

PRIME MINISTER

Speech to the European Parliament: 16 December

I attach a first draft (there are two alternative versions depending on the outcome of the Foreign Ministers' meeting on 14/15 December).

I am concerned at the shortage of time for dealing with this speech. The difficulty is that it has to be translated in advance since the debate begins as soon as you sit down and Euro MPs may wish to respond to what you have said. They therefore need a text in advance in a language they understand. If we do not meet this requirement, the reception of your speech may be less good than it otherwise would be.

The FCO want to send the speech to Brussels for translation by the weekend. I do not think they can. But I hope we could aim to let them have a text straight after the weekend. Even then, it is not easy because you are not here on Friday and will have little time on Thursday.

If I could have your first reactions to the FCO draft at 1430 tomorrow (provided for in your programme), I will let you have a further draft as soon as possible to work on over the weekend. The language of the draft can of course be greatly improved. As to content, it is necessary to bear in mind that you speak in your capacity as President of the Council and that the purpose of the speech is to report on the last session of the Council (Lord Carrington will be speaking to the Parliament the following day on the UK Presidency in general and on political cooperation in 1981).

① There is no structure to the speech. It is  
A.S.C. 12  
a dull orderly linguistic  
maneuver. I think we should say at  
the outset that we discussed  
(ii) the Mandate - giving the background  
to the Mandate and its  
3 chapters. The usual

8 December 1981

point about it is  
whether the Community can adapt  
the mechanisms to changing circumstances.  
Change is constant... (Disraeli - an  
excellent quote) Also in reaching  
our conclusions we must have some regard  
to their effect on other economies  
because the need is for greater cooperation not  
less. Further decisions taken on agricultural  
inputs can have consequences for other  
Community exports

Also crucial is whether we tackle the  
problem in a <sup>long term</sup> long way or resort  
to a further round of temporary palliatives.  
The demands made by our G7 economies  
are in danger of exceeding their resources.  
There is little more to say - perhaps we can  
have a word.

(ii) World Recession & the Economy  
- your first emphasis on the need  
to cooperate, on finding answers to youth  
unemployment - problem of Japanese inputs  
GMS to be discussed at next Council.

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(iii) *Kindred Affairs* - then too  
must be set in a framework  
of a catalogue of sentences

Foreign and Commonwealth Office

for independence  
Communications  
London SW1A 2AH

(2) I now have been used to finish up with  
2 more interlocking papers. I suggest we go

8 December 1981

Dear John,

depth - reflecting on  
what is the community as an  
area of stability in a troubled world and

Prime Minister's Speech to the European Parliament on  
the European Council: 16 December

as a demonstration of the advantages of

I enclose a first draft of the speech which the  
Prime Minister will be giving in the European Parliament  
in Strasbourg on 16 December. The draft has not yet  
been seen by the Foreign and Commonwealth Secretary, who  
is in Brussels until 10 December, and to whom a copy has  
been sent.

freedom & democracy.

The occasion is primarily intended for the Prime  
Minister, as President, to report on the outcome of the  
European Council on 26/27 November. There are two  
versions of the draft, both based on the assumption that  
the informal Foreign Minister's meeting on the Mandate  
will take place on 14/15 December, but one catering for  
the eventuality that guidelines are not agreed at that  
meeting, the second for the eventuality that they are.  
In both versions, the draft attempts to urge the impor-  
tance for the Community of making agreement on the  
Mandate since, even if Foreign Ministers were to agree  
on guidelines, much work will remain to be done. Lord  
Carrington will also be making a major statement to the  
Parliament the following day on the UK Presidency in  
general and on Political Cooperation in 1981. There is  
a need, therefore, to avoid duplication and the draft  
prepared for him takes account of this.

The speech is made on the Presidency's own  
responsibility, since it is not practicable to clear it  
with partners. Nor is it likely that they would wish such  
a precedent to be set on this, the first occasion that a  
Head of Government has reported in person to the Parliament  
on the outcome of a European Council. It will however be  
necessary to send it to Brussels in advance for translation,  
ideally by the weekend. Translation is important because  
Members of the European Parliament, particularly the  
leaders of the political groups, will wish to respond to  
the Prime Minister's remarks in the debate which follows  
it on 16 December and continues on 17 December. To do so

//properly



properly they need a sight of the text in advance and in a language they understand. Separate arrangements can then be made to circulate it (but not inviting comments) to partners shortly before the speech is given.

I am copying this letter to John Kerr (Treasury) Kate Timms (Ministry of Agriculture, Fisheries and Food) and to David Wright (Cabinet Office).

*yours ever*  
*Roderic Lyne*

(R M J Lyne)  
Private Secretary

John Coles Esq  
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DRAFT FOR PRIME MINISTER'S SPEECH TO THE  
EUROPEAN PARLIAMENT ON THE EUROPEAN COUNCIL  
16 DECEMBER 1981

1. Madam President, Ladies and Gentlemen, I am delighted to be here on what is something of a historic occasion. It is the first time that the Head of Government of the Member State occupying the Presidency has attended a session of the European Parliament to give an account of a meeting of the European Council.

2. The European Council held in London on 26 and 27 November was characterised throughout by a good, constructive and relaxed atmosphere. There was a good deal of detailed discussion, and some frank speaking. But there was also a clear determination on the part of all delegations to make as much progress as possible on the difficult issues under discussion.

3. The European Council welcomed the new Prime Minister of Greece, Mr Papandreou, who made an interesting statement about the position of his Government in relation to the European Community.

4. The main subject we discussed was of course what has come to be known as the 30 May Mandate. This piece of jargon refers to a problem which is central to the development of the Community and it is worth briefly examining how it originated. The problem came to a head when one of the Member States, my own country, found itself bearing an entirely unacceptable, and increasing budgetary burden as a result of the imbalance of Community policies. But as the Community discussed this problem, it became clear that the real issue was much wider. There was clearly something fundamentally wrong with the way the balance of Community policies was developing. Expenditure on agriculture, already absorbing a preponderant share of the Community budget, was rising by 23% per annum. Insufficient resources were being left for the development of policies in other areas equally relevant to the problems of our advanced industrial economies, where it was agreed that the Community had a potentially valuable role to play.

5. Thus it quickly became clear that the problem was one which affected the working of the whole Community, not just one Member State. And so the Community agreed, on 30 May 1980, that the problem should be resolved by means of structural changes. The Commission was given a mandate to produce proposals as to how this could be achieved, without calling basic Community principles into question. The Commission's report produced in June and the subsequent discussions in the Community have centred on three main areas or "chapters". These are the development of Community policies, in particular economic, regional and social policies, the reform of the Common Agricultural Policy, and the problem of the Community budget. The Community has agreed that all these matters need to be taken forward together.

6. Behind the torrent of words which this issue has provoked lies one clear fact. The Community is standing at present at a major turning point in its history. The ambitious nature of the European venture, and the flexibility deliberately built into its institutions by its founders, mean that the Community must constantly be adapting itself to keep pace with changing circumstances. The Community, perhaps even more than any individual nation, bears out the dictum of that great English political thinker, Edmund Burke: "A state without the means of change is without the means of its conservation". The question which lies at the heart of the mandate discussions is whether the Community can indeed adapt effectively enough to enable it to survive and prosper. I myself am sure that it can and will, because its members all know that this is where their interests lie. The increasingly difficult economic situation we all face can best be tackled by greater cooperation between us, not less. It must be better to tackle our problems in a long-term way, by finding lasting, not temporary solutions to them. It must make sense to recognise that in seeking these solutions there are no untapped resources in our countries, waiting to be allocated to increased Community spending, but rather that in the Community as in our national Governments we are dealing with the fair

allocation of scarce and overstretched resources.

7. Against this background, the responsibility laid on the British Presidency by the deadline set by the 30 May agreement of decisions by the end of this year can be seen as heavy indeed. But we have not shirked it. We have done our utmost to advance the discussions. At the European Council on 26 and 27 November all the matters I have mentioned under the three "chapters" were discussed intensively and in great detail.

8. I had very much hoped to be able to report to you today that the European Council had been able to reach total agreement on all these matters. Unfortunately, however, I cannot do so. Much progress was made, but on four of the main areas we were unable in the time available to reach agreed conclusions. These are, first, the problems arising from the Community's milk regime, secondly, the way to deal with Mediterranean agriculture; thirdly, how to relate the share of agricultural expenditure to the development of the Community budget as a whole; and, fourthly, how to ensure that no Member State is put into an unacceptable situation as a result of the outturn of the Community budget. We therefore asked our Foreign Ministers to meet informally as soon as possible in a further effort to establish a consensus on these matters and to submit a report forthwith to Heads of Government. That meeting took place on 14 and 15 December.

9. Despite their best endeavours, Foreign Ministers were not able to reach full agreement on the outstanding points of disagreement.

It is certainly disappointing that it has not been possible to reach agreement on all the major issues. That will certainly complicate the task of the Belgian Government, which will now assume the Presidency, in trying to reach agreement by the time of the next European Council in March. But the need to press ahead remains as strong as ever; further delay serves no-one's interests.

10. Highly relevant to our discussions about the development of

Community policies is the general question of the economic and social situation, and the difficulties facing the Community at a time of continuing world recession. This was also discussed at the European Council. There was general endorsement for the views put forward by the Commission, in particular that the objectives of fighting inflation and unemployment needed determined policies to bring public deficits under control, and to keep production, distribution and unit labour costs in check. It is clear that Member States are not shrinking from the difficult task of sustaining such policies. Inevitably, national Governments must lead in efforts to restore balance and prospects of growth to our domestic economies. But cooperation in a Community framework can make a valuable contribution. I am also glad therefore that it was agreed that the next meeting of the European Council, in March 1982, would return to the theme of greater economic stability leading to better employment prospects. It was also agreed that it should take stock of the European Monetary System on the third anniversary of its establishment. I am glad that the Council agreed that special attention must be given to cooperation over youth unemployment, and that there should be more training of young people. Advanced technology, too, has a vital role to play in ensuring better employment prospects, and I therefore welcome the modest progress we have been able to make in this area, particularly in the fields of research and development.

11. Another good reason for pressing ahead with the Mandate discussions is the need to put the Community on a solid economic basis to enable it to sustain its new and growing strength in world affairs. In its economic relations with the outside world, the Community has already achieved a good deal. It has come to grips with, if not yet resolved, a number of the problems involved in its trade with other leading industrial powers such as the US and Japan. It has realised that on the whole these problems are best dealt with by negotiation rather than by threats; and on such matters as the balance of our trade with Japan, for instance, this approach has already borne some first fruits. Member States have also concluded firmly, and rightly, that there is nothing to be



gained from resorting to unilateral protectionism, either against the outside world or indeed against each other. Rather, solutions to problems of trade imbalances are better solved by cooperation, for instance in the GATT framework, rather than by frontation.

12. The development and strengthening of the coordination of Member States' foreign policies through the system of political cooperation is a key element in developing Europe's rightful role as a force for stability and moderation in the world. The agreed report on political cooperation issued by Foreign Ministers on 13 October, which was received by the European Council, registers some important improvements which will make a significant contribution to this. And the wide range of important international issues which we discussed at the Council testifies to the growing strength and cohesion which Europe has gained through political cooperation. These included East/West relations, the Middle East, Afghanistan, Poland and disarmament questions. And let me make it clear that what we were discussing was not simply language for resounding communiqués, but real questions of European policy on these matters; policy which increasingly involves taking initiatives, rather than merely responding to events.

13. Europe's emergence as a major force in the world for the protection and promotion of democratic values should come as a surprise to no-one. This is the purpose which underlay the founding of the Community. The balance between its institutions was designed to reflect the unswerving adherence of all its members to the principles of liberty, democracy and the rule of law. As regards this Parliament's role, the view of the Presidency, shared I believe by all Member States, has been that within the framework of the existing powers provided under the Treaties there were a number of significant ways in which the dialogue between Council and Parliament could be improved. Thanks to the cooperation we have enjoyed from the Parliament, I believe our efforts in this direction have had some success. My presence

here today reflects our aim of increasing the frequency of contacts between the Parliament and Presidency in all areas of Community business. We have also sought to improve the process of joint decision-making in other ways, such as consultation on budgetary matters, and improvements in the quality of the regular colloquies on political cooperation. The meeting between the Ten Foreign Ministers and you, Madam President, and leaders of the Parliament, with the participation of the Commission, marked another important innovation.

14. Another very important facet of the Community's activity in promoting and buttressing democratic values is seen in the current negotiations for the accession to the Community of Spain and Portugal. The European Council reaffirmed our strong political commitment to bring these negotiations to a successful conclusion.

I am glad that it has been possible to advance them during the current Presidency. The accession of these countries undoubtedly involves some difficult problems. But the common interest we all have in strengthening their newly restored democracies, and in supporting them in their solidarity with the aims of Western Europe, is surely overriding.

15. I have also been encouraged by the strong recent indications of a renewed concern within the Community about giving a new political impetus to the development of Europe. The Presidency itself made clear, in outlining its objectives in July, the importance it attached to this. The European Council discussed the proposal put forward by the Governments of Italy and the Federal German Republic for a "European Act", which Foreign Ministers have been invited to examine. I should also mention the idea put forward by the French Government for the "relaunching" of the Community, with particular reference to the development of its internal policies.

16. Madam President, the conclusion which I draw from the deliberations of the European Council and indeed from the period during which my country has held the Presidency is this. The

European Community represents a priceless asset in the constant struggle to protect and extend democratic values, in Europe and elsewhere. Since one of the basic pillars of those values is economic freedom, it is vital that we make progress in resolving the internal problems which still obstruct the way to more effective economic integration. I believe that useful advances have been made during the last six months, though the Presidency would have wished for more. What I think we must all now work for, with steadfast resolve, is to ensure that by the time the Belgian Presidency come to report on the outcome of the European Council to be held in March next year, it will be possible to report that substantive conclusions have been made on many of these issues. The successful future development of the Community as an instrument for furthering the cause of democracy and freedom depends on making speedy progress in our deliberations. The people of Europe are entitled to expect nothing less; and I do not believe that we shall disappoint them.

ALTERNATIVE PARAS 8 and 9 FOR USE IF FOREIGN MINISTERS  
AGREE GUIDELINES ON 14/15 DECEMBER

8. I am very glad to be able to report to you that the informal meeting of Foreign Ministers, convened in London on 14/15 December, reached agreement on all the outstanding points on which the European Council had been unable to agree in the time available. This agreement will now be submitted in writing to myself and to my other colleagues on the European Council. Subject to their confirmation, and I am sure the House will not expect me today to anticipate that, the Community will have laid down a set of guidelines or broad principles which constitute a major step towards overall agreement on the implementation of the 30 May Mandate. There remains of course much work to be done if substantive agreement is to be reached by the time of the next European Council meeting, which will take place under the Belgian Presidency in March. I am confident that the sense of urgency which has informed our deliberations on this matter will be maintained.

9. I am particularly pleased that the agreement on guidelines covering all three chapters of the Mandate means that we can carry forward the work on the first chapter, that is the development of Community policies, on which there was a substantial measure of agreement at the European Council. I must of course stress that we are talking at this stage only about guidelines. The effective measures can only be implemented on the basis of normal Community procedures in full consultation with your Parliament.)

> ✓ With these important provisos I will outline in rather more detail than has been given so far some of the areas of agreement. We agreed a number of specific areas in which Community policies can make a special contribution to our objectives of combatting inflation and unemployment. For employment policy there is agreement on the need for full use to be made of Community instruments and policies - especially the Social Fund - to alleviate unemployment. We agreed in principle to <sup>a</sup>substantial increase in the new Community instruments loan capacity for increasing investment in infrastructure, industrial renewal and development and self-sufficiency <sup>in</sup> and energy. We agreed that, as

part of an industrial strategy at the Community level in order to develop industry and to create jobs, we must make progress with the completion of the internal market in accordance with the Treaties. We set out a number of objectives in specific areas affecting the internal market and competition policy. In the field of innovation, research and development we agreed that the Community should concentrate efforts in areas where the Community has a comparative advantage. And we welcomed the recent decisions of the Council in the field of micro-electronics and innovation and we propose to invite the Commission to go forward with proposals for improving technological training in the Community. There was agreement on guidelines for action in support of energy policy objectives. In the extremely important field of regional policy there was provisional agreement that the financial resources of the regional development fund should continue to grow in real terms. We agreed on the need for Community action in transport to improve communications, particularly with the more remote areas of the Community. We also agreed on <sup>the</sup> importance of intensifying work in the field of transport infrastructure and examining in a positive spirit the Commission proposals on air services and air fares.