

Euro. Proc

(2)

Prime Minister



You may like to have
a preview of what is in
store at the European
Council.

Confidential

A.S.C. 11/3

Mr. Coles

European Council

I thought the Prime

Minister might find it helpful

to glance at the latest draft

of the steering brief - copy

attached. It will be revised

after the Foreign Affairs Council

and submitted formally on 16th

March.

D. Hancock 11/3.

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT
EHG(B)(83)2 COPY NO

GENERAL BRIEF FOR EUROPEAN COUNCIL, BRUSSELS

21/22 MARCH 1983

Brief by the Foreign and Commonwealth Office

INTRODUCTION

1. This European Council will be looking at progress on the work commissioned on various Community policies at its December meeting, including enlargement, may discuss developments in the oil market and will discuss the forthcoming Williamsburg Economic Summit and the budget issue. On the latter, the Commission have now tabled their green paper on the future financing of the Community and there are some signs of greater understanding on the need for a long term reform of the Community's financial system. But there has so far been no progress on the solution for 1983 and later. The time before the June European Council is now short; and it will be important for this Council to give a real impetus to discussion if we are to get agreement on this by the end of the German Presidency. The possibility of an EMS realignment, either shortly before or even at the same time as the European Council cannot be excluded.

2. The only Head of State/Government who was not present in December will be Mr Fitzgerald, who has of course attended previous Councils. With the German elections over, the UK is the only Member State where elections are in prospect. The Prime Minister may wish to congratulate Chancellor Kohl on his victory.

?
Italy? 1984?

AGENDA AND DOCUMENTATION

3. The Presidency have proposed the following list of subjects for discussion [though there may be changes after the Foreign Affairs Council].

I Economic and Social Situationa) General Situation (Brief No 3)

The Commission will provide the usual paper on the internal situation. However not a great deal has changed since December and Chancellor Kohl is anxious to avoid a series of reports from Heads of State on the economic and social situation in their countries and hopes instead to have an exchange of views on major issues such as youth unemployment (Brief No 15) and recapturing growth. There may also be discussion on recent developments in the oil market (Brief No 10) under this item.

b) The Copenhagen Mandate - Interim Report

Discussion is likely to be based on a written report by the Presidency on what has been done to follow up the conclusions of the December European Council covering:

- Internal Market (Brief No 9)
- Research (Brief No 11) and Innovation/Industrial Policy (Brief No 12) (There is also likely to be a short paper by the Commission setting out Davignon's ideas on industrial policy).
- New Community Instrument (Brief No 13)
- Energy (Brief No 10)

c) Other Community Questions

- Future Financing of the Community) (Brief No 5)
- the subsequent solution)

Discussion on these 2 items is likely to be based on an oral report from the ~~Chairman of the Foreign Affairs Council~~ *President of the Commission*.

- Commercial Policy (Brief No 8) The most likely subjects are EC-US agricultural trade, Japan and the Commission's proposal for new common commercial

policy procedures.

- Mutual Recognition of Diplomas (Brief No 14) The Germans are likely to urge the need for faster progress on mutual recognition of academic and professional qualifications. It should not be necessary to do more than take note.
- Environment (Brief No 26) The Germans want the European Council to instruct Environment Ministers to make progress particularly on the problem of acid rain and its effect on European forests.
- Greece (Brief No 17) Papandreou may raise the Greek Memorandum on problems relating to their accession.

II Preparation for Williamsburg (Brief No 25)

Those who will not be represented at Williamsburg will want to make their views known.

III Enlargement (Brief No 6)

The main subjects will be reform of the Mediterranean agricultural regimes on which there is likely to be a report from Agriculture Ministers and the Commission's inventory of the problems of Enlargement on which there will be a report from the Foreign Affairs Council. There could also be more detailed discussion of points raised in the Agriculture Ministers' report (Brief No 19)

IV Genscher/Colombo (Brief No 7)

Herr Genscher will report on progress but will not press for signature on this occasion.

V Political Cooperation (Brief No 4) - This will cover East-West and the Middle East

UK OBJECTIVES

- 1) On the budget problem to secure a commitment from the European Council that decisions will be taken at latest by the time of the European Council in June, and to get the Commission to accept a remit to produce proposals in good time before the April Foreign Affairs Council covering both a scheme for the long term reform of the Community's financial system and a solution (with figures) for 1983 and later.
- 2) On enlargement to secure a commitment to early decisions on the reform of the Mediterranean agricultural regimes. To avoid expensive commitments on integrated Mediterranean programmes.
- 3) In discussion of the economic and social situation, to see that there is no weakening in Member States' determination to maintain present policies aimed at fighting inflation and to resist the argument that some countries have "room for manoeuvre"
- 4) On the follow up to the December European Council, to secure a commitment to further progress on the internal market, including services, and in the energy field, on new Community coal measures, benefitting the UK.
- 5) On trade issues to get endorsement for continuing restraint in dealing with the US over agriculture, and continuing pressure on Japan.

SUMMARY OF BRIEFS

A MAIN BRIEFS

Economic and Social Situation (Brief No 3)

The Council will as usual have before it a paper from the Commission on the economic and social situation. There should be fairly general agreement on the need to maintain present policies of bringing budget deficits under control and combatting inflation. The Commission and some Heads of Government may however argue that those Member States - in particular Germany and Britain - which have been relatively successful in achieving those aims now have scope for a degree of reflation. The Prime Minister will wish to stress the importance of maintaining the firm anti inflationary thrust of present policies and not dissipating the hard won gains of the last few years. She may wish to outline the Government's current priorities, including the main features of the British budget.

Political Cooperation (Brief No 4)

Discussions are likely to concentrate on the Middle East and East-West relations. This is a crucial moment for the Middle East and we would expect the European Council to engage in a thorough discussion and possibly a major statement, particularly at a time when the US is looking for European support. On East-West relations, our aim is to encourage the Ten to maintain an approach based on firmness and dialogue. The emphasis must be kept on Soviet actions rather than words. On Poland we will wish to emphasise the need to keep all aspects of our policy (including rescheduling) under close review within the Ten and with the US.

Budget Problem (Brief No 5)

Our aim is to initiate a process of negotiation which will result in agreement - preferably at the May Foreign Affairs Council and in any case before the next meeting of the European Council in June - on a solution for 1983 and later as well as substantial progress on long term reform. The Prime Minister will wish to

ensure that all our partners understand the political importance for us of reaching a satisfactory agreement by June on the solution for 1983 and later. At the same time she will want to make it clear that we are keen to make progress on long term reform. It is likely to be important for a number of Member States, as well as for subsequent acceptance by the European Parliament, that any solution for 1983 and later should be presented as a bridge towards long term reform. In any case we can only hope for a lasting solution to our structural imbalance in the context of long term reform. Our immediate objectives are therefore to secure a commitment by the European Council that decisions will be taken before the June meeting and to get the Commission to accept a remit to come forward with separate proposals to the April Foreign Affairs Council covering:

- (a) a scheme for the long term reform of the Community's financial system (covering both the revenue and expenditure sides of the budget) which will solve the problem of budgetary imbalances and secure effective control of the rate of growth of agricultural expenditure; and
- (b) a solution for 1983 and later (with figures).

Enlargement (Brief No 6)

There will be two strands to the discussions on enlargement (on the assumption that our bilateral trade problems do not need to figure). The greatest contribution the European Council can make to progress in the accession negotiations is by keeping up the pressure for early agreement on the reform of the Mediterranean agricultural regimes, without which there can be no serious negotiations with Spain on agriculture. The December European Council called for this to be achieved by March but the special Agriculture Council on 8/9 March made little progress and the European Council will only receive a progress report. We shall want the European Council to agree (if possible without getting drawn into discussion of the details) that a solution covering both fruit and vegetables and olive oil is imperative and that Agriculture Ministers should be instructed to meet the Copenhagen deadline by concluding this negotiation by the end of March. The

second strand will be further discussion, on the basis of a report from the March Foreign Affairs Council, of the Commission's Inventory of the Problems of Enlargement. This is likely to focus on the question of pre-accession disciplines to be adopted by the candidates in the light of the exploratory contacts held by the Commission following the mandate from the December European Council. Discussion will almost certainly cover the general absence of progress in the negotiations at Presidency's insistence and own resources at French insistence. We shall want to look as positive as possible about the need for early progress in the enlargement negotiations.

Genscher/Colombo Proposals (Brief No 7)

Herr Genscher will report to the meeting on the state of progress. The Germans will not be seeking to have the final text signed at the March European Council, but will aim for the June European Council.

International Trade issues (Brief No 8)

Three subjects are likely to come up. EC/US agricultural trade relations will be a cause for general concern. The Commission may hold their political level talks with the US (planned for March) before the European Council. The message which we want the Community to send to the US is that these agricultural trade issues need to be settled by consultation and agreement, not by unilateral action. If Japan is discussed we should argue that the Community's pressure on Japan by virtue of its ability to act jointly is now starting to show results. The Japanese Government has publicly recognised the need to meet the Community's concerns both by export restraint and by increasing manufactured imports. The need now is for the Community to maintain the pressure on Japan to ensure implementation of the restraint on exports and, through action in the GATT, to increase imports. If there is discussion of the Commission's proposal for new Common Commercial Policy procedures we shall want to steer a middle course between likely French pressure for a more blatantly protectionist instrument and German opposition to any strengthening in the

Community's means of action against unfair trade practices by third countries.

Internal Market (Brief No 9)

The European Council will no doubt consider what has been done to follow up its call, in December for progress on priority areas on the Internal Market by 31 March. These are:

- (a) the treatment of goods of Third country origin covered by EC harmonised standards;
- (b) a directive establishing a technical standards information procedure; and
- (c) measures to ease frontier formalities delaying intra-Community trade.

The Internal Market Council has now met twice, but made only partial progress. There is no agreement yet in sight on (a); (b) and some of (c) are agreed. We will wish to support the Presidency's aim to get faster progress and in particular, to get work speeded up on services (insurance, air transport and the road haulage quotas).

Energy (Brief No 10)

The Council agreed in December that work in the field of energy should be speeded up. In discussion of Community energy policy, we will want to press for progress at the next Energy Council scheduled for April towards agreement on Community coal measures (as the leading coal producer the UK could benefit substantially). The Council may discuss the current state of the oil market and it is possible that Thorn will propose that the Community should take up ideas which are circulating in Brussels for a system to maintain a minimum selling price for oil sold in the Community by means of a variable levy. If the Commission express disappointment about the failure to reach agreement on energy demonstration projects, we should make it clear that we hope that a realistic ceiling for a 5 year programme will be agreed.

Research (Brief No 11)

This is another area on which the European Council called for progress. We consider the Commission's framework programme for research which is still under discussion by the Council to be a useful initiative. In any discussion of the decision to cancel Super Sara, we should assuage any Italian suspicion that we are trying to close down Ispra.

Innovation and Industrial Policy (Brief No 12)

Here again the European Council called for progress. The Commission's proposal for Community aid to stimulate innovation has been heavily criticised as inadequate but Davignon is likely to come up with some new ideas. The Prime Minister will want to stress the importance of cooperation on new technology for Community industry and our wish to see progress and to give encouragement to the Commission to come forward with positive ideas, while retaining our open attitude to inward investment from the US and Japan.

New Community Instrument (Brief No 13)

The December European Council called for agreement by March on expanding the New Community Instrument by 3000 m ecu. The ECO/FIN Council agreed on a common position at its February meeting; adoption of the necessary regulation now awaits the outcome of discussions with the European Parliament.

Mutual Recognition of Diplomas (Brief No 14)

The Germans are anxious to make progress on mutual recognition of diplomas and will probably seek agreement to give renewed momentum to work in this area. We support the principles both of academic recognition (to help mobility of students) and of the recognition of professional qualifications (to further rights of establishment for the professions), but there are problems for us, as for others, over the specific proposals currently under discussion, which relate to architects and engineers.

Social Matters (Including Youth Unemployment) (Brief No 15)

The Council may have before it a report on the conclusions at the Informal meeting of employment ministers held on 21/22 February about Youth Unemployment. We can welcome these, though we would need to resist any proposals for conclusions which went beyond the scope of the Youth Training Scheme. In any discussion of the Social Fund, the Prime Minister will want to emphasise the need to give priority to regions of high unemployment and to training for young people.

B CONTINGENCY BRIEFS

Greenland (Brief no 16)

The Commission's paper on Greenland's application to withdraw has been remitted to Coreper for study. Much work will be needed, particularly on fisheries which raises complex problems and on the proposal for Greenland to receive aid, in lieu of its current receipts from the regional and social funds. There is not likely to be much discussion of substance but Denmark may take the opportunity to press for early progress.

Greece and the EC (Brief no 17)

Papandreou may raise the Greek Memorandum on problems relating to their accession. The Commission's final report on this has only just been completed and further work is needed on it. Full Greek compliance with their existing obligations would help their case.

CAP Prices (Brief No 18)

The Prime Minister will wish to express concern at the prospect of overspending on FEOGA guarantee expenditure; and our determination to see a low overall level of CAP price increases, with zero increases for products in surplus. The growth of CAP expenditure must be brought under control, and producers made to understand that the Community can no longer guarantee open-ended

support for an escalating level of production.

Reform of the Mediterranean Acquis (Brief No 19)

If there is discussion of the points raised by agricultural ministers on the olive oil and fruit and vegetables regimes, the Prime Minister will want to emphasize that we must find solutions which will not encourage over-production or penalise consumers, will have regard to the legitimate interests of the Community's trading partners (eg Cyprus) and will keep down the cost of enlargement. Specifically, we will want to resist ideas for an oils and fats tax or for expensive strengthening of the régimes for these products and to emphasise the merits of the flat rate production aid for olive oil.

Integrated Mediterranean Programmes (Brief No 20)

If the Italians seek to secure approval in principle of the Commission's new proposals for Integrated Mediterranean Programmes (IMPs), we will want to block this by arguing that the proposals should be carefully considered in the context of the Community's examination of its other structural expenditure policies (Regional, Social, and CAP guidance policies are all being reviewed this year), so that the full financial implications of the IMPs can be properly weighed.

Common Electoral System (Brief No 21)

The Council has concluded that it is not possible to reach agreement on a uniform system in time for the 1984 European Parliament elections, but work continues on the extension of the franchise. Some Heads of Government may express regret at the failure to reach agreement.

North/South (Brief No 22)

In any discussion of North/South issues, the Prime Minister will want to stress the need for Western unity in preparing for UNCTAD VI, so as to ensure that the independence of the international financial institutions is not compromised.

Steel (Brief No 23)

If steel is discussed the Prime Minister will wish to urge the need for more rigorous implementation of the anti-crisis measures and for all Member States to bear their fair share of capacity reductions.

European Regional Development Fund (Brief No 24)

In the current review of the Regional Fund, our main aim is to secure the largest possible quota share for the UK but also to resist demands for tightening up the administration in ways which would make it more difficult for the UK to secure its share of the money. The Presidency are making a serious effort to break the longstanding deadlock over quota shares and other issues.

Preparation for Williamsburg Summit (Brief No 25)

As this is the last European Council before the economic summit at Williamsburg, there will be discussion of international economic issues in which those who will not be represented will want to put forward their views. The Prime Minister will wish to welcome the agreement on increased IMF quotas as a positive contribution to solving current international financial problems and the rightness of the Chancellor of the Exchequer's move to bring the Interim Committee meeting forward to February.

Environment (Brief No 26)

The Germans are keen to see progress on environmental matters generally, and will raise in particular the problem of acid rain. Whilst the UK is a net "exporter" of acid rain (though mainly to Scandinavia not Germany) we recognise that this is a serious problem. We can accept a call for Environment Ministers to study the problem and consider appropriate action.

Foreign and Commonwealth Office
7 March 1983