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FRAME GENERAL

FM UKREP BRUSSELS 221815Z JUNE 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 3273 OF 22 JUNE

INFO IMMEDIATE PARIS, PRIORITY COPENHAGEN, THE HAGUE, ROME,  
LUXEMBOURG, DUBLIN, BONN, TOKYO, WASHINGTON, ROUTINE OTTAWA,  
INFO SAVING BRUSSELS, UKDEL NATO, UKDEL OECD.

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EUROPEAN COUNCIL: STRASBOURG : 21/22 JUNE 1979

1. THE SECOND EUROPEAN COUNCIL OF 1979 TOOK PLACE IN STRASBOURG ON THE AFTERNOON AND EVENING OF 21 JUNE AND THE MORNING OF 22 JUNE. PRESIDENT GISCARD PRESIDED. THERE WAS A FULL ATTENDANCE OF HEADS OF GOVERNMENT AND FOREIGN MINISTERS. THE NETHERLANDS PRIME MINISTER HAD TO RETURN TO THE HAGUE AFTER THE FIRST SESSION. MESSRS JENKINS AND ORTOLI REPRESENTED THE COMMISSION.
2. AFTER LUNCH AT THE PREFECTURE, THE FIRST SESSION WAS HELD AT THE HOTEL DE VILLE ON THE AFTERNOON OF 21 JUNE. HEADS OF STATE AND GOVERNMENT THEN DINED AT THE CHATEAU DE ROHAN. (THE FRENCH PRIME MINISTER WAS ALSO PRESENT.) FOREIGN MINISTERS DINED AT THE ORANGERIE. THERE WAS AN INNOVATION IN THAT FOREIGN MINISTERS MET FROM 8.15 A.M. TO 9.30 A.M. ON 22 JUNE TO CLEAR UP POINTS OUTSTANDING FROM THE WORK DONE OVERNIGHT BY OFFICIALS ON THE DRAFT PRESIDENCY CONCLUSIONS.
3. THE MOST IMPORTANT ISSUES DISCUSSED BY THE EUROPEAN COUNCIL WERE CONVERGENCE I.E. THE PROBLEM OF THE NET BUDGET CONTRIBUTIONS OF THE UK AND ITALY, AND ENERGY.
4. THE MAIN CONCLUSIONS WERE:
  - (A) THE BUDGET:

THE COMMISSION WILL SUBMIT TO THE FINANCE COUNCIL A REFERENCE PAPER DESCRIBING THE CONSEQUENCES OF THE BUDGET FOR EACH MEMBER STATE, ESPECIALLY IN 1979 AND 1980. FOR 1980 THE STUDY WILL TAKE ACCOUNT OF THE AGRICULTURAL PRICES FOR THE 1979/80 MARKETING YEAR. THE COMMISSION WILL ALSO EXAMINE THE CONDITIONS UNDER WHICH THE 1975 CORRECTIVE MECHANISM COULD PLAY ITS PART IN 1980. THE FINANCE COUNCIL WILL DEBATE THIS REPORT. THE COMMISSION WILL TAKE ACCOUNT OF THIS DEBATE AND PRESENT PROPOSALS IN GOOD TIME FOR DECISIONS TO BE TAKEN AT THE NEXT EUROPEAN COUNCIL IN DUBLIN IN NOVEMBER.

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(B) ENERGY:

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A COMMON POSITION FOR THE TOKYO SUMMIT WAS DRAWN UP. THE MAIN EMPHASIS IS ON REDUCING DEMAND AND ON PERSUADING THE OTHER MAIN INDUSTRIALISED COUNTRIES TO ADOPT POLICIES SIMILAR TO THE COMMUNITY'S. IN PARTICULAR, THE COUNCIL AGREED THAT COMMUNITY IMPORTS BETWEEN 1980-85 SHOULD BE MAINTAINED AT AN ANNUAL LEVEL NOT HIGHER THAN THAT FOR 1978. NUCLEAR PROGRAMMES SHOULD BE GIVEN A STRONG, FRESH IMPETUS.

(C) EMS:

THE CHAIRMAN OF THE CENTRAL BANK OF GOVERNORS REPORTED ON PROGRESS. THE PRIME MINISTER ANNOUNCED THAT THE UK INTENDED TO DEPOSIT A PROPORTION OF OUR GOLD AND DOLLAR RESERVES WITH THE EUROPEAN MONETARY COOPERATION FUND IN RETURN FOR ECUS.

(D) JAPAN:

THE COUNCIL LOOKED FOR HELP FROM THE JAPANESE IN REDRESSING THE CURRENT SITUATION. THE COUNCIL HOPED FOR WIDER OPENINGS FOR EEC EXPORTS IN JAPANESE MARKETS.

(E) REFUGEES FROM INDO-CHINA:

FOREIGN MINISTERS WERE ASKED TO ENSURE THAT THEIR INITIATIVE ON AN INTERNATIONAL CONFERENCE UNDER UN AUSPICES TO DISCUSS THIS PROBLEM WAS SUCCESSFUL.

OTHER SUBJECTS GIVEN SUBSTANTIAL TREATMENT INCLUDED THE ECONOMIC SITUATION IN THE COMMUNITY; SOCIAL QUESTIONS INCLUDING WORK-SHARING; AND THE PROSPECTS FOR THE COMMUNITY IN THE 1990S.

(THIS LATTER SUBJECT WILL BE STUDIED FURTHER BY THE COMMISSION.)

5. AT THE DINNER AT THE CHATEAU DE ROHAN, HEADS OF STATE AND GOVERNMENT DISCUSSED THE MIDDLE EAST, RHODESIA, SOUTH AFRICA, SINO-SOVIET RELATIONS AND ENERGY, WITH PARTICULAR REFERENCE TO THE PRODUCER/CONSUMER DIALOGUE. CHANCELLOR SCHMIDT GAVE AN ACCOUNT OF HIS RECENT VISIT TO THE UNITED STATES. AT THEIR DINNER FOREIGN MINISTERS DISCUSSED THE MIDDLE EAST AND REFUGEES FROM INDO-CHINA.

6. FOR THE UK THE OUTCOME OF THIS EUROPEAN COUNCIL WAS SATISFACTORY. EVEN THOUGH SOME MEMBERS OF THE EUROPEAN COUNCIL ARE STILL NOT FULLY PERSUADED BY OUR ARGUMENTS ON THE BUDGET, THE COUNCIL AS A WHOLE AGREED ON THE PROCEDURE WE WANTED FOR FURTHER WORK WITH A VIEW TO DECISIONS AT DUBLIN. ON ENERGY, TOGETHER WITH THE GERMANS AND THE DUTCH, WE WERE INSTRUMENTAL IN REMOVING FROM THE PRESIDENCY'S DRAFT CONCLUSIONS OBJECTIONABLE PROPOSITIONS LEFT IN SUSPENSE AT THE END OF LAST MONDAY'S ENERGY COUNCIL IN LUXEMBOURG. NONE OF THIS WAS ACHIEVED WITHOUT MUCH EFFORT AND ARGUMENT.

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7. THE FRENCH PRESIDENCY ARE UNLIKELY TO BE PLEASED AT THE OUTCOME. DESPITE THEIR DELAYING TACTICS AT OFFICIAL LEVEL AND THE FINANCE COUNCIL, IN THE END THEY HAVE HAD TO ACCEPT OUR PROPOSAL FOR FURTHER WORK ON THE BUDGET PROBLEM. MOREOVER, THEY MUST HAVE HOPED AT THE EUROPEAN COUNCIL TO WIN SOME AT LEAST OF THE POINTS THEY HAD ADVOCATED UNSUCCESSFULLY AT THE ENERGY COUNCIL.

8. MY TWO IFTS CONTAIN:

- (A) THE PRESIDENCY CONCLUSIONS AS DISTRIBUTED AT PRESIDENT GISCARD'S PRESS CONFERENCE. THIS FINAL VERSION CONTAINS A FEW MINOR AMENDMENTS TO THE ENERGY AND ECONOMIC AND SOCIAL SECTIONS AS COMPARED WITH THE VERSION DISTRIBUTED AFTER THE FOREIGN MINISTERS' MEETING THIS MORNING. THIS ALSO INCLUDES A PASSAGE ON REFUGEES FROM INDO-CHINA:
- (B) A REPORT OF THE PRESS CONFERENCE GIVEN BY PRESIDENT GISCARD, AFTER WHICH THE PRESIDENT OF THE COMMISSION ALSO ADDRESSED THE PRESS.

A REPORT OF THE PRIME MINISTER'S PRESS CONFERENCE WILL BE DISTRIBUTED FROM LONDON.

FCO ADVANCE TO:-

FCO - PS/S OF S, PS/LPS, PS/PUS, BUTLER, BULLARD, FRETWELL,  
PETRIE, FITZHERBERT

CAB - FRANKLIN, ELLIOTT, THOMAS

D/EN - PS/S OF S, RAMPTON, JONES

NO 10 - CARTLEDGE

TSY - PS/CHANCELLOR, PS/CHIEF SECRETARY, SIR D. WASS, SIR K.  
COUZENS, JORDAN-MOSS, MRS HEADLEY-MILLER

FCO PASS SAVING UKDEL OECD.

MAITLAND

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