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EUROPEAN COUNCIL, DUBLIN

29/30 NOVEMBER 1979

STEERING BRIEF

Brief by the Foreign and Commonwealth Office

INTRODUCTION

1. This will be the only European Council of the Irish Presidency. It will be dominated by the budget problem, unless meanwhile events in Iran cause a major international crisis (see paragraph 11 below).

2. The timetable of events is at Annex A.

3. The Italians plan two European Councils, in Brussels and Venice, during their Presidency. The date of neither has been settled. The Italians may try to get agreement at Dublin. (Details at Annex B).

AGENDA AND DOCUMENTATION

4. There is no formal agenda; but the Presidency have proposed the following subjects for discussion:

- (1) Economic situation in the Community
- (2) Budget/Convergence
- (3) Employment and Social Policy
- (4) Energy (the Germans will want to discuss North Sea oil prices)

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- (5) Three Wise Men
- (6) Europe in 1990 (to include "telematique")
- (7) Progress towards European Union
- (8) Other business (the French have said they will wish to raise sheepmeat and relations with the Parliament).

The order of discussion will be for the Council itself to settle. There is a risk that others may seek to get items 3, 4 and perhaps 6 taken together with 1, thus delaying discussion of budget/convergence. The Prime Minister will want to resist this (see paragraph 10 below on tactics). On the other hand, there is no reason why the Commission paper on the CAP should not be taken with budget/convergence.

5. The following documents are likely to be before the Council:

(1) Economic Situation in the Community

Commission paper

(2) Budget/Convergence

(i) Commission reference paper COM(79)462 on "Budgetary Questions"

(ii) Commission paper COM(79)620 on "Convergence and Budgetary Questions"

~~(iii) ?Covering Presidency/Commission/COREPER paper on issues for decision by the European Council-~~

(iv) Commission proposal of 21 November

(v) Commission's 'global communication' on the CAP

~~(3) Employment and Social Policy~~

~~Commission paper~~

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- (4) Energy  
Commission paper
- (5) Three Wise Men  
Report
- (6) Europe in 1990
  - (i) Commission paper COM(79)323 of 14 June 1979
  - (ii) Supplementary Commission paper on "telematique"
- (7) Progress towards European Union
  - (i) Foreign Ministers' report on European Union 1979
  - (ii) Commission report on European Union 1979

UK OBJECTIVES

6. Our main objective is to get firm decisions leading to an adequate reduction in the UK net contribution to the Community Budget as from 1980, including agreement on the main lines of a corrective mechanism operating on receipts as well as contributions and lasting as long as the problem; and to ensure that specific directives are issued to appropriate Community bodies for implementing action to follow within an acceptable timescale.

7. Our objectives on other main items are:

- (a) to avoid any damaging link between the budget and other issues;
- (b) to ensure that the European Council does not endorse action on worksharing going beyond the resolution agreed at the Social Affairs Council on 22 November;



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- (c) to get, with minimum discussion, the Three Wise Men's Report referred to Foreign Ministers for detailed study.

OBJECTIVES OF OTHER GOVERNMENTS

8. All other Member States reluctantly accept that the budget/convergence problem is the most important item on the agenda. But all, especially the French, will want the Council to be seen to have achieved something in other areas as well. On the budget they will, to varying degrees, be seeking a solution that:

- (a) concedes as little as possible to the UK and still less to Italy;
- (b) does so at least cost to themselves and with the Italians and UK each paying their share;
- (c) is consistent with their interpretation of Community principles;
- (d) limits concrete decisions to the short term, with a further negotiation to follow in a year or two.

They will also each be on the lookout for any concessions in return to be won from us in other areas of interest to them eg. energy, fish and, in the case of the French, sheepmeat. On energy, most of our partners seek a wider Community role and some form of privileged access to North Sea oil. There is also some concern that North Sea oil may have tended to lead oil prices upwards. Schmidt in particular is likely to raise this. On fish, other Member States, particularly Denmark and France have important interests which they want to safeguard in any



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CFP settlement and which are in some degree in conflict with declared British aims. As far as employment and social policy is concerned, most of our partners may be willing to consider more specific commitments on worksharing than the UK with its more vulnerable industry.

9. Italian objectives are confused. They may now accept that their problem is not with the level of Italian receipts from the budget (according to the Commission they are now major net beneficiaries). They may continue to press for a better balance in the Community budget - more expenditure on structural (regional, social and agricultural structure) and investment policies (energy, industry, research, transport); but they seem to have dropped the idea of pressing for a switch of resources away from agriculture. They will try to avoid having to pay their share of a solution of the UK budget problem. Thus, while the Prime Minister and Cossiga established the basis for an alliance with the Italians, the way their position has since evolved will make it difficult to realise this in Dublin.

TACTICS

10. It will be essential to get the budget problem properly discussed early on the first day and firm guidance agreed on points which official working groups can then take up overnight. This guidance must cover not only the main points of principle (eg. type of mechanism, duration) but also the scale of action to be taken on the UK problem ie. figures. The two cannot be separated. The more ground made on the first day the better.



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11. Both the gathering Iranian crisis and events in Africa may compete for the European Council's attention at the expense of the budget problem. Events on Iran and the impending IEA and OPEC December Ministerial meetings could be considered under the energy item. The best tactic on Africa would be to get agreement that Foreign Ministers, all of whom will be present, should tackle the subject separately.

12. It will be important to contribute as positively as possible to discussion on other items. Other Heads of Government would welcome a forthcoming attitude by the Prime Minister as a sign of her interest in Community cooperation outside the budget. Moreover they each have domestic political interest in the European Council being seen to have discussed more than just budget/convergence and preferably to have reached decisions which they can report as a success.



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SUMMARY OF BRIEFS

ITEMS DEFINITELY FOR DISCUSSION

ECONOMIC SITUATION IN THE COMMUNITY (Brief No 3)

13. This is a general introductory item which usually gives rise to little substantive discussion. It will give an opportunity to make a short presentation of the Government's new package of economic policies and to stress that they are aimed at halting our relative economic decline and are part of a co-ordinated response by the Nine to the problem of rising inflation in the Community, keeping in mind, however, that similar presentations by others could take up valuable time. There will also probably be discussion as usual, either at or in the margins of the Council, of the world economic and monetary situation. In this context the new round of global North/South negotiations proposed by the G77 may come up.

BUDGET/CONVERGENCE (Brief No 4)

14. Relevant documents are: the Commission's reference paper and their two papers on possible solutions. There may also be a Presidency note on "issues for decision by the European Council". A Commission paper on the CAP will probably also be considered under this item.

15. Discussion on our demand for "broad balance" in our net contribution, estimated by the Commission to reach 1552 mEUA in 1980 (importer pays MCAs) 1814 mEUA (exporter pays MCAs), will focus

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on the latest Commission paper which points the Council towards a solution which consists of adapting the 1975 Financial Mechanism to give us 520 mEUA net; increased receipts for the UK to spend on coal, transport infrastructure etc. The Prime Minister will want to get the Council to accept that decisions are needed on the scale of action to be taken both on the contributions and the receipts side, the length of time for which any new arrangements should operate and the appropriate machinery to secure corrective action. It will be essential to reach an agreement on the main aspects which cannot be unpicked later, even if the necessary legal instruments are left to be worked out subsequently by Foreign/ Finance Ministers.

16. Discussion will also cover Italian demand for more Community expenditure on structural measures (see para 9 above). The Prime Minister will not wish to take the lead in opposing Signor Cossiga, but seek to turn the discussion more towards restraint on CAP expenditure on surpluses. The Commission's paper is helpful on this.

17. It is not in our interests to raise the question of financing until a solution has, in its broad lines, been agreed. But we must expect Italy and Ireland to argue for exemption from any contribution towards our refund. As the other State with lower than average GNP per head, we have in principle the same interest. But this is not likely to be negotiable for Italy and Ireland, still less for us: it would bring the German share of a refund up to 45% and the French share to 35%. We do not want to encourage the Italians and Irish to dig in and hold up agreement on a solution as a whole.



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18. We want to avoid any agreement at this stage to raising the 1% VAT ceiling. If others argue that it must be raised to accommodate a solution to the UK budget problem, the Prime Minister could reply that this does not follow provided CAP expenditure is brought under control as the Commission has itself proposed. The Commission CAP paper shows how economies could be achieved. There are other ways too. Agricultural Ministers should be instructed to examine the question urgently. Even if the reduction of CAP expenditure proceeds too slowly, there are other financial procedures which could be devised to deal with our refund without raising the budget total.

19. Our partners will be looking for parallel movement from us on other issues, energy, fisheries, and (in the case of the French) sheepmeat, as the price of a satisfactory budget solution. Best line is to argue that these are complicated problems in their own right requiring separate consideration. // If others have specific problems or requests they could of course be considered, but without prior preparation the European Council should not be expected to go beyond a general expression of goodwill or good intent. Separate briefs are provided on energy, fish and sheepmeat.

EMPLOYMENT AND SOCIAL POLICY (Brief No6 )

20. The Social Affairs Council on 22 November will consider draft Resolutions aimed at giving a degree of Community encouragement to limiting systematic overtime working and other possible worksharing measures, and also on the development of vocational preparation through linked work and training. These



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Resolutions follow the last European Council's call for concrete proposals to be worked out rapidly. Our particular objective is to avoid measures which impose unacceptable burdens on British industry or increase inflation. It is likely that these two Resolutions will be adopted. They may not satisfy the ETUC who will meet Mr Lynch on the eve of the Council but they are the best available compromise between the trade unions' demands and what Governments and employers can accept.

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21. Our aim at Dublin will be to ensure that the Presidency conclusions do not commit the Community to going beyond the limited provisions of the Resolutions which we expect to have been passed on 22 November. The European Council need spend little time on this item which can be followed up as necessary in the Social Affairs Council.

22. If the Resolutions are not agreed on 22 November, no lengthy discussion should be necessary in the European Council, which could most usefully ask the Social Affairs Council to consider matters further and report to a future meeting of the European Council.

ENERGY (Brief No 5 )

23. The Commission will produce a paper for Dublin on recent energy developments. Discussion is likely to be heavily influenced by events in Iran. There is still work to be done on Strasbourg and Tokyo follow-up and probably no need for further

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decisions by the European Council at this stage. But the Council will need to discuss US ideas on a stronger Western reaction to present energy difficulties. Some of our partners have complained about UK energy policy, in particular the pricing of North Sea oil for buyers in the Community, BNOG forward sales and our 1985 import target. We may be pressed to change our policy on the pricing and disposal of North Sea oil or conceivably to reconsider our 1985 import target, in return for a settlement on the budget. This pressure will have to be resisted, but the Prime Minister could make it clear that we expect sales of oil to our partners in the Community, which after all we regard as our natural market, to continue to increase over the next few years as our production increases.

THREE WISE MEN (Brief No 7 )

24. At Giscard's initiative the Committee of the Three Wise Men was invited by the December 1978 European Council to look at the working of the Community institutions. Their Report will be formally considered in Dublin and decisions reached on how to handle it. UK interest is to avoid substantive discussion. Probably no difficulty in getting most of its proposals (eg on size of Commission, greater use of majority voting, setting of clearer priorities) remitted to Foreign Ministers for study. But Giscard may try to insist that Report's recommendations affecting procedures of European Council itself are not suitable for such treatment and should be considered by Heads of Government. No objection to publication of Wise Men's Report.

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EUROPE IN 1990 AND "TELEMATIQUE" (Brief No 8 )

25. The Commission have asked that their Report, submitted to the Strasbourg European Council in June, on structural development prospects until 1990 should be discussed further. It remains short on serious analysis and long on vague platitudes; its thrust is too interventionist. The Commission are submitting a supplementary paper on "telematics" (the convergence of computer and telecommunications technology). Mr Jenkins and Commissioner Davignon want to rouse the Community to this sector of high potential growth. No firm proposals at this stage, but Heads of Government will probably be asked to endorse the importance of this sector and request the Commission to produce a detailed programme of action for consideration by the next European Council. We could agree.

REPORT ON EUROPEAN UNION (Brief No 9 )

26. The European Council will have before it a Foreign Ministers' Report (and also one from the Commission) on progress in various areas of Community business during 1979. This is an annual exercise and is part of the follow-up to the Tindemans Report on European Union which the European Council discussed in November 1976. The European Council will want formally to take note of the two reports (which will later be published) but there is no need for general discussion.

SHEEPMEAT (Brief No 10a)

27. The French have said that Giscard will raise sheepmeat under any other business and that experts on sheepmeat should be available in the wings. Our impression is that the French want some kind of settlement at Dublin presumably in the form of



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measures which would allow them to adjust to a freer market in lamb in the light of the European Court decision. It is possible that the UK might find itself isolated, not on the future regime itself, but on French ideas to cushion the transition towards it.

28. The brief explains the tough line which we have taken in negotiations hitherto and the support we have received. It also explains some of the practical and tactical problems involved in concessions eg a temporary voluntary restraint to avoid French intransigence over the budget.

EUROPEAN PARLIAMENT (Brief No 13)

29. The Directly-elected European Parliament is looking for ways to increase its authority, particularly over the Community Budget. For the first time it has this year proposed modifications to CAP guarantee expenditure (on the milk sector). The French are concerned that this may set a dangerous precedent for the future. They have said they wish to raise relations with the Parliament under Other Business. Our objective, if there is a discussion, will be to limit time spent on the subject by having it referred to the Council of Ministers.

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ITEMS WHICH MAY COME UP

COMMON AGRICULTURAL POLICY (Brief No 10)

30. The CAP is not on the agenda as such but there will certainly be discussion of CAP expenditure in the budget context. The French will also raise sheepmeat (paragraph 27 above). On CAP expenditure the Commission have prepared a paper which they intend to forward to Heads of Government, with ideas on how to bring agricultural production, particularly of milk and sugar, under control. We do not expect, and do not want, these suggestions to be considered in detail. Any such discussion would be unprepared and there would be no chance of the Council reaching useful conclusions. We welcome and support the Commission's recognition of the need for substantial reduction of growth on CAP expenditure, although we are doubtful about many of the proposals in their paper. The Commission apparently envisage increasing some prices whereas our first priority is to hold them down. Also their proposals for levies on additional production would tend to freeze production patterns. Our preference would be for a general reduction in prices.

31. Generally, though we have a major interest in CAP reform, we do not want to take the lead on it at this meeting. If we give the impression that we are about to launch an assault on the CAP we are likely to prejudice our objectives on the Budget. The most hopeful approach at Dublin is likely to be to encourage proposals, which originally came from the Italians but have been espoused by the Commission, for cutting the CAP Guarantee Section's share of the Community Budget. This could help the



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European Council to find a budgetary solution by releasing CAP funds for a rebate to the UK and for providing something for the Italians (eg through the structural funds). Not least to meet the French and Germans all this would have to be within the one per cent VAT ceiling.

FISH (Brief No 11)

32. We wish to avoid coming under pressure to make concessions on fish in context of budget. The Prime Minister could say that the UK seriously seeks CFP settlement and has demonstrated willingness to play a constructive role in achieving one. 29 October Fisheries Council seems to have broken the log-jam on CFP negotiations, enabling a fresh start to be made in run-up to 3/4 December Fisheries Council.

EMS (Brief No 12)

33. There is unlikely to be substantive discussion of the EMS although the Belgians may want to discuss the second stage of the EMS foreseen in the original agreement to set it up. A review of the system's operation was declared completed by the September Finance Council (abruptly because of concern about possible currency speculation if uncertainty persisted).

34. However, there may be pressure on the Prime Minister to make a formal declaration of our intention to join the exchange rate mechanism as a token of our European commitment, which would help other Heads of Government justify to their domestic public opinion any concession to the UK on the budget. It may



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prove necessary formally to repeat the line the Prime Minister has already taken in bilateral meetings, that we are in principle committed to join the mechanism, but we must allow our new economic and monetary policies including the abandonment of exchange controls time to work through. The role of sterling as a petro-currency also gives rise to problems.

ENLARGEMENT (Brief No 15)

35. There are currently no major problems in the enlargement negotiations with Portugal and Spain.

POLITICAL COOPERATION (Brief No 16)

36. No formal discussion planned but as usual current foreign policy topics will come up informally; Rhodesia will be the main one - we shall be looking for support for UK policy; Iran is also bound to be discussed.

DRUG ABUSE BY US TROOPS IN THE FRG (Brief No 17)

37. Schmidt may raise drug taking by US troops in the FRG. The Germans are concerned the abuse may spread to the Bundeswehr and are considering measures to improve border policing. We sympathise with their difficulties (although it is not a serious problem in British Forces Germany) and can support informal concertation among representatives of the Nine in the appropriate fora - eg the UN Commission on Narcotic Drugs, Interpol and the Customs Cooperation Council.

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SCIENTIFIC QUESTIONS (Brief No 18)

38. The Italians may raise in the margins of the Council two subjects of concern to them: (a) their bid for the post of Director General of CERN (European Council for Nuclear Research). On this, the Prime Minister could say that we are still considering this question and will make our views known at the CERN Council in December. (b) The prospects for a Pressurised 'Water' Reactor nuclear safety project called "Super Sara" to be based at Ispra in North Italy. On this the Prime Minister could say we continue to have doubts on financial/technical grounds but, as requested by Italians, are reconsidering.

FOREIGN AND COMMONWEALTH OFFICE

22 November 1979



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ANNEX A (Revised)

EUROPEAN COUNCIL, DUBLIN 29/30 NOVEMBER 1979

Provisional Programme

The Prime Minister and the Secretary of state will stay at Dublin Castle. The programme will be as follows:

Thursday 29 November

1300	Phoenix Park	Lunch hosted by President Hillery for Heads of Government, Foreign Ministers, Mr Jenkins and M Ortoli.
	Dublin Castle	Lunch for other delegation members in the "State Drawing Room".
1500	Dublin Castle	Formal session of the Council (press filming will be allowed before the session opens).
2000	Iveagh House	Dinner hosted by Prime Minister Lynch for Heads of Government and Mr Jenkins.
	Iveagh House	Separate dinner hosted by Foreign Minister O'Kennedy for Foreign Ministers and M Ortoli.
	Iveagh House	Both dinners will be followed by informal discussions.
	Dublin Castle	Dinner for other delegation members.
Late Evening	Dublin Castle	British delegation meeting.

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Friday 30 November

0930	Dublin Castle	Council session resumes (group photo will be taken before this session). This session will be followed by the Presidency Press Conference.
1300	Dublin Castle	Buffet lunch for members of European Council in the "Round Room".
	Dublin Castle	Separate lunch for other delegation members in the "State Drawing Room".

Note: Contingency provision has been made for the Council to run on late into the afternoon.

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ANNEX B (Revised)

EUROPEAN COUNCILS UNDER THE ITALIAN PRESIDENCY  
(JANUARY - JUNE 1980)

The Italians proposed two European Councils during their Presidency, one in Brussels on 27/28 March and the other in Venice on 12/13 June, shortly before the Economic Summit on 22/23 June. We objected to both dates; the first clashed with Anglo/German talks and the second with the King of Spain's proposed State visit. We suggested (with the Germans) 31 March/1 April for the first Council and all have accepted this, except the French, who have not yet replied. There is still some doubt as to whether the Spanish State Visit will take place, and it has been recommended that 12/13 June should be accepted if these dates are acceptable to all the others.

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