

GPS 1600

CONFIDENTIAL

Envo 857

CONFIDENTIAL

FRAME GENERAL

DESKBY 190837Z

FM UKREP BRUSSELS 181650Z MARCH 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1526 OF 18 MAR

INFO PRIORITY ROME, PARIS, BONN, ROUTINE COPENHAGEN,

THE HAGUE, DUBLIN.

INFO SAVING BRUSSELS, LUXEMBOURG.

FOREIGN AFFAIRS COUNCIL, 18 MARCH.

EUROPEAN COUNCIL PREPARATION.

SUMMARY.

1. AGENDA CONFIRMED WITH FOLLOWING COMMENTS:

(A) ECONOMIC AND SOCIAL SITUATION: FRANCE WANTED EMF
SUBSUMED UNDER THIS ITEM.

(B) CONVERGENCE: YOU APPEALED FOR AN EQUITABLE AND LASTING
SOLUTION. FRANCE URGED THAT CAP (INCLUDING SHEEPMEAT)
AND FISH BE INCLUDED. ITALY EMPHASISED IMPORTANCE OF
CONVERGENCE OF ECONOMIES.

(C) ENERGY: COMMISSION PAPER WILL HIGHLIGHT NEED FOR
HARMONISATION OF ENERGY PRICES AND TAXES, AND FOR INVESTMENT
IN NEW ENERGY SOURCES AND CONSERVATION WITH A VIEW TO
AN IN-DEPTH DISCUSSION AT THE EUROPEAN COUNCIL AND A
MANDATE TO THE COMMISSION TO PRESENT PROPOSALS.

(D) 3 WISE MEN: ONLY THE APPOINTMENT OF THE NEXT COMMISSION
WILL BE CONSIDERED BY THE EUROPEAN COUNCIL.

IN A TAIL-PIECE DEBATE, FRANCE TRIED TO INSIST THAT THE
COMMISSION'S RIGHT TO PUT FORWARD SOLUTIONS ON CONVERGENCE BE
CURTAILED, BUT WAS ISOLATED. THE COMMISSION WILL PROBABLY PRODUCE
AN UPDATED VERSION OF THEIR FEBRUARY PAPER.

DETAIL.

2. RUFFINI (ITALIAN PRESIDENCY) CONFIRMING THE PRESIDENCY'S
INTENTIONS AS ALREADY ANNOUNCED AT COREPER, TOOK NOTE OF THE
CONCLUSIONS OF THE ECO/FIN COUNCIL ON THE ECONOMIC AND SOCIAL
SITUATION AND EMF. ON 3 WISE MEN, THE PRESIDENCY WOULD PRESENT
A REPORT ON THE BASIS AGREED AT LAST NIGHTS INFORMAL MEETING
(REF MY TELNO 1509). DOHNANYI (FRG) URGED THAT THE REPORT BE
SHORT AND INCLUDE ONLY THE URGENT POINTS ABOUT PROCEDURES
FOR NOMINATING THE NEW COMMISSION. RUFFINI AGREED.

/s. JENKINS

CONFIDENTIAL

3. JENKINS (PRESIDENT OF THE COMMISSION) URGED THAT UNLIKE THE LAST EUROPEAN COUNCIL THE NEXT ONE SHOULD BE A BETTER - BALANCED MEAL WITH SEVERAL COURSES ON WHICH PROGRESS COULD BE MADE AND NOT JUST ONE COURSE. ON THE ECONOMIC AND SOCIAL SITUATION, THE COMMISSION WOULD CIRCULATE A PAPER ON 20 MARCH BASED ON THE COMMISSIONS LATEST REVIEW OF THE ECONOMIC SITUATION, DISCUSSED ON 17 MARCH BY THE ECO/FIN COUNCIL. THE COMMISSION PAPER ON ENERGY WOULD ALSO BE CIRCULATED THEN. IT WOULD NOT ASK THIS EUROPEAN COUNCIL TO TAKE DECISIONS, BUT WOULD RAISE

(A) THE ANOMALIES IN PRICING AND TAXATION OF ENERGY BETWEEN MEMBER STATES.

(B) THE NEED TO HARMONISE PRICES AND TAXATION SO AS TO PROVIDE MACRO-ECONOMIC TOOLS IN THE FIGHT AGAINST INFLATION AND UNEMPLOYMENT.

(C) THE NEED FOR A COMMUNITY ENERGY STRATEGY WITH ADEQUATE FUNDS (ON WHICH THE PAPER WOULD PRESENT IDEAS), COVERING ENERGY SAVING, SUBSTITUTION, REDUCTION OF DEPENDENCE ON OIL IMPORTS AND DEVELOPMENT OF RENEWABLE SOURCES OF ENERGY. WITHOUT SUCH A STRATEGY THE COMMUNITY'S POSITION AT THE VENICE ECONOMIC SUMMIT COULD BE MUCH LESS FAVOURABLE THAN AT TOKYO.

ON CONVERGENCE, THE COMMISSION'S PAPER HAD BEEN AVAILABLE SINCE 1 FEBRUARY. THE COMMISSION DID NOT CONSIDER IT THEIR DUTY TO PUT FORWARD A FORMAL PROPOSAL: THIS HAD NOT BEEN ENVISAGED AT DUBLIN. BUT THEY HAD PUT FORWARD IDEAS TO ENABLE A SOLUTION TO BE FOUND. THEY WERE PREPARED TO CIRCULATE ANOTHER PAPER PULLING TOGETHER AND UPDATING THEIR PREVIOUS PAPER. HOWEVER THERE WAS NO BODY OF RECEIVED AUTHORITY WHICH COULD PROVIDE A RATIONAL BASIS FOR ONE OR OTHER SOLUTION. A CONSTRUCTIVE COMPROMISE WOULD THEREFORE HAVE TO BE WORKED OUT.

4. RUFFINI SAID THAT THE COMMISSION DOCUMENT ON ENERGY SHOULD BE CONSIDERED BY THE HIGH LEVEL ENERGY GROUP MEETING ON 20TH MARCH. DOHWAYI QUERIED WHETHER THE SUBJECT WOULD HAVE BEEN SUFFICIENTLY PREPARED FOR AN IN-DEPTH DISCUSSION AT THIS EUROPEAN COUNCIL, BUT SIMONET (BELGIUM), SUPPORTING JENKINS, URGED THAT PROGRESS BE MADE TOWARDS A COMMON ENERGY POLICY WHICH WAS IMPORTANT IN THE CONTEXT OF CONVERGENCE (SEVERAL DELEGATIONS HAD SAID THEY COULD ONLY IMAGINE A SOLUTION OF THE UK BUDGET PROBLEM WITH SOMETHING ON ENERGY) AND IN RESPECT OF THE NORTH/SOUTH DIALOGUE.

5. YOU AGREED WITH JENKINS REMARKS ON ENERGY BUT EMPHASISED THAT ALTHOUGH THE EUROPEAN COUNCIL IN BRUSSELS SHOULD HAVE A VARIED MENU, THE ROAST BEEF AND YORKSHIRE PUDDING OF IT SHOULD / BE

2.
CONFIDENTIAL

BE THE BUDGET QUESTION. THIS HAD BEEN DISCUSSED FOR OVER 9 MONTHS. ENVERYONE KNEW THE SCALE AND NATURE OF THE PROBLEM. IT WOULD NOT GET BETTER AND IT MIGHT WELL GET WORSE. IT WAS THEREFORE IN THE OVERALL INTERESTS OF THE COMMUNITY TO SETTLE IT NOW. THE KEY POINT FOR THE EUROPEAN COUNCIL WAS TO COME UP WITH FAIR AND DEFENSIBLE FIGURES TAKING INTO ACCOUNT UK PROBLEMS (INCLUDING LACK OF COMMUNITY SPENDING) IN AN EQUITABLE, IF NOT NECESSARILY RATIONAL WAY. DURATION WAS IMPORTANT BECAUSE THE COMMUNITY MUST AVOID COMING BACK TO THE PROBLEM IN THE SHORT TERM. THE BEST WAY TO AVOID THIS WOULD BE A BETTER BALANCE IN COMMUNITY POLICIES. THIS DID NOT MEAN ATTACKING THE CAP, BUT AGRICULTURAL SPENDING MUST BE BROUGHT UNDER CONTROL. WE WOULD NOT OPPOSE OTHER MATTERS BEING RAISED, PROVIDED THEY WERE TREATED ON THEIR MERITS JUST AS THE BUDGET QUESTION SHOULD BE TREATED ON ITS MERITS. ADEQUATE PREPARATION FOR THE EUROPEAN COUNCIL WAS VITAL AND THE UK WAS AT THE DISPOSAL OF THE PRESIDENCY. AS REGARDED THE ORDER OF BUSINESS, WE WANTED A FULL DISCUSSION OF THE BUDGET QUESTION ON THE FIRST AFTERNOON SO THAT HEADS OF STATE COULD REFLECT AND MORE WORK BE DONE OVERNIGHT.

6. BERNARD-REYMOND (FRANCE) WAS SCEPTICAL ABOUT THE POSSIBILITY OF THE COMMISSION DOCUMENT ON ENERGY BEING TREATED IN DEPTH, WHEN IT WAS APPEARING SO LATE. EMF COULD USEFULLY BE TAKEN UNDER THE FIRST HEADING ON THE ECONOMIC AND SOCIAL SITUATION. ON 3 WISE MEN, AS DOHNANYI HAD SUGGESTED, THE ONLY URGENT POINT WAS TO HAVE A FIRST ROUND AMONG HEADS OF GOVERNMENT ON THE NEXT COMMISSION. ON CONVERGENCE, FRANCE DID NOT BELIEVE THAT THE AMOUNT OR DURATION OF A SETTLEMENT WAS THE MOST IMPORTANT POINT. WHAT MATTERED WAS THAT THE QUESTION BE EXAMINED IN THE BROADEST POSSIBLE CONTEXT AND THAT ANY SOLUTIONS SHOULD TAKE INTO ACCOUNT THE NATURE OF THE COMMUNITY BOTH IN TERMS OF OWN RESOURCES AND THE CAP. FRANCE THEREFORE WANTED CAP QUESTIONS, INCLUDING SHEEP MEAT AND ALSO FISHERIES TREATED UNDER CONVERGENCE SO AS TO DEMONSTRATE THE EUROPEAN COUNCIL'S ATTACHMENT TO FORWARDING THE CONSTRUCTION OF EUROPE.

7. SUMMING-UP RUFFINI EMPHASISED THAT ANY SOLUTION OF THE BUDGET QUESTION SHOULD INCLUDE A POLITICAL COMMITMENT BY THE EUROPEAN COUNCIL TO DIVERSIFY COMMUNITY EXPENDITURE BY DEVELOPING STRUCTURAL AND INVESTMENT POLICIES. CONCRETE SUGGESTIONS HAD BEEN PUT FORWARD BY THE COMMISSION AND THE ITALIAN DELEGATION. THE UK PROBLEM SHOULD BE TACKLED ALONG THE LINES SUGGESTED AT DUBLIN. THE COMMISSION HAD PROVIDED USEFUL INFORMATION ON THE LEGAL BASIS, THE SECTORS AND THE TYPE OF FINANCING FOR SUPPLEMENTARY EXPENDITURE. THE COMMISSION IDEA OF A REVIEW BEFORE THE MEASURES EXPIRED WAS USEFUL. ON THE CONVERGENCE OF ECONOMIES, DUBLIN HAD REAFFIRMED / THE

THE IMPORTANCE OF COMMUNITY POLICIES STRENGTHENING THE ECONOMIC POSITION OF POORER MEMBER STATES. THE COMMISSION'S FEBRUARY PAPER HAD MENTIONED PROPOSALS FOR SPENDING ON AGRICULTURAL STRUCTURES: THE SECOND TRANCHE OF THE ORTOLI FACILITY AND THE POSSIBILITY OF USING FOR IRELAND AND ITALY THE MECHANISM FOR SPECIAL EXPENDITURE IN THE UK. THE BRUSSELS EUROPEAN COUNCIL SHOULD ALSO DEAL WITH ENERGY, SHEEPMEAT AND FISH, BUT IT WAS ESSENTIAL THAT THERE SHOULD BE A WIDE MEASURE OF AGREEMENT OR THE COMMUNITY WOULD BE PARALYZED IN APRIL, EG ON AGRICULTURAL PRICES, THE 1980 BUDGET (WHICH WOULD MEAN CONFLICT WITH THE EUROPEAN PARLIAMENT) AND FISH, - ALL AT A TIME WHEN INTERNATIONAL SITUATION CALLED FOR EUROPEAN UNITY IN THE CONTEXT OF NORTH/SOUTH AND EAST/WEST RELATIONS. THE PRESIDENCY WOULD PROPOSE TO DISCUSS SOME ASPECTS OF POLITICAL CO-OPERATION ON THESE WIDER ISSUES.

8. BERNARD-REYMOND THEN INTERVENED AGAIN (APPARENTLY AS AN AFTERTHOUGHT AT THE PROMPTING OF HIS OFFICIALS) TO RECALL THE POSITION TAKEN BY HIS GOVERNMENT AS REGARDS THE COMMISSION PROPOSALS ON CONVERGENCE. UNDER ATTACK FROM JENKINS AND SIMONET, BERNARD-REYMOND ADMITTED THAT THE UNDERLYING FRENCH POSITION WAS THAT RESPONSIBILITY FOR A COMPROMISE WOULD FALL ON THE PRESIDENCY AND NOT THE COMMISSION, IF THE LATTER DID NOT PUT FORWARD PROPOSALS SOON. VAN DER MEI (NETHERLANDS) SAID THIS WAS UNACCEPTABLE AND THE COMMISSION WAS ENTITLED TO PUT FORWARD PROPOSALS AT ANY TIME. YOU SAID THAT THE HELP OF NO PARTY SHOULD BE EXCLUDED. RUFFINI NOTED THE FRENCH POINT, BUT SAID EACH DELEGATION HAD THEIR OWN RESPONSIBILITIES. JENKINS LATER ANNOUNCED THAT THE COMMISSION WOULD PROBABLY REGROUP THEIR EXISTING PROPOSALS IN A NEW PAPER WITHIN THE NEXT 2 OR 3 DAYS, WHILE RESERVING THEIR RIGHT TO PUT FORWARD ANY FURTHER IDEAS WHEN THEY THOUGHT APPROPRIATE. THEY MIGHT ALSO HAVE SOME NEW IDEAS TO ADD ON DURATION OF THE SOLUTION.

FCO ADVANCE TO:-

FCO - PS/SOFS, PS/LPS, PS/PUS, BRIDGES, HANNAY, BULLARD,
SPRECKLEY, GOODENOUGH, HAZLE
CAB - FRANKLIN, ELLIOTT, WILLIAMS, WALSH
MAFF - HADLEY
TSY - PS/COFE, SIR K. COUZENS, MICHELL, MISS WRIGHT - 7 COPIES.
NO 10 - ALEXANDER
B/E - BALFOUR
BUTLER

FRAME GENERAL
ECD (I)

[ADVANCED AS
REQUESTED]

4

CONFIDENTIAL