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*Euro Pol*  
*Mr Wright*



Foreign and Commonwealth Office

London SW1A 2AH

14 March 1975

*ps*

*BA*  
*Mr. Armstrong*

*may want to see*  
*(I doubt when the PM is*  
*with the EU - this ?)*  
*I agree; but nice*  
*to know it exists.*

*Dear Patrick,*

Records of the Dublin Meeting

...

I enclose with this letter copies of records of the main meetings at the European Council in Dublin on 10/11 March. I should emphasise that these are reconstructions from manuscript notes. The Foreign and Commonwealth Secretary has seen them and has pronounced them to be broadly accurate. But they should be regarded as giving a general impression of discussion rather than a note-takers record. We are giving them a limited distribution within the FCO, with an instruction that they are not for direct quotation.

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*17.iii*  
*17/3*

I am sending a copy of this letter with the enclosure to Chris Brearley in the Cabinet Office and to Bailey (HM Treasury) and Kearns (MAFF).

*Yours*  
*ever*  
*John*

(P.J. WESTON)

Patrick Wright, Esq.,  
10, Downing Street,  
S.W.1.

*cc Euro Pol April 76*  
*(Budget)*  
*Euro Pol Pt 2*  
*(Access to Commonwealth*  
*fund)*  
*Power 162*  
*(International Energy)*

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Type 1 +

SECURITY CLASSIFICATION

Top Secret.  
Secret.  
Confidential.  
Restricted.  
Unclassified.

To:-  
(Reconstructed from Mr. Callaghan's notes.)

FROM

Telephone No. Ext.

Department

PRIVACY MARKING

..... In Confidence

RECORD OF EEC HEADS OF GOVERNMENT MEETING AT DUBLIN CASTLE ON TUESDAY 11 MARCH at 1000 hours.

M. Ortoli said that what followed was a simulated exercise. British experts had expressed doubts about the figures under discussion, because they were based on customs duties and levies for 1974 which had been a bad year because of the progressive installation of the CAP. As a result another calculation was needed which would <sup>increase the</sup> put up figures for levies. As regards customs duties there might be some reduction but they might be higher in the end. As regards the VAT ratio to GDP this was exaggerated. It would be better to assume that this was a lower figure. 650 million units of account was not a constant an figure but would be much higher on/8,000 MUAs budget . There was thus a serious uncertainty over the figures.

Mr. Wilson then spoke basing himself on the budget speaking note and at Herr Schmidt's request repeated the last paragraph.

Herr Scheel said that he did not understand the repayment proposal. M. Giscard d'Estaing said that he would like to stick to the Commission's proposal. Why did they not adopt what <sup>led the Commission</sup> Mr. Wilson had suggested. M. Ortoli commented that the consequence of this system would be <sup>to increase the cost of the</sup> a new moderation in payments.

Herr Schmidt said that he thought that an effort was being made to achieve a compromise but there seemed to have been little <sup>movement</sup> move since the day before. As regards <sup>that</sup> the refund ~~proposal~~ there was <sup>had</sup> a proposal to do away with the <sup>original proposal & introduce</sup> normal move and for a second <sup>a second with repayment</sup> mechanism for dealing with the refund. Mr. Wilson said that yesterday he had told the meeting that he would like to remove

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the two thirds limit. Today he accepted it. If the meeting liked to make it 75% there would be no need to haggle about repayment of the second portion.

M. Giscard d'Estaing said that some movement must be made to take account of Herr Schmidt's difficulties over a maximum of, say, 350 MUAs but for procedural reasons it was impossible to meet the British requirements. Mr. Wilson asked whether there was some misunderstanding. He understood that the figure of 250 MUAs was important but the 250 MUAs were in cash terms whereas levies and duties were <sup>affected</sup> caused by price rises. Herr Schmidt said that he would like to try to clarify the issues. First, there was a desire to meet Britain to the greatest extent possible. Second, there was a strong desire not to dismantle the concept and principle of the EEC's "financial resources". Third, various statistics of all kinds merely seemed to make the situation more incalculable. M. Tindemans was making a mistake in his analysis. A solution should be found through identifying net receivers and payers. One possibility would be to define repayment by the Commission's methods. This had put too much emphasis on levies and <sup>duties</sup> customs. This had not been fully debated ~~however~~ but Mr. Callaghan had said last night that it was not acceptable. The German Government would be satisfied if it were not made an even larger net payer; if a ceiling were put on the figure; and if the sliding scale was moved upwards on the basis of the Commission's report. ~~XX~~ <sup>After</sup> M. Ortoli had ~~explained the system~~ explained the system further there was a short break.

Following the break Mr. Wilson suggested that the experts should be called in to give them a mandate for their work. M. Giscard d'Estaing suggested that three models <sup>to the sliding scale</sup> should be prepared on the basis of 5%, 10% and one in between. Herr

Schmidt/

Translation error

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had been <sup>to the effect that Heads of Government</sup> ~~speculating about~~ Herr Schmidt agreed. On a completely different point he said that some comment had appeared in the Irish press about Brezhnev's health. The Chairman of the meeting should deny these reports. <sup>[He came round to our seats to tell the 1st] & myself that it ~~was~~ <sup>was</sup> ~~not~~ <sup>had</sup> ~~been~~ <sup>been</sup> ~~responsible~~ <sup>for</sup> ~~the~~ <sup>the</sup> ~~statement~~ <sup>statement</sup></sup>

STEEL

Mr. Wilson said that he would circulate a short statement on steel (this is attached at annex.)

ENERGY

Mr. Cosgrave said that by 20 March the third pre-condition ~~laid~~ <sup>laid</sup> down by the Americans would have been fulfilled. As regards the IEA presence, presumably this presents <sup>at</sup> no difficulty. If everything was settled by 19/20 March then all could accept the French invitation. Heads of Government might like to give consideration to

- (1) The composition of the main Conference.

There might be some 40 states who were interested with all members of the Community attending <sup>individually</sup> and with the Community itself <sup>itself</sup> as an observer. If the Conference were smaller this arrangement would not be possible.

- (2) Their attitude to the Preparatory Conference.

The OPEC meeting had said last week that raw materials and the monetary system as well as oil should be on the agenda.

Mr. Callaghan said that he thought the substantive conference would be a large one with a number of sub-committees. The question of other raw materials <sup>C</sup> would be discussed in parallel in another framework. It was important to harmonise IEA policy with Community policy and a formal invitation should go to the IEA. <sup>to attend the preparatory meeting</sup> He thought that a formal reply should be sent to the French invitation when the American Government were in

agreement./

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agreement. This was an important point. Mr. Van der Stoel  
agreed with Mr. Callaghan.

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President Giscard d'Estaing said that France had taken their initiative because if consumers and producers met separately this would lead to tension. They had not had much encouragement to start with and the initiative seemed to have presented some difficulties to the consumers. The producers had taken a more positive attitude and they would come to a Conference - as sovereign states and not as delegates. The difficulties with the consumers had now been settled. He was not sure what use observers would be, especially since they could not speak. OPEC did not want to attend. They would react briskly to an invitation. When Mr Wilson met the Commonwealth Heads of Government he would find irritation about the IEA's activity which they regarded as a means of confrontation. It was necessary to be flexible. If no other<sup>international organizations</sup>s were present (apart from the UN) then the IEA could not attend. If others were present then the IEA would be there also. As regards the plenary session it was necessary to ensure results. The Group of 20 operated well but ~~achieved bad results as the IMF.~~ <sup>as (?)</sup> The developing countries were ready to accept limited representation. The Nine could have <sup>a</sup> such limited representation by virtue of its structure. Saudi Arabia did not want the discussion on other raw materials to get down to details. It would be sufficient to deal with producers. But as regards oil, decisions were vital. Oil producers were due to meet in Vienna in May and in Libreville in June.

in the context of the IMF achieved good results.

The/

The energy conference should therefore begin between June and October. Mr. Jorgensen did not favour a general discussion on raw materials but thought there was a need for a real Community energy policy which amounted to equal access to resources throughout the Community area and no discrimination over prices. Mr Ortoli said he would like to take up a delicate problem. The IEA had produced a draft text: <sup>of the EC countries</sup> eight ~~were~~ members of the Agency; one was not. Part of the IEA's paper touched on the Commission's text which had been produced the week before and was partly in agreement with it except for the reference to the price levels that would make it possible to implement the policies. Before the Eight agreed on the paper it should be noted that the IEA was not out of line with the energy policy of the Community. Mr Callaghan asked whether a formal invitation would be sent to the IEA and whether it was agreed that the Community should send its replies after 20 March. M Sauvagnargues said that no formal invitation would be sent to the IEA and that the Community had already accepted <sup>but</sup> that the French would be flexible if other agencies attended. Herr Schmidt said that little attention had been paid to the substance of the oil consumers' position nor to what should be offered to the producers, for example on indexation or on a minimum price. The world was in a downward economic spiral and recession could be as serious as in the Thirties and the worst since 1945. America was less vulnerable/

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vulnerable on energy than other countries but the Americans were trying to make sure that Europe and the West <sup>as a whole were</sup> ~~was~~ also less vulnerable. The US President had not until recently understood the economic situation. The US would reach the lowest point in the last quarter of 1975 and Congress would demand deep tax cuts. The oil producers would expect to discuss the world monetary systems, their capacity to import and related matters. The EEC's preparation to meet them had been too limited and he felt very gloomy. The conference would be a lengthy affair. Who was trying to define the EEC's interest? Was it being left to the President of the Community who changed every six months? He was a strong believer in bringing about cooperation between producers and consumers and had argued with President Ford and Dr Kissinger about this. But he had great anxieties about the EEC's capacity to meet the present requirements. He was not ~~relapsing~~ <sup>merely</sup> into national egotism but European countries were bickering about representation and there were difficulties with the US. He could not make Mr Cosgrave or M Ortoli responsible for unemployment in the Federal Republic. He might well have to go to the conference on his own because Germany's economic fate was at stake and this could not be delivered into the hands of anonymous bureaucracies. President Giscard d'Estaing said that he wanted to tell Mr Callaghan that the question of invitations was secondary. But it was necessary to begin to prepare material at the Community level. In the producing/



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producing countries the moderates had caught up with the extremists in the context of this conference. President Boumediene was at the present time rather in favour of a decrease in prices. It was important not to change now therefore to a process of confrontation. When the world economy picked up and if there was a hard winter in 1975/76 the oil market situation would change. As regards indexation, it was not necessary to define a final position. (There could for example be a stabilisation fund.) The Community should not attempt <sup>to invite</sup> this <sup>anti</sup> itself but should consult with experts. But Heads of Government should make it possible for the Community to be properly prepared.

Sr Rumor said that he agreed with Herr Schmidt; preparations were <sup>slap</sup> ~~slap~~-dash. Secondly, raw materials must be discussed. Thirdly, it was necessary to do everything possible to get a Community policy in preference to national <sup>policy</sup> purchases. He agreed with Herr Schmidt on the seriousness of the crisis.

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M. Ortoli said he was sure that a common position could be worked out if there was a will to do so. An agenda had been agreed and the Commission were now working on the substance. He was not concerned to put a feather in the Commission's cap. Results were important and it was necessary to work closely with the USA. The Commission was ready to take the necessary steps.

Mr. Joop den Uyl said that he shared Herr Schmidt's pessimism. He wondered whether the Ministers of Finance who were to meet on 18 March should be invited to begin an urgent discussion with the US Administration on economic and monetary policies. Herr Schmidt then made a number of comments. First, there was the prospect of new military hostilities in the Middle East which could lead to embargoes, higher prices, world recession and Israel's isolation. Second, there were far too many institutions engaged in discussion of the same problem. An ad hoc committee of deputy ministers in the Community was needed, where the Commission could also ~~take~~<sup>make</sup> ever proposals, (under the auspices of Foreign Ministers). Third, Finance Ministers, Foreign Ministers and others should be told that they were invited to formulate questions and answers and feed them in to the ad hoc committee. Fourth, the ad hoc committee could then feed this material into the Energy Conference over a full range of subjects. Fifth, after the ad hoc committee had worked for some time either the Foreign Ministers or Heads of Government would define joint positions and decide how these positions should be negotiated and/

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and by whom. They should then decide how to talk to the US Administration and on what subjects and thereafter to Canada and Japan. It was also necessary to consider how to sound out the producer nations. To sum up, all the appropriate councils should formulate their questions (and perhaps answers) and feed these in to the ad hoc committee and eventually into the producer/consumer Conference.

M. Giscard d'Estaing said that this proposal could be approved now. Mr. Fitzgerald said that two discussions were being run as one. There was the question of the preparations for the conference and secondly the preparations for the talks with the Americans. Which were they discussing? Herr Schmidt said that basically they were considering energy questions but the discussion would spill over into monetary and credit matters. The talks could not be limited to energy alone. Herr Schmidt suggested that the ad hoc committee should sit for the first time in March. M. Thorn said that the ad hoc committee should consider in March first the date of the Conference and second what should be discussed etc. at it.

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