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EUROPEAN COUNCIL, BRUSSELS  
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STEERING BRIEF

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Brief by Foreign and Commonwealth Office

INTRODUCTION

1. The Brussels European Council will come at the end of a period when discussions by Foreign Ministers have not resolved the four outstanding points on the Mandate, remitted to them by the November European Council (except in the unlikely event of agreement being realised on the guidelines at the 23 March Foreign Affairs Council). It will also take place just before the meeting of Agriculture Ministers (on 30/31 March and 1 April) at which the UK's determination not to agree to agricultural prices until a satisfactory deal has been struck on the budget is likely to come more out into the open.

2. Other Heads of State/Government will want to concentrate discussion on economic and social and world issues and there will be a marked reluctance to come to grips with the difficult and politically unrewarding issues raised by the Mandate. This will be the last European Council before the Versailles Economic Summit and the smaller Member States who do not attend the Summit will be anxious to ensure that their views are taken into account. We for our part will want the meeting to give impetus to the search for early solutions on

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the Mandate as a whole. The meeting closely follows the 25th anniversary of the signing of the Treaties of Rome and the Belgian Presidency have arranged a programme to mark the occasion.

3. The only new face at the European Council since last November will be Mr Haughey's (though he has attended previous Councils). On this occasion most of the Heads of State/Government are the leaders of relatively stable Governments but Signor Spadolini's Government remains as shaky as ever and a crisis could arise in the next two or three months; Mr Joergensen's Social Democratic Government is under strong pressure from the left; and Mr Martens' government is facing serious problems including riots by steelworkers and could well fall by the summer.

AGENDA AND DOCUMENTATION

4. The Belgian Presidency have so far given little indication of their thinking about the organisation of discussion but the following are likely to be the main subjects:

(i) Economic and Social Situation. The Commission will produce a paper. The continuing deterioration in the employment situation throughout the Community and the political pressures to which this is giving rise will dominate the discussion. Discussion is likely to cover both the Community's internal situation (unemployment, inflation and macro-economic policies) and external matters, particularly US economic policies and trade with Japan. The external subjects are likely to be discussed in the context of preparation for the Versailles Summit (4-6 June). This item will provide an opportunity for the Prime Minister to make our points about the need for progress on information technology and the completion of the internal market. It is not expected that North/South issues will figure prominently.

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(ii) The Mandate. The nature of the discussion will depend on what, if any, progress is made at the Foreign Affairs Council on 23 March. The European Council will in any case need to review progress since its November meeting which instructed Foreign Ministers to resolve the four key problems on the guidelines.

(iii) European Monetary System. The European Council will be asked to endorse the conclusions of the Economic/Finance Council meeting on 15 March, which look forward to further discussion in May.

(iv) Greece. Mr Papandreou will want to introduce the paper which is expected to have been submitted by then containing Greece's demands for changes affecting Greek membership. He will want the meeting at the least to taken note of the paper and the Greek requirements

(v) Political Cooperation. The main topic here should be Poland and related East-West issues.

5. The programme which the Belgian Presidency envisage for celebrating the 25th anniversary of the signing of the Treaty of Rome starts with an "academic session" to be attended by Heads of State/Government at 10.30am on Monday 29 March and addressed by the Heads of the four Community institutions (Council, Commission, Parliament and Court). This will be followed by a lunch given by King Baudouin.

UK OBJECTIVES

6. (i) It would not be realistic to expect the European Council to settle the budget problem, but our objectives on the Mandate must be: to get the European Council to give a political impetus to the search for a solution by the Foreign Ministers, to convince the Heads of State/Government of the reasonableness of our case on the Mandate and to emphasise our determination to get a settlement at a fair level for a reasonable period;

(ii) To ensure that there is no change in the European Council's endorsement of anti-inflation policies; and to

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obtain agreement to a balanced attitude to the macro-economic and commercial policies of the US and Japan.

(iii) To demonstrate our constructive attitude to the Community by urging the need for more to be done in the field of information technology and for progress in completing the internal market.

OBJECTIVES OF OTHER GOVERNMENTS

7. The Belgian Presidency have given little indication of their plans though they have said they want to concentrate discussion on the Community's economic problems and they will no doubt be seeking to avoid too contentious a discussion about the Mandate. They hope to see the agreement on the European Foundation signed and will no doubt want public attention to be focussed on the celebrations for the 25th anniversary of the signing of the Treaties of Rome. Most other delegations including the French and Germans would also prefer to see the main focus on economic questions and little or no detailed discussion of the Mandate. Their attitude reflects genuine anxieties about the economic policies of the US and, in some cases, also Japan. The Danish Prime Minister has written to his colleagues suggesting that the meeting focus on unemployment and advocating expansionist policies. The Greeks will be mainly concerned to press their case for changes in the terms of their membership.

HANDLING AND TACTICS

8. The Belgian Presidency have assured us that there will be a discussion of the Mandate at the European Council. We will need to make sure, nearer the time, that they intend to handle this satisfactorily. But since we will not be seeking to settle the technical details of the Mandate at this meeting, there seems no need to insist on discussion of this item on the first afternoon.

SUMMARY OF BRIEFS

A. MAIN BRIEFS

ECONOMIC AND SOCIAL SITUATION (A speaking note will be submitted next week)

9. In the discussion of the economic and social situation within the Community (Brief No 3) the Prime Minister will wish to stress the need to maintain policies to reduce inflation, avoiding any premature relaxation, as the key to sustainable economic recovery and the lasting reduction of unemployment. In particular, firm action is needed to keep budgetary deficits under control, since high public deficits are a major factor leading to high European interest rates.

10. This item is also likely to deal with relations between the Community and the US and Japan (Brief No 8), centering on trade problems and macro-economic policy issues. In the discussion of international economic policy the Prime Minister will want to ensure that in the run-up to Versailles, the US and Europeans will agree on a position which will further UK interests. The Community should thus support the thrust of US economic policies, insofar as it is directed towards containing inflation but should make very clear to the US authorities, while avoiding criticising or lecturing them in public, the adverse effects of their large budgetary deficits and high interest rates on the European economies. We want to stress the importance of the Community presenting a firm and united front in urging both the US Administration and the Japanese Government to co-operate in reducing strains on the world trading system.

11. The Prime Minister might take the opportunity of the discussion on the economic and social situation to emphasise the importance the Government attaches to information technology (Brief No 18), our interest in Community involvement, and our support for co-operation between

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European industries involved in this area. She will also want to explain the importance we attach to the completion of the internal market, particularly for services.

30 MAY MANDATE (BRIEF NO 4)

12. The tone of the discussion on this subject will clearly depend on the outcome of the Foreign Affairs Council on 23 March. The UK's main objective at the European Council is to give renewed momentum to the negotiations and, by emphasising the unity of the three chapters to get some cover for the link with the agricultural price-fixing which we intend to maintain. We would like Foreign Ministers to be given a clear remit to negotiate a full solution to the problem, including detailed arrangements on the budget, as rapidly as possible after the European Council. The Prime Minister will want to explain our view on the level of our budget contribution and the political case for a fair settlement which can be defended. We have accepted that we will remain modest net contributors in spite of being one of the less prosperous Member States; we can see no justification for the idea that our refunds should decline regardless of the size of the problem. On the CAP we will want to emphasise the need for Agriculture Ministers to take decisions at the price fixing which take account of the proposed guidelines on the CAP and particularly the guidelines providing for agricultural expenditure to rise less fast than own resources. And we will want to bring out the justification for our insistence that the budget and agriculture be taken together.

EMS (BRIEF NO 5)

13. The European Council will receive an interim report from the Economic/Finance Council which met on 15 March. This will pay tribute to the success of the present arrangements in the EMS, and the importance of convergence and close co-ordination of economic and monetary policies. It will not contain any proposals for specific technical improvements in

the system, because agreement on these, though strongly desired by the French and the Commission, was impeded, chiefly by Germany and the Netherlands. But further study of technical possibilities is foreshadowed, to be reported to the Economic/Finance Council in May. The report could form the basis of a short passage, including a tribute to the working of the EMS so far, the vital need for convergence of economic performance as the basis of stability, and the continuing search for technical improvements, in any summary of the Council's proceedings. There is unlikely to need to be detailed discussion. The brief covers the question of UK membership of the exchange rate mechanism which could be brought up by one of the participants.

GREECE (BRIEF NO 6)

14. Mr Papandreou will want to introduce the paper which the Greeks will have submitted to the Commission on Greece and the EC. Our objective, and probably that of most other Member States, will be to limit discussion to matters of procedure, no doubt including a commitment to study the document carefully. It is likely to contain more or less the expected list of demands for changes in the arrangements governing Greece's membership in various fields, some of which, particularly in the agricultural field, will cause real difficulties.

POLITICAL COOPERATION

15. Our interest lies in a thorough discussion of Poland and related East-West issues (Brief 7). Others may be expected to raise their own hobby-horses. The Italians and Germans may pursue their respective ideas for improvements in the machinery of transatlantic consultations (Brief 9b). M Mitterrand may raise Central America, where he wishes the Ten to adopt a higher profile (Brief 9d). The Danes or Dutch may seek discussion of Turkey in the light of Mr Tindemans' visit to Ankara on behalf of the Ten on 19 March (Brief 9e). Mr Papandreou may pursue his attempt to involve the Ten in

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the Cyprus question (Brief 9f). Afghanistan and CSCE (Briefs 9a, 9g) and the Middle East (Brief 9c) may also be raised, although there is no pressing need for discussion at this stage.

25TH ANNIVERSARY OF TREATIES (BRIEF NO 14)

16. This brief outlines the events which will precede the European Council: an academic session, the signature of the agreement establishing the European Foundation, and the formal lunch given by the King of the Belgians.

B. BACKGROUND BRIEFS

EUROPEAN FOUNDATION (BRIEF NO 13)

17. It is proposed that those documents necessary for the establishment of the Foundation be signed by Foreign Ministers: one during the academic session and the others during the Council itself. The brief gives the background.

FISH (BRIEF NO 10)

18. We shall wish to reaffirm our willingness to negotiate constructively for a revised Common Fisheries Policy and our hope that early progress can be made.

ENLARGEMENT (BRIEF NO 11)

19. Progress and prospects over Spanish and Portuguese accession could come up: the French have been showing some signs of wanting to delay Spanish entry and let the Portuguese in first because of the greater problems Spain would cause to them. We should take the line that both sets of negotiations are still progressing reasonably satisfactorily and that it would be wrong to consider separating them and proceeding at a different pace for Portugal than for Spain. A 'mini-package' of minor chapters was agreed with Portugal in the margins of the February Foreign Affairs Council and a similar mini-package is likely



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to be agreed with the Spaniards in the margins of the March Council. But for both countries little progress can be made on agriculture, fish and budget chapters, until the Community's own internal policy has been sorted out. This emphasises the need for early conclusions on the present price fixing discussions in which the Mediterranean acquis is also being considered.

ENERGY (BRIEF NO 12)

20. There is no need for substantive discussion of energy issues, though the state of the world oil market may be considered in discussion of the current economic situation. Supply of oil continues to exceed demand, with consequent downward movement of oil prices. Recent reductions in North Sea oil prices will be welcome to EC partners, since this means lower costs to industry and the consumer. The 16 March Energy Council reaffirmed the need, despite the weakening of the oil market to implement Community policies aimed at reducing dependence on imported energy sources. The brief also covers recent announcements about UK electricity and gas prices which others could suggest are not consistent with our policy of pricing energy at economic levels.

1982 BUDGET (BRIEF NO 15)

21. The problems over the Community's 1982 Budget arose from differences between the Council and the European Parliament on the areas of expenditure for which the latter can fix the budgetary provision (so called "non-obligatory" expenditure). M Tindemans is to represent the Council in a dialogue on budgetary procedure with the Parliament and Commission. The Council has also initiated European Court proceedings against the Parliament and the Commission. Our position is that we regret that the present dispute has arisen in spite of our efforts during our Presidency to improve relations with the Parliament and we hope that the dialogue will lead to an agreement. But if it does not, we want the situation clarified by the Court.

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GENSCHER/COLOMBO (BRIEF NO 16)

22. The Genschler/Colombo proposals for a "European Act" may be raised, but there is unlikely to be substantive discussion since the Foreign Ministers are due to consider the question again on 24 May. We shall want to make clear our willingness to examine the proposals constructively and could, if necessary, agree to a statement by the European Council endorsing the need for the exercise to be brought to a successful conclusion.

GREENLAND (BRIEF NO 17)

23. No substantive discussion of Greenland's withdrawal from the Community is expected. In looking at any proposals which the Danish Government put, we would want to examine carefully the implications of any new status for Greenland, and should not encourage the Danes to think that the negotiations will rubber stamp anything they ask for.

PREPARATION FOR VERSAILLES ECONOMIC SUMMIT (BRIEF NO 19)

24. The Commission or the Belgians may raise this question. The French want only one Community representative (preferably M Thorn) at the restricted sessions. The Belgians are likely to press the Community to abide by the 1977 decision that both Commission and Presidency should attend all sessions at which matters within Community competence are discussed. We should leave the French as hosts to sort this out.

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