

Heath

Prime Minister

1. Herewith the text of the speech by Ted Heath at Chatham House last night.
2. The last two pages are critical.
3. Heath is very sensitive on this subject. He sees himself as Europe's foremost European.
4. I understand from Tim Kitson that this sniping is likely to continue. If it does, it will strike no chord with the British people.



Ian Gow
18 December 1979

5. ? ATTACH CUTTINGS FROM
TO-DAY'S TIMES AND
FINANCIAL TIMES,

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Conservative Central Office

NEWS SERVICE

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Extract from a speech by the Rt Hon Edward Heath MBE MP (Bexley Sidcup), on the occasion of the Adolf Bentinck Prize at Chatham House, 10 St James's Square, London SW1, on Monday, 17th December 1979

STAGNATION IN THE EUROPEAN COMMUNITY

Once, again, progress in the European Community is stalled. First, we had a crucial meeting of the European Council in Dublin a little over two weeks ago. It met at a time of deepening world economic crisis. Oil prices had already been raised by almost 70% since January; and the prospect - now confirmed - was for even higher oil prices before the end of the year. Disorder in the Middle East was growing, not only in Iran but also in Saudi Arabia, the world's largest oil exporter. The perilous vulnerability of the Straits of Hormuz through which pass 50% of the West's oil imports was becoming ever more apparent. Europe and America were drifting dangerously apart over how to react to these developments.

Yet not a single common initiative to tackle any of these problems emerged from the Dublin meeting of the heads of Government of the European Community. Nor even did the intention to consider one. Europe's leaders confined themselves to their 'family squabble' while chaos was spreading around them. And they have already agreed that this is going to happen again at the next European Council Meeting early in 1980..

Second, the rejection of the Community Budget for 1980 by the European Parliament will inevitably slow down the progress of the Community still further. Months of wrangling between national governments, the Commission and the European Parliament could lie ahead. The next European Council will have yet another internal quarrel to resolve. The resolution of Britain's budgetary problem will therefore become still more drawn out. And urgent common policies will be postponed once again.

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Let me make two points clear. First, it is absolutely right that Britain's excessive net contribution to the Community Budget was raised at the level of the European Council. It is a serious political problem for the whole Community that its third poorest country should have become its largest net financier. It militates against one of its major aims, namely the economic convergence of its member states. And if Spain, Greece or Portugal were eventually to suffer such an inequity, their new democracies could be denied the very support which membership is supposed to provide.

Second, I wholly support the determination of the European Parliament to introduce greater discipline into agricultural expenditure and to create a more even balance between support for the CAP and spending on other essential common policies. It is indeed an event of the greatest political significance that the overwhelming majority of German, Danish, Belgian and Luxembourg Members of the Parliament, as well as nearly half the Irish Members, have demanded not only a reduction in spending on Agricultural surpluses in 1980 but also the imposition of cash limits in advance of all future price settlements. In doing so, they directly contradicted the wishes and established policies of their national governments. Yet these same governments have always led us to believe that their countries gain far too much from the CAP to agree to the reforms long supported by Britain and Italy. We had been asked to accept that an irreconcilable clash of 'vital national interests' exists. How wrong the conventional wisdom has turned out to be.

It is plain that the perception of governments of their interests in the Community do not always tally with the views of the majority of their electorates. The political calculations of governments and the strong pressures on them from well-organised interest groups can lead - as they have done on the CAP - to a distorted view of the national interest. Herein lies the real significance of the Parliament's vote last week: When the directly-elected Members demonstrate the existence of a majority view amongst their constituents: it is going to be very much more difficult for national governments to continue to fly in the face of that view by pleading incompatible national interests. Whether on agriculture, energy or foreign policy, they are

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going to be shamed into agreement on common policies by the reality of overwhelming support for those policies demonstrated amongst their own electorates. This, indeed is the primary purpose of a directly elected European Parliament as I have always seen it. No other Community institution has the political authority to play this role. It is a role that will make the Parliament a major engine of European integration and consensus in the future.

While I am therefore in complete agreement with the Parliament's demands for a reordering of the Community's spending priorities, I cannot accept that this needs to provoke a prolonged crisis within the Community. Nor can I accept that a solution to Britain's excessive budgetary contribution cannot be found without serious disruption of the Community's progress.

The Parliament's rejection of the Budget for 1980 need not precipitate a prolonged crisis if the national governments are prepared to accept - as they must - that it is speaking for the large majority of the people of Europe in demanding that more attention be paid to non-agricultural common policies. The people of Europe are looking to the Community to face the challenges of unemployment, energy, relations with the developing countries and the other great problems which will make the '80s so dangerous and difficult for us all. With directly elected representatives to make these views heard in the chancelleries of Europe, a new stage in European development has opened. If governments cannot adjust to this and instead engage in one prolonged clash after the other with the Parliament, public cynicism towards the Community will deepen still further. A serious question mark will be placed over the relevance of the Community to the problems of the '80s.

Second, a prolonged wrangle over Britain's budgetary contribution can still be averted if all nine Member States are prepared to modify their negotiating attitudes. I hope that Britain's partners, for their part, will accept that it can be neither healthy for the Community, nor in keeping with its Treaties actually to promote divergence between the Member States. To bring net contributions into closer alignment with relative GNP would be far from being a major step backwards. Indeed, it would surely be to take the Community to a new stage of maturity - one that is accepted within every Member State.

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I hope that Britain's partners will also accept that solutions to the problem exist which are not disruptive of existing Community policies. One example is direct repayment. Another, although it could only be a partial solution, would be to increase Community spending in Britain on policies which are also in the wider interests of the Community as a whole. A common energy policy could be an example. The Community must devise a compensatory mechanism which ensures that the net contributions of member states do not become seriously out of proportion to their ^{relative} GNP. This mechanism must ensure that the issue of national contributions to the Budget is not endlessly reopened in the future.

I wonder also whether there are not ways in which Britain could promote more rapidly and less acrimoniously a solution to her budgetary problems. Firstly, a more active interest in the development of the Community's policies and institutions would relieve our partners' suspicions that our goals in the Community are confined to the single issue of our net contribution to the Budget. For example, a strong British lead in creating an effective common energy policy would greatly improve the negotiating atmosphere as well as being in our own interest. It should include more generous arrangements for the preferential supply of North Sea oil to our Community partners in times of emergency. And it should guarantee them more predictable prices at all times.

I do not however see such an initiative as a formal bargaining counter. A solution to Britain's budgetary problem is needed in its own right and is in the interests of the whole Community. Moreover, a common energy policy is as much in our interests as in our partners'. Even if we are self sufficient in energy any damage to the economies of our partners induced by oil shortages or unpredictable price rises would immediately damage prosperity and jobs in this country. Forty per cent of our GNP is sold to the rest of the Community and the proportion is continually rising.

Secondly, I believe that the seriousness with which the British treated this budgetary problem would have been more credible to our partners if we had put forward specific proposals for more Community spending in Britain, preferably of a sort that would benefit the EEC as a whole. The government has indicated that it sees increased Community spending in Britain as one way of contributing to a solution to the problem. Yet to my knowledge, no such proposals were put forward either at the Dublin Summit or since.

Thirdly, our partners must be asking themselves how sincere Britain can be in her urgent demands for reform of the CAP and for a more equitable distribution of the Budget if Ministers vote against the Parliament's cuts in agricultural spending. Our veto must have been made all the more perplexing to them by the fact that a British vote for the Parliament's amendments would have ensured their adoption.

I believe, therefore, that speedy solutions can and must be found both to Britain's budgetary payments problem and to the crisis caused by the European Parliament's rejection of the 1980 Budget. The Community cannot afford to continue for long to devote almost all its political energies to solving these internal squabbles. The international credibility of the Community upon which our influence in the world depends so heavily will be threatened. The Community must now turn its attention single-mindedly to the great problems of energy, unemployment and global instability which threaten our societies. Otherwise, I fear that we will find it to be impotent in the face of the challenges of the eighties.

END

Sir Keith widens gulf with TUC

By Paul Routledge
Labour Editor

Trade unions were going to be the main threat to jobs, Sir Keith Joseph, Secretary of State for Industry, said yesterday.

His comment took one step further the widening gulf between the TUC and Government which was apparent earlier in the day when the TUC-Labour Party liaison committee condemned the Government's economic strategy.

Sir Keith told an industrial correspondents' lunch that the unions were the main threat to employment "if they do not heed the danger of pricing themselves and their mates out of jobs. That is what is going to happen".

If the threatened steel strike went ahead on January 2 more jobs would be jeopardized, he said.

Sir Keith's remarks followed a statement by Labour Party and TUC leaders on economic prospects that expressed "grave concern" about Britain's deteriorating position.

The Government's "sterile monetary policies" were rapidly bringing many companies to the brink of bankruptcy, it said. Basic industries such as motors and steel were threatened.

Labour leaders agree, page 2

Heath attack on EEC tactics by Britain

By Michael Hatfield
Political Reporter

Strong criticism of Britain's negotiating stance at the meeting in Dublin of European Economic Community leaders over the country's budgetary contribution to the Community was made last night by Mr Edward Heath, the former Conservative Prime Minister.

The implication of his speech was that Mrs Margaret Thatcher had made a misjudgment in her tactical approach to Britain's partners.

Mr Heath told a meeting in London: "I believe that the seriousness with which the British treated this budgetary problem would have been more credible to our partners if we had put forward specific proposals for more Community spending in Britain, preferably of a sort that would benefit the European Economic Community as a whole."

The Government had indicated that it saw increased Community spending in Britain as one way of contributing to a solution to the problem. "Yet to my knowledge, no such proposals were put forward either at the Dublin summit or since."

Conservative MPs will undoubtedly interpret his remarks as an oblique criticism of the Prime Minister although her name was not mentioned in his

speech at Chatham House, on the occasion of the Adolf Bentinck Prize.

While Mr Heath expressed full understanding as to why the Europeans had rejected the Community's 1980 Budget, there appeared little in his speech which supported the British Government's stance.

He questioned the position adopted by Mr Nigel Lawson, Financial Secretary to the Treasury, although his name was not mentioned, at a meeting of Council ministers.

"Our partners must be asking themselves how sincere Britain can be in her urgent demands for reform of the common agricultural policy and for a more equitable distribution of the Budget if ministers vote against the Parliament's cuts in agricultural spending", he said.

"Our veto must have been made all the more perplexing to them by the fact that a British vote for the Parliament's amendments would have ensured the adoption."

"A strong British lead in creating an effective common energy policy would greatly improve the negotiating atmosphere as well as being in our own interest. It should include more generous arrangements for the preferential supply of North Sea oil to our Community partners in times of emergency."

"safeguarding" of an additional 2,500 acres to provide for a second runway and further terminal capacity.

Added to the existing 900 acres of Stansted, the two new parcels of land would result in Stansted covering 4,900 acres (compared with the 2,800 acres of Heathrow).

Mr Nott told the House: "Our aim would be that the owners of residential and agricultural property in this wider area (the 2,500 acres) should have the opportunity of either continuing to live or farm there, pending any possible requirement for this additional land, or of selling their property at an unblighted value to the British Airports Authority."

The cost of developing Stansted up to 15 million passengers will be £385m, most of which will be financed by the airports authority, which already operates Stansted with 300,000 passengers a year.

According to the Study

Turkish Airlines office bombed in London

By Staff Reporters

A bomb exploded last night at the Turkish Airlines office in Hanover Street, in the West End of London. No one was hurt.

A man ran up to the office and threw or placed the bomb, estimated to have contained 1lb of explosive, outside the office. A plate-glass window and three car windscreens were shattered.

The anti-terrorist squad, led by Commander Peter Duffy, went to the scene. Later a statement was issued saying the attack was being linked with recent bombings of airline

Two killed as gales sweep Britain

Two women were killed and several other people were injured yesterday when gales swept Scotland, Northern Ireland and the north of England.

Many ships were in trouble and car and lorry drivers had hazardous journeys.

One of the women who died was Lady Ballantrae, wife of the former Governor-General of New Zealand. She was crushed when a tree fell on their car near their home village of Ballantrae, South Ayrshire. Her husband escaped with minor injuries.

The other woman was killed by a falling chimney stack in the Saracen Cross area of Glasgow.

Late last night 400 lorry drivers were stranded at South-

waite service station on the M6 in Cumbria after a number of high-sided vehicle had been overturned by the wind and police stopped other lorries using the motorway.

The Salvation Army issued many of the men with blankets and a bank was set up to provide them with money.

With winds gusting up to 80 mph causing havoc all over Scotland, there were fears last night for a climber missing in the Cairngorms.

Five mountain rescue teams, seven search and rescue dogs and an RAF helicopter were forced by blizzards to give up their search for Mr Gordon Taylor, aged 30, of New Elgin, Murrayshire.

Mr Taylor, married with two young children, was on the

slopes of Ben Macdui with two companions on Sunday when he disappeared in almost "white out" conditions. His friends returned safely.

Five people were rescued in two other mountain incidents. Two climbers were found 2,800ft up on Ben More after spending a night on the mountain. One, who had a back injury, was rescued by helicopter. The other was guided to safety.

Three other men—including a rescuer suffering from hypothermia were recovering in hospital last night after another incident on the same mountain.

In Glasgow, a falling tree in the Thornliebank area trapped a man in his car, and two roads were closed when a building collapsed.

Continued on page 2, col 4

Sickness payment by employer planned

The Government proposed to make employers pay sickness benefits for the first eight weeks in any tax year, Mr Patrick Jenkin, Secretary of State for Social Services, announced. The plan will be published in a Green Paper in the spring

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Tube strike: Services on London Underground badly disrupted by unofficial action

Leader page, 13

Letters: On changing the writ of summons, from Mr R. E. Ball and Mr Peter M. Laverick; on British Steel closures, from Professor A. H. Thornton

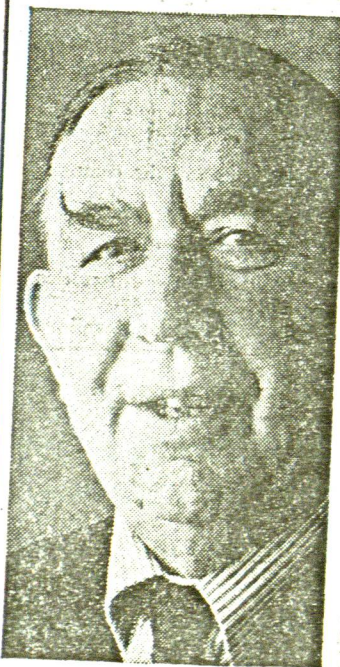
Leading articles: House of Lords judgments; London airports; Ulster Unionists

Arts, page 8

John Russell Taylor reviews a Diaghilev exhibition with a difference, besides shows of shoes and Sévres

Features, pages 12, 14

John Rae on the Labour Party and public schools; David Spangler on the



"As an employer have you considered the HSA CROWN as a valuable part of your employment welfare?"

asks Air Vice-Chief A.A. Case, CBE, General Secretary of the Hospital Savings Association

The HSA is in business to pay cash benefits to their families when away sick in Hospital or Home. Because it is a benevolent, non-profit-making association, its benefits, in commercial terms, are outstanding.

The CROWN PLAN fixed contributions (10p/week/£13 or £26 a year) cover the whole family for tax-free benefits - admissions to Hospital, Nursing Home (£90 or £180 a month for Continued Care), spouse; children under 16 one third of the

Heath doubts Thatcher's methods with EEC

BY ELINOR GOODMAN, LOBBY STAFF

MR. EDWARD HEATH last night accused Mrs. Thatcher of mishandling the negotiations over Britain's contribution to the Community Budget.

He warned all nine member Governments of the dangers of getting bogged down in internal squabbles when they should be addressing themselves to the major issues facing the Community.

Mr. Heath, who took Britain into the Common Market in 1971 has, until now, not voiced in public his private criticisms of Mrs. Thatcher's handling of the Common Market issue.

Even last night, he did not actually refer to her by name.

But speaking at Chatham House, he suggested that the

British Government had not helped itself, either by its negotiating techniques at Dublin or its attitude to the European Parliament's proposals for reforming agricultural policy.

Mr. Heath toed the party line in agreeing that Britain's contribution to the Budget was far too high and that a speedy solution must be found. Solutions, he said, could be found, which were not disruptive to existing Community policies.

He went on to wonder aloud whether there were not ways in which Britain could promote an answer more rapidly and less acrimoniously.

For a start, he suggested, Britain could take a more active interest in the develop-

ment of Community policies such as an effective energy policy.

This would not be a crude trade-off but a means of improving the negotiating atmosphere, as well as being in Britain's own interest.

Second, he said that he believed that the seriousness with which Britain treated the budgetary problem would have been more credible to other member Governments if Britain had put forward specific proposals for more Community spending in Britain "preferably a sort that would benefit the EEC as a whole."

The Government had indicated that it saw increased Community spending in Britain as one way of contributing to a solution to the problem.

Yet to his knowledge no such proposals had been put forward.

Moreover, in the light of the way the British Government had in November refused to support the European Parliament's call for a cut in agricultural spending, other member Governments must be asking how sincere Britain really was in her demands for reform of CAP and for a more equitable budget distribution.

The Community, he warned, could not afford to continue for long to devote almost all its political energies to solving "these internal squabbles."

The international credibility of the Community would be threatened.

capacity in south-east England. "On current forecasts, taking account of the uncertainty about future oil prices and world economic growth, it is estimated that there will be a demand of between 69m and 81m passengers a year in London and the south-east by the late 1980s, against existing airport capacity of 50m passengers."

Mr. Nott disclosed that the Government had considered whether it would be right to ignore this "large gap" so that

but had ruled out the construction of a fifth terminal on the Perry Oaks site.

A public inquiry was to be held next year into a proposal for a second terminal at Gatwick. The Government would reach its conclusions in the light of the inspector's report.

The Government had already decided not to pursue the possibility of constructing a second runway at Gatwick.

Mr. Nott revealed that the Government was leaving the door open for further expansion

proposals for Stanstead would be examined under appropriate planning procedures which would include a wide ranging public inquiry. Only then would a final decision be taken.

Mr. Alan Haselhurst (C, Saffron Walden) accused the Government of basing its decisions on airports policy on expediency.

He claimed that it was transparently obvious that if demand increased, Stanstead would eventually become the third London airport.

expect months to pass — we will press for action to be taken quickly."

He stressed that Britain had to secure the co-operation of her EEC partners. "Unless we have the rest of our partners with us unilateral action is likely to be ineffective," he said.

● High inflation would not be solved without recourse to severe remedies, Mrs. Sally Oppenheim, Consumer Affairs Minister, warned. But, there was no sign yet, despite predictions, of the inflation rate reaching 20 per cent.

She told MPs that high inflation was a "direct consequence" of previous Labour policies which "failed to face up to the economic realities."

Earlier, she said that the Retail Price Index had increased by 2.9 per cent, 10.1 per cent and 17.4 per cent over the previous three, six and 12 months respectively.

To Mr. John Evans (Lab, Newton) who demanded to know when inflation would reach 20 per cent, Mrs. Oppenheim said that, despite predictions, there was "no sign" yet of it reaching this figure.

"We are resolutely tackling the daunting and deep-seated problems that we inherited. These problems will not be overcome in a matter of months nor without recourse to severe remedies," Mrs. Oppenheim said.

Mr. Barry Sheerman (Lab, Huddersfield E.) said that many people in Britain were utterly desperate and added, "Many people are facing the bitterest and worst Christmas with the high prices of bread, eggs and beer."

Mrs. Oppenheim said she sympathised with people who were having to tackle the high rate of inflation but blamed the situation on the previous Government's policies which "disguised inflation and deceived consumers."

"This Government has no intention of resuscitating such disreputable policies," Mrs. Oppenheim added.

● Petrol stations converting to metric measurements will have to display their prices in both metric and imperial equivalents.

Mrs. Oppenheim told the Commons that the new provision, which she has yet to make formally, will apply where petrol is sold by the litre.

"The equivalent price per gallon must also be indicated," she said.

Joseph faces new attack

BY RICHARD EVANS, LOBBY EDITOR

MR. GERALD KAUFMAN, a former Industry Minister, plans to accuse Sir Keith Joseph, Industry Secretary, of having "culpably misled" Parliament over the recent conflict between Sir Kenneth Keith, chairman of Rolls Royce, and the National Enterprise Board.

Mr. Kaufman will seek to raise in the Commons today a number of statements made by Sir Keith last month which he considers have since been proved wrong.

Among the examples he will give are the number of times Sir Keith said he met the Rolls Royce chairman prior to the resignation of the NEB board; and a claim by Sir Keith that the Rolls Royce board would have resigned had the company been left under NEB auspices.

Mr. Kaufman will try to raise the matters on the Christmas adjournment debate. His motion criticising Sir Keith's actions was signed by 200 Labour MPs and Mr. Richard Wainwright (Lib., Colne Valley).