



PN: agrees all points +  
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20/3

See letter to the

Prime Minister

QZ 0528

MR PATRICK WRIGHT

cc Sir John Hunt  
Sir Michael Palliser  
Sir Donald Maitland  
Mr Pearson  
Mr Fretwell

pe  $\frac{24}{13}$  The briefs will be available at Chequers if you wish to look at them over the weekend. Meanwhile, it would be helpful to have your agreement to the points marked x at §§ 2(b), 4(a) and 4(c). The Steering brief and the Employment papers are attached.

EUROPEAN COUNCIL ROME 25/26 MARCH 1977

[A] I attach the steering brief for the European Council in Rome together with the bulk of the individual briefs. (in a few cases the individual briefs still need to be amended in the light of current developments; we shall put them forward early next week.) We shall be having a briefing meeting with the Prime Minister and the Foreign and Commonwealth Secretary on Tuesday afternoon. But the situation is more than usually fluid for several reasons. In the first place, this is the first time that we have had the Presidency of the European Council and our preparations therefore are more than usually dependent on developments elsewhere in the Community; secondly, the item which could dominate the meeting - the attendance at the London Summit of Mr Roy Jenkins - is still under negotiation between the Prime Minister and President Giscard and Chancellor Schmidt; and more particularly the revised procedure we have ourselves suggested which involves a careful preparation of the agenda especially of statements for issue by the European Council does involve processing this material in Brussels in the Committee of Permanent Representatives - a process which is still continuing. So I thought it might be useful briefly to explain in this minute the current state of play; we could bring the Prime Minister up to date on Tuesday afternoon and, in the light of our discussion with him, make any revisions or arrange for further briefing as necessary.

2. The current state of play on the main issues is as follows:

- a) Attendance of the Commission at the London Summit. It seems best to await the "communication" which President Giscard promised the Prime Minister in a



telephone conversation on 16 March. In the meantime we need to note that the Dutch Parliament approved on March 17 by an overwhelming majority a motion that EEC participation should be put at the top of the agenda at the next Council meeting in Rome. The motion warns that if this were not done "there may be no point in discussing the remaining points on the agenda". If President Giscard's reply indicates some possibility of him yielding at the European Council, then it may be possible to deal with the matter later in the proceedings - by discreet agreement with the Dutch - perhaps after dinner on the Friday evening.

[B] b) The unemployment initiative. The Chancellor of the Exchequer has submitted separately to the Prime Minister (Mr Monck's letter to you of 16 March) a draft Presidency paper on growth inflation and unemployment together with a draft statement which might issue from the European Council. Subject to a couple of drafting points (Mr Emmott's letter to you of 17 March) raised by the Secretary of State for Employment (the time for getting all this forward has been extremely tight) and to any comments which the Secretary of State for Education and Science may have over the weekend (as Chairman of the Ministerial Group on Unemployment among Young People) I would hope that the Prime Minister  
 x | could authorise us to circulate this paper in Brussels on Monday March 21 so  
 [C] | that the draft statement for the European Council could be discussed in COREPER on Wednesday March 23. I attach a fair copy of the draft statement incorporating the Department of Employment comments (which the Treasury have accepted).

c) Steel. We are still awaiting the Commission paper (incorporating a draft statement) which has been promised. There is a potential difficulty here that, while I am sure the Prime Minister will want to show himself sympathetic to the general problems of restructuring and unemployment in the European steel industry, there are dangers in allowing the Commission to bounce the Council into detailed decisions with implications which have not been adequately considered. We should be able to report further progress on this at the briefing on Tuesday.

d) Japan. Again we are awaiting a Commission paper (again incorporating a draft statement) which will also be processed in COREPER next week. We should



have this early next week and we should be able to submit it to the Prime Minister before the briefing meeting on Tuesday together with comments.

- e) CIEC. Herr Schmidt in his telephone conversation with the Prime Minister on 17 March suggested that the European Council should not aim to reach a firm Community position on 25 March on "CIEC, raw materials, IDA replenishment and debts" and present this firm position as a fait accompli at the London Summit in May. In fact this is compatible with the steering brief. This suggests (para 16) that "The European Council should not go into detail; it is already agreed in the Community that detailed discussion will be for the 5 April Council." As the steering brief explains we need to urge gently that the Council on 5 April must take the necessary decisions to permit the Group of 8 to present reasonable proposals to the developing countries which would offer them some prospect of bringing the CIEC to a satisfactory conclusion. But there is in practice little prospect of any precipitate and firm decisions of the kind feared by Chancellor Schmidt.

3. Discussion at dinner on Friday 26 March. While we have not put this on the agenda the Prime Minister may wish to consider the advisability of him bringing the other Heads of Government into the picture as far as prospects on direct elections and possibly depending on Cabinet on 24 March - on our attitude on the CAP price fixing and the Green Pound. This could have a very useful effect in defusing discussion which some of them might want to have - possibly the following day.

4. Two points on the programme in Rome

- a) In your letter of 28 February to Mr Fergusson you said that you would like to consider a draft speech for the Prime Minister's use at the ceremony at the Capitol at 12 noon on 25 March. In view of the risk that a speech by the Prime Minister would provoke several further speeches (Mr Fergusson's letter to you of 17 March) the Foreign and Commonwealth Secretary now recommends that the Prime Minister should agree not to make a speech on this occasion.



- b) The European Trades Union Cooperation (ETUC) have asked to meet "the President of the European Council and his Foreign Minister" before the Rome European Council. Since July 1975 it has been usual for a delegation from the ETUC to call on the Foreign Minister of the country holding the Presidency or the Head of Government or both to give their views on matters of concern to ETUC arising at the European Council. The Prime Minister has said that he would like to see them in Rome before the Council. This would in practice mean starting half an hour earlier; we are trying to arrange for a meeting (which should easily be fitted in within half an hour) on arrival - possibly at the airport.
- c) Attendance by officials . Since Sir John Hunt's minute of 1 March and my discussion with you earlier this week three things have happened. It is now clear that some political cooperation subjects - eg terrorism - might be raised and in any case the Political Directors will be meeting in the margin of the European Council. This would make it necessary for Mr Hibbert to attend in addition to Mr Butler and Mr Fretwell. The Prime Minister has, I understand, agreed to this. Secondly, discussion in Brussels over the last few days has pointed to our having to shoulder a heavier burden in terms of chairing (the Presidency) as well as staffing (in terms of national representation). Working Parties (eg on unemployment, steel, Japan, CIEC) than seemed likely to be the case last week. While therefore the Prime Minister had in mind that Mr Butler and I should constitute the two officials allowed in the Council Sir Donald Maitland's advice (supported I understand by the precedents of previous Presidencies) is that it would be best to keep our advisers free to chair the Working Parties concerned - and to offer urgent advice as required; Mr Fretwell and an EID Head of Department might therefore constitute the two officials in the Council. Thirdly, it seems increasingly apparent that Davignon might try to get some detailed conclusions out of the Council on steel and in that case I think it would be prudent for us to have a steel expert (Mr Gross, the Under Secretary from the Department of Industry) with us. All this would only mean two extra officials compared with what we originally had in mind. But although we have tried to keep the party to the minimum this is the first European Council in which we shall



hold the Presidency and I think it is important that we should give the Prime Minister and the Foreign and Commonwealth Secretary the best possible back up compatible with economy.

EUROPEAN COUNCIL, ROME

25/26 MARCH 1977

STRATEGY BRIEF

Brief by Foreign and Commonwealth Office

ROY DENMAN

18 March 1977

1. This will be the first European Council held under the UK Presidency. (The second will be in London on 29/30 June). The Italians will be responsible for all the administrative arrangements in Rome but the UK retains responsibility for chairing meetings. The Council will be preceded by a ceremony at the Capitol at noon on Friday 25 March commemorating the 20th anniversary of the signing of the Treaty by the Six. After a lunch at the Quirinale there will be two working sessions, the first at 3.30 pm on Friday 25 March and the second at 9.30 am the following morning. There will also be a working dinner on Friday evening and if necessary a working lunch on Saturday (but we have already heard that some participants may want to leave before lunch).

2. The considerations which will set the scene for this meeting are mainly these:

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EHG(R)(77)Steering Brief

COPY NO. 1

17 March 1977

EUROPEAN COUNCIL, ROME

25/26 MARCH 1977

STEERING BRIEF

Brief by Foreign and Commonwealth Office

INTRODUCTION

1. This will be the first European Council held under the UK Presidency. (The second will be in London on 29/30 June). The Italians will be responsible for all the administrative arrangements in Rome but the UK retains responsibility for chairing meetings. The Council will be preceded by a ceremony at the Capitol at noon on Friday 25 March commemorating the 20th anniversary of the signing of the Treaty by the Six. After a lunch at the Quirinale there will be two working sessions, the first at 3.30 pm on Friday 25 March and the second at 9.30 am the following morning. There will also be a working dinner on Friday evening and if necessary a working lunch on Saturday (but we have already heard that some participants may want to leave before lunch).

BACKGROUND

2. The considerations which will set the scene for this meeting are mainly these:

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- (a) Europe is in some disarray and we are held partly responsible for it. The European Council will coincide with the annual agricultural price fixing exercise during which we are likely to come under criticism for resisting price increases to which other Member States attach importance or any change in the Green Pound; our defiance of Community rules over the pig-meat subsidy will still be in the minds of some members; a major struggle lies ahead on the Common Fisheries Policy during which we shall want to secure cuts in fishing by other Member States which they will find painful; and there is anxiety about our will to honour our "best endeavours" commitment to direct elections.
- (b) The last European Council (in the Hague on 29/30 November) was not regarded as a success. (In the Netherlands where a European Council is known as a "Topkonferencie" the press called it a "Topflop".) Another flop would not do the Community's reputation any good - in the Community - and still less in the United Kingdom.
- (c) In fact one result of this was considerable dissatisfaction with European Council procedures after the last meeting at the end of November 1976. A number of Heads of Government have circulated views on possible improvement in organisation and the Prime Minister will no doubt wish to follow the guidelines set out in his letter on an experimental basis. In brief this means that we need to pay special attention to the proper preparation, servicing and recording of

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conclusions of the discussions. We also need to keep a special eye on the proper preparation of any agreed statements.

(d) The issue which threatens to complicate the Rome Council is the question of Community representation at the London Summit. The French have been isolated in opposing Community representation by the Presidency and the President of the Commission; the Benelux countries and Ireland are vehemently for it. And Mr Jenkins clearly feels that his standing as the new President of the Commission is personally engaged. President Giscard will be sending the Prime Minister his latest views. There is a danger that if the problem cannot be resolved it will overshadow press reporting of the European Council.

(e) There is a risk that, as the agenda items are shaping up, the press will find little positive to report from this Council. We will need to work hard to secure a satisfactory presentational outcome. Our initiative on unemployment is the most promising item from the public relations point of view.

#### AGENDA

3. The agenda and preparations for the European Council were discussed by Foreign Ministers during their meeting on 8 March. They agreed to an agenda divided into two parts, the first dealing with matters for general discussion and the second covering

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specific topics on which decisions might be required or agreed statements issued. The first part of the agenda would cover:

- A The world economic and monetary situation
- B External Relations
- C Internal Community Affairs

The second part of the agenda would cover

- A Growth, Inflation and Unemployment
- B Japan
- C Steel

4. It was also agreed to circulate an annotated agenda in advance. The text is at Annex A. It is of course open to participants to raise any other points they may wish to under other business but in that case agreed positions or statements should not be expected.

5. The Prime Minister is to hold a meeting with a delegation from the ETUC before the European Council (date and place not fixed at time of drafting) to discuss with them the subjects likely to arise at the Council.

#### TACTICAL HANDLING

6. There are certain tactical considerations which the Prime Minister will wish to take into account in deciding the order to propose for tackling the agenda. The public success of the European Council will be largely determined by what appears in Saturday morning's papers. It is therefore desirable that there should be something positive to offer the press before their Friday evening deadlines. From the UK point of view this should preferably be the statement on unemployment. It might

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be best therefore to begin with an hour or so's general discussion of the world economic and monetary situation which would lead naturally into the item on growth, inflation and unemployment in the second part of the agenda. The item on Japan should also be broached on Friday in case Heads of Government wish to commission any drafting work overnight. The same would apply to any other subject on which a statement might be proposed. Another point to bear in mind is the danger that a row on Community participation in the London Summit at the beginning of the meeting would risk souring the atmosphere for the more substantial items on the agenda as well as getting the European Council a bad press. This question would best be left for the second day, if the others can be prevailed on to leave it until then. A possible order in which items might be taken is in Annex B.

#### PRESIDENCY CONSIDERATIONS

7. In the European Council there is no need for such a strict division of national and Presidency roles as exists at Council level. As Chairman the Prime Minister will be quite free to put the UK point of view.
8. And we need to bear carefully in mind our responsibility (para 2(c) above) for the organisation and stage managing of the Council.

#### UK NATIONAL OBJECTIVES

9. (a) to settle the question of participation by the Community (Commission/Presidency) in the London Summit in a way which does not result in a timewasting public row and

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to reassure the smaller Member States that account will be taken of their views by the Community participants.

- (b) to launch Community consideration of a programme of measures to help deal with unemployment, in particular in the youth field. We will wish to link this with the Community aim of convergence and the need to promote investment in Member States where income and growth are below average. In this context we could make an initial reference to our initiative concerning the European Investment Bank.
- (c) to discuss the Community's broad approach to the North/South Dialogue, looking at the main issues of the CIEC on which Foreign Ministers should agree common positions at the 5 April Council, and taking stock of the Common Fund Conference.
- (d) to ensure Community pressure on Japan is kept up without allowing this to become confrontational or highlighting the UK role.
- (e) to report on the Prime Minister's visit to Washington and seek agreement that it is in the interest of the Community to keep in the closest possible touch with the new Administration without cutting across bilateral contacts.
- (f) to get agreement on the pattern of arrangements to be made for the London European Council.

OBJECTIVES OF THE OTHER PARTICIPANTS

10. These are not as yet very clear. General economic and financial issues are likely to preoccupy the other Member States just as much as the UK and great interest will be focussed on the Economic Summit to be held in London in May and the issue of Community representation (see para 2(d)). There will no doubt be a general wish to exchange views on relations with the new US Administration and to hear about the Prime Minister's Washington visit.

STATEMENTS

11. It is envisaged that there will be statements on:-

A Steel (on the basis of a Commission draft processed in COREPER)

B A programme of work and studies on unemployment in preparation for a definitive statement at the June European Council (drafted by the Presidency - Annex C) and possibly on:-

C Japan (we have given a draft (Annex D) to the Commission who are preparing a paper.

To avoid drafting at Heads of Government level these should be prepared beforehand and it may be appropriate to set up one or more special drafting groups to do any extra work that is necessary. (The Prime Minister in his letter to Heads of Government on the organisation of European Councils said that when further drafting is required, the official who would chair the drafting group could be called in to hear the Chairman's summing up and any comments on it.) Any published texts will need to be made available to Parliament.

SPECIFIC SUBJECTS

12. The situation on the various subjects likely to be discussed is given below followed by paragraphs explaining the defensive briefing which has been provided. On some subjects briefs will need to be up-dated in the light of developments between now and the European Council.

GENERAL DISCUSSION

13. The intention is to group this discussion under three general headings:

A The World Economic and Monetary Situation

14. This subject overlaps the item on growth, inflation and unemployment (see paragraph 22 below). Discussion has already taken place at the Finance Council's meeting of 14 March; there was substantial agreement on the Community approach on the problems of financing payments deficits at the IMF Interim Committee in April; and widespread support for a "reasonable" increase in IMF quotas and for provision for the IMF to lend, in appropriate cases, in excess of the normal credit tranches. There will now be a further discussion of international financing problems at the next Finance Council in April hopefully to agree a Community statement of position which the Chancellor could make at the Interim Committee. Although the European Council will have a short paper from the Commission on this subject, discussion of the detailed measures involved could be left to the Finance Ministers. The Prime Minister could welcome the progress made at the last Finance Council and underline the importance of achieving a solid Community position on these issues, as a key

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to getting a wider agreement at the Interim Committee. There is at this stage no need for any formal decision or statement by the Council.

15. There was less discussion at the Finance Council on the question of how to stimulate faster growth in the economies of the industrial countries, in particular those such as Germany, Japan and the US with strong external payments positions, and the related question how to achieve a better distribution inside OECD of the deficits caused by the OPEC surpluses. While there is general acknowledgement that the process of adjustment should be shared between surplus and deficit countries, the Germans are still resistant to proposals for a further stimulus to their domestic demand; and the primary objective will therefore be to seek to persuade them of the need to take active steps, though the Economic Summit is a more likely occasion for progress on this (Brief No 1 covers the general economic and financial / questions.)

16. We also envisage a general review of the North/South Dialogue as a whole (Brief No 2). But the European Council should not go into detail; it is already agreed in the Community that detailed discussion will be for the 5 April Council. We shall want to get a consensus that the Council on 5 April must take the necessary decisions to permit the Group of Eight to present reasonable proposals to the developing countries which would offer them some prospect of bringing the CIEC to a satisfactory conclusion and on which G-3 would be prepared to stand. It would be useful if at the European Council the French, Germans and Italians could be induced to agree that serious work should

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now commence to establish a Community position regarding the possibility of "special action" in the area of debt/transfer of resources, which the Community might need to deploy in the closing stages of the CIEC. The European Council may also find it useful to take stock of developments at the Common Fund Negotiating Conference (7 March to 1 April) which will be entering its final stages. There could be a need for policy decisions but this will depend on what progress has been made at the Conference. (BRIEF NO. 2A)

17. There will need to be a discussion of preparations for the Economic Summit (Brief No 3) and an attempt to settle the vexed question of Community participation, particularly that of the President of the Commission. In general the UK's interest lies in settling this matter as briefly as possible and without acrimony. It will be necessary to ensure that the Community participants at the Summit (France, Germany, Italy and the UK) recognise the need to reassure the smaller Member States that decisions will not be taken over their heads.

#### B External Relations

18. Under this heading the Prime Minister will wish to report on his visit to Washington and there will no doubt be a general discussion of relations with the new US Administration (Brief No 4).

19. If there is any wish to discuss the Belgrade CSCE Review Conference (which the Belgians suggested as a possibility in the Council discussion on 8 March) this would be the right place on the agenda. The UK does not particularly want such a discussion. (A defensive brief is provided - No 14).

C Internal Community Affairs

20. Under this heading we will need to discuss the organisation of future European Councils (Brief No 5). Proposals for procedural reform of the European Council have been put forward by President Giscard, M. van der Stoep and the Prime Minister as the UK Presidency. All are agreed on the need for a clear division of the Council's programme between exchanges of views and discussion aimed at reaching definite decisions or issuing agreed statements. There have been basically favourable reactions from the Irish, Belgian, Danish and Dutch Heads of Government, but the Dutch and Belgians disagree with President Giscard's suggestion that the European Council should also act as a Supreme Court of Appeal for the Community. In view of the full agenda the European Council should not spend too much time on this (we are circulating a short Presidency paper drawing together the threads of the correspondence to help focus the discussion); the Prime Minister will wish to get broad endorsement of the basic guidelines as set out in his letter so that they can be used in the preparations for the next Council in London. We should avoid too rigid a framework: the European Council procedures should continue to evolve in the light of experience, and we will need to be able to take account of how the present meeting goes in organising the next one.

21. The Prime Minister might ask the President of the Commission to report briefly on his review of the Commission which was discussed at the last European Council (Brief No 15).

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23. EEC/Japan (Brief No 7). At the Council on 8 March the Commission agreed that they would circulate to COREPER, in advance of the European Council, a short report on discussions with the Japanese since the November European Council. It would not be limited to shipbuilding and would leave open whether or not it would be sensible to make a further statement on Japan at Rome. The UK's objective is that there should be a statement and that it should be aimed at keeping up the pressure on Japan without seeming confrontational. The UK will also want to avoid being singled out by the Japanese as "leading the Community pack". We have encouraged the Commission to table a draft statement on a contingency basis.

24. Steel (Brief No 8). With the continued recession in world demand the Community steel industries - particularly in France and Belgium but also in Germany and the UK - are in severe financial difficulties. Commissioner Davignon is now developing a plan (as successor to the Simonet plan) covering both short and longer term problems. The Commission are to produce a draft paper incorporating his proposals which will be processed in COREPER before the European Council when Davignon hopes at least for approval in principle. The UK will not wish to take the lead but should not be uncooperative so long as completion of the capital investments to which the Government are already committed will not be hindered and employment in our steel industry is safeguarded. This could be a difficult discussion and further study of the Commission's ideas should be remitted to the Council (Foreign Affairs).

CONTINGENCY BRIEFS

25. Portugal (Brief No 9). At the Foreign Ministers' meeting on 8 March it was agreed that Portugal should not feature on the agenda. Nevertheless, if Portugal were to submit an application for membership of the Community before the European Council meets, it would look odd if the Council ignored it altogether. The President might in this case suggest to his colleagues that in speaking to the press afterwards, he should say that the European had noted the Portuguese application and that the Community's response to it would be discussed at the Foreign Ministers' meeting on 5 April. If a discussion of the wider aspects of enlargement is proposed, the Prime Minister might refer to the intention that this should be the theme of the informal Foreign Ministers Meeting at Leeds Castle in May.
26. Fisheries Questions (Brief No 10). The pace of the revision of the CFP, until now slow, is likely to quicken. But we do not expect fisheries to be an issue at the European Council unless another Member State considers it necessary to raise a particular aspect. A defensive brief is provided.
27. CAP and the Green Pound (Brief No 11). Neither the Green Pound nor the CAP are scheduled to be discussed - the Agriculture Council to decide on the CAP price fixing will in any event be meeting on the same dates in Brussels. But if progress is not being made there, there could be reactions in the European Council. A defensive brief is provided.
28. Shipbuilding (Brief No 12). This question could arise briefly in the context of the discussion on Japan or steel.

29. Direct Elections (Brief No 13). There has been no indication that our partners will wish to discuss direct elections. However if the subject is raised the Prime Minister may wish to give his colleagues an up-to-date account of how things stand over the timing of UK legislation and to reassure our partners that the publication of the White Paper does not weaken our commitment to try to meet the May/June 1978 target date.

Foreign and Commonwealth Office

17 March 1977