

PREM 19/1223

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PART 19

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European Council Meeting
in Dublin, 3/4 December
1984

EUROPEAN
POLICY

Part 1: Oct. 79

Part 19: Nov. 84

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
5.12.84							
6.12.84							
24.12.84							
PREM 19/1223							

Mr. S Briefs
and
Drayt Cardusians in folder
attached

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(84) 40 th Meeting, item 3	06/12/1984

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

Signed J. Gray Date 17/9/2013

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons HANSARD, 5 December 1984, columns 352 to 359: European Council (Dublin)

Interim Report to the European Council (Dublin, 3-4 December 1984). Published by the Luxembourg Office for official publications of the European Communities.
ISBN 92-824-0186-3

Signed _____

J. Gray

Date _____

17/9/2013

PREM Records Team

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COPY NO

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29 NOVEMBER 1984

EUROPEAN COUNCIL, DUBLIN

3/4 DECEMBER 1984

INDEX OF BRIEFS

Note

Full set
preserved in
FCO series.

This set therefore
destroyed

R. P. Mann
26 Feb 13

1. Index
2. General Brief

Main Briefs

3. Future of Europe (including interim reports of
Dooge and People's Europe Committees)
4. Organisation of European Councils
5. Enlargement
- 5(a). Enlargement: Wine
6. Budget Issues
7. Political Cooperation
8. Integrated Mediterranean Programmes (IMPs) and
Structural Funds
9. Environment
10. Economic and Social Situation
11. CAP
12. EC/Cyprus

Polish Ann. on Agric. Scheme

Drought in Africa.
Southern Africa.

FOREIGN AND COMMONWEALTH OFFICE

29 NOVEMBER 1984

CONFIDENTIAL



Hevk
ctco

10 DOWNING STREET

THE PRIME MINISTER

24 December 1984

Dear Mr President,

Thank you for your letter of 30 November expressing the views of the European Parliament on the issues before the Dublin European Council.

This was a productive European Council. The good atmosphere demonstrated how important it was that the Community was able at Fontainebleau to put behind it the long dispute over the budget which had prevented proper attention being paid to the vital questions of the future of the Community. You will have seen a copy of the Conclusions. The decisions which were taken were in accordance with many of the points in the Parliament's "Programme for Economic Recovery" to which you drew my attention. I was particularly pleased that the European Council agreed on the need to take steps to complete the internal market. I am sure that the Community must give this top priority, and am glad that you drew attention to this in your recent meeting with the Council of Ministers.

I share your hope that the enlargement of the Community to include Spain and Portugal will be accomplished without delay. The Council's agreement on wine and fish provides the basis for the negotiations to go ahead with the aim of including them in time for accession on 1 January 1986 as planned. I hope that the Greek reserve connected with

NK

integrated programmes for the Mediterranean regions will not hold matters up; and the negotiations are proceeding meanwhile.

Like you, I welcome the new Lomé Convention which will consolidate the Community's links with the ACP countries. I was glad that the European Council reached agreement at Dublin that the Community and Member States should provide 1.2 million tones of grain to deal with famine in Africa between now and the next harvest.

As you know, agreement was reached at Dublin on the implementation of the conclusions of the European Council on budgetary discipline. I was encouraged to see from your letter that the Parliament is in favour of better control of expenditure. As you know, the Council has invited the European Parliament to examine with it ways in which the cooperation necessary for a budgetary discipline common to all three institutions may be brought about.

Finally, I turn to the question of the work of the Ad Hoc Committee on Institutional Affairs (Dooge Committee). As you know, the report before the European Council was an interim report. The European Council has asked the Committee to continue its work with a view to securing the maximum degree of agreement in the final report to be submitted to the March European Council. There will then be a thorough discussion at the European Council in June.

Malcolm Rifkind, who is my representative on the Dooge Committee, has been playing an active part in its work. The interim report includes a large number of practical proposals which the United Kingdom has put forward for the development of the Community or the improved functioning of its institutions. The Committee endorsed our views on the need for completion of the internal market for goods and services, and on changes to give a more strategic role to the European Council.

During the next stage we want to see realistic proposals put forward on the future development of political cooperation; the implementation of the Treaty provisions in relation to the common market; and the improvement of decision-making procedures.

I send you my best wishes for the coming year.

Yours sincerely
Raymond D. Lister

Monsieur Pflimlin



Foreign and Commonwealth Office

London SW1A 2AH

21 December 1984

Dear Charles,

Letter to the Prime Minister from the President of the
European Parliament

/ As requested in your letter of 5 December, I enclose a draft reply for the Prime Minister to send to M. Pflimlin, President of the European Parliament.

I am copying this letter and enclosure to David Peretz (HM Treasury) and David Williamson (Cabinet Office).

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

Prime Minister
DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

M. Pflimlin
President of the European
Parliament

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Thank you for your letter of 30 November expressing the views of the European Parliament on the issues before the Dublin European Council.

This was a productive European Council. The good atmosphere demonstrated how important it was that the Community was able at Fontainebleau to put behind it the long dispute over the budget which had prevented proper attention being paid to the vital questions of the future of the Community. You will have seen a copy of the Conclusions. The decisions which were taken were in accordance with many of the points in the Parliament's "Programme for Economic Recovery" to which you drew my attention. I was particularly pleased that the European Council agreed on the need to take steps to complete the internal market. I am sure that the Community must give this top priority, and am glad that you drew attention to this in your recent meeting with the Council of Ministers.

Enclosures—flag(s).....

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As you know, agreement was reached at Dublin on the implementation of the conclusions of the European Council on budgetary discipline. I was encouraged to see from your letter that the Parliament is in favour of better control of expenditure. As you know, the Council has invited the European Parliament to examine with it ways in which the co-operation necessary for a budgetary discipline common to all three institutions may be brought about.

Finally, I turn to the question of the work of the Ad Hoc Committee on Institutional Affairs (Dooge Committee). As you know, the report before the European

Council was an interim report. The European Council has asked the Committee to continue its work with a view to securing the maximum degree of agreement in the final report to be submitted to the March European Council. There will then be a thorough discussion at the European Council in June.

Malcolm Rifkind, who is my representative on the Dooge Committee, has been playing an active part in its ^{work} deliberations. The interim report includes a large number of practical proposals which the United Kingdom has put forward for the development of the Community or the improved functioning of its institutions. The Committee endorsed our views on the need for completion of the internal market for goods and services, and on changes to give a more strategic role to the European Council.

During the next stage we want to see realistic proposals put forward on the future development of political cooperation; the implementation of the Treaty provisions in relation to the common market; and the improvement of decision-making procedures.

May I send you my very best wishes for the coming year.

cm

Council Mtg. Dublin: Feb 10/21. Pt 19.

GRS 530
UNCLASSIFIED
FRAME ECONOMIC
FROM BONN 051745Z DEC 84
TO PRIORITY FCO

TELEGRAM NUMBER 1152 OF 5 DECEMBER
INFO PRIORITY UKREP BRUSSELS
INFO ROUTINE ATHENS, BRUSSELS, COPENHAGEN, DUBLIN, LUXEMBOURG,
PARIS, ROME, THE HAGUE

DUBLIN EUROPEAN COUNCIL: GERMAN PRESS REACTION

SUMMARY

1. GERMAN REPORTING IS DOMINATED BY THE AGREEMENT ON WINE. KOHL GETS A GOOD PRESS FOR DEFENDING GERMAN INTERESTS. EDITORS NOTE THE BETTER ATMOSPHERE AT DUBLIN THAN AT RECENT EUROPEAN COUNCILS, BUT FIND THE OUTCOME UNINSPIRING, AND THE ISSUES COVERED MOSTLY TOO TRIVIAL FOR HEADS OF GOVERNMENT. LITTLE COMMENT ON THE DOOGIE COMMITTEE AND EUROPEAN UNION, THOUGH SOME EDITORS CALL FOR A TWO-SPEED EUROPE.

DETAIL

2. TODAY'S GERMAN PRESS IS UNENTHUSIASTIC ABOUT THE OUTCOME OF THE EUROPEAN COUNCIL, THOUGH RATHER LESS GLOOMY THAN BEFORE AND DURING THE TALKS, WHICH WERE DESCRIBED BY A SOURCE IN THE GERMAN DELEGATION AFTER THE FIRST DAY AS "VERY, VERY BAD". REPORTING CONCENTRATES ON THE CONFLICT BETWEEN ITALY AND THE FEDERAL REPUBLIC OVER WINE. CHANCELLOR KOHL GETS A GOOD PRESS FOR DEFENDING THE INTERESTS OF GERMAN WINE-GROWERS AGAINST ATTEMPTS TO CURTAIL ENRICHMENT. HE IS HELD TO HAVE GIVEN A GOOD ACCOUNT OF HIMSELF AND TO HAVE SURPRISED HIS PARTNERS WITH HIS COMMAND OF THE DETAILS OF THE PROBLEM, BASED ON HIS EXPERIENCE AS PRIME MINISTER OF RHINELAND-PALATINATE.

3. PAPANDREOU'S DEMANDS ON INTEGRATED MEDITERRANEAN PROGRAMMES AND THEIR LINK WITH ENLARGEMENT ARE REPORTED BRIEFLY IN MOST PAPERS, AS ARE THE AGREEMENT ON BUDGET DISCIPLINE, AND THE OUTCOME OF DISCUSSION OF THE DOOGIE COMMITTEE REPORT.

4. A NUMBER OF COMMENTATORS OBSERVE THAT THE ATMOSPHERE AT DUBLIN WAS BETTER THAN AT RECENT EUROPEAN COUNCILS, AND THAT THE PRIME MINISTER AND HER DELEGATION APPEARED TO BE IN PARTICULARLY GOOD FORM. SOME PAPERS POINT UP THE CONTRAST WITH THE GERMAN DELEGATION, WHICH FELT UNDER PRESSURE ON WINE, AND APPARENTLY COMPLAINED IN THE CORRIDORS THAT THE GERMANS WERE ONCE AGAIN BEING ASKED TO PAY FOR A SOLUTION TO COMMUNITY PROBLEMS.

5. A RECURRENT THEME IN EDITORIAL COMMENT IS THAT THE COMMUNITY CANNOT CONTINUE AS AT PRESENT, CRIPPLED FINANCIALLY BY AGRICULTURAL SURPLUSES AND UNABLE TO RESOLVE THE DIFFERENCES BETWEEN MEMBER STATES THROUGH NORMAL COUNCIL PROCEDURES. A NUMBER OF EDITORS FIND IT ABSURD THAT HEADS OF GOVERNMENT SHOULD HAVE SPENT HOURS DISCUSSING ADDITIVES TO WINE, RATHER THAN ADDRESSING MAJOR STRATEGIC ISSUES.

6. THERE IS SURPRISINGLY LITTLE EDITORIAL DISCUSSION OF THE DOOGUE COMMITTEE AND EUROPEAN UNION. HELD IN THE FRANKFURTER ALLGEMEINE EMPHASISES THE NEED FOR PRAGMATIC IMPROVEMENTS RATHER THAN INSTITUTIONAL CHANGES, AND ARGUES FOR THE RETENTION OF THE LUXEMBOURG COMPROMISE. HE SEES THE WAY AHEAD AS A DE FACTO TWO-SPEED EUROPE, IN WHICH PARIS AND BONN SET THE PACE. OTHER PAPERS (EG WELT, GENERAL ANZEIGER, FRANKFURTER RUNDSCHAU) CLAIM THAT BRITAIN WILL NOT BE ABLE TO AGREE TO EUROPEAN UNION, AND THAT A TWO-SPEED EUROPE IS THEREFORE THE ANSWER. HHLAU IN DIE WELT SAYS THAT THE PRIME MINISTER ASKS PROVOCATIVELY WHAT EUROPEAN UNION MEANS, AND ARGUES FOR MORE SUBSTANCE IN COOPERATION WITHIN THE EXISTING FRAMEWORK, RATHER THAN CHASING AFTER SHADOWS. KOHL, HE SAYS, SENSES HER RESISTANCE, AND IS PREPARED TO WAIT UNTIL JUNE RATHER THAN FORCING THE PACE IN THE "PSYCHOLOGICALLY SENSITIVE" BATTLE FOR THE SOUL OF EUROPE.

BULLARD

FRAME ECONOMIC
ECD (1)



10 DOWNING STREET

From the Private Secretary

5 December, 1984

I enclose a copy of a letter to the Prime Minister from the President of the European Parliament about the Dublin European Council. The letter was not actually received here until after the Council had taken place.

I should be grateful for a draft reply reflecting the results of the Council.

I am copying this letter and enclosure to David Peretz (H.M. Treasury) and to David Williamson (Cabinet Office).

C. D. POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office

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EUROPEAN COUNCIL, 3-4 DECEMBER: PARLIAMENTARY STATEMENT BY
THE PRIME MINISTER

WITH PERMISSION, MR. SPEAKER, I SHOULD LIKE TO MAKE
A STATEMENT ON THE RESULTS OF THE EUROPEAN COUNCIL ^{held in Dublin} OF
3/4 DECEMBER. I WAS ACCOMPANIED AT THIS MEETING BY MY
RIGHT HONOURABLE AND LEARNED FRIEND, THE SECRETARY OF STATE
FOR FOREIGN AND COMMONWEALTH AFFAIRS. P

THE COUNCIL COVERED FOUR MAIN SUBJECTS. FIRST, WE
EXAMINED THE ECONOMIC SITUATION IN THE COMMUNITY. THE ⁹⁻¹⁰⁻⁷⁴
COMMISSION HAD SUBMITTED AN ^{DESMOND} EXCELLENT REPORT. ~~I AM~~
~~PLACING A COPY OF THIS REPORT AND OF THE CONCLUSIONS OF THE~~
~~EUROPEAN COUNCIL IN THE LIBRARY OF THE HOUSE.~~ IN
PARTICULAR, WE DISCUSSED THE CREATION OF MORE JOBS
BY ^(1.) OPENING UP THE INTERNAL COMMUNITY MARKET FOR ALL GOODS,
SERVICES AND PROFESSIONS AND THROUGH ADVANCED INDUSTRIAL

←

TECHNOLOGIES. THIS HAS TO BE ACHIEVED IN THE CONTEXT OF -
AND I QUOTE - "MODERATION IN THE EVOLUTION OF REAL WAGES"
AND "A PAUSE IN THE GROWTH OF CURRENT PUBLIC EXPENDITURE AND
A DECLINE FOR SEVERAL YEARS IN ITS SHARE OF GDP". THE
COUNCIL AGREED TO SET UP A REVIEW OF MANPOWER POLICY WITH
THE AIM OF DIRECTING TRAINING TO SECTORS WHERE LABOUR WILL
BE NEEDED, OF ENCOURAGING JOB MOBILITY AND OF FOSTERING
ENTERPRISE, ESPECIALLY AMONG YOUNG PEOPLE.

SECONDLY, THE EUROPEAN COUNCIL REACHED AGREEMENT ON THE
COMMUNITY'S POSITION IN THE ENLARGEMENT NEGOTIATIONS WITH
SPAIN AND PORTUGAL. TWO MAJOR ISSUES HAD BEEN OUTSTANDING:
WINE AND FISHERIES. BOTH WERE SATISFACTORILY SETTLED.
UNFORTUNATELY, GREECE RESERVED HER POSITION ON ENLARGEMENT,
LINKING IT WITH A BID FOR MORE MONEY FOR MEDITERRANEAN
PROGRAMMES. HOWEVER, THE ENLARGEMENT NEGOTIATIONS ~~WITH~~
~~SPAIN AND PORTUGAL~~ WILL NOW GO AHEAD ON THE OUTSTANDING
ISSUES AND, WE HOPE, BE BROUGHT TO AN EARLY CONCLUSION, WITH

A VIEW TO ~~THEIR~~ ACCESSION ON 1 JANUARY 1986. THE OUTCOME
WILL HAVE TO BE ^{renewed} ~~BROUGHT~~ BACK TO THE COUNCIL OF MINISTERS,
ESPECIALLY IN VIEW OF GREECE'S POSITION.

THIRDLY, WE GAVE PARTICULAR ATTENTION TO FURTHER
MEASURES TO RELIEVE FAMINE IN AFRICAN COUNTRIES,
PARTICULARLY IN ETHIOPIA. WE AGREED THAT THE COMMUNITY AND
ITS MEMBER STATES SHOULD PROVIDE 1.2 MILLION TONNES OF GRAIN
IN 1985. THIS IS A REALLY MAJOR EFFORT WHICH
THE UNITED KINGDOM STRONGLY SUPPORTS. WE APPEALED TO OTHER
DONOR COUNTRIES TO MATCH THIS EFFORT.

FOURTHLY, WE HAD A PRELIMINARY EXCHANGE ON REPORTS FROM
TWO GROUPS ESTABLISHED AFTER THE FONTAINEBLEAU MEETING.
THESE GROUPS ARE DEALING WITH COMMUNITY INSTITUTIONS AND
WITH PRACTICAL MEASURES SUCH AS EASIER MOVEMENT OF GOODS AND
FRONTIER FORMALITIES. THE FINAL REPORTS WILL BE

SUBSTANTIVELY DISCUSSED AT THE EUROPEAN COUNCIL IN THE FIRST HALF OF NEXT YEAR.

THE EUROPEAN COUNCIL ALSO URGED THE ENVIRONMENT MINISTERS TO REACH AGREEMENT AT THEIR MEETING TOMORROW ON GUIDELINES FOR THE REDUCTION OF LEAD IN PETROL - A BRITISH INITIATIVE WITHIN THE COMMUNITY - AND ON VEHICLE EMISSIONS.

WITHIN THE CONTEXT OF POLITICAL CO-OPERATION THE COUNCIL ENDORSED THE ~~SET OF~~ PRINCIPLES FOR DEALING WITH TERRORISM AND THE ABUSE OF DIPLOMATIC IMMUNITY, WHICH WAS ^{was} ADOPTED IN SEPTEMBER AND ^{are} ~~IS~~ NOW BEING PUT INTO PRACTICE. WE DISCUSSED EAST-WEST RELATIONS AND ^{also} (THE MIDDLE EAST AND STRESSED THE IMPORTANCE OF REACHING SATISFACTORY ARMS CONTROL AGREEMENTS. IN THE DISCUSSION ON CENTRAL AMERICA WE REAFFIRMED OUR SUPPORT FOR THE CONTADORA PROCESS.

FINALLY, THE FOREIGN AFFAIRS COUNCIL ADOPTED THE TEXT ON BUDGETARY DISCIPLINE, INCLUDING THE STRICT FINANCIAL GUIDELINE FOR AGRICULTURAL EXPENDITURE. IT IS THE RESULT OF CONSIDERABLE EFFORTS OVER A PERIOD OF YEARS BY BRITAIN TO ENSURE THE BETTER CONTROL OF COMMUNITY EXPENDITURE AND A BETTER BALANCE IN THE COMMUNITY BUDGET.

5-12-84

EUROPEAN COUNCIL, 3-4 DECEMBER: DRAFT PARLIAMENTARY
STATEMENT BY THE PRIME MINISTER

Time think
Draft as revised
following your
talk with Mr.
W. Williamson on
the aircraft.
CDP 4/12
NT

With permission, Mr. Speaker, I should like to make a statement on the results of the European Council of 3/4 December. I was accompanied at this meeting by my right honourable and learned Friend, the Secretary of State for Foreign and Commonwealth Affairs.

The Council covered four main subjects. First, we examined the economic situation in the Community. The Commission had submitted an excellent economic report, a copy of which I am placing in the Library of the House. In particular, we discussed the creation of more jobs by ~~reducing taxation to promote enterprise~~ and by opening up the internal Community market for all goods, services and professions. ~~With the same objective,~~ the Council agreed to set up a review of manpower policy with the aim^s of directing training ~~towards~~ sectors where labour will be needed, encouraging job mobility and fostering enterprise, especially among the young.

Secondly, the European Council reached agreement on the Community's position in the enlargement negotiations with Spain and Portugal. Two major issues were outstanding: wine and fisheries. Both were satisfactorily settled. Unfortunately, Greece maintained a general reserve on enlargement linked with a claim for more money for integrated Mediterranean programmes. This issue will have to be resolved. However, the enlargement negotiations will now go ahead on the outstanding issues and, we hope, be brought to an early conclusion, with a view to the accession of Spain and Portugal on 1 January 1986.

Thirdly, we gave particular attention to further measures to relieve famine, particularly in Ethiopia. We agreed that the Community and its member states should provide 1.2 million tonnes of grain for Ethiopia in 1985. This is a really major effort which we support.

Fourthly, we discussed the interim reports of two groups established after the Fontainebleau meeting: the Dooge Committee on Community institutions and the Committee on a People's Europe. These Committees will carry on their work and report in March. The Dooge Committee's final report will be substantively discussed at the European Council in June next year.

The European Council also urged the Environment Ministers to reach agreement this week on guidelines for a Community policy on the reduction of lead in petrol - a British initiative within the Community - and on vehicle emissions. The European Council will have a fuller discussion on environmental issues at its March meeting.

Within the context of political co-operation the Council endorsed the set of principles for dealing with terrorism and the abuse of diplomatic immunity, which was adopted in September and is now being put into practice. We discussed East-West relations and the Middle East and stressed the importance of reaching satisfactory arms control agreements. In the discussion on Central America we reaffirmed our support for the Contadora process.

I am arranging for the conclusions of the European Council to be placed in the Library of the House.

Finally, the Foreign Affairs Council formally adopted without change the text on budgetary discipline. We are fully satisfied with this text which includes the strict financial guideline for agricultural expenditure. It is the

result of considerable efforts over a period of years to ensure the better control of Community expenditure and a better balance in the Community budget.

CONCLUSIONS OF

THE EUROPEAN COUNCIL

DUBLIN: 3/4 DECEMBER 1984

EUROPEAN COUNCIL CONCLUSIONS: DUBLIN: 3/4 DECEMBER

Economic and Social Situation

The European Council welcomed the priority given to the problem of unemployment in the Commission's recently published Annual Economic Report. It, therefore, supports the balanced guidelines in the report, which embodies a consistent economic policy framework for improving supply and demand conditions; and it considers that these guidelines should be speedily implemented. In particular it agreed that the Council, in its appropriate formations:

- should initiate a review of manpower policy to reorientate training towards sectors where labour will be needed, take steps to encourage job mobility and foster enterprise, especially amongst the young;
- should take steps to complete the internal market, including implementation of European standards;
- should pursue and accelerate its consideration of measures to achieve a greater role for the ecu and develop and strengthen the European monetary system, on the basis of the relevant Commission communications;
- should implement without delay the firm political commitments agreed by the European Council at its meetings of Brussels and Fontainebleau in the field of transport policy;
- should adopt further measures to strengthen the technological base of the Community and restore competitiveness; to this end, - the Commission is asked to submit an appropriate draft action programme to the next European Council;

The European Council agreed that the Community and the Member States should take measures, including concertation of economic policies, designed, in the words of the preamble to the Rome Treaty to reduce the differences existing between the various regions and the backwardness of the less favoured regions.

In regard to any possible faltering of the European and world recovery of output and employment, the European Council also asked the ECOFIN and the Commission to keep external developments under continuous review. It requested them to report back to its meeting in March on what measures might be appropriate for the Community or may already have been initiated to assure the objective of a progressive increase in the actual and potential growth for the Community to the benefit of unemployment.

Environment

The European Council asked Environment Ministers at their Council meeting on 6 December to make every effort to reach agreement on the guidelines for a Community policy on the reduction of lead in petrol and vehicle emissions.

The Council agreed to have a substantive discussion on environmental issues at their next meeting in March 1985.

Ad Hoc Committee on Institutional Affairs

The European Council has taken note of the interim report by the Ad Hoc Committee on Institutional Affairs. It recognised its great quality and the need for the Committee to continue its work with a view to securing the maximum degree of agreement. The Council agreed that the interim report should be published.

The European Council, for its next meeting in March 1985, has asked the Committee to complete its work and submit a report which, after preliminary consideration at that meeting, will be the main subject of the European Council in June, 1985.

Ad Hoc Committee on a People's Europe

The European Council noted with interest the interim report of this committee and requested the Committee to make a further report to the European Council next March.

Council Report on European Union

The European Council approved the annual report on European Union. This report will be forwarded to the European Parliament as provided for in the Solemn Declaration on European Union.

Famine in Africa

In the face of the serious difficulties currently being experienced by many countries of Africa, especially those, like Ethiopia or the Sahel countries, which are suffering the effects of an unprecedented drought and the ravages of malnutrition and famine, the European Council stresses the urgency of taking concerted international action.

The European Council believes that the total to be provided by the Community and its Member States between now and the next harvest should be 1.2 million tonnes.

The Commission, after consultation with Member States to establish the amount of grain that will be provided by Member States, will make a proposal to the Council with respect to any additional Community effort that may be needed to attain the figure of 1.2 million tonnes and the European Council invites the Council of Ministers to take any necessary decisions on the basis of such a Commission proposal in order to secure the achievement of the 1.2 million total. The European Council appeals to other donor countries to match this effort by the Community and its Member States in order that the total need of these states, currently estimated at 2 million tonnes, will be met.

It stresses the need for urgent action to avoid threatened shortfall in the months immediately ahead.

It notes the need for improved co-ordination between the Community, its Member States, other donors, and non-Governmental organisations, in order to increase the efficiency and pace of implementation of emergency aid measures and invites the Commission to initiate action in this regard.

The European Council acknowledges the need to undertake urgent action to speed up and support the recovery and rehabilitation process in African countries and to provide the Community's active support for their efforts to achieve self-sufficiency and security in food: also in implementing long-term operations to combat drought and desertification.

The European Council emphasises the will of the Ten, in all international negotiations to support initiatives to strengthen solidarity between the industrialised countries and the countries of the Third World and thus to foster development.

It welcomes the declaration on the critical economic situation in Africa just adopted by the UN General Assembly.

It notes with satisfaction the successful conclusion of the negotiations for the renewal of the Lomé Convention which links the European Community, its Member States, and the African, Caribbean and Pacific states. The fact that the progress achieved so far has been consolidated bears witness to the strength and vitality of this co-operation.

PRIME MINISTER

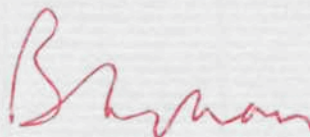
PRESS CONFERENCE

I have been forced to revise the arrangements for your press conference because it has become clear that the UK press room is wholly inadequate for the occasion.

The problem is that the hoards^(sic!) of photographers who have been assigned to get a picture of you today. When I arrived immediately after lunch I found that they had already taken up positions pre-empting at least half the seats available for writing journalists.

As a consequence I would like you to do the following:

- (i) After a short briefing in your room, to give radio and TV interviews in advance of your press conference;
- (ii) To give your press conference in the main press conference hall after Dr. FitzGerald and President Mitterrand. This may involve your waiting a little for President Mitterrand to finish but it should not be a long wait because the radio and television interviews will take up at least half an hour.



BERNARD INGHAM

4 December 1984

Prime Minister
Draft Presidency
conditions circulated
during the night.

Economic and Social Situation

CDP 4/xii

The European Council welcomed the priority given to the problem of unemployment in the Commission's recently published Annual Economic Report. It, therefore, supports the balanced guidelines in the Report, which embodies a consistent economic policy framework for improving supply and demand conditions; and it considers that these guidelines should be speedily implemented. In particular it agreed that the Council, in its appropriate formation:

- should initiate a review of manpower policy to reorientate training towards sectors where labour will be needed, take steps to encourage job mobility and foster enterprise, especially amongst the young;
- should take steps to complete the Internal Market, including ~~implementation~~ implementation of European standards ; *mutual recognition of each other's national standards*
- should accelerate its consideration of measures to achieve a greater role for the ECU and develop and complete the European Monetary System, on the basis of the relevant Commission Communications ;

- should implement without delay the firm political commitments agreed by the European Council at its meetings of Brussels and Fontainebleau in the field of transport policy;

- should adopt further measures to strengthen the technological base of the Community and restore competitiveness.

In regard to any possible faltering of the European and world recovery of output and employment, the European Council also asked the ECO/FIN and the Commission to keep external developments under continuous review. It requested them to report back to its meeting in March on what measures might be appropriate for the Community or may already have been initiated to assure the objective of a progressive increase in the actual and potential growth rate for the Community to the benefit of employment.

ENLARGEMENT

The European Council reiterated its firm political commitment to the accession of Spain and Portugal to the Community on 1 January, 1986.

Recognising the need for the reform of the common organisation of the wine market, the European Council agreed on the measures outlined in the Annex to the Conclusions. It asked the Council formally to agree this text on the basis of which the Agriculture Ministers in Council should adopt the necessary implementing Regulations at the earliest possible date.

Fish

- new position has to be endorsed

Environment

The European Council asked Environment Ministers at their Council Meeting on 6 December to make every effort to reach agreement on the guidelines for a Community Policy on the reduction of lead in petrol and vehicle emissions.

The Council agreed to have a substantive discussion on environmental issues at their next meeting in March 1985.

Ad Hoc Committee on Institutional Affairs

The European Council has taken note of the interim report by the Ad Hoc Committee on Institutional Affairs, and welcomes the thrust of this, while noting that there are some reservations and disagreement.

The European Council, for its next meeting in March 1985, has asked the Committee to complete its work and submit a report which, after preliminary consideration at that meeting, will be the main subject of the European Council in June, 1985.

Ad Hoc Committee on a People's Europe

The European Council noted the interim report of this Committee and requested the Committee to make a further report to the European Council next March.

Draft Council Report on European Union

The European Council approved the annual Report on European Union. This Report will be forwarded to the European Parliament as provided for in the Solemn Declaration on European Union.

Presidency Compromise on Table Wine

The Council of Ministers, noting the European Council's conclusion at Fontainebleau that reform of the common market organisation for wine is one of the conditions necessary for successful enlargement of the Community, has examined the Commission's report (8840/84) on the situation in the wine market and its associated proposals (9182/84 and 9469/84). As a result of that examination the Council has taken the following decisions:

1. The reduction of wine producing potential is an essential element of the reform of the wine market organisation.

The Council has noted the Commission proposals on this and signifies its agreement to the principle of measures to encourage grubbing-up and to limit replanting rights.

The Agriculture Council is given the task of taking the decisions which are necessary, before the next meeting of the European Council, taking the particular conditions of each region into account.

2. In a further effort to improve the structure of the wine sector, only investments to improve wine quality without increasing quantity will be financed under Regulation 355/77 while a regulation to improve the structure of Greek vineyards and the Greek wine industry will be adopted by 31 January 1985 for an area of 20,000 hectares.

3. Other measures are necessary to ensure, as of now, the balance of the wine market, in particular a strengthening of the compulsory distillation machinery as provided for in article 41 of the basic regulation, along the following lines:

a) Where a serious market imbalance exists, compulsory distillation will be triggered by the Commission under the Management Committee procedure; a serious market imbalance is deemed to exist when

- the stocks as defined in article 41 § 1, first indent, of Regulation 337/79 exceed four months' normal utilisation ⁽¹⁾
- or when the market prices remain below 82% of the guide price during a representative period
- or when, for a wine marketing year, the data in the advance estimate show that production is exceeding normal utilisations by more than 9%.

b) The Commission will fix the quantities which must be sent for compulsory distillation so as to eliminate the production surplus and, in this way, reestablish a normal market situation in particular regarding stock levels and prices.

.../...

(1) Normal utilisation = consumption + net balance of foreign trade.

- c) Where the compulsory distillation is triggered the Commission will make known, before X December, the compulsory distillation obligations of each region, grouped by member State.

While the responsibility for ensuring the implementation of the compulsory distillation thus rests with the Member States (1), the volume to be distilled compulsorily will be divided

- among the regions of the Community in proportion to the production volumes exceeding a specified level for each one of them, equal to a uniform percentage (2) of their average harvest over the three wine years 1981/83, 1982/83 and 1983/84. This average base period may be modified by the Commission after the 89/90 marketing year to take account of the evolution in production and in particular the results of the grubbing-up policy
- within each region, among producers, on the basis of yield per hectare on a scale fixed by the Commission under the Management Committee procedure. The scale may vary by region account being taken of yields obtained in the past. The producers may subtract the quantities sent for preventive distillation from their obligations under the compulsory distillation. For 1985/86 the rules will be adapted to provide for the administrative arrangements to be applied to Greece for that year.

/.....
1) Statement for the Council minutes: The Council takes note of the Commission statement under which, where the Community provisions on compulsory distillation as they result from the distillation obligation of each region are not observed, the usual sanctions will be applied, particularly as regards the settling of accounts.

2) This uniform percentage valid for all regions of the Community will be determined by the Commission in the light of the quantity decided on (see paragraph (b) above) to eliminate the production surplus for the year in question; for the period up to 1989/90, it shall be set at 85 %.

- d) For the 1985/86, 1986/87 and 1987/88 wine marketing years the price of compulsory distillation will be 50% of the guide price for the first 10 million hl of such distillation and 40% for quantities in excess of that.

The Council shall review the prices for the 1988/89 and 1989/90 wine marketing years in the light of the progress in reducing the imbalance in the table wine sector

- e) These additional measures will in principle continue until the end of the 1989/90 marketing year. The Council, on the basis of a report from the Commission dealing in particular with the effect of the structural measures and including where appropriate proposals on the future organisation of the wine market, shall decide whether they can be repealed or replaced by other measures that will guarantee balance in the wine market.

4. The Council requests the Commission to undertake a thorough study of the possibilities of using concentrated must and sugar and to report back to it before the end of 1990. The Council will then take a view on the measures to be taken in the area of enrichment.

Alternative 1 (Presidency text)

A [In phased arrangements over the three years up to 1987/88, the buying-in prices of the wines in the different distillations expressed as a percentage of the guide price shall be related to the guide price of the type of table wine which has the lowest level (white wine of the A1 type).]

Alternative 2 (Commission text)

B [The buying-in prices for wine type A II and A III for the different types of distillation will, over the coming three years, gradually be brought into a price ratio compared with white wine of type A I which will not exceed 1,5 to 1.7]

Alternative 3 (German text)

[The degree of alcohol obtained by the use of sucrose or reduced-price concentrated grape-must will be deducted on a flat rate basis when the buying-in price for distillation is calculated. Furthermore from 1990 the quantity of table wine to be distilled in the Federal Republic of Germany shall not exceed 1.2 million hectolitres.]

5. No changes are made in the present arrangements in regard to quality wines PSR.
6. The Council undertakes to apply a restrictive price policy in the wine sector, as proposed by the Commission, just as long as the compulsory distillations show the existence of surpluses not marketable in normal conditions.

Economic and Social Situation

The European Council welcomed the priority given to the problem of unemployment in the Commission's recently published Annual Economic Report. It, therefore, supports the balanced guidelines in the Report, which embodies a consistent economic policy framework for improving supply and demand conditions; and it considers that these guidelines should be speedily implemented. In particular it agreed that the Council, in its appropriate formation:

- should initiate a review of manpower policy to reorientate training towards sectors where labour will be needed, take steps to encourage job mobility and foster enterprise, especially amongst the young;
- should take steps to complete the Internal Market, including implementation of European standards ;

Primer

- should accelerate its consideration of measures to achieve a greater role for the ECU and develop and ^{strengthen} ~~complete~~ the European Monetary System, on the basis of the relevant Commission Communications ;

Agree reservation on Wine

if demands on IMPS can be met

- should implement without delay the firm political commitments agreed by the European Council at its meetings of Brussels and Fontainebleau in the field of transport policy;
- should adopt further measures to strengthen the technological base of the Community and restore competitiveness.

- Second delegation

In regard to any possible faltering of the European and world recovery of output and employment, the European Council also asked the ECO/FIN and the Commission to keep external developments under continuous review. It requested them to report back to its meeting in March on what measures might be appropriate for the Community or may already have been initiated to assure the objective of a progressive increase in the actual and potential growth rate for the Community to the benefit of employment.

- measures to be taken to ensure convergence of economic policies of member states

ENLARGEMENT

The European Council reiterated its firm political commitment to the accession of Spain and Portugal to the Community on 1 January, 1986.

Recognising the need for the reform of the common organisation of the wine market, the European Council agreed on the measures outlined in the Annex to the Conclusions. It asked the Council formally to agree this text on the basis of which the Agriculture Ministers in Council should adopt the necessary implementing Regulations at the earliest possible date.

Greece - We do not agree with enlargement
unless there is a favourable ^{Schubert's} position
the Community on ^{the} IMPS - and also
~~at the~~ our position concerning wine.

Environment

The European Council asked Environment Ministers at their Council Meeting on 6 December to make every effort to reach agreement on the guidelines for a Community Policy on the reduction of lead in petrol and vehicle emissions.

The Council agreed to have a substantive discussion on environmental issues at their next meeting in March 1985.

Ames

Ad Hoc Committee on Institutional Affairs

welcomes

The European Council has taken note of the interim report by the Ad Hoc Committee on Institutional Affairs, ~~and welcomes the thrust of this, while noting that there are some reservations and disagreement.~~

recognizes the quality of the work done by the committee to date. to give main-idea of committee

The European Council, for its next meeting in March 1985, has asked the Committee to complete its work and submit a report which, after preliminary consideration at that meeting, will be the main subject of the European Council in June, 1985.

*Andrusko -
leave out*

The E.C. will consider at the same time whether it would be appropriate to hold an intergovernmental conference.

Ad Hoc Committee on a People's Europe

The European Council noted the interim report of this Committee and requested the Committee to make a further report to the European Council next March.

Draft Council Report on European Union

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The Council has noted the Commission proposals on this and signifies its agreement to the principle of measures to encourage grubbing-up and to limit replanting rights.

The Agriculture Council is given the task of taking the decisions which are necessary, before the next meeting of the European Council, taking the particular conditions of each region into account.

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e) These additional measures will in principle continue until the end of the 1989/90 marketing year. The Council, on the basis of a report from the Commission dealing in particular with the effect of the structural measures and including where appropriate proposals on the future organisation of the wine market, shall decide whether they can be repealed or replaced by other measures that will guarantee balance in the wine market.

4. The Council requests the Commission to undertake a thorough study of the possibilities of using concentrated must and sugar and to report back to it before ⁱⁿ ~~the end of~~ 1990. The Council will then take a view on the measures to be taken in the area of enrichment.

*Sugar cost
- will for must
200 - 300
million
per year*

*Constant increase
in yield per
hectare*

SN 3293/10/84

*of 180 litres per hectare?
(about 50 litres per hectare)*

.../...

Alternative 1 (Presidency text)

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40 million

Alternative 2 (Commission text)

[The buying-in prices for wine type A II and A III for the different types of distillation will, over the coming three years, gradually be brought into a price ratio compared with white wine of type A I which will not exceed 1,5 to 1.]

30 million

Alternative 3 (German text)

[The degree of alcohol obtained by the use of sucrose or reduced-price concentrated grape-must will be deducted on a flat rate basis when the buying-in price for distillation is calculated. Furthermore from 1990 the quantity of table wine to be distilled in the Federal Republic of Germany shall not exceed 1.0 million hectolitres.]

Esprit already.
No limit on distillation until 1990.
1.2m. every 10 days

In years in which this limit is exceeded because of weather market developments there are serious surpluses of the market, the Council will adopt an appropriate adjustment.

5. No changes are made in the present arrangements in regard to quality wines PSR.
6. The Council undertakes to apply a restrictive price policy in the wine sector, as proposed by the Commission, just as long as the compulsory distillations show the existence of surpluses not marketable in normal conditions.

PRIME MINISTER

Wine

1. The text on wine resulting from the Commission's bilateral contacts and the Foreign Ministers' discussion is largely unchanged. The paragraphs on the quantity to be distilled (para 3(b)) and on the low price (para 3(d)) are the same. The first two triggers (four months' stocks or price below 82% of the guide price) are also the same; the third trigger has been slightly eased to normal consumption plus 9% but in an excess year this would still bite. The document is now headed "Table Wine". The other changes are small and are improvements.

2. The only disputed point now is the sugaring of wine (para 4, second sub-para). There are three choices for which different texts are offered:

(i) the wine to be distilled is to receive the lowest price (that of white wine A.1). This is the best for the United Kingdom because it saves the most money. The Germans will resist it.

(ii) the wine to be distilled is to receive a price about half-way between the present high level and the lowest level. This would be some improvement for the United Kingdom because it would still save some money (Commission estimates that if it had applied this year it would have saved about 47 million ecu)

(iii) a limit on the volume of sugared wine which can be distilled in Germany of 1.2 million hectolitres. This would be a slight advantage over the present system but its effect in most years would be small.

D. F. Williamson

(D F Williamson)

4 December 1984

F172

Programme:

① Economic Situation

② Budget

③ LMS

Also mention + introduce Dooze + Peoples',
with a view to informal discussion at dinner

Tomorrow:

Famine in Africa

Cigarettes

Today:

China East

Central America

et al.

Sept F.M.S. discussion at school - + prob. lecture

to be a Euro. Union at dinner tonight

Economic

Fitz

Indigenous Output

Expected growth next year: below our capability,

+ impact of US + rest of world

2 distinguishing factors

① Rate of potential growth not rising

② Doing less well than we should for what
we've got

the only common guide-lines: cities selectively

What also look at

- 1) ?
- 2) Need for framework in rules or defaults, when market conditions
- 3) Need for co. or with U.S. & Japan
- 4) E.R.M

P AP:

What lessons our economy: we give problems

- ① Lack of technol. integration - like for + for
- ② Outflow of capital EC → US
- ③ Rise in interest - & not exactly about it
- ④ Need to control pub. spending - & to identify movement of machines + goods
- ⑤ Be not to let control of public spending destroy only effort part of common policy - C.A. +

etc etc

LUB: ① Common Area ME contains many valuable resources: Look they'll be loss of our policies

- ② If so, need to be closely monitored e.g. Finland recommended by end of '84 state continues in the + wage. What's happened? by mutual reports
So what is to be done? We shall press

LUB (low).

(3)

(3) Technol. Cooperation:

We're outgunned by Japan & US
We must develop our own. How?

- Evolution of Uky standards - within the
jurisdiction of the Uky

We had some 85 into the year of the
interest market.

How? (1) Give Int. bank ^{have} Ltd £200 million
its role of financing in AFR. 100 for 1 year

(2) Establish public financial controls
- No so elaborate caps & subcaps of
U.S. or Jap caps, to promote more
investment

(3) Set aside Uky competition law to
allow merge/corp. of technol. firms

(4) ??

(5) ~~to~~ harmonize or internal rules
for technical products

All this must be done urgently & at Uky scale.

And we shall ask Comm to monitor this

CONCL: Jap & Comm will see Luller's ideas

But I'm not sure so sure that things
are getting worse. Not helped. But we have
had progress

Time we're not working with benefit - after growth we
 do have in some ways to improve economy
 - after. for work studies, as shown to academic
 Need - to help maintain labor market - to have a
 non-inflationary growth. to be, to good

But we're not making US in creating jobs
 at low bound levels :

They're much more mobile, have lower
 bound security provision. 1 - FRC from paper
 to go backoff : : return pay is too high

Pay levels are too high : : making us too slow
 partly because of. reduction of US
 that unions in making deals to slow
 modernization

And we need to fight protectionism, which
 will lose no jobs

WORLD (cont):

(5)

We tend, tho', to look at things too much in
economic terms. Unrest is broadly damaging

We need to give young people some optimism.

We need to motivate our own forces, by
giving people a sense of mission. Need for
psychological boost

With laws, regulations, technical things done
we shall do enough. We shall allow
operations to be bogged down by paper
(e.g. a wine distillation - tho' we do
need them)

MARRONS

Comin's report is a excellent one.

I don't share PAPP's pessimism

General drift of report is that anti-inflation
policy has worked; & the money policy.

But there the general trend of present
continues to run

What can City do? Lot of reasons
in report as to why it what our govts can do

City can help by pressing for effective
action - E.M.S. - detailed from Com. Report
So I go along with them

M.7

What like more cross-talk

This is what I've been for some
years all of it.

The order of details

- ① Nat. policies - get on on night
- ② Expansion of enterprise sector, & private jobs
- to ③ (A) get int. market right - this year.
- (B) Standards initiation.
- (C) Not sure about better proposal re business
compet. law; see what it means
- (D) Adopt new technology. That means
close the education + skill gap;
gap re to bridge

Part of Kofi's points

- ① Lower price level: of USA. Our real
wages rising. We have the same as
that as well that of
- ② Soc. Sec in USA is much less good
than ours: have we designed a system
that stifles enterprise. Why are we -
in all Europe - less likely to start
new business than in US + Japan?
We're not convinced that. Unless we
do, we won't create more jobs
Are they educational not so liberal -
free enterprise? Is it "child" of
enterprise go into professions?

13 it: too many forms - 27 to work further?

13 it: taxes on too high a scale?

We have to talk about these things, to do so
they should.

Wage controls - ILO backed - involve pay levels
that employees are allowed

Why has it, the whole structure, lost the
spirit of enterprise?

THORN. To fix controls

M.T. had asked money in the night ago.

He's not report in --

To fix minimum program control will what
is necessary it will go to address
the question that we need

EMS - agree with ministers. It's control
better than in night. We need to do more

We do more control than we were. The time
is ripe. Bundesbank is blocking progress
of ECU. Important to do more now, the
endless, the things in USA.

The minister: yes, we did agree in
principle but things still. It's up to
you to show your ministers who agreed

G. 9172

from Mr.

- ① Endorse Common Act
- ② Kohls' part - training, job mobility, work; + Mrs' part, give children spirit to go
- ③ Look at internal market: first on monetary.
- ④ Some technological standards. Start on go for majority voting in 85 - a short time?
- ⑤ Transport: we must require on 2nd time to take the first
- ⑥ Develop the ECU + capital in EMS
- ⑦ Need to intensify collection effort to have with employment / labor market trends
- ⑧ What extent do people make sense & recommend in market what measures we need to take

Let's work on collaboration to look at that. We can see if any grounds for direct common

Let's do common ground between us. Let's think it out, make the most

John Gauder
Meeting Record 3.12.84

DISTRIBUTION

PS/Prime Minister
PS/Foreign Secretary
Sir M Butler
Mr Williamson
Miss Lackey
Mr Ingham
Mr Thomas
Mr Renwick
Mr Meyer
Mr Smith
Mr Brenton

Mertine Commission report excellent. Don't share Papan's pessimism.

Anti-inflation successful. What can EC do as distinct from
Corte? Real question: can we have Community policy. Need
monetary identity - to reduce ec vulnerability of individual
economies. In use of ECU. Rethink ideas ^{proposed in} March 1982:
consider following Commission ideas. Support Commission proposals
in title re EMS.

Mrs T. Best report from Commission for 5/6 years. Can adapt as it
is + conclusions.

- ① National finances must be in order
- ② Must expand productive sector
- ③ Increase strength of inner market.
- ④ Doubts about suspending competition rules
- ⑤ Agree re new Technology firm, employers follows. Can't reduce
gap between rich - poor without growth firm.
- ⑥ Need more moderate pay expectations - or unemployed suffer -
cf flexibility of US market.
- ⑦ Agree Kohl a ~~reduction~~ ^{need for} more flexible social security.
- ⑧ Analyse why US more innovative? Is it rules, more
vocational training, ~~not~~ stronger technological base.
- ⑨ Agree Kohl: problem partly psychological. How is spirit of enterprise
created? Our youth educated by people who don't understand free market

Theresa

There

- Need real common market for public sector purchasing (eg defence)
- EMS must be developed before enlargement.
- Must insist on more progress towards transport policy.

FitzG.

1. All support
2. Need employment policy: training
3. Complete inner market
4. Transport policy:
5. Wider role for ECU: reinforce EMS.
6. Common effort to direct market trends in employment in positive direction
7. Ecofin to monitor closely international situation: March report.

ENLARGEMENT

FitzG. Consensus on general objectives on wine.

- Main prob is criteria to set in train OD mechanism
- + division of OD responsibilities
- + sugaring.

System based on regions with member states responsible.

Possibility for Commission to moderate percentage.

Reduction of price over 3 yrs

Andreotti Accept focus on wine, but also fish. Don't only wine producers blocking progress.

- ① 82% : effective market price lower than this: shld be raised
- ② 6% : too low.

Andreotti (cont)

Enrichment : should be ended. Italy has wine vocation. Must have just arrangements. Figures show: variation in ^{annual} production

France 64 - 70 mhl

Italy 83 - 86 "

FRG 4 - 13 "

Compromise one of 82 - 6 changes

Dumas. Remember faisabilité. Need to reduce from 117 mhl towards ~~prods~~ consumption of 98 mhl. Costs EC 1 bn ecu.

Compromise doc is good basis for discussion. Best system is to use threshold : 3 parameters - stocks

price (underlined)

percentage for OD.

Price proposals good : group of experts could work further. Responsibility shld be with member states, with clear fixed obligation for distillation. Can be sure thresholds will be respected by each state. But % of OD shld be clear. ~~with take~~ Base shld be 3 yrs. Want reduction of 15% of production - ie distil everything over 85% of 3 base years. Document could be improved - tightened. French ideas to the end.

On price : must be dissuasive

Kohl Principles now, expert discussion later. 1970 agreement possible : needs of each region taken into acc (incl sugaring). Ready for compromise. But can't accept that only non-enriched part of production shld be liable for distillation

● Could accept ban a sugarcane except in areas A & B.

(7)

On repelling rights, reversal in Constitutional Court.

Sugarcane a subsidiary problem. Let's develop export market

Italy. Presidency now proposing ban a sugarcane.

Pos. On way to agreement. Must mainly affect areas of rapid expansion. Lux not one of these (weather). Could accept

Study a sugarcane -

Spain. Dumas ideas close to ours. Quantity for OD should be divided not between regions but between states -

Thorn. 82% changed, have new negotiation

Each 19% over 6% = 1 mhl.

Need control production pre-Enlargement.

Italy. Willingness to negotiate a basis of text clear.

85% leave open for moment. ? useful for determining volume overall for OD. Conclusion

① Commission & Presid officials to discuss ^{separately} with member states to reduce differences.

② Ministers SA. of those concerned to evaluate Report to E-Council if can't resolve at MFA level.

(Possibly later this evening).

Integrated Mediterranean Programmes

The European Council emphasised the particular political importance which it attaches to the implementation of Integrated Mediterranean Programmes.

The European Council agreed that the IMPs will be funded out of the allocations made to the structural funds, which will be increased significantly in real terms within the limits of financing possibilities. In this regard, special separately identified funding will be available to the extent and level necessary to allow the IMPs to finance those facets which fall outside the funds' normal actions.

The Council should adopt a regulation for the IMPs before the end of March 1985, to allow the implementation of individual national programmes, as appropriate, during 1985.

SN 3423/84

IMPS

PAP: We've always said that IMPS matter
GAP

F. Mear will look us address 300M ECU

Our country faces a monetary problem
with its balance of payments

Common programme fully meets our needs

PAP: Let our last commitments made in Paris.
Working group took 20.79, before enlargement.

— First report - 79, Paris

- Started to take steps under 30 May mandate
- London summit
- Greek memo: March 82.
- Answer to Greek memo referred to earlier documents.
- Stuttgart noted Comm's position
- F. Mear revised formulae covering, which
included a commitment to start
for 1.1.85

We are not prepared to cooperate with
implementation of Bourgeois package unless this
is satisfactory program or work. Our position
more understood + not cash withdrawal force
for Greek economy

New procedures:

- (1) Interest in structured funds, unregulated
 Bonds account + eliminate part of LMPs.
 We can agree with need that there is
 need for separate mgt of LMPs; but
 need to have on separate funds
- (2) Interest in equity funds not not covered
 additionally, which is an impl. possibility
- (3) ???

CRMA

Endorse PAP & HAR
 Need add v. little

Key in part of Bonds deal

G.U.
G-Burson:

As G.U. said, we did establish
 companies at F. Beau: needs text
 need two things

- (1) 3 structured funds not to fully developed
- (2) Need 3 funds not to give added returns
 so can LMPs
- (3) Need transparency for LMPs. Should be
 a separate window, but not a separate
 fund. That will challenge the definition
 of what we're trying to do; so much
 of this need to be done in committee
 sense. Inaction. May be the general
 so availability is an answer -
 quite wrong to think so

Nice, i.e., no divide - is covered
or broke + duration. And the stability
a window - within working funds - but not
divide a firm now
Firm being bonded that is quite
unrealistic.

- PAP:
- ① We do not believe all things are
interrelated. Least of all with
our resources.
 - ② Gov + M.D.G. that result all
ratio decreases
 - ③ Let's keep engaged with fund
John A. this. I can go back
to Gov + keep engaged, with
a conclusion on IMPs

- F172
- ① No design all impact, hold +
less, A IMPs
 - ② Someow already in house of Gov
- so to allow to op. this -
(Part by 90mpw - may have that).
But when getting into gear, with
small
 - ③ As I understand MAP, no program for
separate fund - so no problem then
 - ④ Also agreed need to increase resources
of funds - + the terms of operation
of funds

Acct.

- A) Extra money reqd: provided
- B) No budget for new funds
- C) But requires need to change of funding of funds

- 1) Requires within 12 months
- 2) Will have to be provided at a weekly funds - ... Bids work
- 3) Schedule for revenues will be available - look for 20 funds those funds what for what weekly work
- 4) Regular revenues will be adopted by law 85, so weekly funds so come into question during 1988

PAP

- ① There is a line in budget of SSJ: we need to establish that
 - ② How it has to come from the other funds But we need
 - duration
 - amount
- although with all these programs or so long, with type memorandum

NAT:

I'm confounded by G. V's intention

4 years too short. Needs to be long,
no thread again on right no. 4 years.

Time + scale are related

Can raise money from existing funds.

But other windows in progress
But will need an identical sum
from an identical place

And:

Must go further than just
repeating the existing words.

And time has to be substantial.

Ch. time that e.g. a lawyer - 1.36 $\text{B} \text{€} \text{€} \text{€}$

We need > reaction f'blew. We
need a precise + clear conclusion

LUB:

Smaller rather remarkable all this part a agenda.
All speakers involving previous agreed + reaching
different conclusions.

I think your conclusions are well done.

We need to give this a definite identity
+ urgency. So I can go on with what
you left

P of has said - with U. M. - that there's
 need to get an amount + a duration
 for the way we need to pay the no
 financial constraints

I'd like adding the need to specify
 the kind of budget, to as to show
 need for adaptation programs to
 provide for budget.

On total amount - I don't think that
 we fully comply with need to
 give priority to this within limits
 of financing possibilities

But we need to do that gradually,
 from year to year.

So, I think we have

- (1) We have to get things moving
- (2) We need to establish links
 with budget - to indicate duration
- (3) We must make it clear that this
 should be within financing possibilities
- (4) Year by year

For. I'd consider the rest that I add.
 budget has to be an added point
 we can examine that too

DISTRIBUTION

John Gauden
Meeting Record 3.12.04

→ PS/Prime Minister
PS/Foreign Secretary
Sir M Butler
Mr Williamson
Miss Lackey
Mr Ingham
Mr Thomas
Mr Renwick
Mr Meyer
Mr Smith
Mr Brenton

Starts 15.15.

(1)

Fitz.

Conclude economic / social situation | how.

Then enlargement: more important issue or Economical

Concentrate on wine & mps.

Then refer to ad hoc committees → discussion are done

Tomorrow am. famine in Africa to guarantee adequate

contribution by Ten to problem.

POCs: M. East

E-W

Gene Am

Draft conclusions on all 3 + today's discussion during morning.



MR D WILLIAMSON
CABINET OFFICE

cc: Mr Croft
Mr R Williams
Mr Major
Mr Lane
Mr Hutton

LA
ITP
OT2

DUBLIN SUMMIT : CONSUMER ELECTRONICS

I attach a short brief on consumer electronics and Japan
in case the matter is raised by the Dutch Prime Minister.

A handwritten signature in cursive script, appearing to read 'W B Willott'.

W B WILLOTT
HEAD/INFORMATION TECHNOLOGY
527 29 BRESSENDEN PLACE
213 5589
3 DECEMBER 1984



COUNCIL OF MINISTERS : DUBLIN 3RD DECEMBER 1984

Consumer Electronics

The Dutch Prime Minister has indicated that he intends to raise the issue of the Japanese threat to the European consumer electronics industry, following, we understand, a recent presentation to him by Philips. He may argue the need for temporary tariff protection for new products (infant industry) and to allow restructuring of more mature industries, and for a study of the extent to which national cartel legislation prevents desirable collaboration between European companies to cope with the scale of Japanese operations.

Line to Take

1. There are problems with proposals of this sort: of principle, given our commitment at Williamsburg to increasing competition and rolling back protection; and of practice, given the need for compensation for any safeguarding tariff increases.
2. We must maintain pressure to open up the Japanese market, though we must recognise that progress is likely to be modest and slow.
3. We must not forget that other Far Eastern countries, especially Korea, will pose a similar threat, with a nationally focussed attack on particular markets.
4. It would be sensible to have an urgent Community review of the impact of Japanese and Far Eastern competition on the consumer electronics industries and the implications for related industries (like integrated circuits and components); and in the meantime to avoid any major changes in the present orderly marketing arrangements.



Background

The consumer electronics industry is important not only in its own right but also as a source of finance and technological drive for integrated circuits and components. Japanese companies totally dominate the world in video recorders, have the major share of the TV market and are positioning themselves to secure dominance in information technology systems in the home. The UK trade imbalance in consumer electronics in 1983 was over £1 billion. However, the Japanese are becoming fearful of the Koreans, whom they have licensed with their technology but whose production costs are 30% less than in Japan. Although European companies have attempted to enter the Japanese market this has proved almost impossible when the competing Japanese manufacturers own 70-80% of the distribution outlets.

Various forms of protection have been used. A Community voluntary restraint agreement with Japan covers colour TV's and video recorders and has encouraged a number of Japanese companies to set up assembly plants mainly in the UK, Belgium and Spain: and under its cover the European manufacturers - essentially Philips/Grundig, Thomson CSF and Thorm EMI - have gone a long way towards achieving Japanese levels of quality and automation, though there is still a way to go on components. The concern of the industry is that this progress will be disrupted by a flood of Korean VTR's and CTV's (recently shut out of the US market by anti-dumping duties of 20-50%); and that without a coherent policy for temporary protection for new products European manufacturers will not get production volumes up to the scale needed to compete with Japan which invariably gives complete protection to its infant industries.

RESTRICTED



10 DOWNING STREET

From the Private Secretary

3 December 1984

Dear Colin,

European Council: Message from
Dr FitzGerald

Thank you for your letter of 30 November enclosing a draft message to Dr FitzGerald suggesting that budget discipline should be considered by Foreign Ministers over dinner on the first day of the European Council.

The message was despatched with a small amendment over the weekend.

I am copying this letter to David Peretz (H M Treasury) and Richard Hatfield (Cabinet Office).

Yours sincerely

C D Powell

Colin Budd Esq
Foreign and Commonwealth Office

RESTRICTED



hite 881

10 DOWNING STREET

From the Private Secretary

3 December 1984

European Council: Mixed Credits

Thank you for your letter of 28 November enclosing briefing for the Prime Minister's use with the French Government on mixed credits. The Prime Minister has noted this.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

C D Powell

David Peretz Esq
H M Treasury

881

SUBJECT

SECRET AND PERSONAL



10 DOWNING STREET

3 December 1984

cc. IRELAND:
Meetings with
the Taoiseach
+ Master Set.
From the Private Secretary

file 16
a few / Cadock

MEETING BETWEEN THE PRIME MINISTER AND THE TAOISEACH IN
DUBLIN CASTLE ON 3 DECEMBER 1984 AT 1855 HOURS

During the afternoon session of the European Council, Mr. Nally (Irish Cabinet Secretary) approached us to say that the Taoiseach would like a bilateral meeting with the Prime Minister to discuss Northern Ireland on the morning of 4 December. On the Prime Minister's instructions, I subsequently told Mr. Nally that the Prime Minister had some misgivings about this. She thought that there was a risk of building up expectations in the press which could not be fulfilled; and that her preference would be to stick to the proposal for a meeting in the early months of next year. However, if the Taoiseach nonetheless believed that a meeting was important, she would readily agree. Mr. Nally consulted the Taoiseach and came back to say that, in his view, the press would be much more impressed by a failure to hold a meeting. In the light of this, a meeting was arranged immediately after the conclusion of the afternoon session of the European Council on 3 December.

The meeting began with some brief exchanges about progress in the European Council itself. The Taoiseach thought that a solution on wine was in sight but that integrated Mediterranean Programmes could prove very difficult. He did not discount the possibility that Papandreou would block enlargement unless he received satisfaction.

/Turning to

16

SECRET AND PERSONAL

- 2 -

Turning to Northern Ireland affairs, the Taoiseach explained the reasons why he thought it important that he and the Prime Minister should meet if only briefly. It would show that relations between them were carrying on normally. The Prime Minister agreed that it was important from the point of view of public presentation that it should be known that they had met.

The Prime Minister said that she found it difficult to understand the reaction in the Republic to her press conference following the Anglo/Irish Summit. She had made clear that the British Government would try to get a new political framework for a settlement in Northern Ireland. Far from brushing the problem aside, she had stressed the importance of their decision to meet again in the early months of next year. She had been very disappointed in the reaction of John Hume. Indeed, her inclination on hearing his remarks in the House of Commons had been to say that the efforts under way between the Irish and British Governments might as well be abandoned.

The Taoiseach said that Mr. Hume had been under great pressure. His first reaction to the outcome of the Anglo/Irish Summit had been supportive. But when he had heard the impact made by the Prime Minister's press conference in the Republic, he had gone too far in the other direction. The Taoiseach continued that there was no point in going back over what had happened at the press conference. He then proceeded to do precisely that. He was grateful to the Prime Minister for sticking to the line which they had agreed between them. Unfortunately, her answers to two of the questions - those concerning the models in the New Ireland Forum report and "alienation" - had come over abruptly and dismissively on television. He admitted readily that this had not been the impression of those actually present at the press conference. However, the overall effect had been unfortunate by focusing attention on the points in the New Ireland Forum report which the Irish Government was trying to move away from. It was a pity that the Prime Minister had not been able to refer positively to other aspects of the report. He understood her semantic difficulty with the

/word

word "alienation". But again the effect at the press conference had been to suggest that she did not understand the problem of the minority community. The phraseology used in her recent letter to him had been very much more helpful. He was very grateful for the letter.

The Prime Minister replied that nothing which she had said at the press conference should have surprised anyone. The Government had made plain many times in recent months that it could not accept the models in the New Ireland Forum report. "Alienation" was a word which she was loth to use for reasons which she had explained at the Summit. Against these points had to be set her positive approach to finding a new political framework for a settlement, her determination not just to play the problem away but to work actively for a solution, and her readiness to meet again within a short time. The fact that there was a problem in Northern Ireland was so obvious that it surely did not need to be said. But one thing was clear: one had to develop an extra sensitivity for commenting on the Irish problem. Her own style was to give a direct answer to a direct question.

The Taoiseach said that, after 800 years, extra sensitivity was indeed needed. He appreciated that the Prime Minister had been endeavouring to be positive. He recognised that he had contributed very largely to subsequent problems. "I gave the worst press conference in my life". The Prime Minister said she had been astonished by how big an issue the Irish press had made of it. The Taoiseach said that, for the UK, Northern Ireland was a subsidiary problem but for the Republic it was the most important issue in national life. However, he wanted to put these problems to rest and re-build. He would be making a speech next week in which he would try to steady things. But it would be very helpful if the Prime Minister could, in her press conference the following day, refer to the positive aspects of the New Ireland Forum report and recognise the problems of the minority community in Northern Ireland.

/The Prime Minister

SECRET AND PERSONAL

- 4 -

The Prime Minister said that she was nervous of making any further comment on Irish affairs. Would it not be best simply to say that they had had a brief and friendly meeting and confirm their intention to hold further discussions early in the New Year? The Taoiseach said that it would be an enormous help to him if the Prime Minister could speak as he had suggested. The Prime Minister said that she would not want to give the impression of backing down or changing her mind. But, depending on the nature of the questions at her press conference and the tone in which they were asked, she would attempt to speak in terms helpful to the Taoiseach.

The meeting ended at 1912 hours.

I am sending copies of this letter to Graham Sandiford (Northern Ireland Office) and to Sir Robert Armstrong.

CHARLES POWELL

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

A

Draft
Council Decision
authorizing the signature
of the United Nations Convention
on the Law of the Sea

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

[Having regard to Articles 43 and 235 of the EEC Treaty,]

Whereas the United Nations Convention on the Law of the Sea will be open for signature as from 6 December 1982 and the Community has, on certain conditions, the possibility of signing the said Convention on the basis of Annex IX thereto;

Whereas these conditions include inter alia the need for a Commission declaration of subjects covered by the Convention for which competence has been transferred to the Community by its Member States, and this declaration shall be deposited at the time of signature by the Community;

Whereas it is necessary to adopt simultaneously the Decision on the signing of the Convention by the Community and the text of the Declaration [], the content of which, subject to any developments in competence, will be identical to that of the declarations to be made by the Member States themselves when they ratify the Convention (Article 5.2 of Annex IX to the Convention)]

10769/82

don/PT/mf

.../...
E

HAS DECIDED AS FOLLOWS:

Article 1

The Community shall sign the United Nations Convention on the Law of the Sea.

Article 2

The Declaration annexed hereto shall be deposited at the time of the Community's signature.

Article 3

The President of the Council shall nominate the persons empowered to sign on behalf of the Community.

Done at Brussels,
For the council
The President

CONFIDENTIAL

EUROPEAN COUNCIL

Draft Conclusions

The Ten Heads of State or Government discussed the situation in the Middle East. They reaffirmed their desire to see urgent efforts made to establish peace and stability there and their willingness to assist efforts to that end.

Arab-Israeli Conflict

FRG
Fr.
/The Ten regard it as vitally important that renewed efforts should be made towards negotiations for a settlement of the Arab-Israeli conflict. They note with satisfaction expressions of interest of both sides in a process of movement towards negotiations and they hope that this declared interest will be further built on. They remain convinced that a just, lasting and comprehensive peace in the Middle East can only be secured on the basis of the principles which they have stated many times in the past and to which the Ten continue to adhere. /

In order to find a lasting solution, no amount of effort by third parties can be a substitute for direct negotiations among the parties themselves - the Arab states, Israel and the Palestinian people - which must recognise mutually each others' existence and rights.

The need for action is nowhere more apparent than in the territories occupied by Israel since 1967. The Ten will pay special attention to such measures as they can take to better conditions there. They call on all parties fully to implement the provisions of Security Council Resolutions 242 and 338. They renew their call for an end to the illegal policy of settlements in the occupied territories.


will pay special attention
The Ten have noted the recent holding of the Palestine National Council in Amman. They continue to believe that the PLO must be associated with peace negotiations.

The Ten have consistently offered to assist in any way open to them in attempts to identify common ground between the parties. The Ten both collectively and individually have maintained contact with all parties. In continuation of this policy and having considered a report on the situation in the Middle East, the European Council decided that the President-in-Office should undertake a round of contacts with the parties. This will provide an opportunity to reaffirm the Ten's position, to explore the positions of the parties and to seek ways of promoting movement towards negotiation and improvement of the situation in the region.

*Van der Klans
Dorn*


Lebanon

The Ten Heads of State or Government welcomed the negotiating process with UN involvement which has begun at Naqoura and hope that this will lead to complete Israeli withdrawal from Lebanon in accordance with the call of the Security Council. They recalled their position in favour of the full sovereignty, independence and territorial integrity of Lebanon and their belief that this can only be effected in circumstances where all foreign forces are withdrawn from the country except those whose presence is requested by the Lebanese Government. The Ten, some of whom contribute to observer and peacekeeping operations in Lebanon, reaffirmed their willingness to assist that country's return to peace and normality.



Iran-Iraq

The Ten note with concern that this conflict has now entered its fifth year and that numerous efforts to bring about a ceasefire and negotiations have not so far met with success. They will continue to work for an early, just and honourable settlement and will give full support to any efforts to limit the scope of the conflict. An end now to the slaughter and destruction would spare many on both sides and allow Iran and Iraq, with both of whom the Ten desire good relations, to pursue their development in peace.



East-West Relations

Draft Conclusions

1. The Ten have sought, during a difficult period in East-West relations, to keep open all channels of dialogue and to work for more co-operative and more stable relations between East and West. They will continue to seek constructive, comprehensive, and realistic dialogue with the Soviet Union and the countries of Eastern and Central Europe and, wherever possible, to develop further existing co-operation with them. They look for a similar positive response. They believe that the way to achieve a lasting improvement in international security is to build a broader understanding and new confidence between East and West.

2. The Ten attach the highest importance to the achievement of effective arms control and disarmament agreements on both nuclear and conventional weapons, as well as a convention to outlaw chemical weapons. The Heads of State or Government therefore welcome the recently-announced U.S.-Soviet agreement to enter into new negotiations with the objective of reaching mutually acceptable agreements on the whole range of questions concerning nuclear and outer space arms. They hope that the meeting due to take place on 7 and 8 January 1985 between U.S.

Secretary of State Shultz and Soviet Foreign Minister Gromyko will be followed by early substantive negotiations designed to bring about balanced reductions of intercontinental strategic nuclear weapons and intermediate nuclear forces to the lowest possible level, and to avert effectively the danger of an arms race in outer space.

3. In expressing their strong support for such talks, the Ten Heads of State or Government reaffirm their own determination to do everything possible to ensure progress in the negotiations in which the Ten are taking part, notably the Conference in Stockholm on Confidence- and Security-building Measures and Disarmament in Europe. The agreement recently arrived at on a working structure for the Conference is a welcome development which they hope will permit substantive negotiations to get under way at Stockholm on concrete measures designed to lead to a real increase in confidence and security in Europe.

4. *new political* [The tenth anniversary of the signature of the Helsinki Final Act in 1985 will serve to underline the continuing central role which the CSCE process plays in East/West relations. The Ten have already indicated that they will be ready to be represented at high level at the anniversary commemoration on the assumption that the international climate will make this appropriate]. The Ten will continue to seek through the CSCE process more secure and more co-operative relations between the participating States, and greater contact between their peoples. In working to fulfil the Helsinki Final Act objective of promoting better relations among the CSCE

participating States and ensuring conditions in which their people can live in true and lasting peace free from any threat to or attempt against their security, the Ten will continue to emphasise the importance which they attach to the full implementation of all the provisions the Final Act, including those relating to human rights and fundamental freedoms.

CONFIDENTIAL

ms

DRAFT CONCLUSIONS ON TERRORISM
AND THE ABUSE OF DIPLOMATIC IMMUNITY

The Heads of State or Government welcomed the set of principles on terrorism and abuse of diplomatic immunity adopted by the Foreign Ministers of the Ten on 11 September. The Heads of State or Government agreed that this represented a significant step forward in the Ten's efforts to counter an increasingly serious problem and noted with satisfaction that these principles are now being applied.

Draft Conclusions

Central America

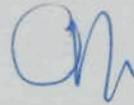
1. The Heads of State or Government note with satisfaction the
2. inauguration of a new structure of political and economic
3. dialogue between Europe and Central America at the Conference
4. held at San Jose, Costa Rica on 28/29 September 1984 between
5. the Ministers of the European Community, Portugal and Spain,
6. the Central American countries and the Contadora Group.

7. The Heads of State and Government reiterate the statement on
8. Central America which they made on 19 June 1983 at Stuttgart.
9. In particular, they reaffirm their conviction that the problems
10. of the region cannot be solved by armed force but only by a
11. political solution springing from the region itself and
12. respecting the principles of non-interference and inviolability
13. of frontiers.

14. The Ten remain convinced that the Contadora process is the best
15. opportunity to achieve a political solution to the crisis in
16. the region. They hope that the efforts being made to reach
17. agreement on the final text of the Contadora Act will come to
18. early fruition and they urge all those concerned to work
19. towards this end. They reaffirm the willingness which they
20. expressed at San Jose to support, within their capabilities and
21. if requested, the efforts of those states to which it falls to
22. implement the provisions of any agreement.

23. The Ten express the hope that dialogue and national
24. reconciliation in El Salvador and Nicaragua will move forward
25. rapidly and that the democratic process will be developed in
26. these countries.

IMPS



Draft Presidency Conclusions: Commentary

Paragraph 1. Acceptable

Paragraph 2. Must retain "within the limits of financing possibilities." [If possible: delete "in each annual budget"]

Paragraph 3 must be changed to read:

"The European Council recognised the link between enlargement and implementation of IMPS" (the Brussels European Council conclusions did not decide that IMPS should be co-terminous with the length of the transitional period. It did say that they must be of limited duration. The duration remains to be decided).

Paragraph 4. Acceptable

Paragraph 5 must be changed to read "continuing provisions," not "more substantial provisions". The scale of future provision remains to be decided.

We could accept: "A decision will be taken on the global sum available for IMPs."

INTEGRATED MEDITERRANEAN PROGRAMMES

NOT ACCEPTABLE
TO NARAZAMBOPoulos.
PAP. PROPOSED ① A SUM
② A PERIOD

①

The European Council emphasised the particular political importance which it attaches to the implementation of Integrated Mediterranean Programmes, and recalls that these programmes form an integral part of the Declaration adopted by it in Stuttgart in June, 1983 and of the conclusions adopted in June, 1984 at Fontainebleau on the implementation of the Stuttgart Declaration.

②

The European Council agreed that the Community's financial contribution to the IMPs will be channelled through the structural funds. Having regard to the IMPs, these funds will be increased significantly in real terms within the limits of financing possibilities. Special separately identified funding will be available [in each annual budget] during the period of implementation of the IMPs.

IT says why do we need to go on steadily this?

FRG says longest period. GR says depends on whether total sum or annual sum

③

hobbies - IMPs to help under countries

The European Council recognized the link between the duration of the transitional period of enlargement and that of the implementation of IMP's.

NL FRG FR return position

④

It notes that the budget for 1985 will contain a special allocation for IMP's of a magnitude estimated by the Commission to be sufficient to launch them.

17 says this is too vague

NAT says need a global figure over a period of time

⑤

The European Council agrees with the Commission's view that more substantial provisions will be needed in the annual budgets once the implementation of the programmes is underway.

② We need to reduce govt. expenditures additionally
③ for 85 we need a special allocation: Coh fund 160, CEF fund 90, PRR fund 50, for 1985 90 is the minimum. But we must have a global figure.

These programmes should make a limited contribution. Global sum limited direction

The European Council asked the Council to adopt a regulation for the IMPs before the end of March 1985, to allow the implementation of individual national programmes to begin in 1985.

NAT - We're not eye windows; but they must mean something more. There has to be a change in the level of participation, eligibility.

A decision will be taken
on the global sum
available for IRPs.

Cont. next beam

1) Financing will be achieved
through structured funds

50 MECU

90 MECU

INTEGRATED MEDITERRANEAN PROGRAMMES

The European Council emphasised the particular political importance which it attaches to the implementation of Integrated Mediterranean Programmes, and recalls that these programmes form an integral part of the Declaration adopted by it in Stuttgart in June, 1983 and of the conclusions adopted in June, 1984 at Fontainebleau on the implementation of the Stuttgart Declaration.

The European Council agreed that the Community's financial contribution to the IMPs will be channelled through the structural funds. Having regard to the IMPs, these funds will be increased significantly in real terms within the limits of financing possibilities. Special separately identified funding will be available in each annual budget during the period of implementation of the IMPs.

The European Council recognised the link between [the duration of the transitional period of enlargement] and [that of] the implementation of IMPs.

no increase in budget

It notes that the budget for 1985 will contain a special allocation for IMPs and notes that the Commission considers that 90 MECUs will be necessary for the purpose of launching them.

appropriate

within the limits of financing possibilities

The European Council agrees with the Commission's view that more substantial provisions will be needed in the annual budgets for the following five years once the implementation of the programmes is underway beginning in ~~1985~~ 1986.

The European Council asked the Council to adopt a regulation for the IMPs before the end of March 1985, to allow the implementation of individual national programmes to begin in 1985.

Priority given to access

? 30

90 MECU in report
October
60 - 30 in 1986

15% 1985

Productive Investment
70 MECU - 90 1985
= 30 to 1986

SN 3423/3/84

The European Council noted the statement of Prime Minister Papandreu, that he considers that a satisfactory decision on the IMPS is a condition for Greek ratification of the Treaty concerning the Community's enlargement with Spain and Portugal.

The European Council further noted that a solution to this important question cannot be agreed on the present basis, but agreed to seek a satisfactory solution on the occasion of its meeting in March, 1985. In this context it asked the Council (Foreign Affairs) to accelerate its examination of the Commission proposal in order to provide the European Council with an appropriate basis for its discussions.

L. Mayers

Negotiations will have to

proceed on an ad referendum

basis in view of the above

declaration a Greek ~~position~~ reserve.

Plus

Wise - acquis

Fish - ~~Spain~~ - If Spain accepts Italy cannot be more Spanish than the Spaniards.

~~Part~~

These conditions are essential
on the condition that they will
not create obstacles to the
transfer of funds to the
relatively disadvantaged
regions

—
previous demand.

Text proposed by the Netherlands delegation concerning the
ad hoc Committee on Institutional Affairs

Re the second paragraph

The following phrase should be added to the end of this paragraph:

"..... the European Council in June, 1985; the European Council will consider at the same time whether it would be appropriate to hold an intergovernmental conference."

? OK

dir D.

Accept

Le Conseil européen a souligné l'importance politique particulière qu'il attache à la mise en oeuvre des programmes méditerranéens intégrés et rappelle que ces programmes font partie intégrante de la déclaration qu'il a adoptée à Stuttgart en juin 1983 et des conclusions adoptées en juin 1984 à Fontainebleau sur la mise en oeuvre de la déclaration de Stuttgart.

Le Conseil européen est convenu que la contribution financière de la Communauté aux PIM sera versée par la voie des fonds structurels. Pour tenir compte des PIM, ces fonds seront considérablement augmentés en termes réels dans les limites des possibilités de financement. Des crédits spécialement affectés à cet effet seront prévus dans chaque budget annuel pendant la durée de la mise en oeuvre des PIM.

X Le Conseil européen a reconnu l'existence d'une relation entre la durée de la période transitoire de l'élargissement et celle de la mise en oeuvre des PIM.

Il constate que le budget de 1985 comportera une contribution spéciale pour les PIM et note que, de l'avis de la Commission, un montant de 90 millions d'Ecus sera nécessaire pour en assurer le lancement.

Le Conseil européen partage l'avis de la Commission selon lequel il sera nécessaire de prévoir des crédits plus importants dans les budgets annuels lorsque la mise en oeuvre des programmes sera en cours.

Le Conseil européen a demandé au Conseil d'adopter un règlement concernant les PIM avant la fin du mois de mars 1985 pour que la mise en oeuvre des divers programmes nationaux puisse commencer en 1985.

X is unacceptable. It must ~~either~~ be deleted in entirety or replaced by a specific decision on the duration.

SN/3423/2/84

F

Y is also unacceptable. The most that might do is to delete "plus importants" and insert "appropriate".

The European
Council has
reached an
impasse.

Famine in Africa

In the face of the serious difficulties currently being experienced by many countries of Africa, especially those, like Ethiopia or the Sahel countries, which are suffering the effects of an unprecedented drought and the ravages of malnutrition and famine, the European Council stresses the urgency of taking concerted international action.

The European Council believes that the total to be provided by the Community and its Member States between now and the next harvest should be 1.2 million tonnes. In addition to the 500,000 tonnes already provided under existing Community programmes, the European Council proposes that 250,000 tonnes will be provided out of existing Community resources under

Article 137 of the second Lome Convention. The Commission, after consultation with Member States to establish the amount of grain that will be provided by Member States, will make a proposal to the Council with respect to any additional Community effort that may be needed to attain the figure of 1.2 million tonnes and the European Council invites the Council of Ministers to take any necessary decisions on the basis of such a Commission proposal in order to secure the achievement of the 1.2 million total. The European Council appeals to other donor countries to match this effort by the Community and its Member States in order that the total need of these States, currently estimated at 2 million tonnes, will be met.

It stresses the need for urgent action to avoid threatened shortfall in the months immediately ahead.

It notes the need for improved co-ordination between the Community, its Member States, other donors, and non-governmental organisations, in order to increase the efficiency and pace of implementation of emergency aid measures and invites the Commission to initiate action in this regard.

The European Council acknowledges the need to undertake urgent action to speed up and support the recovery and rehabilitation process in African countries and to provide the Community's active support for their efforts to achieve self-sufficiency and security in food; also in implementing long-term operations to combat drought and desertification.

The European Council emphasises the will of the Ten, in all international negotiations, to support initiatives to strengthen solidarity between the industrialised countries and the countries of the Third World and thus to foster development.

It welcomes the declaration on the Critical Economic Situation in Africa just adopted by the U.N. General Assembly.

It notes with satisfaction the successful conclusion of the negotiations for the renewal of the Lome Convention which links the European Community, its Member States, and the African Caribbean and Pacific States. The fact that the progress achieved so far has been consolidated bears witness to the strength and vitality of this co-operation.

European Council, Dublin, 3-4 December 1984

**STANDARDS FOR INDUSTRIAL AND OTHER PRODUCTS IN
THE EUROPEAN COMMUNITY**

Note by the United Kingdom

The creation of a genuine internal market is vital for the future of the Community's industrial progress and competitiveness. The absence of common or mutually acceptable standards for industrial and other products breaks up the internal market across an enormous range of industrial and other goods and forms one of the main barriers to industrial collaboration. The United Kingdom believes that the European Council has a key role to play in signalling widely the political and economic importance which it attaches to work in this field; and in ensuring that member states and the institutions of the Community maintain and reinforce the momentum in particular areas.

On common Community standards for conventional products, a major problem so far has been the form of harmonisation directives under Article 100 of the EEC Treaty. At present they are both time-consuming to negotiate and insufficiently flexible to encourage innovation and technical progress. The Commission has now proposed that a new sort of directive could be used in future. Instead of laying down precise technical requirements, it would specify a general safety duty for the product in question, which could be met either by agreed standards or by national standards recognised by other member states as meeting the safety duty. Work on the model directive is now well advanced and it will be considered by the Internal Market Council in December. Thereafter, it will be necessary to agree on specific products to which the new approach should apply. The European Council might indicate that agreement on the model directive, and identification of specific products, should proceed quickly.

Much of the work on developing common standards takes place in the European Committee for Standardisation (CEN), membership of which goes beyond Community member states. At the moment it is widely agreed that CEN is largely ineffective because member states are not obliged to accept products made to CEN standards. The need for reform is clear. The Commission have recently made proposals which could considerably improve the operation of CEN. The Community should continue to work for the more efficient operation of CEN.

On national standards for new products, it would make good sense if Community-wide standards could be set from the beginning, so that incompatible standards do not emerge. A new Council directive has been adopted requiring member states to notify the Commission (who will notify other member states) three months before they introduce new standards. The introduction of a standard can be suspended until a Community standard has been agreed. The Community's objective must clearly be to make sure that the directive works effectively, and all member states should ensure its rigorous observance.

On new technology products, common standards are particularly important to prevent duplication of research effort and to facilitate European industrial cooperation in the new technologies. Several important moves are under way. High level groups of officials have been set up to harmonise the implementation of standards across Europe to facilitate inter-connection of computer and communications products ("open systems inter-connection"), and to determine harmonised standards for telecommunications, initially for the terminal equipment market. It is envisaged that the work will lead to a mechanism for creating and publicising harmonised telecommunications standards. The primary requirement in these two areas is to sustain the momentum that has been built up. The European Council might underline the importance of bringing these activities to full and early fruition.

Advanced manufacturing technology (AMT) - ie robotics and flexible manufacturing systems - is a high-technology sector in which there has been no Community work on standards. Although the Community is at present mainly a user rather than a producer in this field, an effective use of standards would not only enable users to link individual items of equipment supplied by different manufacturers, but also make it easier for European producers, initially selling only a limited range of equipment, to make fuller use of the internal market. The Commission are working to present by the end of the year a paper outlining an action programme on AMT standards. The European Council might confirm this as a priority area for Community action.

3 December 1984

Dublin, 3 December 1984

*Revised*Presidency Compromise on Wine

The Council of Ministers, noting the European Council's conclusion at Fontainebleau that reform of the common market organisation for wine is one of the conditions necessary for successful enlargement of the Community, has examined the Commission's report (8840/84) on the situation in the wine market and its associated proposals (9182/84 and 9469/84). As a result of that examination the Council has taken the following decisions:

1. The reduction of wine producing potential is an essential element of the reform of the wine market organisation.

The Council has noted the Commission proposals on this and signifies its agreement to the principle of measures to encourage grubbing-up and to limit replanting rights.

The Agriculture Council is given the task of taking the decisions which are necessary, before the end of the year, taking the particular conditions of each region into account.

2. In a further effort to improve the structure of the wine sector, only investments to improve wine quality without increasing quantity will be financed under Regulation 355/77 while a regulation to improve the structure of Greek vineyards and the Greek wine industry will be adopted by 31 January 1985 for an area of 20,000 hectares.

3. Other measures are necessary to ensure, as of now, the balance of the wine market, in particular a strengthening of the compulsory distillation machinery as provided for in article 41 of the basic regulation, along the following lines:

a) Where a serious market imbalance exists, compulsory distillation will be triggered by the Commission under the Management Committee procedure; a serious market imbalance is deemed to exist when

- the stocks as defined in article 41 § 1, first indent, of Regulation 337/79 exceed four months' normal utilisation ⁽¹⁾
- or when the market prices remain below 82% of the guide price during a representative period
- or when, for a wine marketing year, the data in the advance estimate show that production is exceeding normal utilisations by more than 6%.

b) The Commission will fix the quantities which must be sent for compulsory distillation so as to eliminate the production surplus and, in this way, reestablish a normal market situation in particular regarding stock levels and prices.

.../...

(1) Normal utilisation = consumption + net balance of foreign trade.

c) Where the compulsory distillation is triggered the Commission will make known, before X December, the compulsory distillation obligations of each region, grouped by member State.

While the responsibility for ensuring the implementation of the compulsory distillation thus rests with the Member States (1), the volume to be distilled compulsorily will be divided

- among the regions of the Community in proportion to the production volumes exceeding a specified level for each one of them, equal to a percentage (2) of their average harvest over the three wine years 1981, 1982/83, and 1983/84. This average base period may be modified by the Commission to take account of the evolution in production
- within each region, among producers, on the basis of yield per hectare on a scale fixed by the Commission under the Management Committee procedure. The scale may vary by region account being taken of yields obtained in the past. The producers may subtract the quantities sent for preventive distillation from their obligations under the compulsory distillation. For 1985/86 the rules will be adapted to provide for the administrative arrangements to be applied to Greece for that year.

*G.Y. 86
between producers in
each member state on
basis of actual yield
for each producer except
where deleted by
each member state
Decision 1980 not
acceptable
made then but
other member states*

(1) Statement for the Council minutes: The Council takes note of the Commission statement in which, where the Community provisions on compulsory distillation as they result from the distillation obligation of each region are not observed, the usual sanctions will be applied, particularly as regards the settling of accounts.

(2) The percentage will be determined by the Commission in the light of the ~~percentage~~ ^{quantity} decision (see paragraph (b) above) to eliminate the production surplus for the year in question.

/.....

- d) For the 1985/86, 1986/87 and 1987/88 wine marketing years the price of compulsory distillation will be 50% of the guide price for the first 10 million hl of such distillation and 40% for quantities in excess of that.

The Council shall review the prices for the 1988/89 and 1989/90 wine marketing years in the light of the progress in reducing the imbalance in the table wine sector

- e) These additional measures will in principle continue until the end of the 1989/90 marketing year. The Council, on the basis of a report from the Commission dealing in particular with the effect of the structural measures and including where appropriate proposals on the future organisation of the wine market, shall decide whether they can be repealed or replaced by other measures that will guarantee balance in the wine market.

4. The Council requests the Commission to undertake a thorough study of the possibilities of using concentrated must and sugar and to report back to it before the end of 1990. The Council will then take a view on the measures to be taken in the area of enrichment.

In phased arrangements over the three years up to 1987/88, the buying in prices of the wines in the different distillations expressed as a percentage of the guide price shall be ~~related~~ ^{related} to the guide price of the type of table wine which has the lowest level (white wine of the A1 type).

- 5 -

5. No changes are made in the present arrangements in regard to quality wines PSR.
 6. The Council undertakes to apply a restrictive price policy in the wine sector, as proposed by the Commission, just as long as the compulsory distillations show the existence of surpluses not marketable in normal conditions.
-

Prime Minister

TEXT ON WINE

1. The revised text on wine does not differ from the earlier text on the main points of importance to us. In particular:

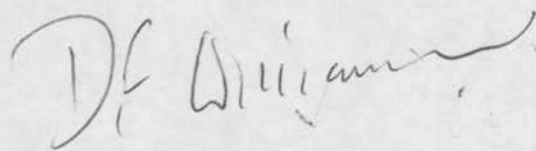
- i) paragraphs 1 and 2 are unchanged. They still include the three triggers (para 3a) and the requirement that the Commission must fix the quantities to be sent for compulsory distillation so as to eliminate the production surplus (para 3(b)).
- ii) the low price for obligatory distillation (para 3(d)) remains unchanged.
- iii) the restrictive price policy article (para 6) remains unchanged.

2. The changes relate to the distribution of the obligation to distil among regions (para 3(c)). This is not very important for the United Kingdom, provided that (as is the case) the total quantity in excess is taken off the market.

3. On sugar in German wine (para 4, 2nd sub-para) the new provision does not stop sugaring but reduces the cost of distilling sugared wine because it requires the lowest price to be paid.

4. We think that the French will broadly support and that the Italians will oppose. The Germans will find the provision on sugaring harder than the previous text.

5. In summary, we can accept this text.

A handwritten signature in cursive script, appearing to read "D F Williamson". The signature is written in dark ink and is positioned above the typed name.

D F Williamson

Sweden

①

- Need to tackle growth - low 2 1/2%

World Trade 9% → 5% next year.

Recovery insufficient

Jobs lower than U.S.

Have regard to Commission guidelines

1) No main inflation 2) reduce obstacles

3) reduce tax burdens



U.S.

Reparation

① Tech. changes - lags behind here
Promotion of technology.

All E.E.C. countries should take part
in progress

② Weakness - transfer of capital to U.S.

Sweden - high int. rates in U.S. - higher dollar
investment. - also more Volvo cars.

②

③ - Inc. in Unemployment.

Oppathy about it.

④ Cuthy's expenses. - don't disagree

Europe - more of a tariff union

than a real ec. community

SPC. was a tariff union allied with
C.A.P.

Cuthy spending but talking more
about European Union

Lullon

① Grand Report - valuable - balanced.
- fructiferous.

② Closely monitor implementation.

1986 - liberalisation services, harmonisation
transport.

③ Application of advanced technology

A technological community.

U.S. & European lead - incomplete.

④ Standards - harmonisation implement studies



USE to technology ③

⑤ Year of harmonization of internal market

16 July 84 resolution

∴ Community standards in 1985

Essential.

27 forms
for work
products

→ Public Procurement Contracts - opened & internal work
unlimited

Calls for tender groups - co's which

have long-term agreements with U.S. Japan

? Political choice - technology policy

override competition policy

Large-scale projects at Community level

1st stage - non-discriminatory terms
in early stages.

- updates technology instruments.

? Harmonization of imported components?

Internal consultation with regard to GATT

rules.

∴ Have clout in GATT.

Kohl

Standards matter - agree with Luthers.

B.C. still not getting work

Not community level.



WEL on Learning

P.R.C. - credit sector good

- but unemployed graduates

Can't give them opportunity

Students cost money

Social dynamics.

the direction - no need to change course

→ Social Security in B.C. good
 compared with U.S.
 I think approach to market important components.

Japanese challenge

→ Wage agreements - federal - no overall market responsibility.

500,000 million tonnes add 1 unit

Other donor countries

175 million

80 million G.P.F.

Supply budget 95 million

Full short by half of total

Immediate short term problem

2 million

In 3 years - unit production of Germany has
doubled cost of distribution

62

15%

2 1/2 million

Federalist's input

0.12

0.34

83

84

- exceptional years

0.062

Fortunate circumstances

0.009

0.17

16th - Environment

Open by the etc.

Must pay attention to clearer cases etc.

Dismiss - in Switzerland
/ Austria

- much greater than one year ago
Opportunity to discuss next Council

under Helmer's Presidency

Lutten - agreed.

Council of Gov. President to the

Give clear instructions

So we can make progress.

Can exchange - lead free period.

Especially that Council does produce
results.

Committee ① Institutional Affairs

To propose specific measures - ideas - & directives
Interim report - Council - specific
More work - But welcome forward think about
working resolutions.

? Intergovernmental conference, progress towards
European Union.

When committee reports in March
action

②; Only started work recently

- further work requested

next March.

Enlargement dir. - agreed

• Greece - will accept Commission
proposed.

Case?
IMP - additional to action taken
by community.

Nature - little agreement on
method. by which objectives
~~1985~~ fulfilled

Re Date 1 Jan 1988.
Ryle - proposed

Financial allocation -

Method of implementation
European Council - arrangements
Council of Ministers

Indicators - date -

1985 - Budget - Parliament - 50.

① - Condition that ^A higher mechanism

② System based on regions.

Plan responsibility for
implementation on each
member state

Basic of distribution of output
a % of region production
83-84. Commission could
propose modifications in
light of event

③ Commitment - some specific
step what would come

a) fund creation of money
to be examined

Page 2510

b) Over 3 years - high price
should be related to price
level of EC.

~~Approved next A~~

Conte

↳ movement is subsidiary matter
can be banned

↳ on holder of wire →
disturbance matter.

↳ Bus. 36.2

Cani

3

1) 82% - effective market price
is below this.

∴ Reduce price of 82%

∴ higher demand & price will
be better.

2) 6% ought to be increased
Disincentive " but can
provisions stop it.

3) Sugar - pay tribute to German
wre markets.

✱ If were only product which
finds country on edge - then
others should sugar

1976 4 → 13 better than 1 was prod-
on period over 2 other hand.

1179 Calculations regarding wine

Comme 98.

Problem more acute?

C.A.P. - at C.M

plus income aspect

822 - price average 702

Send to X parts from

- work over night

How break distribution down

regions based on various states

f1 - each state responsible
not each region.

f2-3-4. Power } solid authority
Com. " " } of distrib.

= 15% of current
production

Distribution held lower 85%
of 2-3-4. Apply this to regions
or entire state to make regional adjustments

but still revenue reduces level

Don't want to over produce to
Overproduction.

Price 50% \rightarrow 40%.

If go lower - can only decrease

profit if distillation no

larger possible.

Look at expenses LOWE.

Key

Will to find compromise

100 - tax.

1m. involved in sugar

Alcohol produced by sugar is

subtracted when grant calculated

for distillation

The total cost of food aid
in the Community Budget
next year is 571 million c.u.s.

A good deal of this is in high
cost dairy products; and
a considerable amount
goes to medium income
countries (in the Mediterranean).

It is possible substantially
to increase the emergency
aid component and to
provide more cereals, which
is what is required in Africa,
within the total.

Total cost
of food aid
in budget every year.





①

A Lebanese man has hi-jacked a Kuwaiti airline plane to Tehran. The Captain is British and it is believed that two people have been killed. One is said to be a US diplomat, the other a British citizen, but we are awaiting confirmation of this. It is unclear what the demands of the hi-jacker are.



Message received at 10.05 hrs Tuesday, 4 December 1984

② Middle East

ATTALI says that if you propose

either no Middle East declaration or an attenuated one, Mitterrand will support you. Talk about stand up and be counted!

CDP

③ Wine
David Williamson confirms that we can accept Alternative 3 if we have to. It's still better than the existing situation.

CDP



90.

5 years

IMPS

not below 90 in 1986

Speaking Note

discuss what can be done

[As necessary]

Channelled through structural funds
- no longer interpreted programme

50 million

10 million

220.

I could accept a budget provision of 90 million ecus in 1985 provided that it is included within the existing budget, which of course has to be maintained within the one per cent VAT ceiling. The Council should indicate to the European Parliament that a figure of 90 million ecu would be acceptable provided that the Parliament does not write a budget above the ceiling. To make room for the extra 40 millions for the IMPS, savings will have to be found in other parts of the budget, since the Parliament's remaining margin is not sufficient.

M₆

- 1.3 bn

90 million over 6 years.

Spent allocated for IMPS

5 x 90 million -

more substantial

60 - 1985

IMPS

- further development

Promises made

We are going forward
a) Structural Committee

- Greena - - funding in structural funds &
- no money for total cost in regulations
but paid annually
- significant increase - 10% - no
guarantee of additional special funding
only if special expenditure will
with special amount in regulations

Greena committee on 1985: committee

a) 1 Jan 1985 -

b) Duration 10 years. - agreement

c) Personnel - additional funds. aligned figure
No total allocation for whole period 5 bn sum. = =

d) Martin's relation 27.4 for Greena of total
amount.

[2.5 bn for Greena]

In conformity with Commission proposal

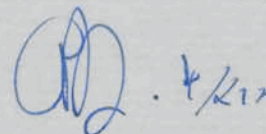


Foreign and Commonwealth Office

London S.W.1

3 December 1984

C D Powell Esq
No 10 Downing Street



Dear Charles,

EUROPEAN COUNCIL: US/EC: PIPES AND TUBES

Chancellor Kohl raised the issue of steel pipes and tubes forcefully during his visit to Washington and the US have as a result agreed to reopen talks with the EC Commission about them. This follows the failure last week of EC/US consultations on quantitative limits on EC exports, the unilateral imposition of limits by the US and the denunciation by the EC of the EC/US exchange of letters on the subject. The issue may be discussed at Dublin. The following paragraphs give the background.

The EC/US carbon steel arrangement of October 1982 controlling EC steel exports to the US was accompanied by an exchange of letters on pipes and tubes. This did not contain a binding commitment on EC pipe and tube exports but rather a forecast market share taken by EC exports of the US market of 5.9%; beyond this the US could seek consultations. In 1983 and even more in 1984 (helped by the high dollar) EC pipe and tube exports to the US rose well above this (14% in the first half of 1984). The main culprits were Germans, French and Italians). The US Administration entered into consultations with the EC in April to agree on a level of import penetration by which the EC industry would abide. EC Industry Ministers on 22 November approved the terms of a deal negotiated informally and ad referendum between Davignon and Brock (USTR). According to Davignon it was cleared textually with senior US officials.

The main components of this agreement were

- a) 2 year duration
- b) 7.6% ceiling on EC penetration of US market
- c) exemption (insisted on by Germans) for supplies from Hoesch to their US joint venture partner
- d) exemption for contracts to supply major pipeline projects

Despite the textual clearance, the US replied to Davignon in stiff terms on 27 November rejecting the agreement as unacceptable to their industry and imposing the 5.9% figure in the 1982 exchange of letters. This meant the immediate cessation of EC exports. In Washington the Administration made disobliging public noises about the EC not negotiating seriously. The Foreign Affairs Council on



27 November

- a) on Davignon's recommendation denounced the 1982 exchange of letters
- b) on Mr Rifkind's proposal, issued a statement regretting the US action and reserving the EC's GATT rights

Davignon's point about denunciation of the exchange of letters was that the US Trade and Tariff act (passed just before the US election) authorised the President to make mandatory the 5.9% figure in the 1982 exchange of letters. Denunciation, the argument went (though doubted by BSC's US lawyers and ignored by the Administration), would remove the legal basis for imposing the 5.9% limit. The Community has now to consider its next steps both with the US and in the GATT.

The dispute is only one of a number of EC/US trade disputes, including in steel. The US have behaved badly in so abruptly repudiating a draft agreement negotiated in good faith with them. Equally the EC producers (but not British) have brought retribution on themselves by so greedily exceeding the admittedly only indicative - but very specific - figure in the 1982 exchange of letters. The dispute need not endanger the main EC-US Carbon Steel arrangement or spill more widely: but its continuation would lead to legal proceedings, anti-dumping and countervailing cases in the US and to retaliation of compensation is not paid in the GATT. This process could in turn lead to damaging wider consequences e.g. in EC pressure to retaliate against US corn gluten feed and soya exports.

So it is welcome that the Americans are prepared to reconsider. Our interest is, like Chancellor Kohl's, in getting the US back to the negotiating table; and, in any such negotiation, to ensure that the UK's share is cut back less, and certainly no more, than pro-rata with any new figure lower than 7.6%. (The UK share of 7.6% would have been 0.42%).

I am copying this to the Private Secretary to the Minister for Trade.

Yours ever,

cc: PS/Mr Channon

Colin Budd

ce master
ops.

33

PRIME MINISTER'S
PERSONAL MESSAGE

RESTRICTED SERIAL No. T202AA/84
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DD 021530Z DUBLIN
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FRAME ECONOMIC
DESKBY 021530Z
FM FCO 021440Z NOV 84
TO IMMEDIATE DUBLIN
TELEGRAM NUMBER 372 OF 02

MUG 011/9	
RECEIVED	
4 DEC 1984	

December
~~NOVEMBER~~

INFO IMMEDIATE TO UKREP BRUSSELS AND OTHER EC POSTS
DR FITZGERALD'S MESSAGE ABOUT EUROPEAN COUNCIL
1. PLEASE PASS THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO
DR FITZGERALD.

BEGINS:

23

THANK YOU FOR YOUR LETTER OF 30 NOVEMBER ABOUT NEXT WEEK'S EUROPEAN
COUNCIL. I LOOK FORWARD TO SEEING YOU AND OTHER COLLEAGUES IN
DUBLIN.

I AM CONTENT WITH YOUR PROPOSALS FOR THE ORGANISATION OF OUR
DISCUSSIONS. THERE IS ONE OTHER ISSUE WHICH SHOULD BE SETTLED. AS
YOU KNOW, THE FOREIGN AFFAIRS COUNCIL THIS WEEK WAS UNABLE TO ADOPT
THE TEXT ON BUDGET DISCIPLINE ON WHICH THE COUNCIL REACHED A COMMON
POSITION EARLIER IN THE MONTH. THE TEXT NEEDS TO BE ADOPTED IN
ACCORDANCE WITH THE CONCLUSIONS OF OUR MEETING AT FONTAINEBLEAU. I
KNOW PETER BARRY HAS WORKED HARD TO FIND A WAY THROUGH THE REMAINING
DIFFICULTIES. I HOPE THAT THIS CAN VERY RAPIDLY BE AGREED. I
UNDERSTAND THAT YOU ENVISAGE DISCUSSION BETWEEN FOREIGN MINISTERS.
ENDS

HOWE

M. Heals
R

FRAME ECONOMIC
ECD (1)

PRIME MINISTERDUBLIN: THE MEDIA

The media will be interested in only three things at the European Council, in descending order of fascination:

- (i) how you behave towards Dr FitzGerald;
- (ii) the security blanket; and (much more marginally)
- (iii) your post-Fontainebleau (and post-Paris/Avignon) brand of Europeanism.

In short, the media are unlikely to be much interested in substance; much more with appearances.

Your objectives

You wish to return from Dublin with Anglo/Irish relations no worse and if possible, improved.

You wish to see Fontainebleau sewn up and enlargement unblocked. If the latter is achieved you could pay a handsome tribute to Dr FitzGerald for his efforts on the Continent over the last few days.

Irish objectives

To ease Dr FitzGerald's pain and suffering - if possible by getting you to see at least some good in the Forum Report and to recognise the Nationalist minority in Ulster; and to have a successful Summit in Community terms.

Handling of the media

I shall have to give a press briefing on arrival. I think it would be helpful if I could take the following line in response to questions:

- (i) the Prime Minister recognises that Dr FitzGerald is

going to be a very busy man as President; but no doubt they will chat in the margins;

- (ii) there is no question of apologising, retracting or in any way dwelling on the press conference after Chequers. You then said absolutely nothing new; nothing over and above what Mr Prior said in July; or nothing you had not made clear to Dr FitzGerald and his party at Chequers. The talks were after all the most realistic you have had with the Irish Prime Minister.
- (iii) it is far better to proceed on the basis of realism than fantasy;
- (iv) both sides wish to go on talking and intend to do so preparatory to further meetings of Heads of Government in the New Year.
- (v) the objective of these talks is to promote peace and stability in Northern Ireland in which the Republic, as a border side, has a vested interest; and to bring about, a steady if possible, reconciliation between majority Unionists and minority Nationalists.
- (vi) you do care for all the people of the United Kingdom whatever political label, whether Unionist or Nationalist, and you feel equally responsible for all UK subjects.

You will wish to consider whether I could also say that you have privately communicated with Dr FitzGerald before the European Council and how far, if at all, I can go in discussing the flavour as distinct from content.

I think it would be useful if I could let it be known early that you had a chat with Dr FitzGerald in the margins, and if you could be photographed with him early on, provided

you do not appear to have contrived this.

Press Conference and Subsequent Interviews

I shall prepare a brief for you and will operate on the assumption that you will give the BBC, ITV, and IRN interviews afterwards. At this stage I think it would be unhelpful to give interviews to the Irish media. They will only be out to cause mischief.

The press conference will be difficult enough and it will be important for you to refuse to be drawn into a discussion on Chequers, the subsequent press conference or the state of Anglo/Irish relations beyond saying that you are going to continue talking to try to promote peace and stability in a realistic atmosphere.

You may care to have a word with me on the 'plane.

Bernard Ingham

2 December 1984

cc Mr Butler
Mr Powell
Jean Caines



10 DOWNING STREET

Prime Minister

I suggest that
you concentrate on:

Brief 3: Dooge Committee
[report is attached]

5: Enlargement

7: POCO

8: Integrated Mediterranean
Programme.

CDD 1/12.

2m for 1200-

500,000.

like 500,000 tons

Suppl. budget.

↓

10 industrial member

states

-alloyable

200,000

U.S. — Food and
Sanitation Program
Agency

40 million dollars
worth

Antibiotic research.

CONFIDENTIAL

PRIME MINISTER

EUROPEAN COUNCIL

I have been talking to Michael Butler. We find the European Council briefs deficient in some points.

Enlargement: Industrial Tariffs

The brief is full of suggestions for possible compromises, when compromise is the last thing we need at the moment.

(i) There is common Community position at the moment

which protects our interests. Davignon is negotiating with the Spaniards on it. So far, he has not got them within a mile of it. He needs to go on negotiating until they get closer. A move now to a new Community position would be tactically wrong: it would only mean that we should have to move again later.

(ii) Rather than promoting compromise you should explain the great political and economic importance of this issue to us and insist that the Community stick to its present position until there is evidence that the Spaniards are prepared to move much closer to it than they did last week. There is no need for discussion of possible compromises while negotiations are actually in train.

Budget Discipline

The brief does not explain adequately what is likely to be needed to solve this problem. We must keep the original budget discipline text. But some small bone must be tossed to the Assembly. This could be in the form of separate draft conclusions on a meeting which took /place between

place between the Council and the Assembly, and this could be incorporated in a letter to the Assembly - a stronger version of that in Annex B to the brief.

This is really a job for Foreign Ministers. But the Greeks and Italians may see it as offering them leverage to get IMPS and may therefore insist that it comes to Heads of Government.

IMPS

The brief takes you straight from our present blocking line to an offer of 500 million Ecu over two years. There are some intermediate fall-backs which it would at least be worth trying:

- (i) To argue that it is not appropriate to fix a long-term figure now. It is agreed already that money will come out of the structural funds. But no new ceiling has yet been agreed for the Feoga structural fund and until that is done it would be better to settle only a figure for the next year.
- (ii) Why then does the European Council not set a sum for 1985? For instance, the Budget Council has set aside 50 million Ecu in Chapter 100: that could be distributed among the three structural funds (Feoga, Regional and Social funds) for IMPS in 1985.

Once you get locked into discussions on the long-term figure it is unlikely that it would be possible to settle as low as 500 million Ecu. The Germans - who will pay 40 per cent of it - are already talking of 1,000 million Ecu.

Doodge Committee

The brief suggests that we should be pressing for the Doodge Committee to produce an agreed final report for the next European Council. But that is virtually inconceivable. With people like Faure on the Doodge Committee who have a vested interest in the powers of the European Parliament, there is no way that we are going to get an agreed report. An alternative tactic would be to try to bat it away to Foreign Ministers. The line might be that the Doodge Committee have done splendid work but it is doubtful whether it is really the body to go deeply into these issues. Instead, Foreign Ministers might take it up and have some of the detailed points examined further, and then themselves report to the next European Council on whether or not it is worth calling an Inter-Governmental conference.

Famine in Africa

There seems a risk that the Irish President and the French will try to spring on the European Council a text committing the Community to massive additional food aid. The brief does not provide adequate material for contesting this. I have asked for a new one to be prepared in the course of today which we shall have early tomorrow.

I am, of course, ready to discuss any of these points if you would find it helpful.

CHARLES POWELL

2 December 1984

MR INGHAM

PRIME MINISTER'S PRESS CONFERENCE: NORTHERN IRELAND

There will inevitably be a number of questions on Northern Ireland at the press conference. They are likely to focus on the New Ireland Forum report and on the Prime Minister's alleged rejection of 'alienation'.

In response to questions about her remarks on the New Ireland Forum report at the press conference following the Anglo-Irish Summit, I suggest she should reply that she is in the habit of answering the questions which she is asked. On that occasion she was asked for her views on the three specific models put forward by the New Ireland Forum - unification, federation and joint authority - and repeated what the Government had already said several times, namely that none of these models would have been compatible with the constitutional status of Northern Ireland as a part of the United Kingdom which a majority of people in Northern Ireland wish to preserve. Since the Forum was dominated by parties committed to an Irish nationalist viewpoint, it was inevitable that there would be much in the report which the British Government would find unacceptable.

But there were also other elements in the New Ireland report which the ^{Government} ~~Cabinet~~ have already described as helpful - for instance its condemnation of violence, its emphasis on the need for peace and stability, its effect to identify common ground between unionists and nationalists. We continue to regard these as positive, and they were reflected in the Communique of the Anglo-Irish Summit.

As regards alienation, the Prime Minister might say that it is important not to exaggerate the problem. The fact is that many members of the minority community work positively with or within the system. Equally she recognises - and this again is nothing new and was said by Mr Prior - that there are many other members of that community who do not have

sl2aar
C. D. P.
Same month
A possible
line for
your press
conference,
if the right
questions are
asked.
C.D.P.
4/xii

confidence in that system and look more to the Republic. That is precisely the problem which both the British and Irish Governments are committed to trying to allieviate.

If the Prime Minister is asked directly whether she has sent the Taoiseach a message, I suggest she confirms that she has but decline to be drawn on the content of a private communication.

I attach a copy of the communique of the Anglo-Irish Summit.

C D POWELL

2 December 1984

sl2aar

COMMUNIQUE

The Prime Minister, the Right Honourable Margaret Thatcher FRS MP, and the Taoiseach, Dr. Garret FitzGerald TD, met at Chequers on 18 and 19 November 1984 in the second meeting of the Anglo-Irish Intergovernmental Council to be held at the level of Heads of Government.

The Prime Minister was accompanied by the Secretary of State for Foreign and Commonwealth Affairs, the Right Honourable Sir Geoffrey Howe QC MP, and the Secretary of State for Northern Ireland, the Right Honourable Douglas Hurd CBE MP. The Taoiseach was accompanied by Mr. Dick Spring TD, Tanaiste and Minister for Energy, and Mr. Peter Barry TD, Minister for Foreign Affairs.

The Prime Minister and the Taoiseach exchanged views on European Community matters, including enlargement to admit Spain and Portugal, progress in creating the internal market, the economic and social situation, including employment trends, and the future development and financing of the Community.

The Prime Minister and the Taoiseach also reviewed current issues in international affairs, including the efforts to relieve famine in Ethiopia and other countries in Africa.

/ The Prime Minister

The Prime Minister and the Taoiseach reviewed the work done under the auspices of the Anglo-Irish Intergovernmental Council at both ministerial and official levels on political, economic, security and cultural matters. They noted that much detailed work was continuing at official level, and looked forward to further meetings of the Council at all levels.

The Prime Minister and the Taoiseach had an extensive and constructive exchange of views on developments in relation to Northern Ireland since their last major bilateral meeting a year ago. In their discussions they took fully into account the position of the British Government as set out in the debate in the House of Commons on 2 July 1984; the report of the New Ireland Forum; and the proposals of constitutional democratic parties in Northern Ireland as set out in documents published in recent months.

The Prime Minister and the Taoiseach agreed that it was a major interest of both their countries, as well as of both the majority and minority communities in Northern Ireland, that there should be lasting peace and stability in Northern Ireland.

The Prime Minister and the Taoiseach agreed on the need for efforts to diminish the divisions between the two communities in Northern Ireland and to reconcile the two major traditions that exist in the two parts of Ireland.

/ The Taoiseach

The Taoiseach also reaffirmed that it remained the wish of the Irish Government that the two parts of Ireland should come together by freely negotiated agreement and in peace, but recognised that any change in the constitutional status of Northern Ireland as part of the United Kingdom would only come about with the consent of a majority of the people of Northern Ireland.

The Prime Minister reaffirmed that Northern Ireland was part of the United Kingdom and that the majority in Northern Ireland wanted it to remain so. At the same time she confirmed that, if in the future the majority of the people of Northern Ireland clearly wished for and consented to a change in the constitutional status of Northern Ireland, the United Kingdom Government would put forward and support legislation to that end in the British Parliament.

The Prime Minister and the Taoiseach agreed that:

- (i) any attempt to promote political objectives by means of violence or the threat of violence must be rejected, as must those who adopt or support such methods;
- (ii) the identities of both the majority and the minority communities in Northern Ireland should be recognised and respected, and reflected in the structures and processes of Northern Ireland

in ways acceptable to both communities;

(iii) the process of government in Northern Ireland should be such as to provide the people of both communities with the confidence that their rights will be safeguarded.

(iv) co-operation between their two Governments in matters of security should be maintained and where possible improved.

The Prime Minister and the Taoiseach agreed that in the light of their discussion there should be close and continuing dialogue on these subjects between the two Governments in the framework of the Anglo-Irish Intergovernmental Council, with a view to a further meeting between them within the coming months.

19 November 1984



10 DOWNING STREET

THE PRIME MINISTER

29 November 1984

Dear Garret,

Thank you for your letter of 22 November. I had indeed noted and appreciated the trouble you took to make sure that your presentation, both at your press conference and in the Dail, followed the lines which we had agreed together at Chequers and, as you say, I was careful to do the same at my own press conference and in the House of Commons. I share your concern that my references to the Forum Report and the situation of the minority community in Northern Ireland have been taken totally out of context.

As regards the Forum Report, when I was explicitly asked at my press conference whether the British Government had ruled out the three models put forward in Chapters 6-8 of the Report, I was bound to reaffirm that none of these models is acceptable to us. There was nothing new in that: it was made clear by Jim Prior in his speech in the House of Commons on 2 July, and I reaffirmed it to you when we met in London at the beginning of September. If I had been asked for my view on the Forum Report as a whole, I should certainly have endorsed Jim Prior's references to those elements in the Report which we found helpful. I acknowledge how much personal effort and commitment you yourself have put into the search for an acceptable way forward.

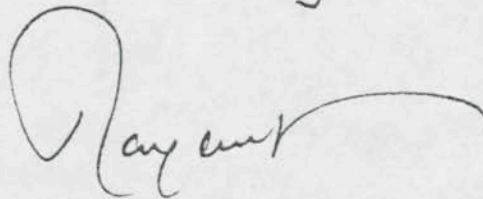
As to alienation, you will know from our talks both in London and at Chequers that I think that the unqualified use of this term is liable to exacerbate the problem which it purports to describe. There is a danger that people

will overlook the measures which British Governments have taken in Northern Ireland in recent years to safeguard the rights of both communities, and the extent to which members of the nationalist minority are involved in the institutions of the province. But I do not dispute that, though many members of the minority community support the existing system and work within it - for instance as members of the Northern Ireland Civil Service and in other parts of the public service - there are members of the minority community in Northern Ireland who do not have confidence in the system of authority and law and order and who look to the Republic, and therein lies the problem which both of us are trying to resolve.

I share your own conviction that our joint search for ways of promoting lasting peace and stability in Northern Ireland must continue. Neither of us underestimates the difficulties; but I thought that our talks at Chequers were valuable in helping to approach the problems realistically, and the goodwill between us is a solid foundation on which to build. For our part, we are reflecting carefully on the ground covered in the Chequers talks, and I hope that we shall be able before long to let you have an indication of the areas which we believe that it would be fruitful to explore further with you.

I look forward to seeing you at the European Council.

Yours sincerely



Dr. Garret FitzGerald, TD.

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Foreign and Commonwealth Office

London SW1A 2AH

30 November, 1984

CB

Dear Charles,

European Council: Checklist

/ As usual before a European Council we have prepared a checklist of things we want, things we could accept and things we could not accept at Dublin. I enclose a copy.

/ We have also, in consultation with other Departments, drafted possible language for the draft conclusions on a number of subjects. I enclose a copy.

I am copying this letter and enclosures to David Williamson, Cabinet Office.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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UK OBJECTIVES FOR DUBLIN EUROPEAN COUNCIL

Prime Minister
A useful
summary of
the briefing.
CDP

THINGS WE WANT AT DUBLIN

1. Enlargement

General

- to unblock discussion on enlargement;
- to get European Council to reaffirm 1 January 1986 accession target.

Specific

- agreement on internal reform of wine regime, by obligatory distillation of surplus table wine at dissuasive prices;
- agreement on an EC position on fisheries which does not undermine CFP by giving Spain early uncontrolled access;
- maintainance of a position on Spanish Industrial Tariffs which assures the UK twice our present level of reduced duty quota access for cars on accession, with progressive improvements thereafter, in the context of satisfactory arrangements for general tariff dismantling (this is unlikely to be the subject of detailed negotiations at the European Council since discussions are continuing with the Spaniards. We shall wish to emphasise the importance to us of a satisfactory solution in this chapter);
- while avoiding substantive discussion, to endorse a Community position on Spanish Agriculture;



2. Future of Europe

- agreement that work of the Dooge Committee should continue with a view to presenting an agreed report to Heads of Government in March. Our attitude will depend on the practical results that might be achieved.

3. Internal Market

- a commitment to completion of the internal market, preferably with a timetable.
- endorsement of European standards initiative and work in further areas, in particular on advanced manufacturing technologies and open systems interconnections.
- progress report on the above by June 1985.

4. New Commission

- agreement that there should be only one Commissioner per Member State after enlargement.

5. Organisation of European Councils

- agreement to our suggestions for the work of the European Council, particularly that Conclusions on substantive issues should be agreed before issue.

+ reduction to 2 per year.

6. Budget Issues

- Foreign Minister^s formally to adopt the conclusions on budget discipline on basis of the existing text, with a letter from the Presidency to the Parliament.



7. IMPs

- reiteration of Brussels Conclusions
- to work with Germans, French, Dutch and Danes to reach agreement that IMPs should start in 1985, and should be funded from within the structural funds, at the lowest possible level.

8. Environment

- agreement on a Community regime avoiding any mandatory application of 3-way catalysts, permitting (but not requiring) their introduction in those Member States which want them (notably Germany) but only for cars of 2 litres or more.
- request to the 6 December Environment Council to reach final agreement on the details of introducing unleaded petrol by 1989.

THINGS WE COULD ACCEPT AT DUBLIN1. Future of Europe

- some formalisation of PoCo, provided this did not further constrain our independence of action on important national interest.
- greater use of majority voting where the existing Treaty so provides, subject to maintenance of the Luxembourg Compromise.
- an examination of the relationship between the Council and the Parliament.

2. Budget Issues

- Proposed Commission amendments to budget discipline text making provision for European Parliament's views to be heard before reference framework is set;
- Presidency Compromise, ie letter to the European Parliament undertaking to hear their views before reference framework is set;

[The question of the financing of the irreducible 1.3 billion ecu budget overrun in 1985 does not at present look likely to arise. If it did, we could agree to financing by bringing forward the new own resources; or by an Inter-Governmental Agreement provided that simultaneous provision was made in the new own resources decision for the UK's 1000 mecu abatement; that expenditure financed through the IGA was eligible for the Fontainebleau abatement; and that the 1985 IGA was not reimbursable.]



3. IMPs

- a limited amount of extra financing for IMPS (not more than 500 mecu in total over four or five years).
- this could include agreement in principle to specific provision for part of this sum to be allocated to IMPS within FEOGA Guidance provided:
 - this was contained within a new 5 year ceiling or equivalent arrangement;

4. Environment

- general reference to the desirability of further reductions in both SO₂ and NO_x.



THINGS WE COULD NOT ACCEPT

1. Future of Europe

- any formalisation of PoCo arrangements which further constrained our independence of action on important national interest.
- any weakening of the present arrangement whereby it is left to the discretion of each Member State to decide where its very important national interests are at stake.
- any significant extension of the powers of the European Parliament.

2. Organisation of European Councils

- conclusions on substantive issues not previously cleared.

3. Budget Issues

- any attempt to reopen the substance of the text on budget discipline.
- any suggestion that the Council should acquiesce in the European Parliament's attempts to secure powers over revenue or to impose further expenditure side refunds on the UK contrary to the Fontainebleau conclusions.

4. IMPs

- separate envelopes for IMPs in the Regional or Social Funds.



- a commitment to IMPs for longer than 5 years.
- any provision which would permit Spain or Portugal to benefit from IMPs after enlargement.

5. Environment

- any endorsement of the draft Combustion Plant Directive in its present form.
- endorsement of catalytic converters on Community wide basis.

6. CAP

- any weakening in the existing commitment to guarantee thresholds, restrictive CAP price policy and financial guideline for agriculture.
- any exemption from the provisions of the milk super-levy agreement.



EUROPEAN COUNCIL, DUBLIN, 3/4 DECEMBER 1984

POSSIBLE LANGUAGE FOR THE CONCLUSIONS

(i) Future of Europe

Ad Hoc Committee on Institutions

1. The European Council received an interim report on the work of the Ad Hoc Committee on Institutions under the chairmanship of Professor Dooge. The Council asked the Committee to continue its work with a view to making an agreed report to the European Council in March.

A People's Europe [Text agreed in the Committee]

2. The European Council has taken note of the interim report of the Ad Hoc Committee for A People's Europe. It underlined the importance, for the process of European construction, of having the firm support of citizens of the Community countries. It was pleased to note that the Committee has begun its work by choosing a number of priority areas for action and contacting, as appropriate, bodies representing opinion in Europe, in particular the European Parliament. The European Council has stressed the importance it attaches to being given, at its meeting in June 1985, realistic and important proposals, capable of improving the identity and the image of Europe.

(ii) Budget Issues

3. The European Council takes note with satisfaction of the Council conclusions on the measures necessary to guarantee the effective application of budget discipline, adopted by the Foreign Affairs Council in implementation of the conclusions of the Brussels and Fontainebleau European Councils.



(iii) Internal Market

4. The European Council, recognising the priority given under the Treaty of Rome to the establishment of a common market, calls on the Council to adopt, by the end of the decade, the measures necessary to fulfil the provisions of Article 3 of the Treaty.

(iv) Standards

5. The European Council welcomed recent progress on the European standards initiative, and asked that this be pursued as a matter of urgency. They also considered that there was a need for early progress in other areas, in particular on standards for telecommunications, open systems interconnection and advanced manufacturing technologies. The European Council asked for reports on the implementation of the Community standards initiative and on progress in related areas for its meeting in June 1985.

(v) Transport [Text proposed by Netherlands which we can support]

6. The European Council recalls the declaration made at its meeting on 19/20th March 1984, underlining that before the end of the year specific time limits are to be set by the Council concerning harmonisation of conditions of competition and progressive liberalisation in the transport sector. The Council is invited to take a formal decision before the end of the year.

(vi) IMPs

7. The European Council, recalling the conclusions of its meeting in March 1984, agrees that Integrated Mediterranean Programmes will operate for four years and will be implemented starting in 1985, through concerted action of the

#



Lullbas - Not making a final
decision in the difference
between Greece & the British
for a period of 4 or 6 years

Decision not to be made
between in Parliament for
year one.

Luxembourg - 50 to 90 mln

Agree on total allocation
about 1 trillion dollars

~~Cannot~~ bring to up 1 trp



ERDF, Social Fund and EAGGF Guidance Fund. In the case of the EAGGF Guidance Fund a new five year ceiling will be agreed taking account of the need to finance IMPs. The Council agreed that [IMPs should be financed from within the existing structural funds] [the total sums available for IMPs over the period should be 500 mecu] and that priority should be given to implementation of IMPs for Greece in the first instance.

① For Enlargement

Consider - Issues

② Community - commitment to Greece

Preparation - only started

adhd. membership

credibility, horizon potential to survive

③ Commitment

④ Attitude - Preparation - right to
ask for more

1985 50 million

Attitudes - ability to improve

IMPS gradual - by by way

- adaptations - due concerns

to 1000 bn - commitment - ability
that

5 years - 50 million // 50

010
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Foreign and Commonwealth Office

London SW1A 2AH

30 November, 1984

Dear Charles,

Polish Church Agriculture Scheme

The Embassy in Bonn report that Chancellor Kohl or Herr Genscher may be briefed to raise this subject with the Prime Minister or the Foreign Secretary in the margins of the European Council.

I attach four copies of a contingency brief, which draws on the arguments in the Chancellor of the Exchequer's letter of 26 November, which the Prime Minister has endorsed (your letter of 27 November).

I am sending copies of this letter, with copies of the brief, to David Peretz at the Treasury, David Williamson at the Cabinet Office and Sir Michael Butler.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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British and Commonwealth

London W1A 1AA



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- 1 DEC 1984

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COPY NO

29 NOVEMBER 1984

EUROPEAN COUNCIL, DUBLIN

3/4 DECEMBER 1984

POLISH CHURCH AGRICULTURE SCHEME

Contingency Brief by Foreign and Commonwealth Office

INTRODUCTION

1. We understand that Chancellor Kohl or Herr Genscher may raise this with us in the margins at Dublin. We are the only Member State unable to agree to a Community contribution to the proposed pilot scheme.

OBJECTIVE

2. If raised, to convince the Germans that our decision not to contribute is final, and that no purpose would be served by pressing us further on the subject; if they and other Member States wish to contribute, they should do so nationally.

POINTS TO MAKE

3. Have considered carefully the arguments for the scheme advanced by partners. Have concluded that there

is no case for a contribution from British tax payers, whether nationally or through the Community budget.

4. We recognise the social and political importance of the Church in Poland, but do not believe that the political arguments point convincingly towards EC financial support for the scheme.

5. On the contrary, the scheme could act as an indirect subsidy to the Polish Government, enabling it to divert corresponding resources of its own from rural development to e.g. defence and internal security.

6. Poland does not in any case qualify on any criteria for development assistance, and is clearly not in need of the kind of urgent humanitarian relief provided by the west in 1981.

7. European Governments are already effectively giving substantial voluntary aid to Poland by their acquiescence in the current de facto moratorium on Polish debt. The right place for the west to help Poland is in the IMF.

8. We could not justify a UK contribution at a time

when there are many additional urgent demands on our aid resources (e.g. sub-Saharan Africa) and all public expenditure, including on overseas programmes, is tightly constrained.

9. - In these circumstances, further discussion in Community of a contribution from Community funds could only prove divisive and ultimately fruitless.
- We hope our partners will now accept without making a fuss that agreement on this is impossible and that national contributions from those who wish to make them represent the only way forward.
- Acrimonious discussion in the Community could only result in bad publicity for the scheme since we should be bound to put forward the case against western support for it.
- It would moreover be unhelpful to our common objectives on East-West relations for the Member States to be seen to be wrangling over this.

BACKGROUND

1. The Polish Church have been considering since 1982 a scheme to aid private sector agriculture, which would be designed to increase output while improving social and technical infrastructure in rural areas. They intend to initiate 10 pilot projects, costing some \$28 million, in 1984/85 - and, if these are successful, to extend the scheme on a country wide basis, at an estimated overall cost of \$1.8 billion.

2. President Reagan has undertaken to ask Congress for \$10 million for the pilot programme, and the Polish Government are looking for a similar contribution from Western European countries (including private sources). Within the Community, the Germans (and Genscher personally) have been the scheme's main backers. All Member States except the UK are prepared to agree to an EC contribution to the pilot scheme. The cost of this might be of the order of 10 mecu over two years - though if the pilot scheme were to lead to the full scheme, the costs of EC participation would be very much larger.

3. Ministers have decided that a Community contribution is not justified, for the reasons given in the Points to Make.

FOREIGN AND COMMONWEALTH OFFICE

30 NOVEMBER 1984

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

30 November, 1984

Prime Minister

Agree to

proposed

reply to

to Taoiseach!

We should get it off during the week-end

if possible

CDP

1/12

Dear Charles,

European Council: Message from Dr Fitzgerald

I enclose a message from Dr Fitzgerald to the Prime Minister about the organisation of next week's European Council. The subjects suggested for discussion are as expected. Dr Fitzgerald suggests the following order of work:

3 December: Afternoon

Economic and social situation

Enlargement

Integrated Mediterranean Programmes

Introduction of interim reports of the Dooge

Committee and the ad hoc committee on a People's Europe

Dinner

Further development of the Community

Political Cooperation

4 December: Morning

Famine in Africa

Approval of European Council conclusions

Dr Fitzgerald does not refer to budget discipline. As you know, the text on budget discipline was not adopted by the Foreign Affairs Council this week. The Italians, Belgians, Greeks and Luxembourgers are seeking a provision in the text saying that the views of the European Parliament will be heard before the reference framework is set. The Danish Government cannot accept this but could accept a Presidency compromise proposal whereby a letter would be sent to the European Parliament (and would form part of the Council's conclusions) making clear that the Parliament's views would be heard. Argument on this continued in COREPER yesterday with the Irish Presidency eventually suggesting that the matter should be taken up by Foreign Ministers in Dublin. The Foreign Secretary agrees with this. The issue may have to come to Heads of Government. The Greek Prime Minister sees it as useful leverage on other issues, notably Integrated

/Mediterranean

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Mediterranean Programmes, and may insist on a discussion in the European Council. But we should suggest that Foreign Ministers make a further effort to settle it first.

/ I enclose a telegram with a draft message from the Prime Minister to Dr Fitzgerald, suggesting that budget discipline should be considered by Foreign Ministers over dinner on the first day of the Council.

I am copying this letter and its enclosures to the Private Secretaries to the Chancellor of the Exchequer and Sir Robert Armstrong.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

RESTRICTED



51 DEC 1984

11 12 1 2 3

Dear Colleague :

I look forward to welcoming you to Dublin for the meeting of the European Council on the 3rd and 4th December. Now that the Council of Ministers have concluded their deliberations this week, I am writing to you and our other Colleagues to let you know how I see the content and conduct of our meeting.

Since the European Council at Fontainebleau, considerable progress has been made in giving specific form to the decisions which were taken or confirmed there. However, work still remains to be completed in relation to these decisions.

The major outstanding issue is, of course, that of the enlargement of the Communities. The completion of the negotiations for the accession of Spain and Portugal in time to ensure their entry into the Community on 1 January, 1986, has been a paramount priority for the Irish Presidency. Important progress, of course, has been made, but these results have been marred by the inability of Member States to reach agreement amongst themselves on positions to put to the applicant States on several vitally important issues.

The Dublin Council is, therefore, faced with a very considerable challenge. The psychological impact on the applicant States of an inability to resolve now the remaining questions would be serious and could have profound political consequences. In Dublin I will be relying on your goodwill and commitment, and that of our colleagues to clear the way for agreement at the Council on the remaining issues by focussing on key points that could unblock these discussions.

I recall our agreement to have the first phase of integrated Mediterranean programmes in place in 1985. We should consider at our meeting next week how we might contribute to the rapid implementation of this agreement.

It will also be important and opportune, I suggest, particularly in view of the current uncertainties, that in Dublin we have a discussion of substance on the economic and social situation in the Community. Indeed, it has been some time since the European Council has had an opportunity for such a discussion. Given the persistence of the dominant problem of unemployment, I consider it essential that, on the basis of the Commission's Annual Economic Report, we discuss a collective effort to turn employment trends in a far more positive direction, exploiting the European dimension, and the building on the significant progress made with stabilisation policies.

/We have

We have received, and can, I hope, endorse the customary draft Annual Report on progress towards European Union. But we will also have interim reports on the work of the two ad hoc committees established pursuant to the conclusions we reached at Fontainebleau. The interim report which has been presented to me by the Chairman of the Ad Hoc Committee on Institutional Affairs has been circulated earlier this week. I envisage that we might have a discussion based on this Report which reflects the views of all members of the Committee including a number of reservations, and that we might ask the Committee to submit a final report for the meeting of the European Council next March. In introducing the discussion I will ask whether there are any further matters which members of the European Council would wish to have covered in the final report.

Under the rubric of European Political Cooperation, I feel that, to facilitate a constructive discussion, we should focus on the topics which have been recommended to us by our Foreign Ministers. These are: the Middle East, East-West relations, Central America and also Southern Africa. The problem of terrorism could also appropriately be raised.

I believe that we cannot overlook the terrible plight of the drought-stricken areas of Africa. Public opinion in the Community clearly expects us at the European Council to deal in a substantive and adequate way with what now is a major international problem and one that is going to endure for at least a further twelve months. Our discussion, I suggest, should centre on the present situation in Ethiopia and the other affected areas, the present aid contributions by the Community and the Member States, but above all, on the undoubted need for further contributions on a scale that, with what we can reasonably expect to come from other countries outside the Community, will meet - and be seen by our peoples to meet - the scale of the need as assessed for the year ahead. I envisage that our conclusions might also welcome the agreement to sign the third convention with the ACP countries in Lome on 8th December.

If there are other subjects you wish to raise or have discussed, I should appreciate it if you could let me know as soon as possible, so that I can inform our Colleagues.

As to our agenda, I hope that, following the lunch offered by President Hillery for participants at the Council, we can start our work at 3 pm on 3rd December. We might perhaps start by discussing the economic and social situation and the key questions we must deal with to unblock the enlargement negotiations. Then we might discuss IMPs and finally before we break for dinner the interim reports

/of the

of the ad hoc committees could be introduced, without subsequent discussion, before a recess at about 7 pm.

The discussion on the further development of the Community taking into account the interim report of the Dooge Committee could take place over dinner, at which the EPC topics might also be discussed.

On the following morning we might start with the African famine issue, and we should approve our draft conclusions before lunch.

I hope that this proposed manner of proceeding will meet with your approval.

A meeting of the European Council at which the issues set out above are brought to a successful outcome would provide a firm basis upon which to re-launch the Community in 1985 and would offer great hope to the peoples of the Community, including the applicant States. It is my hope, which I am sure that you share, that we can achieve such a result next week.

End of message


OUT TELEGRAM

		Classification and Caveats RESTRICTED FRAME ECONOMIC	Precedence/Deskby IMMEDIATE DESKBY 010930Z
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DESKBY	5	DESKBY 010930Z
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PRE/ADD	7	TO IMMEDIATE DUBLIN
TEL NO	8	TELEGRAM NUMBER
	9	REPEATED FOR INFO IMMEDIATE TO UKREP BRUSSELS AND OTHER EC POSTS
	10	DR FITZGERALD'S MESSAGE ABOUT THE EUROPEAN COUNCIL
	11	1. Please pass the following message from the Prime
	12	Minister to Dr Fitzgerald.
	13	BEGINS:
	14	Thank you for your letter of 30 November about next
	15	week's European Council. I look forward to seeing you and other
	16	colleagues in Dublin.
	17	I am ^{content} very happy with your proposals for the organisation
	18	of our discussions. There is one other issue which should be
	19	settled. As you know, the Foreign Affairs Council this week was
	20	unable to adopt the text on budget discipline on which the
	21	Council reached a common position earlier in the month. The text
///	22	needs to be adopted in accordance with the conclusions of our
//	23	meeting at Fontainebleau. I know Peter Barry has worked hard to
/	24	find a way through the remaining difficulties. I hope that this
	25	

NNNN ends telegram	BLANK	Catchword /can
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Drafted by (Block capitals) J S WALL		
Telephone number		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

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		RESTRICTED FRAME ECONOMIC	2

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can very rapidly be agreed. I understand that you envisage
discussion between Foreign Ministers. ENDS.

HOWE
NNNN

Agreed ms

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NNNN ends telegram	BLANK	Catchword
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10 DOWNING STREET

From the Private Secretary

30 November 1984

Thank you very much for your letter of 30 November. I have arranged for the Prime Minister's attention to be drawn to the Taoiseach's letter at the earliest opportunity.

As I told Mr Dempsey, the Prime Minister welcomes Dr FitzGerald's proposal to invite M. Delors to dinner during the European Council.

(David Barclay)

His Excellency Mr Noel Dorr

SS

AMBASÁID NA HÉIREANN, LONDAIN.



IRISH EMBASSY, LONDON.

SUBJECT

cc Master
ops

17 Grosvenor Place

SW1X 7HR

30th November 1984

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 202¹ 184

Dear Private Secretary

Following our telephone conversation this morning I am now enclosing herewith the text of the letter in regard to the forthcoming European Council which the Taoiseach has addressed to his colleagues in the other Member States.

I should be glad if you would bring it to the attention of the Prime Minister.

Yours sincerely

Noel Dorr
Ambassador

Mr D M Barclay
Private Secretary
Prime Minister's Office
No 10 Downing Street
London SW1

Text of letter from An Taoiseach, Dr Garret FitzGerald TD

30th November 1984

Dear Colleague

I look forward to welcoming you to Dublin for the meeting of the European Council on the 3rd and 4th December. Now that the Council of Ministers have concluded their deliberations this week, I am writing to you and our other colleagues to let you know how I see the content and conduct of our meeting.

Since the European Council at Fontainebleau, considerable progress has been made in giving specific form to the decisions which were taken or confirmed there. However, work still remains to be completed in relation to these decisions.

The major outstanding issue is, of course, that of the Enlargement of the Communities. The completion of the negotiations for the accession of Spain and Portugal in time to ensure their entry into the Community on 1 January, 1986 has been a paramount priority for the Irish Presidency. Important progress, of course, has been made, but these results have been marred by the inability of Member States to reach agreement amongst themselves on positions to put to the applicant states on several vitally important issues.

The Dublin Council is, therefore, faced with a very considerable challenge. The psychological impact on the applicant states of an inability to resolve now the remaining questions would be serious and could have profound political consequences. In Dublin I will be relying on your goodwill and commitment, and that of our colleagues to clear the way for agreement at the Council on the remaining issues by focussing on key points that could unblock these discussions.

I recall our agreement to have the first phase of integrated Mediterranean programmes in place in 1985. We should consider at our meeting next week how we might contribute to the rapid implementation of this agreement.

It will also be important and opportune, I suggest, particularly in view of the current uncertainties, that in Dublin we have a discussion of substance on the economic and social situation in the Community. Indeed, it has been some time since the European Council has had an opportunity for such a discussion. Given the persistence of the dominant problem of unemployment, I consider it essential that, on the basis of the Commission's Annual Economic Report, we discuss a collective effort to turn employment trends in a far more positive direction,

/...

exploiting the European dimension, and the building on the significant progress made with stabilisation policies.

We have received, and can, I hope, endorse the customary draft Annual Report on progress towards European union. But we will also have interim reports on the work of the two Ad Hoc Committees established pursuant to the conclusions we reached at Fontainebleau. The interim report which has been presented to me by the Chairman of the Ad Hoc Committee on Institutional Affairs has been circulated earlier this week. I envisage that we might have a discussion based on this report which reflects the views of all members of the Committee including a number of reservations, and that we might ask the Committee to submit a Final Report for the meeting of the European Council next March. In introducing the discussion, I will ask whether there are any further matters which members of the European Council would wish to have covered in the Final Report.

Under the rubric of European political cooperation, I feel that, to facilitate a constructive discussion, we should focus on the topics which have been recommended to us by our Foreign Ministers. These are: the Middle East, East-West relations, Central America and also Southern Africa. The problem of terrorism could also appropriately be raised.

I believe that we cannot overlook the terrible plight of the drought-stricken areas of Africa. Public opinion in the Community clearly expects us at the European Council to deal in a substantive and adequate way with what now is a major international problem and one that is going to endure for at least a further twelve months. Our discussion, I suggest, should centre on the present situation in Ethiopia and the other affected areas, the present aid contributions by the Community and the Member States, but above all, on the undoubted need for further contributions on a scale that, with what we can reasonably expect to come from other countries outside the Community, will meet - and be seen by our peoples to meet - the scale of the need as assessed for the year ahead. I envisage that our conclusions might also welcome the agreement to sign the third convention with the ACP countries in Lome on 8th December.

If there are other subjects you wish to raise or have discussed, I should appreciate it if you could let me know as soon as possible, so that I can inform our colleagues.

As to our agenda, I hope that, following the lunch offered by President Hillery for participants at the Council, we can start our work at 3 p.m. on 3rd December. We might

perhaps start by discussing the economic and social situation and the key questions we must deal with to unblock the Enlargement negotiations. Then we might discuss IMPS and finally before we break for dinner the interim reports of the Ad Hoc Committees could be introduced, without subsequent discussion, before a recess at about 7 p.m.

The discussion on the further development of the Community taking into account the interim report of the Dooge Committee could take place over dinner, at which the EPC topics might also be discussed.

On the following morning we might start with the African famine issue, and we should approve our draft conclusions before lunch.

I hope that this proposed manner of proceeding will meet with your approval.

A meeting of the European Council at which the issues set out above are brought to a successful outcome would provide a firm basis upon which to re-launch the Community in 1985 and would offer great hope to the peoples of the Community, including the applicant states. It is my hope, which I am sure that you share, that we can achieve such a result next week.

Yours sincerely

Garret FitzGerald

30 NOV 1984

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*The President
of the European Parliament*

Luxembourg, 30 November 1984

R4

Dear Prime Minister,

On the eve of the European Council meeting in Dublin I felt it necessary to inform you of the hopes and concerns of the European Parliament with regard to the present situation in the Community.

The European Council has before it the interim report of the 'Ad Hoc Committee on Institutional Affairs' created at Fontainebleau, the findings of which, if I am correctly informed, support the convening of an intergovernmental Conference to negotiate a draft Treaty of European Union.

The European Parliament is more convinced than ever of the need to undertake active preparations for the transition of the Community to a European Union which would have greater strength, solidarity and effectiveness, a Union for which it has proposed a founding act in its 'Draft Treaty of European Union' adopted on 14 February 1984 by a large majority of its Members.

I therefore hope that the Heads of State and Government meeting in Dublin will manage to make a historic gesture by giving their agreement to the convening of such a conference which could find a useful basis for its work in the document drawn up by Parliament. This gesture would without doubt be seen by the public as evidence of strong hope for the recovery and renewal of a Europe faced with so many internal difficulties and external challenges. I hope moreover that our Assembly will be involved in the work leading up to the adoption of the new Treaty.

The Rt. Hon. Margaret THATCHER
Prime Minister
of the United Kingdom

The launching of such a process will not dispense the Community - indeed quite the contrary - from resolving its problems and from continuing to develop without any delay along the lines laid down by the Heads of State and Government themselves, particularly at the most recent meetings of the European Council in Fontainebleau and Brussels.

In this connection the first concern is the rapid conclusion of the work of putting the Community finances in order.

The increasing of own resources is, in the eyes of the Parliament, the cardinal priority: this increase, while reinforcing the principle of the financial autonomy of the Community, should also allow it to meet its obligations and in particular to take on the budgetary consequences of enlargement and at the same time to finance new policies, the urgent need for which is acknowledged by all.

Our Assembly is also in favour of better control of the development of Community expenditure. It has sent several proposals to the Council of Ministers, the most recent dated 15 November; as one arm of the Community's budgetary authority, the Assembly has declared its readiness to take part in an interinstitutional agreement which would make it possible to keep an effective check on the growth of spending without putting any obstacles in the way of the financing of new common policies; in this connection I must particularly underline the fact that no 'budgetary discipline' machinery can be allowed to usurp, directly or indirectly, the budgetary prerogatives of the Assembly.

The European Parliament also hopes that the enlargement of the Community to include Spain and Portugal will be accomplished without delay. Of course it is important that the conditions of accession for these two new partner countries should be carefully defined; but the higher cause of Europe, both political and economic, calls for an agreement to take effect on the scheduled date, as a token for European and world opinion of success and hope for the Community and the future Union.

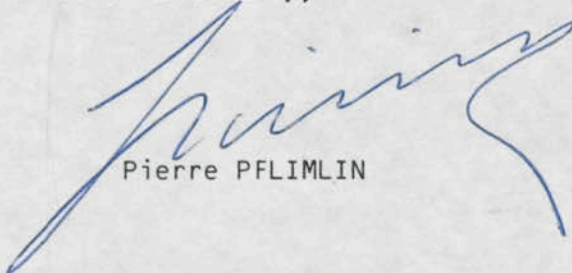
The recent conclusion of the new Lomé Convention is a very felicitous manifestation of Europe's capacity to pursue and develop a generous, innovative and large-scale policy of cooperation and development. The

Parliament has been unwavering and unanimous in its reassurance of its particular interest and support in this respect, while at the same time looking for the parallel development of other cooperation activities such as food aid: here the seriousness of the situation in Ethiopia and the Sahel countries certainly calls for drastic and rapid action on the part of the Community.

Finally the European Parliament insists that the Community should persevere with even greater determination in the strengthening of its internal policies. The consolidation of the internal market, progress towards European monetary union, particularly by extending the role of the ECU, and joint activities as regards research and new technologies form the indispensable basis for economic recovery, for an effective campaign against unemployment and for the strengthening of Europe's competitive capacity in the world. Here I would like to refer to the draft 'Programme for economic recovery' adopted by the Assembly on 27 March 1984 and forwarded to the European Council.

With the second election of the European Parliament by direct universal suffrage just behind us and on the eve of the coming into office of the new Commission, our Assembly confirms its wish to cooperate actively with the other Institutions of the Community, respecting the powers and responsibilities entrusted to each of them by the Treaties.

Yours faithfully,



Pierre PFLIMLIN

810.

(K)

Richie Smith



Foreign and Commonwealth Office

London SW1A 2AH

30 November, 1984.

[Handwritten signature]

Dear Charles,

European Council (Dublin): ETUC Meeting with the Irish
Prime Minister

The European TUC has had its traditional pre-European Council meeting with Dr Fitzgerald. I enclose a copy of their paper setting out their views.

The ETUC's paper follows familiar lines. It will not be discussed at the European Council, though Dr Fitzgerald may allude to it since he envisages a discussion on unemployment.

I am copying this letter and its enclosures to the Private Secretaries to the Secretary of State for Employment and Sir Robert Armstrong.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

ETUC MEETING WITH IRISH PRIME MINISTER

The ETUC believes that the most urgent items on the Community's agenda are the following:

1. The fight against unemployment

The ETUC considers that continually growing unemployment and the widening gap between the performance of most European countries and that of our major competitors makes it imperative that a major reappraisal by governments and European institutions of their economic strategies be undertaken without further delay.

The ETUC welcomes the fact that the EC Commission has now accepted, at least de facto, the case for a policy review. In its Annual Economic Report for 1984/85 it has abandoned its previous, essentially passive, stance and is now calling for concerted policies to ensure that the Community realises its potential to grow, without provoking inflation, at 3.5 to 4.0% per annum - instead of by only 2.3% without policy changes in 1983. However, there are a number of proposals in the Commission's document, notably with regard to reducing working people's rights in the name of "flexibility" which the ETUC cannot accept.

The ETUC also welcomes the fact that under the Irish Presidency the conclusions of the October 1984 Standing Employment Committee "underlined that in the context of such a strategy (to combat unemployment) it is essential that the stronger Member States consider, in conjunction with other measures, a controlled reflation of their economies".

All governments must now also accept the case for a policy appraisal. If this shows, as we believe it would, that with the current stance of economic policies there is no prospect in the short to medium term of unemployment problems diminishing and that, on the contrary, they are likely to continue to get worse, then we believe there would be an unanswerable case for policies being changed.

2. A true European social dimension

The measures designed to give Europe a social dimension must be deblocked. In particular, the EC Recommendation on the reduction and reorganisation of working time must be approved without further delay. And it is high time that the proposals for Directives on temporary employment and proposals for a limited period of employment, part-time employment, noise, micro-waves and the elimination of certain toxic substances were adopted. In this context, existing sectoral committees should be given a real role to play, and new sectoral committees should be created to cover all sectors of activity.

Lome III

The ACP-EC negotiations on the renewal of the Lome Convention must be concluded in time in the spirit of solidarity through which ACP-EC cooperation can be boosted and strengthened. In the implementation of the future Convention the ACP-EEC trade unions' proposals which aim at developing the social dimension of EC-ACP cooperation must be taken into consideration as far as possible.

4. EC enlargement

The target date of January 1986 for the accession of Spain and Portugal to the EC must be respected; this formal process must substantiate the political determination to ensure that both countries are integrated fairly and to give more impetus to the necessary accompanying measures to boost European solidarity.

5. Vredeling Directive

Discussions on the Vredeling Directive which have been going on for a number of years, must now be brought to a successful conclusion. It is unacceptable that the adoption of the Directive should be blocked by a strong pressure group.

6. Decision-making procedures

The present functioning of the institutions does not enable efficient decision-making; their reform is therefore essential and should be seriously pursued.

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[FRAME EXTERNAL]

TO IMMEDIATE FCO DESKBY 301200Z

TELNO 801

OF 301140Z NOVEMBER 1984

INFO IMMEDIATE UKREP BRUSSELS, DUBLIN

INFO SAVING OTHER EC POSTS

UKREP BRUSSELS TELNO 3994: DUBLIN EUROPEAN COUNCIL: ITALIAN POSITION

SUMMARY

1. CRAXI UNLIKELY TO BE WELL PREPARED. DISTRACTED BY CRACKS IN HIS COALITION AT HOME. MAIN PITCH LIKELY TO BE NEED FOR TANGIBLE PROGRESS ON EUROPEAN UNION. ITALIANS WILL FIGHT HARD ON WINE IN CONTEXT OF ENLARGEMENT. CAUTIOUS EMPHASIS ON CONTINUITY IN THE POLITICAL COOPERATION FIELD, WITH MIDDLE EAST AND LATIN AMERICA THE TWO MAIN ITALIAN INTERESTS.

DETAIL

2. CRAXI AND ANDREOTTI WILL BE ATTENDING THE EUROPEAN COUNCIL BOTH WEAKENED BY DOMESTIC POLITICAL PREOCCUPATIONS. ALTHOUGH ANDREOTTI SURVIVED THE RECENT PARLIAMENTARY ATTACKS ON HIM (MYTELNO 789) HIS STANDING HAS BEEN DAMAGED. CRAXI IS IN TROUBLE OVER HIS GOVERNMENT'S PLANS FOR CRACKING DOWN ON TAX EVASION AND THE COALITION IS WOBBLIER. IN ADDITION HE HAS SPENT MUCH OF THE LAST TWO WEEKS AWAY FROM ROME (IN EGYPT, SAUDI ARABIA AND THIS WEEK IN ALGERIA). HE HAS HAD LITTLE TIME TO FOCUS ON THE DOSSIERS FOR DUBLIN. THE FOLLOWING IS BASED ON DISCUSSION WITH HIS OFFICE AND THE MFA.

3. THE FOREIGN AFFAIRS AND CONSTITUTIONAL COMMITTEES OF THE ITALIAN CHAMBER OF DEPUTIES HAVE BOTH CALLED UPON THE GOVERNMENT TO MAKE EARLY TANGIBLE PROGRESS ON THE DRAFT TREATY ON EUROPEAN UNION AND TO MAKE THIS ITS MAIN PRIORITY FOR DUBLIN. WE CAN EXPECT CRAXI TO BE VOCAL IN SUPPORT FOR THE WORK OF THE DOOGE COMMITTEE AND TO GIVE NOTICE OF HIS INTENTION TO MAKE IT THE MAIN PRIORITY OF THE ITALIAN PRESIDENCY, WITH A VIEW TO THE CALLING OF AN INTERNATIONAL CONFERENCE ON EUROPEAN UNION BEFORE THE END OF JUNE. HE WILL BE LESS CLEAR ABOUT THE OUTCOME OF SUCH A CONFERENCE. ALTHOUGH RELIEVED THAT, FOR ONCE, THE BUDGETARY ISSUES DO NOT SEEM LIKELY TO DOMINATE THE AGENDA, BOTH CRAXI AND ANDREOTTI ARE LIKELY TO PRESS FOR FURTHER CONSULTATION WITH PARLIAMENT ON BUDGET DISCIPLINE. THE CONCEPT HAS NOT TAKEN ROOT HERE, BUT THE ITALIANS WILL NOT STAND OUT AGAINST AGREEMENT IN ISOLATION.

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IT IS HARDER TO JUDGE HOW FAR THEY WILL STAND OUT ON WINE. MUCH MAY DEPEND ON THE COMPENSATION, IF ANY, OFFERED TO ITALY, AND IT IS RELEVANT THAT THE GREEKS ARE IN ROME TODAY, NO DOUBT TO DISCUSS IMPS. FITZGERALD IS ALSO HERE TO URGE A COMPROMISE ON WINE. WE SHALL REPORT IF WE HEAR OF ANY LAST-MINUTE DEVELOPMENTS BEFORE DUBLIN.

4. AMONG ITALIAN PRIORITIES DURING THEIR PRESIDENCY PROGRESS ON THE INTERNAL MARKET RANKS HIGH ON PAPER. DUBLIN WILL BE A USEFUL OPPORTUNITY TO REMIND THE ITALIANS THAT THIS MEANS PRACTICAL PROGRESS ON A NUMBER OF INTERNAL MARKET ISSUES EG AIR FARES AND LIBERALISATION OF SERVICES ON WHICH THEY HAVE BEEN SINGULARLY PROTECTIONIST SO FAR.

5. IN THE POLITICAL COOPERATION FIELD OFFICIALS STRESS CONTINUITY AND ARE ANXIOUS TO DISCOURAGE SPECULATION OF AMBITIOUS INITIATIVES. THE ITALIANS WILL EXPECT TO HOST A FOLLOW-UP TO THE SAN JOSE MEETING, BUT ARE NOT PRESSING OVERTLY FOR IT TO BE AT MINISTERIAL RATHER THAN OFFICIAL LEVEL. THEY WILL ALSO WANT TO STRENGTHEN EC LINKS WITH THE OTHER COUNTRIES OF LATIN AMERICA, ESPECIALLY THOSE IN THE SOUTHERN CONE. THEY EXPECT ANDREOTTI TO MAKE A "CONTACT MISSION" TO MIDDLE EAST COUNTRIES, IN LINE WITH THE RECOMMENDATIONS BEFORE THE DUBLIN SUMMIT, BUT SEE IN THIS LITTLE MORE THAN A POLICY OF MARKING TIME. THEY CONTINUE TO OPPOSE ANY REWORDING OF THE VENICE DECLARATION. THEY ARE ENCOURAGED BY THE RECENT REINFORCEMENT OF THE ARAB MODERATES, AND IN THIS CONTEXT ANDREOTTI WILL ATTACH IMPORTANCE TO THE PLO CONGRESS: BUT THEY WILL WANT TO KEEP A LINE OPEN TO SYRIA TOO.

FCO ADVANCE TO NO.10 DOWNING STREET, PS, RENWICK,
FAIRWEATHER ECD(I), WILLIAMSON CABINET OFFICE, ANDREWS MAFF,
UNWIN TREASURY.

FCO PSE PASS SAVING ADDRESSEES.

BRIDGES

[REPEATED AS REQUESTED]

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[ADVANCED AS REQUESTED]

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FM THE HAGUE 300945Z NOV 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 395 OF 30 NOVEMBER
AND TO ROUTINE INFO UKREP BRUSSELS, DUBLIN

[FRAME EXTERNAL]

EUROPEAN COUNCIL : DUBLIN 3/4 DECEMBER : DUTCH OBJECTIVES

SUMMARY

1. THE DUTCH HOPE THAT NEXT WEEK'S EUROPEAN COUNCIL WILL RESOLVE THE OUTSTANDING PROBLEMS OVER ENLARGEMENT (PARTICULARLY WINE), TAKE STEPS TO IMPROVE CO-OPERATION IN THE FIELDS OF RESEARCH AND NEW TECHNOLOGY (TO MEET THE CHALLENGE OF COMPETITION FROM THE US AND JAPAN AND OF LONG-TERM UNEMPLOYMENT) AND TO CONTINUE PREPARATIONS FOR THE RELAUNCH OF THE COMMUNITY.

DETAIL

2. WITH LUBBERS AND VAN DEN BROEK IN PORTUGAL, IT IS DIFFICULT TO GET AN AUTHORITATIVE ACCOUNT OF DUTCH OBJECTIVES IN DUBLIN. BUT A RECENT MEETING OF THE FOREIGN AFFAIRS COMMITTEE OF THE SECOND CHAMBER ATTENDED BY THEM BOTH, PROVIDED SOME USEFUL POINTERS.

3. FIRST, THEY HOPE THAT THE BACK OF THE ENLARGEMENT NEGOTIATIONS WILL BE BROKEN WITH AN AGREEMENT ON WINE LEADING TO COMPROMISES ON THE OTHER OUTSTANDING DOSSIERS. BUT THEY DO NOT, IN VAN DEN BROEK'S WORDS, WANT THE COUNCIL TO BE DEVOTED TO DISCUSSING 'SARDINES AND TOMATO PASTE'. SECONDLY, LUBBERS WILL URGE THE CREATION OF A 'TECHNOLOGICAL COMMUNITY' DESIGNED TO PROMOTE IMPROVED CO-OPERATION AMONGST THE TEN IN RESEARCH AND DEVELOPMENT; THEY SEE EUROPE AS AN ALSO-RAN IN THE TECHNOLOGICAL RACE, WITH DAMAGING IMPLICATIONS FOR THE LONG-TERM PROSPECTS OF EUROPEAN INDUSTRY AND IN PARTICULAR EMPLOYMENT IN THE COMMUNITY. GOSSES (MFA) SAID THAT DUTCH MINISTERS HAD PARTICULARLY IN MIND THE THREAT TO THE EUROPEAN CONSUMER ELECTRONICS INDUSTRY FROM JAPAN BUT HAD NOT YET DECIDED WHAT SPECIFIC COMMUNITY MEASURES WOULD BE APPROPRIATE TO COUNTER THIS.

4. THIRDLY, THE DUTCH WILL BE LOOKING TO THE COUNCIL TO GIVE A GENERAL STEER TO THE DOOGE COMMITTEE TO ENSURE THAT ITS REPORT TO THE MARCH EUROPEAN COUNCIL IS ALONG THE DESIRED LINES. THEY SHARE OUR VIEW THAT MUCH STILL NEEDS TO BE DONE TO ACHIEVE THE OBJECTIVES LAID DOWN IN THE EXISTING TREATIES. PARTICULAR DUTCH CONCERNS ARE THE INTERNAL MARKET AND TRANSPORT; ON THE LATTER LUBBERS WILL PRESS FOR INCLUSION OF A TEXT CALLING FOR A SPECIFIC TIMETABLE FOR DECISIONS, BUT ARE UNLIKELY TO RESIST PROPOSALS FOR A NEW TREATY OR AN INTER-GOVERNMENTAL CONFERENCE IF THESE ARE PRESSED BY OTHERS. THEY

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AGREE

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AGREE THAT THE FONTAINEBLEAU AGREEMENT - PARTICULARLY ON BUDGETARY MATTERS - MUST NOT BE UNDERMINED AND ARE WORRIED THAT CURRENT DIFFICULTIES WITH THE EUROPEAN PARLIAMENT MAY SPILL OVER INTO THE COUNCIL : BUT THEY SEE A REAL NEED FOR INSTITUTIONAL REFORM IF THE COMMUNITY IS TO BE REINVIGORATED IN THE LONGER TERM : THEY FEEL THAT INCREASED USE OF MAJORITY VOTING IS ESSENTIAL, THAT THE COMMISSION SHOULD RETURN TO ITS ORIGINAL ROLE AS EXECUTOR OF THE COUNCIL'S DECISIONS AND THAT THE POWERS OF THE PARLIAMENT MUST EVENTUALLY BE STRENGTHENED (PERHAPS IN THE LEGISLATIVE FIELD).

CHAPMAN

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CONFIDENTIAL

DESKBY 301830Z

FM BONN 301730Z NOV 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1135 OF 30 NOVEMBER

INFO IMMEDIATE DUBLIN, UKREP BRUSSELS

INFO PRIORITY ATHENS BRUSSELS COPENHAGEN LUXEMBOURG PARIS ROME
THE HAGUE

GERMAN VIEWS ON THE DOOGE COMMITTEE

SUMMARY

1. RUHFUS'S DEPUTY FOR THIS SUBJECT REAFFIRMS THAT THE FEDERAL CHANCELLOR WILL WANT CONCRETE STEPS FORWARD IN A NEW TREATY, NOT JUST A DECLARATORY DOCUMENT. HE EMPHASIZES GERMAN WISH FOR CLOSE CONSULTATION WITH THE UK. HE EXPECTS KOHL TO SPRING NO SURPRISES AT DUBLIN COUNCIL.

DETAIL

2. FOLLOWING YOUR MEETING WITH RUHFUS ON 26 NOVEMBER, MINISTER AND COUNSELLOR (ECONOMIC) HAD A LONG TALK TODAY WITH TRUMPF, WHO UNDERSTUDIES RUHFUS ON DOOGE COMMITTEE MATTERS. WE SAID THAT IT WOULD BE EVIDENT TO THE GERMANS, FROM MR RUFKIND'S APPROACH IN THE DOOGE COMMITTEE, THAT THE UK WAS POSITIVE ABOUT MAKING PROGRESS: THAT THOROUGH DISCUSSION OF SUBSTANCE AMONG ALL THE TEN WAS MUCH MORE IMPORTANT THAN SPEED: THAT BRITISH VIEWS WOULD BE GREATLY AFFECTED BY THE DEGREE OF PROGRESS ON CONCRETE MATTERS LIKE COMPLETING THE INTERNAL MARKET: AND THAT WE VERY MUCH HOPED THAT THE GERMANS WOULD NOT (NOT) SPRING ANY SURPRISES AT DUBLIN.

3. TRUMPF RECOGNISED THAT THE BRITISH APPROACH WAS POSITIVE. HE SAID THAT KOHL WOULD NOT (NOT) TRY AT DUBLIN TO BOUNCE THE EUROPEAN COUNCIL INTO ANY NEW DECISIONS, BUT WOULD PROBABLY WARMLY ENDORSE THE IDEA IN THE INTERIM REPORT OF AN INTERGOVERNMENTAL CONFERENCE AND SUGGEST THAT THE DOOGE COMMITTEE SHOULD CONSIDER THE MODALITIES. ASKED WHY THE GERMANS WERE IN SUCH A HURRY, TRUMPF SAID THAT THE INTERNAL POLITICAL SITUATION IN FRANCE (INCLUDING THE ATTITUDE OF THE PRESIDENT) AND THE FRG, AND THE TIME THAT REMAINED BEFORE ENLARGEMENT, PRESENTED A WINDOW OF OPPORTUNITY THAT HAD TO BE SEIZED. THE CHANCELLOR WAS ALSO PERSONALLY IMPATIENT TO SEE PROGRESS: HE HAS DETERMINED THAT THE WESTERN ORIENTATION OF THE FRG SHOULD BE FURTHER STRENGTHENED, NOT LEAST BECAUSE VOICES MIGHT OTHERWISE BE RAISED IN PARTS OF PUBLIC OPINION FOR "DIFFERENT OPTIONS". TRUMPF RECOGNISED THAT MORE HASTE COULD MEAN LESS SPEED, AND THAT THE CONSEQUENCES OF FAILURE COULD BE GRAVE. BUT PROGRESS VIA THE INTEGRATIONIST APPROACH HAD BEEN TOO SLOW AND ANOTHER METHOD HAD TO BE TRIED. SPAIN AND PORTUGAL WOULD NEED TO BE CONSULTED. THAT COULD DELAY

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IMPLEMENTATION

IMPLEMENTATION BEYOND 1985. WE EXPRESSED SCEPTICISM ABOUT THE POINT ABOUT INTERNAL POLITICS: THE NEXT GERMAN ELECTIONS WERE NOT UNTIL 1987 AND THE PACE IN DEVELOPING EUROPE COULD HARDLY BE DETERMINED BY THE DATE OF THE ELECTIONS TO THE FRENCH NATIONAL ASSEMBLY.

4. ASKED TO DEFINE EUROPEAN UNION, TRUMPF SAID THAT THE RESULTS OF AN INTERGOVERNMENTAL CONFERENCE WOULD ONLY BE A STEP TOWARDS THIS DESTINATION: HE WAS NOT CERTAIN THAT THE WORD "UNION" WOULD BE ESSENTIAL TO THE CHANCELLOR. WHAT WAS ESSENTIAL WAS A SUBSTANTIVE AND QUALITATIVE MOVE FORWARD. A MERELY DECLARATORY ACT WOULD NOT (NOT) SUFFICE. THE FRG ATTACHED GREAT IMPORTANCE TO INCREASING THE POWERS OF THE PARLIAMENT AND TO MAJORITY VOTING. HE ACCEPTED THAT MANY OF THE THINGS THAT THE FRG WANTED WOULD REQUIRE TREATY AMENDMENT AND THAT COULD BE VERY DIFFICULT TO ACHIEVE. BUT HE THOUGHT THAT THE GREEKS AND OTHERS (BY IMPLICATION INCLUDING THE UK) COULD BE BROUGHT ALONG BY MEANS OF ECONOMIC CONCESSIONS. TRUMPF CONCEDED THAT IT WAS NOT QUITE HONEST TO MAKE FULFILMENT OF THE EXISTING TREATY DEPENDENT UPON CONCLUDING A NEW TREATY. HE COULD NOT ANSWER A QUESTION ABOUT WHAT A NEW TREATY COULD SAY ON SECURITY COOPERATION ON THE WAKE OF THE REANIMATION OF WEU.

5. TRUMPF WAS AT PAINS TO STRESS THAT THE FEDERAL CHANCELLERY AND THE AUSWAERTIGES AMT WERE DETERMINED TO MAINTAIN CLOSE CONTACT ON THIS SUBJECT WITH THE UK. OFFICIALS HAD CONSIDERED ADVISING THE FEDERAL CHANCELLOR TO SEEK A BILATERAL WITH THE PM IN DUBLIN TO TELL HER HIS THINKING ON DOOGIE COMMITTEE MATTERS. ON REFLECTION THEY HAD CONCLUDED THAT THE PRESS OF OTHER COUNCIL ISSUES WOULD GET IN THE WAY AND THAT IT WOULD NOT BE POSSIBLE TO FIND TIME TO DO JUSTICE TO THE SUBJECT. IT WOULD BE BETTER TO PLAN ON A THOROUGH DISCUSSION BETWEEN THE TWO HEADS OF GOVERNMENT AT THE ANGLO/GERMAN SUMMIT ON 18 JANUARY.

FCO PLEASE ADVANCE TO:
NO 10, CABINET OFFICE - WILLIAMSON,
FCO - PS, DEREK THOMAS, BRAITHWAITE, RENWICK, RD/ECD(1)

BULLARD

LIMITED.
ECD(1)
PS
MR. DEREK THOMAS
MR. BRAITHWAITE
MR. RENWICK

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MR. WILLIAMS CABINET OFF.

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No. 10 DOWNING STREET

-2-
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Charles Powell

cc. Bernard Ingham

EUROPEAN COUNCIL - DUBLIN

I have not been following the Dooge Report. But what is agreed at the Council, and said publicly afterwards, on the powers of the European Parliament will affect the European Democratic Group (Conservative MEPs) and their Leader, Sir Henry Plumb. As you know, Sir Henry is coming in to see the Prime Minister this coming Friday, as one of his regular meetings with her.

The purpose of this note is to say that, whatever is decided, I hope the Prime Minister will be made aware that some journalists might try to drive a wedge between the Government and the EDG.

I think questions can easily be handled by the Prime Minister saying that:

On whether there has been consultation -
"Conservative MEPs know my views just as I know theirs".

On the powers of the Parliament - "Conservative MEPs have made a major contribution to making the Parliament more effective".

I have spoken to John Houston who will be talking to the Foreign Secretary in a similar way.

S.S.

STEPHEN SHERBOURNE

30.11.84

Seen



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PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 202¹¹ / 84

Oifig an Taoisigh
29th November, 1984. Office of the Taoiseach

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister.

Dear Margaret,

I look forward to welcoming you to Dublin for the meeting of the European Council on the 3rd and 4th December. Now that the Council of Ministers have concluded their deliberations this week, I am writing to you and our other colleagues to let you know how I see the content and conduct of our meeting.

Since the European Council at Fontainebleau, considerable progress has been made in giving specific form to the decisions which were taken or confirmed there. However, work still remains to be completed in relation to these decisions.

The major outstanding issue is, of course, that of the enlargement of the Communities. The completion of the negotiations for the accession of Spain and Portugal in time to ensure their entry into the Community on 1 January, 1986 has been a paramount priority for the Irish Presidency. Important progress, of course, has been made, but these results have been marred by the inability of Member States to reach agreement amongst themselves on positions to put to the applicant States on several vitally important issues.

The Dublin Council is, therefore, faced with a very considerable challenge. The psychological impact on the applicant States of an inability to resolve now the remaining questions would be serious and could have profound political consequences. In Dublin I will be relying on your goodwill and commitment, and that of our colleagues to clear the way for agreement at the Council on the remaining issues by focussing on key points that could unblock these discussions.

I recall our agreement to have the first phase of Integrated Mediterranean Programmes in place in 1985. We should consider at our meeting next week how we might contribute to the rapid implementation of this agreement.

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Oifig an Taoisigh
Office of the Taoiseach

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It will also be important and opportune, I suggest, particularly in view of the current uncertainties, that in Dublin we have a discussion of substance on the economic and social situation in the Community. Indeed, it has been some time since the European Council has had an opportunity for such a discussion. Given the persistence of the dominant problem of unemployment, I consider it essential that, on the basis of the Commission's Annual Report, we discuss a collective effort to turn employment trends in a far more positive direction, exploiting the European dimension, and building on the significant progress made with stabilisation policies.

We have received, and can, I hope, endorse the customary draft annual report on progress towards European Union. But we will also have interim reports on the work of the two Ad Hoc Committees established pursuant to the conclusions we reached at Fontainebleau. The interim report which has been presented to me by the Chairman of the Ad Hoc Committee on Institutional Affairs has been circulated earlier this week. I envisage that we might have a discussion based on this report which reflects the views of all members of the Committee including a number of reservations, and that we might ask the Committee to submit a final report for the meeting of the European Council next March. In introducing the discussion, I will ask whether there are any further matters which members of the European Council would wish to have covered in the final report.

Under the rubric of European Political Co-operation, I feel that, to facilitate a constructive discussion, we should focus on the topics which have been recommended to us by our Foreign Ministers. These are: the Middle East, East-West relations, Central America and also Southern Africa. The problem of terrorism could also appropriately be raised.

I believe that we cannot overlook the terrible plight of the drought-stricken areas of Africa. Public opinion in the Community clearly expects us at the European Council to deal in a substantive and adequate way with what now is a major international problem and one that is going to endure for at least a further twelve months. Our discussion, I suggest, should centre on the present situation in Ethiopia and the other affected areas, the present aid contributions by the Community and the Member States, but above all, on the undoubted need for further contributions on a scale that, with what we can reasonably expect to come from other countries outside the Community, will meet - and be seen by our peoples to meet - the scale of the need as assessed for the year

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Oifig an Taoisigh
Office of the Taoiseach

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ahead. I envisage that our conclusions might also welcome the agreement to sign the Third Convention with the A.C.P. countries in Lome on 8 December.

If there are other subjects you wish to raise or have discussed, I should appreciate it if you could let me know as soon as possible, so that I can inform our colleagues.

As to the ordering of our agenda, I hope that, following the lunch offered by President Hillery for participants at the Council, we can start our work at 3.00 p.m. on 3rd December. We might perhaps start by discussing the economic and social situation and the key questions we must deal with to unblock the Enlargement negotiations. Then we might discuss I.M.P.s, and finally before we break for dinner the interim reports of the Ad Hoc Committees could be introduced, without subsequent discussion, before a recess at about 7.00 p.m.

The discussion on the further development of the Community taking into account the interim report of the Dooge Committee could take place over dinner, at which the E.P.C. topics might also be discussed.

On the following morning we might start with the African famine issue, and we should approve our draft Conclusions before lunch.

I hope that this proposed manner of proceeding will meet with your approval.

A meeting of the European Council at which the issues set out above are brought to a successful outcome would provide a firm basis upon which to re-launch the Community in 1985 and would offer great hope to the peoples of the Community, including the applicant States. It is my hope, which I am sure you share, that we can achieve such a result next week.

Best wishes

*Yours
Janet Ruffell*

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FOREIGN AFFAIRS COUNCIL : 26-28 NOVEMBER
PREPARATION FOR EUROPEAN COUNCIL

1. PRESIDENCY INDICATED THAT THE FOLLOWING SUBJECTS ARE
LIKELY TO BE DISCUSSED AT THE EUROPEAN COUNCIL IN DUBLIN:

- I) ECONOMIC SITUATION =
- II) DOOGUE COMMITTEE INTERIM REPORT =
- III) ANNUAL REPORT ON EUROPEAN UNION =
- IV) FAMINE IN AFRICA
- V) CYPRUS (POSSIBLY)
- VI) ENLARGEMENT (DEPENDING ON OUTCOME OF THIS COUNCIL)
- VIII) POLITICAL COOPERATION

2. GERMANS HAVE INDICATED THAT KOHL MAY WELL RAISE ENVIRONMENTAL
ISSUES. PANGALOS (GREECE) SAID THAT IMPS WOULD ALSO NEED TO BE
DISCUSSED IF NOT SETTLED AT THIS COUNCIL. PRESIDENCY FOOTNOTE.

3. LIST OF TOPICS MAY WELL BE REVISED AT END OF THIS COUNCIL.

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

28 November 1984

Charles Powell Esq
10 Downing Street
LONDON SW1

Dear Charles

EUROPEAN COUNCIL: MIXED CREDITS

The Chancellor thinks that it would be very helpful if the Prime Minister could find an opportunity to raise the question of mixed credits with President Mitterand in the margins of the European Council next week. In his view it is very much in the UK interest that progress should be made in the negotiations with the Americans and others at the OECD Consensus meeting from 10-12 December. At the moment, however, French intransigence is blocking agreement on even a limited EC negotiating position; and the risk of damaging US entry into the mixed credits field is a real one.

The Chancellor proposes to raise the matter first in his talks with M. Beregovoy during the Anglo-French Summit later this week. We will, of course, let you know of any relevant developments at that meeting. In the meantime I attach a brief for the Prime Minister's use.

I am copying this letter to Len Appleyard (FCO) and Richard Hatfield (Cabinet Office).

*Yours ever
David*

D L C PERETZ
Principal Private Secretary

MIXED CREDITS

POINTS TO MAKE

1. Important to agree on Commission's mandate for OECD meeting on 10-12 December.
2. Not a question of bowing to US pressure. Commission's proposals desirable in themselves.
3. Proposals deal with "transparency" only. They will make unfair competition from others, eg Japanese, more difficult. They involve no restriction on individual countries' freedom of action.
4. If it would help, could clarify Commission's mandate further, eg by making it clear that face-to-face consultations would not override an individual country's position if it did not agree to a common approach.

BACKGROUND

Mixed credits are a method of financing exports of capital goods by combining aid funds (a 25 per cent grant is typical) with commercial credits. The UK favours the multilateral phasing out of mixed credits because they are a distortion of trade and their use is provoking an escalating competition in export subsidies.

The OECD Ministerial in May agreed that prompt action should be taken to strengthen transparency and discipline in their use. Since then the French (with Italian support) have blocked proposals to this end in Community discussions. This has irritated the Americans, who cancelled the last OECD consensus meeting.

The Commission has now drafted a proposed negotiating mandate for use at the OECD meeting fixed for 10-12 December. This would:-

(1) Widen the definition of mixed credits to include all forms of soft financing, including for example the device used by the Japanese, Swedes and Austrians of 'preblending' aid with commercial loans to produce subsidised interest rates.

(2) Increase the period and threshold for the prior-notification of mixed credits to competitors. At present only offers of a grant element between 20 per cent (the minimum permissible) and 25 per cent are notified in advance and the period of notice is only 10 days.

(3) Introduce meetings between country representatives to discuss specific projects ('face-to-face consultations') with a view to agreeing a common approach.

With the exception of the French, all EC countries (now including Italy) have accepted these proposals. The French so far are only prepared to agree to item (1).

The last chance of agreeing an EC negotiating mandate on these lines is at ECOFIN on 10 December. The Commission's proposals are limited in scope: they deal only with "transparency" and do not involve restricting mixed credits (as the Americans, and we, would like) at all. Nevertheless they would at least allow negotiations in OECD to start. If there is no progress the Americans are threatening to use mixed credits on a scale which would seriously damage EC exports of capital goods. They have already started offering mixed credits in one or two cases.

