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PS / NO 10

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Record of meeting between the Foreign and Commonwealth Secretary and the Foreign Minister of Luxembourg held in the Foreign and Commonwealth Office at 11 am on 27 October.

Present

Rt Hon The Lord Carrington KCMG MC
Sir Ian Gilmour BT MP
Sir M Butler
Lord Bridges
Mr M D Franklin
MR J C Thomas
Mr D H A Hannay
Mr P Lever
Mr G Faulkner

M. Gaston Thorn GCVO, GCMG
M. R Hastert CMG
(Luxembourg Ambassador)
M. Dondelinger,
(Luxembourg representative
to the EEC)
M. M Kasel, Chef de Cabinet

1. M Thorn said that he saw his present round of visits as an opportunity to sound out Member States' views on the main issues facing the Community rather than putting forward his own ideas. There were three main problem areas: the Community budget, Enlargement and Institutional Relations.
2. M Thorn thought the Community should develop more effective institutional arrangements. In particular, he was concerned that there was no Council which co-ordinated the conduct of the whole range of Community business. The General Affairs Council had originally fulfilled this role, but it had developed into just another specialist Council concentrating on Foreign Affairs. The European Council itself was not suitable. One could not expect Heads of State/Governments to be involved in too much detail. National Governments faced a similar problem in relation to the handling of Community business.
3. Lord Carrington explained that the UK already had an integrated system, since every Cabinet meeting included in its agenda an item on European Community Affairs. The main problem area was the relationship between the Agriculture and Budget Councils. He understood that Agriculture Ministers had been talking informally



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amongst themselves of asking for price increases of 17% for 1981. How was this compatible with the 1981 draft Budget? M Thorn thought that the figure was nearer 8 - 10%. Lord Carrington commented that even that figure was too much, but the central problem was how some discipline could be imposed. Sir Ian Gilmour suggested that the real problem was that Agriculture Ministers had the tacit support of their Governments in deciding agricultural price increases.

4. Sir M Butler commented that the imminent exhaustion of own resources would change this pattern. It would not be possible for the Commission to present a draft or supplementary Budget which exceeded the 1% VAT ceiling. If Agriculture Ministers were to agree excessive increases in future, chaos would ensue. M Thorn replied that the Community faced the twin task of increasing own resources and reforming the CAP. Lord Carrington said that agricultural expenditure would never be contained if the 1% ceiling was increased. M Thorn agreed that it would not be possible to increase the ceiling before agreement had been reached on restructuring of the Community budget.

5. Reverting to the problem of better co-ordination of Community business, Lord Carrington said that, if Foreign Ministers were expected to control the overall direction of Community policy, they would face an enormous burden. The Community had grown and faced a wide range of complex and technical issues. M Thorn agreed that this was a problem. He suggested as an alternative that the European Council might have a role. President Giscard had suggested the possibility that the European Council should agree on priorities for the Community's work during the following six months and instruct the Commission and specialist Councils to achieve certain targets before their next meeting. Lord Carrington said that the problem would be to agree what the priorities were. There was also already an excessive tendency for other ministers to refer matters to the European Council rather than solving them themselves.



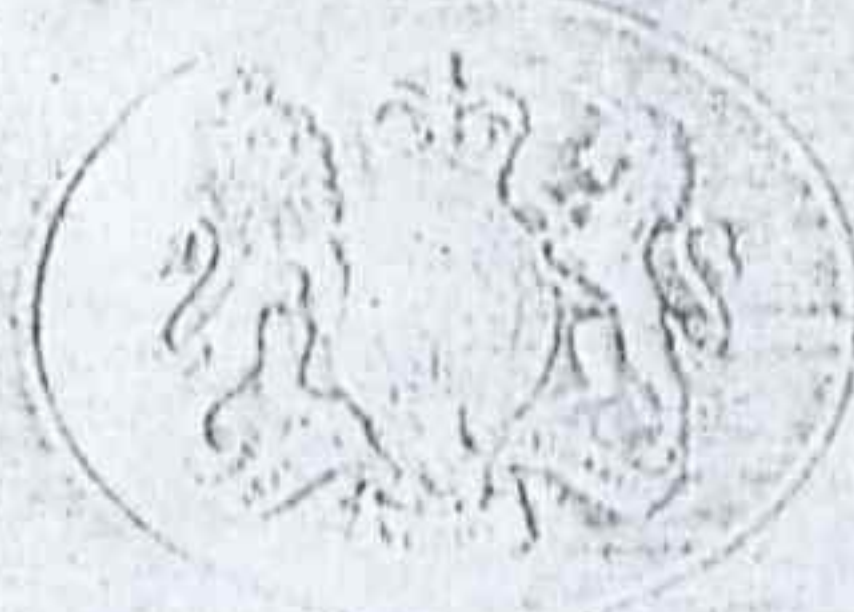
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6. Lord Carrington said that in 1981, the main problem facing the Community would be the question of the Community Budget. He would like to see the Commission initiating the negotiations by presenting a range of options rather than specific solutions. M Thorn said that it would be difficult for the Commission to put forward a range of options in a totally neutral way. He would prefer the Commission to put forward solutions (though not necessarily a single solution), but on the basis of prior informal soundings of Member States' attitudes so that their views could be taken into account in the Commission's formal proposals. The Commission had some six months to make its preparation. The UK's Presidency would be particularly important since the questions of Enlargement, the Community Budget and the Common Agricultural Policy, which were all linked, would come to a head during it. Sir M Butler suggested that although there was obviously a connection between Enlargement and the Community Budget, the issues were not as intimately linked as was being suggested. M Thorn thought that there was a close linkage between the issues. Enlargement had major implications for the Community's policy on agriculture. The French had suggested that it raised three main issues:- (a) whether Southern producers should have the same revenue as Northern farmers; (b) how the Community could achieve its aim of ensuring earnings in agriculture were comparable with those in other sectors; (c) the problem of olive oil, which raised questions about the Community's policy on margarine and soya.

7. Sir M Butler said that Portugal and Spain could not be kept waiting for ever. There was therefore, a need for keeping the negotiations on Enlargement and Mediterranean agriculture as separate as possible from the restructuring exercise. M Thorn agreed that there should not be undue delay, but it was clear that, given French views, it would not be possible to deal with Enlargement before an agreement on restructuring had been achieved. If Enlargement was to become a reality by 1983, the Community would have to negotiate on agriculture with Spain during the latter half of 1981. It was therefore inevitably linked with the question of restructuring. Lord Bridges suggested that, although the two negotiations might happen at the same time, it might be wise to

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keep the question of Enlargement separate from the restructuring exercise.

8. Lord Carrington asked whether restructuring would be on the agenda for the next European Council. M Thorn thought not, but that was precisely why he was advocating that the European Council should set priorities for the work of the Community. Lord Carrington said that it might be possible for the European Council to set certain general priorities.

9. Lord Ca

9. Lord Carrington asked how much was being done by other Member States on restructuring. M Thorn said he thought that very little had been done so far. Faced with the need for a tight public expenditure policy in the FRG, the German Government were likely to want to take a tough stance on Community expenditure. Discussion in the Council on 25 October on steel demonstrated that the Germans were no longer prepared to act as pay-masters to the Community. Lord Carrington commented that he well understood their position. The UK had had the same problem in a more dramatic form.

10. Lord Carrington asked whether, in talking about the question of Community institutional arrangements, M Thorn had in mind the possibility of new institutions. Mr Thorn said not. He would, however, like Lord Carrington's view on the question of appearance by the European Council President at the European Parliament after each European Council, to report the outcome. The next two Presidencies, the Netherlands and Luxembourg, were in favour. The French opposed the idea on the grounds that since it was constitutionally impossible for the French President to appear before their National Assembly, it would not be appropriate for him to do so before the European Parliament. And they also took the view that no-one else should act unilaterally, without a Community decision (which they would block). M Werner was in a quandary. Lord Carrington suggested that Giscard's opposition to this idea was based more on his views of the role of the Parliament rather than his constitutional position. But the Parliament was a fact of life and it was necessary to deal realistically with it. He himself was inclined to favour the suggestion, but would take the Prime Minister's views on it. It

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was in all our interests to have good relations with Parliament, particularly so in the case of the French, as they were pressing for Strasbourg as the site. If necessary, Barre could attend instead of Giscard. M Thorn agreed. In his experience, it was much better presentationally for the President to give such a report. He might not be able to tell the Parliament everything, but his presence there would be a major step forward. Lord Carrington asked whether Foreign Ministers might be an acceptable substitute. M Thorn said they would not. The President of the Foreign Affairs Council already went before the Parliament. He would raise the question again in the Foreign Affairs Councils.

LOME PROTOCOL : ZIMBABWE ACCESSION

11. There was a brief exchange on the question of signature of the agreement on Zimbabwe's Accession in the Lome Protocol. M Thorn said there was Belgian objections to this being done on 4 November in the margins of the Political Co-operation meeting.

NEW ZEALAND BUTTER

12. Lord Carrington referred to the problem of New Zealand butter and emphasised the necessity of reaching agreement before the end of 1980. M Thorn said the Presidency would do its best to bring this about.

ECD(I)

30 October 1980

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