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WHITE PAPER: DEVELOPMENTS IN THE  
EUROPEAN COMMUNITY - JULY TO DECEMBER 1981

Note by the Secretary of State for Foreign and Commonwealth Affairs

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1. Members of the Defence and Overseas Policy Committee, Sub-Committee on European Questions have already seen a draft of the "White Paper on Developments in the European Community, July to December 1981."
2. The attached pre-publication version is circulated for the information of Cabinet. It will be published on 24 March.

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Foreign and Commonwealth Office

23 March 1982

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**Developments in the  
European Community  
July–December 1981**

DEVELOPMENTS IN THE EUROPEAN COMMUNITY  
JULY TO DECEMBER 1981

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## SECTION I: INTRODUCTION

1.1 This White Paper covers the period of the United Kingdom Presidency of the Council of Ministers, from 1 July to 31 December 1981. The Government's hopes for this period and how they were realised, are summarised in the Foreign and Commonwealth Secretary's speeches to the European Parliament of 8 July and 17 December, and are printed at Annex F.

1.2 The Presidency maintained close links with the institutions of the European Community (EC) and developed effective relations with the European Parliament in particular. On 16 December, the Prime Minister attended the Parliament to give an account of the meeting of the European Council on 26-27 November at Lancaster House, the first time the Head of Government of the Member State holding the Presidency had done so. Her speech is at Annex E.

1.3 A major preoccupation at the European Council, and indeed throughout the United Kingdom Presidency, was the Commission's report of 24 June 1981 on the restructuring of the Community Budget which had been produced in response to the Mandate from the Council of 30 May 1980. There were intensive discussions on the development of Community policies and the measures needed to deal with the Community's budgetary problems. Some progress was made when guidelines for a solution were discussed at the European Council, and provisional agreement was reached subject to the resolution of four key issues. A special meeting of Foreign Ministers on 14-15 December further clarified these issues.

1.4 The Agriculture Council agreed on the desirability of looking at the future development of Community agriculture against the medium term prospects for production and consumption. The importance of making a start on the work needed to secure a firmer grip on the problem of state aids in the agriculture sector was impressed on the Council and the Commission. Discussion of the future development of the Common Agricultural Policy (CAP) was pursued in the context of the negotiations on the 30 May Mandate. A good start was made to the discussions on the changes needed to the fruit, vegetables, olive oil and wine regimes in the context of enlargement.

1.5 The Fisheries Council made progress towards a settlement of the revised Common Fisheries Policy. In particular, agreement in principle was reached on a revised marketing regime, and the EEC/Canada agreement was approved and ratified. Agreement was also reached on the renewal of the interim scheme of grant aid for inshore fishing vessels and aquaculture, on guide prices for 1982 and on reciprocal fishing arrangements with Faroe and Sweden. Considerable progress was made on a draft regulation for Community wide control and enforcement of fisheries measures.

1.6 In the field of environmental protection the efforts of the United Kingdom Presidency focussed on the Council of Environment Ministers in December, which made useful progress on a wide range of issues. Agreement was reached on two important proposals: the draft directive on major accident hazards and the draft directive on discharges of mercury to water.

1.7 The United Kingdom Presidency laid emphasis on the need to make more of a reality of the single market for goods and services following agreement at the June European Council that a concerted effort must be made to strengthen and develop the internal market. The Government attached great importance to the discussion of Community air fares. Following a United Kingdom initiative the Commission produced a report and draft directive. Discussion also continued throughout the Presidency on the liberalisation of intra-Community regional air services.

1.8 In the energy sector the central objective remained the restructuring of energy economies away from oil imports and oil use. Economic energy pricing had a key role to play in this process and in December the Council adopted Conclusions to develop Community pricing principles and to put in hand further work to improve price transparency and the consistency of energy pricing policies.

1.9 Foreign Ministers of the Ten had frequent discussions on all major foreign policy questions including the Middle East, Afghanistan, and Poland. They had a successful meeting with their opposite numbers from the Association of South East Asian Nations (ASEAN). Ministers also agreed the London Report on European Political Co-operation.

1.10 Serious concern about the Community's trade relations with Japan continued to grow. The Foreign Affairs Council in December approved a Commission list of requests for action by Japan aimed at improving the Community's balance of trade with Japan. The list was formally presented to the Japanese Government.

1.11 Under the United Kingdom Presidency the Community reached a common negotiating position on proposals for changing the International Arrangement on Guidelines for Officially Supported Export Credits (the Consensus). This paved the way for an interim agreement by all 22 Consensus members and averted the immediate risk of a damaging credit race between the Community countries, the United States and Japan.

1.12 Intensive negotiations continued with both Portugal and Spain concerning their accession to the Community and significant progress was made in a number of areas. The European Council on 27 November emphasised the Community's determination to bring the negotiations to a successful conclusion.

1.13 A protocol extending the Multifibre Arrangement was adopted by the GATT Textiles Committee. The Commission stated that they would recommend conditional acceptance of the protocol to the Council early in 1982.

## SECTION II: THE 30 MAY MANDATE

### Restructuring the Community Budget

2.1 The Commission's Report of 24 June on the Mandate given to it by the Foreign Affairs Council on 30 May 1980, was the starting point for an intensive series of discussions under the British Presidency on the basis agreed by the European Council on 29-30 June. The discussion of the

Report covered three main areas: the development of non-agricultural policies, reform of the CAP, and the problem of excessive net contributions to the budget by Member States.

2.2 In July, special meetings of the Committee of Permanent Representatives were held to clarify points in the Report and, in the light of this work, the September Foreign Affairs Council (which had been asked by the June European Council to work on this subject in preparation for their November meeting) had a full discussion of the issues and agreed to set up a special Mandate Group, consisting of one representative of Ambassadorial rank from each Member State. The Mandate Group held weekly meetings in the course of which it had thorough discussions of each of the three areas of the Mandate. On 19 October the Agriculture and Finance Councils had general orientation debates on the CAP and financial aspects of the Mandate respectively, and the Foreign Affairs Council held another full discussion of all the issues on 26-27 October.

2.3 Discussion thereafter concentrated on preparation for the European Council. The Mandate Group drew up a report for discussion at the November meeting of the Foreign Affairs Council. During this meeting which devoted a full day and a half to the Mandate, the Foreign and Commonwealth Secretary accompanied by the President of the Commission, had bilateral meetings with each of his counterparts to discuss the key issues for each Member State and to try to find a way forward. A further special Council meeting was held on 19 November.

2.4 The European Council on 26-27 November devoted much of its time to the Mandate (see Annex E) and reached provisional agreement on guidelines subject to resolution of four outstanding issues. These issues were: milk policy, Mediterranean agriculture, a financial guideline for CAP expenditure and the problem of unacceptable budgetary situations. Foreign Ministers continued discussions on these issues at an informal meeting on 14-15 December in London and although they did not reach agreement, they made further progress. They had a particularly thorough discussion of the budgetary issue, on which there was general agreement that the United Kingdom faced a problem which should be corrected but not on how to correct it. They agreed to meet early in January under Belgian Presidency to consider the four issues again on the basis of new texts to be produced by the President of the Commission.

### SECTION III: POLITICAL CO-OPERATION

#### Improvements in Political Co-operation

3.1 On 13 October Foreign Ministers of the Ten agreed the London Report on European Political Co-operation. This embodies a stronger political commitment and improved machinery, including the establishment of a small team of officials seconded from preceding and succeeding Presidencies to assist the Presidency, and new crisis procedures. It also reflects the increasingly close relation between Political Co-operation and the Community by establishing that the Commission will be fully associated with Political Co-operation. This follows the experience which

the Ten have gained in situations such as Poland where the political and economic factors are closely inter-related. This Report also gives increased emphasis to contacts between the Ten and third countries.

### **East/West Relations**

3.2 The Ten maintained their close co-operation in the field of East/West relations and remain committed to the search for a peaceful solution to international problems. The European Council agreed on the need to keep channels of East/West communication between governments open at all times, and welcomed the reaffirmation of the United States' commitment in President Reagan's speech of 16 November to the goal of major disarmament by means of mutual reductions in nuclear and conventional forces and confidence building measures in Europe.

### **Poland**

3.3 The Ten paid particular attention to the situation in Poland. At their meeting on 15 December, Foreign Ministers of the Ten expressed their concern at the development of the situation in Poland, at the imposition of martial law and the detention of trade unionists. They expressed their profound sympathy for the Polish people in this tense and difficult time, and looked to all signatory states of the Helsinki Final Act to refrain from any interference in the internal affairs of the Polish People's Republic. They looked to Poland to solve these problems herself and without the use of force so that the process of reform and renewal could continue. The Ten have made their views clear to the Soviet Government and the Russians can be in no doubt that direct intervention would have grave consequences for their relations with the Ten and for East/West and international relations generally.

### **Afghanistan**

3.4 The Ten continued to make clear their view that the Soviet occupation of Afghanistan has damaged international trust and confidence. The Foreign and Commonwealth Secretary, in his capacity as President-in-office, went to Moscow on 6 July to present the European Council's proposals for a two-stage international conference on Afghanistan to the Soviet Government on behalf of the Ten. The Soviet reaction, however, was disappointingly negative. Lord Carrington subsequently met Mr. Gromyko in New York on 22 September for a further discussion of the proposals, and it became apparent that the Russians still had no intention either of withdrawing until resistance ends or of allowing the Afghan people to have a government of their own choice. The Ten's proposals have, however, gained the support of some 70 non-EC countries, and remain on the table. They offer the Russians a sound framework for serious negotiations if the political will is there.

### **Conference on Security and Co-operation in Europe (CSCE)**

3.5 The Ten attached particular importance to the co-ordination of their views on CSCE, which they regard as a useful and important process. Intensive consultations served to enhance the contribution they made at the

Madrid conference. Delegations of the Ten worked for a substantial and balanced concluding document. Provisional agreement has been reached in a number of areas, but there has been no agreement yet on the question of a Conference on Disarmament in Europe, or on the human rights issue. The Madrid meeting adjourned on 18 December and will resume in 1982.

### **Middle East**

3.6 The Ten continued to play an active role in the search for a just, comprehensive and lasting settlement in the Middle East. The United Kingdom Presidency sought to persuade all concerned of the value of accepting the Venice principles as a basis for a comprehensive peace settlement. The Foreign and Commonwealth Secretary visited Saudi Arabia on behalf of the Ten on 3-5 November to explore further the principles put forward by Crown Prince Fahd in August and was encouraged by the extent of common ground they shared with the thinking of the Ten.

3.7 Four Members of the Ten, with the agreement of their partners, agreed to a request from the United States that they should participate in the Multinational Force and Observers in the Sinai. The Ten consider that this meets the wish frequently expressed by members of the Community to facilitate any progress in the direction of a comprehensive peace settlement in the Middle East on the basis of the mutual acceptance of the right to existence and security of all the states in the area and the need for the Palestinian people to exercise fully its right to self-determination.

3.8 At their meeting on 15 December, Foreign Ministers of the Ten strongly deplored the decision of the Government and Knesset of Israel to extend Israeli law, jurisdiction and administration to occupied Syrian territory in the Golan Heights. They made clear their view that this extension was tantamount to annexation and contrary to international law. They therefore considered it invalid, and pointed out that this step prejudiced the possibility of the implementation of Security Council Resolution 242 and was bound to complicate further the search for a comprehensive peace settlement in the Middle East, to which they remained committed.

3.9 The Ten heard of the assassination of President Sadat with the greatest shock. But they were encouraged by the orderly transfer of power in Egypt and by the commitment to continuity shown by President Mubarak, who has their full support.

### **Euro/Arab Dialogue**

3.10 The Ten attached importance to the development of the Euro/Arab dialogue and preparations continued for a meeting at Ministerial level, but a number of issues of substance remain to be settled.

### **South-East Asia**

3.11 The Ten paid close attention to events in South-East Asia, and in particular further developed their relations with the members of ASEAN. The Foreign Ministers of the two groups met on 13-14 October in London, when they had a wide-ranging and constructive exchange of views about current international and regional problems. They paid particular attention



to current areas of instability in Asia and deplored the continued presence of Vietnamese armed forces in Cambodia and of those of the Soviet Union in Afghanistan. The ASEAN Ministers reiterated their support for the European Council's proposal for an international conference on Afghanistan.

#### **United Nations**

3.12 The Ten sought to maintain and improve their intensive consultation and co-ordination at the United Nations General Assembly (UNGA). The Ten achieved a common vote on a high proportion of the resolutions adopted, and placed particular emphasis on common statements and explanations of vote; well over 100 such statements and explanations of vote were made. The Ten were active as a group in negotiating the texts of resolutions, and were treated by other countries as a major partner for consultation and negotiations.

#### **Africa**

3.13 The Ten continued to pay close attention to African issues. In particular, the Ten reaffirmed their abhorrence of apartheid, and their desire to see it replaced by a truly representative system of government. The Ten remain committed to encouraging the process of peaceful change, and will continue to consider ways and means that they might use in common in order to influence the South African Government to abandon apartheid.

3.14 The Ten considered the second round of reports by European companies operating in South Africa on the implementation of the Code of Conduct adopted in Political Co-operation in 1977. Although some firms are still not fully applying the Code's recommendation of minimum wage levels, the Code has undoubtedly helped to stimulate some improvement. The reports show that companies are becoming increasingly aware of their social responsibilities. The Ten hope that companies operating in South Africa will continue their efforts to implement the recommendations of the Code and play a positive role in the training and development of black employees.

3.15 The Ten also reaffirmed their commitment to the right of the people of Namibia to self-determination and independence by means of free and fair elections under the supervision and control of the United Nations as provided for in the United Nations Security Council Resolution 435. The Ten welcomed and supported the renewed determination of the Namibia Five (United Kingdom, United States, Canada, France, Germany), to pursue the objective which they set themselves of beginning implementation of security Council Resolution 435 in 1982. They welcomed the Five's recent approach to all the interested parties, and were encouraged by signs of positive reactions from those principally concerned.

#### **Disarmament**

3.16 The Ten paid close attention to the question of arms control. Individual members of the Ten with the support of the Ten put forward resolutions at this year's UNGA on such important questions as conventional arms, confidence building measures, regional disarmament and arms control in space.

### **Non-Proliferation**

3.17. A new Working Group was established to facilitate co-operation among the Ten in the field of non-proliferation of nuclear weapons.

### **Terrorism**

3.18. The fifth conference of Community Ministers of the Interior and Ministers with similar responsibilities took place in London in December, under the Chairmanship of the Home Secretary. Ministers expressed their determination to continue to strengthen co-operation between Member States in the fight against terrorism, took note of studies by Working Groups of specialists in a number of scientific and technological fields, and endorsed proposals aimed at further extending practical collaboration between Member States.

## **SECTION IV: ENLARGEMENT, EXTERNAL RELATIONS, TRADE AND AID**

### **Enlargement**

4.1. The Community held a number of negotiating meetings at Ministerial and senior official level with Portugal and Spain, at which it presented agreed declarations stating its position on some significant aspects of the accession negotiations. These included in particular agriculture, customs union and social affairs. The applicants also presented a number of papers of their own.

4.2. A statement issued after the European Council on 27 November 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.

### **Japan**

4.3. Discussions took place between the Commission and the Japanese authorities about the problems of trade relations between the Community and Japan. The Japanese Government announced an emergency import package to reduce the surplus on its current account and its intention to introduce the tariff reductions agreed in the Tokyo Round 2 years earlier than expected.

### **United States of America (USA)**

4.4. Continuing high imports into the USA of carbon steel products, including substantial imports from Member States, resulted in renewed calls by the US steel industry for protection. US steel manufacturers claim that many producers, including producers in Member States, trade unfairly because their products are subsidised or dumped, or both. The US Administration initiated limited countervailing cases against producers in some Member States, not including the United Kingdom, in November. There were urgent attempts by the Commission and the US Administration during December to find a solution which would avoid the very serious consequences of disruption

of Community steel trade with the US, and to prevent the US industry filing very wide-ranging anti-dumping and countervailing complaints against Community steel producers, including the United Kingdom.

#### **Yugoslavia**

4.5 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 began negotiations with the Yugoslav Government. The mandate provides *inter alia* for access to the Community market for larger quantities of Yugoslav baby beef than under the 1980 Agreement. In October, agreement was also achieved on new financial arrangements for the export of Yugoslav baby beef to the Community.

#### **ASEAN**

4.6 A meeting of the EC/ASEAN Joint Commission was held in Brussels in October, to review progress under the EC/ASEAN Co-operation Agreement of 1980 and to seek to identify new areas for co-operation, particularly in the areas of trade promotion and technical training.

#### **China**

4.7 The EC/China Joint Commission met in Peking in November to review progress under the EC/China Co-operation Agreement. The Community presented a package of trade liberalisation measures and new prospects for co-operation in the energy sphere were opened up.

#### **Latin America**

4.8 A second round of the renewed dialogue between Member States' Permanent Representatives (COREPER) and the Group of Latin American Ambassadors to the Community (GRULA) was held in Brussels in December. The meeting laid the groundwork for further development of the dialogue by identifying areas for future co-operation as well as priorities in the development field.

#### **Cyprus**

4.9 There was a meeting of the EC/Cyprus Association Council in October, at Ministerial level. The Cypriot delegation, led by the Foreign Minister, Mr. Rolandis, stressed the need for progress in Cyprus' association with the Community. There has been no progress since 1977, despite the terms of the 1972 Association Agreement which called for movement to a "second stage" in 1977 leading to eventual customs union. The Community delegation took note of the statements of the Cypriot delegation but was unable to agree on further trade proposals.

#### **Romania**

4.10 The first meeting of the Joint Committee established under the EC/Romania agreements was held in Brussels on 3-4 November. The Joint Committee had a useful discussion on the development of trade between the Community and Romania and on prospects for its growth and diversification.

### **Poland**

4.11 On 7 October the Community agreed to make available to Poland at special prices (some 15 per cent below world prices) further supplies of food and agricultural products.

### **India**

4.12 A decision to establish a Commission delegation in New Delhi was 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.

### **Mediterranean Financial Protocols**

4.13 In July the Community reached agreement on new aid and European Investment Bank (EIB) loans to be offered to the countries of the Maghreb and the Mashraq and to Israel under new Financial Protocols on the expiry of the existing Protocols in October. Negotiations with individual recipients were opened subsequently.

### **General Agreement on Tariffs and Trade (GATT)**

4.14 The Community welcomed the decision of the Contracting Parties to the GATT in November to convene their next meeting, in November 1982, at Ministerial level. This meeting is to examine the functioning of the multilateral trading system and reinforce efforts to support and improve it. It will also look at the implementation of the results of the Tokyo Round of Multilateral Trade Negotiations and current problems and prospects, and determine future priorities for GATT work.

### **Textiles**

4.15 Under the terms of the Multifibre Arrangement (MFA) bilateral agreements with low-cost supplying countries, a further five new quotas on imports of clothing products were introduced during the six month period, providing additional protection for the clothing industry. In addition, a bilateral agreement was negotiated with Czechoslovakia.

4.16 The second 4-year term of the MFA expired on 31 December. A protocol extending the Arrangement until 31 July 1986 was agreed in the GATT on 22 December, and the Commission indicated to the other participants that they would be recommending formal acceptance of the protocol to the Council of Ministers early in 1982. The Community's continued participation in the Arrangement beyond the end of 1982 would, however, be conditional on the conclusion of satisfactory new bilateral agreements to take effect on 1 January 1983.

### **Steel**

4.17 On 7 December, the Council agreed the extension of the external aspects of the steel anti-crisis measures for 1982, including a mandate for the negotiation of voluntary restraint arrangements with majority steel exporting countries. The Commission will request these countries to cut

back their sendings by 9.5 per cent from their 1980 levels. The 15 per cent cut provided for in 1981 arrangements was reviewed half way through the year and relaxed to 12.5 per cent.

#### **European Free Trade Association (EFTA)**

4.18 Discussion proceeded on the simplification of EC/EFTA rules of origin and the addition to the EC/EFTA agreements of a number of processed agricultural products. Joint bilateral meetings were held in December with Norway, Sweden, Switzerland, Finland, Iceland and Austria to discuss a wide range of trade issues under the terms of the individual EC/EFTA Agreements.

#### **Generalised Scheme of Tariff Preferences (GSP)**

4.19 The Community's GSP was reviewed and up-dated to allow more liberal access for imports from developing countries in 1982.

#### **Commodities**

4.20 The Community continued to contribute to discussion under the Integrated Programme of Commodities, and agreed to bring the third International Cocoa Agreement provisionally into force on 1 August. A statement by the Council on 27 October re-affirmed the willingness of the Community to co-operate with the International Sugar Organisation in stabilising the world market, and authorised the Commission to investigate with the International Sugar Council ways and means of doing this, with a view to possible Community accession to an improved agreement. The Community is the only major sugar exporter which is not a member of the Agreement and its decision has been welcomed by members of the present Agreement.

#### **North/South Dialogue**

4.21 Three Community members, France, Germany and the United Kingdom, attended the North/South Summit at Cancun on 22-23 October, and the Community took 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 further developed common positions for these negotiations and played an active and distinct role in the preparations for them in New York.

4.22 The Community played a full role at the UN Conference on least developed countries held in Paris in September, which agreed with Community support on a target of 0.15 per cent of Gross Domestic Product (GDP) for aid by developed countries to the least developed countries.

4.23 At the 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.

#### **Lomé Convention**

4.24 The applications of Belize and Antigua and Barbuda to accede to the Second Lomé Convention were approved in principle. Work continued on the implementation of the Second Lomé Convention which entered into force on 1 January 1981. In particular the Community agreed procedures for implementing the SYSMIN (minerals systems) arrangements which will assist the African, Caribbean and Pacific Group of States (ACP) minerals producers to remedy harmful effects on their productive capacity of serious temporary disruptions beyond their control; and a Community position for discussion with the ACP was established on the structure of the EC/ACP Technical Centre for Agriculture and Rural Development which will provide a forum for expert discussions on agricultural development.

#### **Food Aid**

4.25 In September, the Foreign Affairs Council reached a common position on a draft regulation on food aid management. Since the draft differed in some respects from an earlier version which had been approved by the European Parliament, conciliation was initiated between the Council and the Parliament.

4.26 In November, the Development Council agreed on a plan of action, including immediate additional food aid for least developed countries, and support for developing country food strategies, to help combat hunger in the world. The Council also agreed guidelines for future Community aid to agriculture and food production, with a view to making this aid more effective.

#### **Emergency Aid**

4.27 The November Development Council agreed new and improved procedures for handling non-Lomé emergency relief aid, designed to enable the Community to respond quickly and effectively with help in emergencies.

#### **Aid to Non-Associated Developing Countries**

4.28 The November Development Council agreed guidelines for aid to non-associated developing countries in 1982 under which 175 million European currency units (ecu) (about £99 million)<sup>(1)</sup> would be available for commitment. The guidelines confirmed the priority given by the Community to the poorest countries and the poorest sectors of these countries.

## **SECTION V : AGRICULTURE AND FISHERIES**

### **Guidelines for European Agriculture**

5.1 On 28 October the Commission forwarded to the Council a communication entitled "Guidelines for European Agriculture". This set out in some detail the Commission's thinking on implementation of the

<sup>(1)</sup> Converted at the December market rate of 1.77 ecu = £1.

guidelines for future decisions on the CAP recommended in their 24 June "Report on the Mandate of 30 May 1980". It considered the factors which had influenced the development of the CAP and its cost to the Community budget and argued that future decisions should be taken against the background of prospects for production and consumption over the medium term. It pointed out that, unless decisions were taken to change the operation of the CAP, production would continue to grow more rapidly than consumption. It went on to set out the results of the Commission's projections of the development of production, consumption and trade in the main agricultural sectors and their ideas on how Community support arrangements might be modified in relation to specific production objectives. It also made recommendations for stricter discipline on national aids through more rigorous exercise of the Treaty powers. The Commission concluded that the implementation of the various measures set out in their paper should mean that agricultural expenditure would in the future grow at a less rapid rate than the rate of increase in the Community's own resources.

5.2 The Commission's communication on "Guidelines for European Agriculture" was discussed in the Agriculture Council on 16 November. The discussion was reported to the Foreign Affairs Council to assist in its work on the implementation of the 30 May Mandate.

### **Sugar**

5.3 Following the rejection by the ACP countries of Community proposals for a 7½% increase in the guaranteed price for raw sugar imported under the sugar protocol to the Lomé Convention, the Council considered Commission proposals for an improved price offer and for compensating Community sugar refiners for the additional cost this would have imposed upon them, but no agreement was reached.

### **Beef**

5.4 Agreement was reached in the Agriculture Council on the opening of two Community import quotas for 1982, covering 21,000 tonnes of high quality cuts of beef and 2,500 tonnes of buffalo meat.

5.5 Discussions were held in the Agriculture Council on Commission proposals for three Community import quotas for 1982, covering 50,000 tonnes of frozen beef, 60,000 tonnes of beef for manufacturing and 220,000 head of young male cattle for fattening.

### **Wine**

5.6 Among several detailed Regulations on wine the Council approved amendments to the rules on labelling which would permit traders in the United Kingdom to use labels in Welsh.

### **Mutton and Lamb**

5.7 On 26 October the Council adopted a Regulation relating to the import arrangements for 1981 under the sheepmeat régime for those third countries which had not entered into voluntary restraint arrangements with the EC.

### **Irish Agriculture**

5.8. Two special measures were adopted in July providing further help to drainage operations in the West of Ireland and on interest rate subsidies with regard to Directive 72/159.

### **Greek Agriculture**

5.9. In implementation of commitments under the Greek Treaty of Accession the Council adopted measures which provided aids to the production of cotton, dried figs and grapes and extended the producer group Regulation 3086/81 to Greece. At the end of the year discussions were still continuing on a measure to provide special aid to cotton producer groups.

### **European Agricultural Guidance and Guarantee Fund (EAGGF)**

5.10. Under the Guarantee Section of the EAGGF United Kingdom receipts during the period were £425 million with the main areas of benefit being payments for export refunds on cereals, milk and beef, sheepmeat premiums and butter subsidies. The Guarantee Section receipts were inflated by payments delayed from the first half of 1981. United Kingdom receipts from the Guidance Section of the EAGGF amounted to £33 million during the period with £6 million for direct (project type) measures and £27 million for indirect (structural) measures.

### **Animal Health and Welfare**

5.11. The Agriculture Council on 21 July agreed that the marketing of stilbenes and thyrostatic substances for administering to animals of all species should be prohibited. These measures were contained in Directive 81/602/EEC, which further provides for a prohibition on the administration of stilbenes to farm animals, and for a scientific review of five other hormonal substances used for growth promotion. A monitoring programme to assist the enforcement of restrictions placed on the availability and use of hormones is still under discussion.

5.12. In August, the Commission submitted proposals to the Council for a directive laying down minimum standards for the protection of laying hens kept in battery cages. The Council is awaiting the opinion of the European Parliament on the proposals before continuing its discussions.

5.13. The Commission submitted in September proposals for revising and updating Directives 64/433 and 72/462, dealing with health problems affecting respectively intra-Community trade in fresh meat, and importation of bovine animals, swine and fresh meat from third countries. Substantial progress was made towards agreement on these proposals.

5.14. The Commission also submitted proposals in September on the recognition of Environmental Health Officers for certain duties under Directives 77/99 on intra-Community trade in meat products and 71/118 on poultrymeat hygiene. These were discussed in detail as were the Commission's proposals for achieving fairer implementation of Directive 71/118.



5.15 Following the resolution of the longstanding difficulties over the inclusion of medicinal premises in animal feedstuffs, Council Directives 81/851 and 81/852 relating to veterinary medicinal products were adopted at the September Agriculture Council.

5.16 Certain derogations allowing concessions to the rules on the brucellosis status of animals entering intra-Community trade were extended until the end of 1983. Substantial progress was made towards agreement on proposals for further aid for the acceleration of plans to eradicate brucellosis, tuberculosis, and leukosis in cattle. Good progress was also made at technical level on measures governing zootechnical legislation for cattle and pigs.

## **Fisheries**

### **Internal régime**

5.17 Following the Fisheries Council in July certain herring fisheries were re-opened for limited fishing, after several years of closure to allow stocks to regenerate.

5.18 At the September Council agreement was reached in principle on a revised marketing system which would protect Community fishermen from low-priced imports, provide strengthened support arrangements for producer organisations and include additional species within the marketing arrangements. It was subsequently agreed that this new Regulation should apply from 1 June 1982. The scheme of financial aid for inshore fishing vessel construction and modernisation and aquaculture was renewed. There was agreement, though its adoption was subsequently blocked, to extend the conservation Regulation indefinitely.

5.19 Several meetings of officials were held to resolve problems raised in the draft control and enforcement regulation on which the Council reached agreement in principle in October 1980. Agreement was reached on guide prices for 1982.

### **External régime**

5.20 A long-term framework agreement between the Community and Canada was signed on 30 December and entered into force the same day. Agreement was reached on reciprocal fishing arrangements with Faroe and Sweden to the end of 1981 (although Sweden subsequently decided not to take up the arrangements) and negotiations on third country fishing arrangements for 1982 were set in train.

## SECTION VI: ECONOMIC, MONETARY AND BUDGETARY QUESTIONS

### Finance Council Business

6.1 At the 6 July Finance Council meeting there was an exchange of views on problems arising in monetary relations between the Community and third countries. It was agreed that those Member States participating in the Ottawa Summit later in the month would be guided by the approach evolved at the European Council in June.

6.2 On 17 September the Council agreed on the position to be adopted by the Community at the resumed export credit Consensus negotiations in Paris in October. A common position, including agreement to a ceiling on lending of 1,000 million ecus (about £565 million)<sup>(1)</sup> was reached on the renewal of the New Community Instrument which enables the Commission to borrow in the markets for on-lending to investment projects in Member States. A proposal by the Italian Government to phase out rather than to abolish its temporary import deposit scheme was discussed. As a result of the representations made, the Italian Government agreed to phase out the scheme over a five month period and to exclude certain categories of goods from its ambit.

6.3 The September Council resumed consideration of the draft directive on non-life insurance services which would give insurers freedom to operate across frontiers within the Community. Useful further progress was made at the Council meetings in October, November and December. There was a preliminary discussion at the October Council of the Commission's draft fifth Medium Term Economic Policy Programme. It also established the Draft Supplementary and Amending Budget No. 2 for 1981 together with a letter of amendment to the 1982 Draft Budget.

6.4 On 14 December the Council adopted the Annual Report on the economic situation in the Community and approved guidelines for 1982. It agreed to the inclusion in the Supplementary and Amending Budget No. 2 for 1981 of 62 million ecus (about £39 million)<sup>(2)</sup> for social measures to help the Community's steel industry; and adopted a draft decision to make 80 million ecus (about £45 million)<sup>(2)</sup> of subsidized loans available to Greece for the reconstruction of areas affected by earthquakes in February and March 1981. The Council also agreed the draft interim reports directive which establishes minimum content requirements for reports by companies listed on a stock exchange on their activities during the first half of their financial year.

6.5 Following the November 26-27 European Council's decision to review the progress and prospects for further development of the European Monetary System at its next meeting in March 1982, the Finance Council on 14 December also heard reports from the Monetary Committee and the Committee of Central Bank Governors on the technical studies that they have undertaken in this field. It was agreed that the Commission would, as a next step, prepare some further reflections on the subject in consultation with the Monetary Committee and the Committee of Central Bank Governors.

(1) Converted at the December market rate of 1.77 ecu = £1.

(2) Converted at the rate of 1.5839 ecu = £1 used by the Commission for the 1981 Budget.

6.6 In addition to the scheduled meetings of the Finance Council, there was a conference on 4 October on a currency realignment within the European Monetary System, at which the Chancellor of the Exchequer took the Chair. Changes in the parities of the French Franc, Deutschmark, Dutch Guilder and Italian Lira within the exchange rate mechanism were agreed.

### Budgetary Questions

#### The 1980 and 1981 Community Budgets

6.7 The dispute over the legality of the European Parliament's adoption of increases to the 1980 Supplementary Budget No. 2 and the 1981 Budget was resolved when on 17 September it adopted Amending Budget No. 1 for 1981 which involved a reduction of 520 million ecus (about £327 million)<sup>(1)</sup> in the provision for the EAGGF Guarantee Section due to changes in market conditions, offset by increases in other areas, principally 200 million ecus (about 126 million)<sup>(2)</sup> for the Regional Development Fund. The countries concerned in the dispute then paid over the amounts by which they had abated their contributions pending resolution of the dispute.

#### The 1982 Community Budget

6.8 The Commission proposals (the Preliminary Draft Budget for 1982) presented in mid-June totalled 23,921 million ecus (about £12,512 million)<sup>(3)</sup> in commitments and 22,351 million ecus (about £11,707 million)<sup>(4)</sup> in payments, an increase of some 13 per cent over 1981. The first Budget Council on 23 July established a Draft Budget for 1982 totalling 22,800 million ecus (about £11,926 million)<sup>(5)</sup> in commitments and 21,737 million ecus (about £11,370 million)<sup>(6)</sup> in payments.

6.9 The Commission presented a letter of amendment to their original proposals in October which after being considered and approved by the Council amended the Draft Budget for 1982. This had the effect of increasing the total appropriations for both commitments and payments by 21 million ecus (about £11 million)<sup>(7)</sup>.

6.10 On 5 November the European Parliament proposed amendments and modifications to the Draft Budget which together would add about 969 million ecus (about £507 million)<sup>(8)</sup> in commitments and about 471 million ecus (about £246 million)<sup>(9)</sup> in payments.

6.11 On 24 November the Council took decisions on the Parliament's proposed amendments and modifications in the light of discussions with representatives of the Parliament on 23 November. These decisions increased the total appropriations in the Draft Budget to 23,006 million ecus (about £12,034 million)<sup>(10)</sup> in commitments and 21,759 million ecus (about £11,381 million)<sup>(11)</sup> in payments.

6.12 On 17 December the European Parliament adopted amendments to increase provision by a further 252 million ecus (about £132 million)<sup>(12)</sup> for commitments and 224 million ecus (about £117 million)<sup>(13)</sup> for payments.

<sup>(1)</sup> Converted at the rate of 1 - 988 ecus = £1 used by the Commission for the 1981 Budget.

<sup>(2)</sup> Converted at the rate of 1 - 918 ecus = £1 used by the Commission for the 1982 Budget.

The total provision proposed by the European Parliament exceeded the margin within which an agreement with Council might have been reached, particularly for commitments. The Parliament included in its amendments provision for both commitments and payments, totalling some 31 million ecus (about £16 million)<sup>(1)</sup>, to the Food Aid Chapter. The Council considered that this was obligatory expenditure and therefore not open to change by the Parliament at that stage of the budget procedure.

6.13 The Budget Council met on 21 December to consider its response to the Parliament's actions, and agreed that the President of the European Parliament should be requested to delay adoption of the 1982 Budget until agreement had been reached on the maximum rate and classification for non-obligatory expenditure. It was subsequently learned that the President of the Parliament had declared the 1982 Budget adopted.

#### **Budget Refunds**

6.14 During this period the United Kingdom was granted the balance of its entitlement to refunds for 1980 under the Budget Agreement of 30 May 1980. New support granted under the Supplementary Measures Regulation amounted to some 557 million ecus (about £315 million)<sup>(2)</sup>. This took account of the fact that the United Kingdom did not qualify for a refund under the financial mechanism, thus requiring the £210 million provisionally paid under the mechanism in January to be converted to supplementary measures support. The United Kingdom's receipts of budget refunds in the second half of the year amounted to some £146 million, making a gross total of over £790 million since the conclusion of the Agreement.

#### **Customs Union**

6.15 The Council adopted a number of technical measures in connection with the operation of the Customs Union. In October Council agreement was given to a Directive enabling the Free Circulation Directive (79/695/EEC) to be implemented not later than 1 July 1982. It also adopted a Regulation putting into effect in the Community certain changes in the Technical Annexes and the specimen TIR (Transit International Routier) Carnet of the 1975 TIR Convention, which the Community implemented by Regulation in advance of ratification. In November the Council adopted measures increasing the allowances expressed in ecu for goods contained in the personal luggage of travellers from third countries or sent in small consignments; because of the increased value of the pound in relation to the ecu these will not involve an increase in the allowances when expressed in sterling. A Regulation adopted in December made a number of amendments to simplify Community transit procedure.

#### **Harmonisation of Tobacco Duties**

6.16 The proposals for a third stage of harmonisation of the structure of excise duties on tobacco products put forward in 1980 still await the opinion of the European Parliament. The Parliament has agreed with the

<sup>(1)</sup> Converted at the rate of 1.9118 ecu = £1 used by the Commission for the 1982 Budget.

<sup>(2)</sup> Converted at the December market rate of 3.77 ecu = £1.

Commission that a detailed study should first be made of the effects of proceeding with harmonisation. The results of this study are to be submitted before 31 March 1982. Accordingly in December the Council adopted a Directive extending the second stage of harmonisation until 31 December 1982.

#### **Harmonisation of Alcoholic Drinks Duties**

6.17 Two Fiscal Councils (on 22 September and 21 October) were held to discuss proposals to harmonise the structure of excise duties on alcoholic drinks. The first discussed proposals originally made by the Luxembourg Presidency but not previously discussed, and at the second the Presidency presented revised proposals designed to take account of points made by Member States. No agreement was reached. It is now expected that the European Court will give its judgment in the infraction proceedings taken against the United Kingdom in which the Commission has alleged that United Kingdom excise duties give indirect protection in favour of home produced beer against imported wine. No further discussion of harmonisation proposals is expected in the meantime.

#### **Export Credit**

6.18 In September the Community reached agreement on a compromise package of proposals for changes to the Consensus, which were tabled at the meeting of Consensus participants in October. The proposals included an increase of 2-2.5 per cent in minimum interest rate; a mechanism for dealing with the problem of low interest rate countries, such as Japan; and greater transparency in the notification of tied aid credits (including mixed aid and commercial credits). With some minor modifications, the Community's revised proposals were finally accepted by all the other 12 non EC participants in the Consensus.

6.19 The Presidency also initiated a review of Community procedures for co-operation in providing export credit support for contracts involving exporters in different Community countries.

## **SECTION VII: REGIONAL AND INDUSTRIAL AFFAIRS**

### **European Coal and Steel Community (ECSC): Loans**

7.1 Loans totalling nearly £28 million were made by the ECSC under Article 56 of the Treaty of Paris, following applications from United Kingdom companies in respect of projects creating employment opportunities for steel and coal workers affected by restructuring of the industries. Further loans are under negotiation. The United Kingdom Government provided guarantees against possible loss on currency fluctuations over the period of the loans for projects in the Assisted Areas.

7.2 The Commission set aside £11 million for re-adaptation benefits to be paid to United Kingdom redundant steelworkers under Article 56(2) of the Treaty of Paris. The amount set aside will help to fund schemes for

early retirement, retraining and income support which are administered by the Department of Industry. The total amount set aside by the Commission since 1974 as a contribution towards schemes administered by the Department of Industry for certain qualifying ex-steelworkers is £71 million.

#### **European Investment Bank (EIB): Loans**

7.3 EIB foreign currency loans granted to the United Kingdom over the period totalled nearly £84 million, of which £15 million was to private industry in the Assisted Areas, with the balance being taken up by the public sector for telecommunications, transport, water supply and sewerage projects.

#### **European Regional Development Fund**

7.4 The size of the Fund for 1981 was 1,540 million ecus (about £870 million)<sup>(1)</sup> of which 95 per cent, or 1,463 million ecus (about £827 million)<sup>(2)</sup> was for the quota section. Following the accession of Greece, the Council agreed new quotas under which Greece was given a 15 per cent quota, the United Kingdom 23.8 per cent. In 1981 grants totalling some £197 million were allocated to 541 infrastructure and 42 industrial projects in the United Kingdom.

7.5 The size of the Fund for 1982 in the Budget as adopted is 1,759 million ecus (about £920 million)<sup>(1)</sup> of which 1,669 million ecus (about £873 million)<sup>(2)</sup> is for the quota section.

7.6 A new regulation governing the operation of the Fund was proposed by the Commission in October. Although the quotas agreed following Greek accession lapsed at the end of 1981, the Commission are likely to continue to use the same figures in administering the Fund until the new regulation is adopted.

#### **Steel**

7.7 Following the package of measures to support the steel industry agreed by the Council in June, including a combination of quotas and voluntary producer agreements on steel production, steel producers have been able to raise prices. In November the Commission produced a Communication on price policy proposing further, but staged, price increases for 1982.

#### **Synthetic Fibres**

7.8 In August the Commission asked Member States to refrain for a further two years from giving aids towards the creation of additional synthetic fibre production capacity, and to notify in advance any aids proposed for existing capacity.

#### **Textiles and Clothing**

7.9 In August, to coincide with renegotiation of the Multi-Fibre Arrangement discussions, the Commission issued a Communication on the

(1) Converted at the December market rate of 1.77 ecu = £1.

(2) Converted at the rate of 1.9118 ecu = £1 used by the Commission for the 1982 Budget.

Community's textile and clothing industries. The paper analyses the current situation and describes in general terms a possible Community approach for these industries.

### Microelectronics

7.10 On 8 December, the Council adopted a Regulation concerning Community action in the field of microelectronic technology. The Regulation establishes a system for exchange of information on Member States' initiatives in microelectronic technology and also provides for financial support for key research and development projects. The topics covered include aspects of optical and electron beam lithography, plasma etching and deposition equipment, test equipment and computer aided design. The Regulation provides for 40 million ecus (about £23 million)<sup>(1)</sup> to be spent in supporting projects involving two or more companies or institutions in two or more Member States. Support will normally cover 30 per cent of costs. It is aimed at encouraging activities on a European scale above and beyond those supported nationally by Member States.

### Science and Technology

7.11 On 27 July the Council adopted a third programme in the field of information and documentation for a period of three years effective from 1 January 1981. 15 million ecus (about £8 million)<sup>(2)</sup> have been allocated to the programme. It aims to build upon achievements of the two preceding programmes, to consolidate and enhance Euroret, to extend and improve Diane services, contribute to the creation of further high-quality information services and develop the information market in the Member States.

7.12 A Council of Ministers responsible for research was held on 9 November, for the first time since 1979. Ministers had a useful exchange of views on the development of the Community's science and technology policy and agreement was reached on a number of topics which the Commission were charged to study further and report to the Council during 1982. Agreement was reached on compromise proposals for the agreement of two Community programmes on microelectronics and biotechnology.

7.13 On 7 December the Council adopted a multi-annual indirect action research and training programme in the field of biomolecular engineering for the period April 1982 to March 1986, implemented in two stages of two years each. 8 million ecus (approximately £4.5 million)<sup>(3)</sup> have been allocated to the first stage. Funding will support projects carried out in the research institutions of the Member States and the training of scientists. Research is to concentrate on developmental aspects of new reactors using immobilised multienzyme systems, gene transfer and improvement of safety measures for detecting contamination and assessing possible risks.

7.14 On 14 December the Council adopted a Decision on the conclusion of an agreement between the Community and Sweden to connect Euroret to the Swedish network for scientific and technical information and

<sup>(1)</sup> Converted at the December market rate of 1.77 ecu = £1.

documentation. The Council also adopted an agreement between the Community, Switzerland and Sweden defining the relationship created between these two states and the connection of their networks to Euronet.

7.15 On 15 December the Council agreed to the Commission's participation in the implementing agreement drawn up within the framework of the International Energy Agency (IEA) relating to the co-operation in a programme of energy technology systems analysis.

7.16 On 15 December the Council approved the conclusion of a Community-COST (European Co-operation in Science and Technology) concertation agreement on a concerted action project in the field of the treatment and use of sewage sludge (COST project 68 ter) for the period 1 January 1981 to 31 December 1983. The project will involve the exchange of information and production of reports of work carried out within national programmes and the EC programme on environmental protection and climatology (1981-1985). A financial contribution of approximately 10 million ecus (about £6 million)<sup>(1)</sup> will be required from the participating states. The maximum financial contribution to the co-ordinating costs will be 200,000 ecus (approximately £110,000)<sup>(1)</sup> from the Community and 20,000 ecus (approximately £11,000)<sup>(1)</sup> from each participating non-Member State.

7.17 On 15 December the Council adopted a second research and development programme in the field of textiles and clothing for three years from 1 November. 4 million ecus (about £2 million)<sup>(1)</sup> have been allocated to the programme. Its main objectives are the improvement of the competitiveness of the industry as well as of working and production conditions and it will cover garment physiology and construction, quality of knitted fabrics and articles, applications of new spinning technologies in the wool industry and the upgrading of linen.

#### **Company and Securities Law**

7.18 Discussion began on the draft regulation to establish the European Co-operation Grouping, while negotiations continued on a number of draft directives including those dealing with the accounts of groups of companies, sections (the division of public companies), the qualifications of auditors, collective investment funds (unit trusts). Agreement was reached on a Directive about the regular disclosure of information by companies whose shares are admitted to stock exchange listing.

7.19 The draft fifth directive (on the structure of public companies, including worker participation), the draft directive on prospectuses for unlisted securities and the draft directive on the annual accounts of credit institutions remained under discussion by the European Parliament.

#### **Industrial Property**

7.20 Negotiations continued on the litigation arrangements needed to implement the Community Patent Convention. In connection with the proposed regulation to establish a Community trade mark system and the Council directive to approximate trade mark law of Member States,

<sup>(1)</sup> Converted at the December market rate of 1.77 ecu = £1.



the Council Working Group on Intellectual Property (Trade Marks) met in December for a first discussion of the technical content of the proposals. At the second session of the Diplomatic Conference to revise the Paris Convention for the Protection of Industrial Property, which was held in Nairobi in September-October, the Community played a major part in reaching the agreement that was achieved.

## SECTION VIII: ENVIRONMENT AND TRANSPORT

### Environmental Issues

8.1 The Environment Council met on 3 December. Agreement was reached on a number of proposals, including two important issues which had been before the Council for some time. The first of these was the directive on major industrial hazards, the so called "Seveso" proposal. The solution reached on the one matter previously holding up agreement recognised the obligation of a Member State to consult other interested states within the framework of bilateral relations in cases which have transfrontier implications. The second was the draft directive on the discharge of mercury into the aquatic environment by the chlor-alkali electrolysis industry. This proposal was settled as the result of agreement on controls to be applied to new plant in accordance with the principles of the framework directive.

8.2 In addition agreement in principle was reached on a decision establishing an exchange of information on air pollution. A Decision concerning Community accession to the Berne Convention on Conservation of European Wildlife and Natural Habitats was adopted.

8.3 Good progress was also made on the outstanding problems on the draft regulation on implementation of the Washington Convention on International Trade in Endangered Species. The Council took an initial look at proposals for the extension of the Community Environment Action Programme (1982-86) and discussed vehicle emissions and the problems of use of chlorofluorocarbons.

### Inland Transport

8.4 At its meeting on 15 December, the Transport Council discussed a wide range of issues. Agreement was reached in principle on an increase in the Community road haulage quota of 5 per cent for eight Member States and 15 per cent for Ireland and Greece. Final agreement is subject to the views of the European Parliament. The Council also agreed additions to the types of road haulage exempt from permit and/or quota restrictions. It adopted Resolutions on railways policy; on further work on proposals for Community aid to transport infrastructure projects; and agreed a mandate for negotiations with Austria on a range of transport matters.

### **Shipping**

8.5 Various proposals intended to promote marine safety and pollution prevention are being considered by Council Working Groups. On 15 December the Transport Council adopted a Resolution welcoming the progress achieved so far in setting up a co-ordinated and harmonised system of port state control in Western Europe (the enforcement of international standards for shipping safety and pollution prevention in relation to ships visiting European ports) and urging Member States and the Commission to play a full and active part in the second European Ministerial Conference on Maritime Safety and Pollution Prevention, to be held in Paris in January 1982, at which the new system is expected to be approved.

8.6 The activities of Eastern Bloc carriers in Central American, East African and Far East trades continue to be monitored and examined by Council Working Groups.

8.7 The Commission has put forward a draft regulation applying the competition rules in the EEC Treaty to shipping. Negotiations on the draft regulation will be carried out in a Council Working Group and the Government is already in close consultation with British shippers and ship-owners. Interested bodies in the Community have also been invited to make representations to the Commission direct.

### **Civil Aviation**

8.8 Discussion continued on the proposal for a regulation for the liberalisation of intra-Community regional air services. In response to a request from the Council to examine the question of air fares in the Community, the Commission presented a report and draft directive. The Commission also presented a proposed regulation for the application of the competition rules of the EEC Treaty to air transport. Discussion in the Council began on both these measures. The Commission began consultations with Member States' experts and interested outside bodies in the Community on express air cargo and on state aids to air transport and on non-scheduled air transport. The Commission presented two draft directives on the limitation of noise emissions from subsonic aircraft and helicopters.

## **SECTION IX: SOCIAL AFFAIRS**

### **Informal Meeting of Employment Ministers**

9.1 The Employment Secretary presided over an informal meeting of Employment Ministers in London on 24-25 September. The main discussion centred on the forthcoming review of the European Social Fund. Although no formal conclusions were issued, there was a degree of agreement about the main issues to be taken into account in the review, including top priority for measures to help young people. There was also a discussion on national experience in dealing with youth unemployment and a brief report from the Commission on relations with the social partners.

## Employment

9.2 On 3 November the Standing Committee on Employment (which includes representatives of employers and workers as well as Employment Ministers and the Commission) considered a Commission Communication on new technology and social change. The paper's main theme was the need to facilitate the introduction of new technology and to overcome unreasonable fears about its consequences. The Committee recognised the employment potential of new technology but realised that the present high level of unemployment was in danger of creating resistance to these necessary changes. All were agreed on the need for a coherent Community wide strategy for new technology but views were divided on a claim from workers' representatives for statutory rights to information, consultation and negotiation when new technology is introduced. The Commission was encouraged to proceed with a study of existing national legislation and collective agreements in this field and to consider with the social partners the possibility of producing a joint declaration on the problem of introducing new technology in the firm.

9.3 It was recognised at the Standing Committee meeting that, in order to aid the introduction of new technology, action was needed in a number of areas. These included the training and retraining of teachers, the use of technology to aid the handicapped, the improvement of technical qualifications and the demonstration of the employment potential of new technology to small and medium sized firms. It was also felt that the European Social Fund and European Regional Development Fund had a role to play in the promotion of an understanding of new technology.

9.4 The Labour and Social Affairs Council met on 8 December and adopted a Resolution on the social integration of disabled people, supporting Commission proposals for a network of projects in Member States and exchanges of information and experience to help improve the lot of disabled people throughout the Community. Progress was made towards adopting a draft directive on the protection of workers from the effects of lead. The Council also discussed the review of the European Social Fund, the French Government's ideas for Community social policy, and made progress on a draft directive concerning the protection of workers from asbestos. (The Council's discussions of social security matters are recorded in paragraphs 9.9-9.10.)

9.5 There was general agreement that the limited resources of the Social Fund should be directed to the most serious problems which it was capable of assisting. Top priority should be given to meet the needs of young people without jobs by support for vocational training and other appropriate measures. There was a general welcome for the Commission's proposal that the Fund should promote a medium term strategy designed to provide a satisfactory vocational and educational priority for all young people moving from compulsory full time schooling to entry into the labour market. Other themes identified included: the future regional allocation of Fund aid, taking into account the relative severity of economic difficulties and unemployment within Member States across the Community; the necessity for the Fund to respond to needs and opportunities arising from the introduction of new

technology, and the expansion of the Fund's role in supporting innovatory and demonstration projects. There was also a general welcome for the Commission's proposals to simplify the mechanisms of the Fund.

#### European Social Fund Allocations

9.6 In August, the Commission announced the second batch of Social Fund allocations for 1981. This was restricted to the "women" and "migrant workers" fields of intervention which (because of the Fund's oversubscription) had not been included in the first batch. It included about £400,000 for the United Kingdom.

9.7 In October, the Commission announced the third and final batch of allocations from the Fund for 1981. For the United Kingdom these allocations amounted to 177 million ecus (£100 million)<sup>(1)</sup>, making a total for the year of 249 million ecus (about £141 million)<sup>(2)</sup>. This represented 25.1 per cent of the total allocations made by the Fund this year (as compared to the United Kingdom's 23.3 per cent share in 1980), especially noteworthy was our allocation of 150 million ecus (about £85 million)<sup>(3)</sup> under the "young people" field of intervention (over 40 per cent of total allocations under this heading).

9.8 The following table shows how United Kingdom allocations for 1981 were distributed between the different fields of intervention—

	million
Young people	85
Regions of high unemployment	33
Handicapped	17
Technical progress	2
Textile workers	2
Migrant workers	1
Women	(£500,000)
Groups of undertakings	(£300,000)
	<hr/>
TOTAL	141
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#### Social Security

9.9 The December Labour and Social Affairs Council adopted a proposal extending the cover of the Community's social security Regulations to self-employed migrant workers and their families. This is a significant step in the removal of barriers to free movement of labour.

9.10 The Council also exchanged views on a proposal to extend the unemployment benefit provisions of the Community Regulations on social security and to provide for the payment of pre-retirement benefits to continue when a beneficiary transfers his residence from one Member State to another. Agreement was reached on the basis for further discussion by officials.

(1) Converted at the December market rate of 1.77 ecu = £1.

### **Anti-Poverty Programme**

9.11 On 9 December the Commission presented an evaluation report on the Programme which ended in November 1980. The report has not yet been considered by the Council nor has the Commission made proposals for further specific Community activities in the anti-poverty field.

### **Rights of Establishment**

9.12 A proposal was adopted on 14 December extending the provisions for the mutual recognition throughout the Community of diplomas, certificates and other evidence of formal qualification of doctors, nurses responsible for general care, dentists and veterinary surgeons to those who began their training before but who finished their training after the original Directives were implemented. This closes a gap left in the original Directives.

9.13 A new provision was agreed on 15 December concerning the Directive co-ordinating provisions made in respect of the activities of doctors and laying down minimum training standards to be observed by Member States. The proposal limits more strictly than before exceptions to the principle that full-time training should be the norm. Member States who allowed a method of part-time specialist training were permitted to continue to apply it to candidates who began their training no later than 20 January 1979. The proposal extends this derogation to candidates who begin training no later than 31 December 1982.

9.14 Progress was also made on a draft directive on the mutual recognition of qualifications for hairdressers and on measures to facilitate the freedom of establishment of auxiliary transport workers.

### **Consumer Affairs**

9.15 Considerable progress was made on a directive which would give those consumers buying goods from doorstep salesmen a cooling off period of seven days during which they could cancel the contract.

### **Housing**

9.16 On 19 November the Commission published a proposal for a regulation which would provide for Community assistance for housing in Northern Ireland.

## **SECTION X: ENERGY**

10.1 The 27 October Energy Council reached substantial agreement on conclusions on energy pricing which state that consumers should have adequate access to information on energy prices and the methods by which they are determined; and that any differences in pre-tax energy prices which do not conform to the guidelines set out in the conclusions must be clearly

identified and progressively reduced. The conclusions emphasise the particular importance of energy pricing and price transparency in the Community's energy strategy and set out further work to improve transparency and the consistency of energy pricing principles. They were formally adopted on 3 December.

10.2 The Energy Council agreed in principle on guidelines for dealing with a limited shortfall in oil supplies as a basis for consultation with other industrialised countries in the International Energy Agency (IEA). The Community will review the range of measures and the procedures which might be taken to cope with a shortfall in oil supplies in the light of these wider consultations. The aim is to see if it is possible to devise procedures which will ensure that any further shortfalls in oil supplies do not lead to unrealistic pressures on world prices. To be effective, any arrangements would have to involve major consuming countries such as the United States of America and Japan.

10.3 The Council formally adopted a recommendation on electricity tariff structures, agreed in principle at the Energy Council in November 1980, which states that tariff structures should reflect costs incurred in supplying the various categories of consumer. The Council also approved the seventh and latest round of the Community Projects in the Hydrocarbons Sector (CPHS) Scheme, totalling 26 million ecu (about £15 million)<sup>(1)</sup> and including United Kingdom projects representing about 25 per cent of the total.

10.4 The Council had a useful discussion of a Commission paper on the development of a Community energy strategy. This paper set Community action in the framework of efforts at national level to attain agreed Community objectives, and identified five priority areas—energy pricing, energy investment, possible measures to deal with a shortfall in oil supplies, research and development, and relations with third countries in the energy field.

10.5 The Council reached general conclusions on a Commission paper on gas supplies; and approved the conclusions of a Commission paper on oil refining capacity which noted that oil companies were carrying out the necessary rationalisation of the refining industry. The Council also considered Commission proposals for further funding for demonstration projects in new energy sources and energy savings.

10.6 In December, the Community agreed to extend until the end of 1982 Regulations for the registration of crude oil imports. Under these arrangements, companies report to Member States each month their imports on an individual cargo basis, showing price, volume and type of crude and Member States pass aggregate national data to the Commission.

10.7 The European Atomic Energy Community reached agreement with the government of Canada concerning enrichment, reprocessing and storage of nuclear material; and with the government of Australia concerning the transfer of nuclear material from Australia.

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<sup>(1)</sup> Converted at the December market rate of 1.77 ecu = £1.

10.8 The United Kingdom received from the ECSC about £2 million in grants for research and development and £3 million for readaptation aid for miners. The European Regional Development Fund made available grants totalling £801,000 for electricity projects and £93,000 for gas projects in the United Kingdom. The United Kingdom Atomic Energy Authority received grants totalling about £4 million for its own research into nuclear fusion, £3 million for the Joint European Torus fusion experiment and £780,000 for other nuclear research under Euratom. Funds were also received for research into alternative energy sources and for demonstration projects in alternative energy and energy savings.

## SECTION XI: THE INSTITUTIONS OF THE COMMUNITY

### The European Parliament

11.1 In addition to the reports presented personally by the Prime Minister and the Foreign and Commonwealth Secretary, 15 United Kingdom Ministers took part in the work of the Parliament, either in plenary sessions or at committee meetings. On 17 November all the Foreign Ministers of the Member States together with the President of the Commission met the President of the Parliament, supported by other leading members of the Parliament to discuss relations between the Institutions.

11.2 There was further discussion of the seat of the Parliament and on 7 July it adopted a Resolution providing that plenary sessions be held only in Strasbourg, committee meetings be held generally in Brussels, and that the Secretariat's operations be reviewed in accordance with these decisions. The Luxembourg Government has since brought an action before the Court of Justice under Article 38 of the ECSC Treaty, to have the Parliament's action declared void. The Court's judgment is awaited.

### Staff Relations

11.3 In December the Council agreed to new detailed rules under which staff remuneration is adjusted. These rules, which replace those in use since 1976, follow the principle of parallel development with the trend of national public service salaries, and include an exceptional levy on salaries in recognition of the particular difficulties of the economic and social situation.

### European Court of Justice

11.4 The United Kingdom has submitted written observations in nine cases and the Court has delivered judgment in the following cases of particular interest and significance. In the case of the prosecution of Guerrino Casati, referred by the Courts of Italy, the Court had to determine a question on the validity of certain Italian exchange control measures; it held, *inter alia*, that although restrictions on the movement of capital to the extent necessary to ensure the proper functioning of the common market has been abolished on the expiry of the transitional period, Member States were not prohibited from imposing restrictions on the export of bank notes. In the *Right Hon Lord Bruce of Donington v Eric Gordon Asplen, HM*

*Inspector of Taxes*, the Court held that Community law prohibited the imposition of national taxation on lump sum payments made by the European Parliament to its members by way of reimbursement of travel and subsistence expenses unless it could be shown, in accordance with Community law, that the lump sum reimbursement was in excess of actual expenses incurred and so constituted in part a form of remuneration. In *R v Tynen* the Court, amplifying its judgment in *Commission v United Kingdom* (the second " fisheries case ") held that the United Kingdom did not have power to bring fishery conservation measures into force without appropriate consultation with the Commission even though the Commission had itself submitted a proposal to the Council advocating similar measures to come into force on a date preceding the events giving rise to the prosecution of M Tynen. A prosecution based on the United Kingdom's measures was therefore contrary to Community law.

11.5 In *Merck v Stephan* the Court extended the doctrine that patent rights are exhausted on the first marketing in a Member State of the Community of the patented article by the patentee. It ruled that a patent cannot be invoked against the importation of articles from another Member State where they have been put on the market by that patentee even where that marketing had been at a greatly diminished price, due to the local law not granting patent protection for such articles.

### **Legal Co-operation**

11.6 On 7 December the United Kingdom signed the Convention on the law applicable to contractual obligations. With the exception of Greece all Member States have now signed this Convention.

11.7 Agreement was reached at expert level on the terms of a draft convention which will enable Greece to accede to the 1968 European Judgments Convention as amended. After the necessary consultation and consideration within individual Member States it is hoped that a text for submission for approval and signature by the Member States will be available early in 1982.

### **European Act**

11.8 At the November meeting of the European Council the German and Italian Governments presented a Draft Act, which aims to consolidate the political and economic progress already made towards European union, and a draft statement on further progress towards economic integration. The Draft Act covers: strengthening and development of the Community; strengthening of Political Co-operation; co-ordination of security policy; co-operation on cultural matters; harmonisation of further areas of legislation; and increased activity on international violence and terrorism.

11.9 The European Council invited the Foreign Ministers in co-operation with the Commission, to examine and clarify the proposals and to report back to them at a future meeting.



## SECTION XII: PARLIAMENT

12.1 Parliament was in session for 12 weeks during the period. The House of Commons Select Committee on European Legislation, etc., considered 400 Community documents and recommended 26 of these for further consideration by the House. The House of Lords Select Committee on the European Communities considered 405 documents; 14 documents were recommended for debate. Debates on 10 documents were held in the House of Commons and on 10 in the House of Lords.

## MEETING OF THE EUROPEAN COUNCIL

<i>Date</i>	<i>Location</i>	<i>UK Ministers Attending</i>
26-27 November	London	Rt Hon Margaret Thatcher MP Prime Minister (Chairman) Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs

## MEETINGS OF THE COUNCIL OF MINISTERS

<i>Date</i>	<i>Session</i>	<i>UK Ministers Attending</i>
6 July	Finance	Rt Hon Sir Geoffrey Howe QC MP Chancellor of the Exchequer (Chairman) Rt Hon Nigel Lawson MP Financial Secretary to the Treasury
13 July	Foreign Affairs	Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs (Chairman) Rt Hon Sir Ian Gilmour Bt MP Lord Privy Seal Cecil Parkinson Esq MP Minister for Trade
20-21 July	Agriculture	Rt Hon Peter Walker MBE MP Minister of Agriculture, Fisheries and Food (Chairman) Rt Hon Alick Buchanan-Smith MP Minister of State, Ministry of Agriculture, Fisheries and Food
22-24 July	Budget	Rt Hon Nigel Lawson MP Financial Secretary to the Treasury (Chairman) Peter Kees Esq QC MP Minister of State, Treasury
27 July	Fisheries	Rt Hon Peter Walker MBE MP Minister of Agriculture, Fisheries and Food (Chairman) Rt Hon George Younger TD MP Secretary of State for Scotland Rt Hon Alick Buchanan-Smith MP Minister of State, Ministry of Agriculture, Fisheries and Food

<i>Date</i>	<i>Session</i>	<i>UK Ministers Attending</i>
14 September	Foreign Affairs	... Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs (Chairman) Hon Douglas Hurd CBE MP Minister of State, Foreign and Commonwealth Office
17 September	Finance	... Rt Hon Sir Geoffrey Howe QC MP Chancellor of the Exchequer (Chairman) Hon Nicholas Ridley MP Financial Secretary to the Treasury
22 September	Fiscal	... Jock Bruce-Gardyne Esq MP Minister of State, Treasury (Chairman)
28 September	Agriculture	... Rt Hon Peter Walker MBE MP Minister of Agriculture, Fisheries and Food (Chairman) Rt Hon Alick Buchanan-Smith MP Minister of State, Ministry of Agriculture, Fisheries and Food
29 September	Fisheries	... Rt Hon Peter Walker MBE MP Minister of Agriculture, Fisheries and Food (Chairman) Rt Hon George Younger TD MP Secretary of State for Scotland Rt Hon Alick Buchanan-Smith MP Minister of State, Ministry of Agriculture, Fisheries and Food
19 October	Finance	... Rt Hon Sir Geoffrey Howe QC MP Chancellor of the Exchequer (Chairman) Hon Nicholas Ridley MP Financial Secretary to the Treasury
19 October	Agriculture	... Rt Hon Peter Walker MBE MP Minister of Agriculture, Fisheries and Food (Chairman) Rt Hon Alick Buchanan-Smith MP Minister of State, Ministry of Agriculture, Fisheries and Food
21 October	Fiscal	... Jock Bruce-Gardyne Esq MP Economic Secretary to the Treasury (Chairman)

<i>Date</i>	<i>Session</i>	<i>UK Ministers Attending</i>
26-27 October	Foreign Affairs	... Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs (Chairman) Rt Hon Humphrey Atkins MP Lord Privy Seal Hon Douglas Hurd CBE MP Minister of State, Foreign and Commonwealth Office Peter Rees Esq QC MP Minister for Trade
27 October ...	Energy	... Rt Hon Nigel Lawson MP Secretary of State for Energy (Chairman) David Mellor Esq MP Parliamentary Under-Secretary of State, Department of Energy
27 October ...	Fisheries	... Rt Hon Peter Walker MBE MP Minister of Agriculture, Fisheries and Food (Chairman) Rt Hon George Younger TD MP Secretary of State for Scotland Rt Hon Alick Buchanan-Smith MP Minister of State, Ministry of Agriculture, Fisheries and Food
3 November	Development ...	... Rt Hon Neil Martin MP Minister for Overseas Development (Chairman)
9 November	Research	... Kenneth Baker Esq MP Minister of State for Industry (Chairman) John Wakeham Esq MP Parliamentary Under-Secretary of State for Industry
10 November	Foreign Affairs	... Rt Hon Humphrey Atkins MP Lord Privy Seal (Chairman) Peter Rees Esq QC MP Minister for Trade
16 November	Agriculture	... Rt Hon Peter Walker MBE MP Minister of Agriculture, Fisheries and Food (Chairman) Rt Hon Alick Buchanan-Smith MP Minister of State, Ministry of Agriculture, Fisheries and Food

<i>Date</i>	<i>Session</i>	<i>UK Ministers Attending</i>
16-17 November	Foreign Affairs	... Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs (Chairman) Rt Hon Humphrey Atkins MP Lord Privy Seal Hon Douglas Hurd CBE MP Minister of State, Foreign and Commonwealth Office Peter Rees Esq QC MP Minister for Trade
17 November	Finance	... Rt Hon Sir Geoffrey Howe QC MP Chancellor of the Exchequer (Chairman) Hon Nicholas Ridley MP Financial Secretary to the Treasury
19 November	Foreign Affairs	... Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs (Chairman) Hon Douglas Hurd CBE MP Minister of State, Foreign and Commonwealth Office
23-24 November	Budget	... Hon Nicholas Ridley MP Financial Secretary to the Treasury (Chairman) Jack Bruce-Gardyne Esq MP Economic Secretary to the Treasury
3 December	Environment	... Rt Hon Tom King MP Minister for Local Government and Environmental Services, Depart- ment of the Environment (Chairman) Giles Stow Esq MP Parliamentary Under-Secretary of State, Department of the Environ- ment
7-8 December	Foreign Affairs	... Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs (Chairman) Rt Hon Humphrey Atkins MP Lord Privy Seal Peter Rees Esq QC MP Minister for Trade

<i>Date</i>	<i>Session</i>	<i>UK Ministers Attending</i>
8 December	Labour and Social Affairs	Rt Hon Norman Tebbit MP Secretary of State for Employment (Chairman) Rt Hon Michael Alison MP Minister of State, Department of Employment Hugh Ross Esq MP Minister of State, Department of Health and Social Security
14 December	Finance	Rt Hon Sir Geoffrey Howe QC MP Chancellor of the Exchequer (Chairman)
15 December	Transport	Rt Hon David Howell MP Secretary of State for Transport (Chairman) Kenneth Clarke Esq MP Parliamentary Secretary, Department of Transport Iain Sproat Esq MP Parliamentary Under-Secretary of State, Department of Trade
15 December	Agriculture	Rt Hon Peter Walker MBE MP Minister of Agriculture, Fisheries and Food (Chairman) Rt Hon Alick Buchanan-Smith MP Minister of State, Ministry of Agriculture, Fisheries and Food
21 December	Budget	Hon Nicholas Ridley MP Financial Secretary to the Treasury (Chairman) Jock Bruce-Gardyne Esq MP Economic Secretary to the Treasury

#### OTHER MEETINGS

<i>Date</i>	<i>Session</i>	<i>UK Ministers Attending</i>
5-6 September	Informal Meeting of Foreign Ministers	Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs (Chairman)

<i>Date</i>	<i>Session</i>	<i>UK Ministers Attending</i>
24-25 September	Informal Meeting of Employment Ministers	Rt Hon Norman Tebbit MP Secretary of State for Employment (Chairman) Hon Peter Morrison MP Parliamentary Under-Secretary of State, Department of Employment
5-7 October	Informal Meeting of Agriculture Ministers	Rt Hon Peter Walker MBE MP Minister of Agriculture, Fisheries and Food (Chairman) Rt Hon Alec Buchanan-Smith MP Minister of State, Ministry of Agriculture, Fisheries and Food
15 October...	Political Co-operation	Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs (Chairman) Hon Douglas Hurd CBE MP Minister of State, Foreign and Commonwealth Office
30-31 October	Informal Meeting of Finance Ministers	Rt Hon Sir Geoffrey Howe QC MP Chancellor of the Exchequer (Chairman)
3 November	Standing Employment Committee	Rt Hon Norman Tebbit MP Secretary of State for Employment (Chairman) Rt Hon Michael Alison MP Minister of State, Department of Employment
14-15 December	Informal Meeting of Foreign Ministers	Rt Hon The Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs (Chairman)

## MAJOR PROPOSALS ADOPTED DURING THE PERIOD

1 JULY-31 DECEMBER 1981

*External Relations Trade and Aid*

Council Regulation 3799/81 adding new products to the list of those which may be imported from Romania without restriction and establishing a list of goods whose import from Romania is restricted.

Council Regulation 3689/81 establishing the amounts of certain other goods which, under the Protocol in the EC/Romania Industrial Products Agreement, may be imported from Romania during 1982.

Council Decision 81/1065 opening 1982 import quotas for the state trading countries.

*Agriculture and Fisheries*

Council Regulation 2144/81—extending the period of validity of Council Regulation 1315/81 laying down certain interim measures for the conservation and management of fishery resources applicable to vessels flying the flag of Sweden.

Council Regulation 2369/81—laying down general rules for the system of aid for cotton.

Council Regulation 2194/81—laying down general rules for the system of production aid for dried figs and dried grapes.

Council Regulation 2228/81—concerning the management and control of certain catch quotas for 1981 for vessels flying the flag of a Member State and fishing in the regulatory area defined in the North West Atlantic Fisheries Organisation (NAFO) Convention.

Council Regulation 2229/81 amending Regulation (EEC) No. 849/81 laying down for 1981 certain measures for the conservation and management of fishery resources applicable to vessels flying the flag of Norway.

Council Regulation 2992/81—amending Regulation (EEC) No. 1852/78 on an interim common measure for restructuring the inshore fishing industry.

Council Regulation 3000/81—laying down for 1981 certain measures for the conservation and management of fishery resources applicable to vessels registered in the Faroe Islands.

Council Regulation 3069/81—concerning the import system applicable to certain non-member countries in the sheepmeat and goatmeat sector in 1981.

Council Regulation 3146/81—amending Regulation (EEC) No. 849/81 laying down for 1981 certain measures for the conservation and management of fishery resources applicable to vessels flying the flag of Norway.



Council Regulation 3366/81—amending Regulation (EEC) No. 2228/81 covering the management and control of certain catch quotas for 1981 for vessels flying the flag of a Member State and fishing in the regulatory area defined in the NAFO Convention.

Council Directive 81/602—concerning the prohibition of certain substances having a hormonal action and of any substances having a thyrostatic action.

Council Directive 81/851—on the approximation of the laws of the Member States relating to veterinary medicinal products.

Council Directive 81/852—on the approximation of the laws of the Member States relating to analytical, pharmacotoxicological and clinical standards and protocols in respect of the testing of veterinary medicinal products.

#### **Economic, Monetary and Budgetary**

Council Decision 81/1013—on Community aid granted by way of exception for the reconstruction of the regions affected by the Greek earthquakes in February and March 1981.

Council Decision 81/1056—adopting the Annual Report on the economic situation in the Community (1981) and laying down economic policy guidelines for 1982.

#### **Regional and Industrial**

Council Regulation 3744/81—projects in the field of microelectronics technology.

Council Decision—81/574—Adaptation of Second Research Programme in the field of medical and public health to take account of the accession of Greece and to enable Greece to participate in the programme.

Council Decision 81/599—Third Plan of Action in the field of information and documentation to continue the development of Euronet Diane and other high quality information services.

Council Decision 81/1014—Second Research and Development Programme in the field of textiles and clothing covering garment construction, quality of knitted articles, spinning technology.

Council Decision 81/1032—Research and Training Programme in the field of biomolecular engineering with particular emphasis on safety and agricultural aspects.

Council Decision 81/1058—an agreement between EC/Sweden/Switzerland on Euronet Data Transmission network.

Council Decision 81/1063—COST Concertation Agreement on a concerted action project in the field of the treatment and use of sewage sludge.

### **Environment and Transport**

Directive 82/3 amending Directive 75/130/EEG on the establishment of common rules for certain types of combined road/rail carriage of goods between Member States.

Decision 81/691—on conclusion of the Convention on conservation of Antarctic marine living resources.

Decision 81/971—to establish an information system for the control and reduction of pollution caused by hydrocarbons discharged at sea.

Recommendation 81/972—to promote the use of recycled paper board.

Council Resolution of 15 December—concerning Community railway policy.

Council Resolution of 15 December—concerning Community support for transport infrastructure.

### **Social Affairs**

Council Regulation 1989/81—concerning operations qualifying in Greece for a higher rate of intervention by the European Social Fund.

Council Regulation 3795/81—on the extension to the self-employed of the Community's social security regulations on migrant workers.

Council Resolution of the Representatives of the Governments of the Member States meeting within the Council of 21 December on the Social Integration of Handicapped People.

### **Energy**

Council Regulation 3721/81—extending to 31 December 1981 Regulation 1893/79 and 2592/79 concerning registration of crude oil and petroleum product imports in the Community.

Council Decision 81/6655/2—on agreement between the Government of Australia and Euratom concerning transfers of nuclear material from Australia.

Council Recommendation 81/924 on common principles for electricity tariff structures.

### **Customs and Indirect Taxation**

Council Regulation 3030/81—amending Regulation 3237/76 on the advance implementation of the Technical Annexes and the advance use of the specimen TIR carnet of the Customs Convention on the international transport of goods under cover of TIR carnets (TIR Convention) of 14 November 1975, Geneva.

Council Regulation 3413/81—amending Regulations 1544/69, 2780/78 and 3660/78 on the tariff treatment applicable to goods contained in travellers' personal luggage or sent in small consignments to private individuals.

Council Regulation 3813/81—amending for the second time Regulation 222/77 on Community transit.

Council Directive 853/81—amending Directive 695/79 on the harmonisation of procedures for the release of goods for free circulation.

Council Directive 890/81—authorising the Italian Republic to derogate from the value added tax arrangements applicable to aid to earthquake victims in Southern Italy.

Council Directive 933/81 amending Directives 169/79 and 1035/78; tax-free allowances applied in international travel and to imports of goods in small consignments of a non-commercial character; third countries.

Council Directive 934/81—amending Directive 651/74 on the tax reliefs to be allowed on the importation of goods in small consignments of a non-commercial character within the Community.

Council Directive 2/82—amending Directive 464/72 on taxes other than turnover taxes which affect the consumption of manufactured tobacco.

MAJOR TREATIES AND AGREEMENTS BY THE COMMUNITY  
DURING THE PERIOD

<i>Date</i>	<i>Treaty or Agreement</i>
Signed 21 October	... Agreement establishing the Common Fund for Commodities
Signed 30 December	... EC/Canada Fisheries Agreement

## MAJOR MINISTERIAL SPEECHES DURING THE PERIOD

<i>Date</i>	<i>Speaker</i>	<i>Occasion</i>
1 July	Rt Hon David Howell MP Secretary of State for Energy	European Democratic Group, London
8 July	Rt Hon the Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs	Inaugural Speech on the United Kingdom Presidency to the European Parliament, Strasbourg
2 September	Rt Hon Neil Martin MP Minister of State, Foreign and Commonwealth Office and Minister for Overseas Development	UN Conference on the Least Developed Countries, Paris
15 September	Peter Rees Esq QC MP Minister of State, Treasury	Plenary Session of the European Parliament, Strasbourg
17 September	Rt Hon Norman Tebbit MP Secretary of State for Employment	Plenary Session of the European Parliament, Strasbourg
23 September	Rt Hon the Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs	Foreign Policy Association Lunch, New York
25 September	Rt Hon David Howell MP Secretary of State for Transport	Transport Committee of the European Parliament, Brussels
12 October	Rt Hon the Lord Hailsham of St Marylebone CH FRS Lord Chancellor	Address to European Democratic Group, Blackpool
14 October	Hon Douglas Hurd CBE MP Minister of State, Foreign and Commonwealth Office	Debate on the Internal Market, European Parliament, Strasbourg
16 October	Rt Hon the Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs	Conservative Party Conference, Blackpool

## MAJOR MINISTERIAL SPEECHES DURING THE PERIOD

<i>Date</i>	<i>Speaker</i>	<i>Occasion</i>
1 July ...	Rt Hon David Howell MP Secretary of State for Energy	European Democratic Group, London
8 July ...	Rt Hon the Lord Carrington KCMG MC Secretary of State for Foreign and Common- wealth Affairs	Inaugural Speech on the United Kingdom Presidency to the European Parliament, Stras- bourg
2 September	Rt Hon Neil Martin MP Minister of State, Foreign and Commonwealth Office and Minister for Overseas Development	UN Conference on the Least Developed Countries, Paris
15 September	Peter Rees Esq QC MP Minister of State, Treasury	Plenary Session of the European Parliament, Strasbourg
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16 October ...	Rt Hon the Lord Carrington KCMG MC Secretary of State for Foreign and Common- wealth Affairs	Conservative Party Conference, Blackpool

<i>Date</i>	<i>Speaker</i>	<i>Occasion</i>
21 October ...	David Mellor Esq MP, Parliamentary Under- Secretary of State for Energy	Energy and Research Committee of the European Parliament, Brussels
27 October ...	Rt Hon the Lord Carrington KCMG MC Secretary of State for Foreign and Common- wealth Affairs	Churchill Memorial Lecture, Luxembourg
28 October ...	Rt Hon Patrick Jenkin MP Secretary of State for Industry	Annual Dinner of the Business Aircraft Users Association
29 October ...	Rt Hon Humphrey Atkins MP Lord Privy Seal	Debate on the 30 May Mandate, House of Commons
30 October ...	Rt Hon the Lord Carrington KCMG MC Secretary of State for Foreign and Common- wealth Affairs	Golden Book Ceremony, Berlin
3 November	Hon Nicholas Ridley MP Financial Secretary to the Treasury	Plenary Session of the European Parliament, Strasbourg
9 November	Rt Hon Michael Alton MP Minister of State, Depart- ment of Employment	Social Affairs and Employment Committee of the European Parliament, Brussels
11 November	Rt Hon Neil Martin MP Minister of State, Foreign and Commonwealth Office and Minister for Overseas Development	Food and Agriculture Organiza- tion Conference, Rome
25 November	Norman Lamont Esq MP Minister of State, Depart- ment of Industry	Regional Committee of the European Parliament, Brussels
25 November	Rt Hon Humphrey Atkins MP Lord Privy Seal	Sheffield Chamber of Com- merce Lunch
26 November	Rt Hon Norman Tebbit MP Secretary of State for Em- ployment	Address to the Greater London Area Conservative European Conference
15 December	Hon Nicholas Ridley MP Financial Secretary to the Treasury	Plenary Session of the European Parliament, Strasbourg

<i>Date</i>	<i>Speaker</i>	<i>Occasion</i>
16 December	Rt Hon Margaret Thatcher MP Prime Minister	Report to the European Parliament, Strasbourg
17 December	Rt Hon the Lord Carrington KCMG MC Secretary of State for Foreign and Commonwealth Affairs	Closing speech on the United Kingdom Presidency to the European Parliament, Strasbourg



**PRIME MINISTER'S SPEECH TO THE  
EUROPEAN PARLIAMENT: 16 DECEMBER 1981**

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

2. 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 Governments 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.

3. 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**

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

5. 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. 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.

6. 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.

7. 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—

“A State without the means of change is without the means of its conservation”.

8. 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.

9. 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.

10. 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.

11. 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;
- 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 effect of the Community budget.

12. 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. 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.

13. This Parliament will wish to know that at the beginning of the Council's proceedings, Mr Papandreu, the Prime Minister of Greece, made a statement about the economic problems of Greece and his Government's attitude towards the Community. 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

14. Our Community works against the backdrop 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, 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.

15. 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 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 reflationary but deflationary.

16. 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 reinforce the efforts of the Community as a whole.

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

18. 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.

### **Political Co-operation**

19. 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.

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

21. 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.

22. The problems discussed included East-West relations, Afghanistan, Poland, 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 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**

23. 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.

24. 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.

25. 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 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.

26. 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.

27. 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. 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.

## FOREIGN AND COMMONWEALTH SECRETARY'S SPEECH TO EUROPEAN PARLIAMENT : 8 JULY, 1981

1. We in the United Kingdom are fortunate that our first two Presidencies have followed immediately after those of the Netherlands. Progress has been made over the last six months on a wide range of issues for which our predecessors deserve all credit. You have followed this work with close attention, but let me mention three fields in which the Presidency's contribution was particularly valuable.

2. First, there was the agricultural price-fixing last March, when agreement was reached with a pleasant absence of the delay and acrimony which has occasionally characterised this exercise in earlier years. Secondly, the progress made on tackling the problems arising from the crisis in the steel industry showed that the Community is capable of responding to the social and industrial problems of the '80s. This augurs well for the future. And in the Middle East the patient and persistent work of Mr. van der Klauw has enhanced the reputation of European diplomacy and made clear the hope that Europe has a contribution to make to an eventual settlement of the problems afflicting this troubled, but vital area of the world. In one other important sector, fisheries, the Presidency's efforts, through no fault of their own, did not bring success. We inherit the task from them and consider it a high priority to conclude the negotiations which have already lasted for longer than is good for the Community or for the wellbeing of its fishermen.

3. In the policies of the European Community, six months is a short time. It is a mistake for any Presidency to assume the chair with exaggerated hopes. To set targets that are too ambitious is to court disappointment and disillusion. The Presidency has only limited control of business and cannot force the pace at which progress is made on the various issues before the Community. The speech I am making to this House is not an agreed order of business, but an indication of what the British Presidency hopes to achieve. The Presidency's task is to provide continuity with its immediate predecessor; to ensure that business is despatched with the maximum of efficiency and the minimum of fuss; and to work with a sense of purpose to bring about the consensus and compromise among all Member States without which no steady rate of progress can be maintained.

4. Another major responsibility of the Presidency and a vital ingredient for its success is the maintenance of good working relations with the other institutions of the Community. If Britain is to perform her task effectively and harmoniously we will need the support of the Parliament. Part of the Parliament's role is to discuss and to criticise and I am not asking you to renounce your obligations in this respect. But I do ask that we should consider each other not as adversaries but as partners in a joint enterprise: that of making a success of Europe. The British Presidency, for its part, is determined to try to make out of this relationship an effective dialogue

and not an exercise in mutual frustration. I and my Hon. Friend, Mr. Douglas Hurd, will come to Parliamentary sessions and political colloquia, committed to that objective. I am also glad that there have been contacts between the previous Presidency and the Parliament on how the dialogue over the Community Budget may be improved. As a first step in that direction, I am glad that it has been agreed between Mr. Lawson, President of the Budget Council, and you, Madame, that the delegation of your Parliament should meet the Council on 23 July—the day before the Council establishes the Draft Budget—in order to give more time for the Council to consider the Parliament's views. I am glad that the Parliament has accepted the invitation.

5. The role of the Commission is also fundamental to the successful development of the Community. The Commission's proposals form the basis of all progress along the lines laid down in the Treaty. The higher the quality of the proposals put forward by the Commission, the better the chances of success.

6. The traditional purpose of this speech is to explain to you the business that will occupy our Presidency. But I should like to concentrate on the broader themes which we hope to develop over the next six months, and I have therefore circulated a separate memorandum setting out the business of our Presidency in more detail.

7. The course of our Presidency, like all others, will be deeply influenced by the economic and political environment, both in the Community and in the world outside. In the Community the twin evils of inflation and unemployment remain with us, undefeated and daunting. These are the problems that are uppermost in the minds of the citizens of all our countries. If Europe is to be seen to be relevant to their lives, we must tackle them with imagination and success. In its first fifteen years the Community operated in conditions of expansion and economic growth. Now it has to face recession and structural change. New challenges call for new responses.

8. Another problem that affects all members of the Community and to which we must find a Community response is that of energy. Both in our internal discussions and on the international stage, the Community needs to work coherently if her interests are to be effectively furthered and defended.

9. The problems of the budget also make this a crucial period in the history of the Community. The resources available have nearly reached the limit laid down for them by the original Six in 1970. Like national governments, the Community is having to look carefully at its spending programmes to keep within the limit—about a growing one—which has been laid down. This, combined with the need to restructure the budget recognised in the Council mandate of 30 May 1980, means that decisions of far-reaching importance on the Community's policies and on the financing of them will need to be taken in the near future. These decisions are made all the more necessary by the knowledge that two more European States are seeking admission to the Community.

10. If the Community's internal progress is beset with problems, then the international environment is far from serene. The shock caused by the Soviet Union's brutal invasion of Afghanistan some 18 months ago has still not died away. Events in Poland are a continuous reminder that a crisis much nearer home could erupt at any moment. We recall with sadness the events in Hungary in 1956 and Czechoslovakia in 1968: and I think that most of us realize how quickly an even more serious crisis could arise, with even more far-reaching consequences.

11. But the lessons of Afghanistan can bring us advantage if we are determined to seek it. The Soviet occupation of that country has brought a new awareness in the Third World of the advantages of partnership with the West and with Europe in particular. Areas like the Middle East look to Europe to play a fuller role in these dangerous times. Here too we must ensure that our response is adequate.

12. It is natural that the life of relatively new institutions, like this Community, should be full of critical decisions in its early years. All the great nation states have found the same in their early, testing times. Problems crown in on us from every side. Inevitably the search for solutions will prove difficult and at times contentious. Some will doubt whether the Community can rise to the challenge that faces it.

13. Past experience shows that these doubts are likely to prove unfounded. There has been much steady but unsung progress in many areas. And although the Community's history has been marked by successive periods of difficulty, these have led to successive advances. Almost 12 years ago the Community of Six reached what it then perceived as a crucial point in its development. The leaders of Europe at that time were not discouraged. They understood the need to look beyond the immediate problems and hold to a vision of the Europe they were trying to create. The then French President pointed the way forward by setting three targets for the Community—separate, but forming a whole like a triptych painted above an altar.

14. The three targets were "achievement, approfondissement, élargissement". At the time this must have seemed an ambitious and a difficult goal. But to a greater or a lesser extent the Community has achieved all three. The "completion" was marked by the end of the 12-year transitional period and the adoption of an independent financial system. "Deepening", necessarily a continuing process, has admittedly only been achieved partially. But in the last twelve years the advances made in fields like regional policy, social policy, environment, the internal market and the establishment of the EMS are far from negligible achievements.

15. As for enlargement, my presence here today is proof of achievement. In 1973 and again in 1981 the Community grew by the admission of new members. For Member States both old and new, that process has brought changes, new opportunities and—invariably—some problems as well. But experience has shown that adjustments take place to mutual advantage. Take for instance the development of the United Kingdom's trade with the rest of the Community. In 1972 before we joined the Community, some 30 per cent of our total trade was done with the EC;



last year that figure was nearer 42 per cent. Enlargement has also widened Europe's horizons, made it more representative of the people of Europe, enhanced stability and democracy in our continent and added to its international weight.

16. The Community now stands once more at a crossroads. Decisions vital to its future development are due to be taken. If we are to succeed we must retain a vision of where Europe is going and of the Europe we want if we are not to become obsessed by our current problems. I should like to propose a second triptych. Its first element should be "renewal", the second, once more, is "enlargement"; and the third I shall call "identity".

17. I choose the word renewal because there can be no question of overthrowing or discrediting the real achievements the Community has made. The problem is to modify, adapt and strengthen existing policies and where necessary to elaborate new ones. The Community and its activities require renewal if we are to tackle the problems of the 1980s and beyond.

18. Enlargement means a successful repetition of the negotiations that led to the admission first of Britain, Ireland and Denmark and then of Greece. The admission of Spain and Portugal will mean more than the extension of the Community to the Iberian Peninsula. It will mean a strengthening of the forces for peace and democracy.

19. By identity I mean the impact that Europe can and should have on the events of the world outside if it is to protect and to further its interests. By the active exercise of influence in the world outside, Europe can develop the identity of which the Community is a symbol. And only if we are conscious of that identity can we play the active role in international affairs of which our citizens and those of the world outside believe us to be capable.

20. The basis of the Community's renewal must be the restructuring of the Community budget and the review of the Community's expenditure policies that goes with it. A useful start has already been made. The Commission has put forward ideas and there has been a first discussion between Heads of State and Government. The Council agreed on 30 May 1980 to aim for decisions by the end of this year. The British Presidency must therefore make it a major objective to achieve decisive progress in the six months ahead. Whether we succeed will not of course depend on us alone.

21. The task before us is not insuperable as some might have you believe. There is already an emerging concentration on the three main elements that must contribute to the restructuring that is required, and these are reflected in the Commission's paper.

22. The first is that there should be changes in the Common Agricultural Policy to discourage the production of surpluses and to limit the costs to which they give rise. It can not be right that about half of the Community's budget should be spent simply on the storage and disposal of surplus food.

This is an expensive and wasteful anomaly that must be corrected—but not so as to undermine the principles of the CAP or to lose the benefit Europe gains from having a healthy agricultural industry and security of food supplies. The Community must continue to support its agriculture as every other country does. But we need to do it more economically. The debate last month in this House and the resolution then adopted shows that view to be shared and supported by a wide spectrum of political opinion in all our countries.

23. The second fact on which there is wide agreement is the mirror image of the first. Just as too much is spent on agriculture so too small a share of the budget is devoted to other policies. In the 1950s it was reasonable to argue that the agricultural sector was particularly in need of support. Industry and the service sector could look after themselves. All they needed was the conditions of free competition provided by the Common Market. That is no longer the case. The relative security of income and employment which many farmers enjoy has now, as a result of the recession, been denied to many other sectors of the economy. The Community needs to devote more resources to policies dealing with the problems of the '80s: regional development, rehabilitation and training, energy, and perhaps new policies for industrial re-generation and urban renovation.

24. The third element is to fulfil the pledge given on 30 May that no Member State is ever again to be faced with an unacceptable budgetary situation. That is not, of course, to say that every Member State should receive from the Community till a sum equivalent to that which it pays in. Policies have to be designed to be effective as policies, not just to ensure that their cost is equally shared out. But if a Community based on consensus and the common good is to flourish and advance, then every Member State has to be broadly satisfied that the Community's financial basis is sound and equitable.

25. There are two factors which act both as a constraint and as a stimulus to decision making. The first is that the Community is fast approaching the 1 per cent limit on the VAT contributions that make up the bulk of its budget resources. In a period in which so many Governments in Europe are facing unprecedented budgetary and financial discipline it is not surprising that many people in the Community consider that the Community too should live within its colling. It is in any case politically unrealistic to ask for resources to be increased until it is clear that the budget has been restructured in such a way as to ensure that the excessive rate of growth of agricultural expenditure has been curbed and that Member States will not be called upon to make unreasonable or unacceptable contributions to it.

26. The second factor is that of enlargement. It would not be appropriate formally to associate the two applicants with the decisions the Community must take. But it would be unjust and unwise not to take account of the effects their membership will have. The objective after all is to make unacceptable situations impossible for any Member State, and that must include the future as well as the actual members if we are to avoid disputes and if our agreement is to prove lasting.

27. But the Community is about much more than just the budget. The word renewal implies developing the Community to keep abreast of changes in the world outside. For a leading industrial power like the Community that means developing our industrial base. If we are to win the fight against inflation and unemployment we must adapt our industrial capacity to take full advantage of advanced technology. Advanced technology is an area where Western Europe can and must be among the leaders. Only that way will new jobs be created and our position in the world guaranteed.

28. Renewal also means completing the Common Market. The Common Market in agriculture is an accomplished fact. So too to a large extent is that in industrial products, though much work remains to be done on non-tariff barriers and we intend to press ahead with that. But nowadays the service sector is almost as great a source of wealth and employment as is industry. Services like insurance, banking and air travel deserve to share the advantages enjoyed by their colleagues in manufacturing industry. Only that way will Member States and their people secure maximum benefit from membership of the world's largest area of free trade.

29. Renewal also means adapting the Community's regional and social policies to the need of the 1980s. We need to continue the restructuring of traditional industries such as steel, textiles and shipbuilding so that they can compete profitably in the modern world. We must enable our work forces to find jobs in the new industries that will have partially but increasingly to replace the old heavy manufacturing industries. If we cannot compete in this area, our prosperity will be at risk.

30. The second word of my triptych was enlargement. The potential for enlargement is inherent in the Treaty of Rome. The recent accession of Greece was welcome to us all. We now look towards Portugal and Spain. These countries' admission to the Community will crown their return to democracy. It is our duty to encourage and stabilise the new democratic systems in those countries. We must make a success of the negotiations so that membership of the Community is soundly and fairly based and cannot give rise to disillusion or disappointment.

31. A further enlargement of Europe is bound to bring problems in its wake. The institutional and economic complications of a Community of 12 will need to be tackled with imagination and goodwill. But a successful enlargement will strengthen Europe. There is no reason why the European idea should be diluted or weakened. The accession of Portugal and Spain will increase the confidence with which Europe can act domestically and in the world outside.

32. As the third element in my triptych I have chosen the word identity. It was the existence of a European identity that provided the first impetus towards the formation of the Community. We need to find ways of reconfirming that identity so that Europe can play the role in the world that our history makes appropriate and which other nations expect of us. If Europe is to extend her influence then we shall need to look carefully at the practical possibilities for exercising it. It will not be enough to issue

resounding statements in the name of Europe. Europe must equip itself with the organisation needed to formulate common policies and give practical effect to them.

33. Much of the impact of Europe's identity in the world outside comes from the existing policies of the Community itself. The Community is now the world's largest economic unit in terms of GDP. The Ten account for 20 per cent of the world's trade. The Community is a vital part of the world's economic system, and has a part to play in many fora. As major trading nations the Community has a vested interest in preserving the open trading system from which we have all so greatly benefited since the last war and whose absence before it was so disastrous. But the open trading system is not easy to sustain in a period of world recession. As with peace, the price of its maintenance is eternal vigilance.

34. The best example of the Community's influence in favour of the open trading system was the Tokyo round of multilateral trade negotiations of the GATT. These were successfully concluded at the end of 1979, and we are now working constructively to implement the outcome of that round. This complex task is intended to take eight years; we are still only in the second. The proposal for a Ministerial level meeting of the GATT contracting parties during 1982, which will provide an opportunity to review progress in carrying out this task, is therefore to be welcomed.

35. Meanwhile the Community is now preparing its position for the important GATT negotiations in prospect over the extension of the Multi Fibre Arrangement. These negotiations are of great importance to the Community and to suppliers in the developing world and we must seek an outcome which takes account of their concerns while allowing our hard-pressed domestic textile industries to adjust in an orderly fashion to the changing patterns of world trade.

36. Among developed nations the 7-power summits make a major contribution to maintaining the orderly development of the world economy. The Ottawa Summit is due to take place later this month. The Community will be represented there by the Commission and by the Presidency, reflecting the views Member Governments have expressed in the preparatory discussions. At this summit the Community will be working to maintain an open trading system. But we shall not ignore the difficulties posed for that system by the trading policies of individual nation states and will tackle them realistically and firmly. In particular our trade relations with Japan are going through a sticky patch. We think that, given the size of the Community's trading deficit and the problems caused by the concentration of Japanese exports in a few sensitive sectors, we have a good case to ask for some restraint on their part and for a determined and conscious effort by the well-organised and effective Japanese economic establishment to increase their purchases from Europe. At the same time we see only mutual benefit in building with our Japanese friends a closer political partnership.

37. The Community is not only involved in discussion of world economic problems with the nations of the developed world. We are every bit as closely concerned with the dialogue between parts of the world at different

stages of economic development. This dialogue has become of increasing importance in recent years and on its success hangs the future harmony and prosperity of the world.

38. The Community has been a pioneer in establishing mutually beneficial trade links with developing countries. The Lomé Convention between the European Community and some 60 countries in Africa, Caribbean, and the Pacific is an admirable example of the way in which trade, aid and co-operation should be so blended together as to bring about the common advantage of the developed and developing world. The Community will therefore be well placed to make a contribution to North/South discussions. The Community intends to play a constructive role in the UN Conference on the least developed countries and on new and renewable sources of energy in August, while the Mexico Summit in the autumn will be attended by three Member States of the Community including the Presidency.

39. The external role of the Community is partly justified by its strength as an economic institution. But the Community is more than just an economic institution, and it is understandable that other powers wish to develop a relationship which is not exclusively economic and commercial. This natural and healthy development has resulted in, for example, the Euro/Arab Dialogue where contact between the countries of Europe and those of North Africa and the Middle East can make a useful contribution to greater mutual understanding, and, eventually, to a solution of the conflicts of that area.

40. Another economic grouping which has much in common with the EC is ASEAN. We welcome the increasingly close and friendly relationship the Community is developing with ASEAN, and our long-standing and important relationship with the countries of Latin America. The admission of Portugal and Spain can only serve to reinforce our links with a region of the world that seems set to expand in prosperity and influence.

41. We hope that the period of our Presidency will see important developments in these relationships. A meeting of the Euro-Arab Dialogue at Ministerial level is due to take place in the coming months, probably November. And there will be an opportunity for political discussion between European and ASEAN Ministers when we meet together in London in October. Meanwhile I shall be attending, as President of the Ten, the international conference on Kampuchea which has been called by the Secretary-General of the United Nations and which starts in New York on 13 July.

42. The success and vitality of the European ideal is not, however, limited to the areas covered by the Treaties. Political Co-operation is an embodiment of the principle that the Ten speaking as one have more effective influence than if they speak with separate voices. Since the Luxembourg and Copenhagen reports on which political co-operation is based, we have come far. Particularly striking has been the unanimity with which the Ten have pursued their objectives at the meetings in the CSCE process, at Helsinki, Belgrade and, now, Madrid. It has also been gratifying to see the growing impact of the Ten as a group at the United Nations. The

habit of co-operation is now, I believe, firmly ingrained in our Foreign Ministries at all levels. A greater solidarity in times of crisis has increased the confidence and security of us all.

43. Political Co-operation has been one of the success stories of Europe in recent years. But there is more to be done. The Ten have proved better at reacting to crises than at taking initiatives designed to forestall or resolve them. And there have been times when our reaction has been too weak and too late. Our failures are partly due to weakness in the mechanisms of Political Co-operation and partly to the weakness of the commitment to *do together*.

44. But I believe we are learning from our mistakes: on Poland, Political Co-operation has worked more smoothly. The statements of the European Council at critical moments have served to put on record Europe's determination to react firmly and decisively should Poland's right to settle her own affairs be interfered with. The rapid decisions of the Community to provide food at special prices made a useful contribution at a time of particular difficulty for the Polish Government and people.

45. Meanwhile, the action of the Ten over the Middle East has marked a new departure. Here at last Europe is not merely reacting to a crisis, but trying to make a positive and substantial contribution to resolving a long-standing problem. The importance of the Middle East for the European Community, and the disproportionate contribution to security and peace that a settlement of the Arab/Israel dispute could bring, make it essential for us to devote every effort to bringing a settlement nearer. During our Presidency we shall continue to build on the basis laid down in earlier statements by the Ten and on the valuable contacts undertaken since then by Mr. Thom and Mr. van der Klouw. A peace settlement in the Middle East depends first and foremost on the political will of the parties directly concerned—Europe does not seek to solve the problem on its own. We also recognise the crucial role played by the United States with whom, like our Luxembourg and Dutch predecessors, we shall maintain close contact. European and US efforts have been and will remain complementary. The Ten's task is to persuade all who will listen of the importance of a peaceful solution and the need for each side to accept the rights of the other, in accordance with the two fundamental and mutually balancing principles set out at Venice.

46. A second example of Political Co-operation on the move is the initiative on Afghanistan announced by the European Council on 30 June. This is a serious attempt to find a political solution to the crisis in Afghanistan. We are proposing a two-stage conference to be held early this autumn. The work of the first stage will be to work out international arrangements designed to bring about the cessation of external intervention and safeguards to prevent it in the future and thus to create conditions in which Afghanistan's independence and non-alignment can be assured. The participants would include the permanent members of the Security Council and countries of the region as well as the Secretaries-General of the United Nations and the Islamic Conference. The second stage would also include representatives of the Afghan people and its purpose would be to reach agreement on the implementation of the international arrangements and on

all other matters designed to assure Afghanistan's future as an independent and non-aligned state. The European Council's proposal has been widely supported.

47. I have just come back from Moscow where I have been discussing this with Mr. Gromyko. In explaining the proposal I made it plain that I was speaking on behalf of the Ten Member States of the European Community. I emphasised that the problem with which it dealt was one of global significance and whose solution was essential in the interest of peace, stability and the development of East/West relations. I reminded the Soviet Government that the Ten—and indeed the great majority of the international community—are convinced that the complete withdrawal of Soviet troops is an essential element of any solution. Mr. Gromyko took the view that the proposal by the Ten was, as he put it, "unrealistic", because the main problem was intervention by others in the affairs of Afghanistan, because it was not stated that the present Afghan régime should participate at the outset and because the proposed composition of the conference was unsatisfactory. I told him that I did not find these arguments convincing. Mr. Gromyko did not say that he rejected the proposal and did not exclude further discussion. For my part I made it plain that the proposal, which has already received an encouraging degree of support in the international community, remains on the table and that a positive response from the Soviet Union was highly desirable in the interests of world peace and stability. The proposal provides the best hope of a negotiated settlement, which is wanted by the international community, and which the Soviet Union has also said that they want. It is obvious that a Soviet refusal to negotiate on Afghanistan makes it impossible to speak of normal relations and prejudices efforts to reach agreement with the Soviet Union on other matters. Ours is a serious proposal, and I hope that on reflection the Soviet Government will react in a constructive manner.

48. But the gap between Europe's potential influence in the world and what it has actually achieved is still too wide. If Political Co-operation is to prove adequate to the expectations that are increasingly laid upon it, then we will need to strengthen the existing arrangements. The Netherlands Presidency have already done good work in preparing for this. The UK Presidency will carry on the task. It is one to which I attach particular importance and a number of my colleagues have made it clear that this feeling is widely shared.

49. Progress in Political Co-operation can never be a substitute for progress with the activities of the Community. They are, when all is said, but two sides of the same coin. We must build up our cohesion and unity on both fronts.

50. I have described the main themes which will guide the United Kingdom Presidency. I hope I have given sufficient indication of the commitment and the determination which we intend to bring to the task.

51. To say that Europe is at a turning point is not to say that Europe is in crisis. On the contrary, I think the triple objective of which I have spoken, renewal, enlargement and identity, could point the way forward for the Community. The achievements and the progress of the last 25

years are astonishing if one considers the different political and economic structures and the varied historical traditions of the Member States. This progress was achieved often painfully and in conditions of tension and near crisis. Too often the agreements of the Community pass unnoticed and it is only the headlines about clashes and confrontations that are remembered. But in the sweep of history, it is the progress that counts and the difficulties that are forgotten.

52. Today the success or failure of the Community has become increasingly important to the world as a whole. A successful resolution of our internal problems is essential if Europe is to make the contribution to security and peace that the world requires and which it alone is capable of offering. Britain is committed to playing its full part in this common enterprise in which we have all invested such high hopes. During our Presidency we shall shoulder our responsibilities in the knowledge that the best contribution we can make is to discharge our duties efficiently, fairly and in the spirit of loyalty to the European ideal without which no progress can be made.



## FOREIGN AND COMMONWEALTH SECRETARY'S SPEECH TO THE EUROPEAN PARLIAMENT: 17 DECEMBER 1981

1. 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 Co-operation, 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 six-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 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<sup>(1)</sup> 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

(1) Not printed—held in the House of Commons Library.

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 "triptych" 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 in 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 outstanding 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 liberalization 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. Not less 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.

14. 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 1980s requires us to adapt the structure of our economies. And there must be the closest co-operation in these efforts between all of us in the Community.

16. The second of the three 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.

18. 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.

19. 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 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 Cancun 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. In my speech to this Parliament six months ago I referred to the Luxembourg and Copenhagen Reports on which Political Co-operation 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 Co-operation 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 Co-operation 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 Co-operation.

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

27. 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 Czech Walesa. 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 whatsoever. 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.

28. 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 co-ordination 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.

29. 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 co-ordination 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.

30. Finally, I should say that I have noted the keen interest this Parliament takes in Political Co-operation. A Presidency Minister was present throughout the Parliament's recent debate on Political Co-operation, 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.

31. 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 co-operation we have enjoyed (and I should like here to pay tribute to the work of our respective Secretaries who have had to shoulder their share of the extra efforts we have been making which, without them, would have been much harder).

32. 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.

33. I am sorry to say that one of the pieces of unfinished business derived from the outcome of your vote this morning on the 1982 Budget. As the President of the Budget Council said, this goes beyond what 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.

34. 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.

35. 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 this is only part of the truth. 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.

#### NOTE

Figures illustrating United Kingdom visible trade with the Community during 1981 are not available due to industrial action by civil servants.