's determination to concentrate its efforts on young people.

Account was also taken of the special needs of the least-favoured regions of the Community to which 40% of the available appropriations will be allocated and which will be eligible for an additional 10% in the rate of aid. The remaining appropriations will be concentrated on measures to promote employment in other areas of high long-term unemployment and/or industrial or sectoral restructuring.

2. The Council (Labour and Social Affairs) also noted a Commission communication, accompanied by a draft Council Resolution on the promotion of employment for young people. This communication was discussed in depth in the Standing Committee on Employment on 20 May 1983. Since it is currently before the European Parliament, the Council agreed to discuss it once it has received the European Parliament's Opinion.

Furthermore, as regards the reorganization and reduction of working time, the Standing Committee on Employment held a very full discussion on the basis of a Commission memorandum and the Chairman's conclusions are set out in CPE 505/83. Following this discussion the Commission was asked to continue its work and, if appropriate, submit practical proposals.

DRAFT COUNCIL RESOLUTION
concerning vocational training policies
in the European Communities in the 1980s

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Draft Resolution from the Commission,

Having regard to the Opinion of the European Parliament ⁽¹⁾,

Having regard to the Opinion of the Economic and Social Committee ⁽²⁾,

Whereas Council Decision 63/266/EEC laid down general principles for the implementation of a common vocational training policy ⁽³⁾, and the Advisory Committee on Vocational Training has expressed its views on the further development of that policy;

Whereas the European Council, at its meeting in March 1982, indicated in its conclusions that in order to contribute to the progressive definition of a European social policy the Member States would take measures concerning more particularly the vocational training of young people and, as a first step, would strive to ensure over the next 5 years that all young persons entering the labour market for the first time would receive vocational training or initial work experience within the framework of special youth schemes or contracts of employment ⁽⁴⁾;

(1)
(2)
(3) OJ No 63, 20.4.1963, p. 1338/63
(4) EC Bulletin 3-1982, point 1.3.5.

Whereas the European Council, at its meeting in June 1982, asked the Joint Council (Ministers of Finance, Economic Affairs and Social Affairs) to adopt firm decisions on a proposal from the Commission regarding specific Community measures to combat unemployment, particularly in the case of young people ⁽¹⁾;

Whereas the Council, at the end of its meeting on 27 May 1982, adopted a Resolution on Community action to combat unemployment ⁽²⁾ underlining the priority which the Community should give to the vocational training of young people; whereas it approved a further Community action programme on the promotion of equal opportunity for women for the period 1982-1985 ⁽³⁾;

Whereas the European Parliament on 22 April 1982 adopted a Resolution on youth unemployment ⁽⁴⁾, with particular emphasis on the need to bring training into line with technological developments and on greater involvement of Community financial instruments in job creation programmes; whereas this Resolution reinforces the European Parliament's call for more intensive Community action in the sphere ⁽⁵⁾ of vocational training as expressed in its Resolution on Social Policy Priorities and other Resolutions, notably those relating to a Community programme in the field of education ⁽⁶⁾, on linked work and training for young persons in the Community ⁽⁷⁾, on the economic, social and vocational integration of disabled people in the European Community ⁽⁸⁾ and on measures to combat illiteracy ⁽⁹⁾;

Reaffirming that vocational training is a basic element of a social policy designed to permit each individual to develop and to realize his or her potential throughout adult life and in particular to promote equality of opportunity;

⁽¹⁾ EC Bulletin 6-1982, section 1.5.3.

⁽²⁾ OJ No C 186, 21.7.1982, p. 1

⁽³⁾ OJ No C 186, 21.7.1982, p. 3

⁽⁴⁾ OJ No C 125, 17.5.1982, p. 74.

⁽⁵⁾ PE 74.858

⁽⁶⁾ OJ No C 87, 5.4.1982, p. 90

⁽⁷⁾ OJ No C 77, 6.4.1981, p. 71

⁽⁸⁾ OJ No C 77, 6.4.1981, p. 27

⁽⁹⁾ OJ No C 149, 14.6.1982, p. 149

.../...

Emphasizing the importance of vocational training policies in order to master and exploit the potential of the new information technologies, with a view to supporting policies designed to promote job creation, industrial restructuring and innovation, and the revitalization of depressed areas;

Confirming therefore that further steps should be taken in liaison with both sides of industry at national and Community level to strengthen the implementation of a common policy on vocational training; welcoming in this context the Commission's communication on "The development of vocational training policies in the European Communities in the 1980s" and the guidelines contained therein,

HEREBY ADOPTS THIS RESOLUTION:

I. GENERAL OBJECTIVES

On the basis of the principles already adopted by the Council in its Decision 63/266/EEC and in view of the situation and structure of unemployment in the Community, the Council agrees that vocational training policies in the Community in the 1980s will be developed especially as:

- an instrument of an active employment policy designed to promote economic and social development and adjustment to the new structures of the labour market;
- a means of ensuring that young people are properly prepared for working life and their responsibilities as adults;
- an instrument for promoting equal opportunities for all workers as regards access to the labour market and engaging in various occupations.

II. MEASURES BY MEMBER STATES

In implementing their vocational training policies, Member States will make increased efforts, taking account of the role and responsibilities of both sides of industry, to:

- improve the quality and scope of vocational training for workers of all ages. Although priority should be given to young people and the long-term unemployed, constant attention should be paid to the training and retraining needs of other workers, especially those most at risk from changes in the labour market;
- implement training programmes enabling trainees to acquire a wide range of practical skills designed to facilitate their active adjustment to technological change, to improve their mobility and, where appropriate, to encourage them to become self-employed;
- promote attainment of the objective of ensuring that training programmes lead to recognized qualifications and that systems of certification provide the maximum flexibility in order to facilitate in the sphere of training the implementation of programmes based mainly on practical work experience;
- increase the opportunities for further training and for retraining that are open to all workers throughout their working life;

CONFIDENTIAL

- 5 -

- pay particular attention to the problems faced by workers of any age who lack the basic knowledge and skills usually required for participation in training programmes;
- encourage women to participate more in training that makes it easier for them to obtain skilled jobs and particularly to enter occupations where they are traditionally under-represented;
- promote an adequate supply of training facilities in the field of business management, particularly in order to facilitate the development and establishment of small and medium-sized undertakings, including co-operatives, and to maintain and increase the level of employment in them;
- also develop training facilities in connection with local initiatives to stimulate new economic activity and to promote employment;
- improve the quality and scope of the training of instructors and of vocational guidance counsellors and, where appropriate, take account of the training needs of persons called upon in particular to give technical advice in order to stimulate economic activities at a local level (development agents);
- increase the active co-operation at national and local level of all parties concerned with vocational training.

III. SPECIFIC MEASURES TO ASSIST YOUNG PEOPLE

1. During the next five years, taking account of the responsibilities of the two sides of industry in this area, Member States:
 - will do their utmost to ensure that all young people who so wish, and particularly those without educational or vocational qualifications, can benefit over a period of at least six months and if possible, one year, following full-time compulsory education, from a full-time programme involving basic training and/or initial work experience to prepare them for an occupation;
 - will, moreover, continue their efforts in the context of their national policies and practices, to see that adequate opportunities for vocational training designed to improve their skills and qualifications are available for young people without sufficient qualifications, including particularly those who are looking for work.

2. In implementing the objectives referred to in the previous paragraphs, Member States should ensure, in particular, that the measures envisaged:
- are accompanied by appropriate information and guidance services for young people and by the development of training for instructors and other specialists concerned;
 - are implemented in forms and ways which correspond to the needs and abilities of young people;
 - tie in with their general systems of vocational training and certification;
 - meet the requirements of technological change and those linked with the aim of creating new jobs.
3. These specific measures to assist young people should help to develop their sense of initiative, to foster an awareness in them of their abilities and responsibilities and to encourage them to be prepared to undergo continuous training throughout their working lives.

IV. MEASURES AT COMMUNITY LEVEL

1. In order to supplement and back up the action taken by Member States, the Commission is asked to continue with the activities it is undertaking to encourage innovation and the qualitative improvement of training systems in the Member States, taking account inter alia of the needs of people whose job opportunities are particularly limited and especially the needs of young people:
 - (a) by contributing to the development of a coherent and progressive common action in the field of vocational training, while recognizing the diversity of training systems in the Member States and the need for Community action to be flexible;
 - (b) by fostering experimentation in order to improve national policies and practices;
 - (c) by developing existing arrangements for the dissemination and exchange of information and experience between training authorities and practitioners, particularly as regards promising training initiatives;
 - (d) by contributing to greater consistency between vocational training policies at national and Community level and activities in receipt of assistance from the European Social Fund.

2. In this connection the Council asks the Commission to take the following action over the next five years;
- (a) as regards the vocational preparation and training of young people:
- (i) comparative assessment of existing projects in linked work and training and, on that basis, support for standard projects, including implementation of a group of projects covering the development of training/production workshops;
 - (ii) assessment, in co-operation with national authorities and the two sides of industry, in specific areas designated by Member States, of projects undertaken to ensure that all young people leaving compulsory education are offered preparation and training;
 - (iii) implementation of a programme of exchange visits by training specialists backed up by the continuous development within CEDEFOP of documentation on training systems and innovations in Member States;
- (b) as regards vocational training designed to contribute to the desegregation of the labour market and to promote greater equality of opportunity:
- (i) implementation of a set of standard projects designed to develop, in particular by improving basic skills, the chances of employment of the long-term unemployed and of workers threatened with unemployment as a result of industrial redevelopment;
 - (ii) support for small-scale innovatory projects, designed in particular to provide better information on the training facilities available to women with a view to increasing their participation in general training programmes and facilitating their access to occupations in which they are traditionally under-represented;
 - (iii) drawing up a programme of short study visits for vocational training specialists;

(c) as regards training to promote employment at local level:

- (i) intensifying exchanges of views, with Member States which so wish, on planning and assessing their training provisions at local level and, as appropriate, identifying technical-assistance needs;
- (ii) support for experimental and pilot projects to develop training, in particular in the regions or areas in which training is least developed and/or which are particularly badly hit by unemployment, on the basis of a comparative assessment of projects existing at local level;
- (iii) analysis of the training requirements of specialists in training and guidance and, where applicable, of development agents, involved in the process of job creation at local level, leading where necessary to technical assistance measures for training.

3. Community financing for the initiatives set out in paragraph 2 above will be decided on within the framework of the budgetary procedure and in accordance with the legal commitments entered into by the Council.

Community financing of the standard projects referred to in paragraph 2 will be in accordance with the financing capacity and rules of the Social Fund.

V. The Council will examine the progress made in implementing this Resolution and the results obtained, on the basis of an interim report and a final report to be submitted to it by the Commission before 30 June 1987 and 31 December 1989 respectively.

The Commission is also asked to prepare a comparative analysis of the progress made by Member States on specific measures to assist young people, which it will submit during International Youth Year in 1985.

Meeting of the Council and of the Ministers for Education

- 2 June 1983 -

THE PROMOTION OF MOBILITY IN HIGHER EDUCATION

On the basis of an Education Committee report on the progress accomplished since the last meeting on 24 May 1982 concerning the academic recognition of diplomas and periods of study and the Commission report concerning the further development of joint study programmes and short study visits in the field of higher education in the European Community, the Council and the Ministers for Education approved the following conclusions (unrevised text) ⁽¹⁾:

Since the approval of the action programme in the field of education of 9 February 1976, the promotion of mobility in higher education has been one of the most important objectives of educational co-operation within the Community. For this reason the Council and Ministers for Education meeting within the Council on 24 May 1982 mandated a working party to prepare and present a report on the question of the academic recognition of diplomas and on the social and material situation of students studying in other Member States. The European Council at its meeting on 21 and 22 March 1983 expressed the expectation that, in order to facilitate mobility between the Member States, efforts towards the mutual recognition of diplomas and periods of study would be intensified both in the academic sphere and in regard to the freedom of establishment.

There remain many obstacles to an increase in mobility of students between Member States. In addition to the problems of recognition, these include in particular difficulties regarding the financing of study abroad, uncertainties about the value of study abroad on returning home, and anxieties about integration in the foreign country.

⁽¹⁾ The United Kingdom delegation maintained a reservation until the new Parliament meets, enabling it to examine these conclusions.

.../...

The Council and Ministers for Education meeting within the Council therefore drew the following common conclusions directed towards an intensification and extension of mobility in higher education amongst Member States of the Community:

1. The authorities responsible for the recognition of diplomas and periods of study in the Member States should, in the recognition of qualifications obtained and courses attended in other Member States of the Community, be guided by the principle of greatest possible generosity and flexibility. Particularly in regard to study abroad for a limited period which is relevant to home qualifications, the establishment of higher education in the country of reception should recognize or be encouraged to recognize without special formalities the prior studies and certificates of the student concerned, and the establishment in the country of origin should similarly recognize the study abroad as well as certificates obtained. Bilateral agreements - whether specifically related to recognition rules or within the framework of cultural agreements - on the mutual recognition of diplomas, periods of study and academic performance, as well as corresponding agreements between higher education institutions in different Member States, are well adapted for such purposes.
2. An amelioration of the situation regarding academic recognition and student mobility generally is dependent on the intensification of information provisions in this area. For this purpose, the following measures should in particular be undertaken:
 - regular information exchange between the centres on academic recognition questions designated by the Member States, which with the assistance of the Commission and the EURYDICE information network will ensure the availability - directly or through other organizations - of authoritative advice and information to students, parents and their advisers and to potential employers within the European Community;

.../...

- improvement of the opportunities for regular information exchange and meetings between those responsible for the admission of foreign students and for the evaluation of foreign educational qualifications, as well as increased opportunities for such personnel to undertake study visits in other Member States;
- intensified provision of information material and counselling for students considering a period of study in another Member State - particularly within the establishments of higher education - for which purpose Community publications such as the "Student Handbook" and organizations concerned with the promotion of student mobility in Member States should play a particular role.

3. The Member States should make special efforts to promote study periods abroad of limited duration which as a rule should be relevant to the home qualifications sought by the student. Such action would be based on the assumption that this type of study abroad:

- enables more foreign students to be admitted with the same financial resources and the same number of study and residential places than would be the case with students undertaking an entire course of study abroad;
- avoids certain problems regarding professional recognition, because the final examinations only take place after the return to the country of origin;
- makes it easier for the admitting institution to handle admissions, recognition, and fees regulations (where these apply) as flexibly as possible.

These measures do not however preclude the possibility of undertaking a complete course of study in another Member State.

.../...

4. The Council and the Ministers of Education meeting within the Council take note of the Commission's report outlining progress in developing the joint study programmes scheme. The instrument of joint study programmes has proved to be particularly suitable in overcoming obstacles to mobility in higher education, thereby contributing significantly to increased co-operation between higher education institutions in the Community. This is particularly true in the case of those programmes which enable students participating to undertake - above all on a reciprocal basis - an integrated part of their course in another Member State. The following measures should therefore be promoted:

- the Commission's grants schemes for the support of joint study programmes and, related to it, for the support of short study visits should be continued, with the aim of making a contribution to the intensification of academic mobility among Member States. The level of the credits to be made available will be decided in accordance with the Community budgetary rules and procedures;
- given the need to ensure that as many programmes as possible are maintained after the period of grant support by the Commission, Member States should encourage the support of such programmes once they have completed their initial development phase;
- understanding and, where necessary, special attention should be given to the particular additional problems faced by higher education institutions in areas which are on the periphery of the Community, whether from a geographical, linguistic or economic point of view. The Commission is invited to report further in this respect in the light of a more extensive examination.

- an appropriate evaluation and as extensive as possible a dissemination of the experience gained from joint study programmes and short study visits are of great importance. For this purpose, the steps recommended by the Commission and already endorsed by the Education Committee at its meeting on 17 September 1982 should be fully implemented and further developed. These steps include in particular the organization of information seminars on national or especially subject-related bases, the publication and wide distribution of the joint study programmes newsletter "Delta", as well as the production of subject-oriented information packages and other material.

5. Twinning arrangements for higher education institutions should increasingly be employed in order to:

- develop and operate joint study programmes;
- solve questions of tuition fee waivers in a mutually acceptable manner, insofar as this is in the competence of the establishments of higher education;
- find satisfactory solutions to questions of accommodation provision for foreign students.

6. The Member States will examine the possibilities of adopting measures, as suggested below, in order to alleviate financial difficulties relating to student mobility among the Member States:

- generous regulations regarding the use of the student support systems in the home Member State for the purpose of a limited period of study in another Member State which is relevant to the student's course as a whole;
- continuation and if possible extension of the scholarship schemes specially created for study abroad;
- appropriate measures to cover the additional costs incurred in study abroad (e.g. for travel between home institution and institution abroad, and higher costs of living in the Member State abroad);

.../...

- agreements regarding the levy of tuition fees based on the principle that students from other Member States should not be treated less favourably than home students. In the case of students undertaking a period of study abroad which is relevant to a home qualification, tuition fees should either be waived completely or reduced to the greatest degree possible.
- 7. For students and teaching staff intending to study or teach (as the case may be) in another Member State, appropriate and flexible arrangements should be introduced to enable them to obtain the foreign language ability necessary in order to make optimal use of their period abroad.
- 8. Students undertaking a temporary period of study at a higher education institution in another Member State should have the possibility of being given leave of absence, thereby remaining registered and insured (where applicable) at the home institution, so that they are sure of retaining their student place there.
- 9. In particular in the case of students undertaking study abroad for a limited period which is relevant to a qualification in their home country, restrictive admissions regulations - insofar as these exist - should be waived or applied generously by the establishment abroad.
- 10. In implementing the above measures concerning study abroad for a limited period, appropriate attention should be paid to the different character of postgraduate studies and the particular needs of postgraduate students; measures in favour of complete courses of study should be taken where necessary to promote mobility in this field.

.../...

11. Comparative statistical data on the different categories of study abroad within the European Community should be improved, so as to allow developments in mobility to be followed more closely. Moreover, information about conditions of living and study of those studying abroad should be improved.
 12. These conclusions, as well as the report of the Working Party on academic recognition of diplomas and the report on joint study programmes prepared by the Commission, will be transmitted to the European Parliament and to the Economic and Social Committee.
-

INTERIM REPORT FROM THE COUNCIL
TO THE EUROPEAN COUNCIL MEETING IN JUNE 1983
ON AIR POLLUTION
(ACID RAIN)

I N T R O D U C T I O N

1. At its meeting on 21 and 22 March 1983, the European Council agreed that:

"the damage done to the forest environment by acid rain makes effective joint action urgently necessary. It therefore invites the Council to give rapid and positive attention to proposals announced by the Commission both for action in the Community and in the framework of the Economic Commission for Europe. It requests the Council make an interim report on the situation concerning this problem for its meeting in June." ⁽¹⁾

2. The aim of this report is to inform the European Council meeting in June 1983 of Community measures to combat air pollution, whether already undertaken, under consideration or to be carried out in the future;

⁽¹⁾ See the Presidency's conclusions on the proceedings of the European Council on 21 and 22 March 1983.

I. MEASURES TAKEN BY THE COMMUNITY SINCE 1973

1. Like the whole of the Community's environment policy, the policy to combat atmospheric pollution is based upon the "environmental action programmes of the European Communities". Beginning with the first action programme, adopted in 1973, the Community has attached importance to combating air pollution ⁽¹⁾. The third action programme, of which the general guidelines were approved by the Council in February 1983 set as one of the priorities for the coming years ⁽²⁾ the combating of air pollution, in particular that resulting from nitrogen oxides, heavy metals and sulphur dioxide, and, in general, the combating of transboundary pollution. This programme confirmed the need for a preventive approach to environmental protection and, for the first time, acknowledged the need to integrate the environmental dimension into other policies.

2. Pursuant to its action programmes, the Community has adopted several sets of measures to combat air pollution:

(a) regarding monitoring and surveillance, the Council established in 1975 a common procedure for the exchange of information between the Member States' surveillance and monitoring networks in respect of sulphur compounds and suspended particulates ⁽³⁾; this exchange of information ⁽⁴⁾ was renewed in 1982 and extended to cover new pollutants, including nitrogen oxides and ozone, which cause significant damage to forests;

(b) regarding the setting of air quality standards, the Council adopted:

- in 1980, a Directive on air quality limit values and guide values for sulphur dioxide and suspended particulates ⁽⁵⁾;

- in 1982, a Directive on a limit value for lead in the air ⁽⁶⁾;

⁽¹⁾ See OJ No C 112, 20.12.1973 (Title I)

⁽²⁾ See OJ No C 46, 17. 2.1983.

⁽³⁾ See OJ No L 194, 25. 7.1974.

⁽⁴⁾ See OJ No L 210, 19. 7.1982.

⁽⁵⁾ See OJ No L 229, 30. 8.1980.

⁽⁶⁾ See OJ No L 378, 31.12.1982.

- (c) as regards the regulation of products, the Council adopted in 1975 a Directive setting a maximum sulphur content for certain liquid fuels of the gas-oil and diesel type ⁽¹⁾ and in 1978 a Directive on the lead content of petrol ⁽²⁾; however, the Council was unable to adopt a proposal for a Directive on the use of heavy fuel-oils with low sulphur content with the aim of decreasing sulphurous emissions ⁽³⁾; the Commission officially withdrew the proposal in 1981;
- (d) as regards the regulation of emissions of exhaust fumes from motor vehicles, which are also a factor in atmospheric pollution, the Council has since 1970 adopted several Directives setting standards for the upper limits on the emission of carbon monoxide and unburnt hydrocarbons; these standards were successively reinforced in 1974, 1977 and 1978 and extended to cover nitrogen oxides;
- (e) as regards research, the Community has carried out many research projects since 1973, either directly or indirectly, in the area of atmospheric pollution, with the particular aim of arriving at an objective assessment of the risks to human health and the environment caused by a number of pollutants; these research projects concern, for example:
- a programme on the teledetection of atmospheric pollution;
 - the physicochemical behaviour of atmospheric pollutants, including sulphur and nitrogen oxides (COST project 61a bis);
 - a programme on environmental protection and climatology;
- (f) at the international level, the Community ratified in July 1982 the Geneva Convention on long-range transboundary air pollution, which was drawn up and signed in 1979 in the framework of the United Nations Economic Commission for Europe ⁽⁴⁾.

⁽¹⁾ See OJ No L 307, 27.12.1975.

⁽²⁾ See OJ No L 197, 22. 7.1978

⁽³⁾ See OJ No C 54, 8. 3.1976

⁽⁴⁾ See OJ No L 171, 27. 6.1981

.../...

II. WORK CURRENTLY UNDER DISCUSSION IN THE COUNCIL

The Council is currently examining a number of measures which it should be possible to finalize in the near future, both at Community level and in connection with the Geneva Convention on transboundary air pollution.

1. At Community level:

- (a) The Council (Environment) meeting on 16 June 1983 will consider the substantive problems raised by the proposal for a Directive submitted by the Commission in April 1983 concerning the combating of air pollution from industrial plants ⁽¹⁾. This is the first proposal with general scope regarding air pollution. It requires Member States to subject to prior authorization the construction of industrial plant that may cause air pollution. The granting of such authorization should be conditional on:
- the absence of any dangerous or harmful effects on the health of the population and of workers or on the environment;
 - compliance with preventive measures commensurate with the state of technology;
 - compliance with air quality and emission limit values laid down by Community or national law.
- (b) The Council (Energy) is currently examining a communication sent by the Commission in February 1983 concerning "a working programme on solid fuels" ⁽²⁾. The communication devotes a chapter to solutions which should be provided to the environmental problems connected with the production and use of solid fuels.

⁽¹⁾ See 6386/83 ENV 60.

⁽²⁾ See 4987/83 ENER 14 CHAR 15.

.../...

(c) Finally, the Council should very shortly (in May/June 1983) be adopting a Directive strengthening the permitted standards for exhaust fumes from motor vehicles ⁽¹⁾. This substantial decrease in the values for the discharge of pollutants will be implemented in two phases (1 October 1984 and 1 October 1986).

2. In connection with the Geneva Convention

Since the Convention on long-range transboundary air pollution came into force in March 1983, the first meeting of the Executive Body of the Convention will take place in Geneva in June 1983. This Body, which comprises all the contracting parties to the Convention, including the Community, is responsible for the implementation of the Convention. The Convention lays down that the Contracting parties "shall endeavour to limit and, as far as possible, gradually reduce and prevent air pollution" ⁽²⁾; for this purpose they shall develop "policies and strategies... combating the discharge of air pollutants". In order to prepare the Community's position for the forthcoming meeting of the Executive Body of the Convention, bodies within the Council are examining certain proposals intended to stabilize and, if possible, reduce discharges of pollutants by making use of the best technology available and economically applicable.

⁽¹⁾ The Directive could be adopted once the European Parliament has delivered its Opinion, which is expected by the end of May 1983.

⁽²⁾ See Article 2 of the Convention (OJ No L 171, 27.6.1981, p.14).

III. FUTURE MEASURES

1. As the Commission representative pointed out at the Council meeting (Environment) on 28 February 1983, the Commission departments are at the moment drawing up a number of proposals designed to intensify the combat against air pollution; these measures are prompted by the need to attack the sources of pollutant discharges in order to stabilize them and then to reduce them while taking account of all the technical and economic factors. With this in mind the Commission departments are at present drawing up a proposal for a directive limiting discharges from large fuel-burning installations. As regards air quality standards the Commission expects to submit to the Council within the next few months a proposal for a Directive fixing limit values for air quality for nitrogen dioxide.
2. As regards motor vehicles, the ad hoc Working Party ⁽¹⁾ responsible for the technical and economic study of all pollution problems caused by motor vehicles is due to submit its report to the Commission during July 1983. On the basis of this report the Commission will submit to the Council suitable proposals to strengthen Community legislation on air pollution caused by exhaust fumes from motor vehicles.

⁽¹⁾ Working Party on Motor Vehicles - ERGA subgroup on air pollution.

3. As regards research, the Commission intends to strengthen its research measures in order to obtain greater understanding of the development and behaviour of atmospheric pollutants. Among other things it is contemplating extending COST Project 61a bis to include acid deposits.

In addition, the Commission intends to organize an international scientific symposium in Karlsruhe in September 1983 designed to take stock of the present state of knowledge of the causes and effects of acid deposits.

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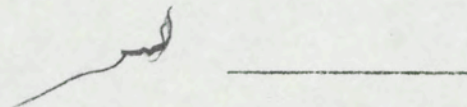
Finally, note should be taken of the extent and diversity of the measures which the Community has undertaken over several years in the field of combating air pollution. Their extent becomes clear when compared with the measures taken in the rest of the world. The diversity of these measures should also be emphasized: exchange of information - research programmes - legislative measures through the fixing of quality objectives, quality standards or product standards - active participation in the proceedings of other international organizations.

However, further measures to combat air pollution are at present being studied within the Council and the Commission.

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- 8 -

Finally, attention should be drawn to the interest shown by the European Parliament in the fight against air pollution and in environmental protection in general. This interest has been demonstrated by the consistent support given by the Parliament to proposals submitted by the Commission and by the passing of several resolutions asking the Council and the Commission to take effective measures against air pollution to improve the protection of mankind's health and environment.



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16 JUNE 1983

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EUROPEAN COUNCIL, STUTTGART

17/19 June 1983

GENERAL BRIEF: PRESIDENCY REPORT

Brief by the Foreign and Commonwealth Office

Introduction

1. The Presidency have circulated a report on the outcome of the 13 June Foreign Affairs Council (see Addendum 2) and it seems likely that Chancellor Kohl will take this as the agenda for the discussion on future financing and the interim solution. This brief gives points to make, drawn from other briefs on the substantive sections of the report.

Points to Make

Future Financing (Section II)

2. My position is quite clear. I cannot agree to a report which prejudices at the outset of negotiations the question whether or not own resources should be increased. I am not convinced such an increase is necessary. If we can make real savings in CAP expenditure there will be room in the budget for the development of new policies. It is for those who seek to increase own resources to make the case for a change in the present arrangements. Our first objective must be to look very carefully at the possibilities for making economies.

3. As regards the text of the report (Annex I paras ii.1.5 (page 3) and ii.2.5 (page 7)) I note that some change has been introduced into the second reference by introducing the words "possible decision" but that no corresponding change is made in the earlier reference (ii.1.5). Frankly this is not

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sufficient since it still prejudices the question whether or not own resources should be increased. I cannot agree to that.

4. As regards the question of budgetary imbalances it is of course essential that this should be on the agenda for the major negotiation. While the Commission's proposal for adjustments on the revenue side to modulate VAT would go some way to reducing the present problem it would only reduce it by about a quarter and that is simply inadequate. This is why we and some other delegations regard some "safety net" system as an essential part of a solution. Para ii.1.4 (page 3 of Annex I) is therefore satisfactory in referring to consideration of a limitation on balances.

Common Agricultural Policy (Section III of report - see also pages 4-5 of Annex I and Annex II)

5. This is another essential element for the negotiation. In my view we should aim to agree on a binding financial guideline of the kind we nearly endorsed at the London European Council in 1981. We were surprised to find this point omitted from the neutral list of points for consideration which we tabled, and which we understood had been accepted by the Presidency at the Foreign Affairs Council. The guideline is an essential complement to the specific measures needed to ensure that expenditure stays within the limit - prudent price policy, guarantee thresholds, more flexible intervention and export restitution arrangements etc. But I am not today asking others to prejudice the outcome of the negotiation on this front. We cannot hope to do more today than agree an agenda. The French version (Annex II) is highly prejudicial and I cannot agree to it. I very much support the call on the Commission in para 2.1.4 of Annex I (page 5) to produce specific proposals by mid September. The negotiation must be completed with utmost urgency. [See further Brief 3A.]

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Other Policies (Section IV)

5. We agree that the Community should develop sensible cost effective policies but we also agree that the principles of budgetary discipline must apply.

6. As regards the Regional Fund we could accept the text in the paper (para 2.2.2, page 6 of Annex I) but I would suggest that we revert to the text which we agreed at Lancaster House in 1981. This is as follows: "the financial resources of the Fund should continue to grow in real terms within the financial resources available and the quota section of the Fund should concentrate its activities more than in the past, but not exclusively, on the areas of greatest need in the less prosperous member states". [See further brief no 19.]

7. On the French ideas on new forms of Community action (Annex III), we are very willing to examine the ideas which the French delegation has put forward and look forward to hearing more about them. [See brief no 8.]

8. On steel we see no link with future financing. We agree that an Article 58 regime of production quotas should be continued and we hope that the forthcoming Steel Council will be able to agree on the terms for doing so. We shall have to seek some adjustments in the present arrangements in favour of UK firms who have borne the brunt of capacity cuts. [See brief no 18.]

Procedural Questions (Section V)

9. We think it is very important that this negotiation should proceed with all possible urgency and I am happy to agree to any special procedures which will help to further this end. It is certainly essential that the work would be concluded by the time of the Athens European Council. At the same time it is obviously important that the various

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Community Institutions should be given their proper roles in the discussion.

10. I am however somewhat concerned about the French proposal that ratification of decisions on future financing should be carried out at the same time as that of the Treaties on the accession of Spain and Portugal. Our aim would be that the financing negotiation should be completed this year and ratification carried through in time for the new arrangement to be in position in 1985 and thus to operate in respect of the 1984 budget. This means that ratification of a decision on financing, if this were required eg to introduce a modulated VAT, would have to take place in advance of ratification of Spanish and Portuguese accession.

Compensation for Great Britain (Section VI)

11. Very disappointed that so little progress has been made. Foreign Ministers' text does almost nothing but repeat past assurances. We were promised a decision on the subsequent solution by the end of November 1982. That deadline was missed. In March the European Council agreed that the Foreign Ministers should report conclusions to this meeting and that the consequential figures would be incorporated in the draft 1984 budget. But we have neither conclusions nor figures. The UK cannot be strung along from one broken promise to another. We must today have a serious discussion of the interim solution, including the figures, and settle the question in accordance with our March conclusions. The Presidency report does at least have annexed the paper (Annex V) which we tabled at the informal meeting of Foreign Ministers over a month ago. That provides the basis for us to deal with this - the only basis on which we are likely to reach agreement, because it is so closely based on past settlements (see brief no 3).

12. [If there is nevertheless discussion of the Presidency

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draft (page 7 of Annex 1)] The text says that the 1983 arrangement will be structurally oriented to the settlement achieved in 1982. Why only 1982? That was just the third year provided for in the 30 May 1980 agreement, when it said that if a structural solution was not agreed in time the UK would receive refunds for 1982 on the lines of the 1980/81 solution. The real model is the arrangements for the three years 1980-82. [NB: This is an attempt to use the 1982 precedent when we accepted a lower refund than the 66% we received for 1980 and 1981.]

13. I am also unhappy with the reference to "excess payments" to the UK. What Foreign Ministers agreed last year was that "corrections to be made for 1980 and 1981 in the light of the actual figures will be taken into account when negotiating the subsequent solution". "Excess payments" implies that the payments were illegal, and that is untrue. But we are willing to negotiate an amount to be deducted from our refunds, if all other elements of the interim solution are satisfactorily resolved.

14. [French idea of applying long term solution to 1983] I note that French text (Annex VI) says that the 1983 figures will be included in the 1984 budget - not the draft budget. If we could agree the lasting solution today, I should be overjoyed. But that is not very likely, and we must have a solution as promised which enables the figures for 1983 to be entered in the draft budget next month.

15. [If discussions make no progress] If the figures for 1983 are not entered in the draft 1984 budget it will be because other member states have failed to meet a commitment which they have repeatedly reaffirmed - without linkages or conditions - and most plainly at the March European Council. In such a situation, we would have no alternative to taking - and we would take - the measures necessary to remedy that situation.

Foreign and Commonwealth Office
16 June 1983

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EHG(S)(83)2 Addendum 2

16 June 1983

COPY NO

1

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

GENERAL BRIEF

Note by Foreign and Commonwealth Office

1. Circulated herewith is the report on the discussion in Foreign Affairs Council on 13 June of the draft Report of the Council to the European Council concerning "the Community's financial resources and related problems" prepared by the Presidency.
2. A commentary on the paper with points to make will be circulated later as a further addendum to the General Brief.

Foreign and Commonwealth Office

16 June 1983

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Report on the discussion in the Council
(General Affairs) on 13 June 1983 of the draft Report
of the Council to the European Council concerning
"the Community's financial resources and related problems"
prepared by the Presidency

.. I. GENERAL

The Ministers of Foreign Affairs discussed the draft report prepared by the Presidency as a preparation to the deliberations at the meeting of the European Council in Stuttgart. The nature of the discussion was purely preparatory and it was agreed that the definitive conclusions must be drawn by the European Council itself.

The draft report was amended following the discussion in the Council. The revised report is attached as annex I.

The following report sets out the main points raised in the debate.

II. FUTURE FINANCING

The debate on the Presidency text centered on two main issues :

a) The principle of raising the present ceiling on own resources

A number of delegations disagreed with an approach which made the increase in own resources dependant on a number of conditions being fulfilled such as savings in existing policies (especially in the agricultural sector) and commitments regarding the negotiations on enlargement of the Community although they agreed with the need for general budgetary discipline. Progress in

the development of the Community was an overriding priority over strictly budgetary considerations. Furthermore an increase in resources was necessary even to preserve the present Community policies.

One delegation insisted that the question whether or not to increase own resources should remain entirely open until agreement was reached on all items in the negotiations and a case was made for increasing the ceiling. It specifically contested that enlargement in itself implied costs necessitating an increase in own resources. It could therefore not accept the present formulation of points II.1.5. and II.2.5.

b) Budgetary imbalances

Some delegations referred to the reservation they had entered at the European Council in March 1983 on the notion "budgetary imbalances" and objected to a generalized use of this concept. These and other delegations thought it wrong to assess the respective advantages and disadvantages of the Community mainly on the basis of the budgetary situation of Member States.

No delegation refused however to participate in efforts to find a solution to particular problems for one or other of the Member States in the budget field.

With regard to the method of correction of any imbalances three main positions were taken by delegations :

- Some delegations could only accept corrections through the expenditure side of the budget.
- A majority of delegations could accept or preferred the principle of modulation on the revenue side of the budget as envisaged by the Commission.

- Some delegations asked that other corrective mechanisms should also be examined including the idea of a safety net (limiting the size of a negative budget imbalance taking into account GNP per capital) or a general limitation of budgetary balances (positive and negative).

III. COMMON AGRICULTURAL POLICY

All delegations accepted the idea of a critical review of the functioning of the CAP. Some delegations however objected to formulations which in their view implied a limitation of the purpose of this exercise to budget savings or to formulations which prejudged the result of the review on certain issues.

One delegation specifically insisted that the European Council should agree on precise guidelines for such a review. It submitted the text contained in Annex II.

Another delegation insisted that binding financial guidelines should be included in the examination.

IV. OTHER POLICIES

The introduction

A number of delegations objected to the presentation in the introductory paragraph : they considered it to be unbalanced since it accentuated the budgetary considerations. These delegations wanted to put the emphasis on the need to develop community policies although they agreed that the general principle of budgetary discipline should apply to all policies.

Regional Fund

The French delegation wants the reference concerning the Regional Fund formulated in a way that does not exclude regions of countries other than the least prosperous.

New forms of Community action

The French delegation has proposed that the negotiations should also examine the possibility of setting up new forms of Community action to improve the international competitiveness of Community firms (cf. text in Annex III). Implementation of the action would be open to interested Member States.

Steel market

*Quotes extracted in
print form.*

The German delegation pointed out that the consequences of the future financing of the Community cannot be seen independently from the financial consequences which (may) result from an excess of aids in the steel sector. Therefore, the continuation of the existing steel policy is of greatest importance in this context too.

V. PROCEDURAL QUESTIONS

The French delegation has tabled a proposal for discussion at the European Council; the text is reproduced in Annex IV.

The French delegation has also proposed that a specific timetable be established involving making the European Council in December the deadline for decisions and has asked that the text should be adapted accordingly wherever a reference to timing occurs.

The Commission and several delegations, while recognizing that special procedures are called for to facilitate and expedite the negotiations, have stressed the importance of choosing a formulation of the procedural decision which respects the Treaty provisions on the competence of the various institutions.

The French delegation also proposed that it should be specified that those decisions of the European Council which must be ratified should be submitted to national parliaments at the same time as the Treaties on the accession of Spain and Portugal. Several delegations expressed scepticism about the practicality of this suggestion.

Shorter

Germany

Last year 50% of normal contribution to refunds

This year 25%

Others want Germany to contribute 100% normal contribution to refunds.

Germans will not pay, last year 50%
Denmark, France, Gr.

VI. COMPENSATION FOR THE U.K. FOR 1983

The United Kingdom delegation cannot accept the formulation in the Presidency text ; it asks that the text tabled by the British Foreign Secretary at Gymnich should be used as the basic for discussing this question (the text is reproduced in Annex V). The British delegation is of the opinion that the decision taken by the European Council in March must lead to a definitive decision on financial compensation for 1983 at Stuttgart.

The views of other delegations on the Presidency proposal vary : some delegations could accept it, although in certain cases on the understanding that there would be no special provision for Germany. Others reserved their position entirely.

The French delegation would be prepared to agree to anticipation, for 1983, of the long-term outcome of negotiations on future financing, in accordance with the text in Annex VI.

Print for shape

① *Compendium*

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ANNEX I

MARCH Communiqué

Report of the Council to the European Council concerning "the Community's financial resources and related problems" pursuant to the mandate by the European Council on 21/22 March 1983 in Brussels

Date:

Mandate by the European Council and its implementation

On 21/22 March 1983 in Brussels, the European Council stated the following:

"The Community's financial resources and related problems

Dutkane

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 regarding compensation to the United Kingdom. Consequential figures for 1983 will be incorporated in the draft Community budget for 1984.

11.11

*Ann - Int. press 1983
response in 1984 budget.
Some want to have etc on 3 years for credit
Others - in a better system of financing.
Subsequent etc*

The Council thoroughly considered these problems in their overall context, after the Commission had submitted proposals on the future financing of the Community (communication of 6 May 1983);

- a first round of talks was held at the informal meeting of the Foreign Ministers on 14/15 May 1983 in Gymnich.
- details brought up during this discussion were settled in the course of a visit to the Community capitals made jointly by the Presidency and the Commission (16-21 May).
- the results were discussed by the Council on 24 May 1983.
- on 13 June at a special Council meeting the following conclusions were reached:

A. THE COMMUNITY'S FINANCES

I. General concept

The question of the future financing of the Community is so closely linked with a number of other questions that a solution can only be sought within the overall context.

1. Accordingly, negotiations will be taken up concerning

- the future financing of the Community,
- the development of Community policies, also with the aim of improving the structure of expenditure,
- the limitation of budgetary imbalances between the Member States,
- the limitation of the dynamic increases in expenditure in the Common Agricultural Policy,
- the limitation of the dynamic increases in expenditure outside the agricultural sphere.

*Mitterand
- when
refused*

2. The negotiations with Spain and Portugal on the still-unsettled questions of their accession will be continued simultaneously.

II. Guidelines

1. Future financing

- 1.1. Implementing the European Council's conclusions of 21/22 March 1983, the Commission presented in its communication of 6 May 1983 a proposal concerning future financing. This proposal and later proposals of the Commission and Member States will be the subject of negotiations that are to be taken up immediately concerning all of the items contained 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, budgetary imbalances and the need for greater budgetary discipline. The results are to be submitted to the European Council as soon as possible.
- 1.2. The objective of the negotiations is to secure the financing of the Community and of its further development over a longer period of time, also taking into account the additional financial requirements resulting from the accession of Spain and Portugal.
- 1.3. For the foreseeable future, value-added tax remains the main source of revenue for the Community (in addition to customs duties and levies).
- 1.4. In the interest of greater budgetary balance, a portion of the value-added tax assigned to the Community will be subjected to correctives, e.g. in the form of a "modulation". Details are to be settled by further negotiations which will also consider a limitation on balances. *e.g. a safety net - y*
- 1.5. In the light of the results of the negotiations on economizing and restructuring the budget, a final overall decision will be made on ^{*whether and if so*} the extent to which the Community's own resources should be increased, and the proper time for such an increase. *whether*
- 1.6. The results of the negotiations will in any case be subject to ratification by the Parliaments of the Member States (Article 201 of the Treaty establishing the European Economic Community).

2. Conditions

A sound financial basis must be provided for the further development of the European Community and for the approaching enlargement. Thus it is necessary to make efforts to achieve substantial savings and to limit the dynamic increases in expenditure in all spheres of Community policies, as well as to improve the structure of such expenditure.

To achieve agreement on the future financing of the Community, the following conditions should be fulfilled:

2.1. Common agricultural policy

The basic principles of the common agricultural policy and the objectives set forth in Article 39 of the Treaty establishing the European Economic Community will be observed. The dynamic increase in agricultural expenditure must be curbed. The following guidelines should be kept in mind:

2.1.1. Concrete steps will be taken to economize and check increases in agricultural expenditure, making full use of all appropriate methods. Consideration should be given, for example, to the following:

- price policy,
- thresholds for guarantees
- Co-responsibility of producers
- Intervention rules
- Arrangements on export rebates
- Substitutes,
- Compensatory amounts,
- Aids and premium arrangements
- Size of enterprises

- binding guidelines on agricultural expenditure

Community reference

- 2.2 Every Member State must contribute to achieving the necessary savings. In this context it is necessary to take into consideration specific problems of less favoured regions, such as the Mediterranean regions, mountain areas or other regions at a disadvantage because of basic natural or economic features.
- 2.1.3 The administration of the Common Agricultural Policy must be carried out efficiently and economically. This is to be checked.
- 2.1.4 Misuses are to be prevented.

By mid-September 1983 at the latest, the Commission will, in the framework of a balanced overall concept, make concrete proposals concerning which negotiations are to be held without delay, in accordance with the urgent nature of these problems, so that final results can be submitted to the European Council as soon as possible.

6 Dec 1983.

2.2. Other policies

These policies are to be developed further, as financially feasible and in line with the savings that have been achieved, as well as expanded through new actions. These must be incorporated in an economically suitable way into the Community policies, and contribute to greater budgetary balance. Their dynamic increase in expenditure must be curbed.

The following specific measures are planned:

- 2.2.1. By autumn of 1983 the Commission will present a report including appropriate proposals on increasing the effectiveness of the use of funds. It will comment particularly on how the policies can be consistently co-ordinated with one another to avoid duplication of effort and expenditure, and how greater budgetary discipline can be achieved.

- 2.2.2. On the basis of this report, the Council will thoroughly review the policies of the Community, also with a view to limiting increases in expenditure. In this connection priorities should be determined, taking into account the most urgent Community tasks.

✓ The Council will conclude the negotiations on reforming the European Regional Fund, aimed at concentrating resources on promoting disadvantaged regions of the less prosperous Member States, and will take a decision at its next meeting, or at the latest this July.

- 2.2.3. On the basis of corresponding proposals by the Commission, the Council will set about developing new Community actions to make use of the Community dimension to improve the international competitiveness of its firms.

The negotiations concerning some model projects, such as the esprit programme, are to be concluded as soon as possible.

2.3. Sound financial management

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

2.4. Enlargement to the south

The negotiations with Spain and Portugal concerning their accession will be continued with a view to concluding them by mid-1984. In this connection it is vital to bring the ongoing negotiations on an adjustment of Community arrangements for Mediterranean products to a close rapidly.

The Community must be in a position to assume the financial burden resulting from those countries' accession.

2.5. Decision

any
The possible decision as to the extent and time of an increase in the Community's own resources depends on a satisfactory limitation of increases in expenditure and the necessary savings to achieve that end, as well as on the attainment of the other aims of this report.

3. Procedural questions

It was agreed that the European Council must take the necessary procedural decisions, in accordance with the urgent nature of these problems. Such decisions should be suitable for ensuring the consistency of the negotiations on the future financing of the Community and related issues, as well as for rendering possible quick and substantial progress.

B. Compensation for Great Britain for 1983 (so-called subsequent solution)

As regards compensation for Great Britain, reference is made to the pledge contained in the Council decisions of 25 May and 26 October 1982, and to the arrangement reached at the European Council meeting of 21/22 March 1983 by the Heads of State and Government. According to this arrangement, the report on the financial resources of the Community and related problems is also to contain conclusions about the so-called subsequent solution, and the corresponding figures for 1983 are to be included in the 1984 draft budget of the Community.

The settlement achieved in 1980-82
An arrangement for 1983, which includes compensation for the German partner, will be structurally oriented to the settlement achieved in 1982, including the risk formula, and will take into consideration excess payments to Great Britain. It is to be undertaken, in accordance with the Resolution adopted on 18 May 1983 by the European Parliament, within the scope of Community policies.

The Council (General Affairs) will pursue the negotiations without delay, in accordance with these guidelines, and take the necessary decisions in due time. *on 18-19 July*

2.1.1.
French

→ Avoid weakening
fundamental principles

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

The examination will centre on:

- a price policy geared to internal and external outlets
- adjustment of support guarantees in the light of the production threshold
- responsibility of producers, different forms being envisaged depending on the product concerned, in keeping with market conditions, the size of holdings and the situations created by non-compliance with Community preference *New Zealand producers.*
- re-establishing market unity by abolishing MCAs
- aids and premium arrangements.

Means should also be defined for implementing a rational and active external agricultural policy, particularly as regards export.

French proposal

"The negotiations will examine the possibility of developing new forms of Community action to improve the international competitiveness of Community undertakings. Such action, the aim of which will be to define ways of encouraging undertakings to work together, can be undertaken by Member States that so wish, if need be with Community assistance."

SN 1882/83

French proposal*Must have Swedish
co-ord.**No.*

1. The work to be undertaken on the basis of the above guidelines will be entrusted to a standing meeting of Ministers for Foreign Affairs and Financial Affairs, which will submit its conclusions to the European Council in Athens on 6 December 1983 for a decision.

Preparations for the work of this "meeting", which will be convoked as soon as possible and meet as often as necessary, will be made by delegates of the Governments assisted by the necessary experts.

The Commission will take part in all this work and will have all the prerogatives the Treaty bestows on it.

2. Those final decisions of the European Council which require parliamentary ratification will be put before the national Parliaments at the same time as the Treaties on the accession of Spain and Portugal.

*Can't have enlargement.**Further enlargement. No.**Can't divide to Parliament
when ready.*

SN 1882/83

ELEMENTS FOR THE INTERIM SOLUTION

1. Reference figure:

2000 MECU (as mentioned by M. Noel
at COREPER)

*(1750 - 2050)
1900*

2. Basic refund:

1320 MECU (net)

1252

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.

*Harvey between
50 and 60
Comm. proposes
1982*

4. 'Overpayment':

As final settlement of this issue,
amount to be agreed and deducted
from basic refund over agreed
period.

*Top pay! ...
460 - 2000
5.13 per cent
Some concession:
250 million
Have already contributed
about 215*

5. Later years:

Firm intention to apply long term
solution in respect of 1984. If
not possible, similar arrangement
to 1983.

6. Method of payment:

Gross sums equivalent to figure 1
2 above to be entered in 1984
budget either under supplementary
measures or under special pro-
grammes of Community interest in
the UK for eg energy, transport.
Flexibility within categories
during budgetary procedure, subj
to maintaining the total decided
Sums due under 3 above to be
treated in an analogous fashion.

SUBSEQUENT SOLUTION

The solution the Council reaches in accordance with the guidelines set out above with respect to financing will apply retroactively to 1983, account being taken of the over-payments made to the United Kingdom. The corresponding appropriations will be included in the EEC budget for 1984.

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EHG(S)(83)3

14 JUNE 83

COPY NO

1

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

FUTURE FINANCING OF THE COMMUNITY AND INTERIM SOLUTION
Brief by Foreign and Commonwealth Office

OBJECTIVES

1. To secure an interim solution to cover the period until a lasting solution is in place, with an acceptable figure for our 1983 refunds, and without accepting any commitment to increase own resources; on the longer term to get agreement on a timetable and agenda for future work, which must cover control of CAP expenditure and the problem of budget imbalances.

POINTS TO MAKE [Further briefing is likely to be needed when the revised Presidency report is available]

2. We asked our Foreign Ministers in March to report to this Council agreed conclusions on the future financing of the Community and on the "subsequent" solution. They have not done that. We must now take the decisions ourselves.

3. On the future financing, we must make every effort to get agreement this year and I hope we can agree to lay down a firm timetable to achieve this. We must today agree on a framework for that negotiation. The key issues in my view are: a) to bring Community expenditure particularly on the CAP, under proper control and b) to find a lasting solution to the problem of the budgetary imbalances between Member States. Both of these are essential for the future health of the Community and the development of sound, broadly-based policies.

4. Some Member States want the question of more own resources to be on the agenda of the negotiation too. The British Government do not think that the need for more money has been

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demonstrated. The real task is to make more effective use of the resources we have, as we are all trying to do at home. The Commission have made proposals on the structure of own resources. I am ready to include these in our discussion of the question of whether own resources should be increased or not, but only if the answer to that question is not prejudged.

5. I very much regret that Foreign Ministers have not reached agreement on the subsequent solution. That means that we must do so here at Stuttgart. The figures for 1983 must be agreed so that they can be included in the draft 1984 budget as we agreed in March.

6. Mr Pym put forward at Gymnich the elements which we see as the only basis on which a solution can be reached. These closely follow the pattern of the earlier agreements. We are not asking more than the Community has agreed in the past. We cannot be expected to accept less.

7. We were promised a decision on the subsequent solution by the end of November last year. We were promised in May 1980 a structural solution for 1982. Time and again such promises to prevent unacceptable situation have been given but not kept. There can be no excuse for further delay. We must take decisions at this European Council.

Interim Solution

8. Reference figure M Thorn must now give us the Commission estimate. 2000m ecu is the figure earlier mentioned by M Noel and appears to us realistic.

9. Basic Refund The figure in our paper (1320m ecu) is 66% of the reference figure. That was the basis of earlier agreements. Unreasonable to ask me to accept less than Community has agreed in the past.

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10. In 1980 the Community agreed a refund of 1175 m ecu in relation to a reference figure of 1784 m ecu. Paragraph 2 of the 30 May 1980 agreement set out how to calculate the agreed refund for 1981 of 1410 m ecu in relation to a reference figure of 2140m ecu. In 1982 the basic refund should have been 1008 m ecu in relation to the reference figure of 1530 m ecu, but Mr Pym made clear at the time we were accepting a less favourable basic refund and a less favourable risk sharing arrangement in order to take account of the 1980/81 outturn.

11. A basic refund of 1320 m ecu in 1983, abated somewhat for the "overpayment", would still leave Britain as the second largest net contributor to the Community budget. We have accepted that we should continue to be a net contributor, but it must be on a modest scale. The British people know and have accepted the 66% ratio; the British Government could not defend now accepting something less favourable as the basis for the settlement for 1983 and later.

12. Risk-sharing. Figures proposed in our Gymnich paper were mid-way between the 1980 and 1981 formulae. Fairest to apply them symmetrically upwards and downwards, so that both sides are protected in parallel way against risk of error in the Commission estimate. Here again not asking you to accept anything more favourable to us than Community has agreed before.

13. [Fall-back] Could accept asymmetrical 1982 formula in the context of an otherwise satisfactory solution.

14. Duration. We must make every effort to ensure that the lasting solution is in place in respect of 1984. That should be possible if agreement can be reached by the end of this year. But we are all aware that it could take longer than that to implement. If it does take longer, it is inconceivable that the UK's problem should go uncorrected during the interim. The Community has repeatedly promised to solve "unacceptable

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situations". Last May we were specifically promised a solution for 1983 and later. That solution should apply to the whole of any interim period until the lasting solution - which is what we really want - takes effect.

15. "Overpayment". I am willing to negotiate a sum to be deducted in final settlement of the "overpayment" issue, subject to your accepting the other elements of the solution. This is essentially a political matter; Britain is under no legal obligation to make any such restitution, but we agreed in May last year to take the "overpayment" into account when negotiating the "subsequent solution", and we stand by that. We have already taken it into account in accepting the arrangement for 1982. My attitude to any further restitution will depend on your attitude to the arrangements for 1983 and later.

16. [If others ask how much we are willing to deduct] For the reasons I have explained, we have already paid back over 200m ecu in the 1982 settlement. If others accept the other elements of the solution, we could agree to perhaps another couple of hundred million [Ministers have agreed up to 250m ecu]

17. [If others seek to link an interim solution to a decision to increase own resources]. Some Member States have been saying that a decision to increase own resources is a precondition of any "subsequent" solution. I want to make it clear that I could never accept such a link. We were promised a subsequent solution in May and October last year. No conditions about own resources were attached then or in the European Council's March conclusions. It is totally unreasonable to tell me now that the Community will only fulfil its promise of a temporary solution, if I agree to more 'own resources - a new condition and one involving a permanent and fundamental change.

[For other defensive points - See Annex A]

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Long-Term Solution

18. Extremely important to make rapid progress. Two key issues:- control of CAP expenditure and a lasting solution to budget imbalances. They must figure on the agenda of future work. I agree that we will also want to include the development of new policies. As I have said, if others insist I am ready to see the question of own resources included in the agenda, though without prejudging in any way whether more money is needed or not.

19. Idle to pretend that we can resolve all these issues at this European Council. But we should take decisions before the end of the year. And we should set up a special procedure to take the negotiation forward in special meetings of Minister. Essential that we ourselves keep an eye on progress and give realistic instructions to our delegates at all stages.

20. On the substance:- Agricultural expenditure has been running at a rate 35% above last year. The Commission is about to propose a 1983 supplementary budget with greatly increased provision for the CAP, and their 1984 budget proposals have CAP provision of 16.5 billion ecu. Believe that there is much greater willingness now to take action to curb surpluses and limit the rate of growth of CAP expenditure. What we need is a binding guideline that CAP expenditure will grow at a rate markedly lower than the own resources base. Then we need to take the decisions on individual regimes to make that stick - bringing Community and world prices more into line, limiting the guarantee for products in structural surpluses through tighter guarantee thresholds and applying sensible measures to Mediterranean products which do not repeat the mistakes made with Northern ones. Such measures were proposed by the Commission in 1981. If only they had been adopted then!

21. On budgetary imbalances, control of CAP costs and development of new policies should make some contribution, but

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it is bound to be small and slow to take effect. The Commission has proposed a new form of VAT to finance part of the CAP expenditure. That is of interest and deserves further examination, but it could only solve about one-quarter of Britain's problem. I believe that such measures will need to be supplemented with a safety net arrangement, which would ensure that no member state's burden exceeded an amount which would be fair in relation to its relative prosperity and total GDP. The safety net could be implemented by abating the VAT contributions of member states whose position required correction. This is rather similar in approach, though not in detail, to French "écrêtement" ideas. Both must form part of the coming debate.

22. On own resources, we do not believe that the need for more money has been demonstrated. In all our countries we are subjecting our public expenditure to rigorous control. We must do the same in the Community. The first priority is to review existing spending. Let us take firm action to get CAP surpluses and their costs under control. That will release resources for developing other policies and for enlargement, whose costs will, at least initially, be small.

23. [Other policies:- if others insist on specific references in the agenda of future work to Mediterranean programmes]
Different Member States have different interests and priorities. If you insist on reference to Mediterranean programmes, I must ask for references to our priorities too - solid fuels, internal market, insurance, ESPRIT, Regional and Social Funds, air-fares. The negotiation on future financing will never get off the ground if everyone's favourite subject is added to the agenda. Better to deal with Mediterranean programmes in the normal course of Community business.

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BACKGROUND

Annexes :

- A: Report from Presidency revised after 13 June Foreign Affairs Council (not yet available) *See Brief 2 Addendum 2*
- B: Defensive points on interim solution
- C: Paper on interim solution tabled by Mr Pym at Gymnich on 14/15 May 1983
- D: 30 May 1980 Agreement
- E: 26 October 1982 Agreement
- F: Extract from conclusions of 21/22 March European Council
- G: Net balances of Member States for 1980 - 1982.

Foreign and Commonwealth Office
14 June 1983

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Defensive points on interim solution

1. [If it is suggested that the refund ratio in 1982 was 56%, not 66%]

The 30 May 1980 agreement stated that the 1982 solution should be "along the lines of the 1980-1981 solution". Paragraph 2 of the agreement specified how the 1981 basic refund figure was to be calculated as the same percentage of the reference figure as that applying in 1980. The same method was clearly to be applied to derive the 1982 basic refund and would have given the figure of 1008 m ecu. Mr Pym made it absolutely clear at the time that in accepting a basic refund of only 850 m ecu (and a less favourable risk-sharing formula) we were taking account of the unexpectedly favourable outturn in 1980 and 1981.

2. [If others say we should pay 1000 m ecu for the "overpayment"]

That is the size of the error in the Commission's estimates over the 2 years 1980 and 1981. But it is totally unreasonable to expect us to pay back such a sum. In 1980, we argued for an upper limit on our net contribution. Your representatives insisted on a lump sum refund. The final compromise was a lump sum refund with upwards risk-sharing. There was no provision for reducing the refund if the Commission's estimate of our unadjusted net contribution was too high - still less for the UK to pay a minimum net contribution. If you insist that we have a legal obligation to pay back 1000 m ecu, let us go to the European Court and settle the matter. [With French] France too did much better than expected in 1980 and 1981 - to the tune of 900 m ecu. Do you intend to pay that back?

3. [If others suggest we pay back 66% for "overpayment" or apply 1980/81 risk-sharing downwards]

That is not what the 30 May agreement says. We could all think of formulae which the agreement might have included, but none has any validity. The only way to deal with this, as the Commission said in November, is through a political negotiation

about a figure.

4. [If argued that UK GDP per head is now 97% of Community average instead of 80% in 1980]

This is not correct. The figure for 1980 was about 90% and it is not very different now - somewhere in the lower 90s. The higher figures in 1981 and 1982 were purely the result of exchange rate movements; the UK's GDP over the last three years has in fact contracted more than that of any other Community country.

5. [If argued that European Parliament will object to idea of further interim arrangements].

The Parliament is not saying that the British problem should not be corrected or that there should not be an interim solution. It is a matter of the context. The Arndt resolution says for example that "The Parliament will not accept any further transitional solution with regard to European Community expenditure and revenue in a Member State or a solution based in any way on the idea of 'fair returns'; unless there is a clear conception of how the Community is to be financed in the future". The Parliament wants what we want - a long-term solution. Our aim is to achieve that by the end of the year, which is when the Parliament will have to adopt the budget. Dankert said recently that "interim solutions such as a financial mechanism to increase benefits and compensate disadvantages seemed virtually inevitable".

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': As final settlement of this issue, amount 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 payment: Gross sums equivalent to figure 1 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.

SUBSEQUENT SOLUTION

The solution the Council reaches in accordance with the guidelines set out above with respect to financing will apply retroactively to 1983, account being taken of the over-payments made to the United Kingdom. The corresponding appropriations will be included in the EEC budget for 1984.

SN 1882/83

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15 JUNE 1983

COPY NO

1

EUROPEAN COUNCIL, STUTTGART

17-19 JUNE 1983

CAP

Brief by Foreign and Commonwealth Office

OBJECTIVE

1. To achieve a mandate for reform of the operation of the CAP which:
 - sets deadlines for the tabling of Commission proposals and for Council decision-making;
 - contains a commitment to an effective and binding limitation of the growth of agricultural expenditure and to taking practical measures to achieve this.

POINTS TO MAKE

2. Grateful to the Presidency and the Commission for tabling ideas. Effective control of agricultural expenditure is crucial if we are to achieve balanced arrangements for future financing and if the Community is to secure the achievements of the CAP. Britain has long supported the Commission's guidelines in this field.

3. We welcome the suggestion in the Presidency paper that the Commission should be asked to make concrete proposals by September. We agree with Commission that Council decisions are needed on time to be incorporated in 1984 budget decisions and in Commission proposals for next year's price fixing. We shall look to the Commission to tell the July Budget Council what savings can be achieved in the 1984 Budget.

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4. Not surprisingly there are parts of each paper which we like more than others. No doubt others feel the same. Doubt whether this is the right forum at which to negotiate on the specific instruments which could be used to contain the CAP.

5. But we do need to agree on a binding limit on the growth of agricultural expenditure such as we considered in November 1981, ie that "the rate of growth of agricultural spending must be markedly lower than that of the own resources base". This would emphasise the urgency and gravity of the problem, and prove our determination to tackle it seriously. If we can agree such a limit, it will then be for the Commission to propose changes in the agricultural regimes to ensure that it is respected. Nor must we exclude the possibility of changes in the Community's budgetary procedures to reflect these decisions.

BACKGROUND

- A: Presidency Paper as amended at the Foreign Affairs Council on 13 June.
- B: French commentary on the Presidency Paper (to be tabled as an annex)
- C: Commission paper on control of agricultural expenditure.

6. Annotated copies of these papers are attached. It would seem from discussion at the Foreign Affairs Council on 13 June that attention is likely to focus on the Presidency Paper rather than the Commission one.

Foreign and Commonwealth Office
15 June 1983

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RESIDENCY PAPER: CAPTextComments

2.1

The basic principles of the CAP and the objectives set for it in Article 39 of the Treaty establishing the EEC will be observed. The dynamic increase in agricultural expenditure must be curbed. The following guidelines should be kept in mind.

OK.

2.1.1.

concrete steps will be taken to economize and check increases in agricultural expenditure making full use of all appropriate methods. Consideration should be given, for example, to the following:

OK as far as it goes, but does not amount to the binding and specific financial guideline we would like: (see para 5 of brief).

- price policy
- thresholds for guarantees
- co-responsibility of producers
- intervention rules
- arrangements on export rebates
- substitutes
- compensatory amounts
- aids and premium arrangements
- size of enterprises

This is close to the neutral list tabled by UK (to avoid prejudicial formulations such as are contained in the French Annex II) but "A binding financial guideline" has been omitted. This is the single point to which we attach the greatest importance.

"Size of enterprises" is a new addition to the list which we don't much like, but would not wish to contest.

2.1.2.

every member state must contribute to achieving the necessary savings. In this context it is necessary to take into consideration specific problems of less favoured regions, such as the Mediterranean regions, mountain areas or other regions at a disadvantage because of basic natural or economic features.

We should prefer the first sentence to be expanded to make it clear that financial discipline must apply to Mediterranean as well as Northern commodity regimes. The reference to the special problems of Mediterranean States etc, is unhelpful and

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could overlap with other proposals to help such regions. If this reference cannot be removed, it would be helpful to make it clear that these problems need social/structural solutions rather than exemption from the disciplines on CAP support expenditure.

2.1.3.

the administration of the common agricultural policy must be carried out efficiently and economically. This is to be checked.

OK

2.1.4.

misuses are to be prevented.

OK.

by mid-September 1983 at the latest, the Commission will, in the framework of a balanced overall concept, make concrete proposals concerning which negotiations are to be held without delay, in accordance with the urgent nature of these problems, so that final results can be submitted to the European Council as soon as possible.

OK, though it would be better to set a deadline for Council decisions, too, (as in the Commission paper).

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B.

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ANNEX II TO PRESIDENCY PAPER: FRENCH TEXT ON CAP

Note: we should seek to avoid detailed discussion on the basis of this French text which is much more prejudicial than the Presidency draft.

"Concrete steps will be taken to economise and control agricultural expenditure by making full use of all existing possibilities and examining all aspects of market organisations.

The examination will centre on:

- a price policy geared to internal and external outlets.

- adjustment of support guarantees in the light of the production threshold.

- responsibility of producers, different forms being envisaged depending on the product concerned, in keeping with market conditions, the size of holdings and the situations created by non-compliance with Community preference.

- reestablishing market unity by abolishing MCAs.

- aids and premium arrangements

Means should also be defined for implementing a rational and active external agricultural policy, particularly as regards export."

Comments

Less strong than the Presidency text which has it that "dynamic increase in agricultural expenditure must be curbed".

This list is slanted, for the reasons given below, and excludes: intervention arrangements; export restitution arrangements; and binding financial guidelines

The underlined phrase is unclear. "A prudent price policy geared to reducing surpluses" would be better.

French acceptance of conditional guarantees is a step forward.

The underlined phrase is code for further protectionism, and especially the blocking of cereal substitute imports.

This meets French concerns but could be dangerous if it led to an upward movement in CAP prices to compensate German farmers for the removal of their positive MCAs.

We could accept this as an agenda item, though it is not likely to produce proposals which Britain will like.

This is thoroughly unhelpful, implying the institutionalisation of trade surpluses through external agreements to supply produce at below world market rates.

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C.

M THORN'S PAPER : GUIDELINES SECTION

(A) The principles of the CAP must be safeguarded.

Comments

OK (Explicit support could help bury the allegation that Britain is out to destroy the CAP).

(B) A prudent price policy must be followed.

OK

(C) A modulation of guarantees should be applied in such a way as to discourage the creation of surpluses beyond the production thresholds. This objective can be achieved by the application of production thresholds and associated mechanisms already introduced for certain products and by measures analogous to those already proposed by the Commission for certain sectors in its memorandum on guidelines for the CAP (October 1981). In order to take account of the consequences these measures could have for certain small producers or producers in certain unfavoured regions. They could be supplemented by Community and/or national operations.

It needs to be made clear that this is to apply to Northern and Mediterranean products, and not necessarily just to those in surplus.

We are cautious about income aids, especially Community-financed ones, except in the context of radical price cuts. We should not offer explicit support for this option, at least at this stage.

(D) In addition the Commission will make a systematic study of agricultural expenditure to determine if further management economies can be achieved.

OK. Or toughen: "to achieve further ..."

(E) Taking account of the prejudicial effects of the present agrimonetary system on agricultural production and trade, the Commission will propose the necessary measures for the progressive elimination of MCAs.

This meets French concerns but could be dangerous if it led to an upward movement in CAP prices to compensate German farmers for the removal of their positive MCAs.

(F) In conjunction with the work on the guidelines set out above, it will be necessary to make a study of the system of external protection for agriculture, taking account of the Community's international obligations.

This is dangerous ground, but the wording is neutral. The Commission will come under strong pressure for further protection eg from the French.

Comments

(G) The Commission considers that the operation of these principles should result in the Community's agricultural expenditure developing on average less rapidly than the Community's own resources.

This is far too weak. It is close to the formulation tabled by the French at the European Council of November 1981.

We want an effective and binding limitation on CAP expenditure. We suggest the following formulation: "The Council, acting on proposals by the Commission, will adopt decisions to ensure that the rate of growth of agricultural expenditure is markedly lower than that of the own resources base. Decisions by the Agriculture Council should respect this limit, and the Commission will be expected to manage agricultural expenditure accordingly."

Timing

The Commission will make the necessary proposals with the least delay so that their consequences can be taken into account in the establishment of the 1984 budget and so that the Council can adopt them in good time for their operation in the 1984/85 season.

OK (better than Presidency paper formulation)

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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 380 Final

Brussels, 11 June 1983

FURTHER GUIDELINES FOR THE DEVELOPMENT OF
THE COMMON AGRICULTURAL POLICY

(Communication from the Commission to the European Council,
Stuttgart, 17-19 June 1983)

COM(83)380 Final

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1. The Commission suggest that the European Council endorses the following guidelines for further development of the common agricultural policy:

- The principles of the common agricultural policy must be safeguarded.
- A prudent pricing policy should be applied.
- Guarantees should be modulated in such a way as to discourage formation of surpluses beyond the production thresholds.

This could be achieved by application of the production thresholds and associated mechanisms already introduced for a number of products and by measures analogous to those proposed by the Commission for various sectors in its memorandum on guidelines for the common agricultural policy. To alleviate the possible consequences for certain small producers or for producers in certain less-favoured regions, these measures could be supplemented by Community and/or national intervention.*

* These ideas are discussed in the Commission's 1981 memorandum on "Guidelines for European Agriculture" .

- In addition, the Commission will undertake a systematic examination of agricultural expenditure to determine whether further management savings are possible.
- Given the harmful effects of the present agri-monetary system on agricultural production and trade, the Commission will make appropriate proposals for the gradual phasing-out of monetary compensatory amounts.
- In the context of implementing the guidelines set out above, the external protection system for agriculture will have to be reviewed, bearing the Community's international commitments in mind.
- The Commission considers that, if these principles are applied, agricultural expenditure will on average increase less rapidly than the Community's own resources.

It will present the necessary proposals as soon as possible so that their consequences can be taken into account in the preparation of the 1984 Budget to enable the Council to adopt them in time for implementation as from the 1984/85 marketing year.

2. In 1981, following its report on the mandate of 30 May 1980, the Commission analysed structural changes for various agricultural products (for example milk products) and presented its conclusions to the Council in a memorandum entitled "Guidelines for European Agriculture"¹. It found that in recent years the trend had been towards a steady increase in these areas of production and that productivity reserves were such that this trend was bound to continue for the foreseeable future. At the same time consumption was stagnating.

The result is a constant increase in surpluses to be exported, disposed of by means of subsidies on the Community market or stored at high cost and hence a long-term burden on the budget quite independent of the short-term market situation. Following relative stabilization of expenditure over two years, during which considerably less was spent on agriculture than the amounts provided for in the budgets, this permanent feature, combined with fluctuations on the world market led to an abrupt change in the level and growth rate of agricultural expenditure in 1983. It is to be expected that agricultural expenditure in the current year will be approximately 30% higher than in 1982, forcing the Commission to present an unusually large supplementary budget in the near future.

3. These recent developments have confirmed the soundness of the Commission's analysis. The Commission is still determined to adapt the common agriculture policy - while adhering to the basic principles of the policy - to ensure that agricultural expenditure will increase less rapidly in future than the Community's own resources.

¹ Mandate of 30 May 1980: Guidelines for European Agriculture.
COM(81)80 Final.

4. As to the functioning of the market organizations, the Commission considers that for a number of products the granting of an unlimited guarantee, irrespective of the quantities produced, must be abolished. This will be done by modulating guarantees once a production threshold is exceeded. The modulation must be large enough to discourage production and contain expenditure.

The proposals made by the Commission in connection with the farm price review for 1982 and 1983 were based on these principles. The Council has accepted them. Production thresholds and associated mechanisms have been introduced for milk products, cereals and colza. This policy is beginning to have an effect on prices for these products but it has had no marked effect as yet on agricultural expenditure.

The Commission intends to submit to the Council proposals which will reinforce and supplement the decisions already taken by the latter in sufficient time for their consequences to be taken into account in the preparation of the 1984 Budget and for them to be adopted before the 1984/85 marketing year. In particular, the Commission proposes to employ again some of the formulas which it had set out in the above-mentioned memorandum on guidelines for European agriculture.

In the milk and milk products sector, for example, the Commission has suggested that agricultural producers whose output has increased should be required to pay a levy on their excess

production (" additional levy"). It has also suggested that the guarantee system in respect of milk and milk products should be amended to ensure that it no longer constitutes an incentive to highly intensive production, which is largely industrial in character (" intensive levy").

5. Furthermore, the Commission will undertake a systematic examination of various items in the chapters of the budget devoted to agriculture to establish whether further management savings are possible. It would point out, however, that much of current agricultural expenditure is the result of political compromises in the Council.

6. The retention over very long periods of monetary compensatory amounts introduced following currency fluctuations has gradually led to serious distortions of the conditions of production and the development of agricultural trade. This situation is now having a significant influence on the unity of the price system and the functioning of the single market. The " gentlemen's agreement" which attempted to define conditions for the gradual phasing out of monetary compensatory amounts has proved unsatisfactory.

The Commission therefore intends to submit proposals which, whilst complying with the principles of the Common Agricultural Policy, are designed to achieve the gradual phasing-out of monetary compensatory amounts.

7. The development of agricultural trade, an area in which the Community has commitments within GATT to apply low or zero rates of duty to a number of key products, has direct effects on

agriculture in the Community, as regards both surpluses and deficits. These elements will have to be borne in mind in implementing the guidelines which have just been presented.

In the light of these two considerations, the Commission proposes to examine the external protection system for agriculture and to present its conclusions to the Council, bearing the Community's international commitments in mind.

8. Implementation of the policy described above could have a negative effect on the level of agricultural support and on farm incomes. Certain categories of small producers and producers in certain less-favoured regions could be particularly affected.

If necessary, the Commission will submit proposals to remedy this situation, both by the use of existing instruments and , where appropriate, by supplementary Community and/or national intervention.

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14 June 1983

EUROPEAN COUNCIL, STUTTGART
17/19 JUNE 1983
ECONOMIC AND SOCIAL SITUATION

Brief by HM Treasury

Objective

To encourage growth in Europe without renewed inflation.

Points to Make

(i) Signs of modest world economic recovery, especially in UK. Outlook for Community has improved but its growth is likely to be slow.

(ii) Important that Community should share fully in world recovery. Lower inflation should create room for real growth.

(iii) UK's 3 per cent growth in domestic demand this year is already making a significant contribution to European recovery. Hope that domestic activity will similarly recover in other low inflation countries. [Defensive: Inappropriate to suggest UK should act as a locomotive]

(iv) Williamsburg Summit stressed the need for prudent policies and in particular for reduction of structural budget deficits over medium-term. US has special responsibility but lower deficits unlikely to be achieved quickly.

(v) European countries now making progress with prudent monetary and fiscal policies. These offer best prospects for securing lower inflation, lower interest rates and sustainable growth while helping to mitigate effect in Europe from any international interest rate or exchange rate disturbances.

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(vi) Within Community, convergent policies needed to encourage greater stability of exchange rates. (EMS realignment and accompanying policy measures especially in France helpful).

(vii) Endorse Jurgensen report accepting modest but helpful role for intervention in smoothing short-term fluctuations. But convergent policies have key role - intervention is no substitute for them.

(viii) Call for 'new Bretton Woods' conference premature but ready for Finance Ministers to study issues in a practical way, as agreed at Williamsburg. Prudent and consistent policies essential basis for any durable system.

(xi) Most major debtors are now implementing IMF adjustment programmes. But some financing difficulties remain and the situation needs close monitoring.

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Background

Annex A - Commission forecasts of GDP and retail prices

Annex B - Commission paper on the Economic and Social situation
(not yet available in English)

The Commission has prepared a short paper which suggests that the Community economy will recover next year but not rapidly enough to prevent unemployment from rising. It urges the low inflation countries to adopt flexible monetary and fiscal policies to encourage the recovery.

2. The recovery is being led by the United States and Japan, but with Europe lagging. Most forecasters - including the OECD and the EC Commission - expect output in the major industrial countries as a whole to rise by about 1½ per cent this year and 3 per cent in 1984. This is slow by historical standards. A substantial part of the explanation is the modest scale of the upturn in Europe. (The Commission's latest forecasts are at Annex A).

3. Output in the Community countries as a whole is forecast to rise by less than ½ per cent this year, followed by about 1½ per cent next year. Within the total, the Commission is expecting the UK to have the fastest growth this year. Among the other low inflation countries, Germany may show only a modest recovery and the Netherlands a fall in output. France, Italy and Belgium may also show falls in activity as they continue to try to reduce inflation and adjust their economies.

4. The prospects for Germany are of particular concern since the German economy tends to set the pace for Europe as a whole (which in turn accounts for about half of the UK exports). Recent figures have been revised sharply so that it is difficult to judge whether a strong recovery has begun. Industrial production and retail sales have risen but business optimism has faltered most recently and the increase in consumer spending has reflected at

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least partly temporary factors which will not be sustained.

5. Germany's Continental partners may be expected to question Chancellor Kohl about the prospects for recovery and in particular the stringency of German fiscal policy. We share the German commitment to putting structural budget deficits onto a prudent and sustainable basis in the medium-term, but we are also concerned that Germany's good inflation performance (consumer prices have been virtually flat for 6 months) should be translated into an increase in domestic activity. This implies the need for care about the pace at which the budget deficit is reduced.

6. The slow prospective recovery in Germany is forecast to be accompanied by a growing current account surplus. This, coupled with only a slow reduction in the external deficits of France, Italy, Belgium and Denmark may lead to renewed strains in the EMS.

7. A firmer recovery in Germany would ease the adjustment problems of some of the other continental European economies and perhaps also ease some of the pressures in the EMS. It will also be essential, however, for countries such as France, Italy and Belgium to continue to make progress in reducing budget deficits and controlling monetary growth if European economies are to converge on a path of non-inflationary recovery.

Williamsburg Summit

8. The Summit confirmed the cautious confidence about recovery, particularly in the US, but as we have seen above the prospect for continental Europe is less optimistic. UK Ministers will want to record the pressure put on the US to reduce its budget deficit and the difficulty of achieving this. In these circumstances, the prospects for European recovery are likely to be better the more countries can together pursue sound and balanced policies. The greater the divergence in policies and performance within Europe the more individual countries are likely to be vulnerable to interest rate and exchange rate strains from outside the areas, particularly the US.

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1. The Summit endorsed the Jurgensen report on intervention. In response to French pressure for a 'new Bretton Woods', Summit leaders also invited Finance Ministers and the IMF's Managing Director to consider what role, if any, a monetary conference might play in due course in improving the international financial system. Our own inclination is to concentrate on the practical development of consistent policies between the major countries.

IM Treasury
14 June 1983

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EC COMMISSION FORECASTS

ANNEX A

GDP

Per cent changes

	<u>1982</u>	<u>1983</u>	<u>1984</u>
Belgium	- $\frac{1}{4}$	1	1
Denmark	3	$\frac{3}{4}$	1
Germany	-1	$\frac{1}{4}$	$2\frac{1}{2}$
Greece	0	$\frac{1}{4}$	2
France	$1\frac{3}{4}$	-1	0
Ireland	$1\frac{1}{2}$	$\frac{1}{2}$	$1\frac{1}{4}$
Italy	- $\frac{1}{4}$	- $\frac{1}{4}$	2
Luxembourg	- $1\frac{1}{2}$	- $1\frac{1}{2}$	$\frac{1}{2}$
Netherlands	- $1\frac{1}{2}$	- $\frac{1}{2}$	$\frac{1}{2}$
UK*	$1\frac{1}{2}$	$2\frac{1}{2}$	2
Total:	$\frac{1}{4}$	$\frac{1}{2}$	$1\frac{1}{2}$

Consumer prices

Belgium	$8\frac{3}{4}$	$6\frac{3}{4}$	5
Denmark	$9\frac{3}{4}$	$6\frac{1}{2}$	6
Germany	$5\frac{1}{4}$	3	$3\frac{1}{4}$
Greece	$21\frac{3}{4}$	22	$18\frac{1}{2}$
France	11	$8\frac{1}{2}$	$7\frac{3}{4}$
Ireland	17	$10\frac{1}{2}$	$7\frac{3}{4}$
Italy	$16\frac{3}{4}$	$15\frac{1}{4}$	12
Luxembourg	10	9	$8\frac{1}{2}$
Netherlands	$5\frac{3}{4}$	$2\frac{3}{4}$	3
UK*	8	$6\frac{1}{4}$	$6\frac{1}{2}$
Total:	$8\frac{3}{4}$	$6\frac{1}{2}$	$5\frac{3}{4}$

*Memorandum: FSBR forecast

(Per cent changes on year earlier)

	<u>1982</u>	<u>1983</u>	<u>1984 H1</u>
GDP	$\frac{1}{2}$	2	$2\frac{1}{2}$
Retail prices	6 (Q4)	6 (Q4)	6 (Q2)

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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 370 final

Brussels, 13th June 1983

THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY

(Communication from the Commission to the European Council,
Stuttgart, 17-19 June 1983)

COM(83) 370 final

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THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY

(Communication from the Commission to the European Council
of 17-19 June 1983)

CONTENT

- I. Introduction
- II. Recent economic trends and immediate outlook
- III. Guidelines
- IV. Particular aspects of the unemployment problem

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I. Introduction

The present Communication follows on from a series of documents transmitted to the European Council or to the Council of Ministers since last March.

The analysis made at the time indicated that a recovery was possible but also highlighted the uncertainties. That analysis still holds good¹. Accordingly, the guidelines proposed by the Commission and endorsed to a large extent by the Council need to be reaffirmed, particularly since the same priorities were set at the major international meetings held recently (OECD session, Williamsburg Summit).

This Communication does not, therefore, contain any fresh proposals; it is intended as a synopsis of the previous analyses and conclusions. The Commission considers that the prime objective must still be to strengthen the favourable trends that are emerging so as to achieve a more sustained recovery.

II. Recent economic trends and immediate outlook

A. The outturn for 1982

At 0.3%, the volume of GDP grew hardly at all in 1982. This was due mainly to a significant decline in activity at the beginning of the second half of the year, although there was a tendency in the last quarter for the economy to pick up gradually. This overall result masks differing national performances: GDP growth was markedly negative in Germany (-1%) and the Netherlands (-1.6%) and, to a lesser extent, in Italy (-0.3%) and Belgium (-0.2%); it was positive in Denmark (+3.4%), France (+1.8%), the United Kingdom (+1.4%) and Ireland (+1.5%).

Inflation in the Community continued to slacken in 1982, falling to an annual average of 8.8% compared with 10.1% in 1981 and 11.2% in 1980; this trend was discernible throughout the Community although there were still large divergences; the annual rate of consumer price increases in 1982 ranged from 5.3% (Germany) to over 15% (Italy, Ireland, Greece).

¹ Subject to the revised economic forecasts, which will not be available before the end of June.

The employment situation worsened further during 1982, with the unemployment rate climbing to 9.8% of the labour force, 1.5 percentage points higher than in 1981. This too was a trend shared by all Member States, although the rise in unemployment was relatively more marked, for example, in Germany (up from 4.8% to 6.8%), in Italy (up from 8.8% to 12%) and in the United Kingdom (up from 9.8% to 11.2%).

By contrast, the gradual improvement in the Community's current account was maintained in 1982, with the deficit, which had been equivalent to 1.3% of GDP in 1980 and to 0.7% in 1981, narrowing to 0.6%. Here too, however, the situation differed quite markedly from one country to another.

B. Possible trends in 1983

1. Prospect of a slow recovery in growth

The recovery noted at the end of 1982 has continued so far this year although industrial output does not yet fully reflect the improvement in business confidence since November 1982. Growth should gather momentum gradually, to reach an annual rate of 0.9% in the last quarter. The improvement is expected to come from a slow pick-up in private consumption coupled with vigorous restocking in the first half of the year and from a modest revival in investment towards the end of the year. On the other hand, the sluggish growth in the volume of world trade forecast for 1983 is likely to make only a marginal contribution to the recovery in activity in the Community, although it will probably gather pace at the end of the year. Overall, and assuming a continuation of current trends, the growth in the volume of Community GDP should be of the order of 0.5% in 1983. The situation will probably differ quite markedly between countries. While the revival in activity is expected to become firmly established in the countries that are already well on the way to completing the adjustment process, a number of countries will continue to encounter major difficulties on the balance-of-payments and inflation fronts and will be forced to press ahead with their stabilization efforts.

Inflation will probably continue to fall in the Community as a whole. The average increase in consumer prices is expected to be of the order of 6.4%, the lowest figure recorded since 1976, lower in fact than the average for the years 1968-75. The slowdown in price rises will probably be a general one in the Community and inflation differentials are expected to start narrowing, with the inflation rate falling significantly below 10% in all Member States, except Italy, Ireland and Greece.

Although representing an improvement over 1982, the slow recovery in economic activity during 1983 will not permit any real progress on employment. In fact, unemployment will probably continue to rise in 1983, albeit less rapidly than in 1982. Taking the average for the year, the number of jobless expressed as a proportion of the labour force could climb to nearly 11% as against 9.8% in 1982, i.e. twice the level recorded in 1979. In a later section, this Communication will take a closer look at the problem of unemployment, particularly youth unemployment.

On the external front, the Community will probably manage to consolidate the improvement in its current account, a deficit of just over US\$6 000 million (equivalent to 0.2% of GDP) being expected in 1983.

2. A still uncertain outlook

The situation in the Community itself can be expected to improve in 1983, although this will be a slow process that will gain in strength only towards the end of the year. At international level, however, the outlook for growth is subject to some uncertainty that damages the chances of a lasting turnaround in the Community. The factors of uncertainty, which are closely interlinked, are the following:

(i) World trade will grow only little in 1983, by 0.5% in volume terms, while it fell by 0.9% in 1982. Although imports into the OECD area (excluding the Community) could expand in 1983 by more than 3% in volume terms as a result of the incipient recovery in the United States and the rise in the dollar, the fall in the oil price affecting the OPEC countries and the financing constraints facing the developing countries will probably mean that the volume of imports by these two groups of countries will stay flat or actually decline in 1983.

(ii) The fall in the oil price following the agreement reached within OPEC last March should help to bring down inflation, improve the pattern of current account balances at the world level and provide a moderate but real boost to growth at just the right time. However, this will happen only if:

- first, the path of the dollar exchange-rate does not cancel out the effects of this fall in the oil price;
- second, the fall in real terms is not so precipitous as to impose further strains on international financial and trading equilibrium.

(iii) Despite the progress made, the problem of international indebtedness persists; unless there is an appreciable and lasting improvement in growth in the industrialized economies, stabilization of exchange rate relationships and an effective fall in interest rates - and unless adjustment policies are correctly and firmly pursued - the debt problem will probably continue to act as a brake on any improvement in the international economic situation.

(iv) The relationships between the main currencies are expressed by exchange rates which do not adequately reflect actual economic performances and which are too variable and unpredictable; they are a major factor of uncertainty in international trading relations, they exacerbate protectionist pressures and - because they make economic calculations more hazardous - they increase firms' hesitation to commit themselves.

(v) Finally, the problems created by the movement in interest rates, which largely depend on developments in the United States, continue despite the fact that some progress has been made. In the present situation, a substantial fall in rates that is perceived to be lasting is urgently needed, both in nominal and real terms:

- it would ease debt-servicing problems appreciably, particularly those of the most heavily-indebted developing countries;
- it would assist recovery in a number of industrialized countries;
- and it would constitute one of the vital preconditions for an upturn in investment - a key element in sustained recovery.

However, the downward movement in interest rates observed in 1982 has not continued in the last few months.

Further, the possible trend in 1983 is not without risks. The failure to solve the Federal budget problem in the United States is helping to keep interest rates high and is feeding expectations as to their future level. What is more, if the upturn in the United States economy continues, the combined impact of the private sector's loan demand and public sector borrowing needs may well lead, assuming an unchanged monetary policy, to further upward pressures on interest rates.

C. The outlook for 1984

Although it now appears that the gradual upturn in the economy may continue into 1984, this is by no means certain. Where the international environment is concerned, such continuation will depend on:

- a more rapid growth of world trade, prompted by an improved business situation in the industrialized countries;
- a normal and controlled development of international indebtedness, which must be reduced to more manageable proportions for the developing countries through a steady and stable upturn in world trade;
- a genuine improvement in the stability and predictability of exchange rates and a further fall in real interest rates.

All in all, and if these assumptions are fulfilled, GDP could increase by about 1.6% in the Community in 1984, although there would be fairly wide differences between one country and another: the acceleration in growth in the Federal Republic of Germany and the United Kingdom for example could well be more pronounced than in the rest of the Community. A moderate upturn may thus become established, helped by the growth of private consumption, investment and exports.

Inflation should continue to slow down, giving an annual rate of consumer price increase of less than 6% on average, practically the lowest rate since 1969. As a result, it should be possible to ease the restrictive stance of current monetary and budgetary policies little by little and to bolster, gradually and in a healthy way, the upturn in consumption in the Community.

As in 1983, the continued economic recovery in 1984 that can be forecast today will bring only a moderate slowdown in the rise in unemployment, with the rate for the Community as a whole likely to exceed 11.5% on an annual average. However, the change in the trend of unemployment noted in 1983 may be maintained in 1984.

This moderate upturn in growth should also lead to a further improvement in the balance of payments on current account, with the 1984 deficit being reduced to 2 500 million ECU (i.e. 0.1% of GDP), thanks notably to a slight improvement in the terms of trade.

III. Guidelines

Overall, both the forecasts for 1983 and the first tentative prediction for 1984 tend to confirm the beginnings of a gradual recovery in the Community. However, this recovery remains precarious, largely because of external factors linked in substantial measure to trends in the United States economy. These uncertainties should induce the Community to use all the means at its disposal to consolidate its own incipient recovery in order to make it permanent and to participate in the gradual establishment of a more stable and more predictable international economic environment - an important factor in maintaining free trade and combating protectionism, which are, for it, major objectives.

The Commission considers that, under these conditions, the five priorities which it suggested to the European Council last March - priorities which are also largely reflected in the conclusions of the recent Williamsburg Summit - still represent the Community's best chance of consolidating recovery. In addition to these priorities, it should be stressed that, in the current situation, efforts to strengthen the EMS, combined with measures to achieve a lasting improvement in convergence of economic performance within the Community, would provide a demonstration of Community cohesion which would be economically highly appropriate and politically meaningful.

Apart from what has been said on energy, where the prime concern must be to prevent the fall in prices from resulting in a dangerous weakening of adjustment effort, and on international indebtedness, where joint action must be pursued and strengthened and public and private financial flows maintained at an adequate level, three points call for particular attention:

A. In the budgetary area, priority must continue to be given to measures that will increase confidence in the capacity of governments to control their budgets and to use them to assist the recovery.

Controlling public expenditure, gradually reducing its share in GDP and cutting deficits must therefore remain the main focus. Simultaneously, there must be effective restructuring of public expenditure in favour of measures to promote economic growth.

Lastly, in those countries which have maintained, or regained, control over their public finances, use of the budget to influence the economic trend remains a possible component of economic policy; this may take the form of:

- either allowing the built-in stabilizers to operate if developments indicated a new slowdown in activity;
- or preventing any premature automatic contraction in deficits if the recovery is not sufficiently marked;
- or even considering the possibility of autonomous, moderate budgetary action consistent with the medium-term guidelines set out above (i.e. consistent with the aim of reducing structural deficits), if the improvement in the economy should prove clearly insufficient or too slow in materializing.

B. In the monetary area, subject to international developments, the policies pursued in the countries which have already obtained favourable results on prices and the balance of payments must continue to be geared first and foremost to achieving a gradual and credible reduction in interest rates. Conversely, in those countries which have still to carry out an adjustment of their economies, monetary policy must leave no doubt as to the determination of governments to tackle inflation and external imbalances.

C. Lastly, (and this is the area in which the handicap is perhaps greatest) the Community must get ready to help ensure that the conclusions on international monetary matters reached at the Williamsburg Summit are given practical effect.

*It must continue to work with its partners for the implementation of the measures needed to bring about a lasting fall in interest rates. This result can be achieved only if all concerned (the United States, Japan and the Community) recognize the decisive benefits which the world economy would derive at present from lower interest rates and if all concerned contribute to ensuring that the relevant measures are taken.

*Parallel to this, the Community must give priority to joint action to stabilize exchange rate relationships, since, if there is to be a recovery in economic activity and in international trade, there must be a sufficiently stable and predictable economic and monetary environment and one which is sufficiently consistent with economic fundamentals. In this respect, the Community will have to determine and put across its position in the work which it was recently decided would be carried out on improving the international monetary system.

IV. Particular aspects of the unemployment problem

At the end of April 1983, the total number of unemployed in the Community was nearly 12 million: in 1979, it was only 6 million. The unemployment rate may well average some 10.9% of the labour force in 1983 as against 9.8% in 1982.

Thus, despite a fall in the absolute number of unemployed throughout the Community in March and April 1983 and despite signs of some slowdown in its growth, unemployment is on a continued upward trend in the Community and remains by far the greatest problem facing the European economies.

The Commission would draw the attention of the European Council to the need to take specific measures that have a rapid and direct effect on employment while underpinning the economic recovery. The Commission would in particular emphasize the following two questions:

A. Youth unemployment

The most worrying aspect of the unemployment problem is without any doubt youth unemployment: the jobless under 25 now account for more than 40% of total unemployment, and in most of the Member States the unemployment rate among young people under 25 is between 25% and 35%. Moreover, the average length of unemployment amongst the young is tending to increase steadily: more than 1.5 million young people under the age of 25 in the Community have now been unemployed for more than one year.

This problem is tending to become particularly serious, not only in economic terms, but also in political and social terms. In a recent communication which has already been the subject of initial discussions at Community level, the Commission urged the need to initiate measures, covering several years, to create permanent jobs for young people, combining a range of measures in several areas such as assistance with setting up businesses, recruitment premiums, measures to improve vocational training, the reduction and reorganization of working time and direct job creation in the public sector. National efforts in these areas were to be supplemented by additional Community resources from the Social Fund, with a larger share of Fund expenditure to go on the young.

B. Reduction and reorganization of working time

The Community countries are turning increasingly to the reduction and reorganization of working time as a means of maintaining or increasing jobs, whether through general measures, as is the case in Belgium, France, Italy and the Netherlands, or through sectoral measures in other Member States.

Since the problems involved are largely similar in nature, the adoption of a Community framework and of Community principles would certainly help to prevent national measures from adversely affecting the common market and would encourage the harmonious development of working conditions within the Community. The Commission would point out that it presented a set of guidelines on the reduction and reorganization of working time in its memorandum of December 1982, in which it also undertook to lay proposals before the Council after consultations with the two sides of industry.

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16 JUNE 1983

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

ECONOMIC AND SOCIAL SITUATION

Note by the Foreign and Commonwealth Office

1. A Commission paper showing the Main Economic Indicators for the European Community, United States and Japan is circulated herewith.

Foreign and Commonwealth Office

16 June 1983

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Main Economic Indicators for the European Community, United States + Japan

TABLE 1 : GROSS DOMESTIC PRODUCT (PERCENTAGE CHANGE AT CONSTANT PRICES ON PRECEDING YEAR . EC, USA, JAPAN 1970-1984)

	1970 1979	1979	1980	1981	1982	1983	1984
B	3.2	2.4	3.0	-1.8	-.2	-.7	-.9
DK	2.6	3.7	-1.1	.1	3.4	1.4	1.1
D	2.9	4.1	1.9	.2	-1.0	.6	2.3
GR	4.8	3.7	1.6	-.7	.0	.9	2.0
F	3.6	3.2	1.3	.2	1.8	-.8	-.1
IRL	4.4	2.5	2.8	1.1	1.5	.5	1.3
I	3.2	4.9	3.9	-.2	-.3	.1	2.2
L	3.1	4.0	1.7	-1.8	-1.6	-1.4	-1.6
NL	3.6	2.1	.9	-1.2	-1.6	-.4	.5
UK	2.2	1.6	-2.0	-2.0	1.4	2.4	2.1
EC	3.1	3.3	1.3	-.4	.3	.5	1.6
USA	2.9	2.4	-.3	2.3	-2.2	2.4	3.6
JAP	6.9	5.1	4.4	3.2	2.9	3.3	3.2

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Main Economic Indicators for the European Community, United States + Japan

TABLE 2: DEFLATOR OF PRIVATE CONSUMPTION (PERCENTAGE CHANGE ON PRECEDING YEAR. EC, USA, JAPAN 1970-1984)

	1970 1979	1979	1980	1981	1982	1983	1984
B	6.7	3.8	7.0	8.9	8.8	6.7	5.0
DK	9.8	10.2	11.2	11.8	9.8	6.4	5.9
D	5.1	4.2	5.4	5.6	5.3	3.0	3.2
GR	11.5	17.5	22.2	24.4	21.9	21.5	19.7
F	8.6	10.6	13.3	12.9	10.9	8.6	7.0
IRL	12.8	14.2	17.6	19.5	17.1	10.5	7.8
I	13.1	15.0	20.3	19.0	16.8	14.9	12.5
L	6.3	5.8	7.7	7.7	10.0	8.8	8.3
NL	7.5	4.0	6.7	6.2	5.7	2.7	3.0
UK	12.3	13.2	16.4	11.0	8.1	6.2	6.5
EC	9.1	8.9	11.2	10.1	8.8	6.4	5.7
USA	6.1	9.0	10.5	8.9	5.7	4.3	5.0
JAP	7.7	3.5	7.0	4.5	2.9	1.7	1.6

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Main Economic Indicators for the European Community, United States + Japan

TABLE 3: NUMBER OF UNEMPLOYED AS PERCENTAGE OF WORKING POPULATION. EC, USA, JAPAN 1970-1984)

	1970 1979	1979	1980	1981	1982	1983	1984
B	5.0	8.7	9.4	11.6	12.7	14.4	15.3
DK	3.3	5.3	6.1	8.3	9.7	10.5	10.8
D	2.5	3.4	3.4	4.8	6.8	8.7	9.1
GR	—	(2.2)	(2.8)	(3.1)	(6.1)	(7.3)	(7.5)
F	3.3	6.0	6.4	7.8	8.7	9.1	10.1
IRL	7.1	7.4	8.3	10.5	12.4	15.3	16.7
I	5.6	7.5	8.0	8.8	12.0	12.6	13.0
L	.2	.7	.7	1.0	1.2	1.8	2.4
NL	3.0	4.1	4.7	7.2	13.1	16.0	17.9
UK	4.0	5.0	6.4	9.8	11.2	12.2	12.7
EC	3.8	5.3	8.9	8.3	9.8	10.9	11.5
USA	6.2	6.0	5.8	7.6	9.7	10.5	10.2
JAP	1.7	2.2	2.1	2.2	2.4	2.7	2.8

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Main Economic Indicators for the European Community, United States + Japan

TABLE 4: BALANCE OF CURRENT ACCOUNT (PERCENT OF GDP
EC, USA, JAPAN 1970-1984)

	1970 1979	1979	1980	1981	1982	1983	1984
B	.4	-2.7	-4.7	-5.4	-3.8	-2.9	-2.0
DK	-2.9	-4.7	-3.7	-3.1	-4.2	-2.7	-1.5
D	2.9	-.8	-1.9	-1.1	.4	1.0	.9
GR	2.8	-2.9	-.9	-.2	-3.8	-3.3	-3.2
F	-.3	.0	-1.4	-1.4	-2.9	-2.0	-1.4
IRL	-4.2	-11.2	10.0	-13.7	-8.2	-3.4	-1.5
I	-.2	1.7	-2.4	-2.3	-1.6	-.6	-.7
L	22.5	28.3	22.6	31.1	39.5	38.6	38.1
NL	1.3	-1.1	-1.5	2.4	2.7	3.2	4.2
UK	-.9	.0	1.6	2.4	1.5	.2	-.2
EC	-.1	-.4	-1.3	-.6	-.6	-.2	-.1
USA	.1	-.1	.3	.1	-.3	-.8	-1.0
JAP	.8	-.8	-1.0	.5	.3	-.4	.5

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Main Economic Indicators for the European Community, United States + Japan

TABLE 5: CENTRAL GOVERNMENT LENDING OR BORROWING (-) AS PERCENTAGE OF GDP (EC, 1970-1984)

	1970 - 1979	1979	1980	1981	1982	1983	1984
B	-4.2	-6.9	-9.4	-13.3	-12.7	-11.7	-12.1
DK	.0	-3.1	-5.9	-7.1	-8.9	-9.5	-8.9
D	-1.5	-3.0	-3.5	-4.0	-3.9	-3.8	-3.1
GR	-4.4	-4.8	-5.4	-10.1	-6.4	-6.5	-6.5
F	-.6	-.8	.5	-1.5	-2.7	-3.1	-3.5
IRL	-8.5	-11.9	-12.8	-15.4	-15.8	-13.2	-11.2
I	-8.6	-9.5	-8.4	-11.9	-11.9	-11.3	-12.3
L	2.3	.1	-1.8	-.7	-1.0	-3.0	-1.9
NL	-1.3	-2.0	-3.4	-4.6	-6.4	-6.8	-6.7
UK	-3.2	-3.3	-3.5	-2.1	-1.7	-2.2	-1.9
EC	-2.0	-3.6	-3.5	-5.2	-5.3	-5.4	-5.4
USA							
JAP							

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Main Economic Indicators for the European Community, United States + Japan

TABLE 6: MONEY SUPPLY M2/M3 (PERCENTAGE CHANGE^{AT} END OF YEAR ON 12 MONTHS EARLIER EC, USA, JAPAN 1970-1984)

	1970 1979	1979	1980	1981	1982	1983	1984
B	10.9	6.0	2.7	6.6	5.7	5.5	5.8
DK	11.0	9.9	10.9	9.6	11.1	7.5	8.0
D	10.1	6.0	6.2	5.0	7.1	7.0	7.0
GR	23.3	18.4	24.7	34.3	29.1	26.7	22.1
F	15.4	14.4	9.7	11.4	11.5	8.5	7.0
IRL	18.2	19.0	16.9	17.4	12.9	16.6	15.6
I	19.6	20.3	12.0	16.0	17.3	16.2	18.3
L	-	-	-	-	-	-	-
NL	11.6	7.6	3.6	5.2	8.7	5.5	6.6
UK	13.6	12.7	18.6	14.6	9.3	10.0	8.6
EC	13.9	11.9	10.5	10.8	10.9	9.9	9.6
USA	9.5	8.2	9.0	10.0	9.2	-	-
JAP	16.9	9.1	7.2	8.7	7.0	-	-

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EHG(S)(83)5
9 JUNE 1983

COPY NO

1

EUROPEAN COUNCIL, STUTTGART
17/19 JUNE 1983

YOUTH UNEMPLOYMENT/SOCIAL AFFAIRS
Brief by the Department of Employment

OBJECTIVE

*1 Review of Social Fund
7.1.84 1 way to youth
unemployment.*

1. To emphasise the need for practical measures to help tackle (youth) unemployment which build upon programmes and institutions appropriate to the United Kingdom.

POINTS TO MAKE

Unemployment and Vocational Training

2. Sustained reduction in unemployment in the Community possible only with the end of the world recession and as industry becomes more competitive. Governments cannot decree better industrial performance, but can create right conditions such as lower inflation. Special employment and training measures have a role meanwhile in helping those most vulnerable in the labour market.

3. Welcome the resolution agreed on vocational training at the Joint Council of Education and Employment Ministers on 3 June with its emphasis on equipping youngsters with the skills modern industry will need. We shall all be doing the best for our young people if we concentrate on delivering the training guarantee to school-leavers.

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Measures to Promote Youth Employment

4. Welcome the Commission communication as an expression of the Community's general concern about the problem of youth unemployment. Glad to see recognition that the real solution lies in broad strategies to secure economic recovery.

5. In developing Community programme important to avoid setting arbitrary targets for reducing youth unemployment which ignore natural differences in the labour market for various age-groups. Measures should not impose burdens on public expenditure that might put at risk all that has been achieved in the fight against inflation, nor risk distorting the labour market so as to effectively penalise older workers or jobseekers. Community support for special measures should build on appropriate national programmes.

European Social Fund

6. Agreement by the Social Affairs Council on 2 June on new rules for the Social Fund most welcome. Exactly what is needed to put fine words into practice.

Working Time [If raised]

7. Quite wrong to impose binding measures which could impair competitiveness of firms and thus reduce employment. Such changes need to be developed in accordance with varying national practice. In the United Kingdom this is primarily a matter for employers and employees with, perhaps, a role for work sharing in the context of some special measures.

BACKGROUND

Reference:

A : Report from the Council to the European Council on progress made on issues discussed by the European Council in

Brussels. (Section 1 and Annexes I, II, III)

Vocational Training

8. The resolution agreed by Employment and Education Ministers on 3 June is quite closely in line with our own training policy, in particular the guarantee to school-leavers of a place under the Youth Training Scheme. We successfully resisted a call to Member States to offer young people a guarantee of two years training.

Measures to Promote Youth Employment

9. The Commission Communications on the Promotion of Youth Employment and the Economic and Social Situation in the Community urge the adoption of a Community Programme to encourage the development of special measures which will create jobs for young people under 25. This would set a target of reducing youth unemployment rates to national average unemployment rates within five years. Application of some of the measures suggested would risk distorting the UK labour market, and increasing public expenditure.

10. The Presidency's conclusions following the Social Affairs Council on 2 June recognise that while member states broadly agree the analysis and diagnosis of youth unemployment, they differ as to the steps to be taken.

11. We believe that emphasis should be given to training measures rather than direct employment, and Community measures which can be used by both the public and private sectors. We are also keen to ensure that Community support builds upon programmes and institutions appropriate to the United Kingdom. Suggestions concerning encouragement of new enterprises, and improving information and guidance for young people may be worth developing.

The European Social Fund

12. The Fund provides grants towards schemes of training, job creation and geographical mobility of workers. It is one of the few Community instruments under which the United Kingdom is a net beneficiary (our average share has been 24%, and was 30% in 1982, giving us benefits of £257m).

13. A fundamental review of the Fund has taken place over the last few months. Agreement was reached at the Social Affairs Council on 2 June on new rules for the Fund which give the United Kingdom satisfaction on all major points. While the package leaves the Commission with wide discretion, the United Kingdom should benefit substantially from the priority accorded to young people (75% reserve); the concentration of assistance on areas of particularly high unemployment (especially where suffering from industrial decline); and the emphasis on training rather than job creation.

14. The next step is the preparation of the Commission's guidelines for determining the Fund's detailed annual priorities. We are in a good position to influence the Commission. We are hoping that the new-style Fund will come into operation from the beginning of 1984.

Working Time

15. The Social Affairs Council on 2 June was unable to consider the Commission's proposals on Working Time, proposing Community action to encourage flexibility and mobility among the workforce, and to place restrictions on overtime. Our position remains that binding Community instruments are not the way to pursue Community action in this area. We should resist any proposal to take decisions without consideration by that Council.

Department of Employment

9 June 1983

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EHG(S)(83)6
13 June 1983

COPY NO
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EUROPEAN COUNCIL; STUTTGART
17/19 JUNE 1983

INTERNAL MARKET (INCLUDING TRANSPORT) AND PROPOSED
COMMON COMMERCIAL POLICY REGULATION
Brief by Department of Trade

Objectives

1. A commitment to further progress on the internal market in the Greek Presidency, particularly for trade in services. Support for the emergence of a possible Franco-German compromise covering both the "third country" problem and the new Common Commercial Policy Regulation (CCPR)

Points to make

2. Grateful for German initiative on internal market. Believe the special Internal Market Councils have helped to focus attention on this issue, though progress has been slow. We are fully committed to progress on this area. Hope Greek Presidency will maintain the necessary momentum.

3. Glad German Presidency was able to put so much effort into dealing with insurance services; but concerned that not much to show so far. Important in Community interest that intensive efforts be maintained. Would like to see a report on progress to us at our next meeting.

Common Commercial Policy Regulation and Third Country Problem

4. Third Country Problem has blocked efforts to make progress on internal market. We attach importance to a

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solution. Understand that a possible compromise solution is under consideration and that there might at the same time be agreement on a new Common Commercial Policy Regulation. Would welcome this Package solution aired at last Internal Market Council looked promising. We agreed in March that clear decisions urgently needed both on internal and external trade issues.

[If there is detailed discussion of the CCPR]

5. UK supports strengthening of EC's external trade policy, provided it is consistent with the Community's international obligations and its commitment to the open trading system. EC's main difficulty in operating external trade policy has been slowness in reaching decisions. UK agrees that decision making procedure should be streamlined but regards as indispensable support of a qualified majority of member states: an important issue of principle for us, as for others. Decisions on measures under the Regulation not question of technical management but important trade policy matters. Similar considerations apply to Third Country Problem. Cohesion of Internal Market requires that measures obtain support of a qualified majority.

Transport: Dutch Statement

6. Strongly support call for faster progress towards a Common Transport Policy. Main requirement is freedom of movement to facilitate intra Community trade. To achieve this, the development of a transport policy must be properly balanced, encouraging the economic development of all modes of transport.

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Background

References:

- A: Presidency Report to the European Council
on issues discussed at the Brussels European Council
(document to follow)
- B: Memorandum from the Netherlands Government
(doc 7315/83) on European Transport Policy.

VALUE OF INTERNAL MARKET COUNCILS

7. These were an innovation of German Presidency, which we have supported. There have been three; another is planned for 21 June. Their report (Reference A) shows only limited progress, because of the technical nature of the dossiers, and the difficulty of stitching together package agreements in the Council. Of the priority areas identified by the December European Council, a technical standards notification procedure and minor measures to ease frontier formalities have been agreed. But the key issue - the 'third country' problem - is still unresolved, along with the simplification of customs documentation and frontier facilitation. The Councils have, however, put pressure on national experts to produce quicker results. Since progress on the internal market is an important part of the UK's efforts to demonstrate a positive approach to the Community, we wish the Greeks to persist with the experiment.

Internal Market in Services

8. The UK has pressed for agreement on liberalising measures dealt with in other Council fora, eg insurance, air services, and free lorry movements. Adoption of a liberal Insurance Services Directive is strongly in our economic interest. The Germans have tried to make progress on insurance, despite technical and policy difficulties. A further mandate from

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the European Council for an internal market work programme to include insurance and other services might encourage an otherwise reluctant Greek Presidency to give them continuing attention.

Third Country Problem

9. The French wish to maintain the freedom unilaterally to manipulate technical standards requirements as a way of keeping out unwanted third-country imports (particularly cars) has prevented the adoption of over 20 Article 100 standards harmonising directives for up to five years. The issue is whether the Council can now agree on a procedure which, in exceptional cases, would allow one Member State to ban Third Country imports of a type certified by another as conforming to a harmonised Community standard. The Germans and we maintain that the procedure should be subject to Community control by qualified majority vote. The French have refused so far to move on this.

External Trade - The Common Commercial Policy Regulation

10. The Commission has produced a proposal, at French instigation, for a new Council Regulation strengthening the Common Commercial Policy (CCP). The idea is to equip the Community with new procedures to deal with unfair or illicit trading practices of third countries; but a new internal Regulation cannot give the Community new rights not sanctioned by international agreements such as the GATT. The proposal provides for a complaint procedure to be invoked by industry or governments followed by investigations, a Commission recommendation for dealing with any injury, and an accelerated decision-making procedure for implementing the Commission's recommendations.

11. The most radical suggestion is that Commission proposals for action should come into effect unless there is a

qualified Council majority against them. This reverses the usual pattern in CCP matters, and would alter the balance of power between Council and Commission in the latter's favour in this sensitive area. Article 113 EEC requires Commission proposals for implementing the CCP to be positively endorsed by a qualified majority of the Council; this would mean that two larger Member States (or various combinations of larger and smaller ones) could block any proposal. (The usual current requirement is in practice Council unanimity).

12. France, Belgium, Luxembourg, Italy and Greece favour the Commission proposal; the FRG, Netherlands and Denmark dislike the Regulation on principle as protectionist (though only Denmark has given no sign of flexibility). We would like to improve the sluggish operation of the Common Commercial Policy but dislike the decision-making proposal and have steered a middle course. The French have linked progress on the internal market to progress on this proposal and insisted that it should be on the agenda of the Internal Market Council (IMC) on 26 May, where it looked as though there was the possibility of a package deal to resolve both the third country question and the CCP regulation together (the latter in a way entirely satisfactory to the UK). The Presidency therefore decided to hold a further IMC on 21 June to agree the package. Subsequent Franco/German contacts aimed at agreeing a package seem so far to have foundered on French inflexibility. The European Council may still be asked to decide in principle on a broad outline of a solution.

Irish views on the drift towards protectionism

13. Dr Fitzgerald is expected to express concern that Ireland has suffered, particularly in lost inward investment, from the "protectionist" tendencies of other Member States. He may have UK public purchasing policies or "Buy British" in mind, as well as French measures to reduce their external trade deficit: but he is unlikely to be specific, and our

record compares favourably with that of other Member States.

Transport: Dutch Statement

14. At the 7 June Transport Council, the Netherlands presented a memorandum (Reference B) on the need for faster progress towards a Common Transport Policy. Mr Lubbers will raise this again. One suggestion is that the European Council should receive an annual report on progress towards a CTP. The Dutch and we have virtually identical objectives:- liberalisation of road transport, more scope for competition in European air transport etc. The Transport Council did not reach an agreed view on the memorandum, but we can endorse it in almost all respects.

Department of Trade
13 June 1983

EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 7 June 1983

7312/83		
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DRAFT REPORT

presented under the responsibility of the Presidency

from: the COUNCIL

to: the EUROPEAN COUNCIL

prev. doc. 5545/1/83

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

The European Council of 21/22 March 1983 defined a series of goals and specific actions to be taken in the economic and social field, on the enlargement dossier and in the area of the Community's financial resources and related problems. The present report describes progress made under each major heading and indicates where progress is still to be achieved.

The principal texts referred to in this report will be circulated in the form of an addendum (doc n° 7312/83 ADD 1).

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A. ECONOMIC AND SOCIAL SITUATION

1. Youth unemployment:

The European Council requested a report on progress made both nationally and at Community level on action to improve the employment situation of young people; a report on national measures is included in the addendum to the present report (as its annex I).

This report shows the considerable effort devoted by the individual Member States to countering youth unemployment ; it summarizes the specific measures already taken and points out that Member States intend to develop and supplement these in the future.

As for action at Community level, this aspect was on the agenda of the Social Affairs Council of 2 June 1983 and the conclusions reached by this Council relevant to this aspect are to be found in annex II to the same addendum.

At the centre of the Council's debate was the reexamination of the Social Fund, on which an agreed orientation was reached on all points hitherto open. The priority to combat youth unemployment by the means of the Social Fund was clearly underlined and of particular relevance is the decision to grant no less than 75 % of available funds to help the employment prospects of the young under 25 years old.

This problem was also tackled by the Joint Meeting of Ministers of Labour and Social Affairs and Ministers of Education held on 3 June 1983 who agreed a Resolution on professional training policies for the 1980's [see annex III to the same addendum]⁷.

This Resolution sets out how Member States can improve the quality and scope of professional training and how the Community can supplement and assist such actions ; in this context a specific objective is envisaged for the young over the next 5 years: basic training and/or a first professional experience should be made available to all school-leavers for a period of at least 6 months, and if possible 1 year. In addition, Member States, within their national policies and practices, will continue their efforts to provide training for young people with insufficient qualifications.

Furthermore the Council (Social Affairs) had a first debate on 2 June 1983 on the Commission's recent communication on youth unemployment. This debate was prepared by the Standing Committee on Employment.

2. Internal market:

Under the mandate given at Copenhagen, 3 special Councils were held, on 1 February, 1 March and 26 May 1983.

As already reported to the last European Council (Brussels 21/22 March 1983)⁽¹⁾, agreement has been reached on information on standards, one of the key areas identified at Copenhagen.

On another key area, that of Community certification for 3rd country products, substantial progress can be hoped for at another special session of the Council planned for 21 June.

On the 3rd key area, that of intra-Community formalities, it has not as yet been possible to reach agreement, due to the complexity of the subjects⁽²⁾; work continues, and positive orientations have in fact been arrived at already on several of the individual topics.

⁽¹⁾ doc 5545/1/83

⁽²⁾ single document; postponement of VAT payments (14th directive); formalities on transfer of goods between Member States; circulation of goods for temporary use

The Council has been pushing forward on many of the other files listed in the Presidency's programme as presented to the last European Council ⁽¹⁾. It has adopted on 16 May 1983 (Council for Economic and Financial Affairs), the important 7th Company Law Directive on consolidated accounts;

directives have also recently been adopted on certain tax exemptions, on the codification of tax and customs arrangements and in the area of foodstuffs and veterinary legislation and work is currently progressing on modifications to the directives on proprietary medicines. However, many problems remain outstanding with the insurance services directive despite recent intensive work. A sustained effort will be needed on this, and other internal market dossiers not yet ready for decision, in order to complete the internal market.

In keeping with the mandate from the Brussels European Summit, equal priority is being given to work on the strengthening of the Community's external trade policy instruments ; the dossier has been given a first examination both by the Special Council on the Internal Market and by the Foreign Affairs Council.

3. Other specific mandates already carried out, in whole or in part :

- a) Mutual recognition of diplomas : the conclusions reached by the Council and the Ministers of Education on 2 June 1983 are attached to the same addendum as annex IV.

⁽¹⁾ doc 5490/83

The Resolution sets out ways in which mutual recognition of academic qualifications could be developed and also suggests ways of improving the social and material situation of students studying in other Member States. The guiding principle is that of the greatest possible generosity and flexibility to be shown by the authorities responsible for recognition of qualifications. Emphasis is, inter alia, placed on bilateral agreements, on regular information exchange between centres responsible for academic recognition questions, on twinning, on intensified information and counselling for students abroad, on the promotion of short study periods abroad, and on the instrument of joint study programmes (already promoted by the Commission). National measures are also suggested to alleviate the financial and social difficulties of students abroad.

- b) Acid rain : interim report. This interim report, specifically commissioned by the European Council, is attached to the addendum to the present report as annex V.

It sets out the actions already undertaken at Community level, listing measures adopted so far, inter alia in the field of exchange of information, of standards for atmospheric quality and for the contents of certain products and for vehicle exhaust ; this is complemented by a research effort and by the Community's ratification in 1982 of the Geneva Convention on long distance atmospheric pollution.

The report also explains current and future work, particularly on vehicle exhaust, on further atmospheric quality standards, on large installations, on the problems of solid fuels and in the research field.

The Environment Council of 16 June 1983 will, in this context, be examining a new Commission proposal for a directive of general application in the realm of air pollution (the first of its kind) which would aim to create a system of prior authorisation for the construction of industrial installations likely to cause pollution.

c) Transport

[See attached
Gazetted]

The Council met on 7 June 1983 with a very full agenda ; many items have been under discussion for a considerable period (several years in some cases). The major items debated concerned the application of competition rules to sea transport, interregional air traffic, vehicle weights and dimensions and aid for transport infrastructure.

The Netherlands delegation tabled a memorandum /doc 7315/83/ setting out its dissatisfaction with the lack of progress made in developing a Community transport policy and concluding that the European Council should ask for quicker progress towards liberalisation in this field and should request an annual report on this matter, and that the Transport Council should meet more frequently.

4. Other specific mandates to be carried out by Councils falling after the European Council at Stuttgart

a) Energy, research and development :

The next Energy Council will take place in July and preparation is in hand with a view to continuing the work of the previous Council (21 April) on the Community's energy strategy, on solid fuels, and on demonstration projects.

The Research Council will meet on 28 June 1983 and will aim at reaching decisions on the Framework Programme 1984-87 as well as holding a first debate on the Joint Research Centre and on the new Commission proposal on ESPRIT. It is also likely to be able to confirm a substantial measure of agreement on "FAST II".

b) Industrial policy and innovation:

Alongside the information technology proposals (ESPRIT) which the Committee of Permanent Representatives has decided to treat with a high degree of priority, work will be put in hand on proposals - awaited shortly - on telecommunications and biotechnology.

The "Internal Market" Council of 26 May debated the proposed plan for the transnational development of the infrastructure to help innovation and will take the file up at its next session; work is also progressing on the extension of the current multi-annual programme in the field of data-processing.

c) Investment:

At the meeting of the Economic and Financial Affairs Council of 16 May 1983, the Commission presented its new proposal on tax and financial measures to favour investment; work is now in hand on this file.

A proposal will shortly be received on financial incentives for innovation.

B. ENLARGEMENT

1. Regarding the progress of the negotiations with the two candidate countries, the Council can report that, in the period since the previous European Council, a Ministerial session has been held with each country (Spain 26.4.83 ; Portugal 25.5.83) as well as sessions at deputies' level.

In the case of Spain an important aspect of the Customs Union chapter (that of textiles and quotas) has been settled ; the Community has also been able to spell out its position on various other dossiers still under negotiation (inter alia : tobacco, scrap, patents, external relations, ECSC).

In the case of Portugal the Community was able to take position on fisheries, which is an important remaining file, as well as on several other questions (inter alia : VAT zero rate, direct investment, patents, environment, external relations).

As to the prospects for the future, the following are the major dossiers to be tackled ⁽¹⁾ and completed :

- the social affairs question (in both cases)
- Customs Union : the period of transition (Spain)
- ECSC restructuring (Spain)
- fisheries (in both cases); a declaration has just been presented to Portugal to start the negotiating process (see above), and a similar one is scheduled to be presented to Spain
- agriculture.

2. Regarding the issues within the "Inventory", the state of work is as follows :

a) agricultural "acquis" : this aspect is being dealt with by Agriculture Ministers, meeting on 13/14 June ; a separate report will be submitted to the European Council.

b) Preaccession

It is agreed that ways and means should be found to ensure that the accession does not worsen the situation in certain sensitive sectors - agricultural or industrial - where the Community is trying (through production disciplines) to keep or restore a certain equilibrium.

⁽¹⁾ There are also certain specific questions within chapters otherwise near completion and certain files which are to be left till the end of the negotiations (such as EIB, processed agricultural products, ECU, own resources, institutions).

It is generally felt in the Council that this goal must be pursued in the context of the accession negotiations and through better mutual information and coordination with the candidate countries. The Commission has already held contacts with the candidate countries and will continue to do so.

Work is also in hand on the related Commission proposals for the continuation of aid in the form of EIB loans.

c) Relations with the Mediterranean countries

In parallel with internal work on the "Natali memorandum", the Commission continues its exploratory conversations with these countries ; in the light of these and of the progress made in the accession negotiations themselves, the Commission plans to submit a communication, before the summer, on the general guidelines for future work. This will then be followed by concrete proposals for each country.

d) Integrated mediterranean programmes

The Commission has presented to the Council the substance of these programmes including their financial consequences. The COREPER has held a introductory debate on this issue. The formal detailed proposals are expected shortly.

C. FINANCIAL RESOURCES AND RELATED PROBLEMS

The General Affairs Council will report separately to the European Council after its meeting of 13 June next.

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EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 8 June 1983

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CORRIGENDUM TO
DRAFT REPORT

presented under the responsibility of the Presidency

from: the COUNCIL
to: the EUROPEAN COUNCIL

prev. doc 5545/1/83

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

Chapter 3 c), page 6

The first paragraph should read as follows:

"The Council met on 7 June 1983 with a very full agenda, and was able to make progress on several dossiers: in particular, an agreement⁽¹⁾ was finally reached on the directive on inter-regional air services; an orientation was obtained on a regulation on road transport pricing, on a framework decision covering national counter-measures in the shipping sector, and on a directive simplifying the formalities for removals within the Community; a decision was also agreed covering the cooperation of national railways in the field of passenger traffic. Work was advanced on the application of competition rules to shipping, on the file on weights and measures of goods vehicles, and on aid for transport infrastructure."

⁽¹⁾ 2 delegations ad referendum

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Brussels 1 June 1983

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TRANS 78

REFERENCE B
BRIEF 6.

NOTE

from : Netherlands delegation
dated: 31 May 1983
to : Council of the European Communities

Subject: Preparation for the meeting of the Transport Council on
7 June 1983

- Memorandum from the Netherlands Government on
European transport policy

Delegations will find attached a memorandum from the
Netherlands Government on European transport policy.

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COUNCIL
OF THE EUROPEAN COMMUNITIES

Brussels

The Secretary-General

Sir,

The French delegation has stated that it would like to have a monitor installed at its Permanent Representation (37 Boulevard du Régent) to keep track of the agenda for certain meetings held in the Charlemagne building with a view to the French Presidency of the Council which begins on 1 January 1984. The system envisaged would enable delegates to avoid unnecessary waiting at the General Secretariat.

The system might also be of interest to your Delegation. The cost of the transmission network would be borne by the General Secretariat of the Council, but the receiving equipment to be installed in the Permanent Representations would be paid for by the Delegations. The cost per Delegation would be of the order of FB 102 256, to be paid directly to the supplier.

In the event of this proposal meeting with your approval, I should be grateful if you would inform me of your agreement and designate a competent person with whom the relevant department of the General Secretariat of the Council could liaise.

Please accept, Sir, the assurance of my highest consideration.

ERSBØLL

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Memorandum from the Netherlands Government
on European transport policy

Introduction

The need for a more balanced and harmonious development of the Community's activities is universally recognized. The budgetary and political reasons for this are well-known.

European transport policy cannot be excluded from these reflections on how to improve the functioning of the Communities and develop new policies. Transport forms an important part of the common market. Only by means of a European transport policy based on the principles of this common market can the advantages which European unity can offer the various economies and the Community's citizens come to fruition. Macro-economic reasons also firmly indicate the need for an expansion of this sector.

At the meeting of the Council of Ministers for Transport on 23 February 1983 and at the European Council on 21 and 22 March, the Netherlands undertook to submit to its partners a number of considerations on European transport policy. In doing so, the Netherlands has sought to relate these considerations to the valuable communication from the European Commission entitled "progress towards a common transport policy - inland transport" and to the outcome of previous discussions in the framework of the Council.

Towards a European Transport Policy

It must be noted that there are still a number of important links missing in the Community's approach to the transport sector. Although progress has been made in certain sectors, there can hardly be any mention of a coherent Community transport policy despite the fact that

.../...

Article 3 of the EEC Treaty refers to the common transport policy - on a par with the common agricultural policy and the common commercial policy - as one of the principal activities for attaining the Community's objectives.

The Netherlands Government takes the view that this disappointing state of affairs cannot be ascribed to the low importance of transport for the European Community. The share of transport in the Community's national product amounts to no less than 6% and is therefore higher than that of agriculture (5%). Moreover, the Community's transport sector provides work for approximately 6 million workers.

Transport is furthermore an economic activity which cannot be judged only on its own merits. It is an important condition for the development of intra-Community trade, industry and agriculture. Improvement of transport policy and transport infrastructure within Europe will lead to a fall in production costs and also to an improvement in the competitive capacity of Europe's economy vis-à-vis third countries. Europe is therefore doing itself an injustice by continually delaying decisions on Community transport policy. There is even less cause for this since the development of this policy need not give rise to additional budget expenditure for the Community. On the contrary, it may be assumed that transport policy (as desired by the Netherlands) will lead to considerable savings for all Member States. In this connection, it should be pointed out that the absence of a genuine common free transport market is leading to great inefficiency of production factors, i.e. to an estimated annual productivity loss of several thousand million ECU, which unnecessarily increases prices of the goods transported for the consumer and affects the competitiveness of Community products.

The Netherlands takes the view that agreement should urgently be reached at the highest political level on the priority to be given to Community transport policy. A start on this has already been made within the European Council. This policy should be based on the principle of the free movement of services and on greater effectiveness and profitability of the transport sector. The costly and discriminatory barriers which still exist within the Community should be eliminated as rapidly as possible. It is hardly logical that the free movement of goods and persons has to a large extent been achieved while transport, which is actually needed to bring about such free movement, is still faced with all kinds of barriers. Moreover, the Netherlands Government considers that the question may well be asked as to whether the general principles laid down by the EEC Treaty with regard to the provision of services are not also applicable now to the transport sector since the expiry of the transitional period.

Barriers to the free provision of services occur in particular in the area of road transport where restrictive bilateral and Community quotas unnecessarily hinder the expansion of transport. The function of transport is to bring together the supply of and demand for goods, i.e. to bring about the free movement of goods. This role cannot be fulfilled under a system of quotas and other restrictions. That is why at the Transport Council meeting on 23 February 1983, the Netherlands announced a proposal in order to put an end to this unsatisfactory situation.

This proposal reads as follows:

Should the answer to the question raised earlier regarding the possible applicability of the general provisions of the Treaty on freedom to provide services be in the negative, the Netherlands government would then advocate full liberalization of road transport within a maximum of five years through a fixed, automatic system of

annual increases in the bilateral and Community quotas.

If necessary in order to ensure the quality of transport offered, the Netherlands considers a Community system of licences for access to the road transport market acceptable.

Under this system, every operator with sufficient experience on the national market who fulfilled the harmonized requirements for access to the profession of international road haulier would be granted a licence of indefinite duration allowing him to carry out transfrontier transport between all the Member States as is currently the case under Community licences. The scope of the licences and the amount of the licensed transport capacity would be determined exclusively on the basis of the individual haulier's actual qualified transport capacity and his potential turnover. This would mean that licences would be issued to each haulier for the number of vehicles which he himself considers necessary. The fact is that only the hauliers are in a position to determine how great demand is.

This system would not, however, alter the fact that the hauliers' compliance with the above conditions and criteria and their observance of the relevant legal provisions on overloading, and of EEC Regulation No 543/69, etc. must be adequately monitored.

In principle therefore, macro-economic factors should not have any part to play in the allocation of licences. In times of serious market disturbance the licensing system would however allow Community action to achieve some temporary organization of the market.

It should also be pointed out in this connection that the special attention given to rail transport in some Member States for wider

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political reasons must not be allowed to have an adverse effect on road transport. The railways should in principle operate on a commercial basis on the market and increase their efficiency, and should not be given subsidies to artificially retain certain markets at the expense of other modes of transport. The promotion of rail transport on an artificial, non-commercial basis to the detriment of road and inland waterway transport increases transport costs in the Community as a whole and disturbs competition between the various forms of transport. The conditions of competition between all modes of transport should therefore be harmonized.

To this end railway undertakings should introduce the following measures:

- selective marketing:

It is the responsibility of the railways themselves to decide whether to operate on the markets which are most suited to and most lucrative for railways, thereby promoting the objective of covering costs;

- restructuring of rail transport services:

This means that railways should not operate on markets which are structurally unsuited to rail transport. At the same time they should adapt their production system more rapidly to the ever-changing demand for rail transport services;

- cost-cutting:

The railways will have to increase efficiency further themselves, introduce economies where necessary, reconsider unprofitable transport operations, etc.

- increasing co-operation between railways.

National governments must aim at a commercial policy for the railways, the minimum requirement for the longer term being to break even. In addition they must continue to promote co-operation between railways, standardization and pooling of stock.

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The priority requirement for the Community's inland waterways is to improve the balance of supply of and demand for transport services. In this connection, it is of prime importance that national rules on scrapping be harmonized as far as possible. The practice of reserving coastal shipping for vessels of the home nationality leads to inefficiency and increases the cost of transport.

There is as yet no question of deregulating air transport. Here too, freedom to provide services at Community level needs to be introduced without delay. A first step should be to take a decision as soon as possible applying the standstill principle in Article 76 of the EEC Treaty to this sector.

In view of its worldwide nature, the most pressing requirement for shipping is a more consistent Community-orientated external policy. This applies, inter alia, to the solution of possible conflicts regarding application of the Code of Conduct for liner conferences. As regards internal EEC policy, provisions should be adopted as soon as possible applying the rules on competition in the EEC Treaty (Articles 85 and 86) to shipping.

Good transport infrastructure within the Community is a prerequisite for the smooth operation of road, rail and inland waterway transport. The Netherlands remains an advocate of allocating annual amounts from the Community budget for infrastructure projects of Community interests.

In conclusion, the Netherlands Government accordingly urges that a higher priority be accorded to transport in future within overall Community policy. The European Council in Stuttgart could thus call upon the Council to take measures as soon as possible to eliminate the

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- 7 -

obstacles which have so far prevented the liberalization of road transport, in particular, provided for in the Treaty. The European Council could at the same time conclude that an annual progress report on the development of transport policy should be made to it. In order to carry out these decisions, the Council of Ministers should meet more frequently in the appropriate composition.

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EHG(S)(83)7 REVISE 2
16 JUNE 1983

COPY NO

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EUROPEAN COUNCIL, STUTTGART
17/19 JUNE 1983

ENVIRONMENT (ACID RAIN, LEAD IN PETROL)
Brief by the Department of the Environment

OBJECTIVES

1. To show sensitivity to concern about acid rain, but to avoid commitment to UK action to reduce emissions.
2. To obtain as firm an endorsement in principle as we can get of a Community move to unleaded petrol.

POINTS TO MAKE

Acid Rain

3. Recognise concern about possible damaging effects of acid rain - especially German concern about damage to their forests, underlined as recently as this week in Chancellor Kohl's message . But note that there are substantial scientific uncertainties; in particular, recent research suggests that forest damage results from the interaction of a number of factors.
4. Point to the high cost of substantially reducing emissions - and to the importance of knowing, with reasonable certainty, that this investment would be effective in reducing environmental damage. At present we do not have the knowledge to be sure of cost-effective investment.

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5. Recognise that acid rain is matter of serious international concern. We will continue to work with other countries under the ECE Convention on long range transboundary air pollution. The need is for further scientific studies; in particular the UK fully supports proposals in the FRG memorandum for investigation of the problem of forest damage and the development of more cost effective ways of controlling emissions.

6. Express broad support for initiatives relating to the control of industrial air pollution referred to in the FRG memorandum and the Commission's communication, but indicate reservations on proposals for Community-wide emission limits.

7. [If pressed on vehicle emissions: UK would have reservations on further controls on gaseous vehicle emissions though convinced of need to remove lead from petrol on health grounds.]

Lead in Petrol

[If Environment Ministers on 16 June endorse our call for move to unleaded petrol and/or invite the Commission to bring forward proposals].

8. Extremely pleased that the Council of Environment Ministers agreed that a move to unleaded petrol is right in both health and environmental terms. Should underline this in the conclusions.

9. Hope that the Commission will bring forward proposals with all speed so that unleaded petrol can be introduced as soon as practicable.

[If Environment Ministers do not endorse our call]

10. We believe that the introduction of unleaded petrol is essential in both health and environmental terms, a view shared by some other Member States (notably Germany, Denmark Netherlands).

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11. Surprised that Environment Ministers unable to reach a firm agreement about the introduction of unleaded petrol on a Community basis.

12. There is no doubt that scientific and public opinion strongly in favour of unleaded petrol, a view shared by the European Parliament. And we do not believe that the oil and motor industries see insuperable difficulties.

13. European Council should therefore invite Council to look at this as a matter of urgency and report back to the next European Council.

Transfrontier shipment of hazardous waste [If raised]

14. Welcome Commission's proposals for a new documentary form of control over the movement of hazardous waste. An early decision is needed.

BACKGROUND

References/Annexes

- A Interim report to the European Council on acid rain (Annex V to Presidency Report to European Council on progress since last European Council) See addendum to General Brief (EHG(S)(83)2)
- B Joint UK/FRG/Netherlands/Denmark note on lead in petrol covering UK and FRG memoranda for Environment Council. (already circulated)
- C Commission Communication on acid depositions (Com 338) (unofficial translation - already circulated).
- D Message from Chancellor Kohl to Heads of Government at Stuttgart on acid rain and forest damage.
- E Unleaded Petrol: Salient Points of Detail. Note by Department of the Environment.

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Acid Rain

15. Sulphur dioxide (SO₂) and oxides of nitrogen emitted from fossil fuel burning (including power stations) can be transformed in the atmosphere and deposited over long distances as acid rain. Other air pollutants play a part in the process. There is some evidence of ecological damage in freshwaters in parts of Scandinavia, USA, Canada and (on a small scale) Scotland. Extensive forest damage in Germany has been attributed to acid rain but recent research has indicated that several factors are probably involved.

Considerable scientific uncertainties remain. It is not clear that reducing SO₂ emissions alone would be effective. UK emissions have in fact fallen by over 20% since 1973 with no apparent beneficial result.

16. The letter from Chancellor Kohl and the FRG memorandum show that the Germans intend to press hard for specific measures to reduce emissions following the March Council which agreed on the need for urgent action on acid rain and called for an interim factual report. The Germans may look to the UK in particular in view of their support for us on the lead in petrol question (see below).

17. The main forum for discussion of acid rain is the UN/ECE Convention on Long Range Transboundary Air Pollution which came into force in March 1983. At the first meeting of the Convention's Executive Body on 7-10 June a German proposal for a 30% reduction in SO₂ emissions by 1993 was not accepted by most signatories, although there was general acceptance of the need to seek some reduction of emissions.

18. Within the Community a German initiative has led to proposals for directives which would provide inter alia for the setting of Community-wide emission limits for certain industries starting with "large combustion plants" (ie power stations). The Commission's communication calls on the European Council to support this and other relevant

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initiatives. The basic directive is to be discussed by the Environment Council on 16 June. We welcome the general aim of this directive to bring about a more uniform approach to air pollution control, though we strongly oppose the proposal for fixed emission limits. Several other Member States are thought to share this view.

19. The FRG memorandum and the Commission's communication also call for further directives to reduce air pollution from vehicles, especially nitrogen oxides and hydrocarbons. Such control would require the use of catalytic converters and the costs would be very high. The UK would be opposed to such a step in advance of the comprehensive study of vehicle emissions being carried out in the Community to elucidate the costs and energy penalties involved.

20. The UK line on acid rain (taken at the recent meeting of the Convention's Executive Body) has been that the scientific uncertainties are too great to justify costly action to curb emissions (which would mean fitting desulphurisation to existing power stations). As the largest emitter of SO₂ in W Europe, the UK is in a particularly difficult position and, aware of the increasing political sensitivity of the issue, Ministers called for a review of policy. There are no cheap options for emission reduction; a substantial reduction (say 30%) in SO₂ emissions would cost over £1 000 m in capital cost over, say 20 years (corresponding to an electricity price increase of about 3% over the period). Ministers will no doubt wish to reconsider our position in the near future.

21. The FRG memorandum also refers to the draft directive on environmental assessment. This is the first item on the agenda for the Environment Council and there is some possibility of its adoption at long last. [Information on the outcome will be passed to Stuttgart.]

Lead in Petrol

22. There is no sound evidence that petrol-lead is a major contributor to blood levels in the UK - on average, the proportion is about 20%. But many people will inevitably be above the average; and the position may be worse in other EC states. While research into the relationship between typical UK blood lead levels and children's behaviour and IQ has not shown any significant adverse effect, the possibility of such an effect has not been ruled out either. In any case, the UK view is based, not on the possibility of adverse health effects at low levels of lead, but on the inadequacy of the margin between the average uptake of lead and the higher levels at which overt signs of lead poisoning can occur.

23. The Report of the Royal Commission on Environmental Pollution published on 18 April concluded that there is no threshold below which lead can be assumed to be safe on health grounds and accordingly recommended that exposure to lead from all sources should be reduced as far as practicable. On petrol lead, it concluded that the costs of moving to totally unleaded petrol would be relatively small in terms of the savings expected over the next decade or so from increased vehicle fuel economy.

24. The Secretary of State for the Environment announced on 18 April that the Government accepted the Royal Commission's recommendation that lead should be eliminated from petrol as soon as possible and would begin immediate discussions with the EC for a concerted and early European move to unleaded petrol.

25. A UK Memorandum together with one from West Germany has been tabled for the Environment Council on 16 June. A joint UK, German, Dutch and Danish cover note invites the Environment Council:

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(a) to agree in principle that it should be policy to eliminate lead from petrol throughout the Community as quickly as possible;

(b) to request the Commission to consider the measures necessary to implement this policy, and the timetable within which such measures can be brought into force, and to submit appropriate proposals to the Council;

(c) to agree to take decisions at the next session of the Environment Council.

It may not be possible to get agreement in principle given the views of some other member states (see following paragraph), and agreement to (b) above on its own would be a satisfactory outcome.

26. The UK is likely to be supported by Germany, Denmark, the Netherlands, Ireland and Greece. France is likely to resist the initiative. Other Member States are likely to take a neutral stance. The European Parliament voted overwhelmingly in favour of unleaded petrol on 6 June.

27. The UK objective is to have:

- i) an early date fixed from which (probably a single grade of) unleaded petrol is available throughout the EC and all new cars are capable of running and required to run on it.
- ii) transitional arrangements which allow existing cars to finish their lives on leaded petrol.

For salient points of detail see Reference E.

28. The Commission communication on acid rain and vehicle exhaust emissions inter alia supports an EC move to unleaded petrol and argues that in the interim all Member States should come down to the minimum lead content of 0.15 grammes per litre permitted in national legislation by Directive 78/611/EC. (The maximum permitted lead content is 0.4 g/l.) Only the UK, FRG and Denmark will be at the lower limit by 1986. The proposal to reduce to 0.15 g/l all round is

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welcome in its own right, but involves extra costs over a direct move to unleaded petrol, and could therefore possibly delay an ultimate move to unleaded petrol.

29. Unlike the UK which sees public health as the principle reason for removing lead from petrol the Commission and the FRG (and possibly Greece) see it as facilitating more stringent controls of certain other vehicle emissions (which contribute to acid rain). These further controls would be very costly and the UK has not declared a position on them: this should be regarded as a separate issue from the petrol/lead question.

Transfrontier Shipment of Hazardous Waste

30. In the light of the Seveso dioxin affair (the 41 barrels have been moved to Basle prior to disposal) both the Commission and the Presidency are anxious to make progress on a proposal to introduce a common system within the Community for supervising and controlling transfrontier shipments of dangerous wastes. Environment Ministers will have considered a progress report on 16 June and a decision is likely at the meeting of Environment Ministers planned for November.

Department of the Environment
16 June 1983

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REFERENCE
(BRIEF 7)

EUROPEAN COMMUNITIES
The Council

Brussels, 6 June 1983

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TRANSMISSION NOTE

from Secretariat
dated 1st June 1983
to Council

Subject : PREPARATION OF COUNCIL SESSION ON 16 JUNE 1983
- Lead in petrol

1. Delegations will find attached a joint note from the Governments of the Federal Republic of Germany, the Kingdom of the Netherlands and the United Kingdom on the above subject.
2. This joint note is accompanied by two Memoranda :
 - a Memorandum of the United Kingdom delegation (see Annex) ;
 - a Memorandum of the German delegation (see doc. 7234/83 ENV 83 ENT 50). — *attached*

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NOTE BY THE GERMAN, NETHERLANDS AND UNITED KINGDOM DELEGATIONS

LEAD IN PETROL

The Governments of the Federal Republic of Germany, the Kingdom of the Netherlands and the United Kingdom, having considered the latest available scientific and technological evidence, are convinced that it is essential on public health and environmental grounds that the Community should move to the use of unleaded petrol as soon as possible. Memoranda submitted by the German and United Kingdom delegations provide backing for this question (1). Accordingly the Governments invite the Council of Environment Ministers :

- a) to agree in principle that it should be policy to eliminate lead from petrol throughout the Community as quickly as possible ;
- b) to request the Commission to consider the measures necessary to implement the policy at a) above and the timetable within which such measures can be brought into force, and to submit appropriate proposals to the Council. This should include an amendment of the EC Directive on lead in petrol (78/611/EEC) ;
- c) to agree to take decisions on the basis of the Commission's report and proposals at the next session of the Environment Council.

.../...

(1) The Memorandum of the United Kingdom delegation is attached.
The Memorandum of the German delegation appears in document 7234/83 ENV 83 ENT 50.

MEMORANDUM BY THE UK DELEGATION

LEAD IN PETROL

1. In his letter of 20 April 1983 to Dr. Zimmermann and other colleagues Mr. Giles Shaw informed them of the recommendation of the Royal Commission on Environmental Pollution and of the UK Government's intention to open negotiations on the introduction of unleaded petrol in Community countries. This Memorandum seeks to carry matters forwards.
2. The Royal Commission carried out a rigorous investigation of all aspects of environmental lead. They note that no other toxic substance is so widely distributed in human and animal populations. They add moreover that :
 - there appears to be no assured safety threshold in relation to lead ;
 - the safety margin between typical UK blood-lead concentrations (10-15 microgrammes)(μ g) per 100 millilitres(ml) and the concentrations at which unmistakable signs of lead poisoning may arise in some individuals (50 μ g/100ml) is, at about 1.4, much narrower than is desirable, bearing in mind that many people's blood-lead concentrations will inevitably be above average.

They have therefore recommended that as a matter of prudence every possible step should be taken to reduce exposure to environmental lead from all sources.

.../...

3. Although the Royal Commission estimate that in the UK lead in petrol contributes only about 20 percent on average to most people's body lead content ; they point out that :
- for large numbers of adults and children the proportion is higher - in some cases very much higher ;
 - exposure to petrol-lead emissions cannot be avoided by the individual ;
 - petrol-lead is the largest single readily controllable source of environmental lead.

Accordingly the Royal Commission recommend that unleaded petrol should be introduced as soon as possible.

4. The UK authorities note that in some Member States the proportional contribution of petrol-lead to body-lead concentrations seems higher than in the UK, and that average body-lead concentrations are even closer to the levels at which overt lead poisoning can appear. The Royal Commission analysis and their conclusions would therefore seem to have a wider validity than in the UK alone.

ECONOMIC ASPECTS

5. Improvements in vehicle fuel economy over the next few years are expected to be such as to offset more than double the fuel consumption penalty of lead free petrol. The UK authorities conclude therefore that there is no overriding economic objection to moving to unleaded petrol.

CONCLUSION

6. Vehicle manufacturing for Community markets is organised on a European wide basis. This, and the fact that the Community has already established

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limits for lead in petrol (Council Directive 78/611/EEC of 29 June 1978) make imperative a Community approach to the elimination of lead from petrol.

7. The UK Government therefore invites the Council :

- a) to agree in principle that it should be policy to eliminate lead from petrol throughout the Community as quickly as possible ;
 - b) to request the Commission to consider the measures necessary to implement the policy at a) above and the timetable within which such measures can be brought into force, and to submit appropriate proposals to the Council . This should include an amendment of the EC Directive on lead in petrol (78/611/EEC) ;
 - c) to agree to take decisions on the basis of the Commission's report and proposals at the next session of the Environment Council.
-

Memorandum from the delegation of the Federal Republic of Germany to the EEC Council of Ministers (Environment) on 16 June 1983 on the reduction of toxic substances in the exhaust gases of motor vehicles and the lead content of petrol

In 1981 the Federal Republic of Germany submitted proposals to the European Communities for a long-term reduction of the limit values for toxic substances in the exhaust gases of motor vehicles. These proposals were justified by the level of emissions, particularly in areas with high traffic density. In the meantime, increasing reports of the dangers and damage to forests have alarmed German public opinion to a hitherto unprecedented extent. Although it is as yet impossible to establish the causes of "forest death", it is quite probable that motor vehicles contribute considerably to this, or at least this probability cannot be ruled out.

It is therefore a laudable goal to achieve at least the limit value reductions proposed in 1981, but also even more far-reaching reductions, if possible. This is possible thanks to the catalyzer technology introduced by the United States several years ago, for which lead-free petrol is necessary. The German delegation therefore considers that there is an urgent need for conversion to lead-free petrol in the Member States of the European Communities; here too it draws attention to the well-known toxic effects of lead itself. On 27 April 1983 the Federal Government discussed with the leading representatives of the German automobile and oil industries the further measures to reduce exhaust emissions from motor vehicles. During these talks the German automobile industry pointed to the additional costs involved in the use of catalyzers and the resulting economic burden, but nevertheless supported in principle the Federal Government's efforts to reduce environmental pollution caused by motor vehicle exhaust gases. The German oil industry was prepared in principle to supply lead-free petrol.

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The German delegation considers that the possibilities currently offered at a suitable price by modern technology in the field of motor vehicle exhaust emissions should be placed at the disposal of environmental protection. The Federal Government unequivocally acknowledges the need for a uniform Community solution and is confident that such a solution will be achieved. It would also ask the Commission, which is already preparing a medium-term strategy to solve the problem of motor vehicle exhaust emissions, for further support for the objectives of reducing them.

The German delegation accordingly proposes that the Council of Ministers for the Environment:

- (a) take a decision of principle to the effect that lead-free petrol be introduced as soon as possible throughout the Community as a precondition for effective methods of making motor vehicle exhaust fumes cleaner;
 - (b) request the Commission to prepare guidelines, including the timetable for implementing this decision of principle, and to submit them to the Council of Environment Ministers as soon as possible. Consideration should be given in this connection to an amendment to the Community Directive on lead in petrol;
 - (c) take the necessary individual decisions at the next meeting of the Council of Environment Ministers on the basis of the guidelines submitted by the Commission.
-

COMMISSION COMMUNICATION ON ACID RAIN AND VEHICLE EXHAUST EMISSIONS
(UNOFFICIAL TRANSLATION)

1. Because of their increasing scale and transnational character, certain types of atmospheric pollution generally known as acid deposits or acid rain call for special attention from the Community and for measures to be taken at Community level.

2. It is a question, in particular, of :

- damage inflicted on forests and on the soil;
- acidification of surface waters, particularly lakes, with the consequent effects on aquatic life;
- corrosive effects on buildings and particularly on historic monuments.

3. Although, scientifically, the causes and mechanisms of this damage are not fully understood, it appears to be definitely established that the principal elements involved are sulphur and nitrogen oxides and the photochemical oxidising agents. These pollutants originate from industrial installations and also from motor vehicles.

4. The Community and its Member States have already taken a certain number of measures to combat atmospheric pollution. The Community has, in particular:

- set up observation networks;
- carried out research programmes;
- established standards for atmospheric quality, particularly in regard to sulphur dioxide and lead in the atmosphere;
- established emission standards for exhaust gases released by motor vehicles.

The Community and the Member States are also signatories of the Geneva Convention on long-range transboundary air pollution.

5. The Member States, in addition to the measures implementing Community directives, have taken various steps to limit emissions of atmospheric pollutants. These include in particular systems of authorisation or declaration for certain classes of industrial installation.

6. It seems to the Commission that these various actions should be supplemented and reinforced for the following reasons:

- Community measures imposing standards are not all being applied at the same rate by the Member States.
Some of those standards sometimes allow great flexibility in the matter of their application to the actual emissions.
- Community standards cover only a certain number of the pollutants to be considered.
- The establishment of those standards has been dictated essentially by concern regarding public health, while environmental considerations, which sometimes require more restrictive measures, have not always been taken fully into account.

7. The result is great disparity in national measures, a disparity that may affect production costs to differing extents and may in some cases lead to distortions.

8. For these reasons, and bearing in mind the increasing incidence of acid deposits observed, the Commission proposes:

- to supplement existing directives by directives relating to the most highly pollutant industrial installations such as large combustion plants and to the admissible levels of nitrogen oxide contained in the atmosphere. The measures proposed should be applied gradually, bearing in mind also their economic effects and the state of existing technologies.

- to establish, within the framework of the common agricultural policy, a surveillance network and measures permitting the effects of acid rain on forests to be monitored at Community level;
- to organize an international scientific symposium in Karlsruhe in September 1983, designed to take stock of current knowledge on the subject of acid deposits;
- on the basis of the results of that symposium, to extend Community research projects in this field.

9. In addition, regarding the reduction of pollution due to exhaust gases from motor vehicles, because of the close links between the lead content of petrol and the possibility of reducing the other pollutants contained in exhaust gases the Commission has decided:

- in adapting Community regulations relating to the motor sector, to pursue (within the framework of its overall approach and taking into account the regulations introduced in non-Community countries) the aim of complete abolition of lead in petrol, bearing in mind the effects of that abolition on refining costs, on expenditure of energy and on the motor manufacturing industry and undertaking the necessary consultations with all the interests concerned.
- to call on Member States initially to approximate the lead content in petrol to the level of 0.15 grammes per litre set as a lower limit in current Community legislation.

10. Furthermore, the Council should at a very early date, once the opinion of the European Parliament has been obtained, adopt a draft directive to reduce pollution resulting from exhaust gases in compliance with ECE rules.

11. Finally, the Commission calls on the European Council to note the initiatives listed above and to support them.

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REFERENCE D

(BRIEF 7)

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
London

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Translation

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.

CONFIDENTIAL

- 2 -

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

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

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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.

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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.

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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 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).

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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

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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.

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UNLEADED PETROL: SALIENT POINTS OF DETAIL

1. The recommendations in the Joint and UK Memoranda for the Environment Council have been deliberately couched in general terms to avoid giving opponents an opportunity of quibbling over points of detail and then refusing to join in a decision of principle. The Prime Minister may, however, like to know that we are looking to the Commission to propose a regime which ensures that

- a. from a certain - early - date, unleaded petrol is generally available for sale throughout the EC;
- b. from the same date, all new cars manufactured in or imported into the EC are capable of running, and required to run, on that unleaded petrol;
- c. there are adequate transitional arrangements for the 10 years or so over which existing cars will need to run on leaded petrol;
- d. workable arrangements are devised to avoid leaded petrol being used in new cars during the transition period;
- e. the numbers and octane grades of both leaded and unleaded petrol are standardised throughout the EC - perhaps with a single type of (high octane) leaded petrol and a single type of unleaded (see below).

2. The EC Commission are in favour of moving to unleaded petrol, but also, it seems, intend to propose that Member States should one and all adopt 0.15 grammes per litre (instead of the present 0.4g/l) as the maximum lead content of petrol as an interim measure. A move to 0.15g/l would be highly desirable in its own right: it is the quickest way of taking the majority of lead out of petrol, and is why the UK decided, two years ago, to move to 0.15g/l by the end of 1985. But moving to 0.15g/l would involve the oil industry in considerable investment costs (£200 million in the UK) which would not be incurred if the move to unleaded petrol was direct from 0.4g/l. If the Commission proposal for a move from 0.4g/l to unleaded petrol through 0.15g/l seems likely to give rise to any slowing down of an ultimate move to lead-free petrol (eg to allow the investment incurred in going to 0.15g/l to fructify), it should be opposed.

3. On the question of the octane rating to be chosen for unleaded petrol, the UK oil industry would like to see 92 RON. The UK motor industry has not yet formed a collective view, but has undertaken to do so in the next couple of months. At the moment Ford are hoping that 95 (or more) RON will prevail because their forward development programme is based on high-octane fuel. BL would appear to be well placed for 92 RON given their recent hook-up with the Japanese, who have been making engines to run on 92 RON unleaded petrol for some time.

4. The Royal Commission on Environmental Pollution think that the most economical single grade of unleaded petrol for EC purposes is 92 RON. But the Germans are arguing that it should be at least 95 RON - to safeguard their motor industry, which is geared to 97/8 RON but whose products could be made to run on 95 RON petrol.

5. If the EC as a whole moved to unleaded petrol at 97/8 RON,

a. the total EC oil-take for petrol could rise by 10% (costing £3-400 million pa in the UK);

b. the oil industry would need to invest heavily in extra "cracking" capacity ("£billions" in the UK, according to the Royal Commission);

c. the motor industry would require minimal investment.

6. If the EC as a whole moved to unleaded petrol at 92 RON,

a. the total EC oil take for petrol would rise by $2\frac{1}{2}\%$ (costing £75 million pa in the UK);

b. the oil industry would not need any extra refinery investment;

c. the motor industry would need to invest considerably in hardening valve seats and switching to the low compression engines required to run on low octane petrol (costing £250 million overall in the UK).

7. The balance of economic advantage seems to be clearly in favour of 92 RON (the grade chosen in the USA and Japan), which would incidentally keep to a minimum the use of crude oil for petrol.

But although as things stand at present 97/8 RON would be extremely expensive (with 95 RON roughly between 97/8 and 92), there is a strong strain of vehicle engineering thought which believes that before long high compression engines will so far overtake low compression engines on performance that it will take far less energy overall to run on, say, 95 RON than on 92 RON.

8. It is to be hoped that an EC consensus will emerge on the RON number - preferably on a Commission recommendation. Pending further discussion, the Prime Minister is advised to steer clear of making any concession to the 95-97/8 RON point of view. But there may have to be confrontation between EC Ministers in the end.

9. The German oil industry has been able to produce low-lead petrol (0.15 g/l) by 'creaming off' cheaply the higher quality fraction of crude oil on the European market. By contrast, the UK oil industry is having to invest £200m in improved refining techniques to produce petrol leaded at 0.15 g/l. Part of the German enthusiasm for high octane unleaded petrol is no doubt based on an assumption that the German oil industry will continue to cream off high quality crude which needs little additional refining. If this happened, the rest of the EC would be left carrying the disproportionately high costs of refining high octane unleaded petrol from the crude oil left. On that account, it seems unlikely to happen.

Department of the Environment
16 June 1983

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9 JUNE 1983

EUROPEAN COUNCIL, STUTTGART 17/19 JUNE

INDUSTRIAL POLICY RESEARCH AND
DEVELOPMENT

Brief by Foreign and Commonwealth Office

OBJECTIVES

1. To reinforce the UK line that Europe's industry must develop within an open and fair international trade and investment regime.
2. To reiterate support for ESPRIT and to agree to examine new Commission proposals on biotechnology and telecommunications.
3. To show polite interest in French ideas for special agencies to encourage cooperation in the industrial field.

POINTS TO MAKE

Industrial Policy

1. Recall conclusions of successive European Councils on need for a strategy for European industries: important that we continue to work to this end by (i) pursuing nationally economic and financial policies to promote competitiveness and (ii) as a Community to deploy a range of Community policies, particularly over the internal market, to improve the climate for business confidence.

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Promotion of Innovation and New Technologies

2. Promotion of innovation and new technologies is a key element in the Community's efforts to compete effectively with the other major industrial powers.

3. We therefore continue to give support to ESPRIT (European Strategic Programme for Research in Information Technology): we are encouraged by the results of the pilot programme and are keen to see the programme established after further discussions to achieve a realistic and worthwhile programme. We have also welcomed the Commission's proposals on innovation and technology transfer.

Biotechnology

4. We await more detailed proposals in the coming months. The Commission ideas will require careful consideration by experts and later by Industry Ministers. Community dimension can be established on basis of national programmes and existing Community initiatives, step by step.

Telecommunications

5. Commission's ideas are of interest. They need to be examined closely by senior officials with a view to an early report to Industry/Telecommunications Ministers.

Framework Programme for Research and Development

6. We agree that research and development should play a more important role in Community activity and support the concept of the Framework Programme. We shall need to discuss the proposed level of resources taking account of the constraints on public expenditure which affect us all and of the need to keep within the existing 1% ceiling. Would welcome a more precise account of the research programme relating to the individual goals.

French Ideas on Agencies to encourage Industrial Cooperation
(If raised)

7. We have a common interest in stimulating Community cooperation where scope and scale of projects makes this desirable, as in high technologies. Difficult to come to any firm conclusions at this early stage, but there are a number of interesting ideas. Important that these are examined further.

ESSENTIAL FACTS

ESPRIT

8. The ESPRIT proposals have involved pilot projects on collaborative pre competitive research in key areas of information technology identified by industry. The results are encouraging and UK firms have done well. Davignon has tabled plans for the main programme, which he hopes can start from 1984. A budget of 750 mecu over 5 years is envisaged. While warmly welcoming the proposals, we are stressing that there are important financial implications which need to be considered in the context of our budget imbalance problem and the own resources ceiling.

Other Current Proposals

9. Other Commission initiatives currently under discussion include a proposal for a programme of measures to encourage cooperation in innovation at Community level and to facilitate access to information on research, inventions, patents, standards etc across national boundaries (likely cost 12.5 mecu over 3 years). The UK has supported this, while pressing for proper programme definition and management. The Commission also proposed an extension to the Community's multi annual

programme in data processing, with particular emphasis on work on 'ADA', an advanced computer language, and trans border data flows (proposed cost 40 mecu over 3 years). The UK is critical of the proposed level of funding and duration.

New Commission Proposals on Biotechnology and Telecommunications

10. Davignon intends to launch these at the Council. On biotechnology the basic argument is that this sector will be of major industrial and economic importance over the next 30 years and beyond and that if Europe is to compete with US and Japan it must work together. His proposals will stress the need for measures to promote basic biotechnology training and research; strengthening of the biotechnology infrastructures (data banks, collections of micro organisms); rationalisation of industrial, commercial and intellectual property rights; and measures to assist in particular agro industry and the health industry (eg R & D in such fields as upgrading agro food products and drug development).

11. These are mostly objectives with which few would disagree; the question is how much should be carried out through a Community programme and the scale of resources which should be applied over what period. We accept there is a case for continued Community collaboration on biotechnology, building on the existing Community Biomolecular Engineering and Biotechnology Information programmes, but this should be a gradual process building on proven successes. The priority areas identified by the Commission are important, but not that all of these are necessarily appropriate for Community action. Each will require detailed scrutiny. We see no need for a major new and much increased Community programme. We favour an incremental approach.

Telecommunications

12. Here, he will propose the setting up of a Committee of senior officials to produce a policy report by December 1983, and final conclusions by March 1984, on a Community telecommunications policy, covering research and development, standardisation, pricing and public purchasing. He will also call for a Community approach to space telecommunications and an enhanced role for the European Space Agency. His most radical proposal will be for the establishment of a Community telecommunications body, placed under the authority of the Commission and financed by own resources. The proposals follow the abortive Telecommunications recommendations which were killed by the French and the Germans. The new proposals are much more ambitious - they involve greater influence for the Commission in key policy areas. While the original proposals for a gradual opening up of PTT procurement and liberalisation of supply of attachments suited UK liberalisation objectives, we have serious reservations over the current proposals. In particular we are concerned about increased Community competence in standards and technical barriers to trade, PTT procurement and 'fair' competition. Moreover, UK policies of liberalisation and privatisation are not the same in other Member States. Accordingly we should agree to no more than the proposals to be considered with a view to report back to Industry/Telecommunications Ministers.

Framework Programme for Research and Development

13. Davignon's 5 year Framework Programme proposals seeks to indentify a number of Community Research and Development objectives, to establish priorities and to indicate the resources necessary to achieve these goals. The Framework should improve procedures for organising Community Research and Development and help to establish a sensible balance between 'in house' activities at the Joint Research Centres and collaborative research in Member States. But Davignon has

called for an increase in expenditure from its current level of 2.36 becu to 3.75 becu for the 4 years 1984-87. (although he may be ready to accept a more modest increase to 2.85 becu). We have said that Research and Development should have a greater share of the Community's available resources, but only within the own resources ceiling, which implies off-setting savings elsewhere in the Community budget. Moreover while we agree with the broad goals selected (agriculture, industrial competitiveness, raw materials, energy, development, environment, improvement of Community's scientific and technological potential) we regard the level of resources as too ambitious, and are assessing the likely impact of the Programme on the UK's budget imbalance problem.

French Ideas on Agencies

14. At the March European Council, President Mitterrand floated the idea of financing outside the Community budget of new policies by the creation of specialist 'agencies'. The French appear to envisage collaborative ventures in energy industry and research, administered and financed by 'agencies', and involving only those member states which wished to participate. Although the role of the Community in these projects has not been clearly defined, it seems like that there would be an element of Community participation and funding. The high technology industries created by the agencies would enjoy a Community public procurement policy which favour their products and protective increases in external tariffs.

15. The French ideas are similar to many that Davignon has been floating. They are likely to be attractive to some Member States (eg Italy). On the other hand the Germans likely to find the interventionism and protectionism implied in the French ideas at variance with their own approach.

16. To the extent that Community finance is involved in the new collaborative ventures, the pressure on the VAT 1% ceiling

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would be increased. Impossible at this stage to predict the effect on the Budget problem.

17. We shall need to find out more about the French ideas before coming to any firm conclusions. There could be opportunities for major benefit to the UK if we can identify areas of cooperation which suits us. On the other hand the proposals could have adverse consequences for our inward investment policy. A polite, though non committal response to the French ideas from us with agreement that they should be studied further might make it easier for Mitterrand to make concessions, at the Council and subsequently, in the negotiations of the Budget problem.

Foreign and Commonwealth Office
9 June 1983

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EHG(83)8 Addendum COPY NO **1**
15 June 1983

EUROPEAN COUNCIL, STUTTGART
17/19 JUNE 1983

INDUSTRIAL POLICY, RESEARCH AND DEVELOPMENT
Brief by Foreign and Commonwealth Office

The Commission Paper on "Prospects for the Development
of New Policies" is circulated herewith.

Foreign and Commonwealth Office
15 June 1983

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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83)371 final

Brussels, 12 June 1983

PROSPECTS FOR THE DEVELOPMENT OF NEW POLICIES

(Communication from the Commission to the European Council,
Stuttgart, 17-19 June 1983)

COM(83)371 final

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PROSPECTS FOR THE DEVELOPMENT OF NEW POLICIES

I. The discussion concerning the expansion of the Community's own resources has tended to emphasize budgetary aspects at the expense of all other considerations.

Moreover, since all Member States face difficult choices as regards budgetary options, a contradiction can sometimes be said to exist between measures taken at national and Community level, involving compression on the one hand and an accelerated growth in expenditure on the other.

As a result, the debate now opening on the future of the Community, and particularly on new areas of Community development, is characterized by an ambiguity which the Commission considers it essential to remove.

The introduction of new policies has, in fact, been impeded not so much by the debate on agricultural expenditure as by the absence of specific objectives and definite priorities.

Consequently, in order to guarantee the harmonious development of the Community, the Council must first define appropriate objectives, and then provide the necessary instruments for their attainment within a given period. Over the years this method, on which the Community's great achievements were based, has given way to empiricism and pragmatism. It is essential to demonstrate the merits of the Community's approach compared with that of national governments. Failure to return to the method will make it impossible to:

- compare the advantages of the Community and national approaches;
- demonstrate that the expenditure involved is not simply a levy on the economies of the Member States but the means of achieving the jointly defined objective more effectively;
- make a choice between the different commitments that the Community might enter into;
- make a genuine assessment of the action taken.

The following examples are provided as an illustration of the foregoing observations.

* Research and development: A framework programme, defining the different Community priorities for a four-year period, has been drawn up by:

- identifying specific objectives,
- providing a balanced assessment of the relative importance of the projects involved,
- establishing an operational management structure,
- providing for independent evaluation.

The Commission must, therefore, accept the consequences of its basic choice by providing, bearing in mind the financial resources available, an estimate of the funds required for the successful execution of the programme adopted. The Commission will enter the specific amounts in each preliminary draft budget for subsequent approval pursuant to the budgetary procedure.

As a result of its overall view the Council will then have all the information it requires to decide on specific programmes: ESPRIT, the programme of activities of the Joint Research Centre, etc.

* Energy: A five-year programme will make possible the creation, within the Community, of appropriate conditions for the changes which are economically essential in the energy sector. This programme:

- defines objectives,
- lists priorities for action,
- suggests ways of implementing these priority activities.

Once the parameters have been defined, the Commission will indicate the activities which, in its opinion, can be most effectively, reliably and profitably executed in a Community context. Whereas some simply involve coordination with the Member States, others are more specifically orientated towards joint action.

The increase in expenditure can thus be measured in terms of the expected economic benefit for the Community as a whole.

* Telecommunications, biotechnology, development of innovation: Faced with the speed at which changes occur and their magnitude, the Commission proposes to adopt a medium-term approach in each of these areas, all of which are of vital importance for the future and, in particular, industrial competitiveness.

Before the objectives have been defined, there can be no genuine agreement as to the need for, or value of, a Community approach. It will thus be impossible to assess the content and potential benefits of each of the concrete proposals.

*

* *

The proposed approach fulfils the objective requirements of Community development, whilst at the same time guaranteeing optimum use of the necessary financial resources.

The rate at which these policies or new projects are implemented will depend on:

- actual need;
- the priorities fixed;
- the resources made available; these will be determined on the basis of the task to be accomplished and its expected benefit for the Community both in economic terms and from the point of view of its unification.

A Community cannot live off its past achievements. Opposition to change clearly leads to erosion. Even more serious, however, is the fact that failure to take account of new problems may cast doubt on the Community's ability to exert any favourable influence on our future.

II. The above principles have informed the Commission's communications to the Council in recent weeks, concerning the R&D framework programme, Esprit, biotechnology, telecommunications and the multiannual programme in the energy field.

1. FRAMEWORK PROGRAMME FOR RESEARCH 1984-87

In the field of science and technology, the Commission is essentially proposing the following:

- five criteria by which to define the specific scientific and technical objectives to be adopted; these criteria relate to both the Community dimension (level of human and financial resources required, size of the potential market, "transnationality"), and to Community interests (collective needs, support for the Community's major objectives),
- the definition and implementation at Community level of an overall research, development and demonstration strategy,
- the preparation of a general framework programme of Community scientific and technical activities, to serve as an instrument for the implementation of the strategy, which defines the options and objectives to be adopted,
- the priority options to be taken into account:
 - . agricultural competitiveness,
 - . industrial competitiveness (with special attention to the new technologies),
 - . scientific competitiveness,
 - . stepping-up of aid to the developing countries,

- . adaptation of R&D activities already undertaken, by means of their incorporation into the overall strategy: energy, raw materials, environment, health and safety,
 - . development of analysis and forecasting capacity,
 - . reorganization of structures and procedures on the basis of the proposed strategy,
 - . systematic evaluation,
- a gradual increase in the Community's financial resources.

2. ESPRIT

Information technology is a strategic sector in which Europe suffers from inadequate production and restricted growth. The acceleration of technological progress is disrupting production conditions; industrial expansion is becoming dependent on the growth of research and access to a large market.

It is only in a Community framework that industry can enjoy the vast continental market and the security of the stable and homogeneous legal and political environment it needs in order to organize its own development strategy at the European level.

In-depth consultation with the major companies specializing in information technology, small and medium-sized enterprises, the universities and the administrations of the Member States made it possible for the Commission to prepare the proposal for the Esprit programme which it sent to the Council at the end of May 1983. This proposal provides for five areas of pre-competitive research. Industry is making available substantial amounts of its own resources for allocation to Esprit. Maintaining the present tempo in the preparation of the programme will also be a test of the Community's decision-making capacity.

3. TELECOMMUNICATIONS

It is recognized that there are three factors which determine the performance of the telecommunications industry: technological effort, the size of the market and the direct role played by the public authorities, particularly through the posts and telecommunications administrations.

A Community approach can give industry the support it needs to:

- ensure technological progress;
- operate on a large scale;
- provide stimulation to ways of increasing demand, by modernization of networks and deregulation of terminals.

This approach calls for a common strategy, a legal framework and a specialized executive body at Community level.

4. BIOTECHNOLOGY

There are two priority objectives:

- the development of basic biotechnologies by means of training and research;
- establishment of the conditions necessary for the development of biotechnology in the Community (access to raw materials of agricultural origin, setting up of homogeneous systems of rules and regulations and adaptation of systems of industrial, commercial and intellectual property).

In view of the scale of the problems and the need to ensure that Community action has the necessary continuity to be effective, the Commission proposes a phased R&D programme with well-identified objectives. During 1983, in close consultation with the industries and scientific laboratories concerned, the Commission will make precise and detailed proposals with the particular aims of:

- reinforcing basic biotechnology, and
- supporting Community policies in respect of the agricultural processing and health industries.

5. ENERGY

The guidelines of the multiannual programme are concerned with:

- reducing waste and the duplication of efforts and establishing the appropriate scale for financial contributions;
- creating a framework of rules and regulations which will encourage operators to take the correct long-term decisions. The Community does not intend to take over their responsibilities;
- taking appropriate action in areas where this has been shown to be beneficial at Community level, both in terms of a common interest and of effectiveness in the allocation of financial resources.

The programme also incorporates the time and flexibility elements essential to its efficient operation.

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10 June 1983

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EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

ENLARGEMENT

Brief by Foreign and Commonwealth Office

OBJECTIVE

1. To reach agreement on the way forward on the Mediterranean agricultural regimes (while avoiding detailed discussion) and to give a positive signal to Spain and Portugal by a commitment to begin negotiation on the agriculture chapters.

POINTS TO MAKE

General

2. Congratulate Presidency on recent progress on some difficult chapters of the negotiations. But what is needed now - just as it was when we met last December - is real negotiations on agriculture. Only movement in this area will
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do much to dispel the growing scepticism of the applicant countries. This must be the first priority in the negotiations, and the applicants will be looking for evidence from this meeting that we recognise this.

Mediterranean Agriculture

3. (If no agreement on fruit and vegetables) Regret that agriculture Ministers have not been able to agree on reform of Mediterranean agricultural regimes despite two successive mandates from Council. Saga has continued long enough. The issue has been thoroughly explored and it is time for decisions.

4. (If Agriculture Ministers have agreed fruit and vegetables) Welcome agreement on fruit and vegetables. Serious negotiations can now begin on agriculture dossiers (except for olive oil) in the accession negotiations.

5. On olive oil we can agree to the concept of a long transitional period and continued study by Agriculture Ministers on the best means of reforming the olive oil regime. But the terms of reference of such further efforts must recognise the dangers inherent in surplus production of olive oil and the unsuitability of the present regime for a Community of twelve.

Further points for use as necessary in discussion

Target Date

6. No objection to setting a target date if others feel this would help Spain and Portugal. But more unenforceable promises will not impress them much unless accompanied by signs of real

readiness to negotiate on agriculture.

Spanish industrial tariff transition (If raised)

7. Community should give priority to redressing excessive tariff disparities. We also look forward to a progress report from the Commission about Spanish intentions on restructuring their industry in sensitive sectors.

BACKGROUND

8. The Council will have before it two reports, one from Agriculture Ministers on the progress made in fulfilling their mandate from the 23 March European Council to reach agreement on the Mediterranean agricultural regimes and the other on progress in the accession negotiations. (Brief No 21 will provide an update to take account of developments at the Agriculture Council and contingency material for detailed discussion, which however we should prefer to avoid.)

Mediterranean Agriculture

9. It is possible that agreement will be reached on the substance of the fruit and vegetable dossier at the Agriculture Council on 13/14 June. If so there is no reason why negotiations should not now begin on the substance of the Spanish and Portuguese agriculture dossiers. (Commission proposals respectively on Spanish and Portuguese agriculture - except for olive oil - are about to be finalised and there is no excuse for further delay). If no agreement, Agriculture Ministers will need a sharp instruction to get on with it, on a tight schedule.

10. However, olive oil has proved to be so intractable that Agriculture Ministers will be recommending a holding agreement to the European Council. This envisages a long transitional period for olive oil as envisaged by the European Council of 23 March, a long transitional period for other vegetable oils and fats, including a period of standstill during which Spain and Portugal will continue to apply their existing controls; and agreement on the principle that both countries should apply Community measures to limit planting as soon as possible. Agriculture Ministers would continue their work on substance; the main current bone of contention is the terms of reference for this further work. We could not accept that negotiations (with Spain and Portugal) on olive oil begin before agreement has been reached internally.

Progress in Accession Negotiations

11. The Presidency may - in the absence of any other significant bone to toss to the applicants - propose setting a target date of the middle of 1984 for the conclusion of the accession negotiations. As always a target date is a hostage to fortune which, if missed, would increase disillusion. The outstanding issues are the most difficult and have barely begun to be addressed. Nonetheless around mid-1984 is the date by which the negotiations must conclude if accession is to take place on 1 January 1986, ie within the life-time of its present Parliament to which the Spanish Government are committed. While

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not enamoured of a target date, we could go along with it if other Member States want it.

12. The length of the tariff transitional period in the industrial chapters of the negotiations is unresolved. We attach greater priority to an initial sharp reduction by Spain of her highest tariffs than to the length of the transition period as such. We also believe that Spain and Portugal should adopt Community disciplines in sensitive industrial (and agricultural) sectors, and that this should be tackled in the relevant chapters of the negotiations.

Foreign and Commonwealth Office
10 June 1983

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13 June 1983

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

GREEK MEMORANDUM

Brief by Foreign and Commonwealth Office

OBJECTIVE

1. To avoid expensive commitments to help Greece adjust to membership.

POINTS TO MAKE

2. Commission paper forms useful basis for discussion but many details and final cost are as yet unclear. Much more work needed. When Commission produce formal proposals we shall have to consider other demands on these alongside Community expenditure. UK will of course participate fully in consideration by the appropriate specialist groups in the usual way.

[If appropriate]

3. Concerned that Greece has yet to comply with

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existing Treaty obligations. Proposal to replace indirect taxes on imports by a single regulatory tax will not remove present discrimination against Member States' exports which is causing difficulties for many of us. It is important that position on taxation and other infractions is regularised quickly, and that Greece introduces VAT (as agreed) as soon as practicable.

4. In this context must also express concerns at Greece's unwillingness to join common positions in Political Cooperation, and in particular at the damage this causes for the cohesion of the Ten on important political issues, notably East/West relations and the Middle East.

BACKGROUND

References

A: UKRep Brussels telno 1368

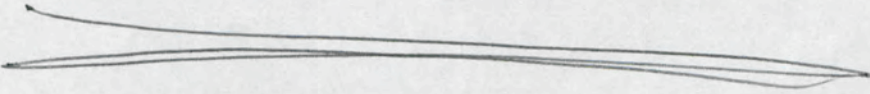
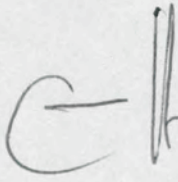
5. Papandreou Government elected in autumn 1981 on anti-EC platform. Their Memorandum, presented to Community in March 1982, seeks to maximise and accelerate Greece's financial benefits from accession (and thus strengthen arguments for continued membership) through more EC funds to develop

agriculture, rural infrastructure, and small and medium sized industries; it also wishes EC competition rules to be eased.

Commission Paper

6. The Commission produced its response to the Greek Memorandum in March (UKRep Brussels telno 1368). It relies heavily on the proposed Integrated Mediterranean Programmes (IMPS) (see Brief No 15) as the vehicle for increasing Greece's benefits from the Community. Greece's share of proposed expenditure on IMPS (6,628 mecus over 5 years) is estimated at 2,542 mecus. The Commission paper also proposes further unspecified expenditure in a number of fields (eg on major projects to help launch Greece's 5-year development plan), and special supplementary measures for major projects ineligible for aid under the IMPS or existing Community instruments. These could also be costly.

7. Papandreou is expected to seek a positive opinion on the Commission paper, and ask for the Council to lay down guidelines for its implementation. We should resist this. The IMP proposals are particularly unwelcome given the huge costs involved. We - and



other Member States - believe appropriate solutions to Greece's demands can be found within existing Treaty provisions and funding. Financially, Greece is already doing very well out of the Community. Her net benefits in 1982 amounted to about 700 mecus. We do not quarrel with this. Greece is the poorest and least developed of the Ten and it would be contrary to our views on equity and convergence to do so. But we have no interest in increasing these benefits substantially from their already generous level, and particularly not when to do so would worsen our own budgetary situation. Our aim should therefore be to draw out discussion of the Commission's proposals for as long as possible, and to limit their cost as much as possible. Opportunities to do both will be greater if decisions on the Commission paper as a package are avoided, and if the formal proposals which the Commission have yet to produce on individual items in the paper are dealt with in the normal way by the appropriate specialist groups in Brussels.

Infractions

8. There are frequent complaints from British industry about Greek protectionist practices which contravene

Greece's Treaty obligations. The Commission's recent robust attitude to numerous Greek non-fiscal measures is broadly satisfactory, but indirect taxes on imports are a particular problem. The Commission are proposing a fixed timetable for phasing out such taxes. The Greeks have proposed a single regulatory tax to replace the present plethora of indirect taxes on imports. This would entail Member States' acquiescence in continued discrimination against their exports, albeit on a diminishing scale, over a 5-year period. In addition, the Greeks will be unable to introduce VAT before mid-1985. An extension of the original deadline for implementation - 1 January 1984 - will require an amendment to the Greek Treaty of Accession. We should maintain pressure (on Greece and the Commission to regularise Greece's position on taxation and other infractions) as quickly as possible.

Political Cooperation

9. Since the election of Papandreou the Greeks have played a maverick role in Political Cooperation. Low points have been:

- a) The 4 January 1982 declaration by the Ten on Poland, which Greece subsequently renounced.

b) The March 1982 European Council, where the Greeks dissociated themselves from certain passages of the conclusions on East-West economic relations.

c) The Greeks warmly welcomed a visit to Athens by the Soviet Prime Minister earlier this year, at a time when the rest of the Ten were refusing to return to "business as usual" because of the continuing crisis in Poland.

d) Since Greece joined the Community the proportion of common positions achieved by the Ten at the UN has fallen from 80% to 72%. At the 37th General Assembly there were 32 votes where the Ten split 9:1. Greece was the isolated member in 26 of these.

The aim of intervening on this subject is not to indicate any intention of blocking discussions of the Commission memorandum (we have no such intention) but rather to make it clear to the Greeks at a political level that membership of the Ten entails obligations as well as rights, and that in the area of Political Cooperation she has not been living up to these obligations.

Foreign and Commonwealth Office

13 June 1983

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FRAME GENERAL

FRAME AGRICULTURE

FM UKREP BRUSSELS 301342Z MAR 83

-TO PRIORITY FCO

TELEGRAM NUMBER 1363 OF 30 MARCH 1983

INFO PRIORITY ATHENS

INFO ROUTINE BONN

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS

LISBON MADRID STRASBOURG

GREECE AND THE EEC

1. THE COMMISSION FINALLY AGREED ITS RESPONSE TO THE GREEK MEMORANDUM ON 29 MARCH. (COPIES BY BAG TO FCO, CABINET OFFICE AND ATHENS).
2. THE CENTRAL OBJECTIVES OF THE RESPONSE ARE DEFINED AS:
 - (A) HELPING THE TRANSFORMATION OF GREEK ECONOMIC STRUCTURES, AND
 - (B) ACCELERATING GREECE'S INTEGRATION INTO THE COMMUNITY.
3. THE COMMISSION MAKES CLEAR THAT THE SUCCESS OF THEIR AMBITIOUS PROPOSALS DEPENDS AS MUCH ON THE EFFORTS GREECE MAKES TO INTEGRATE INTO THE EC AS ON THE CONTINUATION OF OTHER MEMBER STATES.
4. THE PAPER HAS THREE MAIN OPERATIONAL PARTS:
 - (A) A SUMMARY OF THOSE ASPECTS OF THE INTEGRATED MEDITERRANEAN PROGRAMME (IMP) FOR GREECE RELEVANT TO THE PRIORITIES SET OUT IN THE GREEK MEMORANDUM.
 - (B) A SHORT SECTION ON APPLICATION OF LEGISLATION WHICH SPECIFIES THAT THE COMMISSION WILL PROPOSE A TIMETABLE FOR BRINGING GREEK TAXATION INTO LINE BUT GLOSSES OVER THE OTHER INFRACTIONS NOW IN HAND.
 - (C) SPECIFIC ACTIONS NOT COVERED BY THE IMP, WHICH ARE NOT COSTED (AND BURKE REFUSED TO REVEAL FIGURES TO THE PRESS).
5. GIVEN THE WIDELY-HELD DOUBTS ABOUT THE SUCCESS OF THE COMMISSION'S IMP PROPOSALS, MUCH ATTENTION WILL FOCUS ON THE SPECIFIC ACTIONS. THESE ARE:
 - (A) HELP TO MAJOR PROJECTS IN THE 5-YEAR PLAN EITHER UNDER EXISTING COMMUNITY INSTRUMENTS OR IF NECESSARY UNDER SPECIAL MEASURES LASTING 4 YEARS WHICH THE COMMISSION WOULD PROPOSE TO THE COUNCIL - ALL DEPENDENT ON THE GREEKS SUBMITTING APPROPRIATE APPLICATIONS AND SUBJECT TO CURRENT NEGOTIATIONS ON REVISION OF ERDF.
 - (B) HELP FOR RESEARCH, TECHNOLOGY AND ENERGY PROJECTS UNDER EXISTING INSTRUMENTS.

/ (C)

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(C) ACTION ON EMPLOYMENT AND SOCIAL POLICY BY HELP FOR VOCATIONAL TRAINING, FACILITIES FOR THE HANDICAPPED UNDER THE SOCIAL FUND WITH 75 PER CENT COMMUNITY PARTICIPATION.

(D) EXTENSION OF SCOPE OF CURRENT IRRIGATION SCHEMES UNTIL MEASURES FOR AGRICULTURE UNDER IMP COME INTO FORCE PLUS AN EXCEPTIONAL SPECIAL AID TO IMPROVE QUALITY CONTROL. (FOR THE REST THE COMMISSION PLAY DOWN THE SERIOUSNESS OF GREEK AGRICULTURAL PROBLEMS AND SAY, IN EFFECT, WAIT FOR THE IMP.)

(E) PRIORITY TO GREEK REQUIREMENTS ON FISHERIES UNDER REGULATION 31/83, OTHERWISE LEAVING FISHERIES NEEDS TO THE IMP.

(F) SUBSTANTIAL AID TO BE PROPOSED FOR TRANSPORT INFRASTRUCTURE IN ADDITION TO THE WHAT IS ALREADY PROPOSED IN THE EXPERIMENTAL TRANSPORT INFRASTRUCTURE PROJECT (COM(82)828). WHILE RECOGNISING THE HIGH COST OF TRANSPORT IMPOSED BY THE NUMBER OF ISLANDS, THE COMMISSION OPPOSES DIRECT TRANSPORT COST SUBSIDIES AND WILL PROPOSE ONLY LIMITED INTERIM MEASURES IN THE AGRICULTURAL CONTEXT PENDING IMPROVEMENT OF THE INFRASTRUCTURE.

(G) CONTRIBUTION TO THE COSTS OF PREPARATORY ENVIRONMENTAL STUDIES PLUS AN UNDERTAKING TO MAKE PROPOSALS IN DUE COURSE FOR A COMPREHENSIVE ENVIRONMENTAL ACTION PLAN.

COMMENT

6. THESE PROPOSALS ARE MODEST BY COMPARISON WITH THE ORIGINAL DRAFT PROPOSALS PUT FORWARD BY BURKE, AND THE ACCENT IS HEAVILY ON THE IMP. BUT SUBSTANTIAL COSTS MAY STILL BE INVOLVED IN SOME OF THE PROPOSALS, ESPECIALLY SOCIAL AND TRANSPORT (SEE SHEPHERD'S LETTER OF 11 MARCH TO SPRECKLEY FOR PRELIMINARY COSTINGS). IN BUDGETARY TERMS THE UK WOULD, AS IN THE CASE OF THE IMPS, GET NO BENEFIT TO COUNT AGAINST INCREASED CONTRIBUTIONS TO FINANCE THE SPECIAL MEASURES. ON THE OTHER HAND MOST MEMBER STATES WILL PROBABLY RECOGNISE THAT A CERTAIN PRICE WILL BE WORTH PAYING TO SETTLE THE QUESTION OF GREEK MEMBERSHIP. WE MAY ALSO NEED TO CONSIDER SHADING SLIGHTLY OUR ATTITUDE TO THE GREEK (AS OPPOSED TO THE FRENCH AND IRISH) IMP ACCORDINGLY.

FCO COPY TO:

FCO - SPRECKLEY

CAB - LAMBERT

MAFF - HADDON

TSY - SHORE

THIS TELEGRAM
WAS NOT
ADVANCED

FCO PASS SAVING TO COPENHAGEN THE HAGUE ROME DUBLIN PARIS
LISBON MADRID STRASBOURG

(REPEATED AS REQUESTED)

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8 June 1983

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EUROPEAN COUNCIL, STUTTGART

17-19 JUNE 1983

POLITICAL COOPERATION

Brief by Foreign and Commonwealth Office

The following Political Cooperation briefs are attached:

ANNEX A EAST-WEST RELATIONS: GENERAL
ANNEX B EAST-WEST RELATIONS: POLAND
ANNEX C CSCE
ANNEX D AFGHANISTAN
ANNEX E ARAB-ISRAEL AND LEBANON
ANNEX F IRAN-IRAQ
ANNEX G SOUTH AND CENTRAL AMERICA
ANNEX H DISARMAMENT (INF)

FOREIGN AND COMMONWEALTH OFFICE

8 June 1983

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Annex A

EAST/WEST RELATIONS: GENERAL

OBJECTIVE

1. To underline continuing need for firm and united approach on East/West questions.

POINTS TO MAKE

2. Kohl's plans for visit to Moscow? Sure he will want to convey message of 'firmness and dialogue' (European Council in Copenhagen, December 1982). Unacceptable Soviet behaviour will always meet with appropriate response, but a more constructive relationship is available if Soviet leaders willing to adopt a new approach eg on arms control, Afghanistan, Madrid. Presidency conclusions on Sunday should be as clear as Williamsburg, and with no reserves or footnotes as in NATO Foreign Ministers communique last week.
3. Firmness. Good year for the West so far. Russians failed to split Europe from US and Japan, non-nuclear from Nuclear states, peoples from governments. Western case is sound intellectually and morally, but needs to be put continually in a way ordinary people understand.

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4. Dialogue. Perhaps time to begin putting greater effort into this. Good that Kohl is to see Andropov. Reagan toying with idea of US/Soviet summit, but more likely next year than this. Not leave dialogue entirely to super-powers. And not forget Eastern Europe. Hope to play my part.

BACKGROUND

Chancellor Kohl's Visit

5. Kohl has said that he will consult partners in Ten at Stuttgart in preparation for visit to Soviet Union (4-8 July). Has denied any intention of "interpreting" West, but will be paying close attention to attitudes of other Heads of Government.

UK Policy and Contacts

6. Keynote of HMG's approach to Soviet Union hard-headed and realistic dialogue, combined with determination to take adequate measures with Alliance partners for self-defence. Mr Rifkind spoke plainly on basic issues (Soviet military build-up, Afghanistan, Poland, human rights) to First Deputy Foreign Minister Kornienko during visit to Moscow on 25-26 April.

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Other European East-West Contacts

7. Main contacts this year so far have been Gromyko/Bonn in January; Cheysson/Moscow and Tikhonov/Athens in February; Tindemans/Moscow in April. With exception of Tikhonov's visit to Greece, Western interlocutors maintained business-like tone and used meetings to underline Western concerns. Russians consistently kept accent on INF.

8. Spanish Foreign Minister Moran's visit (24 May - 3 June) an attempt to begin regular political contacts. Wide-ranging agenda, but Moran disappointed that Gromyko had spoken in standard terms throughout and offered little insight into Soviet objectives.

US/Soviet

9. In press interview on 26 May, Reagan said that there was no evidence from Russians that Andropov was ready for summit. At Williamsburg Shultz echoed this line, but spoke in terms which implied that summit might nevertheless be on cards before Presidential election.

10. State Department still keeping open possibility of

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Shultz visit to Moscow during summer followed by call
by Gromyko on Reagan at time of UNGA. But Shultz
hesitant about pressing idea on White House
particularly given concern about Soviet policy in
Lebanon/Syria.

EASTERN EUROPEAN AND SOVIET DEPARTMENT

8 June 1983

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REFERENCE A

1983 Summit of Industrialized Nations

Williamsburg, Virginia 23187

May 28-31, 1983

FOR IMMEDIATE RELEASE

MAY 30, 1983

WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY

Our nations are united in their dedication to democracy, individual freedom, creativity, moral purpose, human dignity, and personal and cultural development. It is to preserve, sustain, and extend these shared values that our prosperity is important.

The recession has put our societies through a severe test, but they have proved resilient. Significant success has been achieved in reducing inflation and interest rates; there have been improvements in productivity; and we now clearly see signs of recovery.

Nevertheless, the industrialized democracies continue to face the challenge of ensuring that the recovery materializes and endures, in order to reverse a decade of cumulative inflation and reduce unemployment. We must all focus on achieving and maintaining low inflation, and reducing interest rates from their present too-high levels. We renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditures.

We recognize that we must act together and that we must pursue a balanced set of policies that take into account and exploit relationships between growth, trade, and finance, in order that recovery may spread to all countries, developed and developing alike.

In pursuance of these objectives, we have agreed as follows:

(1) Our governments will pursue appropriate monetary and budgetary policies that will be conducive to low inflation, reduced interest rates, higher productive investment and greater employment opportunities, particularly for the young.

(2) The consultation process initiated at Versailles will be enhanced to promote convergence of economic performance in our economies and greater stability of exchange rates, on the lines indicated in an annex to this Declaration. We agree to pursue closer consultations on policies affecting exchange markets and on market conditions. While retaining our freedom to operate independently, we are willing to undertake coordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful.

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(3) We commit ourselves to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers. We intend to consult within appropriate existing fora on ways to implement and monitor this commitment. We shall give impetus to resolving current trade problems. We will actively pursue the current work programs in the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development, including trade in services and in high technology products. We should work to achieve further trade liberalization negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries. We have agreed to continue consultations on proposals for a new negotiating round in the GATT.

(4) We view with concern the international financial situation, and especially the debt burdens of many developing nations. We agree to a strategy based on: effective adjustment and development policies by debtor nations; adequate private and official financing; more open markets; and worldwide economic recovery. We will seek early ratification of the increases in resources for the International Monetary Fund and the General Arrangements to Borrow. We encourage closer cooperation and timely sharing of information among countries and the international institutions, in particular between the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the GATT.

(5) We have invited Ministers of Finance, in consultation with the Managing Director of the IMF, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference.

(6) The weight of the recession has fallen very heavily on developing countries and we are deeply concerned about their recovery. Restoring sound economic growth while keeping our markets open is crucial. Special attention will be given to the flow of resources, in particular official development assistance, to poorer countries, and for food and energy production, both bilaterally and through appropriate international institutions. We reaffirm our commitments to provide agreed funding levels for the International Development Association. We welcome the openness to dialogue which the developing countries evinced at the recent conferences of the Non-Aligned Movement in New Delhi and the Group of 77 in Buenos Aires, and we share their commitment to engage with understanding and cooperation in the forthcoming meeting of the United Nations Conference on Trade and Development in Belgrade.

(7) We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in promoting growth, employment and trade. We have noted with approval the report of the Working Group on Technology, Growth and Employment which was set up at Versailles last year, and commend the progress made in the 18 cooperative projects discussed in that report. We will follow the implementation and coordination of work on these projects, and look forward to receiving a further report at our next meeting.

(8) We all share the view that more predictability and less volatility in oil prices would be helpful to world economic prospects. We agree that the fall in oil prices in no way diminishes the importance and urgency of efforts to conserve energy, to develop economic alternative energy sources, to maintain and, where possible, improve contacts between oil-exporting and importing countries, and to encourage the growth of indigenous energy production in developing countries which at present lack it.

(9) East-West economic relations should be compatible with our security interests. We take note with approval of the work of the multilateral organizations which have in recent months analyzed and drawn conclusions regarding the key aspects of East-West economic relations. We encourage continuing work by these organizations, as appropriate.

(10) We have agreed to strengthen cooperation in protection of the environment, in better use of natural resources, and in health research.

Our discussions here at Williamsburg give us new confidence in the prospects for a recovery. We have strengthened our resolve to deal cooperatively with continuing problems so as to promote a sound and sustainable recovery, bringing new jobs and a better life for the people of our own countries and of the world.

We have agreed to meet again next year, and have accepted the British Prime Minister's invitation to meet in the United Kingdom.

Annex

STRENGTHENING ECONOMIC COOPERATION FOR GROWTH AND STABILITY

I. We have examined in the light of our experience the procedures outlined in the undertakings agreed at Versailles last year which seek to ensure greater monetary stability in the interest of balanced growth and progress of the world economy.

II. We reaffirm the objectives of achieving non-inflationary growth of income and employment, and promoting exchange market stability through policies designed to bring about greater convergence of economic performance in this direction.

III. We are reinforcing our multilateral cooperation with the International Monetary Fund in its surveillance activities, according to the procedures agreed at Versailles, through the following approach:

A. We are focusing on near-term policy actions leading to convergence of economic conditions in the medium term. The overall medium-term perspective remains essential, both to ensure that short-term policy innovations do not lead to divergence and to reassure business and financial markets.

B. In accordance with the agreement reached at Versailles, we are focusing our attention on issues in the monetary and financial fields including interaction with policies in other areas. We shall take fully into account the international implications of our own policy decisions. Policies and objectives that will be kept under review include:

(1) Monetary Policy. Disciplined non-inflationary growth of monetary aggregates, and appropriate interest rates, to avoid subsequent resurgence of inflation and rebound in interest rates, thus allowing room for sustainable growth.

(2) Fiscal Policy. We will aim, preferably through discipline over government expenditures, to reduce structural budget deficits and bear in mind the consequences of fiscal policy for interest rates and growth.

(3) Exchange Rate Policy. We will improve consultations, policy convergence and international cooperation to help stabilize exchange markets, bearing in mind our conclusions on the Exchange Market Intervention Study.

(4) Policies Toward Productivity and Employment. While relying on market signals as a guide to efficient economic decisions, we will take measures to improve training and mobility of our labor forces, with particular concern for the problems of youth unemployment, and promote continued structural adjustment, especially by:

-- Enhancing flexibility and openness of economies and financial markets.

-- Encouraging research and development as well as profitability and productive investment.

-- Continued efforts in each country, and improved international cooperation, where appropriate, on structural adjustment measures (e.g., regional, sectoral, energy policies).

IV. We shall continue to assess together regularly in this framework the progress we are making, consider any corrective action which may be necessary from time-to-time, and react promptly to significant changes.

EXTRACT FROM NORTH ATLANTIC COUNCIL FINAL COMMUNIQUE OF
10 JUNE (NOT INCLUDING THE PASSAGES ON CSCE, AFGHANISTAN
AND POLAND)

1. Recognising that the cohesion and strength of the Alliance is of paramount importance for the preservation of peace and improved international relations, Ministers agreed as follows:

The programme for peace in freedom adopted in the Bonn Summit Declaration of 10th June, 1982, emphasises the Alliance's resolve to deter aggression by means of a strong defence and to develop, through cooperation and dialogue, a constructive East-West relationship aimed at genuine detente. This balanced policy will continue to serve peace and uphold the independence and democratic values of the free peoples of the Alliance.

The Alliance remains a fundamental forum for close and regular consultation on matters of common concern and permits member states to adjust their aims and interests through free exchanges of views.

The maintenance of adequate defences by the Allied countries threatens no-one. In Article 1 of the North Atlantic Treaty the members of the Alliance reaffirmed the undertaking to refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the United Nations. This solemn obligation was restated in the Helsinki Final Act signed by thirty-five countries and will always be fully honoured by the members of the Alliance. Each and every sovereign member of the Alliance is a guarantor that none of their weapons will be used except in response to attack.

2. The Allies view with concern the sustained increase in Soviet military strength in Europe and capability for military action world-wide, which far exceed defence needs. The Soviet Union maintains its build-up of conventional arms, chemical weapons, naval forces, nuclear forces, and in particular the deployment of SS-20 intermediate range nuclear missiles. Faced with this threatening situation, the Allies are resolved to ensure that conditions never exist which could tempt the Soviet Union to exploit its military power against any of the Allies. They are determined to meet the legitimate security requirements for the entire North Atlantic Treaty area. A sufficient level of both conventional and nuclear forces remains necessary for the credibility of deterrence. The security and sovereignty of the European Members of the Alliance remain guaranteed by their own defences, by the presence of North American Forces on European territory and by the United States strategic nuclear commitment to Europe. The United States and Canada likewise depend for their own security upon the contribution of the European partners to the defence of the Alliance.

3. The Allies have reviewed the trends of Soviet policies which bear upon Western interests. They are resolved to maintain a firm, realistic and constructive attitude and agree that it is important to maintain a dialogue, not least in periods of tension.

The Allies stress that respect for the obligation not to use force is mandatory and applicable between all states without exception. The reaffirmation of this obligation, contained in the United Nations Charter and the Helsinki Final Act, cannot substitute for deeds. The Allies therefore call on the Soviet Union for a complete end to the use of force in Afghanistan and the threat of use of force, as in the case of Poland. The exercise of restraint and responsibility by the Soviet Union is essential for the constructive relations

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which the Allies wish to establish with it. Such relations with the Soviet Union are possible on the full range of East-West issues.

The Allies look to the Soviet Union to contribute to the achievement of tangible results in the negotiations on arms control, disarmament and confidence-building measures, since this would enhance the credibility of the principle of non-use of force. They would welcome any serious proposals to improve confidence and cooperation between East and West.

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15. The Ministers note that since their last meeting several aspects of East-West economic relations have been studied including the security implications of these relations. Trade conducted on the basis of commercially sound terms and mutual advantage, that avoids preferential treatment of the Soviet Union, contributes to constructive East-West relations. At the same time, bilateral economic relations with the Soviet Union and the countries of Eastern Europe must remain consistent with broad allied security concerns. These include avoiding dependence on the Soviet Union, or contributing to Soviet military capabilities. Thus, development of western energy resources should be encouraged. In order to avoid further use by the Soviet Union of some forms of trade to enhance its military strength, the Allies will remain vigilant in their continuing review of the security aspects of East-West economic relations. This work will assist allied governments in the conduct of their policies in this field. (Greece recalled its position on various aspects of this paragraph).

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Annex B

EAST-WEST RELATIONS: POLAND

POLAND

OBJECTIVE

1. To emphasise the need for rapid evaluation and co-ordination of Western policy after Papal Visit (16-22 June).

POINTS TO MAKE

2. Situation in Poland fluid and volatile. Popular expectations raised in anticipation of the Pope's visit, probably too high. Anti-climax could have unpredictable effect on national mood.
3. We have all told Poles that course and outcome of Papal visit will influence our approach. Believe it is in the Western interest to reengage such influence as we have in Poland. Also material interest in early repayment/rescheduling of Poland's debts.
4. Need therefore for rapid evaluation and co-ordination after visit, both in Ten and with other Western Governments. Meanwhile must avoid divergence in public lines. Will need in any case to decide urgently (a) whether and how to re-open rescheduling talks; and (b) whether to begin a carefully controlled resumption of political contacts. In longer perspective, need to work out concerted policy, not tied to day to day developments, for keeping alive Polish hopes and doing what we can to influence movement in liberal direction.

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5. (If raised)

Right that Community should give further aid to Poland. But budgetary aspects of Commission's proposal will require careful consideration. Must await outcome of current discussions in Council machinery.

BACKGROUND

A: Bonn telno 552

B: Warsaw telno 402

C: UKREP Brussels telno 1899

D: Extract on Poland from the NATO Ministerial Communique, 9-10 June 1983

6. An assessment of Poland on the eve of the Papal Visit is given in Reference B.

7. EC Political Directors agreed on 1 June (Reference A) that the Ten should wait for the Pope's visit and evaluate its results before deciding whether to change their policy. The US sought agreement in NATO on 19 May to an early approach by the US (and, if possible, also by others) to the Poles in advance of the Papal visit to indicate the developments the West would like to see in Poland and the possible steps (a resumption of rescheduling talks and a renewal of Polish fishing rights in US waters) if these were achieved. Further discussion in NATO on 30 May however revealed a general unwillingness by Allied members to take such action in advance of the Papal visit. Strong reservations were also expressed (including by UK) about linking moves towards more normal economic relations with Poland (specifically rescheduling) with political concessions by the Polish regime. At the NATO Foreign Ministers Meeting on 9 June it was agreed that the Alliance

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should consult and co-ordinate on policy after the Papal Visit.

Rescheduling

8. The future timetable on official rescheduling, is that Western Creditor Governments (Paris Club) have agreed to defer a decision on reopening negotiations with the Poles until late July. Meanwhile in-house contingency preparations are underway in the Western Creditors Group to establish the position on Polish economic prospects and Polish debt service capability.

9. The Commission have submitted a proposal for 14 MECU additional humanitarian aid to Poland for the period June to December, to be channelled as before through Non-Governmental Agencies. Although EC Foreign Ministers agreed in March in principle that aid to Poland should continue, we and other Member States have indicated that the budgetary aspects of the proposal will need careful consideration (Reference C). Discussions continue in community machinery.

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FM WARSAW 061515Z JUN 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 402 OF 6 JUNE 1983

INFO ROUTINE WASHINGTON, UKDEL NATO, UKMIS GENEVA, UKDEL CSCEAO
INFO SAVING PARIS, BONN, STOCKHOLM, UKMIS NEW YORK, UKREP BRUSSELS,
MODUK

POLAND ON THE EVE OF THE POPE'S VISIT: YOUR TELNO 214 (NOT TO ALL)

1. THE POLISH AUTHORITIES, THE CHURCH AND THE PEOPLE NOW ALL WANT THE VISIT TO GO AHEAD AND TO BE A 'SUCCESS' BUT FOR WIDELY DIFFERENT REASONS. THE GOVERNMENT STILL HAS SOME APPREHENSIONS. JARUZELSKI IN HIS SPEECH TO THE 12TH PLENUM LAST WEEK CALLED IT 'A TIME OF QUESTION-MARKS'. THE AVERAGE POLE SEEMS TO BE LOOKING FORWARD TO IT LIKE A CHILD AT CHRISTMAS, BUT NOT EXPECTING ANY PRESENTS AND RESIGNED TO A DULL SPELL THEREAFTER.
2. RECENT DOUBTS ABOUT THE STABILITY OF JARUZELSKI'S REGIME IN THE FACE OF AN ATTACK BY PARTY HARD LINERS MUST BE SET ASIDE, AT LEAST FOR THE MOMENT, ON THE EVIDENCE OF THE 12TH PARTY PLENUM WHICH EMPHASISED JARUZELSKI'S COMMITMENT TO HIS EXISTING POLICIES. CENTRAL COMMITTEE MEMBERS WITH DISSENTING VIEWS EVIDENTLY KEPT THEM TO THEMSELVES. THE TWO RECENT SOVIET ARTICLES AND CALLS MADE DURING THE PLENUM FOR AN END TO FACTIONALISM WILL PROBABLY CAUSE BOTH THE DOGMATISTS AND MORE LIBERAL-MINDED PRAGMATISTS TO TRIM THEIR SAILS, AND THERE IS NO SIGN THAT MOSCOW WILL INTERVENE AGAIN FOR THE PRESENT.
3. FOR JARUZELSKI IT IS A CALCULATED GAMBLE AND IF IT PASSES WITHOUT CONTROVERSY OR DISTURBANCES HIS POSITION WILL BE STRENGTHENED. IF THERE ARE PROBLEMS WITH THE VISIT HIS CRITICS WILL BECOME MORE VOCAL. THE GOVERNMENT HOWEVER HAS ALREADY BENEFITTED FROM THE REASONABLY CONCILIATORY LINE TAKEN BY THE CHURCHES' LEADERSHIP AND THEIR OPPOSITION TO VIOLENT MANIFESTATIONS WHICH IS WIDELY REGARDED AS A QUID PRO QUO FOR THE VISIT. OTHER HOPED-FOR BENEFITS SUCH AS A DEMONSTRATION TO THE OUTSIDE WORLD OF 'NORMALISATION' IN POLAND AND GREATER ACCEPTANCE OF THE GOVERNMENT ARE LESS IN EVIDENCE. THE AUTHORITIES, WHO ARE WELL AWARE THAT THE WEST IS WAITING TO EVALUATE THE VISIT BEFORE ANY CHANGE IS MADE IN POLICIES TOWARDS POLAND, MAY HOPE THAT A TROUBLE-FREE VISIT WILL PERSUADE THE WEST TO MODIFY ITS DEMANDS AND, IN PARTICULAR, THE THREE NATO CRITERIA. IT WILL BE ENCOURAGED BY HINTS IN THE AMERICAN PRESS THAT SUCH A CHANGE IS BEING CONSIDERED. IN A RECENT INTERVIEW FOR 'POLITYKA', THE GOVERNMENT SPOKESMAN ON RELIGIOUS AFFAIRS, LOPATKA, SAID THAT THE VISIT OF THE POPE WOULD MAKE IT CONSIDERABLY MORE DIFFICULT FOR THE WEST TO MAINTAIN ITS UNFRIENDLY POLICIES. /4.

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4. THE CHURCH BECAUSE OF THE GOVERNMENT'S COMMITMENT TO THE VISIT HAS EVIDENTLY FELT ABLE TO EMPHASISE INCREASINGLY STRONGLY THE IMPORTANCE OF HUMAN RIGHTS BUT AT THE SAME TIME IT HAS FACED GREATER PRESSURE FROM THE SECURITY FORCES. CHURCH/STATE COOPERATION OVER THE ARRANGEMENTS FOR THE POPE'S VISIT SEEMS TO HAVE CONTINUED SMOOTHLY BUT THERE MUST BE DOUBT AS TO THE FUTURE OF THEIR RELATIONS. WHILE PAYING TRIBUTE TO THE LEVEL-HEADEDNESS OF THE CHURCHES' LEADERSHIP, SPEECHES BY GOVERNMENT LEADERS (INCLUDING JARUZELSKI AT THE 12TH PLENUM,) HAVE INCLUDED INCREASINGLY STRONG WARNINGS ABOUT CHURCHES BEING USED AS POLITICAL MEETING PLACES, AND THE POLITICAL ATTITUDE OF THE JUNIOR CLERGY. AFTER THE POPE'S VISIT THE PRIME FACTOR ENCOURAGING COOPERATION BETWEEN CHURCH AND STATE IN THE SHORT RUN WILL HAVE DISAPPEARED.

5. ON THE POSITIVE SIDE, THE CHURCH HIERARCHY WILL BE HOPING FOR A REPEAT OF THE SPIRITUAL REVIVAL BROUGHT ABOUT BY THE LAST VISIT IN 1979, SOME ENDORSEMENT OF THEIR STRATEGY OVER THE LAST YEAR CRITICISED BY MANY OF THE FAITHFUL FOR BEING TOO CAUTIOUS, AND FOR THE POPE TO IMPART A NEW SENSE OF DIRECTION WHICH WILL IMPROVE THE PRESENT APATHETIC SOCIAL ATMOSPHERE.

6. AS FOR THE PEOPLE THEMSELVES, THERE IS A GREAT FEELING OF ANTICIPATION STILL MIXED WITH A MEASURE OF DISBELIEF THAT THE VISIT WILL TAKE PLACE AFTER ALL. THE EVENTS OF MAY, INCLUDING THE FIRM TREATMENT OF DEMONSTRATIONS, THE INTERFERENCE WITH CHURCH PREMISES AND (ABOVE ALL, IN WARSAW AT LEAST) THE DEATH OF GRZEGORZ PRZEMYK, HAVE INCREASED POPULAR RESENTMENT. IT IS UNLIKELY THE GOVERNMENT WILL BE GIVEN ANY CREDIT FOR ALLOWING THE VISIT TO TAKE PLACE NOR, I THINK, DO PEOPLE GENERALLY EXPECT THE VISIT TO BE FOLLOWED BY ANY CONCESSIONS ON HUMAN OR TRADE UNION RIGHTS. IT IS DIFFICULT TO PREDICT HOW SUCH AN ANTI-CLIMAX WILL EFFECT THE NATIONAL MOOD.

7. MUCH INEVITABLY DEPENDS ON THE POPE HIMSELF. IT IS UNLIKELY THAT HE WILL SAY ANYTHING DELIBERATELY PROVOCATIVE OR TAKE DIRECT ISSUE WITH GOVERNMENT POLICY BUT HE MAY WELL MAKE OBLIQUE CRITICISMS OF IT. THE IMPRESSION HE LEAVES ON YOUNGER CLERGY WILL BE IMPORTANT FOR FUTURE CHURCH/STATE RELATIONS. ALTHOUGH A SUCCESSFUL VISIT WOULD BE A SOURCE OF NATIONAL SATISFACTION THE CHANCES ARE THAT IT WILL DO LITTLE TO IMPROVE THE SOCIAL CLIMATE IN POLAND IN THE LONGER TERM.

FCO PLEASE PASS SAVING TO ALL SAVING ADDRESSEES
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FM BOMN 010340Z

TO IMMEDIATE FCO

TELEGRAM NUMBER 552 OF 01 JUNE

INFO PRIORITY MOSCOW WASHINGTON WARSAW UKREP BRUSSELS UKDEL NATO
UKNIS NEW YORK PRAGUE ATHENS BRUSSELS COPENHAGEN DUBLIN LUXEMBOURG
PARIS ROME THE HAGUE BUDAPEST BELGRADE BUCHAREST SOFIA KADUL TEHRAN
BAGHDAD PEKING

INFO SAVING UKDEL STRASBOURG ANKARA OSLO LISBON MADRID TOKYO
WELLINGTON OTTAWA MEXICO CITY

EUROPEAN POLITICAL COOPERATION: POLITICAL COMMITTEE, BONN,
31 MAY: EASTERN EUROPE

SUMMARY

1. WORKING GROUP CONCLUSIONS ON POLICY TOWARDS POLAND ENDORSED.
WORKING GROUP TO MEET IN BONN ON 27-28 JUNE TO ANALYSE POLISH
SITUATION AFTER POPE'S VISIT. KOHL TO INITIATE DISCUSSION OF HIS
MOSCOW VISIT AT EUROPEAN COUNCIL.

DETAIL

2. THE WORKING GROUP'S CONCLUSIONS ON POLICY TOWARDS POLAND WERE
ACCEPTED AND THEIR REPORT NOTED, THOUGH ANDREANI (FRANCE) WITH
SUPPORT FROM OTHERS RESERVED RIGHT TO MAKE NATIONAL PUBLIC
STATEMENTS IF THERE WERE WHOLLY NEW POLISH DEVELOPMENTS BEFORE THE
POPE'S VISIT. PFEFFER (PRESIDENCY) COMMENTED THAT THE DISCUSSION IN
NATO ON 30 MAY HAD MADE IT CLEAR TO THE AMERICANS THAT, IF THEY WERE
TO SPEAK TO THE POLES IN ADVANCE OF THE POPE'S VISIT THEY COULD DO
SO ONLY ON THEIR OWN ACCOUNT.

3. AT THE SUGGESTION OF KATAPODIS (GREECE) IT WAS AGREED TO HOLD AN
EXTRA MEETING OF THE EASTERN EUROPEAN WORKING GROUP IN BONN ON
27-28 JUNE TO ANALYSE THE SITUATION IN POLAND FOLLOWING THE POPE'S
VISIT.

4. AT THE SUGGESTION OF WIJNAENDTS (NETHERLANDS) IT WAS AGREED TO ASK
THE WORKING GROUP TO MAKE A STUDY OF SOVIET POLICY AIMS TOWARDS THE
REGION LOOSELY DEFINED AS FROM THE GULF TO AFGHANISTAN.

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5. THE WORKING GROUP'S REPORT ON SOVIET INFLUENCE IN EASTERN EUROPE WAS ADOPTED, WITH UK AND FRENCH AMENDMENTS.

6. IT WAS AGREED THAT IF THE CZECHS DID NOT PRODUCE A SATISFACTORY RESPONSE TO THE PRESIDENCY'S RECENT DEMARCHE ABOUT FRANCISCAN MONKS (FCO TELNO 299), AMBASSADORS IN PRAGUE WOULD BE INVITED TO CONSIDER WHETHER IT WOULD BE HELPFUL TO THE MONKS TO MAKE THE DEMARCHE PUBLIC.

7. AT THE REQUEST OF BULLARD (UK) PFEFFER CONFIRMED THAT CHANCELLOR KOHL WOULD INITIATE A DISCUSSION AT STUTTGART ON HIS IMPENDING VISIT TO MOSCOW; HE WOULD WISH TO HAVE THE SUPPORT OF HIS COLLEAGUES IN WHAT HE WAS PROPOSING TO SAY.

FCO PLEASE PASS SAVING ADDRESSEES.

TAYLOR

[REPEATED AS REQUESTED]

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SIR J BULLARD

MR JAMES

MR EVANS

MR ADAMS

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FM UKREP BRUSSELS 111918Z MAY 83

TO PRIORITY FCO

TELEGRAM NUMBER 1899 OF 11 MAY 1983

INFO SAVING PARIS BONN WASHINGTON UKDEL NATO WARSAW

COREPER (AMBASSADORS): 11 MAY

AID FOR POLAND

SUMMARY

1. COMMISSION PROPOSAL CRITICISED FOR ITS SUGGESTED BUDGETARY PROCEDURE AND REFERRED TO EAST/WEST ADVISERS GROUP.

DETAIL

2. LUNCHTIME DISCUSSION ON THIS ISSUE CONCENTRATED ON BUDGETARY ASPECTS. NOEL (COMMISSION) DEFENDED THE IDEA OF A SUPPLEMENTARY BUDGET: THE 14 MECU INVOLVED COULD NOT BE FOUND FROM SAVINGS ELSEWHERE. RUTTEN (NETHERLANDS) URGED THE COMMISSION TO TRY HARDER: LE PRETTE (FRANCE) AND I SUPPORTED.

3. I INSISTED THAT THE PROPOSAL SHOULD BE PROPERLY CONSIDERED, AND THE PROPOSED BUDGETARY PROCEDURE ADEQUATELY PRESENTED, IN THE EAST/WEST ADVISERS GROUP. THIS WAS AGREED.

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MR JAMES

MR HANNAY

MR THOMAS

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MAIN SECTION ON POLAND FROM NATO MINISTERIAL COMMUNIQUE
OF 9/10 JUNE 1983

The Allies deplore the continuing violation by the Polish authorities of the commitments undertaken by Poland in the Helsinki Final Act. They look to those authorities to honour the wish of the Polish people for national reconciliation, the release of political prisoners and the establishment of civil rights, including the right of the workers to have trade unions of their own choice. This would enable Poland to overcome its crisis. More normal trade and economic co-operation with Poland, for which the Allies wish, could be effective if progress were made towards national reconciliation without which there can be no genuine economic and social recovery. The Allies urge the Soviet Union to cease its pressure on Poland so as not to impede the efforts of the Polish people for national renewal and reform.

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ANNEX C

CSCE

OBJECTIVE

1. To reaffirm position of Ten in Madrid.

POINTS TO MAKE

2. Ten should stand unequivocally with Alliance. Should aim to put pressure on the Russians by reaffirming in the Council Conclusions that we believe our position to be reasonable and are determined to maintain it.
3. Agree desirable to bring Madrid meeting to a successful conclusion before the holidays; this would permit Conference on Disarmament in Europe (CDE) to begin about turn of the year, as several partners wish.
4. However, still early for Ten to decide their ultimate fall-back position. Any apparent lack of resolve by Ten would damage Western unity and encourage Soviet Union to maintain resistance to amendments.
5. Neutral and Non-Aligned (NNA) should be discouraged from clouding issues with premature compromise solutions.

]BACKGROUND

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REFERENCE

- A Extracts on CSCE from NATO Foreign Ministers' communiqué on 9-10 June

BACKGROUND

Recent Developments

6. The Madrid meeting is deadlocked. The NNA tabled a revised draft concluding document (RM 39 Revised) on 15 March. The Alliance proposed four amendments (concerned with the Helsinki monitoring groups, experts' meetings on human rights and on family contacts, and the dissemination of information by radio). The NNA have expressed understanding for and even some support for Western proposals. Romania is willing to accept them. But the Soviet Union and the other Warsaw Pact countries, while willing to accept the draft as it stands, refuse to negotiate on the Western proposals.

Recent Western discussions

7. As the negotiations in Madrid come to a climax, the underlying differences of approach between the West Europeans and the Americans may threaten the West's hard-won unity. On 9 May, in the margins of the OECD meeting, Herr Genscher and M Cheysson argued that the Madrid meeting should be concluded in time for the CDE to open this year (which they thought would be helpful in the context of INF deployment). Mr Shultz said that he thought the Alliance were agreed on the need to seek amendments to the draft. Mr Pym said that the priority was to get something agreed in Madrid as quickly as possible and to apply the requisite pressure to that end. At Williamsburg on 30 May, Mr Pym said, with the evident endorsement of his colleagues,

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that it would be desirable to conclude the Madrid meeting before the summer holidays so as to permit the CDE to begin at about the turn of the year. In reply to a message from Herr Genscher about Romanian acceptance of the four Western amendments, Mr Pym said on 7 June that the Romanian move seemed to confirm the strength of the Western position in Madrid and that we should stand firm by the amendments.

Alternative proposals

8. With no resolution of East-West differences in Madrid in sight, the Neutral and Non-Aligned and Spain as the host country may be tempted to put forward further compromise proposals. Such moves would be unhelpful at this stage.

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11. THE ALLIES ARE CONTINUING THEIR EFFORTS AT THE MADRID CSCE FOLLOW-UP MEETING TO ARRIVE AT A SUBSTANTIAL AND BALANCED CONCLUDING DOCUMENT, INCLUDING A PRECISE NEGOTIATING MANDATE FOR THE CONFERENCE ON CONFIDENCE AND SECURITY BUILDING MEASURES AND DISARMAMENT IN EUROPE. THEY CONSIDER THAT, AS A RESULT OF THE LATEST PROPOSAL BY THE NEUTRAL AND NON-ALIGNED STATES, AN AGREEMENT IS NOW WITHIN REACH WHICH COULD PERMIT A SUCCESSFUL AND EARLY CONCLUSION.

THE ALLIES HAVE ALREADY STATED THEIR WILLINGNESS TO ACCEPT THE DRAFT CONCLUDING DOCUMENT SUBMITTED BY THE NEUTRAL AND NON-ALIGNED STATES, SUBJECT TO LIMITED AND REASONABLE AMENDMENTS FAVOURABLY RECEIVED BY OTHER PARTICIPANTS AND DESIGNED TO ENHANCE THE BALANCE OF THE AGREEMENT. THE ALLIES THEREFORE URGE THE SOVIET UNION TO CHANGE ITS ATTITUDE AND NEGOTIATE A SOLUTION OF THE FEW REMAINING ISSUES. THIS WOULD DEMONSTRATE THAT THE SOVIET UNION SHARES THE INTEREST SHOWN BY OTHER PARTICIPATING COUNTRIES IN A SUCCESSFUL OUTCOME TO THE MADRID MEETING WHICH WILL CONSOLIDATE THE CSCE PROCESS. THE ALLIES ARE CONVINCED THAT A SUBSTANTIAL AND BALANCED CONCLUDING DOCUMENT, TOGETHER WITH RENEWED EFFORTS TO GIVE FULL

EFFECT TO THE FINAL ACT THROUGH CONCRETE ACTION, WOULD BE OF PARTICULAR IMPORTANCE FOR DEVELOPING A MORE CONSTRUCTIVE EAST-WEST RELATIONSHIP.

THE ALLIES EMPHASISE THE IMPORTANCE, IN THE PRESENT CIRCUMSTANCES, NOT ONLY OF A REAFFIRMATION OF THE 1975 HELSINKI COMMITMENTS AS A WHOLE, BUT ALSO OF AN EXPRESSION OF THE DETERMINATION OF THE THIRTY-FIVE SIGNATORY STATES TO CARRY THEM OUT. THEY REAFFIRM, TOO, THE IMPORTANCE THEY ATTACH TO THE CONVENING OF A CONFERENCE WHICH, AS AN INTEGRAL PART OF THE CSCE PROCESS, WOULD HAVE AS ITS PURPOSE THE ADOPTION OF VERIFIABLE, MILITARILY SIGNIFICANT AND BINDING PROVISIONS APPLICABLE TO THE WHOLE OF EUROPE. THE ALLIES ALSO REMAIN COMMITTED TO FURTHER PROGRESS IN THE IMPORTANT HUMANITARIAN ASPECTS OF EAST-WEST RELATIONS.

12. THE ALLIES SUPPORT CONFIDENCE-BUILDING MEASURES DESIGNED TO PROMOTE GREATER OPENNESS ABOUT ARMED FORCES AND MILITARY ACTIVITIES, OVERCOME MISAPPREHENSION AND DISTRUST AND THUS FACILITATE DISARMAMENT NEGOTIATIONS. THE ALLIES RECALL THAT IN 1982 THE UNITED NATIONS GENERAL ASSEMBLY REAFFIRMED THE IMPORTANCE OF CONFIDENCE-BUILDING MEASURES IN THEIR REGION. THE ALLIES HAVE TAKEN A NUMBER OF CONCRETE INITIATIVES IN THAT DIRECTION. PROPOSALS PUT FORWARD BY THE SOVIET UNION, IN CONTRAST, ARE OFTEN DECLARATORY. THE UNITED STATES GOVERNMENT, IN AN EFFORT TO HELP DEVELOP A STABLE PEACE, HAS TABLED A SERIES OF CONFIDENCE-BUILDING MEASURES IN THE START AND INF NEGOTIATIONS AND HAS SUGGESTED NEW PROPOSALS IN THE NUCLEAR FIELD AND IN MUTUAL COMMUNICATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION. THE ALLIES WILL, IN THE CONTEXT OF THE CONFERENCE ON DISARMAMENT IN EUROPE, PUT FORWARD CONCRETE PROPOSALS FOR A NEW GENERATION OF CONFIDENCE AND SECURITY BUILDING MEASURES IN EUROPE. THE ALLIES WILL CONTINUE THEIR EFFORTS TO BUILD CONFIDENCE THROUGH IMPROVED VERIFICATION PROCEDURES, THE PROVISION OF CLEAR AND COMPARABLE DATA ON DEFENCE SPENDING AND OTHER STEPS LIKELY TO REMOVE MISCONCEPTIONS. THEY URGE THE SOVIET UNION TO JOIN THEM IN THIS ENDEAVOUR.

ANNEX D

AFGHANISTAN

OBJECTIVE

1. To review prospects for a political settlement and to restate our common position on Afghanistan.

POINTS TO MAKE

UN Initiative

2. Possibly at crunch point. Vital that Cordovez adhere to principles of UN resolution and address key issues of self-determination and consulting the refugees.
3. Pakistan remains firm but will need our continued support to maintain resolute stand as talks resume.
4. No apparent flexibility in Soviet position to justify Cordovez's optimism. Fighting inside Afghanistan continues. Russians and Karmal regime insist on guarantees of non-interference before troop withdrawal.
5. Soviet aim to prolong current talks as convenient cover for their continued presence in Afghanistan. Real test of Soviet intentions would be agreement to specific timeframe for withdrawal.

6. If they refuse it should be for UN Secretary General to justify continuation of talks and for Ten to reconsider their position.

EC Declaration on Afghanistan

7. There should be no misunderstanding of the Ten's position at this possibly critical stage. Essential that the Council's declaration should contain substantive statement on Afghanistan.

BACKGROUND

References

- A: FCO tel 194 to Islamabad of 24 May: Mr Hurd meets Yaqub Khan.
- B: Washington tel 1499 of 27 May: Mr Shultz meets Yaqub Khan.
- C: UN resolution on Afghanistan, adopted 29 November 1982.
- D: Extracts on Afghanistan from NATO Foreign Ministers' Declaration of 10 June.

UN Initiative

8. The UN Secretary-General and his personal representative, Diego Cordovez, pursue their initiative. This appears to have reached a critical stage. At a second round of indirect talks between Pakistan and the Karmal regime in Geneva in April

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discussion centred on a draft agreement covering the withdrawal of Soviet troops, guarantees of non-interference and conditions for the return of the refugees. Iran did not participate, but was kept informed. The talks resume on 16 June.

9. Meanwhile the Pakistani Foreign Minister Yaqub Khan has visited China, Saudi Arabia, the UK, France and the US in order to discuss the situation. He met Mr Hurd in London on 23 May, and Gromyko in Moscow, 9-10 June.

A 10. Yaqub Khan gave Mr Hurd a realistic account of the
difficulties ahead and seemed firm on principle. This contrasts
with the optimistic view of Cordovez, who claims that the text of
B a draft agreement is 90-95% complete. The Americans were
similarly reassured by their meeting with Yaqub Khan. [Not
for disclosure at the Council: On 31 May, at the request of
Cordovez and Yaqub Khan, the US Ambassador in Moscow handed
Gromyko a letter from Shultz rebutting Soviet allegations that
the US were blocking a settlement in Afghanistan. Gromyko's
response was unyielding. Yaqub Khan was to refer to this
letter in Moscow, where he hoped to propose a tight time frame
of three to four months for troop withdrawal.]

11. The next round of talks will continue discussion of
Cordovez's draft agreement. Cordovez remains convinced that
the Russians wish to withdraw and will probably look to
Pakistan to give ground in order to test Soviet intentions.
But this optimism is not borne out by any flexibility in the
Soviet position which to judge from Yaqub Khan's talks in
Moscow has if anything hardened. Major problems remain,
principally Soviet and Afghan reluctance to set a terminal
date for withdrawal and Cordovez's unwillingness to tackle

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the key issues of self-determination and consultation of refugees.

C 12. At its meeting in Bonn on 16-17 May the Asia Working Group agreed that a statement on Afghanistan by the European Council in Stuttgart reaffirming the basic principles of the UN resolutions would be useful. This view was endorsed on 31 May by the Political Directors, who are considering a draft declaration to be circulated by the German Presidency.

Situation on the Ground

13. Soviet troops now number some 105,000, but the military stalemate persists. Resistance activity continues in most parts of the country despite local temporary ceasefires such as the present truce in Panjshir valley. Massive bombing raids since mid-April in Shomali region north of Kabul and the Western city of Herat inflicted high casualties. On 15 May Genscher made a public statement on behalf of the EC foreign ministers condemning these brutal offensives, reaffirming the EC proposals of 30 June 1981 and calling for an early settlement of the conflict based on UN resolutions.

Dr Philippe Augoyard

14. The Kabul regime agreed on 3 June to release the French Dr Augoyard who was captured in NE Afghanistan last January and sentenced to eight years in prison.

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FROM FCO 241700Z MAY 83

TO PRIORITY ISLAMABAD

TELEGRAM NUMBER 194 OF 24 MAY 1983

RFI PRIORITY WASHINGTON, UKMIS NEW YORK, PARIS

RFI ROUTINE MOSCOW, PEKING, KABUL, NEW DELHI

VISIT OF PAKISTAN FOREIGN MINISTER

1. YAQUB KHAN SAW MR HURD AT THE PENTA HOTEL, HEATHROW ON 23 MAY. HE TREATED HIM TO AN HOUR-LONG MONOLOGUE ON PAKISTAN'S POSITION OVER AFGHANISTAN AND THE GENEVA TALKS IN THE COURSE OF WHICH HE ANTICIPATED AND ANSWERED MOST OF THE QUESTIONS MR HURD WOULD HAVE ASKED HIM. IT WAS AN IMPRESSIVE AND ON THE WHOLE CONVINCING PERFORMANCE.
2. YAQUB KHAN WAS CONCERNED TO CORRECT ANY MISUNDERSTANDING OVER THE OPTIMISM HE HAD EXPRESSED IN PUBLIC. HE DREW A DISTINCTION BETWEEN THE NEGOTIATIONS AT GENEVA AND THE REAL WORLD. ON THE FORMER THERE HAD BEEN ENCOURAGING PROGRESS ALTHOUGH IT WAS MISLEADING OF CORDOVEZ TO PUT A FIGURE ON THE PROPORTION WHICH WAS AGREED AND HE WOULD BE TAKING THIS UP WITH HIM. IN THE REAL WORLD HOWEVER THERE WAS NO TELLING WHETHER IT WOULD BE POSSIBLE TO IMPLEMENT ANY AGREEMENT REACHED. MEANWHILE PAKISTAN CONSIDERED IT ESSENTIAL THAT PRESSURE SHOULD BE MAINTAINED ON THE SOVIET UNION AND EVEN INCREASED AND IN HIS VIEW THE GENEVA TALKS WERE ONE WAY OF DOING THIS. PAKISTAN'S TWIN AIMS WERE TO BRING ABOUT THE WITHDRAWAL OF SOVIET TROOPS AND THE RETURN OF THE REFUGEES.
3. AS REGARDS THE PROVISIONS IN THE DRAFT AGREEMENT UNDER DISCUSSION AT GENEVA, PAKISTAN HAD NOT GIVEN AN INCH ON THE MAIN PRINCIPLES. IT CONTINUED TO HAMMER AWAY OVER SOVIET

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WITHDRAWAL WHICH IT CONSIDERED THE REAL TEST OF SOVIET GOOD INTENTIONS. WITHDRAWAL WOULD HAVE TO BE SIMULTANEOUS WITH THE PROVISIONS ON NON-INTERFERENCE RATHER THAN CONSECUTIVE AND IT WAS ESSENTIAL THAT A REASONABLE AND ACCEPTABLE TERMINAL DATE SHOULD BE GIVEN. THE PROVISIONS IN THE DOCUMENT GOVERNING ASSURANCES OF NON-INTERVENTION WERE LARGELY BASED ON STANDARD UN LANGUAGE. PAKISTAN WOULD INSIST THAT SHE AND AFGHANISTAN WERE EQUALLY BOUND BY THEM AND IT SHOULD NOT APPEAR THAT THE FINGER POINTED MAINLY AT HER. THE AGREEMENT TO BOTH WITHDRAWAL AND NON-INTERFERENCE WOULD IN THEORY BE UNCONDITIONAL AND NOT RELATED TO PROGRESS ON THE OTHER FRONT.

4. THE CHAPTER ON GUARANTEES IN THE DRAFT AGREEMENT HAD NOT YET BEEN GONE INTO. IT WAS ESSENTIAL FOR PAKISTAN THAT THE SOVIET UNION SHOULD BE COMMITTED AS A GUARANTOR OF ITS OWN NON-INTERFERENCE AFTER WITHDRAWAL. PAKISTAN WANTED ALL THE PERMANENT MEMBERS OF THE SECURITY COUNCIL TO BE GUARANTORS BUT WAS NOT YET IN A POSITION TO GIVE US DETAILS UNTIL FURTHER PROGRESS HAD BEEN MADE AT GENEVA. THE VITAL QUESTION OF CONSULTING THE REFUGEES HAD ALSO NOT BEEN PROPERLY TACKLED IN THE DISCUSSIONS.

5. YAQUB KHAN SHOWED HIMSELF FULLY AWARE, AT LEAST INTELLECTUALLY, OF THE POSSIBLE PITFALLS. HE ACCEPTED MR HURD'S SUGGESTION THAT IF AN AGREEMENT WERE REACHED BUT THE SOVIET UNION SUBSEQUENTLY FOUND AN EXCUSE FOR RENEGING ON ITS COMMITMENT ON TROOPS WITHDRAWALS IT WOULD BE VERY DIFFICULT FOR PAKISTAN TO RECONSTRUCT THE PRESENT LEVEL OF PRESSURE ON THE RUSSIANS. MEANWHILE THERE WOULD BE A RISK OF PAKISTAN LOSING THE SUPPORT OF ITS FRIENDS. HE EXPRESSED APPRECIATION FOR BRITAIN'S FIRM STAND OVER AFGHANISTAN FROM THE BEGINNING AND UNDERTOOK TO CONSULT US CLOSELY AS MATTERS DEVELOPED. HE BEGAN BY SAYING THAT CORDOVEZ WAS ANXIOUS TO KEEP DISCUSSIONS CONFIDENTIAL AND ALTHOUGH HE PROPOSED TO BE OPEN WITH US IN THE SPIRIT OF OUR BILATERAL RELATIONS, HE HOPED WE COULD KEEP HIS ACCOUNT TO OURSELVES.

6. MR HURD TOOK THE OPPORTUNITY OF COMMENDING THE GOOD SURVEY TO HIM (OUR TEL NO 181) AND HE PROMISED TO HAVE IT LOOKED INTO SYMPATHETICALLY.

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FM WASHINGTON 271711Z MAY 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1499 OF 27 MAY

INFO IMMEDIATE UKDEL WILLIAMSBURG, PRIORITY ISLAMABAD, NEW DELHI,
UKNIS NEW YORK, ROUTINE MOSCOW, KABUL, PEKING AND PARIS

YOUR TELNO 194 TO ISLAMABAD:

FSA 0243	
RECEIVED	- 1 JUN 1983
INDEX	TRY
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AFGHANISTAN: PAKISTAN FOREIGN MINISTER'S VISIT TO WASHINGTON

1. YAQUB KHAN MET SECRETARY SHULTZ IN WASHINGTON ON 24 MAY. THERE WAS A SUBSEQUENT MEETING BETWEEN OFFICIALS OF BOTH SIDES TO EXAMINE IN DETAIL THE ISSUES LIKELY TO COME UP AT THE NEXT ROUND IN GENEVA. THE STATE DEPARTMENT GAVE US THE FOLLOWING ACCOUNT OF THESE TALKS TODAY.

2. THE MEETINGS WENT VERY WELL: YAQUB, ONCE AGAIN, IMPRESSED THE AMERICANS BY HIS MASTERY OF THE ISSUES AND HIS ROBUST UNDERLYING APPROACH. THE AMERICANS SAW NO DANGER OF HIS BEING TAKEN IN BY THE RUSSIANS. SHULTZ HAD REAFFIRMED AMERICAN SUPPORT FOR THE UN PROCESS. YAQUB SAID HE WAS GRATEFUL FOR THIS, AND FOR U S CONFIDENCE IN PAKISTAN AND ITS POSITION. THE FOUR POINTS OF THE UN RESOLUTIONS REMAINED THE BEDROCK OF PAKISTAN'S NEGOTIATING POSITION, AND THEY WOULD REMAIN FIRM. HE HAD TOLD THE SOVIET UNION THAT THE TALKS WOULD NOT PROGRESS UNLESS THEY PUT FORWARD A TIMETABLE FOR WITHDRAWAL WHICH WAS SHORT AND INCLUDED A REASONABLE DATE FOR TERMINATION OF THE PROCESS. YAQUB SAID HE HOPED FOR FLEXIBILITY FROM THE SOVIET UNION. THERE HAD BEEN SOME SIGNS OF IT AT THE LAST GENEVA ROUND, BUT QUOTE THEY MIGHT BE UP TO THEIR OLD TRICKS UNQUOTE. MEANWHILE PRESSURE ON THEM HAD TO BE MAINTAINED. THE AMERICANS BELIEVE THAT YAQUB'S OBJECTIVE IN MOSCOW ON 9/10 JUNE WILL BE TO REEMPHASIZE THE IMPORTANCE OF THE WITHDRAWAL TIMETABLE, AND TO EXPLORE FURTHER FOR ANY SIGN OF SOFTNESS IN THE SOVIET POSITION ON A POST-SETTLEMENT REGIME.

3. YAQUB EXPRESSED HIS CONCERN ABOUT THE ABSENCE FROM THE UN DRAFT OF ANY ARRANGEMENTS FOR THE POST-SETTLEMENT PHASE. THEY HAD TOLD CORDOVEZ THAT THIS WAS A MAKE OR BREAK ISSUE FOR THEM. IF IT WERE POSSIBLE TO AGREE THAT A BROADER BASED GOVERNMENT WOULD BE ESTABLISHED, THIS WOULD HELP TO OVERCOME OTHER CURRENT OBSTACLES IN THE TALKS, SUCH AS THE PROBLEM OF RECOGNITION OF THE DRA AND THE PROBLEM OF HOW ONE WOULD DRAW UP AN AGREEMENT BETWEEN THE PARTIES.

4. THE TWO SIDES HAD COMPARED NOTES ON SOVIET INTENTIONS. BOTH SIDES BASICALLY BELIEVED THAT THE SOVIET UNION WAS USING THE GENEVA TALKS TO PROBE THE WESTERN POSITION, AND HAD TAKEN NO DECISIONS TO END ITS OCCUPATION. THE ESSENTIAL THINGS FOR THE WEST WAS TO MAINTAIN ITS UNITED FRONT TACTICS IN DEMANDING A SOVIET WITHDRAWAL AS THE FIRST CONDITION OF A SETTLEMENT, AND PREVENT THE SOVIETS FROM TURNING THE QUESTION ROUND IN A MANNER WHICH MADE PAKISTAN OR THE UNITED STATES SEEN TO BE RESPONSIBLE FOR CONTINUED RUSSIAN OCCUPATION.

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5. THE TALKS HAD NOT DISCUSSED THE QUESTION OF EXTERNAL GUARANTEES. THE STATE DEPARTMENT HAVE STILL NOT MADE MUCH PROGRESS IN THEIR THINKING ON THIS SUBJECT. PRIVATELY, WHILE RECOGNISING THAT ANY U S COMMITMENTS IN THE CONTEXT OF AN OVERALL SETTLEMENT WOULD BE SUBJECT TO CONSULTATION WITH CONGRESS, THEY FORESEE COMPLICATIONS IF CONGRESS, WHICH INCREASINGLY EXERCISES A SUPERVISORY ROLE OVER THE EXECUTIVE'S CONDUCT OF FOREIGN AFFAIRS, WERE TO BECOME FORMALLY INVOLVED IN APPROVING SUCH COMMITMENTS. WHILE IT IS UNTHINKABLE IN ANY CASE THAT THE U S ADMINISTRATION WOULD ENDORSE A COMMUNIST GOVERNMENT IN KABUL, IN THE CONTEXT OF A SETTLEMENT THEY WOULD WISH TO LOOK FOR A FORM OF QUOTE GUARANTEE UNQUOTE WHICH COULD BE GIVEN WITH A MINIMUM OF DOMESTIC FORMALITY. WE GAVE THEM AN ACCOUNT OF OUR PRELIMINARY THINKING ABOUT THIS (ANDERSON'S MINUTE OF 13 MAY TO MISS BEVAN): IN REPLY TO A DIRECT QUESTION, THEY SAID THEY HAD NOT YET GIVEN ANY THOUGHT TO WHETHER THEY WOULD PREFER THE U S TO BE THE SOLE WESTERN GUARANTOR, OR TO HAVE ALL PERMANENT MEMBERS OF THE SECURITY COUNCIL INVOLVED, BUT UNDERTOOK TO KEEP US INFORMED OF THEIR THINKING AS IT DEVELOPED.

6. YAQUB'S APPROACH INDICATED THAT THE PROCESS OF DIALOGUE THROUGH THE UNITED NATIONS WAS USEFUL TO PAKISTAN IN ITSELF, AND THAT THEY WOULD NOT SEEK TO MAKE THE NEXT ROUND AT GENEVA A MAKE OR BREAK SESSION.

7. AS AGREED WITH THE DEPARTMENT, WE HAVE GIVEN STATE DEPARTMENT IN CONFIDENCE AN ACCOUNT OF YAQUB'S MEETING WITH MR HURD.

8. TODAY'S NEW YORK TIMES REPORTS THAT YAQUB TOLD JOURNALISTS IN WASHINGTON THAT THERE HAD BEEN SIGNS THAT THE SOVIET UNION WOULD WITHDRAW FROM AFGHANISTAN IF THE GOVERNMENT COULD BE REPLACED BY ONE THAT WAS FRIENDLY TO THE RUSSIANS BUT NOT NECESSARILY UNDER SOVIET CONTROL. IT ALSO SAYS THAT, WHILE YAQUB DECLINED TO DISCUSS GUARANTEES, PAKISTAN OFFICIALS INDICATED THAT THESE WOULD INCLUDE AGREEMENT BY THE U S TO CURB ARMS SUPPLIES TO AFGHAN REBELS.

KIRBY (STATE DEPARTMENT) SAID THAT NEITHER POINT WAS STATED IN THEIR TALKS WITH THE PAKISTANIS, BUT THAT THE LATTER WAS OF COURSE A MUCH PUBLICISED RUSSIAN DEMAND.

LB.

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UNITED
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General Assembly

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Thirty-seventh session
Agenda item 25

THE SITUATION IN AFGHANISTAN AND ITS IMPLICATIONS FOR INTERNATIONAL PEACE AND SECURITY

Antigua and Barbuda, Bahrain, Bangladesh, Chile, Colombia, Comoros, Costa Rica, Djibouti, Egypt, Fiji, Gambia, Guatemala, Guinea, Haiti, Honduras, Jamaica, Jordan, Kuwait, Liberia, Malaysia, Maldives, Mauritania, Morocco, Nepal, Niger, Oman, Pakistan, Papua New Guinea, Paraguay, Philippines, Qatar, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Senegal, Singapore, Solomon Islands, Somalia, Sudan, Thailand, Tunisia, Turkey, United Arab Emirates and Uruguay: draft resolution

The General Assembly,

Having considered the item entitled "The situation in Afghanistan and its implications for international peace and security",

Recalling its resolutions ES-6/2 of 14 January 1980, 35/37 of 20 November 1980 and 36/34 of 18 November 1981, adopted at the sixth emergency special session, the thirty-fifth session and the thirty-sixth session, respectively,

Reaffirming the purposes and principles of the Charter of the United Nations and the obligation of all States to refrain in their international relations from the threat or use of force against the sovereignty, territorial integrity and political independence of any State,

Reaffirming further the inalienable right of all peoples to determine their own form of government and to choose their own economic, political and social system free from outside intervention, subversion, coercion or constraint of any kind whatsoever,

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A. /L.38
English
Page 2

Gravely concerned at the continuing foreign armed intervention in Afghanistan, in contravention of the above principles, and its serious implications for international peace and security,

Noting the increasing concern of the international community over the continued and serious sufferings of the Afghan people and over the magnitude of social and economic problems posed to Pakistan and Iran by the presence on their soil of millions of Afghan refugees, and the continuing increase in their numbers,

Deeply conscious of the urgent need for a political solution of the grave situation in respect of Afghanistan,

Taking note of the report of the Secretary-General, 1/

Recognizing the importance of the initiatives of the Organization of the Islamic Conference and the efforts of the Movement of Non-Aligned Countries for a political solution of the situation in respect of Afghanistan,

1. Reiterates that the preservation of the sovereignty, territorial integrity, political independence and non-aligned character of Afghanistan is essential for a peaceful solution of the problem;
2. Reaffirms the right of the Afghan people to determine their own form of government and to choose their economic, political and social system free from outside intervention, subversion, coercion or constraint of any kind whatsoever;
3. Calls for the immediate withdrawal of the foreign troops from Afghanistan;
4. Calls upon all parties concerned to work for the urgent achievement of a political solution, in accordance with the provisions of the present resolution, and the creation of the necessary conditions which would enable the Afghan refugees to return voluntarily to their homes in safety and honour;
5. Renews its appeal to all States and national and international organizations to continue to extend humanitarian relief assistance, with a view to alleviating the hardship of the Afghan refugees, in co-ordination with the United Nations High Commissioner for Refugees;
6. Expresses its appreciation and support for the efforts and constructive steps taken by the Secretary-General in the search for a solution to the problem;
7. Requests the Secretary-General to continue these efforts with a view to promoting a political solution, in accordance with the provisions of the present resolution, and the exploration of securing appropriate guarantees for non-use of force, or threat of use of force, against the political independence, sovereignty, territorial integrity and security of all neighbouring States, on the basis of mutual guarantees and strict non-interference in each other's internal affairs and with full regard for the principles of the Charter of the United Nations;

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8. Requests the Secretary-General to keep Member States and the Security Council concurrently informed of the progress towards the implementation of the present resolution and to submit to Member States a report on the situation at the earliest appropriate opportunity;
 9. Decides to include in the provisional agenda of its thirty-eighth session the item entitled "The situation in Afghanistan and its implications for international peace and security".
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EXTRACTS ON AFGHANISTAN FROM NATO FOREIGN MINISTERS' DECLARATION
OF 10 JUNE

"3. The Allies have reviewed the trends of Soviet policies which bear upon Western interests. They are resolved to maintain a firm, realistic and constructive attitude and agree that it is important to maintain a dialogue, not least in periods of tension.

The Allies stress that respect for the obligation not to use force is mandatory and applicable between all States without exception. The reaffirmation of this obligation, contained in the United Nations Charter and the Helsinki Final Act, cannot substitute for deeds. The Allies therefore call on the Soviet Union for a complete end to the use of force in Afghanistan and the threat of use of force, as in the case of Poland. The exercise of restraint and responsibility by the Soviet Union is essential for the constructive relations which the Allies wish to establish with it. Such relations with the Soviet Union are possible on the full range of East-West issues."

"5. The Soviet Union's actions in Afghanistan also pose a major obstacle to the normal development of international relations. Intensified Soviet aggression there continues to meet with the determined resistance of the Afghan people. The mounting toll of civilian casualties and destruction emphasises the urgency of

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a political solution based on the verifiable application of the resolutions of the United Nations General Assembly which called for the immediate withdrawal of Soviet forces, the restoration of Afghanistan's independence, sovereignty and non-aligned status, the right of the Afghan people to self-determination and the voluntary return of refugees."

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ANNEX E

ARAB-ISRAEL AND LEBANON

OBJECTIVE

1. To ensure that any statement on Lebanon is carefully worded so as not to spoil chances of a high-level dialogue between the Ten and the Syrians. To exchange views on how best to encourage revival of Reagan plan.

POINTS TO MAKE

Lebanon

1. Syrians likely to persevere in efforts to nullify Israel-Lebanon agreement. Ten should do what they can to encourage early withdrawal of foreign forces, before another major round of fighting is sparked off.
2. Presidency decision on mission to Damascus? We still see merit in attempt to engage Syrians in high-level dialogue and get to bottom of Syrian thinking. Any statement, while supporting Lebanon, should avoid impression that Ten are simply endorsing US-Israel policies without regard to Syrian reservations.

Arab-Israel

3. Stalemate increasing fragmentation on the Arab side. PLO divided: mutiny among PLO forces in Lebanon weakens Arafat and

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allows Syria to tighten hold on the movement. Loss of faith in negotiated solutions a dangerous development.

4. Major effort needed to revive Reagan initiative. US cannot afford to abandon active efforts to implement it. We can help focus their minds on dangers of drift, eg Israeli settlements in occupied territories. But in practice we cannot supplant US efforts. Closer contact with Syrians over Lebanon also good opportunity to underline our view that they have legitimate interests at stake in a settlement.

BACKGROUND

Lebanon

1. Implementation of the Israel/Lebanon agreement remains unlikely, since Israeli withdrawal of their own troops (16,000) is dependent on the departure of Syrian (50,000) and PLO (8,000) forces. Syria is determined to undermine the agreement because she thinks the conditions attached to Israeli withdrawal are too steep. She has publicly rejected suggestions that she can be persuaded to withdraw her forces from Lebanon by security concessions (eg a security zone on her border with Lebanon similar to the one conceded to Israel), or by financial inducements. Her campaign to undermine the agreement by lobbying in the Arab world and by open support for opposition groups in Lebanon has had some success. Those who were initially ready to give Lebanon tacit support, eg Kuwait, have since become more hostile. Even moderate Arabs are concerned that the agreement's provisions for normalisation of relations will turn Lebanon into an /Israeli

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Israeli protectorate.

2. Military Situation. Tension has remained high in the Beqaa since the Israelis moved reinforcements into Lebanon and on to the Golan in response to Syrian manoeuvres in late May (no more than a radio exercise). A reported artillery exchange between Israeli and Syrian forces on 13 June has been denied by the Israelis. Syria will keep up the pressure. Both sides apparently want to avoid an outbreak of major fighting, but with the arrival in Syria of SA-5 missile batteries manned by Soviet personnel the Syrians may calculate that they could benefit from renewed hostilities, in which they would seek maximum Soviet involvement. On the Israeli side, a major provocation (Syrian or PLO attack on Israeli forces inflicting high casualties) could make pressure for an armed response irresistible.

3. The Lebanese are being unusually assertive in making their own bid for Arab support. With the Syrians still refusing to receive Mr Habib, they and the Americans are pinning their hopes on Saudi mediation. The Lebanese are likely to ratify the Israel-Lebanon agreement shortly, despite Syrian threats. The Americans (and Israelis) still hope that Syria, once convinced that she cannot kill off the agreement, will be ready to negotiate the terms of her own withdrawal; but they do not presend that this will be easy or quick.

4. Action by Ten. There has been some discussion about the merits or a mission to Damascus by the FRG Foreign Minister, Mr Genscher, on behalf of the Ten. We have strongly supported this initiative, arguing that its purpose should be not to press

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the Syrians to accept the Israel-Lebanon agreement, which Ambassadors of the Ten in Damascus have advised would be a fruitless exercise, but to get to the bottom of Syrian objections to it and to engage the Syrians in a high-level dialogue (President Asad himself). But the Germans, who like the French appear to have reservations, have failed to circulate proposals for such a visit.

5. The Israeli Government is under increasing domestic pressure to agree to at least a partial withdrawal of Israeli forces to minimise Israeli casualties (500 dead and over 2,500 wounded since June 1982). This would lead to the semi-permanent partition of Lebanon and create particular dangers for the Multi-national Force, which might be drawn into the vacuum in support of Lebanese army attempts to pacify the warring Kataib (Christian) and Druze (Muslim) militias in central Lebanon. The Israelis are aware of our concern and have assured us that if mutual withdrawal remains blocked by the Syrians, they will consult fully with the Lebanese and US Governments before resorting to partial withdrawal, and that no deadline for such a decision has been set. They have urged us and the Ten to put pressure on Syria to withdraw from Lebanon.

Arab-Israel

6. Hiatus in Arab-Israel peace efforts. Progress is unlikely before implementation of a withdrawal of foreign forces from Lebanon. Meanwhile suspicions are growing in the Arab world of

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a waning US commitment in a pre-election period. A major effort is therefore needed to revive the Reagan initiative. Clear that next phase of diplomacy will have to take more account of Syrian concerns, given their proven ability to block progress and influence others (eg the PLO).

7. Among the Ten no suggestions have yet emerged for new European activity. The French are worried, but sceptical whether there is anything the Ten can usefully do. Pressure to come forward with separate initiatives will increase. In practice we can supplement but not supplant US efforts, making clear to both sides that failure to respond will damage relations with the Ten. We shall also need to impress upon the US that a prolonged vacuum in the search for a settlement will undermine moderate Arab leaders as the Palestinians become more persecuted (eg in Lebanon) and desperate.

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ANNEX F

IRAN-IRAQ

OBJECTIVE

1. To encourage partners to support recent mediation attempts. To resist any French attempt to secure one-sided support of Iraq.

POINTS TO MAKE

2. Military Situation

No major fighting since mid-April.

3. Mediation

Signs are slightly more encouraging than for some time. Moves by UN and GCC could reflect increasing Iranian willingness to explore possibilities of negotiating a settlement.

4. Oil Slick

Some oil now appearing on shores of Saudi Arabia. Still no significant progress on negotiations to cap leaking wells.

5. Action by the Ten

Difficult to see role for the Ten. Best to allow those better placed, e.g. Gulf states, Algerian (and possibly UN Secretary-General) further scope to develop their initiatives.

/6. ICRC Report on POWs

6. ICRC Report on POWs

Must be careful not to let concern at failure of Iran and Iraq to observe Geneva Convention interfere with Mediation attempts.

BACKGROUND

7. Military Situation

No major fighting since mid-April. Speculation that Iranians may be planning fresh offensive to take place during the holy month of Ramadan.

8. Mediation

(a) UN Mission: UN Mission of Enquiry visited Tehran and Baghdad during latter part of May to inspect damage done by indiscriminate bombing and rocket attacks on civilian areas. This development represents softening of Iranian attitudes to UN involvement and could lead to Iran's reconciliation with the UN.

(b) GCC Mediation: GCC sent Kuwait Foreign Minister and UAE Minister of State for Foreign Affairs to Tehran and Baghdad in mid-May primarily to discuss the oil slick. No progress was made on dealing with the oil slick and the Iranians showed no sign of responding to any GCC peace proposals.

(c) Algerian Intervention: The Algerian Prime Minister, Abdelghani, visited Tehran from 17-20 May. The Algerians remain favourites as mediators and have been careful to maintain links with the Iranians. But on this occasion the Algerians made little progress.

9. Oil Slick

There is little sign that discussions held under the auspices of the Regional Organisation for the Protection of the Maritime Environment (ROPME) will lead to progress. Iran has shown some

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flexibility but Iraq continues to insist that repair work can only be carried out as part of a UN-supervised ceasefire agreement. Signs of oil coming ashore on the coast of Saudi Arabia have been reported.

10. ICRC Report on POWs

ICRC issued a report on 9 May criticising both sides for their mistreatment of POWs. Criticism was directed mainly against Iran which holds many more POWs (50,000) than does Iraq (6-7,000). This unusual step by the ICRC reflects their deep concern about extent of ill-treatment.

11. Monsieur Olivier Long, ICRC representative, visited London on 24 May and discussed ICRC's Iran/Iraq responsibilities with the PUS.

Middle East Department

8 June 1983

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ANNEX G

SOUTH AND CENTRAL AMERICA

OBJECTIVE

1. To encourage endorsement of basic US policy objectives in Central America and broad agreement on attitudes towards peace initiatives in the region.

POINTS TO MAKE

CENTRAL AMERICA

PEACE INITIATIVES

2. Not much emerged from latest Contadora Group meeting. But at least they are still talking. Must continue to encourage the Group's efforts. Though chances slim, seem to offer best hope for regional dialogue to reduce tension.

JOINT DECLARATION BY THE TEN (If raised)

3. Views of Ten already expressed by Genscher after Gymnich. Sir John Thomson's Statement to UN Security Council on 18 May also supported Contadora Group. But content for Declaration to be made if other partners agree.

US AND EUROPEAN ATTITUDES

4. Share concern in President Reagan's speech over threat to Western interests from opportunistic Communist exploitation of Central American problems.

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5. Must watch closely whether recent changes in high-level US personnel dealing with the area will affect US tactics.

6. Urgent need for closer dialogue between the Ten and US. No time for Europeans to appear openly critical. Disagreements should be discussed privately.

ARGENTINA: HUMAN RIGHTS (If raised)

7. Continue to condemn Argentine Government's past human rights record. Subscribe to views expressed in statement by Presidency on 6 May on the Junta's dismal report on the 'disappeared'.

BACKGROUND

REFERENCES/ANNEXES

- A: Sir John Thomson's Statement to the UN Security Council 18 May 1983.
- B: Proposed text for Joint Declaration on Central America (COREU telegram CPE/MUL/ETR 02191).
- C: President Reagan's Address to Congress 27 April 1983.
- D: Statement issued by the Presidency on behalf of the Ten on 6 May 1983.
- E: Resolution adopted by the European Parliament on 19 May 1983.

CENTRAL AMERICA

Peace Initiatives

1. The Contadora powers (Colombia, Venezuela, Mexico and Panama) have had a series of meetings with El Salvador,

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Nicaragua, Honduras, Costa Rica and Guatemala. The latest meeting was on 28/30 May. Honduras and Nicaragua had some bilateral exchanges in the margins but made no headway.

2. The meeting set up a Technical Commission composed of representatives from all nine countries to analyse regional problems, including procedures for any agreements which may be reached. They will meet in Panama on 14 June and report to the Contadora Group as soon as possible.

3. The Commission set up by the previous Contadora meeting to examine the Costa Rica/Nicaragua border situation does not seem to have achieved much although Costa Rica and Nicaragua will have further bilateral exchanges.

Joint Declaration by the Ten

4. EC partners have considered whether to make a public declaration supporting regional peace initiatives but decided that, unless carefully timed and phrased, this could do more harm than good. At Presidency press briefing after EC Foreign Ministers' meeting at Gymnich (14/15 May) Herr Genscher said that Ministers supported the work of the Contadora Group. (Sir John Thomson spoke in similar terms at the UN Security Council on 19 May, see Reference A). Presidency have now proposed that a Statement should be issued (see Reference B). Its terms are acceptable and, unless circumstances change, Presidency can go ahead if other partners agree.

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US Policy towards Central America

5. Assistant Secretary of State, Enders, is to be replaced by the US Ambassador to Brazil. The US Ambassador to El Salvador is to be replaced by the US Ambassador to Nigeria. Despite a widespread assumption that these moves reflect a hardening in US attitudes, Washington believe that basic US policy will not change although Shultz may be trying to assert more control.

Argentina: Human Rights (In case raised)

6. Following months of pressure the Argentine military Junta published on 28 April a self-justifying report which contained their 'final word' on the thousands of 'disappearances' and the abuses of human rights which followed the 1976 coup. It states baldly that the 'disappeared' (who may number as many as 15,000 men, women and children) who have not left Argentina must now be considered dead and that no further information on their fate will be provided.

7. The report attracted widespread criticism both within Argentina and internationally. The fiercest criticism came from Italy. President Pertini protested to the Argentine President about the 'blood-chilling cynicism' with which the Argentine Junta had dismissed the fate of the 'disappeared'. Spain, France, FRG and the Vatican have also expressed disapproval.

8. On 6 May the Presidency issued a statement on behalf of the Ten, urging the Argentine Government to provide a

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satisfactory answer on the fate of the 'disappeared'. The main impetus for this came from EC Ambassadors in Buenos Aires, especially the Italian (Italy has 42 nationals and over 300 dual-nationals amongst the missing, Germany have 5 nationals and 15 dual-nationals, France a total of 15. Britain has two nationals missing and the Belgians one. Other EC countries have none). But Ambassadors thought this was of sufficient common humanitarian import to warrant some public statement on behalf of the Community. We agreed. We have also made repeated representations on behalf of the two British disappeared. On 19 May the European Parliament adopted a resolution which was also critical of the Argentine Junta.

9. There are reports that the Junta is now planning to announce an amnesty law. While this might mean the release of prisoners convicted of terrorism, it would also aim to remove the danger of prosecution by a future civilian government of the many military officers who were involved in the 'dirty war'. Argentine politicians have condemned the proposed amnesty, but it remains likely that some compromise will be agreed before a civilian government takes power on 30 January 1984.

MEXICO AND CENTRAL AMERICA DEPARTMENT

8 June 1983

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**EXTRACT FROM SIR JOHN THOMSON'S STATEMENT TO THE UN SECURITY COUNCIL
DEBATE ON NICARAGUA ON 18 MAY 1983**

To judge from some of the speeches we have heard the main issue between the parties concerned is whether to try to make progress by bilateral discussion or by multilateral discussion. If that is really the crucial point it ought not to be too difficult to resolve. At least all seem to be agreed that there should be some discussion. All have welcomed the efforts of the Contadora Group and all have praised the principles upon which the Group has been operating. My delegation considers that there are elements here on which we can build something useful.

The first step in our opinion would be to reaffirm the passage dealing with principles in the bulletin issued by the Contadora Group on 12 May. If you will allow me Mr President I would like to read the relevant part of that bulletin:

"The Ministers for foreign affairs of Colombia, Mexico, Panama and Venezuela note with deep concern the development of the Central American conflict" (note that phrase "the Central American conflict") "over the past few days and the repeated violation of essential principles of the international legal order.

"These circumstances have given rise to various initiatives aimed at seeking the intervention of multilateral organisations. The initiatives include the recent requests made by Central American countries to the United Nations Security Council and the permanent council of the organisation of American states.

"It would be highly desirable that in the deliberations taking place in the said forum, and especially those currently under way in the Security Council, there should be a strengthening of principles which should guide the activities of states in the international arena. These principles include: self-determination and non-interference in the affairs of other states, respect for the territorial

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integrity of other states, the obligation not to allow the territory of a state to be used for committing acts of aggression against other states, the peaceful settlement of disputes and the prohibition of the threat or use of force to resolve conflicts."

Mr President my delegation would like to see these principles which are also principles of the UN Charter, upheld by this Council. They are as I have said apparently acceptable to all, they are Charter principles and their acceptance would make a good starting point.

Immediately following the passage I have just read out, the Contadora bulletin calls upon the Central American countries (again they say all the Central American countries) "to help attain the goal of peace and, to that end, to apply their political will to the search for ways leading to dialogue and understanding to settle their current differences. This constructive and open attitude will largely determine the success of the peace initiatives." It goes on to issue a formal invitation to the five Ministers for foreign affairs of Central America to hold a working meeting at Panama on 28, 29 and 30 May. We hope and believe that this invitation will be accepted by all. We consider that it would be unwise to try to cut across this apparently agreed meeting. Indeed, we hope that nothing said in this Council will make that meeting more difficult.

What we should try to do is to help the Contadora Group over the difficulties which they encountered at their last meeting. These seem to centre on the form of the next meeting at Panama. The Contadora Group bulletin referred both to discussion in working groups and to plenary meetings. My delegation does not know precisely what this means in practice but it sounds a judicious mix.

Everybody admits that there is, in the words of the Contadora Group bulletin, a "Central American conflict" or problem. We hope the countries of the area will be able to agree to discuss their conflicts or problems in multilateral talks or if you will plenary meetings. It would seem to us sad if all the countries in the area were to assemble in one place but were not able to meet each other in one room. At the same time it has been the experience of my

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delegation that there has never been a multilateral international meeting which has not been supported by bilateral discussions on the side. Why should the situation in Central America be an exception to this normal practice?

Indeed, if I heard correctly, the distinguished representatives of Panama, Venezuela and Colombia each in their own way recommended regional solutions to Central American problems. The Colombian permanent representative spoke of bringing all the countries of the region to the table. He sought global solutions while in no way being opposed to bilateral negotiations. That, if I may say so, is the right path. We hope that the Council will add its authority to these wise words from the Contadora Group.

We have been impressed by some of the other suggestions that have emerged during the course of the debate. For example, the distinguished permanent representative of Honduras said "my country would be prepared, together with the other Central American countries, to conclude serious and responsible agreements guaranteeing that none of these countries will take any action to destabilize the internal order of other states" (S/PV/2436, P.46-7). That is an idea worth considering. Similarly, we were impressed by statements from the distinguished foreign Minister of Nicaragua that he had not come here looking for condemnations and that his Government would resist attempts to isolate it. We found attractive the view put forward by the distinguished representative of Guatemala that Central American problems should have Central American solutions. Many speeches have referred to the background of poverty and deprivation in Central America. Clearly social conditions are the seed-beds of politics. Finally, we were much struck by the concluding appeal of the distinguished representative of Costa Rica. I would like to repeat his words:

"We do not believe, Mr President, that the Security Council should weaken regional or sub-regional mechanisms. Nor do we believe that the Council should by its decisions diminish the autonomy of the Secretary-General.

The Council should leave the initiative in the hands of the four Latin-American countries."

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It may be objected that there are questions of face involved for one or more delegations: that is unfortunately one of the by-products of so much public speechifying. It was with this thought in mind that my delegation threw out the suggestion at the close of our last debate on March 29 that there might be a role for the Secretary-General. We believe that if all the countries in the area would declare that in principle they were ready for multilateral dialogue but found difficulty in agreeing on certain modalities such as the precise agenda, the date and place for a meeting and so on, it might be reasonable to ask the Secretary-General through his personal mediation to sort out the consultation with the parties such modalities. We do not think it is reasonable to throw the whole problem at the Secretary-General without any agreement between the parties as to what the problem is or as to what his role is to be. That puts him in an impossible position and tends to reduce his usefulness in the future. As I say, it is another matter if he is asked by all the parties to undertake a limited task after they have agreed in principle.

With these considerations in mind Mr President, my delegation feels that the most important elements for the Security Council to emphasise should be the re-affirmation of the principles set out in the Contadora Group bulletin, support for the further efforts of the Contadora Group to make progress through multilateral dialogue which will permit bilateral talks on the side. If we can agree at least on this we may in a small way have done something to help the next meeting of the Contadora Group at the end of this month.

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SUJET: DECLARATION OF THE TEN ON CENTRAL AMERICA

1. THE PRESIDENCY PROPOSES TO SUBMIT THE DECLARATION OF THE TEN ON CENTRAL AMERICA TO HEADS OF GOVERNMENTS IN STUTTGART ON 17 JUNE, 1983 FOR APPROVAL AND PUBLICATION.

2. AFTER THE SECOND MEETING OF THE CONTADORA-GROUP AND THE FIVE CENTRAL AMERICAN STATES END OF MAY IN PANAMA THERE IS NO DOUBT THAT THE CONTADORA-INITIATIVE IS GOING TO BE CONTINUED AND REPRESENTS AT THIS STAGE THE ONLY ALTERNATIVE POSSIBLY LEADING TO A PEACEFUL SOLUTION OF THE REGIONAL CONFLICT.

3. SOME GOVERNMENTS OF THE TEN ALREADY HAVE EKSPRESSED SUPPORT OF THE CONTADORA-INITIATIVE UNILATERALLY.

4. SEVERAL CENTRAL AMERICAN AND CONTADORA-STATES HAVE REPEATEDLY EKSPRESSED THE DESIRE THAT EUROPE SHOULD GIVE SUPPORT TO THE CONTADORA-INITIATIVE.

5. THE PRESIDENCY THEREFORE PROPOSES TO MENTION THE CONTADORA-EFFORT EKSPPLICITLY IN THE TEKST OF THE DECLARATION. THE FOLLOWING TEKST HAS BEEN MODIFIED ACCORDINGLY.

6. THE PRESIDENCY WOULD WELCOME APPROVAL OF PROCEDURE AND TEKST UNTIL 10 JUNE 1983, 12.00 HOURS.

FOLLOWS TEKST:

THE TEN TAKE A STRONG INTEREST IN DEVELOPMENTS IN CENTRAL AMERICA. THEY ARE DEEPLY CONCERNED ABOUT GROWING TENSIONS IN THAT AREA, WHICH AGGRAVATE ALREADY EKEXISTING SERIOUS ECONOMIC AND SOCIAL CONDITIONS, AND WHICH CONTINUE TO CAUSE WIDESPREAD BLOODSHED AND MISERY. THE TEN, RECALLING THE CONCLUSIONS OF THE EUROPEAN COUNCIL OF MARCH 30TH 1982, BELIEVE THAT THESE TENSIONS CAN ONLY BE ELIMINATED BY PEACEFUL MEANS WITH THE PARTICIPATION OF THOSE INVOLVED.

THEY THEREFORE REITERATE THEIR SUPPORT FOR INITIATIVES PROPOSED TO THAT END.

THE TEN ATTRIBUTE CONSIDERABLE IMPORTANCE TO THE EFFORTS TO ACHIEVE PEACE FROM WITHIN THE REGION. FOR THIS REASON, THEY FULLY SUPPORT THE INITIATIVE OF THE CONTADORA-GROUP.

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THE OPENING OF DIALOGUE SHOULD BE THE FIRST STEP
TOWARDS SECURING PEACE AND RE-ESTABLISHING A CLIMATE OF
CONFIDENCE. SUCH A CLIMATE IS A PREREQUISITE IN THE
ENDEAVOUR TO BRING ABOUT JUST AND LASTING SOLUTIONS TO
THE PROBLEMS THAT BESET THE REGION. THE TEN ARE OF THE
OPINION THAT THESE EFFORTS SHOULD BE GUIDED BY THE PRIN-
CIPLES OF SELF-DETERMINATION, SOVEREIGNTY, NON-INTERFERENCE,
TERRITORIAL INTEGRITY AND INVIOABILITY OF FRONTIERS AS
LAID DOWN IN THE UN CHARTER AND IN STRICT OBSERVANCE OF
HUMAN RIGHTS, MUTUAL RESPECT, COOPERATION AND DEMOCRACY.
FIN DE TEXTE
DOHN COREU

LIMITED

MCAJ

ECD (E)

SIR J. BULLARD

MR GIFFARD

MR URE

MR HANNAY

MR JAMES

THIS TELEGRAM
WAS NOT
ADVANCED

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(C)

EXTRACT FROM PRESIDENT REAGAN'S ADDRESS TO JOINT SESSION OF
CONGRESS, 27 APRIL 1983

We will pursue four basic goals in Central America:

First: in response to decades of inequity and indifference, we will support democracy, reform, and human freedom. This means using our assistance, our powers of persuasion, and our legitimate 'leverage' to bolster humane democratic systems where they already exist and to help countries on their way to that goal complete the process as quickly as human institutions can be changed. Elections - in El Salvador and also in Nicaragua - must be open to all, fair and safe. The international community must help. We will work at human rights problems, not walk away from them.

Second: in response to the challenge of world recession and, in the case of El Salvador, to the unrelenting campaign of economic sabotage by the guerillas, we will support economic development. By a margin of two-to-one, our aid is economic, not military. Seventy-seven cents out of every dollar we will spend in the area this year goes for food, fertilizers, and other essentials for economic growth and development. And our economic program goes beyond traditional aid: the Caribbean Basin Initiative introduced in the House earlier today will provide powerful trade and investment incentives to help these countries achieve self-sustaining economic growth without exporting US jobs. Our goal must be to focus our immense and growing technology to enhance health care, agriculture, industry; to ensure that we who inhabit this interdependent region come to know and understand each other better, retaining our diverse identities, respecting our diverse traditions and institutions.

Third: in response to the military challenge from Cuba and Nicaragua - to their deliberate use of force to spread tyranny - we will support the security of the region's threatened nations. We do not view security assistance as an end in itself, but as a shield for democratization, economic development, and diplomacy. No amount of reform will bring peace so long as guerillas believe they will win by force. No amount of economic help will suffice if guerrilla

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units can destroy roads, bridges, power stations, and crops again and again with impunity. But, with better training and material help, our neighbors can hold off the guerrillas and give democratic reform time to take root.

Fourth: we will support dialogue and negotiations - both among the countries of the region and within each country. The terms and conditions of participation in elections are negotiable. Costa Rica is a shining example of democracy. Honduras has made the move from military rule to a democratic government. Guatemala is pledged to the same course. The United States will work toward a political solution in Central America which will serve the interests of the democratic process.

To support these diplomatic goals, I offer these assurances:

The United States will support any agreement among Central American countries for the withdrawal - under fully verifiable and reciprocal conditions - of all foreign military and security advisors and troops.

We want to help opposition groups join the political process in all countries and compete by ballots instead of bullets.

We will support any verifiable, reciprocal agreement among Central American countries on the renunciation of support for insurgencies on neighbors' territory.

And, finally, we desire to help Central America end its costly arms race, and will support any verifiable, reciprocal agreements on the non-importation of offensive weapons.

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FM BONN COREU
TO ALL COREU - PRIORITY -
AND UN-MISSIONS IN NEW YORK - PRIORITY -
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OBJET: FINAL DOCUMENT OF ARGENTINE MILITARY JUNTA ON DIS-
APPEARED PERSONS

REF.: CPE/MUL ETR. 1644 (FROM 119)

1. POLITICAL COMMITTEE HAS ACCEPTED PROPOSAL OF EC-
HEADS OF MISSION IN BUENOS AIRES THAT PRESIDENCY IN NAME
OF TEN SHOULD GIVE PUBLIC STATEMENT TO PRESS ON DOCUMENT
OF MILITARY JUNTA: POLITICAL COMMITTEE AGREED ON FOLLOWING
TEKST PROPOSED BY AMBASSADORS:

"THE TEN HAVE NOTED WITH GREAT SYMPATHY THE RECENT
EVOLUTION WITHIN ARGENTINA TOWARDS A RETURN TO CONSTITU-
TIONAL RULE.

THEY BELIEVE, THAT IN THIS CONTEKST THE QUESTION OF
HUMAN RIGHTS AND THE CLARIFICATION OF THE FATE OF THE
MISSING PEOPLE IS OF CENTRAL IMPORTANCE.

THE DOCUMENT ISSUED BY THE MILITARY JUNTA ON APRIL
28TH CANNOT BE ACCEPTED AS A SUFFICIENT OR FINAL ANSWER
TO THE NUMEROUS REPRESENTATIONS TO THE ARGENTINE GOVERN-
MENT MADE BY THE TEN ASKING FOR CLARIFICATION OF THE FATE
OF MISSING PEOPLE. THE TEN THEREFORE CONTINUE TO URGE THE
ARGENTINE GOVERNMENT TO GIVE SATISFACTORY CLARIFICATION."

2. PUBLIC STATEMENT WILL BE GIVEN BY PRESIDENCY TO
PRESS ON MAY 6TH, 9.00 O'CLOCK A.M.

ARGENTINE AMBASSADOR WILL BE INFORMED IN THE AFTER-
NOON OF MAY 5TH.

BONN COREU
FIN DE TEKST

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10 MAY 1983

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FM UKDEL STRASBOURG 191500Z MAY 83

TO ROUTINE FCO

TELEGRAM NUMBER 58 OF 19 MAY

INFO ROUTINE ~~UKDEL~~ NEW YORK AND UKREP BRUSSELS

FROM UKREP BRUSSELS

THE EUROPEAN PARLIAMENT AND ARGENTINA

1. THE EUROPEAN PARLIAMENT IN THE COURSE OF ITS URGENCY

^D
DEBATES ON 19 MAY ADOPTED THE FOLLOWING RESOLUTION (TABLED
BY SOCIALISTS AND COMMUNISTS, BUT GENERALLY SUPPORTED, WITH
CHRISTIAN DEMOCRAT AMENDMENTS):
QUOTE THE EUROPEAN PARLIAMENT,

- A. HAVING REGARD TO THE ANNOUNCEMENT BY THE ARGENTINE MILITARY
JUNTA TO THE EFFECT THAT THERE IS NO POSSIBILITY THAT THE
PERSONS WHO HAVE DISAPPEARED IN THAT COUNTRY SINCE THE LAST
COUP D'ETAT ARE STILL ALIVE,
- B. SHOCKED AT THIS OFFICIAL STATEMENT WHICH IS TANTAMOUNT TO
AN ADMISSION OF DIRECT RESPONSIBILITY FOR THOUSANDS OF
MURDERS,
- C. CONCERNED THAT NO COMPLETE CLARIFICATION HAS YET BEEN GIVEN
OF THE INDIVIDUAL FATES OF ALL THOSE WHM HAVE DISAPPEARED
AND BEEN MURDERED, IN SPITE OF URGENT APPEALS BY WORLD
PUBLIC OPINION,
1. PROTESTS ON BEHALF OF THE FREE PEOPLES OF EUROPE, EXPRESSING
THEIR INDIGNATION AND HORROR:
2. ENDORSES THE PROTESTS OF THE WHOLE OF THE DEMOCRATIC WORLD
AND THE STATEMENT BY THE PRESIDENT OF THE ITALIAN REPUBLIC,
SANDRO PERTINI, THAT BY THIS GESTURE OF CHILLING CYNICISM
THE ARGENTINIAN AUTHORITIES HAVE TRANSCENDED THE BOUNDS OF
HUMAN DECENCY:
3. CONDEMNS THE MURDERS, WHICH MADE A MOCKERY OF EVERY PRINCIPLE
OF CONSTITUTIONAL LAW AND HUMANITARIAN BEHAVIOUR:
4. CALLS ON THE ARGENTINE GOVERNMENT TO BRING THE GUILTY TO
PROPER TRIAL:

AFA 240/2		
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20 MAY 1983		
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	7	

/5. DEMANDS

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5. DEMANDS FROM THE ARGENTINIAN GOVERNMENT A FULL EXPLANATION OF THE FATE OF ALL INDIVIDUALS REPORTED MISSING IN ARGENTINA:
6. CALLS ON THE FOREIGN MINISTERS OF THE EUROPEAN COMMUNITY TO SEEK FURTHER INFORMATION CONCERNING THE TRUE FATE OF THE THOUSANDS OF PEOPLE CONCERNED, IN VIEW OF THE CONTINUING DOUBT AS TO THE TRUTH OF THIS ABRUPT ANNOUNCEMENT, FOR WHICH NO EVIDENCE HAS BEEN PRODUCED:
7. INSTRUCTS ITS PRESIDENT TO FORWARD THIS RESOLUTION TO THE COMMISSION, THE COUNCIL, THE FOREIGN MINISTERS MEETING IN POLITICAL COOPERATION AND THE GOVERNMENTS OF THE MEMBER STATES WITH A VIEW TO TAKING JOINT MEASURES CONDEMNING THE ARGENTINE MILITARY JUNTA. UNQUOTE

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ANNEX H

DISARMAMENT ISSUES (INF)

OBJECTIVE

1. To maintain European support for the INF double decision.

POINTS TO MAKE

2. Progress in INF negotiations in Geneva very slow. But no hope of Soviet concessions which might lead to agreement unless NATO maintains determination to deploy first missiles by end of 1983 in absence of agreement at Geneva on zero option. No further decision required by NATO Governments before deployments begin.
3. NATO ready to negotiate interim agreement, short of zero/zero, but this would mean some deployments of Cruise and Pershing II.
4. Doubt need for our discussions to be described in joint statement or, in any specific form, in Presidency conclusions. We certainly should not put out anything which is not at least as strong as Williamsburg on the latest NATO communiqués. If we do not think we can agree on sufficient firm language we should not make the attempt.

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BACKGROUND

References

- A: Williamsburg Statement on Defence and Disarmament
- B: Extracts on INF from the communiqué of the NATO Ministerial Meeting, 10 June

5. The Presidency's inclusion of 'Disarmament Issues', (ie INF) on the agenda marks a departure from previous Council discussions. but discussion would flow naturally from Chancellor Kohl's account of preparations for his forthcoming visit to Moscow. Particular difficulties because of the attitudes of the Irish (neutral), the Greeks (who oppose INF modernisation) and the Danes (who are in domestic political disarray on the issue). Kohl would like to see an agreed statement by the Summit, to help him in Moscow - if something worthwhile can be produced. We much doubt this is realistic and have told the Germans so. It is important not to convey the suggestion that European support for INF modernisation is any weaker than that stated in the Williamsburg Summit Declaration or the communiqué of NATO foreign ministers meeting for the North Atlantic Council in Paris on 9-10 June. A weaker signal from the Europeans would not be in our interest and would suggest to Moscow further scope for propaganda aimed at the Western European public opinion and governments (rather than serious negotiation at Geneva).

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FM UKDEL WILLIAMSBURG 292310Z MAY 83

TO FLASH FCO

TELEGRAM NUMBER 008 OF 29 MAY

INFO IMMEDIATE WASHINGTON BONN, PARIS, ROME, OTTAWA, TOKYO, UKDEL
NATO,

MOSCOW, BERNE (FOR LORD COCKFIELD)

PRIORITY OTHER NATO POSTS, UKMIS NEW YORK, UKDIS GENEVA

UKDEL VIENNA, PRAGUE, BUDAPEST, BUCHAREST, WARSAW, EAST BERLIN
HELSINKI, STOCKHOLM, UKDEL MADRID.

WILLIAMSBURG SUMMIT: DEFENCE AND DISARMAMENT.

THE FOLLOWING STATEMENT WAS APPROVED THIS EVENING BY THE
HEADS OF STATE AND GOVERNMENT OF THE SEVEN PARTICIPANT COUNTRIES
AND WAS DUE TO BE RELEASED TO THE PRESS AT ABOUT 2230Z TODAY
29 MAY.

BEGINS

1. AS LEADERS OF OUR SEVEN COUNTRIES, IT IS OUR FIRST DUTY
TO DEFEND THE FREEDOM AND JUSTICE ON WHICH OUR DEMOCRACIES ARE
BASED. TO THIS END, WE SHALL MAINTAIN SUFFICIENT MILITARY
STRENGTH TO DETER ANY ATTACK, TO COUNTER ANY THREAT, AND TO
ENSURE THE PEACE. OUR ARMS WILL NEVER BE USED EXCEPT IN RESPONSE
TO AGGRESSION.

2. WE WISH TO ACHIEVE LOWER LEVELS OF ARMS THROUGH SERIOUS
ARMS CONTROL NEGOTIATIONS. WITH THIS STATEMENT, WE REAFFIRM OUR
DEDICATION TO THE SEARCH FOR PEACE AND MEANINGFUL ARMS REDUCTIONS.
WE ARE READY TO WORK WITH THE SOVIET UNION TO THIS PURPOSE AND
CALL UPON THE SOVIET UNION TO WORK WITH US.

3. EFFECTIVE ARMS CONTROL AGREEMENTS MUST BE BASED ON THE
PRINCIPLE OF EQUALITY AND MUST BE VERIFIABLE. PROPOSALS HAVE
BEEN PUT FORWARD FROM THE WESTERN SIDE TO ACHIEVE POSITIVE
RESULTS IN VARIOUS INTERNATIONAL NEGOTIATIONS: ON STRATEGIC
WEAPONS (START), ON INTERMEDIATE-RANGE NUCLEAR MISSILES (INF),
ON CHEMICAL WEAPONS, ON REDUCTION OF FORCES IN CENTRAL EUROPE
(MBFR), AND A CONFERENCE ON DISARMAMENT IN EUROPE (CDE).

4. WE BELIEVE THAT WE MUST CONTINUE TO PURSUE THESE
NEGOTIATIONS WITH IMPETUS AND URGENCY. IN THE AREA OF INF,
IN PARTICULAR, WE CALL UPON THE SOVIET UNION TO CONTRIBUTE
CONSTRUCTIVELY TO THE SUCCESS OF THE NEGOTIATIONS. ATTEMPTS
TO DIVIDE THE WEST BY PROPOSING INCLUSION OF THE DETERRENT FORCES
OF THIRD COUNTRIES, SUCH AS THOSE OF FRANCE AND THE UNITED
KINGDOM, WILL FAIL. CONSIDERATION OF THESE SYSTEMS HAS NO PLACE
IN THE INF NEGOTIATIONS.

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5. OUR NATIONS EXPRESS THE STRONG WISH THAT A BALANCED INF AGREEMENT BE REACHED SHORTLY. SHOULD THIS OCCUR, THE NEGOTIATIONS WILL DETERMINE THE LEVEL OF DEPLOYMENT. IT IS WELL KNOWN THAT SHOULD THIS NOT OCCUR, THE COUNTRIES CONCERNED WILL PROCEED WITH THE PLANNED DEPLOYMENT OF THE U.S. SYSTEMS IN EUROPE AT THE END OF 1983.

6. OUR NATIONS ARE UNITED IN EFFORTS FOR ARMS REDUCTIONS AND WILL CONTINUE TO CARRY OUT THOROUGH AND INTENSIVE CONSULTATIONS. THE SECURITY OF OUR COUNTRIES IS INDIVISIBLE AND MUST BE APPROACHED ON A GLOBAL BASIS. ATTEMPTS TO AVOID SERIOUS NEGOTIATION BY SEEKING TO INFLUENCE PUBLIC OPINION IN OUR COUNTRIES WILL FAIL.

7. WE COMMIT OURSELVES TO DEVOTE OUR FULL POLITICAL RESOURCES TO REDUCING THE THREAT OF WAR. WE HAVE A VISION OF A WORLD IN WHICH THE SHADOW OF WAR HAS BEEN LIFTED FROM ALL MANKIND, AND WE ARE DETERMINED TO PURSUE THAT VISION. ENDS..

FCO PSE PASS ALL.

PYM

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COMMUNIQUE OF THE NORTH ATLANTIC COUNCIL MEETING IN PARIS ON
9/10 JUNE 1983: PASSAGES ON INF

Extract from the Preamble

As regards intermediate range nuclear forces, the Ministers affirmed the importance of the double-track decision taken on 12 December 1979, by the countries concerned. They hope that, in the near future, a verifiable agreement providing for United States and Soviet equality can be reached in Geneva. If concrete results through negotiations cannot be reached, deployments as planned will begin as already decided in December 1979 (Greece reserves its position on this paragraph).

Paragraph 6 and 7

Defence and arms control are integral parts of the security policy of the Alliance. In pursuit of this policy the Allies have submitted a comprehensive series of proposals designed to lead to equitable, verifiable and militarily significant agreements for major reductions to a stable balance of forces at the lowest possible levels.

In this spirit, the Allies concerned underline the continued importance of the decision of 12 December, 1979, which combined the modernisation of United States longer range INF (LRINF) with a parallel offer of negotiations and the unilateral withdrawal from Europe of a thousand United States nuclear warheads which was completed in 1980. Since that decision was taken, the Soviet Union has relentlessly continued its deployment of modern SS-20 missiles, greatly expanding its monopoly in this class of weapons which has created an entirely new threat for Europe. Ignoring the concerns of countries threatened by these systems, the Soviet Union is, at the same time, resisting achievement of an equitable negotiated solution. The Soviet approach would undermine the vital link between the defence of Europe and the American strategic deterrent.

Present Soviet proposals would include third country national deterrent forces which have no place in the negotiations and leave the Soviets with more SS-20 missiles than when the negotiations began, deny the right to modernise the deterrent to this threat, leave unrestrained large Soviet SS-20 forces in the Eastern USSR

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- 2 -

which threaten Europe as well as Asia, and remove from Europe aircraft of the United States which are essential to conventional defence.

The Allies concerned reaffirm that in the absence of concrete negotiating results which obviate deployments, deployments will begin at the end of 1983, in accordance with the schedule established in the decision of 1979. At the same time these Allies remain fully committed to reaching a successful outcome in the INF negotiations, which they continue to monitor and evaluate closely. They will support continued negotiations even after initial deployments. These Allies will examine NATO's LRINF requirements when concrete results are achieved in the negotiations, and will make appropriate adjustments in the levels of deployments already decided in 1979. They fully support the efforts to the United States, in close consultation with them, to achieve progress at Geneva. These Allies strongly prefer the elimination of all United States and Soviet LRINF missiles, as proposed by the United States. They welcome and support as a further effort to achieve progress toward that end the United States proposal for an interim agreement which would result in equal global ceilings on warheads on United States and Soviet land-based LRINF missile systems at the lowest possible level. This proposal which establishes a flexible framework for negotiations was developed through close consultation among the Allies concerned. They call on the Soviet Union to contribute constructively to a successful outcome of the negotiations which addresses the legitimate security concerns of both sides and welcome current United States efforts to that end. They strongly hope a balanced agreement will be rapidly reached. (Greece reserves its position on paragraph 7).

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EHG(S)(83) 12
14 JUNE 1983

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EUROPEAN COUNCIL, STUTTGART
17-19 JUNE 1983

Genscher/Colombo Proposals

Brief by Foreign and Commonwealth Office

Points to Make

1. The UK can agree to the adoption and signature of the text as it now stands. [Subject to confirmation]

Background

References

A: Latest text of Solemn Declaration.

2. The text of the Genscher/Colombo Solemn Declaration has now been agreed apart from a number of Danish and Greek reserves. The Presidency nevertheless still hope that the text will be adopted and signed at Stuttgart. There is however now a Greek general reserve to the effect that it would be pointless to adopt the Solemn Declaration if Stuttgart failed to deal with all the other issues satisfactorily.

3. The text has been considerably watered down and amended in comparison with the original proposals, and there are no further UK problems with the the text. The proposals will not involve Treaty amendment or increases in the powers of the Community institutions as laid down in the Treaties. We have ensured for example, that there will be no provision for the Parliament to hold a "confidence" debate on the Commission's programme. We also secured a change in the title from "Act" to "Solemn Declaration"

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to emphasise that it was not a legal document. Our final problem, relating to the section on decision-making in the Council, was removed when it was agreed to delete the paragraph containing the statement that recourse to voting should become the normal practice where the Treaties so provide. This made it unnecessary for us to insist on a separate protocol setting out Member States' positions on the Luxembourg Compromise. At the 13 June Council, however, we asked for an entry in the minutes setting out our view that, when a member state considers its very important interests to be at stake, the discussions should be continued until unanimous agreement is reached. France, Denmark, Ireland and Greece are likely to ask for similar entries in the minutes.

4. The Germans have made clear that they attach importance to the Solemn Declaration being signed by Heads of Government rather than simply "adopted", as an indication of its political importance. Now that we have ensured that the final text is satisfactory from our point of view, there is no reason for us to object to signature.

Foreign and Commonwealth Office
14 June 1983

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14. VI. 1983

REFERENCE A

SOLEMN DECLARATION
ON EUROPEAN UNION

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J.E./e 1

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
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Community must strengthen its cohesion, regain its
dynamism and intensify its action in areas hitherto
insufficiently explored,

Don't attend with social program to line
don't - high priority
resolved to accord a high priority to the Community's
social policy and in particular to the problem of employ-
ment, thus progressively developing the social policy
of the European Community,

convinced that, by speaking with a single voice in
foreign policy, including political aspects of security,
Europe can contribute to the preservation of peace,

recalling their decisions taken in Paris on
21 October 1972 and 10 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:

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- 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:

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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.

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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 Ministers for Foreign Affairs of the Member States, as well as the President and a member of the Commission.

2.1.2. In the perspective of European Union, the European Council

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

- deliberates upon matters concerning European Union in its ~~different~~ **CONFIDENTIAL** 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.

2.2.1.

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

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

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

2.2.2.

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

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

2.2.3.

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

They recently adopted new arrangements in the London report of 13 October 1981.

In the light of experience they will continue in this direction, in particular by:

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

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2.3.1. The European Parliament 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 of improving and extending, within the framework of a new agreement, 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.

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.

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.

3.1.

EUROPEAN COMMUNITIES

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

- 3.1.1. An overall economic strategy in the Community to combat unemployment and inflation and to promote convergence. Priority should be given to encouraging productive investment and raising competitiveness as a basis for creating durable jobs, bringing about sustained economic growth and reducing unemployment. In this context, effective action in the social field to alleviate unemployment should be taken at both Community and national levels.
- 3.1.2. Stronger economic discipline and more effective co-ordination of the national economic policies, which are required for the achievement of the Community's overall objectives, in order to ensure that the main economic and sectoral objectives of the Member States are consistent with the maintenance and strengthening of the Community and with the object of consolidating the European Monetary System.

3.1.3. Strengthening of the European Monetary System, **CONFIDENTIAL** which is helping to consolidate an area of monetary stability in Europe and to create a more stable international economic environment, as a key element in progress towards Economic and Monetary Union and the creation of a European Monetary Fund.

3.1.4. Definition of Community instruments and mechanisms which will permit action geared to the situation and specific needs of the least prosperous Member States in an effort to tackle their structural problems and thereby to ensure the harmonious development of the Community.

3.1.5. Given the importance of the Community's external relations, strengthening of the common commercial policy and development of its external economic policy on the basis of common positions; the Community will, in this way, give effect to its special responsibility as the principal world trader and to its commitment to the open trading system.

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

3.1.6. Completion of the internal market in accordance with the Treaties, in particular the removal of the remaining obstacles to the free movement of goods, capital and services, as well as the further development of a common transport policy.

3.1.7. Continued development of the common agricultural policy in harmony with other policies, respecting its objectives as defined in the Treaty and the principles of unity of the market, Community preference and financial solidarity, and taking into account the need to ensure a fair standard of living for the agricultural community and the need to achieve a better market equilibrium in some sectors. The problems of less favoured agricultural regions, including 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.

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.

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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;

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- 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;

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- 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 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.

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

- 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.

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9 JUNE 1983

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EUROPEAN COUNCIL, STUTTGART
17 JUNE 1983
ENERGY (SOLID FUELS)
Brief by Department of Energy

OBJECTIVE

1. To impress on our partners the importance of a comprehensive policy on solid fuels of a sort which might make a significant long-term contribution to solving the UK's budget problem; and to secure agreement on a request to Energy Ministers to press ahead urgently with work in this area.

POINTS TO MAKE

2. Two-fold importance in developing new Community policy on solid fuels: reasons of energy strategy and Budget restructuring.

3. All agreed on fundamental importance of energy to the economies of Member States. Community's indigenous coal, lignite and peat offer major opportunity for reducing dependence on oil and diversifying energy sources. This was reflected in the political commitment of the Energy Council on 21 April to make progress on a new policy on solid fuels. As a result of this the Commission has brought forward positive proposals for consideration by an early Energy Council. I very much welcome this work. I hope that the European Council will show its commitment to an early agreement to this important initiative.

4. Community should of course not finance hopelessly loss making production of solid fuel nor commit scarce Budget resources to uneconomic investment. But Community has interest in promoting economic production, consumption, and trade in solid fuels.

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Community should help finance investment in economic projects in Community coal industry, and take on greater part of the social costs of restructuring (redundancies etc).

5. New policy on solid fuels would be a step towards tackling difficult problem of budget imbalances. Often said that new policies is right way to tackle the budget problem. Here is an opportunity for a new policy which can help. Vital for partners to recognise this.

BACKGROUND

6. Energy Council on 21 April agreed that the Commission should bring forward proposals for a new solid fuels policy, covering support for economic production and, use, as well as R & D. These will be discussed at next Energy Council (which will take place in July).

7. UK has pressed for aid (eg as interest rebates) for economic coal investment, for greatly increased help with the costs of coal rationalisation and for help with the short term problem of financing high coal stocks. The UK and Germany would be the main beneficiaries and, depending on the scale of funding, a modest but useful contribution could be made to a long-term solution of the budget problem. A package might involve Community spending of 500 m ecu or more per year, of which the UK would contribute 20% and might receive around 50%. If the package fails to be agreed, we could point to this as another example of the Community inability to solve the Budget problem by structural means.

8. The French have taken a negative position, arguing that support for coal production is a national responsibility. The Greeks and Irish have called for parallel treatment for lignite and peat (we agree, provided the sum involved for peat and lignite are small). The Germans support Community action, and are our main potential allies, but are mainly concerned to preserve the existing scheme of Community coking coal subsidies from which the

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gain nearly all the financial benefits (unfortunately the UK has insufficient high-quality coking coal to participate in this trade, but equally we do not contribute the special coking coal levies). Other countries are, to varying degrees, on the fence. The Commission, after some months of dithering appears to have grasped the potential importance of a solid fuels package in the budget context. Their proposals go some way towards meeting our points.

Department of Energy
13 June 1983

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8 June 1983

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

INTERNATIONAL TRADE ISSUES

Brief by the Department of Trade and the Foreign and
Commonwealth Office

OBJECTIVE

1. To endorse the Williamsburg Economic Summit's support for the open trading system.

POINTS TO MAKE

Protectionism

2. Both OECD Ministerial and Williamsburg produced useful statements on resisting protectionism. Council should reinforce this message. Open trading system important in promoting economic recovery to the benefit of developed and developing countries alike. But current trade barriers cannot be dismantled overnight. Williamsburg commitment will need careful implementation.

EC/US: Agriculture

3. Welcome Williamsburg commitment to resolution of trade problems.

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Particularly relevant to tensions between EC and US on agriculture. Contacts so far have been useful, but more patient work is necessary.

BACKGROUND

References

A: Williamsburg Declaration on Economic Recovery

Protectionism

4. (Reference A, item 3) Williamsburg participants agreed to halt protectionism and, as economic recovery progresses, to dismantle barriers to trade. This builds on similar thoughts which emerged from the OECD Ministerial meeting in mid-May. Signs of economic recovery make such undertakings timely, but dismantling trade barriers will require careful handling.

North/South

5. (Reference A, items 3 and 6) Williamsburg recognised the problems facing developing countries, and placed emphasis on expanding trade with and among them. The Summit participants saw the renewed commitment to the open-trading system as the mechanism by which economic recovery would spread to all countries, developed and developing alike. This is a useful development, not only in the context of our longer term objective of integrating the newly industrialising countries into the open trading system (which the proposed new trade round would promote), but more immediately in the context of perception of the developed world's position at UNCTAD VI.

Trade and Financial Co-operation

6. (Reference A, item 4) Williamsburg also endorsed closer

co-operation between trade and financial institutions, the need for which has been shown up by the international financial crisis. This co-operation is welcome, though US efforts to push ambitious and generalised ideas in this area caused some unease, particularly among non-Summit nations. The need is for a discreet and consultative approach.

Trade in Services and High Technology

7. (Reference A, item 3) The Declaration also mentioned trade in services and high technology to which the US attached importance. The UK supports work on services but has reservations about high technology. Careful handling is required within the EC, particularly in the face of French opposition.

EC/US: Agriculture

8. Despite useful contacts between the EC and US, the next of which is to take place on 22-23 June, the scope for a major rift on agriculture remains considerable. Williamsburg's general reference to resolution of trade disputes is helpful, but there is a continuing need for patient conciliation. It is worth reiterating this at the Council.

Department of Trade and
Foreign and Commonwealth Office
8 June 1983



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REFERENCE

1983 Summit of Industrialized Nations

Williamsburg, Virginia 23187
May 28-31, 1983

FOR IMMEDIATE RELEASE

MAY 30, 1983

WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY

Our nations are united in their dedication to democracy, individual freedom, creativity, moral purpose, human dignity, and personal and cultural development. It is to preserve, sustain, and extend these shared values that our prosperity is important.

The recession has put our societies through a severe test, but they have proved resilient. Significant success has been achieved in reducing inflation and interest rates; there have been improvements in productivity; and we now clearly see signs of recovery.

Nevertheless, the industrialized democracies continue to face the challenge of ensuring that the recovery materializes and endures, in order to reverse a decade of cumulative inflation and reduce unemployment. We must all focus on achieving and maintaining low inflation, and reducing interest rates from their present too-high levels. We renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditures.

We recognize that we must act together and that we must pursue a balanced set of policies that take into account and exploit relationships between growth, trade, and finance, in order that recovery may spread to all countries, developed and developing alike.

In pursuance of these objectives, we have agreed as follows:

(1) Our governments will pursue appropriate monetary and budgetary policies that will be conducive to low inflation, reduced interest rates, higher productive investment and greater employment opportunities, particularly for the young.

(2) The consultation process initiated at Versailles will be enhanced to promote convergence of economic performance in our economies and greater stability of exchange rates, on the lines indicated in an annex to this Declaration. We agree to pursue closer consultations on policies affecting exchange markets and on market conditions. While retaining our freedom to operate independently, we are willing to undertake coordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful.

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(3) We commit ourselves to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers. We intend to consult within appropriate existing fora on ways to implement and monitor this commitment. We shall give impetus to resolving current trade problems. We will actively pursue the current work programs in the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development, including trade in services and in high technology products. We should work to achieve further trade liberalization negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries. We have agreed to continue consultations on proposals for a new negotiating round in the GATT.

(4) We view with concern the international financial situation, and especially the debt burdens of many developing nations. We agree to a strategy based on: effective adjustment and development policies by debtor nations; adequate private and official financing; more open markets; and worldwide economic recovery. We will seek early ratification of the increases in resources for the International Monetary Fund and the General Arrangements to Borrow. We encourage closer cooperation and timely sharing of information among countries and the international institutions, in particular between the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the GATT.

(5) We have invited Ministers of Finance, in consultation with the Managing Director of the IMF, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference.

(6) The weight of the recession has fallen very heavily on developing countries and we are deeply concerned about their recovery. Restoring sound economic growth while keeping our markets open is crucial. Special attention will be given to the flow of resources, in particular official development assistance, to poorer countries, and for food and energy production, both bilaterally and through appropriate international institutions. We reaffirm our commitments to provide agreed funding levels for the International Development Association. We welcome the openness to dialogue which the developing countries evinced at the recent conferences of the Non-Aligned Movement in New Delhi and the Group of 77 in Buenos Aires, and we share their commitment to engage with understanding and cooperation in the forthcoming meeting of the United Nations Conference on Trade and Development in Belgrade.

(7) We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in promoting growth, employment and trade. We have noted with approval the report of the Working Group on Technology, Growth and Employment which was set up at Versailles last year, and commend the progress made in the 18 cooperative projects discussed in that report. We will follow the implementation and coordination of work on these projects, and look forward to receiving a further report at our next meeting.

(8) We all share the view that more predictability and less volatility in oil prices would be helpful to world economic prospects. We agree that the fall in oil prices in no way diminishes the importance and urgency of efforts to conserve energy, to develop economic alternative energy sources, to maintain and, where possible, improve contacts between oil-exporting and importing countries, and to encourage the growth of indigenous energy production in developing countries which at present lack it.

(9) East-West economic relations should be compatible with our security interests. We take note with approval of the work of the multilateral organizations which have in recent months analyzed and drawn conclusions regarding the key aspects of East-West economic relations. We encourage continuing work by these organizations, as appropriate.

(10) We have agreed to strengthen cooperation in protection of the environment, in better use of natural resources, and in health research.

Our discussions here at Williamsburg give us new confidence in the prospects for a recovery. We have strengthened our resolve to deal cooperatively with continuing problems so as to promote a sound and sustainable recovery, bringing new jobs and a better life for the people of our own countries and of the world.

We have agreed to meet again next year, and have accepted the British Prime Minister's invitation to meet in the United Kingdom.

Annex

STRENGTHENING ECONOMIC COOPERATION FOR GROWTH AND STABILITY

I. We have examined in the light of our experience the procedures outlined in the undertakings agreed at Versailles last year which seek to ensure greater monetary stability in the interest of balanced growth and progress of the world economy.

II. We reaffirm the objectives of achieving non-inflationary growth of income and employment, and promoting exchange market stability through policies designed to bring about greater convergence of economic performance in this direction.

III. We are reinforcing our multilateral cooperation with the International Monetary Fund in its surveillance activities, according to the procedures agreed at Versailles, through the following approach:

A. We are focusing on near-term policy actions leading to convergence of economic conditions in the medium term. The overall medium-term perspective remains essential, both to ensure that short-term policy innovations do not lead to divergence and to reassure business and financial markets.

B. In accordance with the agreement reached at Versailles, we are focusing our attention on issues in the monetary and financial fields including interaction with policies in other areas. We shall take fully into account the international implications of our own policy decisions. Policies and objectives that will be kept under review include:

(1) Monetary Policy. Disciplined non-inflationary growth of monetary aggregates, and appropriate interest rates, to avoid subsequent resurgence of inflation and rebound in interest rates, thus allowing room for sustainable growth.

(2) Fiscal Policy. We will aim, preferably through discipline over government expenditures, to reduce structural budget deficits and bear in mind the consequences of fiscal policy for interest rates and growth.

(3) Exchange Rate Policy. We will improve consultations, policy convergence and international cooperation to help stabilize exchange markets, bearing in mind our conclusions on the Exchange Market Intervention Study.

(4) Policies Toward Productivity and Employment. While relying on market signals as a guide to efficient economic decisions, we will take measures to improve training and mobility of our labor forces, with particular concern for the problems of youth unemployment, and promote continued structural adjustment, especially by:

-- Enhancing flexibility and openness of economies and financial markets.

-- Encouraging research and development as well as profitability and productive investment.

-- Continued efforts in each country, and improved international cooperation, where appropriate, on structural adjustment measures (e.g., regional, sectoral, energy policies).

IV. We shall continue to assess together regularly in this framework the progress we are making, consider any corrective action which may be necessary from time-to-time, and react promptly to significant changes.

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COPY NO. 1

13 June 1983

EUROPEAN COUNCIL, STUTTGART

17/18/19 JUNE 1983

INTEGRATED MEDITERRANEAN PROGRAMMES

Brief by Foreign and Commonwealth Office

OBJECTIVES

1. To prevent linkage between the Commission's proposals for Integrated Mediterranean Programmes (IMPs) and the main budget negotiations.
2. To avoid giving any endorsement to the principle of IMPs.

POINTS TO MAKE

(Linkage to Budget)

3. We have no objection to discussing IMPs, but the negotiations on Community financing are the wrong forum. We too have ideas for the development of Community policies such as:

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- the internal market, and especially services;
(insurance, air fares);
- a coal policy;
- reform of the Regional Fund to concentrate on the
less prosperous Member States.

But if everybody's pet subjects are added to the future financing agenda, these negotiations will never get off the ground.

(Substance of the IMPs proposals).

4. The proposals will need careful study. We cannot make any sort of commitment. Note that very large sums - $6\frac{1}{2}$ billion ecu - are involved.

5. Study if IMPs must take account of:

- overlap with Regional Fund and with agricultural structures policy. Both are under review. IMPs must be consistent with Community's overall regional philosophy.
- extent to which countries in question are benefitting from existing Community policies [Italy and Greece are big net recipients from the budget].
- competing claims on Community resources from other policies.
- role that Community's lending instruments could play.

6. See no connection between proposed Mediterranean programmes and enlargement. Implications of enlargement for

Mediterranean agriculture are being dealt with in the Acquis negotiation.

7. [If Italians suggest that above line is going back on Lancaster House Agreement]. Draft conclusions of Mandate exercise do not amount to commitment to such programmes - and anyway have no validity in absence of agreement on all 3 chapters of Mandate.

BACKGROUND

Annex

A: Excerpt from draft Lancaster House Conclusions on the CAP

8. The Commission tabled their proposals for IMPs in March. They envisage spending $6\frac{1}{2}$ billion ecu of Community money over 6 years, starting in 1985, on the most backward regions of Italy (45%), Greece (38%) and France (17%). (The UK contribution to such a programme would be nearly 250 million ecu per year). There is no provision for money for Spain or Portugal. Just over half the total is intended for agricultural structural programmes, the rest for infrastructure, industrial development and job creation. There is clearly over-lap with the functions of the

Regional, Social, and CAP Guidance Funds. It seems that at least the bulk of the 6½ billion ecu is intended to be new money.

9. The proposals are the work of Natali, the Italian Commissioner for Mediterranean policy and Enlargement. They were originally conceived as a pay-off to the Italians in the 30 May Mandate context (and were alluded to in the draft Lancaster House Conclusions - Annex B). The Italians may regard them as the prize they aim to extract from the forthcoming major negotiations in the Community on the UK budget problem, the future of own resources, etc. The Commission hope that the proposals will serve to satisfy the Greeks' principal demands for a better deal from the Community put forward in their Memorandum (the Greeks, however, are wary of settling for a bird still in the bush). Though the French stand to benefit under the IMP proposals the Quai and the Budget Ministry regard them as excessively expensive and some French officials, at least, hope we will resist them.

10. The proposals have not yet been discussed in Brussels. Nonetheless, the Italians may try to get the European Council to agree to approval in principle of such programmes, in the context of a "coherent global approach" to enlargement. The argument will be that the Mediterranean regions of the existing Community need this help to adjust

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to the accession of Spain and Portugal.

11. From the UK view-point, the proposals are clearly unacceptable. But in Whitehall discussion officials have agreed that outright rejection of the proposals would only encourage the Italians and Greeks to link them to the Budget negotiation. Delaying tactics (accompanied, of course, by refusal of any commitment in principle) look a better way to defeat them.

Foreign and Commonwealth Office

13 June 1983

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ANNEX A

EXCERPT FROM DRAFT CONCLUSIONS ON CHAPTER 2 OF 30 MAY
MANDATE: EUROPEAN COUNCIL, NOVEMBER 1981.

Structural Policy

8. The European Council recognised the need for an active policy for improving agricultural structures, adapted to the particular needs of individual regions. The problems of less-favoured agricultural regions, including some Mediterranean areas, which are heavily dependant on rural occupations for employment, merit special attention.

9. The European Council noted the Commission's intention to present, by the end of 1982, proposals for integrated programmes, to take account of the special problems affecting the less-advantaged regions in the Mediterranean countries.

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7 JUNE 1983

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EUROPEAN COUNCIL, STUTTGART
17-19 JUNE 1983

UNIFORM ELECTORAL PROCEDURE
Brief by Foreign and Commonwealth Office

Points to make

1. [If asked what action UK intends to take on extending the franchise] We will see what can be done, but time is short.

Background

2. It has been accepted that it will not be possible to reach agreement on a uniform electoral procedure or on an agreed Community basis for extending the franchise in time for the next European Parliament elections on 14-17 June 1984. The Council has, however, adopted a non-binding resolution under which member states agreed to "do their best, as far as possible" to ensure that all Community nationals resident in the Community are able to vote. The UK is one of the few member states which at present makes no general provisions for its citizens resident in other member states to vote. We may therefore be asked whether we are prepared to take any action to remedy this situation.

Foreign and Commonwealth Office
7 June 1983

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8 June 1983

EUROPEAN COUNCIL, STUTTGART

17/19 June 1983

NORTH/SOUTH

Brief by Foreign & Commonwealth Office

POINTS TO MAKE

1. Williamsburg gave a positive signal on North/South matters. UNCTAD VI should show corresponding realism. Community delegations should work together.

2. (if raised) Any passage on UNCTAD VI should be consistent with the Williamsburg Summit Communique.

BACKGROUND

Annexe: Extract from Williamsburg Summit Communique covering developing countries and UNCTAD VI

3. UNCTAD VI (Belgrade, 6-30 June) is now under way. The developing countries (G77) are pressing for measures to stimulate growth in the world economy, to ease their liquidity problems, and to help increase their commodity export earnings. The G77 Ministerial meeting (Buenos Aires, 28 March-9 April) issued a general message of moderation and flexibility, but this was accompanied by a series of draft negotiating texts on specific UNCTAD VI agenda items that amount to a formidable shopping list.

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4. The Community's negotiating position for UNCTAD VI is complete, save for three points of detail on which agreement will be worked out in Community coordination at Belgrade.

At present the UK is not isolated on any point. The Community will be working through Group B (OECD countries) to put forward realistic policies, based on the outcome of the OECD Ministerial Meeting (9-10 May) and the Williamsburg Summit, which will enable developing countries to take advantage of a soundly based recovery as it gets underway.

5. The Germans and others may press for a passage in the Communique referring to UNCTAD VI, and the Community's attitude towards it. This would be acceptable, but any such passage should be consistent with the Williamsburg Summit Communique (Extract at annex A).

Foreign and Commonwealth Office

8 June 1983

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ANNEX A

**WILLIAMSBURG SUMMIT COMMUNIQUE - PARA 6:
DEVELOPING COUNTRIES AND UNCTAD VI**

The weight of the recession has fallen very heavily on developing countries and we are deeply concerned about their recovery. Restoring sound economic growth while keeping our markets open is crucial. Special attention will be given to the flow of resources, in particular official development assistance, to poorer countries, and for food and energy production, both bilaterally and through appropriate international institutions. We reaffirm our commitments to provide agreed funding levels for the International Development Association. We welcome the openness to dialogue which the developing countries evinced at the recent conferences of the Non-Aligned Movement in New Delhi and the Group of 77 in Buenos Aires, and we share their commitment to engage with understanding and co-operation in the forthcoming meeting of the United Nations Conference on Trade and Development in Belgrade.

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BRIEF

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EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

STEEL

Brief by Foreign and Commonwealth Office

OBJECTIVE

*Production v. regime
(form 1980s)*

*tel. Quota
(as it is now)*

1. To register our need for better production quotas and to indicate willingness to agree Council conclusions on quotas provided they do not prejudice our position at the 21 June Steel Council.

POINTS TO MAKE

2. We would be willing to agree conclusions calling on Steel Council to agree to an extension of production quotas. But UK steel producers have an excellent record of restructuring and improved competitiveness and renewed quota arrangements should reflect this. BSC and private steel companies have a very strong case for better and more flexible quotas. Conclusions should therefore be consistent with statement agreed by 9 Member States at 25 April Steel Council in taking account of restructuring already accomplished.

3. All Member States must face up to the need to make substantial capacity reductions. Essential that everyone bears - and is seen to bear - his share of the burden.

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Steel Anti-Crisis Measures

4. Steel anti crisis measures consist of a combination of production quotas and price rules as well as controls on imports from third countries. These are intended to help the industry in the immediate and short term, but the key to long term recovery lies in the Aids Decision, whereby State Aids to steel companies are permitted only if they are linked to restructuring (ie capacity reductions) and give reasonable prospects of viability. Under the Aids Decision, aid must be phased out by 1985.

Article 58 Quotas

5. The present Decision on mandatory production quotas under ECSC Article 58 expires on 30 June. The Commission have proposed prolongation of the quota arrangements for two and a half years, to tie in with the restructuring timetable under the Aids Decision, and will seek the assent of the Steel Council on 21 June although current divergences of view among Member States may make agreement impossible.

6. The Germans attach much importance to agreement to a 2½ extension on 21 June. They are linking a satisfactory arrangement on quotas with the future financing of the Community and will table draft conclusions as follows:

"The European Council considers that the continuation of the present Community steel policy is to be seen within the overall framework of further development of the Community including the question of future financing. The European Council therefore invites the Council and the Commission to prolong the quota regulations (tel quel) until the end of 1985, to assure quantity and prices discipline on the steel market and to take the necessary measure to prevent renewed breaches of the price code in the steel market. The European Council considers the continuation of the steel aids code an essential element in the re-establishment of orderly competition in the Community steel market".

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7. We see no justification for linking Community steel policy with future planning of the Community. We could agree to conclusions on the following lines:

"The European Council stresses the importance it attaches to stability in the steel market and invites the Steel Council to use its best endeavours to reach agreement on 21 June on the continuation of an Article 58 regime. The European Council considers the continuation of the aids code an essential instrument for the re-establishment of orderly competition in Community steel market".

We could not agree to conclusions calling for extension *tel quel*, because we think it would be inappropriate to anticipate detailed consideration of the subject by the Steel Council.

8. UK is stressing the link between prolongation of the quota arrangements and progress in other Member States towards restructuring. We are also seeking improvements in the quotas for UK companies, to reflect their increased competitiveness as a result of the restructuring they have carried out; and additional flexibility for smaller, private sector producers. We are arguing that the quota arrangements were intended as a breathing space for restructuring and that renewed arrangements should provide a spur to restructuring, not an excuse for delaying restructuring throughout the Community.

9. With this in mind we supported the statement at the 25 April Steel Council (which was agreed with a French reservation) that: "The Council has invited the Commission to put forward before 25 May proposals for the continuation of the Article 58 system which takes account of the restructuring already accomplished, that to be accomplished in the programmes approved by the Commission and the aids given. The Council agrees at this moment that such a system is necessary for a well balanced development of the steel market".

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The key phrase from the UK point of view is "restructuring already accomplished" because in this respect our record is the best in the Community and strengthens our case for a better deal on quotas.

Capacity Reductions

10. UK is pressing for more rigorous implementation of the steel anti-crisis measures, especially the State aids capacity reduction part. The Commission must declare its position on aid and restructuring proposals by all Member States by 30 June 1983. The Commission are currently engaged in bilateral negotiations with Member States to squeeze out additional capacity cuts. So far only the French have committed themselves to cuts comparable with those we have undertaken.

BSC

11. As required under the State Aids Decision, HMG notified proposed aid of £764 million (in addition to £950 million already approved) to cover. BSC's needs until the end of 1985 Bilateral negotiations with the Commission on this notification were delayed until after the Election. They are likely to prove difficult.

Foreign and Commonwealth Office
15 June 1983

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EHG(S)(83)19 Revise

COPY NO

15 JUNE 1983

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

EUROPEAN REGIONAL DEVELOPMENT FUND

Brief by Foreign and Commonwealth Office

OBJECTIVE

1. To agree conclusions which reaffirm the commitment made at the November 1981 European Council to a fund with a quota section which concentrates more on the areas of greatest need in the less prosperous member states.

POINTS TO MAKE (IF RAISED)

2. The Regional Fund is a good example of a Community policy which should be developed so as to produce a better balance in the way the Community uses its resources. The UK attaches importance to the current review.

3. Important that the Fund should be more concentrated, both because of the need for the Community to do more for its poorer regions and because this would be a small step towards tackling the problem of budget imbalances.

4. We are therefore disappointed with the lack of progress towards concentration. The Commission's original proposals have been watered down in successive compromise proposals. Community appears to have lost sight of the commitment to policy of concentration agreed at Lancaster House. The case for such a policy is as strong now as it was then. Important that this should be respected.

5. We would welcome conclusions which reaffirm Lancaster House commitment to more concentration. Important that the text is right so that there is no misunderstanding about what concentration means in practice.

BACKGROUND

6. Our objectives in the current Review are to secure the maximum net financial benefit with the minimum administrative cost.

7. The Regional Fund Review began in December 1981. It has proceeded slowly because of Member States' unwillingness to endorse the principle of concentrating resources on the least prosperous countries - the UK, Italy, Ireland and Greece - to the exclusion of others. The Commission's operational proposals have also caused difficulties.

8. A number of compromise proposals on quotas have been put forward in an attempt to break the deadlock. Each has involved a further dilution of the concentration principle and none has proved acceptable (either to the French, who are unwilling to lose much of their quota, or to the less prosperous Member States including ourselves). The Commission is expected to produce new proposals soon, but these are likely to prove even less attractive to the UK.

9. Concentration is not the only unresolved problem. The size of the non-quota section (from which the UK has always done well) has not been agreed and a number of important operational issues remain unsettled.

10. In 1981 some £194 million was allocated to the UK; in 1982 about £220 million; in 1983 the figure is likely to approach £300 million.

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GERMAN DRAFT CONCLUSIONS ON CONCENTRATION

11. The Germans have proposed a draft Council report on the future financing of the Community, which includes reference to the Council concluding negotiations on the revised ERDF "aimed at concentrating resources on promoting disadvantaged regions of the less prosperous member states" by July at the latest. This is helpful, but we should press for a text which uses the same terminology as the Lancaster House conclusions since these state our objectives more clearly. We can leave the French to take the lead in querying the Presidency text, but in any discussion we should seek changes which make clear that it is the resources of the quota section which are to be concentrated, and to substitute the word 'area' for 'region'. This would preempt the recent claim that there is already concentration for the UK in the non quota section; and would reduce the risk of future difficulties over the exclusion of areas like Yorkshire and Humberside, the South West etc from eligibility for the quota section, which is implied in the use of the more general term 'region'.

12. The form of words on concentration agreed at Lancaster House was that "the quota section of the Fund should concentrate its activities more than in the past, but not exclusively, on the areas of greatest need in the less prosperous Member States". The non quota section, whose operations, while not subject to geographical limitations, might give preference to the less prosperous Member States, could be increased and should be particularly directed to deal with structural imbalances caused by problems of industrial decline or by the effects of certain Community policies.

Foreign and Commonwealth Office
15 June 1983

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13 June 1983

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EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

GREENLAND

Brief by Foreign and Commonwealth Office

POINTS TO MAKE (if necessary)

1. We want the Community to continue to have a close and amicable relationship with Greenland after withdrawal. This is in everyone's interest. A balanced solution which takes account of the legitimate concerns of both sides must therefore be found.

2. But the Community's existing fishing rights in Greenland's waters, and the fishing rights there granted by the Community to third countries such as Norway are important elements in the Common Fisheries Policy. Any proposed agreement must take account of this. Current Danish proposals are unacceptable.

BACKGROUND

1. Presidency set up an ad hoc Working Group in February to consider Commission's proposal that Greenland should be allowed to withdraw from the Community, and assume Overseas, Countries and Territories (OCT) status (with certain additional safeguards). After several meetings, the Group has made some progress in clarifying the issues but this seems only to have served to emphasise how far apart the positions are. The UK line has been to discuss substantive points, particularly fisheries and financial questions, before we take a view about OCT status which we consider to be inappropriate.

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2. The key issue is fisheries. The Danish aim is to secure Greenland's control over fisheries in her own waters, while maintaining duty-free access to the Community for fishing products. They believe OCT status will secure this. But the Danish proposals would upset to the disadvantage of all member states the fragile balance of fishing opportunities in the CFP so laboriously hammered out earlier this year. Germany which take about one fifth of its total fishing catch from Greenland waters has the major interest in maintaining the status quo but so, to a lesser extent do the UK and France. Without progress on fisheries, there is little prospect of progress in the negotiations as a whole. Denmark is unhappy at the present deadlock on this issue. She has said that if it were to continue the possibility must be envisaged that the Danish proposal would be modified to provide for Greenland's total withdrawal with no continuing institutional link.

3. Discussion of this item is not expected but the Danish Prime Minister may take the opportunity to register his concern at the slow rate of progress in the negotiations. If so, Germany can be expected to maintain its strong line on fisheries. It would be appropriate to offer Germany general support. But our overall strategic interest lies in seeing that Greenland remains firmly committed to the Western Alliance. We need to be careful therefore that Denmark is not driven into a corner where they see no alternative to Greenland's total withdrawal.

4. European Parliament has just adopted a resolution in favour of allowing Greenland to withdraw. The resolution leaves open the question of Greenland's future status but recommends that, if OCT status is granted, it should be supplemented by a concurrent agreement to establish mutual rights and obligations on a lasting basis.

Foreign and Commonwealth Office
13 June 1983

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June 1983

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EUROPEAN COUNCIL, STUTTGART

17/19 JUNE

MEDITERRANEAN ACQUIS

Brief by Ministry of Agriculture, Fisheries and Food

OBJECTIVE

1. To get agreement that the Agriculture Council should be urged to reach an agreed position on the Mediterranean Acquis as soon as possible; to avoid any commitment to the details of the Presidency Report to the Council; and, if possible, to get agreement to a start being made on the rest of the agriculture chapter of the enlargement negotiations while the terms of the settlement on fruit and vegetables and olive oil are being worked out.

POINTS TO MAKE

2. (i) Accept with regret that more work still needs to be done by the Agriculture Council before agreement can be reached.
- (ii) Important that European Council urge Agriculture Council to complete its work with minimum of delay.

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- (iii) While Agriculture Council completing work on Mediterranean Acquis, why can there not be a start on other parts of agriculture chapter of enlargement negotiations?

For use only if attempt made to endorse Presidency Report.

- (iv) Presidency Report not an agreed report from Agriculture Council as a whole. Not something therefore that European Council can endorse.
- (v) Do not dispute the fact, reflected in the Presidency Report, that discussions at the Agriculture Council on 13/14 June broke down on the questions about fruit and vegetables described in the Report. But would not necessarily agree that the Report represents an accurate account of the issues outstanding. In particular, substantial problems remain on olive oil.

BACKGROUND

3. Since the European Council last discussed the reform of the Mediterranean Acquis there has been a limited amount of progress on the whole favourable us. On fruit and vegetables we are now in the majority on all outstanding issues: there remain merely a number of fairly specific issues to be resolved. Different Member States comprise the minority on each of these issues: some are of major concern to Italy, and on them there is no prospect of solutions until after the Italian General Election. On olive oil the position remains one of deadlock on the substantive issues relating to reform of the regime. But it does seem likely that when the Agriculture Council has agreed the details of the fruit and vegetable reform it will also be able to agree on a holding formula for olive oil which will enable the accession negotiations to go ahead.

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4. The Presidency Report to the European Council is attached. It consists of a short cover note by the Presidency, centred on the outstanding points in the fruit and vegetables regime, with a Commission paper describing the results of their consultations with Member States at senior official level the previous week. The outstanding matters of substance are described in the following paragraphs.

5. Fruit and Vegetables

(i) Internal Aspects

The Commission have proposed the strengthening of market support arrangements by extending the role of producer groups and providing for more support buying of produce in time of glut. The French, whose fruit and vegetable growers will be threatened by Spanish competition on enlargement, attach overriding importance to securing these changes. The Germans have objections of principle to the proposal to allow producer groups to impose their rules on non-members; and the Italians are opposed to the proposals for strengthening support buying arrangements since they fear that they would in practice operate to hamper their own exports to other Member States. Although we regard these changes as undesirable, we could nevertheless live with what is proposed in the context of a satisfactory overall agreement (ie covering olive oil as well).

(ii) External Aspects

The Commission have proposed an increase in "Community preference" ie protection. This is principally an Italian and Greek aim, though the French support them. We have condemned it as illogical (since, by definition, once Spain

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is inside the Community such protection will no longer help against Spanish competition); damaging to consumers; and damaging to the Community's trade relations, particularly with our Mediterranean preferential partners (eg Cyprus). But more recently the Commission have put forward revised proposals which meet most of our objections.

Olive Oil

6. (i) The Existing Regime

Olive oil is supported by normal CAP mechanisms, supplemented by production aid paid on all olive oil produced, and a consumption aid on all oil packed for retail sales. After accession, because of EC price levels and the liberalisation of imports of vegetable oils, production in Spain and Portugal is likely to rise and consumption to fall. Our estimate of the cost of extending the present EC support regime to Spain, including production and consumption aids, is 1160 MECU at 1983 prices, compared with the Commission estimate of 780 MECU (at 1982 prices) which assumes (wrongly we think) no production increase and only covers consumption effects.

(ii) Solutions

A large number of solutions or palliatives have been discussed. Essentially they fall into three groups:

(a) The Commission propose that the cost of enlargement should fall on the budget and that surpluses should be disposed of by increases in consumer subsidies.

(b) The producer countries (with the support of some northern countries) propose that the cost should fall on consumers of other vegetable oils and on third countries, through the imposition

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of levies on imports or a tax on domestic consumption.

(c) The UK with the support of Germany, Denmark and the Netherlands propose that measures be taken to prevent the production of surpluses, by paying production aid on a flat rate basis (per tree or per hectare rather than per unit of output) or by the imposition of a guarantee threshold (a ceiling on total production aid expenditure).

This fundamental disagreement has prevented agreement on any changes and on guidelines for future work, which is why the Commission text seeks to take the reform of the olive oil regime out of the context of enlargement and link it with the general reform of the CAP and why conflicting objections have been made to the text. We see the need for further work to enable changes to be made to make the regime suitable for a Community of 12.

(iii) Transitional arrangements

The last European Council concluded that there should be a long transitional period for olive oil. There is general agreement that this should also cover other vegetable oils. Most Member States support the Commission's view that the acceding countries should keep their market rules for competing vegetable oils unchanged during the first part of the transitional period, the Community's support arrangements for olive oil being gradually introduced in the acceding countries over this period. Whilst this approach may prevent a fall in consumption in Spain and Portugal, it would not avoid the likely increase in olive oil production, and therefore only partially solve the basic problem.

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Report by the President of the Agriculture Council
to the European Council

At a number of meetings the Agriculture Council discussed the problems of adjusting the *acquis communautaire* in the fruit and vegetables and olive oil sectors to allow for the accession of Spain and Portugal. Although progress was achieved on these questions, it was not possible to reach agreement because differences of opinion existing ^{principally} on two essential ^{questions} could not at this stage be reconciled.

If a consensus is achieved on these two questions, as would appear to be feasible if negotiations are continued, it should be possible to solve the other questions still outstanding in the fruit and vegetables and olive oil sectors.

The two main questions which it was not at this stage possible to resolve during the Agriculture Council for political and substantive reasons involve the following:

1. Fruit and vegetables - internal aspects.

All though all delegations are prepared to accept the principle of extending the production and marketing rules of producers' organizations to non-members, there are still differences of opinion as regards the details and the related question of compulsory intervention at the wholesale stage (in the event of a serious market crisis) which it was not yet possible to reconcile. In this context three questions have to be settled by the Agriculture Council:

- Can the withdrawal price be made binding on all producers of a given region?
- When is a producers' organization to be considered as representative for the purposes of extending its rules to non-member producers?
- Is compulsory intervention necessary where the market price falls below a certain level at the wholesale stage, and

under what conditions may a given Member State be relieved of the obligation to intervene?

Since these three questions are closely connected as regards their subject matter, a compromise would have to balance all three aspects.

2. Fruit and vegetables - external aspects

The Council was prepared to ^{accept the principle of} ~~follow the Commission proposals for~~ re-calculating reference prices. However it was not possible to reach agreement on the treatment for citrus fruit.

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VI/2524/83-SM (2868b)

8 June 1983

MINUTES OF THE MEETINGS OF THE
DIRECTORS-GENERAL FOR AGRICULTURE
OF THE MEMBER STATES DECIDED UPON BY THE COMMISSION

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(2848b)

The group of Directors examined a draft summary of the conclusions of the Council of the ⁵⁰acquis communautaire in the olive oil sector and a document on fruit and vegetables presented by the Commission.

I. OLIVE OIL

The draft summary of conclusions, which had been amended during the discussions, now took the following form:

The Council examined the three problems arising in the olive oil sector.

These comprise respectively problems linked with the improvement of the management of the system, secondly, those connected directly with the enlargement of the Community and, lastly, those related to the future organization of the market in olive oil.

(a) Management problems

The Council took note of the Commission statement that it would put forward in the very near future proposals concerning rules relating to the organization of producers' groups and the improvement of the control arrangements for production aid.

The Council agreed to act on these proposals before 1 October 1983.

(b) Problems linked directly with the transitional period and the adoption of the acquis communautaire

The Council recommended that the terms of reference for the negotiations with Spain and Portugal taking as principles:

- the establishment of a long transitional period for olive oil, as provided for by the European Council of 23 March 1983;

- 2 -

- the establishment for the other vegetable oils and oilseeds of a long transitional period, within which provision would be made for a standstill period for the marketing arrangements now applied in Spain and Portugal.

The Council also believed that the Community measures for limiting the areas under olive trees should be applied in the same way by the applicant countries as quickly as possible.

(c) Future organization of the market in olive oil

As regards proposals which the Commission might be prevailed upon to present with a view to a revision of the common organization of markets under the common agricultural policy, the Council agreed that particular attention would have to be paid to the olive oil sector, bearing in mind the objectives of maintaining producers' income, the balance of the market in vegetable oils and the need for a market organization that can be controlled from the administrative and financial points of view.

The Council requested the Commission to study the possibility of restructuring and converting areas under olive trees in the Community and to make the necessary proposals.

Thus amended, the draft summary of conclusions still raised a number of difficulties, notably as regards paragraph (c), which some Member States would like to see go into greater detail but giving the opposite arguments.

(1)

FRUIT AND VEGETABLES

The group of Directors-General has studied the problems facing the fruit and vegetables sector set out in a document presented by the Commission in which the following three aspects are singled out:

- internal aspects
- external aspects
- the date of entry into force of the new regulations.

The layout of this report is the same.

I. Internal aspects

1. Aids for the formation of producers' organisations

The Commission proposal could be modified in such a way as to maintain in force until 1 July 1986, in parallel with the newly proposed system, the system now in force which provides for the granting of aid calculated at 3%, 2% and 1% of the value of production marketed by the producers' organisation (see Article 14 set out in Annex I to Dec. 6892/1/83 rev. 1 of 18 May 1983).

This suggestion was again opposed by one Member State which wants

- the date 1 July 1986 to be replaced by 1 July 1983;
- provision to be made for total exemption for certain members from the obligation to sell all their production through the group.

While a compromise could be reached on the problem of the date, the Commission stated that it was not prepared to alter its proposal on the second point.

2. Extension of the rules

(1) The representativeness of producers' organisations

Three options were available:

- (a) the Commission felt that its proposal (see Doc. COM(82)497 final) could be amended in such a way that an organisation or association could be regarded as being representative for a given product where it covered:

- at least two-thirds of the producers covering more than 50% of the production in the area, or

- at least 50% of the producers covering more than two-thirds of the production unless one-third at least of the producers had expressed their opposition.

Five Member States were prepared to accept this formula.

- (b) The second option was that an organisation would be representative if it comprised two-thirds of the producers covering at least two-thirds of the production, with no minority being able to veto the arrangement.
- (c) The third option would be to adopt the same percentages for representativeness as the second option but allowing a minority to oppose the arrangement.

(2) The Commission's power of control

The Commission proposed amending its proposal (see Doc. COM(81)403 final) by providing that the extended rules may not undermine freedom of trade. It was also prepared to accept that the marketing rules be extended only after it had given its agreement.

The Commission wished to make the point, moreover, that it enjoyed a permanent power of control over the arrangement for extending the rules, and would repeal the authorized extension as soon as it established that the application of the arrangement was harmful to free trade or free competition.

(3) Period of validity of the system

The Commission proposed forwarding to the Council a report enabling it to examine before 1 January 1987 the operation of the system and to decide on any changes which might need to be made. Some Member States would prefer that the period of validity of the arrangement be limited.

A compromise solution could be to fix a limited period of validity, but one which was sufficiently long to evaluate the operation of the arrangement for extending the rules. The date 31 December 1987 could be adopted.

(4) List of rules to be extended

The positive list poses a further major problem, that of extending the withdrawal price.

The Commission considers that the application of the withdrawal price is an essential component of the rules laid down by the producers' organisations for stabilizing the market and that this objective will be attained fully only by extending that requirement to producers who do not belong to an organization.

Three Member States are in agreement with the Commission proposal while the others could accept it as part of a satisfactory package.

(In view of the amendments referred to above, Article 15b has been amended as shown in Annex I.)

C. Serious crisis

For especially sensitive products the Commission has proposed (Article 19b) implementing a system for recording a state of serious crisis on the wholesale consumer market involving public buying in on the production markets. On completion of the discussion on this point it was noted that the majority of the Member States did not want to make any change to their existing rules.

If the Council wishes nevertheless to improve the mechanisms in force for recording a state of serious crises, two significant options are possible:

(1) the Presidency's compromise suggestion (see Doc. 6892/1/83 rev. 1, pp. 14, 15 and 16) amended as follows to make it operative:

- in Article 19b(1), the words "for which information is available" should be inserted after "on all representative markets";
- in Article 19b(4), the third indent should be deleted;

(2) The Commission proposal should be withdrawn and Article 19a should be reinforced so as to apply also to apricots, aubergines and tomatoes and in order that a state of serious crisis on production markets can be recorded automatically, producer Member States other than those who may qualify for one of the exemptions provided for (see Annex II) being obliged to buy in products.

(7)

II. External aspectsA. Calculation of the reference price

The Commission could amend its original proposal by introducing as a ceiling on the increase in reference prices a new criterion which takes account of the producer prices recorded in each Member State (see Annex III). - Although subject to certain reservations, this compromise suggestion could be accepted by the majority of the Member States as part of an overall package.

B. Modifying the calculation of the reference price for citrus fruit
(see Annex III)

The Commission would propose modifying the calculation of the reference price for oranges and small citrus fruit other than clementines so that the link created between the changes in basic prices and buying-in prices, in financial compensation and in reference prices can be established in value terms and no longer in percentage terms, and recovering for citrus fruit the loss of Community preference which that link has produced for as long as it has existed.

The recovery thus envisaged would entail increases of 8.33% for the main varieties of oranges, 21.1% for mandarins and 16% for lemons.

In order to avoid too steep a rise in reference prices, the Commission proposes limiting the recovery to 10%.

The producer Member States consider this inadequate while the other reject the very principle of granting any recovery, asserting that it is clear from the policy that has been pursued for a number of years by the Council that every annual increase for citrus fruit has been carried forward in the marketing premiums.

- During this discussion the Greek Delegation expressed the wish that the total amount of the marketing premiums be applied immediately in Greece.

Since this matter is covered by the Act of Accession and cannot be altered by virtue of Article 72(2) of that Act (the conditions of application not being met in this particular case), the Commission believes that it is not possible to give effect to the Greek request without amending the Act of Accession.

C. Calculation of the entry price (Article 24(4))

In view of the difficulties created by its proposal, which involves taking into consideration the prices of Community products when calculating the entry price, the Commission would be prepared to withdraw its proposal if it could have, in conjunction with the national administrations, powers to check the application of certain rules in the fruit and vegetables sector, namely:

- the recording of prices on the import markets and on the production markets;
- the application of common quality standards.

In the event of the Council agreeing to this solution, the Commission would submit an appropriate proposal to it.

D. Extending the list of products subject to the reference price

The following two approaches emerged during the discussions on this point:

1. The first was that there is no need for the Council to state its position on the extension of the list since it is the responsibility of the Commission to submit to the Management Committee all plans for fixing reference prices for new products;
2. Since some Member States, on the other hand, wish to be informed, in the context of the modification of the acquis, of the Commission's intentions on this point, the second approach would be to indicate now the list of new products which the Commission is planning to adopt.

Agreement was reached on this matter in favour of:

- making apricots, artichokes, lettuce and endives subject to the reference price;
- excluding from the list green beans, cauliflower and carrots.

Reservations were expressed, however, regarding the inclusion of garlic, peppers, onions, strawberries and melons, notably on account, for some Member States, of their being bound under GATT.

Similar reservations were also expressed regarding a request by the Netherlands to fix reference prices for cut flowers.

As regards the bound products, the Commission reminded those present that subjecting these to reference prices does not compulsorily imply releasing them since the Community would of course see to it that commitments entered into under GATT, notably Article 28, are observed.

During the discussion a number of Member States requested that reference prices be applied to new potatoes regarding which there had been no progress on an overall solution for a number of years. Other Member States felt that the problem of potatoes should not be resolved in the context of the modification of the acquis, but should be the subject of a special solution.

III. Date of entry into force of the new regulations

The Member States were divided in favour of the following three options:

- the immediate implementation of the internal and external aspects;
- the simultaneous implementation of both aspects on the accession of Spain and Portugal;
- the immediate implementation of the internal aspect and postponement of the external aspect until accession.

A compromise solution could be to implement both aspects simultaneously as soon as the Council has adopted the terms of reference of the enlargement negotiations.

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- 2 -

On completion of the discussion on the various points relating to the modification of the acquis, the Italian Delegation formally requested the Council to give an undertaking that the regulations on fruit and vegetables should under no circumstances be affected by the negotiations with third countries, following upon enlargement.

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VI/254/83-EE (2861b)

ANNEX I

Article 15b

1. In cases where

- a producers' organisation, or
- an association of producers' organisations having adopted these same rules,

operating in a specific economic area is considered to be representative, for a given product, of production and producers in that area, the Member State concerned may, at the request of the organisation or association and, where appropriate, after consulting the producers in the area, make the following rules binding on producers established in the area who do not belong to one of the organisations referred to above:

- (a) the rules on notifying production referred to in the last indent of Article 13(1)(b),
- (b) the rules on production referred to in the penultimate indent of Article 13(1)(b),
- (c) the rules on marketing referred to in the penultimate indent of Article 13(1)(b),
- (d) for products listed in Annex II, the rules adopted by the organisation or association with regard to market withdrawals, provided that the withdrawal price does not exceed the level laid down in Article 18(1)(a),

on condition that these rules have been in force for at least one year.

2. For the purposes of this Article "economic area" shall be understood to mean a region made up of bordering or neighbouring production zones in which production and marketing conditions are the same.

3. Member States shall notify the Commission of the rules which they intend to make binding on all producers in a specific economic area. The rules which are made binding on all producers in a specific economic area must not be harmful to intra-Community trade.

The rules referred to in paragraph 1(c) may not be made binding until after they have been approved by the Commission which shall give its decision not later than 45 days after ~~they~~ ^{such rules} have been notified.

4. The Commission may

- (a) decide that the rules notified cannot be made binding, or
- (b) repeal the extension of the rules decided on by the Member State,

- if it finds that the extension prevents free competition in a substantial part of the common market or is harmful to free trade or that the objectives of Article 39 of the EEC Treaty are endangered,
- if it finds, pursuant to Article 2 of Regulation No 25, that Article 85(1) of the Treaty is applicable to the agreement, decision or practice the extension of which is notified or decided. In that case the Commission's decision with regard to the agreement, decision or practice shall apply only from the date of such finding.

5. Member States shall take all appropriate measures

- to ensure that the rules referred to above are respected,
- to penalise infringements of those rules.

They shall notify the Commission of such measures immediately.

6. Where paragraph 1 is applied, the Member State concerned may decide that non-member producers are liable to the organization or, where applicable, the association, for all or part of the membership fee paid by the member producers where these are used to cover:

- administrative costs resulting from application of the scheme referred to in paragraph 1,
- the cost of research and market research measures and measures to promote sales, undertaken by the organization or association and benefiting all producers in the area.

7. Where paragraph 1(c) and (d) is applied, Member States shall, through the producers' organizations or any other agency or natural or legal person designated for the purpose, withdraw those products which do not comply with the marketing rules or which could not be sold at a price at least equal to the withdrawal price.

8. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt the rules for implementing this Article.

9. Member States shall notify the Commission of the list of economic areas referred to in paragraph 2. Within one month following notification, the Commission shall approve the list or decide after consultation of the Member State concerned on any changes which the latter must make to it.

10. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 33.

11. This Article shall apply until 31 December 1987. The Commission shall forward to the Council a report that will enable it to examine, before 1 January 1987, the operation of this scheme and to decide whether it should be retained or altered.

ANNEX II

1. Existing Article 19a

Article 19a

1. By way of derogation from Article 19, where, for peaches or pears during the period 1 July to 31 August, on one of the representative markets referred to in Article 17(2), the prices communicated to the Commission pursuant to Article 17(1) remain below the buying-in price plus 5% of the basic price for two consecutive market days, the Commission shall without delay record, if the Member State in which such a situation arises so requests, that the market in the product in question is in a state of serious crisis in that Member State.
2. Upon that finding, the Member State in question shall, through the body or natural or legal persons appointed by it for the purpose, buy in products of Community origin offered to it, provided that these products satisfy the quality and grading requirements laid down by the quality standards and they were not withdrawn from the market pursuant to Article 15(1). The products concerned shall be purchased in accordance with the second subparagraph of Article 19(2).

2. Proposed version of Article 19a

Article 19a

1. By way of derogation from Article 19, where, for peaches or pears during the period 1 July to 31 August, apricots, tomatoes and aubergines, on one of the representative markets referred to in Article 17(2), the prices communicated to the Commission pursuant to Article 17(1) remain below the buying-in price plus 5% of the basic price for two consecutive market days, the Commission shall without delay record that the market in the product in question is in a state of serious crisis.
2. Upon that finding, the producer Member States shall, through the body or natural or legal persons appointed by it for the purpose, buy in products of Community origin offered to it, provided that these products satisfy the quality and grading requirements laid down by the quality standards and they were not withdrawn from the market pursuant to Article 15(1) and Article 15 b (1). The products concerned shall be purchased at the price referred to in the second indent of Article 19(2) applicable in the Member State in which the product originated.

15
- ANNEX II (contd.)

3. Buying-in operations shall be suspended when prices remain higher than the buying-in price plus 5% of the basic price for two consecutive market days; once this condition has been fulfilled, the Commission shall record the fact without delay.

3. Buying-in operations shall be suspended when prices remain higher than the buying-in price plus 5% of the basic price for two consecutive market days; once this condition has been fulfilled, the Commission shall record the fact without delay.

4. The Commission may grant exemption from the obligation laid down in paragraph 2 to a producer Member State which applies for exemption provided that:

- in that Member State at least two-thirds of the national production of the product in question is marketed through producers' organizations; or that
- in that Member State the national production of the product in question is less than 8% of the average Community production of that product.

1. Article 23(2) is replaced by the following:

"2. Reference prices shall be fixed for the first marketing year of application

- on the basis of the arithmetic mean of producer prices in each Member State less the amount defined in paragraph 4,
- taking account of changes in production costs in the fruit and vegetable sector.

For subsequent marketing years, reference prices shall be fixed

(a) for oranges, mandarins, satsumas, tangerines and other similar citrus hybrids excluding clementines, until the 1989/90 marketing year, at a level corresponding to that of the previous marketing year multiplied by an amount equal to the difference between, firstly, the amount resulting from the application to that reference price of the percentage increase in the basic prices and the buying-in prices for the previous marketing year, and secondly, the amount corresponding to the increase in the financial compensation provided for in Regulation (EEC) No 2511/79 for the marketing year in question;

(b) for the other products, at a level corresponding to that of the previous marketing year plus, after deduction of the amounts referred to in paragraphs 2a and 4,

- a percentage representing the average increase in production costs in the fruit and vegetable sector less a figure corresponding to the growth in productivity,
- the amounts referred to in paragraphs 2a and 4 valid for the marketing year in question.

The level of the reference prices thus obtained may not, however, exceed the arithmetic mean of producer prices in each Member State plus the amounts defined in paragraph 2a and 4 plus a figure corresponding to the increase in production costs in the fruit and vegetable sector less a figure corresponding to the growth in productivity, subject, moreover, to the requirement that the level to be adopted may not be lower than the reference price for the previous marketing year.

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9 June 1983

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

EC AID TO COSTA RICA

Brief by Foreign and Commonwealth Office

POINTS TO MAKE (DEFENSIVE)

1. We agree that Costa Rica deserves recognition for its example as a democracy. It has already been a recipient of EC capital aid once. It is too rich for that to be repeated. Would not, however, rule out a little technical assistance, if others wish.

BACKGROUND

2. Following a recent visit to Latin America by their Prime Minister and Foreign Minister it is possible that The Netherlands will suggest the Community should demonstrate concrete support for Costa Rica by giving more aid.

3. There are strong political grounds for demonstrating EC support for Costa Rica, which is a long-established and genuine democracy, and an example as such to her Central American neighbours. However, because of its relatively high GNP, Costa Rica is not a

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priority candidate for Community capital aid. It was exceptionally one of three recipients of a 1982 special EC programme of aid to Central America (receiving 18 million ecu, about £11.2 million). We do not wish to encourage further ad hoc aid allocations (the UK share of which is attributed to our own aid programme), but a small amount of technical assistance would be acceptable and might suit the Dutch.

4. UK aid (for technical assistance only) is reducing; this year's level is about £0.3 million.

Foreign and Commonwealth Office

9 June 1983

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EHG(S)(83) 23
17 June 1983

COPY NO. 1

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

TORNADO FOR GREECE

(DISCUSSION WITH MR PAPANDREOU)

Brief by Ministry of Defence

OBJECTIVE

1. In concert with Chancellor Kohl and Signor Fanfani, to press the merits of the Tornado aircraft on Mr Papandreou.

POINTS TO MAKE

2. It is recommended that the Prime Minister should, in concert with Chancellor Kohl and Signor Fanfani, take the initiative in making the following points to Mr Papandreou:-
 - a. Re-emphasise the political, economic and operational benefits accruing to Greece if she purchases Tornado through closer association with the three current partner countries.
 - Political importance of collaboration with three leading members of European Community
 - Economic importance of closer links with three European countries to whom Greece already sends over 30% of her exports
 - Operational benefits of joining a proven high technology programme already in service with three European Air Forces and the German Navy with joint training and logistic support.

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- b. Stress that, if Greece wishes to buy Tornado, we are confident that credit terms that are attractive and competitive can be negotiated through the normal channels.
- c. Ask when a decision is now expected and what factors will determine both the timing and the outcome.

BACKGROUND

- 3. Greece has been evaluating the F18, F16, Mirage 2000 and Tornado to fill a requirement for 100 new fighter aircraft and is now very close to a decision. It is critically important to obtain part of the overall order for Tornado since this would be the first overseas sale for the aircraft. An order for 60 Tornados would be worth approximately £1,000M of which nearly £500M would accrue to British Industry.
- 4. On technical grounds alone the Hellenic Air Force would prefer to meet their requirement by purchasing a single aircraft - almost certainly the American F18. However, the final decision will be a political one and Mr Papandreou, as Defence Minister as well as Prime Minister, is believed to favour a split buy between American and European aircraft. It is therefore important to support the case for a split purchase and to convince him of the broad political, economic and operational benefits of purchasing Tornado as opposed to the Mirage 2000.
- 5. Mr Papandreou responded to the Prime Minister's original message in support of Tornado with a detailed letter on 12 May requesting specific improvements in the tri-national credit offer and other terms. An identical letter was sent to Chancellor Kohl. (Although the Italian Defence Minister wrote to Papandreou no reply has been received.) Before

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15th June 1983

EUROPEAN COUNCIL, STUTTGART

17/19 JUNE 1983

TORNADO FOR GREECE - CORRIGENDUM

(DISCUSSION WITH MR PAPANDREOU)

Brief by Ministry of Defence

ADDITIONAL POINT TO MAKE

2d. With the latest financial proposal we believe that Tornado is 6-7% cheaper than the F-18 package.

/ Revised Annex A attached.

Ministry of Defence

15th June 1983

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the Election the Prime Minister sent a reply designed to reassure Mr Papandreou that an attractive and competitive credit package could be offered without committing either the UK Government or our partners to detailed terms at this stage. Mr Papandreou's response to this message was to inform our Ambassador in Athens that he now expected the final decision to be deferred and that he wished to discuss the matter with Mrs Thatcher at the European Summit at Stuttgart.

6. The Summit therefore provides an opportunity for the Heads of Government of the three Tornado partner countries to impress again on Mr Papandreou the advantages of splitting the purchase between a US and European aircraft and the wider political, economic and operational benefits of purchasing an Anglo-German-Italian aircraft rather than the Mirage 2000 from France. Key points to stress include:-

- a. The political benefits arising from closer association with three leading members of the European community.
- b. The economic benefits from association on this high technology project with three countries to whom Greece already sends more than 30% of her exports.
- c. The operational benefits from joining a well proven European programme which has already delivered 230 aircraft to 10 service units in three countries and the advantages of joint training and logistic support. Deliveries of the Mirage 2000 do not commence until later this year.

7. It would not be appropriate to discuss detailed credit terms at the Summit since discussions on a revised package

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are still continuing. Details of the present position are set out at Annex A. The German element is to be considered at a Cabinet meeting on Tuesday 14 June and may be communicated thereafter in Chancellor Kohl's own reply to Mr Papandreu's letter of 12 May. The Italian position remains obscure, but it is hoped that they will be able to offer a low rate of interest by quoting in Deutschmarks or Swiss Francs. The final UK position will be influenced by the concessions which our partners have been able to make.

Ministry of Defence

13 June 1983

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TORNADO FOR GREECE

CURRENT CREDIT TERMS

1. On his visit to Athens Mr Pattie offered to examine the possibility of improving the overall credit package to 90% cover and 9½% interest rate across the three currencies.
2. In parallel Mr Papandreou wrote to the Prime Minister and Chancellor Kohl on 12 May asking for more than 85% cover, an interest rate of no more than 9% and a loan period of approximately 15 years.
3. The present position on the three national elements of the overall credit package is:

<u>UK</u>	90% cover 10% interest (subsidised) Repayment over 14 years from date of contract 1989-1997	) conditional on) further concessions by) Germany and Italy))
<u>Germany</u>	90% cover 8.75% interest (DM) Repayment over 14 years from date of contract 1989-1997	) improved terms agreed) in Cabinet on) Tuesday 14 June))
<u>Italy</u>	Cover and repayment should equate to UK. Interest rate will depend on final choice of currency (DM/Swiss francs).	

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14 June 1983

EUROPEAN COUNCIL, STUTTGART

17-19 JUNE 1983

SEAT OF THE EUROPEAN PARLIAMENT

Brief by Foreign and Commonwealth Office

Background

1. The Luxembourg Foreign Minister announced at the Foreign Affairs Council on 13 June that they would raise a resolution adopted by the European Parliament on 10 March (the "von Hassel" resolution) which calls for the transfer of a number of European Parliament Secretariat staff from Luxembourg to Strasbourg to provide continuity between Parliamentary sessions. No action has yet been taken to implement the resolution.
 2. Luxembourg is anxious to preserve its position as one of the Community capitals and is concerned about what it sees as the Parliament's progressive attempts to eliminate Luxembourg as one of its provisional locations. (Pending agreement by the Council on a
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permanent seat as provided for in the Treaties, the
Parliament at present has three provisional locations:
Luxembourg, where the Secretariat is based; Strasbourg,
where plenary sessions normally take place; and
Brussels, where most committee meetings are held).
Luxembourg have said that they will take the matter to
the Court of Justice. Their prospects of success are
not good, however, since the Court recently ruled
against them when they challenged the Parliament's
decision of July 1981 to hold all its plenary sessions
in Strasbourg.

3. Our general position is that it is for the Council
to decide on permanent locations for the Community
institutions but that until they are able to do so, the
status quo regarding their provisional locations should
be maintained. We have no interest in getting drawn
into the arguments about how the Parliament divides its
activities between its provisional locations.

Foreign and Commonwealth Office

14 June 1983

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