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**Office of the United Kingdom Permanent Representative  
to the European Communities**

Rond-Point Robert Schuman 6  
1040 Brussels

Telephone 230 62 05

*Handwritten signature*

Your reference

P S Fairweather Esq  
ECD(I)  
FCO

Our reference

Date 7 December 1984

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2 JAN 1985	

*See Patrick*

EUROPEAN COUNCIL: DUBLIN: 3/4 DECEMBER 1984

- / 1. I enclose the "informal" record of the Council. It draws initially on fairly thorough Presidency briefing but relies increasingly towards the end on the Secretary of State's notes.
- / 2. I also enclose a set of the documents which were under discussion and of the variations in the Presidency Conclusions, which the Presidency have only today finalised. The only substantial document which is missing is the final Presidency compromise on IMPs. As far as I am aware, the Prime Minister has the only copy in British hands - and refused to hand it over for photocopying at a crucial stage in the discussion.

*Handwritten signature*  
John Goulden

cc Mr C Budd, Private Office, FCO.  
Mr D F Williamson, Cabinet Office.

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EUROPEAN COUNCIL, DUBLIN: 3/4 DECEMBER 1984

A. AFTERNOON SESSION: 3 DECEMBER.

Programme

1. FitzGerald (Ireland) opened the Council at 15.15. He suggested that the Council should conclude its discussion of the economic and social situation within about an hour, before taking enlargement, which was the most important issue of the Council. He wanted to concentrate on wine and IMPs. He then proposed to make a brief reference to the reports from the two ad hoc committees as a prelude to further discussion over dinner.

2. For the following day, he proposed that discussion should begin with Famine in Africa: the Community must make an adequate contribution to the solution of this problem. The Council might then deal with the main political cooperation subjects (Middle East, East West, Central America and terrorism) which would have been discussed by Foreign Ministers at their dinner. He hoped that the Council would conclude at the end of the morning by approving draft conclusions on all the issues discussed.

Economic and Social Situation

3. FitzGerald said that the Community's predicted growth rate for next year (2.25%) was below its capacity. There were two disturbing factors: first potential growth was not increasing; and second the Community was doing less well than its competitors. The Commission's report showed the need for three things:

(i) to consolidate the economic success achieved so far (control of inflation, reduction of fiscal pressure and an increase in investment);

(ii) to bring greater flexibility into the labour market (through action on wages and on youth and long term unemployment);

(iii) to develop further the Community's internal market.

4. Papandreou (Greece) argued that technological integration within the EC was inadequate, especially in the case of Greece and Italy. The Community's weakness was clear in the extent to which capital was flowing to the United States. The US was exploiting its technological strength to inhibit European exports. Unemployment was rising at 12% pa, but Member governments remained apathetic. They needed to liberate the movement of manpower and goods. They needed also to control public expenditure, though they



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must not let those policies destroy the Community's only real policy - the CAP. Convergence was a necessary part of European Union.

5. Lubbers (Netherlands) said that the Commission's report contained many valuable recommendations. But they needed to be put into effect. The Fontainebleau Council had recommended specific measures on transport and wine by the end of 1984. Failure to put into effect our own deadlines merely gave rise to cynicism. He proposed that the Council should commit the Community to lay down precise time limits for harmonising the conditions of competition and progressive liberalisation of the transport sector. (Text later circulated.) Lubbers went on to propose the creation of a "technological Community" (text later circulated). Faced with the challenge from the US and Japan, the Community should make the establishment of common European standards for new products and processes a matter of Community competence. 1985 should be declared "Internal Market Year". Because of the need for speed, the unanimity requirement in Article 100 in the Treaty should be suspended for one year. Government procurement of professional electronic equipment should be liberalised as soon as possible. It should also be made open to US and Japanese subsidiaries, in order to promote inward investment. Finally the rules on competition should be relaxed to permit cooperation between firms in advanced sectors. The overall aim should be the "vigorous Europeanisation of the market".

Annex A

Annex B

6. Kohl (Germany) agreed almost entirely with Lubbers. He could not accept Papandreou's message that things were getting worse. He was not content with the situation. Unemployment, especially among the young and the academically qualified, was a real problem: it was social dynamite. He raised the question whether the Community had done enough to emphasise vocational as against academic training. But some real progress had been made, especially against inflation. The current trend was positive. The task now was to dismantle the obstacles to investment and the movement of capital and labour. These were what distinguished the European economy from those of the US and Japan. On wage agreements, Europeans tended to think sectorally, whereas in the US the bargaining process encouraged radical change and modernisation. The Community must fight protectionism: it saved no jobs. He thought that the problem facing the Community was partly psychological. There was too much pessimism around. A degree of optimism was necessary: the young needed a ray of hope for the future.

7. Martens (Belgium) thought that the Commission's report was excellent. He too did not share Papandreou's pessimism. The thrust of the report was that monetary policies had

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worked in curbing inflation but that the general trend of unemployment continued to be upwards. What could the Community, as distinct from national governments, do about it? It could press ahead for a more effective EMS. The Community needed a monetary identity in order to reduce the economic vulnerability of individual economies. There should be increased use of the ecu. He was ready to accept the Commission's proposals on EMS.

8. The Prime Minister said that this was the best report she had seen from the Commission. She could agree with all of it and with the conclusions to be drawn from it. National finances needed to be kept in sound order. The productive sector must be expanded. To that end, the inner market should be strengthened next year. She was not sure about Lubbers' proposal for suspending competition rules: she would like to know more about what he meant. But she could agree that the Community should press ahead with new technology. Employment would follow. One could not reduce the gap between rich and poor without securing growth first. A key factor in US success seemed to be its approach to pay and social security. The Community needed to analyse whether its approach did not stifle enterprise. She agreed that the problem was partly a psychological one. Was it because our children were not educated to believe in free enterprise? Was it because the children of entrepreneurs tended to become professors? Was it because taxes were too high or bureaucracy too heavy?

9. Thorn (Commission) argued the case for a real Common Market in public sector purchasing, especially in defence products. The EMS should be developed before Enlargement took place. The Community's economies were more convergent than in the past. The time was ripe. Heads of Government should also insist on more progress being made towards a Transport policy.

10. FitzGerald summed up:

- (i) Everyone could endorse the Commission's report;
- (ii) As Kohl had said, there was a need for an employment policy which embraced training and measures to encourage flexibility and mobility;
- (iii) As the Prime Minister had argued, the Community needed to encourage the spirit of enterprise among the young;
- (iv) He noted that there was strong support for completing the inner market (though a question mark over whether majority voting should be suspended for Article



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100). Foreign Ministers needed to be fired (sc: with the necessary enthusiasm).

(v) Transport Ministers needed to be urged to make a leap forward;

(vi) There should be a wider role for the ecu and the reinforcement of the EMS;

(vii) Member States should intensify their collective effort to steer the labour market in the right direction;

(viii) Finance Ministers should monitor the international situation closely and report in March on measures which the Community should take.

Enlargement

Annex C

11. FitzGerald said there was a consensus on the general objectives over wine. He introduced the eighth version of the Presidency's compromise draft. The main problem was the criteria to set in train the mechanism for obligatory distillation (OD). But there was also a need for a specific step to ensure that producers of enriched wine shared the cost of curtailing the Community's overall surplus.

12. Andreotti (Italy) accepted that wine should be given priority, though there were other problems, such as fish, to be settled. He did not want people to think that it was only France and Italy who were standing in the way of Enlargement. The Presidency's new text represented a considerable step forward. The three triggers for OD were useful. But the price trigger (82%) was too low; the effective price was already below that. In addition the production/consumption trigger (106%) was too low. Subject to changes in those figures, a compromise seemed possible. As to enrichment, Ministers had started from the basis that the addition of sugar would someday come to an end. Italy had a wine vocation; wine was its life blood.

13. Dumas (France) commented that the Presidency's compromise was in line with the Fontainebleau requirement to adjust output to demand. The Community's production of table wine was currently 117 million hectolitres a year, compared with consumption at only 98 mhl. The cost was already more than 1 billion ecu a year and consumption was falling. As to Andreotti's comment about the price trigger, he thought that 82% was right; the market price was currently about 70%. He stressed in particular the need to have clear figures for each state's OD responsibilities. Production needed to be cut by 15%, so the starting point for OD should be 85% of production in each region over the three base years. Finally he wondered whether the OD prices

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were low enough; they should be dissuasive.

14. Kohl said that he had the will to compromise because he wanted enlargement to take place. But it was the Romans who started wine growing on the Rhine and Andreotti should not now try to stop that. The 1970 compromise had taken account of regional variations, allowing the North to sugar and the South to acidify. Cuts since then have hit northern regions very hard. He could accept the first part of section 4 on enrichment provided that the present regime remained in force until 1990 and that sugaring was restricted to the A and B zones. The Community should not try to stop enrichment or to restrict Germany's export markets. Germany wanted only to hold a modest share of the Community market.

15. Poos (Luxembourg) agreed that measures should be taken to curb the wine surplus, but only in those countries which were at fault. Sugar enrichment was a false problem. Haralambopoulos (Greece) stressed that the wine dossier had to be considered in the context of enlargement and of IMPs. He shared the French view. Responsibility for OD must be pinned firmly onto states. He thought that 1990 was too late to begin amending the arrangements for enriched wine.

16. Thorn said that the price trigger of 82% was not there by chance. It was already in the existing regulations. If it was changed, everything changed. As to the 106% production/consumption figure, it should be remembered that every increase of 1% led to the production of an extra 1 mhl. Already this year 40 billion bottles of wine would have to be distilled. The Community must tackle the problem now. Spain and Portugal produced only 30 hl per hectare. But their potential production was clear from the fact that Germany and Luxembourg produced 160 hl per litre. Distillation into alcohol used up more energy than was produced when the alcohol was burnt up afterwards.

17. FitzGerald summarised that there was a willingness to conclude on the basis of this text. He would prefer not to fix the OD figure at 85%, as Dumas had suggested. That figure had to be based on the amount that had to be distilled. FitzGerald suggested that the Commission and the Presidency should discuss the text with experts from each Member State. Foreign Ministers most concerned should then consider the results of these exchanges and report back to the Council later that evening.

Integrated Mediterranean Programmes

18. Papandreou said that the Community's commitment must be respected. He could accept the Commission's proposals. Haralambopoulos gave a long history of IMPs from 1979 (Paris) to 1984 (Fontainebleau). The Fontainebleau package



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would cost Greece 300 mecu pa. Greece needed adequate compensation. He was not prepared to cooperate with implementing the Brussels package, including enlargement, without a satisfactory deal on IMPs. He could agree that there was no need for separate management of IMPs; but there had to be separate funding. Integration in existing funds would not ensure additionality, which was a crucial principle. Craxi (Italy) endorsed what the Greeks had said.

19. The Secretary of State recalled the agreement at Brussels that "the financial resources allocated to aid from the funds, having regard to the IMPs, will be significantly increased in real terms within the limits of financing possibilities". He agreed that a start must be made on IMPs, at least for Greece, in 1985. But they should be implemented through the existing structural funds: there should be no separate budgetary line. As for duration, six years was too long: four would be alright. The figures proposed by the European Parliament (90 mecu) were too high. It should be remembered that IMPs were designed to meet two needs: to respond to the Greek memorandum; and to offset the difficulties caused by enlargement. But the enlargement negotiations were already ensuring that Mediterranean producers within the Community were protected to a considerable extent.

20. Genscher (Germany) suggested that the Fontainebleau conclusions meant two things. First that the three structural funds would be further developed and given added resources to cover IMPs. Secondly that there had to be transparency and a separate window, but not a separate fund. The scope and duration of IMPs had to be governed by the availability of resources. It would be wrong to establish a figure now: the figures so far proposed were quite out of court.

21. Papandreou denied the link with own resources. He could not accept enlargement without a satisfactory conclusion on IMPs. That was irrevocable.

22. FitzGerald summarised the discussion so far.

(i) There was no disagreement about the economic and political importance of IMPs;

(ii) There was already provision in the budget for 50 mecu (which the Parliament might increase to 90 mecu);

(iii) everyone agreed that IMPs would be implemented through existing funds which would have to have additional resources for the purpose;

(iv) the terms of operation for the funds would also need to be extended;

(v) IMPs should begin in 1985: he proposed March 1985.

23. Papandreou said that the financial arrangements had to be separate from the structural funds. He also needed a commitment on duration and size: otherwise there would be no enlargement. Natali (Commission) said that he was dumbfounded by the Secretary of State's comments. Four years duration was far too short. The Commission had proposed six years but time and scale were related. The Community could not take money from existing funds for IMPs. Andreotti said that the Community must go further than repeating previous texts. A substantial sum had to be set aside for IMPs. He pointed out that the Community was spending 1.36 becu a year on sugar.

*Number of it  
given in  
Italy.*

24. Lubbers stressed the need to specify the link with enlargement since IMPs were needed to help Mediterranean countries to adapt to that. That in turn was relevant to the duration. Rather than fix a total amount now, he would prefer a year by year approach to the financing of IMPs.

Annex D

25. FitzGerald then circulated a draft paper and shortly afterwards suggested a break. During this, Kohl mentioned privately to Lubbers that he favoured a programme of 6-700 mecu over 5 years. In a private discussion with the Prime Minister, Lubbers argued that IMPs needed to be back-loaded for the final years of Spanish and Portuguese accession, when Greece would be most vulnerable to the effects of enlargement. British officials explained to the Dutch that IMPs were designed to prepare Greece for enlargement, not to cushion Greece against enlargement when it occurred. This argued against a long duration and back-loading.

#### Environment

26. Kohl referred to the problems of the German forests and of vehicle emissions. The Community needed to adopt a global approach. He wanted to ensure that there was a lengthy discussion of these problems at the March Council. Lubbers agreed and suggested that Environment Ministers should be given clear instructions to make as much progress as possible at their Council on 6 December.

*N/B*

#### Report of Ad Hoc Committees

27. FitzGerald said that the Dooge Committee had been invited to propose specific measures along the lines of the Spaak Report. The Committee's interim report gave a welcome indication that it was adopting the right approach. But in



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a number of ways the Committee had not completed its work. There was a need to deepen its studies in various areas. It was not yet certain whether the report provided a sufficient basis for a decision about an inter-governmental Conference, on which there might well be different views.

28. On the report on a Peoples' Europe, FitzGerald noted that the Committee had only recently started its work. It was still open to members to suggest further points for consideration. He proposed that both reports should be discussed further over dinner. The session ended at 1840.

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B. DINNER: 3 DECEMBER

HEADS OF GOVERNMENT

Report on European Institutions

1. Kohl suggested that the March European Council should be devoted to Enlargement and that this Report should be taken in June. The Prime Minister objected that this would leave the Committee for too long without ministerial guidance and control. Schluter (Denmark) agreed that there should be some discussion of the report in March. Craxi and Mitterrand made long speeches. The Prime Minister said that some of the ideas in the report were unrealistic but others were not firm enough. Mitterrand said that it might be necessary for the Community to go ahead in some areas with fewer than Ten. The Prime Minister countered by asking whether, since her colleagues had said that those on the Committee were really their personal representatives, they could agree tonight to the proposals in the interim report for one Commissioner per country and two European Councils pa. There was an embarrassed silence and only Santer (Luxembourg) agreed. FitzGerald concluded that a report should go to the Council in March and a decision should be taken then on how to handle the report. It would clearly need to be analysed rigorously before June.

IMPs

2. There was a very difficult discussion in which most Heads of Government tried to appear ready to meet Greece's demands. Kohl said he could agree to 6 years. The Prime Minister commented that she could accept that only on the basis of very small annual figures. The Commission's figures were ridiculous. Lubbers agreed. There were strong pleas from FitzGerald, Craxi, Mitterrand and Papandreou to go further. Lubbers said that he could agree to something between 50 and 90 mecu. Kohl was ready to go to 90 mecu. The Prime Minister said that she was not prepared there and then to go beyond 50 mecu. She could consider 90 mecu only if the extra 40 mecu could definitely be found somewhere else within the budget. It was not clear where the money would come from. Discussion ended without agreement.

Political Cooperation

3. Mitterrand spoke about his visits to Syria. Papandreou reported on his contacts with King Hussein and Arafat. Kohl spoke about US steel and the difficulties arising from the US denial that they had had a formal agreement with Davignon. On Arms Control Kohl said that the West must allow the Soviet Union to save face. They had a psychological problem in coming back to negotiations. The



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Soviet Union did not have a public opinion within its borders, but it did have one in Eastern Europe. Papandreou spoke about Poland. Jaruzelski was pleased with the progress he had been making and anxious to move the Polish economy more in the direction of market forces. Kohl and Mitterrand argued that the time was right for an initiative on the Middle East.

FOREIGN MINISTERS DINNER

IMPs

Annex E 4. Barry circulated a revised Presidency draft. It tried to make a formal link between the accession period for Spain and Portugal and the implementation of IMPs. The Secretary of State, Dumas, Genscher and Van den Broek all questioned this. It also provided for "more substantial provisions" as IMPs got under way. The text envisaged that the figure for 1985 would be "of a magnitude estimated by the Commission to be sufficient to launch" IMPs. Andreotti said that this was too vague. Natali argued for a clear global figure as well as for additionality.

5. Genscher argued for the longest possible period of duration in order to produce a reasonable package based on small annual figures. Others, particularly Van den Broek argued for the shortest possible duration in order to produce large annual figures. Natali pressed for an adequate global amount to be fixed now. For 1985, the Commission wanted 90 mecu, partly to satisfy the European Parliament.

Budget Discipline

Annex F 6. It was agreed that the latest text could be adopted formally on the following day. (Though Haralambopoulos said that he could not give final agreement until he had seen the texts in a language which he understood.)

Law of the Sea Signature

7. Barry raised the subject. The Secretary of State said that it would be best resolved in Coreper later in the week. This was accepted.

Wine

Annex G 8. The ninth version of the Presidency's compromise was circulated, reflecting discussion among delegations earlier in the evening. Dumas proposed a further footnote to paragraph 3 specifying that in all regions production over 85% of the total wine produced in the 3 past years should be liable to OD in the period up to 1989/90. There was no

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objection to this. Ministers discussed 3 versions of the final section of paragraph 4 on enriched wine. It was agreed that these 3 alternatives should be discussed in the European Council and that, subject to agreement on that, the text could be approved.

Spanish Industrial Tariffs

9. Barry asked whether the UK was ready to rally to the majority position on the treatment of car exports to Spain. The Secretary of State said that the Community already had an agreed negotiating position on this. The Spanish negotiators should be made to face that. There was no need to change the Community's position at this stage. He was supported by the Commission, Genscher and Dumas. Barry and Natali noted that there would need to be an overall review of the Community's negotiating position at the Foreign Affairs Council on 17 December.

European Union

10. The draft report was approved.

Political Cooperation

11. Two small changes were agreed to the Middle East Text subject to a general French reserve and a Greek proposal for a more far-reaching Community initiative in the region. The text on East-West Relations was agreed apart from the reference to the Helsinki Anniversary Conference. The texts on Central America and Terrorism were agreed as they stood.

Annex H



## C. MORNING SESSION: 4 DECEMBER

- Annex I 1. Draft Presidency conclusions, including Enlargement, Environment and the two Ad Hoc Committees, were circulated at 0700. Attached as an Annex was a tenth version of the Presidency's compromise on table wine. This contained the 3 alternative arrangements for distilling enriched wine; and the amendment proposed by Dumas to paragraph 3 specifying a uniform percentage for OD in all regions at 85%.
- Annex J

Famine in Africa

2. FitzGerald said that all Member States accepted that the situation was grave and called for further action. He proposed that the Community should commit itself to provide a million tonnes of grain up to the next harvest (in other words over the next 6 months). The cost would be 175 mecu, of which 80 mecu could be found from Lomé and the balance of 95 mecu would have to come from a supplementary budget. The Community should appeal to other states to make a comparable effort. Transport arrangements in Ethiopia appeared to be improving but clearly needed better coordination.

3. Kohl said that it was important that the aid should get through. It would be wrong to have too much regard for the politics of the recipient countries. The Prime Minister reported that the UK had provided 25 mecu in emergency aid to Ethiopia in 1984, as well as Hercules aircraft to transport it. Emergency aid as a whole to Africa was 100 mecu. She wanted to clarify the figures proposed by FitzGerald. She thought that it might be possible to take as much as 100 mecu from Lomé. FitzGerald tried to clarify the figures. Africa's total need was 5 million tonnes. The Community's food aid to Africa amounted to 1.1 million of which Ethiopia received .5 million. Ethiopia and the Sahel needed 2 million, of which the Community had allocated .7 million. FitzGerald's proposal to the Council was that the Community should provide a further .5 million and Member States an extra .2 million. (Comment: There was confusion about the figures throughout the morning's discussion.)

4. The Secretary of State raised the problem of supplementary finance. It would be extremely undesirable to add further commitments to the supplementary funding which had already been agreed for agricultural expenditure in 1985. Thorn explained that the figure of 1.1 million tonnes covered the Community's food aid to the whole of the world. Its normal programme for Africa was .5 million. If FitzGerald was suggesting that an extra .5 million should go from the Community to Africa, Thorn thought that 230,000 tonnes could come from Lomé and be mobilised in December. But the remaining 270,000 tonnes would have to be financed through a supplementary budget.

5. Andreotti reported that Italy's food aid to Somalia, Ethiopia and Senegal totalled \$40 million in 1984 plus the use of military aircraft for distribution. He stressed the need for better coordination. Lubbers said that it was helpful to have the Presidency's ideas on paper. The Prime Minister suggested that the Community should allocate more food aid from routine programmes to emergency relief. That would achieve the purpose which FitzGerald had set out. A supplementary budget would cause great difficulties. Thorn undertook to confirm whether re-allocation of food aid was feasible.

#### Wine

6. The Presidency's tenth draft compromise was further discussed. Attention focused on the 3 alternatives for the distillation of enriched wine. Kohl and Genscher argued that the third alternative (OD to be limited from 1990 to 1.2 mhl). Genscher proposed the addition of the sentence "in years in which this limitation would lead to severe distortion of the market, because of weather conditions or market developments, the Council will adopt appropriate adjustments". He went on to explain that in all years except one, distillation in northern wines had been well below 1.2 mhl. Kohl added that Germany was disadvantaged climatically. He was determined to maintain the German vineyards. They were part of Germany's culture.

7. Lubbers asked how much the 3 alternatives would cost. Natali explained that, taking 100 mecu as the cost of 1 mhl, the savings would be:

- Option 1: 40 mecu pa
- Option 2: 30 mecu pa
- Option 3: zero

There would be no limit on German distillation until 1990; even after that, production was unlikely to exceed 1.2 mhl except once every 8 or 10 years.

He concluded that Genscher was proposing the status quo.

8. Genscher stressed the fact that distillation costs in Germany were only 1% of the total budget. 1984 had been an exceptional year. Natali was asked for a further technical explanation. He said that the total cost of northern wine production must take into account aid for concentrated must, which ran to 250-300 mecu a year. He accepted that 1984 had been an exceptional year. But yields per acre in Germany were increasing all the time. The Commission's proposal was a compromise. The German proposal would ensure no change in the regime for northern wine.



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9. Kohl warned that if the Community applied Prussian accounting principles in this minor area, Germany would insist on doing it across the board. That would be good for Germany as a major contributor.

10. Lubbers said that the Community must take wine production in hand or costs would rise still higher. It would be fair for Germany to bear some share of the burden of reducing production. Andreotti emphasised that he could not agree to leave quality wines unaffected. Rationalisation was needed across the board and in all categories. Santer argued that the enrichment issue was a marginal one. One should not extrapolate from exceptional figures. The increased production of the last two years was due not to government policy but to climatical accident.

11. The Prime Minister said that it was vital to get an arrangement which avoided further increases in wine production in normal years. The Secretary of State asked whether the German figure of 1.2 mhl represented a normal or abnormal year. Genscher said then it was abnormal: the figure was usually much less than 1 mhl. Natali claimed that option (ii) in the Presidency draft was a noteworthy step towards Germany. But the third option did not make sense. 1.2 mhl was either too high (in relation to 82/83's distillation figure of .4 mhl) or too low (in relation to 2.5 mhl in 83/84). FitzGerald proposed a break for a few minutes. Before this happened, Kohl said he found it very difficult to accept the proposed arrangements when he saw the extravagance allowed in other sectors of the CAP.

12. After the break, FitzGerald proposed that '1990' be changed to '1988' and "1.2 million" to "1 million" in paragraph 4. This was accepted, but Haralambopoulos repeated Greece's reservation on the total wine dossier pending agreement on IMPs. FitzGerald commented that this could be resolved at a special Foreign Affairs Council immediately afterwards. Haralambopoulos warned that it would require a major step to permit such an evolution.

IMPs

Annex K 13. The Presidency circulated a third draft, which included the Commission's view that 90 mecu would be needed to launch IMPs in 1985. FitzGerald said that there were resolvable gaps on two questions: on the total for 1985 should the figure be 50 mecu or 90 mecu? As to duration, could everyone accept 6 years? Haralambopoulos repeated the Greek position. The Presidency text was simply not acceptable for the following reasons:

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- (i) Resources had to be provided separately from the structural funds;
- (ii) They had to specify the total amount;
- (iii) The phrase "significant increase in resources" was a trap: it offered no guarantee that it would be honoured in practice;
- (iv) IMPs must be launched from January 1985;
- (v) Duration must be for 6 years;
- (vi) Greece must receive the same ratio as in the Commission's proposals (38.4%).

These were the minimum terms acceptable to Greece. On that basis, he could agree to a programme of 5 becu. For Greece this was a question of survival.

14. FitzGerald said that everyone agreed that IMPs should start in 1985 and last for 6 years, giving Greece an agreed share. The difficulty lay in finding a global figure. Kohl said that he agreed to implementation in 1985. But there was no hope at all of getting agreement on a global sum. He could settle for 90 mecu in 1985 and no less in 1986. It did not matter whether the money came from the structural funds or not. Thorn stressed the need for transparency.

15. Papandreou said that it did not matter how it was done. All that he wanted was a specific line and a figure for additional resources. The Prime Minister said that the Brussels conclusions were clear. IMPs had to come from the structural funds and to be of limited duration. As to the total for 1985, she did not think that 90 mecu could be found in the budget under the 1% ceiling. There was 50 mecu in Chapter 100 plus perhaps another 10 mecu. If the European Parliament tried to go above the 1% the matter might well have to go to the Court. The Prime Minister was prepared to accept Kohl's idea of a 5-year programme. But the reference to "more substantial" funds after 1985 should be amended to "appropriate".

16. Thorn confirmed that 60 mecu could be found within the 1% ceiling. The other 30 mecu would have to come from transfers within the budget. Kohl said that, in that case, 30 mecu could be carried forward to the following year's budget. It was unlikely that there would be enough projects ready in time to use up 90 mecu in 1985 anyway. Papandreou pointed out that Greece would only get 30m out of a 90 mecu budget. Dumas offered to cooperate so that priority was given to Greece. Andreotti agreed that there would be no difficulty in giving priority to one country for one year,

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though the Community could not carry on like that for ever. Lubbers supported Kohl's approach. FitzGerald suggested that 90 mecu should be "ascribed" to 1985 with priority for Greece. The Prime Minister agreed: this could be recorded as a "family deed".

17. Andreotti said that 60 mecu was not a good start. He wanted to know if the Community was sincere about IMPs for future years or would the programme consist merely of crumbs. Natali said that 90 mecu in 1985 might be appropriate to launch IMPs. But it must be realised that IMPs were multi-annual programmes. The figure for 1986 would have to be much higher. Taking up a suggestion from the Prime Minister he agreed that paragraph 3 of the Presidency draft could be dropped by adding, at the end of paragraph 5, "for the 5 years beginning 1986".

*ie, Italy wants plenty.*

18. Papandreou said that the question was not whether Greece received a few mecu or not. It was whether the Community was concerned about Mediterranean Europe. Did other members want Greece in Europe or not? The Prime Minister said that the political response to that was given in paragraph 1 of the draft. She favoured a figure for 1985 and a commitment for 5 years beyond that. This was a real commitment. FitzGerald agreed. The amended text covered commitment, duration, a figure for 1985 and progressivity. Papandreou said that he was not interested in this text and could not accept it. Andreotti said that the Presidency text did not mark any progress. What would happen about future years?

19. FitzGerald then went round the table asking for reactions to the amended text. Andreotti abstained and everyone else agreed except for Papandreou.

20. Mitterrand said that the points made by Greece and Italy found an echo in France. France would be quite glad to take a low priority. But the discussion had become rather arbitrary. How could the Community estimate what would be the right figure for 1988? Enlargement would have taken place. There would be problems with the 1.4% ceiling on own resources. How could the Community validate any promise given for then? There had to be some equilibrium between the Mediterranean and the North. The Mediterranean problem had to be addressed in its own right. A programme of 5 x 90 mecu would be quite inadequate. There had to be forward movement. Equally the figure of 6.6 becu was absurd. If everyone dug in at 450 mecu or 6.6 becu the position would remain absurd.

21. Papandreou noted that Haralambopoulos had offered to settle for 5 becu. As far as he was concerned the issue was closed. The Prime Minister commented that the Council now

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knew where it was. Papandreou reminded the Council that he would oppose enlargement without a satisfactory settlement on IMPs. He said that he would leave if the others would welcome it. Kohl said there was a will to make progress but that the Council could not fix a figure for 6 years there and then. In the absence of any further progress, FitzGerald said that texts would be considered further at lunch and discussion would have to be prolonged into the afternoon. The session ended at 1400.



## D. AFTERNOON SESSION: 4 DECEMBER

Economic and Social Situation

1. The Council considered the Presidency's draft conclusions. Papandreou wanted to add to page 2 a reference to the need for the Community to ensure economic convergence. Genscher and later Tindemans pointed out that the Community had committed itself in the past to convergence of economic policies - but not of economies. The Prime Minister agreed. Papandreou said that if his amendment was not agreed, he had to reject the whole chapter. Greece could not accept an obligation to follow a common economic policy. The Treaty envisaged convergence of per capita income: that was what he wanted. Lubbers pointed out that the structural funds were designed precisely to encourage this. But there was no point in quoting the whole Treaty in the Conclusions. The Prime Minister queried the reference to "develop and complete the EMS": she proposed "develop and strengthen" instead. Thorn commented that the reference to EMS read ironically since the Monetary Committee was at that very moment blocking progress on the mini-package for ECOFIN.

Annex L 2. Lubbers proposed two amendments: for majority voting in 1985 under Article 100 to implement European standards for new technologies; and for a report in March on further measures to strengthen the Community's technological base and competitiveness. Schlueter said that he could accept the second proposal but not the first. *N/S*

3. The Prime Minister proposed an amendment to the first Dutch suggestion: member states should volunteer to make every effort to avoid blocking decisions by invoking the unanimity provisions in the Treaty. Lubbers accepted this, but Genscher, Kohl and Papandreou all felt that it was too big a change to make at the drop of a hat. Fitzgerald summarised that the second Dutch amendment was accepted, but that the first and the UK variant of it were not.

Environment

4. The Presidency conclusions text was accepted as drafted.

Ad Hoc Committee Reports

Annex M 5. Lubbers proposed a short addition to the effect that the European Council in March would consider whether it would be appropriate to hold an inter-governmental conference. Andreotti felt that the Community would in this way be making trouble for itself. Lubbers replied that the text as it stood was much too weak. Mitterrand proposed that the Council should "welcome the general thrust" of the interim

report". Schlueter objected that the report had not been discussed: to welcome the content of the report would be to go too far at this stage. The Prime Minister proposed that the text should remain in its original form. Martens pointed out that FitzGerald had proposed over dinner that the Committee be invited to do its utmost to overcome existing differences. FitzGerald replied that he had not included that in the Conclusions because it had not been agreed. He proposed that the Council should recognise the high quality of the report and the need for work to continue to secure the maximum degree of agreement.

6. The reference to the report on the "Citizens' Europe" was accepted subject to the addition, at the suggestion of Andreotti, that the report was noted "with interest".

#### European Union

7. This report was agreed.

#### Wine

8. FitzGerald said that there was no need to go back to that. No-one disagreed.

1600

#### IMPs

Annex N

9. The Council returned to IMPs on the basis of a fourth Presidency draft which retained the link with the length of Spanish and Portuguese transition; proposed 90 mecu for 1985 and "more substantial" provision thereafter; and envisaged six years duration. Haralambopoulos repeated the Greek link between enlargement and IMPs. FitzGerald replied "of course all that is reserved; but the text on wine is agreed". Papandreou made a declaration that "Greece does not agree with enlargement unless a satisfactory solution can be found within the Community on IMPs. Greece adopts the same position on wine". FitzGerald replied "having heard that, I conclude that negotiations will have to proceed ad referendum in view of the Greek statement putting a reservation on this issue".

10. Kohl queried what this meant: all members of the Council could on that basis be saying different things. FitzGerald said that two things were clear: negotiations would continue; and they would be ad referendum.

11. Lubbers asked whether the wine dossier would be taken further. FitzGerald said that the Community "can negotiate on the basis of a that text subject to the Greek reservation". Natali pointed out that the wine dossier related to the acquis communautaire. Andreotti said that on this basis, negotiations could proceed immediately: there



was no need to wait until 17 December.

12. The Council broke up briefly at 1700 and resumed at 1720. During the break, Papandreou and Natali worked hard to get Kohl to accept an overall figure of 1 billion ecu over 6 years. The Presidency also lobbied for a shorter draft which merely recorded a commitment to produce a better offer by the March Council, at which stage IMPs and enlargement would need to be considered together.

#### Fish

13. Andreotti pointed out that fish had not yet been mentioned. FitzGerald said that the text on wine was acquis vis-à-vis Spain and Portugal. He asked whether the FRG reservation on agriculture was lifted. Kohl confirmed that it was. FitzGerald then asked whether the Greeks and Italians could rally to the majority on fish. Andreotti said that he had not accepted the fish compromise and that the position was not clear. /It is not clear from our notes how this subject was concluded./

#### Budget Discipline

14. Papandreou said that the draft letter and other texts could be accepted "on the condition that they will not create obstacles to the transfer of funds to disadvantaged member states." The Secretary of State pointed out that the budget discipline text would need to be adopted by a Foreign Affairs Council.

#### Famine in Africa

Annex O 15. The Council discussed a Presidency draft which envisaged 250,000 tonnes from Community resources and a total effort of 1.2 m. Thorn said that there was doubt about what was available. Re-allocation of funds would be necessary for the Community to accept any further commitment of resources. He suggested the deletion of the reference to 250,000 tonnes. FitzGerald said Thorn had clarified that he would be unhappy for the Community to provide the whole of the .5 million tonnes, it could do a lot. The Community already provided .5 million tonnes for the Sahel: it could find a further 250,000 tonnes from Lomé. In addition, it could allocate some, or indeed most, of the remaining unallocated food aid. Thorn said that, in view of the Prime Minister's opposition to a supplementary budget, the Community would have to find all that it could from the unallocated food programme and look for the residue from bilateral aid. The text was agreed as amended. It was agreed that there would be no reference to a supplementary budget.

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Political Cooperation

16. There was a brief discussion of the drafts which had already been considered over dinner by Foreign Ministers. Mitterrand proposed various changes to the Middle East draft. What threatened to be a long discussion was ended on a proposal from the Secretary of State to shorten the Arab/Israel section. The draft on Central America was agreed with the omission of the final paragraph. The others were accepted as they stood. The Council ended at 1745.

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## E. FOREIGN AFFAIRS COUNCIL

1. At 1755 a special Foreign Affairs Council was convened. Barry read out the text of Papandreou's and FitzGerald's statements. He said that negotiations would go ahead with the Spaniards and Portuguese, with the texts on wine, agriculture, fruit and vegetables and fisheries as guidelines. Pangalos reminded the Council of Papandreou's general political reserve. He was ready to agree the texts on agriculture and budget discipline, but the texts on wine and fish should be discussed on 17 December. Genscher pointed out that the text on wine was agreed. The Council could not now have a new negotiation on it. The purpose of the Council was to promulgate texts agreed in the European Council. Andreotti commented that the ad referendum formula allowed the Community to negotiate with Spain and Portugal. He considered that points might need to be changed in the fisheries text: but this was not necessary in advance of negotiations with Spain and Portugal.

2. Pangalos disagreed. The refusal to give a total commitment on IMPs made it impossible to negotiate on fish and wine. Barry pointed out that Papandreou had agreed in the European Council "that the Commission can proceed with the negotiations ad referendum." Natali agreed that the Council should only formalise decisions reached by the European Council. The Commission was not enthusiastic about the compromise on fish. But it must have something on which to negotiate. It should explore with Spain on the basis of the compromise, subject to the general Greek reservation.

3. Barry asked whether there was a general agreement on this basis. Pangalos maintained that there was no mandate on wine or fish. Genscher asked for a tour de table. Everyone agreed except Pangalos. Genscher stood up and protested. There was a break while Pangalos consulted Papandreou. Pangalos reported that Papandreou confirmed the position he had been taking. Barry noted this statement but confirmed the conclusions of the European Council including the Greek reservation. The Secretary of State proposed that the budget discipline text should be formally adopted. Barry said that all the conclusions of the European Council had been confirmed. Ersboell and Barry both confirmed to the UK delegation privately afterwards that the Budget Discipline texts had been formally approved. The Foreign Affairs Council ended at about 1900.



EUROPEAN COUNCIL: DUBLIN: 3/4 DECEMBER 1984

- A Draft Conclusion by Netherlands Delegation on Transport.
- B Paper by Lubbers on "A Technological Community".
- C Presidency's 8th Compromise on Wine.
- D Presidency's 1st Text on IMPs.
- E Presidency's 2nd Text on IMPs.
- F Draft letter to President of European Parliament on Budget Discipline.
- G Presidency's 9th Compromise on Wine (French).
- H Political Cooperation Texts.
- I Presidency's Draft Conclusions.
- J Presidency's 10th Compromise on Table Wine.
- K Presidency's 3rd Text on IMPs.
- L Netherlands Proposals on Internal Market and Competitiveness.
- M Netherlands Proposal on Inter-Governmental Conference.
- N Presidency's 4th Text on IMPs.
- O Presidency's Draft on Famine in Africa.
- P "Conclusions" of European Council (English and French)
- Q Political Cooperation Conclusions.
- R "Secret Minutes" of European Council adopted by Foreign Affairs Council.
- S "Presidency Conclusions: Addendum" on Table Wine and Greek and Presidency Statements. (Circulated on 6 December)
- T Final Version of "Presidency Conclusions: Addendum". (Circulated on 7 December.)