

Confidential Filing

European Council 1981: Meeting with
Social Partners, European Trade Union
Confederation (ETUC) and the European
CBI (UNICE)

EUROPEAN
POLICY

EUROPEAN TRADES UNION CONFERENCE

NOVEMBER 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
11-11-81							
23-11-81							
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14.3.87							
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4/05 1027/84

MR DEEKS

No. 10.

*Amixed picture, styl
France seems to have had
a rapid fall in t.u. ship.*

MST 13/3

cc Miss Dimond

Miss Lamond

Mr Irwin

TRADE UNION MEMBERSHIP IN EUROPE

1 You asked about levels of trade union membership in Europe in recent years. I have been unable to trace any recent published material on this showing comparisons over time.

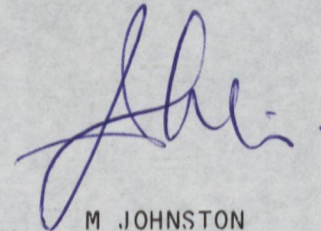
2 The attached table has been compiled from material obtained by labour attaches from national government, EC and some union sources. I am afraid it is not very comprehensive but is the best that could be done given the limited time available. The figures for Belgium could not be included in time, however I understand that they show an increase in union membership. ** Annex I*

3 The 1987 estimate for France was provided by our Paris Labour Attache no official statistics have been available since 1982 because the unions dispute each others' declarations.

4 The picture presented by the 1985 ILO Report (Annex II) of a decline in membership in many European countries has been confirmed by us recently via informal contact with European experts. The general picture does show a decline in recent years, at different rates and probably using different statistical bases. We can of course request more detailed information from our various sources but this is likely to take some time. As you can imagine, the figures given are somewhat sensitive and may not be accurately computed even within the country of origin.

OA1

x6842



M. JOHNSTON

18 March 1987

Table A

TRADE UNION MEMBERSHIP IN EUROPEAN COUNTRIES : 1974 ONWARDS

	millions						
	1974	1978	1979	1983	1985	1986	1987
FRANCE ϕ	5.160	5.370	5.320	5.00 (1982)	n/a	n/a	3.5(estimate)
FRG	7.406	7.752	7.833	7.746	7.719	n/a	n/a
ITALY *	7.255	8.681	8.793	8.860	8.851	8.925	n/a
NETHERLANDS	1.291	1.364	1.309	1.332	1.212	1.199	1.196
AUSTRIA	1.580	1.629	1.641	1.660	1.671	n/a	n/a

ϕ No official statistics available after 1982

*Figures for Italy include pensioners - about 20% of the total

Sources: National Government and EC Statistics.

March 1987

ILO Geneva (1985)

Table 1.1
Trade union membership as a percentage of the economically active population in OECD countries in the early 1980s

Degree of unionisation (percentage)	Country
80-90	Finland, Sweden
70-80	Belgium, Denmark
60-70	Austria, Luxembourg, Norway
50-60	Australia, Ireland, Italy, United Kingdom
40-50	Federal Republic of Germany, New Zealand
30-40	Canada, Greece, Japan, Netherlands, Switzerland
15-30	France, Portugal, Spain, United States

in co-operation with the trade unions themselves. In the Philippines, government statistics show that the number of registered trade unions decreased from about 7,000 in 1975 to 1,660 in 1980.⁷

Trade union membership

Membership of trade unions varies from one country to another, ranging from nearly 100 per cent of the workforce in certain industrialised centrally planned economies to single percentage figures in some developing countries. Exact and comprehensive statistics are not always kept and the figures available are sometimes misleading. Some rough approximations can nevertheless be given. For the 22 member countries of the OECD, for instance, the approximate ranges of trade union membership as a percentage of the economically active population⁸ are shown in table 1.1.

Over the past 20 years trade union membership has gone up and down with labour market fluctuations but also with recruitment drives, the union's overall performance, the stock of accumulated demands and grievances and the political attitude of governments. Total membership of trade unions in many countries has declined recently, chiefly as a result of the general recession

and the structural changes experienced in the manufacturing sector. In the United Kingdom, for example, union enrolment fell by 3.7 per cent in 1980 and 5.9 per cent in 1981;⁹ in the Netherlands and Sweden, the declines were about 4 per cent; in the Federal Republic of Germany the drop was 2½ per cent during the same year.¹⁰ In Spain, union membership decreased considerably during the period 1980-83, owing not only to high levels of unemployment but also to the relatively secondary role assigned to trade unions at the enterprise level.

However, membership has not declined everywhere. In Denmark and Norway, for instance, membership in the LO Confederations continued to rise in 1980, 1981 and 1982. Furthermore, the development of unionism during the present century shows that periods of decline or stagnation are followed by periods of growth. A 1980 analysis of total union density in selected industrialised countries indicates that there has been a long-run trend towards expansion.¹¹

Demographic trends have also affected and will probably continue to affect both the number of union members and the role of trade unions in collective bargaining. In industrialised countries declining birth rates, combined with growing restrictions on the entry of foreign workers, might lead in the future to manpower shortages. While these shortages could increase the bargaining power of trade unions, they may not improve total membership figures. In developing countries, where birth rates continue to be high, unions will probably find themselves in the opposite situation, i.e. with more affiliates and less bargaining power.

Other factors affecting the growth of unions are numerous and varied: difficulties encountered in organising certain regions or sectors where anti-union sentiments or indifference towards organisation run high; the lingering opposition of certain employers; the prevalence of small and medium-sized enterprises in some countries where

lasting organisations are difficult to set up; the inability of some workers to perceive the advantages of unionisation in countries where some other bodies are assuming trade union functions; and the increasing number of part-time migrant, transient and temporary employees, all of whom are difficult to organise. These factors may explain why union membership in the United States has remained at around 22 per cent of the labour force for about 12 years.¹² Union rivalries and priority concern for macro-sociopolitical objectives, at the expense of enterprise-level activities, may account for the relatively small degree of unionisation in other countries. However, the relatively low percentage of union affiliation in some countries should not obscure the fact that union membership tends to concentrate in certain key industries and the public service, which means that in some sectors unions actually exert more influence than the overall percentage might suggest.

The inclusion of union security clauses (an arrangement whereby union membership or some of its financial obligations become a condition of employment) in many collective agreements in a number of industrialised countries (Australia, Canada, New Zealand, United Kingdom, United States) has contributed in the past to the rapid growth of membership. While in some parts of the world (e.g. most of continental Europe, certain French-speaking African countries and Latin America) the closed shop and the union shop (in which only union members may be employed) and their modified versions continue to be prohibited or are regarded as superfluous, a number of developing countries (Ghana, Mauritius, Mexico, Philippines, Venezuela) now authorise the inclusion of such clauses in collective agreements or even make provisions for their application in the law. From being a purely Anglo-Saxon phenomenon, union security has thus spread to a number of other countries and new groups of workers (e.g. public employees and white-collar workers). In addition, the underlying purpose of union security arrangements seems to have changed. Nowadays they tend to reflect the socially recognised need to

promote a strong and stable trade union movement rather than the original concern with mere survival.¹³

The growth of trade unions in developing countries

The above-mentioned difficulties regarding the reliability of union membership data are particularly acute in developing countries. In most of them trade unions do not keep accurate records because a considerable proportion of their members may live in remote areas or may be employed irregularly, as in the case of migrant and seasonal labour. Quite often unions tend to inflate the membership figures for the purpose of gaining influence or recognition. In a few cases, however, local unions prefer to deflate figures in order to pay lower fees to the national centre. All of this has led some experts to suggest that in developing countries the notion of "dues-paying members" should be replaced by that of "followers" or "sympathisers" and that the measure of the real power of a workers' organisation is better represented by, for instance, the number of workers who are willing to support the union in a strike or who usually attend union meetings.

Data on dues-paying members exist for a number of countries, but they are often not comparable between countries. This is so because different criteria are used to calculate the percentage of trade union membership. Sometimes this is given in respect of the total number of wage earners or even wage earners in the non-agricultural sector, and sometimes reference is made to the total labour force or the economically active population. In spite of these difficulties, and with all due reservations, table 1.2 gives some rough indications of union membership rates in relation to the total labour force in 40 countries.¹⁴

Rates of unionisation in developing countries have also been affected by the current economic

010



CCF
cc Mr Stephens
Bingham
Rine Austin
CDP
12/3
②

Qz.05693

MR POWELL (10 Downing Street)

European Trades Union Confederation (ETUC) Conference
on European Industrial Policy, London, 19-20 March

Particularly in view of Mr Wicks' letter of 9 February to Mr Allan (Treasury) I should let you know that the ETUC is holding a Conference on European Industrial Policy in London on 19-20 March. M. Delors will be speaking at this Conference. I am drawing it more particularly to your attention, because Mr Kinnock will be making one of his rare speeches on European matters on the morning of 20 March as the keynote speaker on "Exploiting the European Dimension" in industrial policy.

I am sending a copy to Mr Woolley and Mr Parker (FCO).

DF Williamson

D F WILLIAMSON

mf

11 March 1987



JMP

10 DOWNING STREET

From the Private Secretary

2 December 1981

PRIME MINISTER'S MEETINGS WITH
ETUC AND UNICE

I enclose records of the Prime Minister's discussions with the ETUC and the UNICE on 25 November.

I am sending copies of this letter and its enclosures to John Kerr (HM Treasury), John Rhodes (Department of Trade), Ian Ellison (Department of Industry), Richard Dykes (Department of Employment) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

F.N. Richards, Esq.,
Foreign and Commonwealth Office.

CS



Type both records.

Foreign and Commonwealth Office

London SW1A 2AH

30 November 1981

Dear Michael,

Prime Minister's Meetings with ETUC and UNICE:

25 November

//

Further to my letter of 25 November I now enclose draft records of the Prime Minister's meetings with the Social Partners on 25 November.

Yours ever,

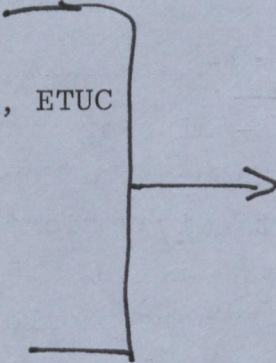
(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND
REPRESENTATIVES OF THE EUROPEAN TRADE UNION CONFEDERATION
HELD IN THE HOUSE OF COMMONS AT 1430 HOURS ON WEDNESDAY
25 NOVEMBER 1981

Present :

The Prime Minister
Mr W Kok - President, ETUC
Mr M Hinterscheid - General Secretary, ETUC
Mr L Murray - ~~ETUC~~
Mr P Coldrick - ~~ETUC~~
Mr J Van Rens - ~~ETUC~~
Mr D Lea - ~~ETUC~~
Mr M Walsh - ~~ETUC~~
Mr M O'D B Alexander, ~~Private Secretary~~
Mr N Gaffin, ~~Chief Information Officer~~
Miss T O'Donnell, ~~FCO~~



The Prime Minister welcomed the ETUC delegation on behalf of the Presidency and said she would report their views to the European Council the following day.

Mr Kok said that the remarks he was about to make represented the views of the ETUC membership throughout the European Community. The ETUC were very concerned about the present economic situation in Europe, and in particular they were extremely worried about the high and rising levels of unemployment. They recognised that the unemployment problem could not be isolated from the wider problems of inflation, high energy prices and balance of payments deficits, but a Community total of almost 10 million unemployed (a high proportion of whom were young people) was socially, economically and politically harmful to the future of Europe.

The ETUC therefore hoped that the European Council would have a full and meaningful discussion of the EC's social and economic problems, with particular emphasis on unemployment. The ETUC welcomed the discernible change of emphasis in the communiques of recent European Councils at

/Luxembourg

Luxembourg and Maastricht. Mr Kok did ^{not} want to exaggerate this, but even sceptics would have to admit that the "Jumbo Council" of Finance, Social Affairs and Employment Ministers had agreed that the Community had a role in the development of a more integrated approach to social problems. He hoped that the Commission and Member States would now have the political will to follow up this change in emphasis with concrete proposals.

Mr Kok then went on to explain that the ETUC had formulated a six-point programme for economic recovery in the EC which they hoped the European Council would take into account in its discussions. The six points were as follows:

(i) There should be concerted programmes of investment in the public sector; particularly infrastructure projects such as the Channel Tunnel, and major construction and energy-saving projects.

(ii) There should be a major expansion of vocational training, especially for the growing number of young unemployed.

(iii) There should be Community coordination of action to reduce working time. This would help to redistribute on a more equitable basis the diminishing amount of work available. This was important since even rapid economic recovery would not lead to the return of full employment in the medium term. The introduction of new technology would also have an impact on employment prospects. It should be introduced in such a way as to avoid any quantitative or qualitative reduction in employment and the trade unions should be free to negotiate accordingly with their employers.

There was a strong case for taking action on a European basis so as to avoid competition penalties. All Member States were facing the same problems (though not all on the same scale) and it made sense for them to try to find common solutions.

(iv) There should be a significant increase in aid to
/developing

developing countries. This would benefit not only the developing countries themselves but also the Member States, who would increase their trade as those markets expanded.

(v) There should be a strengthening of social security schemes to protect those hit by economic change. Although sacrifices were necessary in a time of recession, their weight should not be borne by the unemployed and socially deprived.

(vi) There should be concerted moves to fight inflation particularly through interest rate "disarmament". This could be done, for example, through the coordination of national controls preventing the outflow of speculative funds. But the fight against inflation should not be conducted at the expense of short-term measures to help the unemployed.

Mr Murray endorsed Mr Kok's remarks. In particular, he stressed the importance of measures to help the young unemployed; the need for investment in infrastructure projects; and the importance of Community action on the reduction of working time and the introduction of new technology.

Mr Hinterscheid said that the ETUC's programme was orientated not only towards the return of full employment but also towards satisfying the social needs of the poor and underprivileged in the European Community and in developing countries. It was essential for the European Community to compete on equal terms with Japan and the USA and the EC should make efforts to develop its markets outside the Community boundaries and the industrialised world. It should concentrate on the expansion of its trade with developing countries.

The Prime Minister said that the Community's economic problems had been discussed fully at every European Council she had attended. All the Member States shared the same problems despite their different economic policies and in particular they all suffered rising unemployment.

/Previous

Previous Councils had discussed in some detail the introduction of new technologies and had noted that Europe's technological lead had been largely lost to the newly industrialised countries. One of the reasons might be that Europe had not been so quick to embrace change. Within the Council there was no lack of concern for the problems of unemployment but so far there had been a failure to agree on how to attack it.

The economic growth rates of the 1950s and 60s were unlikely to re-occur which meant that unemployment would be a continuing problem. It was therefore important to consider how to deal with the problems of those affected - particularly young people. The UK was trying to find ways to keep unemployed young people occupied. Unlike other Member States, the UK did not have conscription.

The Member States of the Community had different ways of running their economies and they were affected in varying degrees by the problems of structural change. The UK had suffered particularly because many of her key industries - coal, steel and shipbuilding - were now in decline. There was no precise economic recipe that would be certain to bring down the unemployment figures.

The Prime Minister went on to say that the European Council would look with interest at the ETUC's suggestions for Community action. But the Community's main task now was to be competitive.

With particular reference to interest rates, the Prime Minister said that she had noticed that a kind of formula had emerged during the current recession. Interest rates now tended to be 3-5% above the rate of inflation. For example W. Germany had an inflation rate of $6\frac{1}{2}\%$ and an interest rate of 11%. The UK had an inflation rate of $11\frac{1}{2}\%$ with interest rates at 15-16%.

In the last recession, this was not the case; investors were prepared to accept a negative interest rate (ie a rate below the inflation rate). But the demand for borrowing

/money

money was not so great then. Now the demand was greater than the money available and interest rates were therefore high. There was no political leader who did not want to bring down interest rates; and thereby reduce borrowing; and consequently reduce deficits. However, this could only be done by an increase in taxation or a reduction in public expenditure.

The European Council would discuss these matters in depth. Chapter I of the Mandate was concerned with employment and social policies and this chapter would be discussed in the same detail as the Agriculture and Budget Chapters. The emphasis would be on youth unemployment, the ways in which more jobs could be made available to young people and alternative ways of keeping jobless young people occupied.

The Prime Minister then asked the ETUC about the effect on Europe of the different pattern of world trade which had emerged in the last few years. The newly industrialised countries had adapted rapidly to the new technologies and taken the lead in some key industries. Textiles, for example, were now all but lost to Europe. Europe had profited by the export of machinery to the NIC's but those machines were now being used to undermine Europe's markets in major sectors. Had the ETUC studied this problem?

In reply Mr Coldrick said that the European Training Federation (which was a member of the ETUC) had looked at this trend. The OECD countries had a large deficit with OPEC. It was important to distinguish Europe's special relationship with Japan where the balance of trade was 3:1 in favour of Japan. If voluntary restraint agreements failed to redress the balance, the Community should examine the scope for mandatory arrangements. The ETUC did not

/favour

favour a generalised system of import controls, but it might be appropriated for them to be applied selectively on a temporary basis.

As far as textiles and the Multi-Fibre Arrangement were concerned, the ETUC considered that an overall growth in world trade was desirable. Increased effective demand in the south would stimulate exports from the North.

Mr Hinterscheid said that most investment in developed countries was made to produce goods for export to other industrialised countries. The Community should develop a policy to encourage the internal markets of developing countries to grow in a way which would increase the demand they had for products from the developed world - especially Europe. Most of the investment in developing countries was made by multinational companies who were concerned only with profit and did not pay due attention to social questions. The ETUC would therefore like to see some Community control of multinationals.

The Prime Minister said she was strongly in favour of multinational companies. They provided many jobs and made sizeable investments not least in the developing countries.

Mr Coldrick said that the ETUC were not opposed to multinationals but they considered there should be a trade off between the rights of the employers and the rights of the workers. They welcomed the 'Vredeling proposals' for an EC directive on employee consultation in multinational companies.

Mr Kok considered that the changed patterns of world trade were largely irreversible. It was a mistake to think that Europe could recover its place in the world by continually trying to ^{improve} competitiveness through decreased labour costs. This would lead to a spiral of restrictive policies. For real economic recovery, there should be a shift to investment. It was clear that the recent decrease in consumption had led to a decrease in investment that should now be reversed.

The Prime Minister replied that the UK government at least was acting in an expansionist rather than a restrictive way. There would be an extra £15 billion in the economy this year *ie. the money supply had increased by £5 billion & the velocity of money in the economy meant that the impact of the new extra money would be three times as large.*

Mr Murray then raised the question of Community aid to Poland. He had been in Poland recently and had seen the food queues. The people had real worries about the coming winter. They feared hunger and cold would lead to serious discontent that might erupt onto the streets. Aid in the form of food, fuel and medicine would not be enough to solve the underlying problem but it was needed on a large scale to get the country through the winter. The ETUC had been in touch with Solidarity who were anxious to negotiate with their government. But there were a minority of extremists who could be a real problem if the people's discontent was not tempered by aid from outside. He hoped the Community would spearhead a response to Poland's continuing plight. There were problems of distribution. The ETUC would be glad to help.

The Prime Minister agreed that there was a short term problem, but there was also a long term one. Any further aid to Poland must be on the clear understanding that it would not be available permanently. Poland must put its economy to rights. It was an encouraging sign that it had recently joined the International Monetary Fund. The Prime Minister said she would report the ETUC's assessment of the situation to the European Council who would discuss it seriously.

After the usual courtesies, the meeting closed at 1530 hours.

And

27 November 1981

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND THE UNION OF INDUSTRIES OF THE EUROPEAN COMMUNITY HELD IN THE HOUSE OF COMMONS AT 1600 HOURS ON WEDNESDAY 25 NOVEMBER 1981

Present:

The Prime Minister

Signor G Carli -- President, UNICE

Mr B Sassen - General Secretary, UNICE

Sir R Pennock - UNICE

Mr H Jones - UNICE

Mr M O'D B Alexander - ~~Private Secretary~~

Mr N Gaffin - ~~Chief Information Officer~~

Miss T O'Donnell - ~~FCO~~

The Prime Minister welcomed the UNICE delegation on behalf of the Presidency and said she would report their views to the European Council the following day.

Signor Carli said that he wanted first to say something about the Community's economic and monetary policy. The comparison of economic and monetary conditions inside the European Economic Community based on the main indicators concerning the two decades 1960-69 and 1970-79 showed:

- a) that there was a generalised and substantial deterioration;
- b) that the divergences ^{had} increased substantially;
- c) that there was a strong correlation between the dimensions of the deficit of the public sector and of the intensity of inflation.

The EMS had proved to be a success insofar as it had limited the amplitude of fluctuations of exchange rates among currencies of participating countries. Adjustments had been made by general concertation.

The EMS had not proved to be successful in introducing constraints to the extent needed to reduce divergences. All indicators confirmed that the so-called standard deviation had increased substantially, in particular:

- (i) the relationship between the deficit of the public

/sector

sector and GNP;

(ii) the rate of inflation;

Countries having the most adverse relationship between public sector deficits and the GNP had the highest rate of inflation or balance of payments deficits.

The sources of tensions inside the EMS had a reason:-

the rate of exchange between the US dollar and the DMark (an alternative reserve currency) in the short run was a function of the divergences in interest rates in the US and Germany. The monetary authorities in Germany were permanently confronted with two options:

- to manage the monetary aggregates in symmetry with the US and close the gap between interest rates and stabilise exchange rates, or
- to pursue an autonomous policy and to absorb in the fluctuation in exchange rates divergences in interest rates.

In both cases the relationship between the currencies of the EMS and the dollar was determined preponderantly by the policies followed by the US and Germany. The entry of sterling in such a system in itself might increase tensions if no agreement was reached (sterling being an alternative reserve currency) on the coordination of policies in the three major reserve currency centres. What was needed to stabilise the system was

- i. a high degree of constraint inside;
- ii. a high degree of cooperation with the Americans.

There was statistical evidence to support this theory.

Signor Carli then went on to talk about the Community's Internal Market and Competition Policy. He said that effective competition had to be established by reducing open and concealed subsidies including subsidised credits. Competition inside Europe was distorted by these policies; to the extent that subsidies were used they should be made transparent.

/What

What was needed was a legal framework based on equality of behaviour among enterprises irrespective of size and irrespective of the nature of the shareholders - public or private. The Prime Minister pointed out that in the UK at least, some nationalised industries, for example the gas and electricity industries, were monopolies and could not conform to the principles of competition. Signor Carli agreed but said that all enterprises should have equal access to public purchasing arrangements especially in the areas of advanced technology. It seemed that the extension of electronic devices would transform our societies into ones in which the production of services would take an increasing place. There was therefore the necessity to extend the policies of liberalisation to services. The Prime Minister agreed.

Signor Carli then moved on to credit policy. He said that credit should be administered on a non-discriminatory basis whatever might be the nature of the financial intermediaries.

If the functions of the loans raised by the Community were to be changed in the sense of creating a European fund to increase investment, it seemed desirable to limit the intervention of that fund to the financing of innovation, research and development, particularly to support the new industries.

The Prime Minister said that such a fund usually had a preferential rate of interest and was used to support enterprises in difficulty. The trade unions favoured this approach but did not appreciate that demand could not be expanded by investment alone.

The discussion then moved on to social policy. Signor Carli said that UNICE was not opposed to consideration being given to the ETUC's suggestions about worksharing and the reduction of working time, and overtime, provided that any measures agreed gave priority to the necessity of improving the competitiveness of European industry if the

/Common Market

Common Market was to remain open to the rest of the world. The problem with job creation was the difficulty of creating durable jobs. Employing people in jobs that did not last aggravated rather than alleviated the social problems of unemployment. This was exemplified by the case of the Italian chemical industry which was established arbitrarily in Sardinia for social rather than economic reasons. When the industry collapsed, the island suffered severe social hardships.

The Prime Minister agreed and quoted the Linwood car plant as a UK example of the problem. She said it was more profitable for resources to be invested in genuine expansion.

/Signor Carli

Signor Carli said that job creation for its own sake could be likened to building cathedrals in the desert!

The Trade Unions were also calling for a lowering of the retirement age. UNICE considered that this would be a mistake in view of the immense change in demographic conditions in Europe. In a short time there would be too many retired people to be supported by the diminishing work-force.

Sir Raymond Pennock said that in addition the cost of introducing early retirement would be very high.

The Prime Minister agreed. She said that old people would live in poverty-if they retired too early. Not everyone was entitled to an index-linked pension. But it was important to keep young people occupied. Self-employment was one solution - this was more prevalent in Italy than elsewhere.

Mr Sasson agreed but said that the South of Italy had another problem. Parents made great sacrifices to enable their children to have a good education. This often resulted in their being too highly qualified for the jobs available. In Germany, youth unemployment was less than the national average. This was partly because of special industrial training schemes.

The Prime Minister said that was the kind of scheme the Community needed to keep young people occupied.

Mr Sassen said that although in Europe as a whole the number of jobs available had been increasing until recently, the size of the labour force was also increasing because of population growth and the entry of more women into the labour market. This exacerbated the unemployment problem.

Signor Carli then raised the question of sectoral mobility of labour. He said that the Community must use all

/available

available means to try to match the mobility of labour, both geographically and as between types of job, which Japan achieved with a very different approach in its larger corporations. The advent of the new technologies would mean massive structural change. In the next 20 years many people would lose their jobs in manufacturing industry and many would need to change to service industry jobs.

Carnegie Mellon University in the USA had produced an interesting report about this.

Finally, Signor Carli referred to the Community's relations with Japan. He said that the current trend and size of the Community's trade deficit with Japan was not sustainable; and the Ten must continue to press vigorously for action by Tokyo to change them. Penetration of the Japanese market ^{was hampered} by institutional obstacles. Only luxury items were imported by Japan from the west.

The Prime Minister thanked UNICE for their views which she said she would pass on to the European Council. The meeting ended at 1645 hours.

Paul

27 November 1981

21 DEC 1981

UNICE



Foreign and Commonwealth Office

London SW1A 2AH

26 November 1981

*I have asked for a redraft,
last Council, later this week.*

Dear Michael,

B.O. 3/xi

*Print
30/xi*

European Council: Poland

Thank you for your letter of 23 November. I enclose a draft reply from the Prime Minister to Mr Murray's letter of 23 November. The briefing for the European Council has been amended to take account of Mr Murray's letter, as requested. You will know whether anything further needs to be added as a result of the Prime Minister's meeting with the European Trade Union Confederation (ETUC) yesterday afternoon.

I am sending a copy of this letter, with enclosure, to Kate Timms (MAFF).

Yours ever,

F N Richards
Private Secretary

M O'D B Alexander Esq
10 Downing Street
London SW1

DRAFT: minute/letter/teleletter/despatch/note.

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT: **TEL. NO:**

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:
Rt Hon Lionel Murray OBE
General Secretary
Trades Union Congress
Congress House
Great Russell Street
LONDON WC1B 3LS

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

Thank you for your letter of 23 November about economic assistance for Poland. There is no formal agenda for European Council meetings, but the Council is indeed likely to want to discuss the situation in Poland, particularly following the visit to London of the Polish Foreign Minister Mr Czyrek on 20 November.

The Government is well aware of the potential dangers of the situation and of the food shortages which Poland faces. Thus, together with our partners in the European Community, we have over the past year played a substantial role in supplying food and agricultural products to Poland. The Community budget has borne the cost of the special discount, while individual member states have made available the necessary credit to cover the products they have supplied. Under decisions taken in December 1980 and in April and May this year the Community has responded to specific Polish requests by making available large amounts of food from Community stocks at special prices (an average 15% discount from normal world prices). These offers have so far included 452,500 tonnes of barley (all from the United Kingdom), 272,500 tonnes of wheat, 100,000 tonnes of meat (including 3,000 tonnes of beef from the United Kingdom), 40,000 tonnes of butter (including 10,000 tonnes from the United Kingdom) and 100,000 tonnes of sugar. On 7 October the Community approved a further offer of food and agricultural products to be made available to Poland /in the last

Enclosures—flag(s).....

in the last quarter of 1981 on the same special terms as the earlier offers. The United Kingdom will supply the 25,000 tonnes of barley included in that offer. At the same time the Community agreed to consider proposals by the European Commission for further deliveries to Poland in the first quarter of 1982. These proposals are likely to come forward in the near future. Meanwhile, on 24 November, the Budget Council agreed, in response to a proposal made by the European Parliament, that an additional sum of 10 mecu (about £5.8m) should be made available to the Commission to assist the supply of food from the Community to Poland. And, in August, a resolution was adopted by the Council making it possible for member states to deliver to Poland, free of charge, fruit and vegetables withdrawn from the Community market in accordance with the provisions of the Common Agricultural Policy.

The Community's contribution therefore continues to be substantial, and the UK has played a full part in that contribution. At the same time it is clear that there is no easy solution to Poland's economic problems. Food supplies are only part of the answer. And there are limits to what any of Poland's Western creditors can do generally in the face of their own economic problems.

I note your hope that the Polish Government and Solidarity can join together to make arrangements for the distribution of necessary foodstuffs throughout Poland. This is something of course for the Poles themselves to decide. It is encouraging that the Government and Solidarity are now jointly discussing economic issues, including action to end the economic crisis and to alleviate the consequences of winter. As I am sure you will agree, no amount of external aid will by itself solve the economic problems which Poland faces. The only people who can finally overcome these problems are the Poles themselves, by agreeing on solutions and putting them into effect as quickly as possible.



Femo Pol

Foreign and Commonwealth Office

London SW1A 2AH

25 November 1981

Dear Michael,

Prime Minister's Meeting with ETUC

/ As requested, I am sending you a brief note of the main points made at the Prime Minister's meeting with representatives of the ETUC this afternoon. A more comprehensive record of this meeting, together with a record of the Prime Minister's meeting with UNICE, will follow in due course.

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

DRAFT SPEAKING NOTE

f.s. *Amul*

Meetings with the Social Partners.

The Council will wish to note that on 24 November I received delegations from the European Trade Union Confederation and the Union of Industries of the European Community.

On the same day, Lord Carrington met, on my behalf, a delegation from the Committee of Agricultural Organisations in the European Community.

I had previously received a letter from the President of COPA.

The Presidency consider that it is important that the Community should take note of the views of these organisations.

We have therefore circulated to all Member States earlier this week, the documents they have presented to the Presidency.

(I attach a note on points made by the ETUC this afternoon. (also attach S. Carli's speaking note.)



PRIME MINISTER'S MEETING WITH THE
EUROPEAN TRADE UNION CONFEDERATION

At their meeting with the Prime Minister today, representatives of the ETUC made the following main points:-

1. The ETUC hoped the European Council would have a full and meaningful discussion of the EC's social and economic problems, with particular emphasis on unemployment.

2. The ETUC had formulated a six-point programme for economic recovery in the Community which they hoped the European Council would take into account in its discussions.

3. The six points of their programme were as follows:-

i) There should be concerted programmes of investment in the public sector; particularly infrastructure projects such as the Channel Tunnel, and major construction and energy-saving projects.

ii) There should be a major expansion of vocational training, especially for the growing number of young unemployed.

iii) There should be Community co-ordination of action to reduce working time. This would help to re-distribute the diminishing amount of work available on a more equitable basis.

iv) There should be a significant increase in aid to developing countries.

v) There should be a strengthening of social security schemes to protect those hit by economic change.

vi) There should be concerted moves to fight inflation, particularly through interest rate disarmament. But this should not be at the expense of short-term measures to help the unemployed.

4. The ETUC would also like the European Council to consider what further action could be taken to help Poland through the winter.

/Further



Further aid in the form of food, medicines, and fuel was essential to prevent the population suffering from hunger and cold to the extent that serious discontent would be expressed on the streets. But they recognised that such aid was not the real answer to the problem and Poland also needed help in curing her underlying economic ills.

The Prime Minister took note of these views and undertook to pass them on in full to the European Council. She assured the ETUC that the Council would have a full discussion of the Community's economic and social problems in the context of the discussion of Chapter I of the Mandate.

BRIEF FOR MESSRS CARLI AND SASSEN'S MEETING WITH THE PRIME MINISTER

1. The comparison of economic and monetary conditions inside the European Economic Community based on the main indicators concerning the two decades 1960-69 and 1970-79 shows:
 - a) that there was a generalised and substantial deterioration;
 - b) that the divergences increased substantially;
 - c) that there is a strong correlation between the dimension of the deficit of the public sector and of the intensity of inflation.
2. The EMS has proved to be a success insofar as it has limited the amplitude of fluctuations of exchange rates among currencies of participating countries. Adjustments have been made by general concertation.
3. The EMS has not proved to be successful in introducing constraints to the extent needed to reduce divergences. All indicators confirm that the so-called standard deviation has increased substantially, in particular:-
 - i the relationship between the deficit of the public sector and GNP;
 - ii the rate of inflation;
4. Countries having the most adverse relationship between public sector deficits and the GNP have the highest rate of inflation or balance of payments deficits.
5. The sources of tensions inside the EMS have a reason:-

the rate of exchange between the US dollar and the DMark (an alternative reserve currency) in the short run is a function of the divergences and in interest rates in the US and Germany. The monetary authorities in Germany are permanently confronted with two options:

 - manage the monetary aggregates in symmetry with the US and close the gap between interest rates and stabilise exchange rates, or
 - to pursue an autonomous policy and to absorb in the fluctuation in exchange rates divergences in interest rates.

In both cases the relationship between the currencies of the EMS and the dollar is determined preponderantly by the policies followed by the US and Germany. The entry of sterling in such a system in itself might increase tensions if no agreement is reached (sterling being an alternative reserve currency) on the coordination of policies in the three major reserve currency centres. What is needed to stabilise the system is:-

1. a high degree of constraint inside;
2. a high degree of cooperation with the Americans.

Internal Market and Competition Policy

6. Effective competition has to be established by reducing open and concealed subsidies including subsidised credits. Competition inside Europe is distorted by these policies; to the extent that subsidies are used they should be made transparent.
7. What is needed is a legal framework based on equality of behaviour among enterprises irrespective of size and irrespective of the nature of the shareholders - public or private.
8. All enterprises should have equal access to public purchasing arrangements especially in the areas of advanced technology.
9. It seems that the extension of electronic devices will transform our societies into ones in which the production of services will take an increasing place. There is therefore the necessity to extend the policies of liberalisation to services.

Credit Policy

10. Should be administered on a non-discriminatory basis whatever may be the nature of the financial intermediaries.
11. If the functions of the loans raised by the Community will be changed in the sense of creating a European Fund to increase investment, what seems to be desirable is to limit the intervention of that fund to the financing of innovation, research and development, particularly to support the new industries.

Social Policy

12. Q. What is the position of UNICE on the various suggestions made by the union on worksharing and reduction of working time, overtime work and flexible retirement?
A. No opposition to take these suggestions into consideration on condition that all solutions should give priority to the necessity of improving the competitiveness of European industry if the Common Market has to remain open to the rest of the world.

Labour Mobility

13. The Community must use all available means to try to match the mobility of labour, both geographically and as between types of job, which Japan achieves with a very different approach in its larger corporations.

Relations with Japan

14. The current trend and size of the Community's trade deficit with Japan is not sustainable; and the Ten must continue to press vigorously for action by Tokyo to change them.

Subject

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND THE UNION OF INDUSTRIES OF THE EUROPEAN COMMUNITY HELD IN THE HOUSE OF COMMONS AT 1600 HOURS ON WEDNESDAY 25 NOVEMBER 1981

Present

The Prime Minister
Mr. M.O'D.B. Alexander
Mr. N. Gaffin
Miss T. O'Donnell

Signor G. Carli -
President, UNICE
Mr. B. Sassen -
General Secretary, UNICE
Sir R. Pennock
Mr. H. Jones

* * * * *

The Prime Minister welcomed the UNICE delegation on behalf of the Presidency and said she would report their views to the European Council the following day.

Signor Carli said that he wanted first to say something about the Community's economic and monetary policy. The comparison of economic and monetary conditions inside the European Economic Community based on the main indicators concerning the two decades 1960-1969 and 1970-79 showed:

- (a) that there was a generalised and substantial deterioration;
- (b) that the divergences had increased substantially;
- (c) that there was a strong correlation between the dimensions of the deficit of the public sector and of the intensity of inflation.

The EMS had proved to be a success insofar as it had limited the amplitude of fluctuations of exchange rates among currencies of participating countries. Adjustments had been made by general concertation.

The EMS had not proved to be successful in introducing constraints to the extent needed to reduce divergences. All indicators confirmed that the so-called standard deviation had

/ increased

increased substantially, in particular:

- (i) the relationship between the deficit of the public sector and GNP;
- (ii) the rate of inflation.

Countries having the most adverse relationship between public sector deficits and the GNP had the highest rate of inflation or balance of payments deficits. The sources of tensions inside the EMS had a reason:

the rate of exchange between the US dollar and the DMark (an alternative reserve currency) in the short run was a function of the divergences in interest rates in the US and Germany. The monetary authorities in Germany were permanently confronted with two options:

- to manage the monetary aggregates in symmetry with the US and close the gap between interest rates and stabilise exchange rates; or
- to pursue an autonomous policy and to absorb in the fluctuation in exchange rates divergences in interest rates.

In both cases, the relationship between the currencies of the EMS and the dollar was determined preponderantly by the policies followed by the US and Germany. The entry of sterling in such a system in itself might increase tensions if no agreement was reached (sterling being an alternative reserve currency) on the coordination of policies in the three major reserve currency centres. What was needed to stabilise the system was

- (i) a high degree of constraint inside;
- (ii) a high degree of cooperation with the Americans.

There was statistical evidence to support this theory.

/ Signor Carli

Signor Carli then went on to talk about the Community's Internal Market and Competition Policy. He said that effective competition had to be established by reducing open and concealed subsidies including subsidised credits. Competition inside Europe was distorted by these policies; to the extent that subsidies were used they should be made transparent. What was needed was a legal framework based on equality of behaviour among enterprises irrespective of size and irrespective of the nature of the shareholders - public or private. The Prime Minister pointed out that in the UK at least, some nationalised industries, for example the gas and electricity industries, were monopolies and could not conform to the principles of competition. Signor Carli agreed but said that all enterprises should have equal access to public purchasing arrangements especially in the areas of advanced technology. It seemed that the extension of electronic devices would transform our societies into ones in which the production of services would take an increasing place. There was therefore the necessity to extend the policies of liberalisation to services. The Prime Minister agreed.

Signor Carli then moved on to credit policy. He said that credit should be administered on a non-discriminatory basis whatever might be the nature of the financial intermediaries.

If the functions of the loans raised by the Community were to be changed in the sense of creating a European fund to increase investment, it seemed desirable to limit the intervention of that fund to the financing of innovation, research and development, particularly to support the new industries.

The Prime Minister said that such a fund usually had a preferential rate of interest and was used to support enterprises in difficulty. The trade unions favoured this approach but did not appreciate that demand could not be expanded by investment alone.

The discussion then moved on to social policy. Signor Carli said that UNICE was not opposed to consideration being given to the ETUC's suggestions about worksharing and the reduction of working time, and overtime, provided that any measures agreed gave priority to the necessity of improving the competitiveness of European industry if the Common Market was to remain open to the rest of the world. The problem with job creation was the difficulty of creating durable jobs. Employing people in jobs that did not last aggravated rather than alleviated the social problems of unemployment. This was exemplified by the case of the Italian chemical industry which was established arbitrarily in Sardinia for social rather than economic reasons. When the industry collapsed, the island suffered severe social hardships.

The Prime Minister agreed and quoted the Linwood car plant as a UK example of the problem. She said it was more profitable for resources to be invested in genuine expansion.

Signor Carli said that job creation for its own sake could be likened to building cathedrals in the desert.

The Trade Unions were also calling for a lowering of the retirement age. UNICE considered that this would be a mistake in view of the immense change in demographic conditions in Europe. In a short time there would be too many retired people to be supported by the diminishing workforce.

Sir Raymond Pennock said that in addition the cost of introducing early retirement would be very high.

The Prime Minister agreed. She said that old people would live in poverty if they retired too early. Not everyone was entitled to an index-linked pension. But it was important to keep young people occupied. Self-employment was one solution - this was more prevalent in Italy than elsewhere.

/Mr. Sassen

Mr. Sassen agreed but said that the South of Italy had another problem. Parents made great sacrifices to enable their children to have a good education. This often resulted in their being too highly qualified for the jobs available. In Germany, youth unemployment was less than the national average. This was partly because of special industrial training schemes.

The Prime Minister said that was the kind of scheme the Community needed to keep young people occupied.

Mr. Sassen said that although in Europe as a whole the number of jobs available had been increasing until recently, the size of the labour force was also increasing because of population growth and the entry of more women into the labour market. This exacerbated the unemployment problem.

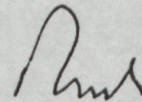
Signor Carli then raised the question of sectoral mobility of labour. He said that the Community must use all available means to try to match the mobility of labour, both geographically and as between types of job, which Japan achieved with a very different approach in its larger corporations. The advent of the new technologies would mean massive structural change. In the next twenty years many people would lose their jobs in manufacturing industry and many would need to change to service industry jobs.

Carnegie Mellon University in the USA had produced an interesting report about this.

Finally, Signor Carli referred to the Community's relations with Japan. He said that the current trend and size of the Community's trade deficit with Japan was not sustainable; and the Ten must continue to press vigorously for action by Tokyo to change them. Penetration of the Japanese market was hampered by institutional obstacles. Only luxury items were imported by Japan from the West.

/ The Prime Minister

The Prime Minister thanked UNICE for their views which she said she would pass on to the European Council. The meeting ended at 1645 hours.

A handwritten signature in dark ink, appearing to be 'Runt', located in the upper right quadrant of the page.

1 December 1981

Subject

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND REPRESENTATIVES OF THE EUROPEAN TRADE UNION CONFEDERATION HELD IN THE HOUSE OF COMMONS AT 1430 HOURS ON WEDNESDAY 25 NOVEMBER 1981

Present

The Prime Minister

Mr. M.O'D.B. Alexander

Mr. N. Gaffin

Miss T. O'Donnell

Mr. W. Kok -
President, ETUC

Mr. M. Hinterscheid -
General Secretary, ETUC

Mr. L. Murray

Mr. P. Coldrick

Mr. J. Van Rens

Mr. D. Lea

Mr. M. Walsh

* * * * *

The Prime Minister welcomed the ETUC delegation on behalf of the Presidency and said she would report their views to the European Council the following day.

Mr. Kok said that the remarks he was about to make represented the views of the ETUC membership throughout the European Community. The ETUC were very concerned about the present economic situation in Europe, and in particular they were extremely worried about the high and rising levels of unemployment. They recognised that the unemployment problem could not be isolated from the wider problems of inflation, high energy prices and balance of payments deficits, but a Community total of almost 10 million unemployed (a high proportion of whom were young people) was socially, economically and politically harmful to the future of Europe.

The ETUC therefore hoped that the European Council would have a full and meaningful discussion of the EC's social and economic problems with particular emphasis on unemployment. The ETUC welcomed the discernible change of emphasis in the communiques of recent European Councils at Luxembourg and Maastricht. Mr. Kok did not want to exaggerate this, but

/even sceptics

even sceptics would have to admit that the "Jumbo Council" of Finance, Social Affairs and Employment Ministers had agreed that the Community had a role in the development of a more integrated approach to social problems. He hoped that the Commission and Member States would now have the political will to follow up this change in emphasis with concrete proposals.

Mr. Kok then went on to explain that the ETUC had formulated a six-point programme for economic recovery in the EC which they hoped the European Council would take into account in its discussions. The six points were as follows:

- (i) There should be concerted programmes of investment in the public sector; particularly infrastructure projects such as the Channel Tunnel, and major construction and energy-saving projects.
- (ii) There should be a major expansion of vocational training, especially for the growing number of young unemployed.
- (iii) There should be Community coordination of action to reduce working time. This would help to redistribute on a more equitable basis the diminishing amount of work available. This was important since even rapid economic recovery would not lead to the return of full employment in the medium term. The introduction of new technology would also have an impact on employment prospects. It should be introduced in such a way as to avoid any quantitative or qualitative reduction in employment and the trade unions should be free to negotiate accordingly with their employers.

There was a strong case for taking action on a European basis so as to avoid competition penalties. All Member States were facing the same problems (though not all on the same scale) and it made sense for them to try to find common solutions.

- (iv) There should be a significant increase in aid to developing countries. This would benefit not only the developing countries themselves but also the Member States, who would increase their trade as those markets expanded.
- (v) There should be a strengthening of social security schemes to protect those hit by economic change. Although sacrifices were necessary in a time of recession, their weight should not be borne by the unemployed and socially deprived.
- (vi) There should be concerted moves to fight inflation particularly through interest rate "disarmament". This could be done, for example, through the coordination of national controls preventing the outflow of speculative funds. But the fight against inflation should not be conducted at the expense of short-term measures to help the unemployed.

Mr. Murray endorsed Mr. Kok's remarks. In particular, he stressed the importance of measures to help the young unemployed; the need for investment in infrastructure projects; and the importance of Community action on the reduction of working time and the introduction of new technology.

Mr. Hinterscheid said that the ETUC's programme was orientated not only towards the return of full employment but also towards satisfying the social needs of the poor and underprivileged in the European Community and in developing countries. It was essential for the European Community to compete on equal terms with Japan and the USA and the EC should make efforts to develop its markets outside the Community boundaries and the industrialised world. It should concentrate on the expansion of its trade with developing countries.

/ The Prime Minister

The Prime Minister said that the Community's economic problems had been discussed fully at every European Council she had attended. All the Member States shared the same problems despite their different economic policies and in particular they all suffered rising unemployment. Previous councils had discussed in some detail the introduction of new technologies and had noted that Europe's technological lead had been largely lost to the newly industrialised countries. One of the reasons might be that Europe had not been so quick to embrace change. Within the Council there was no lack of concern for the problems of unemployment but so far there had been a failure to agree on how to attack it.

The economic growth rates of the 1950s and 60s were unlikely to re-occur which meant that unemployment would be a continuing problem. It was therefore important to consider how to deal with the problems of those affected - particularly young people. The UK was trying to find ways to keep unemployed young people occupied. Unlike other Member States, the UK did not have conscription.

The Member States of the Community had different ways of running their economies and they were affected in varying degrees by the problems of structural change. The UK had suffered particularly because many of her key industries - coal, steel and shipbuilding - were now in decline. There was no precise economic recipe that would be certain to bring down the unemployment figures.

The Prime Minister went on to say that the European Council would look with interest at the ETUC's suggestions for Community action. But the Community's main task now was to be competitive.

With particular reference to interest rates, the Prime Minister said that she had noticed that a kind of formula

/had emerged

had emerged during the current recession. Interest rates now tended to be 3 - 5 per cent above the rate of inflation. For example, West Germany had an inflation rate of 6½ per cent and an interest rate of 11 per cent. The UK had an inflation rate of 11½ per cent with interest rates at 15 - 16 per cent.

In the last recession, this was not the case; investors were prepared to accept a negative interest rate (i.e. a rate below the inflation rate). But the demand for borrowing money was not so great then. Now the demand was greater than the money available and interest rates were therefore high. There was no political leader who did not want to bring down interest rates; and thereby reduce borrowing; and consequently reduce deficits. However, this could only be done by an increase in taxation or a reduction in public expenditure.

The European Council would discuss these matters in depth. Chapter 1 of the Mandate was concerned with employment and social policies and this chapter would be discussed in the same detail as the Agriculture and Budget Chapters. The emphasis would be on youth unemployment, the ways in which more jobs could be made available to young people and alternative ways of keeping jobless young people occupied.

The Prime Minister then asked the ETUC about the effect on Europe of the different pattern of world trade which had emerged in the last few years. The newly industrialised countries had adapted rapidly to the new technologies and taken the lead in some key industries. Textiles, for example, were now all but lost to Europe. Europe had profited by the export of machinery to the NIC's but those machines were now being used to undermine Europe's markets in major sectors. Had the ETUC studied this problem?

In reply Mr. Coldrick said that the European Training Federation (which was a member of the ETUC) had looked at

/ this trend.

this trend. The OECD countries had a large deficit with OPEC. It was important to distinguish Europe's special relationship with Japan where the balance of trade was 3:1 in favour of Japan. If voluntary restraint agreements failed to redress the balance, the Community should examine the scope for mandatory arrangements. The ETUC did not favour a generalised system of import controls, but it might be appropriate for them to be applied selectively on a temporary basis.

As far as textiles and the Multi-Fibre Arrangement were concerned, the ETUC considered that an overall growth in world trade was desirable. Increased effective demand in the south would stimulate exports from the North.

Mr. Hinterscheid said that most investment in developed countries was made to produce goods for export to other industrialised countries. The Community should develop a policy to encourage the internal markets of developing countries to grow in a way which would increase the demand they had for products from the developed world - especially Europe. Most of the investment in developing countries was made by multinational companies who were concerned only with profit and did not pay due attention to social questions. The ETUC would therefore like to see some Community control of multinationals.

The Prime Minister said she was strongly in favour of multinational companies. They provided many jobs and made sizeable investments not least in the developing countries.

Mr. Coldrick said that the ETUC were not opposed to multinationals but they considered there should be a trade-off between the rights of the employers and the rights of the workers. They welcomed the "Vredeling proposals" for an EC directive on employee consultation in multinational companies.

/ Mr. Kok

Mr. Kok considered that the changed patterns of world trade were largely irreversible. It was a mistake to think that Europe could recover its place in the world by continually trying to improve competitiveness through decreased labour costs. This would lead to a spiral of restrictive policies. For real economic recovery, there should be a shift to investment. It was clear that the recent decrease in consumption had led to a decrease in investment that should now be reversed.

The Prime Minister replied that the UK government at least was acting in an expansionist rather than a restrictive way. There would be an extra £15 billion in the economy this year i.e. the money supply had increased by £5 billion and the velocity of money in the economy meant that the impact of the extra money would be three times as large.

Mr. Murray then raised the question of Community aid to Poland. He had been in Poland recently and had seen the food queues. The people had real worries about the coming winter. They feared hunger and cold would lead to serious discontent that might erupt on to the streets. Aid in the form of food, fuel and medicine would not be enough to solve the underlying problem but it was needed on a large scale to get the country through the winter. The ETUC had been in touch with Solidarity who were anxious to negotiate with their government. But there were a minority of extremists who could be a real problem if the people's discontent was not tempered by aid from outside. He hoped the Community would spearhead a response to Poland's continuing plight. There were problems of distribution. The ETUC would be glad to help.

The Prime Minister agreed that there was a short-term problem, but there was also a long term one. Any further aid to Poland must be on the clear understanding that it would not be available permanently. Poland must put its economy to

/rights.

rights. It was an encouraging sign that it had recently joined the International Monetary Fund. The Prime Minister said she would report the ETUC's assessment of the situation to the European Council who would discuss it seriously.

After the usual courtesies, the meeting closed at 1530 hours.

Paul

1 December 1981

MR MACLEAN
MR RYLANDS
MR TAYLOR
DETECTIVES
FRONT DOOR
NO 12 MESSENGERS

For information

Mr Alexander ✓
Mr Ingham

ETUC PRESS CONFERENCE

Although the ETUC will now be meeting the Prime Minister in her room at the House, they still wish to go ahead with their press conference in No 12. This will begin at approximately 3.30 pm today.

2. The press conference will be given by Mr Len Murray (General Secretary, TUC), Mr Kok (President, European Trade Union Confederation), Mr Hinterscheid (General Secretary, ETUC), Mr David Lee (Assistant General Secretary, TUC), Mr Michael Walsh (Industrial Department, TUC) and Mr Brendan Barber (Head of Press and Information, TUC). They will arrive together from the House of Commons and I have said they might park their car (Registration No. AML 778T) in the Street - they will also use a taxi. *Also Peter Caldwell (TUC)*

3. We are still expecting approximately 20 press. Mr Keith Faulkner from the TUC Press Office will be on hand soon after 3.00 pm to assist with the arrangements.

IK

IAN KYDD
PRESS OFFICE

25 November, 1981.



Foreign and Commonwealth Office

London SW1A 2AH

25 November 1981

Type up for
interview with CPN's briefs

Dear Michael,

European Council:
Calls by UNICE, ETUC and COPA

As previously agreed, Lord Carrington received a delegation from the Committee of Agricultural Organisations in the European Community this morning. This consisted of Count Umberto di Capodilista (President), Sir Richard Butler (President of the NFU and Vice-President of COPA) and Dr Andre Herlitska (Secretary-General of COPA).

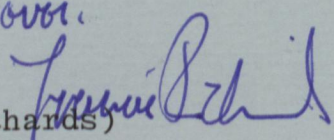
The delegation were principally concerned to lobby the Presidency about the views of the farming community on reform of the CAP, in advance of the European Council later this week. The views they expressed were on predictable lines and concentrated on the points made in Count Umberto di Capodilista's letter of 13 November to the Prime Minister. Before leaving, they asked that the Prime Minister report their views to the European Council.

Lord Carrington did not commit the Prime Minister. But she may wish to consider whether she might not usefully mention this call together with the meetings she herself will be having later this evening with the ETUC and UNICE to her colleagues at the beginning of the European Council. We could then take some modest credit for having brought their views to the attention of the European Council.

If the Prime Minister wishes to do this, I attach a form of words she might use.

I am copying this letter to Kate Timms (Ministry of Agriculture), Ian Ellison (Department of Industry) and Richard Dykes (Department of Employment).

Yours over.


(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
London SW1

DRAFT SPEAKING NOTE FOR THE PRIME MINISTER

The Council will wish to note that on 24 November I received delegations from the European Trade Union Confederation and the Union of Industries of the European Community. On the same day, Lord Carrington met, on my behalf, a delegation from the Committee of Agricultural Organisations in the European Community. I had previously received a letter from the President of COPA. The Presidency consider that it is important that the Community should take note of the views of these organisations. We have therefore circulated to all Member States earlier this week, the documents they have presented to the Presidency.

MR. WHITMORE

MR. ALEXANDER ✓

FRONT DOOR

MR. TAYLOR

The following will be attending the meeting with the Prime Minister tomorrow at 1430:

Mr. Len Murray

Mr. Kok (ETUC President)

Mr. Hinterscheid (ETUC General Secretary)

Mr. Johann von Rens (Head of the International Department of the FNV - Dutch equivalent of the TUC)

Mr. Peter Coldrick (Secretary of the ETUC Economic Committee)

Mr. David Lea (Assistant General Secretary of the TUC)

Mr. Michael Walsh (Secretary of the International Department of the TUC)

24 November 1981



Foreign and Commonwealth Office

London SW1A 2AH

24 November 1981

Dear Michael,

European Council: Meeting with Social
Partners

/ below

Thank you for your letter of 11 November. I enclose briefing as requested for the Prime Minister's meetings with ETUC and UNICE on 25 November.

/
Flap A & B

We have now received the attached papers by the ETUC and UNICE. It is not for the Presidency to comment on these in detail, but the Prime Minister may wish to say that she has received them and will arrange for them to be made available to other Member States. We have asked UKREP to circulate them to all delegations in Brussels.

I am copying this letter without enclosures to recipients of yours.

Yours over.

Francis Richards.

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street



EUROPEAN COUNCIL, LONDON 26/27 NOVEMBER 1981

MEETINGS WITH ETUC AND UNICE, 25 NOVEMBER

Brief by Foreign and Commonwealth Office

OBJECTIVE

As President of the Council, to listen to the Social Partners views on the economic situation and other matters; and to comment on particular points as necessary.

POINTS TO MAKE

1. Welcome this chance to hear your views, which I will pass on to the European Council, at which we will have full discussion of Economic and Social Situation.

Economic Outlook

- 2. (i) Recession lasting longer than after first oil shock. Recovery coming more slowly. Unemployment continuing to rise.
- (ii) Progress against inflation disappointing in 1981 only partly because of rise in dollar and high interest-rates. Wage rate increases still rapid in some countries.
- (iii) Different Member States adopt different national policies in the light of their particular circumstances, but important for us all to discuss our economic situations and use the Community machinery for coordination. I am concerned that in spite of these efforts to coordinate, our economic performance remains significantly divergent particularly on inflation rates.
- (iv) Important for Community to reaffirm its commitment to struggle against inflation, and to continued adjustment. Convinced that this will create basis for durable expansion of employment.



Monetary relations with US (If raised)

(v) We all agree very important to world economy that Americans succeed in their fight against inflation. But we should persist in reminding them that the way they go about it affects us acutely; and that they too must make the effort to balance monetary restraint with fiscal restraint.

3. Work-sharing


The European Council has discussed working time but has yet to receive detailed Commission proposals. Any Community action will have to reflect the different roles of national Governments and the Social Partners. The UK hours and conditions of employment are for negotiation between the social partners, who would need to consider how reductions in working time are to be paid for.

4. Employee Participation

I am sure the importance of achieving the objective of improving arrangements for informing and consulting employees about matters which concern them at their place of work is not a matter for dispute within the Community. But the best means for making progress has given rise to considerable controversy, particularly as industrial relations, traditions and practices vary so widely between Member States. Two proposals for directives are currently before the European Parliament and it would be premature to comment further in advance of those Opinions.

5. European Social Fund and the Mandate

Agree that the Mandate Exercise and the Review of the Social Fund are important. Vital that Community instruments be updated to ensure that they meet the present problems of the Community, in particular unemployment. Favour coordinated Community action against both unemployment and inflation. Major responsibility lies with Member States but we must maximise the contribution which the Community could make.



BACKGROUND

UNICE - UNION OF INDUSTRIES OF THE EUROPEAN COMMUNITY

1. A representative body composed of the central industrial federations (including the CBI) of the Member States. UNICE is not empowered to make agreements on behalf of its member bodies, but follows and contributes to the evolution of work within the European Community. UNICE's aim is to reinforce solidarity between its members and to speak for European industry. UNICE (and ETUC) contributes to the development of Community policy through membership of the Economic and Social Committee and the Standing Committee on Employment. It is in the nature of things that UNICE appears more preoccupied with resisting claims by the ETUC for Community intervention than in developing policies of benefit to its members.

ETUC - EUROPEAN TRADE UNION CONFEDERATION

2. The Confederation covers 33 different organisations in 18 Western European countries, representing some 40 million trade union members. A member of the same Community institutions as UNICE, the ETUC aims to influence European policies in the interests of working people and their families. At present interest centres on unemployment, which the ETUC would like to see tackled by concerted action by the Community and member states, including increased public expenditures, mandatory reductions in working hours and Directives requiring consultation and negotiation with workers representatives when changes are planned.



ECONOMIC DEVELOPMENTS

3. Output will probably fall or at best remain flat in 1981. Recession lasting longer than after first oil shock. Prolongation due in substantial measure to appreciation of US dollar (34% against the ECU in the year to September 1981) and related rise in world-wide interest rates.
4. Unemployment has risen faster than expected. The average unemployment rate has increased from 6 per cent of the labour force in 1980 to 7.8 per cent in 1981.
5. Inflation in Europe has not declined as hoped. According to European Commission, consumer price inflation had only fallen to around 12.5 per cent in the year to September 1981 compared to a peak of nearly 15 per cent in May 1980. Indeed some acceleration occurred in August and September. This is partly due to the depreciation of European currencies against the dollar in which most commodity prices are denominated. Employees earnings accelerated in Belgium, Denmark and France in 1981. Average EC increase probably declined from 13.5 per cent in 1980 to 11.5 per cent this year.
6. But depreciation has helped exports to non-EC markets, which may have increased by 4.5 per cent in 1981 according to the Commission. But the EC's combined current account deficit is likely to have fallen only slightly in the same period.
7. Monetary growth in the Community is likely to have accelerated from 10.5 per cent in 1980 to around 11 per cent this year. German monetary growth is within its target range at about 4.5 per cent in the year to September 1981, but other countries are tending to overshoot their objectives. French monetary growth accelerated to more than 14 per cent in the year to July. Domestic credit expansion is well above target



in Italy, Ireland and Greece and at the top of its range in Belgium and Denmark.

8. General government financial deficits in Community as a whole have increased from 3.5 per cent of GNP in 1980 to perhaps 4.5 per cent this year, for cyclical reasons. Most Governments took action, amounting to about 1 per cent of GNP, to offset partially the effects of the recession on budget balances. But while governments acknowledge that deficits must be cut if interest rates are to come down it is proving difficult politically to do this in recession. Outside the Community, President Reagan's difficulties are well known. Inside the Community, a major effort by the Dutch government to reduce the government deficit has encountered political resistance. In Belgium general elections were called because the coalition partners disagreed about the scope and choice of cuts, but the outcome was ambiguous: the right won seats from the centre but the left maintained its strength. The Italian coalition governments has put to Parliament a budget which would restrain the growth of public spending but approval is far from certain. In France there is scepticism that the deferral of FF15 billions of capital investment will amount to very much in the end.

ECONOMIC PROSPECTS

9. Recovery of output in 1982 likely to be only modest. Commission's forecast of 2 per cent increase in combined GNP may be slightly optimistic. Unemployment is likely to continue to increase perhaps to 8.5 per cent of the labour force next year. Consumer price inflation may fall according to the Commission, perhaps to an average for 1982 of 10.5 per cent. But this could also be over optimistic.



10. Exports to non-EC markets should continue to benefit from 1981 currency depreciation, and to contribute more to recovery than domestic demand. The Community's current account may move into balance next year compared to an expected deficit of 1.2 per cent of GNP this year.

11. Gradual decline of dollar (down 8 per cent from its August peak) may continue in 1982 because of deteriorating US current account. EC Finance Ministers agree that US authorities should be persuaded to move from strict non-intervention exchange rate policy to one which would permit smoothing of fluctuations (as in UK).

12. A large US budget deficit combined with continued tight monetary policy means US interest rates are likely to remain relatively high next year. This would limit the scope for declines in European rates. Countries which are seen to be following prudent policies are likely to be more capable of reducing interest rates without weakening their exchange rates. There would be considerable difficulties in carrying out French proposals for a) a concerted decrease in interest rates by Community members, b) disconnecting domestic and external rates, and c) establishing an interest rate 'snake'. There are even stronger objections to proposals for general measures to protect European manufacturers from foreign competition.

13. Divergence of prices/costs and budgets in the EC remains very high. The signs are that it will increase even further in 1982 as policy remains restrictive in Germany and is relaxed in France. In Germany, consumer price inflation is likely to decline from about 6 per cent this year to 4.5 per cent in 1982. While in France it will only decline 0.5 per cent, at best, to 13 per cent. Earnings growth in Germany is likely to decline further to about 4 per cent while in France it is likely to remain very high at around 15 per cent.



14. Germany's general government deficit is likely to fall from 4 per cent of GNP to 3 per cent in 1982 while France's deficit is likely to increase from 2 to 2.5 per cent of GNP. The French excuse this by saying it is well below the Community average. But any increase at a time when there is considerable pressure on the exchange-rate, interest-rates and the current account is hazardous. In any case comparisons of general government deficits leaves out funding of nationalized industries. Treasury estimates of the French PSBR show that it is almost certain to be in excess of 6 per cent of GDP in 1982. Italy, Belgium, Denmark and Ireland all have rapidly increasing budget and general government deficits. But they can be given some credit for trying to reduce them.

15. Sombre prospect, and mounting challenge of competition from outside Community, require continuing major effort by government to bring home to public the need to face harsh realities, to regain ability to compete and to carry through economic restructuring.

EC'S FIFTH MEDIUM TERM ECONOMIC POLICY PROGRAMME

16. Under the 1974 Convergence Decision the EC Council of Ministers is required to adopt a medium term economic policy programme every five years. The 50 page draft programme proposed by the Commission was discussed on 19 October by the Finance Council, which agreed to consider it again after it has been considered by the European Parliament and the Economic and Social Committee. That is unlikely to be before March 1982.

17. In its present form the draft programme itself is surprisingly well in line with the UK Government's policies. We shall be lucky to get it agreed by the Finance Council without substantial alteration.



18. The foreword was drafted by M. Ortoli himself. It ranges wider than the draft programme, proposing that there should be improved co-ordinations of policies; that the EMS should be developed and the UK join the exchange-rate arrangements (see Addendum); that there should be EC action to increase investment; that an EC energy strategy should be developed; that the internal market should be strengthened by removing non-tariff barriers, introducing an EC policy for technology and innovation and harmonising national tax systems; and that there should be more EC action to combat unemployment (Tripartite Conferences with industry and unions, more co-ordinations, reduction of working time etc).

19. M. Ortoli had hoped that the Finance Council would commend the foreword to the European Council, but it was disinclined to do so. Most of the ideas in the foreword have been adequately covered in the non-agricultural part of the Mandate.

WORK-SHARING

20. Cuts in working time can create jobs only if wages are cut too, otherwise competitiveness is threatened and existing jobs put at risk. Employers know this and try to compensate for hours reduction by improving productivity to at least maintain competitiveness. This precludes using hours reductions to create extra jobs.

21. The TUC are campaigning for shorter hours partly because they believe work-sharing can provide more job opportunities. The CBI, on the other hand, view shorter hours as a threat to competitiveness and existing jobs. Over the past couple of years the normal working week for most UK manual workers has fallen below 40 hours.



22. The ETUC has been pressing for Community action on work-sharing. The European Council Resolution on the Adaptation of Working Time (December 1979) called for a limit to systematic overtime and charged the Commission with further examination of part-time work, temporary work, and flexible retirement. Early Commission papers on Community action in these fields were considered last year. Draft proposals on temporary work and part-time work have been drawn up. The draft proposals, which seem to impose legal restrictions on conditions of employment, are unacceptable to the UK because they are not consistent with our collective bargaining procedures.

EMPLOYEE PARTICIPATION

23. The draft Fifth Directive on Company Law was introduced in 1972. It originally proposed two-tier boards and worker directors. Subsequent development means the European Parliament is likely to recommend an alternative of one-tier boards with member states given the option of achieving employer participation in large companies by one or more of worker directors, employee veto on appointments to the board, works councils, and possibly, collective agreements. The Opinion is expected some time next year after 3 years in Committee on the latest variant of the proposals.

24. The draft directive on informing and consulting employees in complex undertakings, particularly transnationals (the 'Vredeling' proposals) was published in October 1980. It requires head offices to provide subsidiaries or separate establishments with detailed information about the activities of the Group every six months and gives a right of consultation about the effects of decisions likely to affect seriously employee interest (eg closures, organisational changes). The Economic and Social Committee and the European Parliament opinions are expected next year.



25. UK employers are bitterly opposed to both. European employers have also opposed ''Vredeling''. The unions are generally in favour of all legal obligations on employers to achieve participation.

26. Mr Ivor Richard has agreed that the present draft of ''Vredeling'' has defects and needs amendment.

27. The UK Government has made clear its view that in the UK prospects are best achieved by voluntary means and that any attempt at compulsion by European legislation is likely to cause severe difficulties.

THE EUROPEAN SOCIAL FUND AND THE MANDATE EXERCISE

28. The Social Partners have a considerable interest in the Mandate Exercise, since it concerns the distribution of EC expenditure between both Member States and types of policies, and is also concerned with the content of EC policies. The Partners are also interested in the forthcoming review of the European Social Fund (due to be completed by the end of 1982), because the Fund is the Community's main instrument for assisting training and employment schemes in Member States.



10 DOWNING STREET

From the Private Secretary

23 November, 1981.

Dear Francis,

European Council: Poland

I enclose a copy of a letter which the Prime Minister has received from Len Murray about food aid to Poland. I should be grateful if you could take this into account in your briefing for the European Council and if you could let me have as soon as possible a draft reply which the Prime Minister might send.

I am sending a copy of this letter, with enclosure, to Kate Timms (Ministry of Agriculture, Fisheries and Food).

Yours ever

Michael Alexander

Francis Richards, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

From the Private Secretary

23 November, 1981.

Dear Mr Murray

I am replying on the Prime Minister's behalf to your letter of 23 November about food aid for Poland. I will of course draw it to her attention before the Meeting of the European Council. The Prime Minister will wish to let you have a reply as soon as possible.

Yours sincerely

Richard Alexander

The Rt. Hon. Lionel Murray, O.B.E..

LD



JFB

CF-

2.30pm. 25.11.81.

[Handwritten signature]

10 DOWNING STREET

From the Private Secretary

23 November 1981

As you know representatives of the ETUC are calling on the Prime Minister on Wednesday prior to the European Council meeting. I enclose a copy of a note provided by Mr. Walsh of the International Department of the TUC. You may like to take this into account in the briefing which is, no doubt, under preparation.

I have retained here a copy of the ETUC Manifesto since this is no doubt available through other channels.

I am sending copies of this letter and its enclosure to Richard Dykes (Department of Employment) and David Wright (Cabinet Office):

M. O'D. B. ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.

[Handwritten initials]

TRADES UNION CONGRESS

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Mr. Michael Alexander,
Private Secretary,
10 Downing Street,
London SW1.

DEPT International
OUR REF MW/EAC
YOUR REF

November 20, 1981.

Dear Mr. Alexander,

ETUC: European Council

I am enclosing a copy of a note which the ETUC has let us have as background for the meeting between the ETUC delegation and the Prime Minister on Wednesday, November 25 at 2.30 pm. I am also enclosing a copy of a manifesto for employment and economic recovery in Western Europe which provides a comprehensive outline of ETUC economic policy.

Yours sincerely,

Michael Walsh

Secretary,
International Department.

Enc.

LONDON EUROPEAN COUNCIL

ETUC/PRESIDENCY MEETING

(November 25, 1981)

1. The European Council is meeting at a time when opinion polls are showing that the Community's credibility among the peoples of the Ten is at its lowest point ever.
2. The reasons for this are not hard to find: The Community has not prevented - and indeed appears to have no coherent strategy to prevent - registered unemployment from increasing (from 7m people a year ago to over 9½ million now). The trend is still sharply upwards. The signs of any spontaneous economic recovery of the Community - leading to higher employment, higher investment and better living standards - are also meagre. And if the Community as a whole does not recover, then it will be difficult for any member state to do so. Japan, the newly industrialising countries, and the USA are all getting stronger, however, with R & D and investment spending greater than that of the Community.
3. Previous European Councils have sometimes made positive noises, yet the Council of Ministers have not ensured that there is any real follow up. The Community has continued to devote around 70% of its total financial resources to just one sector - agriculture - and much of this has been wasted on buying, storing and dumping surpluses.
4. The Commission is to be congratulated on trying to get to grips with these problems in the Mandate exercise in order to reform and relaunch the Community.
 - (a) The ETUC agrees with the Commission's first proposal that Community policies in a whole range of fields - industrial, energy, regional, research, and so on - must be strengthened. We do not accept that reliance on "market mechanisms" alone has been or will be sufficient, and we in fact agree with the Commission's statement in its most recent communication on industrial policy that "in a world of increasingly fierce competition, change becomes at once more necessary yet more difficult and the authorities have to intervene more and more to bring it about". (Com 81/639).
 - (b) We welcome the fact that in its overall report on the Mandate (Com 81/300), the Commission now accepts that the gap between the Community prices and the prices of other major world producers must be reduced, and that direct income subsidies will have to play a bigger role with part being financed by each country itself. Other guidelines, such as the need for production targets, improved quality control and more active structural policies, are also in line with ETUC policy proposals. Unfortunately, however, the Commission has not explicitly recognised the need to safeguard and promote employment in the agricultural sector: given that agricultural policy is to a

large degree a social policy, this omission is a serious one.

- (c) On the third broad subject covered by the Commission in its Mandate proposals, the ETUC cannot accept that the Budget should be just a book-keeping exercise with each country being entitled to receive from the Community exactly what it pays into it. The EC must become a real Community and it is therefore necessary that both the distribution of EC expenditure and the raising of EC revenue be related to the needs and resources of peoples and regions and be designed to promote economic convergence. Accordingly we agree with the terms of the Mandate given to the Commission, that "taking account of the situation and interests of all member states, this examination" i.e. the Mandate exercise - "will aim to prevent the occurrence of unacceptable situations for any of them".
5. The ETUC looks to the European Council for significant progress on all these issues. However, the Commission is to be criticised for not putting forward a comprehensive and concerted strategy for ensuring that demand, as well as supply, policies make possible a real recovery - though in its industrial policy proposals, it did say that "without growth positive change will not be possible" and that "the Community will find the springs for the growth it is looking in the reorganizing of competition and in the expansion of its own internal demand" (Com 81/639).
6. The ETUC believes that supply measures should both improve economic and industrial structures and ensure that there is sufficient demand so that products and services produced are sold. Accordingly, we look to the European Council to agree on:
- concerted programmes of infrastructure investment (the Channel tunnel is an obvious example of what could and should be done on a European basis)
 - a major expansion of vocational training
 - the need for the reduction of working time to be coordinated on a Community basis
 - a significant increase of aid to developing countries
 - a strengthening of social security schemes to protect those hit by economic change and to try to preserve the unity of our societies.
 - concerted moves to fight inflation particularly through interest rate disarmament (for instance through the coordination of national controls preventing the outflow of speculative funds).



**ETUC
MANIFESTO FOR
EMPLOYMENT AND ECONOMIC RECOVERY**

EUROPEAN TRADE UNION CONFEDERATION

MANIFESTO FOR

EMPLOYMENT AND ECONOMIC RECOVERY

FOREWORD

The ETUC has launched a Western European campaign for employment and economic recovery because we are gravely concerned by the social, economic and political consequences of the course on which many of our societies seem set.

Mass unemployment, social security cuts, attacks on trade unions, monetarist dogmas, spreading protectionism, violence by extremists, increasing arms expenditure, growing international tensions - the parallels to half a century ago are deeply ominous and must not be ignored.

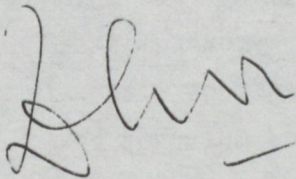
The European trade union movement is convinced that economic recovery holds the key to overcoming the crises our societies are enduring, and that internationally coordinated measures are required to achieve this recovery.

Yet many governments seem to be without vision, and to be locked into backward-looking and inward-looking policies. If seven almost unremitting years of economic restriction, of recession, and of rapidly growing unemployment have not solved such problems as inflation and structural adaptation - and plainly they have not - then, we are told, there must be even more restriction.

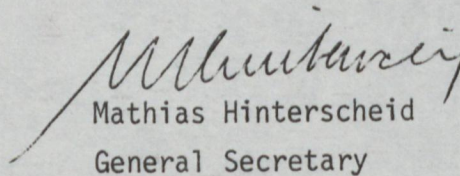
Not only are the real wages of working people often being reduced and their social benefits and services being cut - just as is the case with inflation, but deflationary policies are also depriving many workers of their jobs and of their chance through economic growth to improve their living standards. As a result, distributional conflicts are increasing and the cooperation of working people in fighting inflation is being lost.

And the situation is getting worse - but must it? The ETUC's clear answer is "NO".

There are alternative policies - and the purpose of this manifesto and of our campaign is to set out these policies and to mobilise the ETUC's 40 million members behind them.



Wim Kok
President



Mathias Hinterscheid
General Secretary

June 1980

ETUC MANIFESTO FOR
EMPLOYMENT AND ECONOMIC RECOVERY

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EUROPEAN SOCIETIES IN CRISIS

Unemployment and its effects

++++
+ Unemployment is individually destructive, +
+ socially damaging, economically wasteful +
+ and politically dangerous +
++++

One worker in 12 in Western Europe is now unemployed.

There are 11 million people actually registered as unemployed but we know that many other people have given up the search for work, so that the real figure is certainly above 13 million.

Yet less than a decade ago, only one worker in fifty was without a job.

And of every ten people unemployed, at least four are below the age of 25. In fact, in some part of Europe, one young person in four is out of work.

Women, too, are being particularly badly hit: in the Common Market, for example, women now account for almost half of those unemployed compared to just over one-third in 1975.

Unless policies are changed, the situation will continue to get worse with the result that by 1985, one worker in nine could be jobless. This is equal to eighteen million people.

Unemployment is of course not just about statistics.

We must ask what happens to the pride and confidence of each person when his or her search for employment is met with one rejection after another.

- What will be the effects on young people whose first lesson on entering adult life is that society cannot find a place for them - that they are a cost and not a benefit? Just how do we expect them to occupy their time?

- What are the emotions of a man or a woman in their early fifties who is suddenly told that he or she is no longer needed - and is unlikely to be needed again?

We must ask what happens to societies built on fear and confrontation instead of on solidarity and cooperation. Rising unemployment is certainly bringing with it increasing health, housing, schooling and other social problems. We know that the social fabric of our societies is being torn apart.

We also know that unemployment means economic waste. In the European Community, for instance, the output lost as a result of unemployment is now equal to about 8% of total production. Unemployment benefits alone cost three times the amount of the common agricultural policy.

We know that if unemployment were lower - if people and machines were put back to work - we could be building more houses and hospitals, more roads and railways, and, of course, providing more of all the other goods and services people need and want.

And what are the political costs nationally and for Europe ...? Must we ignore the lessons of the 1920s and 1930s?

The responsibility of Governments for the Crisis

The ETUC fully recognises that Western Europe does face a number of real economic problems stemming from:

- energy prices and supplies
- foreign competition
- the rapid growth of the labour force

On top of these, we have to worry about inflation, balance of payments problems, how much money governments can borrow, whether the harmful effects of new technologies will exceed the beneficial ones, and so on. We have to live with the legacy of past mistakes - because of course all our problems did not begin with the oil price increases of 1973. *BUT the fact that problems exist does not automatically mean that unemployment must be high.*

We have in fact faced and overcome bigger problems before - such as the reconstruction after the Second World War. The Man from Mars could be excused for thinking that precisely because major problems exist everyone should be hard at work solving them.

The key question is: "Are government policies making the problems better or worse?"

We think they are making them worse.

Monetarist and laissez faire policies

A number of governments have unfortunately been trying to fight the problems of the 1970s and 80s with the failed monetarist and laissez-faire policies of the 1920s and 30s.

The "naive" monetarists, who preach that all that governments have to do to control inflation, and therefore to make their economies

work properly, is to control the monetary supply have, thankfully, now been largely discredited. Those governments which took this advice have never actually succeeded in getting the money supply under control, though they have wreaked havoc on employment and production.

Many more governments, however, are still under the influence of market, or laissez-faire, monetarism. These governments argue that the fundamental problem with our economies is that they are uncompetitive.

To restore competitiveness, it is argued, market mechanisms must be allowed to function properly. This, together with monetary and some fiscal measures designed for instance to increase "incentives" for businessmen, will hold down costs - particularly wage costs - and so lower inflation.

Once inflation is down, so we are told, the scene is almost set for private industry to surge forward on its own accord, and for the recession to end. But to ensure that there is "room" in the economy - as if there was not room enough - for this expansion, the public sector must first be cut-back.

Certainly, trade unions want lower rates of inflation - though the record shows that monetarist policies are a very expensive way of achieving this.

And governments are failing to explain how a low inflation rate in itself leads to economic recovery. Many countries, for instance, with relatively low rates, as well as those with relatively high rates, are affected by the depression.

If industrialists, whether in the private or public sectors, are going to start producing more, they will first have to be sure that they will be able to sell their increased output.

Where do governments think this extra demand for goods and services is to come from?

- + Not, surely, from private households, because monetarist policies are partly designed to hold down wages, and therefore private consumption.
- + Not surely from the public sector, either, since monetarist policies are also designed to reduce the size of this sector.
- + Through increasing exports to other countries? But which ones?
 - Many other industrialised countries are also following restrictive policies on monetarist grounds and so their markets are stagnant or contracting. Protectionism, in open or more hidden forms, is in fact increasing.
 - Exports to the developing world ...? But many developed countries are actually cutting aid to them.
 - Exports to the OPEC countries ...? Yes, some increase should be possible but many of the OPEC countries are so small that they are simply unable to increase their imports in line with their oil earnings.

That leaves the private sector itself - and we know that a number of governments, and many businessmen, argue that if action is taken to allow profits to increase - through for instance, holding down wages - then private investment will automatically recover.

Experience does not support this optimism however.

In the past, private investment has not picked up until a recovery has already started. Until there are definite signs that the tide is turning, individual business prefer to play safe.

If profits in a recession are increased as a result of governments reducing some taxes, then they are much more likely to be used ...

- to reduce outstanding debts
- to buy land, or commodities, or interest-bearing securities
- to rationalise production to reduce employment and costs, rather than to increase output
- to invest overseas

And so the depression has continued ...

Monetarist and laissez-faire policies are offering no way out of the crisis because they are based on false and incomplete assumptions.

Most markets are not free

The idea that an economy can be managed by pulling just a few key levers rests on the assumption that market mechanisms in modern industrial societies do function as they do in old text books.

But in the real world when the monetary supply is reduced, or taxes are increased, market mechanisms do not work quickly, or necessarily produce the desired changes in the behaviour of companies and of individuals. Many industrial sectors are now dominated by a few companies, national or transnational, which have a large degree of control over their markets and therefore over the prices they can charge.

Thus, when governments increase interest rates, many big companies are immune for long periods because they can raise the

capital they require through "cash flow" - in effect, through charging higher prices, or perhaps from a subsidiary in another country.

Governments, if they try hard enough, and for long enough, can penetrate the armour of the big companies - but the effects are often not the desired ones ...

- monetary and fiscal policies have by then to be so severe that they are disastrous for smaller and often more innovative companies and transnational companies may threaten to move out of a country.

- And if the big companies do stumble, then whole economies shudder. Emergency rescue packages have often had to be introduced to avert a total collapse because the economic and social effects would be too dreadful to contemplate.

Where market mechanisms do keep prices in check, do result in good quality products, and do prevent monopolies from being created, then of course we recognise the advantages, but this is becoming very much the exception rather than the rule.

Realistically, it may now be very difficult to check the trend towards fewer and fewer companies - not all of which are necessarily very big - in many sectors, and especially in those facing international competition.

We must therefore achieve the results which market mechanisms are supposed to obtain in other ways - ie, through price policies, anti-monopoly policies, and so on.

Our economies depend on each other

Too many governments also act as if the world and Europe are composed of a number of separate and distinct economies highly responsive to national economic policies. But it has become increasingly clear that what was possible for one country to try to achieve through, for instance, interest rate policies, is no longer possible if many countries - as now - try to do the same thing. The end result has been an interest rate war.

This very close inter-dependence has resulted from ...

- trade and monetary liberalisation
- transport and communications developments
- the rapid growth of transnational businesses

Some governments of course recognise this but use it as an excuse for doing nothing or very little.

Certainly, if one country takes economic recovery measures by itself, then there is a danger that imports will increase much more quickly than exports, and that balance of payment problems and currency speculation will drive the country off course.

But if the European economies act together, then the results can be very different because one country's imports are of course another's exports.

The best solution is for the industrialised countries as a whole to act together, but Western Europe is big enough to act alone. While foreign trade accounts on average for about 20% of the total production of each country, the bulk of this trade takes place with other Western European countries. Thus, only 8% of Western Europe's total production is accounted for by trade with countries outside this region.

THE ETUC'S ECONOMIC RECOVERY PROGRAMME

After the Second World War, the governments of Western Europe did come together - with the participation of trade unions and employers' organisations - and agreed on a European Recovery Programme. The Organisation of European Economic Cooperation (later the OECD) was established to oversee the programme, which proved to be very successful.

We do not pretend that all of our problems are as serious now as they were then, but the ever-increasing rate of unemployment - which mini-booms have only temporarily halted - is now much more serious.

If we continue on our present path, we run the danger of seeing two new classes developing ...

- a shrinking group with work, controlling the wealth and income of our societies, and
- a growing group without work, depending on the generosity - or otherwise - of the privileged

A new recovery programme is therefore essential but with employment creation and qualitative, rather than just old-style quantitative, growth as its central themes.

We want, in fact, a type of economic development which ...

- creates employment
- improves working conditions
- protects the environment
- involves people and promotes a fairer distribution of income, wealth and power
- economises on the use of scarce resources and especially on energy
- improves the quality and usefulness of the products and services created

The Economic Recovery Programme the ETUC proposes has six key demands:-

- Governments must actively intervene to ensure that there are much higher levels of investment.
- Job creation and training schemes must be considerably strengthened.
- Working time must be significantly reduced.
- Aid to developing countries must be substantially increased.
- There must be a fair sharing of the burdens of change.
- Inflation must be tackled with specific and socially-just policies, and not through unemployment.

We are convinced that taken together these six points constitute a viable strategy for achieving full employment.

1. Governments must actively intervene to ensure that there are much higher levels of investment

We believe that higher investment spending holds the key to recovery. We must stimulate our economies, but it must be done in a way which ensures that we overcome the structural problems which have grown up.

Investment is needed in both private and public sectors but, as we argued earlier, in a depression with static or falling sales at home and abroad, many businessmen are going to be reluctant to invest at all, or they're going to invest to reduce costs - and employment - rather than to expand production.

Only the public sector can go against the trend and break the deadlock.

Once a recovery has started, then it is very important that private investment also picks up - but that it does so in a planned and coordinated way.

A concerted public investment programme

Clearly there is no shortage of needs to be met - in Europe or elsewhere in the world - though difficult choices have to be made, especially as between current and future needs. On balance, the ETUC believes that priority must be given to public investments which, at the same time, help ...

- to create jobs
- to overcome structural problems and to ensure competitiveness
- to reduce regional disparities
- to meet people's needs for better living and working conditions

We propose that each Western European country should draw up and carry out public investment programmes on a concerted basis so that their efforts will be mutually reinforcing, both between countries and between sectors of a single economy.

In their separate countries, ETUC affiliated organisations are already proposing to their governments public investment programmes, for example, in the following areas ...

- energy saving and the development of alternative sources
- infrastructures
- telecommunications
- housing and urban renewal
- water supplies, sewerage and waste disposal
- collective and social services

+ It is true that some governments under the influence of monetarist dogmas argue that an increase in public investment is not possible because governments are already borrowing too much.

Certainly, public deficits are high in comparison to what they were in the 1960s - but this is because unemployment is also very high. Cutting public investment is no solution because by causing extra unemployment, more is spent on unemployment and on other social benefits, and less is received from tax revenues.

The real solution is to get people back to work.

+ It is also true that interest rates are high in many countries, but this is not because of domestic competition between governments and the private sector for borrowing, but because some major governments have deliberately increased rates in accordance with monetarist dogmas, and because governments generally have failed to agree on effective recycling mechanisms for the OPEC surplus. We have seen short sighted

competition between governments for foreign funds to finance balance of payments deficits, even though these deficits are the inevitable counterpart of the OPEC surplus.

What is required is an agreement on interest rate disarmament.

The Coordination of private and public investment

Private investment must make an important contribution to sustaining an economic recovery, but we are not at all confident that private and public priorities will necessarily coincide.

It may for instance be sound commercially for a company to speculate in land or commodities, or to export its money but the interests of society as a whole are likely to be quite different.

It is already common ground in most countries that governments must intervene to influence the behaviour of companies to seek to ensure, for example, that regional balance is promoted, that the environment is respected, that processes are safe, and so on.

To fight unemployment and to overcome structural problems, we are convinced that close relationships between public and private investment planning must also be established. We must use wisely the scarce investment resources we have. And we must prevent the wasteful duplication of investments whether between regions or between countries.

Businessmen's calls for public sector cuts may give ideological gratification, but economically such demands are very short sighted as a large part of the private sector depends on the public sector for orders and sales.

Thus, we propose ...

+ that governments, employers and trade unions - and where appropriate, European institutions - should discuss what public and private investment priorities should be, and how these can be promoted, interrelated and coordinated.

+ that investment notification systems, such as now exist in the Common Market with regard to coal and steel, should be extended to other sectors to ensure that discussions and decisions are well based.

+ that all public aids to industry should be related to the agreed investment and industrial policy objectives, and that if these objectives are not followed, then firms should be obliged to repay what they have received.

Action by European Institutions

We welcome the EC Commission's attempts to try to get concerted investment programmes introduced in the two key areas of energy and infrastructure development. Both would create many jobs and meet essential needs.

On energy, the Commission has urged that investment on conservation and on the development of new resources to meet already agreed targets should be increased from the present level of 40,000 million ecu a year to 55,000 million ecu a year throughout the 1980s - or from 9% of total investment to 12%. (One ecu = ± \$1.12).

On infrastructure, the Commission has said that a substantial increase in the 30,000 million ecu now spent annually on transport infrastructure is called for. In particular ...

- 6,100 kilometres of road and 3,400 kilometres of railway are badly in need of repair
- natural blockages between countries, such as the English Channel, the Straits of Messine, the Fehmarn Straits, and the Alps need to be overcome
- Canal systems must be improved, and air links developed

The Commission has also been active in trying to make countries aware of the need to invest in the new technology industries, and of the need to reverse the disastrous decline of R & D spending since 1973, especially relative to the USA and Japan.

Lastly, we welcome the Commission's draft Directive for improving the information and consultation rights of work people in transnational companies, and we are appalled at the "backwoodsmen" type resistance to this modest measure by some employers. We believe in fact that just as the Commission has been able to develop relations with many foreign countries, it should now devote much more attention to developing its relations with the 100 or so largest companies operating in the Community.

2. Job creation and training schemes must be considerably strengthened

Investment in people is as important as investment in machines and buildings - if not more so. Clearly, there must be planned links between these two kinds of investment.

Likewise, we must ensure that the employment policies and plans of companies take due account of regional, national and European objectives.

The objectives of manpower policies should be to ensure:

- that jobs and training are available for all, and that particular attention is paid to the needs of groups such as women, young people and migrant workers, who are threatened with long-term unemployment
- that people can gain more satisfaction from their work
- that the skills our economies require to remain viable and competitive are available

In certain of the Nordic countries, which have generally been much more successful in keeping unemployment down than most other countries, up to 7% of government expenditure is devoted to manpower policies. Elsewhere, however, expenditure on education, vocational training and re-training is often stationary in real terms or even falling. This is very short sighted and must be reversed.

Specific job creation schemes are also under attack in some countries on the grounds that they are expensive and do not create "real" jobs.

We disagree fundamentally ...

- first, under the influence of new technologies and the desire to remain internationally competitive, job creation in many parts of the private sector and in some parts of the public sector, will fall far short of the number of people seeking work. If we are to fight unemployment - as we must - then the public authorities must step in.
- secondly, there is no shortage of real needs so job creation schemes can create real jobs.
- thirdly, with regard to financial costs, it surely makes more sense to pay people to work than to compensate them for not being able to. The cost of doing so is in fact relatively small since for every unemployed person given a job, the state gains extra tax revenue and saves on unemployment and other social benefits.

3. Working time must be significantly reduced

Economic expansion and other measures proposed in this manifesto will help to safeguard and to create employment but things have got so bad that these measures alone cannot provide the 16 million jobs which Europe will at least require by 1985 to get back to anything like acceptable levels of unemployment.

The reduction of working time must therefore be an essential part of a European economic recovery programme.

The introduction of new technologies, and structural changes generally, must certainly be the subject of collective bargaining between trade unions and employers so as to ensure that they produce net benefits in terms of greater leisure, better working conditions, and higher incomes; and not net costs in terms of higher unemployment, poorer working conditions, and lower incomes.

The ETUC's demands are that working time should be reduced through one or a combination of the following:

- . achieving the 35-hour week
- . reducing the retirement age to 60
- . increasing annual holidays to six weeks
- . extending full time education
- . introducing extra shifts
- . reducing and eliminating overtime

We are making progress with these demands - and not just in countries with high unemployment. In the Nordic countries, for instance, considerable reductions in working time have been achieved, though this has generally been sought for social rather than economic reasons.

It is appalling, however, that there are still governments and employers who are resisting the ETUC's efforts to reduce working time by agreement, and are instead reducing working time through driving up the numbers of unemployed, which is immensely costly not only socially but also financially.

4. Aid to developing countries must be substantially increased

"Helping them will also help us"

The social and economic development of the Third World is very much in Europe's interest, especially since about 10% of our trade is with the non-oil producing developing countries. This is almost twice as much as our trade with the United States.

When these countries encounter difficulties, as they are doing now because of high energy prices and the world recession, then Europe too is adversely affected.

Essentially what is required is a comprehensive world development plan as proposed for many years by the international trade union movement, and now by the Brandt Commission. This should include ...

- large scale income transfers to developing countries: specifically Western European countries should increase their aid to the Third World to 0.7% of their GNP by 1985, and to 1% by 1990.
- anticipatory structural adjustments of industries in our countries.
- social, economic and political reforms in many of the developing countries themselves.

We hope that such a plan - with the more extensive action recommended by Brandt on such issues as trade, the monetary system, and the role of TNCs - will be adopted at the Mexico World Summit in October 1981, and so both help to put the European and other industrial economies back to work, and help to meet the Third World's vital needs.

5. There must be a fair sharing of the burdens of change

This manifesto has recognised that a period of difficult change confronts the European economies.

We also recognise that in order to recover, difficult decisions will have to be taken about the relative levels and development of private consumption, investment, government spending, and exports and imports. These decisions will of course vitally affect the living and working conditions of working people.

In democratic societies, all economic power does not, and should not, rest with employers. The EC Commission's decision to propose a Directive on the information and consultation rights of workers in transnational companies is a welcome recognition of this.

Likewise, political democracy involves more than having elections every 3, 4, or more years. The decisions which will need to be taken in the coming years must therefore be based on broad consultations with the important social groups such as the trade union movement.

It is also important that the burdens of economic and social change, and indeed the benefits of economic recovery, should be distributed fairly and equitably throughout our societies. It must be recognised that the internal dynamism of our economies depends to a great extent on the level of consumption and we will resist attacks on the purchasing power and social security benefits of workers in general and of the low paid in particular.

Policies must be fair and be seen to be fair.

If these conditions are not met ...

- if governments or employers try to enforce decisions which run counter to the interests of working people

- if workers are not convinced that change will bring overall benefits and that those who have to bear the costs are properly compensated

... then, their whole-hearted backing for a recovery programme will be difficult to achieve or to sustain.

6. Inflation must be tackled with specific and socially-just policies, and not through unemployment

A number of governments argue that beating inflation must now be their overwhelming priority, and that they cannot pursue full employment and economic recovery policies because inflation would increase.

We certainly agree that inflation must be fought. It is after all working people who suffer most from price increases.

We also recognise that a number of factors often beyond the short-term control of governments - such as oil and commodity price increases, and international monetary disturbances - have intensified inflationary problems.

But we completely reject the view that the only way to deal with the evil of inflation is to tolerate, or to make worse, the even greater evil of unemployment.

It is surely time governments reviewed their thinking and revised their restrictive policies for despite the persistence of the highest levels of unemployment in Western Europe for over a generation; despite seven years of low and sometimes negative growth; and despite real wages falling behind the rate of price increases in many countries; inflationary pressures are still strong.

In fact, in many countries restrictive policies, despite a very high cost in terms of lost production and increased unemployment, seem to have done little more than to temporarily suppress, rather than to remove, the causes of inflation.

We are confident that our proposed economic recovery programme would, in itself, be counter-inflationary since ...

- introducing new processes

- using more fully existing capacity
- enabling work people to earn their living
instead of being unemployed
- reducing regional imbalances

... will all help to reduce costs.

BUT we do recognise that there are dangers.

An economic recovery programme must include measures to counter inflationary dangers stemming in particular from:

- the price policies of companies
- a new commodity price explosion
- international monetary disorder
- income distribution conflicts

Company price policies

With an economic recovery, there is a real danger that many companies will attempt to return to what they consider to be their rightful profit margins by increasing prices instead of by increasing sales. Price supervision and control systems are required to prevent a recovery being aborted in this way.

Anti-monopoly policies also need to be strengthened, and international rules are required to govern the operations of TNCs.

Commodity Prices

The see-saw of international commodity prices is in neither the consuming nor the producing countries' interests. The search for effective and fair agreements covering ...

- the immediate and longer-term development
of prices,
- access to existing supplies
- investment to develop new sources

... must therefore be intensified.

An agreement on these lines with the OPEC countries must be a major priority, but when oil price increases do occur they must not be used as a justification for deflationary policies - this is one of the most costly ways of economising on oil imaginable.

What the OPEC countries are really doing by their price increases is laying claim to a greater amount of the goods and services produced by Europe. It makes no sense at all to react to this by reducing, instead of by increasing, the amount produced.

European agricultural policies should also be reformed, particularly so as to minimise their inflationary effects.

International monetary instability

A concerted Western European recovery strategy would help to minimise the "take-off" balance of payments problems of faster growth because all countries' imports and exports would be moving up roughly together.

But action is required to cope with the problems already being caused by the fact that many countries have to try to finance their oil-induced external deficits by attracting international funds through high interest rates.

The fact must be faced that the OPEC surplus cannot be eliminated in the short term, and that industrialised countries as a whole will therefore have a collective deficit for a number of years.

What is required is an international agreement on handling the problem. This should include ...

- measures to recycle the OPEC surplus
- controls over speculative flows of hot money
- agreement on significant interest rate disarmament

Income distributional conflicts

The ETUC does not accept that wage increases have been the cause of inflation, though we make no apology for the fact that we have tried to protect our members' living standards from being eroded by price increases caused by other factors.

Collective bargaining does not take place in a vacuum and trade union negotiators cannot be expected to respond to pleas for "moderation" if they are a disguise for maintaining an unfair status quo, or to appeals to put aside the interests of their members and to act "responsibly", when employers - for instance in their investment decisions - argue that they can only be bound by market considerations.

If governments unilaterally pursue policies designed to erode the living standards of workers, and to place all the burdens of adjustment on their shoulders, then they must not be surprised if workers oppose their policies and if they try to restore their position in the only ways open to them.

Governments must instead seek to slow and check the inflationary cycle with the policies described. The record shows clearly that in those countries which have pursued socially progressive policies, trade unions have been able to respond in their collective bargaining strategies.

THE CHOICE BEFORE US

The ETUC believes that a new economic recovery programme based on the six points set out in this manifesto offers Europe a future. In contrast, we fear that the policies presently being recommended by many European institutions, governments and employers' organisations will continue to lead our societies deeper and deeper into crisis.

PC/HL
5.5.1981

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UNICE

UNION DES INDUSTRIES DE LA COMMUNAUTÉ EUROPÉENNE

ECI (1) for urgent advice

of PS

Mr Alexander,
10 Downing St.

(Recd. 24 November)

Lord Carrington
Minister of Foreign Affairs
c/o the Permanent Representative of the
United Kingdom of Great Britain and
Northern Ireland with the European Communities
Rond Point Schuman, 6
1040 Bruxelles

1
29/11

LE SECRÉTAIRE GÉNÉRAL

BS/LD 1.C.1

19 November 1981

Dear Sir,

On 25 November Mr Guido Carli, the UNICE President, and I will have the privilege of meeting the President of the European Council, Mrs Margaret Thatcher.

We shall be officially handing over, and enlarging on, the attached resolution which is not to be released for publication until 1500 hours on 25 November.

This resolution is relevant to the issues arising in connection with the new drive towards European integration, which is to be debated by the European Council.

Yours faithfully,

B. Sassen

Enclosure.

UNICE Resolution in connection with the European Council,
26-27 November.

Introduction.

UNICE welcomes the resumption of the wide-ranging debate about European revival.

It looks to the European Council to undertake appropriate political commitments and agree on specific guidelines as regards the three aspects of the Mandate of 30 May 1980 :

- the development of Community policies
- adjustment of the Common Agricultural Policy
- avoiding unacceptable budgetary situations.

UNICE is of the opinion that, over and above strict budgetary management, what is required, if the Community is to work properly and if the real solution to budgetary imbalances is to be found, is the application of new Community policies which benefit all Member countries rather than accounting adjustments.

If the Community is to start moving forward again, there must be a strengthening of Community institutions in accordance with the spirit and the rules of the Treaties.

UNICE is conscious of the fact that political cooperation has become an essential element in Community integration.

Priority Objectives.

UNICE considers that the Community should give priority to two main challenges :

- strengthening - indeed, re-establishing - the competitiveness of the European economy as a whole; this implies consolidating the internal market and mastering inflation with a view to ensuring higher growth and fighting unemployment;

- the reduction of the growing divergences between economic performances in Member countries; this implies a more far-reaching and binding concertation of economic and industrial policies, so as to achieve stable growth and strict compliance with commonly agreed commitments.

If the Community is to develop along these lines, there should be new Community policies which would foster coherence in the EEC, involving a disciplined approach by Member States, enabling them to pool their advantages and make the most productive use of them.

Reinforcement of the Internal Market.

To reinforce competitiveness the internal market should be built up not only through the elimination of obstacles to the free movement of goods and freedom to provide services, but also by harmonisation of legal, economic, fiscal and social conditions where this would foster business activity. This approach also implies cutting down on the spread of State subsidies which result in redividing the markets. All these measures should aim at transforming the present trading Community into a real production Community and providing a continent-wide framework for an industrial and financial system capable of meeting international competition. The implementation of a Community strategy requires a genuine European industrial policy no longer confined to sectors in difficulty, but concerned to promote innovation and advanced technology. This implies a set of measures :

- to facilitate cooperation between companies and the process of restructuring within the EEC;
- to encourage research and development in companies as well as joint projects, especially in high technology;
- to ensure that enterprises get equal treatment with rivals in non-Members countries;
- to encourage investment on fair terms of competition;
- to promote the creation and development of small and medium sized enterprises;
- to ensure that harmonisation efforts serve to improve the framework of enterprise activity;
- to maintain the freedom of world trade.

Sound Economic Policies.

UNICE also holds the view that firm and responsible economic management by member States can play a major part in strengthening the industrial base of the Community by reducing costs and diminishing uncertainties. One of the basic conditions for renewed

economic growth in the EEC is the ability to cut back inflation. Hence every effort should be made to reduce inflationary pressures by bringing the money supply under control and reducing public deficits.

UNICE, also, deplors the lack of order in international monetary affairs and lays stress on the need for :

realistic and reliable rates of exchange; stable and lower rates of interest; open and freely operating capital markets.

To achieve these objectives it is necessary to have stability in economic relations, based on greater convergence in economic performances.

Coordination of a more binding nature of the economic, monetary and financial policies of Member States, in the interest of growth based on stability, would mean strict compliance with the economic policy aims set out in the recent medium term economic policy programme, including consolidation of the EMS. National attitudes and policies must be consistent with the commonly agreed aims. Some effective means of supervision should be introduced.

An active social policy.

An improvement in the employment situation ultimately depends on getting back to a higher growth rate. UNICE is, therefore, in agreement with the Commission's statement that if a satisfactory long term level of employment is to be achieved, European industry must maintain its ability to compete on world markets by developing productive investment and cutting production costs.

In the present period of low economic growth in the Community, the persistent rise in social costs represents a considerable burden on enterprises. Restraint in wage costs and social charges is a decisive factor in creating new job-openings.

An active employment policy should aim at greater geographical and job mobility with the Social Fund playing a more effective role. An end to restrictions and the compartmentalisation of the labour market is also called for. Such a policy should promote and be compatible with industrial innovation.

UNICE is extremely concerned at the high level of unemployment in the Community, which is affecting young people in particular. Like the Community authorities, it thinks that priority should be given to measures to remedy this situation, and it is ready to help seek lasting solutions to this problem.

Adjustment of the CAP.

While recognising the central part played by the CAP in the development of the Community, and the need to have regard for the fundamental principles of this policy, UNICE recommends that improvements should be made in the way the policy is implemented with a view to reducing the rate of growth in agricultural expenditure, and to aligning production more closely on consumption. UNICE considers that the rate of growth in agricultural outlay in the future should not prevent other Community expenditure for structural purposes from rising at a faster rate than the budget itself.

Adaptation of Regional Policy.

Regional Policy should be adapted to Community needs of the 1980s, which are not the same as those of the 1960s. First of all, world recession has reduced production possibilities in backward rural regions and in depressed zones where the traditional industries are concentrated. Secondly, the recession has also created problems in regions relatively prosperous up to now, while at the same time restricting public resources available. A more balanced approach to Community regional development requires more attention to promoting the local development potential of the regions concerned. Furthermore, the reduction in regional disparities should also mean more efficacious Community spending, and a greater awareness of the regional impact of the various Community policies and decisions.

Energy Policy.

The energy challenge calls for a Community energy policy based on a more rapid convergence of national energy policies supported by specific Community measures. Because of the interdependence of the European economies, such a policy is essential, both for member countries which are big importers of energy and those states which depend little on supplies from outside.

Increased investment in security of supply and energy efficiency calls for greater efforts on the part of Member States to abide by the principles of price policy adopted by the Council in June 1980.

Community policy should give more attention to the problem of the non-financial obstacles to energy investment. In certain carefully selected areas which are of major Community interest, further Community financial incentives to investment in energy are desirable, so long as the financing arrangements do not cause economic distortions. To this end, the use of the NCI in the energy field should be extended. On the other hand, the use of energy taxation as a means of financing investments or as an instrument for regulating or guiding energy prices is a wrong approach to the real problems of energy. This cannot be justified either nationally or at the Community level.

Use of Community Instruments.

The various EEC financial instruments should be adapted to the new needs of Community policies and their use should be conditional on compliance with jointly agreed commitments. In particular, community credit policy (EIB, NCI, ECSC, EURATOM, etc.) should contribute to the realisation of the common objective of increasing competitiveness.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332
Telegrams Cobuistry London WC1

Director-General
Sir Terence Beckett CBE

Secretary
Denis Jackson



Paul

Miss Caroline Stephens
10 Downing Street
London SW1

12 November 1981

Ref. 2.1

M. Alexander

I assume you have organized briefing? 12/11

Dear Miss Stephens,

Thank you very much for confirming that the Prime Minister will see the President of UNICE for 30 minutes on Wednesday, 25 November from 1530 to 1600 hours.

Signor Carli will be accompanied by the UNICE Secretary-General, Mr Bernard Sassen; by Sir Raymond Pennock, our President; and if acceptable, by myself as note-taker.

If there are any further details you would like for preparing the PM's briefing, please get in touch with me, or in my absence with our desk officer for UNICE matters, Amanda Burn.

Yours sincerely,

Hugo Herbert-Jones
Director, International Affairs



CF
Euro. Pol.

10 DOWNING STREET

From the Private Secretary

11 November 1981

13/12 24/11/81

European Council: Meeting with Social Partners

Further to my letter to you of 10 November on this subject, you will wish to know that the meeting with the European Trade Union Confederation has been fixed for 1430 on Wednesday 25 November and the meeting with the Community's Employers Association, UNICE, for 1530 the same day.

I should be grateful if you could let me have briefs the previous evening.

I am sending copies of this letter to Richard Dykes (Department of Employment) and to David Wright (Cabinet Office).

M. D. B. ALEXANDER

F.N. Richards, Esq.,
Foreign and Commonwealth Office

HL



10 DOWNING STREET

Mr Alexander

1430
TUC - 15.00

CBI 1530
- 1600

further remarks being
sent.

Will you do

Brief?

C.

Done on 25th Nov.

MISS STEPHENS

I should be grateful if you could now get in touch with the representatives of these organisations and make the necessary arrangements.

Paul

Re Herbert Jones : CBI

Re Len Murray : TUC

10 November, 1981.

B.B.

25

10 November, 1981.

European Council: Meeting with Social
Partners

The Prime Minister has seen your letter to me of 9 November on this subject, and has agreed to meet representatives of the UNICE and the ETUC on the afternoon of 25 November. We shall be making the arrangements from here.

M. O'D. B. ALEXA

Francis Richards, Esq.,
Foreign and Commonwealth Office.

cc Press Office



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

9 November 1981

Caroline has blocked out

2 1/2 hour periods on the afternoon of 25 November. Continal?

Yes
mb

Print 9/11

Dear Michael,

European Council: Meeting with Social Partners

The Presidency Secretariat have told us that you have now received the expected request from the Union des Industries de la Communaute Europeenne (UNICE - the Community's Employers Association) for a meeting with the Prime Minister on the occasion of the European Council; and that you can also expect one from the European Trade Union Confederation (ETUC). The Prime Minister has asked whether it would be appropriate for her to meet representatives of the ETUC and UNICE, at the time of the European Council later this month in London.

It is a strong tradition of at least six years' standing and has come to be seen as virtually an obligation on the Presidency that the President of the European Council should agree to such a meeting. Lord Carrington thinks that the Prime Minister should do so on this occasion. The social partners will certainly attach importance to the meeting taking place, mainly for presentational purposes, to discuss the economic situation in the EC, and it would be seen as an act of some significance if such a meeting did not occur. It would probably also give rise to adverse press criticism. We can find no record of a request for the meeting ever having been turned down by the President of the European Council.

The Prime Minister could expect to meet each party (consisting of the President and Secretary General, plus one colleague) separately for half an hour, to listen to their views on the economic situation, and to undertake to pass on what she learns to her European Council colleagues.

The tight timetable on 26 November, when there is to be a Cabinet meeting in the morning as well as luncheon at Buckingham Palace before the opening of the European Council meeting, would make a meeting on the morning of the Council

/difficult



difficult to arrange and it might be easier for the Prime Minister to find a time on 25 November. The Dutch held such a meeting on the day before the European Council at Maastricht during their Presidency, and this should be acceptable to all concerned.

Yours ever,

Francis Richards

(F N Richardson)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

MFJ

draft has been
commissioned.

5 November 1981

I am replying on the Prime Minister's behalf to thank you for your letter of 3 November about the meeting between her and the officers of the ETUC. Your letter is receiving ~~atte~~ attention and a reply will be sent as soon as possible.

MURRAY B. ALEXANDER

The Right Honourable Lionel Murray OBE

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The Rt. Hon. Margaret Thatcher, MP,
10 Downing Street,
London SW1.

YOUR REFERENCE

OUR REFERENCE
LM/TJ/CT

DEPARTMENT

International

November 3, 1981.

Dear Prime Minister,

European Council

You will know that in recent years it has become the custom for the President and General Secretary of the European Trade Union Confederation, together with the representative in the ETUC of the national trade union centre from the European Community country holding the Council Presidency, to call on the Head of Government chairing the European Council to bring to his or her attention the concerns of the European trade union movement for transmission to the Council.

I am writing to ask whether, in connection with the European Council meeting in London on November 26-27, you would be able to receive a delegation composed of Mr. W. Kok, ETUC President, Mr. M. Hinterscheid, ETUC General Secretary, and myself, accompanied by appropriate staff members. I should be very grateful if the appointment could be fitted in, if at all possible, during the afternoon of November 25.

Yours sincerely,

Lionel Murray

General Secretary.

E.R.
MR. ALEXANDER

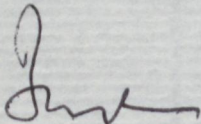
Euro Council - November 27-28

The attached correspondence from the CBI is self-explanatory. Essentially, the CBI is trying to ensure that Britain treats no less courteously ^{than others} the heads of the European employers' and trade union federations. It is, therefore, asking me to intercede on their behalf to try to ensure that during the Euro Council the Prime Minister observes the convention of seeing separately the Presidents of UNICE (employers) and ETUC (unions).

I have undertaken to pass this on to the Prime Minister. It may be that you know all about this "tradition" and have organised this accordingly.

If not - and bearing in mind the two presidents would like early notice on whether to travel - I think we could get in bad odour if we do not see them, though I think 45-60 minutes is over long.

Could you advise, please?



B. INGHAM

29 October, 1981

From

H Herbert-Jones

Date

27 October 1981

Memorandum

Ref: 3.1



To Mr K McDowall

cc Miss B P Gilpin
Mr J Scates

Call by UNICE President on Prime Minister

- 1 You kindly promised to broach with Bernard Ingham tonight our wish that the President of UNICE should be granted an interview with the Prime Minister just before the European Council (or Euro-Summit) meets in London on 27/28 November.
- 2 The background is as follows. Before every thrice-yearly Euro-Summit, the Presidents of UNICE (the West European employers' federation) and ETUC (the West European trade union federation) traditionally call on the Head of Government of the host country, who holds the Presidency of the EEC Council of Ministers.
- 3 The object is for these two dignitaries, who naturally make their calls separately, to outline their main current concerns to the Head of Government, for possible discussion at the Summit. It usually takes $\frac{3}{4}$ hour to 1 hour for each of these interviews.
- 4 We do not know whether ETUC (present President Mr W Kok) have yet asked for an appointment with the PM but if not, they will certainly be doing so.
- 5 The UNICE President is Signor Guido Carli, former Governor of the Bank of Italy and later President of Confindustria, the Italian equivalent of the CBI. He is a financier of some distinction, as shown by the attached extract from the International Who's Who. He speaks excellent English and is sympathetic to Britain.
- 6 Sig Carli would be accompanied by Mr Bernard Sassen, the Secretary General of UNICE, who is a Dutchman and also speaks excellent English, and by Sir Raymond Pennock, President of the CBI.
- 7 They could call on the PM on 26 November or if preferred at any time in the previous few days, depending on when it suits Mrs Thatcher. They would of course like to know fairly soon, so that they can reserve time to fly to London from Rome and Brussels respectively.

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- 8 The main argument for asking the PM to fit in this interview is that all other Heads of Government of Presidency countries since the European Summits began in 1975 have accorded this courtesy to UNICE and ETUC, and it would be out of keeping with HMG's European stance if the British Prime Minister declined to do so. Mrs Thatcher might in fact find Carli interesting to talk to, as he is a very intelligent and experienced man. It would naturally also be a welcome reinforcement of the CBI's pro-EEC posture for the interview to be granted.
- 9 We should be most grateful for Ingham's support and to know how he thinks we should handle the request. If he prefers, we can put it formally to the Private Secretary at No. 10, or even ask the President to write to the PM direct about it.

Handwritten signature

70-72; Asst. Chair. Income Tax Revision Board 72-; Liberal.
House of Commons, Ottawa, Ontario; Home: 900 Abbott, Ville Saint-Laurent, Quebec, Canada.
Telephone: 323-2531.

Cardin, Pierre; French couturier; b. 7 July 1922, Italy.
Formerly worked with Christian Dior; founded own fashion house 49; f. Espace Pierre Cardin (theatre group); Chevalier Légion d'Honneur 74.
118 rue du Faubourg-Saint-Honoré, 75008 Paris, France.

Cardinale, Claudia; Italian film actress; b. 15 April 1938, Tunis; d. of Franco and Yolanda Cardinale; m. Franco Cristaldi 1966; one s.; ed. Lycée Carnot and Collège Paul Cambon, Tunis.
Made first film 58; awards include Nastro d'Argento, David di Donatello, Grolla d'Oro; has made 38 films, including 8½, *The Pink Panther*, *The Leopard*, *The Professionals*, *Once Upon a Time in the West*, *Fury*, *The Magnificent Showman*, *La Scoumoune*.
Vides Piazza, Pitagora 9, Rome, Italy.

Cardinale, Most Rev. Hyginus Eugene; Vatican ecclesiastic and diplomatist; b. 14 Oct. 1916; ed. St. Agnes Acad. (U.S.A.), Pontifical Roman Major Seminary, Pontifical Lateran Univ., Pontifical Gregorian Univ. and Pontifical Ecclesiastical Acad., Rome.
Attaché de Nunciature 45, Sec. of Nunciature 46; Papal Representations Egypt, Palestine, Arabia, Cyprus 46-52; Domestic Prelate 58; Counsellor of Nunciature 58; Chief of Protocol, Papal Secretariat 61; Under-Sec. of Tech. Org. Comm., Second Vatican Ecumenical Council 62; Apostolic Del. to Great Britain, Malta, Gibraltar and Bermuda and Titular Archbishop of Nepte 63-69; Apostolic Nuncio to Belgium and Luxembourg April 69-, and to the European Econ. Communities 70-; Holy See Special Envoy and Perm. Observer to Council of Europe (Strasbourg) 70-74; numerous decorations. Pubs. *La Représentation Pontificale* 48, *Church and State in the U.S.A.* 58, *Pontifical Diplomacy* 59, *Le Chiese Dissidenti d'Oriente dinanzi al Concilio* 61, *La Fedeltà del Patriarcato Greco-Melchita d'Antiochia alla Sede Apostolica* 61, *La Santa Sede e la Politica* 62, *Le Saint-Siège et la Diplomatie* 62, *Signs of the Times and Ecumenical Aspirations* 67, *The Unity of the Church* 68, *The Contribution of the Holy See to World Peace* 70, *The Holy See and the International Order* 75.
Apostolic Nunciature, ave. des Franciscains 5-9, 1150 Brussels, Belgium.

Carey, Hugh L., J.D.; American state governor; b. 11 April 1919, Park Slope, Brooklyn; s. of Margaret Collins and Dennis J. Carey; m. Helen Owen Twohy 1945 (deceased); nine s. four d. one adopted d.; ed. St. Augustine's Acad., High School, Brooklyn, St. John's Univ.
Served with U.S. Army in Europe 39-46, rank of Lt.-Col.; joined family petrochemical business 47; called to bar 51; mem. U.S. House of Reps. rep. 12th District of Brooklyn 60-74, apptd. Deputy Whip, mem. House Educ. and Labour Cttee., House Cttee. on Interior and Regular Affairs, Senate-House Joint Econ. Cttee., Sub-cttee. on National Parks; Chair. Sub-cttee. on Territorial and Insular Affairs; mem. House Ways and Means Cttee. 70; Gov., New York State Nov. 74-; programmes for disabled and handicapped; Bronze Star, Croix de Guerre with Silver Star, Combat Infantryman's Badge; Democrat.
Governor's Residence, State Capitol, Albany, N.Y. 12224 U.S.A.

Indian Civil Service 38-47; British Treasury, London and Washington Office 48-52; World Bank, Desk Officer, Ethiopia, Sudan and Thailand 52-57; Asst. Dir., Dept. of Operations, Far East, World Bank 57-61, Dir. 61-66, Dir. Asia Dept. 66-68, Dir. S. Asia Dept. 68-72, Regional Vice-Pres. Asia 72-74, Senior Vice-Pres. for Finance July 74-
International Bank for Reconstruction and Development (World Bank), Washington, D.C. 20433, U.S.A.

Carl XVI Gustaf; King of Sweden; b. 30 April 1946; s. of Prince Gustaf Adolf and Sibylla, Princess of Saxe-Coburg and Gotha; m. Silvia Sommerlath 1976; one d., Victoria Ingrid Alice Désirée, b. 14 July 1977; ed. in Sigtuna and Univ. of Uppsala.
Created Duke of Jämtland; became Crown Prince 50; succeeded to the throne on death of his grandfather, King Gustaf VI Adolf 15 Sept. 73.
Royal Palace, Stockholm, Sweden.

Carli, Guido, D. IUR.; Italian economist and banker; b. 1914; ed. Padua Univ.
Director Ufficio Italiano dei Cambi 45; mem. Consulta Nazionale 45; mem. Man. Board Int. Monetary Fund 47; Gen. Adviser Ufficio Italiano dei Cambi 48; mem. European Payments Union Man. Board 50-58, Pres. 51-52; Pres. Mediocredito 52, Consorzio Credito Opere Pubbliche 59, Istituto Credito Imprese Pubblica Utilità 59; Vice-Pres. Istituto Mobiliare Italiano 59, Ufficio Italiano dei Cambi 59; Gen. Man. Banca d'Italia 59-61, Gov. 61; mem. Board Dirs. Bank of Int. Settlements 60-70, Board European Monetary Agreement 59-; mem. EEC Monetary Cttee. 59-; Gov. for Italy Int. Bank for Reconstruction and Devt. 62-; Minister of Foreign Trade 57-58; Einaudi Prize 64.
Pubs. *Verso il multilateralismo degli scambi e la convertibilità delle monete*, *Evoluzione della legislazione italiana sul controllo degli scambi e dei cambi*, *Commercio Estero-Maggio 1957-Giugno 1958*.
Piazza Borghese 3, Rome, Italy.

Carlile, Thomas, C.B.E., B.S.C., A.C.G.I., C.ENG., F.I.MECH.E.; British engineer and company executive; b. 9 Feb. 1924, London; s. of James Love Carlile and Isobel Scott (Thompson) Carlile; m. Jessie Davidson Clarkson 1956; three d.; ed. Minchenden County School, City and Guilds Coll., London.
Joined Babcock and Wilcox Ltd. 44, New York Rep. 50-53, Asst. Gen. Works Man. 53-60, Gen. Works Man. 60-66, Dir. 63-, Man. Dir. Babcock and Wilcox Ltd. 68-.
Babcock and Wilcox Ltd., Cleveland House, St. James's Square, London, SW1Y 4LN; Home: 8 Aldenham Grove, Radlett, Herts., WD7 7BW, England. Telephone: 01-930-9766 (Office); Radlett 6881 (Home).

Carlson, Edward Elmer; American airline executive, b. 4 June 1911, Tacoma, Wash.; s. of Elmer E. and Lula (Powers) Carlson; m. Nell Hinckley Cox; one s. one d.; ed. Univ. of Washington.
U.S. Navy 42-46; Asst. to Pres. Western International Hotels 46, Vice-Pres. 47, Exec. Vice-Pres. 53-61, Pres. 61-69, Chair. and Chief Exec. Officer 69-, Chair. Exec. Cttee. 71-; mem. Board of Dirs. UAL Inc. Aug. 70 (following merger of Western Int. Hotels and UAL, Inc.), Pres. and Chief Exec. Officer UAL Inc. and United Airlines 70-75, Chair. and Chief Exec. Officer Jan. 75-; Dir. Seattle First Nat. Bank, Safeco Insurance Corp., Air Transport Assn. of America, First Chicago Corp. (and its subsidiary First Nat. Bank of Chicago), etc.; Order of St. John of Jerusalem.
Leisure interests: golf, sailing.
UAL Inc., P.O. Box 66100, Chicago, Ill. 60666, U.S.A.

61-67; Member of Parl. 64-; Under Sec. of State, Statsrådsberedningen (Prime Minister's office) 67-69; Minister of Educ. 69-73, of Housing and Physical Planning 73-76; mem. Exec. Cttee. Social Dem. Party. Riksdaghuset, 10012 Stockholm 46, Sweden.

Carlucci, Frank Charles; American diplomatist; b. 18 Oct. 1930, Scranton, Pa.; s. of Frank and Ruth Carlucci; m. Jean Anthony 1954 (separated 1974); one s. one d.; ed. Princeton Univ. and Harvard Graduate School of Business Admin.
With Jantzen Co., Portland, Ore. 55-56; Foreign Service Officer, Dept. of State 56; Vice-Consul, Econ. Officer, Johannesburg 57-59; Second Sec. Political Officer, Kinshasa 60-62; Officer in charge of Congolese Political Affairs, Consul-Gen., Zanzibar 62-65; Counsellor for Political Affairs, Rio de Janeiro 65-69; Asst. Dir. for Operations, Office of Econ. Opportunity 69-70, Dir. OEO 71; Assoc. Dir. Office of Management and Budget 71-72, Deputy Dir. 72-73; Under-Sec. Dept. of Health, Educ. and Welfare 73-74; Amb. to Portugal 74-77; Dep. Dir. CIA 77-; Hon. D.Hum.Litt.; Superior Service Award and Superior Honour Award, Dept. of State.
Leisure interests: tennis, swimming, jogging, squash.
Central Intelligence Agency, Washington, D.C. 20505, U.S.A.

Carlyle, Joan Hildred; British soprano; b. 6 April 1931; d. of late Edgar J. Carlyle and Margaret M. Carlyle; m. Robert Duray Aiyar; two d.; ed. Howell's School, Denbigh, N. Wales.
Principal Lyric Soprano, Covent Garden 55-; major roles sung in U.K. include: Oscar, *Ballo in Maschera* 57-58, Sophie, *Der Rosenkavalier* 58-, Nedda, *Pagliacci* (Zeffirelli production) 59, Mimi, *La Bohème* 60, Titania, *Midsummer Night's Dream*, Britten (Gielgud production) 60, Pamina, *Magic Flute* 62, 66, Countess, *Marriage of Figaro* 63, Zdenka, *Arabella* (Hartman Production) 64, *Suor Angelica* 65, Desdemona, *Othello* 65, *Arabella* 67, Marschallin, *Der Rosenkavalier* 68, Jenifer, *Midsummer Marriage* 69, *Donna Anna* 70, Reiza, *Oberon* 70, *Adrianna Lecoureur* 70, *Russalka*, *Elizabetha*, *Don Carlos*; major roles sung abroad include Oscar, Nedda, Mimi, Pamina, Zdenka, Micaela, Donna Anna, *Arabella*, *Elizabetha* and *Desdemona*; debut at Salzburg, Metropolitan Opera, New York and Teatro Colón, Buenos Aires 68; several recordings including Von Karajan's production of *Pagliacci* as Nedda and *Midsummer Marriage* as Jenifer.
Leisure interests: gardening, travel, preservation of the countryside, interior design, cooking.
44 Abbey Road, St. John's Wood, London, N.W.8, England.

Carmichael, Harry J., C.M.G.; Canadian industrialist; b. 29 Sept. 1891; s. of late William A. Carmichael and Mary Ann Moran; m. Helen Marie Moran Woods 1942; ed. New Haven High School.
Joined McKinnon Industries, St. Catharines, Ont. 12, becoming Pres. and Gen. Man. on acquisition by Gen. Motors Corp. 29; Vice-Pres. and Gen. Man. General Motors of Canada Ltd. 36-41; Joint Dir.-Gen. of Munitions Production, Dept. of Munitions and Supply 41-42; Co-ordinator of Production and Chair. War Production Board; Canadian Chair. Joint U.S.-Canada W.P.B. 42-45; Dir. Argus Corp. Ltd., Foster Wheeler Ltd., Continental Can Co. of Canada Ltd., Hayes-Dana Ltd. 619 Avenue Road, Apartment 1601-2, Toronto M4V 2K6, Ont., Canada.

Carmoy, Guy de, L. EN D., L. ÈS L.; French administrator and professor; b. 29 Feb. 1907, Paris; s. of

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