



EUROPEAN COUNCIL, LONDON

30 JUNE 1977

SECOND SESSION

1. The Prime Minister opened the meeting at 9.45 am (the Dutch Ministers having kept the remainder waiting for 10 minutes).

MEETING WITH UNICE AND ETUC

2. The Prime Minister reported on the separate visits he had received that morning. The UNICE (Employers') Delegation had said the lack of European structures made the task of economic progress more difficult and they therefore hoped the goal of economic and monetary union could soon be realised. They welcomed the prospect of direct elections, not because they seemed to have an overriding faith in parliaments but because it would represent institutional advance. They agreed that there had been serious discussion of basic issues at the Tripartite Conference. They hoped the Community would pursue the multilateral trade negotiations vigorously. They were concerned by the problem of safeguarding investment in under-developed countries and securing access to Japan for Community exports (and not so much about imports from Japan). They regarded Community membership as fundamental to the national economies.

3. The ETUC (trade union) Delegation had been disappointed at lack of progress since the Rome Council. A wide range of policy measures was needed to deal with unemployment. The unions could not live with permanent unemployment. They were willing to continue the dialogue, but they gave a clear warning that if governments could not solve the problems

/the trades



the trades unions would have to take action (unspecified) on their own. This would lead to social tensions throughout the Community.

4. The Prime Minister said he had replied that all Community Governments wished to act constructively in cooperation with the other social partners. The problems of unemployment were unparalleled since the war, but they must be solved. The trades union delegation had asked for better structures, by which he thought they meant more frequent meetings. He had undertaken to convey this to the European Council, though basically he thought it was a question for the Commission to pursue.

GROWTH, INFLATION AND EMPLOYMENT

5. Resuming the debate from the previous day, M. Tindemans (Prime Minister of Belgium) said he could be brief, since he agreed with much of what had already been said. On unemployment he pointed out that national statistics were not always compatible with one another: for example, Belgium had a more generous unemployment benefit system than any Community country except Luxembourg. Demographic factors had led to a large increase in the numbers now entering the labour market. On the proposals for extending Community lending, the Belgian Government favoured reinforcing the EIB as far as possible and would like to see concrete proposals from the Commission in amplification of their suggested new instruments. M. Tindemans echoed what Chancellor Schmidt had said about the need to develop nuclear energy. He suggested that the Commission should be present at international discussions of nuclear matters, and in particular in follow-up discussions in accordance with their responsibilities under the Euratom Treaty.

6. Signor Andreotti (Prime Minister of Italy), reading from a prepared text, briefly described the economic situation in Italy. A deficit of 932 billion lire in March had been reduced

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to 104 billion in May and zero today. But the employment situation was still bad. The Italian stabilisation programme was conditioned by the European and world economic growth prospects, which were not good. International protectionism, however, would be fatal. Signor Andreotti said he agreed with the Commission proposals for increased use of the Social Fund, for a new Commission instrument for borrowing, and for increase in capital of the EIB. Better use should also be made of the existing instruments: the Regional Development Fund and Social Fund might benefit from stricter coordination, but they should also be increased in size. Chancellor Schmidt had said the Social Fund had already been increased: but it still only represented 5% of the Community Budget, as against 6% for the RDF and 70% for agriculture. Strengthening the social side of the Community would greatly improve its appeal to ordinary citizens.

7. Mr Jenkins said the Commission would seek to maximise the efficiency of the existing Community funds, but could hardly embrace the wide-ranging tasks suggested by the Council within existing limits. Chancellor Schmidt had said there had been a 230% increase in the Social Fund in the past year. In fact the Commission was only proposing an 11% increase in budgetary commitments, which barely covered inflation. Their objective was to eliminate the slow-moving bureaucratic procedures which had meant that budget commitments had not been translated into payments until so late that they merely reimbursed governments for what they would probably have done anyway.

8. Chancellor Schmidt asked President Jenkins to explain the discrepancy between their figures.

9. Mr Jenkins repeated that payments had always been several years behind budget commitments; but now the Commission intended to make payments more quickly, which would mean an increase in immediate disbursements, for which budgetary commitments had already been agreed. The further increase in



commitments would only be 11%. Chancellor Schmidt commented wryly that it was payments that counted, not paper commitments. Mr Jenkins continued that the Commission would be ready to give practical details of the projects for which their new instruments were designed. It was not their intention to make the Council of Ministers a loan managing body (as President Giscard had suggested). The Council would be asked to give approval to the activation of each tranche. Banking transactions would use the existing mechanisms of the EIB, but the EIB could not initiate policy. Referring to the draft communiqué, Mr Jenkins said it would be unfortunate if the European Council merely reaffirmed its concern and did not indicate any solutions. The Commission would be glad to elaborate on the simple and practical applications of their suggestion: it was not easy to hit the right mean between producing short papers, that were criticised for having too little information, and longer ones that appeared to swamp the Council in paper. In answer to a question from the Prime Minister, Mr Jenkins said the Commission's detailed explanation of projects in the energy field should be ready soon for the Council of Ministers to consider.

DRAFT STATEMENT

10. At 10.17 am the Prime Minister concluded the general discussion and turned to the draft statement which had been discussed by officials overnight. On the proposals of Monsieur Thorn (Prime Minister of Luxembourg) and President Giscard, paragraph 9 was re-worded to say "affirm the necessity for", instead of "reaffirm their determination to".

11. Discussion then centred on redrafting of paragraph 11 and 12. Eventually a revised text combining the two was agreed.

EUROPEAN COMMISSION

EUROPEAN

EUROPEAN COUNCIL PROCEDURES

12. The Prime Minister said the Presidency had circulated a paper. Could all agree to it as a guidance for future Presidencies? Mr den Uyl suggested substituting the word "then" for the words "when it does so" in the last sentence of paragraph 1 (A) of the Presidency note.

13. President Giscard said there would be no Community procedures for informal discussion. It was only when the Council discussed problems falling within Community procedures that the Council had to follow them. Mr den Uyl's proposal did not make a clear enough distinction between the two types of exchanges. Mr Fitzgerald (Irish Minister for Foreign Affairs) suggested that the sentence should be divided into two. The first new sentence should stop after "at a lower level". It should then continue "in dealing with matters of Community competence the European Council will conform to the appropriate procedures ..". It was so agreed.

14. President Giscard went on to suggest that:

- (a) at the top of agendas should be taken those subject matters which would require texts;
- (b) then should come informal discussion;
- (c) finally, texts should be adopted.

The Prime Minister agreed there should be plenty of time for Heads of Government to talk and Foreign Ministers to work. They had for instance a first rate informal discussion on East/West relations the previous day.

15. Chancellor Schmidt suggested that the Council should have in future much less paper and there should be none whatsoever for category (A) (i) - informal discussions. On category (ii), there should be no more than one paper. The Middle East declaration had been worth all the effort as he had seen from the day's papers. The statement on growth, employment and inflation would not make much of a stir. The Council should concentrate on one paper, to be circulated well in advance, or a subject which needed special attention. It should be rare for the European Council to have to turn to problems within Community competence. The European Council should not be a



court of appeal but should remain a Council for a free exchange of views. There were enough formal Councils already.

16. President Giscard shared Herr Schmidt's view. But while there should be no documents for the informal discussion, the Commission might, in an opening statement, set the scene by giving an analysis of the problems or introducing the relevant statistics. It was also right that the European Council should be used as a court of appeal as little as possible. But there must be some way of resolving matters that had got bogged down elsewhere in the Community. In two days the European Council could settle problems which had occupied months of discussion elsewhere.

IRISH VALEDICTORY

17. Mr Cosgrave made a warm valedictory speech. The Prime Minister paid tribute to both Mr Cosgrave and Mr Fitzgerald for the remarkable job they had done while they had been representing Ireland in the Community. The Prime Minister then asked whether there were any other points to be raised on the subjects which had been proposed for general discussion.

AFRICA

18. President Giscard said that the Council would like to hear the Prime Minister's views on Southern Africa. For his part, President Giscard said that he had already discussed the problem of Zaire at a previous Council. The situation there had stabilised in favour of the present Government. It was clear that there was no need for change in Zaire. He was still very concerned about Djibouti which had become independent three days ago. The situation in the Horn of Africa was worrying. A year ago the French had thought that Djibouti could only become independent through bloodshed within and facing attack from Somalia without. But Somalia was now getting closer to the West and did not intend to

/attack



attack Djibouti. Nevertheless the tension between Ethiopia and Somalia could perhaps lead to confrontation. France had concluded defence pacts with Djibouti and its troops were there at Djibouti request and at the request of the neighbouring Arab states - Egypt, Saudi Arabia, Sudan and North Yemen - all of whom wanted the French to stay for as long as was necessary to preserve peace and stability there.

19. President Giscard went on to say that initiative in Africa should not be left to the United States. Europe had a natural vocation to be concerned in African problems. Greater economic efforts were required. Foreign Ministers should, in Political Cooperation, study methods for pursuing a more active policy by the Community - that is not the Community as an institution (we had Lomé which was very satisfactory) but as a gathering of European states which took an interest in the area.

20. The Prime Minister said that we had been pleased with the solution over Shaba. It was important to find solutions to the difficulties between Angola and Zaire. The situation needed to be closely watched. We were glad to see what France had done in Djibouti.

20. Chancellor Schmidt asked about press reports of Somali troop movements towards Kenya and about the closure of the Kenya/Tanzanian border. The Foreign and Commonwealth Secretary confirmed that there had been border incidents between Kenya and Somalia. The Kenya/Tanzanian border had been closed some months ago but there were now some signs of better Kenya/Tanzanian relations. The Prime Minister said that the Kenya/Tanzanian situation was not so serious as that between Somalia and Kenya. The problem arose from the number of Somalis living in the northern part of Kenya. The boundaries created by Europeans had been accepted by the new nations but did not correspond to tribal divisions.



21. On Southern Africa, the Prime Minister said that we were close to an acute crisis. At the CHGM there was agreement that the Anglo/United States initiative was right but the Africans were profoundly sceptical about the prospects of its success. They believed - and it was the first time that he had heard this so sharply put - that the only solution lay through war and guerilla activity. They had turned up the heat on South Africa, both in relation to South African occupation of Namibia and its economic help to Rhodesia. The Anglo/United States consultative group would return to Africa next week. They hoped to obtain the Patriotic Front's proposals on the independence constitution and would also visit Salisbury. He expected Dr Owen to return to Africa later in July and present our proposals for a settlement. It was serious that the OAU Foreign Ministers had recommended military help to Rhodesia's neighbours.

22. The CHGM had been ready to consider a call for an international force to hold the ring. Would the Nine be ready to do so? We were almost at the end of the negotiating period with in intensification of the call for sanctions against South Africa and that Britain should cut off communications with Rhodesia. We could not accept this since we had to communicate in order to get a settlement. Finally, the Zimbabwe development fund could be a turning point for getting the White Rhodesians to accept a settlement. He asked his colleagues to consider what practical support they could give to the fund which could make all the difference. Mr den Uyl said it had been very important that the Prime Minister had been able to give this information. He shared President Giscard's view that Europe had a special responsibility for Africa. Europe would have to bear this responsibility in the near future. All contacts that he and other EEC Governments had had with the front line

/Presidents



Presidents (eg Kaunda) confirmed what had been said. While Foreign Ministers would continue to look at the question, the next European Council might have to devote much time to it. Chancellor Schmidt referred to the previous day's discussion where Mr den Uyl had mentioned the decline in the amount of investment in former colonies. Could the Commission try to illustrate this in a paper. Mr Jenkins undertook that the Commission would do so. But he warned that the statistics for the colonial period might be difficult to compare with those for the present. The Prime Minister thought that Mr den Uyl would be proved right. The fact that private and official funds going to ex-colonies were not up to colonial levels was because of the post-independence political uncertainties.



EUROPEAN ASSEMBLY

23. The Prime Minister asked if there were any other issues to be discussed. President Giscard said if there were no other subjects to be raised he had some points about the European Parliament's place of activities. The French Government respected decisions about where the Parliament's meetings should be held. They had learned with surprise that the Bureau of the Parliament had been doing research into buildings in Brussels - offices, restaurants (where no doubt the food would be very good), large meeting halls. First, these plans did not seem to fit into the present climate of austerity. Second, there should be no question of transferring the site of the Parliament from Strasbourg and Luxembourg. He hoped the Italian Government could say something to the President of the Parliament. M Thorn said that it would be no surprise that he shared the views of President Giscard. There was great concern in Luxembourg about the question. When the Council agreed to give the Parliament certain budgetary authorisations, it was made clear that this could not prejudge the question of its seat.

24. Sr Andreotti took note. He pointed out that the Parliament's committees had to meet in Brussels. He would ask the President of the Parliament that no decision should be taken which could be badly interpreted in political terms.

25. The Prime Minister raised two relevant questions. If the problem of the seat of the Parliament was causing problems in Luxembourg, it was the size of the proposed salaries of directly elected MPs which caused problems in the UK. He had also been concerned about the salaries of the members of the Audit Court. This was why he had delayed making a nomination, although he was now about to nominate somebody. Secondly, he had heard that the European Parliament was proposing a budget to fight direct elections.]

/How



How did they get the money? He could see great problems if there was a large programme of propaganda by the Parliament. Could the Commission say where the funds would come from. (Chancellor Schmidt interjected - as a joke- that it would be from the Social Fund!)

26. Mr Jenkins said that he might be able to help with information but the Commission had no responsibility in the matter. The European Parliament had its own powers laid down under the Treaty. The Commission proposed to use part of its own small information budget to arouse interest in direct elections, which he thought was important, but they would certainly not be interfering. He hoped the Parliament would be equally restrained. M Ortoli said that while he was not certain, he thought that arising from the limited powers the Parliament had to amend the budget, it could get some funds for information. But at present Members were nominated by Governments who could tell their nominees to be careful. Chancellor Schmidt was not sure this was possible. The next European Council should issue a public warning that a directly elected European Parliament should not act against the wishes of public opinion. German MPs had enlarged their own salaries in spite of lack of public sympathy. There should not only be private words but public advice. The Presidency of the Commission should look at the problem and make proposals for the next meeting. Nor should the Parliament be allowed to choose another seat.

27. Mr Jenkins said that there was no doubt that large salaries would be an embarrassment to a number of Member States but one of the reasons for them arose from the divergence in levels of salaries. It was thought that salaries should be high enough to attract German Parliamentarians. Private warnings were better than public confrontation. It was not in the competence of Parliament to hold its plenary sessions elsewhere than in Strasbourg or Luxembourg. But committees could be held in Brussels; indeed, this suited the Commission whose members were frequently asked to attend the committees.



President Giscard said it was no good making recommendations to national Parliaments. The next European Council should discuss the matter in restricted session which should be prepared by Permanent Representatives with great care. They should examine the procedures, make recommendations and prepare a draft statement.

28. Sr Andreotti, who had been a member of the European Parliament, was unaware of any question of a salary. Before Ministers adopted a public position, the President of the Council should speak to the President of the Parliament. Ministers should all get in touch with their Parliaments. They were all members of political groupings. Agreed solutions should be found within the ranks of those groupings.

29. Mr Jergensen agreed that Parliamentarians should be influenced quietly but that it was right that the European Council should discuss the problem later. It was also right that there should be economic support for direct elections in which there was a real need for increased public interest. M Thorn went back to the question of the Parliament's seat. This was important and highly political and new decisions could only be taken by the Nine Member States. No other institution should intervene through the budget or any other way. The Parliament needed better facilities for committees in Brussels but their present plans were for something much greater than their needs. The Prime Minister asked how Parliament could be stopped from doing this. M Thorn said through the budget. MPs must be persuaded that just before the elections was not the time to use their budgetary influence. They should not use the funds for their running expenses for these purposes. COREPER should study the problem. The Presidency of the Parliament should also be persuaded.

30. The Prime Minister said this was an important discussion and there should be more. He had to introduce legislation

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in the autumn. The question of the site and salaries would come up then. He hoped the new Presidency would agree to arrange a meeting in September or early October of the European Council before the legislation came forward. (M Tindemans appeared to agree that he would.) President Giscard suggested that Heads of Government meet informally on some cultural occasion.

LONG TERM FORECASTING

31. Mr Jenkins raised the question of the Europe Plus 30 report. It had been undertaken by a distinguished group and was about the need for long term forecasting. Certainly this was relevant to the earlier discussion that day about the long term assessment of the effects of technological change. The Commission accepted this but was reluctant to set up a new institution with new staff. They proposed there should be a pilot scheme for up to 5 years using Commission staff. This did not meet the full desire of Lord Kennet's group but the Commission judged that it would not be the wish of Governments to set up a new institution at this stage. The Prime Minister agreed there was much to be said for expanding the Community's ability for consideration of long term forecasting but Heads of Government could not take a view that day. He suggested that Foreign Ministers should consider the Commission's proposal at the next Foreign Affairs Council. This was agreed.

CONCLUSION

32. The Council ended at 12.40 pm, after a tribute by M. Tindemans to the outgoing Presidency.

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MIDDLE EAST STATEMENT

Mr Graham

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Sir Nicholas Henderson KCMG
British Embassy
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Your reference

Our reference

Date

7 July 1977

Dear Nick,

EUROPEAN COUNCIL, LONDON 29-30 JUNE

1. The Prime Minister's Private Secretary has agreed that a copy (enc) of the record of the European Council on 29-30 June may be sent to you and to the other Heads of Missions in EEC posts and Washington on a strictly personal basis for your information only.

2. There was also discussion between the Heads of Government during and after lunch at No 10 on 29 June. This covered East/West relations, disarmament, non-proliferation, enlargement and JET but no record is available for distribution.

Yours ever

Petrie

P C Petrie
European Integration
Department (Internal)

cc: HMRR in all other EEC Posts and Washington
Private Secretary
Mr Fretwell