

Briefing copy for Prime Minister

Presidency

DRAFT CONCLUSIONS OF THE EUROPEAN COUNCIL

Only three passages need amendment

- see (1), (2) & (3) below.

Preamble

1. The European Council commemorated the 25th anniversary of the signing of the Treaty of Rome, recalling the importance of the contribution made by the European Community over a quarter of a century to the achievement of the objectives of economic and social progress in the member countries. It emphasized the importance of the progress made towards union despite the worldwide economic difficulties of the last decade.
2. The European Council devoted most of its meeting to discussing the economic and social situation on the basis of the report from the Commission.

The world economy was in a state of major structural crisis which was affecting every country. This crisis could be overcome only if all governments took the necessary measures with the support of all economic and social circles.

Although the specific characteristics of the situation in each Member State might call for varying policies and solutions to combat the economic crisis, all the Community countries were faced with the same risks and had the same interest in combating unemployment and restoring economic growth while preserving monetary stability and ensuring the competitiveness of their economies.

.../...

3. The European Council noted signs of an improvement in the short term for 1982. However, a slight recovery was insufficient to arrest the growth of unemployment, the high level of which, more particularly among young people, was creating an intolerable situation; moreover, this recovery alone could not resolve the Community's fundamental structural problems, and particularly an excessively high average rate of inflation, insufficient productive investment and a degree of energy dependence which was still too great.

The European Council considered a series of practical complementary measures to be necessary.

POLICIES WITHIN THE COMMUNITY

4. The Council emphasized the need for a co-ordinated policy to promote investment and to combat unemployment.

Such concerted action should be accompanied by intensified efforts to control trends in all production costs, ~~including incomes~~. Stress should be laid ^{more} on private and public productive investment, ~~rather than on consumption~~. It was ^{of paramount essential} important in this connection that both sides of industry should contribute towards achieving these objectives.

5. [As regards investment,] the European Council expressed its ^{grave} concern at the level of investment in Europe ^{productive} [which was still ⁵⁰ very low in relation to GDP;] it therefore agreed on the need for the Community and each Member State to take, as from this year, and each as far as it was individually concerned, any appropriate steps or initiatives to reverse this trend. ^{especially in the markets of the future;}

In this connection, it confirmed the importance it ^{attributed to} strengthening the Community lending instruments for the benefit of investment, particularly in the fields of energy and industrial development. ^{of good will}

The European Council requested the Commission to make any proposals it deemed useful and the Council to adopt the means of and procedures for attaining these objectives.

A report on the practical measures taken further to these guidelines would be drawn up in time for the European Council meeting at the end of the year.

Initial report for the June Council.

6. The European Council stressed the importance of maintaining and developing the Community's internal market, which ^{as a result of a new common agricultural policy} gave it a continental dimension and thus put it on an equal footing with the main economic units of the world. This made it possible to develop a Community industrial strategy and formulate a policy on technology and innovation.

The services sector was felt to be of particular importance in this connection.

The industrial, energy and research policies were amongst those where the Community dimension could make the greatest contribution.

The European Council asked the Council, in all its compositions, to reinforce these policies on the basis of Commission proposals.

A report on the follow-up to these guidelines would be drawn up for the meeting of the European Council at the end of the year.

7. As regards employment, the Council recognized that, in addition to increased efforts regarding productive investment and the control of production costs, the gravity of the unemployment situation called for specific measures producing rapid effects. These measures would concern more particularly the vocational training of young people.

will use their best endeavours to ensure

As a first step, the Member States ~~undertook~~ to ensure over the next five years ~~that~~ all young persons entering the labour market for the first time would receive

In order to contribute to the development of the Community, the Member States shall take measures to help young people to be able to find work. The Council will work with young people.

vocational training or initial work experience within the framework of special youth schemes or contracts of employment; the Council was requested to report back to the European Council at its meeting at the end of the year on the decisions and measures adopted to this end, both by the Member States and at Community level. For this purpose a special meeting of the Council would study the specific ^{said} measures to be taken to promote employment.

8. The European Council noted that the European Monetary System had operated satisfactorily in its first three years. Action should now be taken to give fresh momentum to the system by strengthening economic convergence, the EMS mechanisms, the role of the ECU and monetary co-operation between the Community and third countries. It asked the ECO/FIN Council to report back ^{to} at the European Council, ~~meeting in June.~~

*Conclude
consult. to settle
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for adjustment toward
work.*

INT ECONOMIC
II. ~~EXTERNAL~~ POLICIES

The Council invited the ECOFIN Council to have a preparatory discussion at its meeting in May.

Co-operation

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9. The European Council looked to the Versailles Summit at the beginning of June to institute increased co-operation between the major industrial partners, aimed particularly at encouraging a reduction in interest rates, making exchange rates less volatile and strengthening North-South relations. This co-operation must be based on a joint definition of the obligations incumbent upon each party. [The Community was ready to make its contribution to this co-operation and would submit proposals on the matter.]

on int'l capital markets

10. The persistence of high real interest rates combined with the ^{widely spread trend} ~~slackening~~ in economic activity and the low level of overall demand was leading to a significant reduction in productive investment and a further worsening of unemployment situations since, because of the considerable squeeze on their liquidity and profits, undertakings were reducing their investments and staffing levels. This development was particularly disturbing at a time when the adjustment of industrial structures following the oil price rise and the need to deal with unemployment called for an increase in the part played by investment in overall demand.

High interest rates also greatly increased the cost of servicing the public debt in many industrialized countries and developing countries.

11. Fluctuations in exchange rates not justified by the basic facts of the economy added a further element of uncertainty and was affecting international trade.

The need for co-ordination of the policies of the major industrial countries in currency in order to avoid major fluctuations in exchange rates .../...

12. The Community urged Japan to open its market and integrate it more fully into international trade. Japan should follow an economic, commercial and monetary policy which was more compatible with the balance of responsibilities to be borne by the whole of the industrialized world, thereby contributing to economic recovery.

13. The Council intended to persevere in a policy of active co-operation for the benefit of the ~~southern~~ ^{developing} hemisphere and would like to see ^{some} dialogue with the countries concerned resumed without delay.

14. Finally, the European Council pointed out that the countries of Eastern Europe also had responsibilities ~~(within the world economy, and with helping the developing countries)~~ ^{In this context}

III. CONCLUSIONS

15. The European Council stressed that the economic recovery of European countries depended on internal action and external factors which the Community should contribute to controlling more effectively within the framework of increased and more efficiently organized international co-operation. To this end, the strengthening of European unity by greater convergence of economic policies within the Community and better co-ordination of economic recovery measures would be likely to strengthen the Community's international role.

At its meeting at the end of the year, the European Council would undertake an initial review of the implementation of the measures which it had just decided on and would agree on complementary policies.

.../...

MANDATE OF 30 MAY

The European Council heard a report ~~from Mr. TINDEMANS~~ on the progress of the work of the Ministers for Foreign Affairs on the Mandate.

Further

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The European Council asked the Ministers for Foreign Affairs to do all in their power to ~~conclude~~ their discussions as soon as possible.

Ministers

by

~~To a successful conclusion.~~

to reach decision to be made as soon as possible in order to make it possible for

~~a decision to be made~~

as soon as possible.

Area.

Taken note -

~~approved~~ *Comm*

would like to examine it.

as submitted to Heads of Govt 12.00 30/3

DRAFT CONCLUSIONS

POLITICAL COOPERATION SUBJECTS

I. TRANSATLANTIC RELATIONS.

The European Council discussed the state of transatlantic relations.

The Council underlined the desire of the Ten to reinforce their links with the United States and to develop further consultations between Europeans and Americans.

It valued the statement made by President Reagan on the occasion of the 25th anniversary of the Treaties of Rome, in which the United States confirmed its wish to cooperate closely and on the basis of partnership with a united Europe and in accordance with Europe's economic and political importance, and its role in the world.

II. EAST-WEST RELATIONS.

(a) The Heads of State and of Government noted that the situation in Poland continued to place a strain on East-West relations, and thus to affect the relations of the Ten with Poland [and the U.S.S.R., which bore a clear responsibility in this situation].

The Ten recalled their earlier statements on the grave consequences of the present situation in Poland for security and cooperation in Europe, and for East-West relations as a whole. They renewed their call to the Polish authorities with the minimum delay to end the state of martial law, release those arrested and resume a genuine dialogue with the Church and Solidarity.

The Ten also noted with concern the recent statements of the Polish authorities on the possibility of the departure of detainees from the country. The Ten rejected any attempt to place pressure on those concerned. They would interpret such a policy as a further deterioration of the situation in Poland, and a grave breach of fundamental human rights.

(b) In the context of events in Poland and elsewhere, the Heads of State and of Government reviewed the state of economic relations between their own countries and those of Eastern Europe, particularly in the light of the significant role played by Community trade with these countries.

They recognized the role which economic and commercial contacts and cooperation have played in the stabilisation and the development of East-West relations as a whole and which they wish to see continue on the basis of a genuine mutual interest. They noted the existence of certain problems resulting in part from the special nature of the state-trading economies and they discussed the basis on which East-West economic and commercial relations had been conducted. /There was an inevitable interaction between economic and political factors./

/The Heads of State and of Government agreed that these questions, including the important and related question of export credit policy, should be the subject of urgent and careful study by the European Community and by their own and other governments, both nationally and internationally and in close consultation with the U.S. and the other countries with market economies./

(c) The European Council regretted that violations of the principles of the Helsinki Final Act, of which the repression in Poland constitutes a particularly grave element, had not only prevented the Madrid meeting from achieving positive results, but also put at risk the entire C.S.C.E. process.

It noted that the adjournment of the Madrid meeting was necessary to preserve the C.S.C.E. process, to which the Ten remained fully committed. The objective remained the adoption of a substantial and balanced final document.

The Ten expressed the hope that, when the Madrid meeting resumed in November, the prevailing circumstances would be more conducive to the achievement of a positive outcome.

III. AFGHANISTAN

With the recent International Day of Afghanistan in mind, the European Council considers it right to draw particular attention to the tragic situation of that country, now in its third year of military occupation. The Soviet expeditionary force has recently been strengthened; repression of the civilian population continues without respite; and every day adds to the total of refugees, who already number some 3 million, or one in five of the population.

In the view of the European Council, the problem of Afghanistan more than ever requires that a political solution be found without further delay. This can only be on the basis of the complete withdrawal of the Soviet troops and respect for the independence, sovereignty and non-alignment of Afghanistan. The Council strongly reaffirms the position taken by the European Council of Luxembourg and London, and the desire of the Ten to contribute up to the limit of their powers to an acceptable settlement. It denounces the negative attitude of the Soviet Union in rejecting successively the proposals made by the Ten, the Non-Aligned Movement, the Islamic Conference and the General Assembly of the United Nations.

The Council welcomes the nomination by the Secretary-General of the United Nations of a personal representative for the Afghan question, and hopes that this initiative will contribute to a solution in accordance with the principles of the resolutions adopted by the General Assembly.

IV. MIDDLE EAST.

The European Council discussed developments in the Middle East.

Deeply concerned by the grave events taking place in the occupied territories of the West Bank and Gaza, the European Council appealed urgently for an end to the dangerous cycle of violence and repression. It particularly denounced all unilateral measures such as the dismissal of democratically elected mayors by the Israeli authorities, as well as the violations of the liberties and rights of the inhabitants of these territories, which followed the measures taken by Israel with regard to the Golan heights, and which could only damage the prospects for peace.

Concerned at the continuing clashes in the Lebanon, the European Council urged all the parties involved to renounce the use of force and to assure conditions for the respect of the full sovereignty and territorial integrity of the country.

It furthermore reaffirmed the wish of the Ten, expressed on many occasions, to contribute to the achievement of a just and lasting peace in the Middle East.

The participation of four Member States of the European Community in the Multinational Force and Observers in Sinai (MFO) was a positive contribution in the context of the forthcoming completion, on 25 April, of the Israeli withdrawal from Sinai.

V. CENTRAL AMERICA.

The European Council discussed the situation in Central America. It expressed serious concern at the continued growth of tensions in the region. It welcomed with interest any initiative likely to put an end to violence and lead, through dialogue and respect for democratic norms and for human rights, to the restoration of peace in the region, while safeguarding national sovereignty and the wishes of the people. In this context it noted with interest the proposals made by a number of countries in the region.

Noting that the tensions and conflicts rawaging Central America frequently stemmed from the grave economic problems and social inequalities which had been aggravated by world economic conditions to the detriment of the poorest countries, the European Council believed that the international community could not remain indifferent to these evils. It welcomed the efforts currently being exerted to remedy them, and noted in particular the initiative of the Nassau group [the United States, Canada, Mexico, Venezuela and Columbia].

The Community and its Member States too had, in the past, provided substantial assistance to the region.

The European Council however agreed that the aid given by the member States of the Community and by the Community itself for development in Central America and the Caribbean should be coordinated and increased within the limits of their possibilities.

The European Council instructed the Foreign Ministers to work out detailed arrangements for the provision of Community aid on the basis of proposals by the Commission.

VI. TURKEY.

The European Council heard the report of the President of the Council of Ministers, Mr Leo Tindemans, on the execution of the mandate given to him by the Ten on 23 February.

It expressed its appreciation for the way in which this task had been carried out.

Mr Leo Tindemans had impressed upon the Turkish Government the serious concern of the Ten with regard to human rights in Turkey, and had emphasized the need for that country to return as soon as possible to a democratic regime.

His interlocutors had assured him of the country's return of democracy within two years at the most, according to their declarations the referendum on the approval of a democratic constitution would take place in November 1982, and the general elections in Autumn 1983 or, at the latest, in spring 1984.

The European Council, welcomed, took note of the timetable thus indicated. It trusted that Mr Leo Tindemans' visit would prove to have contributed to the achievement of the objectives to which the Ten attached essential importance, and looked to the Turkish authorities to give effect in the near future to the assurances thus given.

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(b)

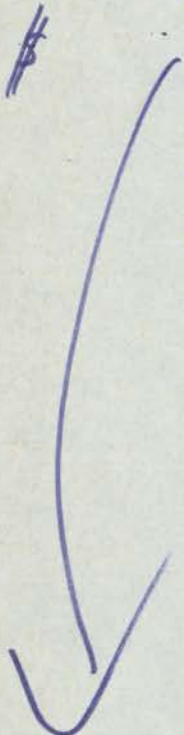
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STATEMENT FOR PRESS ON THE MANDATE

On the mandate we had a relatively brief discussion in the light of the recent suggestions put forward by M. Tindemans and M. Thorn. There was no dissent from the Presidency view that we should do all we could to ensure that the Foreign Ministers brought these long negotiations to an early and successful conclusion. While warmly endorsing that view, I did not go into any detail. I did however underline the desirability of reaching a solution on the UK budget contribution which would 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 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.

SUPPLEMENTARY QUESTIONS AND ANSWERS ON THE MANDATE

What about the French position? Mitterrand's view etc?

I have no intention of commenting on President Mitterrand's attitude on the Mandate. What I can do is tell you ours. We consider the Tindemans/Thorn suggestions on the budget a reasonable basis for further negotiations. Of course some aspects of them are less good than others but we will be ready to get down to serious negotiation this weekend.

/Linkage,

Linkage, agricultural prices etc?

I would like to see all these matters settled at the earliest possible date. As you know it has from the beginning been the general view that all three chapters of the Mandate should be dealt with in parallel. There are in fact many inherent links between the different chapters. And as the Commission pointed out in its report last year the root cause of the UK problem is the pattern and scale of CAP expenditure. So what I would like to see is not delay or blockage but early decisions on all these matters.

Are we in a crisis? Community breaking up? Funereal 25th Anniversary

I think talk of crisis is often excessive. And a lot of the gloom and doom we have had in recent days over the 25th Anniversary has been very overdone. If you look at the past 25 years the Community has had a number of major achievements (no war, trade liberalisation, increased prosperity, beginnings of common foreign policy). Moreover, its history shows that it has a real capacity to overcome difficulties. I believe it will do that on this occasion too.

Are you more (or less) happy about prospects for the Mandate after this conference?

We were not negotiating about the Mandate here as we were when we met in London last November. The Foreign Ministers are deeply and directly involved in a complex negotiation and are meeting again this weekend. I have been through far too many

/Community

Community meetings to try to predict the outcome. But I cannot believe that anyone's interest, and certainly not that of the Community, will be served by further delay in making decisions on all these matters.