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Prime Directive

Mr 1/12

Qz.02826

MR COLES

cc: Mr Kerr  
Mr Fall  
Mr Lawson  
Sir Robert Armstrong

EUROPEAN COUNCIL: FRENCH OBJECTIVES

Monsieur Pierre Morel, the French President's Adviser on Community Affairs, called at the Cabinet Office yesterday as part of the arrangements for closer contacts between British and French officials that were agreed at the recent Anglo/French Summit. He described the line that the French President would be likely to take on a number of items to be discussed at the Copenhagen Summit.

Common Fisheries Policy

2. The French have no wish to offer more concessions to the Danes and consider that the Danish Prime Minister should be subjected to "the right amount of pressure". By this they mean that too much pressure could make it politically impossible for the weak Danish Government to accept the package now on offer, whereas any hint of a willingness to "compromise" would be ruthlessly exploited by the Danes. Monsieur Morel suggested that the nine Heads of Government should state clearly that the choice lay between agreement on the package now on offer and national measures; but should not make a great fuss about it.

Economic and Social Situation

3. President Mitterrand attaches importance to this item. He believes that the European Council has a problem of credibility. It should stop its habit of inconclusive discussions about major problems followed by remits to subordinate bodies that then also fail to solve them. Instead, the European Council should select a limited number of realistic actions and endorse them. President Mitterrand's list is as follows:-

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- (i) Investment. All member states should announce their resolve to achieve "a sufficient level" of investment. (The French Finance Minister, Monsieur Delors, tried to persuade the Jumbo Council on 16 November to endorse a commitment to devote 1% of Community GNP to additional investment. The French now know that this is not attainable.)
- (ii) An agreement that countries with healthy balance of payments (meaning Germany) should do what they could to help the Community out of recession. (Monsieur Morel seemed to think that the Germans might go along with some formula on these lines.)
- (iii) An indication to the Finance Council that it would be appropriate for them to agree to the third tranche of the New Community Instrument.
- (iv) The creation of a Community Working Party on technology, growth and employment to follow up, in the Community context, President Mitterrand's initiative at the Versailles Summit (which is now being followed up by a Working Party of the Versailles countries).
- (v) An invitation to the Commission to make proposals for spending more Social Fund money on youth employment and retraining. The French see this as bringing forward one of the new developments which can be expected to result from the impending review of the Social Fund.
- (vi) An invitation to the Commission to arrange for its "Tripartite Sector Committees" (which include representatives of employers and employees) to examine the scope for the reduction of working hours in various particular industries; and also to study the social consequences of technical change in those industries.





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Enlargement

4. Monsieur Morel confirmed that the French President would insist that decisions must be taken to increase own resources and to reform the Mediterranean Acquis before Spain and Portugal join. He explained that this was an absolute political imperative for the French President.

Comment

5. The French line on the Common Fisheries Policy raises an important question of tactics which the Prime Minister will need to discuss with the Foreign Secretary and the Minister of Agriculture at her briefing meeting tomorrow. What degree of pressure is most likely to secure the objective of inducing the Danish government to accept the package?

6. None of the specific suggestions about the economic and social situation need oblige the Prime Minister to oppose the President's ideas. He is surely right to believe that agreement on a limited number of practical steps would be better for the European Council's image than the usual sort of communique language in the Presidency conclusions. On the other hand, it so happens that the conclusions of the Jumbo Council and the Finance Council which are on the Agenda of the European Council are couched in terms satisfactory to us and any attempt by the French to move beyond them could create difficulties in particular cases. Our general line could therefore be to endorse the President's idea of picking on a few specific topics while at the same time insisting that the agreements achieved in the Jumbo and Finance Councils be retained.

7. In the case of investment it will be especially important not to lose the valuable phrase in the Finance Council's conclusions - namely that member states should restructure public expenditure in favour of productive expenditure (ie and not increase public expenditure) to accommodate investment projects regardless of their expected rate of return). A brief will be circulated tomorrow on the specific proposal to approve the third tranche of the New Community Instrument.





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8. The proposal to have a Community dimension to President Mitterrand's Versailles initiative on technology, growth and employment was mentioned again today at a meeting in Paris. It is clear that President Mitterrand intends to make a considerable speech on this subject. A telegram reporting today's discussions is on its way and a new brief will be circulated tomorrow.

9. The UK would stand to benefit from further expenditure by the Social Fund on youth employment and retraining so that this idea could be welcomed. The proposal for discussions in the Commission's "Tripartite Sector Committees" is less attractive. Neither the Government nor UK employers would want to see these committees used as a forum for negotiations about Community legislation. But there would be no objection to discussions which were intended to encourage the working out of practical solutions within each industry between the employers and the employees concerned, without Government involvement.

10. The line on enlargement comes as no surprise and requires no change in the brief already circulated. What Monsieur Morel said in discussion yesterday about enlargement confirmed that the United Kingdom has a bargaining lever here. At one point in the talks he even described the UK position on the own resources ceiling as "rather frightening"!

D.H.

D J S HANCOCK

1 December 1982

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