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EHG(B2)(82)2

17 June 1982

COPY NO

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EUROPEAN COUNCIL, BRUSSELS

28/29 JUNE 1982

STEERING BRIEF

Brief by the Foreign and Commonwealth Office

INTRODUCTION

1. This European Council has no clear theme. The members of the European Council have met each other frequently in recent weeks and it is difficult to predict the shape of discussions. The Council may in any case be overshadowed by events in the Middle East. This brief should be read in the light of these uncertainties.
2. This meeting follows dramatic events in the Community in May: the overriding of the Luxembourg Compromise at the 18 May Agriculture Council, and agreement in the Foreign Affairs Council on a budget settlement for 1982. Other Member States now expect a pause for reflection on the budget problem, on which negotiation will resume in the autumn. Heads of Government will not wish to embark on substantive discussion of this subject. But there will be examination of the status of the Luxembourg Compromise, depending on the progress made by the Foreign Ministers on 20 June. Subject to developments in the interim, this is likely to be reflective rather than a decision-taking European Council.

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Political questions including the Middle East and Argentina/Latin America can be expected to figure prominently.

3. There have been no changes in the composition of the European Council since the meeting on 29/30 March. The position of the German Government looks increasingly shaky after the setbacks for the Coalition in the recent Land elections; the future of Signor Spadolini's Government remains uncertain and there could well be a reshuffle in the next few months; and the Dutch Government (which is in power on an interim basis) has no majority in parliament, and faces elections in September.

AGENDA AND DOCUMENTATION

4. The Belgian Presidency have disclosed no plans for the Council. The following are likely to be the main subjects:

- i) Economic and social situation. The Commission will produce the usual paper. Apart from the usual macro-economic discussion on the Community's internal situation, there is likely to be special emphasis on investment on which the Commission have produced a separate paper. There will also probably be discussion of other international economic questions, following Versailles, including North-South matters (on which the Commission will produce a further short paper) and EC/US relations (the steel crisis).
- ii) Luxembourg Compromise/Genscher-Colombo. There may be at least an interim report from Foreign Ministers, depending on progress at their discussion on 20 June.

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- iii) Political cooperation. The main items are likely to be the Middle East and Argentina/Latin America.

UK OBJECTIVES

5. i) Depending on development, to bolster our partners' recognition, which we hope to secure at the Foreign Affairs Council on 21 June, of the need to continue the embargo on the export of arms to Argentina until Argentine intentions are clearer; and of the need to reimpose the Community trade ban if Argentina reopens hostilities.
- ii) To ensure a satisfactory Community position on the Middle East, in the light of events.
- iii) To take the opportunity of any report by Foreign Ministers on progress on the Genscher/Colombo proposals to reemphasise the importance we attach to clear decision taking procedures under which, when a Member State says that an important national interest is involved, decisions are deferred and not taken by majority voting; and the Member State concerned is the sole judge of its national interests.
- iv) To ensure that there is no change in the European Council's endorsement of anti-inflation policy and to resist any argument for premature expansion.
- v) To make clear that the UK favours early agreement on a Common Fisheries Policy and to get as much support for this as possible.

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OBJECTIVES OF OTHER GOVERNMENTS

6. Heads of other Governments will no doubt want to concentrate on world affairs. The Belgian Presidency will no doubt be looking for a harmonious meeting to end up their Presidency, after the problems of in recent months. Like other Benelux countries they will not want to see any reinforcement of the Luxembourg Compromise. The French and the Germans should be willing to clarify their views on the Luxembourg Compromise. The Danes have made it clear that they see the discussion of the economic and social situation as one of the series in 1982 leading to the European Council which they will chair in December. Mr Jorgensen is likely to try to focus discussion on unemployment and to advocate expansionist policies. Mr Papandreou may want to refer to the importance of finding solutions to the questions relating to Greek membership set out in the memorandum he presented in March.

SUMMARY OF BRIEFS

A. MAIN BRIEFS

ECONOMIC AND SOCIAL SITUATION (brief no 3)

7. The Commission has provided its usual paper on the economic and social situation, as well as a short paper on promoting productive investment - one of the subjects on which the March European Council laid emphasis. Our aim, as at Verailles, will be to ensure that any communiqué lays due stress on the need to bring down inflation and promote sustainable recovery by strict control of public deficits and of monetary aggregates. Efforts by the Danes to secure the Council's approval for expansionist policies could be left to the Germans to answer in the first instance. The Prime Minister could refer to the need for rapid structural adjustment of the economies of the Member States, which is liable to be frustrated by excessive public sector spending and such practices as wage indexation.

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8. In discussion of the need to promote investment, she will wish to express British support for the creation of the right economic climate to encourage profitable and internationally competitive investment, with the emphasis on private investment because public investment, if it involves higher public sector deficits, would be counter productive in the longer term.

GENSCHER-COLOMBO/LUXEMBOURG COMPROMISE (brief no 4)

9. The Genschler-Colombo proposals are likely to be the subject of an interim report by Foreign Ministers and we will wish to use that occasion to raise majority voting. Our aim is to make it clear that we regard it as essential that a Member State should be the sole judge of its important national interests and should be able to get voting deferred when it considers these to be at stake.

POLITICAL COOPERATION AND FALKLANDS (briefs 6 and 9)

10. Political cooperation discussions are likely to concentrate mainly on the Falkland Islands (brief no 6), and the Middle East (brief no 9 which includes all items other than Falklands). On the Falklands, we will need to inform our partners of latest developments and our plans for the future. Our partners are likely to discuss the need for bridge-building between the Community and South America and to see the future of the Falklands in that context. The Foreign Affairs Council on 21 June is likely to lift the EC ban on Argentine imports. Our objective is to secure as a counterpart from our partners that they will continue their arms embargo for a period even after Argentina agreement to a total cessation of hostilities; and that they will reimpose the Community support ban should the Argentines reopen hostilities. Depending on the outcome of the Foreign Affairs Council, we shall want to thank or bolster our partners on these points at the European Council. On the Middle East, the Council will need to consider how the Ten can pursue their objective of "a Lebanon free from the cycle of violence" as part of a global, just and lasting

peace in the region, with the Iran-Iraq war a complicating factor. Any discussion on Poland is unlikely to go beyond a general exchange of views on current developments and the western approach. A further statement on Afghanistan may be made to demonstrate the Ten's continuing concern.

B. CONTINGENCY BRIEFS

UK BUDGET PROBLEM (brief no 5)

11. There is no need for us to raise this on this occasion. Our partners are relieved that the agreement on 1982 has led to a pause in the negotiation and are most unlikely to raise it also. If the subject does come up, the Prime Minister could stress our desire to avoid a continuing series of confrontations on this divisive issue. It is possible that the tough French line on the financing of our refunds will come up. If so, it is in our interest to keep out of the discussion.

EC EXTERNAL TRADE ISSUES (brief no 7)

12. We do not expect there to be any detailed discussion of EC External Trade Issues. However, the Prime Minister may like to emphasise the importance of a united and firmer Community approach to Japan and, if still appropriate, to urge the case for continuing to work together for an agreed settlement with the US on steel. Depending on the progress of discussions in Washington this weekend, the Council may need to discuss the Export Credit consensus.

GREECE AND THE EC (brief no 8)

13. Mr Papandreou will probably want to make a statement about the Greek "renegotiation" paper on which the Commission have now produced a report but it should be possible to avoid a substantive discussion at the Council itself.

FISH (brief no 10)

14. The Fisheries Council is likely to be meeting in parallel with the European Council. Our aim is to make it clear to our partners that we are in favour of an early solution on the Common Fisheries Policy and to get as much support for this as possible.

ENLARGEMENT (brief no 11)

15. 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 they should continue to proceed separately but in parallel with accession if possible by 1 January 1984.

16. Ministerial meetings will be held with both Spain and Portugal in the margins of the June 20/21 Foreign Affairs Council and will consider substantive packages covering Customs Union, External Relations, Taxation and ECSC, although the key questions of tariff, transitional period and textiles in both cases are unlikely to be resolved until a later stage in the negotiations. Some Member States may want to bring pressure to bear on the French to soften their position, in view of the very tough line they are taking.

ENERGY (brief no 12)

17. Energy is not expected to feature prominently at the Council. If necessary the Prime Minister may wish to explain the recently announced North Sea oil price increases (downward pressure on prices having now eased) and the decision which will be welcome to our partners, not to impose oil production cutbacks before the end of 1984.

STEEL (brief no 13)

18. The Prime Minister could take the opportunity to emphasise the need, despite social difficulties, for capacity reductions to accompany the phasing out of state aids; and also to emphasise the importance of continuing to work together for an agreed settlement of the US subsidy and anti-dumping complaints. She could welcome the agreement reached at the 8 June Industry Council to continue mandatory production quotas.

ERDF (brief no 14)

19. In any discussion of the new regulation, the Prime Minister will want to emphasise the importance of greater concentration of the Fund's resources on the less prosperous Member States of the Community, as the Commission have proposed; and of the need for the Fund to deal with problems of urban/industrial decay, as well as rural problems.

INSURANCE (brief no 15)

20. There has been little progress on the insurance services directive since the end of the UK Presidency, with our partners continuing to insist on maintaining controls on insurance policy terms for major business risks. The Prime Minister may want to take the opportunity of any discussion of completion of the internal market to remind our partners of our commitment to achieving real liberalisation to which the Treaty entitles us.

EMS (brief no 16)

21. Finance Ministers were asked to study the possibility of developing the EMS, but have agreed that in present circumstances there is no prospect of agreement on significant changes. If this is discussed, other Member States can be left to make the running. There might be some mention of the meeting of Finance Ministers on 12 June 1982, when the French franc and lira were devalued, and

the deutschmark and Dutch guilder revalued. The operation was smoothly carried out. The episode reinforces the view that better convergence of economic performance is the key to greater exchange rate stability within the Community.

COMMON ELECTORAL SYSTEM (brief no 17)

22. It is not in our interest to initiate discussion on this subject, which we wish to see played long, so that it will become apparent that there is no chance of implementing a new system by the 1984 European Parliament elections. The Prime Minister will not wish to reveal our position, which is entirely isolated, unless this becomes essential.

NORTH/SOUTH DIALOGUE (brief no 18)

23. Heads of Government may wish to exchange views on preparations for global negotiations. The Community have already agreed amendments to the so-called "Bedjaoui Text" for launching global negotiations, as have the Versailles summit participants. The focus of attention is now on the UN in New York. Substantive discussion at the Council is unlikely. But it will no doubt be thought appropriate to include a suitable reference to the importance of global negotiations in the Presidency conclusion.

COMMUNITY ACTION TO COMBAT UNEMPLOYMENT (brief no 19)

24. The Council is likely to be asked to endorse a Resolution on Community Action to combat unemployment agreed at the Labour and Social Affairs Council on 27 May.

IMPACT OF TECHNOLOGY (brief no 20)

25. President Mitterrand may raise the question of his technology initiative agreed at the Versailles Summit. The Prime Minister will want to indicate her support.

Foreign and Commonwealth Office
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