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Qz.02524

MR COLES

EUROPEAN COUNCIL: PRIME MINISTER'S STATEMENT

--- I attach a draft statement for the Prime Minister to make tomorrow. I am sending copies to the Departments concerned and will let you know if they have any comments.

D.H.

D J S HANCOCK

30 March 1982

Prime Minister

This is just a first draft which you may care to go through with us tomorrow morning, when comments from departments will be available.

2. I attach the Council's conclusions.

A.J.C. $\frac{30}{3}$

f.a. $\frac{27}{3}$



DRAFT: 30 MARCH 1982

EUROPEAN COUNCIL: PRIME MINISTER'S STATEMENT TO THE HOUSE

With permission Mr Speaker I will make a statement on the meeting of the European Council in Brussels on 29 and 30 March which I attended with my noble friend the Foreign and Commonwealth Secretary.

Council

At the end of the meeting the Council President ^{of the} issued ^{his} statement of conclusions on the economic and social situation, ^{and the 30th Day mandate.} ^{and agreed} texts on political co-operation. ^{which also stated} I ^{referred} have placed copies of these documents in the library.

The Council devoted most of its meeting on this occasion to the economic and social situation, both within the Community and in the world at large. We agreed that ^{although} all the Member States had the same interest in combating unemployment and restoring economic growth, while preserving monetary stability and ensuring the competitiveness of their economies. The Council expressed its concern at the level of productive investment in Europe, especially in the ^{prospects} ~~inclusion~~ of the future, and agreed that the Community and the member states would take whatever steps were open to them ^{recognizing that an increase in investment would mean a reduction in consumption} to improve that level. During our discussions I laid particular stress on the need to complete the Common Market in the services sector, ^{to also discuss} ~~the~~ the role that the Community can play in the development of information technology and the vital contribution that small businesses can make to the provision of new jobs. ^{Next} ~~We also discussed~~ youth unemployment

We have made disproportionately little headway with the introduction of measures such as investment and tax cuts

1 which was a /and matter of general concern

^{we}
~~and~~ agreed that each Member State would work to ensure that all young persons entering the labour market for the first time would receive vocational training or initial work experience.

In our discussion of external policies, the Council looked forward to the Versailles Economic Summit in June. We agreed that our aim at that Summit should be to encourage increased co-operation between the major industrial countries. In particular, we agreed that the persistence of high real interest rates in the international markets, combined with ~~inadequate~~ ^{inadequate} economic activity, was leading to a significant reduction in productive investment and made unemployment worse because of the squeeze on company liquidity and profits.

The Council urged Japan to open its market so as to integrate it more fully into international trade. We also urged Japan to follow an economic, commercial and a ^{monetary - exchange rate} monetary policy which was more compatible with the ^{balanced} ~~functioning of the international system and with economic recovery.~~ ^{responsibilities to be borne by the whole of the industrialized world} ~~recovery.~~ ^{thereby contributing to economic recovery}

On the mandate, we had a relatively brief discussion in the light of the recent suggestions put forward by M. Tindemans and M. Thorn ~~which are to be discussed by~~ ^{which are to be discussed by} Foreign Ministers in Luxembourg on 3 April. There was ^{no dissent from the Presidency view that we should do} ~~no dissent from the Presidency view that we should do~~ ^{all we could to ensure that the Foreign Ministers brought} ~~all we could to ensure that the Foreign Ministers brought~~

Interest France

monetary

exchange rate - responsibilities to be borne by the whole of the industrialized world

Version

We must other ... member states who prepared to accept this as a basis of negotiation.

/these

these long negotiations to an early and successful conclusion. While warmly endorsing that view, I did not go into any detail. I did however ^{emphasised} ~~underline~~ the ^{of} need ~~desirability of reaching~~ a solution on the UK ^{not} budget contribution which would ^{look for} ~~take that divisive issue out~~ of Community politics for a substantial period. And I emphasised the need for the solution to measure up to the scale of the problem, to be sufficiently flexible to take account of either an improvement in or a deterioration of the underlying situation and to be a fair and equitable one for the UK (as a country below the Community average in prosperity).

a scaled compromise that would be fair
 2 We must refer to the French posture. Final decision on all chapters of Maastricht in 11.

The Council took note of a statement, by Mr Papandreou, the Prime Minister of Greece, on the position of his country in the Community. The Commission are now studying a memorandum submitted by the Greek government and will make a report to the Council.

The Council also had a very full political agenda.

We spoke about trans-atlantic relations, and were able to welcome and reciprocate the very warm message sent by President Reagan on the 25th anniversary of the European Community.

We discussed ^{the economic and commercial relations} East/West relations, particularly the

economic aspect. The United States has recently raised with several European Governments, including Britain,

by the role of the
 significant role
 played by the
 Community, would will
 that ~~concerns~~ the

3 /the
 Summit between Europe

the Soviet Union and Eastern Europe

the question of Western credits to the Soviet Union. ~~It had~~
~~seemed to us in Brussels that this is part of a much wider~~
~~problem which needs to be urgently and carefully studied,~~
~~both by governments and in the international groupings~~
~~concerned - not least the Versailles Summit in June.~~
the same as in 1970
the need that that should be
these matters including the added credit problems should be
by the UN. in close consultation with other members of UN.

chessboard case

We were not able to see any improvement in the situation
in Poland, where martial law continues in force, many
thousands of persons are detained, and a dialogue with the
Church and with Solidarity is still suspended.

On Central America, our main thought was the need to
support any initiative that could bring an end to the
violence, and we noted proposals by Mexico and Honduras among
others. We intend to co-ordinate and, to the extent
possible, increase the economic aid which the Ten and the
Community are already giving to the region.

*Talk about
Solidarity
com*

The Foreign Minister of Belgium reported, in terms which
I found encouraging, on his recent visit to Turkey, especially
the prospects for the return to democracy within about two years
from now.

This was not the moment for a major statement of policy on
the Middle East. But we expressed ^{grave} concern about the
situation in the area, especially on the West Bank. The
discussion of this subject will have been helpful to my right
hon. and noble Friend, the Foreign and Commonwealth Secretary,
who is ^{visiting} to Israel today.

/ Lastly,

Lastly, among so many pressing international problems we agreed that it was essential not to lose sight of the tragic sufferings of Afghanistan.^{that} There can be no solution except on the basis which two-thirds of the United Nations have endorsed, and which the Soviet Union alone has so far frustrated.