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-- COPY NO

20 November 1980

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EUROPEAN COUNCIL, LUXEMBOURG

1/2 DECEMBER 1980

STEERING BRIEF

Brief by Foreign and Commonwealth Office

INTRODUCTION

1. With the tying up at the October Foreign Affairs Council of the loose ends on the 30 May Budget settlement and with the actual negotiating on budget restructuring on the horizon but not yet on the table, current Community business is in reasonably good order and it should be possible for the Heads of State/Government to concentrate on an informal discussion of wider issues rather than getting embroiled in current problems requiring decisions. The meeting should therefore be more like the Venice Council in June than the preceding Luxembourg and Dublin Councils. This is the only European Council under the Luxembourg Presidency. The Greeks will be present for the first time.

AGENDA AND DOCUMENTATION

2. On the basis of M Werner's letter, the agenda is likely to be on the following lines, though this will probably be revised as a result of discussion in Coreper;

1. Economic and Social Situation (Commission to prepare a paper)
2. New Commission - mandate on restructuring
3. Report by Mr Jenkins
4. Problems of certain sectors of economies (Trade and industrial problems and problems of agriculture)
5. Relations with major industrialised countries (US, Japan)
6. European Monetary System (Commission to prepare a paper)

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7. North/South dialogue
8. Functioning of Community - Report of Three Wise Men
9. Political Cooperation, to cover Middle East
(probably also Iran/Iraq, East/West, EC/US,
Korea and Euro/Arab/Africa ''trilogue'').

UK OBJECTIVES

3. a) Our basic objective is to prepare the ground for the discussions which will be starting in earnest in the next few months on restructuring by demonstrating our commitment to the Community and our determination to play a full part in its development.

b) On budget restructuring our main aims are to inject a sense of urgency and of the need to stick to a tight timetable, to ensure that the new Commission seeks the views and reactions of Member States bilaterally before presenting any formal proposals, and to steer the discussion towards the search for solutions within the 1% VAT limit and away from a ''big budget'' approach.

c) We also want to focus the attention of the European Council on certain sectors of industry which face severe structural problems with a view to getting the Community to take more effective action in the trade policies field.

d) We want the European Council to conclude the discussions on the report of the Three Wise Men and to endorse the conclusions of the Foreign Affairs Council on it.

e) On Foreign Policy issues, we want to keep the Nine's Middle East activities alive while avoiding taking up positions which could bring about premature friction with the new US Administration.

OBJECTIVES OF OTHER GOVERNMENTS

4. President Giscard has said he would like the European Council to concentrate on political affairs, and may wish to promote an initiative by the Nine on the Middle East which we would probably wish to resist. However the French accept that economic and Community problems will be discussed. The Germans share our views on the Middle East and support our wish to discuss problems of trade and industry. Chancellor Schmidt may wish to express his dissatisfaction with the recent Community action

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on steel. The Irish have said they wish to discuss the problems of agriculture along with those of certain industrial sectors, no doubt with the objective of preparing the ground for a high agricultural price settlement in 1981. The Benelux countries may want to go further than France and Germany in developing the EMS. The Greeks may raise the subject of their quotas in the Regional Development Fund.

SUMMARY OF BRIEFS

MAIN BRIEFS

ECONOMIC AND SOCIAL SITUATION (Brief No 3)

5. This is a standing item on the agenda for each European Council and will provide an opportunity for the Prime Minister to set out the Government's economic policy and to emphasise its consistency with the general policy stance adopted by other Member States. Some governments will tend to focus primarily on the problem of unemployment and the Prime Minister may wish to emphasise the need to get the rate of inflation down if the problems of unemployment are to be mastered.

PROBLEMS OF INDUSTRY AND TRADE (Brief No 4)

6. In the current recession several industrial sectors in the Community are facing problems due to a combination of internal market conditions and third country competition. Steel is one example; textiles, synthetic fibres and petrochemicals face competition from the US, exacerbated in the latter two sectors by US energy price policies and from developing countries; in the car and consumer electronics sectors the pressure from Japanese imports is great. The Community's effort to develop a coherent approach toward Japan which will have been discussed at the November 25 Foreign Affairs Council is relevant to a number of these problems. Our aim will be to emphasise the need for the Community to take timely and effective but limited action to tackle these problems as they come up; but we do not want to get into a

trade liberalisation v. protectionism argument with the Germans if this can be avoided.

7. If the Irish or other Member States emphasise the problems of the agricultural sector, we shall want to resist any conclusions which might endorse the need for a high level of CAP price increases in 1981.

BUDGET RESTRUCTURING INCLUDING CAP REFORM (Brief No 5)

8. Detailed discussion on this subject has not yet begun; the Commission's ideas are not likely to be available until June 1981. However, the Prime Minister may wish to express some preliminary views and emphasise the importance and urgency we attach to this exercise. In particular she will want to emphasise our view that restructuring needs to be carried out within the 1% VAT ceiling. She will also want to emphasise the need for decisions which will have to be taken in the next few months particularly the 1981 price fixing (and any Commission proposals for CAP economy measures that may be linked with it) to avoid undermining the restructuring exercise by failing to check farm surpluses and thus the dominance of agricultural spending in the budget.

She may wish to emphasise the need for severe price restraint with lower than average increases for products in surplus. She may also wish to build on German ideas about a ceiling for agricultural expenditure and, letting the Germans take the lead if at all possible, to seek to get it established that Finance Ministers should explore **the idea of a ceiling** on agricultural expenditure for 1981. We may need to underline that across-the-board co-responsibility levies, (as opposed to the super-levy) which the Commission and some Member States favour, are not a satisfactory answer since they tend to be linked with overall price rises and thus to impose even further burdens on consumers.

ENERGY (Brief No 7) (Our position is under consideration and this brief is also subject to developments at the

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approach to the problems of developing countries, giving proper weight to trade and private finance alongside aid. Our objective remains to protect the integrity of specialised international bodies like the IMF; informal exchanges on this are continuing in New York. At the same time we will wish to make clear our readiness to attend a N/S summit in June 1981, as proposed by the sponsors meeting in Vienna. The Dutch may raise the problem of Community representation at such a meeting.

CIVIL AVIATION AND INSURANCE (Brief Nos 10 and 11)

12. The Prime Minister has decided not to take the initiative in raising either of these questions directly in Luxembourg, but briefs are provided in case an opportunity arises of mentioning our interest in them.

NEW COMMISSION (Brief No 12)

13. This is a formality. M Thorn has to be formally nominated as the President. All Member States will put forward their nominations for Commissioners before or at the meeting, but there should be no need for discussion. There may be some discussion in the margins of the meeting on portfolios. Our aim is to retain the Budget portfolio for Mr Tugendhat and to do what we can to advance Mr Richard's chances of getting Development.

REPORT OF THE THREE WISE MEN (Brief No 13)

14. Foreign Ministers' conclusions on the Report will come to the European Council for formal endorsement and our aim is to get this agreed without spending a lot of time in discussion. There may be some discussion on issues affecting the European Council itself in particular the question of attendance by the President of the European Council at the Parliament.

SEAT OF THE INSTITUTIONS (Brief No 14)

15. The French may press their view that Strasbourg should be the permanent seat of the Parliament. Our aim will be to ensure that no decision is taken on the substance of the question.

We might support the Dutch view that the Parliament itself should be consulted before the seat is fixed.

EUROPEAN UNION (Brief No 20)

16. It should only be necessary for the European Council to take note of the reports, produced annually by the Commission and the Council on 'progress towards European Union'.

ENLARGEMENT (Brief No 15)

17. It is quite possible that this subject will not be discussed but, if it is, we will wish to make plain our continued support for enlargement and our belief that the enlargement negotiations should be carried forward in parallel with the Community's internal discussions on restructuring. At the same time, it is welcome that both Spain and Portugal now seem to accept that postponement of the January 1983 target date for entry is likely because of the Community's need first to deal with its internal problems. We will wish to underline the importance of working for solutions, both in the accession negotiations themselves and the restructuring negotiation, which avoid putting an undue financial burden on the Community budget.

POLITICAL COOPERATION (Brief No 16)

18. In his message to the Prime Minister, M Werner said he expected the Middle East to be the major theme in discussion of political cooperation subjects. Our objective will be to get agreement to further contacts with the parties concerned and with the new administration in the United States and to resist any French proposals that the Nine should at this stage launch a 'peace plan' for the Middle East.

19. Other topics likely to arise in discussion of the international scene are the Iran/Iraq war, East/West relations in the light of the developments in Poland and the Madrid meeting and Europe's approach to the new Administration in the United States. Chancellor Schmidt is likely to seek support for a Community demarche in Seoul on the fate of Kim Dae Jung.

EURO-ARAB-AFRICAN TRILOGUE (Brief No 21)

20. President Giscard may again raise the question which he previously raised in May of a 'trilogue' between Europe, Africa and the Arab world.

COMMON JUDICIAL AREA (Brief No 17)

21. President Giscard may try to keep the French initiative for a common judicial area alive by persuading the Netherlands to sign the Convention on extradition agreed by officials. We have no interest in the common judicial area and should give the French no support.

CONTINGENCY BRIEFS

FISHERIES (Brief No 6)

22. Reasonable progress is being made in negotiations on the Common Fisheries Policy against the background of the 30 May declaration that the CFP should be in place by 1 January 1981. There is a reasonable chance that agreement on the outline of a comprehensive settlement will have been reached by the end-year deadline. Our objective is to avoid discussion at the European Council since fisheries Ministers are actively engaged in the negotiations. However we need not object to a reaffirmation of the 30 May declaration.

NEW ZEALAND BUTTER (Brief No 18+ to be submitted)

(If not already settled)

23. Our objective is to secure the European Council's agreement that arrangements for post 1980 access should be made promptly.

1981 COMMUNITY BUDGET (Brief No 22 - to be submitted)

(If difficulties have arisen at 25 November Budget Council)

24. It is likely that there will be further negotiations between Parliament and Council in mid-December. However, we see no need for a discussion of these issues at the European Council and our aim will be to remit any discussion to the Budget Council.

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EUROPEAN REGIONAL DEVELOPMENT FUND - GREEK SHARE (Brief No 19)
(If not settled at the November Foreign Affairs Council)

25. The Greeks may seek to raise this although the Greek Prime Minister will only be attending the meeting as an observer, and to argue against any reduction in the 15% share for them proposed by the Commission. We have asked the Commission to explain the basis for the 15% figure and are seeking to ensure that the brunt of cuts in quotas of present Member States to pay for the Greek share is borne by the more prosperous members of the Community. Our aim if this is raised at the European Council should be to get the issue remitted to the December Foreign Affairs Council. We should however avoid giving the impression that we are taking the lead in seeking a reduction in the Greek share.

FOREIGN AND COMMONWEALTH OFFICE
20 November 1980

EHG(L2)(80)2 Addendum

26 November 1980

EUROPEAN COUNCIL, LUXEMBOURG

1/2 DECEMBER 1980

STEERING BRIEF

Brief by the Foreign and Commonwealth Office

*Seven internal documents
 10,000 b with 12 billion dollars -
 rather than - all relevant
 No precise indications of what will be necessary
 Documents for foreign - boards
 relevant*

*Polize, Prussia, ...
 - 5 minutes ...
 ...*

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*Italy
 5,000 dead
 15,000 wounded
 4-500,000 no homes*

1. Following discussion at the Foreign Affairs Council the Presidency have circulated the following "schema". (Numbers of briefs on each subject are given in brackets):

A OUTLINE GROUPING OF ITEMS LIKELY TO BE DISCUSSED

I ECONOMIC, SOCIAL AND FINANCIAL SITUATION OF THE COMMUNITY AND WORLD

EC. crisis, a structural reform.

- Employment (3)
- EMS (8)
- Innovation *and. Plan* (4)
- International Trade (4)
- North/South Dialogue (9)

Mr Jenkins' views on the Community's Development over the last 4 years and the outlook for the future

II POLITICAL COOPERATION QUESTIONS

- Middle East (16A)
- East/West relations (16C)
- Other Current Issues (16B, D, E, 17 & 21)

/III

III INSTITUTIONAL QUESTIONS

Report of Three Wise Men	(13)
Reports on European Union	(20)

(Composition of the new Commission (12) may also be discussed but was excluded from this list since not all Member States are agreed)

B ITEMS LIKELY TO APPEAR IN PRESIDENCY CONCLUSIONS

Only those items on which the European Council wishes to express its views will be dealt with in agreed texts. These items could concern:

Employment (3), EMS (8), publication of an updated version of the report by the Ministers for Foreign Affairs on the report by the Three Wise Men (13), publication of reports on European Union (20), confirmation of the brief of 30 May 1980 (5) and political cooperation (16, 17, 21).

2. In addition to the briefs mentioned in the main steering brief a new brief (no 23) is being supplied on export credits. This subject could come up, depending on the outcome of EC discussions with the US and others, on 26-28 November.

Foreign and Commonwealth Office
26 November 1980