

**THE EUROPEAN COUNCIL**

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Documents in the dossier include:

*Conclusions*

Session of the European Council

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*The London European Council*

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## Session of the European Council

London, 26 and 27 November 1981

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### Conclusions

We had a very thorough discussion of all three chapters, agreeing at the outset that agreement on any one chapter or on the contents of any one chapter would depend upon agreement on the other chapters. We went through it really, almost section by section, in a detailed way which I have never seen in the European Council before, really trying to test out and see where were the areas of agreement and where were the areas of disagreement. We agreed on very many things and the areas of disagreement resolved themselves under four headings:

- first, the whole of the milk problem,
- secondly, the guidelines on agricultural expenditure,
- thirdly, Mediterranean agriculture, and
- fourthly, the budget problem itself.

We came to the conclusion, after many hours of discussion, that the best way to resolve those four problems would be to call a special meeting consisting of Foreign Secretaries, that they should convene as soon as we can possibly arrange it, and make attempts to resolve these matters either in conjunction with the ministers concerned or with other officials, or both; and that they should then make recommendations to the Heads of State or Government. It is possible we may then be able to clear this in correspondence. If not, of course it would have to be referred to the next Council. Those then are the conclusions on the mandate.

We also had a long and very useful discussion on the economic and social situation introduced by Mr Ortoli on the basis of a paper presented by the Commission to Heads of State or Government. We endorsed the conclusions of that document, with one or two modifications.

You will realize that in some respects the Commission is more optimistic about growth prospects than are some other commentators, but it is nice to attend something where we have a lot of optimistic people present. I do not wish to overemphasize that, because we know there are many problems ahead and we made it very clear during our discussion that one of the things which

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concerns us most of all is the problem of youth unemployment and the need to provide more training for school-leavers.

In the general economic sphere, of course, we said that the objectives of fighting inflation and unemployment require public deficits to be kept under control and monetary policy within tight limits and pointed out that where deficits get very high interest rates also get high and that itself stultifies any attempt at increased growth. There are nations, of course, which have something like 14% to 15% of their GDP in deficit. Let me put it another way: the deficit is equal to 14% to 15% of their gross domestic product. That, of course, is unusually high and they pointed out the consequences for interest rates and that high interest rates can strangle growth.

You will be aware that we also discussed matters of foreign affairs which are of especial importance to us, and at the dinner last night we spent most of the time discussing with Chancellor Schmidt the results of President Brezhnev's visit to the Federal Republic. He went through it in very considerable detail and we had long discussions about it, and also the problem of Poland. The Foreign Ministers have also discussed other matters under the Committee of Political Cooperation and I believe that you have the communiqués.

It was therefore a very busy European Council. We discussed very openly. I think we got to grips in a very candid way with the difficult parts of the mandate. Much was agreed in the body of the document, but of course we recognize that all of the agreements are provisional upon an agreement being reached upon the total, but there was never any acrimonious discussion in any way. The atmosphere was extremely good, extremely constructive, the Heads of State or Government very much aware that we were perhaps negotiating in detail on matters which would normally have been left to the specialist Councils.

## Enlargement

The European Council recalled that the Member States of the Community decided to open negotiations for the accession of Portugal and Spain in the knowledge that all the objectives of the Community, as set out in the preamble to the EEC Treaty, were shared by the democratic governments and by the peoples of the two countries concerned.

The European Council confirmed the political commitment which was the basis for that decision and emphasized the determination of the Community to bring the negotiations to a successful conclusion and stressed the importance of continuing progress. It recalled the acceptance by the applicant countries that they will accede on the basis of the Community Treaties and subordinate legislation in force on the date of accession, subject only to such transitional arrangements as may be agreed. It emphasized the need for both the Community and the acceding countries to make good use of the period until accession for careful preparations for the Community's further enlargement by introducing the necessary reforms so that the potential benefits for both sides can be realized. The Council agreed that, in the Community's deliberations on its internal development, regard would need to be paid to the importance of the accession of Portugal and Spain. It also agreed on the importance of the contacts established between the Ten and the applicant countries on the framework of political cooperation and confirmed that it is their intention to continue to keep Portugal and Spain closely informed about developments in political cooperation. It looks forward to the day when the leaders of those two countries will take their places in the European Council as full and equal members.

## European Union

The European Council received the initiative of the German and Italian Governments on European Union and took note of their proposals.

The Council recognized the importance of strengthening economic integration in parallel with political development.

The European Council invited the Foreign Ministers in cooperation with the Commission to examine and clarify the German-Italian proposals and to report back to a future meeting of the European Council.

The Council took note of the reports of the Commission and of the Foreign Ministers of the Ten on European Union, and received the report on political cooperation agreed by the Foreign Ministers of the Ten in London on 13 October.

## Political cooperation

### Schmidt-Brezhnev meeting

The Chancellor of the Federal Republic of Germany gave his colleagues an account of his conversations with President Brezhnev in Bonn from 22 to 25 November. The European Council were in full agreement on the significance of this meeting, and on the need to keep channels of East-West communication open between governments at all times. The European Council welcomed the presentation by the Federal Chancellor on *détente*, cooperation and disarmament.

### Disarmament

The European Council welcomed the commitment of the United States, announced in President Reagan's speech of 18 November, to the goal of major disarmament by means of mutual reductions in nuclear and conventional forces and confidence-building measures. They looked forward to the opening next week of negotiations between the United States and the Soviet Union on intermediate-range nuclear weapons, and expressed the hope that these would lead to early and positive results.

### Conference on Security and Cooperation in Europe

The European Council considered the state of negotiations at the CSCE follow-up meeting at Madrid. Despite the difficulties, they expressed the desire for a positive outcome in the form of a substantive and balanced document by the end of the year, including agreement on a precise mandate for a Conference on Disarmament in Europe to negotiate confidence-building measures in the

whole of Europe. They are ready to make every effort towards this end and they look to all participants to show the same positive spirit.

## Poland

The European Council heard a report from Lord Carrington about the visit of the Polish Foreign Minister to London on 20 November. They took note of past and current Community programmes to supply food at special prices to Poland and welcomed the Budget Council's recent acceptance of an initiative from the European Parliament to make additional sums available for this purpose. The Heads of State or Government reaffirmed their willingness, within the limits of the means of the Community and its Member States and in collaboration with others, to respond to the requests of the Polish Government for continued support for the efforts of the Polish people to promote the recovery of their national economy. They believe that the rescheduling of the Polish debt and the provision of new credit would make an important contribution to that end.

## Afghanistan

The European Council considered the continuing tragedy of Afghanistan. They noted that, in flagrant defiance of international opinion as expressed in three successive resolutions passed by overwhelming majorities of the General Assembly of the UN, the Soviet occupation of Afghanistan continued with its associated repression and bloodshed. The Heads of State or Government agreed that the situation was immensely damaging to international trust and confidence. They confirmed their belief that their proposals of 30 June offer a reasonable and practical approach to solving the problem.

# 1. The London European Council

1.1.1. The European Council met in London on 26 and 27 November; the meeting was chaired by Mrs Thatcher, the British Prime Minister, in her capacity as President of the European Council. The Commission was represented by Mr Thorn and Mr Ortoli.

1.1.2. The Commission had contributed to the preparations for the meeting by transmitting a number of communications to the Council, notably the mandate papers, a report on the economic and social situation and the report on European Union.

1.1.3. The Greek Prime Minister, Mr Papandreu, taking part in his first European Council meeting, outlined his country's policy on Europe at the beginning of the meeting. The Heads of State or Government then went on to consider the Commission's May mandate report. The three chapters — revitalization of common policies and the development of new policies for fresh growth, adaptation of the common agricultural policy while respecting its basic principles, and temporary measures to correct budgetary problems—were discussed in depth.

The European Council instructed the Foreign Ministers to meet before the end of the year to discuss the unresolved issues.

1.1.4. At the end of the meeting Mrs Thatcher made the following statement:

'We had a very thorough discussion of all three chapters, agreeing at the outset that agreement on any one chapter or on the contents of any one chapter would depend upon agreement on the other chapters. We went through it really, almost section by section, in a detailed way which I have never seen in the European Council before, really trying to test out and see where were the areas of agreement and where were the areas of disagreement. We agreed on very many things and the areas of disagreement resolved themselves under four headings:

- (i) first, the whole of the milk problem;
- (ii) second, the guidelines on agricultural expenditure;
- (iii) thirdly, Mediterranean agriculture; and
- (iv) fourthly, the budget problem itself.

We came to the conclusion, after many hours of discussion, that the best way to resolve those four problems would be to call a special meeting consisting of Foreign Secretaries, that they should convene as soon as we can possibly arrange it, and make attempts to resolve these matters either in conjunction with the ministers concerned or with other officials, or both; and that they should then make recommendations to the Heads of State or Government. It is possible we may then be able to clear this in correspondence. If not, of course, it would have to be referred to the next Council. Those then are the conclusions on the mandate.

We also had a long and very useful discussion on the economic and social situation introduced by Mr Ortoli on the basis of a paper presented by the Commission to Heads of State or Government. We endorsed the conclusions of that document, with one or two modifications.

You will realize that in some respects the Commission is more optimistic about growth prospects than are some other commentators, but it is nice to attend something where we have a lot of optimistic people present.

I do not wish to overemphasize that, because we know there are many many problems ahead and we made it very clear during our discussion that one of the things which concerns us most of all is the problem of youth unemployment and the need to provide more training for school-leavers.

In the general economic sphere, of course, we said that the objectives of fighting inflation and unemployment require public deficits to be kept under control and monetary policy within tight limits and pointed out that where deficits get very high interest rates also get high and that itself stultifies any attempt at increased growth. There are nations, of course, which have something like 14% to 15% of their GDP in deficit. Let me put it another way: the deficit is equal to 14% to 15% of their gross domestic product. That, of course, is unusually high and they pointed out the consequences for interest rates and that high interest rates can strangle growth.

You will be aware that we also discussed matters of foreign affairs which are of especial importance to us, and at the dinner last night we spent most of the time discussing with Chancellor Schmidt the results of President Brezhnev's visit to the Federal Republic. He went through it in very considerable detail and we had long discussions about it, and also the problem of Poland. The Foreign Ministers have also discussed other matters under the Committee of Political Cooperation and I believe that you have the communiqués.

It was therefore a very very busy European Council. We discussed very openly. I think we got to grips in a very candid way with the difficult parts of the mandate. Much was agreed in the body of the document, but of course we recognize that all of the agreements are provisional upon an agreement being reached upon the total, but there was never any acrimonious discussion in any way. The atmosphere was extremely good, extremely constructive, the Heads of State or Government very very much aware that we were perhaps negotiating in detail on matters which would normally have been left to the specialist Councils.'

The European Council also adopted the following statements:

### **Enlargement**

1.1.5. 'The European Council recalled that the Member States of the Community decided to open negotiations for the accession of Portugal and Spain in the knowledge that all the objectives of the Community, as set out in the preamble to the EEC Treaty, were shared by the democratic governments and by the peoples of the two countries concerned.

The European Council confirmed the political commitment which was the basis for that decision and emphasized the determination of the Community to bring the negotiations to a successful conclusion and stressed the importance of continuing progress. It recalled the acceptance by the applicant countries that they will accede on the basis of the Community treaties and subordinate legislation in force on the date of accession, subject only to such transitional arrangements as may be agreed. It emphasized the need for both the Community and the acceding countries to make good use of the period until accession for careful preparations for the Community's further enlargement by introducing the necessary reforms so that the potential benefits for both sides can be realized. The Council agreed that, in the Community's deliberations on its internal development, regard would need to be paid to the importance of the accession of Portugal and Spain. It also agreed on the importance of the contacts established between the Ten and the applicant countries on the framework of political cooperation and confirmed that it is their intention to continue to keep Portugal and Spain closely informed about developments in political cooperation. It looks forward to the day when the leaders of those two countries will take their places in the European Council as full and equal members.'

### **European Union**

1.1.6. 'The European Council received the initiative of the German and Italian Governments on European Union and took note of their proposals.

The Council recognized the importance of strengthening economic integration in parallel with political development.

The European Council invited the Foreign Ministers in cooperation with the Commission to examine and clarify the German-Italian proposals and to report back to a future meeting of the European Council.

The Council took note of the reports of the Commission and of the Foreign Ministers of the Ten on European Union, and received the report on political cooperation agreed by the Foreign Ministers of the Ten in London on 13 October.'

### **Political cooperation**

1.1.7. In the political cooperation context the London European Council considered immediate international problems.

### **Schmidt-Brezhnev meeting**

1.1.8. 'The Chancellor of the Federal Republic of Germany gave his colleagues an account of his conversations with President Brezhnev in Bonn from 22 to 25 November. The European Council were in full agreement on the significance of this meeting, and on the need to keep channels of East-West communication open between governments at all times. The European Council welcomed the presentation by the Federal Chancellor on *détente*, cooperation and disarmament.'

### **Disarmament**

1.1.9. 'The European Council welcomed the commitment of the United States, announced in President Reagan's speech of 18 November, to the goal of major disarmament by means of mutual reductions in nuclear and conventional forces and confidence-building measures. They looked forward to the opening next week of negotiations between the United States and the Soviet Union on intermediate-range nuclear weapons, and expressed the hope that these would lead to early and positive results.'

### **Conference on Security and Cooperation in Europe**

1.1.10. 'The European Council considered the state of negotiations at the CSCE follow-up meet-

ing at Madrid. Despite the difficulties, they expressed the desire for a positive outcome in the form of a substantive and balanced document by the end of the year, including agreement on a precise mandate for a Conference on Disarmament in Europe to negotiate confidence-building measures in the whole of Europe. They are ready to make every effort towards this end and they look to all participants to show the same positive spirit.'

## Poland

1.1.11. 'The European Council heard a report from Lord Carrington about the visit of the Polish Foreign Minister to London on 20 November. They took note of past and current Community programmes to supply food at special prices to Poland and welcomed the Budget Council's recent acceptance of an initiative from the European Parliament to make additional sums available for this purpose. The Heads of State or Government reaffirmed their willingness, within the limits of the means of the Community and its Member States and in collaboration with others, to respond to the requests of the Polish Government for continued support for the efforts of the Polish people to promote the recovery of their national economy. They believe that the rescheduling of the Polish debt and the provision of new credit would make an important contribution to that end.'

## Afghanistan

1.1.12. 'The European Council considered the continuing tragedy of Afghanistan. They noted that, in flagrant defiance of international opinion as expressed in three successive resolutions passed by overwhelming majorities of the General Assembly of the UN, the Soviet occupation of Afghanistan continued with its associated repression and bloodshed. The Heads of State or Government agreed that the situation was immensely damaging to international trust and confidence. They confirmed their belief that their proposals of 30 June offer a reasonable and practical approach to solving the problem.'

## Statements and Comments

1.1.13. At the end of the meeting Mr Thorn highlighted the positive aspects of the alignment of positions on the three chapters

but regretted that despite extensive preparations and the impressive number of papers presented the European Council had not been able to reach complete agreement.

He hoped that substantial headway would be made at the ministerial meeting, thus allowing the Commission to formulate and define the points of consensus on the whole range of issues.

The French President, Mr Mitterrand, emphasized France's firm position on milk and agreed that a cautious policy on agricultural spending was 'quite in order'. He also believed that to establish a link between agricultural expenditure and own resources was a 'sound principle', though he was against adopting firm figures. Lastly, on the enlargement of the Community, Mr Mitterrand declared that this would be made easier if the problem on Mediterranean products were first resolved between the Ten.

In his statement to the Bundestag on 3 December, the Chancellor of the Federal Republic of Germany, Mr Schmidt, thought that the discussions on the mandate had become more complicated and more urgent as a result of the economic trend. 'It is thanks to the cooperation of the Ten on the economic, monetary and commercial issues that we have so far resisted the world economic crisis better than in the 1920s and 1930s. This is an advantage which the Community must not waste even if parliaments and governments are sorely tempted to export its problems, temporarily at least, by applying protectionist measures. There is no valid alternative to cooperation and the consideration of mutual interests.'

Mr Schmidt said he was prepared to provide financial support for new policies but emphasized that while Germany was continuing to be main net contributor to the Community, there were limits to its willingness to remain the only Member State in that position.