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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

12 January 1982

Dear Private Secretary,

I have been asked by the Lord President of the Council to
... circulate the enclosed material which was provided by the
Foreign and Commonwealth Office as part of the European
Community presentation exercise, and which Mr Pym hopes can
be put to effective use by his colleagues. I am copying
this to the backbenchers who are assisting in this exercise
'and to the MEPs also concerned.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'A J H Ward'.

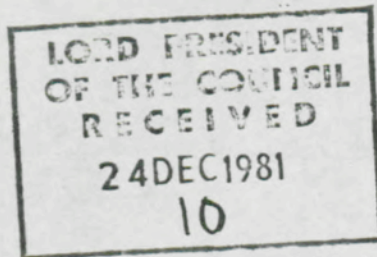
A J H WARD



Foreign and Commonwealth Office

London SW1A 2AH

23 December 1981



Dear David,

EC PRESENTATION

... I enclose the latest edition of the regular bulletin of 'Topical Points' on EC matters, which the Lord President may wish to circulate in the usual way to colleagues as well as to the 'regional' MPs.

... I also enclose some material in connection with the UK Presidency, which Mr Pym may also think worth circulating. This consists of:-

- (i) Prime Minister's statement to the European Parliament on the European Council: 16 December
- (ii) Lord Carrington's statement to the European Parliament on the UK Presidency and on the Development of Political Cooperation in 1981: 17 December
- (iii) Memorandum on the UK Presidency. Circulated in the European Parliament in connection with (ii) and also placed in the Library of the House of Commons.

The up-dated version of the 'Core material' to which I referred in my letter of 16 November is still being finalised in the light of the state of play at the end of the UK Presidency. We shall aim to let you have it soon after the holiday break.

Yours ever
Stephen Gomersall

S J Gomersall
PS/Lord Privy Seal

PS/Lord President of the Council
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London SW1A 2AT

TOPICAL POINTS : DECEMBER 1981

I - GENERAL

THE EC AND THE ENVIRONMENT

The Environment Council on 3 December, chaired by British Environment Minister Mr Tom King, agreed on a number of important measures in the fields of pollution control and public safety. In a session described by the Belgian delegation as "record breaking", the Council approved, among other things, a directive aimed at reducing the risk of major industrial accidents and ensuring that proper safety measures are taken (the so-called SEVESO directive); a directive to control the discharge of mercury into water, a field in which the Community is playing a pioneering role; and agreement in principle on Community arrangements to exchange information on air pollution.

EC BECOMES SCOTLAND'S MAIN EXPORT MARKET

A recent survey by the Scottish Council shows that the EC has become Scotland's main export market. The figures, based on information from a large number of Scottish companies, show that over 40% of Scotland's exports in 1980 went to the Community. If whisky sales, which account for about 20% of all Scottish manufactured exports, are excluded, the figure rises to over 45%.

PROGRESS ON ADVANCED TECHNOLOGY

The Research Council held on 9 November, under the Chairmanship of British Industry Minister, Mr Kenneth Baker, reached agreement on financial support for two important projects in the area of advanced technology. The first is £20m of Community money to help European companies to develop advanced microchip technology so as to compete more effectively with US and Japanese companies in this field. The second is a research programme in biomolecular engineering, concentrating on developing disease-resistant plants by means of cloning. Some £4m is being allocated for the first phase of this project. Agreement has also been reached on a Community research and development programme in textiles and clothing.

/EC AID TO THIRD WORLD INCREASED

EC AID TO THIRD WORLD INCREASED

The Community's aid to the 60 African, Caribbean and Pacific countries belonging to the Lomé Convention increased last year to about \$503 (£265m), a rise of more than 22% over 1979. The European Commission said in a report that aid commitments for this year for longer term projects totalled \$656.3 (£330m).

Over half the countries belonging to the Lomé Convention are members of the Commonwealth.

HELP FOR THE SELF-EMPLOYED AND THE DISABLED


At the Social Affairs Council on 8 December, it was agreed that the EC's social security regulation would be extended to self-employed people. When this provision enters into force on 1 July next year it will benefit almost two million self-employed people in Britain. The regulations cover, among other things, the provision of urgent medical care when a person falls ill while visiting another Member State. The Council also adopted a resolution in response to the International Year of the Disabled, supporting proposals from the Commission for various measures to improve the lot of disabled people throughout the Community.

AGREEMENT ON ENERGY PRICES

The Energy Council on 3 December endorsed an important agreement which will help in achieving a coordinated approach to energy pricing in the Community. The agreement contains a number of agreed principles including the need to make clearer the basis on which price tariff structures are determined (known as price "transparency"). The Council also agreed on procedures for dealing with a limited oil supply shortfall and on a new allocation of some £13m for Community projects in the hydrocarbons sector.

EC AID FOR ZAMBIAN MINING

Zambia becomes one of the first two beneficiaries (the other is Zaire) of the SYSMIN arrangements set up under the EC's second Lomé Convention, which are designed to compensate for the harmful effects of temporary disruptions on the productive capacity of mineral-producing developing countries. Once specific projects have
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been submitted by the Zambian authorities and agreed, the country will receive its allocation of some £28m of Community money.

II - LOANS AND GRANTS

£10M ECSC LOAN FOR JOBS IN SCOTLAND

The European Coal and Steel Community is to lend a total of £10 million at low interest to the Scottish Development Agency and the Clydesdale Bank, under a scheme to encourage firms to create new jobs in areas of Scotland hit by coal and steel closures. Signing the loan in Glasgow on 30 November, the Secretary of State for Scotland, Mr George Younger, said that when all the money was taken up, the effect of the loan would be to create at least 1,000 new jobs.

£495,000 READAPTATION GRANT FOR STEEL WORKERS

The European Commission has announced a readaptation grant of £495,000 from the European Coal and Steel Community to finance measures for workers affected by plant closure and modernisation in the British steel industry. The money is for 244 workers in Sheffield and Rotherham affected by the closure of Neepsend Rolling Mills and a cutback in the workforce at Neepsend Ltd's subsidiaries. It will be used to help fund current schemes for early retirement, retraining and income support.

£20m LOAN FOR KIELDER DAM

The Commission announced last week that a loan of £20m had been made under the New Community Instrument (the "Ortoli facility") towards the Northumbrian Water Authority's Kielder Dam project. The loan is for 12 years at an average interest rate of 14 per cent. It brings to £404.5m the total so far lent by the European Investment Bank and through the NIC to the National Water Council.

III - MYTHS AND SCANDALS

"BRITISH BANGERS UNDER EURO-BAN"

The "Daily Mail" and "Daily Star" on 12 November carried major features on 12 November about an alleged EC plot to keep British sausages out of Europe. Scantily-clad "Starbirds" were shown wheeling their bicycles off landing craft onto French beaches with strings of the Great British product in a campaign to break the so-called blockade.

The truth is that there is no EC law governing trade in sausages. Each country has its own national regulations, some of which require a higher minimum meat content than is required in the UK. The UK has strict rules about this too. And the general rule, on health grounds, is not to allow imports of uncooked meat products, including sausages.

"LIMIT SET ON BORROWING IN EUROPE"

The Financial Times on 2 December carried an article under this heading suggesting that the Treasury had decided to place a limit on the amount British companies could borrow from the European Investment Bank and the European Coal and Steel Community.

In fact, there is no such restriction. The Treasury help private companies wanting to borrow from EC sources by provided a guarantee against the risk of exchange rate losses. In announcing the extension of this scheme for a further two years, the Treasury said it would be subject to a ceiling of £400m worth of borrowing over this period. This is a considerable increase on the existing ceiling of £220m. Since in any case the private sector only borrowed a total of £102m from EC funds in last year, this ceiling seems unlikely to restrict companies' ability to borrow: the newspaper report was thus misleading in suggesting that the decision amounted to a cut in British borrowing from EC sources. As the Treasury Minister of State stated in a written answer in the House of Commons on 30 November, "the Government do not impose any restrictions limiting the availability of EIB loans to British companies in the private sector and have no intention of doing so".

/"EC SCHOLARSHIPS

"EC SCHOLARSHIPS FOR YOUNG EXECUTIVES TO JAPAN A WASTE OF MONEY"

Press interest was aroused last month by an attack by the Labour MEP for Glasgow, Mrs Janey Buchan, on the Commission's scholarship scheme to send young European executives to Japan for 18 months to familiarise themselves with Japanese business methods and learn the language. Mrs Buchan's criticism rested on the claim that a large majority of the executives who took part in the first course have joined Japanese companies. The £2.5m scheme was therefore, she claimed, being wasted in helping Japanese rather than European companies.

Mrs Buchan's statement does not represent the whole truth. Only 6 out of the first group of 21 trainees have in fact joined Japanese firms. The following points should also be made:-

- (a) The scheme offers a valuable opportunity for European businessmen to acquire a better knowledge of the Japanese market. It is for European exporters to recruit them so as to take advantage of their experience.
- (b) Those relatively few who do join Japanese companies (which they cannot of course be stopped from doing) will not necessarily stay there for ever. And when they come back to Europe their knowledge of the Japanese scene will be even greater and more useful to European exporters.
- (c) There is no reason why those who join Japanese firms should not be given jobs in their import sections, where they can still help European exports to Japan!

IV - QUOTES

UK WITHDRAWAL FROM THE EC

"a decision by Britain to leave the Community would, in my opinion, be an historical blunder both in an economic and political sense. Europe is your growing market and now takes nearly 45% of your trade, compared with about 30% at the moment of entry. Put simply, Europe means jobs for British workers. Europe which provides you with a market of 270 million consumers, soon to be more than 300 million, is your industrial future - a market in which the consumer has the money to pay for your goods and does not depend on loans, soft or otherwise. Europe is your natural ally. Not only your ally in questions of defence but your natural partner when it comes to dealing with rest of the world.

One should be able to speak plainly among friends. Outside the Community, Britain would find herself in the awful position of a mere economic satellite of the European Community she had left, a sputnik without any substantial say in Community affairs. The Community would survive your leaving. It would be diminished in stature, it is true, but nowhere near as much as would be the United Kingdom which would be severed from its natural allies and in sterile isolation".

M. Gaston Thorn President of the European Commission, speaking at a dinner in London, 12 November 1981.

"It is my view that none of the circumstances that exist at present regarding Britain's membership of the Community could be invoked under international law to justify unilateral withdrawal from the Community. I conclude therefore that if Britain was to withdraw unilaterally from the Community it would be a violation both of Community law and public international law.

I recognise of course that Britain cannot be stopped from leaving the Community if Her Majesty's Government so resolved. But I must point out that the first consequence of the Labour Party's policy would be to force a British Government to act illegally. In this

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regard Tony Benn' stands in great danger of becoming the Ian Smith of Europe and just as Smith's illegal UDI brought disaster to Rhodesia so will Benn's UDI cause terrible trouble for the United Kingdom.

Because of this act of illegality Britain's relations with the Community and its Member States would be hideously complicated. There seems to be a belief by anti-Europeans that Britain can leave in a spirit of goodwill and cordiality. Nothing in my view can be further from the truth. Britain leaving the Community will plunge it into crisis and Britain will be held responsible for that crisis. I consider that the Community will receive the news of Britain's withdrawal with the same pleasure and enthusiasm as Michael Foot received the news of the Crosby by-election".

Mr Ivor Richard, EC Commissioner for Social Affairs; speech in London on 28 November. (A group of Labour MPs, led by Dame Judith Hart, visited Brussels at the end of November and claimed to have been told by "Commission lawyers" that there were no great legal obstacles to the UK negotiating its way out of the EC).

"In a nutshell, my advice would be to think very deeply, long and hard, before contemplating secession from the European Community. We live in a dangerous world. It is not a world to confront alone. In the European Community, as in the Atlantic Alliance, we seek safety in numbers. In Europe in particular, the members of the Community are engaged in an ever growing process of cooperation on Foreign Policy, alongside their ever closer economic union. These twin processes are inseparable. Full participation in foreign policy cooperation is possible only to full members of the European Community. Nor should we have any illusion about the supposed alternatives. The Community has made considerable and repeated efforts to assist Britain in the adaptation to membership. If, after all this, Britain were to secede from the Community, she could hardly expect her partners to be so accommodating. Is it really conceivable that, having left, Britain could continue to enjoy the right to free access for her industrial exports to the Community without accepting corresponding obligations and disciplines in both
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industrial and agricultural policies?

Nor, finally, would any attempt to isolate the British market from the rest of Europe fail to have repercussions on Britain's own exports. The European Community is already the United Kingdom's biggest export market. Would it really be wise to start erecting barriers across the Channel?"

Dr Walter Scheel, Former President of the Federal German Republic, speaking in London on 28 November 1981.

THE EC AND JOBS IN WALES

"In my view, a view that is shared by an overwhelming majority of industrial and commercial opinion in Wales, it would be an unmitigated disaster for the Principality if the United Kingdom were to withdraw from the Community. With unemployment in Wales, ladies and gentlemen, rapidly approaching the 200,000 mark, then all I say is that anyone who is prepared to put at risk the jobs which are dependent on our trade with the EEC needs his head examined. But there is another crucial argument against withdrawal, and that is the disastrous effect that it would have on our ability to attract inward investment from outside the EEC. Moreover I think that it would be quite outrageous if companies who had been induced to come to Wales and to Britain generally as part of the largest and richest free trade area in the world, suddenly found themselves operating in a Benn-style siege economy. Talk about a false prospectus!"

Mr Emrys Evans, Midland Bank, speaking at the CBI National Conference, Eastbourne, November 1981.

THE COMMON AGRICULTURAL POLICY

"The Common Agricultural Policy is an absolutely essential feature of the Community; you cannot have a European Community, a Common Market, without a Common Agricultural Policy. The Policy may need some adjustments, some restructuring: it does not need dismantling or fundamental reform, the emotive word frequently used by its detractors. The purpose of the Common Agricultural Policy is to

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secure the food supplies of 270 million people in 10 Member States, by preserving a viable indigenous agriculture and a food-processing industry; and there is nothing more basic than that. By and large the Common Agricultural Policy is succeeding in that objective, and in the past two years its operation has kept the annual increase in food prices below the rate of inflation. Furthermore, and contrary to the impression given by one of our distinguished political speakers last evening, there are not great reservoirs of cheap food in the world waiting to pour into a United Kingdom detached from the European Community".

Dr G Chambers, Milk Marketing Board for Northern Ireland: CBI National Conference, Eastbourne, November 1981.

"I would like to tell you straightaway that so far as the National Farmers' Union and its members are concerned, we believe that the United Kingdom should remain in the EEC. We have strongly in mind the fact that British agriculture can only prosper when the climate, the economic climate, is right for the rest of British industry. I am delighted to have heard that so far there have been no speakers who suggest that the climate within the EEC will not be right, because so far as agriculture and horticulture are concerned I believe that it will be the best that we can possibly look for. And the Labour Party proposals to withdraw us from the Common Market inevitably suggest that there will be therefore less support for British agriculture".

Sir Richard Butler, President, National Farmers' Union: CBI National Conference, Eastbourne, November 1981.

THE WIDER VISION

"Little Englanders still exist who believe that all would be well if we withdrew from foreign entanglements. But the complexity and interdependence of economic and political life in the modern world make isolation an impossible option.

The European Community has already achieved much. War between Member States is already unthinkable. There has been a real attempt to tackle some of the major technological and economic

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problems too big for any individual nation state to solve by itself. But it is still undeniable that in Britain at least the European Community has a communications difficulty in expressing its underlying vision in a sufficiently vivid and generous way. Failure in this respect could be very damaging. It is obviously going to be hard to make progress if there is no vision of where we are going sufficiently strong to harness the energies which are easily diverted into mutual suspicion and the selfish kinds of nationalism.

As the Pope said of the European future, 'the institutions alone will never create Europe'. The institutions are essential and it is no part of my intention to make cheap points about the bureaucrats of Brussels, many of whom are idealists themselves. But I believe that all of us involved in the rebuilding of a better Europe have a responsibility to articulate a clearer vision of the kind of society we are working to create".

Archbishop of Canterbury, Dr Robert Runcie; speaking in Brussels,
4, November 1981

STOP PRESS

MORE BUDGET REFUNDS FOR UK

The Community is paying to Britain on Christmas Eve the final installment of budget refunds for 1980 under the "supplementary measures" scheme which formed part of the 30 May 1980 agreement about the UK budget problem. The sum of £109 million being paid will bring the UK's total refunds for 1980 to £799 million.

The new money will be a contribution in respect of the Department of Transport's trunk roads programme, including the M25 round London, the A45 Ipswich bypass, the M54 from Telford to the M6 and the A40 Gloucester Northern bypass.

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CLUB TAPES BEFORE 1400 HOURS G.M.T. / ~~EST.~~
ON 17 DECEMBER 1981

AMENDED COPY AS DELIVERED

~~SECRETARY OF STATE'S SPEECH TO THE EUROPEAN
PARLIAMENT ON THE UK PRESIDENCY AND ON THE DEVELOPMENT
OF POLITICAL COOPERATION IN 1981 : 17 DECEMBER 1981~~

1. Madam President, Ladies and Gentlemen, I have a double duty today. I shall be reporting to you on the six-month period during which the United Kingdom has held the Presidency of the Council. And I shall also report on developments throughout the past year in the field of Political Cooperation, the first six months of which was under the chairmanship of the Netherlands.

2. The President of the European Council spoke to you yesterday about the European Council meeting in November and her statement was followed by a short debate. This afternoon will provide an opportunity for further comments on the issues Mrs Thatcher raised, as well as those I shall be covering in my own report.

3. When I outlined the main objectives of the British Presidency to this House on 8 July, I drew attention to the short time which a 6-month period represents in the affairs of the European Community. I warned against exaggerated hopes for what could be achieved under any one Presidency, and emphasised my belief that the

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keynote for the Presidency should be to contribute in a business-like and effective manner to the continuum of the Community's affairs. This is what we have tried to do.

4. Many of the agreements reached in any one Presidency owe much to the efforts of its predecessors. And in many of the areas where the current Presidency has worked hardest, results will only become apparent under a succeeding Presidency. Ample evidence of this is to be found in the memorandum which I have circulated separately, to give honourable Members as full as possible a picture of the state of the numerous dossiers at the end of the British Presidency.

5. I think that, at a rough count, this shows that some 70 new Community measures were adopted by the Council in the past six months - most of them in fields to which your Parliament attaches importance. It is a record of solid if unspectacular achievement, in which all the organs of the Community have played their part. The Commission of course has a key role in helping to maintain the essential continuity between Presidencies. I believe the European Parliament too has its part to play in this by sustained support of generally agreed Community objectives.

6. In the last six months, the Community has been faced with fundamental decisions about its own future development. There has also been a growing awareness

that political leaders in Member States must be ready to look beyond the pressing daily problems which confront the Community towards wider horizons, so as to see more clearly the way ahead for Europe. I myself referred to this when I addressed you in July. I think that the same feeling is reflected in the proposals made recently by the Governments of Italy and the Federal Republic of Germany for a "European Act" and in the ideas put forward by the French Government with particular reference to the development of the Community's internal policies.

7. In my speech in July I outlined a "trptych" which I suggested might form a basic framework for the future development of the Community; those ideas I called "renewal", "enlargement" and "identity". I should like now to review briefly the progress made under these three headings at the end of the British Presidency.

8. The basis for the renewal of the Community is the review of its policies to which Member States committed themselves in the agreement of 30 May 1980. It has been a major objective of the British Presidency to make solid progress on this. Given the deadline set in that agreement itself, it would have been a serious

dereliction of our duty to the Community to do otherwise. The President of the European Council reported yesterday on the outcome of the European Council meeting in London on 26/27 November at which there was substantial discussion of this matter. I need not therefore dwell on the detail of the discussions that have taken place. Foreign Ministers met on 14/15 December at the express request of the European Council. We were able to have a useful discussion and asked the President of the Commission to produce new texts on guide-lines on the four ^{existing} issues, which I hope will enable agreement to be reached at a further special meeting to be held early in January. I would naturally have liked to be able to reach agreement on this matter during our Presidency, but I believe we have laid good foundations for the future work, and it will now be for the Belgian Presidency to carry matters forward. We for our part will give the fullest possible support to their efforts to reach a speedy solution, which is in all our interests.

9. But the renewal of the Community goes much wider than a simple review of its expenditure policies. An important part of it is the completion of the framework provided for in the Treaties, and on this I am glad to report that there has been some progress during the British Presidency. Though useful progress has been made over marketing, overall agreement on a new Common Fisheries Policy has still to be reached. It is now long overdue; the security and prosperity of the fishing industry in all our countries is at stake.

10. Another area where much work has been done is the completion of the internal market, which was the subject of an important debate in this Parliament on 14 October. We have tried to make a reality of the Treaty provisions for a single market in goods and services, and to make progress with eliminating non-tariff barriers to trade within the Community. Although we have made some headway, the Community has made disappointingly little progress towards full liberalisation in such fields as insurance and air transport. It is in the interests of all of us to make progress on these matters, since they offer the best hope of securing real benefits from membership of the world's largest area of tariff-free trade.

11. Renewal also involves developing the Community to keep abreast of changes in the world outside. The Community consists of some of the world's most advanced industrial nations, and advanced technology provides us with a powerful weapon in the fight for competitiveness and thus for lasting and secure employment. I am therefore glad to report that we have made significant progress in this area during our Presidency, particularly on research and development. Nor has the social impact of new technologies been neglected. Ministers of Employment and Social Affairs have discussed this question with the Social Partners.

12. Energy policy is another vital field for a grouping of industrialised countries. Here there have been some valuable discussions about the general need to restructure energy economies away from oil. The agreement reached on guidelines for dealing with a limited shortfall in oil supplies and the agreement reached on energy pricing policy will be a valuable contribution to attaining the agreed Community energy objectives.

13. I am glad to say that there have been significant

achievements in fields where ordinary people, will benefit directly. These include environmental matters, on which a variety of useful decisions were taken by the Environment Council on 3 December, particularly in the fields of pollution control and public safety, and social affairs, where there have been important advances on provisions for the self employed and help for the disabled.

4 In all these areas, and in the many others outlined in the memorandum, our approach has been based on a firm conviction. The Community can only advance and prosper if it is able to secure and retain the understanding and support of its citizens. To do so, it must show itself to be flexible enough to keep pace with a world of rapid change; and dynamic enough to offer a lead rather than simply responding to events.

15 The economic background to our work in the past 6 months has been sombre. Unemployment has risen remorselessly in even the strongest of our economies. Inflation is proving stubborn. The difficulty of curbing Government deficits is exacerbated by the effects of recession. Divergence among Community states has increased rather than diminished. We must

redouble our efforts to create the conditions for that non-inflationary growth which is the only source of durable employment. We must resist the easy but fatal options of protectionism. We must ensure that our people appreciate that the challenge of competition in the 1980's requires us to adapt the structure of our economies. And there must be the closest cooperation in these efforts between all of us in the Community.

16 The second of the 3 key issues about which I spoke to you on 8 July was enlargement. As Mrs Thatcher told the House yesterday, the Ten Heads of State and Government confirmed in London the Community's commitment to complete the accession negotiations with Spain and Portugal. Meanwhile, in the accession negotiations themselves I am glad to say that we have been able to build on the solid foundations established by the Netherlands Presidency and to take the work forward in some significant respects.

17 We believe that real progress has been made towards the objectives which we set ourselves at the outset of the Presidency. But it must be frankly recognised that there is still a major task ahead for the Belgian and Danish Presidencies if the applicants

are to realise their desire to accede on 1 January 1984.

8. Nobody underestimates the difficulties we face in the negotiations. Both the Community and the applicant countries have much to do to prepare for the new situation which will arise on accession. But the Community's political obligation to the future of democratic Europe transcends the individual issues which are at stake and compels us to take a wider view. It is time to give the negotiations a new political impetus, and to ensure that the statement which Heads of Government approved on 27 November does not remain mere rhetoric.

9. The third part of my triptych was 'identity', or the expression of the Community's personality on the world stage. Throughout its period of office, the British Presidency has tried to put into practice its firm belief that the Community should exert an influence in world affairs more appropriate to its position as the world's largest economic grouping, trading entity, and donor of aid to the developing world.

20 Here too there is some useful progress to report.

Decisions were taken both at the Development Council on 3 November and at meetings of the Foreign Affairs Council on ways to improve the effectiveness of the Community's aid to the less developed countries.

Agreement was reached on ^{Community positions in} a number of important trade negotiations ~~including~~ including the Multi-Fibre Arrangement, trade with Japan, and export credits. Successful joint Commission and other meetings were held with a number of third countries.

21. The Community has also made an important and distinctive contribution to a number of multi-lateral meetings, including the Ottawa Summit meeting in July and the Cancún meeting in Mexico in October. It has been prominent among those endorsing the commitment of the international community to a new round of global negotiations. Important decisions have also been taken on the further provision of food at special prices to Poland.

22 Madam President: In my speech to this Parliament six months ago I referred to the Luxembourg and Copenhagen reports on which Political Cooperation was based. I am proud to say that to those two documents

we have added the London report. Over the period since the Copenhagen Report was agreed we have all found Political Cooperation to be useful and important. We have also found in third countries a growing expectation that Europe will speak with one voice and a growing wish for a dialogue with the Ten as such. It was therefore time for us to look again at the way Political Cooperation was organised. We agreed to do this under the Luxembourg Presidency; much of the difficult work was done under the Dutch Presidency and in our Presidency we brought it to a conclusion. But it is the work of all of the Ten: I believe it has been useful to register our strengthened political commitment to joint action in foreign affairs; to set up an agreed procedure for convening meetings quickly in a crisis and for giving extra support to the Presidency in its increasingly demanding role. I note also that the London report registers the Ten's legitimate interest in political aspects of security and ensures the Commission will be fully associated at all levels with Political Cooperation.

23. During the British Presidency, the Ten have continued their efforts to promote progress towards a just and lasting settlement of the Arab-Israel dispute.

This is a difficult period in Middle East diplomacy: Israel's withdrawal from Sinai is shortly to be completed; but the positions of the parties remain wide apart on the central questions of Palestinian rights and Israeli security. We have seen the pursuit of peace becoming more, not less, complicated, most recently through the decision of the Israeli Government and Knesset to extend Israeli law to occupied Syrian territory in the Golan heights, an act which the Governments of the Ten strongly deplore. These developments call for the Ten to adhere to a consistent policy based on the two principles clearly set out at Venice and universally accepted by the international community, namely the right to existence and security of all states in the region including Israel, and self-determination for the Palestinians in the framework of a comprehensive peace.

24. I believe that it is right for Europe to be closely involved, and we have done our best to maintain the involvement in a positive and impartial way. During our Presidency I visited Riyadh on behalf of the Ten to discuss the eight principles set out by Crown Prince Fahad, which we regard as an encouraging sign of movement in the Middle East. Four of the Ten have also

agreed to participate in the Sinai Multinational Force. The Ten have given their support to this decision. We believe that by participating in the Sinai force we can make a constructive contribution to peace in the Middle East.

25. The Community has also contributed actively to international efforts to restore independence and non-alignment to Afghanistan. As the Parliament knows the European Council in June put forward a proposal for a two stage conference on Afghanistan; and I subsequently visited Moscow to put this to Mr Gromyko on behalf of the Ten. We believe that this proposal represents a realistic and practical way out of the current tragic and unacceptable situation. It has been endorsed by a large number of countries including many from the third world, and it remains on the table. The Russians bear a heavy responsibility for the terrible suffering which they have caused the Afghan people, and they must show the political will to remove their army of occupation from Afghanistan. The recent vote in the UN General Assembly made it clear that the views of the Ten on this subject are evidently shared by an overwhelming majority of the nations of the world.

26. An area of particular concern to the Ten throughout the British Presidency has been East-West relations. On 15 December, the Ten expressed their concern at recent developments in Poland together with their profound sympathy for the Polish people in this tense and difficult time. They reiterated their view that the Polish people should solve their problems peacefully and in a spirit of compromise, and without outside interference, so that the process of reform and renewal can continue.

* Madame President, in the 48 hours since the Ten Foreign Ministers met in London the Polish skies have continued to darken. We are familiar, alas only too familiar, with natural disasters, but here in the heart of our continent is a man-made disaster on a colossal scale. Although news is censored and communications cut and diplomatic facilities suspended, we read of arrests and detentions and evictions. There has almost certainly been some loss of life. There is an ominous silence about the fate of Lech Walesa. Madame President, I should not want to see the situation made more difficult by any words of mine. There is much that I could say but will leave unsaid. But two things seem to me clear. First, as has been said so often before, there must be no foreign interference whatever. And second, there must be an early resumption of the process of negotiation and conciliation, including the release of those in detention. That alone can produce a solution to Poland's problems. I note that assurances on this subject were given yesterday in Warsaw by what is called the Military Council of National Salvation. This Parliament and the world will be watching to see how those assurances are put into effect. The Ten will continue to follow events in Poland with particular attention and we stand ready to arrange urgent consultations if these should become necessary.

In Madrid we have been working for a balanced and substantial conclusion to the CSCE meeting. Some progress has been made, but proposals for a Conference on Disarmament in Europe and in the field of human rights remain unresolved. The Ten have been clear and united in our wish for real progress rather than vaguely worded or cosmetic agreements. I should add that coordination in Madrid with other friendly delegations, including the United States, has been excellent. There have, however, been more positive developments in East-West relations. We warmly welcome the start of talks on intermediate range nuclear weapons in Geneva between the United States and the Soviet Union and the

constructive proposals made by President Reagan. We hope that the Soviet Union will respond positively. The full and frank talks Chancellor Schmidt had with President Brezhnev were also particularly welcome given the emphasis placed by the European Council in November on the importance of keeping open channels of communication for dialogue with the Soviet Union.

27. Madam President, time does not permit me to give a full account of all the activities of the Ten, but I should draw attention to the interesting and important meeting I and my colleagues had in London with the Foreign Ministers of the ASEAN countries. I have circulated in the Parliament a statement by the Ten on the progress made over the Code of Conduct on employment practices in South Africa, which we believe is an important instrument of peaceful change there. I should also like to mention the high level of coordination by the Ten at the United Nations in New York. Performance cannot be measured only by common statements and explanations of vote but it is nevertheless encouraging that we have done better than ever before in this respect - a reflection I think of the growing importance we attach to working together.

28 Finally, I should say that I have noted the keen interest this Parliament takes in Political Cooperation. A Presidency Minister was present throughout the Parliament's recent debate on Political Cooperation, and we have listened with care to the views of members. I have conducted two interesting colloquies with the Political Affairs Committee of the Parliament and these also have proved a useful channel of communication between the Presidency and the Parliament.

29. Madam President, when I last had the privilege of speaking before this House, in July, I emphasised the British Presidency's determination to make our relations an effective dialogue and not an exercise in mutual frustration. We are partners, not adversaries, in the enterprise of making a success of Europe; and this important truth has been reflected in many ways during our Presidency. I should like to take this opportunity formally to welcome the contribution of the Parliament and say how grateful my colleagues and I have been for the warm welcome you have always given us and for the cooperation we have enjoyed (and I should like here to pay tribute to the work of our respective

Secretariats who have had to shoulder their share of the extra efforts we have been making which, without them, would have been much harder).

30. As I said at the beginning of my speech, the time which a Presidency has at its disposal to realise even the most modest of its objectives is limited. Nor would it be right for me to suggest that all has been plain sailing during this period. What I might call the dark side of the picture is the number of causes we have for regret that progress was not made. It is not to the Community's credit that we have not been able to meet the deadline set by the 30 May mandate; nor that after six years of discussion and five meetings of Finance Ministers during our Presidency alone, we have not been able to agree on the non-life insurance services directive; nor that Foreign Ministers have been unable to agree on important measures in the field of telecommunications because of disagreement over one word.

31. I am sorry to say that one of the pieces of unfinished business derived from the outcome of your vote this morning is on the 1982 Budget. As the President of the Budget Council said, this goes beyond that the Council was prepared to agree and therefore budgetary procedure remains incomplete. I understand all this will be discussed by the Council in Brussels. I can only express the hope that we are not now heading, for a third year running, towards a budget dispute.

The paradox which the Community needs to resolve is that in these times of political and economic uncertainty it seems to be becoming increasingly difficult, at the same time as it becomes more necessary, to get decisions. We have tried to demonstrate the tenacity and endurance which are needed

in every Presidency; but even they are not enough if there is no common will to reach conclusions, and that is what I fear has too often been lacking in our deliberations.

32. I sometimes hear it said that the Community makes no progress and that the Council in particular is indecisive. I think that the record of the past six months, like that of previous Presidencies, shows ^{that} ~~now~~ this is only part of the truth.

~~For the first time since the Community's creation~~ Progress has been encouraging particularly in areas such as the environment, social policy and energy policy which are still relatively new sectors for Community activity.

As I have said, there remain many things which we would have liked to have done during our Presidency, and some important outstanding problems remain. I have no doubt however that we can find solutions to these questions, and I commit the British Government to giving the Belgian Presidency every support we can in this task.

EUROPEAN COMMUNITIES AND EUROPEAN POLITICAL COOPERATION
MATTERS BROUGHT TO A CONCLUSION OR ON WHICH
PROGRESS HAS BEEN MADE DURING THE UK PRESIDENCY
(Up to and including 22 December)

FINANCIAL, ECONOMIC AND BUDGET QUESTIONS

The Finance Council, assisted by the Monetary and Central Bank Governors' Committees, continued their work of coordinating economic and monetary policies. They discussed the draft Fifth Medium Term Economic Report and adopted the Annual Economic Report. There was also discussion of international economic and monetary questions, including the impact of high interest rates and the best use of the mechanisms of the European Monetary System (EMS).

The 1981 Amending Budget No 1 was adopted in September. This brought to an end the disagreement over the legality of the 1980 supplementary and 1981 budgets, which had involved a partial withholding of contributions by three member states and actions before the European Court.

Renewal of New Community Loan Instrument : The Council agreed in October on a common position on the renewal of the New Community Instrument, subject to a ceiling of 1000 million ecu.

EMS Realignment : The Finance Ministers' meeting in October agreed on a major realignment of EMS parities.

Staff Pay : Agreement was reached in December on a new method for reviewing staff pay, and on an amendment to the Staff Regulations providing for a special levy on Community staff salaries in recognition of the current economic and social difficulties.

AGRICULTURE

Discussion of the future development of the Common Agricultural Policy (CAP) was pursued throughout the UK Presidency

in the context of the negotiations on the 30 May Mandate. The Agriculture Council devoted a full half-day to this subject on 19 October. The Council also began discussing a number of related issues - in particular the question of long-term export contracts and Commission proposals for changes in the market regulations for wine, fruit and vegetables and olive oil to take account of enlargement. Other developments in the agricultural sector were:

A Hormones Directive agreed in July. This will afford greater protection to consumers throughout the Community by banning the use of certain hormones as growth promoters in animals. The Agriculture Council also set in hand a thorough review on the use of other hormones.

A Directive On Veterinary Medicines adopted in September, laying down strict conditions for their use.

Irish Agriculture : two special measures were adopted in July to help relieve the income difficulties of the Irish agricultural sector.

Greek Agriculture : arrangements were agreed in July, in implementation of commitments in the Greek Accession Treaty, on support for cotton and dried fruits and the extension to Greece of Community rules on producer groups.

Welfare Standards For Battery Hens : considerable progress has been made during the UK Presidency on proposals to improve these standards on a common basis throughout the Community.

Health And Hygiene Standards In The Meat Sector : considerable progress has also been made towards agreement on improved standards in this sector.

THE MANDATE OF 30 MAY 1980

Much work has been accomplished following the Commission's report of June 1981. After discussions by the Foreign Affairs Council on a programme of work, a special mandate group was convened to take forward the work on the three main chapters of discussion identified in the Commission's report: the development of Community policies; the Common Agricultural Policy; and the budgetary aspects of the problem. The mandate group's work

provided a basis for discussion first by the Foreign Affairs Council and then at the European Council, where provisional agreement was reached covering a wide area, subject to final agreement on all three chapters; and four key points were identified for further discussion by Foreign Ministers - milk policy, Mediterranean agriculture, financial guidelines for CAP expenditure and the budget problem. A special meeting of Foreign Ministers was held on 14 and 15 December in London. They were unable to reach agreement on the four points but made some further progress and decided that the next step was to invite the President of the Commission to make revised proposals for guidelines covering the four points in the light of their discussion. They agreed to consider these proposals at a further special meeting early in January.

FISHERIES

Progress has been made on several aspects of fisheries, particularly towards an overall Common Fisheries Policy (CFP) settlement. All Member States have expressed their commitment to reaching early agreement on a revised CFP.

A revised Marketing Regulation was agreed in September, providing for orderly marketing arrangements for fishermen's catches.

Interim Structural Measures, which give support to the industry, were also agreed in September.

Agreements with Canada, the Faroes and Sweden were approved in September. The first gives EC fishermen opportunities for catches in Canadian waters in return for tariff concessions on Canadian fish products, while the latter two provide for reciprocal fishing arrangements.

A mandate for Commission negotiations with certain West African countries was agreed in September to allow EC fishermen to fish in their waters.

Work continued on the package of measures agreed by the Council on 24 June to help restore the European steel industry to profitability. A Research Council was held on 9 November. The Council considered a Commission communication on the importance of Research and Development to the Community, and expressed its wide support of R & D in support of the policy objectives of the Community. It asked the Commission to develop further its ideas on improving the effectiveness of Community R & D. Work was also carried forward during the UK Presidency on the Commission's Regional Policy Guidelines, and the Council has begun consideration of the Commission's proposal for review of the European Regional Development Fund.

Steel : The Finance Council agreed in December that financial provision for measures to assist redundant steel workers should be entered into in the 1981 budget.

A Micro-Electronics Project was agreed by the November Research Council, with a commitment of support of 40 million ecu.

A Biomolecular Engineering Research Programme was also agreed by the November Research Council with an allocation of 8 million ecu for the first phase.

Textiles and Clothing : Following a Community decision that a special effort was required on research and innovation with the direct involvement of the textile industry, to complement the technological research programme agreed in 1975, a new R & D programme was agreed in December covering garment construction; quality of knitted fabric and knitted articles; application of new spinning technologies in the wool industry; and up-grading linen.

Greek Earthquake Damage : The Council agreed in December that the Community should provide loans of 80 million ecu to Greece to cover earthquake damage. An interest rate subsidy of 3% will be applied.

Telecommunications : Considerable progress was made on recommendations to liberalise the telecommunications market and stimulate the European industry, but one outstanding point prevented final agreement at the December Foreign Affairs Council.

Treatment and Use of Sewage Sludge : Agreement was reached in December on a concerted action programme in this field under the COST (Cooperation Europeenne Scientifique et Technologique) arrangements which provide for cooperation with European countries outside as well as within the Community.

Euro-net : Agreement was reached in December with Sweden and Switzerland on their inter-connection with the Community network for data transmission.

ENERGY AND NUCLEAR

In the energy field, agreement was reached on a number of measures. An Energy Council was held on 27 October.

Energy pricing : Agreement was reached on pricing principles and on the need to improve price transparency in the Community. This represents a major step forward in helping the Community to achieve a coordinated approach to energy pricing. The Council agreed on the need progressively to reduce any differences in pre-tax pricing which do not correspond to certain guidelines. This will encourage the rational and efficient use of energy in the Community, and will help ensure an adequate level of investment in the energy sector.

Hydrocarbons : The latest round of funding for Community projects in this sector was agreed, totalling 26 million ecu.

Electricity Tariff Structures : A Council recommendation was adopted affirming inter alia the importance of tariff structures accurately reflecting the cost incurred in supplying the various categories of consumer.

Oil Refining Capacity in Europe : The Council endorsed a report by the Commission on the need for some rationalisation of the Community's refinery capacity, and noted that this was being put in hand by the oil companies.

The Community's Energy Strategy : Energy Ministers discussed and broadly endorsed an analysis by the Commission which identified a number of priority areas for the Community's energy strategy, and noted that this would require further attention at forthcoming Energy Council Meetings.

Oil Market : The Council considered possible ways to avoid instability in the oil market and agreed in principle on a range of possible measures which might serve as a basis for wider international discussion, and on the procedure to be followed to deal with a limited oil supply shortfall.

Natural Gas Policy : The Council welcomed a study on natural gas prepared by the Commission and took note of the Commission's analysis of the growing reliance of the Community on external sources of supply. The Commission was asked to carry out a more detailed study of the Community's natural gas policy.

- Energy Research, Development and Demonstration Projects : Energy Ministers agreed on the need to reinforce common policies on Energy Research and Development, and gave further consideration to specific proposals for further funding of energy demonstration projects.

Euratom/Australia : An agreement on nuclear transfers was signed in September. It will enable the Community's nuclear industries to conclude commercial contracts for delivery of Australian uranium and thus opens up a major additional source of supply.

Euratom/Canada : An exchange of letters took place in December with Canada on agreed conditions for reprocessing and storage of plutonium and highly enriched uranium of Canadian origin.

ENVIRONMENT

There was an Environment Council on 3 December at which a number of measures were agreed to carry forward the Community's environmental policy:

Mercury Discharges : Agreement was reached on a directive to control the discharge of mercury into water.

Major Accident Hazards : Agreement was reached on a directive to reduce the risk of major industrial accidents, particularly by ensuring that proper safety measures are taken.

Air Pollution Information System : It was agreed in principle to establish arrangements for exchanges of information on air pollution.

Third Action Programme on the Environment : The Council had a valuable first exchange of views about the Commission's proposals.

Washington Convention In International Trade In Endangered Species : Substantial progress was made on the Commission's proposal for Community implementation of this Convention.

Berne Convention on Wildlife and Natural Habitats : A decision was taken enabling the Community to accede to the Berne Convention. Community accession will permit the Convention to become effective.

INTERNAL MARKET, CUSTOMS AND CONSUMER AFFAIRS

The UK Presidency has worked hard to make more of a reality of Treaty provisions for a single market in services to parallel that in goods. Progress has also been made in improving the protection of the consumer.

Technical barriers to trade : It was unfortunately not possible despite the efforts of the UK Presidency to resolve the problems arising from access of third country products to Community certification systems, which would have removed the current blockage of harmonisation proposals for standards on

industrial products. The Presidency has however taken forward work on the proposed information system for technical standards and in a number of other technical fields.

Non-Life Insurance Service Directive : The UK Presidency has made a particular effort to secure adoption of this directive, and considerable clarification of the major issues and points of difference has been achieved at successive Finance Councils. The UK Presidency hopes that this will enable the next Presidency to work for early agreement.

Customs Procedures : Agreement was reached on measures enabling the directive on free circulation of goods to be brought into force, and increasing the duty and tax-free allowances of goods imported in small consignments and in the personal luggage of travellers from third countries. A measure was agreed amending the specimen TIR carnet and technical annexes concerning lorry transport of goods. Amendments to certain Community transit procedures were also agreed. Discussion was begun on the Commission's Communication to the Council embodying a draft Resolution on the internal market concerning simplification of customs procedures and frontier formalities.

Rights Of Establishment : Directives were agreed in December on the mutual recognition of medical qualifications. Progress was also made in drafting directives to enable transport auxiliaries, hairdressers and pharmacists to practice in other EC member states.

Consumer Affairs : considerable progress was made on a directive which would give those consumers buying goods from doorstep salesmen a cooling-off period during which they could cancel the contract. Discussions on the draft directive on product liability have also made progress.

Company Law Harmonisation and the establishment of a common legal framework for Community industry: Progress was made towards an agreement on a directive concerning publication of interim reports by companies listed on stock exchanges.

Discussion also began on the proposal for a European Cooperation Grouping, and considerable progress was made on the Seventh Directive concerning company group accounts.

TRANSPORT

Air Services : A Council of Transport Ministers on 15 December clarified attitudes towards liberalising inter-regional air services and expects to return to this issue at its next meeting.

Port state control : A Council resolution was adopted welcoming the forth-coming European regional conference on maritime safety and pollution prevention.

Railway policy : A Council resolution was adopted, pointing to broad Community objectives and outlining the direction of further work.

Multilateral quota of road haulage permits : Subject to confirmation by one member state, agreement was reached on a modest increase in the intra-Community quota for 1982, after a year in which there has been no increase.

Road haulage liberalisation : Agreement was reached on an amending directive relaxing constraints on the international movement of certain categories of goods.

Transport infrastructure : A resolution was adopted welcoming the Commission's report on ways of assessing the Community's interest in infrastructure projects and setting out guidelines for further work on the draft infrastructure regulation and on the appraisal of projects of Community interest.

Transport negotiations with Austria : A Decision was taken to open discussions with Austria on a range of transport matters of mutual interest to Austria and the Community.

Combined transport : A directive was agreed making permanent the liberalisation of road feeder journeys for international rail container transport.

SOCIAL AFFAIRS, EMPLOYMENT AND EDUCATION

The UK Presidency chaired an informal meeting of Employment Ministers in London on 24/25 September which carried forward some of the themes identified at the Joint Meeting in June of EC Economic, Finance and Employment Ministers, and focussed on the challenge posed by the present levels of unemployment. There was a preliminary exchange of views on the forthcoming Review of the European Social Fund, and a general discussion on youth unemployment. There was further discussion of the Social Fund Review at the Labour and Social Affairs Council on 8 December. On 3 November, the UK Presidency chaired a meeting of the Standing Committee on Employment (SCE) which discussed new technology and social change on the basis of a communication from the Commission and of the SCE's discussions in February 1980. There was general agreement that the challenge of new technology demanded a response, and it was agreed that action was needed in a number of areas to aid its introduction. The Commission was invited to make proposals. Under the UK Presidency the Community also began work on improving the position of handicapped people. The Education Committee met in July, September and December when guidelines for future work were considered.

Protection of Workers from the Effects of Lead and Asbestos :

substantial progress was made towards agreement on directives on both these problems.

Social Integration of Disabled People : A resolution was adopted in response to the International Year of Disabled People. This supports proposals from the Commission for a network of projects in EC member states and for exchanges of information and experience to help improve the lot of disabled people throughout the Community.

The European Community Social Security Regulations were extended at the Labour and Social Affairs Council on 8 December to self-employed people. The extension will be implemented by next summer and will enable the self-employed

to benefit from the Community's Regulations on Social Security, including those concerning the provision of urgent medical care where a person falls ill while visiting another Member State.

ENLARGEMENT

At the European Council on 27 November a statement was approved which emphasised the determination of the Community to bring the negotiations with Portugal and Spain to a successful conclusion and stressed the importance of continuing progress in the negotiations. The statement looked forward to the day when the leaders of both countries will take their places in the European Council as full and equal members. During the UK Presidency, intensive negotiations were also carried forward with both applicants, and significant progress made in a number of important areas.

Accession Negotiations with Portugal : the 5th Session of the Negotiations Conference at Ministerial level took place on 27 October in Luxembourg. Meetings were also held at senior official level on 22 July and 1 December. In the course of these meetings the Community presented its agreed position on:

- Customs union
- Coal and steel (ECSC)
- Social affairs
- Agriculture
- Euratom

The Portuguese delegation made declarations on own resources; customs union; and ECSC.

Accession Negotiations with Spain: the 8th and 9th meetings of the Conference at Ministerial level were held on 13 July and 26 October. Meetings were also held at senior official level on 30 September and 1 December. In the course of these meetings the Community presented its agreed position on:

- Customs union
- Agriculture

Social affairs

Euratom,

Harmonisation of Laws

Secondary Legislation (regional policy)

The Spanish delegation presented declarations on a number of subjects including the common commercial policy, customs union, external relations and Euratom

On the occasion of the meetings at Ministerial level on 26 and 27 October the President of the Council confirmed the intention of the Ten to continue to keep Portugal and Spain closely informed about Political Cooperation.

AID AND DEVELOPMENT

There was a Development Council on 3 November. Both at this Council and at the meetings of the Foreign Affairs Council during the UK Presidency a number of new measures were taken to increase or to improve the working of the Community's aid programmes for developing countries.

New Financial Protocols for the Maghreb and Mashraq countries and Israel were agreed by the Council in July. These provide for substantially increased amounts of aid and concessionary loan facilities for the countries concerned over the five years from 1 November 1981.

The Text Of A Food Aid Management Regulation was agreed in September, having been under discussion within the Community for some two years. This regulation will provide for a more efficient administration of the Community's food aid programme.

Procedures for implementing SYSMIN were agreed in September.

The SYSMIN arrangements, laid down in the second Lomé Convention, assist African, Caribbean and Pacific (ACP) minerals producers to remedy harmful effects on their productive capacity of serious temporary disruptions beyond the control of the states concerned. Two instalments of aid under this scheme have already been approved in principle.

A Plan of Action to Combat World Hunger was agreed in November. This includes an immediate allocation of 40 million ecu of additional food aid for the poorest countries in 1981, as well as a number of measures to help increase food production in the developing world.

Aid to Non-Associates : guidelines for the Community's 1982 programme were agreed in November.

New and Improved Procedures for Emergency Aid were agreed in November, providing a basis for fuller discussions and sounder decision-taking than before.

Guidelines For Community Aid For Agriculture And Food Production were approved in November, following a stock-taking exercise covering these sectors.

The Community's Generalised Scheme of Preferences was reviewed and up-dated to allow more liberal access for imports from developing countries in 1982.

ACP/EC Technical Centre for Agricultural and Rural Development : A common Community position for discussion with the ACP was established on the structure of this centre, which will provide a forum for expert discussions on agricultural development.

ACP/EC Centre for Industrial Development : Agreement was reached on a financial and personnel regulation for this centre, which provides a link between ACP states and European business.

ACP/EC Consultative Assembly : The annual plenary meeting of the Assembly was held in September and provided a useful opportunity for exchanges of views between ACP representatives and MEPs on current issues of Lomé business.

EDF Contracts : discussions are now under way within the Community on common conditions for European Development Fund contracts.

European Agency for Cooperation : A new Community institution was established to recruit and manage the bulk of the Community's overseas staff.

COMMODITIES

The Community continued to contribute to discussions under the Integrated Programme of Commodities, and played a constructive role on the basis of common positions in the international commodity agreements to which it belongs, including those on tin, rubber, coffee and wheat.

International Cocoa Agreement : The Community joined with other countries in bringing the third International Cocoa Agreement provisionally into force on 1 August 1981.

International Sugar Agreement : The Community agreed in October to open discussions with the International Sugar Organisation with a view to possible Community accession to an improved International Sugar Agreement. The Community is the only major sugar exporter which is not a member of the Agreement and its decision has been welcomed by existing members of the Agreement.

TRADE

In the trade field the Community has played a full role in all GATT negotiations, and also within the OECD and in a number of other fora.

A Revised Export Credit Consensus, along the lines proposed by the Community, was agreed after considerable debate within the OECD in October.

Multi-Fibre Arrangement and other textile trade issues :

At its meetings in November and December the Council agreed a mandate which enabled the Community to take part in negotiations in GATT on the renewal of the Multi-Fibre Arrangement (MFA) and to open bilateral negotiations with individual MFA and preferential supplier countries. Agreement was reached on 22 December on a 4½ year extension of the MFA subject to the conclusion of satisfactory bilateral agreements.

EC/EFTA : Progress has been made on the simplification of the rules of origin procedures for EC/EFTA trade, and towards providing for improved access to the Community market for a number of EFTA processed agricultural products.

Japan : Agreement was reached in December on a Community line of action on the serious trade problems which exist between the Community and Japan, and a list of Community requests was transmitted to the Japanese Government. This covers the Community's requirements for effective action by the Japanese Government to encourage imports of manufactures; for significant tariff cuts on a number of processed foodstuffs and alcoholic beverages, including biscuits, chocolate and Scotch whisky which are all of particular interest to the UK; for improvements in Japanese standards and testing procedures, and in the conditions for banking, insurance and investment in Japan; and for an effective moderation of Japanese exports in sensitive sectors. The Japanese response will be considered by the Council of Ministers in February.

EC/US : The Community has continued to keep in close touch with the US Administration about sensitive trade matters, notably steel and energy pricing.

Steel External : Agreement was reached in December on a mandate to negotiate voluntary restraint arrangements for 1982 with major steel exporting countries.

Common Rules For Imports : Agreement was reached in December on new rules on the action which can be taken in emergencies against imports from market economy third countries with which the Community has no preferential trade agreements.

EXTERNAL RELATIONS

The Community developed its relations with a number of countries and regional groupings during the UK Presidency, and also played a full part in many international fora.

A third instalment of food sales to Poland was agreed in October. This enables Poland to buy at special prices such goods as grain, beef, butter and lemons. In November, the

Budget Council also agreed to allocate an additional 10 million ecu in order to assist Poland with food supplies. This will be used to enable the supply as a gift of 8,000 tonnes of beef.

A Meeting Of The EC/ASEAN Joint Commission was held in Brussels in October.

Euro-Arab Dialogue : The Working Committees on economic, financial and cultural matters made progress in a number of areas, including the drafting of an Investment Protection and Promotion Agreement. Agreement was reached in October to set up an Economic Task Force to prepare for the proposed Ministerial meeting. This Task Force held its first meeting in November.

EC/Gulf : It was agreed in September to seek preliminary and informal contacts between the Community and the Gulf Cooperation Council. These are now taking place.

EC/Yugoslavia : A Mandate for negotiations with Yugoslavia on an Adaptation Protocol to amend the EC/Yugoslavia Agreement of 1980 to take account of Greek accession was agreed in September, and the Commission is currently negotiating with the Yugoslav Government. The Mandate provides inter alia for access to the Community market for larger quantities of Yugoslav baby beef under the 1980 Agreement. In October, agreement was also achieved on improved financial arrangements for the export of Yugoslav baby beef to the Community.

The New EC/India Cooperation Agreement, with provisions for wider ranging economic cooperation, entered into force on 1 December.

A Decision To Open A Commission Office In India was also taken, reflecting the importance the Community attaches to its relations with India. It will among other things enable better administration of the Community's aid programme in India.

The First Meeting of the EC/Romania Joint Commission, set up under the EC/Romania Agreement signed in 1980, took place in November. Both sides stressed the importance of the

EC/Romania Agreement on Trade in Industrial Products, which it was agreed had led to a worthwhile improvement in commercial relations between the Community and Romania.

The EC/China Joint Commission met in Peking in November to review progress under the EC/China Cooperation Agreement. The Community presented a package of trade liberalisation measures.

EC/Latin America : A second round of the renewed dialogue between the Community Permanent Representatives (COREPER) and the Group of Latin American Ambassadors to the Community (GRULA) was held in December. It identified areas for future cooperation and also priorities in the development field.

North/South Dialogue : Three Community members attended the Cancun meeting, and the Community has taken a leading part in the reaffirmation of the commitment of the international community to a new round of Global Negotiations, to be launched in the United Nations in 1982. The Community has further developed common positions for these negotiations and played an active and distinct role in the preparations for them in New York.

UN Conference on Least Developed Countries in Paris in September : the Community played a full role in this conference, which agreed with Community support on a target of 0.15 of GDP for aid by developed countries to the least developed countries.

Nairobi Conference on New and Renewable Resources of Energy : The Community played a central mediating role in the discussions which led up to agreement on a programme of action to provide the necessary international framework for developing the indigenous energy resources of the developing countries over the next decade.

RELATIONS WITH THE EUROPEAN PARLIAMENT

Recognising the need for the Community institutions to work closely together, the UK Presidency took a number of initiatives designed to improve cooperation between the Council and the Parliament:

- (i) The President in Office of the European Council accepted an invitation to make a statement to the European Parliament about the European Council meeting held in London under her Presidency.
- (ii) For the first time, all ten Foreign Ministers, together with the President of the Commission and Mr Andriessen, the responsible Commissioner, met the President of the European Parliament and leading colleagues in November.
- (iii) Seventeen Ministers from the Presidency (including the Prime Minister) participated in the Parliament's work in plenary session or committee.
- (iv) The procedures for the Political Cooperation Colloquies were improved in agreement with the Political Affairs Committee, thus providing for better preparation and discussion.
- (v) The Presidency, with the Council Secretariat, ensured that Parliament's Opinions and Resolutions were taken into account at all appropriate levels of Council discussion of the subjects addressed. Amongst those Resolutions were several touching on inter-institutional relations which will continue to form a basis for discussion of those relations.
- (vi) In the budgetary field, the Council introduced the practice of consulting the Parliament before Council meetings, in order to further understanding of each other's positions.

POLITICAL COOPERATION

Following the decision of Ministers in December 1980 to review the machinery of procedures of Political Cooperation, Ministers agreed on 13 October the London Report on Political Cooperation. This document with the Luxembourg and Copenhagen Reports now constitutes one of the fundamental documents for Political Cooperation. It incorporates:

- (a) a strengthened political commitment to advance consultation before adopting final positions or launching national initiatives on all important foreign policy questions of concern to the Ten as a whole;
- (b) agreed procedures for contacts with third countries;
- (c) an emergency procedure for convening a meeting within 48 hours at the request of three member states;
- (d) agreement that a small team of officials from preceeding and succeeding Presidencies should be set up assist the Presidency;
- (e) recognition that the Commission should be fully associated with Political Cooperation;
- (f) agreement that the Ten should continue in a flexible and pragmatic manner to discuss certain foreign policy questions bearing on the political aspects of security.

During the UK Presidency the Ten have continued to build on the contacts made by the previous President in office, Mr van der Klaauw, and to pursue the search for a just, comprehensive and lasting settlement in the Middle East. The UK Presidency has kept in close touch with all the parties concerned. Lord Carrington visited Saudi Arabia on behalf of the Ten from 3-5 November to explore the eight points put forward by Crown Prince Fahd. After consultation among the Ten four Member States acceded to the request of the United States, Egypt and Israel to participate in the Sinai MFO. The Ten expressed their shock at the assassination of President Sadat, and made clear their continuing support for Egypt. The Ten deplored Israel's decision to extend its jurisdiction to occupied Syrian territory in the Golan Heights as contrary both to international law and to efforts to achieve a peace settlement in the Middle East.

The Euro-Arab Dialogue was carried forward with a meeting of the Ad Hoc Preparatory Group in October to prepare for the proposed Euro-Arab Ministerial Meeting.

As President in Office Lord Carrington visited Moscow for talks with the Soviet Foreign Minister about the European Council's proposals for a two stage conference on Afghanistan. The European Council in December confirmed its view that these proposals represent a practical and realistic way towards a solution of the problem of Afghanistan. Lord Carrington discussed the proposals further with Mr Gromyko at the UN General Assembly in September. In spite of Soviet intransigence, the proposals have gained wide international acceptance.

Following the imposition of Martial law in Poland Ministers of the Ten called on all signatories of the Helsinki Final Act to refrain from interference in Poland and stated that they looked to Poland to continue the process of reform and renewal.

A meeting between the Foreign Ministers of the Ten and the ASEAN Foreign Ministers, the second to be held, took place in London on 13 and 14 October.

The Ten welcomed President Reagan's speech of 18 November in which he announced the commitment of the US to the goal of major disarmament by means of mutual reductions in nuclear and conventional forces and confidence building measures. They welcomed the opening of talks between the United States and the Soviet Union on intermediate range nuclear weapons.

The Ten have worked closely together at the Madrid meeting on the CSCE for measures to improve respect for human rights in Europe and for a Conference on Disarmament in Europe.

The Ten made a joint evaluation of the results of the second round of reports on the operation of the Code of Conduct on employment practices in South Africa. They noted the Code of Conduct had contributed to improvements in practices in labour relations in South Africa.

At the United Nations General Assembly under the UK
Presidency the Ten have made over one hundred joint statements and
explanations of vote.

22 December 1981

ADDRESS

BY

The Rt. Hon. Margaret Thatcher, MP
President of the European Council

to the

European Parliament

Strasbourg

16, December, 1981.

Press Office,
10, Downing Street,
London, S.W.1.

(Tel: 01-930 4433)

Madam President, Ladies and Gentlemen.

This occasion is a pleasure and a privilege for me. It marks an important point in the development of the European Community.

This 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.

And the fact that we meet today recognises^{that} among other things that the European Council has become an important part of the European scene.

It gives Heads of Government the opportunity to discuss matters where Community business and political considerations overlap. We need this opportunity for a general exchange of views as well as for the resolution of the Community's most important problems.

/Throughout

The European Council held in London on 26/27 November was just such an occasion. The atmosphere throughout was friendly and constructive. Certainly there was more detailed discussion than usual because of the nature of the agenda. Nevertheless, we spent several hours discussing the commanding problems of world recession and East/West relations. Indeed, this European Council well illustrated the two features of our relationship -

the first, the problems that have to be resolved between us;

and the second, our relationship with the outside world. Both are equally important to the well-being of the people whom it is our privilege to represent.

The Mandate

The main subject we discussed was the Mandate of 30 May. It is worth recalling how it originated.

The problem arose when one of the Member States, my own country, found itself bearing an unacceptable and increasing budgetary burden as a result of the combined effect of Community policies. As the Community analysed this problem, it became clear that the real issue was not confined to budgetary matters. It concerned the whole balance of Community policies, including the relationship of agricultural expenditure to regional, social and industrial expenditure.

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Agriculture absorbs the preponderant share of the Community budget and leaves insufficient resources for other areas equally relevant to the problems of advanced industrial societies, especially at a time of economic recession.

The Community agreed, on 30 May 1980, that the problem should be resolved, and I quote - "By means of structural changes". The Commission was given a Mandate to produce proposals as to how this could be achieved without infringing basic Community principles. The Commission's Report was produced in June and concentrated on three main areas or "Chapters". These were the reform of the Common Agricultural Policy, the development of other Community policies, in particular economic, regional and social policies, and the Community budget, and it was agreed that all three Chapters must be considered in parallel.

Behind the prosaic words of the Mandate lies the essential belief that, if it is to endure, a venture as bold and imaginative as the European Community must adapt to changing circumstances and to the hopes of generations yet to come. To the Community, as well as to its Member States, the dictum of that distinguished political thinker Edmund Burke applies. He said, in the 18th Century:-

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"A State without the means of change
is without the means of its conservation".

Speaking for myself, I believe that the Community can and will rise to the occasion. For however diverse our national histories, we all know that our future lies in working together. Of course, the modern tendency of politicians is to want more spending on their own particular interests in their own country. Indeed, it is sometimes hard to believe that Parliamentary democracy started with the intent to curb the power of the executive to impose greater taxation on ordinary citizens. Throughout our deliberations in the European Council ran the constant reminder that our resources are limited and that the question is how to allocate them fairly.

The 30 May Mandate laid on the British Presidency the responsibility of reaching decisions by the end of this year. That target was always ambitious. It became more so when a change of Government brought about in one Member State by national elections understandably delayed detailed discussion until well into September.

The responsibility of the Presidency, against the background which I have described, was truly heavy^{and} we have made strenuous efforts to advance the discussions. At the European Council on 26/27 November the three Chapters were talked over in great detail - from the Community loan facility and its extension, through the proper priorities of regional policy and its finance, prudent policies for agriculture,

national aids, export and import policies to the budgetary decisions themselves. Throughout, we recognised that each conclusion could only be conditional as it rested on a comprehensive agreement about all three Chapters.

I had very much hoped to be able to report to you today that the European Council had been able to reach full agreement on all these matters. Unfortunately I cannot do so.

Much progress was made. But on four main areas we were unable to reach any measure of agreement. These are:-

- first, the problems arising from the Community's milk regime;
- second , the way to deal with Mediterranean agriculture;
- and - third , how to relate the share of agricultural expenditure to the development of the Community budget as a whole;
- and - fourth. , how to ensure that no Member State is put into an unacceptable situation as a result of the total effect of the Community budget.

We asked our Foreign Ministers to meet informally as soon as possible in a further effort to resolve these matters and to report to Heads of Government. That meeting took place on 14 and 15 December.

ALCOHOL

Despite their best endeavours, Foreign Ministers were not able to reach agreement on the outstanding points. They therefore decided to invite the President of the Commission to make revised proposals for guidelines on the four points in the light of their discussions. They have agreed to meet again to consider these proposals in the first half of January. I hope rapid progress can then be made. Further delay will serve no-one's interests and the need to press ahead remains as strong as ever.

Madame President

This Parliament will wish to know that at the beginning of the Council's proceedings, Mr. Papandreou, the Prime Minister of Greece, made a statement about the economic problems of Greece and his Government's attitude towards the Community. and I should also report that Chancellor Schmidt and Signor Spadolini drew the attention of the European Council to the ideas put forward by their Governments for closer European co-operation. Foreign Ministers will now examine the ideas, some of which are far reaching, and report back to a future European Council.

/WORLD ECONOMIC SITUATION

WORLD ECONOMIC SITUATION

Madam President

Our Community works against the backcloth of world economic problems. The European Council addressed itself to the economic and social situation and the difficulties facing us at a time of continuing world recession.

Accustomed to growth over many years we have entered a period when we do not expect to see it resume at such a rate for some time to come.

This, and advancing technologies and changing patterns of world trade have left our countries with levels of unemployment we thought never to see again.

Every country is especially concerned about unemployment among youth and we all recognised the need for better training. We shall return to this aspect of our work at future Councils.

In our general approach to economic policies we endorsed the view of the Commission namely:

"That the objectives of fighting inflation and unemployment need determined policies to bring deficits under control, and to keep production, distribution and unit labour costs in check."

/Perhaps one

Perhaps one of the most interesting parts of that discussion centred on the effect of high public deficits. They, we were told, lead to unusually high real interest rates which in turn strangle expansion. Thus high public deficits turn out not to be re-flationary but de-flationary.

Madame President

At times of national difficulty the tendency to protectionism is strong. But apart from limited areas where a period of adjustment is necessary, we recognise that it is not in the best interests of our people. Protectionism in some products can so easily lead to retaliation in others.

We were very conscious that we need to pursue a Community policy on trading with Japan. The Community has put its detailed points to the Japanese Government and we now await their response. In the meantime we have to continue to rely on national arrangements so as to re-inforce the efforts of the Community as a whole.

As the third anniversary of the European Monetary System falls next March we agreed to review its operation at that time.

The theme of economic co-operation between countries including the United States ran strongly through all our deliberations. We are each affected by the economic policies pursued by others. We believe that that is something we must ^{each} take into account in order the better to come through recession to expansion of world trade once again.

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POLITICAL CO-OPERATION

Madame President

The Community is, and must continue to be, a force for stability in the world - a world that is sadly torn and distracted by conflict. Co-ordination of foreign policies through political co-operation is a key element in that role. It is vital to come together quickly in times of tension.

The European Council welcomed the London report of the Foreign Ministers which provided for important practical improvements in the organisation of political co-operation.

The growing strength and cohesion of Europe in these matters is reflected in the way Heads of Government approached issues and the range of issues they discussed. We were not simply discussing language for resounding communiques. We were constructing European policy - policy which increasingly involves taking initiatives, rather than merely responding to events.

The problems discussed included East/West relations, Afghanistan, Poland and Disarmament and the Middle East. The Federal Chancellor told us about his conversations with President Brezhnev on the occasion of the latter's recent visit to Bonn.

/We all agreed

We all agreed on the importance of keeping open the channels of communication between East and West. We welcome the commitment of the United States, announced in President Reagan's speech of 18 November, to achieve major mutual reductions in nuclear and conventional systems.

The Council restated in strong terms its concern at the continuing Soviet occupation of Afghanistan.

EUROPE AND DEMOCRACY

Madam President, the protection and furtherance of liberty and democracy was the purpose which inspired the founding of the Community. That purpose is as urgent today as when the Community began. With regard to the accession of Spain and Portugal, the European Council reaffirmed our strong political commitment to bringing the negotiations to a successful conclusion. These negotiations involve problems. But we all have a common interest in strengthening these newly restored democracies and in supporting them in their solidarity with the aims of Western Europe.

/Madam President,

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The representation of the people is an essential principle of democracy. The Presidency have worked^{hard}/to improve the dialogue between the Council and the Parliament. Thanks to the co-operation we received from you, I believe we have had some success.^{And} this is one reason why I am here today. 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.

The common aim of all these deliberations is to help create a Community which functions more effectively, which protects the democracy and freedom which Europe cherishes and which takes all available opportunities to extend that democracy.

For, Madam President, this area of stability and democracy in Europe is a priceless asset in a troubled world. We often count our problems ^{and}/we should sometimes count our blessings. And I say this in particular in a week when the events in Poland are much on our minds.

The problems of Poland are for the Poles to solve. And we hope they will do so by a process of compromise and negotiation. We must not take our liberties for granted. In the changing world in which we live, we must work if we are to preserve them.^{And}/it is that challenge which makes progress on our^{own}/problems so imperative. I hope that by the time the Belgian Presidency comes to report on the outcome of the European Council in March next year, it will be possible to describe substantive conclusions on many of these issues.

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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. ^{Madame President} For freedom must mean more than freedom to differ. It must mean freedom to act together to conserve our common beliefs, - so that our children may enjoy that peace with liberty which is the greatest gift to mankind.

SUCCESS OF EC POLITICAL COOPERATION

Political Cooperation among the Ten is an increasingly successful and important part of the development of Europe. In recent years it has become a central element in the conduct of foreign affairs for all those involved. While the traditional instruments of foreign policy remain in the hands of individual member states in an increasing number of areas of diplomacy those separate foreign policies are coordinated so that the member states of the Community speak with one voice.

The process has been a decade or so in the building and the new London report on Political Cooperation, agreed by the Council of Foreign Ministers at their 13 October 1981 meeting in the British capital, strengthens it considerably. Not only does the report put the seal of approval on practices which have developed over recent years, and make improvements in procedures, but it lays the foundation on which the main elements of a common foreign policy could be built.

The emergence of foreign policy cooperation between the members of an organisation which on the surface seems to be concerned only with trade and economic issues was an inevitable development. It is well to remember that the European Community's foundations were political. The central aim of its founders was to prevent the recurrence of wars among nations whose nationalistic aspirations had ravaged Western Europe intermittently over the centuries. It is the same philosophy that makes it a basic requirement that all member states, and countries seeking membership, shall have a democratic government.

International Scene

Given the many historical, geographical and trade links which member states have with foreign countries and their many economic assets there, the Community could never have been an inward looking organisation. All its members had and still have an interest in some part of the international scene. Couple this with the fact that the Treaties had created the Council of Foreign Ministers as the Community's central organ, and it was to be expected that Ministers meeting in this forum would not confine themselves to purely Community matters but would exchange views on international developments.

EUROPEAN BRIEF

Proposals for a political framework, parallel to the economic framework of the Community were discussed by the Fouchet Committee (1962), but it was not until 1970 that Political Cooperation was formally established in the Luxembourg Report. Much of the credit for the practical and imaginative arrangements for Political Cooperation belongs to Viscount Davignon, then a senior official in the Belgian Foreign Ministry and now a Vice President of the Commission. The Luxembourg Report (or 'Davignon Report' as it was originally known), with the Copenhagen Report of 1972, constituted the basic texts for political cooperation and set up the machinery for it. The London report now makes further refinements and additions.

Statesmen of the Community had seen that two main advantages would derive from political cooperation. The first was the consideration that if all the Ten could speak in unison, or at least in harmony, there would be a much greater impact on the world than if member states spoke with individual voices. The second was that, with the growth of multilateral diplomacy, medium sized countries wishing to be effective on the international scene need to operate as a group.

The way in which the Ten work together at the United Nations illustrates both points. They enjoy the reputation of being the best organised and the most effective of the regional groupings at the UN. On over 80% of United Nations business they vote in unison, and increasingly foreign representatives are asking to meet the Ten as a group. Outside the United Nations the Ten are also being recognised by third countries as a coherent force in international relations and, significantly, as a European "voice". In world terms there can be an advantage in a situation where in third country eyes the view of 'The West' is seen as not necessarily being that defined by the foreign policy of the United States.

Central Element

Hitherto foreign policy making in Community countries had been a strictly national preserve, but political cooperation has very much changed that. The flow of information and the degree of consultation among the Ten has increased enormously. Political cooperation has so developed that it has become a central element in the foreign policies of all member states. It has become routine practice in dealing with some new problem or situation to consider how best the other Community partners can be consulted, and in some areas of diplomacy British policy is now formed wholly within a European context. This is not to say that political cooperation coverage of the field of international affairs is comprehensive. There are some areas or problems which are not discussed, and there are other questions on which the Ten simply do not agree. One of the fundamental rules of the system is that a common line requires common consent, and the wide range of agreement which already exists among the Ten is an encouraging indicator of the progress already made in political cooperation.

EUROPEAN BRIEF

The Middle East and Afghanistan are two examples of how the process is operating. These two problem situations have served not only to show the effectiveness of the process but also to teach the Ten some lessons on how their own procedures could be improved.

The Ten's diplomatic activity over the Middle East has attracted most attention, particularly since the Venice European Council at which the Ten propounded their view. What have become known as 'The Venice Principles' set out a sound balanced position which the Ten see as essential to a comprehensive peace settlement and at the same time giving a constructive base for activity. The main requirement is two-fold: acceptance by all parties of the Palestinians' right to self-determination, and the right of Israel to a secure existence.

Observers see the Venice principles as a distinctly European position clearly distinguished from the American Camp David developments, although Europe's agreement to take part in the Sinai force shows willingness to help in facilitating the Israeli withdrawal under Camp David.

The Community's continuing concern with the Middle East problem was underlined in November 1981 when Lord Carrington, as President of the Council of Ministers, visited Saudi Arabia on behalf of the Community to pursue a further round of talks in the peace quest and in particular to discuss Prince Fahid's proposals, which themselves have many points in common with the Venice principles.

Response to Afghanistan

Afghanistan was somewhat different. There was an embarrassing hiatus after the invasion and before the Ten made any response. This led critics to suggest that the Community was reluctant or unable to react in a major international crisis. The hiatus was not due so much to differences between the Ten (though this may have played a part) but to faults in their procedures. The Russian invasion came over a Christmas and New Year period, at the time of handover of the Council Presidency. The lack of continuity which this presented and the absence of any mechanism to trigger the Community alarm system, was the main cause of the delay.

Subsequently Lord Carrington, in his Hamburg speech in November 1980, made three suggestions about how to improve the position. He called for a re-examination by member states of their political commitment to cooperation on foreign policy, and he urged them to find ways of cooperating more closely and of committing a greater part of their national diplomatic efforts to furthering Europe's common objectives. He then said that a small high-quality support staff was needed, perhaps seconded from member states, to assist the Presidency in its political cooperation role. Thirdly, to avoid the kind of delays which occurred over the Afghan crisis, Lord Carrington suggested a procedure for convening meetings quickly in cases of crisis.

EUROPEAN BRIEF

The London report incorporates all these points. It strengthens and makes more precise the commitment of the Ten to consult partners and to seek a common line on foreign policy questions. It creates a small support staff by means of systematic secondments from preceding and succeeding presidencies to help with the political cooperation responsibilities. And it sets up a procedure whereby in an international crisis a meeting of the political committee or the Ministers of the Ten can be convened within 48 hours at the request of three member states.

The report also puts an end to years of wrangling by agreeing that the Commission will be fully associated with political cooperation. This means that in future it will, as of right, attend meetings of working groups, of the political committee, and of the Foreign Ministers.

Another important feature of the report is its emphasis on the importance of the relationship between the Ten and third countries, and the role of the Presidency in conducting such contacts on behalf of the Community.

It is suggested in some quarters that Political Cooperation and the Community offers alternative approaches to the process of European integration. A little reflection will show that this is not only misleading, but that it is totally wrong. So is the suggestion that a member state could belong to one and not to the other. The importance of a coherent approach which is both political and economic is demonstrated by a number of events, not least the situation in Poland and the embassy hostages episode in Iran when economic sanctions became an issue - and this is recognised in the London report's acceptance of the need for the Commission to be fully associated with Political Cooperation.

In the long run foreign policy is the external reflection of internal policy. Therefore those who believe foreign policy a particularly suitable field for European cooperation, and those who wish to concentrate on strengthening the internal mechanisms of the Community - and the United Kingdom wishes to do both - are essentially working in the same direction.

Political cooperation has come a long way, and with the London report it moves to new strengths and looks to the future. As the report says, in spite of what has been achieved already the Ten are still far from playing a role in the world appropriate to their combined influence. It is the conviction of the Council of Foreign Ministers that the Ten should seek increasingly to shape events and not merely to react to them.

For its part, the United Kingdom intends to participate fully in the process of achieving that aim.

ENDS EUROPEAN BRIEF NO 009/81

EUROPEAN BRIEF 008/81

BRITAIN'S CONTRIBUTION TO THE COMMUNITY BUDGET

As part of the negotiations under way on the 30 May Mandate the Commission have produced a series of reports on various aspects of the negotiations. These cover subjects like agriculture, industry, social policy and so on.

One of these reports is on expenditure, financing and net balances for 1980 and 1981 and gives new estimates for these years of the net contributions/receipts of all Member States to/from the Community Budget. Although there are some doubts about the technical basis on which these figures are calculated, there is a marked change from earlier expectations.

The United Kingdom's unadjusted net contributions are considerably lowered by the new Commission estimates. The old 1980 and 1981 figures of 1784 million and 2140 million ecus are reduced to 1521 million and 1505 million respectively. As a consequence of this, the refunds agreed under the 30 May 1980 agreement reduce Britain's adjusted Budget contributions for the two years to 346 million and 95 million ecus instead of 609 million ecus and 730 million ecus as expected at the time of the 30 May 1980 agreement.

This is highly satisfactory in that it reduces what was, even after the 30 May agreement, a large net contribution for one of the poorer Member States. But it does not mean, as some observers may claim, that the problem has gone away or is on the way to resolving itself. The fact is that the newly estimated reduction in net contribution figures can be only a temporary affair.

The reduction has been brought about mainly as a result of higher than expected world agricultural prices, which have reduced the burden of FEOGA expenditure because less money has been needed to subsidise the export of agricultural products. The decline in the value of the dollar has also played a part. But there is no reason to suppose that the situation will be sustained;

world agricultural prices are subject to wide fluctuation and there is every likelihood that the UK will soon find itself once more with an intolerably high unadjusted net contribution. Britain's unadjusted net contribution in 1982 could easily be over 2,000 million ecus. Clearly another unacceptable situation.

Redistribution

Another suggestion which is sometimes made is that the Budget problem could be resolved simply by redistribution of the Community budget between existing policies. This should indeed be the long term solution, but the fact is that it cannot possibly provide a solution in the short term. The scale of the problem is too large. As an illustration of this, to achieve the same effect for the UK as the 30 May agreement in 1980 on the original assumption would have meant reducing the Community's agricultural expenditure by two-thirds.

Alternatively, to achieve the same effect by increasing non-agricultural Community expenditure, and assuming that Britain got roughly a 25% gross share of the Regional and Social Funds, it would have been necessary to have increased these two funds by over twenty times. The Community could not agree to changes of this order.

Because the process of redistributing the money among the various funds is clearly going to take a long time to be effective, some budget corrective mechanism is urgently necessary to cover the intervening period. Some Member States want this to be another ad hoc agreement based on lump sum refunds like the arrangement for 1980 and 1981. Yet at the same time they complain that the UK has done too well out of that arrangement. It would surely be more logical to conclude that future compensation should not be based on possibly inaccurate forward estimates, as a lump sum scheme would be, but should be based on objective and defensible criteria such as relative prosperity and population size.

The United Kingdom is seeking agreement for corrective measures based on such criteria which would be equitable and would last as long as the problem itself, that is until adjustments to the balance of Community policies had taken effect and the problems of unacceptable imbalances had been resolved by these means.

ENDS EUROPEAN BRIEF 008/81