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Mrs Thatcher, the Prime Minister, at
the European Parliament in Strasbourg
on December 16, 1981.

The problems of Poland were for the Poles to solve, and it was hoped that they would do so by a process of compromise and negotiation, Mrs Thatcher, the Prime Minister, said when she spoke to the European Parliament in Strasbourg on December 16.

Speaking as the Head of Government of the member state occupying the Presidency of the European Community, she said: "We must not take our liberties for granted. In the changing world in which we live, we must work if we are to preserve them. And it is that challenge which makes progress on our own problems so imperative."

Mrs Thatcher said:

"This is the first time that the Head of Government of the member state occupying the Presidency has attended a session of the European Parliament to give an account of a meeting of the European Council.

"And the fact that we meet today recognizes that among other things that the European Council has become an important part of the European scene.

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"It gives Heads of Government the opportunity to discuss matters where Community business and political considerations overlap. We need this opportunity for a general exchange of views as well as for the resolution of the Community's most important problems.

"The European Council held in London on November 26 and 27 was just such an occasion. The atmosphere throughout was friendly and constructive. Certainly there was more detailed discussion than usual because of the nature of the agenda. Nevertheless, we spent several hours discussing the commanding problems of world recession and East/West relations. Indeed, this European Council well illustrated the two features of our relationship:-

"The first, the problems that have to be resolved between us; and the second, our relationship with the outside world. Both are equally important to the well-being of the people whom it is our privilege to represent.

The Mandate

"The main subject we discussed was the mandate of May 30. It is worth recalling how it originated.

"The problem arose when one of the member states, my own country, found itself bearing an unacceptable and increasing budgetary burden as a result of the combined effect of Community policies. As the Community analyzed this problem, it became clear that the real issue was not confined to budgetary matters. It concerned the whole balance of Community policies, including the relationship of agricultural expenditure to regional, social and industrial expenditure.

"Agriculture absorbs the preponderant share of the Community Budget and leaves insufficient resources for other areas equally relevant to the problems of advanced industrial societies, especially at a time of economic recession.

"The Community agreed, on May 30 1980, that the problem should be resolved, and I quote - 'by means of structural changes.' The Commission was given a mandate to produce proposals as to how this could be achieved without infringing basic Community principles. The Commission's Report was produced in June and concentrated on three main areas or chapters. These were the reform of the Common Agricultural Policy, the development of other Community policies, in particular economic, regional and social policies, and the Community Budget, and it was agreed that all three chapters must be considered in parallel.

"Behind the prosaic words of the mandate lies the essential belief that, if it is to endure, a venture as bold and imaginative as the European Community must adapt to changing circumstances and to the hopes of generations yet to come. To the Community, as well as to its member states, the dictum of that distinguished political thinker Edmund Burke applies. He said, in the eighteenth century:- 'A state without the means of change is without the means of its conservation.'

/"Speaking ...

"Speaking for myself, I believe that the Community can and will rise to the occasion. For however diverse our national histories, the modern tendency of politicians is to want more spending on their own particular interests in their own country. Indeed, it is sometimes hard to believe that Parliamentary democracy started with the intent to curb the power of the Executive to impose greater taxation on ordinary citizens. Throughout our deliberations in the European Council ran the constant reminder that our resources are limited and that the question is how to allocate them fairly.

"The May 30 mandate laid on the British Presidency the responsibility of reaching decisions by the end of this year. That target was always ambitious. It became more so when a change of Government brought about in one member state by national elections understandably delayed detailed discussion until well into September.

"The responsibility of the Presidency, against the background which I have described, was truly heavy and we have made strenuous efforts to advance the discussions. At the European Council on November 26-27 the three chapters were talked over in great detail -- from the Community loan facility and its extension, through the proper priorities of regional policy and its finance.

"I had very much hoped to be able to report to you today that the European Council had been able to reach full agreement on all these matters. Unfortunately I cannot do so.

"Much progress was made. But on four main areas we were unable to reach any measure of agreement. These are:- first, the problems arising from the Community's milk regime; second, the way to deal with Mediterranean agriculture; third, how to relate the share of agricultural expenditure to the development of the Community Budget as a whole; fourth, how to ensure that no member state is put into an unacceptable situation as a result of the total effect of the Community Budget.

"We asked our Foreign Ministers to meet informally as soon as possible in a further effort to resolve these matters and to report to Heads of Government. That meeting took place on December 14-15.

"Despite their best endeavors, Foreign Ministers were not able to reach agreement on the outstanding points. They therefore decided to invite the President of the Commission to make revised proposals for guidelines on the four points in the light of their discussions. They have agreed to meet again to consider these proposals in the first half of January. I hope rapid progress can then be made. Further delay will serve no one's interests and the need to press ahead remains as strong as ever.

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"This Parliament will wish to know that at the beginning of the Council's proceedings, Mr. Papandreou, the Prime Minister of Greece, made a statement about the economic problems of Greece and his Government's attitude towards the Community. And I should also report that Chancellor Schmidt and Signor Spadolini drew the attention of the European Council to the ideas put forward by their Governments for closer European cooperation. Foreign Ministers will now examine the ideas, some of which are far reaching, and report back to a future European Council.

World Economic Situation

"Our Community works against the backcloth of world economic problems. The European Council addressed itself to the economic and social situation and the difficulties facing us at a time of continuing world recession,

"Accustomed to growth over many years we have entered a period when we do not expect to see it resume at such a rate for some time to come.

"This, and advancing technologies and changing patterns of world trade have left our countries with levels of unemployment we thought never to see again.

"Every country is especially concerned about unemployment among youth and we all recognized the need for better training. We shall return to this aspect of our work at future Councils.

"In our general approach to economic policies we endorsed the view of the Commission namely: that the objectives of fighting inflation and unemployment need determined policies to bring deficits under control, and to keep production, distribution and unit labor costs in check.

"Perhaps one of the most interesting parts of that discussion centered on the effect of high public deficits. They, we were told, lead to unusually high real interest rates which in turn strangle expansion. Thus high public deficits turn out not to be reflationary but deflationary.

"At times of national difficulty the tendency to protectionism is strong. But apart from limited areas where a period of adjustment is necessary, we recognize that it is not in the best interests of our people. Protectionism in some products can so easily lead to retaliation in others.

"We were very conscious that we need to pursue a Community policy on trading with Japan. The Community has put its detailed points to the Japanese Government and we now await their response. In the meantime we have to continue to rely on national arrangements so as to reinforce the efforts of the Community as a whole.

"As the third anniversary of the European Monetary System falls next March we agreed to review its operation at that time.

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"The theme of economic cooperation between countries including the United States ran strongly through all our deliberations. We are each affected by the economic policies pursued by others. We believe that that is something we must each take into account in order the better to come through recession to expansion of world trade once again.

Political Cooperation

"The Community is, and must continue to be, a force for stability in the world -- a world that is sadly torn and distracted by conflict. Coordination of foreign policies through political cooperation is a key element in that role. It is vital to come together quickly in times of tension.

"The European Council welcomed the London report of the Foreign Ministers which provided for important practical improvements in the organization of political cooperation.

"The growing strength and cohesions of Europe in these matters is reflected in the way Heads of Government approached issues and the range of issues they discussed. We were not simply discussing language for resounding communiques. You were constructing European policy -- policy which increasingly involves taking initiatives, rather than merely responding to events.

"The problems discussed included East/West relations. Afghanistan, Poland and disarmament and the Middle East. The Federal Chancellor told us about his conversation with President Brezhnev on the occasion of the latter's recent visit to Bonn.

"We all agreed on the importance of keeping open the channels of communication between East and West. We welcome the commitment of the United States, announced in President Reagan's speech of November 18, to achieve major mutual reductions in nuclear and conventional systems.

"The Council restated in strong terms its concern at the continuing Soviet occupation of Afghanistan.

Europe and Democracy

"The protection and furtherance of liberty and democracy was the purpose which inspired the founding of the Community. That purpose is as urgent today as when the Community began. With regard to the accession of Spain and Portugal, the European Council reaffirmed our strong political commitment to bringing the negotiations to a successful conclusion. These negotiations involve problems. But we all have a common interest in strengthening these newly restored democracies and in supporting them in their solidarity with the aims of Western Europe.

"The representation of the people is an essential principle of democracy. The Presidency have worked hard to improve the dialogue between the Council and the Parliament. Thanks to the

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cooperation we received from you, I believe we have had some success. And this is one reason why I am here today. The meeting between the Ten Foreign Ministers and you, Madam President, and leaders of the Parliament, with the participation of the Commission, marked another important innovation.

"The common aim of all these deliberations is to help create a Community which functions more effectively, which protects the democracy and freedom which Europe cherishes and which takes all available opportunities to extend that democracy.

"For, this area of stability and democracy in Europe is a priceless asset in a troubled world. We often count our problems and we should sometimes count our blessings. And I say this in particular in a week when the events in Poland are much on our minds.

"The problems of Poland are for the Poles to solve. And we hope they will do so by a process of compromise and negotiation. We must not take our liberties for granted. In the changing world in which we live, we must work if we are to preserve them. And it is that challenge which makes progress on our own problems so imperative. I hope that by the time the Belgian Presidency comes to report on the outcome of the European Council in March next year, it will be possible to describe substantive conclusions on many of these issues.

"The successful future development of the Community as an instrument for furthering the cause of democracy and freedom depends on making speedy progress in our deliberations. For freedom must mean more than freedom to differ. It must mean freedom to act together to conserve our common beliefs -- so that our children may enjoy that peace with liberty which is the greatest gift to mankind."

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