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Foreign and Commonwealth Office

London SW1A 2AH

19 November 1981

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Dear Richard

Lord Carrington thinks it might be useful for the Prime Minister to send a message to her colleagues before the European Council to explain the amount of work which still needs to be done if an acceptable solution is to be found and to give a preliminary reference to the idea of operational guidelines (which we would propose to pursue in more detail with the French and Germans). I enclose a draft of such a message which the Prime Minister may wish to glance at before her meeting this evening.

I am sending a copy of this letter to John Kerr and to Robert Armstrong.

Yours ever,

A stylized handwritten signature in dark ink, consisting of a large 'B' and 'J' followed by a horizontal line and a vertical stroke.

(B J P Fall)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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DRAFT MESSAGE FROM PRIME MINISTER TO OTHER HEADS OF STATE/
GOVERNMENT AND PRESIDENT OF THE COMMISSION

We are now only a week away from the meeting of the European Council in London, which we set ourselves as the target ^{we set ourselves the target of} last June ~~for~~ reaching decisions on the Mandate ~~at~~ ^{on} this ~~meeting~~ occasion.

Much work has been done by the Foreign Ministers and by the Mandate Group. ^{there are several issues} But it is clear that ^{There} they have not been able to resolve ~~several issues~~ which therefore fall to us to consider. ~~Both in the 30 May Mandate itself and last June we set ourselves the firm objective of taking decisions this year.~~ We will ~~only~~ bring ^{severe} ~~discredit and~~ criticism on the Community, to whose future development we are all committed, if we fail to achieve ^{our} ~~the~~ objective, ^{to which we are publicly} ~~public~~ [↑] The hard fact is that it will be no easier to take the decisions next spring, ~~(indeed it could even be more difficult to do so then.)~~ So I hope very much that I will have your cooperation in working to maximise the areas of agreement when we meet next week.

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of taking decisions this year

One thing that does seem clear from the discussion so far is that there is no alternative to taking matters forward on a broad front, ^{our} ~~with the aim of making~~ ^{must be to make} equal and solid progress on all three main chapters of the negotiation. To relaunch the Community we need to develop Community policies, to make changes in the CAP and to avoid unacceptable situations.

As regards Community policies other than the CAP, a considerable number of commitments and orientations for the future development of the Community have been worked out by the Foreign Ministers. In other cases, deadlines for decisions are laid down. Only a very few questions remain for us to settle. We have the prospect here of carrying forward in an important way the work of the Community in financial, economic, social, regional, industrial and other policies.

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The discussions on the CAP have, not surprisingly, left open more issues. The CAP is of major importance to the Community. The general economic climate ^{has} created difficulties for our agriculture as for other sectors of the economy. But there ~~seems to be~~ ^{is} a widespread feeling that we need to give a new sense of direction to the Common Agriculture Policy. It is up to us as Heads of Government to lay down the general guidelines, ~~which~~ ^{These} can be subsequently implemented in detail by the competent Community bodies. ~~So I believe~~ ^{Therefore} We shall need to spend some time at our meeting in London on the outstanding issues ~~which are~~ identified in the paper which has been circulated by the Presidency, after consultation with the Commission.

On the budget chapter, the discussions so far have not provided us with a common basis for discussion. ^{but} It does seem to me, ~~however~~, looking at the preparatory work, that the entirely legitimate caution of all delegations when dealing with such a financially significant matter has masked the emergence of ~~at least~~ some points of consensus. There does seem, ^{for instance,} to be general agreement that the long term solution to avoiding the recurrence of an unacceptable situation must be sought in the adaptation of Community policies themselves, ^{This} which we should put in hand forthwith, ~~but that that~~ adaptation will take time and that the rate of its progress is not entirely predictable; and that in the meantime some special corrective arrangement will be needed. ^{Finally} It is also I think common ground that it would be in no-one's interest to have to come back to this issue year after year. What is still disputed is the amount, duration and method of the necessary adjustment, as well as its application, ^{and} whether it should be general or limited to the UK. What I think we must try to do next week is to enlarge the area of agreement between us and register it clearly in operational guidelines which will permit the remaining detailed work to be carried out expeditiously thereafter.

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I thought it might be useful to set out my preliminary thinking in advance. As usual the time available to us will be limited and I would like to put it to the best use. To succeed in taking decisions next week will be a great boost for the Community as a whole.

SEPARATE ADDITION TO CHANCELLOR SCHMIDT

I have been reflecting on what you said during our talk in Bonn. We are working on some draft guidelines for the budget problem which my officials will show to yours; and also to the French. I hope very much we will be able to find a good measure of agreement between us.

SEPARATE ADDITION TO PM SPADOLINI

I did very much value our talks on these matters when you visited London. I hope you next visit will see us bringing some of the issues we discussed to fruition.

SEPARATE ADDITION TO PRESIDENT MITTERAND

I think it would be useful to follow up the suggestion from M. Beregovoy of a contact before next week and I have asked Sir Robert Armstrong and Mr Franklin to go to Paris on Monday. We are working on some draft guidelines on the budget issue which we would like to show you and also the Germans, following my talk with Chancellor Schmidt earlier this week.

SEPARATE ADDITION TO M. THORN

I look forward to seeing you again on 24 November to discuss the European Council. We will have to work closely together. I am most grateful for all that you and your colleagues are doing to achieve some solid progress.

SEPARATE ADDITION TO DR FITZGERALD

I valued our discussions on this when we met recently. I hope we will be able to make real progress when we meet in London next week.

SEPARATE ADDITION TO MR PAPANDEOU

I very much look forward to meeting you in London next week.