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EUROPEAN COUNCIL, STRASBOURG  
21/22 JUNE 1979

STEERING BRIEF

Brief by the Foreign and Commonwealth Office

ORGANISATION

1. The first European Council this year was held in Paris on 12/13 March: the third will be in Dublin on 29/30 November. Normally one meeting a year is held in Brussels. But the French argued successfully that the second meeting this year should be in Strasbourg, where the new directly elected European Parliament will be meeting for the first time on 17 July.
2. The timetable of events is at Annex A.
3. European Councils have been held regularly since December 1974. Their procedures, a mixture of informal and formal discussions, are described in Brief No 3.
4. Each country is represented by its Head of Government (in the case of France by its Head of State) and Foreign Minister; and the Commission by Mr Jenkins and M. Ortoli. Brief No 2 (Folder 2) gives brief personality notes and points for bilateral encounters with each.

/AGENDA AND DOCUMENTATION

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AGENDA AND DOCUMENTATION

5. There is no formal agenda; and in theory each Head of Government is free to raise new subjects. The order of business is finally determined at the meeting itself. At the Foreign Ministers' Council on 12 June, although the French avoided finally committing President Giscard, there was general agreement on the following order:

- (1) Direct elections to the European Assembly
- (2) The economic and social situation in the Community
- (3) The European Monetary System
- (4) Energy
- (5) Convergence
- (6) Social problems (including work sharing)
- (7) The Commission report on the structure of the Community in 1990
- (8) Any Other Business, including discussion of economic relations with Japan

Prospects for the Tokyo Summit does not appear as a separate item. The Presidency envisage discussion of many items, especially energy, being treated in that perspective.

~~6. The following documents are likely to be before the Council:~~

~~(a) Direct Elections~~

~~The Presidency will include in their draft Conclusions a passage on the first direct elections.~~

~~(b) Economic and Social Situation~~

~~A Commission paper.~~

~~(c) EMS~~

~~Oral report by M. Clappier (French President of Central Bank Governors' Committee).~~

Following replaces paragraph 6 of the Steering Brief

6. DOCUMENTATION FOR THE EUROPEAN COUNCIL

1. The following documents are likely to be before the Council.

(a) International Energy Situation

(i) Memorandum from the Presidency on energy: (Reference A to Brief No 4);

(ii) The Commission paper on the current situation in the energy sector: (Reference B to Brief No 4);

(b) Budget/Convergence

Note by Finance Ministers covering a report by the Permanent Representatives Committee on convergence of economic performance (Reference B to Brief No 5);

(c) Economic and Social Situation

A Commission paper entitled "Economic situation and policies" (Reference A to Brief No 6);

(d) Social Problems

Commission paper on worksharing and its economic and social implications (Reference B to Brief No 8);

(e) EEC/Japan

A Commission paper (Reference A to Brief No 4);

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(f) Structural Developments in the 1980s

A Commission paper (Reference A to Brief No 13).

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UK OBJECTIVES

7. (a) To get agreement that action should be taken to remedy the UK inequitable net Budget contribution;

(b) To contribute to a common position of the Community on energy for Tokyo;

(c) To avoid a commitment on worksharing, without taking the lead;

(d) To agree a line on Japan.

/OBJECTIVES OF

- 4 -

## OBJECTIVES OF OTHER GOVERNMENTS

8. All Member States will follow President Giscard's lead in regarding energy as the principal item of the agenda. Some may seek to use it to curtail discussion of the Community Budget. Even those who agree that instructions about the Budget should be given to the Commission will try to ensure that its terms of reference concede as little as possible of the UK case.

9. Other Heads of Government will be looking forward to hearing at first hand the Government's attitude to the Community so as to judge whether the Government's European convictions are genuine rather than a tactic to secure negotiating advantage. They will be interested in particular in what contribution we make to the energy item on the agenda.

## TACTICS

10. Unless the Community Budget is properly discussed on the first day it will be extremely difficult to get agreement on satisfactory decisions by the end of the Council. The overnight official working group can only take up points made at the Council itself. It is therefore necessary for the Prime Minister to get the Council to tackle the Budget problem on the first day. The best tactic will probably be for the Prime Minister to make a general statement of HMG's overall approach to the Community early on, when she could also make clear her wish for the Council to take the Budget item before dinner (speaking note to be submitted separately). Alternatively, it may be possible to get Giscard to agree beforehand to satisfactory handling of the item on these lines.

/RESUMÉ OF BRIEFS

RESUMÉ OF BRIEFS

ITEMS DEFINITELY FOR DISCUSSION

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DIRECT ELECTIONS (Brief No ~~2~~)

11. The French have proposed that the Council might mark the event by some kind of courtesy declaration. We have no objection in principle provided it is in general terms. It is just possible that the French will also seek to raise other aspects eg. the powers of the Parliament, its relations with other Community institutions and its site (one of its working places is Strasbourg). But none of these merits substantive discussion by the European Council on this occasion.

ECONOMIC SITUATION IN THE COMMUNITY (Brief No 6)

12. This review of the current economic situation provides the opportunity to explain the new Government's economic policy especially following the UK Budget.

EUROPEAN MONETARY SYSTEM (Brief No 7)

13. The Governor of the Bank of France will report. This will provide an opportunity for other Member States to discuss their experience of EMS so far. They will want to hear the Prime Minister's account of the UK attitude to participation in the exchange rate mechanism: on this it will be enough to restate the commitment to reconsider the UK position when the mechanism is reviewed in September and meanwhile to take part in other aspects of the system. If the question of EMS interest rate subsidies is not settled at the Finance Council on 18 June, the Prime Minister may come under pressure to modify the UK stance. The brief recommends her to resist except as the price for securing a major benefit elsewhere.

/INTERNATIONAL ENERGY

## INTERNATIONAL ENERGY SITUATION (Brief No 4)

14. We shall wish to press for effective Community action on demand restraint; to get the Council to put on record for the Tokyo Summit the Community's willingness to discuss energy questions with OPEC; and, more immediately, to agree on the dangers both for Europe and for OPEC of further major oil price rises. There may be proposals for discreet approaches by the Community to OPEC countries before their Geneva meeting; these may not achieve much but we need not oppose them. It is likely that some other Member States will make proposals for direct action by Governments on oil supply or prices. It remains [as at 14 June] to be decided by UK Ministers what our attitude should be to such proposals and whether or not we should pre-empt them by proposals of our own. We believe the key lies in reducing demand.

## BUDGET/CONVERGENCE (Brief No 5)

15. The March European Council invited the Council and Commission "to examine in depth how the Community could make a greater contribution by means of all its policies taken as a whole to achieving greater convergence of the economies of Member States and to reduce the disparities between them". Work on the problem has continued at official level. But it has been clear for some time that progress can only be made at the political level. The Finance Council will discuss the question at its meeting on 18 June and the brief may need revision in the light of its conclusions. Our objective is to get agreed an instruction, on the lines of Annex B, from the European Council to the Commission to propose solutions by the end of September in time for decisions to be taken at the November Council in Dublin. Further handling of the question by the Commission and Member States will depend on the wording of this instruction. Unless the European Council gives the right guidance for future work, we shall not get the action we want.

/EMPLOYMENT AND

## EMPLOYMENT AND SOCIAL POLICY (Brief No 8)

16. The European Council is likely to discuss the Community's role in tackling unemployment, and the involvement of the trade unions in Community business. The Presidency may wish to include a section on this in their statement after the meeting, but as the Commission report is an interim one it is not expected that the Council will be faced with any difficult decisions. We could express willingness to consider proposals for Community action which could have a practical effect on employment, whether by concerted macro-economic action on growth or by use of Community financial instruments including the Social Fund. This might involve measures such as worksharing or vocational training (under consideration). Initiatives which are inflationary or impair industrial efficiency such as some schemes for work-sharing discussed at recent meetings of the Finance and Social Affairs Councils would not be acceptable but other countries will have objections too. We are ready to take part constructively in discussion of expected Commission proposals; but the economic implications of worksharing measures should be fully studied in the Economic Policy Committee to which they have been remitted by the Finance Council. And we may need to note that we cannot support measures incompatible with our policy of cutting domestic expenditure and taxes.

STRUCTURE OF COMMUNITY IN 1990 (Brief No <sup>13 Folder 2</sup> 8)

17. The December 1978 European Council asked the Commission "to provide for its second meeting in 1979 (ie. this Council) a study of structural development prospects until 1990. This study should assess the consequences of structural changes for the economic and social situation in the Community". The Commission report is not yet available. A brief will be prepared as soon as possible. Discussion is likely to be of a very general nature, leading to no immediate decisions.

/PROSPECTS FOR

PROSPECTS FOR THE TOKYO SUMMIT (Brief No <sup>3 - Folder 2</sup> ~~19~~)

18. There is no separate item but the smaller Member States like to express views which will be taken into account by the President of the European Council and the President of the Commission who represent the Community as such at Tokyo. Otherwise they feel left out. There will be general agreement that the energy situation is complicating an already uncertain international economic situation and that this should be the main subject for discussion and decision at Tokyo. UNCTAD V having reached only a limited measure of agreement - and with the developing countries facing growing balance of payments problems because of the oil price rises - the Tokyo Summit is also likely to have to address itself to the North/South dialogue.

EEC/JAPAN (Brief No <sup>4 - Folder 2</sup> ~~20~~)

19. The Japanese run a persistent surplus in their trade with the EEC (\$6.4 billion in 1978, up 11% on 1977). The March European Council expressed concern about this. Despite the narrowing of their overall surplus in the early months of this year, the surplus with the Community has not gone down. In any case the reduction in their overall surplus is unlikely to be more than temporary as the recent depreciation of the Yen will lead to an increase in Japanese exports. We want to see the Japanese increase their imports of Community manufactures and bring about long-term structural change which will lead to a lasting reduction in their current account balance. We are content that the Community (acting through the Commission) should play a role in negotiations with the Japanese on economic as well as purely trade questions.

/ITEMS WHICH MAY



## ITEMS WHICH MAY COME UP

POLITICAL COOPERATION SUBJECTS (Brief No ~~6~~)

6 - Folder 2

20. Given that Foreign Ministers will have had a full meeting in Political Cooperation on 18 June, no separate Ministerial meeting is planned for the margins of the European Council. But there may well be informal discussion of topics of current interest. Briefing is provided on the Middle East, Africa, the Viet-Nam refugee problem and President Giscard's proposal for a Euro/Arab/Afro Summit.

COMMON AGRICULTURAL POLICY (Brief No ~~10~~)

9

21. The Agriculture Council is to meet to discuss farm prices for 1979/80 in the same week as the European Council, beginning on 18 June. The UK may be alone (except for possible support from Italy) in supporting the Commission's proposals for a price freeze. If no agreement is reached the subject may be raised at the European Council; we may be pressed, by the French in particular, to modify our position; and Giscard might try to make a link with the Budget item. Separate briefing will be submitted if necessary.

COMMON FISHERIES POLICY (Brief No ~~11~~)

7 - Folder 2

22. We do not want an early meeting of the Fisheries Council, but if the meeting planned for 25 June takes place we hope a fresh start will be made to consider the issues in a better spirit; though substantive progress is not likely before the Autumn.

ECONOMIC AID FOR TURKEY (Brief No ~~12~~)

8 - Folder 2

23. At the OECD pledging meeting on 30 May, the Turks were promised access to \$1.45 billion, made up of \$662 million in grants or loans (\$30 million from the UK), \$245 million in medium-term export credits, \$400 million from the commercial banks and \$150 million from the World Bank, all subject to their reaching an agreement with the IMF on a stabilisation programme.

/These figures

These figures do not include EEC aid, which amounts to \$400 million under the Third Financial Protocol between now and 1981 and \$100 million under emergency assistance. The results of the OECD meeting should make discussion of Turkey at the European Council unnecessary, even though the Turks have inevitably expressed dissatisfaction, particularly about IMF conditionality.

9 - Folder 2

THREE WISE MEN (Brief No 9)

24. Unlikely to come up, except possibly in the margins of the Council. If it does the Prime Minister need say no more than that we attach importance to their work and look forward to their report due in October. She will be seeing the Wise Men on 16 July.

ENLARGEMENT (Brief No 10) Folder 2

25. With the Greek accession treaty signed, the Community will turn its attention to the negotiations with Portugal and Spain. Those with Portugal are unlikely to throw up any really difficult problems though Portugal may well require substantial aid over a long period. Negotiations with Spain will involve more serious conflicts of interest. Both could finally join on 1 January 1983, two years after Greece.

26. The French, under pressure from their farmers, have slowed down the Spanish negotiations during their Presidency. It seems they accept that there should now be a speeding up. But they may be preparing to launch a bid for some form of Community compensation for the border regions of France to mitigate the expected effects on them of Spanish membership.)

LOMÉ RENEGOTIATION : SIZE OF THE NEW EUROPEAN DEVELOPMENT FUND (Brief No 11) Folder 2

27. President Giscard may also raise the subject of the hiatus in the renegotiation of the Lomé Convention caused by ACP rejection of the Community's offer on the size of the new European Development Fund (EDF). During the 24/26 May EEC/ACP Brussels Conference it was accepted by all on the EEC side

/that there

that there could be no increase on the maximum figure of 4,540 mua (£2,951 m) agreed by EEC Ministers during the Conference. At the 12 June Foreign Affairs Council, however, the French Presidency put forward a somewhat re-arranged version of the Community's offer, involving inter alia an increase of 200 mua on the 4,540 figure. They envisaged also a higher UK share of this figure than we can accept. Discussions are continuing but a solution may not emerge before the European Council.

12 Folder 2

NUCLEAR ENERGY/EURATOM (Brief No ~~20~~)

28. We do not expect nuclear matters to be raised at the Council. But if the French raise non-proliferation or Euratom, the Prime Minister could express support for the idea of a political dialogue on non-proliferation topics among the Nine, and for the view that the relevant provisions of the Euratom Treaty should correspond more closely to the actual arrangements for nuclear trade.

FOREIGN AND COMMONWEALTH OFFICE

14 June 1979

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ANNEX A

EUROPEAN COUNCIL, STRASBOURG, 21/22 JUNE 1979

Provisional Programme (subject to Presidency confirmation)

The Prime Minister and the Secretary of State will stay at the Grand Hotel, Place de la Gare, Strasbourg. The programme will be as follows:-

Thursday 21 June

1300

Lunch for the Heads of Government, Ministers for Foreign Affairs, Mr Jenkins and M. Ortoli (Hotel de la Préfecture, 19 Rue Brûlé).

(Buffet lunch for other members of the delegation at the Cercle Militaire, Place Broglie.)

1500-1830

Formal session (Hotel de Ville, Place Broglie).

2000

Dinner for Heads of Government and Mr Jenkins (Chateau des Rohan, Place du Chateau).

Separate dinner for Foreign Ministers and M. Ortoli (Pavillon de l'Orangerie).

After dinner

Informal talks among Heads of Government.

Presidency have no plans for informal talks among Foreign Ministers who will be free to continue any discussions begun at dinner at their discretion.

/Friday

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Friday 22 June

0930-1230

Formal session resumes (Hotel de Ville).

1230

Presidency press conference.

1300

Optional buffet lunch available for Heads of Government/Foreign Ministers and officials separately (this is a contingency arrangement by the Presidency in case the formal session overruns).

Note.

1. Simultaneous translation will be provided at formal sessions; whispered interpretation as necessary at meals and informal sessions.

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