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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

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25 May 1984

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH: National Intelligence Officer for Warning

FROM: National Intelligence Officer for Western Europe

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SUBJECT: Forecast and Warning Assessment for Western Europe



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II. Europe's Economic Perspectives: The Two Summits

Of the two meetings -- the 7-9 June London Economic Summit and the 26-27 June EC Summit -- analysts believe the Community gathering will be more significant. Analysts do not anticipate any major disputes to arise during the London meeting. European leaders will be in basic agreement with the US view that economic prospects are improving, although some leaders will emphasize that Europe's economic recovery is still very fragile and subject to setbacks if interest rates and protectionism are not controlled. Thus, unless interest rates rise dramatically over the next several weeks, analysts do not foresee any great difficulty reaching a consensus on the Summit communique. Analysts did note that there could be some minor frictions, both between Europeans and with the US, over the communique's reference to a new tariff reduction round, Persian Gulf oil problems and Western military contingencies, and Western steps to stop terrorism.

At the EC Summit, the budget issue will dominate the discussions, although analysts do not believe that the British problem of limiting the size of future budget contributions will be solved. The basic issue remains whether the EC will adopt to a fixed percentage of each member's Gross Domestic Product (GDP) as a ceiling for future contributions (which the UK favors) in place of an annual ad hoc rebate for the UK (which the FRG and others favor). While most EC members agree with Thatcher that the British should not continue to be the second largest net contributor,

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thereby hasten the need for emergency funding of the Common Agricultural Program this fall.

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