



CONFIDENTIAL

Ref. A08429

PRIME MINISTER

Cabinet - Foreign Affairs: The Summit

You will wish to add your own colour and flavour (particularly since officials were not present to catch it) to your report to Cabinet on the Summit: but you may like to have the following as a check list:

- (a) Atmosphere. Ministers only. Giscard's chairmanship.
- (b) Most valuable feature of the Summit was the timely exchange of views about world economic problems and their impact on the Community - notably, risks of recession, prospect of rising unemployment, and rate of inflation. In particular, important statement about the German economic programme which Herr Schmidt about to announce. Associated issues of employment measures (all rejected deflation); and energy (in the Europe/rest of the World context: no pressure on North Sea Oil.) Substantial measure of agreement in this part of the meeting. These discussions, and relevant part of the Communique, will enable President Giscard to convey Summit views to President Ford at Martinique in a few days' time.
- (c) On Renegotiation made clear our position on the seven objectives of the February Manifesto. Specific issue on this agenda was that of the Community Budget. Foreign and Commonwealth Secretary had worked hard to prepare ground for consideration of possible ways of meeting our case (set out 1 April and 4 June) that impact of the own resources system could be inequitable to Member States with below average GDP per head, particularly to a major importing country such as ourselves. This is a three stage process: Commission economic stocktaking (stage 1) - this confirmed our potential problem; agreement at Summit on political guidelines as basis for Community to find solution (stage 2); agreement by the Council (possibly next Heads of Government meeting) in the spring (stage 3). Some tough discussions yesterday (Belgian and



Italian formulae; French approach). Eventual agreement on political guidance to work out as soon as possible a correcting mechanism, taking particular account of our own suggestions, and designed to deal with the problem we have raised. This is the best result we could expect on a very important renegotiation issue. We have still a long way to go, but real progress made.

(d) Also settled regional development fund. Foreign and Commonwealth Secretary began by making clear that, while we could accept the Commission's proposal, we would accept a small fund on an interim basis without Britain provided that we did not have to contribute to it. This was a good tactical card. We also emphasised importance we attached to the freedom we needed for our own regional aid policies. In the upshot there was agreement to setting up a modest fund of (about £540 million) for a 3-year period. Special account taken of the needs of Ireland and Italy. Our net share of Fund could be about £60 million in all; but calculation depends on Budget renegotiation, and on how contributions are calculated when payments are spread over a number of years.

(e) Finally, the institutional side of the Community, which was discussed at length. This was last of the Summits: decided that Heads of Government meet three times a year (and whenever necessary). Informal agreement that we should call ourselves European Council. Relevant part of Communique contains a good deal of theology, but also agreement on a number of ways which will help Community to operate more effectively. We also safeguarded our position - Majority Voting

All agreed that veto would still apply when important national interests were involved. Luxembourg compromise mentioned in Communique.

Direct elections to the
European Assembly
European Union

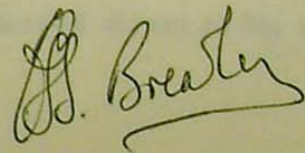
We made a statement reserving our position - included in Communique. Agreed to discuss what this means during 1975. Belgian Prime Minister to produce a study.

EMU

Agreed to state this as a pious objective only. Analogy with general and complete disarmament.

In general, discussion showed that realistic and pragmatic view of Community development shared by most of our partners.

- (f) To sum up, this was a useful meeting. We did not fall into trap of Paris Summit of 1972 by laying down over-ambitious programmes unrelated to real life. We did not have kind of shambles that marked Copenhagen a year ago, when nothing of value was decided. We achieved high degree of consensus on the world's problems. We also took some concrete decisions of importance. Thus the first meeting of the European Council has set a more realistic pattern for the future: but on renegotiation I stressed that long way to go yet.



pp. (John Hunt)

11th December, 1974