

PRIME MINISTER

I am making arrangements for you to give your press conference, followed by short radio and TV interviews, some 30 minutes after the Council ends. I assume you will wish to have a short briefing in the UK delegation before meeting the press on the first floor.

As usual the media will be predominantly British and American but there will be a wide spread of nationalities.

The radio and TV interviews (BBC radio and TV, ITN and IRN) will be conducted in the same room. I shall ask the writing press to leave immediately after the press conference. It would be better on this occasion if I chaired the conference and selected the questioners.

MATTERS OF INTEREST

The Council has so far been dominated by three issues:

- The economic debate: which rapidly got downgraded when the French turned awkward on the Mandate. A speaking note by David Hancock is at Annex I; I suggest you open with this to bring out the positive points from our standpoint in the presidential conclusions. I have portrayed your sound policies as encouraging evidence for the Community that sound policies rather than massive reflation really work.
- The Mandate and the French turning nasty. A speaking note by David Hannay is at Annex II.
- Foreign Affairs in a sort of desultory way, apart from the Falklands on which British journalists have bored the rest to tears. A brief on the Presidency conclusions by Julian Bullard is at Annex III. I suggest you deal with this last in your opening summary. - to follow.

The 25th anniversary celebrations have scarcely raised a question in my briefings beyond why you wore black. (I said you often did; it's executive).

I am sure you will be asked questions about Mr Haughey's call upon you. I have portrayed it as the brief meeting which has become a fairly regular feature of European Councils.

QUESTIONS LIKELY TO BE RAISED

ECONOMY

- What really has the Community decided to do about unemployment, investment, information technology - or what can it do?
- Can you clarify the wide measure of agreement in the Council over the need to curb consumption to make room for investment? And how does curbing consumption help investment - wouldn't more consumption encourage investment?
- Why did you take a poor view of the idea of raising investment by 1%?
- How do you expect the USA, Japan and the Versailles Summit to be affected by the Council - especially on interest rates and Japanese trade?

MANDATE

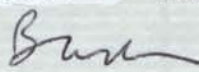
- What precisely did Mitterrand say and do you really expect the Budget to be sorted out this weekend? If not, when?
- Can we expect a farm price settlement this week ad referendum and subject to agreement on the rest of the Mandate?

Mr Hannay has drafted Annex II with an eye to our tactical advantage.

INTERNATIONAL - here the main interest is:

- West Bank (and how the tough words of the presidential conclusions will affect Lord Carrington's visit)
- El Salvador - reaction to election result; where next? Why we sent observers and what are they reporting? Was aid for Central America discussed?
- Polish etc debt - rescheduling versus allowing them to go bust.

And of course the FALKLANDS on which there is speculation we are sending gunboats and getting worked up about it. You will be questioned on why Lord Carrington has returned (because he wishes to make a statement to the Lords) - and before Lord Carrington's statement. You can play questions away at the press conference. But are you prepared to take a question on the subject from radio and TV reporters? You don't want this issue to take over the Council.


B Ingham

EUROPEAN COUNCIL: PRIME MINISTER'S STATEMENT TO THE HOUSE

DRAFT

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 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 markets of the future. We agreed that the Community and the Member States would take appropriate steps to increase productive investment.

We discussed youth unemployment and agreed that each Member State would work to ensure over the next five years that all young persons entering the labour market for the first time would receive vocational training or initial work experience within the framework of special youth schemes or contracts of employment.

During our discussions I laid particular stress on the need to complete the Common Market in the services sector and I emphasised the role that the Community can play in the development of information technology.

There was a very brief discussion of the European monetary system on its third anniversary. The Economic and Finance Council have been asked to consider a number of

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technical improvements in the working of the system and to report their conclusions to the next European Council in June.

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 cooperation between major industrial partners, aimed particularly at reducing interest rates, making exchange rates less volatile and strengthening North/South relations.

In particular, we agreed that the persistence of high interest rates in real terms, combined with the slackening in economic activity, was leading to a significant reduction in productive investment and made unemployment worse because of the squeeze on company liquidity and profits. We invited the Economic and Finance Council to hold a preparatory discussion for the Versailles Summit at its meeting in May so that the Member States not directly represented at Versailles would be able to put their views to those of us who will be attending.

The Council urged Japan to open its market so as to integrate it more fully into international trade. We urged Japan to follow an economic, commercial and monetary policy which was more compatible with the functioning of the international system and with economic recovery.

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.

POLITICAL COOPERATION SUBJECTS

The political part of the agenda was discussed by the Foreign Ministers at dinner last night and by the Heads of State and Government this morning. I will mention briefly the main points.

Transatlantic relations. As you know, there has been much discussion about this and several of those present at this meeting have recently been in Washington. The Communique underlines the *importance* ~~determination of all of us in the Ten~~ *we attach importance to* to strengthen our links and consultations with the United States. At the same time we reciprocate the very warm message sent to the Community by President Reagan on its 25th anniversary.

East/West Relations Under this heading we discussed in particular the state of economic relations between East and West. The Eastern economies have not escaped the effects of the world recession; indeed they have serious problems of their own. The question of government-backed and government-subsidised credit, to which the United States has recently drawn attention, is part of the problem, but only part. The Ten are agreed that this whole complex of questions needs to be urgently and carefully studied. There is work here for everybody: national governments, the Community and the various international organizations and groupings from the Versailles Summit of Seven to OECD which has 22 members.

On Poland, sadly, there is little new to say. The martial law regime and the accompanying repression are a burden on the Polish people and on East/West relations, affecting the relationship

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which we in the Ten are able to have with both Poland and the Soviet Union.

The Helsinki Final Act is fundamental in East/West relations. We found ourselves in agreement that it was right to adjourn the Madrid Conference until November, in order to preserve both the Helsinki process and the neutral draft which we hope will one day provide the basis for a concluding document for this conference.

Among so many world problems it is important not to lose sight of Afghanistan, now in its third year under Soviet military occupation. The Sunday before last was the International Day of Afghanistan when many Heads of Government sent messages of solidarity to the Afghan people, including the Belgian Presidency on behalf of the Ten. We have today repeated the main points in our well-known position: withdrawal of Soviet troops and restoration of Afghan sovereignty, independence and non-alignment.

On the Middle East, this was not the moment for a major statement by the Ten on the scale of the Venice Declaration of June 1980. What we did today was to express our extreme concern about the current situation in the occupied West Bank. The terms of our communique will be the basis on which Lord Carrington speaks when he goes to Israel later today.

/He

He is, of course, going there to listen as well as to speak. It is a long time since we have had such exchanges with Israel at Foreign Minister level, and following the state visit to Israel by the President of France I have no doubt that Lord Carrington's talks will be of value to both sides. He will incidentally be visiting one or two Arab capitals in the coming weeks.

Jordan (Syria)

There is also great concern among the Ten about the situation in several countries of Central America. Our resources are limited, but within our means we want to do what we can by way of economic aid to help resolve the fundamental problems of that region. The Commission have been asked to make proposals.

Lastly, Turkey is an ally of Nine out of the Ten and has a close association agreement with the Community. There has been much concern in all our countries about the suspension of democratic forms of government in Turkey in September 1980, and about reports of violations of human rights. The Belgian Foreign Minister was invited by his colleagues in the Ten to go to Turkey to express this concern and to bring back his personal impressions. I think I can say that he returned greatly encouraged by what he had heard and seen, as we were encouraged by hearing what he had to tell us this morning. The Turkish Authorities have announced a timetable for the return to full democracy from within two years from now, and I myself will await with confidence the concrete steps which they have said they will be taking in that direction.

/South Georgia

South Georgia . Perhaps I should say a word about this subject, since it is the reason why Lord Carrington is not with me here today. It is ^a complex situation and potentially a difficult one. But we have to bear in mind that we are talking about a small number of persons on a normally unhabited island in a remote corner of the Atlantic. We are determined to find a diplomatic solution, and that is what we are engaged in at the moment. But I know that there is intense interest in the matter in Parliament and among public opinion at home, and this was why Lord Carrington thought it right, with my full agreement, to fly to London this morning to make a statement on behalf of the Government in the House of Lords. His visit to Israel will, of course, proceed according to plan.

Mr. Pittman

For Redman

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