

PRIME MINISTER

Euro Council : Press Conference

The Press Conference, as you know, will be held in the Grand Hall of the Connaught Rooms. We shall need to give journalists time to get over there. It would therefore be sensible to have a briefing meeting here in Lancaster House before you leave for the Press Conference.

Immediately after the Press Conference (which will be televised and recorded) you have agreed to do radio and television interviews (BBC Radio and TV, ITN and IRN) in a small ante room there.

If you agree I will select the questions at the Press Conference so that you can concentrate on the Q and A.

Background

The Council is dominated by one issue - the Mandate. So far there has been little interest in other matters, though I am being asked about the EMS, especially in view of the rising value of the pound. We also have the usual Arab/Israeli lobbies who will no doubt ask questions on the Middle East.

I would also expect you to be asked to react to Crosby. You may think it would be sensible to give a short comment. The text of your overnight statement is at Annex A.

I am sure that the broadcasters will also ask about Crosby. I think it is reasonable for you to suggest they use any comment you give in the Press Conference rather than go over it again in interviews. Agree?

Presentational Problem

Your presentational problem, assuming no progress on the Mandate, is to come out of the Council looking positive. In

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all our briefing yesterday we were probably more cautious about the prospects of progress than most other countries. There was however an air of hope, if not real expectation, around overnight. This morning we have dispelled that by reporting frankly that officials had really got nowhere by 6 a.m.

But we have sought all the time to portray you and your officials as labouring long and hard as Presidents to make progress; and that it will not be for want of trying on your part if the London Council does not move it forward. In short the media are prepared for a disappointment.

Your line might therefore be, in sorrow rather than anger: a missed opportunity, but the problem won't go away and will have to be faced soon.

You may also feel it would help briefly to indicate the wide range of topics covered by the Council to demonstrate that it was not a total waste of time. A speaking note is at Annex B.

Press Conference Itself

This will be a Presidency Press Conference and M. Thorn will join you. It is customary to invite him to say a few words about the Council's outcome after your introductory remarks.

In giving this Press Conference as President of the Council it is important for you to say in answering questions where you are making solely UK national points.

The media are, of course, likely to look for a scapegoat, but they will also be concerned to take the Mandate forward and to gauge your resolve:

Is there any real prospect of a deal?

When do you see it being settled?

What are the deadlines?

/Will

Will there have to be another big row?

No doubt you will agree that this is not the time to raise the temperature. But I believe it is very important for you, tactically and politically at home, to demonstrate your utter resolve to get a fairer and better balanced financial structure in the Community.

Spencer

27 November 1981

ANNEX A

"I congratulate Mrs. Williams on a great personal victory. But we believe that our policies are the right ones for the long-term future of our country and that this will be apparent before the next General Election."

Euro Council Press Conference - Speaking Note

Welcome to London.

Council, held on the Presidency, covered a wide range of topics:

Economic and social situation;
International situation (Schmidt reporting on Brezhnev talks);
Enlargement of the Community;
German/Italian proposals for a European Act; and
The reform of the CAP and Community Budget - the so-called Mandate

You have the Presidency conclusions set out on paper.'

I will not therefore deal with the whole of the agenda but highlight one or two things.

Had very useful discussions in a good atmosphere. But regret not possible to register decisive progress on Mandate.

Economic and Social Situation

Dealing first with economic and social situation.

The Council had a useful and interesting discussion based on an excellent paper by the Commission. The Commission's conclusions were endorsed. It was agreed that the objectives of fighting inflation and unemployment required the conduct of determined policies to bring public deficits under control, to keep monetary policy within proper limits and to ensure that production costs, and notably wage costs, were kept at the right level. It was agreed that attention should also be paid to the costs of distribution in some member states. Sound policies to combat inflation required control of public deficits so as to reduce interest rates and stimulate productive investment. Attention also needed to be given to the problem of youth unemployment.

/The Commission

The Commission will be submitting a further paper to the Finance Council which will be considering how to improve co-ordination and increase investment in the Community. I stressed that co-ordination was no substitute for the right policies within the member states.

At its next meeting in March the European Council will return to this theme of greater stability of monetary conditions leading to more jobs. It will also be looking at the future of the European Monetary System on the third anniversary of its creation.

Mandate

Turning to the Mandate we as the Presidency have tried very hard to take forward the Mandate; to narrow differences; to seek agreement. Regret not possible to register decisive progress we had hoped. Problem now goes back to Ministers for another effort.

We have made some progress and had the benefit of long, detailed discussions. Officials worked all night to try to take it forward. Not succeeded this time round. But confirmed my view that the problem will be solved - as it must be.

Of course I am disappointed. I believe it was an opportunity lost. Efforts will continue to reach decisions in the early months of next year.

POLITICAL COOPERATION

NOTES FOR OPENING STATEMENT

EAST/WEST RELATIONS

East/West relations the centre-piece of our political discussions.

Schmidt/Brezhnev

Chancellor Schmidt gave us a fascinating account of his conversations with President Brezhnev. This had clearly been a significant meeting. All agreed on the need to keep open the channels of communication between governments.

Reagan/TNF

We welcomed President Reagan's speech on 13 November, a major statement on disarmament and arms control from conventional right up to strategic levels. We look forward to the negotiations which begin in Geneva on Monday. We hope that these talks will lead to early and positive results.

Poland

Lord Carrington reported on the visit of the Polish Foreign Minister to London last week. Strong sympathy with that country in her present economic predicament. Determination to continue to help, within the limits of our means and on assumption that others will also continue to contribute. Convinced that Poland must and will solve her own problems with support of her many friends.

CSCE

We continue to hope and work for a positive outcome in the form of a substantive and balanced document by the end of the year, including agreement on a precise mandate for a conference on Disarmament in Europe to negotiate confidence-building measures

in the whole of Europe. This objective is still within our reach.

Afghanistan

Hard to find new words for the continuing tragedy in Afghanistan. Only a few days since the UN General Assembly passed a third resolution calling for withdrawal of foreign troops. Majority this time even larger than before. Calamity for Afghanistan and highly damaging to international trust and confidence. Our proposals of 30 June offer a reasonable and practical approach to solving the problem. They remain on the table. As the General Assembly showed, the world is not going to forget this problem.

MIDDLE EAST

Lord Carrington reported on his visit to Riyadh and we had a discussion about the Middle East. In view of our very recent statements on this subject, we decided on this occasion that no particular purpose could be served by repeating them. Our position remains unchanged. We shall continue to do whatever we can to promote a comprehensive just and peaceful settlement in the Middle East.

EUROPEAN UNION

GENERAL REACTION

German/Italian initiative generally welcomed. Need for renewed political impetus in Europe a main theme of UK Presidency.

SUBSTANCE

Proposals themselves not discussed. But fair to say that discussion suggested some members may have difficulties when we discuss substance.

TIMESCALE

Work likely to begin under Belgian Presidency.

SECURITY

Some security matters eg CSCE, disarmament already discussed by Ten - see statements on East/West relations. But nine members belong to NATO where they discuss defence questions; and Irish do not belong to any military alliance.

NOTES FOR SUPPLEMENTARIES

Set-back for Europe?

It has been clear from the outset that the Mandate discussions would raise profoundly difficult issues which affect the national interests of all Member States and the whole future of the Community itself. It is not surprising that such decisions should take time. But the problems will not go away and they will not get any easier to solve through delay. I hope all Member States will reflect after this Council on the issues discussed and accept the need to make rapid progress in the first few months of next year.

Set-back for Britain?

Of course disappointed that it was not possible to make progress. But the way to get results in the Community is perseverance. Let no-one think that our determination to see the necessary reforms brought about has weakened.

Other Member States deliberately delaying decisions

It is not for the Presidency to point the finger at specific Member States for the failure to agree at the Council.

Where do we go from here?

The work on the various subjects covered by the Mandate will be taken forward by the relevant Councils. The Foreign Affairs Council will have specific responsibility for the budget problem and for the overall preparations for the March European Council.

1982 Refunds?

The 30 May Mandate makes clear provision for a third year of refunds on the lines of those agreed for 1980 and 1981, if this proves necessary. We need not decide now whether it is necessary or not. The refunds will be paid from the 1983 Budget. The target we have now set ourselves is to agree on a lasting budget arrangement which could apply with effect from 1982.

1980/81 Refunds?

The 30 May Mandate decision laid down clear provisions for the Community institutions to apply. The European Council has been

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talking about the future, not the past. Certainly there are disadvantages in ad hoc arrangements made from year to year on the basis of advance estimates which cannot be perfect. That is why we are looking for a better way of doing things.

Shows that EC Reform impossible

We always said that it would be difficult, but the negotiation is not over yet. The UK will continue to press for satisfactory reforms covering both the CAP and the budget problem. I am not prepared to settle for something which does not match the scale of the problems.

Assessment of UK Presidency?

Still a month to go. Community policy is not made by this or that Presidency. It is a continuing effort to reach consensus. During our Presidency we have made a determined effort on the 30 May Mandate and have chalked up considerable progress in other fields - for example the strengthening of political co-operation; progress towards enlargement; advance towards a Common Fisheries Policy; better working relations with the European Parliament. Britain will continue to play a full part in the Community's work under succeeding Presidencies.

(If pressed on the UK Presidency)

Made clear at the outset that Presidency not the opportunity to score a string of resounding national successes. Keynote responsible stewardship of the Community's affairs and solid progress on as many dossiers as possible. Believe we are doing well on this; examples of areas in which we have already made good progress, and in many of which we are working for more before end of Presidency:-

- Settlement on 17 September of dispute over 1980/81 EC budgets, which had involved three Member States withholding part of their contributions. Amending budget also reduced CAP support expenditure by £350 million allowing increase in Regional Fund and money for development aid.

- Progress on Fisheries: agreement on important elements of a Common Fisheries Policy, including market regime.
- Useful work on energy, including agreement on measures to limit the effect of oil shortfalls.
- Major effort to make progress on internal market: particularly to get agreement on non-life insurance services directive, and to liberalise air transport system, including cheaper air fares. Still working hard for agreement on these matters and other measures to liberalise inter-EC trade e.g. by removal of non-technical barriers.
- On external front, successful Development Council (3 November) which agreed on a number of important matters concerning EC aid programme, e.g. additional food aid programme of 40 mecu for poorer countries and guidelines for 1982 and to non-associates.
- Successful Joint Commissions with Romania and China.
- Successful EC/ASEAN Ministerial meeting (13/14 October): first example of co-operation between regional groupings.
- Third tranche of food for Poland at special prices.

ECONOMIC AND SOCIAL SITUATION - PRESS BRIEF

1. The Council had a useful and interesting discussion based on an excellent paper by the Commission. The Commission's conclusions were endorsed. It was agreed that the objectives of fighting inflation and unemployment required the conduct of determined policies to bring public deficits under control, to keep monetary policy within proper limits and to ensure that production costs, and notably wage costs, were kept at the right level. It was agreed that attention should also be paid to the costs of distribution in some member states. Sound policies to combat inflation required control of public deficits so as to reduce interest rates and simulate productive investment. Attention also needed to be given to the problem of youth unemployment.
2. The Commission will be submitting a further paper to the Finance Council which will be considering how to improve coordination and increase investment in the Community. The Prime Minister stressed that coordination was no substitute for the right policies within the member states.
3. At its next meeting in March the European Council will return to this theme of greater stability of monetary conditions leading to more jobs. It will also be looking at the future of the European Monetary System on the third anniversary of its creation.

Unemployment
2 points made by GKS.
