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PREM 19/1490/1

~~Part 1 of 2~~

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European Council Meeting in
Brussels 29 to 30 March 1985.

EUROPEAN POLICY

Part 1: Oct 1979

Part 20: March 1985

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PREM 19/1490

CONFIDENTIALPRIME MINISTEREUROPEAN COUNCIL: BRIEFING MEETING

The briefs are attached. I suggest that you look at the Steering Brief only tonight.

You have already gone over with the Foreign Secretary and Michael Butler, enlargement, your initiative on unemployment, and own resources.

I suggest that at this meeting you focus on:

(i) IMPs (Brief 4) The Brief shows that there are ambiguities, probably deliberate ones, in the Commission proposal. We need to sort out very carefully what is and is not additional expenditure: if it is, how much; whether we can agree to additional Community loans to the Mediterranean; and how far we are ready to go to get a settlement (we have already put to the Germans the proposition that we should stick closely together at the Council).

(ii) DOOGE COMMITTEE (Brief 6) This is mainly a matter of procedure: how best to bring the Dooge Committee itself to an end and substitute bilateral contacts between governments? How to avoid any commitment to an eventual Inter-Governmental Conference? How to handle President Mitterrand's 'surprise' initiative if he takes it? Mr. Rifkind should advise.

Under the same heading, you might ask David Williamson to mention any problems which may arise on the Committee on a People's Europe.

(iii) STRENGTHENING THE COMMUNITY'S TECHNOLOGICAL BASE. The Commission have circulated a paper on this (see Brief No. 8). While generally acceptable, it contains some traps:

*Make a list of
steep brief. Complete
↑ report
market*

(i) the Commission seeks a commitment to increasing R & D spending from 3 per cent to 6 per cent of the Community Budget;

(ii) they are also looking to an early commitment to RACE (Research into Advanced Communications in Europe) - though their paper says very little about it.

You will want to invite the Trade and Industry Secretary and the Chancellor to advise on how far we can go along with Commission proposals at this stage.

(iv) ENVIRONMENTAL ISSUES (Brief No. 9).

✓ Chancellor Kohl wants a discussion of these and again there is a Commission paper to serve as background. No decisions are required, though we shall need to keep a weather eye open for German attempts to get conclusions slanted towards their preoccupations.

(v) POLITICAL ISSUES. The FCO are working on a draft statement on the Middle East, which will be shown to you before being circulated to other member States. They are also planning to propose a brief and helpful statement on Mozambique.

We are warned that a letter from Craxi about the European Council is imminent and contains a new proposal about Famine in Africa. If it arrives tonight, you will need to consider it at the briefing meeting.

| We have allowed for another briefing meeting when you arrive in Brussels on Friday morning (1130-1245).

C.D.P

26 March 1985

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1

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

INDEX OF BRIEFS

EHG(B) (85)

1. Index (Revise)

Community Briefs

2. Steering Brief

3. Enlargement

4. Integrated Mediterranean Programmes (IMPs)

5. Budget Issues

6. Development of Community/Dooge Committee/
People's Europe

7. Economic and Social Situation

8. Strengthening the Technological Base
of the Community

9. Environmental Issues

10. CAP

11. Mediterranean Policy

12. New GATT Round (Revise)

12 (a) EC/US Steel (Addendum)

Political Cooperation Briefs

13. Steering Brief (Revise)

14. a) Middle East (Arab/Israel, Iran/Iraq,
Lebanon)

b) East-West Relations

c) Central Africa

d) Mozambique

e) South Africa (Addendum)

f) South America (Addendum)

Additional Brief

15. Famine in Africa (Steering/Background Brief)

FOREIGN AND COMMONWEALTH OFFICE

28 MARCH 1985

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26 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

STEERING BRIEF

Brief by Foreign and Commonwealth Office

INTRODUCTION

We hope that the outstanding issues in the enlargement negotiations will have been resolved at the Foreign Affairs Council on 28 March. The text of the Own Resources Decision is also substantively agreed. Both the conclusion of the enlargement negotiations and the timing of the entry into force of new own resources have been linked by the Greeks to Integrated Mediterranean Programmes. Discussion of IMPs is therefore likely to be the main substantive issue at the European Council.

Integrated Mediterranean Programmes (IMPs)

Discussion will focus on the revised Commission proposal on IMPs. The Greeks regard the proposal as

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inadequate and Papandreou may not be ready to settle in advance of the Greek elections. Other Member States will be concerned to get this issue resolved if possible because of the problems for enlargement/own resources if the Greek linkage is maintained. There will therefore be a general disposition to accept the Commission's revised proposals. The Irish and the Belgians will be concerned, however, about any general tilting of the Structural Funds towards the Mediterranean. The Germans, who will be paying five times as much as we shall of any additional sums agreed for IMPs, will join us in resisting the Commission proposal for 2 billion ecu extra expenditure.

If Papandreou refuses to settle we shall wish to try to get the Greek reserve on enlargement shifted to cover signature or ratification so that the negotiations can be completed. We shall wish to get the Greeks to lift their reserve on the Own Resources Decision, which Greece needs as much, if not more, than other Member States. In the event of continued Greek blockage we should need to look, with others, for ways of putting real pressure on Greece, eg, by getting the Commission to delay disbursements to Greece.

Future of the Community

The Council is likely to have a preliminary discussion of the report of the Dooge Committee and to take note of the report of the People's Europe Committee. Unless President Mitterrand launches his promised "surprise initiative", (probably majority voting; a slight increase in powers for the European Parliament; and formalisation of the European Council) the discussion is likely to focus on follow-up to the Dooge Committee report, particularly whether there should be an inter-governmental conference. The Italians may try to keep the Dooge Committee in being. We should aim to ensure that follow-up to the Dooge Committee report takes the form of contacts between governments with a view to decisions being taken at the June European Council.

UK Initiative on Unemployment/Deregulation

This is covered in the paragraphs on the Economic and Social Situation. A possible text for inclusion in the European Council conclusions is attached. This has been discussed with the Council Secretariat.

Commission Paper on Strengthening the Technological
Base of the Community

The Commission have tabled a paper containing proposals for strengthening the Community's technological base. We can agree with most of the paper (which stresses the importance of completing the internal market; the role of SMEs and the importance of R and D). But it contains some equivocal wording on protectionism. Nor can we accept the Commission's specific proposal that 6% of the EC budget should be diverted to R and D and may wish to suggest that there should be a review of the effectiveness of existing spending before we consider further expansion. We shall wish to avoid any commitment to the proposed Community programme on telecommunications which as yet is inadequately defined and in particular, to reserve our position on any Community funding of it given the healthy financial state of the industry.

Commission Paper on a Europe-wide Environment Policy.

Chancellor Kohl has said that he looks forward to a debate at the European Council on environment issues. The European Council agreed at Dublin to devote part of

this session to this issue. The Commission has tabled a paper calling for:

i) protection of the environment to be treated as an integral part of economic and social policy.

ii) coherent action on the environment within the Community framework.

iii) designation of 1987 European Year of the Environment.

The Commission paper is broadly acceptable though it takes no account of the improvements in pollution control already achieved, to which we shall wish to draw attention.

Political Cooperation

A separate steering brief has been provided (Brief No 13)

OBJECTIVES

1. ENLARGEMENT

- To resolve any issues outstanding from the Foreign Affairs Council on 28 March so that the 1 January 1986 target can be met.

2. IMPS

- If possible to remove the Greek block on enlargement by agreement on IMPS on the basis of:

(a) a final figure for IMPS as low as possible and taking account of the Greek benefits from the structural funds, including FEOGA guidance.

(b) Greece getting the lion's share of money from IMPS;

(c) IMPS forming the definitive response to the Greek Memorandum.

[If no agreement possible]

- To hold the Germans to a common position.

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- To ensure that the new Own Resources Decision and completion of the enlargement negotiations are not held up, and that Papandreou is isolated.

3. BUDGET ISSUES

- To get the Greek reserve on the text of the new Own Resources Decision lifted.

- To ensure that the new Own Resources Decision goes ahead as currently drafted, ie with provision for our 1000 mecu abatement as soon as all ratifications of the Own Resources Decision have taken place.

4. FUTURE OF THE COMMUNITY

- To secure agreement that follow-up to the work of the Dooge Committee should take the form of consultations between governments leading to a substantive discussion and decisions at the June European Council.
- To avoid any further remit to the Dooge Committee itself.

- To approve the recommendations of the first report of the People's Europe Committee, in particular progress towards completion of the internal market, but not to accept any commitments to tax harmonisation.

5. UK INITIATIVE

- To get the European Council to support our initiative on wealth creation, employment and deregulation and to adopt our draft conclusions.

- To secure continuing commitment by the Community to prudent counter-inflation policies and promotion of freer markets.

6. COMMISSION PAPER ON STRENGTHENING THE TECHNOLOGICAL BASE OF THE COMMUNITY

- To welcome the paper's emphasis on completion of the internal market, the role of SMEs and the importance of R&D.

- To avoid any implication of endorsing protectionism.

- To make clear that there should be a review of the contribution which R&D has made to improving industrial competitiveness before the Community considers any further expansion of R&D programmes.

7. ENVIRONMENT

- to note the considerable progress made, eg on vehicle emissions.
- to agree guidelines for Community environmental policy that take account of cost-effectiveness and the varying nature of problems both in Member States and in the wider international context.

8. CAP

- To avoid conclusions which lead to a price fixing more generous than the Commission has proposed.
- On cereals, to ensure that the principle of guarantee thresholds is implemented and to resist pressure from the Germans to weaken the Commission's proposals for a 3.6% price reduction.

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- To point out that the price fixing is an important test of the European Council's conclusions on control of EC spending and an integral part of the Fontainebleau agreement.

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ARGUMENTS

1. INTEGRATED MEDITERRANEAN PROGRAMMES (IMPS)

General

- Welcome Commission's recognition of the need for a reappraisal.

- New proposals an improvement. Hope we can now settle this issue.

- Brussels European Council conclusions stated that IMPS would be:
 - launched as a coordination of activities in 1985;
 - operational in 1985;
 - of limited duration;
 - designed to prepare southern regions for enlargement; and to respond to Greek Memorandum;
 - financed through increases in the resources of the existing funds within the limits of financing possibilities.

- Against this background, should aim to implement IMPS in 1985. They should form completion of the

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Community's positive response to the Greek Memorandum.

- The main effort under IMPs should be directed towards Greece.

Financial Envelope

- Brussels European Council conclusions said that total cost of IMPs was to be "within the limit of financing possibilities".
- Brussels conclusions also stated that "the financial resources allocated to aid from the funds, having regard to IMPs, will be significantly increased in real terms within the limits of financing possibilities".
- Agreement on Regional and Social Fund, and recent agreement on FEOGA Guidance, are in line with that decision.
- Need clarification of Commission proposal that 2.5 becu from the Structural Fund would be directed to the Mediterranean over 7 years. If this means that all of the projected increase in spending under the Structural Funds will go to the Mediterranean regions then this is contrary to the intention of the European Council. If it means that financial support on this scale can be

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provided for integrated programmes from within the
total sums available within the Structural Funds then
we could agree. Need to be clear.

- The Community must maintain a unified regional
policy. Cannot establish what would effectively be a
separate structural fund for the Mediterranean.
- Mediterranean regions already have high priority in
the structural funds.
- Other areas also have special needs.

Duration

- Agreed IMPs should be "of limited duration".
- Strong preference for IMPs to last five years. [?]

Loans

- Mediterranean countries can expect to be major
beneficiaries from EIB resources over the next five
years.
- On Commission proposal for a further 2.5 becu of EIB
lending, could this be done without adversely affecting

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the balance of lending policy within the EIB?

- Would also need to know how money would be raised and what credit terms would be agreed.

Their Objectives

Greece:

Either: to secure a demonstrable success in terms of significant additional sums for Greece, in the run up to the Greek elections.

Or:

to adopt a defiant line, if necessary in isolation, in demanding large extra sums for Greece.

Italy and France:

To keep open the possibility of qualifying for IMPs in order to be able to fulfil political commitments to their farmers.

Germany, Netherlands, Denmark:

To keep down level of
additional money for IMPs
(though Dutch will be
prepared to pay to unblock
enlargement).

Belgium, Ireland:

To protect their structural
fund receipts by ensuring
all the finance for IMPs is
additional.

Our Response

- Willing to look at special package of measures for
Greece.

- Can agree:

(a) to ensure that IMPs are broadly directed
towards special needs of Greece, to which the
main effort should be directed;

(b) to ensure that use of the amounts available to
the Mediterranean regions through the increased
resources of the Regional and Social funds, should
be through coordinated and fully integrated
programmes.

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(c) to consider the role of Community lending facilities;

(d) some additional funding as agreed by the European Council;

- When combined with Greek receipts under the structural funds, a package on these lines could bring up to at least 3500 mecu the value of the agreed commitments for Greece over the next five years. Any further help for Greece from within FEOGA Guidance could take the total to nearer 4000 mecu. Such additional help would need to be properly costed and taken into account in any overall settlement.

Italy and France

- Main need is in Greece. Other very needy regions can qualify. But other Mediterranean countries could finance their IMPs from existing structural funds.

[If necessary]

- Regret inability to be able to reach agreement on IMPs given effort made by majority of Member States. Cannot allow this to hold up enlargement or own resources. Foreign Affairs Council will have to revert to IMPs.

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- Should be no question of delaying completion of enlargement negotiations. Greek reserve placed at last European Council has not delayed progress in the meantime. Spain and Portugal will find it intolerable if enlargement is delayed by preoccupations of one Member State. Must at least complete the process of negotiation so that delay is minimised.

- If the adoption of the Own Resources Decision is held up this will not only delay enlargement but also the availability of own resources; agreement on the '85 budget and preparation of the '86 budget.

- This will have serious consequences for the Community in general and also for Greece, including Integrated Mediterranean Programmes.

2. FUTURE OF THE COMMUNITY (DOOGE COMMITTEE)

- Committee's report shows many areas of agreement.
 - emphasis on need to create genuine internal market by the end of the decade;
 - good text on development of political cooperation;
 - sensible passages on defence and security;

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- general endorsement of UK suggestion of one Commissioner per Member State;
 - emphasis on strategic role of European Council. Should not take on role of FAC.
-
- Report reflects common desire to make Community more effective after enlargement.
-
- Time for decisions will be in June. Hope we can reach substantive agreement on what to do and announce it then.
-
- This will require contacts between member governments. Presidency should play an important role in this. May be need for Gymnich-type meeting of Foreign Ministers.
-
- [As necessary]
- Do not believe that Dooge Committee as such should carry out this work. Essentially now for member governments, with good offices of Presidency, to discuss how to take report forward.
-
- Have already indicated that premature to take decision about inter-governmental conference now.

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Contacts between governments may make it possible to take substantive decisions under Presidency in June.

Decision-taking [As necessary]

? - General agreement that in enlarged Community will need to be majority voting. ?

- Ample scope for this under the Treaties. Need to move away from practice of seeking consensus in every case, when non-vital issues involved.

- At same time must recognise political reality: no Member State prepared to be voted down when an issue of vital national importance is at stake. System must make allowance for this.

- Dooge Committee has tried to resolve decision-taking problems by institutional means. This cannot substitute for readiness to tackle the more difficult dossiers seriously, and a political will to make speedy progress.

- Some members of Dooge Committee believe majority voting should be extended to most areas where Treaty

currently requires unanimity.

- In many cases clearly not possible to change the unanimity requirement, eg:

- (a) membership of Community institutions;
- (b) seat of institutions, Community languages;
- (c) uniform electoral procedure;
- (d) own resources;
- (e) common economic policy measures.

- Should beware of embarking of a discussion in which we could end up arguing over minor points.

EMS [As necessary]

This question discussed at length by our representatives on the Committee before agreeing language in report. No need to discuss them again here. Others know our position on ERM. We keep the question under review and have concluded the time is not yet right.

European Parliament [As necessary]

- European Parliament should be encouraged to make more effective contribution to EC decision making.

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- Should make more use of its right to put forward proposals for Community action.

- There should be improvement and extension of conciliation procedure, in particular more effective consultation at earlier stages of consideration of proposals.

- Council should follow up EP resolutions with the Parliament - or explain its reasons for not doing so.

- Serious misgivings about proposal on joint decision taking:

- recipe for greater inter-institutional conflict;

- would slow down decision taking;

- greater control in external policy would go further than powers of national parliaments. What would happen if European Parliament delayed agreements to which all national parliaments had given approval?

- could not accept to give EP more responsibility over revenue. No evidence that Parliament would use it wisely;

- more power for the EP means less for the Council and national parliaments to which we are all

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answerable;

- should not upset delicate balance between institutions and Member States.

Their Objectives

- To press for early decision to convene an inter-governmental conference.

Arguments

- Agenda too crowded today to discuss report in detail now. Time needed for reflection. Issues are too important to be rushed.

- Not prepared to agree to an inter-governmental conference until we have a clearer idea of what we want to achieve. Failed or confused conference would be a major set-back.

- Case for a new Treaty not yet proven.

- [If appropriate] Treaty amendment may not be necessary. There are quicker ways of achieving what we want (ie immediate implementation of existing provisions).

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- All recognise that we have fallen well short of completing Community envisaged in the Treaties. Dooge Committee majority hope to overcome this by institutional means. Legitimate aspiration but will it work?

- Real problem is lack of political will to break down remaining barriers. Need to commit ourselves to do this on basis of firm timetable.

- Should not fall into trap of grasping at Treaty change as easier option than real progress under Treaty of Rome.

3. COMMITTEE ON PEOPLE'S EUROPE

- The report of the Committee on People's Europe contains a good number of specific recommendations on such questions as travellers' allowances, which will be welcome to ordinary people and which we should approve today.

- In broadly endorsing the report I should like to make three points. First, my representative made clear in the Committee that he supported the Committee's view

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that there should be a firm deadline for the completion of the single market for goods and services but that he could not specifically endorse the Commission's proposal for a "Europe without frontiers" by 1992. We ought to be able to complete the internal market before 1992. But we cannot have a Europe totally without frontiers (so long as we have real differences in taxation which will not be readily changed and) so long as we have to face the vital issues of drugs, terrorism and illegal immigration. We should not underrate the importance of these points for our people.

over
my
round

- Secondly, it is possible to make progress on the right for professional and other people to establish themselves in other Member States through the approach, in general, of mutual recognition of qualifications. But there will be some exceptions, as the Committee recognise, where for historical reasons training courses and diplomas differ greatly between Member States.

- Finally, I am glad that the Committee has realistically recognised a link between the right of residence and a citizen's resources, so that a citizen wishing to reside in a country other than his own does

not become a burden on the public purse in the host country. On this basis, I can welcome the Committee's report. I hope that my colleagues can do so as well.

Their Objectives

- French may argue that the report does not fly high enough; is not sufficiently radical; and that the original political impetus has been lost.
- Danes may seek to remove underlying, UK-inspired distinction in text between proposals for controls on people at land frontiers and those on people at sea and air ports.

Our Response

- Second report will contain more proposals (eg on youth exchanges) which may be wider-ranging. But real value in these practical measures which we can all agree to act on quickly.
- Sea and air ports different from land frontiers because of high proportion of travellers from third countries.
- (If pressed) UK cannot accept radical relaxation of controls at sea and air ports because UK immigration

rules rely on external frontier controls not internal measures.

4. ECONOMIC AND SOCIAL SITUATION

Arguments to Use

- Lack of progress towards reducing European unemployment reflects entrenched structural problems.
To create new jobs we must have fewer rigidities and more competition especially in labour markets.
- Contrast with flexible US labour market where over 7 million jobs created since end 1982, two thirds of them in firms employing under 50 people.
- Increased role of public sector inevitably crowds out private sector activity.
- Community governments have major responsibility to create open, market based climate.
- Without firm counter-inflationary commitment, inflation likely to accelerate as in previous cycles and undermine efforts and progress so far.

Regulation

- Nos. in 1982

- Savings

V.A.T. - threshold membership low

- There has probably never been a time when Community Governments closer both in objectives and means of achieving them.

- Reducing unemployment, creating wealth and promoting enterprise major elements in all our policies.

- Believe we should build on excellent report agreed at Dublin by expressing our common determination to take measures in these areas and by encouraging Council and Commission to play their part in backing up and facilitating national measures. This would show Community as a whole tackling issue of unemployment and demonstrate to our people that we were adopting policies that supported and reinforced each other.

Their Objectives

- Commission may resist new initiative being wrested from them.

- Commission will seek agreement to greater dialogue with social partners; and

- Commitment to step up public investment in infrastructure projects.

- Pressure on UK and particularly Germany for shift to expansionary fiscal stance.

- Commission may seek greater Community (and therefore Commission) involvement in international financial/monetary discussions because of link with trade issues.

Our Response.

- UK initiative based on existing policies in Annual Economic Report. Consistent with approach set out in useful Dutch paper produced after Dublin European Council.

- See use in social dialogue if it emphasised respective roles. Useful to influence expectations, but could not accept commitment to formal incomes policy for UK.

- Infrastructure investment only benefits economy when justified on rates of return. No backlog of profitable public sector projects in UK.

- Fiscal discipline, within medium term framework,

EUROPEAN COUNCIL CONCLUSIONS: BRUSSELS 29/30 MARCH 1985The creation of wealth and employment in the Community

1. The European Council agreed that the Community must mobilise its efforts to create more wealth and more jobs. It agreed that the Community and individual member states needed to pursue policies that reinforced each other if they were to create the conditions necessary for sustained non-inflationary growth and tackle the problem of unemployment. In accordance with the economic policy guidelines endorsed by the European Council at Dublin in December 1984, this would require action to create the right macro-economic climate, by maintaining firm fiscal and monetary policies, and to promote a liberal and competitive internal market as envisaged in the Treaty of Rome. It would also require supportive measures in specific areas, in particular through the following:

- a. measures to stimulate enterprise and competition
- by reducing the administrative and legislative burdens on businesses;
 - by establishing conditions conducive to the creation and expansion of small and medium-sized enterprises;
 - by increasing competition, particularly in the service sector and in the professions;
 - by increasing the opportunities for private businesses to supply goods and services to the public sector;
 - by firm control of, and wherever possible reduction in, state aids, and by focussing them on the promotion of competitiveness.
- b. measures to create jobs
- by removing obstacles to the mobility of labour;
 - by removing or amending legislation which unnecessarily holds back job creation;

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- by extending and improving the training given to young people and adults;
- by encouraging moderation in the growth of wages and other labour costs;
- by taking steps to ensure that the social protection available to the unemployed does not act as a disincentive to their seeking work.

2. In this context the European Council expressed concern about the existing burden on businesses in terms of direct cost and management time of conforming to national and Community regulation, especially for small and medium-sized enterprises. In order that complementary action might be taken at both national and Community level to reduce the burden, the European Council invited the Commission to consider and report to the next European Council on the burden imposed on businesses by existing Community legislation, and ways to reduce it.

3. The European Council also urged the Commission and the Council to consider proposed Community legislation in the light of its impact on the creation of wealth and productive employment. The impact on business costs, including management time, of new proposals should be identified. The Council should avoid imposing additional burdens on business or increasing rigidities in the labour market except where the expected benefit would clearly outweigh the cost to employment and efficiency - and only after studying alternative measures to the same end.

Cabinet Office

21 March 1985

lowers inflation and creates room for manoeuvre.

Prudent budgetary policies in German allowing scope for tax cuts. Hope others will do likewise. Experience suggests expansionary policies not long term solution.

- See no need for Community to have single positions in international financial discussions (IMF etc.)
Accept their work relevant to trade, but decisions on trade are taken elsewhere, ie in GATT.

5. COMMISSION PAPER ON STRENGTHENING THE TECHNOLOGICAL BASE AND COMPETITIVENESS OF THE COMMUNITY

Arguments

- Stimulating Commission paper. Many important proposals, especially emphasis on:
 - completing internal market;
 - greater links between universities and industry including setting up industrial/academic Centres of Excellence.

- Long argued the need to direct Community activity towards completion of internal market and improving technological and thereby economic base of Community.

Commission paper recognises important role of SME's and greater R & D activity.

- Strategic thrust is right but Commission must concentrate on setting the right climate for new technologies to emerge.

- Not Commission's job to stimulate demand for specific technologies.

- Agree that R & D expenditure should be aimed at strengthening technological base; need to be sure it actually does so.

- Over 3 billion ecu spent on Community R & D since UK joined. Research Council agreed new programme of 1225 mecu in December. Before considering further expansion should have review of past and present spending to show what contribution this has made to improving industrial competitiveness compared with comparable national programmes.

Others' Objectives

- Commission, supported by some other Member States, will seek to secure European Council commitments to

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increasing R & D spending to 6% of the Community budget (which is currently less than 3%) and to include telecommunications as a major area of Community of R & D activity.

- Germans, and possibly the French, will share our reservations about a sharp increase in the R & D budget.

Our Response

- Proposal should first be considered by Research Council on basis of suggested review of past and present expenditure. Cannot support idea without evidence of effectiveness.

- Have accepted commitment to gradual increase in proportion of Community budget spent on research and Research Council has adopted new programmes. Should not go beyond at this stage while effectiveness not yet tested and while Community budget tightly constrained.

Telecommunications

- Achieving EC market in telecommunications highly desirable objective.

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- First priority must be to liberalise market by opening up public procurement to competition.

- Increased R & D effort desirable but industry should be encouraged to find funds to finance this. Already evidence of possibilities in recent collaboration by major telecommunications companies.

[If necessary]

- Not persuaded of need for Community contribution.

6. ENVIRONMENT

Arguments

- Commission communication rightly stresses importance of subject and need for action. Major improvements have already been achieved or are in hand.

- In UK rivers are cleaner, urban air healthier. Much due to domestic measures but Community policy also important.

- Successful conclusion of UK initiative on unleaded petrol an important step. So, too, the recent agreement

in principle on vehicle emissions. Negotiations on both have shown importance of balancing need for action on environmental ground with choice of the most cost-effective measures and ensuring compatibility with other Community policies.

- Environmental considerations should be a basic element in economic decision taking, both nationally and in Europe. The environment is receiving greater attention in other areas, industry, energy and - particularly encouraging - agriculture. Community can give lead in this process of integration, and Commission's suggestions are welcomed on this point.

- With increased attention to cross-sectoral problems UK concept of best practicable environmental option offers basis for future Community policy. Not sensible to take action in one area (eg water) if knock-on effect increases pollution elsewhere (eg on land or air).

Their Objectives

Commission: to secure Council endorsement of three guidelines for Community environmental policy:

- (a) integration of environmental protection within other policies;

- (b) the need for coherent action within the Community framework;
- (c) designating 1987 European Year of the Environment.

Germany, along with Denmark and Benelux, likely to endorse uncritically.

France and possibly Italy may support UK in advocating a more balanced presentation.

Our Response

Integration of environment and other policies

- Agree this should be political aim, in Community and capitals.

- Good start made by Agriculture Council agreement to UK initiative on conservation measures within CAP, aimed at protecting rural wildlife and preserving the landscape.

- Negotiations on vehicle emissions also encouraging in balancing environmental policy and needs of internal market.

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- Commission statement that active environmental policy "can help economic growth and job creation". May increase jobs but only marginally without major public expenditure. Over-stringent controls can hinder economic growth and decrease jobs.

Future Actions

- Where need for Community action clearly established agree it should not be piece-meal. Go for best practicable environmental option. Should be realistic in estimating likely effectiveness of proposals.

European Year of the Environment

- Need to avoid this becoming a gimmick but could support if others enthusiastic. Opportunity to evaluate success of first three environmental action programmes. Should not be occasion for ill thought out action.

Air Pollution

- Much action already taken. UK total emission of SO₂ down by 40% since 1970 and 20% since 1980. Draft directive for large combustion plants too expensive (£150m per power station - £2 billion total) and success uncertain. 30% Club commitment in ECE also unacceptable but we aim to reduce SO₂ and NO_x emissions by 30% by the

end of the 1990s. Community is moving away from arbitrary targets for vehicles emissions. This should offer useful lesson for other air pollution proposals.

Marine Pollution

- Existing international agreements adequate. Mediterranean a special case but fully catered for by Barcelona Convention. No need for new EC initiative. Main problem caused by discharges from rivers and estuaries. Half the total pollution of North Sea comes from the Rhine and Meuse. UK will host conference in 1986-87 as follow up to North Sea Conference held at Bremen in November 1984.

Dangerous Chemicals

- Community has already taken precautionary action ("Seveso" Directive). Important to use our experience in work with other international bodies, eg UNEP, OECD.

Agriculture

- Agree that modern farming can cause damage. UK initiative on conservation step in right direction.

Developing Countries

- Essential to work together (and within OECD and UNEP)

to help developing countries. Environmental consequences must be prime consideration in bilateral and multilateral aid.

8. CAP

Arguments

- Should leave Council of Ministers to agree 1985 price fixing on the basis of Commission's proposals and consistent with financial guideline for agriculture.

Their Objectives

- Other Member States may raise the subject in an attempt to encourage the Commission to amend their proposals to make them less stringent.

Our Response

- The Commission have their own responsibilities for ensuring the viability of Community policies. We should do nothing to undermine their resolve.

- Unpicking of Commission proposals would be inconsistent with conclusions of EC Heads of Government on control of EC spending.

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- If any danger of such inconsistency, joint council with Finance Ministers would need to be convened, in accordance with agreed arrangements.

FOREIGN AND COMMONWEALTH OFFICE

26 MARCH 1985

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EHG(B) (85)2 Addendum 1

COPY NO

27 March 1985

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EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

The attached letter from the President of the Council
should be added to the Steering Brief as Annex B.

FOREIGN AND COMMONWEALTH OFFICE

27 MARCH 1985

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Brief 2
Annex B

TEXT OF THE LETTER FROM THE PRESIDENT OF THE COUNCIL TO THE HEADS OF STATE AND GOVERNMENT OF THE TEN FOR THE EUROPEAN COUNCIL IN BRUSSELS, AND TO THE PRESIDENT OF THE COMMISSION, DATED 26 MARCH 1985

Our proceedings on 29 and 30 March could be a milestone in the direct process of giving substance to the relaunching of the European Community.

In order to attain this objective, the correctness of which we are all convinced and towards which we are therefore all working steadfastly, I feel we must, before the European Council starts, endeavour to identify the points outstanding in the enlargement negotiations to include Spain and Portugal.

Last week our Foreign Ministers and those of the applicant countries made significant progress in bringing our respective positions considerably closer together. The greater part of the distance between us and the conclusion of the enlargement negotiations has thus been covered. I am confident that the special meeting of the General Affairs Council on Thursday will enable solutions to be found to the remaining problems, so that the dates set for the entry of Spain and Portugal to the European Community can be adhered to.

Even if the enlargement chapter is concluded before the European Council - and there is every indication that it will be - a solution for the Integrated Mediterranean Programmes that is acceptable to all sides will still have to be found. I believe that the latest Commission proposals offer a constructive basis for discussion leading to agreement, that I hope will be reached at the meeting of the General Affairs Council. However, if our final approval of the programmes should be required, I think we should deal with the matter at the beginning of our meeting and then, as soon as possible, deal with the subjects of Community development and integration.

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In this context we must pay special attention to the problem of European growth and employment, especially among young people. It would be useful to extend the discussion to factors influencing a balanced recovery. Among those factors I would include the movements of the currency markets.

Similarly, we must take a hard look at new technologies and their manifold implications for development prospects. These are subjects we discussed initially in Dublin and on which the Commission of the European Communities has drawn up proposals. Without wishing to enter into detail, I feel it is important to emphasize both the objective of the single market, to be achieved in stages by 1992, and the need to take a serious look at the competitiveness of our economies.

The effort that other economic partners are making, and I am referring in particular to the United States, should inspire us to reflect upon the inadequacies of present current attempts, not only Community-wide but also in the Member States themselves. The example set on the other side of the Atlantic should spur us on to more appropriate solutions because on the threshold of the year 2000, our continent's technological gap is gradually disappearing and we shall eventually be on a footing with the large industrialised areas.

We must also address ourselves to environmental problems, on which we have agreed there should be a thorough discussion. The documentation that the Commission has prepared on this issue will be particularly useful to us.

In the course of our discussions, we will examine the interim report on the problems of the Citizen's Europe, prepared by the Committee chaired by Mr Adonnino and the final report on institutional problems drawn up by the Committee chaired by Senator Dooge.

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With regard to institutional problems, our discussion must concentrate on the extension of the Community method to sectors not at present covered by the Treaties of Paris and Rome, on the extension of the use of the majority vote in council decisions and on strengthening the powers of the European Parliament.

Possibly all or any of these three points will require further discussion, should that be so, we will have to decide whether to continue using the Dooge Committee, and if so, how. What however seems vital to me is that we must rise above general considerations in our discussion on Friday and Saturday, in order to enable the current Presidency to make adequate preparation for the work of the European Council in Milan on the basis of the guidelines that emerge in Brussels.

The scope and sometimes the urgency of the problems of our time lead us to seek an increasingly visible European presence in the world. I am thinking in particular of the tragedy of the drought in Africa affecting an area in which thirty million people live, and bringing disasters of biblical proportions. I should like, for my part, to refer to the results of the venture we undertook at the European Council in Dublin which was set in train by the Toiseach, Dr Garret Fitzgerald, my predecessor.

As regards current international issues, I think our discussion should concern:

(a) progress in the Geneva talks, which are dealing with problems of particular importance for Europe and, more generally, the prospects opened up in East/West relations with the appointment of the new General Secretary of the Communist Party of the Soviet Union. I feel it would be a good idea for the Ten to reaffirm their intention to step up opportunities for talks with the Eastern bloc countries and to play as active a role as possible in the proceedings of the other major international disarmament bodies.

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(b) the Middle East. In the framework of the principles on which the action of the European Community and the Member States is based, laid down in the Venice Declaration, the present phase of action represented by the agreement between Jordan and the Palestinians, is worthy of special attention. It is in Europe's interest to encourage this development in concrete terms, and it is in keeping with the efforts made over the years to extend the area of consensus and bring peace to this agonised region.

(c) the deterioration in the situation in Lebanon.

(d) the worsening of the Iran/Iraq conflict, which has recently focused the attention of governments and world public opinion on this senseless war.

(e) the situation in South America, characterized by the return to democracy in Argentina, Brazil and Uruguay. However, the continuing state of emergency in Chile and persistent refusal of the Chilean government to negotiate with the political forces on the return of the country to democracy give us all cause for serious concern and are factors that could accentuate existing tensions if a radical change of direction is not effected very soon.

(f) the current scope for developing the dialogue between the Ten, Spain and Portugal and Central America, based on the Contadora draft relating to the pledge we made last September at the meeting in San Jose.

This presentation of topics for discussion in Brussels is simply by way of example. I think the luncheon with which we shall begin our proceedings will provide an opportunity to finalize the details of procedure and decide the order in which we shall take the individual topics. But herewith I would suggest that current international topics should be discussed by the Foreign Affairs

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Ministers, to whom we can properly give the task of preparing the broad lines of the positions which, once we have approved them, will be made public during and after the European Council's proceedings.

Regards,

Bertino Craxi

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EHG(B) (85) 3

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25 MARCH 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

ENLARGEMENT

Background Brief by Foreign and Commonwealth Office

References/Annexes: None

1. The specially extended Foreign Affairs Council of 17/20 March made considerable progress in narrowing the ground between the Community and Spain and Portugal on a major package comprising Agriculture, Fisheries and Social Affairs, a tribute to the determination and skills of Andreotti. Agreement foundered principally on French difficulties - a question of political presentation rather than actual substantive problems - on fisheries and wine. A special Foreign Affairs Council will be held on Thursday 28 March to seek to resolve the outstanding issues.

2. The Spaniards are seriously negotiating and have made major concessions, particularly on fisheries.

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Everybody is determined to conclude the negotiations as soon as possible and most are prepared to show some flexibility to achieve this. The Spaniards and most member states believe a determined push on 28 March should bring about agreement.

3. There remains a question mark over French intentions. President Mitterrand has apparently instructed his Ministers to conclude the negotiations by the end of March. On this basis, it seems most likely that the French will fight their corner very hard on 28 March and seek to extract the last few necessary political concessions from the Spaniards (eg on wine) or from other member states (see para 5 below). Given the complexity of the outstanding points, which few would wish to remit to the European Council, it seems most probable that agreement will be finally reached during the course of the night/early hours of 28/29 March. There must, however, remain the possibility that the French will argue that they are being asked to bear all the costs of enlargement and insist on some general discussion at the European Council.

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Outstanding points

4. The following points were left unresolved following the 17/20 March Foreign Affairs Council:

5. Fisheries:

- Duration of Irish Box. 10 years agreed: Irish want progressive phasing out thereafter, Spaniards want immediate access after 10 years. Problem between Ireland and Spain, but Irish will not block agreement on the point. Likely outcome 10 years in context of a an agreed package.
- Number of Spanish vessels on base list. Spaniards want 350, (240 on periodic list). French argue for 250 (and 130 on periodic list) rest of EC can accept 329 (150): problem between France and Spain. French argue that large number of vessels on base list will enable Spaniards to cheat. Spaniards point out (i.e. Gonzalez/Prime Minister) that present fleet in EC waters is 329 vessels reduced from 650 in 1978. vessels. Likely outcome is move in French direction.
- Allocation of the additional 4,500 tonne hake quota between fishing areas VIII (Bay of Biscay) and V-VII (Northern waters). French argued for 500-4,000 tonnes breakdown, we argue for 1,500-3,000. French maintain that they must be able to show to their fishermen that

some Spanish vessels have been transferred from waters adjacent to French fishing grounds to North.

6. Agriculture

- French argue that level set for obligatory distillation of table wines in Spain should be 25 million hectolitres: Spaniards say that reference period chosen was worst drought in Spanish history: Presidency propose 28 million hectolitres: likely outcome will be some satisfaction to French.
- French also have problems on dismantling EC reference price protection against Spain for fruit and vegetables; terms very tough for Spain and French unlikely to allow any alleviation.
- Spaniards continue to reject indefinite derogation for British sherry although they accept 7 years derogation during which term can be phased out. UK and Spanish officials will be looking for solution.

FOREIGN AND COMMONWEALTH OFFICE

25 March 1985

26 MARCH 1985

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Recd. for high % of Regional Fund. (Pam.)
 EUROPEAN COUNCIL, BRUSSELS
C.A.P. 2502 on Tech Products. F.E.O.A.G.A.
 29/30 MARCH 1985
Must be taken to on Direct Ag from Structural Funds.

INTEGRATED MEDITERRANEAN PROGRAMMES

Brief by Foreign and Commonwealth Office

Can't in addition till these funds still further to Mediterranean. i.e. continue that 3

- Reference: A: Commission's proposals for IMPs *fund will*
 B: March 1984 European Council Conclusions

1. The main features of the Commission's proposals for IMPs are:

2 per cent - normally (EU raised in last year)
 Greece - £3.2 billion over next five years.

- provision for additional funding of 2 billion ecu over 7 years in a separate budget line;

- additional EIB loans to Mediterranean regions totalling a possible 2.5 becu over 7 years;

- greater concentration of the existing structural funds on Mediterranean regions, though M. Delors had said there will be no distortion in the operation of the Structural Funds.

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- IMPs money would not be divided according to fixed percentages between the three beneficiary states (Italy, Greece and France) but would be called on to supplement existing sources of finance, eg by increasing rates of grant from the regional fund or providing soft credit for EIB loans.

- The Commission would be responsible for administering IMPs without detailed control by the Council of Ministers.

2. The Commission have indicated that their new proposal could involve as much as 6.8 becu spending on IMPs although only part of this would be in the form of additional grants. We understand that this total is made up as follows:

becu

- 2.0 new money from latest proposal
- 2.5 new EIB loans
- 0.9 already identified by Commission from within FEOGA Guidance ceiling
- 1.1 envisaged from within Social (50-60 mecu per annum) and Regional Funds (100 mecu per annum)
- 0.36 from FEOGA Guidance in 6th and 7th year.

Position of other Member States

3. The reaction of other Member States to the new proposal, has been as follows:-

(a) Greece has expressed willingness to negotiate on the new proposals but is still aiming to receive the 2.5 becu (38% of 6.6 becu) "promised" for Greece in the original proposal.

(b) Italy is concerned that the new proposal would cut her IMPs benefits disproportionately.

(c) France considers a figure of the order of 2 becu additional funding will be necessary but sympathises with our view that the existing funds should not be tilted to the Mediterranean. The French also agree that the major share of IMPs should go to Greece; and are live to the dangers of Spain and Portugal seeking to qualify.

(d) The Dutch broadly support the proposals and can no longer be considered as an ally on IMPs.

(e) Germany and Denmark have expressed reservations over the scale of the latest proposals and stressed

the need to concentrate IMPs on responding to the Greek Memorandum. Subsidized loans also causes difficulties for the Germans, though they are less exercised about the proposed tilting of the structural funds.

(f) Ireland and Belgium can support the bulk of the commission's proposals but are opposed to any reweighting of the structural funds in favour of Mediterranean.

Structural Funds

4. The Commission are suggesting that 2.5 becu for IMPs could be found from within the expected growth of the Structural Funds in real terms. The Commission argue that this is in line with the European Council conclusions that: "the financial resources allocated to aid from the Funds, having regard to the IMPs, will be significantly increased in real terms". We need to clarify the Commission's intentions. If all of the expected increase in real terms under the Regional and Social Fund were devoted to IMPs, the share in the Funds enjoyed by other Member States would diminish (see below). Greece has a rather narrow quota range and can expect to be at the top of it. The problem

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would arise if France and Italy were to move up their quota ranges since this would force everyone else on to their minimum share.

FEOGA Guidance

5. There may be greater scope within FEOGA Guidance. ECOFIN agreed on 11 March on a financial framework for FEOGA Guidance of 5.25 becu, excluding new IMPs money, for the five year period 1985-89. This represents a real terms increase of around 6% compared with the 1980-84 figure of 3.755 becu. The Commission had identified a possible 900 mecu within their original proposal (5.7 becu) that could go towards IMPs, as part of the weighting of the funds towards the Mediterranean. On a pro-rata basis, the Commission are still likely to identify 700-800 mecu for IMPs from within the new figure for FEOGA Guidance. The money would be on two lines: appropriations for specific regional measures and measures for processing and marketing. If all of the 700 or 800 mecu involved were earmarked for the Mediterranean, there would be a loss to the UK of between 100-120 mecu of anticipated receipts. But there could be considerable scope for finding money for Greece within FEOGA Guidance from the 800 mecu identified by the Commission.

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Regional and Social Funds

6. The Commission estimate that the weighting of the Regional and Social Funds in favour of the Mediterranean region could provide a further 1.1 becu spending on IMPs. This would involve 50-60 mecu per year from the Social Fund which would lead to a small cut in UK receipts; and about 100 mecu per year from the Regional Fund through the Commission ensuring that Greece and Italy got substantially more than their minimum quota.

7. The ERDF quota ranges are as follows:

Quota Ranges Agreed in 1984

	Minimum	Maximum
	%	%
Belgium	0.90	1.20
Denmark	0.51	0.67
Germany	3.76	4.81
Greece	12.35	15.74
France	11.05	14.74
Ireland	5.64	6.83
Italy	31.94	42.59
Luxembourg	0.06	0.08
Netherlands	1.00	1.34
UK	21.42	28.56
Total	88.63	116.56

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8. The Fund's 1984 budget was 2240 mecu. The distribution of the 11.37% of the Fund not taken up by Member States' minimum quotas is at the Commission's discretion. We have always recognised that our approach to IMPs - that they should come from the existing structural funds - implied that Greece would be towards the upper end of her quota range.

Expected Greek Receipts from Structural Funds

9. Minimum Greek receipts under the Structural Funds over the next 5 years (1985-89) are expected to be:

ERDF (minimum quota)	1,555 mecu
ESF (6% take)	700 mecu
FEOGA Guidance	<u>625 mecu</u>
	<u>2,875 mecu</u>

10. If Greece moves to the top of its quota range under the ERDF (probable anyway since the Greek Government have submitted a large number of payments for approval) this would ensure Greece received an extra 80 mecu per annum over next 5 years, ie a total of 400 mecu.

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11. If the Commission went ahead with its proposal (paragraph 5 above) to reweight FEOGA guidance towards the Mediterranean, this could provide around a further 400 mecu for Greece over five years.

Possible level of Community lending

12. Greece and Italy are already major beneficiaries from the Community's lending instruments. Greece is likely to receive 2.0-2.5 becu over the next 5 years. Italy up to 20 becu. The Commission proposal for lending of 2.5 becu for IMPs is in addition to these figures. We could consider further lending of up to 1 becu under a new tranche of the New Community Instrument but we would want most of this to go to Greece. We need to be cautious about putting this forward given our wish to act in concert with the Germans who oppose soft credit terms for Community lending. The Germans could probably accept further NIC lending to Greece but would find it hard to accept that any of the additional money for IMPs should be used to soften NIC credit terms.

Duration

13. The Brussels European Council agreed IMPs should be of "limited duration". Original Commission proposal

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suggested 6 years which we argued was too long. At Dublin we were prepared to agree to 5 years. The latest Commission proposal suggests a duration of 7 years in order to spread the total cost. The danger of agreeing to 7 years is that it makes it more difficult to resist Spanish and Portuguese claims. But we could accept 7 years if this was necessary to clinch final agreement.

EUROPEAN COMMUNITY DEPARTMENT (INTERNAL)

26 March 1985

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Brief 4
Reference A

INTEGRATED MEDITERRANEAN PROGRAMMES

(Commission Communication to the Council)

COM(85) 06 final

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INTEGRATED MEDITERRANEAN PROGRAMMES

1. At its 1984 meetings, both in Brussels then at Fontainebleau, the European Council stated that it firmly intended to carry out integrated programmes specially designed for Mediterranean regions.

At its plenary sitting on 13 February 1984 the European Parliament repeated how strongly it felt about the importance of these programmes.

Budgetary reasons prevented the European Council's resolution from being given effect at the Dublin meeting, in spite of its being recognized that there was a close link between implementation of the programmes and Community enlargement.

The Commission must therefore re-draft its original proposal as soon as possible, bearing all this in mind.

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2. With a view to reconciling the stringency that the budget situation in all the countries of the Communities imposes and the necessary dynamism that informed the initial proposal, it would be helpful to have a look at the origins of the proposal.

From the time the proposal was first drafted in 1979, the Commission intended to provide here a comprehensive answer to the variety of development problems encountered by the Mediterranean regions.

This meant and still means, taking into account the particular handicaps and advantages of these regions, having regard to the differences in their outlet prospects, demographic situations and economic, social and cultural traditions.

Though the agricultural and rural side of the question certainly has its importance, this is not the only aspect which must be taken into consideration. Building up communications, transport and training infrastructure, developing small and medium-sized industrial or commercial undertakings are also key factors, and they are to receive greater attention.

3. The Fontainebleau European Council session endorsed the method proposed by the Commission, in response to the Mandate of 30 May 1980, for carrying out the programmes: they were to be integrated and implemented through close cooperation between the structural funds.

The experience gained in carrying through Community regional development arrangements, with the results obtained in the Imp pilot projects of 1984 and 1985, make it possible to define more closely what is meant by integration, which will include the following.

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(a) The projects to be supported by the Community must form part of regional development programmes which are worked out by the regions themselves and, in the geographical context in question, utilize all the schemes and available resources.

(b) The Community's contribution is to be horizontal in nature. It will draw, at the same time and interrelating them, on all the Community's financial instruments: the three existing structural funds and the Community lending instruments will be used in combination and dovetailed as far as the existing regulations permit.

(c) Lastly, to make the Community's action both flexible and forceful, as it must be, additional budget resources, further to those of the existing Funds, will be made available for the purpose of the Imps. This will make it possible to step up the projects normally covered by the structural funds and to widen their scope, so that they correspond better to each individual region's potential. The extent to which these resources are drawn on will depend on the quality of the programmes, the effort the Member State is prepared to make to support them, the energy of those responsible locally for putting them into operation and the relevance of their aims in relation to Community Imp objectives.

4. The Integrated Mediterranean Programmes are to form a separate Community policy with three objectives: development, adaptation, support.

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The context in which the Mediterranean regions are seeking their place in the Community today is not that of rapid urbanization, bent, as was the case in the 60s, on the swift growth of industrial employment.

Now they must play their part in a new economic and social scene, with the complete change it has undergone in modes of production, not only in agriculture but also in industry and the services. As far as they can, with all their own various difficulties, they must seize the opportunities offered by the development of new technologies, the new balance between urban and rural areas and the advent of new ways of life and new services.

Concern for development derives from a concern that the human potential in each region should be realized, more especially, that young people should have access to employment; the will to adapt corresponds to a need to modernize or re-orientate antiquated structures disrupted by enlargement or confrontation with competitors having a solid industrial tradition. Direct employment and income support will however still be necessary, having regard to the limitations of conversion projects in some regions where the population is aging and rural ties especially strong and deep-rooted.

If these objectives are given proper consideration it should be possible for the Community's Integrated Mediterranean Programme policy to meet the development needs of these regions, the temporary difficulties enlargement will cause and the demands of the Greek Memorandum.

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6. The Commission will then request wide-ranging delegated powers from the Council for the management of the Integrated Mediterranean Programmes. To that end it will propose an outline regulation to the Council for adoption.

This regulation will aim at the greatest possible simplicity. Taking advantage of the talks already held between the Commission and Member States concerning the preparation of Imps, its purpose will be to:

- (a) define what is meant by the relevant geographical area;
- (b) lay down criteria for deciding what the size of the Community's contribution should be;
- (c) describe the conditions governing the procurement of resources through the existing instruments, structural funds and loans;
- (d) lay down rules for assessing programmes during the course of their execution, applying a method for accurately determining comparative costs and benefits.

Commitments to recipient member countries by the Community in respect of Imps will take the form of a contract for each programme accepted, drawn up in a form compatible with the budget regulations. The duration of the contracts will allow for the particular characteristics of the region in question. It might be extended to up to 7 years (1985-92), in line with the average length of the transitional phase of enlargement.

Once the Integrated Mediterranean Programmes have been launched, the Commission will send the Council an annual report on their implementation.

VERTROUWELIJK

In accordance with the guidelines laid down by the Brussels Council¹, the Community's contribution to Integrated Mediterranean Programmes will involve participation by the existing structural funds.

In order not to delay the launching of the Programmes, this participation will as far as possible be governed by the regulations currently in force.

- (a) The ERDF will make an increased effort to mobilize resources for the Mediterranean regions, taking advantage of the margin of play afforded by the brackets applied in respect of the shares subject to the quota rule.
- (b) Similarly, in the annual directive which lays down the scope of the EAGGF, Guidance Section, account will be taken of the fact that an additional effort is to be made for the Mediterranean regions in the framework of the Imps.
- (c) Lastly, the recent reform of the European Social Fund, altering the trend of the Fund each year for a period of three years, will make it possible, from 1985, to allow for the emphasis to be placed on action to assist the Mediterranean regions.

8. Re-distribution of sums available under the Budget among the existing Funds would by itself be inadequate to meet minimum Imps needs.

In addition to this re-distribution, a further budgetary effort for the Mediterranean regions in the form of Imps is to be made which could amount to at least 2 thousand million ECU over a period of seven years.

¹"... In view of Imp requirements, the resources allocated for Fund operations are to be substantially increased in real terms so far as financing possibilities allow."

The tentative nature of this figure is a reflection of the fact that assistance for programmes presented by Mediterranean regions, to be determined by the Commission, is conditional. On the quality of the programmes, their relevance in relation to development, adaptation and support, will ultimately depend the amount of Community aid.

9. A small part of the budget resources thus made available for Mediterranean regions will serve to subsidize regions' loans from the specialized Community institutions.

Account will be taken of this in the proposals the Commission will be making in the course of 1985 for the renewal of the NCI. The conditions on which the European Investment Bank is generally to be involved in the implementation of Imps will be worked out with the Bank, in accordance with the rules laid down in its Statute.

Such additional loans for Mediterranean regions might amount to some 2.5 m ECU in all over seven years, for infrastructure projects and projects to increase the vitality and innovative capacity of small and medium-sized undertakings.

10. The Commission feels that in this way the Mediterranean regions will receive very substantial encouragement, backing up their own efforts. A highroad will thus open before them which allows for their differences in situation, enables new departures to be made and genuine Community synergy to be achieved.

Lastly, with regard to the management of the structural funds, in line with the approach the Stuttgart European Council wanted to see adopted, what is being proposed makes real coordination a pre-condition for success.

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MARCH 1984 EUROPEAN COUNCIL : CONCLUSIONS ON STRUCTURAL FUNDS

1. The European Council considers that the Structural Funds should become effective Community policy instruments aimed at reducing regional development lags and converting regions in industrial decline; promoting dynamic and competitive agriculture by maintaining and developing effective agricultural structures, in particular in the less-favoured regions; combating unemployment, in particular youth unemployment.

To that end:

- (a) Management of the Funds will be improved having regard to the observations of the Court of Auditors and to the Commission report, in particular by a suitable evaluation of the aid they provide, by concentrating the Funds' activities and the elimination of any duplication, through improved co-operation between the Commission and the Member States.
- (b) An attempt will be made to co-ordinate the activities of the various Funds, for example in the form of integrated programmes.

With this in mind, integrated Mediterranean programmes will be launched in favour of the southern regions of the present Community so as to be operational in 1985. Designed to be of limited-duration, such programmes will have as their aim improvement of the economic structures of those regions to enable them to adjust under the best conditions possible to the new situation created by enlargement. They will also cover problems raised in the Greek Memorandum

- (c) The financial resources allocated to aid from the Funds, having regard to the IMPs, will be significantly increased in real terms within the limits of financing possibilities.

The current discussions initiated on the basis of the Commission's proposals, relating to the revision of the ERDF and the EAGGF Guidance Section, must be concluded before the next meeting of the European Council.

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26 MARCH 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

BUDGET ISSUES

Brief by Foreign and Commonwealth Office

References/Annexes

A : UKRep Brussels Telno 1077 to FCO

B : Draft Own Resources Decision 5478/85

1. At the Foreign Affairs Council on 21 March agreement was reached on the text of the new Own Resources Decision, subject to a Greek reserve. Although not explicitly admitted, it is clear that the Greek reserve is an attempt to increase the pressure for a more generous settlement on Integrated Mediterranean Programmes than we, and most other Member States, are prepared to contemplate. They have proposed an amendment which would require a further unanimous decision by the Council before our 1,000 mecu abatement for 1984 could be paid, or new own resources

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more generally become available. It would give Greece a veto over our abatement. This is in contradiction to Fontainebleau and is unacceptable.

2. The agreement reached at the Foreign Affairs Council on 21 March provides for:

- (a) the UK to receive its 1000 mecu as soon as the Own Resources Decision has been ratified;
- (b) new own resources generally to enter into force on 1 January 1986 or on ratification of the Accession Treaty, whichever is the later; and
- (c) a non-reimbursable intergovernmental agreement to cover the 1985 overrun.

3. If the Own Resources Decision is not agreed soon, it would be too late for ratification to be completed this year, and thus too late for our abatement to be received in 1985. We would then need to ensure that our abatement was financed instead through the same intergovernmental agreement as the agricultural overrun rather than through the own resources decision.

4. There may be a move at the European Council to get agreement on the amount of the overrun to be covered by the intergovernmental agreement. We shall resist this

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on the basis:

(a) that the Commission has not justified its figure of 2.1 becu for the overrun; and

(b) that the figure should be set by the Budget Council in the light of detailed examination of the Commission figures and a real search for savings.

FOREIGN AND COMMONWEALTH OFFICE

26 MARCH 1985

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TELEGRAM NUMBER 1077 OF 21 MARCH
INFO ALL E C POSTS (EXCEPT BRUSSELS)
INFO SAVING BRUSSELS LISBON MADRID.

M I P T : FOREIGN AFFAIRS COUNCIL : 21 MARCH.
OWN RESOURCES DECISION.

SUMMARY.

1. AGREEMENT ON THE REVISED PRESIDENCY COMPROMISE TEXT (IN MY I F T) SUBJECT TO A GREEK WAITING RESERVE.

DETAIL.

2. ANDREOTTI (PRESIDENCY) INTRODUCED THE REVISED COMPROMISE PACKAGE WHICH WE HAD WORKED OUT BEHIND THE SCENES IN BILATERAL CONSULTATIONS, EMPHASISING THE IMPORTANCE OF REACHING AGREEMENT BEFORE THE EUROPEAN COUNCIL.
3. RUMFUS (GERMANY) SAID THAT THE TEXT WAS ACCEPTABLE TO HIS DELEGATION SUBJECT TO THREE POINTS. THE PREAMBLE SHOULD CONTAIN A REFERENCE TO BUDGET DISCIPLINE ; THE AMOUNT TO BE COVERED BY THE IGA SHOULD BE THE MINIMUM NECESSARY AS ESTABLISHED IN THE NORMAL BUDGET PROCEDURE ; AND IF THE WHOLE PACKAGE WERE AGREED TONIGHT, THE GERMANS WOULD DROP THEIR DEMAND FOR RE-IMBURSABILITY.
4. CHRISTOPHERSEN (COMMISSION) SAID THAT HE WOULD RE-LAUNCH THE 1985 BUDGET WITH A RECTIFYING LETTER AS SOON AS THE PRESIDENCY PACKAGE WAS AGREED.
5. I THANKED THE PRESIDENCY FOR THEIR EFFORTS AND SAID THAT I HOPED THE PACKAGE WOULD BE AGREED TONIGHT. WE UNDERSTOOD THAT THE NEW TEXT OF ARTICLE 3.4 WOULD ENABLE THE 1,000 MECU TO BE DEDUCTED IN 1985. IT WOULD BE HELPFUL IF CHRISTOPHERSEN COULD CONFIRM, AND IF THE MINUTES COULD RECORD, THAT THE PROCEDURE TO BE ADOPTED FOR INCORPORATING THE 1,000 MECU IN THE BUDGET WOULD BE THAT SET OUT IN THE LEGAL SERVICES PAPER NUMBER 5479/85. CHRISTOPHERSEN ANSWERED THAT THE DETAIL WOULD HAVE TO BE LOOKED AT BUT THAT IN PRINCIPLE THE PROCEDURE I HAD OUTLINED COULD BE ADOPTED. IN VIEW OF THIS UNSATISFACTORY ASSURANCE, I TOLD STRASSER (COMMISSION SERVICES) THAT THE PROCEDURE WOULD HAVE TO BE AGREED IN COREPER BEFORE THE ORD WAS ADOPTED. STRASSER INDICATED AGREEMENT.
6. TYGESEN (DENMARK) SAID THAT HE WOULD DROP HIS PROPOSED AMENDMENT TO ARTICLE 3.4 PROVIDED WE WOULD CONFIRM THAT WE WOULD NOT MAKE PAYMENT OF OUR SHARE OF THE IGA CONDITIONAL ON PRIOR RATIFICATION OF THE ORD. I REPLIED THAT ON THE ASSUMPTION THAT THE

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1,000 MECU WAS ASSURED BY THE PRESENT TEXT, WE DID NOT INTEND TO WRITE INTO THE 1985 IGA ANY CONDITIONS OF THE KIND WE HAD PUT IN THE 1984 IGA.

7. AT THIS POINT, PANAGALOS (GREECE) WHO CLAIMED TO BE ANNOYED AT NOT BEING CONSULTED BILATERALLY ABOUT THE COMPROMISE PROPOSAL, THREW IN A WRECKING AMENDMENT WHICH WOULD HAVE HAD THE EFFECT OF MAKING PAYMENT OF THE 1,000 MECU DEPENDENT OF A FURTHER DECISION OF THE COUNCIL. GENSCHER (GERMANY) SAID THAT HIS AGREEMENT TO THE PACKAGE DEPENDED ON THE EXISTING WORDING. CHRISTOPHERSEN SAID THAT IF THE PROPOSAL WAS NOT ADOPTED TONIGHT HE COULD NOT PROPOSE THE NEW 1985 BUDGET. UNDER PRESSURE FROM THE PRESIDENCY AND AT MY SUGGESTION PANGALOS AGREED TO CONVERT HIS AMENDMENT INTO A WAITING RESERVE ON THE EXISTING TEXT WHICH HE HOPED TO LIFT BY NOON TOMORROW.

8. TINDEMANS (BELGIUM) SAID THAT HE WAS UNHAPPY AT LINKING THE NEW OWN RESOURCES WITH ENLARGEMENT BUT WOULD NOT OPPOSE THE PACKAGE IF ALL AGREED. AT THIS POINT DELORS BROKE IN WITH A DEMAND THAT THE PRESS SHOULD BE BRIEFED ABOUT IMPS AND THE DISCUSSION ENDED WITHOUT ANY SUMMING-UP BY THE PRESIDENCY.

9. NO DISCUSSION OF MINUTES ENTRIES IN PRESIDENCY COMPROMISE TEXT.

FCO ADVANCE TO:

FCO - RENWICK WALL BLOOMFIELD
CAS - WILLIAMSON JAY
TSY - UNWIN FITCHEW MORTIMER PS/ECON SEC

FCO PASS SAVING TO LISBON AND MADRID.

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Brief 5

RESPR 10
FIN 129

NOTE from PRESIDENCY

to: FOREIGN AFFAIRS COUNCIL meeting from 17 to 20 March 1985

Subject: Own resources

Delegations will find attached the elements of the overall compromise drawn up by the Presidency:

- draft Decision on new own resources (Annex I);
- draft intergovernmental Agreement (Annex II);
- the general statements, conclusions on the implementing arrangements and specific statements for entry in the Council's draft minutes (Annex III).

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RESPR 10
FIN 129
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Draft Council Decision
on the Communities' system of own resources

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 201 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 173 thereof,

Having regard to the proposal from the Commission ⁽¹⁾,

Having regard to the Opinion of the European Parliament ⁽²⁾,

Having regard to the Opinion of the Economic and Social Committee ⁽³⁾,

Whereas the Council Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources ⁽⁴⁾, hereinafter referred to as "the Decision of 21 April 1970", introduced a Community system of own resources;

Whereas in order to extend the own resources system while retaining the existing sources of revenue introduced by the Decision of 21 April 1970, the 1% limit to the rate applied to the uniform basis for assessing value added tax should be increased;

-
- (1) OJ No C 193, 21. 7.1984, p. 5
(2) OJ No C 315, 26.11.1984, p. 60
(3) OJ No C 307, 19.11.1984, p. 24
(4) OJ No L 94, 28.04.1970, p. 19

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Whereas the European Council on 25 and 26 June 1984 in Fontainebleau reached certain conclusions;

Whereas, according to those conclusions, the maximum rate of mobilization of VAT will be 1,4% on 1 January 1986; this maximum rate applies to every Member State and will enter into force as soon as the ratification procedures are completed and by 1 January 1986 at the latest; the maximum rate may be increased to 1,6% on 1 January 1988 by unanimous decision of the Council and after agreement has been given in accordance with national procedures;

Whereas in those same conclusions the European Council considered that expenditure policy is ultimately the essential means of resolving the question of budgetary imbalances;

Whereas, however, the European Council decided that any Member State bearing an excessive budgetary burden in relation to its relative prosperity may benefit at the appropriate time from a correction;

Whereas such a correction must now be applied to the United Kingdom,

HAS LAID DOWN THESE PROVISIONS, WHICH IT RECOMMENDS TO THE MEMBER STATES FOR ADOPTION:

Article 1

The Communities shall be allocated resources of their own in accordance with the following Articles in order to ensure that their budget is in balance.

The budget of the Communities shall, irrespective of other revenue, be financed entirely from the Communities' own resources.

Article 2

Revenue from:

- (a) levies, premiums, additional or compensatory amounts, additional amounts or factors and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries within the framework of the common agricultural policy, and also contributions and other duties provided for within the framework of the common organization of the markets in sugar;
- (b) Common Customs Tariff duties and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries,

shall constitute own resources to be entered in the budget of the Communities.

In addition, revenue accruing from other charges introduced within the framework of a common policy in accordance with the provisions of the Treaty establishing the European Economic Community or the Treaty establishing the European Atomic Energy Community shall constitute own resources to be entered in the budget of the Communities, subject to the procedure laid down in Article 201 of the Treaty establishing the European Economic Community or in Article 173 of the Treaty establishing the European Atomic Energy Community having been followed.

- 3 -

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Article 3

1. Own resources shall also include revenue accruing, in accordance with the provisions of this Article, from the application of rates to the assessment basis for value added tax which is determined in a uniform manner for Member States according to Community rules.

2. None of those rates shall exceed 1,4%. The rates shall be fixed, taking into account all other revenue, within the framework of the budgetary procedure.

3. The rates shall be calculated as follows:

(a) a uniform rate shall be determined in relation to the assessment basis referred to in paragraph 1 above;

(b) as regards the rate to be applied to the United Kingdom:

- from the amount payable under the uniform rate a deduction shall be made by:

(i) calculating the difference, in the preceding budgetary year, between the percentage share of the United Kingdom in the value added tax which would have been paid in that year, including adjustments in respect of previous years, had the uniform rate been applied, and the percentage share of the United Kingdom in total allocated expenditure;

(ii) applying the difference thus obtained to total allocated expenditure;

(iii) multiplying the result by 0,66.

The reduced amount shall be divided by the assessment basis of the United Kingdom;

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(c) as regards the rates to be applied to the other Member States:

- a sum equivalent to the deduction referred to in paragraph 3(b) above shall be borne by them. The allocation of this sum shall first be calculated according to their shares in value added tax payments payable under the uniform rate, the United Kingdom being excluded; and shall secondly be adjusted so as to limit the participation of the Federal Republic of Germany to two-thirds of the share produced by that calculation.

The rates to be applied to these Member States shall be obtained by dividing the total obtained by adding together the amounts payable under the uniform rate and their shares in the additional sum by the assessment basis of each Member State;

(d) where paragraph 7 below applies, financial contributions shall be substituted for payments of value added tax in the calculations referred to above for any Member State concerned.

4. On the entry into force of ^{THE PRESENT PARAGRAPH} ~~this Decision~~, and by way of derogation from the Decision of 21 April 1970, a lump-sum deduction of 1 000 million ECU shall be made from the amount of value added tax payable by the United Kingdom. A sum equivalent to the deduction shall be borne by the other Member States, being allocated in accordance with paragraph 3(c) above.

THE OPERATIONS REFERRED TO IN THE PRECEDING SUB-PARAGRAPH CONSTITUTE MODIFICATIONS TO OWN RESOURCES ACCRUING FROM VAT IN RESPECT OF THE FINANCIAL YEAR 1985. IF NECESSARY, THE CORRESPONDING AMOUNTS SHALL BE ENTERED IN THE ACCOUNTS FOR THE FINANCIAL YEAR 1985 BY THE COMMISSION.

5. The Commission shall carry out the calculation necessary for the application of paragraphs 3 and 4 above.
6. If at the beginning of the financial year the budget has not been adopted, the rates of value added tax previously fixed shall remain applicable until the entry into force of new rates.
7. By way of derogation from paragraph 1 above, if on 1 October 1985 the rules determining the uniform basis for assessing value added tax have not yet been applied in all Member States, the financial contribution to the budget of the Communities to be made by a Member State not yet applying this uniform basis shall be determined according to the proportion of its gross national product to the sum total of the gross national products of the Member States. The balance of the budget shall be covered by revenue accruing from value added tax in accordance with paragraph 1 above, collected by the other Member States. This derogation shall cease to have effect as soon as the rules for determining the uniform basis for assessing value added tax are applied in all Member States.
8. For the purpose of paragraph 7, "gross national product" means gross national product at market prices.

Article 4

1. The revenue referred to in Articles 2 and 3 shall be used without distinction to finance all expenditure entered in the budget of the Communities.

2. Financing from the Communities' own resources of the expenditure connected with research programmes of the European Atomic Energy Community shall not exclude entry in the budget of the Communities of expenditure relating to supplementary programmes or the financing of such expenditure by means of financial contributions from Member States determined according to a special scale fixed pursuant to a decision of the Council acting unanimously.

Article 5

The Communities shall refund to each Member State 10% of the amounts paid in accordance with the first paragraph of Article 2 in order to cover expense incurred in collection.

Article 6

Any surplus of the Communities' own resources over and above the actual expenditure during a financial year shall be carried over to the following financial year.

Article 7

1. The Community resources referred to in Articles 2 and 3 shall be collected by the Member States in accordance with national provisions imposed by law, regulation or administrative action, which shall, where necessary, be amended for that purpose. Member States shall make these resources available to the Commission.

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2. Without prejudice to the auditing of accounts provided for in Article 206a of the Treaty establishing the European Economic Community, or to the inspection arrangements made pursuant to Article 209(c) of that Treaty, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, adopt provisions relating to the supervision of collection, the making available to the Commission, and the payment of the revenue referred to in Articles 2 and 3.

Article 8

Member States shall be notified of this Decision by the Secretary-General of the Council of the European Communities; it shall be published in the Official Journal of the European Communities.

Member States shall notify the Secretary-General of the Council of the European Communities without delay of the completion of the procedures for the adoption of this Decision in accordance with their respective constitutional requirements.

THIS DECISION SHALL ENTER INTO FORCE:

- AS REGARDS THE PROVISIONS OF ARTICLE 3(4), ON THE SECOND DAY AFTER RECEIPT OF THE LAST OF THE NOTIFICATIONS REFERRED TO IN THE SECOND PARAGRAPH:

- AS REGARDS ITS OTHER PROVISIONS, ON THE SECOND DAY AFTER RECEIPT OF THE LAST OF THOSE NOTIFICATIONS OR AFTER THE DEPOSIT OF THE LAST OF THE INSTRUMENTS OF RATIFICATION OF THE ACCESSION TREATY BY THE PRESENT MEMBER STATES OF THE COMMUNITIES, WHICHEVER OCCURS LATER, UNLESS THE COUNCIL ACTING UNANIMOUSLY DECIDES OTHERWISE.

WITHOUT PREJUDICE TO ARTICLE 3(4), IT SHALL ENTER INTO EFFECT ON 1 JANUARY 1986 AND THE DECISION OF 21 APRIL 1970 SHALL BE REPEALED ON THE SAME DATE. TO THE EXTENT NECESSARY, ANY REFERENCE TO THE DECISION OF 21 APRIL 1970 SHALL BE UNDERSTOOD AS REFERRING TO THE PRESENT DECISION.

/ 3.

Draft intergovernmental Agreement

1. The Representatives of the Governments of the Member States, meeting within the Council, undertake to pay the following amount to the Community to finance the 1985 budget:

2. This amount is allocated as follows among the Member States:

	%
B	
DK	
D	
GR	
F	/ VAT scale in the 1985 draft budget_7
IRL	
I	
L	
NL	
UK	
Total	100%

3. The amounts paid by each Member State constitute non-refundable advances.

1. General statements

The Governments of the Member States confirm their determination to pursue the accession negotiations actively so that applicant countries can become members of the Community on 1 January 1986.

In this connection, the X and Y delegations state that they will deposit the instruments of ratification of the Accession Treaty and effect the notifications provided for in the second paragraph of Article 8 of the Decision on own resources simultaneously.

2. Conclusions of the Council on the implementing arrangements

The Council approves the methods for calculating the correction of budgetary imbalances as contained in 5046/85.

3. Specific statements

(a) Re Article 1

The Council agrees that revenue from Community loans ^{on the capital markets} is not part of "other revenue" within the meaning of Article 1 of this Decision.

3. CONCLUSIONS OF THE COUNCIL ON THE IMPLEMENTING ARRANGEMENTS.
(ANNEX III, POINT 2 OF DOC. 5478/85).

THE COUNCIL APPROVES THE METHODS FOR CALCULATING THE CORRECTION OF BUDGETARY IMBALANCES AS CONTAINED IN 5046/85, (FOLLOWING UNDERLINED) IT BEING UNDERSTOOD THAT THE EXPENDITURE REFERRED TO IN CHAPTER 42 (FISHERIES AGREEMENTS WITH THIRD COUNTRIES) IS EXCLUDED FROM THE ALLOCATED EXPENDITURE.

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(b) Re Article 3(3), (4) and (5)

The Belgian and Luxembourg delegations reiterated their opposition to the arrangements adopted by the Commission for taking into account and allocating administrative expenditure. However, they stated that they were prepared not to prevent their utilization exclusively for the purposes of this Decision. These delegations requested that when, in accordance with the conclusions of the European Council in Fontainebleau, the Council reviewed the question as a whole "ex novo", it would also re-examine the arrangements to be adopted for taking into account and allocating administrative expenditure, bearing in mind that such expenditure, which is of a special nature, is not incurred in the economic interest of the Member States concerned.

The Commission took note of the statement by the Belgian and Luxembourg delegations and will take it into consideration in the context of the preparation of the report which it has to submit in accordance with the Fontainebleau conclusions (point I.4. of the conclusions).

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25 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

DEVELOPMENT OF THE COMMUNITY/DOOGE

COMMITTEE/PEOPLE'S EUROPE COMMITTEE

Brief by Foreign and Commonwealth Office

BACKGROUND TO STEERING BRIEF

References/Annexes

A : Final Report of Dooge Committee

B : First Report of People's Europe Committee

DOOGE COMMITTEE

Further Work for Committee

1. The Italians (and possibly others) may attempt to keep the Committee in being by making it responsible for further work (eg preparing for a conference). But given that four of the representatives of the Committee have little or no connection with their governments this would be a recipe for confusion. The Dooge Report should now be a matter for inter-governmental

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consultations and the Dooge Committee should be wound up.

2. From a UK point of view main features of report are:

(a) Emphasis on need to create genuine internal market by end of decade;

(b) Retention of all the positive elements in the interim text on political cooperation (including establishment of PoCo Secretariat) and defence;

(c) Endorsement of UK suggestion of a smaller, more effective Commission and a strategic role for European Council;

(d) Reduction of UK reservations from the 5 in the interim report to 3, in contrast with a proliferation of reserves from others.

3. The following are the main issues in the report which are of importance to us, which have caused particular difficulty in negotiation or which other Member States may raise.

"Priority Objectives" (page 4-20)

4. Makes clear that completion of the existing Treaty and the creation of a real internal market "by the end of the decade on the basis of a precise timetable" is a priority (p4). Calls for genuine common market in financial services including insurance (reservation by the Greeks) (p5), increased competitiveness of the European economy (p6) by the removal of all measures distorting competition and through strict control of national state aids (Greek reservation). Economic convergence (p7) listed as another priority (Greek and German reserve for different reasons). Greeks will be arguing that convergence means transfer of money from the rest to Greece. The Germans maintain that convergence should be of economic policies aimed at certain objectives.

5. The call for the creation of a technological Community (p8) also drew a Greek reserve in essence calling for special protection for Greece.

6. On the strengthening of the European Monetary System (p10) Ruhfus initially took a radical line in the Committee but could not carry his Finance Ministry

or Central Bank with him (hence his reservation). From the UK point of view, the text is acceptable in that it does not commit us without conditions to joining ERM. The gradual creation of a "social area" (p14) and "a judicial area" (p15) is to some extent a statement of what is already happening in the Community. Same goes for culture (p16).

8. The passage on "external identity" (p17) reflects UK view on need to strengthen political cooperation. UK, France and Germany presented united front against considerable opposition on passage on security and defence (p20) which makes a good case for the Western Alliance (Irish and Greek reserves).

Institutions (pages 23-32)

9. The passage on majority voting is one of the two where we joined the Danes and Greeks in putting forward an option (p26). The majority text (p25) on voting (drafted by Faure) implies Treaty amendment. It does not mention invocation of a very important national interest and is unlikely to be espoused by French Government. The positions of Member States are not as far apart on this issue as the differences in the Dooge

report imply. In practice, all Member States - even those not prepared to accept wording on the Luxembourg Compromise - accept the underlying principle that no Member State should be voted down on a very important national interest.

10. Our proposal that there should be one Commissioner per Member State (p28) is included (German reserve). Faure tried for a Commission of 9 after enlargement. An unacceptable feature is that the President-Designate of the Commission should be able to propose his own team (UK reserve).

11. On the European Parliament (p30), Mr Rifkind reserved his position on the whole section. It is doubtful whether France and Germany will subscribe to the view of their representatives on the Committee that the Parliament should have "joint decision making with the Council" and be given "responsibility in decisions on revenue as the coping stone of the establishment of a new basic institutional balance" (page 31).

Inter-Governmental Conference (p33)

12. UK, Danish and Greek reserve. The Germans,

Italians and Luxembourgers are likely to push for a conference. Reserve reads as follows:

Mr Papantoniou and Mr Rifkind consider that the recommendations in this report should be the subject of consultations between the Governments before the June European Council, so that decisions can be taken by the Heads of Government at that meeting.

Mr Moller shared their view, but pointed out that according to the Committee's terms of reference it was not its task to put forward recommendations on the conclusions which the European Council might draw from the report.

PEOPLE'S EUROPE COMMITTEE

13. The Committee's first report covers the following areas:

Free Movement of Community Citizens

Recommends that all Member States should take further action to facilitate free movement, but helpfully recognises that seaports and airports are different from common land frontiers.

Specifically, the European Council should agree that:

- (i) Member States should introduce "green" sticker system for cars at road frontiers; examine possibility of combined land frontier control posts; introduce streamlined procedures at seaports and airports;
- (ii) work be put in hand on implications of common policy on entry, circulation and expulsion of foreigners, visa policy, expanded international cooperation on frontier controls etc;
- (iii) Community institutions and Member States should give special attention to tourism issues affecting Community citizens.

Free Movement of Goods

Stresses importance of real common market for goods and services including transport. Makes specific recommendations on measures to ease movement of travellers' goods and related issues.

Border Area Traffic

Stresses need to give special attention to free movement issues in border areas.

Wider Opportunities for Employment and Residence

Recommends removal of taxation problems which impede freedom of movement; mutual recognition of diplomas and other examinations without prior harmonisation; greater transparency of evidence of professional qualifications, including European vocational training pass for craftsmen and skilled workers; agreement on general right of residence for all citizens of the Community (provided that they do not become a financial burden on Member States other than their own).

14. These recommendations touch on a number of areas of sensitivity for the United Kingdom but can be broadly endorsed in the form proposed.

FOREIGN AND COMMONWEALTH OFFICE

25 MARCH 1985

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AD HOC COMMITTEE
FOR INSTITUTIONAL AFFAIRS

R E P O R T

TO

THE EUROPEAN COUNCIL

Brussels, 29 - 30 March 1985

CONTENTS

	<u>Page</u>
Preface	
I. A genuine political entity	3
II. Priority objectives	4
A. A homogeneous internal economic area	4
(a) Through the completion of the Treaty	4
1. through the creation of a genuine internal market	4
2. through the increased competitiveness of the European economy	6
3. through the promotion of economic convergence	7
(b) Through the creation of a technological community	8
(c) Through the strengthening of the EMS	10
(d) Through the mobilization of the necessary resources	12
B. Promotion of the common values of civilization	13
C. The search for an external identity	17
(a) External policy	18
(b) <u>Security and defence</u>	20
III. The means: Efficient and democratic institutions	23
A. Easier decision-making in the Council	24
B. A strengthened Commission	28
C. The European Parliament as a guarantor of democracy	30
D. The Court of Justice	32
IV. The method	33
Annex A	34
Annex B	35
Members of Committee	36

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Preface ⁽¹⁾⁽²⁾

After the Second World War Europe made a very promising start by setting up, firstly with the European Coal and Steel Community (ECSC) and then with the European Economic Community (EEC), an unprecedented construction which could not be compared with any existing legal entity. The Community - based on the principles of pluralist democracy and the respect for human rights which constitute essential elements for membership and one of the constant objectives of its activities throughout the world - answered to the complex and deeply felt needs of all our citizens.

Although the Community had decided to complete this construction as from the Summit in the Hague in 1969 and Paris in 1972, it is now in a state of crisis and suffers from serious deficiencies.

In addition, however, the Member States have become caught up in differences which have obscured the considerable economic and financial advantages which would be obtained from the realization of the Common Market and from Economic and Monetary Union.

Furthermore, after ten years of crisis, Europe, unlike Japan and the United States, has not achieved a growth rate sufficient to reduce the disturbing figure of almost 14 million unemployed.

⁽¹⁾ See Mr MØLLER's comments in Annex A.

⁽²⁾ See Mr PAPANTONIOU's comments in Annex B.

In this state of affairs Europe is faced with ever more important challenges both in the field of increasing industrial and technological competition from outside and in the struggle to maintain the position of political independence which historically it has held in the world.

Faced with these challenges, Europe must recover faith in itself and launch itself on a new common venture - the establishment of a political entity based on clearly defined priority objectives coupled with the means of achieving them.

The Community has not lost sight of the fact that it represents only a part of Europe. Resolved to advance together, the Member States remain aware of the civilization which they share with the other countries of the continent, in the firm belief that any progress in building the Community is in keeping with the interests of Europe as a whole.

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The Committee has placed itself firmly on the political level, and without purporting to draft a new Treaty in legal form, proposes to set out the objectives, policies and institutional reforms which are necessary to restore to Europe the vigour and ambition of its inception. ⁽¹⁾

⁽¹⁾ Mr MØLLER felt that the difficulties facing the construction of Europe resulted from a failure to implement the existing Treaties fully and could be remedied by the strict application of the Treaties. He considered that the achievement of European Union, as already foreseen in existing statements, was the objective.

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A genuine political entity ⁽¹⁾⁽²⁾

It is not enough to draw up a simple catalogue of measures to be taken - even if they are precise and concrete - since such exercises have often been attempted in the past without achieving results. We must now make a qualitative leap and present the various proposals in a global manner, thus demonstrating the common political will of the Member States. At the end of the day that will must be expressed by the formulation of a genuine political entity ⁽¹⁾ among European States: i.e. a European Union

- with the power to take decisions in the name of all citizens, by a democratic process according to their common interest in political and social development, economic progress and security ⁽³⁾, and according to procedures which could vary depending on whether the framework is that of intergovernmental co-operation, the Community Treaties, or new instruments yet to be agreed;
- in keeping with the personality of each of the constituent States.

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who suggested replacing "a genuine political entity" by "a genuine economic and political entity".

⁽²⁾ Mr MØLLER considered that the expression "a genuine political entity" should be replaced by the expression "European Union".

⁽³⁾ Mr MØLLER considered that the point security should be limited to the political and economic aspects of security.

II

Priority objectives

A. A homogeneous internal economic area

The aim is to create a homogeneous internal economic area, by bringing about the fully integrated internal market envisaged in the Treaty of Rome as an essential step towards the objective of economic and monetary union called for since 1972, thus allowing Europeans to benefit from the dynamic effects of a single market with immense purchasing power. This would mean more jobs, more prosperity and faster growth and would thus make the Community a reality for its citizens.

(a) Through the completion of the Treaty

1. by creating a genuine internal market by the end of the decade on the basis of a precise timetable.

This involves:

- the effective free movement of European citizens (*);
- a favourable climate for investment and innovation through stable and coherent economic, financial and monetary policies in the Member States and the Community;

(*) dealt with by the Committee for a Peoples' Europe.

- pending the adoption of European standards, the immediate mutual recognition of national standards by establishing the simple principle that all goods lawfully produced and marketed in a Member State must be able to circulate without hindrance throughout the Community;
- more rapid and co-ordinated customs procedures, including the introduction as planned of a single administrative document by 1987;
- the early introduction of a common transport policy;
- the creation at an early date of a genuine common market in financial services, including insurance; ⁽¹⁾
- the opening up of access to public contracts; ⁽¹⁾
- the creation of conditions which will favour co-operation between European undertakings and in particular the elimination of taxation differences that impede the achievement of the Community's objectives;
- the strengthening of European financial integration, inter alia through the free movement of capital and the creation of a European financial market, hand in hand with the strengthening of the European monetary system. ⁽¹⁾

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who considered that the introduction of these policies should take account of the particular situation of national economies.

2. through the increased competitiveness of the European economy. ⁽¹⁾

European economic life must be made fully competitive through a return to the fundamental principle embodied in the Treaties of promoting efficient producers, involving in particular:

- the removal of all measures distorting competition in the Common Market, notably through an application of national and Community competition rules, adapted to the new industrial situation, and through strict control of national State aids in compliance with the rules of the Treaties; ⁽²⁾
- introduction of the necessary transparency in nationalized industries in order to safeguard the principles laid down in the Treaties.

⁽¹⁾ In addition Mr MØLLER stressed that all the measures in the agricultural area which have in recent years been introduced with the intention of renationalizing the common agricultural policy should be dismantled.

⁽²⁾ Reservation entered by Mr PAPANTONIOU who considered that the application of competition rules of the Treaties should take account of the particular situation of the less developed economies.

3. through the promotion of economic convergence ⁽¹⁾⁽²⁾

- the promotion of solidarity amongst the Member States aimed at reducing structural imbalances which prevent the convergence of living standards, through the strengthening of specific Community instruments and a judicious definition of Community policies;
- the effective pursuit of integration and the strengthening of Community institutions that underlies it, require positive action to counter the tendencies to inequality and promote the convergence of living standards. ⁽³⁾

⁽¹⁾ Reservation by Mr PAPANTONIOU who argued that the text should stress more explicitly the need to reinforce the policies aiming at economic convergence, and should give a more comprehensive definition of their scope.

⁽²⁾ Mr RUHFUS entered a reservation. He argues that economic convergence by its very nature is a convergence of economic policies aiming at the objectives set out in Article 104 of the Treaty establishing the European Economic Community. It will thus help to improve living conditions in the individual Member States. On this basis, positive action is required to counter tendencies to inequality and to reduce structural imbalances in the Community.

Mr VAN EEKELEN concurs with the argument of Mr RUHFUS.

⁽³⁾ Reservation by Mr HERMAN who wishes to see the text of the second paragraph replaced by a call for greater coherence between the economic policies of the Member States which is a better guarantee of a reduction in the differences in living standards.

(b) Through the creation of a technological community

The growth capacity of Europe, backed up by this genuine internal market, will have to be based, inter alia, on wholehearted participation in technological innovation, and must result in the creation of a technological community through, among other things, the introduction of faster decision-making procedures. This process must enable European industry to become a powerful competitor internationally in the field of production and application of the advanced technologies.

This means in particular

- that industrial enterprises in the Community must have at their disposal common European standards and suitable procedures for advanced technology products;
- that international co-operation during the development phase must be strengthened;
- that public and semi-public contract procedures in the Community, concerning inter alia, the supply and use of electronic and communications equipment, must be liberalized; ⁽¹⁾
- that the exchange of services connected to the use of advanced technology must be liberalized; ⁽¹⁾
- that a successful techno-industrial development in the technological community depends upon and must increasingly allow for wider scope for individual creativity and performance;

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who considered that the introduction of these policies should take account of the particular situation of national economies.

and, in addition the following specific activities:

- the development of vocational education and training;
- the encouragement of universities and research institutes to orient their activities more towards the commercial sector and to ensure the transfer of the results of their work;
- the co-ordination of research and development at national and Community level;
- the promotion and support of greater industrial co-operation between European companies including the launching of transnational projects in key sectors;
- the furthering of undistorted international exchange of technology and advanced technological products through an active common commercial policy in conformity with GATT obligations.

(c) by the strengthening of the European Monetary System (EMS)

The European Monetary System, which was created and set up pending restoration of the conditions for the gradual achievement of Economic and Monetary Union, is one of the achievements of the Community during the last decade. It has enabled the unity of the Common Market to be preserved, reasonable exchange rates to be maintained and the foundations for the Community's monetary identity to be laid.

The time has come however, to forge ahead towards monetary integration through

- the closer co-ordination of economic, budgetary and monetary policies with the aim of true convergence of economic performance;
- the liberalization of capital movements and the removal of exchange controls; ⁽¹⁾
- the strengthening of the European monetary and financial market to make it attractive and capable of supporting the growth and investment effort;
- the participation of all the Member States both in the EMS and in the exchange rate mechanism, provided that the necessary economic and monetary conditions are met;

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who considered that the introduction of these policies should take account of the particular situation of national economies.

- the increased but non-inflationary use of the ECU in transactions between Central Banks whether they are members of the system or not;
- the elimination consistent with monetary stability of obstacles to the use of the ECU in private transactions;
- the promotion of the ECU as an international reserve currency; the co-ordination of exchange policies with regard to third currencies and in particular the dollar and the strengthening of the role of the European Monetary Co-operation Fund (EMCF) by stages depending on the progress made in the use of the ECU. ⁽¹⁾

Through these measures as a whole it will be possible for the EMS to progress towards the second institutional phase envisaged in the decision of the European Council in Bremen in 1978.

⁽¹⁾ Reservation entered by Mr RUHFUS. He emphasized that, for the ECU to become an international reserve currency, some major requisites are still lacking at present. A strengthening of the role of the EMCF is primarily dependent on further progress in the convergence of economic policies and on its consolidation through institutional development.

(d) through mobilization of the necessary resources ⁽¹⁾

Intensifying the efforts already undertaken, framing new policies and delegating new tasks to the Community will often, but not always, entail additional expenditure which will necessitate transfers of resources. Such resources should be made available in the context of a clearly identifiable Community financing system firmly based on the own resource principle. This system, that would come under review at reasonable intervals, should endow the Community with a stable revenue base for a sufficiently long period.

Actual transfers of resources will only be feasible if they are subject to strict budgetary control and if in most cases this is reflected in savings in the Member States.

⁽¹⁾ Mr MØLLER considered that the increase in the VAT ceiling agreed by the European Council at Fontainebleau would scarcely be sufficient for the promotion of new policies.

The size of additional resources must be determined by the need to continue existing common policies and to develop new ones, in particular with regard to research and technology.

B. Promotion of the common values of civilization

The contemplated European Union will not rest on an economic community alone. The logic of integration has already led Member States to co-operate in fields other than economic ones and will continue to lead them still further along that path. The accentuation of this essential process will give a European dimension to all aspects of collective life in our countries.

To that end a number of measures must be undertaken, whenever possible in close co-operation with European countries which are not members of the Community and with the Council of Europe, which makes a valuable contribution especially with regard to the promotion of human rights and the common cultural identity.

These measures are:

1. Measures to protect the environment

Pollution, in most of its forms does not recognize frontiers and poses an increasing danger to the environment and the health of people both within the Community and outside. High priority must be given to the protection of the environment and the improvement of working conditions and safety at work.

2. Gradual achievement of a European Social Area

An integrated internal economic area must be based not only on industrial, economic and monetary policies, but also on social policy. In this field, the Union will have to remain true to the objectives which the Community set itself from its inception and will have to have the necessary powers and means to act whenever social policy measures are required at European level.

Progressive introduction of a European social area, as the logical follow-on from an economically integrated, dynamic and competitive Community with the will to achieve full and better employment entails:

- definition of frameworks for action, particularly in the basic fields listed in Article 118 of the Treaty, either by harmonization, by the adoption of joint decisions or by any other appropriate measures;
- pursuance of a social policy that reflects the medium-term social action programme and the changing economic and social needs of the Community;
- development of the dialogue between employers and employees at European level, which could result, where they judge it desirable, in contractual relations between them.

3. Gradual establishment of a homogeneous judicial area

This means

- increasing protection of fundamental freedoms and rights as they derive from common basic principles and the European Convention on Human Rights. The Court of Justice has played an essential role in this context and will do so even more in the future;
- increased harmonization or approximation of national laws in all the fields covered by the European Union, insofar as these are consistent with the objectives of the Union;
- envisaging, in certain areas of intergovernmental co-operation, agreements between Member States which would, in cases where unanimous agreement could not be reached, apply among those States having ratified them if the latter constitute a strong majority;
- a campaign against large-scale crime and terrorism by increasing co-operation between Member States;
- further codification of Community law.

.../...

4. The promotion of common cultural values

European culture is one of the strongest links between the states and peoples of Europe. It is part of the European identity. The promotion of the European cultural identity should be a comprehensive expression of the cultural variety and each nation's individual values which form an integral part of it.

The promotion of common cultural values and the European cultural identity requires:

- the safeguarding of the European cultural heritage,
- support for cultural creation,
- measures to overcome language barriers,
- the development of new media in a European-wide context,
- the elimination of obstacles to the free circulation of cultural goods and communication,
- an improvement in the level of knowledge about all the peoples of the Community in all their diversity and their different contributions to European culture, ⁽¹⁾
- the intensification of exchange programmes.

The European Foundation and the European University Institute should be associated with these actions. Co-operation with third countries and in the wider international context should also be encouraged. The practical realization of cultural co-operation requires a coherent organizational framework.

⁽¹⁾ Mr FERRI feels that minority cultures should be expressly mentioned here, as their protection is an achievement of democratic pluralism in its modern form.

C. The search for an external identity ⁽¹⁾

Europe's external identity can be achieved only gradually within the framework of common action and European Political Co-operation (EPC) in accordance with the rules applicable to each of these. It is increasingly evident that interaction between these two frameworks is both necessary and useful. They must therefore be more closely aligned. The objective of European Political Co-operation must remain the systematic formulation and implementation of a common external policy. ⁽²⁾

Similarly in the case of security, although a fundamental aim of European Union is indeed the cohesiveness and solidarity of the countries of Europe within the larger European and western framework, it will only be possible to achieve that aim by paying special attention to the existing Alliances on the one hand, and the differing individual situations on the other, including the situations of the two nuclear powers which are members and of certain Member States facing specific problems in this field.

⁽¹⁾ Mr MØLLER entered a general reserve on all of this section. He considered that, instead of structural changes, it is necessary to have a new pragmatic development of European political co-operation on the existing base, which has already shown itself to be effective to further this development. Particularly in relation to security, it should be confined to political and economic aspects.

⁽²⁾ Reservation entered by Mr PAPANTONIOU who suggested replacing the last sentence by:
"The objective of European political co-operation must remain the systematic search for common positions in external affairs".

(a) External policy

It should first of all be noted that common policies, which have an external dimension, are provided for in the Treaties and already exist, along with external policies such as the development policy and the commercial policy.

In particular, Community development policy must be intensified, without prejudice to the traditional actions of the Member States.

On the diplomatic front several measures could be considered initially which might allow progress to be made towards finding a common voice. ⁽¹⁾

1. the strengthening of Political Co-operation structures by
 - the creation of a permanent political co-operation secretariat to enable successive Presidencies to ensure greater continuity and cohesiveness of action; the secretariat would to a large extent use the back-up facilities of the Council and should help to strengthen the cohesion between political co-operation and the external policies of the Community;
 - the regular organization of EPC working meetings at the Community's places of work, while meetings of Ministers should also be arranged in the Member States' capitals.

⁽¹⁾ Reservation entered by Mr PAPANTONIOU on points 1, 2, 3 and 4 of the section on external policy. He argued in favour of preserving the informal character of present EPC arrangements and stressed the importance of consensus in the search for common positions.

2. The improvement of Political Co-operation through

- an explicit undertaking by the Member States to promote EPC by agreeing to a formalization of the commitments to a prior consultation procedure;
- seeking a consensus in keeping with the majority opinion with a view to the prompt adoption of common positions and to facilitating joint measures;
- adopting common positions in multilateral and inter-regional relations, particularly at the United Nations.

3. Member States and the Community should examine on a case-by-case basis the desirability of common representation at international institutions, especially in the UN framework and in the countries where only a few Member States are represented.

4. Codification of EPC rules and practices.

(b) Security and defence ⁽¹⁾

The aim is to encourage greater awareness on the part of the Member States of the common interests of the future European Union in matters of security. The relevant Member States will make the fullest contribution both to the maintenance of adequate defences and political solidarity, and to the pursuit of security at the lowest possible level of forces through the negotiation of balanced and verifiable measures of arms control and disarmament.

In any event, this question will have to take account of

- (1) the frameworks which already exist (and of which not all partners in the European Community are members) such as the Atlantic Alliance, the framework for and basis of our security, and Western European Union, the strengthening of which, now under way, would enrich the Alliance with its own contribution; ⁽²⁾
- (2) the differing capabilities and responsibilities and the distinctive situations of the Community Member States;

⁽¹⁾ Mr DOOGE did not agree to the inclusion of the section on Security and Defence.

⁽²⁾ Reservation entered by Mr PAPANTONIOU who suggested replacing point 1 by "the frameworks which already exist (and of which not all partners in the European Community are members) such as the Atlantic Alliance and the Western European Union".

(3) the existence of interests and objectives which Member States, while respecting their individual situations as regards defence and security, recognize as common, in particular the need for the Atlantic Alliance to maintain adequate military strength in Europe for effective deterrence and defence, in order to preserve peace and protect democratic values. ⁽¹⁾

Accordingly, the following measures are proposed:

(i) Developing and strengthening consultation on security problems as part of political co-operation. Such consultation could involve in particular:

- discussion of the nature of external threats to the security of the Union;
- discussion of the way in which Member States' security interests may be affected by the international context, in particular by developments in weapons technology and strategic doctrines, changes in relations between the great powers and the progress of negotiations on disarmament and arms control;
- an effort to harmonize, whenever possible, the stances to be taken by Member States on the major problems posed by the preservation of peace in Europe.

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who proposed the deletion of "for the Atlantic Alliance".

- (ii) The stepping-up of efforts to draw up and adopt common standards for weapons systems and equipment, taking account of the work being done in the relevant bodies.

Particular attention is to be paid by Member States to:

- rationalizing their military equipment research and development;
- support for production capacity for high-technology equipment which can strengthen Europe's defensive capabilities.

- (iii) A commitment by Member States to design, develop and produce such systems and equipment jointly.

- (iv) The will on the part of the Member States to create the technological and industrial conditions necessary for their security.

III

The means: efficient and democratic institutions ⁽¹⁾

European Union - like the Community today - needs Institutions which are entirely at the service of the common interest. Their functioning and behaviour must clearly reflect the original nature of their purpose, within the framework of their specific powers. It is of primary importance that the Institutions should comply with and apply the rules of the Treaties.

The trend towards the European Council's becoming simply another body dealing with the day-to-day business of the Community must be reversed. Heads of State and of Government should play a strategic role and give direction and political impetus to the Community. For this purpose two European Council meetings a year should suffice.

⁽¹⁾ Reservation entered by Mr MØLLER on this chapter. Mr MØLLER considers that the problems faced by the Community are not due to the failure or imperfections of the Institutions of the Community system. On the contrary, it may be said that the gradual deviation and derogations from these fundamental principles together with a lack of political will to take decisions are the root of many of the problems of today. The balance between the Institutions should accordingly be re-established by respecting the distribution of competences between them as laid down in the Treaties.

A. Easier decision-making in the Council,

which means primarily changes in practice and certain adjustments to existing rules:

- less bureaucracy within the Institutions, as national authorities have, through their experts, gained too much ground over the last ten years; in particular, the authority of the Permanent Representatives over the various Working Parties must be strengthened in order to improve the preparation of the Council's decisions and to focus its discussions on the most important matters;
- the growing number of areas of Community activity has led over the years to the Council meeting in a multiplicity of special compositions. The Council must remain a single Institution in which a pre-eminent role of co-ordination and guidance must be preserved for the Ministers with general responsibilities (the "General Affairs" Council);
- the rules and procedures governing the Council should be rigorously applied in the interests of its own efficiency and internal cohesion;

- concerning principles of voting:

- (a) The majority of the Committee favour the adoption of the new general principle that decisions must be taken by a qualified or simple majority. Unanimity will still be required in certain exceptional cases, which will have to be distinctly fewer in number in relation to the present Treaties, the list of such cases being restrictive.

In a spirit of a return to the Treaties, the Presidency must call a vote if the Commission or three Member States so request. The vote must be taken within thirty days. ⁽¹⁾ ⁽²⁾ ⁽³⁾

⁽¹⁾ This proposal is supported by Mr FAURE, Mr FERRI, Mr HERMAN, Mr RIPA DI MEANA, Mr RUHFUS and Mr VAN EEKELLEN. Mr DONDELINGER accepted this because he considered that this text distanced itself least from the present situation.

⁽²⁾ Mr DOOGE, though in agreement with the principle underlying this text, felt unable to support the text because, though not excluding the pleading in exceptional circumstances of a vital interest, it did not include any explicit reference to the protection of vital national interests in exceptional circumstances.

⁽³⁾ Mr HERMAN underlines the considerable progress which distinguishes these proposals from the solutions envisaged in the Interim Report of the Committee in the matter of voting and the veto.

(b) The minority of the Committee considered that more use will need to be made, especially in the context of the enlarged Community, of the majority voting provisions laid down in the Treaties. Once a reasonable time has been devoted to the search for consensus, the Presidency should call for a vote.

Where the Treaties require decisions to be taken by unanimity Member States should also make greater use of the possibility of abstention in accordance with Articles 148(3) (EEC), 118 (EAEC) and 28 (ECSC).

When a Member State considers that its very important interests are at stake, the discussion should continue until unanimous agreement is reached. ⁽¹⁾

⁽¹⁾ This proposal is supported by Mr MØLLER, Mr PAPANTONIOU and Mr RIFKIND. Mr RIFKIND also considers that, in order to prevent abuse, a member of the Council insisting that discussion should continue in this way should, through a special procedure of the Council, explain fully and formally why his Government considers that a very important interest is at stake.

- in order to ensure the implementation of certain decisions, the use in exceptional circumstances of the method of differentiated Community rules, provided such differentiation is limited in time, is based solely on economic and social considerations and respects the principle of budget unity. ⁽¹⁾

⁽¹⁾ Reserve entered by Mr MØLLER.

B. A strengthened Commission

The Commission guarantees autonomous representation of the common interest. Wedded to the general interest whose guarantor it is, the Commission cannot be identified with individual national interests.

If it is to carry out fully the tasks entrusted to it, which make it the lynchpin of the Community, its powers must be increased, in particular through greater delegation of executive responsibility in the context of Community policies.

In the first place, its autonomy must be confirmed so that it can be completely independent in the performance of its duties in accordance with the obligation specifically imposed upon it and on each of its Members individually.

To this end it is proposed that the President of the Commission be designated by the European Council.

The other members of the college shall be appointed by common accord of the Governments of the Member States, acting on a proposal from the President-designate. ⁽¹⁾

⁽¹⁾ Mr RIFKIND considers that the other members of the college should be nominated by Member States, after consultation with the President-designate, and appointed by common accord of the Governments of the Member States.

The Commission must not include more than one national from any Member State. ⁽¹⁾

At the beginning of its term of office the Commission should receive a vote of investiture on the basis of its programme. ⁽²⁾

Similarly, the Commission must now be acknowledged as an organ with full powers of initiative, implementation and administration.

⁽¹⁾ Mr RUHFUS entered a reservation on this point. He argued that such a change would not improve the supranational character of the Commission and would considerably change the internal balance, which has proved its worth ever since the establishment of the Community.

⁽²⁾ Reservation by Mr PAPANTONIOU who suggested replacing the text of the four preceding paragraphs by the following text:

"To this end it is proposed that the President of the Commission be designated unanimously by the European Council, and be consulted by the Governments of the Member States prior to the nomination of the Commissioners. The Commission should be composed of one member per Member State."

C. The European Parliament as a guarantor of democracy in the European system ⁽¹⁾

A Parliament elected by universal suffrage cannot, if the principles of democracy are logically applied, continue to be restricted to a consultative role or to having cognizance of only a minor part of Community expenditure. That dooms it to oblivion or over-statement, and more often than not to both.

An enhanced role will be sought for it in three areas:

- (a) - by effective participation in legislative power, the scope of which will be specifically defined, in the form of joint decision-making with the Council; to this end the Commission proposal will be discussed first of all by the European Parliament; the Council will deliberate on the text adopted by the European Parliament; in the event of disagreement, a conciliation procedure will be initiated on the basis of a proposal of the Commission; the Commission will retain its power of initiative throughout the legislative procedure; ⁽²⁾

⁽¹⁾ Mr RIFKIND entered a reservation on this section. He considers that the European Parliament should be encouraged, within its Treaty powers, to make a more effective contribution to Community decision-making. The Parliament should make more use of its right to put forward proposals for Community action. The Council should follow up resolutions with the Parliament, or explain its reasons for not doing so. There should be improvement and extension of the conciliation procedure, in particular by more effective consultation between the Council and the Parliament at earlier stages of the consideration of proposals.

⁽²⁾ Reservation of Mr PAPANTONIOU. He did not agree with joint decision-making between Parliament and Council in the legislative area and argued in favour of improving the conciliation procedure and extending its field of application.

(b) - by increasing its supervision of the various policies of the Union and its political control over the Commission and over co-operation in the external policy field; the association and accession agreements negotiated by the Union will also be submitted to the European Parliament for approval; ⁽¹⁾

(c) - by giving it responsibility in decisions on revenue as the coping-stone of the establishment of a new basic institutional balance;

- conciliation between Parliament and the Council would take place at the moment when the frame of reference on the basis of multiannual planning is defined;

- decisions governing the development of own resources will be taken jointly by the Council and Parliament so that the latter may be able to have a hand in the balancing of expenditure by revenue.

These developments should go hand in hand with increased representativeness of Parliament itself through the standardization of voting procedures to elect its members.

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who suggested deleting the last sentence of (b).

D. Court of Justice

The binding nature of the law of the Union gives the Court of Justice of the European Communities an essential role to play in progress towards European Union. The Court ensures compliance with the rights, obligations and powers laid down in the Treaties. The Court must be consolidated in its role of supreme arbiter in all matters coming under the Treaties, including the protection of the basic rights of individuals guaranteed under the Community legal order. To this end, the Court:

- must be relieved in an appropriate manner of responsibilities incumbent upon it as regards disputes between officials and the Institutions;
- must be given jurisdiction for the interpretation of agreements concluded within the ambit of the Treaties as far as possible by means of a standard clause.

IV

The method ⁽¹⁾

The Committee proposes that a Conference of the Representatives of the Governments of the Member States should be convened in the near future to negotiate a draft European Union Treaty based on the "acquis communautaire", the present document and the Stuttgart Solemn Declaration on European Union and guided by the spirit and method of the draft Treaty voted by the European Parliament:

- the parties to the Conference will be the Member States;
- Spain and Portugal will be invited to attend as full members on the assumption that the Treaties of accession have been signed prior to the opening of the Conference;
- the European Commission will participate in the negotiations;
- the European Parliament will be closely associated with the Conference. Its outcome will be submitted to the European Parliament.

The very decision of the Heads of State or of Government to convene such a Conference would have great symbolic value and would represent the initial act of European Union.

⁽¹⁾ Mr PAPANTONIOU and Mr RIFKIND consider that the recommendations in this report should be the subject of consultations between the Governments before the June European Council, so that decisions can be taken by the Heads of Government at that meeting.

Mr MØLLER shared their view, but pointed out that according to the Committee's terms of reference it was not its task to put forward recommendations on the conclusions which the European Council might draw from the report.

Comments by Mr MØLLER

I am not convinced that the overall approach in the report is the right one. I agree that the Community needs a new impetus, but, in my opinion, the following is required.

The decision-making process should be more efficient. The distribution of powers between the Institutions, as laid down in the Treaties, must be respected. The blurring of the powers should stop and be replaced by the clear logic of the Treaties.

The fundamental aim of the Treaty, the bringing about of an efficient production structure, must be re-established, and distorting factors which prevent the attainment of this aim must be rejected. The gradual introduction of quota systems, production thresholds, etc., pose a danger to this principle.

New common policies should be developed to supplement the common agricultural policy. The Community must have further financial means at its disposal for these policies.

Our consultations within the framework of European political co-operation must be intensified and strengthened so that areas of common interest can be identified and agreement can be reached on an increasing number of common positions.

New activities must be developed at European level, and participation in these should not be limited to the present members of the Community.

.../...

Comments by Mr PAPANTONIOU

The report rightly identifies the main challenges facing Europe at present. However, the approach followed, while containing many useful elements, does not pay sufficient attention to some important points. The overall gains from economic integration are not only unevenly distributed, but may also disguise losses for the less prosperous regions. The creation, therefore, of an integrated market and a technological community needs to be supplemented by a very substantial effort to strengthen the Community's cohesion by promoting regional development and the convergence of living standards.

In the external field, the improvement of political co-operation and the promotion of solidarity in security matters should take fully into account the particular situation and problems of each Member State, and the need for consensus in the search for common positions.

Finally, institutional reform should reflect the existence of significant possibilities for improved decision-making within the framework of the Treaties, and recognize the necessity of protecting vital national interests when invoked by Member States.

List of Members of the ad hoc Committee on Institutional Affairs

Mr James DOOGE (Chair)
Representative of Mr Garret FitzGerald, Prime Minister of Ireland

Mr Jean DONDELINGER
Representative of Mr Jacques Santer, President of the Government
of Luxembourg

Mr Maurice FAURE
Representative of Mr François Mitterrand, President of the
French Republic

Mr Mauro FERRI
Representative of Mr Bettino Craxi, President of the Italian Council

Mr Fernand HERMAN
Representative of Mr Wilfried Martens, Prime Minister of Belgium

Mr Otto MØLLER
Representative of Mr Poul Schluter, Prime Minister of Denmark

Mr Ioannis PAPANTONIOU
Representative of Mr Andreas Papandreu, Prime Minister of Greece

Mr Malcolm RIFKIND
Representative of Mrs Margaret Thatcher, Prime Minister of the
United Kingdom

Mr Carlo RIPA DI MEANA
Representative of Mr Jacques Delors, President of the Commission

Mr Jürgen RUHFUS
Representative of Mr Helmut Kohl, Federal Chancellor of the
Federal Republic of Germany

Mr Wilhem VAN EEKELEN
Representative of Mr Ruud Lubbers, Prime Minister of the Netherlands

Secretariat of the Committee:

Katherine MEENAN

Yvon QUINTIN

Alain VAN SOLINGE

Committee on a People's Europe

Report to March European Council

INTRODUCTION

1. This report deals with some important topics relating to the "People's Europe":

- Freedom of movement for Community citizens
- Freedom of movement of goods, including transport services
- Administrative formalities for border-area traffic
- Wider opportunities for employment and residence

In dealing with these topics the Committee has been guided by certain principles which are relevant to its task as a whole.

2. The aim of the Committee is to propose arrangements which will be of direct relevance to Community citizens and which will visibly offer them tangible benefits in their everyday lives. Emphasis is laid on arrangements which have a realistic chance of being implemented in the relatively short term. The goal should be an easing of rules and practices which cause irritation to Community citizens. This is of great importance in making the Community more credible in the eyes of its citizens.

3. Steps forward are not always a question of adopting new rules and regulations. Progress in the view of citizens is often best obtained by implementing decisions already adopted and by their administration in real-life situations. This can be far

more important than formal progress made by the introduction of new uniform rules of little or no consequence for the Community citizen in his everyday life. This consideration is relevant to the institutions of the Community in fulfilling their responsibilities under the Treaties, but also for the Member States themselves by suppressing unnecessary formalities and by taking into account the Community dimension both in their legislation and in their administrative practices.

A EASING OF RULES AND PRACTICES WHICH CAUSE IRRITATION TO COMMUNITY CITIZENS AND UNDERMINE THE CREDIBILITY OF THE COMMUNITY

4. The problems the Committee deals with in this chapter relate essentially to the freedom of movement of citizens and of their personal goods within the Community. The text of the Fontainebleau mandate called for a study of measures which could be taken to bring about "the abolition of all police and customs formalities for people crossing intra-Community frontiers".
5. The European Council should confirm this position at the same time as it takes the decisions on immediate measures which are set out below. This is a necessary corollary of the programme for the completion of the internal market which has received, rightly, the highest priority. With its manifold ramifications, however, this will require time. Abolishing all formalities would presuppose amongst other things some reasonable degree of fiscal harmonisation (especially excise duties), the transfer of taxing points from borders to the interior of each Member State, the gradual application of a common policy on third country citizens and closer co-operation between the police and judicial services of the Member States. For the full and integral implementation of a "Europe without frontiers" ("Europe sans frontières"), Mr Delors, President of

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the European Commission has recently proposed 1992 as the target-year. It is indeed a very complex programme on which work has to continue without delay. But in the meantime the measures which are summarised below could and should be decided upon now.

A.1. FREEDOM OF MOVEMENT FOR COMMUNITY CITIZENS

6. The simplest case concerns land-frontiers between two Member States. The case of seaports and airports, although not different in principle, is often more complicated in practice because it also involves more traffic with third country citizens. Therefore, one should not look for identical solutions on every detail immediately; but all efforts should be undertaken without delay to facilitate frontier traffic for the citizens of Europe, taking into account the special situation of countries without common Community frontiers. Care should be taken that progress already obtained in individual cases should not be set back by the introduction of rules of general application. The European Commission has recently presented a draft directive to the Council covering all different aspects of these questions in a comprehensive way, which the Commission considers should be applied by 1 July 1985.

7. The specific recommendations of the Committee, on freedom of movement for Community citizens, are as follows:

7.1. Immediate action

Without waiting for the adoption of a directive by the Council, the European Council should decide now that Member States should take all possible practical steps on the road towards the more comprehensive solution, such as

- at the land frontiers between two Member States, they should proceed in the three months after the meeting of

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the European Council to the simplification of control of individual citizens of Member States of the European Community on road frontier posts preferably by direct observation of vehicles travelling at low speed and of which the windcreens have been provided, as appropriate, with a green label showing a white E (indicating that the occupants are in conformity with the rules of the border police and the fiscal and currency rules) with the possibility of more thorough investigation at random ("spot checks") or in special situations; (1)

- examination of the possibility and need for gradually combining control posts at land frontiers and controls at them where this has not yet been done;
- at seaports and airports, the Member States should introduce, as soon as and wherever feasible, practical arrangements in control zones enabling a division of police and customs activities for, on the one hand, citizens of Member States of the Community and, on the other hand, citizens of third countries, with a view to facilitating as much as possible the passage of citizens of Member States by simplified controls, and possibly abolishing systematic controls on the departure of Community citizens;
- the uniform European passport, the introduction of which has long been accepted by the European Council, should be a very important means of facilitating remaining frontier controls.

(1)

Such a system of general application should not be applied where it would set back progress already obtained as stated above (page 3)

CONFIDENTIAL

7.2. Longer-term measures

President Delors has proposed a "Europe sans frontières" by 1992. In order to achieve this objective the European Council should approve a precise timetable (1) for the completion of the single market and decide to put in hand now work on problems related to the effective co-operation between authorities responsible for the fight against crime, as well as to the definition and gradual application of a common policy concerning the entry, movement and expulsion* of foreigners, visa policy and the transfer of control of persons to the external frontiers of the Community, and agreements with third countries on expanded co-operation in frontier passage.

7.3. Tourism

The European Council should invite the Community institutions and the competent authorities to give special attention to issues relating to tourism, which is of particular importance to the people of the Community, such as:

- extending the efforts towards a more rational staggering of holiday periods across the national borders on the basis of a regional analysis of holiday traffic;
- improved information and protection for tourists, including appropriate procedures for assistance and complaints;
- road safety (1986 has been proclaimed "Road Safety Year");
- encouragement of radio and TV broadcasts of news, weather and tourist information in languages of other Community States.

Where appropriate, these aspects should be dealt with in co-operation with the Council of Europe, its member countries and, possibly, other third countries.

(*) Reserve by Mr Kranidiotis who argued that such a policy should be formulated within the framework of and according to Article 235 of the EEC Treaty. At any event this policy should take into account the special circumstances prevailing in each member state.

(1) This matter is also dealt with in the report of the Dooge Committee.

FREEDOM OF MOVEMENT OF GOODS INCLUDING TRANSPORT SERVICES

8. This part of the Committee's work covers a good number of specific rules and practices which have already been the subject of repeated and lengthy discussions but limited action within the Community. These matters may not seem very important in themselves but the combined effect on the citizen both as a traveller for business and traveller for pleasure can be disproportionate to their material importance. Changes for the better should receive a favourable welcome.
9. On these questions, as on others, the Committee considers that the right way forward is by a combination of longer-term objectives and some specific improvements here and now. Achieving a European Community, in which goods and money can be freely moved by the citizen, whether as a trader, professional man, worker or tourist, is a big challenge but should be achievable within a definite time scale.
10. First, we need to widen the understanding of the advantages not just of a common market without tariff barriers but of a smooth-running single market in which the full benefits of lower costs of transport and travel (and associated services such as insurance) can be realised for the benefit of the Community citizen as consumer. The priority lies in those areas where goods or services have an obvious extra-national dimension (e.g. air, road and rail transport and telecommunications). The Committee also draws the attention of the European Council to the importance of removing as soon as possible restrictions on transport services in accordance with Article 75 of the Treaty of Rome, whereby the Council is obliged to implement a free transport market within the Community. Cheaper and improved transport services would both assist economic development and would help to bring the citizens of the Community closer together.
11. Secondly, the individual citizen's situation should be eased by making some immediate and specific improvements.

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12. A common feature is that an individual, having already paid tax on goods purchased in a Member State has difficulty or incurs extra charges on travelling with his goods to another Member State. Hence, an increase in allowances in real terms would be a long-term objective related to progress on fiscal harmonization. The Committee is not proposing changes in duty-free shops or other duty-free arrangements, which are generally popular with travellers. It considers, however, that the treatment and the administrative hassle relating to the movement of tax-paid goods within the Community could be significantly eased, without giving rise to artificial trade flows. To avoid such artificial flows, existing arrangements to distinguish between ordinary travelling and border trade arising from substantial differences in the level of taxation, especially excise duty rates, between Member States will have to be maintained for a certain period.

13. In the light of these general considerations the specific recommendations of the Committee on movement of travellers' goods and related issues are:

Allowances and postal consignments

13.1. the adult traveller's personal allowance for tax-paid items should be increased by 25% to 350 ECU from 1 July 1985, with an increase to 90 ECU for the child's allowance. These new allowances would indeed be similar to the original real value of the allowances as established in the late 1960's. This decision would make it possible to relieve the Council of repeated discussions of these matters on its current agenda; but provision should be made to review these figures at regular intervals, e.g. every two years, preferably by simplified procedure in order to avoid at least a fall in their real value over time. Genuine difficulties arising for particular Member States from their special situations should be met by a derogation (*) for a certain time, taking account of differences in rates of taxation and excise duty.

13.2. the tax-paid allowance for still wine should be increased by 25% to 5 litres (which would cover a standard case of 6 bottles).

(*) Greece currently has a transitional derogation.

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- 13.3. the limit for tax exemption on small postal consignments should be increased to 100 ECU from 1 July 1985. A provision should be made to review this figure at regular intervals, e.g. every two years, preferably by simplified procedure, in order at least to maintain its value in real terms. The appropriate authorities in Member States should be invited to remove customs clearance fees levied on the despatch or reception of small parcels.
- 13.4. Administrative hassle, delays and taxes levied on newspapers and books sent to individuals are a strong irritant for citizens, particularly in border areas, and should receive the attention from the Council.

Road transport

In order to alleviate present border controls:

- 13.5. Passenger transport travelling across frontiers within the Community should be taxed for the whole of its journey by reference to its point of departure and the tax rate applicable in that Member State.⁽¹⁾ This solution should be adopted as soon as possible.
- 13.6. There should be no additional charge on the fuel in the standard tanks (up to 600 litres) of passenger buses crossing intra-Community frontiers from 1 July 1985. Similar problems would need to be resolved in the future for lorries.

Avoiding double taxation

- 13.7. Practical effect should now be given to the avoidance of double taxation on personal goods in line with the jurisprudence of the Court of Justice of the European Communities.

⁽¹⁾ Special provisions will be needed for countries not yet having introduced V.A.T.

- 13.8. The Commission should be invited to submit proposals on the simplification of the administrative arrangements for movements of goods on changes of residence between Member States, and on the temporary import of private motor vehicles.

Currency controls

The formalities of currency controls at the frontiers of those Member States which operate them should be simplified to the maximum.

4. The adoption of the specific measures above should be seen against the longer-term objectives, namely
- greater recognition of the potential benefits for Community citizens of a real and efficiently operating single market for passenger transport and travel;
 - the achievement of freer movement for a citizen's goods and money within the Community in the perspective of the realization of Economic and Monetary Union,
 - priority for achieving sufficient harmonization of national arrangements to reduce or remove problems at intra-Community frontiers for transport services and communications.

A.3 ADMINISTRATIVE FORMALITIES FOR BORDER AREA TRAFFIC

15. By nature of the Community's geographical structure, border areas occupy a large part of its surface area. The problems set out under A.1 and A.2 acquire additional importance when viewed in the context of border area traffic. What for other citizens is an occasional or intermittent nuisance, has the nature of a serious daily problem for the inhabitants of border areas. The European Council should instruct the relevant authorities to have special consideration, when reviewing the implementation of the recommendations

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under A.1 and A.2 above, for the special and urgent aspect of these questions in border areas. Problems deserving to be mentioned specifically are: --

- the number of frontier posts at the disposal of border area residents and their hours of opening, and
- facilities for across-the-border help in case of emergencies and accidents.

B. COMMUNITY CITIZEN'S RIGHTS

B.1 WIDER OPPORTUNITIES FOR EMPLOYMENT AND RESIDENCE

16. Freedom of Movement in Working Life

The main problems in the field of freedom of movement for workers have been dealt with by legal instruments of the European institutions. The questions of the social security of migrant workers and of the inclusion of their families also appear to have in the main been resolved satisfactorily.

17. Certain difficulties still do exist as regards the tax treatment of such employees who reside in one Member State and receive an income as employed workers in another Member State (most of these cases concern workers in border areas). By taxation of these incomes in the State of activity, as is international practice, employees may suffer disadvantages stemming from the fact that most States have different systems for taxing residents and non-residents. These problems have been eased by a number of bilateral agreements and treaties to avoid double taxation. Still there are many cases in which the employees in question complain of disadvantages in taxation.

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18. On a longer time scale, a comprehensive Community solution (the Commission has put forward a proposal which was blocked for a long time but on which discussions have recently been resumed) should be found for the taxation problems set forth above. The Community institutions are requested to intensify their efforts to this end. In the meantime, the European Council should set as the immediate aim the removal of taxation problems which could impede freedom of movement, by way of national legislation or by bilateral agreements between Member States. The Commission should undertake to inform Member States on cases which have been brought to its attention and to advise on appropriate solutions.

Right of establishment

19. In some branches of the liberal professions the mutual recognition of diplomas or other examinations and/or formal requirements for the purpose of establishment and for the freedom to provide services has been reached (e.g. doctors, dentists, veterinary surgeons). In other branches the mutual recognition still encounters considerable difficulties. This depends, on the one hand, on the variety of higher education diplomas (e.g. architects, engineers), and on the other hand also on the variety of branches of training, which have arisen in the individual Member States (e.g. lawyers, chartered accountants, tax consultants). For many years there have been inconclusive discussions on proposals for these branches, which would lead to an equivalence of diplomas in all Member States by way of harmonization of training courses, diplomas and rules for access to professional life.

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20 The Committee considers that although a certain degree of adaptation may be desirable in specific cases, a full-scale harmonization is not a practical way of implementing the objectives of the Treaty of Rome in the field of the right of establishment. The European Council should decide that the general approach (*) should be based on a mutual recognition of diplomas or other examinations without prior harmonisation. This seems the only possible way of achieving a general system for ensuring the equivalence of diplomas in line with the conclusions of the Fontainebleau European Council. It would facilitate the conclusion of the series of proposals already before the Council for an excessive period of time. Taking into account the fact that the specific levels of training in the Community countries are of high standard, this new approach would introduce the principle of mutual trust and build on the assumption that certificates awarded in the Member States are basically comparable. The Community institutions should fix the objective and introduce successively a scheme leading to a recognition procedure for the various areas. This concept should cover the professional activities of self-employed persons as well as of employees, because numerous occupations, for which a university degree and/or another examination is indispensable may be practised either way.

If particular difficulties were to arise in certain areas owing to major structural differences between training courses, something more may be needed and it should normally suffice for the individual citizen wishing to benefit from freedom of movement for the purpose of establishment to provide evidence of up to 2-3 years professional experience.

(*) Reserve by Mr Kranidiotis who argues that this approach does not preclude the possibility of applying the relevant provisions of the EEC Treaty whenever this is advisable.

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Professional Qualifications

21 Problems arise as regards valid employment in other Community countries for those employees whose professional qualifications are recognized in their country of origin but not in the host country. The European Council should invite the Community institutions:

- to intensify their efforts towards greater transparency of evidence of professional qualifications, building on the Commission proposal on the equivalence of professional qualifications already under examination,
- to consider the introduction of a European vocational training pass for craftsmen and workers with special qualifications. This would enable the individual employee to prove his professional qualifications in all Community countries.

Right of Residence

22. The Committee is convinced that the right of a citizen of a Member State of the Community to reside in any other Member State of his free choice is an essential element of the right to freedom of movement. Discussions within the European institutions since 1979 did not lead to final agreement, because in particular the debate on evidence of sufficient resources to live on as a condition for unhindered residence failed to produce a solution. Such evidence seems indispensable to avoid migration motivated only by economic considerations, because in particular the European social security systems have not been harmonized. Citizens wanting to reside in a country other than their own should not become an unreasonable burden on the public purse in the host country. Where it is evident, that such a citizen would incur a certain level of expenditure, it seems reasonable for the host country to take into account, whether he is able to meet such expenditure. The European Council should pave the way for a swift conclusion of the current discussions by taking a political decision of principle on a general right of residence for all citizens of the Community. This right would of course be subject to requirements of public order and security, in conformity with the principles of Article 56, paragraph 1 of the Treaty of Rome. A practical solution to the abovementioned problems should be found by linking admission to exercise the right of residence with the precondition that evidence of adequate resources at the level of social assistance in the host country and of adequate provisions in case of illness is provided.

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Conclusion

23. The Committee on a People's Europe invites the European Council to ensure that the Community institutions and the Member States adopt the measures necessary to implement the recommendations contained in this report. The Committee notes that implementation of many of the proposed provisions depends on decisions to be taken by the Council of Ministers; it is for this reason that the European Council is asked to request the Council to report back for its meeting in Milan on the progress made.

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EHG(B)(85)7

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25 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

ECONOMIC AND SOCIAL SITUATION

Brief by HM Treasury

BACKGROUND TO STEERING BRIEF

References

A: The Economic And Social Situation in the Community, COM(85)88 final Communication from the Commission to the Council.

1. The last European Council, Dublin in December welcomed the Commission's Annual Economic Report. The Council asked both the Commission and Ecofin to report back on policies to improve growth and unemployment prospects. The Commission's paper which incorporates the outcome of discussion at the recent Ecofin is a response to this request.

2. The paper emphasises employment as a priority but without also mentioning the defeat of inflation. The discussion on improving the operation of markets, particularly for labour is sparse - leaving scope for the UK initiative. The employment gains from tax cuts are not emphasised.

3. Its main themes are:

- the need for greater social dialogue;
- a shift to more expansionary fiscal policies, particularly greater public investment with the emphasis on infrastructure spending;

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- an extension of the Community's borrowing and lending instruments.

4. On the first greater social dialogue can be helped to encourage acceptance of the need for greater flexibility in the labour market and moderation in the growth in real wages. But we could not agree to any suggestion that a formal incomes' policy would be appropriate in UK circumstances; and we should resist any proposal for a Community initiative on work-sharing

5. The more expansionary tone to the macro policy discussion, aimed particularly at the UK and Germany, needs to be countered - by emphasising the importance of fiscal discipline in easing interest rate pressures and encouraging greater private sector activity. Prudent budgetary policy in Germany has allowed income tax cuts planned for 1986 and 1988 of around $\frac{1}{2}$ per cent of GNP in each year.

6. On the third, any extension of the Community's borrowing/lending capacity would need to be justified on economic grounds. But there are no convincing arguments presented here at least. The issues should be remitted to the ECOFIN Council.

7. Economic prospects for the Community have changed little since the end of 1984. This year output should rise by $2\frac{1}{2}$ per cent, broadly the same rate as last year. Inflation in aggregate could continue to fall slightly to around 5 per cent in 1985. But Community unemployment is likely to continue rising. The number of jobless rose sharply early this year reaching 13 $\frac{1}{2}$ million, over 5 million being under 25 years old.

8. Prospects for Europe continue to depend in part on US developments. The slight easing of the dollar may be an encouraging feature though it partly reflects problems with Ohio's savings banks. US interest rates have recently edged up again and most forecasters expect some further increase later this year. The emergence of the US as an international debtor (either already or soon) and the failure to make

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significant progress on the President's fiscal 1986 budget proposals underline the uncertain financial prospect. Preliminary estimates (though subject to revision) indicating US growth slowed to 2 per cent (annual rate) in the first quarter makes the Administration's forecast of 4 per cent growth in 1984 as a whole begin to look a little optimistic.

HM Treasury
25 March 1985

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Brief 7
Reference A

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(85) 88 final

Brussels, 19 March 1985

**THE ECONOMIC AND SOCIAL SITUATION
IN THE COMMUNITY**

(Working paper of the Commission to the European Council
29 and 30 March 1985)

COM (85) 88 final

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Brussels, 19 March 1985

The economic and social situation in the Community

Working paper presented to the European Council

1. Introduction

At its last meeting in Dublin, the European Council underlined the priority given to the problem of unemployment. It considered that the guidelines embodied in the most recent Annual Economic Report should be speedily implemented and asked the Council to take appropriate action.

The European Council asked the Council and the Commission "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".

Such is the object of this working paper.

2. Trends and prospects

There is at present no evidence that the European or world economic recovery is faltering.

2.1 In the Community inflation rates are falling and becoming more convergent. The current balance of payments situation has improved. GDP is expected to grow by 2.4% in 1984 and 1985. This figure is slightly higher than that assumed in the last annual economic report.

There has been no radical improvement in the employment situation. While 1985 is likely to see a slight increase in employment over the Community as a whole, unemployment is still at a high level and may even be somewhat higher in 1985 (11.2%) than in 1984 (10.9%). The labour market situation therefore remains highly unsatisfactory. With a continuation of recent trends, and without further measures, it is unlikely to become any more acceptable over the next few years.

2.2 At the world level economic recovery is also continuing. The slowdown in growth in the United States is currently proceeding relatively smoothly (1984: 6.8%; forecast for 1985: 3.5%), although budget policy corrections have not yet been made and leading indicators do not provide a clear picture. From the viewpoint of the European economy, the erratic movements and upward trend of the dollar exchange rate provide cause for concern in the short term, since they could lead to an undesirable rise in European interest rates. The dangers inherent in the continuing and increasing budget and balance of payments deficits have in no way diminished. The higher the dollar rises and

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the longer the delay before deficits are cut, the greater could be the eventual adjustment problems. This provides serious cause for concern as to the growth of the world economy and international trade and as to the operation of exchange and capital markets.

3. Recent economic policy developments

Since the Community's economic strategy, as adopted by the Council of Ministers in the last annual economic report, is essentially a medium-term strategy, it is not surprising that there have been no major changes in economic policy in recent months. Monetary policy, underpinned by the EMS exchange-rate mechanism, continues to aim for stability, although the anticipated rise in dollar interest rates has interrupted the downward trend in short term rates in Europe. If the dollar continues to appreciate, there may be undesirable repercussions for domestic economies in the form of higher interest rates, as has already happened in the United Kingdom.

Budgetary policy remains one of consolidation, although in some countries budget deficits in 1984 turned out to be somewhat larger than hoped for.

The moderate rise in nominal and real wage costs is likely to continue in most Community countries in 1985.

4. Is there any room for an economic policy that would be more beneficial to employment?

The Commission did not propose any adjustment in the economic policy guidelines to the Council of Ministers. This does not mean that it is satisfied with the results achieved.

The task now is to implement the economic strategy rapidly, to develop it further and to emphasize certain features. Further progress must be made on the prices and balance of payments fronts in a number of countries. For the Community as a whole, however, employment has first priority. There is therefore a continued need to achieve higher growth than the forecast rate of just under 2.5% on a healthy and sustainable basis, and in particular to bring about more employment-intensive growth, with a higher rate of job creation for each percentage point of growth.

The conditions for this have improved:

- the smooth functioning of the EMS exchange-rate mechanism has led to a very distinct improvement in the convergence of policies and in the results achieved, notably in terms of inflation and balances of payments;
- moderate wage settlements have improved business profits and strengthened the propensity to invest in many Community countries, even though too many firms still hesitate to make use of their capacity for self-financing because of the weakness of demand;
- the two sides of industry, both employers and unions, seem more open to dialogue. This is at any rate the impression the Commission has gained from the dialogue which it has sought to revive with and between them;

- the awareness has grown among those responsible for economic policy that no Community country can alone solve the problems of employment and employment-intensive growth and at the same time safeguard stability. No Member State can secure a sustainable increase in growth simply by stepping up its exports to other Member States. It should be remembered that 50% of Member States' foreign trade is carried on between them. This underscores the degree of interdependence that exists but also the limits to any plan for underpinning growth in one country by boosting demand in the others. Each country must therefore focus more closely on bolstering its own domestic demand? This therefore is a Community-wide problem.

Use must be made of the economic and political room for manoeuvre created in this way.

- (i) Implementation of the Community's economic strategy will be all the more effective the broader the consensus on which it is based.

Hence the importance of the industrial dialogue between the two sides of industry and of negotiations at all levels (e.g. at company level, at industry level, at national level and at Community level). The fields in which progress would seem possible include the introduction of new technologies, the functioning of labour markets as it affects the distribution of work, and even macroeconomic matters such as reconciling moves to bring costs under control with moves to underpin demand;

- (ii) There is broad agreement between Member States' governments on the need further to improve supply conditions in the economy. Since the policies followed are slow in acting, this may hamper their social acceptance. On the other hand, if economic activity were more buoyant, it would be easier to improve supply conditions. Steps should be taken to add a dynamic element to the necessary policy mix of budgetary consolidation, monetary stability and wage cost moderation. This could be done by aiming for stronger growth in public and private investment. The countries in which the process of consolidating public budgets has already made sufficient headway should make full use of the existing and future room for budgetary manoeuvre as a means of fostering investment. This would be a contribution to economic dynamism and positive adjustment that would be not only in the interests of each individual country but also in the common interest. The Community can itself play a part in the process. For this purpose, consideration could be given to a further development of its borrowing and lending instruments, especially as part of a programme of investment in transport and telecommunications infrastructures commensurate with a large economic area in which internal frontiers have been dismantled. This would contribute to attainment of the key objective of creating a vast internal market.

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- 4 -

5. To sum up, the Commission proposes to the European Council that:

- it should reaffirm the objective of an appreciable reduction in unemployment within a reasonable period, to be achieved with the help of higher and, in particular, more employment-intensive growth that does not jeopardize monetary stability;
- implementation of the Community's economic policy strategy should be helped by reactivating the industrial dialogue at all levels; as part of the dialogue and, where appropriate, with the Commission's support, employers and unions should draw up, in time for the European Council meeting in December 1985, proposals on how they can contribute to attainment of the joint objectives;
- the Member States and the Commission should examine how each country can ensure that control of expenditure and budget deficits is more closely reconciled with economic dynamism; expenditure that helps to underpin activity and to prepare for the future should be identified, together with the reductions in taxation that would do most to boost investment and create jobs;
- the European Council should lend its support to the Commission's intention of examining the extent to which the Community could itself, through its borrowing and lending operations, assist and foster this overall strategy.

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26 March 1985

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Telecom Corp. Proj. R.A.C.E.

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

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Reunion Council.
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STRENGTHENING THE TECHNOLOGICAL BASE OF THE COMMUNITY

Agreed on 5-year programme.

Brief by the Foreign and Commonwealth Office

Limit £25m over
5 years.

Too soon to gauge L'Esprit
programme.

BACKGROUND TO STEERING BRIEF

Reference: Commission paper to the European Council

1. In response to a Dutch initiative at the last European Council the Dublin conclusions included a section which urged the Council of Ministers to "adopt further measures to strengthen the technological base of the Community and restore competitiveness"; and added, "to this end, the Commission is asked to submit an appropriate draft action programme to the next

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European Council". The attached paper, which is based to a large extent on a Dutch paper following up their initiatives at Dublin, is the Commission's response to this request.

2. As the steering brief makes clear, most of the paper usefully supports our emphasis on the internal market and on strengthening the Community's competitive base. The most contentious section is the one concerning Community R & D. On a number of different occasions in the last few years the United Kingdom has agreed that the Community's involvement in R&D should grow.

"The European Council agrees on the need to increase the proportion of Community resources devoted to financing priority Community R & D activities." (Brussels European Council conclusions)

"The Commission has suggested that the Community now look at possible programmes in telecommunications and biotechnology. We should examine these and similar proposals carefully to see whether they would be more effective at the

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Community level. In doing so we should give high priority to facilitating collaboration at the industrial level." ("Europe - The Future")

"We want to see greater unity in the development and application of new technology." (Prime Minister's speech at Avignon 30.11.84)

3. Towards the end of 1984, the Research Council agreed that R & D spending should "gradually increase". The Council subsequently agreed to seven new/replacement R & D programmes involving a further 1225 mecu expenditure over the next four to five years. These programmes will ensure a slow but steady increase in R & D spending until 1987/88, thereby maintaining the proportion of the Community budget devoted to R&D at its present level of just under 3%. The Commission now aim to double this by 1989, subject to keeping other Community spending under control. It is questionable whether the Commission could produce sufficient proposals for worthwhile new programmes to take up this proposed increase. Sir Robin Nicholson has advised that the Commission should first be asked to review past and present R&D spending to assess its contribution to industrial competitiveness. We should

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then have a sound basis for estimating future requirements.

4. One area where the Commission are eager to make progress is in Community involvement in telecommunications. The UK has strongly supported Commission efforts to secure more open public procurement policies and common standards for telecommunications equipment and some progress has been achieved on these fronts. The Commission itself now gives top priority to securing agreement to an R & D programme entitled 'RACE' (Research into Advanced Communications in Europe). Having gained generally favourable responses from other Member States and the industry, the Commission is now proposing to embark on an 18 month "definition phase" costing 43 mecu, 23 mecu of which will come from the Community budget, to establish the real needs of the telecommunications industry in Europe. This would lead to firm proposals for a Community programme to be finalised during the latter half of 1986.

5. The Minister of State for Industry and High Technology has written to the Chief Secretary at the Treasury, arguing that the UK should be able to agree

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to the definition phase of RACE but without commitment to an eventual programme. Mr Pattie's view is based on the warm support the proposal has received from the UK industry and telecommunications operators; and his belief that telecommunications is an obvious area for European co-operation due to the fragmentation of the industry in Europe. The Treasury's initial view is inclined towards opposing both a substantive programme and the definition phase arguing that telecommunications is a wealthy industry in which the operators are fully able to co-ordinate research amongst themselves; and that if we agree to the definition phase, it would be more difficult to oppose the RACE programme proper, acceptance of which would run counter to HMG's efforts to keep tight control of Community expenditure.

6. The Commission paper concludes that "the RACE programme will be the first stage in the implementation in the Community of future-generation telecommunication services". While we need not take a definitive view at the European Council, we shall need to avoid specifically endorsing this part of the Commission's report. We should argue that the RACE programme will be discussed in the June Research Council and that the

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European Council cannot be expected to preempt that
Council's decisions.

FOREIGN AND COMMONWEALTH OFFICE

26 MARCH 1985

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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(85) 84 final

Brussels, 19 March 1985

**STRENGTHENING THE TECHNOLOGICAL BASE
AND COMPETITIVENESS OF COMMUNITY INDUSTRY**

(Communication from the Commission to the European Council
29 and 30 March 1985)

COM (85) 84 final

CONFIDENTIAL

19 March 1985

COMMUNICATION TO THE EUROPEAN COUNCIL

Strengthening the technological base and competitiveness of
Community industry

The efforts made by the Member States to restore basic macro-economic balances have helped to improve the growth rate of the Community's economy, which has also been stimulated by the vigorous recovery in the USA.

Even so, economic growth in the Community remains lower than in the United States and in Japan. One of the most striking reasons for this poor performance is the way in which Community industry as a whole has fallen behind those two countries in most high-technology industries. Although it is not fair to speak of an overall loss of competitiveness or technological gap, there are worrying trends in several branches with a high technological intensity.

In information technology, the Community's trade gap and technological dependence is steadily worsening.

In telecommunications, up to now one of the Community's strong points, there is a serious risk that the technological developments and the installation of the infrastructure needed for the high-capacity networks of the turn of the century will not be put in hand in time or in a sufficiently coordinated fashion.

In biotechnology, on which in the long run the future of our fine chemicals, agriculture and food industries will all depend, the inadequacy of the current basic research effort may well leave us very vulnerable in the future, and this will be difficult to remedy.

In new materials (resins, ceramics and special metals) the most important developments are taking place in the United States and Japan.

Our loss of ground in these advanced technologies is likely to delay their use in traditional industries, with the risk of losing markets and destroying jobs. Also, if the European economies fall back on the widespread use of imported equipment they are likely to handicap their own new-technology industries.

(1) It is obvious that no Member State can face up to the challenge of the new technologies on its own: the cost of developing them is too high. What is more, through the effect of standards, technical regulations, aid to industry and public procurement, national policies in support of technology tend to perpetuate the national character of industrial structures and the fragmentation of the common market. Within the narrow

confines of national markets it is impossible for large companies to achieve economies of scale and smaller ones to specialize in specific market slots.

(2) It is unwise to embark without due caution on cooperation with US or Japanese multinationals. Excessive technological dependence could leave us in a critical position should limits be placed on the transfer of technology from the USA. When such transfers are inevitable, they must allow European firms to make up lost ground.

In the Commission's view, two main approaches can be adopted to strengthen the technological base and competitiveness of Community industry:

- firstly, improvement of the environment in which companies operate so as to encourage their industrial innovation capacity and commercial enterprise;
- secondly, better utilization of the Community dimension by states and above all by companies so as to enable firms to develop in a competitive, unified and open market.

On the basis of this diagnosis, the Commission proposes that the European Council select six main objectives:

1. Achieving complete unification of the internal market

The Commission has already expressed its determination to abolish internal frontiers within the Community in 1992 in the interests of the citizens and companies of Europe. This complete unification of the market will be carried out in stages, following a precise timetable. This programme calls for rapid progress - especially for the benefit of the high-technology industries - in the following areas:

- (a) European standardization with a world outlook is essential to put Europeans and their rivals in the outside world on an equal footing and to give users a sufficient degree of security to encourage them to invest in high technology equipment and services: Community rules on industrial property must create a framework guaranteeing investment in information technology and biotechnology and preventing abuse of dominant positions.
- (b) Public contracts account for a major (and often the most innovating) proportion of demand in these sectors. It is therefore essential to open up access to them. Some types of public contracts are particularly well suited to the formation of consortia on a European scale provided

that effective competition between them is guaranteed. There must be specific procedures giving small and medium firms access to them under equivalent conditions.

- (c) Services must also benefit from the unification of the common market, especially when the supply of services contributes to industrial expansion and facilitates industrial operations on a European scale.
- (d) Of the proposals designed to create an infrastructure for Community-wide cooperation, the one on the European Economic Interest Grouping is ready for a rapid Council decision while the proposal on the European company remains the central feature of the Community legal order. : Tax measures along similar lines are being examined by the Council and their adoption should not be further delayed.
- (e) National forms of aid to industry are a crushing burden on government finance, constrained as it is by growing budget difficulties. An eye must be kept on both the volume of and the rules for granting such aid to ensure that it serves first and foremost to strengthen European competitiveness and does not merely help to perpetuate existing national structures or to distort competition within the Community. The Community will therefore step up its surveillance of such aid.

For its part, the European Council should express its determination to start gradually cutting back state aid to industry so as to save an increasing proportion of resources for the development of technological projects which could not otherwise be carried out in the Community.

2. Adapting the Community's external commercial policy to its objectives in the way of new technologies

The unification of the internal market must be accompanied by an external commercial policy designed to strengthen the competitiveness of European industry: the Community must create the conditions that will gradually put its industry in a position to fight international competition on its own market on equal terms and to gain effective access to its rivals' market because the Community has a vital interest in keeping world markets open. If these measures are not taken, European companies may well be unable to maintain their market shares in innovating sectors where consumption is growing fast and our companies have excellent prospects of improving their financial position.

3. Strengthening and making better use of the Community's scientific and technological potential

Although the Community's scientific base is comparable to that of the USA and Japan it is less efficient and is growing less rapidly. The enormous expansion in the Pentagon's R&D programmes - around USD 40 000 million are

entered in the 1985-86 budget - will help to increase the American superiority. Community research is handicapped by its national isolation, duplication of effort and inadequate thresholds of efficiency.

The Commission requests the European Council to develop and make better use of the Community's scientific and technological potential.

At past meetings the European Council supported the launching of a Community framework programme for research. This programme now needs to be reviewed, adapted and strengthened for the period 1986-89. The efforts being made and still needed to rationalize the budget and keep Community spending under control should allow an increase of from 3% today to 6% in 1989 in the share of own resources earmarked for research. The European Council should support this approach.

For its part the Commission will make proposals in the months ahead to introduce a maximum of flexibility into the Community's plans to encourage research. Increased research spending at Community level does not rule out closer cooperation between Member States interested in certain projects in which others do not wish to participate; the Community must be able to support such ventures, especially as the current prospects for technology indicate that its decentralized use can be envisaged.

4. Making better use of human resources

With its shortage of energy and raw material resources, the Community is obliged to make the best possible use of its human potential, which is its best comparative advantage. Consequently young people and adults at all levels of skills must be better educated and trained, and their training must be continuously adapted to the changing qualifications required to keep up with developments in jobs and techniques.

(a) The Member States must take steps to raise the level of training of its research scientists and improve the efficiency of their work through a community action designed to develop European cooperation, mobility between countries and the links between industry and universities. The plan to stimulate scientific and technical cooperation and exchanges 1985-88 meets these objectives. To strengthen the Community's technological base it is necessary to adapt school systems and further training for adults along similar lines.

(b) A programme designed to promote cooperation between universities and industry so as to improve in both numerical and qualitative terms the training of personnel qualified in the use of new technologies is now being prepared in the Community. The emphasis will be on the need to increase the

mobility of students by facilitating study periods or training in firms in a different Community country.

Recognition as a "Community centre of excellence" for establishments giving additional training or conducting very advanced research in specialized areas would help towards the increased mobility of students and research scientists within the Community. The European Council should express its support for these types of activity which will promote the European identity in the eyes of the economic and social decision-makers of the future in the Community.

5. Promoting innovation, including database networks, and establishing the information market

Putting innovations into application is one of the weak points of European industry. The transition from the laboratory to the factory and from the factory to the market must be encouraged by greater flexibility and transparency of production structures and more effective rewards for good management performances. The Community can contribute to this.

- (a) Innovating firms need a tax policy encouraging risk taking. The Commission intends to propose objectives to be adopted jointly in various areas (company formation, tax arrangements applicable to venture capital, innovation financing (NCI)).
- (b) The dissemination of knowledge is vital to the use of government-financed research results and the stimulation of innovation. The Community must play its part. The dissemination of these results should be improved so that companies throughout the Community can benefit from them. The practices adopted for development of the Esprit programme should be extended to other sectors.
- (c) In the Community information should be a sector producing value added and creating jobs but its great innovation potential will not be exploited to the same extent as in the United States and Japan unless the Community market is unified: there should be complete freedom for the establishment of data bases and the transmission of data across frontiers.

6. Achieving a breakthrough in telecommunications

High-capacity networks will be to the industry and services of tomorrow what the waterways, railways and motorways have been or are to the industry of today. In particular they will be a source of new services (creating jobs), will improve the overall productivity of our economies and will allow better decentralization of production activities over the whole of the Community territory.

Telecommunications can be to the Community what defence and space are to the United States and consumer electronics is to Japan. The Community has here a significant strategic base. It must act rapidly to bring this base up to a level of technological and industrial capacity that will secure its place on the world market.

Success here presupposes a number of coherent and complementary measures concerning the market (policy of common standards), the stimulation of demand (pilot projects such as videocommunications) and the industrial technology needed to establish the future advanced communications networks and services.

Suitable financing is also required for the infrastructure investment that will not show a return for some time and is the nature of a public asset.

The RACE programme will be the first stage in the implementation in the Community of future-generation telecommunications services.

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EHG(B)(85)9 COPY NO 1

26 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

ENVIRONMENTAL ISSUES

Brief by Foreign and Commonwealth Office

BACKGROUND TO STEERING BRIEF

Reference: Commission paper entitled "A Europe-Wide
Environmental Policy"

1. The Commission paper calls for urgent action in five
areas:

- i) Air Pollution;
- ii) Marine Pollution;
- iii) Handling of Dangerous Chemicals
- iv) Dangers of Modern Farming Methods;
- v) Environmental Deterioration in the Third World.

Of these, the first two are likely to provoke
substantial discussion.

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Air Pollution

2. The Agreement on Vehicle Emissions at the Environment Council on 20 March centred on a compromise in which pollution levels for small and medium range vehicles were cut substantially while allowing for the development of lean burn technology; in return for the tightest possible standards for large cars and the Community's go ahead to the Germans to introduce limited fiscal incentives for low polluting cars. This political agreement will form the framework for negotiation of the standards themselves which should be agreed by the end of June 1985.

3. Within the Community attention is now likely to focus on controls of pollution from large combustion plants. Seven Member States (all except UK, Ireland and Greece) have joined the so-called 30% Club (cut in sulphur emissions by 30% by 1993). Germany and the Netherlands strongly support the Commission's Draft Directive on Large Combustion Plants and France, Belgium and Denmark are willing to support it with some modifications. UK, Italy and Ireland are strongly opposed on grounds of disproportionate implementation costs; the smaller countries (Greece, Luxembourg and again Ireland) are seeking derogations. The UK is

willing to cut both sulphur and nitrogen oxide emissions by 30% by the end of the century.

Marine Pollution

4. There are three main areas in which the UK could come under pressure: dumping in the North Sea, Special Area Status for the North Sea, and our attachment to Environmental Quality Objectives (EQOs).

5. At last year's North Sea Conference, there was strong political pressure led by Germany with support from Netherlands, Denmark, and Norway to implement new measures to control pollution of the North Sea. UK and France argued that existing international agreements were satisfactory and there was no need for a new EC initiative; the main problem was caused by discharges from rivers and estuaries, in particular the Rhine and the River Meuse. The UK is to host the next conference in 1986 or 1987 and will again insist that full account must be given to scientific evidence which we believe demonstrates that dumping at present levels is not harmful.

6. The main effect of granting Special Area Status to the North Sea would be to impose tighter ship cleaning

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regulations. Again there is no scientific basis for such regulations which would in any case be difficult to enforce.

7. The UK approach is based on Environmental Quality Objectives (EQOs) which take as their starting point that pollution controls should be geared to water quality levels. Most Member States and the Commission prefer uniform emission standards which control the volume of pollutants and invariably require costly new equipment to dispose of the excess without any demonstrable benefit in and around the UK.

FOREIGN AND COMMONWEALTH OFFICE

26 MARCH 1985

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(iv) Modern farming methods sometimes cause grave ecological damage, even though agriculture, which has moulded the European landscape over centuries, still offers the best assurance of preserving landscape features.

(v) The scale of environmental deterioration in some parts of the Third World is such that they may well become permanently unable to support life: desertification, tropical deforestation and the loss of wildlife, and hence genetic diversity, are among the worst problems of all.

4. The seriousness of these problems is such that the Commission has given them prominence in the action programme it recently submitted to the European Parliament, in which it states its intention of laying before the Council a number of proposals concerning legislation, scientific and technical research, the orientation of common and national policies and the use of the financial armoury at the Community's disposal.

5. The Commission would like to see decision-making in this area of policy prompted and influenced by policy guidelines from the European Council. Without going into detail, it asks the European Council to endorse three main guidelines for Community environment policy:

(i) protection of the environment is to be treated as an integral part of economic and social policies both overall (at macro-economic level) and by individual sector (agricultural policy, industrial policy, energy policy ...), the point must be made that an active policy for the protection and improvement of the environment can help economic growth and job creation;

Look
at cost
level

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- 3 -

- (ii) Member States must recognize the necessity of coherent actions within the Community framework, since piecemeal and isolated action would risk to be ineffective and even harmful to the cohesion and continuity of its policies;

- (iii) signal the importance the European Council attaches to Community policy for the protection and improvement of the environment by deciding that the year 1987 will be the European Year of the Environment, and by inviting the Commission and Council to make every effort to ensure that the year is marked by major progress in the Community drive for the protection of the environment in Europe and the world.

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Brief 9
Reference A

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COMMISSION OF THE EUROPEAN COMMUNITIES

me want: for further copying in
London please.

COM(85) 86 final

Brussels, 19 March 1985

Same plus
Mr Grouffed-Souss D. Lou.
Mr Gray MAES FCO

A EUROPE-WIDE ENVIRONMENT POLICY

(Communication from the Commission to the European Council
on 29 and 30 March 1985)

Broadly acceptable in conclusions.
Stop from alarm about environment.
1987 - European Year of Environment!!!
North Sea Conference that year.
Arid Ravi - in lakes - put in time
Helsinki - 30% cut.

COM(85) 86 final

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A EUROPE-WIDE ENVIRONMENT POLICY

1. The environment in which the citizens of the Community, and of many other parts of the world, live and work is deteriorating, in town and countryside alike. This is the more regrettable since the natural resources and facilities exist for making life better and more livable. Protection and improvement of the environment therefore must be a top Community priority.

2. The European Council acknowledged this need when it decided at its last meeting in Dublin to devote part of the next session to the subject of environmental protection.

3. Urgent action is imperative on several fronts.

(i) Air pollution from the burning of fossil fuels is causing the destruction of forests, the pollution of lakes, the erosion of buildings and of our architectural heritage, and, sometimes, hazards to human health.

(ii) Marine pollution is reaching alarming proportions in the Mediterranean and some areas of the North Sea. The absorptive capacity of the sea, where pollution discharged to water, air or land finally ends up, could be swamped if action is not taken soon.

(iii) The handling of dangerous chemicals has given rise to serious and tragic accidents in Europe and elsewhere. Though rare, these can be utterly devastating.

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25 MARCH 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

COMMON AGRICULTURAL POLICY

Brief by Ministry of Agriculture

BACKGROUND TO STEERING BRIEF

(Paragraphs 1-3 may be drawn on freely)

1. Agriculture Ministers had a first discussion of the Commission's price proposals on 11 March and ^amore detailed intensive session on 25/27 March which may well continue the following week with a view to a settlement being reached before Easter. The European Council may well therefore come immediately before the crucial Council meeting. Only the UK is calling for a more restrictive policy than that proposed by the Commission. All other Member States are calling for a

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more relaxed policy in respect of the products that particularly interest them. In particular, the FRG is opposed to the net reductions in cereals prices (generally 3.6 per cent but 4.5 per cent for rye), proposed by the Commission, which result from the application to the Commission's basic proposal for a 1.5 per cent price increase of the 5 per cent price abatement required under the guarantee threshold agreement for cereals.

2. Commission figures show that under the financial guideline for agriculture, maximum expenditure on the CAP in 1986 would be 20.3 becu using the figure of 19.315 becu for CAP expenditure in 1985 provided in the Preliminary Draft Budget. If the figure of 19.955 becu for 1985 expenditure now estimated by the Commission (and preferred by most Member States) is used, the 1986 guideline figure is 20.7 becu. The Commission currently estimate expenditure in 1986 will, on the basis of present policies, be in the range 19.5 - 20.0 becu and that their proposals for the 1985 price fixing will reduce expenditure in 1986 by 0.034 becu. Thus, on present best estimates, there is "headroom" within the guideline of between 0.3 - 1.2 becu in the Commission's proposals. Each 1% price increase at the

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1985 price fixing adds about 0.26 becu to 1986 costs. Others are therefore likely to argue in the Agriculture Council and elsewhere that there is room for price increases of up to 4% more than have been proposed. Our view is that allowance must be made for adverse developments on world markets and (possibly) for the consequences of the 1986 price fixing; in any event the guideline figure is a maximum not a target.

3. Joint Council of Finance and Agriculture Ministers

Article 7.4 of the Budgetary Discipline Conclusions provides:-

"If in the Commission's opinion the Council of Agriculture Ministers seems likely to take decisions whose cost would exceed that of the original proposals of the Commission, the final decision must be referred to a special Council session attended by both Finance and Agriculture Ministers and can be taken only by that special session."

The sixth entry in the accompanying Council minutes states that any Member State may seek the opinion of

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the Commission on whether the circumstances referred to in the above quotation apply.

(Paragraphs 4 and 5 not for use in Council)

4. The Commission's existing proposals are fairly restrictive. So long as they maintain them the rules are that they can only be amended unanimously by the Council (Article 149).

5. To circumvent what could amount (so long as the Commission maintain their proposals) to a UK veto on greater price increases, some Member States could propose that the European Council adopt a text on the price fixing which would weaken the effectiveness of the financial guideline for agriculture under the budget discipline text or undermine the Commission's resolve to stand by their proposals. This could be done indirectly by, for example, urging them to facilitate a solution by finding a qualified majority. However it were done, it would be likely to be contrary to our interests.

MINISTRY OF AGRICULTURE

25 MARCH 1985

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25 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

MEDITERRANEAN POLICY OF THE ENLARGED COMMUNITY

Background Brief by Foreign and Commonwealth Office

Reference:

- A. Statement made at January 1983 Foreign Affairs Council

Introduction

1. The Germans suggested to us bilaterally that the European Council should agree a short passage for the conclusions emphasising the need for trade access rather than aid in the context of the Community's policy towards the problems of its Mediterranean partners following Enlargement. There may however be a discussion in the Foreign Affairs Council, on 28 March. The issue may not therefore come up at all. Alternatively the European Council may be asked to endorse the Foreign Affairs Council's conclusion.

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Possible text of European Council conclusion

2. Following are elements of a possible text which officials will discuss with German officials in the margins and if appropriate with other partners:

"The European Council acknowledges the importance of the Community's political and economic relationship with its Mediterranean partners and recognises the major part played in that relationship and in the development of their economies by the preferential access given to their agricultural exports to the Community.

The European Council invites the Council, in defining guidelines for the adaptation of its Mediterranean policy to take account of enlargement, *[to maintain and, where possible,] to improve access to Community markets for the agricultural exports of its Mediterranean partners."

* Passage in square brackets as fall back.

Commission Paper

3. At Cheysson's initiative, Commission has prepared a new paper on Mediterranean policy of the enlarged Community which was not in the end introduced or discussed at 17-20 March Foreign Affairs Council. The paper stresses maintenance of trade access during a four year transitional period but is not at all clear about what should happen afterwards. There are hints of help in finding other outlets and of re-structuring aid. Since Spain is receiving little improvement on her trade access until the fifth year of accession, the impact on the Mediterranean countries will only build up gradually thereafter. The Commission proposal therefore misses the main point.

4. Northern Member States would be likely to support the initiative since they have agreed on the importance of maintaining Mediterranean partners' trade access. Italy and Greece will prefer to buy them off with aid rather than prejudice the interests of their own Mediterranean producers. France seems to prefer to emphasise trade access, but their position is not clear.

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5. With accession negotiations in their final stages, there is a real need to reassure Mediterranean partners that their interests have not been overlooked and that Community guidelines will address their real concerns.

6. The most vulnerable countries (Israel, Tunisia, Morocco and Cyprus) have lobbied hard for maintenance of trade flows. The Mediterranean partners have built their trade on assumption of access for agricultural exports to EC markets; there are few alternative outlets. Aid for re-structuring and diversification ignores their comparative advantage and is no substitute for trade access. Mediterranean capacity to buy Community goods and services is closely related to how much they can sell to Community. Not enough just to maintain access during first four year of transition (when no significant impact from Spanish accession on EC fruit and vegetable markets): problem is long term and solution must be sustainable in long term too.

Foreign and Commonwealth Office

26 March 1985

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Brief 11
Reference A

MEDITERRANEAN POLICY OF THE ENLARGED COMMUNITY

Statement at Foreign Affairs Council, January 1983

"As regards the cooperation or association agreements which the Community has concluded with certain countries in the Mediterranean area, the exploratory talks will have to be intensified in order to study the possible difficulties which they may have to face as a result of enlargement. These talks will take place in parallel with the enlargement negotiations, to enable the Council, on the basis of specific proposals from the Commission and in consultation with the applicant countries, to have an overall view of the problems encountered and the measures which might be envisaged for remedying them, in order to define - before the end of the accession negotiations - policy guidelines and any decision to adapt cooperation or association agreements which might appear necessary."

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COPY NO

27 March 1985

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EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

NEW GATT ROUND

Brief by Foreign and Commonwealth Office

BACKGROUND TO STEERING BRIEF

Reference A: Text of March Foreign Affairs
Council declaration

1. 17-20 March Foreign Affairs Council declared readiness to participate in launching of new round, subject to establishment of adequate prior international consensus on objectives, participation and timing.

- Best achievable commitment in circumstances; significant step forward in EC position, including proposal that round be inaugurated in Brussels.

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- Positive language on services, graduation, Japan, trade and finance.

- Reference to agriculture predictably less satisfactory; bound to be a difficult area.

2. US Administration response mixed; but some willingness to acknowledge that Council statement represents progress in Community position.

3. Evidence at this week's OECD senior officials meeting of growing consensus that, irrespective of formal commitments to new round, bandwagon is now beginning to move, even though there is as little precision yet on content as on timing.

4. Need now to:

a) argue for as early a launch as possible; and therefore

b) make urgent progress (with developing countries) towards agreement on content.

TEXT OF FOREIGN AFFAIRS COUNCIL DECLARATION ON PROPOSED NEW GATT
ROUND, 19 MARCH 1984

Suggestions for a new round of multilateral trade negotiations have been the subject of careful international consideration for the past two years. They received particular attention at the meeting of the OECD Ministers in May 1984, at the London Economic Summit in June 1984 and at the meeting of the contracting parties of the GATT in November 1984. Such multilateral negotiations have been a regular feature of the GATT since its inception.

The Council recalls that a new round, while of the utmost importance to a strengthening of the open multilateral trading system and to the expansion of international trade, will not of itself be sufficient to such purposes. Thus the Community, in the perspective of a new round, and while working to achieve the broad consensus requisite for its launching, will urge that the following separate but related desiderata receive serious parallel consideration. Thus:

- (a) In order to ensure credibility, reaffirmation will be necessary of the international commitments variously accepted at the Williamsburg and London Economic Summits, and at the last meeting of OECD Ministers in Paris and of the GATT contracting parties in Geneva:
- Effectively to halt protectionism and resist continuing protectionist pressures (standstill):
 - To relax and dismantle progressively trade restrictions as economic recovery proceeds (roll-back):
 - To pursue the 1982 GATT work programme as complemented by the decisions of the contracting parties in November 1984.
- (b) Solutions to imbalances whose origin lies in the monetary and financial areas cannot be found in trade negotiations.

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Determined concerted action is required to improve the functioning of the international monetary system and the flow of financial and other resources to developing countries. Results in the monetary and financial areas should be sought in parallel with results in the trade field.

Despite previous trade rounds, Japan's growth of imports of manufactured goods has nowhere near matched her export growth. Like concessions to Japan have not produced like results, and in consequence, an imbalance of benefits currently exists between Japan and her principal partners. It is therefore a pressing political necessity for Japan to bring her import propensity into line with that of other partners, by means of domestic structural and other adjustments as well as by measures at the frontier.

As regards negotiations on agriculture in the new round, the Community is ready to work towards improvements within the existing framework of the rules and disciplines in GATT covering all aspects of trade in agricultural products, both as to imports and as to exports, taking full account of the specific characteristics and problems in agriculture.

The Council is determined that the fundamental objectives and mechanisms both internal and external of the CAP shall not be placed in question.

On possible new topics for negotiation, the Council considers that trade in services seems suitable for inclusion. Problems of counterfeit goods and the defence of intellectual property also deserve consideration. Other possible new items should be examined on their merits.

The Council affirms the need for reciprocity and a better balance of rights and obligations as between all contacting parties. The Council considers that too selective an approach to individual negotiating points should be avoided. A balanced package of topics for negotiations should be agreed in which all participants will find advantages for themselves. In principle

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items should be negotiated and the results implemented in parallel and not in succession.

Against this background, and in the light of the desiderata and other relevant considerations mentioned above, the Council considers that a new round would help to promote world economic recovery and growth and would reinforce the multilateral structures and disciplines of the GATT. Subject to the establishment of an adequate prior international consensus on objectives, participation and timing, the Community declares its readiness to participate in the launching of such a new round. The Community will accordingly now enlist the support of its trading partners, particularly among the developing countries, to this end. The Community further proposes that the new round should be inaugurated in Brussels. The Community recognises that a precise date for the formal launching of a new round cannot be fixed now. A step-by-step approach will best permit solid progress to be made. To initiate the process the Community renews its proposal of last May for an ad hoc GATT meeting, in the coming months, preferably at the level of senior officials from capitals, to intensify consultations about a new round and with the objective that a broad consensus on subject matter and participation should be secured at the earliest possible date.

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28 March 1985

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EUROPEAN COUNCIL

BRUSSELS, 29/30 MARCH

EC/US STEEL

Brief by Foreign and Commonwealth Office

BACKGROUND BRIEF

Reference A: Text of 26 March Industry Council
declaration.

1. Threat of yet another damaging EC/US
trade dispute: consultations on EC exports of 17 steel
products not covered by the 1982 EC/US Carbon Steel
Arrangement, to be completed by 9 April, are going
badly.

- US argue that rise in EC share of US market for
these products from 2.65% in 1981 to 8.29% in
first 11 months of 1984, and rise in overall
proportion of total EC steel exports to US from
6.8% to 22.5% over same period, indicates

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diversion of trade from products subject to quota under Arrangement.

- US demand that deliveries be limited to 1981 levels.

- EC position is that

(a) diversion can only be asserted if it can be shown to be solely the existence of the export restraint Arrangement that has led to increased deliveries in non-Arrangement products

(b) overall EC share of US steel market has only risen from 5.35% to 5.56% over 1981/84 period.

2. US have made clear that they will take unilateral action if no solution reached.

- Too rigid a denial of diversion by EC will strengthen US resolve to do so.

3. Industry Council on 26 March agreed tough declaration (Reference A):

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- EC would react strongly to any unilateral US measures; and
- would ask Commission to examine all possible counter-measures.

Others' Objectives

4. French may raise this at European Council: they are bitter over separate issue (vital to them) of US refusal, under the provisions of the EC/US exchange of letters on pipe and tube exports that specifically cover items in short supply in US, to admit additional 200,000 tonnes of steel pipe for All-American pipeline project.

UK Objectives

5. (Not to be used at Council) UK's major concern:

- BSC have in prospect very substantial exports of semi-finished products (slab) for joint venture in US (Tuscaloosa steel): have told Commission of this in strict confidence.

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- While therefore strongly supporting any moves to head off unilateral US action, UK would not go along with any solution that did not safeguard BSC's interests.

Our Arguments

6. We need not discourage discussion at European Council.

- But would prefer to avoid formal Council declaration:
- Industry Council statement sufficiently firm: statement by European Council, because inevitably attracting wider public comment, might have to pull punches on references to possible retaliation, and risk detracting from Industry Ministers.
- Personal message from President of Commission might be more effective.

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7. If declaration unavoidable:

- It must give as much emphasis to consultation products as to short supply items.

- It should also contain references to:
 - a) inconsistency of any unilateral US restrictions with initiative on new GATT round;
 - b) grave implication for EC/US relations if US take precipitate protectionist action.

FOREIGN AND COMMONWEALTH OFFICE

28 March 1985

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TELEGRAM NUMBER 1141 OF 26 MARCH 85

INFO IMMEDIATE WASHINGTON ROUTINE UK MIS GENEVA.

M.I.P.T.

INDUSTRY COUNCIL 26 MARCH.

EC/US STEEL.

1. FOLLOWING IS THE COUNCIL DECLARATION REFERRED TO IN M.I.P.T.

DECLARATION DU CONSEIL SUR LES RELATIONS AVEC LES ETATS-UNIS DANS LE DOMAINE DE L'ACIER.

LE CONSEIL A PRIS CONNAISSANCE DES INFORMATIONS QUE LUI A FOURNIES LA COMMISSION SUR LES CONSULTATIONS EN COURS AVEC LES ETATS-UNIS CONCERNANT, D'UNE PART, LA CLAUSE DU "SHORT SUPPLY" PREVUE PAR L'ARRANGEMENT REGLANT L'IMPORTATION AUX ETATS-UNIS DE TUBES ET TUYAUX, D'AUTRE PART, LES IMPORTATIONS DE PRODUITS COUVERTS PAR L'ARRANGEMENT ACIERS AU CARBONE D'OCTOBRE 1982 ET NON SOUMISES A RESTRICTIONS QUANTITATIVES.

LE CONSEIL CONSIDERE QUE LES POSITIONS PRISES PAR L'ADMINISTRATION AMERICAINE NE REpondent NI A L'ESPRIT NI A LA LETTRE DES ARRANGEMENTS CONCLUSE ENTRE LA COMMUNAUTE ET LES ETATS-UNIS, ET IL NE PEUT ACCEPTER QUE CES POSITIONS SOIENT PRESENTEES PAR L'ADMINISTRATION AMERICAINE COMME DEFINITIVES ET IMMUABLES.

EN CE QUI CONCERNE LA QUESTION DU "SHORT SUPPLY", LE CONSEIL INVITE LA COMMISSION A REPREDRE IMMEDIATEMENT LES CONSULTATIONS PREVUES A L'ARRANGEMENT.

LE CONSEIL RAPPELLE QUE L'APPLICATION CORRECTE DE LA CLAUSE DU "SHORT SUPPLY" EST UN DES ELEMENTS ESSENTIELS QUI A CONDUIT LA COMMUNAUTE A ACCEPTER L'ARRANGEMENT.

D'AUTRE PART, IL DEMANDE A LA COMMISSION DE POURSUIVRE LES CONTACTS AVEC L'ADMINISTRATION AMERICAINE EN VUE D'ASSURER LE RESPECT INTEGRAL DES ARRANGEMENTS ET D'OBTENIR QUE LES PARTS DE MARCHÉ DE LA SIDERURGIE EUROPEENNE, NOTAMMENT PAR RAPPORT A CELLE DES AUTRES FOURNISSEUR, SOIENT SAUVEGARDEES.

LE CONSEIL SOULIGNE AVEC FERMETÉ QUE LA COMMUNAUTE REAGIRAIT AVEC LA PLUS GRANDE VIGEUR A L'EGARD DE MESURES UNILATERALES QUI LUI SERAIENT IMPOSEES ET DEMANDE A LA COMMISSION DE METTRE IMMEDIATEMENT A L'ETUDE TOUTE CONTRE-MESURE POSSIBLE.

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LE CONSEIL ATTIRE L'ATTENTION SUR LE FAIT QUE LES MESURES DE PLUS EN PLUS CLAIREMENT PROTECTIONNISTES DES ETATS-UNIS SONT EN CONTRADICTION AVEC LES EFFORTS ENTREPRIS EN VUE DE LANCER UN NOUVEAU ROUND DE NEGOCIATIONS COMMERCIALES AU GATT ET QU'ELLES AGGRAVENT LE RISQUE D'UNE DETERIORATION PROFONDE DES RELATIONS ENTRE LA COMMUNAUTE ET LES ETATS-UNIS.

FCO ADVANCE TO:

FCO - SHEPHERD, WARREN.

DTI - MURRAY, MOGG, BRIMELOW, (MM) HUTTON, HEALEY, BESTON (OT2)

R WILLIAMS, LAME, PRYOR, MADELIN (ITP)

MAFF - HADLEY, COCKING.

BUTLER

FRAME EXTERNAL

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EHG(B)(85)13 Revise 1

COPY NO 1

27 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

— STEERING BRIEF ON POLITICAL COOPERATION SUBJECTS

INTRODUCTION

1. The Agenda items are Middle East (including Arab/Israel and Iran/Iraq), East/West relations and Central America. In addition we have proposed that the Council include a short passage on Mozambique in its conclusions.

2. The Middle East will probably be the major item. We wish to see the Council give cautious support to current moderate Arab initiatives on Arab/Israel as

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well as registering concern and considering joint action on the situation in the Lebanon. We would also welcome any helpful action the Council could take on the Gulf conflict.

3. On East/West relations we would welcome an exchange of views on the implications of Gorbachev's succession and on the prospects for Geneva. It is important that any Council conclusions strike the right balance between Western firmness and willingness to do business with the East.

4. On Central America we will wish to reaffirm our support for an active rôle by the Ten while resisting any mention in the conclusions of a Ministerial follow up meeting to San José.

5. The major South America item will probably be Chile. We will wish to make clear our concern, while persuading partners that overfrequent criticism by the Ten will not influence Pinochet. We will also wish to resist arguments that the survival of Argentine democracy depends on our taking a softer line on the Falklands.

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6. If South Africa is raised we will wish to discourage further Statements by the Ten.

7. On Mozambique we have proposed that the Council conclusions include a short passage reaffirming the Ten's support for Mozambique.

8. Fuller objectives and points to make are as follows:

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A. MIDDLE EAST (ARAB/ISRAEL, LEBANON, IRAN/IRAQ)

Our Objectives

- To give cautious but visible support to current moderate Arab initiatives on Arab/Israel by ensuring that any public Council conclusions should include encouraging reference to them.

- Register concern at deteriorating situation in Lebanon, especially the South, and support joint action by Ten; explore possibility of EC démarches in capitals (notably Damascus, Tehran) about British and other European hostages.

- On Gulf conflict work for end to attacks on civilian targets and steps towards an early settlement.

Arguments

- The Jordan/PLO agreement and President Mubarak's practical proposals though fragile offer a rare prospect of progress and richly deserve judicious encouragement (without implying sponsorship or distracting attention from prime responsibility of

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parties).

- Gravity of situation in Lebanon calls for public reaction by Ten.

- Recent escalation of Gulf conflict requires signal of Ten's concern and support for action by Security Council and UN Secretary-General.

Their Objectives

- As ours except that Greece (and perhaps France) may seek to minimise, in any text on Arab/Israel, praise of moderate initiatives, citing radical Arab opposition.

- On Lebanon, no divergence. French, Irish and Dutch (who contribute troops) will probably press for reference to UNIFIL.

- On Iran/Iraq, French (pro-Iraqi) may propose one-sided action, eg calling only for immediate general ceasefire (which appeals only to Iraq).

Your Response

- Need to encourage Hussein/Arafat/Mubarak so that they gain wider support; if no acknowledgement for their efforts, this will not be a neutral signal, but imply European indifference and encourage radicals.

- Agree that all parties in Lebanon should be reminded of their obligation to cooperate with UNIFIL. Need to consider carefully UNIFIL's future rôle once Israelis have fully completed their withdrawal.

- Language not acceptable to both Iran and Iraq counter-productive; should call for just and honourable settlement, first step being end to damaging attacks on civilian targets, in line with Security Council statement.

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B. EAST/WEST RELATIONS

Our Objectives

- To exchange views on implications of Gorbachev succession and to counter any tendency to believe that conduct of East/West relations likely to be easier.
- To give British assessment of Geneva prospects. To reaffirm UK policy on SDI and prevent EC/Alliance divergence.
- To ensure that any relevant passage in the conclusions of the Council strikes the right balance between Western unity and willingness to do business.

Arguments to Use

Gorbachev's Character and Position

- Meeting on 13 March confirmed earlier impressions: intelligent debater, able to tailor point of view to audience, charm and presence.
- Has moved quickly and confidently into new post.

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Apparently good relations with Gromyko (who was fulsome about Gorbachev in nomination speech).

- Future indicators of Gorbachev's pre-eminence:

(a) whether he is made President (could happen if Supreme Soviet Plenum called for late April);

(b) what new blood brought into Politburo (now only 10; 13 under Andropov).

- Preparations for 27th Party Congress where new Party programme will be approved and Central Committee re-elected will offer Gorbachev chance to get his men in and to put his stamp on Soviet policy for next decade, if he has sufficient influence.

Internal

- First priority will be economy. Central contradiction of introducing incentives without changing system. Seems to favour making existing system work better rather than radical reform. Doubtful whether enough can be achieved this way in longer term.

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Foreign Policy

- Continuity. Main aim will be to split Alliance and to prevent SDI deployment.

- Likely renewed propaganda, playing on public concern in Europe. Image of Gorbachev as more reasonable and flexible figure may be used.

- Russians ready to improve political relations with Western Europe. But large element of wedge-driving. Interesting to see how Reagan invitation treated: Gorbachev unlikely to hurry to reply, but probably in Soviet interests for there to be a summit.

- Potentially difficult moment for the West. Likely to be strains. Important that we stick together, maintain close consultation, especially with US. Communiqué should reflect this.

Arms Control

- Geneva talks: Russians claim ready for work for agreement involving large-scale, mutually acceptable

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measures. Must now show they mean business. Any attempt to make progress on nuclear issues dependent on getting their way on SDI not acceptable. Danger that they may indicate willingness to reach reasonable agreements on START and INF but make them contingent on US concessions on SDI. If accompanied by some gestures on human rights front over some prominent dissidents could prove a difficult public opinion problem.

Space: Start of Geneva talks and Gorbachev succession offer Russians new opportunities for wedge-driving. Public rifts over SDI would only weaken US negotiating hand. But need to grapple with implications of BMD in public presentation and private discussion. For foreseeable future aim must be to enhance deterrence.

- INF/START: US negotiators have sufficient flexibility to develop 1983 proposals. Key question on INF: will Russians now accept reality of NATO deployments?

Their Objectives

- On East/West, others unlikely to have radically different views. Kohl and Mitterrand both met

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Gorbachev in Moscow. Some eg Irish, Danes may be over-inclined to view Gorbachev as heralding new dawn.

- On space/SDI, objectives of major European Allies broadly similar to our own. French more openly sceptical; concerned about long-term effects of BMD on national deterrent. German primarily concerned to promote consensus. Greece may seek to promote unrealistic Six-Nation Declaration call for ban on space weapons.

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C. CENTRAL AMERICA

Objectives

- To resist efforts to commit the Ten publicly to a Ministerial follow-up meeting to San José.

- Specifically, to argue against any passage in the Conclusions going beyond a reaffirmation of the Council's conclusions of 4 December.

- To reaffirm within the Council our wholehearted support of an active rôle for the Ten in Central America, and an agreement in principle to a Ministerial follow-up meeting. But to point to the limitations.

Arguments to Use

- No reasonable doubt that Ten are committed to supporting Contadora process. Agree to reference in conclusions reaffirming 4 December Dublin conclusions.

- But need to guard against declaratory diplomacy which becomes self-devaluing.

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- Proposal for Ministerial level follow-up to San José acceptable, but only if progress has been made in Contadora. Wrong to make any promise to Central Americans about this meeting before outcome of important Contadora meeting in April is known. To do so would send wrong signal that the Ten are prepared to offer cooperation regardless of progress.

- Urge acceptance of principle that Ten must seek to use leverage afforded by San José and prospects of framework agreement to encourage Central Americans to negotiate seriously.

Their Objectives

- FRG and perhaps others may press for a statement to be included in the conclusions announcing agreement to hold a San José Conference Mark II by the end of the year. They will argue this is needed to display momentum in EC/Central America cooperation.

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D. MOZAMBIQUE

Our Objective

- To persuade partners that Council should issue statement on Mozambique reaffirming support for Nkomati process.

Arguments to Use

- Foreign Ministers' Declaration of 12 February well received. But situation still serious (meetings with Machel on 13 March and Nyerere 20 March). Statement by Council would provide psychological boost to Machel and peace process, and opportunity for Presidency to follow up representations about arms supplies to Renamo.
- Effect on transit routes of land-locked neighbours considerable.

Their Objectives

Some partners may object on grounds that:

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- Council should not devalue Foreign Ministers' Statements by repeating them.

- Mozambicans have made formal response to 12 February Declaration, so no further statement necessary.

- Nkomati was imposed on Machel by force - failure so far shows South Africa's bad faith, which Ten should not appear to endorse.

- No point in backing a policy which failing.

Your Response

- I believe Machel remains committed to Nkomati and he told me he believes in P W Botha's good faith.

- At time of difficulty should do more than rather than less to bolster Machel and encourage others to maintain commitment to Nkomati.

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- South Africans taking action - unmasking of smuggling gang, stricter control of border air-space, dismissal of some Renamo supporters in Armed Forces.

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E. SOUTH AFRICA

Our Objectives

- To explain as necessary our response to the Uitenhage shootings.

- To discourage further statements or action by the Ten.

Arguments to Use

- Have expressed shock and concern. No doubt that the South African Government deeply embarrassed and shaken by international reaction. Commission of Enquiry now at work. We must keep up pressure on human rights issues. But must not permit shootings to eclipse hopeful moves recently made.

- UK's views clearly expressed both nationally and through Presidency statement. Hard to see what further could usefully be said. South Africa is well aware of our position. Further approaches unlikely to add to impact, probably detract.

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- (If necessary) Wrong to take any further steps until report of enquiry available.

- (If sanctions proposed) Do not believe sanctions feasible or effective.

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F. SOUTH AMERICA

Our Objectives

- To convince partners that we share their concern at present situation in Chile.

- To persuade them that public condemnation and over-frequent démarches will not influence Pinochet.

- To resist arguments that the survival of Argentine democracy depends on our taking a softer line on the Falklands.

Arguments to Use

Chile

- Agree present political impasse benefits only hard left.

- Sent senior FCO official to Chile in late February to assess situation. Made known our concern at human rights abuses/delayed return to democracy direct to General Pinochet.

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- Have supported EC initiatives on Chile in past, eg Foreign Ministers' statement of 12 November, 5 March démarche on Urzua case.

- Also voted for Resolutions critical of Chile in 1984 UNGA and 1985 Commission on human rights.

- But scope for influence by outsiders limited. Pinochet sensitive to "foreign interference" in Chilean internal affairs. Democratic opposition parties so far failed to make common cause.

- Repeated démarches by Ten on individual cases merely provoke Pinochet to react negatively, need to concentrate on building bridges between opposition and Chilean Government. Terrorism a real problem, although disavowed by democratic opposition.

- Important to encourage political contacts between democratic opposition and Western political parties.

Argentina

(- We do not wish to raise this - for defensive points

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see below.)

Their Objectives

Chile

- Our EC partners especially Italians will wish us to subscribe to general, public denunciations of Pinochet. They may also seek to reverse our recent refusal to support further appeal to Pinochet for clemency if Chileans accused of assassinating General Urzua are sentenced to death by War Tribunal.

Falklands/Argentina

Partners may argue that we should show flexibility on sovereignty in order to bolster democracy in Argentina.

Your Response

Chile

- Supported recent EC démarche on Chile urging Chileans to provide full legal safeguards. Chilean Government critical of EC interest in fate of "terrorists".

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Following death of two Chilean bomb disposal experts in hotel explosion, Pinochet even less likely to allow clemency.

- Understand that relations between Italy and Chile are particularly tense at the moment. May make business with Chilean Government through Presidency rather difficult.

- Do not regard assassination as legitimate political activity, even in Chile.

- Will continue to impress on Chilean Government in private contacts need for genuine progress on return to democracy, lifting of state of siege and greater respect for human rights.

- Chile neutral during Falklands conflict. Not soft pedalling on human rights for bilateral reasons. Best chance for Chile lies in resumption of dialogue between Government and moderate opposition. We must work to prevent isolation of either.

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Argentina

- Not prepared to discuss sovereignty. Ruled out by Argentine action in 1982. Stability of Argentine democracy depends principally on restoring their economy. We have taken a constructive attitude in IMF and at Paris Club. If Argentina agrees to reciprocal lifting of trade restrictions this would give immediate boost to her exports.

FOREIGN AND COMMONWEALTH OFFICE

27 MARCH 1985

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COPY NO 1

22 MARCH 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

ARAB/ISRAEL

Brief by Foreign and Commonwealth Office

BACKGROUND TO POLITICAL COOPERATION STEERING BRIEF (Section A)

References

- A Jordan/PLO Agreement of 11 February
- B UK report of Middle East Working Group (MEWG) of 20 February
- C Prime Minister's statement to the House on 26 February

1. The Presidency told the MEWG on 20 February that they would be preparing a draft text of conclusions on the Arab/Israel dispute for consideration by the European Council. The consensus view was that this should be brief and include positive references to the Jordan/PLO Agreement

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(Reference A) and President Mubarak's proposals. The Greeks, and the French, were hesitant on the grounds that the moderates' proposals had been rejected by Syria and the radical Arab minority. We and our other partners consider that to ignore major moderate moves would offend our Arab friends and make it even more difficult for them to gather further Arab support. But the wording should be cautious so as not to imply sponsorship by the Ten, which could encourage Arab opposition and lead to unjustified expectations of the role the Ten could play. It should also refer to "Palestinian" representation in future moves, rather than "PLO".

2. The Jordan/PLO Agreement, signed by King Hussein and Arafat on 11 February includes important PLO concessions (territory for peace, confederation with Jordan and a Joint Jordanian/Palestinian delegation at an international conference) albeit (deliberately) in a framework which allows the parties plenty of room for manoeuvre. It is not necessarily in our interests to press for full clarity at this stage; the important thing is to maintain momentum. The agreement enjoys the full support of Egypt, and the tacit approval of other moderate Arab states although the longer it fails to elicit positive US and Israeli responses, the greater the danger of this evaporating. Only Syria, Libya, PDRY and the minority radical Palestinian Groups have rejected it. Israeli reactions have varied from scepticism (Peres) to rejection (Shamir) but overall have been less negative than might have been feared. Despite talks of attempting to rewrite crucial clauses, no mainstream PLO

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leader has repudiated it. King Hussein has accepted two "clarifications" to appease the more hardline PLO opinion (a joint Arab - not Jordanian/Palestinian - delegation and clearer reference to full Israeli withdrawal).

3. . President Mubarak has made additional proposals including US reception of a Jordanian/Palestinian delegation, widening the dialogue to include Israel, and meetings between a Jordanian/Palestinian and an Israeli delegation in Cairo. The first thought was part of King Hussein's strategy, but Mubarak's announcement was not coordinated with him and caused some embarrassment. Peres has welcomed the idea of direct talks, provided that no PLO members were involved; a senior Palestinian, Milhem, rejected the idea. Hussein and Mubarak are now concentrating on securing a meeting between a US and a Jordanian/Palestinian delegation, which Mubarak claimed to the Prime Minister would be sufficient to prompt Palestinian recognition of Israel's right to exist. The US remain sceptical about Mubarak's proposal sending Mr Murphy to the area to see if a US meeting with an acceptable Jordanian/Palestinian delegation could proceed. The Israelis's have dropped their objections to such a meeting.

FOREIGN AND COMMONWEALTH OFFICE

22 MARCH 1985

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Reference A
Brief 14a
(A/I)

JORDANIAN TRANSLATION OF JORDAN/PLO AGREEMENT

"Emanating from the spirit of the Fez Summit resolutions, approved by Arab States, and from United Nations resolutions relating to the Palestine question, in accordance with international legitimacy, and deriving from a common understanding on the establishment of a special relationship between the Jordanian and Palestinian peoples, the Government of the Hashemite kingdom of Jordan and the Palestine Liberation Organisation have agreed to move together towards the achievement of a peaceful and just settlement of the Middle East crisis and the termination of Israeli occupation of the occupied Arab territories, including Jerusalem, on the basis of the following principles:

1. Total withdrawal from the territories occupied in 1967 for comprehensive peace as established in United Nations and Security Council resolutions.
2. Right of self-determination for the Palestinian people: Palestinians will exercise their inalienable right of self-determination when Jordanians and Palestinians will be able to do so within the context of the formation of the proposed confederated Arab States of Jordan and Palestine.
3. Resolution of the problem of Palestinian refugees in accordance with United Nations resolutions.
4. Resolution of the Palestine question in all its aspects.
5. And on this basis, peace negotiations will be conducted under the auspices of an international conference in which the five permanent members of the Security Council and all the parties to the conflict will participate, including the Palestine Liberation Organisation, the sole legitimate representative of the Palestine people, within a joint delegation (Joint Jordanian Palestinian Delegation)".

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Reference B
Brief 14a
(A/I)

MIDDLE EAST WORKING GROUP: ROME: 20 MARCH 1985

Arab/Israel

1. Liotta (Presidency) noted that the Jordan/PLO Agreement remained intact, despite some resistance to it amongst Palestinians. Its fragility was however clear from PLO calls for amendment/clarification of some articles, and Arafat had denied that it included acceptance of SCR 242. President Mubarak's suggestions of direct talks had been too close to a Camp David formula to be acceptable to many Arabs, and even Jordan had evidenced some uncertainty. The subsequent meeting between King Hussein and President Mubarak did not altogether remove the impression that Jordanian and Egyptian views of the way forward differ in some respects. In Israel Mubarak's ideas had refocussed public and official attention on the peace process. His visit to the US appeared not to have brought concrete results.

2. Lucet (France) stressed the differences remaining between the Arabs and within the Israeli coalition. It was good that some taboos appeared to be falling, but the French approach would be cautious in view of the many ambiguities. The idea of accepting "all UNGA and SCR resolutions" in the Jordan/PLO agreement was problematical; the Ten had not voted for all the former. Fatah and the Palestinians in the Occupied Territories had reacted positively; the radicals had perhaps lost ground on the West Bank but there was not yet real Palestinian unanimity of view. Neither Mubarak nor Hussein could seriously contemplate going further without greater Arab consensus. The Americans were right to stress the danger of putting strain on the Israeli coalition; this might unhelpfully strengthen the Likud's position. Nor did events in Lebanon favour progress. Neither Mubarak nor Hussein had sought public European support; discreet encouragement was all that was appropriate.

3. Liotta noted that Mubarak had asked the Presidency for a statement of support for moderate initiatives from the European Council. The key would be to help keep up the momentum without suggesting European "sponsorship". Fiedler (FRG) agreed. The

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situation remained complex with many differences of view amongst Arab countries and even disagreements about the text of the Jordan/PLO agreement. But the attempts to overcome the stagnation of the peace process should nonetheless be welcomed publicly; but not too effusively - this would be the "kiss of death". Gunning (Ireland) agreed that whatever the uncertainties, a signal of general approval would be appropriate; the PLO had made some useful moves and appeared to be committed to a peaceful settlement.

4. Huitzing (Netherlands) emphasised the Palestinian concessions in the Jordan/PLO Accord. Acceptance of SCR 242 was an emotional problem for the Palestinians, but one which might be overcome in time. Moderate Arabs would not easily understand if the Ten failed to acknowledge their efforts. But the process would be long-drawn-out. The US would probably not move until the end of the year, if at all. The Ten should preach patience to the Arabs and seek better Arab definition of their proposals. He doubted whether delay would, as some feared, strengthen the position of the Arab radicals. Liotta noted that public opinion would expect some comment from the European Council.

5. Georgiou (Greece) said that the situation was unclear; there was no prospect of peace negotiations. He was not optimistic that the radicals would remain in the background. The European Council should avoid involvement. Language on the Middle East should be issued, but it should not mention the Jordan/PLO Agreement or Mubarak. Makepeace (UK) said that the Ten should beware of sending the wrong signal. If language was issued on the Middle East which did not specifically mention recent moderate initiatives, that in itself would be seen as significant and a denigration of their efforts. It could encourage their radical opponents. There should be no attempt at detailed analysis of the agreement, but the initiatives should be mentioned and the return to some movement welcomed. Fiedler noted that the moves should be especially welcome as they fitted the Ten's criteria of coming from the area of conflict itself.

6. Huitzing and Fiedler suggested that MEWG should draft suitable language. Liotta resisted this as beyond the group's

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mandate. The Presidency would draft language which would be discussed by Political Directors in parallel to the European Council. This would reflect the consensus view that the text should briefly review recent developments, particularly the Jordan/PLO agreement, and express prudent approval. Liotta went on to sum up; the group had reviewed developments, noted the potential dynamism of moderate moves, and also the fragility of the agreement. These had drawn Israeli and US attention to the question, but Mubarak's visit to Washington had not elicited a clear US commitment to action. The meeting had also, as instructed, considered what attitude the European Council might adopt. Lucet suggested that some way should be found in any Council language of mentioning Syria. The idea was not taken up.

Lebanon

7. Liotta reviewed increasing tension in the South, action in the Security Council and the first fighting since 1980 amongst Christian groups in East Beirut. There was a significant move amongst the Christians for a more democratic leadership and less reliance on Syria. Lucet said that the Christian revolt was not a mere Israeli manoeuvre, but a symptom of a deeper malaise. The struggle was between those, like the President, who still sought national unity, and those seeking to construct a Christian "canton". Segesser (Belgium) agreed. Huitzing saw it more as a struggle for influence and wealth amongst Christian leaders.

8. Gunning raised reports of Israeli intentions to create a buffer zone in the South. This had implications for UNIFIL's mandate, which came up for review in April. He expected attempts to discredit UNIFIL. Huitzing suggested that this was just Israeli tough talking. Israeli public opinion would oblige the government to implement a complete withdrawal. The Cabinet had unanimously approved the 2nd phase of withdrawal (some Likud ministers had opposed the first); evidence of the strength of public feeling. UNIFIL would in all likelihood be left to fulfil its mandate. Lucet agreed in general, but hesitated to be so optimistic about UNIFIL.

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9. There followed some discussion of what, if anything, the European Council might say about Lebanon. Georgiou recommended following the lines of the February demarche. Fiedler favoured references to territorial integrity, regret for all violence in all parts of the country and a positive mention for UNIFIL. Lucet suggested reference to the Naqoura talks. Liotta summed up; the group had reviewed recent developments. Any reference by the European Council should be short, deplore suffering of civilians, call for full Israeli withdrawal and non-violence by all parties and restoration of national sovereignty and integrity. The role of UNIFIL should also be recognised.

Iran/Iraq

10. Liotta noted the aggravation of the situation: renewed fighting on land and attacks on Tehran and Baghdad. An EC demarche to the parties was carried out on 16 March in Baghdad and 17 March in Tehran. A further demarche took place, as instructed by foreign ministers, on the 18th and 19th. The Iranian reaction had been polemical. The Iraqis had concentrated on the overall need for peace, rather than responding to the call to end attacks on civilian targets. The Iranians had also warned the Italians that they could take no responsibility for the safety of foreign citizens in Iraq. He was not clear whether this was meant bilaterally or was passed to Italy in its Presidency capacity. He inquired whether anyone else had received such a message from the Iranians. No one was aware of any such approach. Huitzing suggested that this was psychological warfare by the Iranians.

11. It emerged from further discussion that several member states had received requests from the Iranians to treat alleged victims of Iraqi chemical warfare. These were being considered in a favourable light. It was noted that any mention of the conflict between Iran and Iraq by the European Council would have to take account of the latest developments at that point and be careful to maintain the Ten's strictly neutral stance. There was considerable discussion between Netherlands, maintaining that this neutrality precluded a call for an early overall peace settlement (which would be

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unacceptable to the Iranians) and France, supported by Greece and Italy, which argued that the Ten should state clearly the desire for peace. Liotta summed up, suggesting that draft Presidency language should be in 2 sections, one calling for a halt to attacks on civilians and other concrete measures, and another on the need for a general peace settlement. The wording would be considered with great care to avoid any suggestion of partiality.

40 Years After the Defeat of Nazi Germany (Israeli Celebrations)

12. Huitzing raised the subject and asked how the partners would respond to requests for messages from Heads of State, representation at the event, contribution of a military band and membership of the sponsorship committee. Netherlands would send a message, be represented by their Ambassador without a band and was considering the sponsorship committee idea. A swift "tour de table" elicited the information that Italy and Luxembourg were not briefed, Belgium and Greece would probably send messages, Denmark would reluctantly send a message, UK had sent a message, would be represented by the Ambassador, had declined to send a band and had not been approached about the sponsorship committee. France would send a Presidential message and a Minister would attend and be on the sponsorship committee, but without a band.

Commission Invitation to visit Tanouf

13. Makepeace raised the proposal by the Commission to send its deputy representative in Algiers to visit refugee camps at Tanouf, at the invitation of the SADR. A technical visit of this kind could be useful, but SADR demands that the visitor should apply for a SADR visa to visit an area in Algerian territory were a political matter and should be resisted. Bistolfi (Commission) said that the visit would be purely technical and arranged so that it would not be susceptible to political interpretations.

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PRIME MINISTER'S WASHINGTON VISIT

MANARD

EXTRACT

26/2/85

Reference C
Brief 14a
(A/I)

On the middle east, the President and I both felt that the time was propitious for fresh efforts to arrive at a solution of the Arab-Israel problem. We both expressed our support for King Hussein's endeavours to arrive at a common position among moderate Arab Governments and I welcomed the result of King Fahd's recent visit to Washington. The President confirmed that his proposals of September 1982 remained on the table and that the Administration were ready to pursue them with the parties.

Mr. Dennis Walters (Westbury): When discussing the middle east with the President, was my right hon. Friend able to persuade him of the urgent need to launch a major initiative now which responds positively to the appeals of King Hussein and which is prepared to deal firmly, if necessary, with Israeli intransigence?

The Prime Minister: I have made it clear that President Reagan said that his speech of 1982 and the plan that it laid out is still on the table, but fresh efforts will be made to try to further the approach that he indicated then. It is important that we should know exactly how far the Palestinian Council and the Palestinian people accept some of the proposals put forward by King Hussein. The position on that is not yet fully clear.

Mr. Greville Janner (Leicester, West): When the Prime Minister refers to the President's speech in 1982 as still standing and being welcome, is she aware that it was welcomed by one side only? If there is to be peace in that area there must be consent on both sides. While Israel is only one nation among many, it is the only democratic nation in that area, and it is one side of the argument. Its interests, which the Prime Minister did not mention, are entitled to be recognised.

The Prime Minister: As the hon. and learned Gentleman will be aware, that speech fully recognised, as have other statements since and all statements from this Government, the right to security of all states in the area. that has never been in doubt. That speech also set out a course of action for the future under which the West Bank may become a part of a federated Jordan. I hope that the hon. and learned Gentleman will welcome a settlement of the problems in that area which fully recognises not just Israel's right to exist, but to exist behind secure borders.

Mr. David Crouch (Canterbury): Is my right hon. Friend aware that there will be a widespread welcome for the emphasis given to the middle east question? She has twice referred to the President's speech in 1982, which was then an initiative. Does she agree that what we want now is not an old initiative but a new one, and would she consider stressing that point in further talks with the President?

The Prime Minister: Probably one of the most important things to try to establish is whether the Palestinian people will accept security council resolution 242 as modified by resolution 338. If it is acceptable to the Palestinian people as a whole, that opens the way to further negotiations through the most excellent offices of King Hussein.

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22 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

IRAN/IRAQ

Brief by Foreign and Commonwealth Office

BACKGROUND TO POLITICAL COOPERATION STEERING BRIEF (Section A)

References/Annexes

A: Coreu No CPE/PRES/ROM 243

Recent Developments

1. The recent escalation in activity in the Gulf conflict dates back to 4 March when the Iraqis attacked the Iranian cities of Ahvaz and Bushehr. Since then attacks on cities in both countries have continued, including Baghdad and Tehran.

2. On 11 March the Iranians launched a medium-sized land offensive across the Hawizah Marches, north of Basra. Iranian forces reached the Tigris but were subsequently pushed back by a successful Iraqi counter-attack. The fighting has now died down.

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3. Attacks on shipping have continued. Two Iraqi attacks on 17 March were followed by Iranian retaliation on the Liberian tanker Caribbean Breeze. The British Master, David McCaffrey, was injured in the attack, and is now in hospital in Qatar recuperating. We have previously protested to both Iran and Iraq about attacks which led to the loss of British lives or damage to British-owned vessels.

Diplomatic Activity

4. On 11 March the UN Secretary-General appealed to both sides to cease their attacks on civilian targets. The UN Security Council issued a statement on 15 March calling for a restoration of the June 1984 moratorium on attacks on civilian areas and stressing the need to bring about a just and honourable settlement to the conflict. The UK fully supported these measures, and subsequently participated in EC demarches twice in both Tehran and Baghdad which urged Iran and Iraq to respond to the UN appeals. Our representative in New York is keeping in close touch with the Secretary-General and with other members of the Security Council in an attempt to find some common ground between Iran and Iraq.

5. In addition the Prime Minister of India, in his capacity as Chairman of the Non-Aligned Movement, has sent envoys to Baghdad and Tehran urging both sides to seek to end the conflict, exchange prisoners of war and refrain from attacking civilian targets. The Gulf Cooperation Council states and the Islamic Conference Organisation are also appealing for an end to hostilities. We are keeping in touch with these efforts.

Iraqi Warning to Civil Aviation

6. With effect from 1700 GMT on 19 March the Iraqis declared Iranian airspace to be an exclusion zone. The Department of Transport have advised all British airline operators to avoid both Iranian and Iraqi airspaces and BA flights to Baghdad and Tehran have been cancelled. The air travel situation is being kept under close review. We have made clear to the Iraqis that we regard their action as contrary to international law. We are investigating reports that Iran has issued a similar declaration for Iraqi airspace.

Foreign and Commonwealth Office

22 March 1985

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Reference A
Briefly a.
(I/I)

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TO ALL COREU PRIORITE

CPE/PRES/ROM 243
20.3.1985 HRS 1440

DIFFUSION RESTREINTE
DISTRIBUTION GENERALE

OBJET: IRAH-IRAQ: ATTACKS ON CIVILIAN TARGETS.

REF.: CPE/PRES/ROM 212

THE PRESIDENCY INFORMS ITS PARTERS THAT A DEMARCHE CONCERNING
ATTACKS ON CIVILIAN TARGETS (REF.: CPE/PRES/ROM 212 - 9 MARCH
1985) HAS BEEN MADE ON BEHALF OF THE TEN BY THE ITALIAN AMBASSADOR
IN BAGDAD, ON 16TH MARCH WITH THE FOREIGN UNDER SECRETARY ZAHAWI
AND BY THE ITALIAN AMBASSADOR IN TEHERAN , ON 17TH MARCH, WITH THE
DEPUTY FOREIGN MINISTER SHEIKOESLAM.

FOLLOWING A DECISION TAKEN ON THE OCCASION OF THE COUNCIL OF THE
FOREIGN MINISTERS ON 17TH MARCH, A SECOND DEMARCHE HAS BEEN MADE
BY THE PRESIDENCY ON BEHALF OF THE TEN IN BAGHDAD ON THE 18TH AND
IN TEHERAN ON THE 19TH MARCH, URGING ONCE AGAIN BOTH PARTIES TO
PUT AN END TO ATTACKS ON CIVILIAN TARGETS AND STRESSING THE NEED
TO BRING ABOUT A NEGOTIATED SOLUTION TO THE CONFLICT, JUST AND
HONOURABLE FOR BOTH SIDES.

CPE/ROM
FIN DE TEXTE

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MR DEREK THOMAS
MR FERGUSSON
MR EGERTON
MR RENWICK.

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22 MARCH 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

LEBANON

Brief by Foreign and Commonwealth Office

BACKGROUND TO POLITICAL COOPERATION STEERING BRIEF (Section A)

References

- A Speech on 7 March by British representative during Security Council debate on South Lebanon

- B Extract from Hansard, 20 March: Mr Luce's statement on the kidnapping of two British subjects

- 1. We should aim for the inclusion of the following elements in any public statement:

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(a) reiterate commitment to Lebanon's independence and unity, and our support for the Lebanese government's efforts to promote national reconciliation;

(b) deplore appalling violence in Lebanon and urge restraint on all concerned;

(c) reiterate call for withdrawal of all foreign forces whose presence is not authorised by the Lebanese government;

(d) need for complete Israeli withdrawal with minimum delay to break cycle of violence in South;

(e) remind all concerned of obligation to cooperate with UNIFIL;

(f) condemn kidnappings in West Beirut and call on all parties to work for early release of victims.

2. (For free use) Since the Israeli withdrawal from the Sidon area on 16 February, there has been an increasing wave of violence and reprisals between Israeli Forces and Lebanese groups. A Lebanese draft Security Council resolution was vetoed by the US on 12 March; Britain and the Netherlands abstained, France voted in favour. The cycle of violence can only be broken by complete Israeli withdrawal. Israeli retention of a border strip (as advocated by some Israelis) would (a) not prevent attacks on Israel proper, (b) evoke more hostility and violence and (c) be unacceptable to the international community. The French and Irish UNIFIL contingents have clashed with Israeli forces and the Israeli-sponsored South Lebanese Army. The UNIFIL mandate is due for renewal on 19 April.

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3. A split in the Christian community has blocked Syrian-led efforts to promote agreement on new power-sharing arrangements in Lebanon. Elements of the Lebanese Forces are insisting that President Gemayel should not make major concessions to the Muslims and should resist Syrian pressure. Christian militia units have clashed with the Lebanese Army and Muslim groups in the Sidon area. This is a serious challenge to President Gemayel's authority.

4. Two Britons, Geoffrey Nash and Brian Levick, were kidnapped in West Beirut on 14 and 15 March respectively; a US journalist was abducted on 16 March. An anonymous caller claimed responsibility in the name of Islamic Jihad on 17 March. Our Ambassador in Tehran has been instructed to make a bilateral approach; this follows action already taken by our Ambassadors in Beirut and Damascus. On 21 and 22 March a French vice-consul, a French attaché and his wife and an Italian UN officer were kidnapped. The EC troika made demarches on behalf of 5 US hostages (one has since escaped) in early February.

FOREIGN AND COMMONWEALTH OFFICE

22 MARCH 1985

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HINNEY H

Brief (14-a)
(L)

1. FOLLOWING IS TEXT OF MAXEY'S SPEECH IN THE SECURITY COUNCIL ON 7 MARCH:

MY DELEGATION LISTENED WITH DISMAY TO THE EXCHANGE OF ACCUSATIONS BETWEEN THE PARTIES IN THE COUNCIL LAST THURSDAY. IT WAS EVIDENCE OF YET ANOTHER SAD AND VIOLENT CHAPTER IN THE CONTINUING TRAGEDY OF LEBANON.

OUR DISMAY, MR PRESIDENT, WAS COMPOUNDED BECAUSE ALL THIS HAD LONG BEEN PREDICTED AND RESPONSIBLE PEOPLE HAD MADE A CONSIDERABLE EFFORT TO AVERT IT. IN HIS REPORT OF 9 OCTOBER 1964 THE SECRETARY-GENERAL WARNED EVERYONE OF THE NEED TO ACT EXPEDITIOUSLY TO TAKE ADVANTAGE OF WHAT THEN APPEARED TO BE A RELATIVELY FAVOURABLE SITUATION FOR SECURING THE WITHDRAWAL OF ISRAELI FORCES FROM SOUTHERN LEBANON. HE SAID AND I QUOTE "IF THIS OPPORTUNITY IS MISSED, I FEAR THAT OTHER FACTORS WILL COME INTO PLAY WHICH WILL ONCE AGAIN INHIBIT PROGRESS AND THAT ANOTHER OPPORTUNITY MAY NOT PRESENT ITSELF AGAIN SOON. THIS IN TURN WILL CAUSE A FURTHER DETERIORATION IN THE SITUATION IN SOUTHERN LEBANON, WITH DISASTROUS CONSEQUENCES FOR THE INHABITANTS OF THE REGION AND ALSO IN ALL PROBABILITY, FOR THE LONG-TERM PROSPECTS FOR PEACE IN THE AREA."

THIS WARNING HAS NOW PROVED ALL TOO REGRETTABLY CORRECT. INSTEAD OF AGREED ARRANGEMENTS FOR A PEACEFUL AND ORDERLY ISRAELI WITHDRAWAL WE NOW SEE INCREASING VIOLENCE AND BLOODSHED. ONE ACT OF VIOLENCE LEADS TO ANOTHER. AS ALWAYS, IT IS THE CIVILIAN POPULATION WHO SUFFER. MY GOVERNMENT WISHES TO REITERATE ITS DEEP CONCERN FOR THAT POPULATION. THEY HAVE SUFFERED GRIEVOUSLY FROM CONTINUAL VIOLENCE OVER MANY YEARS AND THEIR LONGING FOR A RETURN TO PEACE AND NORMALITY DESERVES THE FULL SYMPATHY OF THIS COUNCIL.

THE SECRETARY-GENERAL IN HIS PRESS STATEMENT OF 27 FEBRUARY DREW ATTENTION TO THE NEW SITUATION WHICH HAD DEVELOPED IN SOUTHERN LEBANON SINCE EARLY FEBRUARY. HE SAID THAT APART FROM THE RESTRICTIONS IMPOSED UPON THE CIVILIAN POPULATION BY THE ISRAELI OCCUPATION, THE INCREASING NUMBER OF ATTACKS ON THE ISRAELI FORCES BY LEBANESE RESISTANCE GROUPS HAD LED TO A SERIES OF STRONG ISRAELI COUNTER-MEASURES, INCLUDING CORDON AND SEARCH OPERATIONS. THE COMMANDER OF UNIFIL HAD REPORTED NINE SUCH IDF OPERATIONS IN THE UNIFIL AREA SINCE 6 FEBRUARY.

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THE DISTINGUISHED REPRESENTATIVE OF LEBANON IN HIS STATEMENTS AND LETTERS TO THE COUNCIL HAS CHARGED THAT ISRAELI FORCES HAVE LAID SEIGE TO INDIVIDUAL TOWNS AND VILLAGES INFLECTING CASUALTIES AND CONSIDERABLE SUFFERING ON THE INHABITANTS AND DESTRUCTION TO PROPERTY. THE DISTINGUISHED REPRESENTATIVE OF ISRAEL, IN HIS RESPONSE, HAS NOT DENIED THAT SUCH OPERATIONS HAVE TAKEN PLACE, BUT HAS SOUGHT TO JUSTIFY THEM BY REFERENCE TO THE NEED TO PROTECT ISRAEL'S WITHDRAWING SOLDIERS. THE FULL FACTS ARE NOT YET KNOWN, BUT WE CANNOT BUT EXPRESS OUR DEEP CONCERN OVER THIS NEW TWIST TO THE CYCLE OF VIOLENCE IN SOUTHERN LEBANON. WE BELIEVE THAT SUCH ACTIONS WILL ONLY SERVE FURTHER TO INFLAME THE SITUATION AND ARE AGAINST ISRAEL'S OWN LONG TERM INTERESTS OF ACHIEVING PEACE AND SECURITY FOR ITS NORTHERN BORDER.

MY GOVERNMENT'S VIEWS ON THE QUESTION OF SOUTHERN LEBANON ARE CLEAR. WE CONDEMNED ISRAEL'S INVASION OF LEBANON IN JUNE 1982. WE HAVE CALLED FOR THE EARLY, COMPLETE AND ORDERLY WITHDRAWAL OF ALL ISRAELI FORCES TO THE SOUTH OF LEBANON'S INTERNATIONAL BORDER. WE HAVE CALLED FOR THE EARLY WITHDRAWAL OF ALL FOREIGN FORCES FROM LEBANON EXCEPT THOSE PRESENT AT THE REQUEST OF THE GOVERNMENT OF LEBANON. THE SOVEREIGNTY, UNITY, INDEPENDENCE AND TERRITORIAL INTEGRITY OF LEBANON WITHIN ITS INTERNATIONALLY RECOGNISED BOUNDARIES MUST BE STRICTLY RESPECTED. AS WE TOLD THE COUNCIL LAST SEPTEMBER, IT IS IMPERATIVE THAT THE ISRAELI OCCUPYING FORCES SCRUPULOUSLY RESPECT THE INTERNATIONAL CONVENTIONS ON HUMANITARIAN LAW APPLICABLE TO ARMED CONFLICTS. IN PARTICULAR THEY MUST RESPECT ALL THE PROVISIONS OF THE FOURTH GENEVA CONVENTION OF 1949 RELATIVE TO THE PROTECTION OF CIVILIAN PERSONS IN TIME OF WAR. SUCH SECURITY MEASURES AS ISRAEL MAY FIND IT NECESSARY TO INSTITUTE MUST BE DESIGNED TO HAVE THE MINIMUM EFFECT ON THE LIVES OF LOCAL INHABITANTS AND MUST BE STRICTLY WITHIN THE FRAMEWORK OF THE FOURTH GENEVA CONVENTION.

IT IS INCUMBENT ON ISRAEL, AND ALL OTHERS CONCERNED ALSO TO SHOW FULL RESPECT FOR UNIFIL AND TO COOPERATE WITH THE FORCE. WE SHARE THE SECRETARY-GENERAL'S CONCERN IN THIS RESPECT AND HIS VIEWS THAT UNIFIL MUST CONTINUE TO PERFORM ITS PRESENT FUNCTIONS. WE HAVE NOTED WITH MUCH REGRET THE RECENT REPORTS OF INCIDENTS AFFECTING THE FRENCH CONTINGENT IN UNIFIL. WE SHOULD LIKE TO EXPRESS OUR APPRECIATION OF THE STEADFAST EFFORTS MADE BY THE FRENCH CONTINGENT AND THE OTHER OFFICERS AND MEN OF UNIFIL TO PREVENT VIOLENCE AND PROTECT CIVILIANS UNDER DIFFICULT CIRCUMSTANCES. THEY AND THEIR GOVERNMENTS DESERVE THE THANKS AND SUPPORT OF US ALL.

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(MR. PRESIDENT

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MR PRESIDENT

I SHOULD LIKE TO RECALL THE EFFORTS WHICH WERE MADE BY THE SECRETARY-GENERAL LAST YEAR WITH THE SUPPORT OF MY GOVERNMENT - AND THAT OF OTHER GOVERNMENTS - TO FIND A MECHANISM TO AVERT THE PRESENT VIOLENT SITUATION IN SOUTHERN LEBANON. WE CONTINUE TO BELIEVE THAT GIVEN THE NECESSARY WILL AND DETERMINATION ON ALL SIDES A DIPLOMATIC SOLUTION CAN STILL BE FOUND TO THE PROBLEMS OF THAT AREA. THE GOVERNMENTS CONCERNED SHOULD COOPERATE WITH THE SECRETARY-GENERAL TO THIS END. THE NAQOURA TALKS SHOULD BE RECONVENED WITHOUT DELAY AND EVERY EFFORT MADE TO ATTAIN AS SOON AS POSSIBLE THE OBJECTIVES SET OUT BY THE SECRETARY-GENERAL IN HIS OCTOBER REPORT OF ISRAELI WITHDRAWAL, PEACE AND SECURITY IN THE REGION, AND THE RESTORATION OF LEBANESE AUTHORITY AND SOVEREIGNTY UP TO THE INTERNATIONALLY RECOGNISED BOUNDARY. EVERYTHING POSSIBLE SHOULD BE DONE TO ENSURE THAT THE WITHDRAWAL OF THE REMAINING ISRAELI FORCES IS ORDERLY AND COORDINATED. THE MACHINERY OF THE UNITED NATIONS, INCLUDING UNIFIL, CAN PLAY AN IMPORTANT ROLE IN ASSISTING THIS PROCESS. IN THE MEANTIME ALL CONCERNED NEED TO EXERCISE MAXIMUM RESTRAINT SO AS NOT TO IMPEDE COMPLETE ISRAELI WITHDRAWAL.

MR PRESIDENT

I BELIEVE THAT THERE IS WIDESPREAD SUPPORT FOR SUCH AN APPROACH IN THE COUNCIL. WE SHOULD USE THIS DEBATE TO ADVANCE THIS PROCESS, NOT TO STOKE THE FIRES OF VIOLENCE IN SOUTHERN LEBANON. A DIPLOMATIC SOLUTION IS STILL BOTH RIGHT AND POSSIBLE. WE SHOULD ENCOURAGE THE PARTIES TO STRIVE FOR IT.

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extremism by the individual Islamic groups? What does the hon. Gentleman intend to do about that? Does he intend to refer that conversation to the American President and to ask for action on that?

Mr. Luce: I am not sure whether the hon. Gentleman is talking about Israel's actions in the Lebanon or about the occupied territories. But if he is talking about the occupied territories, I must repeat that the British Government take a very strong view in condemning the existence of settlements in the occupied territories. Indeed, we are deeply concerned by the evidence of the economic conditions of those who live in the occupied territories. We have now stepped up the amount of bilateral aid that we are prepared to give to Palestinians living in the occupied territories. We believe that the conditions there and the existence of the settlements are not conducive to peace.

Mr. Hayes: Among the many important issues that my hon. Friend raised with President Mubarak, did he mention the question of the kidnapping of certain people in Beirut? If so, can he tell us what progress is being made on the possible release of the British national involved, as some information can then be given to his family?

Mr. Luce: Of course we discussed the question of the Lebanon. My hon. Friend will know that on the serious matter of the kidnapping of two British subjects. Mr. Nash and Mr. Levick—about which there is great concern—the Islamic Jihad has claimed responsibility. The British ambassador and the British Government are pursuing the issue most vigorously through all possible channels in order to identify where they are and to seek their release. We are also approaching other Governments who we think may be able to help. We take the kidnappings very seriously. As my hon. Friend knows, the British ambassador has made it plain that we do not feel that British subjects living in west Beirut—numbering about 70—would be wise to stay there in present conditions.

Mr. Anderson: Does the Minister accept that it would have been a serious blow to the peace initiative if President Mubarak had returned home just with a mild rebuke from Washington, and that the Prime Minister's positive response is, therefore, most welcome? Is there any serious prospect of us engaging our EEC partners and possibly building on the Venice declaration in respect of the middle east, as that would certainly be welcome to several Arab countries?

Mr. Luce: I am grateful to the hon. Gentleman for his earlier remarks. I reaffirm that we are strongly committed to the two principles of the Venice declaration, because we do not believe that there can be any peace unless the principle of the right of Israel to exist within secure boundaries and the principle of the right of self-determination of the Palestinians are recognised. We are in very close touch with our European partners in the Community. We regard the point made by the hon. Gentleman as a matter of importance, because we think that collectively we can bring some influence to bear.

Mr. Mark Robinson: Does my hon. Friend agree that President Mubarak represents a significant factor in further progress towards peace in the middle east? Will he confirm that during the recent talks the Government encouraged President Mubarak to continue with his endeavours?

Mr. Luce: We have listened with great interest to the practical ideas that President Mubarak has put forward, which I believe are designed to mesh in with the proposals that King Hussein and Mr. Arafat launched on 11 February. We have already made it plain that we will do everything that we can to encourage that process. We note that President Mubarak and King Hussein are working very closely together, and, indeed, met this week.

Geneva Arms Talks

4. **Mr. Stephen Ross** asked the Secretary of State for Foreign and Commonwealth Affairs what representations Her Majesty's Government made to the United States Government prior to the resumption of the Geneva arms talks.

The Secretary of State for Foreign and Commonwealth Affairs (Sir Geoffrey Howe): Both before and since the beginning of the Geneva talks on 12 March, we have maintained close contact with the United States. My right hon. Friend the Prime Minister and I had discussions with President Reagan and Secretary of State Shultz in December and February. Those talks covered all aspects of the issues which will be the subject of the Geneva negotiations.

Mr. Ross: Given Mr. Richard Perle's criticisms of the Foreign Secretary's speech, reported in the newspapers today, will the Foreign Secretary tell us exactly where we now stand on the star wars issue? Did he make any representations about the extra 21 multi-warheaded MX missiles? Is it not time that we called for a freeze on both sides to give the talks a chance to succeed?

Sir Geoffrey Howe: A freeze would not be a useful contribution to the prospect of conclusions on balanced arms control, because it would immobilise the imbalance that currently exists, not least in intermediate range nuclear weapons.

As my right hon. Friend the Prime Minister said yesterday,

"The policy"
—on star wars—

"was, and remains, in the four points set out at Camp David and reaffirmed when I was in Washington. My right hon. and learned Friend the Foreign Secretary was speaking in pursuance of that policy."—[Official Report, 19 March 1985; Vol. 75, c. 779.]

The 21 MX missiles are part of the programme of modernisation to which the United States is committed. That is one aspect of the search being undertaken at Geneva for an effective agreement on arms control, including a reduction in nuclear weapons on all sides.

Sir Peter Blaker: Will my right hon. and learned Friend confirm that in his speech last week he supported the American research on the strategic defence initiative, as the Prime Minister has done? Is that not the right course for our Government to take, given that the Soviet Union itself is widely known to be conducting research?

Sir Geoffrey Howe: I entirely agree with my right hon. Friend. That is one of the points that I have made clear not only in that speech but on many other occasions, including discussions with representatives of the Soviet Union and her allies. The Soviet Union has for many years been engaged in research in that field, and has moved further towards deployment within the limits of the 1972 treaty. It is essential for the West to match that research and the way in which it is being carried out.

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22 MARCH 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

EAST/WEST RELATIONS

Brief by Foreign and Commonwealth Office

BACKGROUND TO POLITICAL COOPERATION STEERING BRIEF (Section B)

Annexes

- A: THE CAMP DAVID FOUR POINTS
- B: CONCLUSIONS ON EAST/WEST RELATIONS OF EUROPEAN COUNCIL, DUBLIN, 3/4 DECEMBER

1. Tenth Anniversary of Helsinki Final Act, 30 July - 1 August:
Genscher may be pushing Kohl to promote attendance at Head of Government level at Helsinki celebrations. UK view that attendance should be at Foreign Minister level or below.

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2. Geneva Talks: Little substantive discussion so far between US and Soviet Union. US mildly encouraged by procedural agreement that three negotiating groups should meet separately from 25 March. First round to end 23 April: next to begin 30 May. Shultz/Gromyko meeting scheduled for Vienna 15 May.

FOREIGN AND COMMONWEALTH OFFICE

22 MARCH 1985

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Annex A
Brief 14b

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 TO IMMEDIATE FCO
 TELNO 3902 OF 22 DEC
 INFO IMMEDIATE MODUK, UKDEL NATO, BIS NEW YORK,
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 INFO SAYING OTHER US POSTS.

156

NY TELNO 3894 (NOT TO ALL): S D I.

FOLLOWING IS TEXT OF PRIME MINISTER'S SPEAKING NOTE ON S D I,
 USED IN FULL AT HER ON THE RECORD PRESS CONFERENCE AT ANDREWS
 AIRBASE AT 221930Z, AND AGREED IN ADVANCE WITH THE PRESIDENT,
 VICE-PRESIDENT, SHULTZ AND MACFARLANE DURING HER TALKS AT CAMP
 DAVID ON 22 DECEMBER.

2. BEGINS

QUOTE PRESIDENT REAGAN AND I HAVE HAD A VERY THOROUGH AND EXTENSIVE
 DISCUSSION OF THE PROSPECTS FOR ARMS CONTROL NEGOTIATIONS, IN THE
 COURSE OF WHICH WE ALSO NATURALLY TOUCHED ON THE STRATEGIC DEFENCE
 INITIATIVE (SDI).

I WAS NOT SURPRISED TO DISCOVER THAT WE SEE MATTERS IN VERY MUCH THE
 SAME LIGHT. I TOLD THE PRESIDENT THAT I HAD MADE IT ABSOLUTELY
 CLEAR TO MR GORBACHEV THAT THERE WAS NO QUESTION OF THE SOVIET UNION
 BEING ABLE TO DIVIDE THE UNITED KINGDOM FROM THE UNITED STATES ON
 THESE MATTERS. WEDGE-DRIVING IS JUST NOT ON.

I TOLD THE PRESIDENT OF MY FIRM CONVICTION THAT THE SDI RESEARCH
 PROGRAMME SHOULD GO AHEAD. RESEARCH IS OF COURSE PERMITTED UNDER
 EXISTING US-SOVIET TREATIES: AND WE OF COURSE KNOW THAT THE RUSSIANS
 ALREADY HAVE THEIR RESEARCH PROGRAMME, AND, IN THE US VIEW, HAVE
 ALREADY GONE BEYOND RESEARCH.

/WE

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WE AGREED ON FOUR SPECIFIC POINTS:

- 1) THE US, AND WESTERN, AIM WAS NOT TO ACHIEVE SUPERIORITY, BUT TO MAINTAIN BALANCE, TAKING ACCOUNT OF SOVIET DEVELOPMENTS:
 - 2) SDI-RELATED DEPLOYMENT WOULD, IN VIEW OF TREATY OBLIGATIONS, HAVE TO BE A MATTER FOR NEGOTIATION:
 - 3) THE OVERALL AIM IS TO ENHANCE, NOT UNDERCUT, DETERRENCE:
 - 4) EAST-WEST NEGOTIATION SHOULD AIM TO ACHIEVE SECURITY WITH REDUCED LEVELS OF OFFENSIVE SYSTEMS ON BOTH SIDES. THIS WILL BE THE PURPOSE OF THE RESUMED US-SOVIET NEGOTIATIONS ON ARMS CONTROL, WHICH I WARMLY WELCOME.
- UNQUOTE

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WELLINGTON, OTTAWA, MEXICO CITY, BERNE AND VIENNA.

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Annex B
Brief 14b

EUROPEAN COUNCIL, DUBLIN, 3/4 DECEMBER

EAST/WEST RELATIONS

ESCO 21/17

1. THE FOLLOWING WERE THE CONCLUSIONS PUBLISHED TODAY BY THE EUROPEAN COUNCIL ON EAST/WEST RELATIONS:

2. 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 BETWEEN EAST AND WEST.

3. 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.

4. 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.

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5. 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 FULFILL 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 RELATED TO HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS.

FCO PLEASE PASS SAVING ADDRESSEES

GOODISON

STANDARD (PALACE)

ECO(L)

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22 MARCH 1985

EUROPEAN COUNCIL, BRUSSELS
29/30 MARCH 1985

CENTRAL AMERICA

Brief by Foreign and Commonwealth Office

BACKGROUND TO POLITICAL COOPERATION STEERING BRIEF (Section C)

References/Annexes

A: Conclusion on Central America of 4 December.

1. Following the San José meeting in September 1984 of the 21 European and regional Foreign Ministers, the Commission are preparing a draft negotiating mandate for the proposed EC/Central America economic cooperation framework agreement. The delay in the mandate's preparation is disappointing, but the agreement may nonetheless be ready for signature in the summer. A separate aid element is expected to provide for a substantial rise in EC aid to Central America (perhaps from the current 45 mecu per annum to 60 mecu).

2. The FRG continue to press for further measures designed to display the Ten's active interest in Central America. These include a San Jose' Conference Mark II at the end of the year in Europe, and a preparatory meeting of senior officials by July. We have agreed in principle

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- 2 -

to both. The Germans are also keen on a Troika mission of senior officials to the region: we can see no point in this. The FRG and others may press for a reference in the Conclusions to San José Mark II, and perhaps other measures: we regard this as premature. The meeting of the five Central American states under Contadora auspices on 11/12 April, the first since September, will reveal how seriously they are prepared to negotiate. We wish to make European cooperation effectively conditional on progress in the negotiations: to announce measures in advance of the Contadora meeting's outcome is to give a hostage to fortune, as well as to reduce the participants' motivation to negotiation in earnest.

Foreign and Commonwealth Office

22 March 1985

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Reference A
Brief 14c.

The following were the conclusions published on 4 December in Dublin by the European Council on Central America.

CONCLUSIONS

CENTRAL AMERICA

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

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

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

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22 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

MOZAMBIQUE

Brief by Foreign and Commonwealth Office

BACKGROUND TO POLITICAL COOPERATION STEERING BRIEF (Section D)

References

- A: EC Declaration of 12 February
- B: Mozambican Reply of 9 March
- C: Suggested text for Council statement

1. President Machel told the Prime Minister and Foreign Secretary in Moscow on 13 March that security situation had deteriorated since Nkomati and blamed outside interference, especially South Africa (though exculpating P W Botha). Other recent indications that Machel fallen back on military solution and looking to Africa and Soviet bloc for increased help. However, remains committed to Nkomati and seeking increased Western assistance too. South Africans recently taken number of steps to demonstrate commitment to Accord and effort to control Renamo.

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EC Statement

2. The 12 February Declaration was largely instigated by the UK, as a means of providing support to Machel and the Nkomati process. Some partners' reservations meant that it could not refer specifically to the Nkomati Accord. The Declaration has been communicated to all African Governments and Portugal by the Presidency. We are therefore following up bilaterally.

3. Initial soundings suggest some partners not enthusiastic about further statement but experience of 12 February Declaration suggests they will not maintain their reservations. Suggested text attached. This has been circulated to partners.

Foreign and Commonwealth Office

22 March 1985

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Reference A.
Brief 14d.
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DECLARATION IN SUPPORT OF MOZAMBIQUE BY FOREIGN MINISTERS OF THE TEN
12 FEBRUARY 1985

The Ministers for Foreign Affairs of the Ten, recalling the statement which they made in Paris on 27 February 1984 on the subject of Southern Africa, confirmed the need for the understandings reached between Mozambique and South Africa to be respected as part of the efforts which are being undertaken to bring about increased security and stability in the region. They expressed considerable regret that, a year after these understandings were reached, the continued fighting in Mozambique and continuing external interference have prevented that country from reaping the economic, security and other benefits which should follow from implementation of the agreements reached. They firmly emphasised the importance of the promotion of peace and reconciliation in Mozambique by all governments and of the prevention by the latter of unauthorised arms deliveries. The Ministers also reaffirmed their commitment to Mozambique's economic development and warmly welcomed the accession of that country to the Lome Convention.

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Reference B.
Brief 14d.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 131 OF 15 MARCH

INFO ROUTINE WASHINGTON AND CAPETOWN

MIPT: MESSAGES.

1. FOLLOWING IS TEXT OF LETTER DATED 9 MARCH 1985 FROM MINISTER OF FOREIGN AFFAIRS, JOAQUIM CHISSANO TO THE ITALIAN AMBASSADOR: BEGINS

I WISH TO CONVEY TO ALL MEMBER STATES OF THE EEC THROUGH YOUR EXCELLENCY OUR APPRECIATION AND OUR WELCOME FOR THE EFFORT DIRECTED IN SUPPORT OF THE ACTIONS OF THE PEOPLES REPUBLIC OF MOZAMBIQUE TO PROMOTE PEACE AND STABILITY IN SOUTHERN AFRICA. WE WELCOME IN PARTICULAR THE INTEREST MANIFESTED IN THE NECESSITY TO COMPLY WITH THE NKOMATI ACCORD AND BY THE DENUNCIATIONS OF CONTINUED EXTERNAL INTERFERENCE IN THE PEOPLES REPUBLIC OF MOZAMBIQUE.

AS YOUR EXCELLENCY KNOWS, THE SITUATION IN SOUTHERN AFRICA IS EXTREMELY TENSE DUE TO THE EXISTENCE OF APARTHEID AND TO THE NON IMPLEMENTATION OF THE NKOMATI ACCORD BY SOUTH AFRICA. WE CONSIDER THAT THE EEC AND ITS MEMBER STATES CAN PLAY A POSITIVE ROLE IN ORDER THAT A CLIMATE OF PEACE, FAVOURABLE TO THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE REGION, MIGHT BE CREATED IN THE ZONE.

THE PEOPLES REPUBLIC OF MOZAMBIQUE, AT THE SAME TIME AS (SHE) APPEALS FOR GREATER INTERNATIONAL SUPPORT IN THE DEFENCE OF HER SOVEREIGNTY AND TERRITORIAL INTEGRITY, REAFFIRMS HER DETERMINATION TO COMPLY WITH HER INTERNATIONAL COMMITMENTS.

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I WOULD LIKE ALSO TO TRANSMIT OUR APPRECIATION FOR THE SUPPORT RECEIVED FROM THE EEC AND BILATERALLY FROM THE MEMBER STATES FOR THE ECONOMIC DEVELOPMENT EFFORT OF THE PEOPLES REPUBLIC OF MOZAMBIQUE AND FOR THE EMERGENCY SITUATION IN MOZAMBIQUE. WE HOPE THAT THIS SUPPORT MIGHT BE REINFORCED AFTER THE PEOPLES REPUBLIC OF MOZAMBIQUES JOINING THE LOME CONVENTION AND IN PARTICULAR IN THE CONTEXT OF THE EMERGENCY ACTION WHICH IS BEING UNDERTAKEN BY THE INTERNATIONAL COMMUNITY AND BILATERALLY TO SUPPORT AFRICA, ASSAILED BY DROUGHT AND OTHER NATURAL DISASTERS.

POLITE ENDING. ENDS.

2. AN IDENTICAL LETTER WAS SENT TO THE PRESIDENT OF THE COMMISSION.

GUY

LIMITED
CAFD
SAFD
ECOLE)
MR DEREK THOMAS
MR FERGUSSON
MR JOHNSON

- 2 -
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Reference C
Brief 14d.

SUGGESTED TEXT FOR COUNCIL STATEMENT

"Heads of State and Government expressed regret that a year after undertakings reached between Mozambique and South Africa the fighting in Mozambique and external interference continued, with serious consequences not only for Mozambique but also its landlocked neighbours. They called upon all Governments to do their utmost to promote peace and reconciliation in Mozambique and prevent the unauthorised delivery of arms. They also warmly welcomed Mozambique's accession to Lome III."

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27 March 1985.

EUROPEAN COUNCIL, BRUSSELS

1

29/30 MARCH 1985

SOUTH AFRICA

Brief by Foreign and Commonwealth Office

BACKGROUND TO POLITICAL CO-OPERATION STEERING BRIEF (Section E)

References

- A Statement by Foreign Secretary on 22 March
- B Presidency statement of 25 March (unofficial British translation)
- C Prime Minister's statement in Parliament on 26 March

1. Following the shootings at Uitenhage on 21 March, in which 19 Blacks are known to have died and many more were injured, the Foreign Secretary issued a statement on 22 March condemning this event. On the same day Mr Luce summoned the South African Ambassador to express the Government's shock and concern and to call for a full enquiry. (The South Africans have since announced the appointment of a one-man Judicial Commission of Enquiry, which is now sitting. It is likely to complete its work and report quickly).

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2. The Presidency, on their own initiative, issued a statement on 25 March, agreed by all partners, condemning the shootings. The statement has been drawn to the attention of the South African Government.

3. The shootings at Uitenhage were the worst confrontation between police and Blacks during the present unrest in South Africa which began last year. This has been marked by school boycotts, strikes, protests at black local government structures, and other manifestations of discontent with black living conditions. Underlying this wave of protest is a deep sense of frustration and alienation, emphasised by the introduction last September of the new South African constitution which explicitly excludes Blacks from the new Parliamentary structures. Blacks have also been hit hardest by South Africa's current economic difficulties which have sharply increased Black unemployment.

4. At the same time, President Botha has shown signs of wishing to bridge the gap between the government and the Black community, and expressed his readiness for a wider dialogue with Black leaders. His Government has announced a number of reforms benefitting Blacks, including the extension of property rights to Blacks in the Cape area, the suspension of most forced removals pending a review of policy, and the development of the Crossroads squatter camp as a permanent Black residential area.

Foreign and Commonwealth Office

March 1985

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STATEMENT MADE AT FCO PRESS CONFERENCE ON 22 MARCH 1985
IN THE NAME OF THE FOREIGN SECRETARY, SIR GEOFFREY HOWE QC MP

The shootings which took place in South Africa yesterday are a matter of the gravest concern. I join with others in condemning this indefensible action by the South African Police, and extend to the families of the victims my deepest sympathy.

Yesterday's events demonstrate yet again the evil of apartheid. It is a tragedy that the shootings are likely to reinforce existing divisions and to over-shadow the more hopeful developments of recent weeks.

On my instructions, Mr Richard Luce, the Minister of State, summoned the South African Ambassador this morning and expressed the Government's views to him, covering among other things the need for the fullest possible investigation.

REF B

PRESIDENCY STATEMENT OF 25 MARCH (UNOFFICIAL BRITISH TRANSLATION)

'The Ten member states of the European Community express their deep concern about the tension developing in South Africa as a result of the actions of indiscriminate repression carried out against the black population.

In particular they firmly condemn the behaviour of units of the security forces during the events of 21 March at Uitenhage, which caused the death of numerous black residents.

The Ten, recalling the Ministerial declaration of 11 September 1984, reaffirm their call for the end of the system of apartheid and for a process of dialogue which could lead to substantial reforms with a view to responding to the legitimate aspirations of the black population.'

PRIME MINISTER'S QUESTIONS : TUESDAY 26 MARCH 1985

Q. Following the massacre in South Africa at the weekend, will the Prime Minister agree that 25 years on from Sharpville all the cosmetic improvements in that country do not hide the fundamental evil and injustice of apartheid, and apart from lecturing the South African Ambassador, what proposals has she got to help end the systematic oppression of the majority of the population there?

A. My Rt Hon friend the Foreign Secretary did both issue a statement and call in the Ambassador of South Africa to make it clear that we were gravely concerned at the events on the anniversary of Sharpville and that of course, as the Rt Hon gentleman knows, to reaffirm once again that you cannot distinguish between people on the basis of colour. We support the United Nations resolutions and uphold them. I think it particularly sad and deplorable that this event came just at a time when other things seemed to be moving. For example it had only been a few days before that we had heard that the policy which we totally deplored of forced removals had in fact been suspended and that was good news and therefore we were particularly deeply concerned about the shooting.

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29/30 MARCH 1985

SOUTH AMERICA

Brief by Foreign and Commonwealth Office

BACKGROUND TO POLITICAL COOPERATION STEERING BRIEF

(Section F)

References/Annexes

A: EC Démarche on Urzua Case

B: Santiago telno 48: Report of Sir W Harding's visit
to Chile.

FCLACY

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CHILE

Political Developments

1 In November 1984 Pinochet responded to the rising level of terrorism in Chile by introducing a state of siege. Extended for a further 3 months in February.

2 President Pinochet remains in full control of the country. Prospects for a political dialogue between Democratic opposition and the government are poor. There are no signs that Pinochet has any intention of introducing political reforms in the very near future.

The European Community

3 We have supported an EC demarche urging the Chilean authorities to use formal judicial procedures in the trial of those alleged of killing General Urzua (former Military Governor in Santiago). The Chilean Government reacted defensively and expressed surprise at concern by western governments for terrorists. Trial by War Tribunal now started, defendents may be sentenced to death. Belgians have proposed a second EC appeal to Pinochet urging clemency, if death sentences passed. We have informed partners we cannot agree.

The Italians

4 Italian Government are strongly opposed to Pinochet's regime and would like members of the European Community to be more critical. The Italian Prime Minister made private and public comments critical of Chile during a recent visit to the United States. In Washington on 6 March, Sr Craxi criticised Latin American dictators and referred to the need to support "unconditionally" the Chilean peoples' "request for freedom". The Chilean Government has reacted sharply and at one stage, even considered breaking off diplomatic relations.

Argentina

5 Our partners repeatedly emphasise the importance of giving support to democracy in Argentina. President Alfonsin's popularity remains high. But his handling of the military, and in particular of the economic situation, could threaten his position. Some partners argue that agreement by Britain to discuss sovereignty would bolster Alfonsin's position.

6 We have briefed our partners on the proposals we sent to the Argentines in January about the normalisation of trade relations and the impossible visit by Argentine next-of-kin to the Falkland Islands. We await a firm

Argentine reply. But the Argentine Foreign Minister and President Alfonsin during his recent visits to Washington and Mexico City, have reiterated Argentine insistences that there can be no discussion of practical measures to normalise bilateral relations unless we agree also to discuss sovereignty.

Return to democracy in South America

7 Transition to democracy in Uruguay has proceeded smoothly. Main political parties are cooperating well together; all political prisoners have been released. Uruguay's main problem is the severe reduction in the market for her agricultural exports, which are now in competition with subsidised EC surpluses. After a bright start, transition process in Brazil slowed by illness of President-elect Tancredo Neves. His economic team already appointed - stressing austerity, particularly by State corporations. Vice-President Sarney in control but lacks prestige of Tancredo - maybe unable to obtain political majority over longer period. Current uncertainty may delay negotiation of new agreement with IMF.

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Latin American Debt

8 Latin American calls for debtor/creditor summit and political dialogue reiterated in Santo Domingo, 7/8 February 1985; but with recognition that IMF/IBRD Spring meetings are next important step. UK does not believe political summit would be of practical help: favours case by case approach, within framework of existing financial institutions. Cartagena Group primarily concerned with Summit Seven, of whom: FRG and France share our line, but Italy supports (Argentine) calls for political dialogue. With reference to Cheysson's attempts to seek a Commission role: the handling of debt is a sensitive issue, and in our view is not a matter of community competence.

South America Department

27 March 1985

REF A

EC DEMARCHE ON URZUA CASE (UNOFFICIAL BRITISH TRANSLATION)

'The Ten member states of the European Community are concerned by the growth of violence in Chile. They are nevertheless following with growing concern the trial in Santiago of Jorge Palma Donoso, Ugo Marchant Moya and Carlos Araneda Miranda charged with the killing of General Urzua.

They have learned that on the 29 January last the Supreme Court of Chile rejected the appeal which had been made on the basis of the non constitutionality of the decree introducing the war tribunals sitting as if in time of war. Being informed that the procedure intended for use in time of war permits no appeal either through the Court of Appeal or of Cassation, they express the hope that the three accused be judged in just and equitable conditions according to a procedure which respects the rights of the defence according to normal judicial rules and not by an exceptional procedure.'

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TO IMMEDIATE FCO

TELEGRAM NUMBER 048 OF 31 MARCH 1985

INFO IMMEDIATE MONTEVIDEO (DESKBY 011400Z) (FOR PS LADY YOUNG)

INFO IMMEDIATE WASHINGTON AND BONN

AL 026/3

FOLLOWING FOR PRIVATE SECRETARY FROM SIR W HARDING
MY VISIT TO CHILE (26-28 FEBRUARY)

RJ 7/3

SUMMARY

1. COMPREHENSIVE RANGE OF CONTACTS IN GOVERNMENT, CHURCH OPPOSITION AND HUMAN RIGHTS GROUPS. OUTLOOK GLOOMY BOTH ON THE POLITICAL AND ECONOMIC SCENE. PINOCHET IN FULL CONTROL OF GOVERNMENT, WHO ARE THE ONLY PARTY CONTENT WITH PRESENT SITUATION. NO SUBSTANTIVE COMMENT MADE TO THE PRESS.

TEXT

2. IN THE SPACE OF TWO AND A HALF DAYS IN SANTIAGO I HAVE TALKED INDIVIDUALLY TO OVER 50 LEADING CHILEAN PERSONALITIES. ON THE GOVERNMENT SIDE, I SAW PINOCHET (OUR TEL NO 47), THE NEW MINISTERS OF INTERIOR AND FINANCE, THE ACTING FOREIGN MINISTER AND SENIOR OFFICIALS. ON THE CIVILIAN SIDE, CALLS COVERED THE DEMOCRATIC OPPOSITION FROM THE RIGHT TO THE DEMOCRATIC SOCIALISTS AND TRADE UNIONISTS, AS WELL AS THE ARCHBISHOP, THE VICARIA AND THE CHILE COMMISSION ON HUMAN RIGHTS.

THE POLITICAL SCENE

3. THE POLITICAL CENTRE HERE APPEARS TO BE MORE OR LESS VACANT AND THE MODERATE PARTIES DIVIDED. THE STATE OF SIEGE IS MAKING A DIFFICULT SITUATION MORE TENSE. IT IS FURTHER WORSENING THE SUFFERING IN THE SLUM AREAS WHERE AN ALREADY LOW STANDARD OF LIVING IS BEING STILL MORE COMPRESSED. IN THESE AREAS PEOPLE ARE LOSING FAITH IN MODERATE CIVILIAN LEADERS. THEY ARE NOW A FERTILE BREEDING GROUND FOR TERRORISM AND SEDITION.

4. THE REGIME SHOWS NO SIGN OF ANY DISPOSITION TO MOVE FURTHER OR FASTER TOWARDS DEMOCRATIC GOVERNMENT. NOR IS IT DISPOSED TO PAY MUCH ATTENTION TO INTERNATIONAL PRESSURE REGARDING HUMAN RIGHTS OR FOR A MORE RAPID DEMOCRATISATION. PINOCHET IS IN FULL CONTROL OF THE APPARATUS OF GOVERNMENT: HIS WORD IS LAW. HE LOOKS IN GOOD HEALTH AND HEART. HE PROJECTS CHARM AND MENACE BY TURNS.

5. DESPITE OUTWARD CALM AND ORDERLY ASPECT OF LIFE THERE ARE BUBBLINGS UNDER THE SURFACE. MODERATE OPPOSITION GROUPS AND THE CHURCH FEAR THAT EXTREMISTS OF THE LEFT WILL SOON RESORT AGAIN TO WIDESPREAD VIOLENCE, HOPING TO ACCELERATE A POLARISATION WHICH IS ALREADY APPARENT. SOME OF THE MODERATES, EG, THE RADICAL PARTY, ARE THINKING OF USING NON-VIOLENT MASS PROTEST TO PUT PRESSURE ON THE GOVERNMENT TO YIELD MORE GROUND AND ARE PREPARED TO DO THIS EVEN IF IT RESULTS IN FURTHER REPRESSION.

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THE ECONOMY

TOP SECRET

THE ECONOMIC SCENE

6. THE OUTLOOK FOR THE ECONOMY IS SOMBRE. THE FINANCE MINISTER TOLD ME THAT HE EXPECTED THERE WOULD BE SEVERAL YEARS OF LITTLE GROWTH. INCREASED EMPHASIS WOULD BE GIVEN TO EXPORTS AND INTERNAL SAVINGS, WITH DETRIMENTAL CONSEQUENCES TO INTERNAL CONSUMPTION. ANOTHER TURN OF THE SCREW ON THE POOR WILL ADD TO THE PENT-UP SOCIAL PRESSURE.

CONCLUSION

7. I WOULD NOT WISH TO HAZARD DEFINATE CONCLUSIONS ABOUT THIS VISIT UNTIL I HAVE HAD A CHANCE TO DISCUSS ITS IMPLICATIONS WITH THOSE CONCERNED IN LONDON. BUT AS OF NOW IT IS CLEAR THAT IT WAS WELL TIMED SO FAR AS THE OPPOSITION WERE CONCERNED. THEIR WELCOME FOR WHAT THEY INTERPRET AS A GESTURE OF SUPPORT HAS BEEN VERY APPARENT, ALL THE MORE SO IN CONTRAST TO THEIR DISMAY AT THE IMPRESSION UNINTENTIONALLY CREATED BY NOTLEY OF ENCOURAGEMENT FOR PINOCHET. FOR THEIR PART, THE GOVERNMENT HAVE DONE ALL THEY CAN TO PRESENT THE VISIT IN A LIGHT AS FAVOURABLE TO THEM AS POSSIBLE. BUT I HAVE BEEN PARTICULARLY CAPEFUL - EVEN BEFORE RECEIPT OF YOUR TEL NO 66 -NOT TO MAKE ANY SUBSTANTIVE DECLARATIONS FOLLOWING MY MEETINGS, DESPITE CONSIDERABLE HARRYING FROM THE PRESS. ON DEPARTURE AT THE AIRPORT I WILL CONFINE MYSELF TO A SHORT NON-CONTROVERSIAL STATEMENT COVERING HUMAN RIGTHS AND THE NEED TO MOVE TOWARDS DEMOCRACY.

HICKMAN

LIMITED
HO/SAMD

PS

PS/MR RENTON

PS/PUS

MR D C THOMAS

MR HOUSTON

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27 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

FAMINE IN AFRICA

Brief by the Foreign and Commonwealth Office

1. Introduction

Signor Craxi will brief the Council on follow-up to commitment made at Dublin European Council to supply 1.2 million tonnes of grain to drought affected countries before next harvest. Some Member States may argue that situation in Africa requires further contributions.

2. Our Objective

- To limit the outcome to a reaffirmation of the Dublin commitment together with a statement of what the Community and Member States have achieved.

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Background

- Reference A: Signor Craxi's letter to the Prime Minister of 26 March 1985 (extract)
- B: Conclusions of European Council in Dublin 3-4 December
- C: Possible UK draft of conclusions for Brussels European Council

Follow-up to Dublin commitment

1. In terms of allocations this target has been met. Community has made firm plans to allocate over 1.2 million tonnes to the eight most seriously affected countries; over 1.5 million tonnes to sub-Saharan Africa altogether. Possible text for conclusions of European Council to indicate progress on commitment (at Reference C).

2. But we believe deliveries could be speeded up. In Ethiopia the picture is relatively satisfactory but in Sudan the Community's performance has been criticised by Mr Raison and Sir Anthony Kershaw following their visits in February. Signor Craxi has not proposed further commitments in his letter to the Prime Minister (Reference A) but he or Commission may do so.

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3. Arguments

Community Contribution

- Congratulate Commission on speed with which Dublin target has been met.
- Community response in Ethiopia rapid, substantial and effective. But deliveries could be speeded up especially to Sudan. Important that full use be made of emergency food aid procedures.

UK Contribution

- Other Member States have undertaken impressive national programmes, as has UK.
- Since April 1984 UK has spent over £100 million on drought relief in Africa, including our share of EC aid and the RAF air lift in Ethiopia.
- In 1984 we supplied 92,000 tonnes grain to sub-Saharan Africa.
- In 1985 our bilateral contribution to Dublin commitment will be 110,000 tonnes. Of this amount:
 - 25,000 tonnes delivered already to Ethiopia and Sudan;
 - over 35,000 tonnes for Sudan will be shipped in April.

- For 1985/86 we have promised at least £30 million bilateral relief aid (including cost of 110,000 tonnes of grain). Also expect to pay further £30 million at least via Community.
- Additionally nearly £125 million bilateral development aid will be spent in African countries identified by UN as facing food shortages.
- UK private contributions to drought relief more than £50 million.

Ethiopia

- In two years to October 1984 UK spent £15.5 million. £14 million spent bilaterally since then. 82,400 tonnes of food aid provided over last three years. RAF detachment provided since 1 November at cost of £7 million so far.

Sudan

- UK has provided over £3 million for refugees and 62,000 tonnes of cereals since November. Total cost of bilateral aid nearly £14 million.

*No African Community
Doubt in level of support*

4. Their Objectives

- Unclear: but Presidency or Commission may argue that situation in Africa requires further contribution from Community and Member States.

3. Our argument that further commitments should come from existing 1985 food aid programme could lead Commission to suggest that we are "robbing the hungry to feed the starving". But we consider much of existing food aid programme of limited developmental value and would be better concentrated where there is a real need.

4. At UN Conference in Geneva on 11 March Mr Raison announced UK contribution in 1985/86 would be at least £30 million in bilateral aid plus further £30 million as share of EC programmes. The Italian representative pledged US\$ 1 billion over next 18 months.

UK Aid

5. UK expenditure on food aid worldwide in 1984 was about £116 million (10% of total overseas aid): this includes £91 million share of EC food aid programmes.

6. Christopher Jackson (EDG MEP, who chairs European Parliament's Development Committee) urging Pflimlin to write to Craxi seeking new Council statement on famine in Africa. He wants the Community:

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- a) to help with fuel supplies in Sudan.

UK response: UK are paying World Food Programme \$275,000 to buy fuel to distribute UK food aid: other Member States and Community should do the same (latter from within existing unallocated

- b) to use emergency food aid allocation procedures more often.

We agree;

- c) to promote greater coordination of Member States responses to famine.

We are content with continuation of existing ad hoc meetings every 6/8 weeks;

- d) to join Americans in putting pressure on Ethiopia to allow safe passage for relief supplies to rebel-held areas in northern Ethiopia.

We supported Presidency proposal to make a low key approach "in course of normal contacts" urging Ethiopia to ensure that aid gets through. This has now been done. But US/Ethiopia relations difficult. We and other donors narrowly averted head on confrontation

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between Americans and Ethiopians at the UN Conference on famine in Geneva on 11 March. There is a danger that if pressure is applied too openly or forcefully existing relief operations could be jeopardised and the Ethiopians might erect further political barriers to the West.

Development Commissioner, Natali, is visiting Ethiopia 10-14 April: we are urging him to use negotiations on new aid programmes under sixth European Development Fund to promote economic and agricultural policy reforms in Ethiopia.

FOREIGN AND COMMONWEALTH OFFICE

27 March 1985

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REFERENCE A

EXTRACT FROM A LETTER OF 26 MARCH 1985
FROM PRESIDENT OF THE COUNCIL

The scope and sometimes the urgency of the problems of our time lead us to seek an increasingly visible European presence in the world. I am thinking in particular of the tragedy of the drought in Africa affecting an area in which thirty million people live, and bringing disasters of biblical proportions. I should like, for my part, to refer to the results of the venture we undertook at the European Council in Dublin which was set in train by the Taoiseach, Dr Garret Fitzgerald, my predecessor.

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REFERENCE B

UNCLASSIFIED
FM DUBLIN 042035Z DEC 84

TO IMMEDIATE FCO
TELEGRAM NUMBER 723 OF 4 DECEMBER 19
AND TO IMMEDIATE UKREP BRUSSELS DESK
AND TO ROUTINE PARIS BONN ROME
AND TO SAVING OTHER EC POSTS

EUROPEAN COUNCIL, DUBLIN, 3/4 DECEMBER

FOLLOWING IS TEXT OF EUROPEAN COUNCIL CONCLUSIONS.
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 SEMI-COLON 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 SEMI-COLON 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**

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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 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.

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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 U.N. GENERAL ASSEMBLY.

IT NOTES WITH SATISFACTION THE SUCCESSFUL CONCLUSION OF THE NEGOTIATIONS FOR THE RENEWAL OF THE LOME CONVENTION WHICH LINKS

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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.

GOODISON

STANDARD (LALACE)

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Reference C

Following is suggested text for Council conclusion:

The European Council remains deeply concerned at the continuing famine in Ethiopia, Sudan and the Sahel countries. The European Council recalls its undertaking at Dublin to supply 1.2 million tonnes of grain to the worst affected countries before the next harvest and notes that allocations by the Community and Member States have fully met this target. The European Council asks the Commission to ensure as a matter of the highest priority that relief supplies are delivered as quickly as possible.

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Besoins/engagements
en vue de livraisons pendant la campagne actuelle

(équivalent céréales)

au 20.3.1985

	Ethiopie	Soudan	Mozambique	Mali	Niger	Mauritanie	Tchad	Angola	TOTAL
Période de référence	JAN - DEC	NOV - OCT	MARS - DEC	NOV - OCT	OCT - SEPT	NOV - OCT	NOV - OCT	AVR - DEC	
Besoins estim. CEE									
hypothèse forte	1.350.000	1.420.000 ⁽¹⁾	420.000 ⁽²⁾	210.000	350.000	155.000	280.000	80.000	4.265.000
hypothèse faible	1.200.000	1.200.000	420.000	200.000	350.000	155.000	280.000	80.000	3.885.000
ENGAGEMENTS									
I. Hors Dublin									
CEE (aide aliment.)	71.600	20.500	10.000	8.000	17.400	8.000	16.200	-	151.700
CEE (aide urgence)	-	-	-	5.500	6.450	-	9.840	-	21.790
Etats Membres	18.500	29.280	46.830	18.250	23.300	12.000	8.880	-	157.040
SOUS-TOTAL I	90.100	49.780	56.830	31.750	47.150	20.000	34.920	-	330.530
II. Dublin									
CEE (aide aliment.)	91.500	41.400	52.200	15.400	26.100	21.080	16.000	21.500	285.180
CEE (aide urgence)	106.180	52.860	9.500	19.360	18.520	1.430	15.900	4.940	228.690
Etats Membres	107.250	104.930	56.600	48.190	41.700	39.770	43.880	18.870	461.190
SOUS-TOTAL II	304.930	199.190	118.300	82.950	86.320	62.280	75.780	45.310	975.060 (3)
TOTAL CEE - EM	395.030	248.970	175.130	114.700	133.470	82.280	110.700	45.310	1.305.590

(1) estimation FAO

(2) estimation gouvernement

(3) Plus une réserve de 200.000 T d'équivalent céréales de la Communauté (80 MECUs), une réserve de 119.000 T des Etats membres, soit un total de 1.294.000 T

	Ethiopie	Soudan	Mozambique	Mali	Niger	Mauritanie	Tchad	Angola	TOTAL
Période de référence	JAN - DEC	NOV - OCT	MARS - DEC	NOV - OCT	OCT - SEPT	NOV - OCT	NOV - OCT	AVR - DEC	
<u>III. Autres donateurs</u>									
Etats-Unis	(1) 406.230	770.030	137.880	102.800	114.070	57.360	74.540	7.200	1.670.110
Canada	43.000	26.400	-	17.000	8.000	1.300	-	-	95.700
Japon	10.430	39.000	20.650	8.120	19.140	9.280	20.300	-	126.920
Chine	5.000	29.000	5.000	1.000	2.000	5.000	-	1.000	48.000
Australie	22.000	-	7.830	-	-	-	-	-	29.830
Divers	115.600	9.100	8.700	20.010	2.000	9.500	6.200	200	171.310
PAM	107.300	56.090	9.000	13.200	6.000	6.180	34.000	11.600	243.370
<u>SOUS-TOTAL III</u>	709.560	929.620	189.060	162.130	151.210	88.620	135.040	20.000	2.385.240
<u>TOTAL GENERAL</u>	1.104.590	1.178.590	364.190	276.830	284.680	170.900	245.740	65.310	3.690.830

(1) plus 114.250 tonnes destinées aux réfugiés éthiopiens

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26 March 1985

MR POWELL, NO 10 *CH*

PRIME MINISTER'S BRIEFING FOR EUROPEAN COUNCIL 27 MARCH, 10.30 am

I have seen the briefing material prepared for tomorrow's meeting and note that there are scientific aspects of both the Community paper on Strengthening the Technological Base of the Community and the Telecommunications proposal. Perhaps you could advise me whether my attendance at the meeting is desirable. Alternatively I could be on call in my room in the Cabinet Office.

MSN

ROBIN NICHOLSON

CONQUEROR
LONDON

U10

CCPC

The Ambassador

Italian Embassy,
4, Grosvenor Square,
London, W.1.

OH

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 57A/85

a MASTER
ofs

26th March 1985

02500

Dear Mr. Powell,

I take pleasure in sending you herewith
the text of the message sent by President of the
Italian Council of Ministers, Signor Bettino Craxi,
to the Prime Minister Mrs Margaret Thatcher.

The rough translation is also attached,

Sincerely yours

Audrea Gyati

Mr. Charles Powell
Private Secretary to the Prime Minister,
10, Downing Street,
London S.W. 1

Text of the message addressed to
The Rt. Hon. Margaret Thatcher, MP
by Signor Bettino Craxi President
of the Italian Council of Ministers.

Date: Rome, 25 th March, 1985

TEXT OF THE MESSAGE

Primo Ministro,

i nostri lavori del 29 e 30 marzo prossimo possono costituire un punto di riferimento del processo diretto a dare contenuto concreto al rilancio della Comunità Europea.

Per conseguire questo obiettivo, della cui bontà tutti siamo convinti e per il quale, quindi, operiamo con tenacia, mi sembra necessario fare in modo che i punti ancora aperti del negoziato per l'allargamento alla Spagna e al Portogallo vengano definiti prima dell'inizio del Consiglio Europeo.

La settimana scorsa i nostri Ministri degli Esteri, e quelli dei due Paesi candidati, hanno compiuto notevoli progressi nel riavvicinare, in modo sensibile, le rispettive posizioni. La maggior parte del cammino che ci separa dalla conclusione dei negoziati per l'allargamento è stato, quindi, compiuto. Sono fiducioso che la riunione straordinaria del Consiglio Affari Generali di giovedì consentirà di trovare le soluzioni ai problemi ancora aperti, così da poter rispettare le scadenze che ci siamo dati per l'entrata della Spagna e del Portogallo nella Comunità Europea.

Se il capitolo dell'allargamento si chiuderà - e ci sono tutte le premesse per prevederlo - prima del Consiglio Europeo, resterà da individuare una soluzione accettabile da tutti per i Programmi Integrati Mediterranei. Credo in proposito che le ultime proposte della

Commissione offrano una base di discussione costruttiva suscettibile di portare ad un'intesa che dovrebbe essere auspicabilmente raggiunta nel corso della prevista riunione del Consiglio Affari Generali. Qualora tuttavia dovesse richiedersi un nostro intervento per l'approvazione finale dei programmi, penserei preferibile collocarlo all'inizio della sessione dei lavori, con l'obiettivo di affrontare poi, al più presto possibile, i temi dello sviluppo e dell'integrazione comunitaria.

In questo ambito dovremmo dedicare una particolare attenzione al problema della crescita e dell'occupazione, segnatamente quella giovanile, in Europa. Sarà utile allargare la discussione ai fattori che influenzano la stabilità della ripresa. Includerei fra questi gli andamenti dei mercati valutari.

Eguualmente dovremmo affrontare in maniera approfondita l'esame delle nuove tecnologie e delle loro complessive implicazioni sulle prospettive di sviluppo. Si tratta di temi che avevano formato oggetto di una nostra prima discussione a Dublino e per i quali la Commissione delle Comunità Europee ha predisposto delle proposte. Senza voler qui entrare nei dettagli mi sembra importante sottolineare, da un lato, l'obiettivo del mercato unico, da realizzare per tappe entro il 1992 e, dall'altro, la necessità di prendere in seria considerazione la competitività delle nostre economie.

Lo sforzo che altri partners economici stanno compiendo, e mi riferisco in particolare agli Stati Uniti, deve indurci a riflettere sull'inadeguatezza della ricerca attuale, e ciò non soltanto a livello comunitario ma anche a quello dei paesi membri. Proprio l'esempio che ci viene da oltre Atlantico deve spingerci a trovare le soluzioni più idonee perchè alle soglie degli anni duemila, il divario tecnologico del nostro continente diminuisca progressivamente fino a metterci alla pari con le grandi aree industrializzate.

Dovremmo dedicare la nostra attenzione anche ai problemi dell'ambiente, sui quali avevamo convenuto di procedere ad una discussione approfondita. La documentazione che la Commissione ha predisposto al riguardo ci sarà di particolare utilità.

Nel corso dei nostri lavori prenderemo in esame il rapporto interinale sui problemi dell'Europa dei cittadini, predisposto dal Comitato presieduto dall'On.le Adonnino ed il rapporto finale sui problemi istituzionali elaborato dal Comitato presieduto dal Senatore Dooge.

Per quanto riguarda i problemi istituzionali la nostra discussione dovrà concentrarsi sull'estensione del metodo comunitario a settori che non sono attualmente coperti dai Trattati di Parigi e di Roma, sull'estensione dell'applicazione del voto a maggioranza nelle decisioni del Consiglio e sul rafforzamento dei poteri del Parlamento Europeo.

Forse tutti questi tre punti, o qualcuno di essi, richiederanno un approfondimento: dovremo, in questo caso, valutare se avvalerci ancora, e in che modo, dell'ausilio del Comitato presieduto dal Senatore Dooge. Ciò, però, che mi sembra essenziale, è uscire, nella discussione che avremo venerdì e sabato, dalla genericità per permettere alla Presidenza di turno di preparare adeguatamente, sulla base degli orientamenti che emergeranno a Bruxelles, i lavori del Consiglio Europeo di Milano.

L'ampiezza, e, talvolta, la drammaticità dei problemi della nostra epoca ci inducono a ricercare i modi di una sempre più incisiva presenza europea nel mondo. Penso, in particolare, al dramma della siccità in Africa, che colpisce un'area nella quale vivono trenta milioni di persone e che sta provocando disastri di proporzioni bibliche. Conto da parte mia di riferire sul seguito dell'iniziativa che abbiamo assunto al Consiglio Europeo di Dublino e che era stata opportunamente avviata dal Toiseach, Dr. Garrett Fitzgerald, mio predecessore.

Per quanto riguarda i temi dell'attualità internazionale, credo che i nostri scambi di vedute dovrebbero riguardare:

A) l'andamento dei lavori di Ginevra, che toccano problemi di particolare importanza per l'Europa e, più in generale, le prospettive apertesì nei rapporti Est-Ovest con la nomina del nuovo Segretario Generale del PCUS. Credo sarà bene che i dieci riaffermino il proposito di intensificare le occasioni di colloquio con i Paesi dell'Est e di partecipare, quanto più attivamente possibile, ai lavori degli altri importanti fori internazionali sul disarmo.

B) Il Medio Oriente. Nella cornice dei principi ai quali si ispira l'azione della Comunità Europea e dei Paesi membri, fissati dalla Dichiarazione di Venezia, merita una particolare attenzione la fase di attuale movimento, rappresentato dall'Accordo giordano-palestinese. Favorire concretamente questo sviluppo è nell'interesse dell'Europa e rientra negli sforzi che vengono compiuti ormai da anni per allargare in quella tormentata regione l'area del consenso e per riportarvi la pace.

C) Il deterioramento della situazione interna Libanese.

D) L'aggravamento del conflitto fra l'Iran e l'Iraq, che ha nuovamente polarizzato l'attenzione dei Governi e dell'opinione pubblica mondiale su quella guerra insensata.

E) La situazione dell'America Meridionale caratterizzata dal ritorno alla democrazia in Argentina, in Brasile ed in Uruguay.

Per contro, il mantenimento dello stato di assedio in Cile ed il persistente rifiuto di quel Governo di negoziare con le forze politiche il ritorno del Paese alla democrazia rappresentano per tutti noi motivi di forte preoccupazione e fattori che rischiano di

accentuare, ove non si verificasse entro breve tempo un radicale cambiamento di rotta, le tensioni esistenti.

F) Le attuali possibilità di sviluppo del dialogo fra i dieci, Spagna e Portogallo ed il Centro America, basato sul progetto di Contadora e collegato agli impegni da noi assunti lo scorso settembre alla riunione di San José.

Questa rappresentazione tematica della nostra discussione a Bruxelles, vuole solo avere un carattere esemplificativo. Penso, che la colazione con cui inizieremo i nostri lavori fornirà un'occasione per mettere a punto le modalità e per fissare l'ordine con il quale tratteremo i singoli temi. Ma fin da ora suggerirei che i temi dell'attualità internazionale vengano approfonditi dai Ministri degli Esteri, ai quali potremo, appunto, affidare l'incarico di preparare le linee delle prese di posizione da rendere pubbliche, una volta approvate da noi, durante ed alla fine dei lavori del Consiglio Europeo.

Con i migliori saluti.

Bettino Craxi

To this regard we should pay particular attention to the problem of growth and employment, namely youth employment in Europe. It will be useful to widen the discussions to include those factors which influence the stability of recovery. I would include, among them, the trends of the financial markets.

Equally, we should deal in detail with the new technologies and with their implications on the prospects for comprehensive development. These are items which were discussed firstly in Dublin and for which the EEC Commission has put forward proposals. Without wishing to go into details I think it important to underline on one hand the objective of one market, to be achieved, step by step, by 1992, and, on the other, the need to take into serious consideration the competitiveness of our economies.

The efforts being made by other economic partners, I refer in particular to the United States, must urge us to ponder the inadequacy of the present state of research and this not only at Community level, but also at national level. Indeed, the example from the other side of the Atlantic must spur us into finding more suitable solutions so that in approaching the threshold of the years 2000 the technological gap narrows gradually, until we are at par with the great industrial areas.

We should also pay attention to the problems of the environment on which we had agreed to hold in-depth discussions. The documentation gathered by the Commission to this regard will prove most useful.

In the course of our meeting we shall examine the interim report on the problems of the Europe of the citizens, prepared by the Committee chaired by On. Adannino and the final report on the institutional problems drawn up by the Committee chaired by Senator Dooge.

As for the institutional problems our discussions will have to pay particular attention to the extension of the Community method to sectors at present not covered by the Treaties of Paris and Rome; to the extension of the application of the majority vote in the decisions of the Council and to the strengthening of the powers of the European Parliament.

[This goes significantly further than was planned for this European Council.]

European Council

Perhaps all the three points above, or some of them, will require further consideration: we should in that case decide whether to avail ourselves, and how, of the help of the Committee chaired by Senator Dooge. What however would seem essential to me is that in the discussions we hold on Friday and Saturday we avoid generalization in order to allow the Presidency to properly prepare the proceedings of the European Council in Milan on the basis of the orientations which will emerge in Brussels.

The range, and at times the gravity, of the problems of our times induce us to search for ways to make the European presence in the world more incisive. I refer, in particular, to the drama of the African drought, affecting an area in which 30 million people live and causing disaster of biblical magnitude. On my part, I propose to brief you on the follow-up to the initiative adopted at the European Council in Dublin and which was put under way by my predecessor, Dr. Garret Fitzgerald.

As for the items of international topicality, I believe that our exchange of views should deal with:

a) the progress of the Geneva talks, dealing with problems of particular importance for Europe and, in more general terms, the prospects opened up in East-West relations by the appointment of the new Secretary General of Communist Party of the Soviet Union. I believe it will be appropriate for the Ten to reaffirm their intention to intensify the occasions for dialogue with the Eastern bloc countries and take part, as actively as possible, in the proceedings of other important international fora on disarmament.

b) The Middle East. In the framework of the principles which inspire the action of the European Community and its member countries, as laid down by the Venice declaration, the present dynamic phase represented by the Jordan-Palestinian agreement deserves particular attention. It is in Europe's interest to encourage, in a concrete way, this development, in the framework of the efforts which have been made for yearsto widen the area of consensus and restore peace to that troubled region.

- c) The deterioration of the Lebanese internal situation.
- d) The worsening of the Iran-Iraqi conflict, which has once again polarized the attention of governments and world public opinion on that senseless war.
- e) The situation in South America, characterized by the restoration of democracy in Argentina, Brazil and Uruguay. Whereas the maintenance of the state of siege in Chile and the persistent refusal of that government to negotiate with the political forces the country's return to democracy represent cause of grave preoccupation for us all and a factor liable to exacerbate existing tensions if a radical change of course does not take place soon.
- f) The present possibilities of development of the dialogue among the Ten, Spain, Portugal and Central America based on the Contadora project and linked to the commitment undertaken by us last September at the San José meeting.

? South Africa.

The above itemized presentation for our discussions in Brussels is by way of example. I think that the lunch with which we will open our meeting will provide the opportunity to pinpoint the form and the order in which we will deal with the single items. May I suggest as of now however that the items of international topicality be discussed by the Foreign Ministers whom we can entrust with the task to lay down the guidelines for the stances to be made public, once approved by us, in the course and at the end of the proceedings of the European Council.

With my best regards,

Signed: Bettino Craxi

CDP 2
SH
CEBT



Foreign and Commonwealth Office

London SW1A 2AH

25 March 1985

*Prime Minister
I shall be surprised if
there is not pressure
for a fairly tough
statement on South Africa.*

Dear Charles,

Political Topics at the European Council

CDP 2573

You may like to have some advance notice of the political topics which are likely to be discussed at the European Council, together with an idea of the approach we envisage taking in the discussions at lower levels which will precede discussion of those topics in the Council itself.

At their meeting on 6 March, the Political Directors of the Ten agreed that the political topics which the Council was most likely to wish to discuss were the Middle East (including the Arab/Israel dispute and Iran/Iraq), East/West relations and Central America. I take these in turn.

(a) Arab/Israel and Lebanon

This is likely to be high on the agenda. The Italian Presidency have informed the Ten's Middle East Working Group that they will be preparing draft language for public conclusions to be issued on Arab/Israel and Lebanon. On Arab/Israel we shall of course pursue the points in your letter of 21 March. In view of the recent upsurge in violence, we believe that a passage on Lebanon should also be included: there should be little difficulty in agreeing language with our partners stressing the need for the early and orderly completion of Israeli withdrawal.

(b) Iran/Iraq

We understand that the Presidency will be circulating draft Council conclusions reaffirming earlier calls for an end to attacks on civilian targets, and for a peaceful settlement. In discussing this our objective would be a text which was carefully balanced between the two sides and which was most likely to encourage an early end to the conflict.

(c) East/West Relations

It will be important to ensure that the passage on East/West relations in the conclusions of the Council strikes the right

/balance

[i.e. the points you made to be Foreign Secretary]



balance between Western solidarity and firmness on one hand and sincerity and willingness to do business on the other. The Prime Minister may also wish to give an account of her meeting with Mr Gorbachev in Moscow, and to put forward some preliminary views on the implications of the change of leadership.

(d) Central America

The FRG and perhaps others may press for a reference in the Council Conclusions to the Ten's agreement to hold a follow-up meeting to the 21-country Foreign Ministers' conference in San Jose of September last year. We have agreed in principle to the follow-up meeting, but believe the Ten would do well to delay announcement of this until we have seen how seriously the Central Americans try to settle their differences at the Contadora meeting in April. We will therefore work to limit the Council conclusions to a reaffirmation of support for efforts by the countries of the region to solve their problems through the Contadora process.

Although Mozambique is not on the Agenda it would also be useful for the European Council to reaffirm the Ten's support for President Machel and the Nkomati process. This would be in line with what the Prime Minister told President Nyerere about our position, in the light of what President Machel told the Prime Minister on 5 March about his concern at the failure of Nkomati to improve the security situation in Mozambique and of his suspicions of South Africa. An appropriate passage in the Council conclusions could help to bolster Machel's resolve and encourage the South Africans and others to do more to stop support for Renamo. Some of our partners may not be enthusiastic but we think the idea well worth proposing, which we would do by circulating a text to partners beforehand.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street



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Prime Minister

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People's Europe
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Qz.04304

MR POWELL

COMMITTEE ON PEOPLE'S EUROPE

The first report of the Committee on People's Europe will be submitted to the European Council of 29-30 March. It deals with the movement of citizens of Community member states across frontiers, easier movement of their goods and with the possibilities for professional and other people to establish themselves in other member states, including the recognition of qualifications.

2. I have pressed throughout the discussions for a practical programme of rather modest measures, the combined effect of which would be to make life easier for ordinary people moving about the Community on business, as tourists or for other reasons. I have also made as much ground as possible on freer movement of goods and, in particular, on the abolition of the more annoying and costly bureaucratic nonsenses. The report is on these lines. Examples of specific recommendations by the Committee for removing such obstructions are:

(i) a higher traveller's allowance for tax-paid goods. This means that more people will go through the green channel and will have less to declare. The actual figures are consistent with the agreed United Kingdom position;

(ii) at present coach tours are often stopped at the borders of a member state in order to be re-assessed for VAT in respect of their journey through that member state. This is a time-consuming and annoying practice for the holiday-makers. The United Kingdom has argued that the right course is to assess the tour for VAT at the point of departure for the whole of its journey. This is now being recommended by the Committee;

/(iii)

[Copy now attached]

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(iii) some member states stop buses at the frontier in order to measure the amount of fuel in their tanks and put a charge on it. The United Kingdom has always maintained that this delay and administrative inconvenience should be done away with. The Committee recommends this. We hope to come back to the same problem in relation to lorries in the near future.

3. The cumulative effect of removing obstructive practices is the best way to a people's Europe. Some Heads of Government, particularly President Mitterrand, may take the view that the Committee should have concentrated on grander schemes for improving the identity of the Community. We wanted, however, to get some practical things done to the benefit of the ordinary citizen. The second report for the following European Council will no doubt contain some recommendations on wider topics such as youth exchanges, language training and television.

4. On most points under discussion in the Committee I have been pressing for action. On two points, however, I have defended the United Kingdom's position and obtained the agreement of the Committee to arrangements which are consistent with our own. These points are:

(i) frontier formalities. This report distinguishes between action at land frontiers and action at seaports and airports. It argues for speeding up movement through ports and airports, including the wider use of the United Kingdom's own separate channel system, but it does not recommend the ending of systematic checks on Community citizens entering through ports and airports. This could be helpful to us in the further discussions on separate Commission proposals now under discussion in Brussels, which are directly contrary to the United Kingdom's practice;

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(ii) right of residence. This report specifically links right of residence with evidence of adequate resources (it includes, in particular, the sentences:

"Citizens wanting to reside in a country other than their own should not become an unreasonable burden on the public purse in the host country. Where it is evident that such a citizen would incur a certain level of expenditure, it seems reasonable for the host country to take into account whether he is able to meet such expenditure".)

The United Kingdom has always taken this view but it is under challenge elsewhere and the wider recommendation in this report of the link between admission to right of residence and adequate resources should be helpful to us in further discussions in Brussels or in further action in the United Kingdom (the case of the "spaghetti scroungers").

5. The briefing for the European Council will include the final version of the report and any specific recommendations on it.

6. I am sending copies to Colin Budd (FCO), Rachel Lomax (Treasury), Hugh Taylor (Home Office) and Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

25 March 1985



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Qz.04303

MR POWELL

EUROPEAN COUNCIL BRIEFING

I suggest that at the meeting this evening the points which may need to be covered are:

(1) enlargement - a brief report on the current situation. The Foreign Affairs Council is resuming on 28 March. It is unlikely that any negotiating issues will come to the European Council but we cannot be sure of this conclusion;

(2) integrated Mediterranean programmes. This will certainly come to the European Council. We need to consider both the substance and the final stages of trying to concert a position with the Germans;

(3) the United Kingdom initiative on deregulation and jobs. I submitted yesterday a draft text which we should seek to get into the conclusions of the Council. If the Prime Minister agrees, we might also discuss the best way of moving this forward to a successful conclusion;

(4) strengthening technology and competition in the Community. There is now a paper from the Commission to which Monsieur Delors attaches a lot of importance. Most of it is good, although we shall not advise the Prime Minister to make any commitment on the proposed increase in Community expenditure on research. We shall need to determine before the Council how the Prime Minister might respond to a specific suggestion of Monsieur Delors for greater Community action on research in advanced telecommunications;

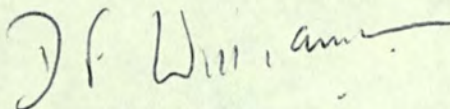
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(5) Dooge Committee. The Prime Minister will want to be warned of the main points of disagreement, even though our objective should no doubt be to concentrate any discussion at the European Council on the need for consultations between member states in the period between March and June;

(6) own resources/budget. Subject to a Greek waiting reserve this is now settled. Sir Michael Butler may wish, however, to explain it.

I am sending a copy to Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'D F Williamson', with a horizontal line extending to the right.

D F WILLIAMSON

22 March 1985

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10 DOWNING STREET

From the Private Secretary

22 March 1985

EUROPEAN COUNCIL

The Prime Minister had some discussion with the Foreign Secretary this evening on the prospects for next week's European Council.

The Prime Minister thought it would be useful if the United Kingdom initiative on deregulation and jobs could be discussed with selected member states in Brussels. But we should avoid any collective discussion of texts before the European Council itself.

The Prime Minister also agreed that instructions should be sent to Sir J. Bullard in Bonn, to try to reach an understanding with the Germans on the handling of Integrated Mediterranean Programmes at the European Council. This would be to the effect that we would consult closely together before and at the Council and neither would move without consulting the other. We should also try to reach an understanding on a maximum figure, bearing in mind two aspects:

- our eventual aim should be if possible to obtain a common position of the Nine with the Greeks isolated. This could mean agreeing a slightly higher figure than warranted in order to achieve solidarity. But the Prime Minister made clear that she would herself wish to judge what was a tolerable figure in the light of the discussion;
- we should support the Germans on interest rate subsidies in return for their support on a figure.

Finally, it was agreed that in the light of the decision to hold a Foreign Affairs Council in Brussels on 28 March, there would need to be a briefing meeting in UKREP Brussels at 1100 hours on 29 March. The Prime Minister's departure from Heathrow will in consequence be brought forward to 0845.

I am copying this letter to David Williamson (Cabinet Office).

CHARLES POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER

Please bring
these papers together
and return to me on
Tuesday night.
COM

EUROPEAN COUNCIL

The attached folder contains some of the key papers for
the European Council in case you want to look at them over the
weekend. It includes the Ortoli report.

A

If you have amendments to suggest to the draft Council
conclusions on deregulation and jobs, it would be helpful to
have them.

We are hoping to arrange a further briefing with Michael
Butler early on Wednesday.

C.D.P.

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22 March 1985

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RAMAS



10 DOWNING STREET

From the Private Secretary

21 March, 1985

EUROPEAN COUNCIL:MIDDLE EAST


The Prime Minister had a brief discussion with the Foreign Secretary this morning about whether the forthcoming European Council should issue any sort of statement on the Middle East. The Prime Minister suggested that a reasoned, low-key statement of support for the efforts of King Hussein and President Mubarak to make progress might be useful. But it would need very careful handling. In particular we should have to work for references to "representation of the Palestinians" rather than "the PLO". We should also focus on the efforts being made by the parties themselves and not give any impression that the Community was taking an initiative. Clearly it would be best if the United Kingdom could itself table language for such a statement, which the Prime Minister would like to see in draft. The Foreign Secretary agreed to follow this up urgently.

The Prime Minister also made the point that we should consult very carefully though discreetly with the Americans in the preparation of a text to ensure that we were not led into any course which conflicted with or made more difficult the Americans' own efforts.

(C D Powell)

P F Ricketts, Esq.,
Foreign and Commonwealth Office

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Prime Minister

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MR POWELL

EUROPEAN COUNCIL: UNITED KINGDOM INITIATIVE ON DEREGULATION
AND JOBS

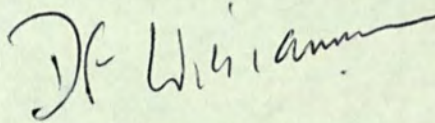
Mr Barclay's letter of 27 February to Mr Lewis in the Office of the Minister without Portfolio, and your letter of 4 March to Mr Budd in the Foreign and Commonwealth Secretary's office, recorded the Prime Minister's wish for a United Kingdom initiative at next week's European Council on deregulation and on tackling unemployment. The Cabinet Office were invited to take matters further, in consultation with other Departments. We have done this and have also taken informally some careful soundings of the Council Secretariat (so as to make a place for these matters in the European Council's conclusions), and of some like-minded member states. The reactions have been positive. I now attach a text which, if the Prime Minister approves, we should seek to get into the conclusions of the Council. It is intended to provide the leverage for continuing action. We shall also, of course, submit in the briefing the arguments which the Prime Minister might advance in the European Council itself, so that we can rightly claim that it is a United Kingdom initiative leading to agreed conclusions.

2. We have kept in mind the need to strike a balance between what we would like to see the European Council adopt in its conclusions and what we can realistically expect to gain next week. In the Steering Committee on European Questions it was suggested, in particular, that the last indent in point b might be more negotiable if amended. The Cabinet Office and the Treasury, however, recommend that we should keep the present text, which seemed to us to be in line with the Prime Minister's views.

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3. If the Prime Minister approves the attached text, I recommend that we should send instructions to Sir Michael Butler on Monday, so that the ground can be prepared more thoroughly in advance of the European Council.

4. I am sending copies to Colin Budd (FCO), Rachel Lomax (Treasury), Callum McCarthy (DTI), Steven Godber (DHSS), David Normington (Department of Employment), Leigh Lewis (Office of the Minister without Portfolio) and to Sir Robert Armstrong.



D F WILLIAMSON

21 March 1985

EUROPEAN COUNCIL CONCLUSIONS: BRUSSELS 29/30 MARCH 1985

The creation of wealth and employment in the Community

1. The European Council agreed that the Community must mobilise its efforts to create more wealth and more jobs. It agreed that the Community and individual member states needed to pursue policies that reinforced each other if they were to create the conditions necessary for sustained non-inflationary growth and tackle the problem of unemployment. In accordance with the economic policy guidelines endorsed by the European Council at Dublin in December 1984, this would require action to create the right macro-economic climate, by maintaining firm fiscal and monetary policies, and to promote a liberal and competitive internal market as envisaged in the Treaty of Rome. It would also require supportive measures in specific areas, in particular through the following:

- a. measures to stimulate enterprise and competition
 - by reducing the administrative and legislative burdens on businesses;
 - by establishing conditions conducive to the creation and expansion of small and medium-sized enterprises;
 - by increasing competition, particularly in the service sector and in the professions;
 - by increasing the opportunities for private businesses to supply goods and services to the public sector;
 - by firm control of, and wherever possible reduction in, state aids, and by focussing them on the promotion of competitiveness.

- b. measures to create jobs
 - by removing obstacles to the mobility of labour;
 - by removing or amending legislation which unnecessarily holds back job creation;

- by extending and improving the training given to young people and adults;
- by encouraging moderation in the growth of wages and other labour costs;
- by taking steps to ensure that the social protection available to the unemployed does not act as a disincentive to their seeking work.

2. In this context the European Council expressed concern about the existing burden on businesses in terms of direct cost and management time of conforming to national and Community regulation, especially for small and medium-sized enterprises. In order that complementary action might be taken at both national and Community level to reduce the burden, the European Council invited the Commission to consider and report to the next European Council on the burden imposed on businesses by existing Community legislation, and ways to reduce it.

3. The European Council also urged the Commission and the Council to consider proposed Community legislation in the light of its impact on the creation of wealth and productive employment. The impact on business costs, including management time, of new proposals should be identified. The Council should avoid imposing additional burdens on business or increasing rigidities in the labour market except where the expected benefit would clearly outweigh the cost to employment and efficiency - and only after studying alternative measures to the same end.

Cabinet Office

21 March 1985

PRIME MINISTER

EUROPEAN COUNCIL

You have a 'seminar' on this tomorrow with the Foreign Secretary, Michael Butler and David Williamson.

We cannot forecast exactly what will come up at the European Council until we know the final outcome of the Foreign Affairs Council which is still going on. But it seems likely that it will not be necessary for Heads of Government to discuss enlargement or own resources/UK refund (though the Greeks are linking this latter point to IMPs).

The subjects on which you might focus tomorrow are:

- (i) the unemployment and deregulation initiative. Draft conclusions worked out by departments are at Flag A. You need to consider whether they meet your requirements; and if so, how best to launch them. Should we approach selected member states (Germans, Dutch, Belgians) in advance? Or leave it to you to spring on the European Council? We ought at least to say that you will want to have a substantial discussion of this issue.
- (ii) Dooge Committee. Mr Rifkind's minute at Flag B summarises where we stand. There is not supposed to be a substantial discussion until the June Economic Council, with bilateral contacts between governments in the meantime. But if there are not too many other issues, the discussion may start this time. We want to avoid any commitment at this stage to an eventual inter-governmental conference.

The Foreign Secretary and Michael Butler may press you to a slightly more open position on majority voting. I hope you will resist this.

E. R.

(iii) IMPs. Papandrea will put on some theatre at the European Council, and may well block everything - including our refund - until June at least. You will want to consider the tactical handling, and how far we can mount a sustainable common position with some other member states.

(iv) Political Issues. You have already discussed the possibility of a statement on the Middle East with the FCS and something is being worked up.

C.D.P.

C D POWELL

21 March 1985

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10 DOWNING STREET

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Subject filed in
USA Pt 3 Relations.

From the Private Secretary

20 March, 1985.

Contributions from the United States to Irish causes

In the course of her meeting with Mayor Feinstein of San Francisco this morning, the Prime Minister developed the idea that she and the Taoiseach should encourage the creation of a charitable fund to benefit worthwhile causes both in the Republic and in Northern Ireland, to which the generous impulses of Americans who wished to contribute to Irish causes could be channelled. One purpose would of course be to tap sources of the funds which are at present channelled to NORAID and divert them to more constructive purposes. The Prime Minister said that she would pursue the idea when she met the Taoiseach in the margins of the European Council on 29/30 March.

Mayor Feinstein reacted enthusiastically. She may well make some public comment.

I should be grateful if this point, worked up if possible into a concrete proposal, could be covered in the briefing for the Prime Minister's meeting with the the Taoiseach.

I am copying this letter to Jim Daniell (Northern Ireland Office) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

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~~CONFIDENTIAL~~
Prime Minister

CJP
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FROM: Malcolm Rifkind

DATE: 18 March 1985

Prime Minister

am

DOOGE COMMITTEE

- /
1. I attach a telegram reporting the final outcome of the Dooge Committee.
 2. The changes from the Interim Report are satisfactory for us. I have conceded no points of substance. We have achieved a text on decision-making which presents options, one of which we can accept. And we have reduced the number of our footnote reservations while others have had to increase the number of theirs: (this applies particularly to the Germans who now have reservations on EMS, on convergence, and on the number of Commissioners).
 3. The key passages in the Report relate to:

Decision-making. Heads of Government are offered two possibilities. Most members of the Committee supported an option establishing majority voting as a general principle, with unanimity maintained only for a few Articles to be determined; and implicit rejection of the veto. The minority (ie we, the Greeks, the Danes and, to a certain extent, the Irish) supported an option calling for more majority voting where this is provided for under the Treaties and, in return, explicit acceptance of the veto. In accordance with 'Europe the Future', I have said that we would like to see the procedure for invoking the veto formalised, to prevent abuse.

The majority option is not so alarming as it might seem. It reflects the wishful thinking of some representatives, rather than political realities. M. Faure, for example, has taken

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a more advanced position than the French Government.

Powers of the Parliament. Here too the majority on the Committee have run some way ahead of Governments. The text is unattractive, calling for "joint decision-making" with the Council and revenue-raising powers for the European Parliament. I have entered a reserve on the whole section. I do not think there is much real danger from this quarter, though there may be opportunities for practical improvements in procedures within the existing powers of the Parliament.

Next Steps. The majority want an inter-governmental conference to negotiate a new European Treaty. I have given no undertaking whatever. Some of my colleagues on the Committee conceded, in the margins, that it was dangerous to arouse expectations until it was clear that a Conference was both necessary and likely to be successful. But there was too much momentum behind the idea to stop the majority of the Committee from espousing it.

Internal Market. The text has been significantly improved. At my suggestion the Committee has called for completion of the market "by the end of the decade" (broadly in line with Delors' target of 1992).

4. The next three months should see the winnowing out of some of the sillier propositions in the Report, provided this work is now remitted for consultations between Governments. I see no need for us to adopt a defensive position. The French and Germans appear to want something to emerge from this exercise that we could accept. We should continue to put the emphasis on proposals for practical reforms genuinely helpful both to Britain and to the Community. Geoffrey will be putting his recommendations to you shortly on how we might play all this both at the next European Council and in the period leading up to Milan.

Malcolm Rifkind

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AD HOC COMMITTEE ON INSTITUTIONS (DOOGE COMMITTEE)
BRUSSELS 13/14 MARCH - FINAL MEETING

SUMMARY

1. FINAL REPORT WAS AGREED FOR PRESENTATION TO 29/30 MARCH
EUROPEAN COUNCIL. ITS MAIN FEATURES (FROM UK POINT OF VIEW)
ARE:

- (A) USEFUL CONCLUSIONS ON INTERNAL MARKET AND HIGH TECHNOLOGY;
- (B) RETENTION OF ALL THE POSITIVE ELEMENTS IN THE TEXT ON POLITICAL COOPERATION AND DEFENCE;
- (C) ACCEPTABLE TEXTS ON EMS, CONVERGENCE AND BUDGET;
- (D) NO UK COMMITMENT TO TREATY AMENDMENT OR TO AN INTERGOVERNMENTAL CONFERENCE;
- (E) REDUCTION OF UK RESERVATIONS FROM THE 5 IN THE INTERIM REPORT TO 3, IN CONTRAST WITH A PROLIFERATION OF RESERVES FROM OTHERS.

2. ON THE INSTITUTIONAL CHAPTER OUTCOME WAS AS FOLLOWS:

- (A) ALTERNATIVE TEXTS ON MAJORITY VOTING/LUXEMBOURG COMPROMISE WHICH GO FORWARD TO EUROPEAN COUNCIL ON AN EQUAL FOOTING, THOUGH MINORITY TEXT WAS SUPPORTED ONLY BY 3 MEMBERS: ONE CURIOUS ASPECT WAS THAT THE MAJORITY FORMED ROUND A TEXT PROPOSED BY FAURE WHICH MAKES NO REFERENCE AT ALL TO VITAL NATIONAL INTEREST AND IS UNLIKELY TO BE ACCEPTABLE TO THE FRENCH GOVERNMENT AND WAS CLEARLY A SOURCE OF EMBARRASSMENT TO FAURE HIMSELF.
- (B) MR RIFKIND'S POSITION ON METHOD OF APPOINTING MEMBERS OF COMMISSION AND ON THE EUROPEAN PARLIAMENT ARE RECORDED IN FOOTNOTES.

3. THE MAJORITY REFUSED TO ACCEPT THAT THERE SHOULD BE ALTERNATIVE PROPOSALS IN CHAPTER ON INTERGOVERNMENTAL CONFERENCE, AND GREEK SUPPORT FOR MR RIFKIND'S OPTION TEXT FADED. SO HIS POSITION IS RECORDED IN A FOOTNOTE INSTEAD.

4. IN REACHING THIS OUTCOME THE MAIN DISCUSSIONS OF INTEREST AT THIS FINAL MEETING RELATED TO POWERS (AND SEAT) OF THE EUROPEAN PARLIAMENT, NUMBER OF COMMISSIONERS, MAJORITY VOTING, PRESENTATION OF OPTIONS IN THE REPORT, AND FUTURE ROLE OF THE COMMITTEE.

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EUROPEAN PARLIAMENT

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5. MR RIFKIND, CAPITALISING ON PRIVATELY EXPRESSED APPRECIATION FOR HIS PROPOSED AMENDMENT ON THE EP'S PARTICIPATION IN LEGISLATION, MADE A STRONG PLEA TO THE COMMITTEE TO RECOGNISE THAT THERE WAS WIDE AGREEMENT ON SUBSTANCE: MEMBERS SHOULD RECOGNISE THIS BY DROPPING THEIR INSISTENCE ON THE PHRASE 'IN THE FORM OF JOINT DECISION-MAKING WITH THE COUNCIL'. IN SPITE OF EXPRESSIONS OF INTEREST THE MAJORITY FOLLOWED DOOGE AND FERRI WHO FELT COMMITTED TO THE TEXT IN THE INTERIM REPORT. DURING AN INTERVAL THERE WERE FURTHER PRIVATE EXPRESSIONS OF REGRET THAT AGREEMENT HAD NOT BEEN REACHED ON MR RIFKIND'S EXCELLENT TEXT. MR RIFKIND THEREFORE ENCOURAGED COLLEAGUES TO TRY AGAIN. VAN EEKELEN CANVASSED AND THEN PROPOSED A REVISION OF THE TEXT WITHOUT THE OFFENDING PHRASE WHICH WOULD HAVE BEEN JUST TOLERABLE, BUT FERRI AND OTHERS STILL INSISTED THAT THE EP MUST HAVE A POWER OF DECISION. MR RIFKIND THEREFORE ABANDONED THE ATTEMPT, BUT NOT WITHOUT GAINING A GOOD DEAL OF CREDIT IN THE PROCESS.

6. THIS CREDIT DID NOT HOWEVER MAKE THE COMMITTEE WILLING TO ACCEPT MR RIFKIND'S PROPOSAL THAT THE EP SHOULD HAVE A SINGLE SEAT. A NUMBER OF COMMITTEE MEMBERS CLAIMED THAT THE ISSUE WAS TOO SENSITIVE, THAT THE EP'S VIEWS WERE WELL KNOWN (MR RIFKIND AGREED TO DROP THIS ELEMENT), THAT IT WAS UP TO HEADS OF GOVERNMENT TO DECIDE ETC. FAURE SUGGESTED THAT THE PROPOSAL WAS A TRAP TO DIVIDE THE COMMITTEE AND SHOULD NOT BE MADE BECAUSE IT HAD NO CHANCE OF SUCCESS. AFTER THIS SHOW OF DOUBLE-THINK ONLY MOLLER SUPPORTED THE PROPOSAL, WHICH THEREFORE FELL. DONDELINGER GAVE NOTICE THAT LUXEMBOURG WOULD RAISE THE SUBJECT AT THE INTER-GOVERNMENTAL CONFERENCE.

7. NONE OF MR RIFKIND'S OTHER AMENDMENTS ON THE EP RECEIVED SUFFICIENT SUPPORT TO BE INCORPORATED. HE THEREFORE PLACED A RESERVATION ON THE WHOLE SECTION AND RECORDED HIS POSITION IN A FOOTNOTE SUMMARISING THE POSITIVE PROPOSALS IN HIS PAPER ON DECISION-MAKING.

COMMISSION

8. AFTER A SHORT DISCUSSION PROVOKED BY FAURE'S ATTEMPT TO GET AGREEMENT TO A POST-ENLARGEMENT COMMISSION OF 9 MEMBERS, THE EXISTING PROPOSAL WAS SUSTAINED AFTER SUPPORT FROM FERRI, VAN EEKELEN AND MR RIFKIND, AND FINALLY GRUDGING ACQUIESCENCE FROM FAURE, WITH RUHFUS ENTERING A RESERVATION. ONLY PAPANTONIOU SUPPORTED MR RIFKIND IN SEEKING TO MAINTAIN THE PRESENT SYSTEM OF APPOINTING MEMBERS OF THE COMMISSION (THOUGH WITH ADDITIONAL CONSULTATION OF THE PRESIDENT-DESIGNATE). EFFORTS TO BRIDGE THE GAP CAME TO NOTHING. MR RIFKIND THEREFORE RECORDED HIS VIEW IN A FOOTNOTE.

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9. DOOGE INTRODUCED DISCUSSION BY DESCRIBING FAURE'S PROPOSAL (WHICH WOULD REDUCE THE NUMBER OF DECISIONS TO BE TAKEN BY UNANIMITY BUT MADE NO MENTION OF THE POSSIBILITY OF INVOLVING A VITAL INTEREST) AS AMBIGUOUS AND DANGEROUS, ALLOWING TOO FEW EXCEPTIONS TO THE MAJORITY PRINCIPLE. HIS OWN TEXT WAS TOO ELABORATE. HE INVITED THE COMMITTEE TO CONSIDER SERIOUSLY MR RIFKIND'S TEXT. IN SPITE OF THIS HELPFUL INTRODUCTION NO ONE TRIED TO REACH CONSENSUS

RUHFUS LEAPED ON TO SUPPORT THE FAURE TEXT: KOHL DID NOT WANT EXPLICIT MENTION OF THE VITAL INTEREST, A CONCEPT GERMANY HAD NEVER RECOGNISED. THE TEXT SHOULD BE ROUNDED OFF WITH A PARAGRAPH FROM A TEXT BY VAN EEKELEN DEALING WITH THE PRESIDENCY'S OBLIGATION TO CALL A VOTE. HERMAN, FERRI, RIPA DI MEANA AND DONDELINGER SHIFTED UNEASILY DURING THE DISCUSSION BETWEEN THAT FORMULA AND A SLIGHTLY REVISED VERSION OF THE INTERIM REPORT TEXT. DOOGE HIMSELF CAME OUT FOR THE LATTER, AND THIS TEMPTED FAURE TO COME CLEAN AND ACKNOWLEDGE HIS OWN PREFERENCE FOR IT, CLAIMING THAT HIS NEW PROPOSAL HAD BEEN DESIGNED TO HELP MR RIFKIND. MR RIFKIND ARGUED WITH SOME SUCCESS THAT HIS OWN TEXT REPRESENTED REAL MOEVMEMENT ON HIS PART, BUT THAT NO RECIPROCAL MOVE BY THE MAJORITY WAS EVIDENT: A SLIGHT FORMALISATION OF THE PRACTICE OF THE LAST 20 YEARS WAS NO GREAT CONCESSION. THOSE WHO SUPPORTED THE NEW FAURE TEXT WERE GOING BEYOND EVEN THE SPINELLI DRAFT TREATY. BUT WHILE SUBSEQUENT SPEAKERS MADE A BOW IN MR RIFKIND'S DIRECTION, A SUBSTANTIVE MAJORITY GATHERED ROUND THE FAURE TEXT, WITH RUHFUS WHIPPING (DIRECTING HIS EFFORT MAINLY AT RIPA WHO WAS VACILLATING VIGOROUSLY). SEVERAL MEMBERS OF THE MAJORITY TRIED TO HAVE IT BOTH WAYS AND SUPPORT THE MODIFIED INTERIM REPORT TEXT AS WELL WHICH THUS ATTRACTED THE SUPPORT OF 5. ONLY MOLLER AND PAPANTONIOU (PREDICTABLY) SUPPORTED MR RIFKIND. DOOGE CONCLUDED THAT THERE WOULD BE THREE OPTIONS AND INVITED PROPONENTS TO DRAFT.

10. AFTER DEALING WITH A FEW PERIPHERAL AMENDMENTS THE COMMITTEE ADJOURNED FOR THE NIGHT. TRILATERAL MEETINGS THEN AND THE NEXT MORNING WITH PAPANTONIOU AND MOLLER PRODUCED THE FOLLOWING CONCLUSIONS:

- (A) QUICK AGREEMENT ON AN OPTION TEXT ON THE INTEGGOVERNMENTAL CONFERENCE CHAPTER:
- (B) EQUALLY QUICK ACKNOWLEDGEMENT THAT NO AGREEMENT WOULD BE POSSIBLE ON THE EP OR THE APPOINTMENT OF COMMISSION:
- (C) EVENTUAL AGREEMENT ON AN OPTION TEXT ON DECISION TAKING. NEITHER MOLLER NOR PAPANTONIOU WOULD AGREE TO A MENTION OF ARTICLE 100, AND THEY COULD NOT GO QUITE AS FAR AS MR RIFKIND IN THE SENTENCE ON THE NEED FOR AN EXPLANATION OF THE NATURE OF THE NATIONAL INTEREST A MEMBER STATE INVOKES.

11. TOWARDS THE END OF THE SECOND DAY RENEWED DISCUSSION CONFIRMED THE MAJORITY FOR THE FAURE TEXT, LEAVING DOOGE HIGH AND DRY SUPPORTING THE INTERIM REPORT. FAURE MADE ANOTHER HALF-HEARTED ATTEMPT TO GET BACK TO IT, BUT HE CLEARLY KNEW HE WAS COVERED. DOOGE CONCEDED THAT HE WOULD NEED A FOOTNOTE (WHICH WOULD CASTIGATE THE COMMITTEE AS WELL AS RECORDING HIS SUPPORT FOR THE INTERIM REPORT TEXT).

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12. ONCE IT BECAME CLEAR THAT ALL SUPPORTERS OF OPTIONS WOULD BE NAMED, MR RIFKIND DECIDED THAT HE TOO SHOULD TABLE A FOOTNOTE RECORDING MORE CLEARLY HIS VIEW ON THE PROCEDURE TO DETER ABUSE OF THE LUXEMBOURG COMPROMISE. THIS CAUSED PAPANTONIOU TO WITHDRAW HIS SUPPORT FOR THE SENTENCE ON EXPLAINING THE NATURE OF THE NATIONAL INTEREST. FURTHER CONSULTATION WITH DOOGE, MOLLER AND PAPANTONIOU YIELDED AGREEMENT ON A TRUNCATED OPTION (SEE MIFT) AND A MORE ELABORATE FOOTNOTE BY MR RIFKIND, MOLLER DROPPED HIS RESERVE. AN EFFORT BY MR RUHFUS TO QUESTION THE MINORITY TEXT WAS REPELLED AFTER CONSIDERABLE ARGUMENT IN THE AFTERNOON OF 15 MARCH.

PRESENTATION OF OPTIONS

13. OVER LUNCH HERMAN, FAURE AND FERRI TRIED TO RENEGE ON THE AGREEMENT THAT THERE SHOULD BE OPTIONS. THEY SHIFTED THEIR GROUND TO AN ATTEMPT TO HAVE MINORITY VIEWS RECORDED IN A TYPOGRAPHICALLY DISTINCT WAY. RIPA SUPPORTED MR RIFKIND IN THE ENSUING, HEATED DISCUSSION. AFTERWARDS MR RIFKIND IMPRESSED ON RUHFUS, VAN EEKELEN AND DOOGE THE CONSEQUENCE OF ACQUIESCING IN SUCH A BREACH OF FAITH. THE SUBJECT CAME UP AGAIN IN THE CONTEXT OF THE PROPOSAL FOR AN OPTION IN THE CHAPTER ON A CONFERENCE, WHICH THE MAJORITY BLUNTLY REFUSED TO ACCEPT (SUGGESTING THAT THEY INCORPORATE THE ALTERNATIVE IN THEIR OWN TEXT). VAN EEKELEN PLAYED A DETERMINING ROLE BY ANNOUNCING THAT HE WOULD CAUSE TROUBLE ON THE OPTIONS ON DECISION-TAKING IF MR RIFKIND PRESSED FOR AN OPTION IN THE FINAL CHAPTER. PAPANTONIOU THEREUPON INDICATED THAT HE WOULD BE CONTENT WITH A RESERVATION. MR RIFKIND DID LIKEWISE, ON CONDITION THAT THE OPTIONS ON DECISION-MAKING WOULD BE PRESENTED WITHOUT DISCRIMINATION, TYPOGRAPHICAL OR OTHERWISE. UNDER PROMPTING FROM DOOGE MOST MEMBERS OF THE COMMITTEE, INCLUDING PAPANTONIOU, INSISTED THAT THEIR NAMES BE PUT TO THE OPTIONS THEY HAD SUPPORTED. MR RIFKIND HAD NO CHOICE BUT TO ACQUIESCE (BUT SUBSEQUENTLY DECIDED TO HAVE A SEPARATE FOOTNOTE IN ADDITION - SEE PARA.11 ABOVE). ON THAT NOTE THE COMMITTEE'S DISCUSSIONS ENDED.

FUTURE OF THE COMMITTEE.

14. DOOGE REPORTED THAT CRAXI WANTED THE COMMITTEE TO REMAIN IN EXISTENCE IN ORDER TO PREPARE A WORKING PAPER FOR USE AT THE JUNE EUROPEAN COUNCIL BY THE PRESIDENCY (SIC) ABOUT THE INTERGOVERNMENTAL CONFERENCE, COVERING SCHEDULE, METHOD OF PREPARATION OF TEXTS, STATUS OF E.P AND COMMISSION AND TERMS OF REFERENCE. DOOGE THOUGHT MOST OF THE WORK COULD BE DONE BY THE SECRETARIAT. THE PROPOSAL WAS DISCUSSED OVER DINNER AND ROUNDLY DISMISSED. BUT THERE SEEMED TO BE GENERAL ACQUIESCENCE IN VAN EEKELEN'S ATTEMPT TO FINESSE FURTHER DEBATE BY SUGGESTING ONE FURTHER MEETING IN JUNE 'TO TAKE STOCK'. SUBSEQUENT PRIVATE DISCUSSION CONFIRMED THAT THIS WAS NOT A FULLY THOUGHT OUT PROPOSAL.

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FINAL TEXT.

15. AFTER TODAY'S FINAL TIDYING-UP MEETING, A CLEAN VERSION WILL BE MADE AVAILABLE ON SUNDAY 17 MARCH (SECRETARIAT WILL SEND BY FAX TO FCO ON 18 MARCH). ALL COMMENTS, TEXTS OF FOOTNOTES TO BE IN BY 1400 ON 19 MARCH. FINAL TEXT WILL BE AVAILABLE AT 1800 ON 21 MARCH.

FCO ADVANCE TO:-

FCO - P.S, PS/MR RIFKIND, RENWICK, FAIRWEATHER, SHEPHERD.
CAB - WILLIAMSON.

BUTLER

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19 MAR 1985

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cc PC (2)
Duty Clerk



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/
Secretary of State for Trade and Industry

18 March 1985

Prime Minister
CDP
19/3

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Charles,

mt

EUROPEAN COMMUNITY: MARCH EUROPEAN COUNCIL: UNITED KINGDOM INITIATIVES

My Secretary of State has seen your letter of 4 March to Colin Budd. He endorses both of the Prime Minister's proposed initiatives for the European Council. He believes that, if we are to provide an adequate counterpoise for some of the rather arid exchanges in the Dooge Committee on Community institutions and voting, it is necessary to break new ground in a style which will appeal to our partners by offering shared policy objectives which the Community can tackle.

2 He is conscious that many of the issues to be mastered will not be new; but put in a new context, a new spirit could be brought to the exchanges. He agrees that the Cabinet Office should be asked to lead work to lend substance to the list of objectives you have suggested. This Department will want to be involved in this work.

3 I am copying this letter to Rachel Lomax (Treasury), David Normington (Department of Employment), Leigh Lewis (Lord Young's Office) and Richard Hatfield and David Williamson (Cabinet Office).

Yours sincerely,
Maureen Dodsworth.

MAUREEN DODSWORTH
Private Secretary

JH5AUS

EUR. POL: Euro. Council mtg. Brussels:

Pt 20

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MAY 12 11 21 AM

MR. POWELL

EUROPEAN COUNCIL BRIEFING MEETING

Whom would you like to invite to
this? It is on Thursday 28 March at
1630 hours for one hour.

CP

Caroline CP

(he spoken to R2
about this)

AM.

7 March 1985



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 7256

Qz.04267

7 March 1985

R Q Braithwaite Esq CMG
Foreign and Commonwealth Office
London SW1

Dear Rodne,

EUROPEAN COUNCIL, 29-30 MARCH: UNITED KINGDOM INITIATIVES
ON DEREGULATION AND ON TACKLING UNEMPLOYMENT

You will have seen the letters of 27 February from Mr Barclay (10 Downing Street) to Mr Leigh Lewis (Office of the Minister without Portfolio) about deregulation and of 4 March from Mr Powell (10 Downing Street) to Mr Budd (FCO) about tackling unemployment. I am writing to let you know how we propose that the preparation of inter-departmental consideration of the two United Kingdom initiatives for the European Council of 29-30 March should be handled.

It seems to us that our two objectives should be:

- to ensure that the substance of our initiatives will be endorsed and included in the conclusions of the European Council
- to make clear that these are United Kingdom initiatives which are being taken up by the European Council and the Community institutions.

It is quite possible that we shall need to demand that further work is carried out in the Community between the March and June European Councils in order to flesh out the initiatives. But we must have the basis established in the European Council this month.

First drafts of possible conclusions for the European Council will be available for the Butler meeting which I am chairing tomorrow. Our intention is that, after discussion there, revised texts should be circulated to EQS for inter-departmental consideration before they are submitted to the Prime Minister. We shall also need to discuss tomorrow

/how

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how far it would be useful to try to carry other member states along in the preparatory phase. I see some risks myself that, if our initiatives become known too soon, we shall have to repel boarders who wish to take over our ship.

Yours sincerely,

David Williamson

D F WILLIAMSON

cc: Mr Powell)
Mr Barclay) 10 Downing Street
Sir Robin Ibbs
Mr Budd (FCO)
Mr Leigh Lewis, Office of the Minister without Portfolio
Mr Unwin (Treasury)
Mr R Williams (DTI)
Mr R J Dawe (Dept of Employment)
Sir Michael Butler (UKREP, Brussels)
Sir Robert Armstrong
Mr Gregson

S
810

PREM 19/1490/2

~~Part 2 of 2~~



513-9970
ext 117

10 DOWNING STREET

Chasler -

Colin Budd rang about the Foreign Sec's minute, dated 26/4, on Political Co-operation.

He said that the Attorney General was content with the papers attached to it.

CST
30/4.



Foreign and Commonwealth Office
London SW1A 2AH

30 April 1985

call
NBPM
CD 30/4.

Dear Charles,

Political Cooperation

The text which the Foreign Secretary sent to the Prime Minister under his minute of 26 April was prepared in consultation with the Attorney General. I can now confirm that he has approved the draft.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

30 APR 1985



UNITED STATES POSTAL SERVICE
FIRST CLASS PERMIT NO. 1000 NEW YORK, NY

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:
Secretary of State

Reference

(A)

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:
Prime Minister

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:
POLITICAL COOPERATION

.....In Confidence

CAVEAT.....

1. In my minute of 15 April on the development of the European Community I said that we were preparing a draft agreement on political cooperation. I suggested that you might look at this with a view to handing it privately to Chancellor Kohl at Chequers and, subsequently perhaps, to one or two other heads of government in the run up to the Milan European Council. The aim would be to ensure that the discussions which will now be engaged anyway on the formalisation of political cooperation take place on the basis of our ideas, rather than those of others. By giving the Milan summit a substantial programme of work in this area, it could also reduce the pressure for progress on other parts of the Dooge Committee report which are less acceptable to us.

Enclosures—flag(s).....

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2. I now attach a draft agreement together with a commentary. To appeal to Chancellor Kohl, this does need to be a fairly full text covering all the major aspects of political cooperation as it has developed.
3. As you will see, the draft contains virtually nothing that is new. The points I should emphasise are as follows.
4. This will be an agreement between the member states. The preamble is drafted in such a way as to rule out any question of Community competence (and with it any Commission right of initiative, involvement of the European Court, etc). It would leave political cooperation in the same relationship to Community activity as at present.
5. Under Article 2 the obligation is to consult. Our record in that regard is second to none. We are not, however, committed to follow the views of others and would not be hindered in any way from acting in defence of essential British interests.
6. Article 2.4, however, would have made it much more difficult for Greece to have public rows with all other member states over the Korean airliner incident and INF

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deployment. Article 5.4 is intended to put pressure on our partners to take a less shaky line on the Falklands at the United Nations.

7. The short passages on security under Article 8 do no more than state what is the current practice. Article 8.1 places cooperation among the member states in this area firmly in the context of the contribution we make to the Alliance. Article 8.2 describes what is already going on in terms of cooperation between the member states in joint projects, though it would put some additional pressure on the French in relation to cooperation over the European fighter aircraft.

8. Consultation is at present conducted among the Ten in political cooperation on non-military aspects of security, in particular East-West relations and CSCE/CDE, UN disarmament issues, economic aspects of security, etc. The text does not change matters in this regard and, as drafted, should cause the Americans no legitimate concern.

9. The Irish will certainly not be able to accept these references to the security cooperation between member states within the Alliance since they do not participate in it. That is their problem. It would, however, be

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open to them to enter into this agreement while reserving their position on this passage. The references to our existing security cooperation are indispensable for Kohl and the other member states of the Community who are also members of the Alliance.

10. If you are broadly content with the draft, we shall prepare a German version to be available for your talks with Kohl. I would propose to draw on the content, though not necessarily to hand over the text, when I see Dumas in Paris on 21 May.

11. I am sending copies of this minute and enclosures to the Secretary of State for Defence, the Attorney General, and Sir Robert Armstrong.

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DRAFT AGREEMENT
ON POLITICAL COOPERATION

THE MEMBER STATES OF THE EUROPEAN COMMUNITIES,

MINDFUL of the many agreements which already bind them,
in particular, the Treaties establishing the European
Communities,

HAVING DECIDED to confirm and strengthen the commitments
which they have undertaken in European Political
Cooperation so as to provide an effective basis for their
cooperation in joint action in world affairs,

HAVE AGREED AS FOLLOWS:

ARTICLE 1

The Member States undertake to work for the following
objectives, for which purpose they have established
European Political Cooperation:

- To ensure by means of regular consultations and

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exchanges of information a broad identity of views on the main problems of international relations;

- To ensure that their combined influence is deployed in the most effective way through the concertation of their views, the alignment of their positions and, particularly, joint action;
- Progressively, to aim towards a common external policy.

ARTICLE 2

1. Member States shall consult on all important questions of Foreign Policy, including the political and economic aspects of security.
2. Such consultations shall take place before the Member States adopt final positions on major Foreign Policy questions of interest to them all.
3. Each Member State shall take full account of the position of its partners and give due weight to the desirability of the adoption and implementation of common European positions when working out national positions and taking national action.

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4. The Member States shall make every effort to avoid action damaging to their joint reputation as a coherent force in international relations.

ARTICLE 3

The work of Political Cooperation shall be carried out under the general guidance of the European Council. The structure is set out in Annexes I and II, which may be amended by unanimous agreement.

ARTICLE 4

1. The Member States shall ensure maximum coherence between the external policies of the Communities and the policies agreed in European Political Cooperation. To this end arrangements shall be made to ensure the full association of the Commission of the European Communities with Political Cooperation. In particular, unless in any particular case all Member States agree to the contrary, the Commission shall be invited to all meetings of Political Cooperation.

2. The Member States shall ensure that the European Parliament is informed of developments in Political Cooperation.

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3. The provisions of this agreement shall not affect the provisions of the treaties establishing the European Communities.

ARTICLE 5

1. Member States shall work for common positions in international organisations and at major international conferences attended by one or more of them and dealing with questions which are discussed in Political Cooperation.

2. Paragraphs 2 and 3 of Article 2 shall apply to actions by Member States in such organisations on questions involving all Member States.

3. Paragraph 4 of Article 2 shall also apply in such organisations.

4. A Member State shall not support a resolution in such organisations which directly criticises, or might gravely affect the vital interests of, another Member State. The Member States shall aim to avoid a situation where one or more of them co-sponsor a resolution which another or others of them intend to oppose.

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5. Nothing in this agreement shall affect the obligations of any member state under the charter of the United Nations.

ARTICLE 6

1. With the aim of making their joint diplomacy effective, the Member States shall ensure that Political Cooperation establishes the necessary contacts with third countries and regional groupings of interest to them.

ARTICLE 7

1. The Member States shall work to intensify cooperation between their missions in third countries and accredited to international organisations. The aim of such cooperation shall be to enable missions to perform their functions more effectively and economically through mutual assistance, shared facilities, shared information and joint action.

2. In particular Member States shall work both to take advantage of local opportunities, and to establish general schemes, for strengthened cooperation in third countries on the matters listed in Annex III. That annex may be amended by unanimous agreement.

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ARTICLE 8

1. The Member States agree that closer European cooperation on security matters is an essential component of the effort to develop Europe's external political identity. The aim of such cooperation shall be to maximise the contribution which Member States can make to the objectives of the organisations specifically established to guarantee Western security, in particular the North Atlantic Treaty Organisation and Western European Union.

2. Member States shall also work to enhance their contribution to the objectives of the Alliance and other relevant bodies by strengthened cooperation in the design, development and production of military equipment and systems.

3. The Member States are determined to maintain the technological and industrial conditions necessary for their security. They shall work both individually and, as appropriate, through their joint institutions for this end.

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ARTICLE 9

Signature and Entry into Force

(The usual final clauses on signature entry into force
etc would be added.)

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ANNEX I: THE STRUCTURE OF POLITICAL COOPERATION

(a) The Presidency of Political Cooperation shall be held by the same Member State as holds the Presidency of the Communities.

(b) The Presidency shall be responsible for the day to day management of Political Cooperation. It shall in particular be responsible for the timetable and other arrangements for meetings, and for the preparation of and circulation of drafts, agendas, conclusions and other necessary texts.

(c) The Foreign Ministers shall discuss Political Cooperation matters formally at least four times per year, and informally as appropriate. These discussions may take place on the same occasion as meetings of Ministers in the Community framework.

(d) The Political Directors shall meet monthly in the Political Committee in order to maintain the continuity of Political Cooperation and to prepare discussions among Ministers.

(e) The Working Groups of experts from the Foreign Ministries of Member States, whether of a continuing nature or ad hoc to deal with particular problems, shall meet as directed by the Political Committee.

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(f) The Political Committee or, if necessary, a Ministerial meeting, shall convene within 48 hours at the request of three Member States.

(g) The Presidency shall be assisted by a small Secretariat based in the main place of work of the Community. The office space and services shall be provided by arrangement with the Council Secretariat. The Head of the Secretariat shall be appointed by agreement among the Member States.

(h) The functions of the Secretariat, which shall work under the direction of the Presidency, will include those set out in Annex II. That annex may be amended by unanimous agreement.

(i) As is required by their functions the Head and Members of the Secretariat shall be free to attend relevant meetings held in the Community framework.

(j) Formal Political Cooperation meetings at Ministerial level may take place in the capital of the Presidency. At official level they will normally take place at the places of work of the Communities unless otherwise agreed.

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ANNEX II: FUNCTIONS OF THE POLITICAL COOPERATIONSECRETARIAT

The Secretariat shall:

- (a) Advise the Presidency as necessary on the conduct of Political Cooperation, in particular on maintaining coherence between the external policies of the Community and the policies agreed in European Political Cooperation;
- (b) provide support for Political Cooperation meetings - including as necessary the preparation and circulation of texts, keeping of records and preparation of conclusions;
- (c) assist the Presidency in the preparation of texts to be issued on behalf of the Member States including replies to European Parliament questions;
- (d) keep a Political Cooperation archive;
- (e) prepare, and update as necessary, a full codification of Political Cooperation rules and practices.

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ANNEX III: AREAS FOR COOPERATION AMONG THE MISSIONS OF
MEMBER STATES IN THIRD COUNTRIES

1. Exchange of Political and Economic Information.
2. Shared Information on Administrative Problems.
3. Mutual Assistance and Sharing of Organisational Infrastructure.
4. Cooperation on Communications.
5. Exchange of Information and Joint Planning for Local Crises.
6. Cooperation on local Security Measures.
7. Cooperation on Consular Matters.
8. Cooperation on Health Matters.
9. Cooperation on Information Matters.
10. Cooperation on Cultural Matters.
11. Cooperation on Development Aid Matters.

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DRAFT AGREEMENT ON POLITICAL COOPERATION : COMMENTARY

Preamble: The key point in this is the reference to the Community Treaties. Kohl and others will be looking for such a reference to make clear the link between Political Cooperation and the Communities. The link does indeed need to be made clear but in such a way as to ensure that Political Cooperation is not a Community activity as such. This is an agreement between the Member States. We do not wish to see the Commission play more than its present ancillary role in Political Cooperation, or the European Court involved in any way. The present text achieves these objectives.

Article 1: This is based on the objectives set out in the 1970 Luxembourg Report which originally established Political Cooperation. The second objective has been made more operational in accordance with our view that discussions among the Ten need to be more firmly

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focussed on the achievement of joint action. The third objective is from "Europe - the Future".

Article 2.1: Sets out the scope of Political Cooperation exactly as described in the Luxembourg Report as modified by the Stuttgart Declaration on European Union.

Article 2.2 and 2.3: Are the key paragraphs on the commitment to consult and take notice of partners' views. If, having consulted, we decide to go it alone this commitment in no way limits our right to do so. The wording comes from the November 1981 Ministerial agreement on Political Cooperation (the London Report) and is reiterated in the Stuttgart Declaration. It is an undertaking that we have consistently observed. It would exert additional pressure on others eg the Greks, whose record is unsatisfactory.

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Article 2.4: Is intended to render more difficult Greek behaviour of the kind displayed over the KAL airliner incident.

Article 3 is a statement of existing practice, and a peg on which to hang a description of the structure of Political Cooperation without incorporating it in the main text of the agreement.

Article 4.1: Underlines our wish to see coherence between the external policies of the Community and Political Cooperation. It confirms the already established association of the Commission with Political Cooperation, without giving the Commission any additional rights.

Article 4.2: Authorises the maintenance of the existing links (notably through parliamentary questions and regular colloquies with the President in office) between the European Parliament and Political

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Cooperation without giving the Parliament any additional role.

Article 4.3 simply ensures that this new agreement does not affect the existing treaties.

Articles 5.1 and 5.2: Are existing practice.

Article 5.3: Extends the operation of Article 2.4 to international organisations.

Article 5.4: Is a tighter version of rules of procedure for the Ten at the UN which were approved by the Ministers of the Ten in 1977. We have always observed them. Others (eg over the Falklands) have not.

Article 5.5: Ensures in particular that more of the above can be interpreted in a way that would affect our freedom of action in the UN Security Council.

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Article 6: Authorises the maintenance of existing means whereby the Ten in Political Cooperation maintain joint contact with a number of interested third countries (eg through the Presidency). The idea is not to establish 'Community Embassies' in third countries. Neither we nor others would agree to this.

Article 7.1 and 7.2: Authorise the continuation and intensification of existing cooperation among Embassies of the Ten in third countries eg on consular matters. There is potential for economies as such cooperation grows closer.

Article 8: The Germans, and others, will certainly insist that there be a section on security in this text. This section places activity by the Ten in this field firmly in the context of contributing to the objectives of NATO. The Ten at present concert together on East/West relations, CSCE/CDE, UN disarmament subjects, economic aspects of security etc. The text would not change that or impinge on consultations in the Alliance. Paragraphs 2 and 3 restate objectives to which we are already committed.

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Paragraph 2 describes what happens already in terms of collaborative projects, but would put some additional pressure on the French in relation to the European Fighter Aircraft.

Annexes I and II: Summarise the present structure of Political Cooperation with the addition of the small political Secretariat recommended by the Dooge Committee. The passages on the Secretariat are designed to keep it small, useful and cheap.

Annex III: Lists the areas on which the Ten are already working to strengthen their cooperation in third countries.

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(C)

01-936- 6229 w.e.f. 28 May 1985

01-405 7641 Ext.

Communications on this subject should be addressed to

THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

H Darwin Esq. CMG.
Legal Advisers
Foreign and Commonwealth Office
Downing Street
London SW1

Mr Fairweather

✓ PS
PS/Mr Riskind
24 April 1985

Mr Renwick

Mr A. Fergusson

C Budd

24/4

Jean Henry,

DEVELOPMENT OF THE EC

The Attorney General has seen a copy of Colin Budd's letter to Rachel Lomax of 18 April which attached a minute from your Secretary of State to the Prime Minister dated 15 April. Your Secretary of State suggested in paragraph 11 of that minute that we should aim to produce our own draft agreement on political cooperation and mentioned that he was in the process of considering a possible text. The Attorney considers that this text may be of such importance that it should be seen by him before it is put to the other Member States. I should therefore be grateful if you could provide me with the text and any necessary background material. The Attorney has also noted that the French idea of reducing the number of Treaty Articles requiring unanimity would be much more attractive to us if it were accompanied by "formalisation of the Luxembourg Compromise in the Treaty". He has asked whether consideration has been given by FCO Legal Advisers as to how this formalisation should be effected and whether you have prepared a draft Treaty amendment.

I am copying this letter only to Colin Budd and Charles Powell.

Jean Henry
Michael Powell

M L SAUNDERS



Arthur
NRP
AT
2413

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

D F Williamson Esq
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

23 April 1985

Dear David

AT to see
Cabinet Office we providing
an interim report this
week) JH

DEREGULATION

Thank you for your letter of 1 April about the Prime Minister's European initiative on deregulation and jobs. Thank you also for keeping Robin Lingard and Paul Twyman in touch with your proposals for follow-up action (your letter to Brian Unwin of 9 April).

The Minister without Portfolio was particularly pleased to see that departments are being asked to include in their lists of burdens those which have already been accepted by the United Kingdom. He and his colleagues on MISC 114 are anxious that departments should approach the task with an open mind.

Within his work in MISC 114 on deregulation, Lord Young attaches great importance to making quick and substantial progress in reducing the burden of European requirements. To that end he will wish to keep a "watching brief" on developments. A paper reporting on progress has been commissioned from you for the 4th meeting of MISC 114 (which is likely to take place in early June). I hope this does not present you with any difficulty: no doubt you will be talking to the Enterprise Unit about the details of your paper once you have the input from Departments. In the meantime, we are grateful to you for arranging that the Enterprise Unit will receive copies of the raw material contributed by Departments to your review.

We are also very much aware of the need to encourage effective lobbying of individual Member States. The Enterprise Unit has agreed with the CBI at a recent meeting on deregulation that they will urge corresponding organisations elsewhere in Europe to lobby their Governments to support deregulatory initiatives (they are already in touch with their Netherlands opposite number). You and the FCO may like to consider whether our Posts should make appropriate interventions in individual capitals to support the activities in Brussels.

D F Williamson Esq

23 April 1985

Copies of this letter go to Charles Powell (10 Downing St),
Colin Budd (FCO), Rachel Lomax (Treasury), John Mogg (DTI),
Steven Godber (DHSS), David Normington (Department of Employment),
and Sir Robert Armstrong.

Yours sincerely

Leigh Lewis

LEIGH LEWIS
Private Secretary

EURO Policy: Brussels Euro Council
Pr 20

European Council

3.32 pm

The Prime Minister (Mrs. Margaret Thatcher): With permission, Mr. Speaker, I should like to make a statement about the European Council held in Brussels on 29 and 30 March, at which I was accompanied by my right hon. and learned Friend the Foreign and Commonwealth Secretary. I have arranged for the conclusions of the Council to be placed in the Library of the House.

The European Council effectively completed the negotiations for the entry of Spain and Portugal into the European Community. The treaty of accession will soon be submitted to the 12 national Parliaments for ratification, opening the way for the entry of Spain and Portugal on 1 January 1986.

The terms are very satisfactory for the United Kingdom. In particular, there will be quicker dismantling by Spain in the early years of its high tariffs on certain industrial goods, including cars, to the benefit of the United Kingdom exporters. There will be no detriment to our fishing industry, no reductions in the important quotas available to British fishermen and no new access for Spanish fishing boats to the North Sea fishing grounds. There will be a full opportunity for the House to consider these points when the act of accession is presented for ratification.

The European Council also agreed on the financing of what are called integrated Mediterranean programmes over a period of seven years to help the Mediterranean member states adjust to the effects of enlargement on their own economies. A total additional amount of 1.6 billion ecu—about £950 million—will be made available for these programmes.

As a result of the Fontainebleau agreement, the United Kingdom financing share will be some 7 per cent.—less than £10 million a year. The poorer Mediterranean areas will also benefit from the structural funds and from 2.5 billion ecu of loans from the European Investment Bank.

We had a full discussion of the economic situation, with particular reference to the creation of enterprise and jobs and the achievement of a single large market by 1992. In the course of this I proposed, first, that the European Council should cut the burden of bureaucracy on businesses by reducing the number of existing Community rules and regulations, and should scrutinise any proposed new Community legislation with regard to its effect on business. Secondly, we were all greatly concerned to moderate labour costs and remove restrictive practices, especially with regard to new technology.

The United Kingdom's initiative was widely welcomed in the European Council and is reflected in the conclusions. The Commission has been asked to follow it through.

We also broadly endorsed the first report of the Committee on Citizens' Europe. This contains a number of specific proposals for easier movement across frontiers, higher travellers' allowances, right of residence linked to proof of adequate resources, easier arrangements for road transport and mutual recognition of qualifications—all of them designed to bring advantages to individual citizens.

With regard to frontiers, I made absolutely clear the need to maintain strong controls against drugs, terrorism and illegal immigration and also that the completion of the single internal market does not imply tax harmonisation.

The Council agreed the text of the revised decision on the own resources of the Community, and I am arranging for copies to be made available in the Library. It will be submitted to national Parliaments for ratification. The text provides for new own resources generally to be available from 1 January 1986. It also puts into law the Fontainebleau arrangements for abating the United Kingdom's contributions by reducing the amount of VAT paid to the Community. It includes the United Kingdom's 1,000 million ecu abatement for 1984, which will become available after ratification of this decision and without waiting for any general increase in the Community's own resources.

The European Council discussed the measures to strengthen technology in the Community, in particular through mutual recognition of industrial standards and the opening up of public procurement to competitive tender from firms across the Community.

We also discussed East-West relations, welcoming the opening of the Geneva negotiations, and exchanged views on the middle east, Latin America and South Africa, where we expressed grave concern about recent events.

This European Council marks the conclusion of a period of important decisions in the European Community—agreement on the entry of Spain and Portugal; agreement on the implementation of the favourable budgetary arrangements for the United Kingdom negotiated at Fontainebleau; agreement on the integrated mediterranean programmes; progress on the environment, including the recent agreement on vehicle emissions; and the launching of an initiative truly to open up the Common Market and to reduce the burdens on business as a means of stimulating the creation of more jobs.

It is a particular source of satisfaction to us all that 40 years after the end of the second world war the European Community has further demonstrated in this impressive way its capacity to resolve its problems and move forward in a spirit of partnership and co-operation.

Mr. Neil Kinnock (Islwyn): First, I welcome the enlargement of the European Economic Community membership with the accession of the newest European democracies of Spain and Portugal, especially as the pressures generated by that enlargement must surely bring the consequence of radical reform of the Common Market.

Secondly, I endorse the Prime Minister's view that any proposals to dismantle border controls must be resisted so that we can retain that vital means of combating terrorism and drug trafficking.

As the Prime Minister has failed to use the British veto either to control our contributions or to restrict the growth of the agricultural budget, will she now specify the sorts of occasion on which she will use it to protect the interests of this country—can we now assume that she has thrown away the veto?

Does the right hon. Lady admit that, however necessary the extra aid to the poor Mediterranean countries, the programme will involve the redeployment of regional and other funds away from Britain? As half of the Common Market's 15 poorest regions are now in the United Kingdom, why did she not press for a similar programme of help for Britain's stricken areas?

As the Prime Minister appears to have approved the inter-governmental agreement, will she confirm that it involves no switch in budget spending away from the 74 per cent. of the budget that goes to the common

Q5. **Mr. Nicholas Winterton** asked the Prime Minister if she will list her official engagements for Tuesday 2 April.

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

Mr. Winterton: Bearing in mind the tremendous impetus that my right hon. Friend has given to industry and employment through the Budget and the encouragement that she has given to industry and domestic ratepayers with the announced intention of the reform of the rating system, may I ask her to give a categorical assurance that the manufacturing base of this country is vital to the Government and that she will do everything in her power to ensure not only that its present position is maintained, but that it is expanded?

The Prime Minister: The manufacturing base is vital to this country. My hon. Friend will have seen the CBI survey, which has just been released. The CBI expects that growth will rise to 4 per cent. in 1985. It expects that manufacturing output will rise a further 3.75 per cent. this year; it expects manufacturing investment to grow by a further 13.5 per cent. in 1985; and it expects further growth in the very high volume of exports we had in 1984. That was good news and has silenced even the Opposition.

Q6. **Mr. Ray Powell** asked the Prime Minister if she will list her official engagements for Tuesday 2 April.

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

Mr. Powell: The Prime Minister made many references in the House in October to her support for the NACODS agreement that was then drawn up. Will she now ensure that the NACODS agreement is carried out by the person whom she appointed to the chairmanship of the National Coal Board? At least then it will have the agreement that was negotiated in October last year.

The Prime Minister: My right hon. Friend the Secretary of State for Energy yesterday made it perfectly clear that the National Coal Board stands by the NACODS agreement and looks forward to further discussions on it.

Mr. Pavitt: On a point of order arising out of Question Time, Mr. Speaker. Is it possible for the Prime Minister to put the record straight and to say that the 1974 commitment was to phase out prescription charges, and in fact 3 million—

Mr. Speaker: Order. The hon. Gentleman is now seeking to do what the whole House is against—to prolong Question Time by raising points of order.

agricultural policy? Against that background, will she tell us why she has allowed the development aid budget to be cut in real terms while the agricultural programme—including food mountains—continues to grow remorselessly?

About 14 million people in Common Market countries are out of work and two out of five of them are under 25 years of age. Why has the summit yet again done nothing tangible to give those people help in getting jobs? Does the Prime Minister agree that the European Council would be better engaged planning jobs than discussing common passports and other gimmicks such as the so-called citizen's Europe?

The Prime Minister: I welcome what the right hon. Gentleman has said about enlargement and border controls. Prices under the agriculture budget are subject to majority voting and not unanimous voting. Only if a fundamental national interest is involved does the Luxembourg compromise come into play. We are not, therefore, able to exercise a veto on all agriculture pricing matters. *[Interruption.]* There was no need to use a veto on Spain. It was Greece which attempted to use a veto on Spain and we managed to overcome that by making reasonable arrangements.

Britain has done well out of the social and regional structural funds. The special arrangements under the integrated Mediterranean programme come from the increases in structural funds. It was made clear in the communiqué that the fundamental rules which govern the structural funds will continue to be the criteria.

We examined development aid, particularly in relation to African countries, and a report will be issued shortly. We came to the joint conclusion that sufficient food is being sent and that the real need is to ensure efficient distribution.

Sir Anthony Meyer (Clwyd, North-West): Is my right hon. Friend aware that, welcome though the entry of Spain and Portugal is, it strengthens the need for effective means of decision making within the Community? As my right hon. Friend said, the use of the veto must henceforth be restricted to when major national interests are at stake.

The Prime Minister: I am grateful to my hon. Friend. The veto can be used only in those circumstances. We have had occasion to use it, but the future of these matters will be considered in the debate on the Dooge committee in June. My hon. Friend knows our position. We shall not agree to any change in the treaty on these matters. It should stay exactly the same.

Mr. Roy Jenkins (Glasgow, Hillhead): May I endorse the view implicit in the Prime Minister's statement that this is our most successful European Council, for which a great deal of the credit, as on previous occasions, belongs to the Italian President? Does the right hon. Lady agree that if the entry of Spain and Portugal had been delayed it would have spelt disaster for the whole Community? Does she also agree that, since no further candidates are likely, the Community can finally settle down with a membership of 12 for some time? In those circumstances, how does the right hon. Lady intend to improve the decision-making process? Does she recognise that wanting a reformed and changed Community—as I believe that she and her Government do—unanimity in a Community of 12 is a recipe for inaction and not for change?

The Prime Minister: I think it likely that 12 will be the limit of the Community for a very long time. The treaty provides for unanimity on certain crucial issues. The treaty must continue, since I think that on most issues it is important for debate to continue until unanimity is achieved.

On majority voting, the tendency has been to go to unanimity even on matters such as standards which require only a majority vote for agreement. Where majority voting is possible we can act without unanimity if most countries vote in favour and a small minority abstain.

Sir Anthony Kershaw (Stroud): I congratulate my right hon. Friend upon three years of sterling work in Europe, the result of which has been greatly to the advantage of the United Kingdom and Europe itself. Does she agree that it is time to press on as fast as possible with the breaking down of barriers to trade before enlargement? After that takes place, things will become much more glutinous and accordingly more difficult to move.

The Prime Minister: One of the comparatively difficult issues to negotiate with Spain was changes in industrial tariffs. It was vital to the United Kingdom to achieve a reduction in Spain's industrial tariffs and to secure the main part of it in the early part of the transitional period. That has not been achieved, and it would be greatly to the advantage of our car industry if it were achieved. I agree that it is important to break down any further barrier to trade within the Community and to complete the Common Market in internal services.

Mr. Merlyn Rees (Morley and Leeds, South): The Prime Minister did not mention the much reported 30-minute meeting that she had with the Taoiseach. To dispel what must be misplaced rumours, what is afoot?

The Prime Minister: There was a brief communiqué issued after our meeting. We had a comparatively short meeting. It was held in the margins and was not part of the European Council. There is nothing further to report. The position is exactly as it was after the Chequers communiqué.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Will my right hon. Friend comment on what the EEC will do about Japanese trade, bearing in mind that the United States of America is finding, as we are, that the Japanese have pillaged much of its industry and its hopes? Are we to act with America in ensuring that at least the Japanese go in for fair competition by opening their country to our products, or are we to sit by in Europe and America while the Japanese grow fruitful and we grow bare?

The Prime Minister: This matter will be considered at the Bonn economic summit. My hon. Friend knows that there is a certain number of voluntary agreements between industries in the United Kingdom and Japanese industries on cars and certain machine tools. One of the fundamental difficulties is that the Japanese people are not as ready to purchase foreign goods as the British people, who are accustomed to doing so. We are constantly in discussions with the Japanese on how they can and should open up their markets further to exports from other countries. No one can expect to export to the whole world unless he is prepared similarly to open his markets.

Mr. Tom Clarke (Monklands, West): Bearing in mind the concern which was expressed at the Council about drug

[Mr. Tom Clarke]

trafficking, is the Prime Minister aware of the unanimous view of the Civil Service unions that the reduction in the number of customs officers has been unhelpful? Does she agree that member countries should be doing far more in allocating resources to deal with this problem?

The Prime Minister: An additional 60 customs officers were put on drug matters, followed by a further 100. We now have 160 extra customs officers tracking down the drugs as they come in. They had a record year last year in the amount that they discovered. Nevertheless, drugs remain one of our most serious problems. I was concerned that if we had only a few checks at borders in the Common Market we might be preventing ourselves from checking the movement of drugs. I made the observation that certain things must be checked at the borders, and it was well received.

Mr. Terence Higgins (Worthing): Why do we continue to make advances of our own resources before they are legally due?

The Prime Minister: They are legally due on 1 January. This was to help Britain, possibly among others, to get its 1,000 million ecu refund this year by a deduction in the amount of VAT that would be payable in future and not by having to go through the previous arrangements with the European Parliament.

Mr. Jack Ashley (Stoke-on-Trent): Does the Prime Minister recall that the Commission's President urged wealthy countries to pay more to help the poor nations of the EEC? That obviously included us. Is the right hon. Lady aware that the Chancellor of the Exchequer is undermining our claim for European funds by his bogus party political claim that Britain is no longer the sick man of Europe, especially in view of the fact that our wealthiest and relatively more prosperous area—the south-east—is, in terms of income per head, below the national average?

The Prime Minister: I doubt very much whether the right hon. Gentleman would wish us to compete for resources with Portugal, Greece and certain parts of Italy. With regard to the financing of Mediterranean programmes for some of those countries, we shall be paying 7 per cent., but Germany will be paying 33 per cent. and France 27 per cent. All told, we have a reasonably good deal. I should have hoped that Opposition Members would be prepared to help poorer countries and to help Portugal which, after all, rose up and asked for its country back from the Communists who threatened it.

Mr. David Harris (St. Ives): Will my right hon. Friend explain how the fishing agreement with Spain is not to the detriment of our fishermen when the number of Spanish fishing boats in the western approaches to Cornwall will increase and Spain's hake quota will more than double? Given those increases, what steps will we take to increase our policing to ensure that there is no wholesale increase in cheating by Spain?

The Prime Minister: I said in my statement that there will be no detriment to our fishing industry. There will be no reductions in the important quotas that are available to British fishermen and no new access for Spanish fishing boats to the North sea fishing block. I think that I am right in saying that we do not take up our full amount of hake. To let the Spanish have a larger quota of hake will,

therefore, not effect our fishermen. I think that, on the whole, the hon. Gentleman will find that this is a very good fishing agreement. The fisheries protection fleet will continue to keep its normal careful watch on overseas vessels.

Mr. Russell Johnston (Inverness, Nairn and Lochaber): In dealing with enlargement, which is very much to be welcomed, the Prime Minister stressed throughout her statement that the terms were not just satisfactory but "very" satisfactory to the United Kingdom. Does she agree that, if enlargement is to work, Spain and especially Portugal, where poverty is marked and which threw off the yoke of Salazar, rather than the Communist party, should be treated with not just political understanding but economic generosity? That is very important. Is the North sea agreement permanent or transitional?

The Prime Minister: The hon. Gentleman will remember that, well after Salazar, Portugal was nearly taken over by the Communists and it could have stayed a Communist country. Due to the great bravery of the Portuguese people, Portugal was rescued from that for democracy. [Interruption.] I am sorry that the Opposition do not appreciate the fantastic efforts made by the Portuguese people.

Spanish vessels will be subject to strict limits on the number of boats, permitting 150 to fish at any one time. There are strict reporting and monitoring requirements. Spanish vessels will have access only to those species controlled by the TAC and the quota under the common fisheries policy for which Spain receives quotas under the EC—Spain fisheries agreement—hake, monk, megrim and anchovy. Spanish vessels will not have access to the North sea. Those measures are to endure for the full duration of the common fisheries policy—to the year 2002.

Mr. Ivor Stanbrook (Orpington): Is my right hon. Friend aware that much of the disillusionment in this country with the Common Market is due to the great disparity between its aims and the realities? The internal market is choked by national restrictions and internal air fares are outrageously high. Will my right hon. Friend devote all her considerable gifts and energy to making real progress on these matters before 1992?

The Prime Minister: One of our objectives is effectively to complete the internal market. I agree with my hon. Friend that that is not yet complete, as clearly there are a number of non-tariff barriers operating, and we are far from completing an internal market in services. I agree with him that air fares are one of the matters with which we have had difficulty. My right hon. Friend the Secretary of State for Transport has been successful in negotiating much cheaper fares on a bilateral basis, in particular, to Holland and Luxembourg. We have set the year 1992 for the completion of an effective internal market.

Mr. Nigel Spearing (Newham, South): Bearing in mind the Government's well-known policy for the reduction of taxation and expenditure within the United Kingdom to the pain of the people of this country and of her party, is it not anomalous that expenditure and taxation within the EC are increasing?

Prime Minister: With the agreement that we have obtained, the amount that we shall be spending and that will be going towards Europe is less now than it would have been if we did not have the Fontainebleau agreement.

Mr. John Mark Taylor (Solihull): Does my right hon. Friend accept that many of us on the Conservative Benches are pleased with the result of the European Council and her role but may we none the less have a word of reassurance about the position and role of the Gibraltarians?

The Prime Minister: As my hon. Friend is aware, the border between Gibraltar and Spain was fully opened a short time ago. That was absolutely necessary to enable the enlargement to go ahead. The position of Gibraltar is protected.

Mr. Tam Dalyell (Linlithgow): On the discussions on Latin America to which the Prime Minister referred in her statement, can she give us the names of those countries that supported her attitude towards President Alfonsín?

The Prime Minister: I cannot remember the particular name or the country being mentioned in our discussions.

Mr. Nicholas Budgen (Wolverhampton, South-West): Will my right hon. Friend confirm that one of the reasons why she was in favour of the accession of Spain and Portugal was her belief that thereby she would support democratic government in Spain and Portugal? Will she further confirm that, if Turkey adopts a democratic Government and applied to join the EEC, she will be in favour of that application?

The Prime Minister: If that were the case and Turkey applied, we should have to decide what position to adopt. I recognise the force of the point that my hon. Friend is making. The European Community is a community for which democracy is an absolutely vital condition of entry. One of the reasons why we are anxious to have Spain and Portugal in is to enlarge the area of democracy and to consolidate in those countries. I do not believe that we shall be faced with another application shortly, but if we are we shall have to consider it.

Mr. Dave Nellist (Coventry, South-East): Does the Prime Minister remember the referendum campaign in 1975 when giant posters bearing the words of the right hon. Member for Glasgow, Hillhead (Mr. Jenkins) promised jobs for the boys through Britain's entry into Europe? What happened? Does the Prime Minister recognise that Britain's membership of the Common Market has cost £1.5 million a day since then? For that, working people in this country are on the lowest level of social security benefits as a percentage of former earnings, compared with any of the Ten. What did the summit do to take up those problems?

The Prime Minister: The hon. Gentleman is plainly wholly against the EEC. There is a communiqué on what we are trying to do about jobs. If he wishes to read in more detail, there was a full economic report following the Dublin European Council. Yes, there are problems on unemployment in Europe. There are far more problems than in the much freer enterprise economics of the United States and Japan. If perhaps we followed more their free enterprise tenets, we might have more jobs.

Mr. Eric Forth (Mid-Worcestershire): Will my right hon. Friend confirm that before the House debates the treaty of accession and ratifies it we shall be given the

fullest possible information about the cost of the enlargement of the Community to the United Kingdom and her people, in particular, the potential loss of social fund benefits, regional fund benefits and the flood of money from the CAP, from north to south, after the entry of Spain and Portugal?

The Prime Minister: We shall, of course, put as many of the details of the costs as we can before the House, but our share of the enlargement costs, because of the agreement which we negotiated at Fontainebleau, is only 7 per cent. That was a very good agreement for Britain.

With regard to the regional and social funds, as was said in the communiqué:

"The structural fund will continue to operate normally on the basis of a Community-wide regional policy in accordance with the regulations which have recently been revised."

Over the past five years the regional fund has committed £1,236 million and the social fund has committed £1,245 million to the United Kingdom. The United Kingdom has done very well from both funds.

Mr. Eric Deakins (Walthamstow): How can the Prime Minister justify improved rights of residence in Britain for people from the Common Market when our own Commonwealth citizens are so shabbily treated by the British Nationality Act and the immigration rules and procedures? Will the right hon. Lady come to my constituency in Walthamstow and justify to my Commonwealth constituents the reason for the increasing inequality between them and Common Market citizens?

The Prime Minister: The hon. Gentleman knows that that is a part of being a common market. We arranged during the discussion of the Committee on Citizens' Europe that the right of residence in one another's country should be linked to proof of adequate resources. I hope that the hon. Gentleman will welcome that decision.

Sir Anthony Grant (Cambridgeshire, South-West): In view of the fact that one of the biggest burdens upon business today is instability of exchange rates, was there any discussion about Britain joining the European monetary system, particularly as the majority of exporting industries in this country now support such a policy?

The Prime Minister: Not at this particular meeting, although we have had such a discussion before and shall probably have it again in June. The recent instability has also affected the currencies in Europe. Indeed, the Deutschmark has been affected as much as if not more than sterling, so joining the EMS exchange rate mechanism has not shielded people from the shifts in the dollar, and would not do so.

Mr. John Evans (St. Helens, North): By how much will unemployment in Britain be reduced as a result of the measures adopted at the summit, and what were those measures?

The Prime Minister: As I have said, the measures were to encourage the development of enterprise, which was discussed in detail at the Dublin Council and in particular to try to get growth in labour-intensive industries, which are many of the service industries. There were measures designed to get across the fact that unit wage costs are very important. The hon. Gentleman is aware that it may be right for him to ask that question, but it is most unwise for anyone at this Dispatch Box ever to answer it.

Several Hon. Members rose—

Mr. Speaker: Order. I remind the House that there are two other statements and a ten-minute Bill before we reach the Committee stage of the Interception of Communications Bill, so I ask for brief questions.

Mr. Tony Marlow (Northampton, North): I congratulate my right hon. Friend on the completion of western Europe through the inclusion of Spain and Portugal, but as she looks for a positive direction as Europe goes forward will she give an undertaking that she will not attempt to make any changes that undermine her right to veto increases in expenditure programmes or the right of the House to throw out any legislation with which it may disagree?

The Prime Minister: On the latter point, there is nothing that I could do to undermine the rights of Parliament. They are absolutely vital. On the veto, I believe that the position should remain as it is under the treaty, together with the Luxembourg compromise.

Mr. Gerald Malone (Aberdeen, South): Is my right hon. Friend aware that in Scotland there will be a broad welcome for the accession to the Community of the democracies of Spain and Portugal? Is she further aware that the sharpest criterion brought to bear on those accession arrangements is by fishermen in the north-east of Scotland? According to that criterion, she has passed the judgment of those fishermen, and accession is welcomed.

The Prime Minister: I am grateful to my hon. Friend. The fishery provisions gave rise to a great deal of negotiating difficulty, but I believe that we fully protected the rights of our own fishermen in the agreement that we obtained.

Mr. Harry Greenway (Ealing, North): Bearing in mind the resistance in this country to changes in our currency, will my right hon. Friend say whether there was any discussion of a common currency for Europe and, if so, what was said?

The Prime Minister: From time to time there are requests and expressions of hope that the ecu will become

much more of a common currency than it is now. Of course, the ecu is dealt with in the City of London. Undoubtedly some of our Community colleagues would wish it to begin to rival the dollar in its importance as a reserve currency. I confess that I believe that it will take a long time before that happens.

Mr. Andrew MacKay (Berkshire, East): In the light of the welcome news of Spain's accession to the Community, can my right hon. Friend tell the House when she expects to have an extradition treaty with that country?

The Prime Minister: I cannot at the moment. The matter is being pursued in the customary way.

Mr. Tim Yeo (Suffolk, South): Does my right hon. Friend agree that for ordinary men and women the elimination of passport controls would be one of the most tangible and welcome consequences of British membership? Will she give the House an assurance that Britain will participate fully in any such experiment?

The Prime Minister: Subject to what I have said about checks at certain frontiers—I believe that they are vital to apprehend those dealing with drugs and in terrorism, and illegal immigrants—it is important that we have freer movement among the countries of Europe.

Mr. David Heathcoat-Amory (Wells): Does my right hon. Friend share my concern about the nature of the pay-off to Greece and the extra payments to Italy and France for agricultural restructuring? Does she agree that that will increase the production of Mediterranean foodstuffs and lead to the same problems of surplus that we have with milk and cereals?

The Prime Minister: The figure is about 1.6 billion ecu—less than £1 billion—for the three countries over a period of seven years to enable them to make the necessary changes and adaptations to their own economies, bearing in mind that many of their products will have enormous increases through the enlargement, with the accession of Spain and Portugal. I agree that we already have surpluses, and it is for those countries to make the requisite changes over that period using the moneys to enable them to do so.

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EUROPEAN COUNCIL: GERMAN REACTIONS

SUMMARY

1. FEDERAL GOVERNMENT VERY PLEASED WITH OUTCOME OF FOREIGN AFFAIRS AND EUROPEAN COUNCILS. PRESS ALSO SATISFIED, BUT SHOWS SOME CONCERN ABOUT THE INCREASED DIFFICULTY OF MAKING PROGRESS IN AN ENLARGED COMMUNITY.

DETAIL

2. IN A COMMUNITY BRIEFING TODAY TRUMPF (AUSWAERTIGES AMT) SAID THAT CHANCELLOR KOHL AND THE FEDERAL GOVERNMENT WERE VERY PLEASED WITH THE OUTCOME OF THE FOREIGN AFFAIRS AND EUROPEAN COUNCILS. WITH AGREEMENT ON ENLARGEMENT, IMPS AND THE BUDGET, A MAJOR HURDLE HAD BEEN CLEARED. THE COMMUNITY COULD EMBARK ON A NEW PHASE OF CONSOLIDATING AND DEEPENING ITS ACHIEVEMENTS. CONSOLIDATION WOULD INVOLVE DISCUSSION UP TO AND AT MILAN OF THE ISSUES ADDRESSED IN THE DOOGE REPORT, INCLUDING INSTITUTIONAL DEVELOPMENT, SECURITY COOPERATION, THE STRENGTHENING OF POLITICAL COOPERATION, POLITICAL INTEGRATION AND EUROPEAN UNION. THE EUROPEAN COUNCIL HAD INDICATED IN ITS CONCLUSIONS AREAS WHERE THE COMMUNITY SHOULD BE DEEPENED: THE INTERNAL MARKET, TECHNOLOGY, ENVIRONMENTAL POLICY AND MAESURES FOR A PEOPLE'S EUROPE. THE FEDERAL GOVERNMENT WAS GOING THROUGH "A PROCESS OF REFLECTION" ABOUT EUROPE: WE COULD EXPECT A SERIES OF SPEECHES AND SIGNED ARTICLES BEFORE THE SUMMER.

3. I SAID THAT WE SHARED THE GERMAN'S SATISFACTION. THE BRITISH GOVERNMENT HAD MADE A CONSIDERABLE EFFORT IN RECENT MONTHS TO CONTRIBUTE TO THE EUROPEAN DEBATE. I BELIEVED THERE WAS NOW AN EXCELLENT BASIS FOR FUTURE WORK.

4. KOHL WILL, UNUSUALLY, NOT MAKE A STATEMENT ABOUT THE EUROPEAN COUNCIL TO THE BUNDESTAG, AS IT IS ALREADY IN RECESS FOR EASTER. THE GERMAN PRESS REPORTS KOHL'S DESCRIPTION OF THE CONCLUSIONS ON ENLARGEMENT AS A "HISTORIC STEP", AND GENSCHER'S THAT THEY WERE A "GREAT SUCCESS FOR US ALL". LANGES, THE CDU'S BUDGET EXPERT IN THE EUROPEAN PARLIAMENT, HAS SAID THAT THE END OF THE ENLARGEMENT NEGOTIATIONS MEANT NOT ONLY AN IMPORTANT STEP IN EXTENDING THE EC, BUT ALSO THE END TO THE "BLOCKADE" OF THE 1985 BUDGET. IT WAS WELCOME NEWS, HE SAID, THAT FOREIGN MINISTERS HAD AT LONG LAST AGREED ON NATIONAL CONTRIBUTIONS TO COVER THE 1985 DEFICIT.

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5. EDITORIAL COMMENT SHOWS RELIEF AND SATISFACTION AT THE OUTCOME OF THE NEGOTIATIONS ON ENLARGEMENT AND IMPS, BUT ONLY MODIFIED RAPTURE. MOST PAPERS INSIST THAT INSTITUTIONAL REFORM, ESPECIALLY A RETURN TO MAJORITY VOTING, WILL BE NECESSARY IF THE COMMUNITY IS TO MAKE ANY PROGRESS WITH TWELVE MEMBERS. THE FIRST TWO ENLARGEMENTS ARE MENTIONED IN SOME PAPERS AS DISCOURAGING PRECEDENTS: ONE EDITOR ASKS IF SPAIN AND PORTUGAL WILL REALLY BECOME ENTHUSIASTIC MEMBER STATES, OR DISILLUSIONED PARTNERS 'LIKE BRITAIN AND GREECE'. HANDELSBLATT TAKES A MORE UPBEAT LINE: THE GERMAN LINKAGE BETWEEN ENLARGEMENT AND FINANCES HAS BORNE FRUIT. DESPITE THE EXTRA COSTS THE BALANCE FOR THE FRG WILL BE ENTIRELY POSITIVE: IT HAS HISTORICALLY GOOD RELATIONS WITH SPAIN, WILL NOT BE THREATENED BY SPANISH MEDITERRANEAN PRODUCTS, AND STANDS TO DO VERY WELL OUT OF THE SPANISH MARKET ONCE TARIFFS ARE LOWERED AND EC FINANCIAL HELP STIMULATES SPANISH DEMAND.

6. OTHER EUROPEAN COUNCIL SUBJECTS HAVE MOSTLY BEEN CROWDED OUT OF THE LEADER COLUMNS BY COMMENT ON ENLARGEMENT, BUT HAUSER IN THE FRANKFURTER RUNDSCHAU NOTES THAT DEVELOPMENTS IN THE COMMUNITY ARE TAKING PLACE AT INCREASING SPEED: IT IS ALMOST A MIRACLE THAT THE TEN HAVE STUCK TO THEIR STUTTGART TIMETABLE. THE STATEMENT THAT THE INTERNAL MARKET WILL BE COMPLETED IN 1982 IS NOTHING SHORT OF 'SPECTACULAR'. HE SUGGESTS THAT THE CHALLENGE OF SDI WILL CONTRIBUTE SIGNIFICANTLY TO PUSHING EUROPEANS INTO EVEN CLOSER COLLABORATION.

7. ONE OR TWO PAPERS NOTE THAT NO POCO STATEMENTS WERE ISSUED, AND QUOTE A CLAIM BY SUDHOFF, THE FEDERAL GOVERNMENT SPOKESMAN, THAT KOHL HAD SUCCEEDED IN GETTING AGREEMENT THAT EUROPEAN COUNCILS WOULD IN FUTURE REFRAIN FROM MAKING POCO STATEMENTS IF THEY HAD NOTHING NEW TO SAY. ON THIS, SEE MY LETTER TO DEREK THOMAS OF 1 APRIL.

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EUROPEAN COUNCIL, ENLARGEMENT AND INPS: FRENCH PRESS AND OTHER
REACTIONS.

SUMMARY.

1. FRENCH PRESS GIVES POSITIVE WELCOME TO COMMUNITY ENLARGEMENT.
MUTED CRITICISM FROM SOME PARTS OF OPPOSITION. SOBER CONSIDERATION
OF EFFECTS ON FRENCH AGRICULTURE AND FISHERIES BEGINS.

DETAIL.

2. THE FRENCH PRESS HAVE GIVEN EXTENSIVE AND GENERALLY POSITIVE
COVERAGE TO THE SUCCESSFUL CONCLUSION OF NEGOTIATIONS FOR SPANISH
AND PORTUGUESE ACCESSION. DETAILED REPORTS ARE GIVEN OF THE
CONCESSIONS MADE ON ALL SIDES TO ACHIEVE AGREEMENT, BUT THE PRESS
CONCLUDE THAT FRENCH INTERESTS APPEAR TO HAVE BEEN SAFEGUARDED AND
THAT ENLARGEMENT OPENS THE WAY TO THE POLITICAL RELAUNCHING OF THE
COMMUNITY.

3. THIS WEEKEND'S LE MONDE (INDEPENDENT) CONTRASTS THE SUCCESS OF
THE ENLARGEMENT NEGOTIATION WITH THE WIDESPREAD VIEW THAT EUROPE IS
SICK, PARALYSED BY ITS OWN INTERNAL CONFLICTS. THE ACCESSION OF
SPAIN AND PORTUGAL IS IMPORTANT NOT ONLY FOR THE FUTURE POLITICAL
AND ECONOMIC HEALTH OF THE CANDIDATE COUNTRIES, BUT ALSO FOR THE
COHESION AND STRENGTH OF EUROPE VIS A VIS THE USA. BUT THERE IS NO
CAUSE FOR UNCRITICAL OPTIMISM. DETAILED QUESTIONS RELATING TO THE
EFFECT OF ENLARGEMENT ON CERTAIN CATEGORIES OF WORKERS AND ON
CERTAIN REGIONS OF FRANCE STILL HAVE TO BE ANSWERED. TODAY'S LE
MONDE COMMENTS THAT DESPITE THE SUCCESSFUL OUTCOME ON ENLARGEMENT,
THE EUROPEAN COUNCIL FOUND ITSELF CAUGHT UP IN DETAILED HAGGLING ON
GREEK INPS. THIS SHOULD SERVE AS A WARNING THAT DECISION MAKING FOR
12 WOULD BE EVEN MORE DIFFICULT THAN FOR 10, AND THAT A TWO-SPEED
EUROPE MIGHT PROVE INDISPENSIBLE IF PROGRESS WERE TO BE MADE.

4. THE LEFT-WING DAILIES (LIBERATION AND LE MATIN) ALSO WELCOME
ENLARGEMENT. LIBERATION CONCENTRATES IN ITS WEEKEND COMMENT ON THE
COST OF ENLARGEMENT AND THE FACT THAT THE TWO ACCEDING COUNTRIES
WILL NOT BECOME NET BUDGET CONTRIBUTORS FOR AT LEAST 7 YEARS.
THOUGH A NECESSARY EXPRESSION OF POLITICAL WILL TO HELP THE YOUNG
DEMOCRACIES OF THE SOUTH, LIBERATION POINTS OUT THAT THE COMMUNITY'S
OWN BUDGET IS UNDER SEVERE PRESSURE, WITH A HIGH RISK OF NEW OWN
RESOURCES BEING RAPIDLY EXHAUSTED ESPECIALLY IF THE GERMANS SUCCEEDED
IN RAISING CAP PRICES. COMMENTING ON THE EFFECT OF ENLARGEMENT ON
FRENCH WINE GROWERS, LIBERATION ARGUES THAT ALTHOUGH PRODUCERS IN
THE MIDI FEAR COMPETITION FROM CHEAP SPANISH TABLE WINE, THE TRUE

MS

THREAT

THREAT TO FRENCH INTERESTS LIES IN COMPETITION FROM SPANISH QUALITY WINES. IN FURTHER COMMENT TODAY ON THE EUROPEAN COUNCIL, LIBERATION DESCRIBES THE IMPS DEBATE AS SPECTACULAR BLACKMAIL BY PAPANDREOU, AND THE OUTCOME AS NOT NECESSARILY A GREAT SUCCESS FOR HIM. THE COUNCIL IS UNLIKELY TO ENTERTAIN ANY FURTHER CLAIM FOR SPECIAL AIDS FOR GREECE.

5. LE QUOTIDIEN (INDEPENDENT RIGHT OF CENTRE) POINTS TO THE SIGNIFICANT ECONOMIC IMPACT OF ACCESSION ON THE COMMUNITY, INCLUDING AN EXTRA 3 MILLION UNEMPLOYED. BUT THE ADVANTAGES, ESPECIALLY FOR FRANCE, ARE ALSO EMPHASIZED. THE COMMUNITY, ITS CENTRE OF GRAVITY FOR A LONG TIME BASED IN NORTHERN EUROPE, WILL NOW ACHIEVE A BETTER BALANCE WITH THE SOUTH. QUOTIDIEN ADDS THAT FRANCE, OCCUPYING A PIVOTAL POINT BETWEEN TWO CULTURAL AND ECONOMIC ZONES, SHOULD PLAY A DECISIVE ROLE IN THE COMMUNITY OF THE FUTURE.

6. A 7 PAGE REPORT IN TODAY'S LES ECHOS (BUSINESS DAILY) ANALYSES THE IMPACT OF ENLARGEMENT ON SPAIN AND PORTUGAL AND THE EFFECT OF THEIR MEMBERSHIP ON THE SOUTH AND SOUTH-WEST REGIONS OF FRANCE, PARTICULARLY AGRICULTURE AND FISHERIES. DESCRIBING BOTH THE RISKS AND THE OPPORTUNITIES WHICH ENLARGEMENT WILL INVOLVE FOR FRENCH AGRICULTURE, LES ECHOS POINTS TO THE SCOPE FOR EXPORTS OF MILK PRODUCTS, CEREALS AND MEAT AND ARGUES THAT THE ACCEDING COUNTRIES WILL BE JUDGED BY THE EXTENT TO WHICH THEY TURN TO THE COMMUNITY FOR THEIR SUPPLIES AND RENOUNCE THIRD COUNTRY LINKS. THE FRENCH STILL RECALLED THEIR EXPERIENCE WITH THE BRITISH. A LEADING ARTICLE IN LES ECHOS SAYS THAT THE PROCESS OF INTEGRATING SPAIN AND PORTUGAL WILL BE LONG AND EXPENSIVE, AND DETERMINATION OF A HIGH ORDER WILL BE NEEDED TO MANAGE EUROPE OF THE 12 AND TO BRING ABOUT POLITICAL AND ECONOMIC HARMONISATION.

7. LE FIGARO (RIGHT-WING DAILY) SAYS THAT EUROPE HAS TAKEN A DECISIVE STEP FORWARD. SINCE THE STUTTGART COUNCIL OF JUNE 1983, THE CAP HAS BEEN REFORMED, THE BRITISH CONTRIBUTION SETTLED, NEW OWN RESOURCES AGREED, THE WINE REGIME REFORMED AND A BUDGET FOR 1985 MADE POSSIBLE. DECISIONS ON ENLARGEMENT SET THE SEAL ON THIS PROGRESS. NOW THE COMMUNITY CAN START TO CONSIDER ITS OWN FUTURE. (COMMENT - SPARSE SO FAR - ON THE NON-ENLARGEMENT ASPECTS OF THE SUMMIT WILL BE REPORTED SEPARATELY).

OTHER REACTIONS.

8. POSITIVE COMMENT HAS COME FROM FRENCH MINISTERS. ROCARD (AGRICULTURE) HAS DESCRIBED ENLARGEMENT AS MARKING A VERY IMPORTANT STAGE FOR THE COMMUNITY. WITH BOTH SPAIN AND PORTUGAL NOW DEMOCRACIES, THE POLITICAL CASE AGAINST THEIR MEMBERSHIP HAS FALLEN AWAY: THEY ARE HENCEFORWARD IN EUROPE. LENGAGNE (STATE SECRETARY FOR THE SEA) HAS CLAIMED THAT THE AGREEMENT IS SATISFACTORY FOR FRENCH FISHERMEN, BEING CONCLUDED VERY MUCH ON A BASIS OF THE FRENCH POSITION. HOWEVER, CHIRAC HAS RESTATED OVER THE WEEKEND HIS OPPOSITION TO ENLARGEMENT ON THE PRESENT TERMS (SENTIMENTS ENDORSED BY PASQUA, RPR SENATE CHAIRMAN), AND HIS INTENTION TO DEMAND THEIR RE-NEGOTIATION IF POLITICAL POWER CHANGES IN FRANCE NEXT YEAR.

9. AMONGST PROFESSIONAL ORGANISATIONS, THE CNPF (EMPLOYERS) HAVE WELCOMED AN END TO UNCERTAINTY BUT CRITICISED THE LENGTH OF TRANSITION FOR INDUSTRIAL PRODUCTS. THE LEADER OF THE FNSEA (FARMERS) HAS ONCE AGAIN CALLED FOR A REFERENDUM ON SPAIN AND PORTUGAL'S ENTRY ON ANALOGY WITH THAT AT THE TIME OF BRITAIN'S ACCESSION.

FCO PLEASE PASS SAVING ADDRESSEES.

PETRIE

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FRAME EXTERNAL
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FM UKREP BRUSSELS 011600Z APR 85

TO PRIORITY F C O

TELEGRAM NUMBER 1215 OF 1 APRIL

INFO ROUTINE COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN,
LUXEMBOURG, ATHENS,
INFO SAVING BRUSSELS.

MY TELEGRAM NO. 1200.

PRIME MINISTER'S INITIATIVE ON DEREGULATION.

1. I SPOKE TO LAMY (DELOR'S CHEF DE CABINET) TO FOLLOW UP. I SUGGESTED THAT IT WOULD BE HELPFUL IF THE COMMISSION COULD DO 3 THINGS:

- A. INSTRUCTION OFFICIAL IN ALL RELEVANT FIELDS TO GO THROUGH EXISTING LEGISLATION IN ORDER TO SEE WHERE IT IMPOSED A BURDEN ON SMES AND WHAT COULD BE DONE ABOUT IT.
- B. INSTRUCT THEM IN FUTURE TO CONSIDER THIS ASPECT MOST CAREFULLY BEFORE SUBMITTING ANY PROPOSALS.
- C. APPOINT SOMEONE WITH ENERGY AND DRIVE TO BULLY THE SERVICES INTO OBEYING THESE INSTRUCTIONS AND ALSO TO ACT AS A CHANNEL OF COMMUNICATION WITH THE OUTSIDE WORLD. REPRESENTATIVES OF SMALL AND MEDIUM ENTERPRISES SHOULD BE INVITED TO CONTRIBUTE.

2. LAMY SAID THAT HE HAD DISCUSSED THE SUBJECT WITH DELORS THIS MORNING. THEY WERE VERY CONSCIOUS OF THE NEED FOR FOLLOW-UP ACTION, BUT NEEDED A LITTLE TIME TO FIND SOMEONE ENERGETIC TO OVERSEE IT AND TO THINK OUT HOW THE EXERCISE COULD BE LAUNCHED. HE WOULD REPORT MY SUGGESTIONS. HE COULD ASSURE ME THAT DELORS WOULD WANT TO GET THINGS DONE.

3. I SALSO SPOKE TO COCKFIELD AND URGED HIM TO TAKE AN INTEREST. I AM SENDING HIM IN CONFIDENCE THE RECORD OF WHAT THE PRIME MINISTER SAID AND THE UK DRAFT CONCLUSIONS. HE UNDERTOOK TO SUPPORT.

CONFIDENTIAL

14.

CONFIDENTIAL

4. I RECOMMEND THAT WE OURSELVES MAKE A FURTHER IN-PUT BOTH FROM THE GOVERNMENT AND, IF POSSIBLE, FROM THE CBI AND THE BIM. THE COMMISSION WILL HAVE GENUINE DIFFICULTY IN IDENTIFYING WHERE ACTION NEEDS TO BE TAKEN AND WE SHOULD FEED IN PRACTICAL SUGGESTIONS.

FCO COPY TO:

FCO - FAIRWEATHER, RENWICK.
CAB - JAY, WILLIAMSON.
DTI - BRECKNELL, KEMMIS.
TSY - UNWIN.

BUTLER

FRAME GENERAL
ECD(I)

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TO PRIORITY FCO
TELNO 329 OF 1 APR 85

INFO ROUTINE UKREP BRUSSELS

INFO SAVING OTHER EC POSTS, LISBON, MADRID

EUROPEAN COUNCIL: ITALIAN PRESS COMMENT

SUMMARY

1. EUPHORIA AT SUCCESSFUL ITALIAN PRESIDENCY MEDIATION LEADING TO THE LIFTING OF GREEK RESERVES AND AGREEMENT ON ENLARGEMENT. SOME DISAPPOINTMENT AT APPARENT LACK OF SIGNIFICANT STEPS FORWARD IN OTHER IMPORTANT AREAS. INSTITUTIONAL REFORM WIDELY REGARDED AS TOP PRIORITY FOR THE JUNE COUNCIL BUT FEARS THAT THE PRESIDENCY WILL FIND IT DIFFICULT TO RECONCILE DISPERATE POSITIONS (AND OVERCOME BRITISH RESISTENCE IN PARTICULAR).

DETAIL

2. THE AGREEMENT OVER ENLARGEMENT 'AFTER EXTRA TIME AND PENALTY KICKS' (QUOTING DELORS) IS WIDELY HELD TO BE A MAJOR SUCCESS FOR THE ITALIAN PRESIDENCY. CRAXI'S CLAIM TO HAVE INSTILLED A SENSE OF 'EURO-DECISIONISMO' IS REPORTED IN ALL PAPERS. UNPRINCIPLED GREEK RESERVES HELD TO BLAME FOR THE DELAY. BUT GREEK BRINKMANSHIP IS SEEN TO HAVE PAID OFF AS THE SUM AGREED FOR FUNDING IMPS AND THE GREEK QUOTA IS RECKONED TO BE CLOSER TO GREEK DEMANDS THAN EXPECTED (STAMPA, TEMPO AND CORRIERE). GRUDGING BRITISH AND GERMAN FLEXIBILITY UNDER PRESIDENCY PRESSURE IS ACKNOWLEDGED (TEMPO AND CORRIERE).

3. WHILE THE AGREEMENT ON ENLARGEMENT IS SEEN TO HELP RESOLVE THE OUTSTANDING BUDGETARY PROBLEMS, INCLUDING BRITISH REFUNDS, MANY PAPERS SOUND A NOTE OF WARNING ABOUT THE INTERNAL TENSIONS WHICH WILL INCREASE IN A COMMUNITY OF 12 (CORRIERE, TEMPO AND AVANTI). THE GENERAL NATURE OF COUNCIL CONCLUSIONS ON THE COMMUNITY'S ECONOMIC AND SOCIAL POLICY, TECHNOLOGY AND INSTITUTIONAL REFORM IS TAKEN AS A SIGN OF DIFFERENCES AMONG THE 10 ON SOLUTIONS TO FUNDAMENTAL ISSUES, WHICH WILL NEED TO BE FOUND IF ENLARGEMENT IS TO SUCCEED (CORRIERE, REPUBBLICA, SOLE 24 ORE, TEMPO). INSTITUTIONAL REFORM IS HELD BY MOST PAPERS TO BE THE TOP PRESIDENCY PRIORITY FOR THE JUNE MEETING. BUT THE LUKE-WARM REFERENCES IN THE COUNCIL CONCLUSIONS TO THE DOOGE REPORT, THE WEAK MANDATE GIVEN TO THE PRESIDENCY TO MEDIATE BILATERALLY AND THE APPARENT HOSTILITY OF A NUMBER OF MEMBER STATES (ABOVE ALL BRITAIN) TO A SIGNIFICANT EXTENSION OF THE POWER OF COMMUNITY INSTITUTIONS, ARE REGARDED AS DISCOURAGING SIGNS (TEMPO, STAMPA, CORRIERE).

4. MOST PAPERS ALSO HIGHLIGHT THE ABSENCE OF AGREED CONCLUSIONS ON POLITICAL COOPERATION TOPICS AND DISCOUNT THE EXCUSE THAT TIME WAS SHORT AFTER THE ARDUOUS NEGOTIATION ON ENLARGEMENT (CORRIERE, REPUBBLICA). GERMAN RESERVATIONS ABOUT THE TEXT ON SDH ARE CITED AS THE MAIN REASON, BUT FRENCH RESERVES OVER THE MIDDLE EAST ALSO FIGURE. GIVEN THE COUNCIL'S ROLE AS THE HIGHEST EXPRESSION OF THE COMMUNITY'S POLITICAL AUTHORITY, REPUBBLICA REGARDS THIS OMISSION AS SERIOUSLY WORRYING.

4. FCO PSE PASS SAVING ADDRESSEES

BRIDGES

REPEATED AS REQUESTED

LIMITED
ECD (E)
ECD (I)
MR DEREK THOMAS
MR JENKINS
MR RENWICK

COPIES TO
MR JAY
MR WILLIAMSON } CABINET OFFICE
MR BROWNING ODA

COPIES SENT TO
No. 10 DOWNING STREET

Irish Statement

The Taoiseach, Dr. Garret FitzGerald, and the Prime Minister the Right Honourable Mrs Margaret Thatcher had a brief meeting in the margins of the European Council in Brussels today.

They reviewed progress on the dialogue agreed between them at their meeting in Chequers last year which has been conducted at Ministerial and official level. They agreed that there was real merit in continuing with the process. It is, however, not possible at this stage to predict the eventual outcome.

COSTS OF ENLARGEMENT

- Difficult to make precise calculations as to immediate costs pending the outcome of negotiations on fisheries and agriculture.
- If there is any imbalance in Spanish/Portuguese payments to and receipts from EC budget, Community will propose transitional financing arrangements involving system of degressive refunds as was done for Greece.
- Earlier Commission estimates suggested that at end transition enlargement would cost annually between 0.1% and 0.2% of present VAT ceiling.

WHAT ABOUT DEBATE ON ENLARGEMENT

- Understand interest of the House;
- Difficult to hold debate while confidential negotiations continue and until final text of Treaty available.
- Treaty will be presented to Parliament as Command Paper in normal way.
- Will of course be ample opportunity for the House to debate enlargement issues in the course of the UK ratification procedures.

- Merchant Shipping
- Kilroy - file.



10 DOWNING STREET

From the Private Secretary

59 New Regulations in 1964

1. Draft Directive on Sewage Sludge in Agriculture
2. Draft Regulation on Trade in Mince.
3. Draft Regulation Amending the Main Regulation on the Common ^{market in} Organization of the Market in Goatmeat. Goatmeat
4. Draft directive on the Approximation of Laws of Member States Relating to Boat Fittings.

They'll try to Harmonize Nursery Rhymes next!



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 7256

Qz.04338

1 April 1985

Leigh Lewis Esq
Office of the Minister without
Portfolio
Cabinet Office
Whitehall
London SW1

Dear Lewis,

DEREGULATION

The Prime Minister's initiative on deregulation and jobs has made real progress in the European Council on 29-30 March. I attach:-

- (i) the speaking note which the Prime Minister used. This was the basis of the subsequent press publicity;
- (ii) an extract from the conclusions of the European Council on these points. We intend to follow up this initiative in the immediate future in two ways. First, Sir Michael Butler is already in touch with the European Commission in order to press them to identify specific action which can now be taken. Secondly, I intend to write shortly to all interested Departments in order to ask them to identify specific areas where the current burden of Community regulation on business ought to be reduced.

I am sending copies to Charles Powell (10 Downing Street), Colin Budd (FCO), Rachel Lomax (Treasury), Callum McCarthy (DTI), Steven Godber (DHSS), David Normington (Department of Employment) and to Sir Robert Armstrong.

Yours sincerely,

David Williamson

D F WILLIAMSON

In 1984 - 89 Directives were adopted.

Did community consider whether they would be a burden on small firms.

EUROPEAN COUNCIL 29/30 MARCH: UK INITIATIVE ON DEREGULATION AND JOBS

SPEAKING NOTE FOR THE PRIME MINISTER

~~I want this European Council to respond to my~~ ^{should like to see this later on} initiative to mobilise all our efforts to create more wealth and more jobs. The Treaty of Rome is a charter for economic liberty. We must not allow ourselves to change it into a charter for tens of thousands of minor regulations. Over-regulation strangles initiative and destroys jobs.

We have to recognise that it is private enterprise, not government, that creates jobs. We must give them the freedom to do so. We must also make sure that it pays to take a job rather than to live on state benefits.

This means tough decisions, which some of us have taken, in order to reduce the run away growth of spending on social security and subsidies. It will be easier for us to convince our people of this need if we can show that we are acting together.

We are all agreed on the vital need to master inflation, which saps at confidence and economic growth. But there are two more things we can do and which this Council can decide. First, we must cut the burden of bureaucracy on business. Secondly, we must make sure that our labour markets work flexibly, so as to create and not to destroy jobs.

By the first action I mean that we must reduce the number of minor rules and regulations which weigh on business and enterprise. I am told that some Community legislation has been amended up to 40 times and it is easy to imagine the task of the small trader in trying to understand, let alone comply with, such legislation. We must make it possible for those who create jobs, particularly in small and medium size businesses, to do so without diverting too much of their time and energy to non-productive work. There are at least 8 new Directives on employment protection alone. I have in my hands piles of Community legislation dealing with value added tax and company law } just 3 of many fields in which the Community tries to regulate business. Value added tax can lead to very great burdens on smaller businessmen. An example is setting the VAT small trader exemption limit too low so that thousands of people fill in forms for a negligible return. Let us not forget that in the last few years small businesses have created up to 7 million jobs in the United States.

Employment Protection

By the second action I mean that we ought to remove or amend legislation which unnecessarily holds back the creation of more employment. We can and should extend and improve the training given to young people. We are all encouraging moderation in the growth of wages and labour costs. We must take steps to ensure that social measures for the unemployed are not a disincentive to their seeking work.

I have two specific proposals. First, this Council should recognise the concern about the existing burden of conforming to too many Community and national rules. We should invite the Commission to consider and report to our next meeting on the burden which this imposes on businesses and specifically ask them to propose how to reduce it. That must be the objective: not just a standstill but a reduction in the current load of regulation on our citizens. Let us set ourselves an ambitious target for reducing rules and regulations. Why not a cut of one third in those existing in the Community?

Secondly, for the future we should urge the Commission and the Council to consider the impact of any proposed legislation on the creation of wealth and jobs. The impact on business costs of any new proposal should be identified and understood. The Community should not impose additional tasks on business or make the labour markets more rigid unless it could be clearly shown that there was an overriding need to do so.

I believe that we all support these objectives and that we should have a clear mandate for the action I have outlined to be included in our conclusions.

Free for humans.



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 7256

Qz.04338

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I believe that we all support these objectives and that we should have a clear mandate for the action I have outlined to be included in our conclusions.

Free for humanity.

a) India,



b) unemployment

	<u>Govt</u>	<u>P.E.</u>
Acas p. <u>unemp</u> utilised.		7 million - 600 years.
Public exp. <u>Unemployment</u>		15 million 20 years
Contribution in <u>unemployment</u>		9 out of 10 - 100%
<u>Ref</u> <u>Small Business</u>		
		<u>Have</u> on <u>structural problems</u>

WITH PERMISSION, MR. SPEAKER, I SHOULD LIKE TO MAKE A
STATEMENT ABOUT THE EUROPEAN COUNCIL HELD IN
BRUSSELS ON 29-30 MARCH, AT WHICH I WAS
ACCOMPANIED BY MY RT HON AND LEARNED FRIEND,
THE FOREIGN AND COMMONWEALTH SECRETARY.
I HAVE ARRANGED FOR THE CONCLUSIONS OF THE
COUNCIL TO BE PLACED IN THE LIBRARY OF THE
HOUSE.

THIS EUROPEAN COUNCIL EFFECTIVELY COMPLETED THE
NEGOTIATIONS FOR THE ENTRY OF SPAIN AND
PORTUGAL INTO THE EUROPEAN COMMUNITY.

THE TREATY OF ACCESSION WILL SOON BE
SUBMITTED TO THE TWELVE NATIONAL PARLIAMENTS
FOR RATIFICATION, OPENING THE WAY FOR THE
ENTRY OF SPAIN AND PORTUGAL ON 1 JANUARY
1986.

THE TERMS ARE VERY SATISFACTORY FOR THE UNITED KINGDOM.

IN PARTICULAR, THERE WILL BE QUICKER
DISMANTLING BY SPAIN IN THE EARLY YEARS OF
ITS HIGH TARIFFS ON CERTAIN INDUSTRIAL GOODS,
INCLUDING CARS, TO THE BENEFIT OF THE UNITED
KINGDOM EXPORTERS.

THERE WILL BE NO DETRIMENT TO OUR FISHING
INDUSTRY; NO REDUCTIONS IN THE IMPORTANT QUOTAS
AVAILABLE TO BRITISH FISHERMEN AND NO NEW
ACCESS FOR SPANISH FISHING BOATS TO THE NORTH
SEA FISHING GROUNDS.

THERE WILL BE A FULL OPPORTUNITY FOR THE
HOUSE TO CONSIDER THESE POINTS WHEN THE ACT
OF ACCESSION IS PRESENTED FOR RATIFICATION.

THE EUROPEAN COUNCIL ALSO AGREED ON THE FINANCING OF
WHAT ARE CALLED INTEGRATED MEDITERRANEAN
PROGRAMMES OVER A PERIOD OF SEVEN YEARS, TO
HELP THE MEDITERRANEAN MEMBER STATES ADJUST
TO THE EFFECTS OF ENLARGEMENT ON THEIR OWN
ECONOMIES.

A TOTAL ADDITIONAL AMOUNT OF 1.6 BILLION ECU
[ABOUT £950 MILLION] WILL BE MADE AVAILABLE
FOR THESE PROGRAMMES.

AS A RESULT OF THE FONTAINEBLEAU AGREEMENT,
THE UNITED KINGDOM FINANCING SHARE WILL BE
SOME 7 PER CENT, LESS THAN £10 MILLION A
YEAR.

THE POORER MEDITERRANEAN AREAS WILL ALSO
BENEFIT FROM THE STRUCTURAL FUNDS AND FROM
2.5 BILLION ECU OF LOANS FROM THE EUROPEAN
INVESTMENT BANK.

WE HAD A FULL DISCUSSION OF THE ECONOMIC SITUATION
WITH PARTICULAR REFERENCE TO THE CREATION OF

5
ENTERPRISE AND JOBS AND THE ACHIEVEMENT OF
A SINGLE LARGE MARKET BY 1992.

IN THE COURSE OF THIS I PROPOSED, FIRST, THAT
THE EUROPEAN COUNCIL SHOULD CUT THE BURDEN OF
BUREAUCRACY ON BUSINESSES BY REDUCING THE
NUMBER OF EXISTING COMMUNITY RULES AND
REGULATIONS; AND SHOULD SCRUTINISE ANY
PROPOSED NEW COMMUNITY LEGISLATION WITH REGARD TO ITS
EFFECT ON BUSINESS.

SECONDLY, WE WERE ALL GREATLY CONCERNED TO
MODERATE LABOUR COSTS AND REMOVE RESTRICTIVE
PRACTICES, ESPECIALLY WITH REGARD TO NEW
TECHNOLOGY.

THE UNITED KINGDOM'S INITIATIVE WAS WIDELY

WELCOMED IN THE EUROPEAN COUNCIL AND IS
REFLECTED IN THE CONCLUSIONS.

THE COMMISSION HAS BEEN ASKED TO FOLLOW IT
THROUGH.

WE ALSO BROADLY ENDORSED THE FIRST REPORT OF THE
COMMITTEE ON CITIZENS' EUROPE.

THIS CONTAINS A NUMBER OF SPECIFIC PROPOSALS
FOR EASIER MOVEMENT ACROSS FRONTIERS, HIGHER
TRAVELLERS' ALLOWANCES; RIGHT OF RESIDENCE
LINKED TO PROOF OF ADEQUATE RESOURCES, EASIER
ARRANGEMENTS FOR ROAD TRANSPORT, AND MUTUAL
RECOGNITION OF QUALIFICATIONS, ALL OF THEM
DESIGNED TO BRING ADVANTAGES TO INDIVIDUAL
CITIZENS.

WITH REGARD TO FRONTIERS, I MADE ABSOLUTELY

CLEAR THE NEED TO MAINTAIN STRONG CONTROLS
AGAINST DRUGS, TERRORISM AND ILLEGAL
IMMIGRATION; ALSO THAT THE COMPLETION OF THE
SINGLE INTERNAL MARKET DOES NOT IMPLY TAX
HARMONISATION.

THE COUNCIL AGREED THE TEXT OF THE REVISED DECISION ON
THE "OWN RESOURCES" OF THE COMMUNITY AND I
AM ARRANGING FOR COPIES TO BE MADE AVAILABLE
IN THE LIBRARY.

IT WILL BE SUBMITTED TO NATIONAL PARLIAMENTS
FOR RATIFICATION.

THIS TEXT PROVIDES FOR NEW OWN RESOURCES
GENERALLY TO BE AVAILABLE FROM 1 JANUARY

1986.

IT ALSO PUTS INTO LAW THE FONTAINEBLEAU
ARRANGEMENTS FOR ABATING THE UNITED KINGDOM'S
CONTRIBUTIONS BY REDUCING THE AMOUNT OF VAT
PAID OVER TO THE COMMUNITY.

IT ALSO INCLUDES THE UNITED KINGDOM'S
1,000 MILLION ECU ABATEMENT FOR 1984, WHICH
WILL BECOME AVAILABLE AFTER RATIFICATION OF
THIS DECISION AND WITHOUT WAITING FOR ANY
GENERAL INCREASE IN THE COMMUNITY'S OWN
RESOURCES.

THE EUROPEAN COUNCIL DISCUSSED THE MEASURES TO
STRENGTHEN TECHNOLOGY IN THE COMMUNITY, IN
PARTICULAR THROUGH MUTUAL RECOGNITION OF

INDUSTRIAL STANDARDS AND THE OPENING UP OF
PUBLIC PROCUREMENT TO COMPETITIVE TENDER FROM
FIRMS ACROSS THE COMMUNITY.

WE ALSO DISCUSSED EAST/WEST RELATIONS, WELCOMING THE
OPENING OF THE GENEVA NEGOTIATIONS, AND
EXCHANGED VIEWS ON THE MIDDLE EAST, LATIN
AMERICA AND SOUTH AFRICA, WHERE WE EXPRESSED
GRAVE CONCERN ABOUT RECENT EVENTS.

THIS EUROPEAN COUNCIL MARKS THE CONCLUSION OF A PERIOD
OF IMPORTANT DECISIONS IN THE EUROPEAN
COMMUNITY:

- AGREEMENT ON THE ENTRY OF SPAIN AND PORTUGAL;
- AGREEMENT ON THE IMPLEMENTATION OF THE
- FAVOURABLE BUDGETARY ARRANGEMENTS FOR THE

UNITED KINGDOM NEGOTIATED AT FONTAINEBLEAU:
AGREEMENT ON THE INTEGRATED MEDITERRANEAN
PROGRAMMES; PROGRESS ON THE ENVIRONMENT,
INCLUDING THE RECENT AGREEMENT ON VEHICLE
EMISSIONS; AND THE LAUNCHING OF AN INITIATIVE
TRULY TO OPEN UP THE COMMON MARKET AND TO
REDUCE THE BURDENS ON BUSINESS AS A MEANS OF
STIMULATING THE CREATION OF MORE JOBS.

IT IS A PARTICULAR SOURCE OF SATISFACTION TO US ALL
THAT FORTY YEARS AFTER THE END OF THE SECOND
WORLD WAR THE EUROPEAN COMMUNITY HAS FURTHER
DEMONSTRATED IN THIS IMPRESSIVE WAY ITS
CAPACITY TO RESOLVE ITS PROBLEMS AND MOVE
FORWARD IN A SPIRIT OF PARTNERSHIP AND
COOPERATION.

With permission, Mr. Speaker, I should like to make a statement about the European Council held in Brussels on 29-30 March, at which I was accompanied by my rt hon and learned Friend, the Foreign and Commonwealth Secretary. I have arranged for the Conclusions of the Council to be placed in the library of the House.

effectively completed
The European Council welcomed the completion ~~shortly~~
~~beforehand~~ of the negotiations for the entry
of Spain and Portugal into the European
Community.
~~The United Kingdom has long supported~~
~~enlargement which will strengthen democracy~~

~~in these two countries.~~

The ~~drafting of the~~ Treaty of Accession will

soon made

~~now be rapidly completed~~ and submitted to the

~~drafted~~ *be*

twelve national Parliaments for ratification,

opening the

way for

and the entry of Spain and Portugal on

1 January 1986.

The terms are very satisfactory for the United Kingdom.

In particular, there will be quicker

dismantling by Spain in the early years of

its high tariffs on certain industrial goods,

including cars, to the benefit of the United

Kingdom exporters.

There will be no detriment to our fishing

industry; no reductions in the fish quotas

*Spanish tariffs will
52% by end
of first 3 years
of 7 year
transition period*

E.R.

available to British fishermen and no new access for Spanish fishing boats to the North Sea fishing grounds.

There will be a full opportunity for the House to consider these points when the Act of Accession is presented for ratification.

The European Council also agreed on the financing of *what we*

called

Integrated Mediterranean Programmes over a period of seven years, to help the

Mediterranean member states adjust to the effects of enlargement *on their own economies*

A total additional amount of 1.6 billion ecu

[£950] will be made available for these

programmes.

As a result of the Fontainebleau ^{agreement} ~~mechanism~~

the United Kingdom ~~financing~~ ^{Fin.} share will be ^{less than}

about ^{L-10} ~~29.5~~ million a year, ^{some 7% (as against}
^{the German share of 33% and the Bank 27%)}

These areas will also benefit

~~substantially~~ ^{The Decision} from the structural funds ~~as a~~

~~result of decisions already taken~~ and from

2.5 billion ecu of loans from the European

Investment Bank.

We had a full discussion of the economic situation. ^{with particular}
^{reference to the sector of jobs - enterprise jobs.}

In the course of this I proposed, first, that

the European Council should cut the burden of

bureaucracy on businesses by reducing the

number of existing Community rules and

regulations and ^{should} ~~by~~ scrutinising any proposed ^{new}

E. R.

Council.

We also broadly endorsed the first report of
the Committee on ^{Chairman} ~~People's~~ Europe.

This contains a number of specific proposals
for easier movement across frontiers, higher
travellers' allowances, easier arrangements

for road transport, mutual recognition of

qualifications, and right of residence ~~linked to proof~~

linked to proof of adequate resources, all of

them designed to bring ^{advantages} ~~tangible~~ benefits to

individual citizens.

UK need to further

I made absolutely clear the need to maintain

strong controls ^{against} ~~on~~ drugs, terrorism and

illegal immigration; ^{also} and (that the completion

of the single ^{internal} market does not imply tax

harmonisation.

The Council agreed the text of the revised decision on
the own resources of the Community and I am
arranging for copies to be made available in
the Library.

It will be submitted to national Parliaments
for ratification.

This text provides for new own resources
generally to be available from 1 January
1986.

It also puts into law the Fontainebleau
arrangements for abating the United Kingdom's
contributions by reducing the amount of VAT
paid over to the Community.

D. R.

It also includes the United Kingdom's
 1,000 million ecu abatement for 1984, which
 will become available after ratification of
 this decision. and without waiting for
 any general increase in the Community
 resources

HMT
 suggested
 addition

The European Council also discussed the measures to
 strengthen technology in the Community, in
 particular through mutual recognition of

industrial standards and the opening up of
 public ^{procurement} contracts. to competition tender ^{awards} ~~for the~~
~~Community firms~~ ^{the Community}
 We also discussed ~~environmental policy~~ and

East/West relations, welcoming the opening of
 the Geneva negotiations, and exchanged views
 on the Middle East, ~~South Africa~~ and Latin

America, ^{South Africa} where we expressed

from concern about recent events



10 DOWNING STREET

From the Private Secretary

1 April 1985

Dear Colin,

EUROPEAN COUNCIL: PRIME MINISTER'S STATEMENT IN THE HOUSE

This has been further refined and I am circulating a revised version to a wider circle of departments. I should be grateful for any comments by 1200 hours on 2 April.

I am copying this letter to Rachel Lomax (HM Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries & Food), Callum McCarthy (Department of Trade and Industry), John Graham (Scottish Office) and David Williamson (Cabinet Office).

Yours sincerely,

(C.D. Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office

BTC

With permission, Mr. Speaker, I should like to make a statement about the European Council held in Brussels on 29-30 March, at which I was accompanied by my right hon and learned Friend, the Foreign and Commonwealth Secretary. I have arranged for the Conclusions of the Council to be placed in the library of the House.

The European Council welcomed the completion shortly beforehand of the negotiations for the entry of Spain and Portugal into the European Community.

The United Kingdom has long supported enlargement which will strengthen democracy

in these two countries.

The drafting of the Treaty of Accession will now be rapidly completed and submitted to the twelve national Parliaments for ratification and the entry of Spain and Portugal on 1 January 1986.

The terms are very satisfactory for the United Kingdom.

In particular, there will be quicker dismantling by Spain in the early years of its high tariffs on certain industrial goods, including cars, to the benefit of the United Kingdom exporters.

There will be no detriment to our fishing industry; no reductions in the fish quotas

available to British fishermen and no new access for Spanish fishing boats to the North Sea fishing grounds.

There will be a full opportunity for the House to consider these points when the Act of Accession is presented for ratification.

The European Council also agreed on the financing of Integrated Mediterranean Programmes over a period of seven years, to help the Mediterranean member states adjust to the effects of enlargement.

A total additional amount of 1.6 billion ecu [£960] will be made available for these programmes.

As a result of the Fontainebleau mechanism, the United Kingdom financing share will be about £9.5 million a year.

These areas will also benefit substantially from the structural funds as a result of decisions already taken and from 2.5 billion ecu of loans from the European Investment Bank.

We had a full discussion of the economic situation.

In the course of this I proposed, first, that the European Council should cut the burden of bureaucracy on businesses by reducing the number of existing Community rules and regulations and by scrutinising any proposed

legislation in the same spirit.

It is private enterprise which creates jobs;

we must give them the freedom to do so.

Secondly, I proposed steps to moderate labour

costs and remove restrictive practices, so as

to increase the demand for labour.

The United Kingdom's initiative was widely

welcomed in the European Council and is

reflected in the Conclusions.

The Commission has been asked to follow it

through.

The European Council had before it the final report of

the Committee on Institutions.

Decisions will be taken at the June European

Council.

We also broadly endorsed the first report of the Committee on People's Europe.

This contains a number of specific proposals for easier movement across frontiers, higher travellers' allowances, easier arrangements for road transport, mutual recognition of qualifications, and right of residence, linked to proof of adequate resources, all of them designed to bring tangible benefits to individual citizens.

I made absolutely clear the need to maintain strong controls on drugs, terrorism and illegal immigration; and that the completion of the single market does not imply tax

harmonisation.

The Council agreed the text of the revised decision on the own resources of the Community and I am arranging for copies to be made available in the Library.

It will be submitted to national Parliaments for ratification.

This text provides for new own resources generally to be available from 1 January 1986.

It also puts into law the Fontainebleau arrangements for abating the United Kingdom's contributions by reducing the amount of VAT paid over to the Community.

It also includes the United Kingdom's 1,000 million ecu abatement for 1984, which will become available after ratification of this decision.

The European Council also discussed the measures to strengthen technology in the Community, in particular through mutual recognition of industrial standards and the opening up of public contracts.

We also discussed environmental policy and East/West relations, welcoming the opening of the Geneva negotiations, and exchanged views on the Middle East, South Africa and Latin America.

This Council marks the conclusion of a period of

important decision in the European Community:

agreement on the entry of Spain and Portugal;

agreement on the implementation of the

favourable budgetary arrangements for the

United Kingdom negotiated at Fontainebleau:

agreement on the Integrated Mediterranean

Programmes; progress on the environment,

including the recent agreement on vehicle

emissions; and the launching of an initiative

to truly open up the common market and to

reduce the burdens on business as a means of

stimulating the creation of more jobs.

PRIME MINISTER

c Mr Ingham
Mr Butler

EUROPEAN COUNCIL: PARLIAMENTARY
STATEMENT

I attach a draft statement on the European Council to be made on Tuesday. It is a bit shorter than the version you looked at on the aircraft.

C.D.P.

(Charles Powell)

30 March 1985

With permission, Mr. Speaker, I should like to make a statement about the European Council held in Brussels on 29-30 March, at which I was accompanied by my rt hon and learned Friend, the Foreign and Commonwealth Secretary. I have arranged for the Conclusions of the Council to be placed in the library of the House.

The European Council welcomed the completion shortly beforehand of the negotiations for the entry of Spain and Portugal into the European Community.

The United Kingdom has long supported enlargement which will strengthen democracy

in these two countries.

The drafting of the Treaty of Accession will now be rapidly completed and submitted to the twelve national Parliaments for ratification and the entry of Spain and Portugal on 1 January 1986.

The terms are very satisfactory for the United Kingdom.

In particular, there will be quicker dismantling by Spain in the early years of its high tariffs on certain industrial goods, including cars, to the benefit of the United Kingdom exporters.

There will be no detriment to our fishing industry; no reductions in the fish quotas

available to British fishermen and no new access for Spanish fishing boats to the North Sea fishing grounds.

There will be a full opportunity for the House to consider these points when the Act of Accession is presented for ratification.

The European Council also agreed on the financing of Integrated Mediterranean Programmes over a period of seven years, to help the Mediterranean member states adjust to the effects of enlargement.

A total additional amount of 1.6 billion ecu will be made available for these programmes.

As a result of the Fontainebleau mechanism,

the United Kingdom share will be about £9.5 million a year.

These areas will also benefit from increases in the structural funds as a result of decisions already taken and from 2.5 billion ecu of loans from the European Investment Bank.

Britain's receipts from the structural funds will not be affected.

We had a full discussion of the economic situation.

In the course of this I proposed, first, that the European Council should cut the burden of bureaucracy on businesses by reducing the number of existing Community rules and

regulations and by scrutinising any proposed legislation in the same spirit.

It is private enterprise which creates jobs; we must give them the freedom to do so.

Secondly, I proposed steps to moderate labour costs and remove restrictive practices, so as to increase the demand for labour.

The United Kingdom's initiative was widely welcomed in the European Council and is reflected in the Conclusions.

The Commission has been asked to follow it through.

The European Council had before it the final report of the Committee on Institutions.

We decided that there should be contacts between Community governments leading to a substantive discussion and decisions on what action, if any, might be taken at the June European Council.

We also broadly endorsed the first report of the Committee on People's Europe.

This contains a number of specific proposals for easier movement across frontiers, higher travellers' allowances, easier arrangements for road transport, mutual recognition of qualifications, and right of residence, linked to proof of adequate resources, all of them designed to bring tangible benefits to individual citizens.

I made absolutely clear the need to maintain strong controls on drugs, terrorism and illegal immigration; and that the completion of the single market does not imply tax harmonisation.

The text of the revised decision on the own resources of the Community was also agreed.

It will now be submitted to national Parliaments for ratification.

This text will put into law, subject to ratification of the Accession Treaty, the increases in the Community's own resources from 1 January 1986.

It includes the Fontainebleau mechanism for

abatements of the United Kingdom's VAT contributions.

It also includes the United Kingdom's 1,000 million ecu abatement for 1984, which will become available immediately on ratification of this decision and without waiting for any general increase in the Community's resources.

The European Council also discussed the measures to strengthen technology in the Community, in particular through mutual recognition of industrial standards and the opening up of public contracts.

We also discussed environmental policy and

East/West relations, welcoming the opening of the Geneva negotiations, and exchanged views on the Middle East, South Africa and Latin America.

This Council marks the conclusion of a period of important decision in the European Community: agreement on the entry of Spain and Portugal; agreement on the implementation of the favourable budgetary arrangements for the United Kingdom negotiated at Fontainebleau; agreement on the Integrated Mediterranean Programmes; progress on the environment, including the recent agreement on vehicle emissions; and the launching of an initiative

to truly open up the common market and to
reduce the burdens on business as a means of
stimulating the creation of more jobs.

Private Secretary

Charles

The Eurojuncties
thought you ought
to have a copy
with you at
Chequers.

Len

AD HOC COMMITTEE
FOR INSTITUTIONAL AFFAIRS

*Also known as
DOOGRE
Committee
Report!!*

**REPORT
TO
THE EUROPEAN COUNCIL**

Brussels, 29-30 March 1985

AD HOC COMMITTEE
FOR INSTITUTIONAL AFFAIRS

**REPORT
TO
THE EUROPEAN COUNCIL**

Brussels, 29-30 March 1985

CONTENTS

	<u>Page</u>
Preface	
I. A genuine political entity	3
II. Priority objectives	4
A. A homogeneous internal economic area	4
(a) Through the completion of the Treaty	4
1. through the creation of a genuine internal market	4
2. through the increased competitiveness of the European economy	6
3. through the promotion of economic convergence	7
(b) Through the creation of a technological community	8
(c) Through the strengthening of the EMS	10
(d) Through the mobilization of the necessary resources	12
B. Promotion of the common values of civilization	13
C. The search for an external identity	17
(a) External policy	18
(b) Security and defence	20
III. The means: Efficient and democratic institutions	23
A. Easier decision-making in the Council	24
B. A strengthened Commission	28
C. The European Parliament as a guarantor of democracy	30
D. The Court of Justice	32
IV. The method	33
Annex A	34
Annex B	35
Members of Committee	36

Preface ⁽¹⁾⁽²⁾

After the Second World War Europe made a very promising start by setting up, firstly with the European Coal and Steel Community (ECSC) and then with the European Economic Community (EEC), an unprecedented construction which could not be compared with any existing legal entity. The Community - based on the principles of pluralist democracy and the respect for human rights which constitute essential elements for membership and is one of the constant objectives of its activities throughout the world - answered the complex and deeply felt needs of all our citizens.

Although the Community decided to complete this construction as from the Summit in the Hague in 1969 and Paris in 1972, it is now in a state of crisis and suffers from serious deficiencies.

In addition, however, the Member States have become caught up in differences which have obscured the considerable economic and financial advantages which would be obtained from the realization of the Common Market and from Economic and Monetary Union.

Furthermore, after ten years of crisis, Europe, unlike Japan and the United States, has not achieved a growth rate sufficient to reduce the disturbing figure of almost 14 million unemployed.

⁽¹⁾ See Mr MØLLER's comments in Annex A.

⁽²⁾ See Mr PAPANTONIOU's comments in Annex B.

In this state of affairs Europe is faced with ever more important challenges both in the field of increasing industrial and technological competition from outside and in the struggle to maintain the position of political independence which historically it has held in the world.

Faced with these challenges, Europe must recover faith in itself and launch itself on a new common venture - the establishment of a political entity based on clearly defined priority objectives coupled with the means of achieving them.

The Community has not lost sight of the fact that it represents only a part of Europe. Resolved to advance together, the Member States remain aware of the civilization which they share with the other countries of the continent, in the firm belief that any progress in building the Community is in keeping with the interests of Europe as a whole.

o

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o

The Committee has placed itself firmly on the political level, and without purporting to draft a new Treaty in legal form, proposes to set out the objectives, policies and institutional reforms which are necessary to restore to Europe the vigour and ambition of its inception. ⁽¹⁾

⁽¹⁾ Mr MØLLER felt that the difficulties facing the construction of Europe resulted from a failure to implement the existing Treaties fully and could be remedied by the strict application of the Treaties. He considered that the achievement of European Union, as already foreseen in existing statements, was the objective.

I

A genuine political entity ⁽¹⁾⁽²⁾

It is not enough to draw up a simple catalogue of measures to be taken - even if they are precise and concrete - since such exercises have often been attempted in the past without achieving results. We must now make a qualitative leap and present the various proposals in a global manner, thus demonstrating the common political will of the Member States. At the end of the day that will must be expressed by the formulation of a genuine political entity ⁽¹⁾ among European States: i.e. a European Union

- with the power to take decisions in the name of all citizens, by a democratic process according to their common interest in political and social development, economic progress and security ⁽³⁾, and according to procedures which could vary depending on whether the framework is that of intergovernmental co-operation, the Community Treaties, or new instruments yet to be agreed;
- in keeping with the personality of each of the constituent States.

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who suggested replacing "a genuine political entity" by "a genuine economic and political entity".

⁽²⁾ Mr MØLLER considered that the expression "a genuine political entity" should be replaced by the expression "European Union".

⁽³⁾ Mr MØLLER considered that the point security should be limited to the political and economic aspects of security.

II

Priority objectives

A. A homogeneous internal economic area

The aim is to create a homogeneous internal economic area, by bringing about the fully integrated internal market envisaged in the Treaty of Rome as an essential step towards the objective of economic and monetary union called for since 1972, thus allowing Europeans to benefit from the dynamic effects of a single market with immense purchasing power. This would mean more jobs, more prosperity and faster growth and would thus make the Community a reality for its citizens.

(a) Through the completion of the Treaty

1. by creating a genuine internal market by the end of the decade on the basis of a precise timetable.

This involves:

- the effective free movement of European citizens (*);
- a favourable climate for investment and innovation through stable and coherent economic, financial and monetary policies in the Member States and the Community;

(*) dealt with by the Committee for a Peoples' Europe.

- pending the adoption of European standards, the immediate mutual recognition of national standards by establishing the simple principle that all goods lawfully produced and marketed in a Member State must be able to circulate without hindrance throughout the Community;
- more rapid and co-ordinated customs procedures, including the introduction as planned of a single administrative document by 1987;
- the early introduction of a common transport policy;
- the creation at an early date of a genuine common market in financial services, including insurance; ⁽¹⁾
- the opening up of access to public contracts; ⁽¹⁾
- the creation of conditions which will favour co-operation between European undertakings and in particular the elimination of taxation differences that impede the achievement of the Community's objectives;
- the strengthening of European financial integration, inter alia through the free movement of capital and the creation of a European financial market, hand in hand with the strengthening of the European monetary system. ⁽¹⁾

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who considered that the introduction of these policies should take account of the particular situation of national economies.

2. through the increased competitiveness of the European economy. ⁽¹⁾

European economic life must be made fully competitive through a return to the fundamental principle embodied in the Treaties of promoting efficient producers, involving in particular:

- the removal of all measures distorting competition in the Common Market, notably through an application of national and Community competition rules, adapted to the new industrial situation, and through strict control of national State aids in compliance with the rules of the Treaties; ⁽²⁾
- introduction of the necessary transparency in nationalized industries in order to safeguard the principles laid down in the Treaties.

⁽¹⁾ In addition Mr MØLLER stressed that all the measures in the agricultural area which have in recent years been introduced with the intention of renationalizing the common agricultural policy should be dismantled.

⁽²⁾ Reservation entered by Mr PAPANTONIOU who considered that the application of competition rules of the Treaties should take account of the particular situation of the less developed economies.

3. through the promotion of economic convergence ⁽¹⁾⁽²⁾

- the promotion of solidarity amongst the Member States aimed at reducing structural imbalances which prevent the convergence of living standards, through the strengthening of specific Community instruments and a judicious definition of Community policies;
- the effective pursuit of integration and the strengthening of Community institutions that underlies it, require positive action to counter the tendencies to inequality and promote the convergence of living standards. ⁽³⁾

⁽¹⁾ Reservation by Mr PAPANTONIOU who argued that the text should stress more explicitly the need to reinforce the policies aiming at economic convergence, and should give a more comprehensive definition of their scope.

⁽²⁾ Mr RUHFUS entered a reservation. He argues that economic convergence by its very nature is a convergence of economic policies aiming at the objectives set out in Article 104 of the Treaty establishing the European Economic Community. It will thus help to improve living conditions in the individual Member States. On this basis, positive action is required to counter tendencies to inequality and to reduce structural imbalances in the Community.

Mr VAN EEKELEN concurs with the argument of Mr RUHFUS.

⁽³⁾ Reservation by Mr HERMAN who wishes to see the text of the second paragraph replaced by a call for greater coherence between the economic policies of the Member States which is a better guarantee of a reduction in the differences in living standards.

(b) Through the creation of a technological community

The growth capacity of Europe, backed up by this genuine internal market, will have to be based, inter alia, on wholehearted participation in technological innovation, and must result in the creation of a technological community through, among other things, the introduction of faster decision-making procedures. This process must enable European industry to become a powerful competitor internationally in the field of production and application of the advanced technologies.

This means in particular

- that industrial enterprises in the Community must have at their disposal common European standards and suitable procedures for advanced technology products;
- that international co-operation during the development phase must be strengthened;
- that public and semi-public contract procedures in the Community, concerning inter alia, the supply and use of electronic and communications equipment, must be liberalized; ⁽¹⁾
- that the exchange of services connected to the use of advanced technology must be liberalized; ⁽¹⁾
- that a successful techno-industrial development in the technological community depends upon and must increasingly allow for wider scope for individual creativity and performance;

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who considered that the introduction of these policies should take account of the particular situation of national economies.

and, in addition the following specific activities:

- the development of vocational education and training;
- the encouragement of universities and research institutes to orient their activities more towards the commercial sector and to ensure the transfer of the results of their work;
- the co-ordination of research and development at national and Community level;
- the promotion and support of greater industrial co-operation between European companies including the launching of transnational projects in key sectors;
- the furthering of undistorted international exchange of technology and advanced technological products through an active common commercial policy in conformity with GATT obligations.

(c) by the strengthening of the European Monetary System (EMS)

The European Monetary System, which was created and set up pending restoration of the conditions for the gradual achievement of Economic and Monetary Union, is one of the achievements of the Community during the last decade. It has enabled the unity of the Common Market to be preserved, reasonable exchange rates to be maintained and the foundations for the Community's monetary identity to be laid.

The time has come however, to forge ahead towards monetary integration through

- the closer co-ordination of economic, budgetary and monetary policies with the aim of true convergence of economic performance;
- the liberalization of capital movements and the removal of exchange controls; ⁽¹⁾
- the strengthening of the European monetary and financial market to make it attractive and capable of supporting the growth and investment effort;
- the participation of all the Member States both in the EMS and in the exchange rate mechanism, provided that the necessary economic and monetary conditions are met;

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who considered that the introduction of these policies should take account of the particular situation of national economies.

- the increased but non-inflationary use of the ECU in transactions between Central Banks whether they are members of the system or not;
- the elimination consistent with monetary stability of obstacles to the use of the ECU in private transactions;
- the promotion of the ECU as an international reserve currency; the co-ordination of exchange policies with regard to third currencies and in particular the dollar and the strengthening of the role of the European Monetary Co-operation Fund (EMCF) by stages depending on the progress made in the use of the ECU. ⁽¹⁾

Through these measures as a whole it will be possible for the EMS to progress towards the second institutional phase envisaged in the decision of the European Council in Bremen in 1978.

⁽¹⁾ Reservation entered by Mr RUHFUS. He emphasized that, for the ECU to become an international reserve currency, some major requisites are still lacking at present. A strengthening of the role of the EMCF is primarily dependent on further progress in the convergence of economic policies and on its consolidation through institutional development.

(d) through mobilization of the necessary resources ⁽¹⁾

Intensifying the efforts already undertaken, framing new policies and delegating new tasks to the Community will often, but not always, entail additional expenditure which will necessitate transfers of resources. Such resources should be made available in the context of a clearly identifiable Community financing system firmly based on the own resource principle. This system, that would come under review at reasonable intervals, should endow the Community with a stable revenue base for a sufficiently long period.

Actual transfers of resources will only be feasible if they are subject to strict budgetary control and if in most cases this is reflected in savings in the Member States.

⁽¹⁾ Mr MØLLER considered that the increase in the VAT ceiling agreed by the European Council at Fontainebleau would scarcely be sufficient for the promotion of new policies.

The size of additional resources must be determined by the need to continue existing common policies and to develop new ones, in particular with regard to research and technology.

B. Promotion of the common values of civilization

The contemplated European Union will not rest on an economic community alone. The logic of integration has already led Member States to co-operate in fields other than economic ones and will continue to lead them still further along that path. The accentuation of this essential process will give a European dimension to all aspects of collective life in our countries.

To that end a number of measures must be undertaken, whenever possible in close co-operation with European countries which are not members of the Community and with the Council of Europe, which makes a valuable contribution especially with regard to the promotion of human rights and the common cultural identity.

These measures are:

1. Measures to protect the environment

Pollution, in most of its forms does not recognize frontiers and poses an increasing danger to the environment and the health of people both within the Community and outside. High priority must be given to the protection of the environment and the improvement of working conditions and safety at work.

2. Gradual achievement of a European Social Area

An integrated internal economic area must be based not only on industrial, economic and monetary policies, but also on social policy. In this field, the Union will have to remain true to the objectives which the Community set itself from its inception and will have to have the necessary powers and means to act whenever social policy measures are required at European level.

Progressive introduction of a European social area, as the logical follow-on from an economically integrated, dynamic and competitive Community with the will to achieve full and better employment entails:

- definition of frameworks for action, particularly in the basic fields listed in Article 118 of the Treaty, either by harmonization, by the adoption of joint decisions or by any other appropriate measures;
- pursuance of a social policy that reflects the medium-term social action programme and the changing economic and social needs of the Community;
- development of the dialogue between employers and employees at European level, which could result, where they judge it desirable, in contractual relations between them.

3. Gradual establishment of a homogeneous judicial area

This means

- increasing protection of fundamental freedoms and rights as they derive from common basic principles and the European Convention on Human Rights. The Court of Justice has played an essential role in this context and will do so even more in the future;
- increased harmonization or approximation of national laws in all the fields covered by the European Union, insofar as these are consistent with the objectives of the Union;
- envisaging, in certain areas of intergovernmental co-operation, agreements between Member States which would, in cases where unanimous agreement could not be reached, apply among those States having ratified them if the latter constitute a strong majority;
- a campaign against large-scale crime and terrorism by increasing co-operation between Member States;
- further codification of Community law.

4. The promotion of common cultural values

European culture is one of the strongest links between the states and peoples of Europe. It is part of the European identity. The promotion of the European cultural identity should be a comprehensive expression of the cultural variety and each nation's individual values which form an integral part of it.

The promotion of common cultural values and the European cultural identity requires:

- the safeguarding of the European cultural heritage,
- support for cultural creation,
- measures to overcome language barriers,
- the development of new media in a European-wide context,
- the elimination of obstacles to the free circulation of cultural goods and communication,
- an improvement in the level of knowledge about all the peoples of the Community in all their diversity and their different contributions to European culture, ⁽¹⁾
- the intensification of exchange programmes.

The European Foundation and the European University Institute should be associated with these actions. Co-operation with third countries and in the wider international context should also be encouraged. The practical realization of cultural co-operation requires a coherent organizational framework.

⁽¹⁾ Mr FERRI feels that minority cultures should be expressly mentioned here, as their protection is an achievement of democratic pluralism in its modern form.

C. The search for an external identity ⁽¹⁾

Europe's external identity can be achieved only gradually within the framework of common action and European Political Co-operation (EPC) in accordance with the rules applicable to each of these. It is increasingly evident that interaction between these two frameworks is both necessary and useful. They must therefore be more closely aligned. The objective of European Political Co-operation must remain the systematic formulation and implementation of a common external policy. ⁽²⁾

Similarly in the case of security, although a fundamental aim of European Union is indeed the cohesiveness and solidarity of the countries of Europe within the larger European and western framework, it will only be possible to achieve that aim by paying special attention to the existing Alliances on the one hand, and the differing individual situations on the other, including the situations of the two nuclear powers which are members and of certain Member States facing specific problems in this field.

⁽¹⁾ Mr MØLLER entered a general reserve on all of this section. He considered that, instead of structural changes, it is necessary to have a new pragmatic development of European political co-operation on the existing base, which has already shown itself to be effective to further this development. Particularly in relation to security, it should be confined to political and economic aspects.

⁽²⁾ Reservation entered by Mr PAPANTONIOU who suggested replacing the last sentence by:
"The objective of European political co-operation must remain the systematic search for common positions in external affairs".

(a) External policy

It should first of all be noted that common policies, which have an external dimension, are provided for in the Treaties and already exist, along with external policies such as the development policy and the commercial policy.

In particular, Community development policy must be intensified, without prejudice to the traditional actions of the Member States.

On the diplomatic front several measures could be considered initially which might allow progress to be made towards finding a common voice. ⁽¹⁾

1. the strengthening of Political Co-operation structures by
 - the creation of a permanent political co-operation secretariat to enable successive Presidencies to ensure greater continuity and cohesiveness of action; the secretariat would to a large extent use the back-up facilities of the Council and should help to strengthen the cohesion between political co-operation and the external policies of the Community;
 - the regular organization of EPC working meetings at the Community's places of work, while meetings of Ministers should also be arranged in the Member States' capitals.

⁽¹⁾ Reservation entered by Mr PAPANTONIOU on points 1, 2, 3 and 4 of the section on external policy. He argued in favour of preserving the informal character of present EPC arrangements and stressed the importance of consensus in the search for common positions.

2. The improvement of Political Co-operation through

- an explicit undertaking by the Member States to promote EPC by agreeing to a formalization of the commitments to a prior consultation procedure;
- seeking a consensus in keeping with the majority opinion with a view to the prompt adoption of common positions and to facilitating joint measures;
- adopting common positions in multilateral and inter-regional relations, particularly at the United Nations.

3. Member States and the Community should examine on a case-by-case basis the desirability of common representation at international institutions, especially in the UN framework and in the countries where only a few Member States are represented.

4. Codification of EPC rules and practices.

(b) Security and defence ⁽¹⁾

The aim is to encourage greater awareness on the part of the Member States of the common interests of the future European Union in matters of security. The relevant Member States will make the fullest contribution both to the maintenance of adequate defences and political solidarity, and to the pursuit of security at the lowest possible level of forces through the negotiation of balanced and verifiable measures of arms control and disarmament.

In any event, this question will have to take account of

- (1) the frameworks which already exist (and of which not all partners in the European Community are members) such as the Atlantic Alliance, the framework for and basis of our security, and Western European Union, the strengthening of which, now under way, would enrich the Alliance with its own contribution; ⁽²⁾
- (2) the differing capabilities and responsibilities and the distinctive situations of the Community Member States;

⁽¹⁾ Mr DOOGE did not agree to the inclusion of the section on Security and Defence.

⁽²⁾ Reservation entered by Mr PAPANTONIOU who suggested replacing point 1 by "the frameworks which already exist (and of which not all partners in the European Community are members) such as the Atlantic Alliance and the Western European Union".

(3) the existence of interests and objectives which Member States, while respecting their individual situations as regards defence and security, recognize as common, in particular the need for the Atlantic Alliance to maintain adequate military strength in Europe for effective deterrence and defence, in order to preserve peace and protect democratic values. ⁽¹⁾

Accordingly, the following measures are proposed:

(i) Developing and strengthening consultation on security problems as part of political co-operation. Such consultation could involve in particular:

- discussion of the nature of external threats to the security of the Union;
- discussion of the way in which Member States' security interests may be affected by the international context, in particular by developments in weapons technology and strategic doctrines, changes in relations between the great powers and the progress of negotiations on disarmament and arms control;
- an effort to harmonize, whenever possible, the stances to be taken by Member States on the major problems posed by the preservation of peace in Europe.

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who proposed the deletion of "for the Atlantic Alliance".

- (ii) The stepping-up of efforts to draw up and adopt common standards for weapons systems and equipment, taking account of the work being done in the relevant bodies.

Particular attention is to be paid by Member States to:

- rationalizing their military equipment research and development;
- support for production capacity for high-technology equipment which can strengthen Europe's defensive capabilities.

- (iii) A commitment by Member States to design, develop and produce such systems and equipment jointly.

- (iv) The will on the part of the Member States to create the technological and industrial conditions necessary for their security.

III

The means: efficient and democratic institutions ⁽¹⁾

European Union - like the Community today - needs Institutions which are entirely at the service of the common interest. Their functioning and behaviour must clearly reflect the original nature of their purpose, within the framework of their specific powers. It is of primary importance that the Institutions should comply with and apply the rules of the Treaties.

The trend towards the European Council's becoming simply another body dealing with the day-to-day business of the Community must be reversed. Heads of State and of Government should play a strategic role and give direction and political impetus to the Community. For this purpose two European Council meetings a year should suffice.

⁽¹⁾ Reservation entered by Mr MØLLER on this chapter. Mr MØLLER considers that the problems faced by the Community are not due to the failure or imperfections of the Institutions of the Community system. On the contrary, it may be said that the gradual deviation and derogations from these fundamental principles together with a lack of political will to take decisions are the root of many of the problems of today. The balance between the Institutions should accordingly be re-established by respecting the distribution of competences between them as laid down in the Treaties.

A. Easier decision-making in the Council,

which means primarily changes in practice and certain adjustments to existing rules:

- less bureaucracy within the Institutions, as national authorities have, through their experts, gained too much ground over the last ten years; in particular, the authority of the Permanent Representatives over the various Working Parties must be strengthened in order to improve the preparation of the Council's decisions and to focus its discussions on the most important matters;
- the growing number of areas of Community activity has led over the years to the Council meeting in a multiplicity of special compositions. The Council must remain a single Institution in which a pre-eminent role of co-ordination and guidance must be preserved for the Ministers with general responsibilities (the "General Affairs" Council);
- the rules and procedures governing the Council should be rigorously applied in the interests of its own efficiency and internal cohesion;

- concerning principles of voting:

- (a) The majority of the Committee favour the adoption of the new general principle that decisions must be taken by a qualified or simple majority. Unanimity will still be required in certain exceptional cases, which will have to be distinctly fewer in number in relation to the present Treaties, the list of such cases being restrictive.

In a spirit of a return to the Treaties, the Presidency must call a vote if the Commission or three Member States so request. The vote must be taken within thirty days. ⁽¹⁾ ⁽²⁾ ⁽³⁾

⁽¹⁾ This proposal is supported by Mr FAURE, Mr FERRI, Mr HERMAN, Mr RIPA DI MEANA, Mr RUHFUS and Mr VAN EEKELEN. Mr DONDELINGER accepted this because he considered that this text distanced itself least from the present situation.

⁽²⁾ Mr DOOGE, though in agreement with the principle underlying this text, felt unable to support the text because, though not excluding the pleading in exceptional circumstances of a vital interest, it did not include any explicit reference to the protection of vital national interests in exceptional circumstances.

⁽³⁾ Mr HERMAN underlines the considerable progress which distinguishes these proposals from the solutions envisaged in the Interim Report of the Committee in the matter of voting and the veto.

- (b) The minority of the Committee considered that more use will need to be made, especially in the context of the enlarged Community, of the majority voting provisions laid down in the Treaties. Once a reasonable time has been devoted to the search for consensus, the Presidency should call for a vote.

Where the Treaties require decisions to be taken by unanimity Member States should also make greater use of the possibility of abstention in accordance with Articles 148(3) (EEC), 118 (EAEC) and 28 (ECSC).

When a Member State considers that its very important interests are at stake, the discussion should continue until unanimous agreement is reached. ⁽¹⁾

⁽¹⁾ This proposal is supported by Mr MØLLER, Mr PAPANTONIOU and Mr RIFKIND. Mr RIFKIND also considers that, in order to prevent abuse, a member of the Council insisting that discussion should continue in this way should, through a special procedure of the Council, explain fully and formally why his Government considers that a very important interest is at stake.

- in order to ensure the implementation of certain decisions, the use in exceptional circumstances of the method of differentiated Community rules, provided such differentiation is limited in time, is based solely on economic and social considerations and respects the principle of budget unity. ⁽¹⁾

⁽¹⁾ Reserve entered by Mr MØLLER.

B. A strengthened Commission

The Commission guarantees autonomous representation of the common interest. Wedded to the general interest whose guarantor it is, the Commission cannot be identified with individual national interests.

If it is to carry out fully the tasks entrusted to it, which make it the lynchpin of the Community, its powers must be increased, in particular through greater delegation of executive responsibility in the context of Community policies.

In the first place, its autonomy must be confirmed so that it can be completely independent in the performance of its duties in accordance with the obligation specifically imposed upon it and on each of its Members individually.

To this end it is proposed that the President of the Commission be designated by the European Council.

The other members of the college shall be appointed by common accord of the Governments of the Member States, acting on a proposal from the President-designate. ⁽¹⁾

⁽¹⁾ Mr RIFKIND considers that the other members of the college should be nominated by Member States, after consultation with the President-designate, and appointed by common accord of the Governments of the Member States.

The Commission must not include more than one national from any Member State. ⁽¹⁾

At the beginning of its term of office the Commission should receive a vote of investiture on the basis of its programme. ⁽²⁾

Similarly, the Commission must now be acknowledged as an organ with full powers of initiative, implementation and administration.

⁽¹⁾ Mr RUHFUS entered a reservation on this point. He argued that such a change would not improve the supranational character of the Commission and would considerably change the internal balance, which has proved its worth ever since the establishment of the Community.

⁽²⁾ Reservation by Mr PAPANTONIOU who suggested replacing the text of the four preceding paragraphs by the following text:

"To this end it is proposed that the President of the Commission be designated unanimously by the European Council, and be consulted by the Governments of the Member States prior to the nomination of the Commissioners. The Commission should be composed of one member per Member State."

C. The European Parliament as a guarantor of democracy in the European system ⁽¹⁾

A Parliament elected by universal suffrage cannot, if the principles of democracy are logically applied, continue to be restricted to a consultative role or to having cognizance of only a minor part of Community expenditure. That dooms it to oblivion or over-statement, and more often than not to both.

An enhanced role will be sought for it in three areas:

- (a) - by effective participation in legislative power, the scope of which will be specifically defined, in the form of joint decision-making with the Council; to this end the Commission proposal will be discussed first of all by the European Parliament; the Council will deliberate on the text adopted by the European Parliament; in the event of disagreement, a conciliation procedure will be initiated on the basis of a proposal of the Commission; the Commission will retain its power of initiative throughout the legislative procedure; ⁽²⁾

⁽¹⁾ Mr RIFKIND entered a reservation on this section. He considers that the European Parliament should be encouraged, within its Treaty powers, to make a more effective contribution to Community decision-making. The Parliament should make more use of its right to put forward proposals for Community action. The Council should follow up resolutions with the Parliament, or explain its reasons for not doing so. There should be improvement and extension of the conciliation procedure, in particular by more effective consultation between the Council and the Parliament at earlier stages of the consideration of proposals.

⁽²⁾ Reservation of Mr PAPANTONIOU. He did not agree with joint decision-making between Parliament and Council in the legislative area and argued in favour of improving the conciliation procedure and extending its field of application.

- (b) - by increasing its supervision of the various policies of the Union and its political control over the Commission and over co-operation in the external policy field; the association and accession agreements negotiated by the Union will also be submitted to the European Parliament for approval; ⁽¹⁾
- (c) - by giving it responsibility in decisions on revenue as the coping-stone of the establishment of a new basic institutional balance;
- conciliation between Parliament and the Council would take place at the moment when the frame of reference on the basis of multiannual planning is defined;
 - decisions governing the development of own resources will be taken jointly by the Council and Parliament so that the latter may be able to have a hand in the balancing of expenditure by revenue.

These developments should go hand in hand with increased representativeness of Parliament itself through the standardization of voting procedures to elect its members.

⁽¹⁾ Reservation entered by Mr PAPANTONIOU who suggested deleting the last sentence of (b).

D. Court of Justice

The binding nature of the law of the Union gives the Court of Justice of the European Communities an essential role to play in progress towards European Union. The Court ensures compliance with the rights, obligations and powers laid down in the Treaties. The Court must be consolidated in its role of supreme arbiter in all matters coming under the Treaties, including the protection of the basic rights of individuals guaranteed under the Community legal order. To this end, the Court:

- must be relieved in an appropriate manner of responsibilities incumbent upon it as regards disputes between officials and the Institutions;
- must be given jurisdiction for the interpretation of agreements concluded within the ambit of the Treaties as far as possible by means of a standard clause.

IV

The method ⁽¹⁾

The Committee proposes that a Conference of the Representatives of the Governments of the Member States should be convened in the near future to negotiate a draft European Union Treaty based on the "acquis communautaire", the present document and the Stuttgart Solemn Declaration on European Union and guided by the spirit and method of the draft Treaty voted by the European Parliament:

- the parties to the Conference will be the Member States;
- Spain and Portugal will be invited to attend as full members on the assumption that the Treaties of accession have been signed prior to the opening of the Conference;
- the European Commission will participate in the negotiations;
- the European Parliament will be closely associated with the Conference. Its outcome will be submitted to the European Parliament.

The very decision of the Heads of State or of Government to convene such a Conference would have great symbolic value and would represent the initial act of European Union.

⁽¹⁾ Mr PAPANTONIOU and Mr RIFKIND consider that the recommendations in this report should be the subject of consultations between the Governments before the June European Council, so that decisions can be taken by the Heads of Government at that meeting.

Mr MØLLER shared their view, but pointed out that according to the Committee's terms of reference it was not its task to put forward recommendations on the conclusions which the European Council might draw from the report.

Comments by Mr MØLLER

I am not convinced that the overall approach in the report is the right one. I agree that the Community needs a new impetus, but, in my opinion, the following is required.

The decision-making process should be more efficient. The distribution of powers between the Institutions, as laid down in the Treaties, must be respected. The blurring of the powers should stop and be replaced by the clear logic of the Treaties.

The fundamental aim of the Treaty, the bringing about of an efficient production structure, must be re-established, and distorting factors which prevent the attainment of this aim must be rejected. The gradual introduction of quota systems, production thresholds, etc., pose a danger to this principle.

New common policies should be developed to supplement the common agricultural policy. The Community must have further financial means at its disposal for these policies.

Our consultations within the framework of European political co-operation must be intensified and strengthened so that areas of common interest can be identified and agreement can be reached on an increasing number of common positions.

New activities must be developed at European level, and participation in these should not be limited to the present members of the Community.

Comments by Mr PAPANTONIOU

The report rightly identifies the main challenges facing Europe at present. However, the approach followed, while containing many useful elements, does not pay sufficient attention to some important points. The overall gains from economic integration are not only unevenly distributed, but may also disguise losses for the less prosperous regions. The creation, therefore, of an integrated market and a technological community needs to be supplemented by a very substantial effort to strengthen the Community's cohesion by promoting regional development and the convergence of living standards.

In the external field, the improvement of political co-operation and the promotion of solidarity in security matters should take fully into account the particular situation and problems of each Member State, and the need for consensus in the search for common positions.

Finally, institutional reform should reflect the existence of significant possibilities for improved decision-making within the framework of the Treaties, and recognize the necessity of protecting vital national interests when invoked by Member States.

List of Members of the ad hoc Committee on Institutional Affairs

Mr James DOOGE (Chair)
Representative of Mr Garret FitzGerald, Prime Minister of Ireland

Mr Jean DONDELINGER
Representative of Mr Jacques Santer, President of the Government
of Luxembourg

Mr Maurice FAURE
Representative of Mr François Mitterrand, President of the
French Republic

Mr Mauro FERRI
Representative of Mr Bettino Craxi, President of the Italian Council

Mr Fernand HERMAN
Representative of Mr Wilfried Martens, Prime Minister of Belgium

Mr Otto MØLLER
Representative of Mr Poul Schluter, Prime Minister of Denmark

Mr Ioannis PAPANTONIOU
Representative of Mr Andreas Papandreou, Prime Minister of Greece

Mr Malcolm RIFKIND
Representative of Mrs Margaret Thatcher, Prime Minister of the
United Kingdom

Mr Carlo RIPA DI MEANA
Representative of Mr Jacques Delors, President of the Commission

Mr Jürgen RUHFUS
Representative of Mr Helmut Kohl, Federal Chancellor of the
Federal Republic of Germany

Mr Wilhem VAN EEKELEN
Representative of Mr Ruud Lubbers, Prime Minister of the Netherlands

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Secretariat of the Committee:

Katherine MEENAN

Yvon QUINTIN

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AD HOC COMMITTEE
ON A PEOPLE'S EUROPE

REPORT
TO THE
EUROPEAN COUNCIL

Brussels, 29 and 30 March 1985

SN 848/6/85 (EDC)

Committee on a People's Europe

Report to March European Council

INTRODUCTION

1. This report deals with some important topics relating to the "People's Europe":

- Freedom of movement for Community citizens
- Freedom of movement of goods, including transport services
- Administrative formalities for border-area traffic
- Wider opportunities for employment and residence.

In dealing with these topics the Committee has been guided by certain principles which are relevant to its task as a whole.

2. The aim of the Committee is to propose arrangements which will be of direct relevance to Community citizens and which will visibly offer them tangible benefits in their everyday lives. Emphasis is laid on arrangements which have a realistic chance of being implemented in the relatively short term. The goal should be an easing of rules and practices which cause irritation to Community citizens. This is of great importance in making the Community more credible in the eyes of its citizens.
3. Steps forward are not always a question of adopting new rules and regulations. Progress in the view of citizens is often best obtained by implementing decisions already adopted and by their administration in real-life situations. This can be far

more important than formal progress made by the introduction of new uniform rules of little or no consequence for the Community citizen in his everyday life. This consideration is relevant to the institutions of the Community in fulfilling their responsibilities under the Treaties, but also for the Member States themselves by suppressing unnecessary formalities and by taking into account the Community dimension both in their legislation and in their administrative practices.

A. EASING OF RULES AND PRACTICES WHICH CAUSE IRRITATION TO COMMUNITY CITIZENS AND UNDERMINE THE CREDIBILITY OF THE COMMUNITY

4. The problems the Committee deals with in this chapter relate essentially to the freedom of movement of citizens and of their personal goods within the Community. The text of the Fontainebleau mandate called for a study of measures which could be taken to bring about "the abolition of all police and customs formalities for people crossing intra-Community frontiers".
5. The European Council should confirm this position at the same time as it takes the decisions on immediate measures which are set out below. This is a necessary corollary of the programme for the completion of the internal market which has received, rightly, the highest priority. With its manifold ramifications, however, this will require time. Abolishing all formalities would presuppose amongst other things some reasonable degree of fiscal harmonization (especially excise duties), the transfer of taxing points from borders to the interior of each Member State, the gradual application of a common policy on third country citizens and closer co-operation between the police and judicial services of the Member States. For the full and integral implementation of a "Europe without frontiers" ("Europe sans frontières"), Mr Delors, President of the

European Commission has recently proposed 1992 as the target-year. It is indeed a very complex programme on which work has to continue without delay. But in the meantime the measures which are summarized below could and should be decided upon now.

A.1. FREEDOM OF MOVEMENT FOR COMMUNITY CITIZENS

6. The simplest case concerns land-frontiers between two Member States. The case of seaports and airports, although not different in principle, is often more complicated in practice because it also involves more traffic with third country citizens. Therefore, one should not look for identical solutions on every detail immediately; but all efforts should be undertaken without delay to facilitate frontier traffic for the citizens of Europe, taking into account the special situation of countries without common Community frontiers. Care should be taken that progress already obtained in individual cases should not be set back by the introduction of rules of general application. The European Commission has recently presented a draft directive to the Council covering all different aspects of these questions in a comprehensive way, which the Commission considers should be applied by 1 July 1985.

7. The specific recommendations of the Committee, on freedom of movement for Community citizens, are as follows:

7.1. Immediate action

Without waiting for the adoption of a directive by the Council, the European Council should decide now that Member States should take all possible practical steps on the road towards the more comprehensive solution, such as

- at the land frontiers between two Member States, they should proceed in the three months after the meeting of

the European Council to the simplification of control of individual citizens of Member States of the European Community on road frontier posts preferably by direct observation of vehicles travelling at low speed and of which the windscreens have been provided, as appropriate, with a green label showing a white E (indicating that the occupants are in conformity with the rules of the border police and the fiscal and currency rules) with the possibility of more thorough investigation at random ("spot checks") or in special situations; ⁽¹⁾

- examination of the possibility and need for gradually combining control posts at land frontiers and controls at them where this has not yet been done;
- at seaports and airports, the Member States should introduce, as soon as and wherever feasible, practical arrangements in control zones enabling a division of police and customs activities for, on the one hand, citizens of Member States of the Community and, on the other hand, citizens of third countries, with a view to facilitating as much as possible the passage of citizens of Member States by simplified controls, and possibly abolishing systematic controls on the departure of Community citizens;
- the uniform European passport, the introduction of which has long been accepted by the European Council, should be a very important means of facilitating remaining frontier controls.

⁽¹⁾ Such a system of general application should not be applied where it would set back progress already obtained as stated above (page 3).

7.2. Longer-term measures

President Delors has proposed a "Europe sans frontières" by 1992. In order to achieve this objective the European Council should approve a precise timetable (1) for the completion of the single market and decide to put in hand now work on problems related to the effective co-operation between authorities responsible for the fight against crime, as well as to the definition and gradual application of a common policy concerning the entry, movement and expulsion (*) of foreigners, visa policy and the transfer of control of persons to the external frontiers of the Community, and agreements with third countries on expanded co-operation in frontier passage.

7.3. Tourism

The European Council should invite the Community institutions and the competent authorities to give special attention to issues relating to tourism, which is of particular importance to the people of the Community, such as:

- extending the efforts towards a more rational staggering of holiday periods across the national borders on the basis of a regional analysis of holiday traffic;
- improved information and protection for tourists, including appropriate procedures for assistance and complaints;
- road safety (1986 has been proclaimed "Road Safety Year");
- encouragement of radio and TV broadcasts of news, weather and tourist information in languages of other Community States.

Where appropriate, these aspects should be dealt with in co-operation with the Council of Europe, its member countries and, possibly, other third countries.

(*) Reserve by Mr Kranidiotis who argued that such a policy should be formulated within the framework of and according to Article 235 of the EEC-Treaty. At any event this policy should take into consideration the special circumstances prevailing in each Member State.

(1) This matter is also dealt with in the report of the Dooge Committee.

A.2. FREEDOM OF MOVEMENT OF GOODS INCLUDING TRANSPORT SERVICES

8. This part of the Committee's work covers a good number of specific rules and practices which have already been the subject of repeated and lengthy discussions but limited action within the Community. These matters may not seem very important in themselves but the combined effect on the citizen both as a traveller for business and traveller for pleasure can be disproportionate to their material importance. Changes for the better should receive a favourable welcome.
9. On these questions, as on others, the Committee considers that the right way forward is by a combination of longer-term objectives and some specific improvements here and now. Achieving a European Community in which goods and money can be freely moved by the citizen, whether as a trader, professional man, worker or tourist, is a big challenge but should be achievable within a definite time scale.
10. First, we need to widen the understanding of the advantages not just of a common market without tariff barriers but of a smooth-running single market in which the full benefits of lower costs of transport and travel (and associated services such as insurance) can be realized for the benefit of the Community citizen as consumer. The priority lies in those areas where goods or services have an obvious extra-national dimension (e.g. air, road and rail transport and telecommunications). The Committee also draws the attention of the European Council to the importance of removing as soon as possible restrictions on transport services in accordance with Article 75 of the Treaty of Rome, whereby the Council is obliged to implement a free transport market within the Community. Cheaper and improved transport services would both assist economic development and would help to bring the citizens of the Community closer together.
11. Secondly, the individual citizen's situation should be eased by making some immediate and specific improvements.

12. A common feature is that an individual, having already paid tax on goods purchased in a Member State has difficulty or incurs extra charges on travelling with his goods to another Member State. Hence, an increase in allowances in real terms would be a long-term objective related to progress on fiscal harmonization. The Committee is not proposing changes in duty-free shops or other duty-free arrangements, which are generally popular with travellers. It considers, however, that the treatment and the administrative hassle relating to the movement of tax-paid goods within the Community could be significantly eased, without giving rise to artificial trade flows. To avoid such artificial flows, existing arrangements to distinguish between ordinary travelling and border trade arising from substantial differences in the level of taxation, especially excise duty rates, between Member States will have to be maintained for a certain period.
13. In the light of these general considerations the specific recommendations of the Committee on movement of travellers' goods and related issues are:

Allowances and postal consignments

- 13.1. the adult traveller's personal allowance for tax-paid items should be increased by 25% to 350 ECU from 1 July 1985, with an increase to 90 ECU for the child's allowance. These new allowances would indeed be similar to the original real value of the allowances as established in the late 1960's. This decision would make it possible to relieve the Council of repeated discussions of these matters on its current agenda; but provision should be made to review these figures at regular intervals, e.g. every two years, preferably by simplified procedure in order to avoid at least a fall in their real value over time. Genuine difficulties arising for particular Member States from their special situations should be met by a derogation ⁽¹⁾ for a certain time, taking account of differences in rates of taxation and excise duty.
- 13.2. the tax-paid allowance for still wine should be increased by 25% to 5 litres (which would cover a standard case of 6 bottles).

(1) Greece currently has a transitional derogation.

13.3 the limit for tax exemption on small postal consignments should be increased to 100 ECU from 1 July 1985. A provision should be made to review this figure at regular intervals, e.g. every two years, preferably by simplified procedure in order at least to maintain its value in real terms. The appropriate authorities in Member States should be invited to remove customs clearance fees levied on the despatch or reception of small parcels.

13.4 Administrative hassle, delays and taxes levied on newspapers and books sent to individuals are a strong irritant for citizens, particularly in border areas, and should receive due attention from the Council.

Road transport

In order to alleviate present border controls:

13.5 Passenger transport travelling across frontiers within the Community should be taxed for the whole of its journey by reference to its point of departure and the tax rate applicable in that Member State ⁽¹⁾. This solution should be adopted as soon as possible.

13.6 There should be no additional charge on the fuel in the standard tanks (up to 600 litres) of passenger buses crossing intra-Community frontiers from 1 July 1985. Similar problems would need to be resolved in the future for lorries.

Avoiding double taxation

13.7 Practical effect should now be given to the avoidance of double taxation on personal goods in line with the jurisprudence of the Court of Justice of the European Communities.

⁽¹⁾ Special provisions will be needed for countries not yet having introduced VAT.

13.8 The Commission should be invited to submit proposals on the simplification of the administrative arrangements for movements of goods on changes of residence between Member States, and on the temporary import of private motor vehicles.

13.9 Currency controls

The formalities of currency controls at the frontiers of those Member States which operate them should be simplified to the maximum.

14. The adoption of the specific measures above should be seen against the longer-term objectives, namely

- greater recognition of the potential benefits for Community citizens of a real and efficiently operating single market for passenger transport and travel;
- the achievement of freer movement for a citizen's goods and money within the Community in the perspective of the realization of Economic and Monetary Union;
- priority for achieving sufficient harmonization of national arrangements to reduce or remove problems at intra-Community frontiers for transport services and communications.

A.3 ADMINISTRATIVE FORMALITIES FOR BORDER AREA TRAFFIC

15. By nature of the Community's geographical structure, border areas occupy a large part of its surface area. The problems set out under A.1 and A.2 acquire additional importance when viewed in the context of border area traffic. What for other citizens is an occasional or intermittent nuisance, has the nature of a serious daily problem for the inhabitants of border areas. The European Council should instruct the relevant authorities to have special consideration when reviewing the implementation of the recommendations under A.1 and A.2 above,

for the special and urgent aspect of these questions in border areas. Problems deserving to be mentioned specifically are:

- the number of frontier posts at the disposal of border area residents and their hours of opening, and
- facilities for across-the-border help in case of emergencies and accidents.

B. COMMUNITY CITIZEN'S RIGHTS

B.1 WIDER OPPORTUNITIES FOR EMPLOYMENT AND RESIDENCE

16. Freedom of Movement in Working Life

The main problems in the field of freedom of movement for workers have been dealt with by legal instruments of the European institutions. The questions of the social security of migrant workers and of the inclusion of their families also appear to have in the main been resolved satisfactorily.

17. Certain difficulties still do exist as regards the tax treatment of such employees who reside in one Member State and receive an income as employed workers in another Member State (most of these cases concern workers in border areas). By taxation of these incomes in the State of activity, as is international practice, employees may suffer disadvantages stemming from the fact that most States have different systems for taxing residents and non-residents. These problems have been eased by a number of bilateral agreements and treaties to avoid double taxation. Still there are many cases in which the employees in question complain of disadvantages in taxation.

- 11 -

18. On a longer time scale, a comprehensive Community solution (the Commission has put forward a proposal which was blocked for a long time but on which discussions have recently been resumed) should be found for the taxation problems set forth above. The Community institutions are requested to intensify their efforts to this end. In the meantime, the European Council should set as the immediate aim the removal of taxation problems which could impede freedom of movement, by way of national legislation or by bilateral agreements between Member States. The Commission should undertake to inform Member States on cases which have been brought to its attention and to advise on appropriate solutions.

Right of establishment

19. In some branches of the liberal professions the mutual recognition of diplomas or other examinations and/or formal requirements for the purpose of establishment and for the freedom to provide services has been reached (e.g. doctors, dentists, veterinary surgeons). In other branches the mutual recognition still encounters considerable difficulties. This depends, on the one hand, on the variety of higher education diplomas (e.g. architects, engineers), and on the other hand also on the variety of branches of training, which have arisen in the individual Member States (e.g. lawyers, chartered accountants, tax consultants). For many years there have been inconclusive discussions on proposals for these branches, which would lead to an equivalence of diplomas in all Member States by way of harmonization of training courses, diplomas and rules for access to professional life.

20. The Committee considers that although a certain degree of adaptation may be desirable in specific cases, a full-scale harmonization is not a practical way of implementing the objectives of the Treaty of Rome in the field of the right of establishment. The European Council should decide that the general approach (*) should be based on a mutual recognition of diplomas or other examinations without prior harmonization. This seems the only possible way of achieving a general system for ensuring the equivalence of diplomas in line with the conclusions of the Fontainebleau European Council. It would facilitate the conclusion of the series of proposals already before the Council for an excessive period of time. Taking into account the fact that the specific levels of training in the Community countries are of high standard, this new approach would introduce the principle of mutual trust and build on the assumption that certificates awarded in the Member States are basically comparable. The Community institutions should fix the objective and introduce successively a scheme leading to a recognition procedure for the various areas. This concept should cover the professional activities of self-employed persons as well as of employees, because numerous occupations, for which a university degree and/or another examination is indispensable may be practised either way.

If particular difficulties were to arise in certain areas owing to major structural differences between training courses, something more may be needed and it should normally suffice for the individual citizen wishing to benefit from freedom of movement for the purpose of establishment to provide evidence of up to 2-3 years professional experience.

(*) Reserve by Mr Kranidiotis who argued that this approach does not preclude the possibility of applying the relevant provisions of the EEC-Treaty wherever this is advisable.

Professional qualifications

1. Problems arise as regards valid employment in other Community countries for those employees whose professional qualifications are recognized in their country of origin but not in the host country. The European Council should invite the Community institutions
 - to intensify their efforts towards greater transparency of evidence of professional qualifications, building on the Commission proposal on the equivalence of professional qualifications already under examination,
 - to consider the introduction of a European vocational training pass for craftsmen and workers with special qualifications. This would enable the individual employee to prove his professional qualifications in all Community countries.

Right of Residence

22. The Committee is convinced that the right of a citizen of a Member State of the Community to reside in any other Member State of his free choice is an essential element of the right to freedom of movement. Discussions within the European institutions since 1979 did not lead to final agreement, because in particular the debate on evidence of sufficient resources to live on as a condition for unhindered residence failed to produce a solution. Such evidence seems indispensable to avoid migration motivated only by economic considerations, because in particular the European social security systems have not been harmonized. Citizens wanting to reside in a country other than their own should not become an unreasonable burden on the public purse in the host country. Where it is evident, that such a citizen would incur a certain level of expenditure, it seems reasonable for the host country to take into account, whether he is able to meet such expenditure. The European Council should pave the way for a swift conclusion of the current discussions by taking a political decision of principle on a general right of residence for all citizens of the Community. This right would of course be subject to requirements of public order and security, in conformity with the principles of Article 56, paragraph 1 of the Treaty of Rome. A practical solution to the abovementioned problems should be found by linking admission to exercise the right of residence with the precondition that evidence of adequate resources at the level of social assistance in the host country and of adequate provisions in case of illness is provided.

2

Conclusion

23. The Committee on a People's Europe invites the European Council to ensure that the Community institutions and the Member States adopt the measures necessary to implement the recommendations contained in this report. The Committee notes that implementation of many of the proposed provisions depends on decisions to be taken by the Council of Ministers; it is for this reason that the European Council is asked to request the Council to report back for its meeting in Milan on the progress made.

COUNCIL

EUROPEAN COUNCIL : BRUSSELS 29-30 MARCH 1985

CONCLUSIONS

ENLARGEMENT

The European Council noted with great satisfaction that the Essential points in the accession negotiations with Spain and Portugal have now been settled, as a result, in particular, of the considerable effort made by all parties in the week leading up to the European Council resulting in solutions to the key issues of Fisheries, Agriculture, Social Affairs and the Own Resources System.

The European Council called upon the Community bodies, together with the applicant countries, to complete the drafting of the accession treaty as soon as possible so that actual enlargement of the Community could take place on 1 January 1986 in accordance with the political resolve repeatedly expressed at the highest level.

THE ECONOMIC AND SOCIAL SITUATION

The European Council discussed the Community's current economic situation, which continues to be characterised by an unacceptable rate of unemployment, even though there has been an improvement in other economic factors such as inflation rates, balance of payments, the reduction of budget deficits, convergence of the economic policies of the Member States and the process of industrial restructuring.

The European Council reaffirmed the prime importance for each Government and the Community of combating unemployment through sustained, more employment-intensive economic growth, and asked the ECOFIN Council to report on the matter to the next European Council.

It stressed the importance of completing the implementation of the economic strategy approved to that end in Dublin in December 1984 and the determination of all the member governments of the Community to pursue in a concerted manner all the measures and policies which go to make up that strategy.

In this connection, the European Council laid particular emphasis on the following four fields of action:

(a) Action to achieve a single large market by 1992, thereby creating a more favourable environment for stimulating enterprise, competition and trade: it called upon the Commission to draw up a detailed programme with a specific timetable before its next meeting;

(b) Action to encourage the creation and development of small and medium-sized undertakings, particularly by significantly reducing the administrative and legal constraints to which they are subject: it called upon the Commission to report to the Council on the problems in this sector and on the measures to be taken at national and Community level, particularly with regard to administrative simplification;

(c) Action to adjust and adapt working conditions to the new social, economic and technological circumstances in order to increase the efficiency of the labour market. It called upon the Commission to submit any proposal it might consider useful in this area;

(d) Specific action to expand employment, including a commission study of the potential for using the Social Fund to promote innovatory model schemes, and programmes for solving the employment problems of certain disadvantaged social categories.

The European Council welcomes the Commission's memorandum and endorses a number of specific objectives, namely:

- Achieving complete unification of the internal market, in particular by the mutual recognition of standards, the creation of European standards in appropriate cases, the opening up of public contracts, and stricter rules on aid to industry;

- Adapting the Community's external commercial policy to its objectives as regards new technologies, in the framework of GATT;

- Strengthening and making better use of the scientific and technological potential of the Community;

- Making better use of human resources, in particular by means of increased mobility for students and researchers and by recognising certain high-level establishments as Community "Centres of Excellence";

- Encouraging innovation and establishing an information market;

- Achieving a breakthrough in telecommunications.

The European Council calls on the Council of Ministers actively to pursue the examination of the Commission's current proposals, which already correspond to these objectives, and to initiate the examination of any new proposals which the Commission considers it appropriate to submit.

At each European Council, the Commission will submit a stage report on the progression achieved in strengthening technological co-operation and the competitiveness of the European economy.

ENVIRONMENT

In accordance with its decision taken in Dublin in December 1984, the European Council devoted part of its present meeting to the serious problems raised by the considerable deterioration of the environment and to the question of the remedial measures to be taken.

In this connection, the European Council noted with satisfaction the useful work done by the Environment Council in the field of combating air pollution caused by exhaust gases from motor vehicles: it noted that this progress is an important stage in the achievement, on a Community scale, of a genuine overall and balanced environmental protection policy and expressed the desire, firstly, that this work take a practical form as soon as possible and, secondly, that similar progress be made regarding pollution caused by large-scale combustion plant.

The European Council considers that a Community environmental protection policy must be based on the following considerations:

- Having acknowledged that this policy can contribute to improved economic growth and job-creation, it affirms its determination to give this policy the dimension of an essential component of the economic, industrial, agricultural and social policies implemented by the Community and by its Member States.

- It acknowledges the need for the Member States to take coherent action in the Community framework to protect the air, the sea and the soil, since isolated action is unlikely to prove effective and may even be harmful.

It requests the Council to expedite its proceedings and to make every effort, together with the Commission, to ensure that the years to come are marked by significant progress in Community action for the protection of the environment in Europe and throughout the world.

no ref to }
the directive }

In this connection, the European Council has decided that 1987 will be designated "European Environment Year".

HUNGER IN THE WORLD

The European Council, concerned by the dramatic situation of certain African countries and the risk of its worsening, noted that the action it had decided on in Dublin to combat famine in Africa had been rapidly implemented. It welcomed the fact that the Community's action and the mobilization of the Member States had made it possible to go beyond the commitments entered into in Dublin and had given the lead for initiatives by other industrialised countries.

The Community and its Member States will continue to keep a close eye on developments in the situation, together with the other donors.

The European Council called for a continuation of the efforts already undertaken to improve the effectiveness of the action set in motion, thanks to Community and international co-ordination, particularly on the ground, in order to ensure that deliveries reach all the famine victims.

The European Council stressed the need for short-term aid to be supplemented by medium and long-term structural measures which alone can enable the countries concerned to re-establish their food production potential and, by their own means, face up in future to the problem of their food security.

The European Council noted the Commission's intention of sending it a report on the implementation of aid, following the fact finding visit which Vice-President Natali is shortly to make to Africa.

A PEOPLE'S EUROPE

The European Council examined the report from the Committee on A People's Europe: it considered its contents and agreed to both the proposals for immediate implementation and those relating to long-term objectives.

It therefore requests the Council of Ministers to take those decisions which are within its sphere of competence as quickly as possible. It also requests the Commission to take the necessary steps for putting the report's proposals into practice. Lastly, it invites the Member States to implement those decisions which are within their field of competence.

In this context, the European Council emphasises that the achievement of the objective of abolishing frontier formalities must remain compatible with the need to combat terrorism and drug trafficking.

The European Council requests the Council of Ministers to report to it at its meeting in June 1985 on the progress which has been made in the various sectors covered by the Committee's report.

The European Council requests the Committee to continue with its discussion and expects to have a further report, containing proposals on the other sectors already indicated, by the June 1985 meeting.

AD HOC COMMITTEE ON INSTITUTIONAL AFFAIRS

The European Council held an initial exchange of views on the final report submitted to it by the Ad Hoc Committee on Institutional Affairs in accordance with the mandate given to the Committee at the Fontainebleau and Dublin meetings.

The European Council welcomed both the approach outlined in the report and the content of the interesting proposals put forward, and expressed its warm appreciation of the Committee's excellent work.

Detailed examination of the Committee's proposals will continue over the coming months by means of bilateral contacts, in order to enable the European Council to arrive at final conclusions at its next meeting in June.

CONCLUSIONS ON INTEGRATED MEDITERRANEAN PROGRAMMES

In accordance with the undertakings given at its meeting in Brussels on 19 and 20 March 1984, the European Council has decided to launch the Integrated Mediterranean Programmes in favour of the southern regions of the present Community within the framework of the proposals made by the Commission.

These programmes will last seven years: their aim will be to improve the economic structures of those regions to enable them to adjust under the best conditions possible to the new situation created by enlargement.

As far as financing arrangements and methods are concerned, the European Council agrees with the broad outlines of the approach recommended by the Commission in its communication of 21 February 1985, ie:

- Participation by the structural funds for an amount of 2,500 million ecu;

- An additional budget contribution amounting to 1,600 million ecu which will permit the Commission to supply the additional funds for the implementation of the programmes approved by it;

- Loans of 2,500 million ecu contracted by the regions concerned with the EIB and under the new Community instrument.

The two first categories of resources will benefit Greece for an amount of 2,000 million ecu. The European Council feels that these figures and the accompanying provisions in this text meet once and for all the commitments undertaken by the Community concerning the "Integrated Mediterranean Programmes".

The structural funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have recently been revised.

The increases in real terms which will apply to the regional and social funds and the EAGGF guidance section over the next seven years will help to finance the IMPs, but without adversely affecting transfers from these funds to other less-prosperous and priority regions of the Community.

On this basis, the European Council agrees with the proposals of the Commission designed to achieve fully co-ordinated programmes for the mediterranean regions most in need through the operation of the three structural funds.

As regards resource allocation, which should be based on the criteria contained in the Commission proposal, the European Council would emphasise that the allocation criteria should take account, first and foremost, of the actual needs of the different regions and their situation as regards economic and social development.

In particular, the European Council would draw attention to the special case of Greece, whose entire territory comes within the sphere of the Integrated Mediterranean Programmes, and to the legitimate expectations of the Greek Government.

With regard to the quality of the programmes to be financed, which is an important factor in the success of the IMPs, the European Council requests the Commission to place at the disposal of those Member States who so request groups of experts needed for the assessment, preparation and implementation of the programmes.

Lastly, the European Council would emphasise that it is important that the IMPs measures for regions belonging to Italy and France should in particular use the EIB and NCI appropriations.

The European Council requests the Council to take a decision on the Commission proposal for a framework regulation before 30 June 1985.

ENLARGEMENT

BRITISH INTERESTS IN ENLARGEMENT?

- Overriding objective has been to consolidate stability and democracy in Europe;
- Agreement last week good for Britain and good for Europe;
- All will gain from trade access to an enlarged Common market;
- Transitional arrangements establish balance between interests of existing member states and those of applicants - gives time to adapt by both sides;
- Existing Community does not look for budgetary gains from enlargement - Spain and Portugal below average prosperity;

SPANISH INDUSTRIAL TARIFFS

Terms agreed with Spain in margins of 17/18 December
FAC: - Spanish tariffs will be cut by 52 per cent by the end the first three years of a seven years' overall transitional period.

- In addition, there will be a reduced-duty quota for cars, set at 32,000 units in the first year rising to 40,000 in the third year, at a tariff of 17.4 per cent.
- The new quota for cars will in its first year be more than twice the size of the existing quotas - which have higher rates of duty - and offers considerable further improvements in the later years.

IS 1 JANUARY 1986 TIMETABLE FEASIBLE?

- European Council affirmed need to complete drafting of Treaty and to meet 1 January 1986 target date;
- All member states determined to tidy up outstanding details and meet deadline.

WHAT AGREED ON FISHERIES ?

- Spanish vessels will be subject to strict limits on numbers of boats (150 actually fishing at any time);
- Strict reporting and monitoring requirements;
- Access only to those species controlled by TAC and quota under CFP for which Spain receives quotas under EC/Spain fisheries agreement (hake, monk, megrim and anchovy);
- No access to North Sea;
- All this to endure for full duration of CFP i.e. to 2002
- Irish box (exclusion zone including Irish and Celtic Seas) to last for 10 years;
- British fishing effort not affected;
- Arrangements for Spanish fishing to be reviewed in 1993, after existing mid-term review of CFP in 1992 - but no change will take place without Council agreement.

TRANSITIONAL FINANCING ARRANGEMENTS

- Community have agreed to system of degressive refunds of VAT contributions over 5 years as was done for Greece;
- arrangement covered by Fontainebleau mechanism - UK will pay 7% of net cost to Community budget (Germans 33% and French at 27%);
- Portugal also to retain duties and levies on agricultural imports during first 5 years of transition to ensure that she is substantial net beneficiary from accession - Spain will pay all duties and levies from outset;
- Earlier Commission estimates suggested that at end transition enlargement would cost annually between 0.1% and 0.2% of VAT ceiling.

WHAT AGREEMENTS REACHED ON AGRICULTURE

- 10 years transition agreed for Spanish fruit and vegetables and 7 years for other agricultural products;
- no restriction from Accession on most EC exports to Spain of continental products eg barley, pigmeat;
- British farmers enabled to export other continental products (beef, veal, dairy products and wheat for breadmaking) to Spain upon accession at progressive rates (5% immediate increase on present levels, with at least 10% annual increase thereafter - no restrictions from 4th year);
- 10 years transition for Portugal; given underdeveloped state of Portuguese agriculture, Portugal will not begin to apply CAP regimes until sixth year after accession;

BRITISH SHERRY

- Community position maintained;
- EC position provides that names British (and Irish) sherry may continue to be used on UK (and Irish) markets.

SOCIAL AFFAIRS

- 7 years transition on free movement of workers agreed with Spain and Portugal;
- Gibraltar's interests fully protected.
- Joint Declaration on Free Movement of Workers to be annexed to Treaty as for both previous enlargements - this provides for any problems arising (e.g. for Gibraltar) to be brought before EC institutions to obtain a solution.

INTEGRATED MEDITERRANEAN PROGRAMMES (IMPS)

HOW MUCH WILL THE UK PAY TOWARDS IMPS?

European Council agreed to a total of 1.6 billion ecu (£960 million) spread over seven years. Because of operation of Fontainebleau mechanism, cost to the UK will be £9½ million per annum over the 7 year period.

JUSTIFICATION FOR IMPS

- European Council agreed a year ago that Integrated Mediterranean Programmes would be needed to improve the economic structures of poorer Mediterranean regions to enable them to adjust to enlargement.
- European Council agreed that bulk of funding should benefit Greece, the poorest member of the present Community.

WHY SHOULD FRANCE AND ITALY BENEFIT?

- Bulk of 1.6 billion ecu new money will go to Greece. France will be substantial net contributor to IMPS.
- Italian and French farmers will also be directly affected by agricultural competition from Spain and Portugal.
- Some of Italian Mediterranean regions have very low levels of prosperity. European Council recognised that sums were needed to help poorest Mediterranean regions adapt.
- European Council conclusions make clear that the needs of France and Italy will be met primarily by loans from the European Investment Bank and under the New Community Instrument to which the UK makes no budgetary contribution.

WHY SHOULD UK NOT ALSO BE COMPENSATED?

- UK stands to gain from Spanish and Portuguese accession:
 - larger EC market for UK industry;
 - new Mediterranean markets for UK agricultural produce.

- UK will continue to benefit from Community's structural funds. Over past five years,
 - Regional Fund has committed £1236 million to UK;
 - Social Fund has committed £1245 million to UK.

- Commitments to the UK in 1984 were:
 - Social Fund: £352.8 million
 - Regional Fund: £371 million

- UK also protected under Fontainebleau mechanism. Our net contribution to the costs of enlargement will be 7 per cent as against the German financing share of 33 per cent and French financing share of 27 per cent.

ANY EFFECT ON UK RECEIPTS FROM THE STRUCTURAL FUNDS?

- The conclusions explicitly state that "the Structural Funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have recently been revised".

- Exact amount devoted to Funds each year is negotiated annually. Commission decide individual allocation in accordance with need. In case of Regional Fund each Member State has an agreed quota range (UK 21.42 - 28.56 per cent). This will not be affected.

SPAIN AND PORTUGAL TO BENEFIT TOO?

- No. IMPs temporary and clearly limited to the southern regions of the present Community.

- Spain and Portugal will benefit from phasing in of Community financing arrangements to ensure that neither is a significant net contributor to Community resources.

UNEMPLOYMENT/DEREGULATION

UK INITIATIVE ON UNEMPLOYMENT/DEREGULATION

- UK wanted to ensure that European Council agreed:
 - (i) approach on combatting unemployment through non-inflationary economic growth; and
 - (ii) steps to limit the burden of regulations on enterprises on whom job creation depends.

- The Communiqué reflects this approach in:
 - an attack on rules and regulations which tie small firms in knots of red tape (it refers to "significantly reducing the administrative and legal constraints") and put a heavy burden on the resources and time of even larger firms and;
 - steps to make for a more flexible and less rigid labour market so that employing people is made easier and less costly.

- This attracted wide support in the discussion. Commission charged with producing an action programme in these areas.

SPECIFIC MEASURES TO CREATE EMPLOYMENT?

European Council stressed four fields of action:

- (a) Action to achieve a single large internal market by 1992 on the basis of a specific timetable;
- (b) Action to encourage the creation and development of small and medium sized undertakings;
- (c) Action to adjust and adapt working conditions to current social, economic and technological circumstances;
- (d) Specific action to expand employment, including a Commission study on the possibility of using the Social Fund to promote innovatory model schemes.

ROLE OF TAX HARMONISATION?

Community committed to single market by 1992. Not necessary to have tax harmonisation to achieve this - cf example of United States.

BRITAIN TO JOIN ERM?

- Britain has encouraged greater use of the ecu.
- Government will judge when time is right, in interests of our economy as well as the operation of the system.

WHAT STEPS DOES COMMUNITY PLAN TO STRENGTHEN TECHNOLOGY?

- Improvement of economic climate so as to encourage innovation.
- Increase in commitment to Community R & D, as already agreed.
- Unification of internal market, including mutual recognition of standards and creation of European standards where appropriate.
- Opening up of public contracts.

COMMUNITY INVOLVEMENT IN SDI

- M. Delors' idea of joint research on a Community basis not discussed.

- May be of interest for a few of us to engage in joint collaboration. But this not a matter for the Community as a whole.

DOOGE COMMITTEE

STATUS OF REPORT?

- Committee's work now at an end. There will be bilateral consultations between governments before discussion at European Council in June.

HAS REPORT BEEN MADE AVAILABLE TO THE HOUSE?

- Copies of the report have been deposited in the Library.

- If any decisions arising from the report give rise to proposals for legislation these will come before the House as usual. Normal scrutiny procedures will apply.

GOVERNMENT'S VIEW OF REPORT?

- Committee's report shows a good many areas of agreement.

- emphasis on need to create genuine internal market by the end of the decade;
- good text on development of political cooperation;
- passages on defence and security;
- endorsement of UK suggestion of one Commissioner per Member State;
- emphasis on strategic role of European Council. Should not take on role of Foreign Affairs Council.

- All concerned to ensure that the Community functions effectively after enlargement.

UK VIEW OF MAJORITY VOTING?

- General recognition that, with enlargement, Community will need to make greater use of majority voting provisions of the Treaty where non-essential issues are under discussion.

- Community has got too much into the habit of seeking consensus on all issues, however trivial.

- Government considers that British interests will be well served if votes were more regularly taken in respect of those Treaty articles which provide for majority voting.

- But it must remain open to any Member State to insist on discussions continuing until unanimous agreement is reached where very important national interests are at stake.

- Our aim must be to implement the Treaties: especially making a reality of the common market.

PRESERVATION OF THE VETO?

- Treaty already makes provision for unanimity on major issues. We see no case for changing unanimity provisions of the Treaty.

- Where majority voting is laid down it remains the case that no Member State is prepared to see itself voted down where a matter of vital national interest is at stake.

- UK proposed in Dooge Committee that, to prevent abuse, a member of the Council insisting that discussion should continue until consensus reached should, through special procedure of the Council, explain fully and finally why his Government considers a very important interest to be at stake.

MORE POWERS FOR THE EUROPEAN PARLIAMENT?

- No reason to change present balance of Treaties.

- There are other ways of improving relations between Council and Parliament.
 - European Parliament should be encouraged to make more constructive use of its powers.
 - should make more use of its right to put proposals for Community action for the Council to consider.
 - There should be improvement and extension of conciliation procedure. This would make a reality of consultation between the Council and the Parliament.
 - Council should follow up European Parliament resolutions with the Parliament - or explain its reasons for not doing so.

INTER-GOVERNMENTAL CONFERENCE

- Our aim should be to arrive at conclusions in June. Believe there is a great deal that European Council could decide to do without need to launch a lengthy conference.

COMMITTEE ON PEOPLE'S EUROPE

MAIN RECOMMENDATIONS

Practical Ways to Ease Movement Across Frontiers:-

- No change in duty-free shops,
- Higher allowances for tax-paid goods, including wine,
- Higher limit on tax exemption for small postal consignments,
- Easing some administrative rules which otherwise stop coach tours at frontiers,
- Simplifying movement of goods on change of residence.

Right of Establishment:-

- General approach should be mutual recognition of qualifications but some provision for exceptions.
- Right of residence qualified by evidence of adequate resources.

WILL THIS NOT REDUCE OUR DEFENCES (DRUGS, TERRORISM, ILLEGAL IMMIGRATION)?

- I made United Kingdom position, included in the European Council conclusions, absolutely clear.
- People's Europe Committee is not recommending us to abandon necessary controls.
- It recommends practical improvements, eg wider use of two-channel system which is working well at Heathrow and elsewhere (UK invention); others can learn from us.

MORE COMMUNITY CITIZENS TAKING ADVANTAGE OF OUR
SOCIAL SECURITY AND OTHER BENEFITS?

- Certainly not. Committee's report is helpful in stressing that: "Citizens wishing to reside in a country other than their own should not become an unreasonable burden on the public purse in the host country".

COMMUNITY SYMBOLS

- Report makes no recommendations on flags, anthems or any other symbols. It is simply a series of practical proposals to make life easier for the individual citizen, particularly when travelling within the Community.

FUTURE WORK

- Committee will submit a further report in June.

NEW OWN RESOURCES

WHEN WILL UK GET ITS 1,000 MECU?

- Council has now agreed a common position on an acceptable text of the own resources decision which incorporates Fontainebleau agreement in Community legislation.

- The Decision provides for payment of our 1,000 mecu (£600 million) immediately following the last ratification of the Decision ie by the end of the year.

- Following discussion with the Parliament, the Council will formally adopt the decision.

CAN EUROPEAN PARLIAMENT BLOCK IT?

- The Own Resources Decision will be part of Community law and binding on all EC institutions including the European Parliament.

CAN ANY MEMBER STATE BLOCK THAT DECISION?

- The Decision has to be approved by national parliaments in all 10 Member States. But any Member State which sought to block our abatement could only do so by blocking the Own Resources Decision as a whole.

WHAT IF RATIFICATION PROCEDURES SLIP?

- All Member States have strong incentive to ratify quickly so that new own resources can become available by 1 January 1986.

GERMAN LINK WITH ENLARGEMENT?

- The UK will receive its 1,000 mecu abatement as soon as the own Resources Decision has been ratified by the Member State.
- The increase in own resources as a whole will come in when instruments of ratification of Enlargement Treaty have been deposited - or sooner if Council so decides by unanimity.
- All aiming to complete so that Spain and Portugal can join by 1 January 1986.

UK PAYING FOR ITS ABATEMENT BY FINANCING OVERRUN?

- The Council agreed last October to meet Community's inescapable financial obligations in 1985. Cannot avoid legal obligations including to UK farmers.
- Amount to be financed, which must reflect rigorous search for savings, will be decided in the Budget Council.

UK NOT TO CONTRIBUTE TO INTER-GOVERNMENTAL AGREEMENT UNTIL 1,000 MECU RECEIVED?

- We will only pay or share of the IGA when our abatement is guaranteed.

PARLIAMENT TO HAVE FULL OPPORTUNITY TO APPROVE OWN RESOURCES DECISION AND IGA?

- Parliament will have to approve both the Own Resources Decision and the British contribution to an inter-governmental agreement. Timing not yet decided. There will be full opportunity for debate.

HOW WILL PARLIAMENT'S APPROVAL BE SOUGHT?

- No decision yet taken.

WILL GOVERNMENT GUARANTEE NOT TO USE 1(3)

PROCEDURE?

- High Court ruled last year that use of 1.3 for IGA was perfectly in order. Repeat, however, that no decision yet taken.

FONTAINEBLEAU MECHANISM

UK'S NET CONTRIBUTION FOR 1985/86

Under Fontainebleau UK's adjusted net contribution will be around half what it would have been without Fontainebleau; our VAT rate will remain below 1%.

- Public Expenditure White Paper clearly shows that our refunds were on a declining trend. Abatements will now be on rising trend

- £ in 1984

- £ in 1985

considerably more, as a result of Fontainebleau mechanism next year.

BUDGETARY DISCIPLINE

COMMISSION'S 1985 PRICE PROPOSALS WITHIN GUIDELINE?

- Proposals represent cut of 0.3% in ecu terms and 4.9% in real terms.

- Proposals allow for growth rater in EAGGF Guarantee expenditure lower than that ow own resources base, in accordance with budget discipline agreement.

GERMANS HAVE MADE NONSENSE OF BUDGET DISCIPLINE?

- Price fixing negotiations not yet over.

Commission are standing by proposal for cereals price cut of 3.6%.

ENVIRONMENTAL ISSUES

WILL UK TAKE MORE POSITIVE ATTITUDE TO COMMUNITY ENVIRONMENT INITIATIVES?

- UK has made great progress in improving the environment.

- Rivers cleaner, urban air healthier.

- Recent UK initiatives include:
 - early introduction of unleaded petrol, now agreed for 1/1/89;
 - special measures to encourage agricultural methods compatible with conservation needs;
 - recent agreement on a further substantial reduction in vehicle pollution was based on UK proposals.

WHAT MEASURES WILL THE GOVERNMENT TAKE TO REDUCE AIR POLLUTION?

- UK has made enormous progress in reducing air pollution.

- Since 1970 our national emissions of sulphur dioxide have fallen by about 40 per cent.

- The UK share of total European emissions (excluding USSR) has fallen from 25 per cent in 1972 to 11 per cent today.

- Emissions of nitrogen oxides in the UK have remained constant since the mid sixties, whereas NO_x emissions in other countries, including the FRG, have risen by up to 50 per cent.

WILL THE UK AGREE TO THE DRAFT DIRECTIVE ON LARGE
COMBUSTION PLANTS?

- UK supports measures to reduce air pollution in cost-effective ways. The Commission's draft Directive on Large Combustion Plants would cost £2 billion to implement in the United Kingdom for uncertain benefit.

- UK is aiming to cut both sulphur emissions and emissions of nitrogen oxides by 30 per cent by the end of the century. We do not believe agreement to the draft Directive on Large Combustion Plants is the best way to achieve this.

WHAT IS THE AIM OF DESIGNATING 1987 AS THE YEAR OF
THE ENVIRONMENT?

- Signals importance we attach to protecting and improving the environment.

- Provides opportunity to evaluate success of the first three environmental action programmes.

NEW GATT ROUND

Welcome statement at March Foreign Affairs Council of readiness to participate in new round subject to adequate prior international consensus on objectives, participation and timing.

- No more important task than preserving and strengthening open trading system.
- European Council called for new round to be "initiated in Brussels as soon as possible".
- Must make early progress in GATT to achieve consensus.
- EC will enlist support of trading partners, particularly developing countries who have greatest possible interest in keeping world trading system open.

FAMINE IN AFRICA

- Community has gone beyond Dublin commitment: more than 1.2 million tonnes grain allocated to 8 most seriously-affected countries; 1.5 million tonnes to sub-Saharan Africa altogether.
- Need to improve speed and effectiveness of food aid recognised by European Council .

ALLOCATIONS TO SUDAN SINCE DUBLIN SUMMIT?

- EC and Member States have committed almost 170,000 tonnes to be delivered this year.

AID FOR ETHIOPIAN REFUGEES IN SUDAN?

- EC has given £4.5 million to UNHCR to buy 18,500 tonnes food and other supplies and is giving 25,000 tonnes cereals via international and voluntary organisations.
- EC also discussing with Sudan Government distribution of further 16,000 tonnes.

FOOD FOR ERITREA AND TIGRAY?

- EC shares UK view that aid best channelled through international and voluntary agencies including International Committee of Red Cross.

92,850
in UK
110,850
in 87

EUROPEAN POLITICAL COOPERATION

We discussed East/West relations, the Middle East, South Africa and Latin America. Guidelines for the Presidency's statement to the press were agreed and have been placed in the Library of the House.

SOUTH AFRICA

The Ten:

- Express their grave concern about the increased tension in South Africa.
- Reaffirm their urgent appeal for the ending of the apartheid system and for substantial reforms guaranteeing full and equal participation of all South Africans in the political process.

EAST/WEST RELATIONS

The Ten:

- Noted recent positive developments in East-West relations.
- Welcomed the opening of US/Soviet negotiations in Geneva.
- Will continue to work in Stockholm for agreement on a set of concrete confidence- and security-building measures.

Delors initiative on SDI?

- Not raised. Not an appropriate matter for the Community.

ARAB/ISRAELI CONFLICT

The Ten:

- Welcome and support recent moves towards a reactivation of the negotiating process, especially 11 February Jordanian/Palestinian agreement.
- Reconfirm willingness to contribute to comprehensive, just and peaceful settlement.

IRAN/IRAQ

The Ten:

- Urge Iran and Iraq to agree upon an immediate ceasefire and to start a negotiating process with a view to achieving a peaceful solution which is honourable and acceptable to both sides.
- Call upon Iran and Iraq to comply with the June 1984 agreement to refrain from bombing civilian targets.
- Condemn the use of chemical weapons.

LEBANON

The Ten:

- Continue to view with concern the deterioration of the situation in Lebanon.
- Look for the early, orderly and complete withdrawal of Israeli forces in accordance with the relevant resolutions of the Security Council.
- Are deeply concerned about the sufferings of the Lebanese people and about the recent kidnappings involving foreign nationals.

LATIN AMERICA

The Ten:

- Welcome the return to democracy in a number of Latin American countries.
- Note with deep concern the deterioration of the situation in Chile.
- Confirm their support for the continuing work of the Contadora Group.
- Noted the serious effects in many countries of the burden of indebtedness.

COMMITTEE ON PEOPLE'S EUROPE

The main specific recommendations in the first report are -

movement of people

- (1) distinction between land frontiers and ports/airports; [essential protection for UK position]

- (2) simplification of controls at land frontiers preferably by use of the E label on cars which are not then all stopped but are subject to spot checks (or full check in special situation, eg terrorist alert). [fully protects N. Ireland position]

- If arrangements already more open, no change;

- (3) at airports and seaports, practical measures to speed traffic including, where feasible, the two channel system [UK invention, working very well at Heathrow and elsewhere]

- (4) in longer term, timetable for completion of the common market [also dealt with in Dooge Committee's report] and further work on problems of cooperation on policy vis a vis third country citizens;

- (5) tourism: special attention to staggering holiday periods, improved information and protection for tourists, road safety, tourist information.

Movement of goods

- (1) no change in duty-free shops (which people like);
- (2) 25% higher allowance (350 ecu) for tax-paid goods from 1 July 1985 and provision to revise it regularly to broadly maintain its value;
- (3) 5 litres of still wine as tax paid allowance; for
7
- (4) limit on tax exemption for small postal consignments to be raised to 100 ecu from 1 July 1985. Best endeavours to remove customs clearance fees on small parcels;
- (5) buses to be assessed for VAT at start of journey instead of at every frontier post;
- (6) no charge on fuel in tanks of buses (similar problem for lorries also needs to be resolved);
- (7) no double taxation on personal goods;
- (8) simplification of movement of goods on change of residence;
- (9) simplification of currency controls at frontiers;
- (10) special attention to these problems for those in border areas.

Movement of people to and from work

No great problems but attention to taxation problems eg . for those receiving income in one member state and living in another.

Right of establishment

Committee recommends that general approach should be based on mutual recognition of qualifications. Some provision for exceptions.

Professional qualifications

Attention to ways in which professional qualifications can be better understood and possibility of a more widely recognised document showing equivalent qualifications of craftsmen.

Right of residence

General right of residence, qualified by evidence of adequate resources [UK stresses sentence "citizens wishing to reside in a country other than their own should not become an unreasonable burden on the public purse in the host country" which we inserted as a condition of agreement_7.

Chairman's covering letter sets out his view of future work but helpfully stresses "need to simplify and to reduce the burden of Community legislation on the individual citizen".

28 March 1985

Robin.

1. Leave at 10.30 net 10.00
2. Fly slower and gain 45/60 minutes
3. Spend 45 minutes more on the ground in Behain.



With the compliments of

THE PRIVATE SECRETARY

Margo

As requested

[Signature] 16/6

**FOREIGN AND COMMONWEALTH OFFICE
SW1A 2AH**

EUROPEAN COUNCIL, BRUSSELS, 29/30 MARCH 1985:
POLITICAL COOPERATION TEXTS

The following texts were agreed by the European Council as guidelines for Presidency use with the Press. They do not form part of the official conclusions of the Council.

EAST/WEST

1. The Ten Heads of State or Government view with satisfaction the recent positive developments in East-West relations whose improvement remains for them a priority objective. They believe that the intensification of high-level political contacts can help to promote mutual understanding and to increase international security and stability. For their part they stand ready to seek new areas of cooperation with the East and to identify and build on areas of common interest. They express the hope that the new Soviet leadership will adopt a similarly constructive approach.

2. The Ten welcome the opening of the US-Soviet negotiations in Geneva on space and nuclear arms, both strategic and intermediate-range. They are convinced that the conclusion of equitable and verifiable agreements on each of the areas under negotiation would contribute to the strengthening of strategic stability. They expressed the hope that the negotiations will make possible radical reductions in strategic and medium-range nuclear armaments and prevent a new arms race including in outer space. They recall in this regard the importance which they attach to respect for existing Treaty obligations. They also reiterate the importance they attach to the conclusion of effective agreements on arms control and disarmament in the conventional field as well as a convention on the elimination of chemical weapons world-wide.

3. The Ten believe that a successful outcome of the Stockholm Conference on Disarmament in Europe would further contribute to reducing the risks of military confrontation in Europe. An agreement on a set of concrete confidence- and security-building measures would help to give effect and expression to the duty of the participating states to refrain from the threat or use of force. They will continue to work actively for such an agreement.

4. The CDE is an integral part of the CSCE process which continues to offer the most favourable prospects for a peaceful and cooperative future in Europe and which is a comprehensive endeavour which encompasses all the fields in which improvements would result in a better and more trusting East-West relationship. Security and disarmament, respect for human rights, increased economic cooperation, human and cultural contacts and information are all essential elements in the promotion of a climate of greater trust between European peoples and countries. The Ten believe that the commemoration of the Tenth Anniversary of the signature of the Final Act would provide an opportunity for reaffirming the commitment of all the parties concerned to base their behaviour both at home and abroad on the principles and aims enshrined in that document.

EUROPEAN COUNCIL, BRUSSELS, 29/30 MARCH 1985:
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ARAB ISRAELI CONFLICT

1. The Ten Heads of State or Government continue to maintain a close interest in developments in the Middle East. They welcome recent moves towards a reactivation of the negotiating process in the search for a solution to the Arab-Israeli conflict, notably the Jordan/Palestinian agreement reached on 11 February at the initiative of King Hussein which contained a commitment to negotiations for peace in accordance with UN and Security Council resolutions. In the view of the Ten this represents a constructive step forward. They also welcome the ideas put forward by the President of Egypt.
2. The Ten consider that these important initiatives reflect a desire for movement towards a peaceful solution. This deserves encouragement and a positive response.
3. They confirm their conviction that the achievement of a just and lasting solution calls for the participation and the active support of all the parties concerned. The Ten consider that no effort should be spared to maintain and strengthen the present movement in the peace process and to facilitate a dialogue between all the parties to the conflict.
4. The Ten welcome their willingness to contribute to a comprehensive, just and peaceful settlement of the Middle East question on the basis of the principles which they have stated many times in the past and to which they continue to adhere. In their contacts with all the parties concerned, the Ten, both collectively and individually, will work to promote the reconciliation of the various positions.

IRAN-IRAQ

1. The Ten Heads of State or Government view with utmost concern the aggravation of the conflict between Iraq and Iran. The present escalation in military activities against civilian targets is a serious development. The continued losses of life among the civilian population, the serious damage to the economy of both countries and the permanent risk of an extension of the hostilities make a negotiated solution to the conflict more necessary and pressing than ever. Recalling the relevant resolutions of the UN Security Council and the recent statements of the UN Secretary General, the Ten urge Iran and Iraq to agree upon an immediate ceasefire and to start a negotiating process with a view to achieving a peaceful solution which is honourable and acceptable to both sides.

2. In the meantime, the Ten call again upon Iraq and Iran to comply with the commitment made under the agreement concluded in June 1984, under the aegis of the UN Secretary-General, to refrain from bombing civilian targets. The Ten draw the attention of both countries to the profound humanitarian concerns raised by this and other aspects of the conflict, such as the treatment of prisoners of war. They condemn the use of chemical weapons, wherever and whenever it occurs.

LEBANON

1. The Ten Heads of State or Government continue to view with concern the deterioration of the situation in Lebanon and in particular its consequences for the civilian population in the South, which continues to be subjected to unjustifiable acts of violence. Following the Israeli Government's decision to withdraw its forces, they look for the early, orderly and complete withdrawal of those forces from that region in accordance with the relevant resolutions of the UN Security Council. The Ten consider it important that adequate security arrangements be reached between the Israeli and Lebanese Governments.

2. The Ten appeal to all the parties concerned, both within Lebanon and outside, to act in such a way as to facilitate the process of restoring the sovereignty, unity, territorial integrity and independence of Lebanon. The Ten reaffirm their support for Unifil. The Ten call on all parties to respect Unifil's rôle, to cooperate fully with the force and to ensure the safety of its personnel.

3. They are deeply concerned at the sufferings of the Lebanese people and at the recent kidnappings involving foreign nationals.

LATIN AMERICA

1. The Ten Heads of State or Government welcome the return to democracy in a number of Latin American countries including, most recently, Uruguay and Brazil. They hope that this trend will encourage a similar development in those Latin American countries which have yet to find their way to a pluralist democracy and in which human rights continue to be violated.

2. In particular, the Ten note with deep concern the deterioration of the situation in Chile as regards the re-establishment of civil and human rights. At the same time, out of humanitarian concern, the Community and Member States intend to continue to help to alleviate the suffering experienced by this country as a result of the recent earthquake.

3. The Ten note with satisfaction that a certain improvement has become apparent in Central America, enabling the work of the Contadora Group to proceed in spite of the difficulties with which the latter has recently been faced. They again confirm their support for the continued efforts of the Contadora Group, whose action is vital to the achievement of a peaceful settlement of the regions' problems. Following the success last September of the San José conference which should be followed shortly by a further meeting in Europe with the same participants, there will soon be a mission to the region, organised according to the Troika formula, to confirm Europe's interest in developing economic and political cooperation with the countries of Central America.

4. The Ten share the Latin American countries' concern at the gravity of the economic and financial problems of this continent and note that the burden of their external indebtedness is having a serious effect on political, economic and social conditions in many countries. They fully support the continuing dialogue on these issues, in particular on the problem of

indebtedness taking place in the relevant international institutions.

SOUTH AFRICA

1. The Ten Heads of State or Government express their grave concern about the increased tension which is presently developing in South Africa as a result of the continued enforcement of the policy of apartheid of the South African Government.
2. The Ten recently launched a fresh appeal for the ending of the apartheid system. The latest tragedies - which led them to condemn the recent violent actions of the South African police at Uitenhage - reinforced the importance of that message.
3. The Ten reaffirm their urgent appeal, included in their earlier statements on South Africa of 11 September 1984 and 25 March 1985, for the initiation of a comprehensive dialogue in South Africa leading to substantial reforms guaranteeing full and equal participation of all South Africans in the political process.



10 DOWNING STREET

From the Private Secretary

1 April 1985

EUROPEAN COUNCIL:
PRIME MINISTER'S STATEMENT

Further to my letter of earlier today,
I enclose a slightly revised version of the
draft statement as amended by the Prime Minister.

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

(Charles Powell)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

TS

With permission, Mr. Speaker, I should like to make a statement about the European Council held in Brussels on 29-30 March, at which I was accompanied by my rt hon and learned Friend, the Foreign and Commonwealth Secretary. I have arranged for the Conclusions of the Council to be placed in the library of the House.

The European Council welcomed the completion shortly beforehand of the negotiations for the entry of Spain and Portugal into the European Community.

The United Kingdom has long supported enlargement which will strengthen democracy

in these two countries.

The drafting of the Treaty of Accession will now be rapidly completed and submitted to the twelve national Parliaments for ratification and the entry of Spain and Portugal on 1 January 1986.

The terms are very satisfactory for the United Kingdom.

In particular, there will be quicker dismantling by Spain in the early years of its high tariffs on certain industrial goods, including cars, to the benefit of the United Kingdom exporters.

There will be no detriment to our fishing industry; no reductions in the fish quotas

available to British fishermen and no new access for Spanish fishing boats to the North Sea fishing grounds.

There will be a full opportunity for the House to consider these points when the Act of Accession is presented for ratification.

The European Council also agreed on the financing of Integrated Mediterranean Programmes over a period of seven years, to help the Mediterranean member states adjust to the effects of enlargement.

A total additional amount of 1.6 billion ecu [£] will be made available for these programmes.

E. R.

As a result of the Fontainebleau mechanism, the United Kingdom share will be about £9.5 million a year.

These areas will also benefit from increases in the structural funds as a result of decisions already taken and from 2.5 billion ecu of loans from the European Investment Bank.

Britain's receipts from the structural funds will not be affected.

We had a full discussion of the economic situation.

In the course of this I proposed, first, that the European Council should cut the burden of bureaucracy on businesses by reducing the

number of existing Community rules and regulations and by scrutinising any proposed legislation in the same spirit.

It is private enterprise which creates jobs; we must give them the freedom to do so.

Secondly, I proposed steps to moderate labour costs and remove restrictive practices, so as to increase the demand for labour.

The United Kingdom's initiative was widely welcomed in the European Council and is reflected in the Conclusions.

The Commission has been asked to follow it through.

The European Council had before it the final report of

the Committee on Institutions.

Decisions will be taken at the June European Council.

We also broadly endorsed the first report of the Committee on People's Europe.

This contains a number of specific proposals for easier movement across frontiers, higher travellers' allowances, easier arrangements for road transport, mutual recognition of qualifications, and right of residence, linked to proof of adequate resources, all of them designed to bring tangible benefits to individual citizens.

I made absolutely clear the need to maintain strong controls on drugs, terrorism and

E. R.

illegal immigration; and that the completion of the single market does not imply tax harmonisation.

The text of the revised decision on the own resources of the Community was also agreed.

It will now be submitted to national Parliaments for ratification.

This text will put into law, and subject to ratification of the Accession Treaty, the the Community's own resources will be increased from 1 January 1986.

It includes the Fontainebleau arrangements for abating the United Kingdom's contributions by reducing the amount of VAT

paid over to the Community.

It also includes the United Kingdom's 1,000 million ecu abatement for 1984, which will become available immediately on ratification of this decision.

The European Council also discussed the measures to strengthen technology in the Community, in particular through mutual recognition of industrial standards and the opening up of public contracts.

We also discussed environmental policy and East/West relations, welcoming the opening of the Geneva negotiations, and exchanged views on the Middle East, South Africa and Latin

America.

This Council marks the conclusion of a period of important decision in the European Community: agreement on the entry of Spain and Portugal; agreement on the implementation of the favourable budgetary arrangements for the United Kingdom negotiated at Fontainebleau: agreement on the Integrated Mediterranean Programmes; progress on the environment, including the recent agreement on vehicle emissions; and the launching of an initiative to truly open up the common market and to reduce the burdens on business as a means of stimulating the creation of more jobs.

Fuf VC2AER



10 DOWNING STREET

From the Private Secretary

1 April 1985

EUROPEAN COUNCIL: PARLIAMENTARY STATEMENT

I enclose a draft of the Prime Minister's statement to be made in the House on 2 April. I should be grateful for any comments by 1700 this evening, together with full supplementaries.

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

C.D. POWELL

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

CST.

With permission, Mr. Speaker, I should like to make a statement about the European Council held in Brussels on 29-30 March, at which I was accompanied by my rt hon and learned Friend, the Foreign and Commonwealth Secretary.

I have arranged for the Conclusions of the Council to be placed in the library of the House.

The European Council welcomed the completion shortly beforehand of the negotiations for the entry of Spain and Portugal into the European Community.

The United Kingdom has long supported enlargement which will strengthen democracy

in these two countries.

The drafting of the Treaty of Accession will now be rapidly completed and submitted to the twelve national Parliaments for ratification and the entry of Spain and Portugal on 1 January 1986.

The terms are very satisfactory for the United Kingdom.

In particular, there will be quicker dismantling by Spain in the early years of its high tariffs on certain industrial goods, including cars, to the benefit of the United Kingdom exporters.

There will be no detriment to our fishing industry; no reductions in the fish quotas

available to British fishermen and no new access for Spanish fishing boats to the North Sea fishing grounds.

There will be a full opportunity for the House to consider these points when the Act of Accession is presented for ratification.

The European Council also agreed on the financing of Integrated Mediterranean Programmes over a period of seven years, to help the Mediterranean member states adjust to the effects of enlargement.

A total additional amount of 1.6 billion ecu will be made available for these programmes.

As a result of the Fontainebleau mechanism,

the United Kingdom share will be about £9.5 million a year.

These areas will also benefit from increases in the structural funds as a result of decisions already taken and from 2.5 billion ecu of loans from the European Investment Bank.

Britain's receipts from the structural funds will not be affected.

We had a full discussion of the economic situation.

In the course of this I proposed, first, that the European Council should cut the burden of bureaucracy on businesses by reducing the number of existing Community rules and

regulations and by scrutinising any proposed legislation in the same spirit.

It is private enterprise which creates jobs; we must give them the freedom to do so.

Secondly, I proposed steps to moderate labour costs and remove restrictive practices, so as to increase the demand for labour.

The United Kingdom's initiative was widely welcomed in the European Council and is reflected in the Conclusions.

The Commission has been asked to follow it through.

The European Council had before it the final report of the Committee on Institutions.

We decided that there should be contacts between Community governments leading to a substantive discussion and decisions on what action, if any, might be taken at the June European Council.

We also broadly endorsed the first report of the Committee on People's Europe.

This contains a number of specific proposals for easier movement across frontiers, higher travellers' allowances, easier arrangements for road transport, mutual recognition of qualifications, and right of residence, linked to proof of adequate resources, all of them designed to bring tangible benefits to individual citizens.

I made absolutely clear the need to maintain strong controls on drugs, terrorism and illegal immigration; and that the completion of the single market does not imply tax harmonisation.

The text of the revised decision on the own resources of the Community was also agreed.

It will now be submitted to national Parliaments for ratification.

This text will put into law, subject to ratification of the Accession Treaty, the increases in the Community's own resources from 1 January 1986.

It includes the Fontainebleau mechanism for

abatements of the United Kingdom's VAT contributions.

It also includes the United Kingdom's 1,000 million ecu abatement for 1984, which will become available immediately on ratification of this decision and without waiting for any general increase in the Community's resources.

The European Council also discussed the measures to strengthen technology in the Community, in particular through mutual recognition of industrial standards and the opening up of public contracts.

We also discussed environmental policy and

East/West relations, welcoming the opening of the Geneva negotiations, and exchanged views on the Middle East, South Africa and Latin America.

This Council marks the conclusion of a period of important decision in the European Community: agreement on the entry of Spain and Portugal; agreement on the implementation of the favourable budgetary arrangements for the United Kingdom negotiated at Fontainebleau: agreement on the Integrated Mediterranean Programmes; progress on the environment, including the recent agreement on vehicle emissions; and the launching of an initiative

to truly open up the common market and to
reduce the burdens on business as a means of
stimulating the creation of more jobs.



file

10 DOWNING STREET

From the Private Secretary

1 April 1985

EUROPEAN COMMUNITY: SPANISH ACCESSION

I enclose a copy of a telegram from Mr. Gonzalez to the Prime Minister which was handed to me in Brussels during the European Council. You may think that a reply is appropriate in which case I should be grateful to have a draft by the evening of 2 April.

BF

(CHARLES POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

CST.

B. R.

①

PRIME MINISTER

c Mr Ingham
Mr Butler

EUROPEAN COUNCIL: PARLIAMENTARY
STATEMENT

I attach a draft statement on the
European Council to be made on Tuesday.
It is a bit shorter than the version you
looked at on the aircraft.

C.D.P.

(Charles Powell)

*As signed
checked out*

30 March 1985

With permission, Mr. Speaker, I should like to make a statement about the European Council held in Brussels on 29-30 March, at which I was accompanied by my rt hon and learned Friend, the Foreign and Commonwealth Secretary. I have arranged for the Conclusions of the Council to be placed in the library of the House.

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The United Kingdom has long supported enlargement which will strengthen democracy

in these two countries.

The drafting of the Treaty of Accession will now be rapidly completed and submitted to the twelve national Parliaments for ratification and the entry of Spain and Portugal on 1 January 1986.

The terms are very satisfactory for the United Kingdom.

In particular, there will be quicker dismantling by Spain in the early years of its high tariffs on certain industrial goods, including cars, to the benefit of the United Kingdom exporters.

There will be no detriment to our fishing industry; no reductions in the fish quotas

available to British fishermen and no new access for Spanish fishing boats to the North Sea fishing grounds.

There will be a full opportunity for the House to consider these points when the Act of Accession is presented for ratification.

The European Council also agreed on the financing of Integrated Mediterranean Programmes over a period of seven years, to help the Mediterranean member states adjust to the effects of enlargement.

A total additional amount of 1.6 billion ecu will be made available for these programmes.

As a result of the Fontainebleau mechanism,

the United Kingdom share will be about £9.5 million a year.

These areas will also benefit from increases in the structural funds as a result of decisions already taken and from 2.5 billion ecu of loans from the European Investment Bank.

Britain's receipts from the structural funds will not be affected.

We had a full discussion of the economic situation.

In the course of this I proposed, first, that the European Council should cut the burden of bureaucracy on businesses by reducing the number of existing Community rules and

regulations and by scrutinising any proposed legislation in the same spirit.

It is private enterprise which creates jobs; we must give them the freedom to do so.

Secondly, I proposed steps to moderate labour costs and remove restrictive practices, so as to increase the demand for labour.

The United Kingdom's initiative was widely welcomed in the European Council and is reflected in the Conclusions.

The Commission has been asked to follow it through.

The European Council had before it the final report of the Committee on Institutions.

We decided that there should be contacts
between Community governments leading to a
substantive discussion and decisions on what
~~action, if any, might be~~ taken at the June
European Council.

We also broadly endorsed the first report of
the Committee on People's Europe.

This contains a number of specific proposals
for easier movement across frontiers, higher
travellers' allowances, easier arrangements
for road transport, mutual recognition of
qualifications, and right of residence,
linked to proof of adequate resources, all of
them designed to bring tangible benefits to
individual citizens.

I made absolutely clear the need to maintain strong controls on drugs, terrorism and illegal immigration; and that the completion of the single market does not imply tax harmonisation.

The text of the revised decision on the own resources of the Community was also agreed.

It will now be submitted to national Parliaments for ratification.

This text will put into law, ^{and} subject to ratification of the Accession Treaty, the ~~increases in~~ the Community's own resources

will be increased
from 1 January 1986.

It includes the Fontainebleau ^{of arrangements} ~~mechanism~~ for

abatements ~~of~~ the United Kingdom's VAT

contributions. *by reducing of the rest*

of VAT paid over to the Community

It also includes the United Kingdom's

1,000 million ecu abatement for 1984, which

will become available immediately on

ratification of this decision ~~and without~~

~~waiting for any general increase in the~~

~~Community's resources.~~

The European Council also discussed the measures to strengthen technology in the Community, in particular through mutual recognition of industrial standards and the opening up of public contracts.

We also discussed environmental policy and

East/West relations, welcoming the opening of the Geneva negotiations, and exchanged views on the Middle East, South Africa and Latin America.

This Council marks the conclusion of a period of important decision in the European Community: agreement on the entry of Spain and Portugal; agreement on the implementation of the favourable budgetary arrangements for the United Kingdom negotiated at Fontainebleau; agreement on the Integrated Mediterranean Programmes; progress on the environment, including the recent agreement on vehicle emissions; and the launching of an initiative

to truly open up the common market and to
reduce the burdens on business as a means of
stimulating the creation of more jobs.

EUROPEAN COUNCIL, 29/30 MARCH: PARLIAMENTARY STATEMENT

With permission, Mr. Speaker, I should like to make a Statement about the European Council held in Brussels on 29-30 March. I was accompanied by my rt hon and learned Friend, the Foreign and Commonwealth Secretary. X

The European Council welcomed the completion of the negotiations for the entry of Spain and Portugal into the European Community. These negotiations ^{were} ~~have been~~ successfully brought to a conclusion, on terms which are very satisfactory for the United Kingdom, in the Foreign Affairs Council immediately before the meeting of the European Council. The drafting of the Treaty of Accession will now be rapidly completed with a view to submission to the 12 national Parliaments for ratification and the entry of Spain and Portugal on 1 January 1986. For the United Kingdom this represents a further strengthening of democracy in these two countries and a re-affirmation of our friendly links with them, as was also evident from the successful State Visit of The Queen to Portugal last week.

The terms of entry, which will of course be submitted to this House for ratification in the Acts of Accession, include for Spain a basic 7 year transitional period; quicker dismantling by Spain in the early years of its high tariffs on certain industrial goods, including cars, to the benefit of the United Kingdom exporters; no reductions anywhere in the fish quotas available to British fishermen and no new access for Spanish fishing boats to

He
to
was not
- she
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delivered
in interests
of Brit.
fishermen

the North Sea fishing grounds for 17 years, subject to review in 1993. [Without some transitional financing arrangements Spain would have been a substantial net contributor to the Community in the early years; for a transitional period only, therefore, there will be a rebate arrangement intended to keep Spain broadly in balance. For Portugal, the basic transitional period will also be 7 years and, in view of the weaker state of the Portuguese economy, the transitional financing arrangements are likely to make Portugal a net beneficiary from Community funds.] As far as the United Kingdom is concerned, all these arrangements are covered by the Fontainebleu Mechanism.

The European Council resumed discussion of the Integrated Mediterranean Programmes on the basis of the Commission proposal for a substantially lower level of expenditure than in its earlier proposal. The Greek Government had linked this issue with the enlargement of the Community. [The Council agreed that the Integrated Mediterranean Programmes would go ahead at a rate of about million ecu for years. In addition, the Commission has estimated that up to about 2.5 billion ecu will become available for these areas of the Community as a result of decisions previously taken on the revision of the structural funds; and that 2.5 billion ecu of loans can become available from the European Investment Bank.]

The cost of the Integrated Mediterranean Programmes will be covered by the Fontainebleu Mechanism, so that the United Kingdom's share will be largely abated.

In a full discussion of the economic situation, I launched an appeal that all Member States should mobilise efforts to create more wealth and more jobs. It is private enterprise which creates jobs: we must give them the freedom to do so. [We must also make sure that it pays to take a job rather than to live on state benefits.] I therefore proposed, first, that the European Council should cut the burden of bureaucracy on businesses by reducing the number of existing Community rules and regulations and by scrutinising any proposed legislation in the same spirit, Secondly, we should make sure that our labour markets work more flexibly [and that social measures for the unemployed are not a disincentive to their seeking work.] The United Kingdom's ^{plan} was widely welcomed in the European Council. ^{2 effect} The Commission has been asked to follow it through. [We aim to ensure that the result will be less regulation on the back of business and more flexibility on jobs.]

The European Council discussed the final report of the Committee on Institutions. This Committee was chaired by Senator Dooge of the Republic of Ireland and my rt hon Friend the Minister of State, Foreign and Commonwealth Office (Mr Rifkind) was my representative on it. The report stresses, in line with our views, the importance of building the internal market for goods and services by the end of the decade; calls for a genuine Common Market in financial services; and increased competitiveness in the economies of Member States by removing measures distorting competition and by strict control of state aids. It also supports the United Kingdom's views on the value of political cooperation;

and endorses our suggestion of a smaller Commission and a strategic role for the European Council. My representative entered a number of reservations, in particular on proposals that the European Parliament should have joint decision making power with the Council and further responsibilities on revenue. The European Council decided that there should be contacts between Community governments, between now and June, with a view to substantive discussion of all the proposals in the report and decisions on what action, if any, might be taken at the meetin in Milan in June.

The European Council broadly endorsed the first report of the Committee on People's Europe. This contains a number of specific proposals which "will be of direct relevance to individual citizens and possibly offer them tangible benefits in their everyday lives". It covers practical steps to see movement across frontiers, while of course maintaining strong controls on drugs, terrorism and illegal immigration; higher travellers' allowances; easier arrangements for road transport; mutual recognition of qualifications; and rights of residence, linked to proof of adequate resources.

The text of the revised decision on the own resources of the Community was also agreed. It will now be submitted to national Parliaments for ratification. This text will put into law, subject to ratification of access treaties, the increases in the Community's own resources from 1 January 1986. It includes the Fontainebleu Mechanism for abatements

of the United Kingdom's VAT contributions. It also includes the United Kingdom's 1,000 million ecu abatement for 1984, which will become available immediately on ratification of this decision and without waiting for any general increase in the Community's resources. The decision shows that, as I have always stated, the Fontainebleu agreement with all its benefits for the United Kingdom is being put into effect as agreed.

The European Council also discussed the measures to strengthen technology in the Community, in particular through mutual recognition of industrial standards and the opening up of public contracts. We also discussed environmental policy including progress on reducing pollution caused by large scale combustion plant, on which the United Kingdom's record is second to none. The Council also discussed East/West relations, the Middle East and Central America.

I have arranged for the Conclusions of the Council and the final report of the Dooge Committee to be placed in the library of the House.

This Council marks the conclusion of a period of important decisions in the European Community: the negotiation for entry of Spain and Portugal; the completion of the favourable budgetary arrangements for the United Kingdom negotiated at Fontainebleu; the agreement on the Integrated Mediterranean Programmes; the progress on the environment, including the recent agreement on

vehicle emissions; and the launching of a campaign to truly open up the Common Market and to reduce the burdens on wealth creating enterprise.

EUROPEAN COUNCIL, 20-30 MARCH: PARLIAMENTARY STATEMENT

With permission, Mr. Speaker, I should like to make a statement about the European Council held in Brussels on 29-30 March, ^{at which} I was accompanied by my rt hon and learned Friend, the Foreign and Commonwealth Secretary. I have arranged for the Conclusions of the Council to be placed in the library of the House.

The European Council welcomed the completion of the negotiations for the entry of Spain and Portugal into the European Community. These negotiations were successfully brought to a conclusion in the Foreign Affairs Council immediately before the meeting of the European Council. The drafting of the Treaty of Accession will now be rapidly completed, with a view to submission to the 12 national Parliaments for ratification and the entry of Spain and Portugal on 1 January 1986.

The terms are very satisfactory for the United Kingdom. In particular, there will be quicker dismantling by Spain in the early years of its high tariffs on certain industrial goods, including cars, to the benefit of the United Kingdom exporters. There will be no detriment to our fishing industry; there will be no reductions anywhere in the fish quotas available to British fishermen and no new access for Spanish fishing boats to the North Sea fishing grounds for 17 years, subject to review in 1993. There will be a full opportunity for the House to consider these points when the Act of Accession is presented for ratification.

The United Kingdom ^{she} has a result of
 - 2 - the Fontainebleau mechanism, with
 be less than ~~the~~ ^{about 1.6} billion million a year.

The United Kingdom has long supported the enlargement of the Community, which will strengthen democracy in these two countries. It is a re-affirmation of our friendly links with them, as was also evident from the successful State Visit of The Queen to Portugal last week.

The European Council resumed discussion of the integrated Mediterranean programmes on the basis of the Commission proposal for a substantially lower level of expenditure than in its earlier proposal. The Greek Government had linked this issue with the enlargement of the Community. ^{of} The Council agreed that ^{over a period} ~~the~~ 7 years a total additional amount of 1.6 billion ecu would be available for integrated Mediterranean programmes, ~~would go ahead at a rate of~~ ^{These cuts will also benefit from the ~~cuts~~ ^{cuts} required in the structural funds} about ~~million~~ million ecu for ~~years.~~ In addition, the Commission has estimated that up to about 2.5 billion ecu will become available for these areas of the Community as a result of decisions previously taken ~~on the revision of the structural funds;~~ ^{and from} and that 2.5 billion ecu of loans can become available from the European Investment Bank. ~~The cost of the integrated Mediterranean programmes will be covered by the Fontainebleau Mechanism, so that the United Kingdom's share will be no more than 7 per cent.~~

We had a full discussion of the economic situation. I urged agreement on ways to create more jobs. I therefore proposed, first, that the European Council should cut the burden of bureaucracy on businesses by reducing the number of existing Community rules and regulations and by scrutinising any proposed legislation in the same spirit. It is private enterprise which creates jobs; we must give them the freedom to do so.

Secondly, we should make sure that our labour markets work more flexibly. We must raise the demand for labour by moderating labour costs. The United Kingdom's initiative was widely welcomed in the European Council and is reflected in the Conclusions. The Commission has been asked to follow it through. We aim to ensure that the result will be less regulation on the back of business and more flexibility on jobs.

The European Council had before it the final report of the Committee on Institutions. We decided that there should be contacts between Community governments between now and June, with a view to substantive discussion of all the proposals in the report and decisions on what action, if any, might be taken at the meeting in Milan in June. The European Council broadly endorsed the first report of the Committee on People's Europe. This contains a number of specific proposals which "will be of direct relevance to individual citizens and ^{visibly} offer them tangible benefits in their everyday lives". It covers practical steps to easier movement across frontiers; higher travellers' allowances; easier arrangements for road transport; mutual recognition of qualifications; and right of residence, linked to proof of adequate resources. I made absolutely clear the need to maintain strong controls on drugs, terrorism and illegal immigration, and that the completion of the single market does not imply tax harmonisation.

The text of the revised decision on the own resources of the Community was also agreed. It will now be submitted to national Parliaments for ratification. This text will put into law, subject to ratification of the Accession Treaty, the

increases in the Community's own resources from 1 January 1986. It includes the Fontainebleau mechanism for abatements of the United Kingdom's VAT contributions. It also includes the United Kingdom's 1,000 million ecu abatement for 1984, which will become available immediately on ratification of this decision and without waiting for any general increase in the Community's resources. This result shows that, as I have always stated, the Fontainebleau agreement with all its benefits for the United Kingdom is being put into effect as agreed.

The European Council also discussed the measures to strengthen technology in the Community, in particular through mutual recognition of industrial standards and the opening up of public contracts. We also discussed environmental policy including progress on reducing pollution caused by large scale combustion plant, on which the United Kingdom's record is second to none. The Council also discussed East/West relations, welcoming the opening of the Geneva negotiations, and exchanged views on the Middle East, South Africa and Latin America.

This Council marks the conclusion of a period of important decisions in the European Community: agreement on the entry of Spain and Portugal; agreement on the implementation of the favourable budgetary arrangements for the United Kingdom negotiated at Fontainebleau; agreement on the integrated Mediterranean programmes; progress on the environment, including the recent agreement on vehicle emissions; and the launching of an initiative to truly open up the common market and to reduce the burdens on business as a means of stimulating the creation of more jobs.

Private Secretary



*Documents re
Presidents' working
notes*

POLITICAL COOPERATION

1. Political Directors broke up at 12.30 last night with a set of brief texts which they agreed to submit ad referendum to Heads of Government.

East West

2. No reference to SDI. Text is low key and avoids excessive optimism about prospects for dialogue or for Geneva talks. We can accept it.

3. Final sentence, ^(para 4) on republishing Helsinki Final Act is still in square brackets. Germans insisted on retention of phrase. This was a proposal Genscher made at the Council of Europe. The Ten have never discussed it to determine what it would involve for each of us (White Paper, or send copies to newspapers?). It would be more logical to leave until Milan Council (just before Helsinki 10th Anniversary), by which time we can discuss it and agree what we mean by it, including cost implications. But we can agree now if Genscher insists.

Arab Israeli Conflict

4. We can agree. Quite a good text now. PLO out. Reference to Syria out. Encouragement given to Jordanian initiative and, in slightly lower key, to Mubarak. The result should encourage the moderates and offend no-one.

Iran/Iraq

5. We can agree. This is a good text, fair and firm.

Lebanon

6. This is just all right. The Irish insisted, on instructions, on including specific references to the "IDF and to Israeli-supported militia" in the paragraph on UNIFIL. But given the direct attacks on Irish forces, this was difficult to avoid. The wording agreed makes clear that these are not the only problems for UNIFIL.

/Latin America



Latin America

7. Despite sustained efforts by Germans and ourselves, this still contains a paragraph regretting the deterioration of the situation in Chile. This was the absolute minimum others would accept. It is balanced by the undertaking to continue earthquake aid.

8. The passage on Central America is a simple endorsement of contadora. We can accept. But we should resist attempts to make a commitment now to a further EC/Central American Ministerial meeting.

South Africa

9. This is the worst. Strong pressure from the French, Dutch and Irish for condemnatory language. I argued at length against repeating condemnation as unhelpful and pointless. In the end, in order to eliminate a much worse text which we would have been under strong pressure to accept, I agreed to commend this one which avoids direct criticism and emphasises the positive. I recommend acceptance.

Derek Brown
30/3

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

EAST-WEST

1. The Ten view with satisfaction the recent positive developments in East-West relations whose improvement remains for them a priority objective. They believe that the intensification of high-level political contacts can help to promote mutual understanding and to increase international security and stability. For their part they stand ready to see new areas of co-operation with the East and to identify and build on areas of common interest. They express the hope that the new Soviet leadership will adopt a similarly constructive approach.

2. The Ten welcome the opening of the US-Soviet negotiations in Geneva on space and nuclear arms, both strategic and intermediate-range. They are convinced that the conclusion of equitable and verifiable agreements on each of the areas under negotiation would contribute to the strengthening of strategic stability. They express the hope that the negotiations will make possible radical reductions in strategic and medium-range nuclear armaments and prevent a new arms race including in outer space. They recall in this regard the importance which they attach to respect for existing treaty obligations. They also reiterate the importance they attach to the conclusion of effective agreements on arms control and disarmament in the conventional field as well as a convention on the elimination of chemical weapons worldwide.

3. The Ten believe that a successful outcome of the Stockholm Conference on Disarmament in Europe would further contribute to reducing the risks of military confrontation in Europe. An agreement on a set of concrete confidence- and security- building measures would help to give effect and expression to the duty of the Participating States to refrain from the threat or use of force. They will continue to work actively for such an agreement.

4. The CDE is an integral part of the CSCE process which continues to offer the most favourable prospects for a peaceful and co-operative future in Europe and which is a comprehensive endeavour which encompasses all the fields in which improvements would result in a better and more trusting East-West relationship. Security and disarmament, respect for human rights, increased economic co-operation, human and cultural contacts and information are all essential elements in the promotion of a climate of greater trust between European peoples and countries. The Ten believe that the commemoration of the tenth anniversary of the signature of the Final Act would provide an opportunity for reaffirming the commitment of all the parties concerned to base their behaviour both at home and abroad on the principles and aims enshrined in that document. / They call upon all CSCE Participating States to republish in their countries on this occasion the Helsinki Final Act and the Madrid Concluding Document and to distribute and publicise these as widely as possible_7.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

ARAB ISRAELI CONFLICT

The Ten continue to maintain a close interest in developments in the Middle East. They welcome recent moves towards a reactivation of the negotiating process in the search for a solution to the Arab-Israeli conflict, notably the Jordan/Palestinian agreement reached on 11 February at the initiative of King Hussein which contained a (clear) commitment to negotiations for peace in accordance with UN and Security Council Resolutions. In the view of the Ten this represents a constructive step forward. They also welcome the ideas put forward by the President of Egypt.

The Ten consider that these important initiatives reflect a desire for movement towards a peaceful solution. This deserves encouragement and a positive response.

They confirm their conviction that the achievement of a just and lasting solution calls for the participation and the active support of all the parties concerned. The Ten consider that no effort should be spared to maintain and strengthen the present movement in the peace process and to facilitate a dialogue between all the parties to the conflict.

The Ten reconfirm their willingness to contribute to a comprehensive, just and peaceful settlement of the Middle East question on the basis of the principles which they have stated many times in the past and to which they continue to adhere. In their contacts with all the parties concerned, the Ten, both collectively and individually, will work to promote the reconciliation of the various positions.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

IRAN-IRAQ

The Ten view with utmost concern the aggravation of the conflict between Iraq and Iran. The present escalation in military activities against civilian targets is a serious development. The continued losses of life among the civilian population, the serious damage to the economy of both countries and the permanent risk of an extension of the hostilities make a negotiated solution to the conflict more necessary and pressing than ever. Recalling the relevant resolutions of the UN Security Council and the recent statements of the UN Secretary General, the Ten urge Iran and Iraq to agree upon an immediate ceasefire and to start a negotiating process with a view to achieving a peaceful solution which is honourable and acceptable to both sides.

In the meantime, the Ten call again upon Iraq and Iran to comply with the commitment made under the agreement concluded in June 1984, under the aegis of the UN Secretary-General, to refrain from bombing civilian targets. The Ten draw the attention of both countries to the profound humanitarian concerns raised by this and other aspects of the conflict, such as the treatment of prisoners of war. They condemn the use of chemical weapons, wherever and whenever it occurs.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

LEBANON

The Ten continue to view with concern the deterioration of the situation in Lebanon and in particular its consequences for the civilian population in the South, which continues to be subjected to unjustifiable acts of violence. Following the Israeli government's decision to withdraw its forces, they look for the early, orderly and complete withdrawal of ^{all} those forces from that region in accordance with the relevant resolutions of the UN Security Council. The Ten consider it important that adequate security arrangements be reached between the Israeli and Lebanese Governments.

The Ten appeal to all the parties concerned, both within Lebanon and outside, to act in such a way as to facilitate the process of restoring the sovereignty, unity, territorial integrity and independence of Lebanon.

Retained
The Ten reaffirm their support for UNIFIL. [They are concerned at recent incidents involving in particular UNIFIL on the one hand and the Israeli defence forces and Israeli-supported militia on the other.]

The Ten call on all parties to respect UNIFIL's role, to co-operate fully with the Force and to ensure the safety of its personnel.

They are deeply concerned at the suffering of the Lebanese people and at the recent kidnappings involving foreign nationals.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

LATIN AMERICA

The Ten welcome the return to democracy in a number of Latin American countries including, most recently, Uruguay and Brazil. They hope that this trend will encourage a similar development in those Latin American countries which have yet to find their way to a pluralist democracy and in which human rights continue to be violated.

In particular, the Ten note with regret the deterioration of the situation in Chile as regards the re-establishment of a pluralistic democracy and the respect of civil and human rights. At the same time, the Community and Member States intend to continue to help to alleviate the suffering experienced by this country as a result of the recent earthquake.

The Ten are pleased that it has proved possible to find a peaceful solution to the territorial dispute between Argentina and Chile, [thanks to the mediation of the Holy See.]

The Ten note with satisfaction that the will to negotiate and to bring about [peace has prevailed] in Central America, enabling the work of the Contadora Group to proceed in spite of the difficulties with which the latter has recently been faced. They again confirm their support for the continued efforts of the Contadora Group, whose action is vital to the achievement of a peaceful settlement of the region's problems. Following the success last September of the San José Conference which should be followed shortly by a further meeting in Europe with the same participants, there will soon be a mission to the region, organized according to the Troika formula, to confirm Europe's interest in developing economic and political co-operation with the countries of Central America.

The Ten share the Latin American countries' concern at the gravity of the economic and financial problems of this continent and note that the burden of their external indebtedness is having a serious effect on political, economic and social conditions in many countries. They fully support the continuing dialogue, on these issues in particular on the problem of indebtedness taking place in the relevant international institutions.

SOUTH AFRICA

The Ten express their grave concern about the increased tension which is presently developing in South Africa as a result of the continued enforcement of the policy of apartheid of the South African government.

They recently launched a fresh appeal for the ending of the apartheid system. The latest tragedies - which led them to condemn the recent violent actions of the South African police at Uitenhage - reinforce the importance of that message.

The Ten reaffirm their urgent appeal, included in their earlier statements on South Africa of 11 September 1984 and 25 March 1985, for the initiation of a comprehensive dialogue in South Africa leading to substantial reforms guaranteeing full and equal participation of all South Africans in the political process.

*Urge For This, to look for
ways - means of channelling
the development in right direction*

EUROPEAN COUNCIL

Brussels, 29 and 30 March 1985

D R A F T
C O N C L U S I O N S

ENLARGEMENT

The European Council noted with great satisfaction that the essential points in the accession negotiations with Spain and Portugal have now been settled, as a result, in particular, of the considerable effort made by all parties in the week leading up to the European Council resulting in solutions to the key issues of fisheries, agriculture, social affairs and the own resources system.

The European Council called upon the Community bodies, together with the applicant countries, to complete the drafting of the accession treaty as soon as possible so that actual enlargement of the Community could take place on 1 January 1986 in accordance with the political resolve repeatedly expressed at the highest level.

THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY

The European Council discussed the Community's current economic situation, which continues to be characterized by an unacceptable rate of unemployment, even though there has been an improvement in other economic factors such as inflation rates, balance of payments, the reduction of budget deficits, convergence of the economic policies of the Member States and the process of industrial restructuring.

The European Council reaffirmed the prime importance for each government ^{and the Community} of combating unemployment through sustained, ^{creating the conditions for} more employment-intensive economic growth. ^{and submit 12/15 to work.}

It stressed the importance of completing the implementation of the economic strategy approved to that end in Dublin in December 1984 and the determination of all the Member Governments of the Community to pursue ^{as a concerted move} all the measures and policies comprising that strategy.

In this connection, the European Council laid particular emphasis on the following four fields of action:

- (a) action to achieve a single large market by 1992, thereby creating a more favourable environment for stimulating enterprise, competition and trade; it called upon the Commission to draw up a detailed programme with a specific timetable before its next meeting.
- (b) action to encourage the creation and development of small and medium-sized undertakings, particularly by significantly reducing the administrative and legal constraints to which they are subject; it called upon the Commission to report to the Council on the problems in this sector and on the measures to be taken at national and Community level, particularly with regard to administrative simplification.

(Prime revised)

SN 1381/1/85

The Council adopted a decision welcoming the

Council decision in view

regard to a new round

as a significant contribution to combat protectionism.

top/HM/bzb

Shirley Hildes

of Trade Negotiations

.../...

(c) action to adjust and adapt working conditions to the new social, economic and technological circumstances in order to increase the efficiency of the labour market. It called upon the Commission to submit any proposal it might consider useful in this area;

withdrawing a study by the Commission? the possibility?

(d) specific action to expand employment: the European Council called on the Commission to study the possibility of using the Social Fund to promote innovatory, model schemes.

And programmes to deal with the ^{employment} problem of the ^{serious} social groups. (hard-wired persons)

The European Council expressed its concern at the current international monetary instability which threatens to endanger the Community's economic recovery; it stressed the responsibility incumbent on all industrialized countries in the efforts to be made to achieve greater stability on exchange markets and to strengthen the international financial system.

Strengthening the technological base and competitiveness of Community industry

The European Council reiterates the importance of strengthening the technological base and competitiveness of industry; it recalls that such strengthening was one of the major objectives of the guidelines which it adopted in March 1984 for the future development of the Community.

It considers that this aspect, which is vital for the Community's future, requires:

- firstly, improvement of the environment in which undertakings operate so as to encourage their capacity for industrial innovation and their commercial enterprise;
- secondly, better utilization of the Community dimension by States and above all by undertakings so as to enable the latter to develop in a competitive, unified and open market.)

It reiterates its commitment to increasing the proportion of Community resources earmarked for research and development.

for
part
March
1225-

* welcomed the Commission's memorandum and endorsed

The European Council endorses the guidelines proposed by the Commission in its memorandum for the purpose of realizing a number of specific objectives, namely:

- achieving complete unification of the internal market, (in particular by the mutual recognition of standards, the creation of European standards (~~in appropriate cases~~) the opening up of public contracts, and stricter rules on aid to industry;

for goods market

* ~~by~~
this amendment would
rule out anyone saying

(Does not include tax)

Protectionism

- adapting the Community's external commercial policy to its objectives as regards new technologies; *within the framework of the GATT*
- strengthening and making better use of the scientific and technological potential of the Community;
- making better use of human resources, in particular by means of increased mobility for students and researchers and by recognizing certain high-level establishments as Community "centres of excellence";
- encouraging innovation and establishing an information market;
- achieving a breakthrough in telecommunications.

*

The European Council calls on the Council of Ministers actively to pursue the examination of the Commission's current proposals which already correspond to these objectives and to initiate the examination of any new proposals which the Commission considers it appropriate to submit.

*M. H. H. H. - Proper spirit
 ↳ long-term benefit*

line to take

Not sure what this paragraph means. Don't believe protectionism would improve the chances of European industry in the long-term. Would be ready to consider any precise proposals but not to endorse this without knowing where it would lead.

ENVIRONMENT

In accordance with its decision taken in Dublin in December 1984, the European Council devoted part of its present meeting to the serious problems raised by the considerable deterioration of the environment and to the question of the remedial measures to be taken.

In this connection, the European Council took note ~~with satisfaction~~ of the positive ^{work} (outcome) of the Environment Council in the field of combating air pollution caused by exhaust gases from motor vehicles; it noted that this progress is an important stage in the achievement, on a Community scale, of a genuine overall and balanced environmental protection policy and expressed the desire, firstly, that this outcome be put into practice as soon as possible and, secondly, that similar progress be made regarding pollution caused by ^{all} large-scale ~~combustion plants~~ ^{installations}.

The European Council considers that a Community environmental protection policy must be based on the following considerations:

- Having acknowledged that this policy can contribute to improved economic growth and job-creation, it affirms its determination to give this policy the dimension of an essential component of the economic, industrial, agricultural and social policies implemented by the Community and by its Member States.
- It acknowledges the need for coherent action by the Member States in the Community framework, since isolated action is unlikely to prove effective and may even be harmful.

- acknowledges the necessity of action to protect the environment in the Dublin area (London - also mentions sea, forest and soil)

It requests the Council to expedite its proceedings and to make every effort, together with the Commission, to ensure that the years to come are marked by significant progress in Community action for the protection of the environment in Europe and throughout the world.

In this connection, the European Council has decided that 1987 will be designated "European Environment Year".

HUNGER IN THE WORLD

Studies will monitor strict foreign.

The European Council noted with satisfaction that the action it decided on in Dublin to combat famine in Africa had been rapidly implemented. It welcomed the fact that the Community's action and the mobilization of the Member States had made it possible to go beyond the commitments entered into in Dublin and had given the lead for initiatives by other industrialized countries.

Member States will continue to monitor the situation in coopⁿ with other donors

The European Council called for the efforts already undertaken to be continued so as to improve the effectiveness of the action set in motion, with short-term measures to combat the effects of famine being supplemented by medium and long-term action designed gradually to eliminate its causes. *Thanks to Community*

The European Council took note of the Commission's intention of sending it a report on the implementation of aid, following the fact-finding ^{mission} visit which Mr Natali is to make to Africa.



Can we accept Delors
proposal

IMPS

(If pressed on whether we can accept the Commission proposal)

Provided

- a) It is clearly stated that the structural funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have been recently revised and
- b) the Commission is fully accountable to the Council for the manner in which its proposals are implemented.

Then I can agree to the Commission proposal, provided that the additional budgetary effort is limited to not more than million ecu.

(Language for the conclusions, incorporating points (a) and (b) above is attached)

N.B. - sent Van's comment
 [Ah Lubbers 29-30 March
 we have agreed



Our amendment

IMPS

Paragraph 4 might be replaced by:

A The Structural Funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have recently been revised.

However, the increases in real terms which will apply to the Regional and Social Funds and the FEOGA Guidance Fund over the next seven years will help to finance IMPS. *but without affecting transfer of these funds to other less prosperous regions*

On this basis, the European Council agrees with the proposals of the ^{Presidency} Commission designed to achieve fully coordinated programmes for the Mediterranean regions most in need through the operation of the three Structural Funds.

X
Subs.
para 4

Add paragraph 5:

B The European Council requests the Council to work out the details on the basis of the principles governing the Community's Structural Funds and appropriate lending mechanisms.

NB Agreement to X above is conditional on getting in points A and B, and subject to agreement on the additional amount of money for IMPS.

IMPs

1. In accordance with the undertakings given at its meeting on 19 and 20 March 1984, the European Council has decided to launch the integrated Mediterranean programmes in favour of the southern regions of the present Community.

most ready

2. These programmes will last [7] years; their aim will be to:

- improve the economic structures of those regions to enable them to adjust under the best conditions possible to the new situation created by enlargement;
- [give a suitable] ^{complete the} response to the problems raised in the Greek Memorandum.

3. As far as the financing arrangements are concerned, the European Council agrees with the broad outlines of the approach recommended by the Commission in its communication of 21 February 1985, i.e.:

- participation by the structural Funds;
^{within the framework of the structural Funds}
- an additional budget contribution amounting to [2 000] MECU;
- loans of the order of 2 500 MECU contracted by the regions concerned with the EIB and under the New Community Instrument.

[no interest rate subsidy]

~~4~~ As far as participation by the structural funds is concerned, the European Council notes the following points:

- (a) The increases, in real terms, which should be applied to the Regional and Social Funds during the next 7 years should be devoted as a priority to financing the IMPS; on the basis, in particular, of the share of both Funds allocated to the various Member States, as recorded in recent years, the European Council considers that at least 50% of the future increases in question should be earmarked for the IMPS;
- (b) In the case of the EAGGF, Guidance Section, the European Council requests the Council to add the share concerning the IMPS to the five-year endowment recently approved by ~~the Council.~~

Delete the whole of paragraph 4 above.

Add following new tiret to paragraph 3

- the European Council agreed that, with normal operation of the Structural Funds as part of a continuing Community-wide regional policy, 2.5 billion ecus from the Funds should be devoted to IMPS over the next [] years;

Add following new paragraph 4 (if possible - but initially hold back)

"The European Council agreed that of the total amounts in paragraph 3 above, 2.5 billion ecus should be devoted to the particular needs of Greece."

Add following new paragraph 5:

"The European Council requests the Council to work out the details on the basis of the principles governing the Community's Structural Funds and appropriate lending mechanisms."

TABLE 1

PROJECTED RECEIPTS FROM THE STRUCTURAL FUNDS: 1985-89

GREECE

	Commitments 1985-89 (mecu)	Payments 1985-89 (mecu)
ERDF	1,950	1,425
Social Fund	700	400
FEOGA Guidance	625	525
Total	<u>3,275</u>	<u>2,350</u>

ITALY

	Commitments 1985-89 (mecu)		Payments 1985-89 (mecu)	
	low	high	low	high
ERDF	3,961	5,273	2,900	3,860
Social Fund	2,480	3,306	1,721	2,295
FEOGA Guidance	1,000	1,000	800	800
Total	<u>7,441</u>	<u>9,579</u>	<u>5,421</u>	<u>6,955</u>

PROJECTED EIB LENDING (OWN RESOURCES PLUS NCI) 1986-1990BEUC

GREECE	2.5 - 2.9
ITALY	18.8 - 21.5
FRANCE	6.0 - 8.7

Bruxelles, le 30 mars 1985

PIM

1. Le Conseil européen décide, conformément aux engagements pris lors de sa réunion des 19 et 20 mars 1984, tenue à Bruxelles, de lancer des programmes intégrés méditerranéens au bénéfice des régions méridionales de la Communauté actuelle. *in the framework of the proposals made by the Commission.*
2. Ces programmes auront une durée de 7 ans ; ils auront pour objet
 - d'améliorer les structures économiques de ces régions afin de leur permettre de s'adapter dans les meilleures conditions possibles à la situation nouvelle créée par l'élargissement ;
 - d'apporter la réponse appropriée aux problèmes évoqués par le mémorandum grec.
3. S'agissant des modalités de financement, le Conseil européen marque son accord sur les grandes lignes de l'approche préconisée par la Commission dans sa communication du 21 février 1985, à savoir:
 - la participation des fonds structurels à hauteur de 2,5 milliards d'écus
 - un effort budgétaire supplémentaire s'élevant à 1,6 milliards d'écus, qui permettront à la Commission d'apporter les fonds additionnels à la mise en oeuvre des programmes qu'elle aura approuvés
 - des emprunts d'un montant de 2,5 milliards d'écus contractés par les régions concernées auprès de la BEI ainsi que dans le cadre du Nouvel instrument communautaire.
4. Les deux premières catégories de ressources bénéficieront à la Grèce pour un montant de 2 milliards d'écus.

Nouveau

Le Conseil européen estime que ces chiffres et les dispositions qui les accompagnent dans ce texte répondent une fois pour toute aux engagements pris par la Communauté au sujet des "Programmes intégrés méditerranéens".

4. Les fonds structurels continueront à fonctionner normalement sur la base d'une politique régionale applicable dans la Communauté tout entière, conformément à la réglementation récemment revue.

Toutefois, les augmentations en termes réels qui s'appliqueront aux fonds régional et social et à la section orientation du FEOGA au cours des sept années à venir aideront à financer les PIM, mais sans affecter négativement les transferts de ces fonds à d'autres régions prioritaires moins prospères.

Sur cette base, le Conseil européen marque son accord sur les propositions de la Commission visant à réaliser, grâce au fonctionnement des trois fonds structurels, des programmes entièrement coordonnés en faveur des régions méditerranéennes les plus défavorisées.

5. En ce qui concerne la répartition des ressources, qui devra s'inspirer des critères contenus dans la proposition de la Commission, le Conseil européen souligne que les critères de répartition devront tenir compte, en premier lieu, des effets économiques et sociaux de l'élargissement sur chacune de "ces régions".

En particulier, le Conseil européen met en relief le caractère spécifique de la Grèce, dont tout le territoire entre dans le champ d'application des programmes intégrés méditerranéens, ainsi que les aspirations légitimes du gouvernement grec.

En ce qui concerne la qualité des programmes à financer, qui constitue un élément important du succès des PIM, le Conseil européen demande à la Commission de mettre à la disposition des Etats membres qui le demanderaient des groupes d'experts indispensables pour l'évaluation, la préparation et la mise en oeuvre des programmes.

Enfin, le Conseil européen souligne qu'il importe que les actions prévues au titre des PIM pour les régions appartenant à l'Italie et à la France utilisent notamment les crédits de la BEI et du NIC.

Methods + Procedures of Commission

6. Le Conseil européen demande au Conseil d'élaborer les modalités détaillées sur la base des principes régissant les fonds structurels de la Communauté ainsi que les mécanismes de prêt appropriés.

Order by 30 June

Bruxelles, le 30 mars 1985

DECLARATIONS A INSCRIRE AU PROCES-VERBAL

La délégation allemande ne s'oppose pas à ce que les pays bénéficiaires des PIM utilisent les fonds budgétaires de la Communauté pour des bonifications d'intérêt.

Lessemborg

Les délégations allemande, néerlandaise et britannique estiment que les programmes intégrés méditerranéens complète la réponse financière de la Communauté aux problèmes évoqués dans le Memorandum grec.

Brussels, 30 March 1985

IMPs

1. In accordance with the undertakings given at its meeting in Brussels on 19 and 20 March 1984, the European Council has decided to launch the integrated Mediterranean programmes in favour of the ^{most needy} southern regions of the present Community.

2. These programmes will last 7 years; their aim will be to:

- improve the economic structures of those regions to enable them to adjust under the best conditions possible to the new situation created by enlargement;

- ^{complete the Community's financial} give a suitable response to the problems raised in the Greek Memorandum.

3. As far as the financing arrangements are concerned, the European Council agrees with the broad outlines of the approach recommended by the Commission in its communication of 21 February 1985, i.e.:

- participation by the structural Funds; ≈ 2.5
within the framework of the structural funds
- an additional budget contribution amounting to $[1.6]$ 1.6
which will enable the Commission to make additional funds for the movement of capital
- loans of at least 2 500 million ECU contracted by the regions concerned with the EIB and under the new Community Instrument.

2.5-

0.8
1.2

1987 - 84

And reg. 45% of funds.

16th Avenue.

102.

Even other countries 45% of income

As far as participation by the structural Funds is concerned, the European Council notes the following points:

The structural Funds will continue to operate normally on the basis of a regional policy applying to the whole of the Community, in accordance with the recently revised rules.

*Grille
not*

The increases, in real terms, which should be applied to the Regional and Social Funds during the next seven years should be devoted as a priority to financing the IMPS; on the basis, in particular, of the share of both Funds allocated to the various Member States, as recorded in recent years, the European Council considers that around 45% of the future increases in question should be earmarked for the IMPS.

help to finance

*distributed over
annual part*

- 5. As regards resource allocation, which should be based on the criteria contained in the Commission proposal, the European Council would emphasize that the allocation criteria should take account, first and foremost, of the relative needs of the different regions and their situation as regards economic and social development.

In particular, the European Council would draw attention to the special case of Greece, whose entire territory comes within the sphere of the Integrated Mediterranean Programmes, and to the legitimate expectations of the Greek Government.

With regard to the quality of the programmes to be financed, which is an important factor in the success of the IMPs, the European Council requests the Commission to place at the disposal of those Member States who so request groups of experts needed for the assessment, preparation and implementation of the programmes.

Lastly, the European Council would emphasize that it is important that the IMPs measures for regions belonging to Italy and France should in particular use the EIB and NCI appropriations.

[with interest rate subsidies. To be financed by the
add'l budget contribution.]

IMPS

Paragraph 4 might be replaced by:

The Structural Funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have recently been revised.

However, the increases in real terms which will apply to the Regional and Social Funds and the FEOGA Guidance Fund over the next seven years will help to finance IMPs.

On this basis, the European Council agrees with the proposals of the Commission designed to achieve fully coordinated programmes for the Mediterranean regions most in need through the operation of the three Structural Funds.

Add at end of paragraph 5:

..."subsidies to be financed by the additional budget contribution".

Add paragraph 6:

The European Council requests the Council to work out the details on the basis of the principles governing the Community's Structural Funds and appropriate lending mechanisms.

Bruxelles, le 23 mars 1985

P.I.M.

1. Le Conseil Européen décide, conformément aux engagements prises lors de sa session des 19/20 mars 1984, tenue à Bruxelles, de lancer des programmes intégrés méditerranéens au bénéfice des régions méridionales de la Communauté actuelle.

X 2. Ces programmes auront une durée de [7] ans ; ils auront pour objet

- d'améliorer les structures économiques de ces régions afin de leur permettre de s'adapter dans les meilleures conditions possibles à la situation nouvelle créée par l'élargissement ;

X - d'~~apporter~~^{COMPLÉTER} la réponse appropriée aux problèmes évoqués par le Memorandum grec.

3. S'agissant des modalités de financement, le Conseil Européen marque son accord sur les grandes lignes de l'approche préconisée par la Commission dans sa communication du 21 février 1985, à savoir :

- la participation des Fonds structurels

No X - un effort budgétaire supplémentaire s'élevant à [2 milliards] d'ECUs

- emprunts de l'ordre de 2,5 milliards d'ECUs contractés par les régions concernées auprès de la BEI ainsi que dans le cadre du Nouvel Instrument Communautaire.

4. En ce qui concerne la participation des Fonds structurels, le Conseil Européen retient les éléments suivants :

- a) Les augmentations, en termes réels, qu'il conviendrait d'appliquer aux Fonds Régional et Social au cours des 7 années à venir doivent être consacrées en priorité au financement des PIM ; se basant notamment sur la part allouée dans les deux Fonds aux différents Etats membres telle que l'on peut la constater dans les années récentes, le Conseil Européen estime qu'au moins 50 % des augmentations futures en question doivent être destinées aux PIM.
- b) S'agissant du FEOGA, Orientation, le Conseil Européen invite le Conseil à compléter la dotation quinquennale récemment approuvée par le Conseil par la part concernant les PIM.

REPLACE THE WHOLE OF PARA 4
BY THE COMMISSION'S
PROPOSAL FOR 2.5
BILLION ECUS FROM THE
STRUCTURAL FUNDS.

(IE. including growth but also a lot of
money they would have got anyway)

Brussels, 30 March 1985

Statements for the minutes

The German delegation is not opposed to the countries who benefit from the IMPs using the Community's budgetary funds for interest-rate subsidies.

The German, Dutch and British delegations feel that the Integrated Mediterranean Programmes complete the Community's financial response to the problems raised in the Greek Memorandum.

Strengthening the technological base and
competitiveness of Community industry

The European Council reiterates the importance of strengthening the technological base and competitiveness of industry; it recalls that such strengthening was one of the major objectives of the guidelines which it adopted in March 1984 for the future development of the Community.

It considers that this aspect, which is vital for the Community's future, requires:

- firstly, improvement of the environment in which undertakings operate so as to encourage their capacity for industrial innovation and their commercial enterprise;
- secondly, better utilization of the Community dimension by States and above all by undertakings so as to enable the latter to develop in a competitive, unified and open market.

It reiterates its commitment to increasing the Community resources earmarked for research and development.

The European Council welcomes the Commission's memorandum and endorses a number of specific objectives, namely:

- achieving complete unification of the internal market, in particular by the mutual recognition of standards, the creation of European standards in appropriate cases, the opening up of public contracts, and stricter rules on aid to industry;

- adapting the Community's external commercial policy to its objectives as regards new technologies, in the framework of GATT;
- strengthening and making better use of the scientific and technological potential of the Community;
- making better use of human resources, in particular by means of increased mobility for students and researchers and by recognizing certain high-level establishments as Community "centres of excellence";
- encouraging innovation and establishing an information market;
- achieving a breakthrough in telecommunications.

The European Council calls on the Council of Ministers actively to pursue the examination of the Commission's current proposals, which already correspond to these objectives, and to initiate the examination of any new proposals which the Commission considers it appropriate to submit.

At each European Council the Commission will submit a stage report on the progress achieved in strengthening technological co-operation and the competitiveness of the European economy.

Brussels, 30 March 1985

IMPs

1. In accordance with the undertakings given at its meeting in Brussels on 19 and 20 March 1984, the European Council has decided to launch the integrated Mediterranean programmes in favour of the southern regions of the present Community.
2. These programmes will last 7 years; their aim will be to:
 - improve the economic structures of those regions to enable them to adjust under the best conditions possible to the new situation created by enlargement;
 - give a suitable response to the problems raised in the Greek Memorandum.
3. As far as the financing arrangements are concerned, the European Council agrees with the broad outlines of the approach recommended by the Commission in its communication of 21 February 1985, i.e.:
 - participation by the structural Funds for an amount of 2.500 Million ECU;
 - an additional budget contribution amounting to 1.600 Million ECU which will permit the Commission to supply the additional funds for the implementation of the projects approved by it;
 - loans of 2.500 Million ECU contracted by the regions concerned with the EIB and under the new Community Instrument.

The two first categories of resources will benefit Greece for an amount of 2.000 Million ECU.

The European Council feels that these figures and the accompanying provisions in this text meet once and for all the commitments undertaken by the Community concerning the "Integrated Mediterranean Programmes".

4. The Structural Funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have recently been revised.

The increases in real terms which will apply to the Regional and Social Funds and the FEOGA Guidance Fund over the next seven years will help to finance IMPs, but without ^{adversely} affecting transfers from these Funds to other less-prosperous and priority regions of the Community.

On this basis, the European Council agrees with the proposals of the Commission designed to achieve fully coordinated programmes for the Mediterranean regions most in need through the operation of the three Structural Funds.

5. As regards resource allocation, which should be based on the criteria contained in the Commission proposal, the European Council would emphasize that the allocation criteria should take account, first and foremost, of the relative economic and social effects of enlargement on each of these.

In particular, the European Council would draw attention to the special case of Greece, whose entire territory comes within the sphere of the Integrated Mediterranean Programmes, and to the legitimate expectations of the Greek Government.

With regard to the quality of the programmes to be financed, which is an important factor in the success of the IMPs, the European Council requests the Commission to place at the disposal of those Member States who so request groups of experts needed for the assessment, preparation and implementation of the programmes.

Lastly, the European Council would emphasize that it is important that the IMPs measures for regions belonging to Italy and France should in particular use the EIB and NCI appropriations.

6. The European Council requests the Council to work out the details on the basis of the principles governing the Community's Structural Funds and appropriate lending mechanisms.

Review 30th June

Brussels, 30 March 1985

Statements for the minutes

The German delegation is not opposed to the countries who benefit from the IMPs using the Community's budgetary funds for interest-rate subsidies.

The German, Dutch and British delegations feel that the Integrated Mediterranean Programmes complete the Community's financial response to the problems raised in the Greek Memorandum.

Brussels, 30 March 1985

Statements for the minutes

The German delegation is not opposed to the countries who benefit from the IMPs using the Community's budgetary funds for interest-rate subsidies.

Belgian Delegation

The German, Dutch and British delegations feel that the Integrated Mediterranean Programmes complete the Community's financial response to the problems raised in the Greek Memorandum.

Brussels Europa Hotel

Brussels

Private Secretary.

Political Cooperation.

1. Political Directors broke up at 12.30 last night with a set of brief texts which they agreed to submit ad referendum to Heads of Government.

2. East West

No reference to S.D.I. Text is low key and avoids excessive optimism about prospects for dialogue or for Geneva talks. We can accept it.

Final sentence, on republishing Helsinki Final Act is still in square brackets. Germans insisted on retention of phrase
This was a proposal Genscher made at the Council of Europe. The Ten have never discussed it to determine what it would involve for each of us (White Paper, or send copies to newspapers?). It would be more logical to leave until Milan Council (just before Helsinki 10th Anniversary), by which time we can discuss it and agree what we mean by it, including cost implications. But we can agree now if Genscher insists.

3. Arab-Israeli conflict

We can agree. Quite a good text now. PLO, out. Reference to Syria out.

Encouragement given to Jordanian initiative and, in slightly lower key, to Mubarak. The result should encourage the mediators and offend no one.

4. Iran/Iraq.

We can agree. This is a good text, fair and firm.

Brussels Europa Hotel Brussels

5. Lebanon

This is just all right.

The Irish insisted, on instructions, on including specific references to the "IDF and to Israeli-supported militia" in the paragraph on UNIFIL. But given the direct attacks on Irish forces, this was difficult to avoid. The wording agreed makes clear that these are not the only problems for UNIFIL.

6. Latin America

Despite sustained efforts by Germans and ourselves, this still contains a paragraph regretting the deterioration of the situation in Chile. This was the absolute minimum others would accept. It is balanced by the undertaking to continue earthquake aid.

The passage on Central America is a simple endorsement of Contadora. We can accept. But we should resist attempts to make a commitment now to a further EC / Central American Ministerial meeting.

7. South Africa

This is the worst. Strong pressure from the French, Dutch and Irish for condemnatory language. I argued at length against repeating condemnation ~~as~~ as unhelpful and pointless. In the end, in order to eliminate a much worse text which we would have been under strong pressure to accept, I agreed to commend it is one which avoids direct criticism and emphasises the positive. I recommend acceptance.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

EAST-WEST

1. The Ten view with satisfaction the recent positive developments ^{in East/West relations} whose improvement remains for them a priority objective. They believe that the intensification of high-level political contacts can help to promote mutual understanding and to increase international security and stability. For their part they stand ready to seek new areas of co-operation with the East and to identify and build on areas of common interest. They express the hope that the new Soviet leadership will adopt a similarly constructive approach.

2. The Ten welcome the opening of the US-Soviet negotiations in Geneva on space and nuclear arms, both strategic and intermediate-range. They are convinced that the conclusion of equitable and verifiable agreements on each of the areas under negotiation would contribute to the strengthening of strategic stability. They expressed ~~the~~ the hope that the negotiations will make possible radical reductions in strategic and medium-range nuclear armaments and prevent a new arms race including in outer space. They recall in this regard the importance which they attach to respect for existing treaty obligations. They also reiterate the importance they attach to the conclusion of effective agreements on arms control and disarmament in the conventional field as well as a convention on the elimination of chemical weapons worldwide.

3. The Ten believe that a successful outcome of the Stockholm Conference on Disarmament in Europe would further contribute to reducing the risks of military confrontation in Europe. An agreement on a set of concrete confidence- and security- building measures would help to give effect and expression to the duty of the Participating States to refrain from the threat or use of force. They will continue to work actively for such an agreement.

4. The CDE is an integral part of the CSCE process which continues to offer the most favourable prospects for a peaceful and co-operative future in Europe and which is a comprehensive endeavour which encompasses all the fields in which improvements would result in a better and more trusting East-West relationship. Security and disarmament, respect for human rights, increased economic co-operation, human and cultural contacts and information are all essential elements in the promotion of a climate of greater trust between European peoples and countries. The Ten believe that the commemoration of the tenth anniversary of the signature of the Final Act would provide an opportunity for reaffirming the commitment of all the parties concerned to base their behaviour both at home and abroad on the principles and aims enshrined in that document. / They call upon all CSCE Participating States to republish in their countries on this occasion the Helsinki Final Act and the Madrid Concluding Document and to distribute and publicise these as widely as possible_7.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

ARAB ISRAELI CONFLICT

The Ten continue to maintain a close interest in developments in the Middle East. They welcome recent moves towards a reactivation of the negotiating process in the search for a solution to the Arab-Israeli conflict, notably the Jordan/Palestinian agreement reached on 11 February at the initiative of King Hussein which contained a clear commitment to negotiations for peace in accordance with UN and Security Council Resolutions. In the view of the Ten this represents a constructive step forward. They also welcome the ideas put forward by the President of Egypt.

The Ten consider that these important initiatives reflect a desire for movement towards a peaceful solution. This deserves encouragement and a positive response.

They confirm their conviction that the achievement of a just and lasting solution calls for the participation and the active support of all the parties concerned. The Ten consider that no effort should be spared to maintain and strengthen the present movement in the peace process and to facilitate a dialogue between all the parties to the conflict.

The Ten reconfirm their willingness to contribute to a comprehensive, just and peaceful settlement of the Middle East question on the basis of the principles which they have stated many times in the past and to which they continue to adhere. In their contacts with all the parties concerned, the Ten, both collectively and individually, will work to promote the reconciliation of the various positions.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

IRAN-IRAQ

The Ten view with utmost concern the aggravation of the conflict between Iraq and Iran. The present escalation in military activities against civilian targets is a serious development. The continued losses of life among the civilian population, the serious damage to the economy of both countries and the permanent risk of an extension of the hostilities make a negotiated solution to the conflict more necessary and pressing than ever. Recalling the relevant resolutions of the UN Security Council and the recent statements of the UN Secretary General, the Ten urge Iran and Iraq to agree upon an immediate ceasefire and to start a negotiating process with a view to achieving a peaceful solution which is honourable and acceptable to both sides.

In the meantime, the Ten call again upon Iraq and Iran to comply with the commitment made under the agreement concluded in June 1984, under the aegis of the UN Secretary-General, to refrain from bombing civilian targets. The Ten draw the attention of both countries to the profound humanitarian concerns raised by this and other aspects of the conflict, such as the treatment of prisoners of war. They condemn the use of chemical weapons, wherever and whenever it occurs.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

LEBANON

The Ten continue to view with concern the deterioration of the situation in Lebanon and in particular its consequences for the civilian population in the South, which continues to be subjected to unjustifiable acts of violence. Following the Israeli government's decision to withdraw its forces, they look for the early, orderly and complete withdrawal of those forces from that region in accordance with the relevant resolutions of the UN Security Council. The Ten consider it important that adequate security arrangements be reached between the Israeli and Lebanese Governments.

The Ten appeal to all the parties concerned, both within Lebanon and outside, to act in such a way as to facilitate the process of restoring the sovereignty, unity, territorial integrity and independence of Lebanon.

The Ten reaffirm their support for UNIFIL. They are concerned at recent incidents involving in particular UNIFIL on the one hand and the Israeli defence forces and Israeli-supported militia on the other.

The Ten call on all parties to respect UNIFIL's role, to co-operate fully with the Force and to ensure the safety of its personnel.

They are deeply concerned at the suffering of the Lebanese people and at the recent kidnappings involving foreign nationals.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

LATIN AMERICA

The Ten welcome the return to democracy in a number of Latin American countries including, most recently, Uruguay and Brazil. They hope that this trend will encourage a similar development in those Latin American countries which have yet to find their way to a pluralist democracy and in which human rights continue to be violated.

In particular, the Ten note with regret the deterioration of the situation in Chile as regards the re-establishment of a pluralistic democracy and the respect of civil and human rights. At the same time, the Community and Member States intend to continue to help to alleviate the suffering experienced by this country as a result of the recent earthquake.

The Ten are pleased that it has proved possible to find a peaceful solution to the territorial dispute between Argentina and Chile, thanks to the mediation of the Holy See.

The Ten note with satisfaction that the will to negotiate and to bring about peace has prevailed in Central America, enabling the work of the Contadora Group to proceed in spite of the difficulties with which the latter has recently been faced. They again confirm their support for the continued efforts of the Contadora Group, whose action is vital to the achievement of a peaceful settlement of the region's problems. Following the success last September of the San José Conference which should be followed shortly by a further meeting in Europe with the same participants, there will soon be a mission to the region, organized according to the Troika formula, to confirm Europe's interest in developing economic and political co-operation with the countries of Central America.

The Ten share the Latin American countries' concern at the gravity of the economic and financial problems of this continent and note that the burden of their external indebtedness is having a serious effect on political, economic and social conditions in many countries. They fully support the continuing dialogue, on these issues in particular on the problem of indebtedness taking place in the relevant international institutions.

SOUTH AFRICA

The Ten express their grave concern about the increased tension which is presently developing in South Africa as a result of the continued enforcement of the policy of apartheid of the South African government.

They recently launched a fresh appeal for the ending of the apartheid system. The latest tragedies - which led them to condemn the recent violent actions of the South African police at Uitenhage - reinforced the importance of that message.

The Ten reaffirm their urgent appeal, included in their earlier statements on South Africa of 11 September 1984 and 25 March 1985, for the initiation of a comprehensive dialogue in South Africa leading to substantial reforms guaranteeing full and equal participation of all South Africans in the political process.

The creation of wealth and employment in the Community

1. The European Council agreed that the Community must mobilise its efforts to create more wealth and more jobs. It agreed that the Community and individual member states needed to pursue policies that reinforced each other if they were to create the conditions necessary for sustained non-inflationary growth and tackle the problem of unemployment. In accordance with the economic policy guidelines endorsed by the European Council at Dublin in December 1984, this would require action to create the right macro-economic climate, by maintaining firm fiscal and monetary policies, and to promote a liberal and competitive internal market as envisaged in the Treaty of Rome. It would also require supportive measures in specific areas, in particular through the following:

- a. measures to stimulate enterprise and competition
 - by reducing the administrative and legislative burdens on businesses;
 - by establishing conditions conducive to the creation and expansion of small and medium-sized enterprises;
 - by increasing competition, particularly in the service sector and in the professions;
 - by increasing the opportunities for private businesses to supply goods and services to the public sector;
 - by firm control of, and wherever possible reduction in, state aids, and by focussing them on the promotion of competitiveness.

- b. measures to create jobs
 - by removing obstacles to the mobility of labour;
 - by removing or amending legislation which unnecessarily holds back job creation;

- by extending and improving the training given to young people and adults;
- by encouraging moderation in the growth of wages and other labour costs;
- by taking steps to ensure that the social protection available to the unemployed does not act as a disincentive to their seeking work.

2. In this context the European Council expressed concern about the existing burden on businesses in terms of direct cost and management time of conforming to national and Community regulation, especially for small and medium-sized enterprises. In order that complementary action might be taken at both national and Community level to reduce the burden, the European Council invited the Commission to consider and report to the next European Council on the burden imposed on businesses by existing Community legislation, and ways to reduce it.

3. The European Council also urged the Commission and the Council to consider proposed Community legislation in the light of its impact on the creation of wealth and productive employment. The impact on business costs, including management time, of new proposals should be identified. The Council should avoid imposing additional burdens on business or increasing rigidities in the labour market except where the expected benefit would clearly outweigh the cost to employment and efficiency - and only after studying alternative measures to the same end.



[On Tax Harmonisation - as necessary]

In the United States, which has a genuine common market, there is a very wide range of state taxes. Excise (sales) taxes exist in some states and not in others. In the states where they do exist, the rates vary up to 6%. Some states have corporate tax; others (Texas/Nevada) do not. Some states have personal income tax; others do not. There is a wide variety of other special taxes. States with a relatively high rate of taxation, such as Massachusetts, adjoin others with substantially lower tax rates, such as New Hampshire - though it is perfectly true that in such cases there is a tendency for new investment to take advantage of lower taxation.



Mr. Powell

cc: Sir M Butler
Mr Williamson
Mr Renwick

DE-REGULATION AND EMPLOYMENT

1. We have drawn a blank with the Commission, CBI, DTI (Small Firms Division) and Treasury. The best we can offer in the short time available is

- i) Photocopies of Community legislation in three particular areas: VAT, Company Law and employment protection. We will have this ready by early afternoon.
- ii) A single illustration which the Prime Minister might quote of Community legislation. For example: employment protection: 8 directives etc.

2. If the Prime Minister uses either of these approaches, it will be worth bearing in mind:

- most regulations were adopted by unanimity: they were not in general imposed on us
- Community legislation does not figure prominently in the "burdens on business" study. The first specific mention in the survey appears as item 13 (Company Law).

P J Goulden

29 March 1985



*Misión de España
ante las
Comunidades Europeas*

Bruselas, 29 de Marzo de 1985

**PRIME MINISTER'S
PERSONAL MESSAGE**
SERIAL No. T59/85 a MASTER
ops

Texto Telegrama Presidente del Gobierno Español

En un momento de tanta trascendencia para el futuro de Europa, cuando se haya reunido el Consejo Europeo, tras la culminación del proceso de negociación para España y Portugal, quisiera agradecerle en nombre propio, del Gobierno y del Pueblo Español, los intensos esfuerzos realizados para la consecución de ese objetivo.

Deseo desde este momento asegurarle la voluntad decidida del Gobierno Español de participar como socio leal en los futuros trabajos de la Comunidad y de contribuir activamente al proyecto histórico de construcción política europea.

Mi más alta consideración.

Felipe González Márquez,
Presidente del Gobierno Español.

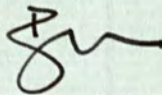
MR. ~~POWELL~~

c. Mr. Williamson
Mr. Ingham

BURDENS ON BUSINESS

A few more examples of steps the British Government have taken to reduce business burdens and encourage job creation:

- (i) Tax changes to encourage private investment in small companies (the recent Budget extended the Business Expansion scheme to cover research and development costs);
- (ii) changes in National Insurance contributions to help the self-employed and encourage small businesses to take on more low paid staff;
- (iii) extension of the qualifying period for unfair dismissal cases from 1 to 2 years;
- (iv) various simplifications and acceleration of planning procedures for factories.
- (v) legislation to control excessive local authority rates on businesses.


J.B. UNWIN

29 March 1985

In 1974 59 directives were
adopted excluding agriculture which

EUROPEAN COUNCIL 29/30 MARCH: UK INITIATIVE ON DEREGULATION AND JOBS

SPEAKING NOTE FOR THE PRIME MINISTER

I ^{should like} ~~want~~ this European Council to ^{take it} ~~respond to~~ my initiative to mobilise all our efforts to create more wealth and more jobs. The Treaty of Rome is a charter for economic liberty. We must not allow ourselves to change it into a charter for tens of thousands of minor regulations. Over-regulation strangles initiative and destroys jobs.

We have to recognise that it is private enterprise, not government, that creates jobs. We must give them the freedom to do so. We must also make sure that it pays to take a job rather than to live on state benefits. This means tough decisions, which some of us have taken, in order to reduce the runaway growth of spending on social security and subsidies. It will be easier for us to convince our people of this need if we can show that we are acting together.

We are all agreed on the vital need to master inflation, which saps at confidence and economic growth. But there are two more things we can do and which this Council can decide. First, we must cut the burden of bureaucracy on business. Secondly, we must make sure that our labour markets work flexibly, so as to create and not to destroy jobs.

By the first action I mean that we must reduce the number of minor rules and regulations which weigh on business and enterprise. I am told that some Community legislation has been amended up to 40 times and it is easy to imagine the task of the small trader in trying to understand, let alone comply with, such legislation. We must make it possible for those who create jobs, particularly in small and medium size businesses, to do so without diverting too much of their time and energy to non-productive work. There are at least 8 new Directives on employment protection alone. I have in my hands piles of Community legislation dealing with value added tax and company law - just two of many fields in which the Community tries to regulate business. Value added tax can lead to very great burdens on smaller businessmen. An example is setting the VAT small trader exemption limit too low so that thousands of people fill in forms for a negligible return. Let us not forget that in the last few years small businesses have created up to 7 million jobs in the United States.

By the second action I mean that we ought to remove or amend legislation which unnecessarily holds back the creation of more employment. We can and should extend and improve the training given to young people. We are all encouraging moderation in the growth of wages and labour costs. We must take steps to ensure that social measures for the unemployed are not a disincentive to their seeking work.

I have two specific proposals. First, this Council should recognise the concern about the existing burden of conforming to too many Community and national rules. We should invite the Commission to consider and report to our next meeting on the burden which this imposes on businesses and specifically ask them to propose how to reduce it. That must be the objective: not just a standstill but a reduction in the current load of regulation on our citizens. Let us set ourselves an ambitious target for reducing rules and regulations. Why not a cut of one third in those existing in the Community?

Secondly, for the future we should urge the Commission and the Council to consider the impact of any proposed legislation on the creation of wealth and jobs. The impact on business costs of any new proposal should be identified and understood. The Community should not impose additional tasks on business or make the labour markets more rigid unless it could be clearly shown that there was an overriding need to do so.

I believe that we all support these objectives and that we should have a clear mandate for the action I have outlined to be included in our conclusions.

Prime Minister

Your Press Conference

L 1000 -

[70 - over 7 years.

10 - a year [9.6.]

- I have arranged for you to give a press conference in one of the conference rooms on the first floor as soon as convenient for you at the end of the Council.

- BBC, ITN and IRN have asked for the usual short interviews afterwards. These will be done in a corner of the same conference room.

- Your press conference will be relayed by COI to journalists in London.

- Their interest will focus on

- the outcome of IMPs/enlargement
- your war on red tape (why aim for a 33% cut?)
- your meeting with Dr Fitzgerald (on which I agreed it lasted just over half an hour and was a very good discussion; no date for a Summit was fixed but I have consistently suggested it would not be before the middle of the year; the Irish are aware of all this and are content).

No. - SDI research (any role for the Commission?)

- It is also conceivable that they will ask questions about

- soccer hooliganism (in advance of your meeting with the FA). especially in view of Scottish over-reaction to the change of venue of the Scotland v England international.
- the threat of a strike over closures by NACODS (The NCB is quoted today as saying NACODS has misinterpreted its letter and that its agreement with NACODS is sacrosanct.
- any pressure for economic sanctions against South Africa?

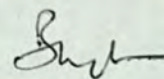
Not

Substance

Depending on the outcome of IMPs, I think you need to do three things:

- welcome enlargement -
- present the meeting as another one in which progress was made (thereby underlining the point that the Community is a much better place post Fontainebleau, as we said it would be).
- give an account, in your own words, of your war on red tape (though we need new language to lift it - and the draft opening statement, attached, tries to provide that).

Christopher Meyer and I in briefing this morning have outlined the texts that are in course of preparation.



B Ingham

Draft Statement - Press Conference March 30, 1985

This Council got off to the best possible start by the completion of enlargement negotiations by Foreign Ministers.

I would like to add my congratulations to all of them, and not least to M. Andreotti for his leadership, for bringing the negotiations to a successful conclusion.

① We now look forward to the accession of Spain and Portugal next year - a very considerable development for the Community and of the democratic unity in Europe.

② I am pleased to say we have also reached a settlement of Integrated Mediterranean Programmes.

The last obstacle to a German Position in the Council on
own know
We can now look forward to a serious discussion of the future development of the Community in Milan in June in the light of the Dooge Committee and ~~People's Europe~~ Reports.

Needless to say we in the UK are enthusiasts for the completion of the Common Market and we shall be working hard for that.

We also had a very useful discussion about the blot on Europe of unemployment and its causes.

I have been greatly encouraged by my colleagues' response to my proposal for an attack on unnecessary burdens on industry and commerce, and especially on small firms.

M. Delors felt we could learn something from the United States' ability to create new jobs - 7m since 1982, and 2/3 of them in firms employing under 50 people.

I am sure we can.

We must, of course, keep a tight hold on, and drive down, inflation. We must also keep public expenditure in check and halt its growth.

And we must also strengthen our technological base and improve our training for work.

E. R.

But we can do more and I have suggested two areas for action which you will find incorporated in the Communique:

- an attack on rules and regulations which tie small firms up in knots of red tape and put a heavy burden on the resources and time of even larger firms. I have suggested an ambitious target - a cut of 1/3 in their volume.
- to make for a more flexible and less rigid labour market so that employing people is made easier and less costly.

My essential point is that we should not only try to slash red tape and free up the labour market; but that we should also ask ourselves, every time we are tempted to legislate, whether we should be strangling instead of creating jobs.

{ We have got to let ~~businesses breathe~~ if we are to breathe more life and work - and that means jobs - into our economies. }

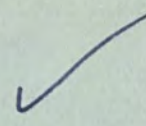
The Communique charges the Commission with coming up with a programme in both the action areas I put forward.

Finally, we have produced a number of conclusions on political and international issues, including East West relations, the Middle East, Latin America, South Africa and famine in the world where our main concern is to improve the effectiveness of the relief work we have already set in hand.

~~Altogether a busy and useful Council. I hope it will prove to have been a good weekend's work, especially on behalf of the unemployed.~~

As / as 25 summary herein

1 RN



FUTURE OF COMMUNITY (DOOGE COMMITTEE)

- Committee's report shows a good many areas of agreement.
 - emphasis on need to create genuine internal market by the end of the decade;
 - good text on development of political cooperation;
 - support passages on defence and security;
 - endorsement of UK suggestion of one Commissioner per Member State;
 - emphasis on strategic role of European Council.
- Should not take on role of Foreign Affairs Council.

- All concerned to ensure that the Community functions effectively after enlargement.

|| - Time for decisions will be in June. We should aim to reach substantive agreement on what to do and announce it then. ||

- This will require consultations between governments.
Presidency should play an important role in these. Need also for discussion at next informal meeting of Foreign Ministers.

As necessary

- Dooge Committee not appropriate to carry out this work.
Essential now for member governments, with good offices of Presidency, to discuss how to take matters forward.



- our aim should be to reach substantive decisions on the matters on which we can agree at the European Council in June



As necessary

Decision-taking

- General agreement that in enlarged Community there will need to be more majority voting in order to speed decision-taking.
- Need to move away from practice of seeking consensus in every case, however unimportant.
- Not clear why Council has not been voting on non-vital issues.

[Not been using treaty provisions for majority voting]

①

Quite wrong, and contrary to the interests of the Community, to vote a Member State down when very important national interest is at stake.

1a

We must recognise the political reality: do not believe that any Member State is prepared to be voted down when very important national interests are at stake.

- Equally wrong to invoke a very important interest unless it can really be justified.
- Suggest we proceed to make the Community work better in practice rather than embark on long drawn out discussion of Treaty amendment.
- I suggested at Dublin a self-denying ordinance for action under Article 100 on standards for new products and new technologies.
- Can consider abstention in other cases.
- Let's get down to making the Community work better in advance of enlargement.
- This year is the time to reach decisions.



As necessary

Where the Treaty prescribes unanimity, it did so for very good reasons. Are others suggesting we should change the unanimity requirements in the Treaty on

- the seat of the institutions (Article 216)
- Treaty amendment (Article 236)
- uniform electoral procedure (Article 138)
- own resources (Article 201)
- new accessions (Article 237)
- size of the Commission (Article 157)
- capital movements between member states and third countries
(Article 70)
- harmonisation of indirect taxation (Article 99)
- common economic policy measures (Article 103(2))
- Community languages (Article 217)
- new powers (Article 235)
- association agreements with third countries (Article 238)



As necessary

We all want to see something practical come of all this work. Many of the problems we face now stem not from imperfections of the Treaty, but from the fact that it has not been implemented. The most effective means of promoting a more united Europe would be to make a reality of the Treaty of Rome by implementing key provisions of the Treaty.

Examples of key articles of the Treaty not implemented

Article 3 of the Treaty, which called for the establishment of the Common Agricultural Policy, provides also for the abolition of obstacles between Member States to the free movement of persons, services and capital and the adoption of a common transport policy.

Article 52 calls for the abolition of restrictions on the ability of any company in a Member State to establish branches or subsidiaries in another Member State. Article 59 states that restrictions on freedom to provide services shall be abolished. Article 67 provides for the abolition of restrictions on the free movement of capital. Article 75 provides for the adoption of a common transport policy.

None of these articles has been implemented. Until they are, the Community will never realise its full potential for the creation of wealth and employment; nor will it be able to match the economic performance of the United States or Japan.



As necessary

European Parliament

- European Parliament should be encouraged to make more constructive use of its powers.
- Should make more use of its right to put forward proposals for Community action.
- There should be improvement and extension of conciliation procedure. At present it simply does not function. What is needed is for Ministers to hear the Parliament's views before they reach common positions. Once they have done so, much more difficult to take account of points the Parliament have made.
- Council should follow up EP resolutions with the Parliament - or explain its reasons for not doing so.

As necessary

- Do not agree on proposal for joint decision taking:
 - recipe for greater inter-institutional conflict;
 - would slow down decision taking;
 - would not stop Parliament asking for more powers;
 - Council must keep the last word on legislation which has to be designed to fit in with national legislation;
 - does not make sense to give EP responsibility over revenue;
 - should not upset balance between institutions.

Their Objectives

- To press for early decision to convene an inter-governmental conference.

Arguments

- Agenda too crowded today to discuss report in detail now. Time needed for reflection. Issues are too important to be rushed.



- Not prepared to agree to an inter-governmental conference until we have a clearer idea of what we want to achieve. Failed or confused conference would be a major set-back.

- [If appropriate] Treaty amendment not necessary. There are quicker ways of achieving what we want (ie immediate implementation of existing provisions).

- All recognise that we have fallen well short of completing Community envisaged in the Treaties. Dooge Committee majority hope to overcome this by institutional means. Legitimate aspiration but will it work?

- Real problem is lack of political will to break down remaining barriers. Need to commit ourselves to do this on basis of firm timetable.

- Should not fall into trap of grasping at Treaty change as easier option than real progress under Treaty of Rome.

1) DELORS SPEECH TO EUROPEAN
PARLIAMENT ON 15 JANUARY

conscience, that will tell you how far you can go without overstepping the mark. And when you do I will tell you. But I still believe that your election by direct universal suffrage should be seen in terms of the birth pangs of democratic life with a European dimension. And it is precisely this that will give Europeans a taste for encouraging, living and building Europe. It cannot be otherwise. That is the lesson I learnt last summer.

You have asked me four questions. Let me answer them.

Firstly, the Commission will send all its proposals to Parliament in due and proper form.

Secondly, the Commission will give every consideration to your amendments, but it is not prepared to give you a blank cheque. If we do not agree with your amendments we will give you valid reasons, in committee or in plenary session.

Thirdly, in the event of a dispute arising, as I said yesterday, not from confrontation of susceptibilities but from a genuine difference of opinion over the course to be taken, with that purposeful, dialectic tension between governments, which watch over national interests, and the institutions, which watch over the Community's interests—and that's where our responsibility lies—I will instigate fresh discussion, further debate in Parliament.

Fourthly, any proposal that is too watered-down will be withdrawn, but not before it has been discussed. And we will keep the public informed, for it would be all too easy for an institution to let a proposal hang fire for six months and then say that the others would have withdrawn it anyway. Withdrawal is a two-edged weapon, as you well know.

I would like to make a suggestion, if I may. Why don't you, with the approval of your enlarged Bureau, let's say twice a year,

choose a subject which you, rather than the Commission, would begin to study. Why don't you conduct the necessary hearings—if it is a difficult subject it will entail consulting partners, eminent specialists—and prepare a resolution as a basis for us to work on.

I think that if we could get an arrangement of this kind going, there would be better understanding, more scope for cooperation between our two institutions.

We wouldn't be climbing alone; you would be with us, at least for that project.

Beyond the Treaty of Rome

Let us assume that our 10 countries agree on a new treaty. Let us assume, to simplify matters, that this new treaty encompasses the old one.

You can see the problems already. Some favour a small treaty within the present one; others want a separate treaty; still others want a totally new treaty. Let me make a simple assumption, say, by some miracle, that an intergovernmental conference is convened in June 1986 and agrees on a new treaty to supersede the old one. When would this new treaty come into force? Three years later at the earliest. So what do we do for those three years? Do we meet to polish up the draft? To improve it? Or do we do nothing at all? If we twiddle our thumbs for three years, do you think the general public and our governments will have the heart to vote for the new draft? I think that the point is a valid one. We have to find the happy mean. There is no need to abandon 'the great beyond' but we must go on working here and now within the existing Treaty, all of the Treaty.

Communications

If we are to get this across to the general public we will need to improve communications. I have already suggested, without

EUROPEAN COUNCIL CONCLUSIONS: BRUSSELS 29/30 MARCH 1985

The creation of wealth and employment in the Community

1. The European Council agreed that the Community must mobilise its efforts to create more wealth and more jobs. It agreed that the Community and individual member states needed to pursue policies that reinforced each other if they were to create the conditions necessary for sustained non-inflationary growth and tackle the problem of unemployment. In accordance with the economic policy guidelines endorsed by the European Council at Dublin in December 1984, this would require action to create the right macro-economic climate, by maintaining firm fiscal and monetary policies, and to promote a liberal and competitive internal market as envisaged in the Treaty of Rome.^A It would also require supportive measures in specific areas, in particular through the following:

x A/ Such measures can be implemented more successfully if endorsed by the social partners.

a. measures to stimulate enterprise and competition

- by reducing the administrative and legislative burdens on businesses;
- by establishing conditions conducive to the creation and expansion of small and medium-sized enterprises;
- by increasing competition, particularly in the service sector and in the professions;
- by increasing the opportunities for private businesses to supply goods and services to the public sector;
- by firm control of, and wherever possible reduction in, state aids, and by focussing them on the promotion of competitiveness.

b. measures to create jobs

- by removing obstacles to the mobility of labour;
- by removing or amending legislation which unnecessarily holds back job creation;

- by extending and improving the training given to young people and adults;
- by raising the demand for labour through moderation of labour costs; in particular in the field of / social premiums and taxation
- by taking steps to ensure that the social protection available to the unemployed does not act as a disincentive to their seeking work.
- by promoting the redistribution of labour in ways compatible with economic growth.

2. In this context the European Council expressed concern about the existing burden on businesses in terms of direct cost and management time of conforming to national and Community regulation, especially for small and medium-sized enterprises. In order that complementary action might be taken at both national and Community level to reduce the burden, the European Council invited the Commission to consider and report to the next European Council on the burden imposed on businesses by existing Community/^{and national} legislation, and ways to reduce it.

3. The European Council also urged the Commission and the Council to consider proposed Community legislation in the light of its impact on the creation of wealth and productive employment. The impact on business costs, including management time, of new proposals should be identified. The Council should avoid imposing additional burdens on business or increasing rigidities in the labour market except where the expected benefit would clearly outweigh the cost to employment and efficiency - and only after studying alternative measures to the same end.

Cabinet Office

21 March 1985

Prime Minister

I don't know if you are discussing texts. But in case you are, I have just received this.

FROM: D M D Thomas

DATE: 29 March 1985

Private Secretary
Private Secretary, 10 Downing Street

CDD
28/3

POLITICAL CO-OPERATION

1. Political Directors discussed the Presidency texts this afternoon and this evening. We have treated them as elements for inclusion in the Presidency's final press briefing, rather than as the texts for a final declaration. The difference is important to the French.

2. We have been able greatly to shorten the original Presidency drafts and I hope have eliminated the worst elements.

East/West Relations

3. The drafting of this is not very felicitous but it covers the essentials. The first paragraph, addressed to the development of high level contacts, is very general and need not provoke any discussion.

4. The second paragraph deals with the Geneva Talks in general terms. My objective was to avoid contentious issues as far as possible. The Presidency may seek to keep in a passage dealing with space research programmes. The important thing is to avoid picking passages out of the Geneva agreements in an unbalanced way. This passage would be much better omitted.

5. Paragraph 3 on Stockholm is acceptable. Paragraph 4 on the CSCE process is also acceptable except for the last passage in square brackets. Herr Genscher has proposed republication of the Helsinki Final Act and the Madrid Conclusion document. This has not been properly discussed and there is no need to say anything about it at this stage.

Middle East6. (i) Arab/Israeli conflict

I was able to condense the Presidency draft considerably and have eliminated the references to the PLO. The new text gives the sort of encouragement to the Jordan/Palestinian agreement which the Jordanians hope to see and conveys the idea that there is still more movement required. The rest of the text is low key and acceptable and does not give the impression of a Europe initiative in the pipeline.

/(ii)

(ii) Iran/Iraq

The revised passage is acceptable.

(iii) Lebanon

The passages on UNIFIL have been inserted at Irish request and are acceptable. There is a brief reference at the end to the recent kidnappings.

Latin America

7. The difficult paragraph for us was on Chile. I was able to edit out an unacceptable call for early free elections. What remains is acceptably moderate and balanced.

8. On Central America, I was under pressure to accept a commitment to a Ministerial meeting to follow up the San Jose conference. The phrase in paragraph 4 third sentence referring to "a new meeting in Europe with the same participants" is clearly understood to be without commitment as to the level of the meeting and is therefore acceptable.

9. The rest of the text on Latin America is acceptable to us.

South Africa

10. The Dutch, French and Irish have pressed strongly for a statement on recent events in South Africa. I have resisted vigorously, with some support from the Germans and Italians.

11. The Presidency is circulating two alternative texts. Alternative 1 is a slight strengthening of the Presidency's original draft and was the furthest I felt I could go. I have not accepted the inclusion of a reference to the Security Council's unanimous vote on 12 March condemning the crossroads incidents. This has been pressed for by the French.

12. Alternative 2 is based on a Dutch draft and is supported by the Dutch, the Irish and the French.

13. There was strong French resistance to any mention of Mozambique at this stage. Given the recent statement on Mozambique by the ten foreign ministers, I have not pressed the point.

D M D Thomas



Green

Nov
SDP

Middle East

Law / Reg.

Nigeria

Chile

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Prime Minister

Madame Thatcher

South Africa

10. The Dutch, French and Irish have pressed strongly for a statement on recent events in South Africa. I have resisted vigorously, with some support from the Germans and Italians.

No proposal on this matter

11. The recent proposal for a 'package' of the President's original draft and was the furthest I felt I could go. I have not accepted the inclusion of a reference to the Security Council's unanimous vote on 12 March condemning the Apartheid incidents. This has been pressed for by the French.

12. Alternative 2 is based on a Dutch draft and is supported by the Dutch, the Irish and the French.

Have ec. benefits

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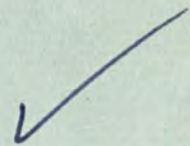
Give our highlights to U.S.

Have them

? Not in G.E.C.

European work together

Behind O'Connell's phrasing



Private Secretary

Political Cooperation: Review of Texts by Political Directors

Political Directors met this morning to review the texts agreed ad referendum last night. The results were:

(i) East/West: agreed without amendment.

(ii) Arab/Israel:

Dutch Ministers had suggested overnight a weakening of the reference to the "clear commitment to negotiations for peace" in paragraph 1. This opened up a raft of damaging suggestions, eg including a balancing reference to Arafat, etc. To prevent the text from unravelling, I accepted the deletion of the word "clear" before commitment. Rest of text unchanged.

(iii) Iran/Iraq: no change.

(iv) Lebanon:

Minor editorial change in paragraph 3 (add "those involving" before UNIFIL.) Otherwise no change.

(v) Latin America:

Dutch Ministers strongly wanted the word "deplore" in the Chile paragraph. I rejected this, with German support. A fierce discussion followed. To avoid square brackets, the Germans and I agreed to commend "note with deep concern" instead of "note with regret".

Presidency asked for addition of "out of humanitarian concern", after the introductory phrase of the second sentence (ie qualifying Community earthquake aid). This was agreed.

(vi) General

Dutch Ministers wanted a reference somewhere in these texts to "The Ten Heads of State and Government" rather than just "The Ten". They suggested putting it at the beginning of the South Africa text. This would clearly not do and I moved it firmly to East/West. After some discussion it was agreed to recommend

/avoiding



avoiding discrimination by stating each text with
this phrase, to show the level at which these
conclusions had been drawn.

D M D Thomas

D M D Thomas

B. R.

PRIME MINISTER *cm.*

Initiative on Employment and Deregulation

At the end of your statement, you might like to ask the Presidency to circulate your draft conclusions to the Council. Ersboell (Secretary General) will then come and fetch them. I attach copies in English, German, Italian and French.

C.D.P.

C.D. POWELL

29 March 1985

EUROPEAN COUNCIL CONCLUSIONS: BRUSSELS 29/30 MARCH 1985

The creation of wealth and employment in the Community

1. The European Council agreed that the Community must mobilise its efforts to create more wealth and more jobs. It agreed that the Community and individual member states needed to pursue policies that reinforced each other if they were to create the conditions necessary for sustained non-inflationary growth and tackle the problem of unemployment. In accordance with the economic policy guidelines endorsed by the European Council at Dublin in December 1984, this would require action to create the right macro-economic climate, by maintaining firm fiscal and monetary policies, and to promote a liberal and competitive internal market as envisaged in the Treaty of Rome. It would also require supportive measures in specific areas, in particular through the following:

a. measures to stimulate enterprise and competition

- by reducing the administrative and legislative burdens on businesses;
- by establishing conditions conducive to the creation and expansion of small and medium-sized enterprises;
- by increasing competition, particularly in the service sector and in the professions;
- by increasing the opportunities for private businesses to supply goods and services to the public sector;
- by firm control of, and wherever possible reduction in, state aids, and by focussing them on the promotion of competitiveness.

b. measures to create jobs

- by removing obstacles to the mobility of labour;
- by removing or amending legislation which unnecessarily holds back job creation;

- by extending and improving the training given to young people and adults;
- by encouraging moderation in the growth of wages and other labour costs;
- by taking steps to ensure that the social protection available to the unemployed does not act as a disincentive to their seeking work.

2. In this context the European Council expressed concern about the existing burden on businesses in terms of direct cost and management time of conforming to national and Community regulation, especially for small and medium-sized enterprises. In order that complementary action might be taken at both national and Community level to reduce the burden, the European Council invited the Commission to consider and report to the next European Council on the burden imposed on businesses by existing Community legislation, and ways to reduce it.

3. The European Council also urged the Commission and the Council to consider proposed Community legislation in the light of its impact on the creation of wealth and productive employment. The impact on business costs, including management time, of new proposals should be identified. The Council should avoid imposing additional burdens on business or increasing rigidities in the labour market except where the expected benefit would clearly outweigh the cost to employment and efficiency - and only after studying alternative measures to the same end.

Schlussfolgerungen des Europäischen Rates

Die Schaffung von Wohlstand und Arbeitsplätzen in der Gemeinschaft

1. Der Europäische Rat ist übereingekommen, dass die Gemeinschaft ihre Kräfte mobilisieren muss, um mehr Wohlstand und mehr Arbeitsplätze zu schaffen. Er hat festgestellt, dass die Gemeinschaft und die einzelnen Mitgliedstaaten Politiken verfolgen müssen, die sich gegenseitig ergänzen, wenn sie die Voraussetzungen für ein anhaltendes nichtinflationäres Wachstum schaffen und das Problem der Arbeitslosigkeit bewältigen wollen. Gemäss den im Dezember 1984 von dem Europäischen Rat in Dublin bekräftigten wirtschaftspolitischen Richtlinien würde dies Massnahmen erfordern, um das richtige gesamtwirtschaftliche Klima zu schaffen, indem eine strenge Steuer- und Geldpolitik beibehalten wird, und um einen liberalen und wettbewerbsfähigen Binnenmarkt - wie im EWG-Vertrag vorgesehen - zu fördern. Es würde auch Begleitmassnahmen in bestimmten Bereichen erfordern, insbesondere die Folgenden:

a. Anreize für den Unternehmergeist und den Wettbewerb durch

- den Abbau der Verwaltungsmässigen und Gesetzgeberischen Belastung für die Unternehmen;
- die Herbeiführung von Verhältnissen, die der Gründung und dem Ausbau von klein- und mittelbetrieben förderlich sind;
- eine Verschäferung des Wettbewerbs, insbesondere im Dienstleistungsbereich und in den freien Berufen;
- eine Vermehrung der Gelegenheiten für Unternehmen des Privatsektors, Waren und Dienstleistungen an die öffentliche Hand zu liefern;
- feste Kontrolle - und wo möglich Abbau - staatlicher Beihilfen and durch deren Konzentration auf die Förderung der Wettbewerbsfähigkeit.

b. Massnahmen zur Arbeitsplatzbeschaffung durch

- die Beseitigung von Hindernissen für die Mobilität der Arbeitskräfte;
- die Aufhebung oder Änderung von Gesetzen, die die Arbeitsplatzbeschaffung unnötig behindern;
- die Erweiterung und Verbesserung der Ausbildung, die Jugendliche und Erwachsene erhalten;
- Aufforderungen zur Mässigung bei der Steigerung der Löhne und übrigen Lohnkosten;
- Schritte, die dafür sorgen, dass der gewährte Sozialschutz den Arbeitslosen nicht den Anreiz nimmt, Arbeit zu suchen.

2. In diesem Zusammenhang hat der Europäische Rat seine Besorgnis über die bestehende Belastung der Unternehmen - insbesondere der Klein- und Mittelbetriebe - durch die Direktkosten und den Verwaltungsaufwand einer Anpassung an Einzelstaatliche und an EG-Bestimmungen zum Ausdruck gebracht.

Damit sich Gegenseitig ergänzende Massnahmen zum Abbau dieser Belastung auf Einzelstaatlicher wie auch auf Gemeinschaftsebene unternommen werden können, hat der Europäische Rat die Kommission gebeten, die Belastung der Unternehmen durch die bestehende EG-Gesetzgebung sowie Massnahmen zum Abbau dieser Belastung zu untersuchen und dem nächsten Europäischen Rat darüber Bericht zu erstatten.

3. Der Europäische Rat hat die Kommission und den Rat dringend aufgefordert, geplante neue EG-Gesetze auf ihre Auswirkungen auf die Schaffung von Wohlstand und Produktiven Arbeitsplätzen hin zu untersuchen. Die Auswirkungen neuer Vorschläge auf die Unternehmenskosten - einschliesslich des Verwaltungsaufwands - sollten dabei festgestellt werden. Der Rat sollte es vermieden, den Unternehmen zusätzliche Belastungen aufzürlegen oder die Verkrustung des Arbeitsmarkts zu erhöhen, es sei denn, der erwartete Nutzen würde die Nachteile für Arbeitsplätze und Leistungsfähigkeit deutlich aufwiegen - und auch dann nur, nachdem Alternativen, die denselben Zweck verfolgen, geprüft worden sind.

Conclusions Provisoires du Conseil Européen

La Création de Richesses et d'Emplois dans la Communauté

1. Le Conseil Européen a estimé que la Communauté Européenne devait mobiliser tous ses efforts pour créer davantage de richesses et d'emplois. Il est convenu de la nécessité pour la Communauté et ses États Membres de poursuivre des politiques de renforcement mutuel, s'ils veulent pouvoir créer les conditions favorables à une croissance soutenue et non inflationniste, et s'attaquer au problème du chômage. Conformément aux principes directeurs de politique économique approuvés par le Conseil Européen de Dublin en décembre 1984, cet objectif supposerait des mesures de nature à créer un environnement macro-économique propice - maintien de politiques monétaires et fiscales strictes - et à promouvoir la liberté des échanges et la concurrence dans le marché intérieur, comme le prévoyait le Traité de Rome. Il supposerait également des mesures de soutien de nature spécifique, en ce qui concerne, en particulier, les points suivants:

(a) Mesures de nature à stimuler l'entreprise et la concurrence

- allègement des contraintes administratives et juridiques auxquelles sont soumises les entreprises
- mise en place des conditions favorables à la création et à l'expansion des petites et moyennes entreprises
- accroissement de la concurrence, en particulier dans les services et les professions libérales
- amélioration de l'accès des entreprises privées aux marchés publics d'acquisition de biens et de services
- contrôle strict et si possible limitation des aides de l'État, et orientation de ces aides vers une amélioration de la compétitivité.

(b) Mesures de nature à créer des emplois

- suppression des obstacles à la mobilité de la main-d'oeuvre
- suppression ou réforme des textes de loi qui freinent de façon injustifiée la création d'emplois
- accroissement et amélioration de la formation dispensée aux jeunes et aux adultes
- incitation à la modération dans les augmentations de salaires et autres coûts salariaux
- mise en place de mesures visant à garantir que la protection sociale dont bénéficient les sans-emploi ne les dissuade pas de chercher du travail.

2. Dans ce contexte, le Conseil Européen a constaté avec préoccupation la charge actuelle qui pèse sur les entreprises en termes de coûts directs et de temps consacré par les cadres pour la mise en conformité avec les réglementations nationales et communautaires, en particulier dans les petites et moyennes entreprises. C'est pour permettre l'adoption de mesures complémentaires visant à alléger cette charge, tant au niveau national que communautaire, que le Conseil Européen a invité la

Commission à examiner la question et à lui remettre ses conclusions lors du prochain Conseil, quant à la charge que représente pour les entreprises la législation communautaire actuelle et aux mesures à prendre pour l'alléger.

3. Le Conseil Européen a également engagé la Commission et le Conseil des Ministres à examiner les propositions de loi communautaire à la lumière de leur incidence sur la création de richesses et d'emplois productifs. Il conviendra d'analyser l'incidence sur les coûts des entreprises, y compris en termes de temps absorbé sur l'encadrement, de nouvelles propositions. Le Conseil des Ministres devra s'efforcer de ne pas faire peser de charges supplémentaires sur les entreprises ni d'accroître les rigidités du marché du travail, à l'exception des cas où les avantages escomptés en justifieraient clairement le coût pour l'emploi et l'efficacité, et seulement après avoir étudié des mesures de rechange dans le même but.

Bozza di Conclusioni del Consiglio Europeo

Creazione Di Ricchezza E Occupazione Nella Comunita

1. Il Consiglio Europeo ha convenuto che la Comunita deve mobilitare i propri sforzi per creare maggiore ricchezza e più posti di lavoro. Ha convenuto che la Comunita ed i singoli stati membri debbono perseguire delle politiche di rafforzamento reciproco, se vogliono creare le condizioni necessarie per una crescita prolungata ed anti-inflazionistica ed affrontare il problema della disoccupazione. In conformità con le linee di politica economica approvate dal Consiglio Europeo a Dublino nel Dicembre 1984, questo richiederebbe delle iniziative per creare il giusto clima macro-economico, mantenendo rigide politiche fiscali e monetarie, e per promuovere un mercato interno libero e competitivo come previsto dal Trattato di Roma. Richiederebbe inoltre delle misure di sostegno in settori specifici, in particolare nei modi seguenti:

a. misure per incentivare l'impresa e la concorrenza

- riducendo gli oneri amministrativi e legislativi sulle attività commerciali;
- stabilendo delle condizioni che favoriscano la creazione e l'espansione delle piccole e medie imprese;
- aumentando la concorrenza, in particolare nel settore dei servizi e nelle professioni;
- accrescendo le possibilità delle imprese private di fornire beni e servizi al settore privato;
- controllando rigidamente e riducendo laddove possibile gli aiuti statali facendoli convergere sulla promozione della concorrenza.

b. misure per creare posti di lavoro

- rimuovendo gli ostacoli alla mobilità del lavoro;
- rimuovendo o modificando la legislazione che ostacola inutilmente la creazione di posti di lavoro;
- estendendo e migliorando la formazione professionale dei giovani e degli adulti;
- incoraggiando la moderazione negli aumenti salariali e negli altri costi del lavoro;
- prendendo provvedimenti affinché la sicurezza sociale a disposizione dei disoccupati non rappresenti un disincentivo alla loro ricerca di un posto di lavoro.

2. In questo contesto, il Consiglio Europeo ha espresso la sua preoccupazione in merito all'onere esistente per le imprese in termini di costi diretti e di tempo necessario per conformarsi ai regolamenti nazionali e Comunitari, soprattutto per le piccole e medie imprese. Affinché possano essere intraprese delle iniziative sia a livello nazionale che Comunitario per ridurre l'onere, il Consiglio Europeo ha invitato la Commissione a prendere in esame e riferire al prossimo Consiglio Europeo sull'onere imposto alle imprese dalla vigente legislazione Comunitaria, ed a suggerire i modi per un sua riduzione.

3. Il Consiglio Europeo ha altresì esortato la Commissione ed il Consiglio a prendere in esame la legislazione Comunitaria proposta, alla luce di un suo impatto sulla creazione di ricchezza e di occupazione produttiva. Dovrebbe essere determinato l'impatto che le nuove proposte avrebbero sui costi aziendali compresi i tempi di gestione. Il Consiglio dovrebbe evitare di imporre un onere aggiuntivo alle imprese o crescenti rigidità nel mercato del lavoro tranne nel caso in cui il previsto beneficio superasse chiaramente il costo per l'occupazione e l'efficienza e solo dopo aver studiato misure alternative per lo stesso fine.

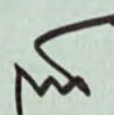


Foreign and Commonwealth Office

London SW1A 2AH

28 March 1985

Dear Charles,


 Prime Minister
 CDP
 20/3

European Council: Middle East

Please refer to your letter of 21 March. I enclose a copy of the Presidency's draft text of conclusions on the Middle East.

Mr Coles has also sought King Hussein's views (my letter of 20 March). The King has asked that any Council language should:

- (a) treat the Jordan/PLO agreement as a positive and constructive move;
- (b) express the hope that other parties concerned would respond constructively;
- (c) note with approval the commitment of the PLO to peaceful negotiation.

The Jordanian Minister of Court added, but apparently as an afterthought, that the Jordanians hoped that the Council would not refer to President Mubarak's proposals, since they provided ammunition for Arafat's opponents to claim that he was following Egypt down the Camp David path.

We think that the Presidency draft text, though rather wordy, strikes the right balance, and with some simple but substantial pruning could be made reasonably satisfactory. It meets points (a) and (b) above. It goes as far as we would wish on (c). We do not think that it is practicable or desirable to omit mention of President Mubarak: though less important than those of King Hussein, his procedural proposals are a significant element.

I accordingly enclose a shorter version illustrating the changes for which we might work. These are largely stylistic (though our suggested omission of a reference to the Venice Declaration may be seen as a substantive point by the Presidency: a reference may be unavoidable). Square

/brackets



brackets indicate pruning of unnecessary or objectionable wording: the few extra words needed are underlined. We have arranged for our Embassy in Washington to go over the ground discreetly with the Americans (as also suggested in your letter), and should have US comments by tomorrow morning.

The Presidency have given notice that they mean to initiate a discussion on the merits of intensifying contacts between the Presidency/Troika and the Jordanians/Palestinians. If the Prime Minister agrees, we will argue in the preparatory meetings:

- (a) that we can go along with a consensus in favour of this, if it is clearly a matter of Palestinians rather than the PLO as such; but
- (b) that it would need careful handling, and we should require the Presidency/Troika to act on the basis of further consideration among the Ten of what they should aim to achieve;
- (c) that any high profile action which could be portrayed as a new 'European initiative' should be avoided.

[This looks full of pitfalls to me]
C.D.P.

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

PS I have been unable to consult the Foreign Secretary on the above proposal. He may of course have comments later.

MIDDLE EAST

Shortened version
A Presidency draft

"The Ten are closely following developments in the Middle East. [] They welcome recent moves towards a reactivation of the negotiating process in the search for a solution to the Arab-Israel conflict and notably the agreement reached between Jordan and the PLO in Amman on 11 February and the ideas put forward by the Egyptian President, Mr Mubarak. [] []

"They confirm their conviction that the achievement of a just and lasting solution calls for the participation and the active support of all the parties concerned. The Ten consider that no effort should be spared to maintain and strengthen the present movement in the peace process and to facilitate a dialogue between all the parties. []

"The Ten reconfirm their willingness ^{low} to contribute to a comprehensive just and peaceful settlement of the Middle East question [] in their contacts with the parties. []

"The Ten view with deep concern the intensification of the conflict between Iraq and Iran. The present escalation in military activities against civilian targets is a serious development. Consequently, the Ten

call upon Iraq and Iran to comply once again with the commitment made under the agreement concluded in June 1984, under the aegis of the UN Secretary-General, to refrain from bombing civilian targets. The Ten draw the attention of both countries to the profound humanitarian concerns raised by this and other aspects of the conflict, such as the treatment of prisoners of war and the alleged use of chemical weapons.

"The continued losses of life among the civilian population, the serious damage to the economy of both countries and the permanent risk of an extension of the hostilities make a negotiated solution to the conflict more necessary and pressing than ever. Recalling the recent statements of the UN Secretary-General the Ten urge Iran and Iraq to agree upon an immediate ceasefire and to start a negotiating process with a view to achieving a peaceful solution which is honourable and acceptable to both sides.

"The Ten continue to view with concern the deterioration of the situation in Southern Lebanon. They look for the early, orderly and complete withdrawal of Israeli forces from that region in accordance with the relevant resolutions of the UN Security Council. The Ten welcome the Israeli Government's decision to withdraw its forces. The Ten consider it important that adequate security arrangements be reached between the Israeli and Lebanese Governments. UNIFIL could have a significant role to play in this context. The Ten appeal to all the

Senior
Team?

parties concerned, both within Lebanon and outside, to act in such a way as to facilitate the process of restoring the sovereignty, territorial integrity and independence of Lebanon."

GRS 750
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FM ROME 271420Z MAR 85
TO IMMEDIATE FCO FLASH
TELNO 314 OF 27 MAR 85
INFO IMMEDIATE UKREP BRUSSELS

MY TELNO 311: EUROPEAN COUNCIL: POLITICAL COOPERATION: MIDDLE EAST

1. THE ITALIAN PRESIDENCY IS CIRCULATING "ON AN INFORMAL BASIS" BY COREU LATER TODAY TEXTS REPRESENTING A SUMMARY OF ELEMENTS ALREADY "AGREED" IN POCO CONCERNING (PRINCIPLE) SUBJECTS FOR DISCUSSION OF THE EUROPEAN COUNCIL. THE COREU STATES THAT TWO TEXTS HAVE BEEN DRAWN UP WITH THE AIM OF SPEEDING UP THE COUNCIL'S WORK. TEXTS COVER EAST WEST RELATIONS, MIDDLE EAST, ARAB/ISRAEL, IRAN/IRAQ AND LEBANON, LATIN AMERICA (INCLUDING CHILE AND CONTADORA) AND MOZAMBIQUE.

2. FOLLOWING HIS PRESIDENCY DRAFT TEXT ON MIDDLE EAST.

MIDDLE EAST

"THE TEN ARE CLOSELY FOLLOWING DEVELOPMENTS IN THE MIDDLE EAST SITUATION AS REGARDS THE ARAB-ISRAELI CONFLICT, THE IRAQ-IRAN WAR AND THE LEBANESE QUESTION.

THEY WELCOMED THE TREND, WHICH HAS RECENTLY EMERGED, TOWARDS A REACTIVATION OF THE NEGOTIATING PROCESS IN THE SEARCH FOR A SOLUTION TO THE ARAB-ISRAELI CONFLICT. THE AGREEMENT REACHED BETWEEN JORDAN AND THE PLO IN AMMAN ON 11 FEBRUARY AND THE IDEAS PUT FORWARD BY THE EGYPTIAN PRESIDENCY, MR MUBARAK, FALL INTO THIS CONTEXT.

THE TEN CONSIDER THESE INITIATIVES TO BE IMPORTANT IN AS MUCH AS THEY CAN CONTRIBUTE TO AVOIDING A PROLONGED STALEMATE IN THE MIDDLE EAST PROBLEM.

THEY CONFIRM THEIR CONVICTION THAT THE ACHIEVEMENT OF A JUST AND LASTING SOLUTION CALLS FOR THE PARTICIPATION AND THE ACTIVE SUPPORT OF ALL THE PARTIES CONCERNED. THE TEN CONSIDER THAT NO EFFORT SHOULD BE SPARED TO MAINTAIN AND STRENGTHEN THE PRESENT MOVEMENT IN THE PEACE PROCESS AND TO FACILITATE A DIALOGUE BETWEEN ALL THE PARTIES CONCERNED, INCLUDING SYRIA.

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THE TEN RECONFIRM THEIR WILLINGNESS TO CONTRIBUTE TO A COMPREHENSIVE, JUST AND PEACEFUL SETTLEMENT OF THE MIDDLE EAST QUESTION ON THE BASIS OF THE PRINCIPLES EMBODIED IN THE VENICE DECLARATION AND SUBSEQUENT STATEMENTS BY THE TEN. IN THEIR CONTACTS WITH THE PARTIES CONCERNED, THE PRESIDENCY AND EACH INDIVIDUAL MEMBER STATE WILL WORK TO PROMOTE THE REMOVAL OF PRECONDITIONS AND TO HELP IN RECONCILING THE VARIOUS POSITIONS.

THE TEN VIEW WITH UTMOST CONCERN THE AGGRAVATION OF THE CONFLICT BETWEEN IRAQ AND IRAN. THE PRESENT ESCALATION IN MILITARY ACTIVITIES AGAINST CIVILIAN TARGETS IS A SERIOUS DEVELOPMENT. CONSEQUENTLY, THE TEN CALL UPON IRAQ AND IRAN TO COMPLY ONCE AGAIN WITH THE COMMITMENT MADE UNDER THE AGREEMENT CONCLUDED IN JUNE 1984, UNDER THE AEGIS OF THE UN SECRETARY-GENERAL, TO REFRAIN FROM BOMBING CIVILIAN TARGETS. THE TEN INTEND TO DRAW THE ATTENTION OF BOTH COUNTRIES TO THE PROFOUND HUMANITARIAN CONCERNS RAISED BY THIS AND OTHER ASPECTS OF THE CONFLICT, SUCH AS THE TREATMENT OF PRISONERS OF WAR AND THE ALLEGED USE OF CHEMICAL WEAPONS.

THE CONTINUED LOSSES OF LIFE AMONG THE CIVILIAN POPULATION, THE SERIOUS DAMAGE TO THE ECONOMY OF BOTH COUNTRIES AND THE PERMANENT RISK OF AN EXTENSION OF THE HOSTILITIES MAKE A NEGOTIATED SOLUTION TO THE CONFLICT MORE NECESSARY AND PRESSING THAN EVER. RECALLING THE RELEVANT RESOLUTIONS OF THE UN SECURITY COUNCIL, THE TEN URGE IRAN AND IRAQ TO AGREE UPON AN IMMEDIATE CEASEFIRE AND TO START A NEGOTIATING PROCESS WITH A VIEW TO ACHIEVING A PEACEFUL SOLUTION WHICH IS HONOURABLE AND ACCEPTABLE TO BOTH SIDES.

THE TEN CONTINUE TO VIEW WITH CONCERN THE DETERIORATION OF THE SITUATION IN SOUTHERN LEBANON AND ITS CONSEQUENCES FOR THE CIVILIAN POPULATION, WHICH CONTINUES TO BE SUBJECTED TO UNJUSTIFIABLE ACTS OF VIOLENCE.

THEY ARE CONVINCED THAT THIS STATE OF AFFAIRS CANNOT BE BROUGHT TO AN END UNTIL THE WITHDRAWAL OF ISRAELI FORCES FROM THAT REGION HAS BEEN COMPLETED, IN ACCORDANCE WITH THE RELEVANT RESOLUTIONS OF THE UN SECURITY COUNCIL. THE TEN WELCOME THE ISRAELI GOVERNMENT'S DECISION TO WITHDRAW ITS FORCES. THEY NOW EMPHASIZE THE IMPORTANCE OF FULL IMPLEMENTATION OF THAT DECISION IN THE SHORTEST POSSIBLE TIME IN ORDER TO PREVENT FURTHER SUFFERING ON THE PART OF THE POPULATIONS IN THE AREA AND TO HELP RESTORE THE AUTHORITY OF THE LEGITIMATE GOVERNMENT OF LEBANON. ACCORDINGLY, THE TEN CONSIDER IT IMPORTANT THAT ADEQUATE SECURITY ARRANGEMENTS BE REACHED BETWEEN THE ISRAELI AND LEBANESE GOVERNMENTS. UNIFIL COULD HAVE A SIGNIFICANT ROLE TO PLAY IN THIS CONTEXT.

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The.

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THE TEN APPEAL TO ALL THE PARTIES CONCERNED, BOTH WITHIN LEBANON AND OUTSIDE, TO ACT IN SUCH A WAY AS TO FACILITATE THE PROCESS OF RESTORING THE SOVEREIGNTY, TERRITORIAL INTEGRITY AND INDEPENDENCE OF LEBANON ''.

3. SEE MIFT.

BRIDGES

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MR JAY CAB OFFICE
MR WILLIAMSON .. "

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GRS 280

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FRAME STRUCTURAL/ECONOMIC

FM BONN 281005Z MAR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 295 OF 28 MARCH

INFO IMMEDIATE UKREP BRUSSELS

INFO PRIORITY LISBON (FOR SECRETARY OF STATE'S PARTY), PARIS, ROME,
THE HAGUE, BRUSSELS

MY TELNO 276: EUROPEAN COUNCIL: GERMAN VIEWS

1. IN THE ABSENCE OF TELTSCHIK (TYPICALLY, JUST OFF TO DALLAS FOR A GERMAN-AMERICAN SOCIETY MEETING) HARTMANN IN THE CHANCELLOR'S OFFICE TELEPHONED ME THIS MORNING TO SAY THAT THE FOLLOWING WERE KOHL'S RESPONSES TO THE POINTS WHICH I MADE ON THE PRIME MINISTER'S BEHALF ON 26 MARCH:

(A) IMPS: KOHL WOULD PREFER TO WAIT AND SEE WHAT CAME OUT OF TODAY'S MEETING OF FOREIGN MINISTERS. BUT HE WOULD BE GLAD TO TALK TO THE PRIME MINISTER IN BRUSSELS BEFORE THE EUROPEAN COUNCIL BEGAN.

(B) ECONOMIC AND SOCIAL SITUATION: THE PRIME MINISTER'S PAPER DID NOT CREATE ANY OBJECTIONS OF PRINCIPLE FOR THE FRG. THE MINISTRIES OF ECONOMIC AND SOCIAL AFFAIRS HAD BEEN ASKED TO COMMENT URGENTLY. THE SOCIAL SIDE HAD PERHAPS BEEN A BIT OVERDONE FOR THE GERMAN TASTE. BUT THE BRITISH DRAFT WAS MORE LIKELY TO BE A PROBLEM FOR OTHERS AT BRUSSELS THAN FOR CHANCELLOR KOHL.

2. COMMENT. ON IMPS, KOHL HAS STOPPED WELL SHORT OF ACCEPTING THE DILATERAL TACTICAL ALLIANCE WHICH THE PRIME MINISTER OFFERED HIM. BUT I THINK HE MIGHT STILL BITE ON THIS IF HE COULD BE TOLD ON THE EVE OF BATTLE WHAT OUR PRECISE PLAN OF CAMPAIGN IS, AND THE FIGURE ON WHICH WE ARE RESLOVED TO STICK. ON THE OTHER POINT, KOHL NO DOUBT HAS HIS RELATIONS WITH MITTERRAND IN MIND: BUT THE STANCE OF THE CDU, AS SHOWN BY ITS PARTY CONFERENCE LAST WEEK, IS CURRENTLY INTERVENTIONIST AND NEO-KEYNSIAN.

FCO PLEASE ADVANCE TO
FCO RENWICK, FAIRWEATHER, LOW
CABINET OFFICE WILLIAMSON, JAY
TREASURY UNWIN, FITCHEW
BULLARD

(ADVANCED AS REQUESTED)

FRAME STRUCTURAL/ECONOMIC

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GR280 FRAME INSTITUTIONAL/STRUCTURAL
CONFIDENTIAL

FM ROME 281059Z MAR 85

TO IMMEDIATE FCO

TELNO 320 OF 28 MAR 85

INFO IMMEDIATE UKREP BRUSSELS, ATHENS, BONN, PARIS,
INFO ROUTINE OTHER EC POSTS.

MB

MY TELNO 318: EUROPEAN COUNCIL.

1. I HAVE NOW BEEN ABLE TO SPEAK TO THE SECRETARY GENERAL OF THE MFA ABOUT ITALIAN TACTICS. RUGGIERO WAS IN PARIS ON MARCH 26 AND SPOKE TO DUMAS AND THE ELYSEE: HE IS REASONABLY CONFIDENT THAT THE FRENCH WILL SETTLE THE OUTSTANDING POINTS ON SPANISH ACCESSION AT THE FAC. CRAXI HELD A MEETING LAST NIGHT TO REVIEW PRESIDENCY TACTICS AND REACHED THE CONCLUSION THAT THERE WAS NO REAL POSSIBILITY OF REACHING AN AGREEMENT WITH GREECE UNLESS HE IS ABLE TO LINE UP THE NINE FIRST AND THIS COULD ONLY BE DONE ON THE BASIS OF THE LATEST COMMISSION PROPOSAL. THUS HE WOULD PRESENT PAPANDEOU WITH THE ALTERNATIVE OF ACCEPTING THE DELORS PROPOSALS, OR REMAINING ISOLATED. CRAXI DOES NOT WISH TO SPEND MANY HOURS OF THE COUNCIL IN DETAILED NEGOTIATION OF IMPS. HIS PRESENT IDEA WAS TO HAVE A TABLE ROUND TO SEE IF THE POSSIBILITY OF AN AGREEMENT EXISTS: IF IN HIS JUDGEMENT IT DOES NOT, HE WOULD SEEK TO PASS ON TO OTHER MATTERS. I COMMENTED THAT I WAS SURE THE OTHER EIGHT MEMBER STATES WOULD ALL BE KEEN TO REACH AN AGREEMENT AND HOPED THE PRESIDENCY WOULD NOT ABANDON THAT POSSIBILITY TOO SOON. RUGGIERO SAID THAT CRAXI INTENDED TO TALK PRIVATELY TO PAPANDEOU BEFORE THE COUNCIL BEGINS, WITH A VIEW TO SEEING HOW READY THE LATTER IS TO MOVE.

2. RUGGIERO ADDED THAT CRAXI HAS READ THE PRIME MINISTER'S DRAFT CONCLUSIONS ON WEALTH AND EMPLOYMENT WITH INTEREST AND SEES THEM AS A SERIOUS CONTRIBUTION TO THE WORK OF THE COUNCIL. BUT, HE WENT ON, HE DOES NEED YOUR PRIME MINISTER'S HELP IN DEALING WITH THE GREEKS.

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Qz.04335

MR POWELL

✓

EUROPEAN COUNCIL, 29-30 MARCH

--- You may find it helpful to have this summary of recommendations in the report of the Committee on People's Europe.

I am sending a copy to Sir Robert Armstrong.

E. Griffiths

pp: D F WILLIAMSON

28 March 1985

COMMITTEE ON PEOPLE'S EUROPE

The main specific recommendations in the first report are -

movement of people

- (1) distinction between land frontiers and ports/airports; [essential protection for UK position]

- (2) simplification of controls at land frontiers preferably by use of the E label on cars which are not then all stopped but are subject to spot checks (or full check in special situation, eg terrorist alert). [fully protects N. Ireland position]

- If arrangements already more open, no change;

- (3) at airports and seaports, practical measures to speed traffic including, where feasible, the two channel system [UK invention, working very well at Heathrow and elsewhere]

- (4) in longer term, timetable for completion of the common market [also dealt with in Dooge Committee's report] and further work on problems of cooperation on policy vis a vis third country citizens;

- (5) tourism: special attention to staggering holiday periods, improved information and protection for tourists, road safety, tourist information.

Movement of goods

- (1) no change in duty-free shops (which people like);
- (2) 25% higher allowance (350 ecu) for tax-paid goods from 1 July 1985 and provision to revise it regularly to broadly maintain its value;
- (3) 5 litres of still wine as tax paid allowance;
- (4) limit on tax exemption for small postal consignments to be raised to 100 ecu from 1 July 1985. Best endeavours to remove customs clearance fees on small parcels;
- (5) buses to be assessed for VAT at start of journey instead of at every frontier post;
- (6) no charge on fuel in tanks of buses (similar problem for lorries also needs to be resolved);
- (7) no double taxation on personal goods;
- (8) simplification of movement of goods on change of residence;
- (9) simplification of currency controls at frontiers;
- (10) special attention to these problems for those in border areas.

Movement of people to and from work

No great problems but attention to taxation problems eg for those receiving income in one member state and living in another.

Right of establishment

Committee recommends that general approach should be based on mutual recognition of qualifications. Some provision for exceptions.

Professional qualifications

Attention to ways in which professional qualifications can be better understood and possibility of a more widely recognised document showing equivalent qualifications of craftsmen.

Right of residence

General right of residence, qualified by evidence of adequate resources [UK stresses sentence "citizens wishing to reside in a country other than their own should not become an unreasonable burden on the public purse in the host country" which we inserted as a condition of agreement].

Chairman's covering letter sets out his view of future work but helpfully stresses "need to simplify and to reduce the burden of Community legislation on the individual citizen".

28 March 1985

CCPC



Foreign and Commonwealth Office

London SW1A 2AH

COO.

27 March, 1985

IMPS.
3-4.

Dear Charles,

European Council: Briefing

Thank you for your letter of today's date.

I enclose revised speaking notes for use in the European Council on IMPs and on strengthening the technological base of the Community. You will already have had from David Williamson revised notes on the Environment and on the Report of the People's Europe Committee.

The gist of the speaking note on IMPs has been passed to the Germans, who asked to be given a full account of our position and will advise Chancellor Kohl to take a similar line.

As the Prime Minister knows, the Germans are strongly opposed to interest rate subsidies. The Germans agree, however, that to limit the overall cost, any package agreed for IMPs will have to include a substantial amount of loans, whether from the European Investment Bank's existing programme or also under a new tranche of the so-called Ortoli facility (the "new Community instrument") which the Commission are likely to propose soon. The European Regional Development Fund does already permit some degree of interest rate subsidy (for small and medium enterprises). We have assured the Germans that we will not argue against them on the question of interest rate subsidies, though they will come under some pressure from others on this point.

It is not going to be possible formally to disqualify Italy and France from qualifying in some measure for IMPs. Nor would it be in accordance with the conclusions of the Brussels European Council. The French are very well aware that they are going to be a substantial net contributor to IMPs. In practice we shall be seeking severely to limit Italian benefits. Any attempt to establish formally low percentages for Italy and France would drive them into the Greek camp. The Delors approach of not setting percentages is, therefore, sensible provided we get it clearly



Next 5 years (out of increased EIB required)

Area 2 1/2 billion.

Italy show 20 billion (Nature 45-20) EIB loan

← established that the major effort must be directed to the areas most in need, in particular in Greece. The Germans have undertaken to support this approach.

As agreed at the Prime Minister's meeting this morning, it is going to be necessary to try to establish an overall figure for IMPs. Most other Member States will support the Commission's proposals for 2.5 becu of EIB lending and 2.5 becu from the Structural Funds. The Germans have now told us that they will agree to these elements of the Commission approach.

New loan

← We too think that some 2.5 becu is likely to be available for IMPs from the existing Structural Funds (though, as set out in the speaking note, we shall wish to get the Commission to confirm their assurance that the Funds will continue to operate normally on a Community-wide basis). Our aim will be to minimise the additional sums. The Prime Minister offered 600 mecu at Dublin. We should aim to limit any increase to a maximum of 1 becu.

In addition, we could consider proposing a new tranche for Greece of up to 1 becu of loans out of the New Community Instrument, and Greece is anyway likely to get some 2 1/2 becu of loans from the EIB over the next 5 years.

Structural Funds

Italy 7.5 - 9 bn

Greece 3.3

If the above approach is agreed it should be possible to identify for IMPs:

- (i) about 2.5 becu from the existing Structural Funds, as a result of the latest arrangements;
- (ii) in addition, 600-1000 mecu;
- (iii) loans under the EIB;
- (iv)? a possible NIC loan to Greece of 1 becu.

Within that total Papandreou will want to pretend that he has secured 2.5 becu of "new" money for Greece (this is the amount he would have got under the earlier, absurd, Commission proposal). There is no question of Greece getting new money on anything like this scale, but counting the Community lending and the results of growth in the Structural Funds, plus whatever additional amount is agreed, it may be necessary to present the figures in a way which would enable Papandreou to save face if in fact he does want a settlement on acceptable terms. If he does not, our aim should be to isolate him.

We estimate that over the next five years Greece



would in any case receive 3,275 becu in commitments from Structural Funds - compared with 480 million ecu of commitments from the three funds in 1984 (1983 figure = 550 mecu). We should not however put too much emphasis on this in the discussion, as these "new" amounts are going to be part of the presentation of whatever is in fact agreed for Greece.

On the kind of acceptable package which might emerge, provided the Commission give satisfactory assurances about the general balance within the Structural Funds the Prime Minister might in a second table round indicate that we could in the context of a satisfactory overall agreement accept those elements of the Commission's proposals covering the Structural Funds and Community lending - so long as the overall agreement involved reduced additional amounts of money for IMPs compared with the Commission's proposal. A speaking note on this is also attached.

I also attach a speaking note for the Prime Minister's use should Papandreu continue to block agreement on the new own resources decision. He is likely to be pressed hard by others to lift his reservation on the new own resources, which it would be self-defeating for him to maintain; and while we certainly want him to lift that reservation, we should not lead him to believe that by maintaining it he will be able to exert leverage on us. So far as possible, therefore, we should leave it to the Italian Presidency, Kohl, Mitterrand and others to take the lead in pressing the Greeks to lift their reserve - as they are likely to do.

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



2/3 for Brussels
2,000 added
top up 7 years

EUROPEAN COUNCIL

INTEGRATED MEDITERRANEAN PROGRAMMES

Points to Make

- Welcome Commission's recognition of the need for reappraisal.
- New proposals an improvement. Need now to settle this issue.
- Brussels European Council conclusions stated that IMPs would be
 - launched through coordination of activities of the structural funds;
 - operational in 1985;
 - of limited duration;
 - designed to prepare southern regions for enlargement; and to respond to Greek Memorandum;
 - financed through increases in the resources of the existing funds within the limits of financing possibilities.
- Against this background, should aim to implement IMPs in 1985. As President of the Commission confirmed in the Foreign Affairs Council last week, agreement on IMPs must also complete the Community's positive response to the Greek Memorandum.

①
②

- The main effort under IMPs should be directed towards Greece.

Financial Envelope

- Brussels European Council conclusions said that total cost of IMPs was to be "within the limit of financing possibilities".
- Brussels conclusions also stated that "the financial resources allocated to aid from the funds, having regard to IMPs, will be significantly increased in real terms within the limits of financing possibilities".
- Agreement on Regional and Social Fund, and recent agreement on



FEOGA Guidance, are in line with that decision.

- The Community must maintain a unified regional policy. Could not establish what would effectively be a separate structural fund for the Mediterranean.

- Mediterranean regions already have high priority in the structural funds. Other areas also have special needs.

①

- Need clarification of Commission proposal that 2.5 becu from the Structural Funds would be directed to the Mediterranean over seven years.

critic

- If this means that all of the projected increase in spending under the Structural Funds will go to the Mediterranean regions, that would be contrary to the intention of the European Council.

← 2

- If it means that financial support on this scale can be provided for integrated programmes from within the total sums available within the Structural Funds, then we could agree. Need to be clear about this.

- The European Council should confirm what M. Delors said in the Foreign Affairs Council, namely that the three Structural Funds must continue to operate normally on a Community wide basis.

Duration

- Agreed IMPs should be of "limited duration".

- Strong preference for IMPs to last five years. — 7 years could give

Loans

- Mediterranean countries can expect to be major beneficiaries from EIB resources over the next five years.

②

- On Commission proposal for a further 2.5 becu of EIB lending, could this be done without adversely affecting the balance of



lending policy within the EIB?

- Would also need to know how money would be raised and what credit terms would be agreed.

General

- These programmes must benefit the areas in greatest need. The main effort, therefore, should be directed to the particular need for structural assistance in Greece.

[If the President of the Commission has given assurances that the general balance of the Structural Funds will be maintained]

- 3
- On that understanding we could agree to the Commission proposal to use 2.5 becu from the existing Structural Funds and 2.5 becu in EIB lending for IMPs, provided a satisfactory overall amount is agreed.

- On that basis the maximum figure for additional finance we would consider appropriate would be X million ecu (the amount to be agreed in discussion with Chancellor Kohl).



EUROPEAN COUNCIL: OWN RESOURCES

[For use if Papandreou maintains the Greek reservation on the new Own Resources Decision]

There is now agreement on the terms of the new Own Resources Decision. It has taken several months of negotiation to reach this point. The Greek amendment is not acceptable to us or other members of the Council. If a different approach were adopted, our 1000 mecus correction for 1985 would have to be included in the same inter-governmental agreement as the budget overrun. Others have raised difficulties in relation to that. If Mr Papandreou were not to allow a common position now to be reached on the new Own Resources, this would mean that consultation with the Parliament could not take place and the decision could not therefore be adopted at the next Foreign Affairs Council. It would not then be possible to reach agreement on the financing of the 1985 overrun or the 1985 budget generally. Nor would it be possible for the Commission to bring forward proposals for the 1986 budget. All of this would directly affect Greece's interests in terms of the revenues it derives from the Community. It most certainly is not in Greece's interests, or that of other members of the Council, for the Community to have to continue on the basis of provisional twelfths for this year and next.



EUROPEAN COUNCIL

STRENGTHENING THE TECHNOLOGICAL BASE AND COMPETITIVENESS OF THE
COMMUNITY

Points to Make

- Welcome Commission paper in response to remit from Dublin
European Council to prepare an action programme.
- We have long argued the need to direct Community activity
towards completion of the internal market and improving the
technological, and thereby competitive, base of the Community.
- Welcome emphasis in the Commission's paper on creating unified
internal market; opening up public contracts and ensuring a
balance in Community spending that enables resources to be devoted
to research and development.
- In creating basic conditions in which European firms can
compete, must take care to preserve free trade. Protectionism has
no place in a strategy designed to make our industries competitive
with their principal rivals.
- The Community's commitment to a major research and development
effort is not in doubt. We agreed in Brussels a year ago "on the
need to increase the proportion of Community resources devoted to
financing priority Community R & D activities".
- Against this background, the Research Council in December
agreed new programmes worth 1225 mecu (£735m) over four to five
years covering: nuclear fusion; non-nuclear energy; handling of
radioactive waste; reactor safety; basic industrial research
(BRITE); biotechnology; and stimulation of scientific exchanges.
- Have also launched the ESPRIT programme worth 1.5 becu over
five year period. This is a major experiment in



government/industry collaboration and collaboration between European firms.

- Have supported commitment to gradual increase in proportion of Community budget spent on research.

- Before we make any new commitment Research Council should assess effectiveness of Community R & D expenditure to date.

Telecommunications

- Achieving a common market in telecommunications highly desirable.

- Agree that this is an area where Community already has strength and expertise.

- To maintain this position, first priority must be to agree:

- common standards

- mutual recognition of national type approval procedures

- more open market by opening up public procurement policies.

- Key area for progress must be collaboration between telecommunications companies.

- Major initiative recently taken by UK, Italians, French and German companies to pool research and development. Agreement represents most significant degree of collaboration yet achieved in the industry.

- In case of ESPRIT, action was needed to generate necessary industrial collaboration in Europe. In case of telecommunications industry already leading the way and has ability to finance its effort.

- Case for EC financing and role of any Community programme should be thoroughly examined by Research Council.

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IMMEDIATE

MY TELNO 311: EUROPEAN COUNCIL

ADVANCE COPY

1. CRAXI'S DIPLOMATIC COUNSELLOR ASKED ME TO CALL THIS AFTERNOON TO CONVEY AN ORAL MESSAGE FROM CRAXI TO THE PRIME MINISTER ABOUT IMPS. ASSUMING THAT FRANCE COULD BE BROUGHT TO AGREE THE TERMS OF SPANISH ACCESSION AND THAT THERE WERE NO DIFFICULTIES OVER PORTUGAL, THE CRUX OF THIS MEETING WOULD BE AGREEMENT BETWEEN THE NINE AND GREECE OVER IMPS. CRAXI HAD BEEN LED TO BELIEVE THAT THE BRITISH WERE TAKING THE TOUGHEST LINE OVER THE AMOUNT TO BE MADE AVAILABLE AND GREATLY HOPED THAT WE WOULD BE ABLE TO CONTRIBUTE CONSTRUCTIVELY TO A SETTLEMENT. AT HIS LAST MEETING WITH PAPANDREOU SOME 3 WEEKS AGO, THE LETTER HAD REJECTED THE DELORS PROPOSAL. BUT CRAXI NOW BELIEVED THAT THERE WAS A REASONABLE CHANCE OF SECURING GREEK AGREEMENT TO THE CURRENT DELORS PROPOSAL, ALTHOUGH HE BELIEVED THAT PAPANDREOU WOULD NOT ACCEPT ANYTHING LESS.

HE THEREFORE WANTED MRS THATCHER TO KNOW THAT THIS WAS HIS OPINION, AND THAT HE HOPED A BIG EFFORT COULD BE MADE ON THE BRITISH SIDE.

2. MEANWHILE, CRAXI HAS SEEN THE PRIME MINISTER'S DRAFT CONCLUSIONS ON WEALTH AND EMPLOYMENT. HE FULLY SHARES HER VIEW THAT FIRM ACTION IS NEEDED TO INCREASE EMPLOYMENT THROUGHOUT THE EC AND THAT THE COUNCIL SHOULD MAKE A POSITIVE STATEMENT ABOUT IT. HE HAS FOUND HER DOCUMENT RELEVANT AND HELPFUL (BADMINI DID NOT HOWEVER REFER TO THE PASSAGE ON ENTERPRISE AND COMPETITION).

3. I TOLD BADMINI THAT I WOULD TRANSMIT THE MESSAGE. WE TO...

3. I TOLD BADINI THAT I WOULD TRANSMIT THE MESSAGE. WE TOO BELIEVE AN AGREEMENT AT THIS COUNCIL ON IMPS FAILING WHICH THERE WOULD BE SERIOUS CONSEQUENCES FOR ALL. BUT I DID NOT THINK THAT BRITAIN WAS THE ONLY MEMBER STATE TO HAVE DIFFICULTY WITH THE AMOUNT SUGGESTED BY THE COMMISSION. INDEED, OUR VIEWS WERE SHARED BY A NUMBER OF OTHER NORTHERN MEMBER STATES. WAS THIS MESSAGE BEING DELIVERED TO OTHERS? BADINI SAID IT WAS NOT, AS THE PRESIDENCY BELIEVED THAT THE GERMANS WERE ALREADY RECONSIDERING THEIR POSITION. I THEN SAID THAT I HOPED AN EFFORT COULD BE MADE TO PERSUADE PAPANDREOU TO BE FLEXIBLE ALSO. IF THE OTHER ASPECTS OF THE ENLARGEMENT NEGOTIATIONS HAD BEEN SETTLED IT WOULD BE ILLOGICAL FOR GREECE TO BLOCK THE ENTRY OF SPAIN AND PORTUGAL WHOSE GOVERNING PARTIES SHARED THE SAME COMMON SOCIALIST ATTITUDES. BADINI REFERRED TO WELL KNOWN GREEK POSITIONS ABOUT THE WEAKNESS OF THE GREEK ECONOMY, NEED FOR FINANCIAL COMPENSATION ETC.

4. BADINI HAD NOTHING FRESH TO SAY ON THE OTHER ITEMS IN MY TUR.

5. FCO PLEASE ADVANCE TO:-

RENWICK - AUSS
SHEPHERD - ECD(E)
WALL - ECD(II)
UNWIN - TSY
WILLIAMSON - CAB OFF.
ANDREWS - MAFF
POWELL - NO 10 D/ST.

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PP LUXEMBOURG

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GRS 850

WALL (EOCI)

EVANS (EOCE)

WILLIAMS CAROLLE

UNWIN HMTSY

ANDREWS MALF

POWELL NORO DST.

Mr EGWICK



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TELNO 311 OF 27 MARCH 85

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EUROPEAN COUNCIL: ITALIAN PRESIDENCY VIEWS

SUMMARY

1. IN THE EXPECTATION THAT OUTSTANDING ENLARGEMENT ISSUES WILL BE RESOLVED AT THE EXTRA FAC ON 27 MARCH, THE ITALIANS SEE IMPS DOMINATING THE EUROPEAN COUNCIL, AND THE PROSPECT OF A LOW KEY PROCEDURAL DEBATE ON THE FUTURE OF THE DOOGIE COMMITTEE. CRAXI'S PRIORITIES ARE UNEMPLOYMENT AND THE MIDDLE EAST. HE IS A POOR CHAIRMAN AND WILL NOT RELISH A DIFFICULT COUNCIL.

DETAIL

2. WE HAVE DISCUSSED THE PROSPECTS FOR THE EUROPEAN COUNCIL WITH FONTANA-GIUSTI (MFA), RANUZZI (TREASURY) AND BADI (PRIME MINISTER'S OFFICE).

ENLARGEMENT

3. THE ITALIANS HOPE THAT OUTSTANDING FRENCH RESERVES ARE LARGELY TACTICAL AND THAT SOLUTIONS WILL EMERGE AT THE 27 MARCH FAC.

3. THE ITALIANS HOPE THAT OUTSTANDING FRENCH RESERVES ARE LARGELY TACTICAL AND THAT SOLUTIONS WILL EMERGE AT THE 27 MARCH FAC. THEY ARE, HOWEVER, CONCERNED ABOUT THE STRENGTH OF PORTUGUESE DEMANDS FOR A DIFFERENTIATED APPROACH TO OWN RESOURCES OVER THEIR ~~TRANSITION~~ PERIOD (THE SAME AS SPAIN INSTEAD OF 1 YEAR'S ~~UN-ADJ~~ ADJUSTMENT AS PROPOSED BY THE COMMISSION).

HMPs

4. IF THEY ARE RIGHT ABOUT FRENCH WILLINGNESS TO SETTLE, THE ITALIANS BELIEVE THAT HMPs WILL DOMINATE THE EUROPEAN COUNCIL. THEY FEAR THE WORST. THEY PREFER TO BELIEVE THAT PANANDREOU HAS VERY LIMITED ROOM FOR MANOEUVRE IN DOMESTIC POLITICAL TERMS. BADINI TOLD US THAT CRAXI, FOR REASONS OF SOLIDARITY, WOULD BE UNWILLING TO FORCE THE GREEKS AGAINST A WALL SO UNLESS THE COMMUNITY CAN MAKE AN OFFER ACCEPTABLE TO THE GREEKS, CRAXI WILL PREFER TO SUSPEND DISCUSSION RATHER THAN FORCE A CONFRONTATION. WE MADE OUR POSITION CLEAR.

FUTURE OF EUROPE

5. THE ITALIANS (ESPECIALLY ANDREOTTI) CLEARLY HANKER AFTER KEEPING THE DOGGE COMMITTEE IN BEING, WITH A NEW MANDATE TO ASSIST THE PRESIDENCY IN PREPARING FOR DECISIONS AT MILAN. THERE IS NO QUESTION AT THIS COUNCIL OF FORCING THE PACE ON A FINAL DECISION ON AN INTERGOVERNMENTAL CONFERENCE. OTHER IDEAS WHICH CRAXI MAY FALL BACK ON ARE FOR THE PRESIDENCY TO CARRY WORK FORWARD THROUGH FERRI, OR FERRI AND FIORET. WE ENCOURAGED THEM TO THINK IN TERMS OF MORE STRAIGHT FORWARD GOVERNMENT-TO-GOVERNMENT CONTACTS, BETWEEN MARCH AND JUNE. THIS IS UNLIKELY TO BE A STICKING POINT FOR THE ITALIANS AND WE THINK THEY WILL BE INFLUENCED BY THEIR PARTNERS VIEWS.

ECONOMIC AND SOCIAL SITUATION

6. BADINI (CRAXI'S DIPLOMATIC ADVISOR) EXPRESSED APPRECIATION FOR THE PRIME MINISTER'S INITIATIVE (YOUR TELNOS 139 AND 140 TO BONN) AND SAID THAT IT CHIMED WELL WITH CRAXI'S CONCERN THAT UNEMPLOYMENT SHOULD BE A MAIN PRIORITY FOR THE COUNCIL. THE TEXT WILL BE CONSIDERED AT CRAXI'S BRIEFING MEETING THIS AFTERNOON AT WHICH BOTH RUGGIERO AND BADINI WILL BE PRESENT (WE HAVE GIVEN RUGGIERO A COPY).

POLITICAL COOPERATION

7. THE PRESIDENCY EXPECT DISCUSSION TO FOCUS ON TEXTS ON

- A) EAST/WEST
- B) MIDDLE EAST
- C) LATIN AMERICA (ESPECIALLY CHILE)
- D) IRAN/IRAQ
- E) LEBANON
- F) CENTRAL AMERICA

THE FIRST THREE ARE FOR THEM, THE MOST IMPORTANT. THEMES SHOULD BE: ON EAST/WEST, SUPPORT FOR GENEVA. ON THE MIDDLE EAST, SUPPORT FOR THE HUSSEIN AND THE AMMAN AGREEMENT (BUT CRAXI WILL ALSO

THE FIRST THREE ARE FOR THEM, THE MOST IMPORTANT. THEMES SHOULD BE: ON EAST/WEST, SUPPORT FOR GENEVA. ON THE MIDDLE EAST, SUPPORT FOR THE HUSSEIN AND THE AMMAN AGREEMENT (BUT CRAXI WILL ALSO INITIATE ORAL DISCUSSION OF THE QUESTION OF INTENSIFYING CONTACTS BETWEEN PRESIDENCY/TROIKA AND JORDANIANS/PALESTINIANS). ON IRAN/IRAQ AND LEBANON, ALL THAT COULD BE SAID WAS A PRAYER FOR PEACE. ON LATIN AMERICA, SUPPORT FOR THE SPREAD OF DEMOCRACY ESPECIALLY IN CHILE (SEE MY TELNO 267 AND 270). CRAXI HAS TAKEN HIS TREASURY MINISTER TO TASK IN PUBLIC FOR AN ITALIAN VOTE IN THE IMF IN FAVOUR OF A LOAN FOR CHILE). ON CENTRAL AMERICA, SUPPORT FOR THE CONTADORA EFFORT. SOME OF THESE TEXTS MAY FALL AWAY.

CRAXI'S POLITICAL POSITION

8. CRAXI'S GOVERNMENT IS UNDER NO IMMEDIATE THREAT. BUT THE ADMINISTRATIVE ELECTIONS ON 12 MAY AND THE ELECTIONS FOR THE PRESIDENCY OF THE REPUBLIC IN JUNE WILL BE CRITICAL FOR THE FUTURE OF HIS GOVERNMENT. HE WILL THEREFORE BE KEEN TO SECURE WHAT DOMESTIC POLITICAL CAPITAL HE CAN FROM HIS FIRST PRESIDENCY OF AN EUROPEAN COUNCIL. HE WILL BE LOOKING FOR A SUCCESS AT BRUSSELS, AND MUST BE Hoping THAT TODAY'S FAC WILL YIELD AGREEMENT ON THE ENLARGEMENT TEXT: UNLIKE ANDREOTTI, HE IS BAD AT ABSORBING DETAIL AND A POOR CHAIRMAN. THE MIDDLE EAST CAN BE A CONTROVERSIAL ISSUE IN DOMESTIC POLITICS HERE, AND MUCH AS CRAXI (AND ANDREOTTI) MAY WANT TO GIVE ARAFAT A HELPING HAND THEY WILL KNOW THAT THIS WILL INVITE CRITICISM FROM THE REPUBLICANS, SOCIAL DEMOCRATS AND OTHERS. IN DOMESTIC TERMS, AND WITH THE IMPORTANT LOCAL ELECTIONS IN MAY LOOMING NEAR, CRAXI WILL BE MOST CONCERNED TO SECURE AN ACCEPTABLE TEXT ON UNEMPLOYMENT, AND IT WAS USEFUL THAT THE PRIME MINISTER'S PAPER ARRIVED WHILE THE ITALIANS ARE STILL MAKING UP THEIR MIND WHAT TO SAY ON THE SUBJECT. ON EMPS IT IS DISCOURAGING THAT CRAXI FEELS OBLIGED TO HELP PAPANDEOU, BUT WE MUST HOPE THAT EQUAL PRESSURE WILL BE PUT UPON HIM BY HIS FELLOW SOCIALISTS IN SPAIN AND PORTUGAL.

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MY TELNO 311: EUROPEAN COUNCIL: POLITICAL COOPERATION: MIDDLE EAST

1. THE ITALIAN PRESIDENCY IS CIRCULATING "ON AN INFORMAL BASIS" BY COREU LATER TODAY TEXTS REPRESENTING A SUMMARY OF ELEMENTS ALREADY "AGREED" IN POCO CONCERNING (PRINCIPLE) SUBJECTS FOR DISCUSSION OF THE EUROPEAN COUNCIL. THE COREU STATES THAT TWO TEXTS HAVE BEEN DRAWN UP WITH THE AIM OF SPEEDING UP THE COUNCIL'S WORK. TEXTS COVER EAST WEST RELATIONS, MIDDLE EAST, ARAB/ISRAEL, IRAN/IRAQ AND LEBANON, LATIN AMERICA (INCLUDING CHILE AND CONTADORA) AND MOZAMBIQUE.

2. FOLLOWING IS PRESIDENCY DRAFT TEXT ON MIDDLE EAST.

MIDDLE EAST

"THE TEN ARE CLOSELY FOLLOWING DEVELOPMENTS IN THE MIDDLE EAST SITUATION AS REGARDS THE ARAB-ISRAELI CONFLICT, THE IRAQ-IRAN WAR AND THE LEBANESE QUESTION.

THEY WELCOMED THE TREND, WHICH HAS RECENTLY EMERGED, TOWARDS A REACTIVATION OF THE NEGOTIATING PROCESS IN THE SEARCH FOR A SOLUTION TO THE ARAB-ISRAELI CONFLICT. THE AGREEMENT REACHED BETWEEN JORDAN AND THE PLO IN AMMAN ON 11 FEBRUARY AND THE IDEAS PUT FORWARD BY THE EGYPTIAN PRESIDENCY, MR MUBARAK, FALL INTO THIS CONTEXT.

THE TEN CONSIDER THESE INITIATIVES TO BE IMPORTANT IN AS MUCH AS THEY CAN CONTRIBUTE TO AVOIDING A PROLONGED STALEMATE IN THE MIDDLE EAST PROBLEM.

THEY CONFIRM THEIR CONVICTION THAT THE ACHIEVEMENT OF A JUST AND LASTING SOLUTION CALLS FOR THE PARTICIPATION AND THE ACTIVE SUPPORT OF ALL THE PARTIES CONCERNED. THE TEN CONSIDER THAT NO EFFORT SHOULD BE SPARED TO MAINTAIN AND STRENGTHEN THE PRESENT MOVEMENT IN THE PEACE PROCESS AND TO FACILITATE A DIALOGUE BETWEEN ALL THE PARTIES CONCERNED, INCLUDING SYRIA.

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THE TEN RECONFIRM THEIR WILLINGNESS TO CONTRIBUTE TO A COMPREHENSIVE, JUST AND PEACEFUL SETTLEMENT OF THE MIDDLE EAST QUESTION ON THE BASIS OF THE PRINCIPLES EMBODIED IN THE VENICE DECLARATION AND SUBSEQUENT STATEMENTS BY THE TEN. IN THEIR CONTACTS WITH THE PARTIES CONCERNED, THE PRESIDENCY AND EACH INDIVIDUAL MEMBER STATE WILL WORK TO PROMOTE THE REMOVAL OF PRECONDITIONS AND TO HELP IN RECONCILING THE VARIOUS POSITIONS.

THE TEN VIEW WITH UTMOST CONCERN THE AGGRAVATION OF THE CONFLICT BETWEEN IRAQ AND IRAN. THE PRESENT ESCALATION IN MILITARY ACTIVITIES AGAINST CIVILIAN TARGETS IS A SERIOUS DEVELOPMENT. CONSEQUENTLY, THE TEN CALL UPON IRAQ AND IRAN TO COMPLY ONCE AGAIN WITH THE COMMITMENT MADE UNDER THE AGREEMENT CONCLUDED IN JUNE 1984, UNDER THE AEGIS OF THE UN SECRETARY-GENERAL, TO REFRAIN FROM BOMBING CIVILIAN TARGETS. THE TEN INTEND TO DRAW THE ATTENTION OF BOTH COUNTRIES TO THE PROFOUND HUMANITARIAN CONCERNS RAISED BY THIS AND OTHER ASPECTS OF THE CONFLICT, SUCH AS THE TREATMENT OF PRISONERS OF WAR AND THE ALLEGED USE OF CHEMICAL WEAPONS.

THE CONTINUED LOSSES OF LIFE AMONG THE CIVILIAN POPULATION, THE SERIOUS DAMAGE TO THE ECONOMY OF BOTH COUNTRIES AND THE PERMANENT RISK OF AN EXTENSION OF THE HOSTILITIES MAKE A NEGOTIATED SOLUTION TO THE CONFLICT MORE NECESSARY AND PRESSING THAN EVER. RECALLING THE RELEVANT RESOLUTIONS OF THE UN SECURITY COUNCIL, THE TEN URGE IRAN AND IRAQ TO AGREE UPON AN IMMEDIATE CEASEFIRE AND TO START A NEGOTIATING PROCESS WITH A VIEW TO ACHIEVING A PEACEFUL SOLUTION WHICH IS HONOURABLE AND ACCEPTABLE TO BOTH SIDES.

THE TEN CONTINUE TO VIEW WITH CONCERN THE DETERIORATION OF THE SITUATION IN SOUTHERN LEBANON AND ITS CONSEQUENCES FOR THE CIVILIAN POPULATION, WHICH CONTINUES TO BE SUBJECTED TO UNJUSTIFIABLE ACTS OF VIOLENCE.

THEY ARE CONVINCED THAT THIS STATE OF AFFAIRS CANNOT BE BROUGHT TO AN END UNTIL THE WITHDRAWAL OF ISRAELI FORCES FROM THAT REGION HAS BEEN COMPLETED, IN ACCORDANCE WITH THE RELEVANT RESOLUTIONS OF THE UN SECURITY COUNCIL. THE TEN WELCOME THE ISRAELI GOVERNMENT'S DECISION TO WITHDRAW ITS FORCES. THEY NOW EMPHASIZE THE IMPORTANCE OF FULL IMPLEMENTATION OF THAT DECISION IN THE SHORTEST POSSIBLE TIME IN ORDER TO PREVENT FURTHER SUFFERING ON THE PART OF THE POPULATIONS IN THE AREA AND TO HELP RESTORE THE AUTHORITY OF THE LEGITIMATE GOVERNMENT OF LEBANON. ACCORDINGLY, THE TEN CONSIDER IT IMPORTANT THAT ADEQUATE SECURITY ARRANGEMENTS BE REACHED BETWEEN THE ISRAELI AND LEBANESE GOVERNMENTS. UNIFIL COULD HAVE A SIGNIFICANT ROLE TO PLAY IN THIS CONTEXT.

CONFIDENTIAL-2

THE.

Syria?

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THE TEN APPEAL TO ALL THE PARTIES CONCERNED, BOTH WITHIN LEBANON AND OUTSIDE, TO ACT IN SUCH A WAY AS TO FACILITATE THE PROCESS OF RESTORING THE SOVEREIGNTY, TERRITORIAL INTEGRITY AND INDEPENDENCE OF LEBANON ''.

3. SEE MIFT.

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FM ATHENS 271130Z MARCH 85

TO IMMEDIATE DESKBY FCO

TELEGRAM NUMBER 173 OF 27 MARCH 1985

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GREECE AND INTEGRATED MEDITERRANEAN PROGRAMMES (IMPS)

SUMMARY

1. NO SIGN OF GIVE IN THE PRESENT GREEK POSITION OF INSISTING ON A GLOBAL FIGURE FOR NET GREEK ADDITIONAL RECEIPTS FROM IMPS IN THE REGION OF THE 2 1/2 BILLION ECUS ORIGINALLY PROPOSED BY THE COMMISSION. GREEK GOVERNMENT POSITION ENJOYS SUPPORT IN SUBSTANCE ACROSS THE BOARD, THOUGH THE OPPOSITION MAY BE CRITICAL OF TACTICS. THE PROSPECT OF ELECTIONS, WHOSE DATE IS STILL FAR FROM CLEAR, WILL WORK AGAINST FLEXIBILITY ON THE PART OF PAPANDREOU. HE IS LIKELY TO EXPLOIT THIS ISSUE AS ONE ON WHICH PASOK CAN BE SEEN AS DEFENDING GREEK NATIONAL INTERESTS.

DETAIL

2. I HAVE NO, REPEAT NO, REASON TO EXPECT ANY WEAKENING OF GREEK INSISTENCE ON NET ADDITIONAL RECEIPTS UNDER IMPS CLOSE TO THE COMMISSION'S ORIGINAL FIGURE OF 2 1/2 BILLION ECUS. THIS POINT WAS UNDERLINED AT A LUNCH ON 26 MARCH GIVEN BY PANGALOS FOR EC AMBASSADORS.

3. AT THE LUNCH PANGALOS SPOKE ON SIMILAR LINES TO THOSE WHICH HE FOLLOWED DURING THE FOREIGN AFFAIRS COUNCIL ON 21 MARCH (UKREP BRUSSELS TELEGRAM NO. 1079). HE EMPHASISED THAT IT WAS NOT ENOUGH FOR THE GREEKS TO RECEIVE AN ASSURANCE FROM DELORS HIMSELF THAT THEIR VIABLE PROJECTS WOULD BE FINANCED. THE ORIGINAL COMMISSION FIGURE WAS WELL KNOWN IN GREECE. PAPANDREOU WAS COMMITTED TO SECURING ADDITIONAL FINANCE OF THAT ORDER. PANGALOS ALSO STRESSED THAT, FOR THE GREEKS, PARTICIPATION BY THE COUNCIL OF MINISTERS IN ALLOCATION OF FUNDS UNDER IMPS WOULD BE DISASTROUS. THE GREEKS KNEW WHAT HAPPENED WHEN THINGS WENT TO THAT COUNCIL. YEARS OF DELAY COULD BE EXPECTED. HE ALSO REFERRED TO THE NEED TO RECONCILE THE TWO PRINCIPLES OF "QUALITY" AND "NEED".

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4. THE PRESENT GREEK POLITICAL CLIMATE CONTAINS STRONG ELEMENTS OF UNCERTAINTY AND NERVOUSNESS, PARTICULARLY AMONG OPPOSITION AND CENTRE VOTERS, BUT ALSO MORE WIDELY. THE GENERAL ANTICIPATION IS THAT A NEW PRESIDENT (SARTZETAKIS) WILL BE ELECTED BY HOOK OR BY CROOK ON 29 MARCH. THEREAFTER THE PICTURE IS UNCLEAR. LATEST INFORMATION SUGGESTS THAT PASOK SUPPORT MAY HAVE FALLEN BEHIND NEW DEMOCRACY, AT LEAST IN SOME URBAN CENTRES. THIS, IF CONFIRMED, WOULD ARGUE FROM PAPANDREOU'S POINT OF VIEW FOR LATER ELECTIONS (I.E. IN THE AUTUMN). WE CANNOT BE SURE THAT SUCH LOGIC WILL PREVAIL. WE NEED NOT EMPHASISE THE UNPREDICTABILITY OF PAPANDREOU. WE KNOW THAT THERE IS A FEELING WITHIN PASOK THAT NOW IS THE TIME TO GO FOR ELECTIONS AFTER THE DECISIVE STEP OF DITCHING KARAMANLIS. AND MANY OF THE PREDICTABLE PRE-ELECTION HANDOUTS (E.G. INCREASED PENSIONS AND A MORATORIUM ON OUTSTANDING LOANS) HAVE ALREADY BEEN MADE.

5. IN SUCH AN ATMOSPHERE, AND GIVEN HIS PREVIOUS PRONOUNCEMENTS, WE CANNOT EXPECT FLEXIBILITY FROM PAPANDREOU ON AN ISSUE LIKE HMPS WHICH LENDS ITSELF SO EASILY TO ELECTORAL EXPLOITATION. THE IMAGE OF A GOVERNMENT STANDING UP FOR LITTLE GREECE AGAINST THE "RICH AND STINGY" NORTHERN MEMBERS OF THE EC HAS WIDE APPEAL EVEN THOUGH THE OPPOSITION HAVE CRITICISED GREEK TACTICS FOR THE DAMAGE DONE TO GREECE'S RELATIONS WITH SPAIN AND PORTUGAL. PAPANDREOU WOULD CALCULATE THAT HIS INTEREST (I.E. RETAINING POWER) WOULD BE BETTER SERVED BY PUSHING GREECE'S CASE ON HMPS TO THE EXTREME RATHER THAN BEING SEEN TO CAVE IN. THIS MEANS THAT THE IMPLICATIONS FOR GREECE'S RELATIONS WITH SPAIN AND PORTUGAL IF ENLARGEMENT IS BLOCKED WOULD BE SEEN BY HIM AS OF SECONDARY IMPORTANCE. EVEN IF, AS IT GATHERS NOW LIKELY, OTHER PROBLEMS AFFECTING ENLARGEMENT CAN BE RESOLVED, HE WOULD EXPECT PAPANDREOU TO ACCEPT ISOLATION. HE MIGHT WELL SEE ADVANTAGE IN POSTPONEMENT OF ANY DECISION ON HMPS TO THE JUNE COUNCIL OR EVEN BEYOND THAT.

6. THE KEY POINT REMAINS PAPANDREOU'S PERCEIVED NEED FOR A FIGURE FOR GREEK ADDITIONAL RECEIPTS WHICH HE CAN PRESENT PUBLICLY. THE GREEKS CAN SHOW SOME FLEXIBILITY ON THE DURATION OF HMPS, THOUGH PAPANTONIOU, PAPANDREOU'S ADVISER ON EC MATTERS, TOLD ME ON 26 MARCH THAT THE LONGER THE PERIOD OVER WHICH ANY SUM WAS STRETCHED, THE HIGHER THE SUM WOULD NEED TO BE.

7. THE GREEKS WILL BE RELUCTANT TO ACCEPT THAT HMPS (EVEN IF THE GLOBAL FIGURE FOR GREEK RECEIPTS IS "PRESENTABLE") CONSTITUTE THE FINAL ANSWER TO THE GREEK MEMORANDUM. PAPANTONIOU TOLD ME THAT THE COMMISSION (BURKE) HAD FLOATED A SUGGESTION OF AN ADDITIONAL 600 MILLION ECUS FOR MAJOR PROJECTS TO BE TAKEN FROM THE GREEK

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FIVE.

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FIVE YEAR PLAN. THIS PROPOSAL HAD NOT SEEN THE LIGHT OF DAY. BUT IF IT, TOGETHER WITH HMPS COVERING AGRICULTURAL EXPENDITURE AND EXPENDITURE ON INFRASTRUCTURE, WERE APPROVED, THE GREEKS MIGHT FEEL THAT THEIR MEMORANDUM HAD BEEN SATISFIED. (IT IS OF COURSE ARGUABLE THAT, BY SETTING THEIR SIGHTS SO HIGH, THEY ARE SHOWING THEIR INTENTION OF KEEPING THE GREEK MEMORANDUM IN RESERVE IN ORDER TO ARGUE IN FUTURE THAT THE COMMUNITY STILL OWES THEM SOMETHING).

8. AN ADDITIONAL FACTOR WORKING AGAINST FLEXIBILITY IS LIKELY TO BE PAPANDEOU'S TRAVEL PROBLEMS RESULTING FROM THE COINCIDENCE OF THE THIRD ROUND OF THE PRESIDENTIAL ELECTION AND THE BEGINNING OF THE EUROPEAN COUNCIL ON 29 MARCH. PAPANDEOU WILL FLY TO BRUSSELS IMMEDIATELY AFTER THE THE PARLIAMENTARY VOTE BILLED FOR 10.00 HOURS LOCAL TIME. ON THE ASSUMPTION THAT A PRESIDENT IS ELECTED, THE SWEARING IN CEREMONY MUST TAKE PLACE ON THE FOLLOWING DAY (SEMI COLON) THE PRIME MINISTER MUST BE PRESENT. HE HAVE BEEN TOLD BY THE HEAD OF PROTOCOL THAT PREPARATIONS ARE BEING MADE FOR A CEREMONY ON THE EVENING OF SATURDAY 30 MARCH, PERHAPS AT 1900 HOURS LOCAL TIME. THIS MEANS PAPANDEOU WILL HAVE TO LEAVE RELATIVELY EARLY ON THE AFTERNOON OF 30 MARCH. IF THE DISCUSSION ON HMPS HAS NOT BEEN REACHED, HE WILL LEAVE BEHIND PANGALOS, ROUMELIOTIS (UNDER SECRETARY IN THE MINISTRY OF NATIONAL ECONOMY) AND SIMIOTIS, MINISTER OF AGRICULTURE. ROUMELIOTIS WILL IN ANY CASE SUBSTITUTE FOR PANGALOS IN THE FOREIGN AFFAIRS COUNCIL ON 28 MARCH BECAUSE PANGALOS MUST VOTE IN THE PRESIDENTIAL ELECTION. NONE OF THESE MINISTERS WILL EITHER BE EMPOWERED OR FEEL ABLE TO MAKE CONCESSIONS FROM THE PRESENT GREEK LINE.

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GRS 270

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FM THE HAGUE 271040Z MAR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 97 OF 27 MARCH

INFO PRIORITY UKREP BRUSSELS ATHENS BONN BRUSSELS COPENHAGEN

INFO PRIORITY DUBLIN LUXEMBOURG PARIS ROME

NETHERLANDS APPROACH TO THE EUROPEAN COUNCIL, 29/30 MARCH

1. THE POSTHUMUS MEYJES/BRAITHWAITE TALKS ON 15 MARCH WILL HAVE COVERED THE ISSUES AT THE FORTHCOMING COUNCIL MEETING. THE MFA HOPE THAT THE OUTSTANDING ENLARGEMENT PROBLEMS CAN BE SETTLED AT THE FOREIGN AFFAIRS COUNCIL ON 28 MARCH, LEAVING THE EUROPEAN COUNCIL FREE TO CONCENTRATE ON OTHER ISSUES (E.G. SOUTH AFRICA IN THE LIGHT OF RECENT SHOOTINGS). THE DUTCH SEE IMPS AND DOOGE AS BEING OF PARAMOUNT IMPORTANCE.

IMPS

2. ALTHOUGH THEY MAY BE OVER-OPTIMISTIC, THE DUTCH BELIEVE THAT GREECE RECOGNISES THAT NO FIGURE WHICH CAN REALISTICALLY BE AGREED AT BRUSSELS (THE DUTCH THEMSELVES WILL ARGUE FOR A SUM OF 1.1 BECU ADDITIONAL EXPENDITURE ON IMPS) WOULD HAVE A SIGNIFICANT IMPACT ON THE GREEK NATIONAL ELECTIONS. THEY THEREFORE BELIEVE THAT PAPANDEAU WILL SETTLE FOR THE BEST HE CAN GET RATHER THAN PUT A DEAL ON IMPS AT RISK AND INCUR THE OBLOQUY ON HOLDING UP ENLARGEMENT.

DOOGE REPORT

3. THE NETHERLANDS HOPE THAT DISCUSSION OF THIS SUBJECT WILL LEAD TO FOLLOW UP ACTION BETWEEN NOW AND THE JUNE COUNCIL. THEY THEMSELVES SEE FOUR AREAS ON WHICH GUIDANCE FROM THE EUROPEAN COUNCIL IS DESIRABLE:

(I) WHETHER THE INTERGOVERNMENTAL CONFERENCE, IF ANY, SHOULD ACT AS A DECISION-MAKING BODY OR BE ESTABLISHED TO DRAFT AMENDMENTS TO THE TREATY,

(II) WHETHER THE INFORMAL FOREIGN MINISTERS MEETING ON 8 JUNE CAN USEFULLY SERVE TO DRAW TOGETHER THE THREADS OF THE PRECEDING BILATERALS,

(III) WHETHER THE COMMISSION AND COUNCIL LEGAL SERVICES SHOULD BE INSTRUCTED TO WORK OUT THE IMPLICATIONS FOR THE TREATY OF IMPLEMENTING THE DOOGE REPORT,

(IV) WHETHER THERE SHOULD BE A CONTINUING ROLE FOR THE DOOGE COMMITTEE IN ADVISING THE COUNCIL OR PRESIDENCY ON HOW TO CARRY FORWARD THE IMPLEMENTATION OF THEIR REPORT IN THE LIGHT OF BILATERALS.

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GRS 210 *FRAME ECONOMIC*
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FM BONN 271800Z MAR 85
TO PRIORITY FCO
TELEGRAM NUMBER 289 FO 27 MARCH
INFO PRIORITY UKREP BRUSSELS, ROME

EUROPEAN COUNCIL, BRUSSELS, 29/30 MARCH

1. DOOGE COMMITTEE

ACCORDING TO HARTMANN (FEDERAL CHANCELLERY), KOHL TOLD DELORS ON 25 MARCH, THAT THIS WEEK'S COUNCIL SHOULD NOT SPEND TOO MUCH TIME ON THE DOOGE REPORT. ACCORDING TO HARTMANN, KOHL WOULD NOT HAVE MUCH TO SAY ON THE SUBSTANCE AND WOULD BE MORE CONCERNED WITH PROCEDURAL ASPECTS. THE GERMANS WERE VERY RESERVED TOWARDS THE ITALIAN SUGGESTION THAT THE DOOGE COMMITTEE SHOULD MEET AGAIN TO DEEPEN ITS DISCUSSION OF INSTITUTIONAL QUESTIONS AND TO THE FURTHER ITALIAN SUGGESTION THAT THE COMMITTEE SHOULD HELP PREPARE DISCUSSION AT THE MILAN COUNCIL. BUT ON THIS SECOND POINT HARTMANN DID NOT KNOW WHICH WAY KOHL WOULD DECIDE. AS MATTERS STOOD, HAVING REFLECTED FURTHER ON THE SUBSTANCE OF THE REPORT, THE GERMANS WANTED TO PURSUE MATTERS BILATERALLY, ABOVE ALL WITH OURSELVES AND THE FRENCH, BUT ALSO WITH THE PRESIDENCY. THE QUESTION OF AN INTERGOVERNMENTAL CONFERENCE COULD ONLY BE DECIDED IN THE LIGHT OF DISCUSSION AT MILAN. THE TASK OF SUCH A CONFERENCE WOULD HAVE TO BE CLEAR BEFORE IT STARTED WORK.

2. ECONOMIC AND SOCIAL QUESTIONS

YOUR TELNOS 139 AND 140. HARTMANN COMMENTED THAT OUR PAPER GAVE THE GERMANS NO PROBLEMS. WE AND THEY SHARED THE SAME PHILOSOPHY.

FCO PLEASE ADVANCE TO:
FCO - BRAITHWAITE, RENWICK, FAIRWEATHER
CAB OFFICE - WILLIAMSON, JAY
TSY - UNWIN, FITCHEW

BULLARD
FRAME ECONOMIC
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GRS 100 *FRAME GENERAL*
CONFIDENTIAL
FM ROME 271220Z
TO IMMEDIATE FCO
TELNO 312 OF 27 MAR 85

INFO IMMEDIATE PARIS, UKREP BRUSSELS, BONN

INFO SAVING OTHER EC POSTS

THE FUTURE OF EUROPE: MITTERRAND'S SURPRISE

1. FOR WHAT IT IS WORTH FONTANA GIUSTI (MFA) TOLD US YESTERDAY THAT HE THOUGHT THAT MITTERRAND'S "SURPRISE" WAS LIKELY TO BE A PROPOSAL FOR ELECTION OF A PRESIDENT OF THE EUROPEAN COUNCIL (AND TWO VICE PRESIDENTS) BY DIRECT UNIVERSAL SUFFRAGE FOR A PERIOD AS YET UNDEFINED, REPLACING THE CURRENT ARRANGEMENTS WHEREBY THE HEAD OF GOVERNMENT OF THE STATE HOLDING THE PRESIDENCY PRESIDES OVER EUROPEAN COUNCILS.

2. FCO PSE PASS SAVING ADDRESSEES.

BRIDGES

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FM BRUSSELS 271200Z MAR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 106 OF 27 MARCH 85

INFO PRIORITY: BONN UKREP BRUSSELS ROME

INFO ROUTINE : PARIS THE HAGUE

YOUR TELNO 139 TO BONN: EUROPEAN COUNCIL

1. ACTION TAKEN TODAY WITH MARTENS' FOREIGN AFFAIRS ADVISER. HE SAID MARTENS HAD BEEN VERY RESPONSIVE TO THE DISCUSSION AT CHEQUERS ON THE ECONOMIC SITUATION AND HAD HIMSELF BEEN CONSIDERING THE POSSIBLE SCOPE FOR COMMUNITY ACTION TO STIMULATE EMPLOYMENT AND MORE DYNAMIC ECONOMIC DEVELOPMENT. HE WOULD BE MOST GRATEFUL FOR THIS ADVANCE NOTICE OF THE PRIME MINISTER'S PROPOSALS.

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Qz.04333

MR POWELL

People's Europe
6

EUROPEAN COUNCIL, 29-30 MARCH

At her briefing meeting this morning the Prime Minister asked that we should redraft the second indent in the section on the Committee on People's Europe in the Steering Brief (pages 23-24). I propose:-

" - my representative made clear that he supported the Committee's view that there should be a timetable for the completion of the single market for goods and services. This is a priority objective for the Community. We should have done it long ago. He did not endorse the Commission's proposal for a "Europe without frontiers" by 1992. We cannot have a Europe totally without frontiers so long as we have to face the vital issues of drugs, terrorism and illegal immigration. We should not underrate the importance of these points for our people. Furthermore, national tax rates and arrangements are the responsibility of member states themselves. They differ widely and are not going to be changed. The common market for goods and services does not depend on tax harmonisation."

I am sending copies to Colin Budd (FCO), Rachel Lomax (Treasury) and to Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

27 March 1985

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Qz.04330

MR POWELL



Environment
9

EUROPEAN COUNCIL, 29-30 MARCH: ENVIRONMENT

At the briefing meeting this morning the Prime Minister said that she would wish to present positively the United Kingdom's record on reductions in pollution. For this purpose you may wish to add to her brief the following points, which have been agreed with the Department of Environment:-

The United Kingdom has made enormous progress in reducing air pollution. Since 1970 our national emissions of sulphur dioxide have fallen by about 40%. The United Kingdom share of total European emissions (excluding the Soviet Union) has fallen from 25% in 1972 to 11% today. Our national emissions of nitrogen oxides have remained almost constant - or possibly fallen a little - in the last 20 years, while those in certain other countries, including the Federal Republic of Germany, have risen by up to 50%.

I am sending copies to Colin Budd (FCO), Rachel Lomax (Treasury), John Ballard (Dept of Environment), Sir Robert Armstrong and Sir Robin Nicholson.

DF Williamson

D F WILLIAMSON

27 March 1985

Note: Mr. Rifkind may attend.



DA

10 DOWNING STREET

From the Private Secretary

27 March 1985

European Council: Briefing Meeting at UKREP Brussels on
29 March

It has been agreed that there will be a briefing meeting for the European Council in Sir Michael Butler's office in UKREP Brussels at 1130 on 29 March. The Prime Minister wishes this meeting to be small and business like. The following are invited to attend:

Foreign and Commonwealth Secretary
Sir Michael Butler
Mr. Williamson
Mr. Thomas
Mr. Unwin
Mr. Renwick
Mr. Ingham

I recognise that others may feel that they should be invited. But I have to insist that only those listed above should be present. I should be grateful if UKREP Brussels could be informed.

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

(C.D. Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

From the Private Secretary

27 March 1985

European Council: Briefing

There are one or two points which need to be followed up as a result of the Prime Minister's briefing meeting this morning.

On Integrated Mediterranean Programmes the Prime Minister would like a short speaking note prepared which would set out the elements of what we would consider a reasonable package. It should go on to deploy the points which could be used with Papandreou to convince him that a decision by Greece to maintain its reserve on the Own Resources Decision would be more damaging to Greece itself than to anyone else.

We also need a revised speaking note on strengthening the technological base of the Community to take account of the points made in this morning's discussion. The general thrust of this should be that the Community has only just agreed a five year research programme and any new proposals must be judged in the context of this programme. This is a task for the Research Council in June and we shall not be ready to agree at the European Council either to an increased level of funding for research or to endorsement of specific programmes. As regards telecommunications, we attach more importance to opening up of procurement, attainment of European standards and mutual recognition of national type approval than to further research coordinated by the Commission.

Lastly the speaking note on pages 23 and 24 of the steering brief, dealing with the Committee of a Peoples Europe, needs to be revised to make it clear that harmonisation of taxation forms no part of our concept of completion of the internal market or the achievement of a 'Europe without frontiers'. We shall not subscribe to

anything which could be held to commit the Community to such harmonisation.

BF | May I leave it to the Department and David Williamson, to whom I am copying this letter, to sort out between them who does what. It would be helpful to have the speaking notes by lunch-time on 28 March.

(C.D. Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

GP

Bill Ewing 233 6144.
European secretariat
wishes to know
what is the absolute
deadline for
revisions to
Euro. council briefs?

Tomorrow phoned.
lunch.

JB

27/3



Foreign and Commonwealth Office

London SW1A 2AH

27 March 1985

Agreed - Mr. Budd
informed.

CDP
27/3.

Dear Charles,

European Council: Briefing Meeting on 29 March

Thank you for your letter of 27 March about attendance at the briefing meeting.

There is one other point you may like to consider. The Foreign Secretary will of course not be attending the Foreign Affairs Council which begins on Thursday 28 March, being still with Her Majesty The Queen in Portugal. Mr Rifkind will be at the FAC in his place. If it finishes at a reasonable hour on 28 March then Mr Rifkind may well return to London that evening. If however it runs on into 29 March then you might perhaps want to invite Mr Rifkind to attend the briefing meeting, so as to report personally to the Prime Minister on the outcome of the FAC.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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27 March 1985

C D Powell Esq
10 Downing Street
LONDON
SW1

Dear Charles

Following discussion at the Prime Minister's briefing meeting this morning and the information in UKREP telegram 1149 of today that Pandolfi thinks Kohl may raise the 1985 price fixing at the European Council, the Chancellor thinks that the Prime Minister may find it helpful to have an additional speaking note to cover this eventuality.

← | The telegram reveals the extent to which the German Government is ready to sacrifice budget discipline to its agricultural interests. The sort of concessions which Kiechle is talking about could easily add 350 mecu to the cost of the Commission's package and other member states would demand sweeteners on a corresponding scale.

The Chancellor considers that the Prime Minister's main aim should be to head off discussion of this subject. Most other heads of government can be expected to take an unhelpful line. We are better off conducting the negotiation in the Agriculture Council and, if necessary at a certain stage, in a Joint Council involving Finance Ministers as well as Agriculture Ministers. However, she will want to leave her colleagues in no doubt that the UK Government would regard a significant breach of the new arrangements as a grave matter.

... I attach a draft speaking note. Of course, it is first and foremost for the Commission to defend its own proposals. The Prime Minister may want to come in to support the Commission, but the Chancellor thinks that she will probably not want to take the lead unless M. Delors unaccountably fails to defend the Commission's proposals.

I am sending copies of this letter to Colin Budd (FCO), Ivor Llewellyn (MAFF) and Richard Hatfield (Cabinet Office).

Yours ever
Rachel

MRS R LOMAX
Principal Private Secretary

EUROPEAN COUNCIL
1985 AGRICULTURAL PRICE PROPOSALS

C.A.P.

Points to make

10

[If raised by others]

1. It is for the Agriculture Council to negotiate a settlement on the basis of the Commission's proposals. UK supports them - indeed would have preferred a more restrictive package. But consider that it would be wrong for this Council to try to steer Agriculture Council, especially in the direction of a laxer settlement.

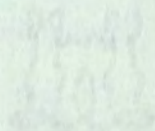
[In support of Commission - if others press hard for dilution of Commission's proposals]

2. Any serious weakening of Commission's proposals would reverse the process of CAP reform to which the Agriculture Council committed itself in the 1984 agricultural price settlement and which we endorsed at European Councils last year. It would also be inconsistent with our recent conclusions on budget discipline. These were an integral part of the Fontainebleau package. A set-back for budget discipline would greatly complicate the UK Government's task of obtaining parliamentary approval for new own resources. The budget discipline conclusions, and procedure prescribed therein, must be adhered to.

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FM BONN 261920Z MAR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 276 OF 26 MARCH

INFO IMMEDIATE UKREP BRUSSELS

INFO PRIORITY LISBON (FOR SECRETARY OF STATE'S PARTY), PARIS,
ROME, THE HAGUE ,BRUSSELS

YOUR TELS NO 139 AND 140: EUROPEAN COUNCIL

1. I CALLED THIS EVENING ON TELTSCHIK (FEDERAL CHANCELLERY) TO TAKE ACTION ON YOUR TEL NO 139 AND LEAVE A COPY OF THE TEXT IN YOUR TEL 140. HARTMANN (CHANCELLERY) WAS ALSO PRESENT.

IMPS

2. TELTSCHIK SAID THE GERMANS AGREED THAT PAPANDEOU'S DEMANDS WERE THE MOST SERIOUS PROBLEM CONFRONTING THE EUROPEAN COUNCIL. HE LOOKED FORWARD TO HEARING FURTHER DETAILS OF OUR POSITION ON IMPS. KOHL STILL STOOD BY HIS POSITION AT THE DUBLIN COUNCIL: A "WINDOW" FOR GREECE SHOULD BE MADE IN THE EXISTING STRUCTURAL FUNDS, AND ITALY AND FRANCE SHOULD BE PERSUADED TO RENOUNCE THEIR CLAIMS. MITTERAND HAD MADE NO DEMANDS FOR A FRENCH SHARE OF IMPS WHEN KOHL HAD SEEN HIM YESTERDAY. THE ITALIANS WERE CAUGHT BETWEEN SCYLLA AND CHARYBDIS: TELTSCHIK HOPED THAT THEIR WISH FOR SUCCESS AS THE PRESIDENCY WOULD OUTWEIGH THEIR WISH FOR NATIONAL ADVANTAGE. HARTMANN ADDED THAT THE THREE CRUCIAL POINTS FOR THE GERMANS REMAINED:

- (A) THE ADDITIONAL FINANCES IN THE LATEST COMMISSION PROPOSAL WERE TOO HIGH:
- (B) THE INTEREST RATE SUBSIDIES WERE REPUGNANT:
- (C) THERE SHOULD BE NO ATTEMPT TO CREATE A FOURTH STRUCTURAL FUND.

3. ON TACTICS FOR DEALING WITH PAPANDEOU, TELTSCHIK SAID THAT KOHL AND MITTERAND HAD AGREED THAT THEY MUST NOT BE BLACKMAILED. THEY WERE REFLECTING ON HOW TO BRING HOME TO PAPANDEOU THE NEGATIVE CONSEQUENCES OF A FURTHER GREEK VETO ON ENLARGEMENT, E.G. BY SUSPENDING SOME OF THE CURRENT BENEFITS OR PROJECTS WHICH GREECE DERIVES FROM COMMUNITY MEMBERSHIP. AS YET THE GERMANS DID NOT HAVE ANY CONCRETE IDEAS ON WHAT THIS MIGHT ENTAIL.

4. IN CONTRADICTION TO RUHFUS (MY TELNO 274), TELTSCHIK SAID THAT THE GERMANS WERE UNHAPPY WITH CRAXI'S THREAT TO CANCEL THE EUROPEAN COUNCIL IF THE ENLARGEMENT PACKAGE HAD NOT BEEN AGREED BY FOREIGN MINISTERS ON 28 MARCH. IF THE ONLY OUTSTANDING POINT WAS THE GREEK VETO, THE GERMANS BELIEVED THAT CRAXI SHOULD BE PERSUADED TO PROCEED, SO THAT PAPANDEOU COULD BE CONFRONTED IN BRUSSELS WITH THE UNITED FRONT OF THE NINE OTHER MEMBER STATES. I SAID THAT THIS WAS ALSO THE BRITISH VIEW. TELTSCHIK PROPOSED THAT IT WOULD BE HELPFUL IF YOU AND GENSCHER SPOKE TO ANDREOTTI IN THIS SENSE AT THE FAC.

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CONFIDENTIAL

CREATION OF WEALTH AND EMPLOYMENT IN THE COMMUNITY

5. TELTSCHIK TOOK NOTE OF THE PRIME MINISTER'S INTENTIONS FOR HER PAPER, AND OF OUR CONCERN THAT IT SHOULD BE HANDLED IN STRICT CONFIDENCE. HE REMARKED, HALF-JOKINGLY, THAT IT MIGHT TAKE THE WIND OUT OF THE SAILS OF THE ECONOMIC SUMMIT.

MEETING BETWEEN KOHL AND MITTERAND : 25 MARCH

6. TELTSCHIK SAID THAT MITTERAND HAD EMPHASISED THAT ENLARGEMENT WOULD NOT FAIL BECAUSE OF FRANCE. HE WAS PREPARED TO COMPROMISE ON WINE AND FISH PROVIDED THE SPANIARDS DID SO TOO. DUMAS WOULD BE IN TOUCH WITH MORAN TODAY. A MORE DIFFICULT QUESTION WAS THE TRANSITIONAL FINANCIAL ARRANGEMENTS FOR PORTUGAL. BOTH FRANCE AND GERMANY WERE PREPARED TO BE MORE GENEROUS TO PORTUGAL. IT WAS NOT YET CLEAR HOW MUCH BRITAIN WAS PREPARED TO CONTRIBUTE TO A SOLUTION.

7. KOHL AND MITTERAND HAD ALSO DISCUSSED THE DOOGE REPORT. THEIR ATTITUDE TO AN INTERGOVERNMENTAL CONFERENCE WAS RESERVED. THEY HAD BOTH AGREED THAT THEY WOULD ONLY BE PREPARED TO COMMIT THEMSELVES TO SUCH A CONFERENCE IF IT BECAME CLEAR THAT SOMETHING CONCRETE WOULD RESULT FROM IT. KOHL WOULD HAVE FURTHER BILATERAL MEETINGS WITH MITTERAND BEFORE THE MILAN EUROPEAN COUNCIL, ROUND ABOUT THE TIME OF HIS MEETING WITH THE PRIME MINISTER AT CHEQUERS ON 18 MAY.

8. GORBACHEV HAD BEEN DISCUSSED BRIEFLY IN PARIS. KOHL AND MITTERAND HAD AGREED THAT ROMANOV'S REMARKS IN HUNGARY WERE DISCOURAGING.

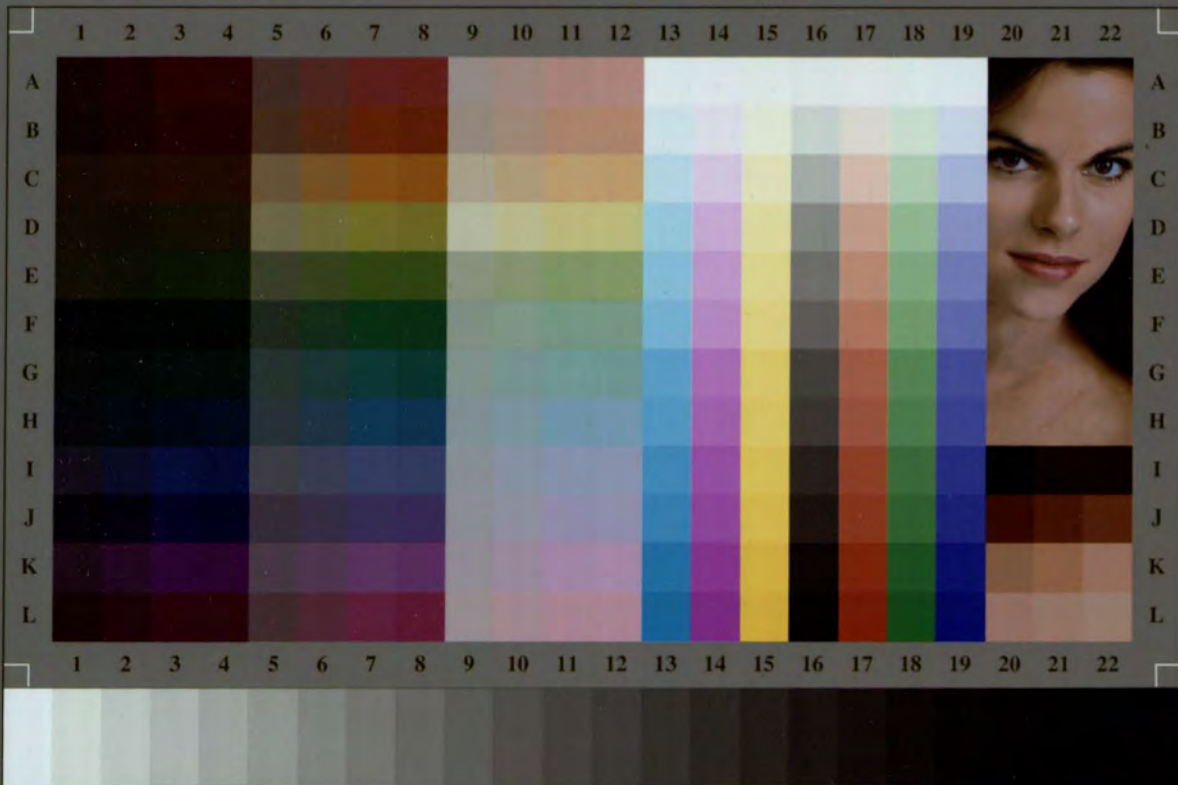
FCO PLEASE ADVANCE TO:
FCO RENWICK, FAIRWEATHER, SHEPHERD
CABINET OFFICE WILLIAMSON, JAY
TREASURY UNWIN, FITCHEW

BULLARD

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