

PREM 19/1748

The Community Budget.

Developments in the European Community.

EUROPEAN

POLICY

Part 1: May 1979

Part 31: Dec. 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4.12.85		19.2.86					
5.12.85		20.2.86					
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11.12.85		27.2.86					
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19.12.85		13.3.86					
29/12/86		17.3.86					
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PART 31 ends:-

CST to MS/DTI 30/4/86

PART 32 begins:-

PUSS/WALGS to MS/DTI 1/5/86

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

The 1986 Budget of the European Communities (HMSO)
ISBN 0 10 1990707

Signed Wayland Date 28 October 2014

PREM Records Team

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Treasury Chambers, Parliament Street, SW1P 3AG

The Hon Peter Morrison MP
Minister of State for Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1

30 April 1986

*Dear Peter,***EC INTEGRATED OPERATIONS**

In your letter to Lynda Chalker of 21 April you invited colleagues' agreement to the Official Committee's proposal that we should respond positively to the Commission's interest in integrated operations.

You pointed out that although difficulties might arise with regard to our existing policies on non-additionality and restraint of public expenditure, the advantages of being able to influence Commission thinking in the right direction by our support made the risks worth taking. My own view is that we must be most careful to prevent the Commission from using integrated operations as a means of exerting pressure on us. In particular, Departments will need to treat with the greatest reserve any proposals which, in your own words, give the Commission scope for seeking extra Government expenditure on the relevant operations. I would have to resist most firmly any additional bids in the Survey arising from integrated operations.

As far as non-additionality is concerned, we must avoid pressure from the Commission and elsewhere as proposals are developed and public expectations aroused. It will therefore be essential to accept at the outset that on

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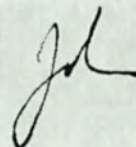
Carol Pd: Budget Pt 31

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no account should programmes be supported for which relaxation of the rules might subsequently be sought. Thus my agreement to proceeding as you suggest must be conditional on acceptance that, as paragraph 5 of the Official Committee paper anticipates, the Government's normal rules on non-additionality will continue to apply to any integrated operations which may be proposed.

I am copying this letter to other members of OD(E) and E(A) and to Malcolm Rifkind, Nicholas Edwards, Peter Walker, David Young, Michael Jopling, Rhodes Boyson, Kenneth Baker and Sir Robert Armstrong.

Yours ever,



JOHN MacGREGOR



RESTRICTED



10 DOWNING STREET

From the Private Secretary

30 April 1986

Thank you for sending to this office a copy of your Minister's letter to the Foreign and Commonwealth Secretary about allocations of European Social Fund commitments for 1986. The line which your Minister proposes to take in response to the criticism of the UK allocation seems a little excessive in its reference to the problems faced by the UK. Might it not be slightly less apocalyptic to refer to the problems and difficulties faced by "certain regions of the UK" rather than the whole of the UK.

(TIM FLESHER)

Ms. Judith Rutherford,
Office of the Parliamentary Under Secretary
of State,
Department of Employment.

SM



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 7256

Mr Powell (10 Downing St) *JRC*
I expect that this point will be
taken up in the Foreign and
Commonwealth Secretary's reply

Df Williamson
30/4/86

30 April 1986

Qz 05016

R W Renwick Esq. CMG
Foreign and Commonwealth Office
Downing Street (East)
LONDON
SW1.

LESC

Dear Mr. -

EUROPEAN SOCIAL FUND ALLOCATIONS IN 1986

with copy

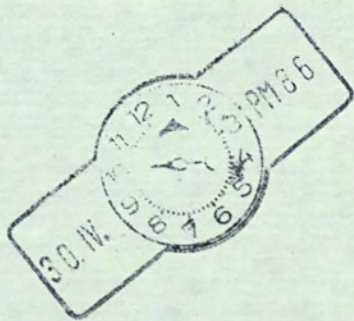
The Parliamentary Under Secretary of State, Department of Employment wrote to the Foreign and Commonwealth Secretary on 29 April (with a copy to the Prime Minister) suggesting a line to take on the European Social Fund allocations in 1986. We know that, after a good year in 1985 (23 per cent of Social Fund allocations for the United Kingdom) the 16.1 per cent allocation in 1986 is not good for us and we have already been actively looking at ways of doing better next year. We do nevertheless remain the second largest beneficiary with about £270 million. The presentation proposed in the letter of 29 April, however, does risk shooting ourselves in the foot, ie no credit at home for a substantial Community contribution and a public dispute with the Commission which will make our task of doing better next year more difficult. I suggest that the third sentence of the proposed text might be on the lines of:

"The United Kingdom is the second largest beneficiary from this Fund and will receive about £270 million in 1986. It will help towards a number of important schemes of benefit to youth training and employment. It is still not, however, in our view a fully adequate response to the difficulties the United Kingdom is facing. We continue to press the Commission on this."

Yours sincerely,
Df Williamson

D F WILLIAMSON

bc Mr Holroyd
Mr Jay
Mr Powell (No 10)



CED
V26

CND
RL.



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

The Hon Peter Morrison MP
Minister of State for Industry
1-19 Victoria Street
LONDON
SW1H 0ET

30 April 1986

awbee

EC INTEGRATED OPERATIONS

I am content with the ^{at top} approach out-lined in your letter of 21 April to Lynda Chalker.

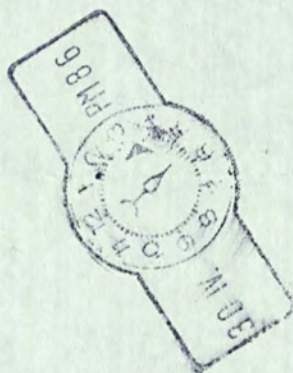
There is however one point I would like to make. My officials are looking to see if there is any scope for an integrated operations approach to coal mining areas. This would be similar to but separate from the current steel exercise.

I am sending copies of this letter to Members of OD(E), E(A), Lynda Chalker, Rhodes Boyson and Sir Robert Armstrong.

Peter Walker

PETER WALKER

EURO POL: Budget AT31





Ref. A086/1330

PRIME MINISTER

Cabinet: Community Affairs

In the absence through illness of the Minister of Agriculture, Fisheries and Food the Foreign and Commonwealth Secretary will report on the results of the marathon Agriculture Council of 21-25 April. The Council agreed on a price fixing package for the marketing year 1986-87 by a qualified majority, with Germany voting against the cereals measures and Spain against the cut in milk quotas. Mr Jopling achieved the two conditions laid down by Cabinet last week (CC(86) 17.5), that the Commission should give an assurance that agricultural expenditure in 1986 and 1987 would be financed within the 1.4 per cent VAT ceiling and that this would have to be considered in the ECOFIN Council on 28 April.

2. The most significant features of the package are -

i. It is basically a price freeze on Community support prices, with cuts on some Mediterranean products. The restraining effect is reinforced by a phased 3 per cent cut in milk quotas and, for cereals, by restrictions on intervention and a 3 per cent coresponsibility levy. The restraining effect is slightly relaxed by green rate changes in countries with negative monetary compensatory amounts (mcas): for United Kingdom farmers mcas are reduced by 1.5 percentage points for crops and 3 percentage points for most livestock products, giving an increase in support prices in sterling of about 1.35 per cent and 2.75 per cent respectively. The Germans, who with the Dutch get absolutely nothing, may give some nationally financed help to their farmers.



ii. It will cut the cost of Community agricultural support by an estimated 777 million ecu (about £500 million) over 1986 and 1987. This saving is about 118 million ecu (£75 million) greater than the saving resulting from the Commission's original package. Since it is a cost-cutting package it is clearly within the financial guideline.

iii. The proposals in the original package which discriminated against United Kingdom farmers have been removed. There is no 500-ewe limit on the sheep premium. There is no new beef premium with a 50-animal limit but the United Kingdom's beef variable premium scheme goes on unchanged. The 25-tonne exemption in the cereals coresponsibility levy has gone; the Ministry of Agriculture, Fisheries and Food estimates that United Kingdom cereal farmers will pay a proportion of the levy which is close to our share of Community cereals production. There is, however, going to be an aid for small cereal farmers, details of which are not yet decided.

3. The agricultural package itself is good both from the point of view of improving the operation of the common agricultural policy and because it cuts the budget cost. The budgetary advantage is, however, offset by the Commission's demand for a substantial extra sum due mainly in their view to the fall in the dollar against the ecu and to some direct effect from the recent realignment of some European currencies.

4. The Chancellor of the Exchequer will report on the ECOFIN Council of 28 April, which dealt with the Commission's outline of its expected proposal for a supplementary budget in 1986 and with the expenditure prospects for 1987. There was a wide measure of agreement that the 1.4 per cent VAT ceiling must be respected in 1986 and in 1987. For 1986 the Commission claimed that mainly because of the fall in the dollar another 1,394 mecu was needed for agriculture, despite the savings arising from the price



package agreed at the Agriculture Council, some 1,170 mecu for the structural funds, 700 mecu for the United Kingdom's extra abatement and 130 mecu for Spain and Portugal. These figures would add up to more than would be available within the 1.4 per cent VAT ceiling and are out of the question (the headroom is about 3,100 mecu if, as we expect, the Council and the United Kingdom win the cases against the European Parliament in the European Court of Justice and about 2,500 mecu if we do not win). The Commission will have to accept this and is likely to propose a 1986 supplementary budget containing about 915 mecu (£585 million) for agriculture, about 750 mecu (£480 million) for the structural funds and the full amount, about 700 mecu (£450 million), for the additional element of our abatement. The existing 1986 budget already contains 1,400 mecu (£900 million) for our abatement and we are already abating our contribution on that basis. Whatever happens, the United Kingdom is likely to be a beneficiary from the supplementary budget. The real problem, however, is that expenditure is not being controlled sufficiently and that the Commission is obviously trying to push expenditure forward into 1987 and again into 1988 rather than to find savings now. The Chancellor of the Exchequer tackled this point directly in the Council. In particular, when the Council agreed the 1987 reference framework, including the financial guideline for agriculture and the maximum rate of increase for non-obligatory expenditure, he argued that in the light of this agreement the Commission and the Agriculture Council should now be asked to identify the savings necessary to stay within the financial guideline in 1987. This was a first round, since there are as yet no formal proposals from the Commission either for a supplementary budget in 1986 or for the budget in 1987. The ECOFIN Council and later the Budget Council will come back to these issues.

5. The Chancellor of the Exchequer may also say that the oral hearing in the European Court of Justice of the Council's case against the European Parliament on the 1986 budget is taking



place today. After the hearing we shall know more precisely when the Advocate General's Opinion may be expected and the judgment be given.

6. There will be an Internal Market Council on 6 May at which the Minister for Trade (Mr Clark) will represent the United Kingdom.

ms

for

ROBERT ARMSTRONG

30 April 1986



10 DOWNING STREET

EOP Yes.
am

I suppose its traditional
to go over to the bp but
X somewhat strike me as
excessive. Surely a
better formula would be
^problem faced by certain
regions of the UK^.

Tim
Jf: I'm sure your
formula is much
better.

Jh
30/4.



Parliamentary Under
Secretary of State

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213..... 5565
Switchboard 01-213 3000

The Rt Hon Sir Geoffrey Howe QC MP
Foreign Secretary
Foreign and Commonwealth Office
Whitehall
London SW1

T/F to see
OR

29 APR 86

Dear Geoffrey,

EUROPEAN SOCIAL FUND - POSITION FOR 1986

I am writing to alert colleagues that the 1986 allocations of European Social Fund commitments among member states, together with the list of areas which will qualify for priority treatment might be made known publicly this week.

There remains some confusion in this area until the European Court has decided whether to uphold the Parliament's or the Council's Budget. On the basis of the EC Budget as adopted by the Council the United Kingdom will secure 16.1 per cent (419.1 mecu) of European Social Fund commitments in 1986 compared with 23.6 per cent (521.5 mecu) in 1985. Figures for the member states are:

	<u>1986</u> (per cent)	<u>1985</u> (per cent)
U.K.	16.1	23.06
Belgium	1.2	4.36
Fed. Republic Germany	3.7	4.74
Denmark	1.9	2.25
Greece	5.6	6.35
Spain	13.7	-
France	14.8	17.25
Ireland	9.3	12.18
Italy	22.4	27.16
Luxembourg	0.09	0.04
Netherlands	2.6	2.07
Portugal	8.66	-

I understand that the United Kingdom's position may be slightly worse if the Budget approved by the European Parliament is upheld.

A further source of disappointment is the Commission's unwillingness to accept our arguments that three areas within the United Kingdom, namely Powys, the Western Isles and Lothian should be accorded priority status for European Social Fund purposes. The Department's officials have argued long and hard that as Powys and the Western Isles are small, low population rural areas surrounded by priority areas they should be given enhanced status. Lothian, on the other hand, is, in part, a depressed area of major industrial restructuring but, when assessed for European Social Fund status purposes, the more prosperous parts of the area (Edinburgh) keep it below the cut off point for priority area entitlement.

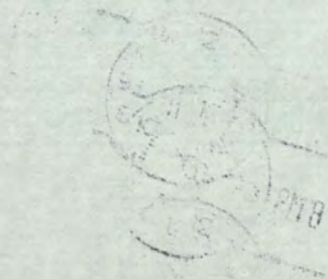
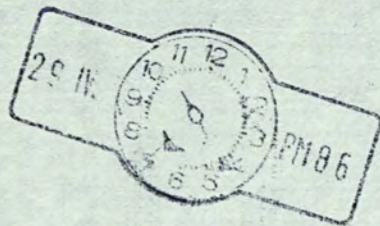
When the above information becomes known there is likely to be criticism and we might be called upon for comment. I suggest the following line:

X | "We fully recognise that the entry of Spain and Portugal, which we greatly welcome, will affect the levels of allocation available for the United Kingdom and other member states. We also fully support the Commission's desire to reduce demands on the Fund and to relate spending more closely to the budget. But a UK share of only 16 per cent can only be regarded as most unsatisfactory and we have made clear to the Commission our firm view that it represents an inadequate response by the Commission to the difficulties the UK is facing. We shall continue to press the Commission at every opportunity to ensure that the Fund reflects more accurately the scale of the problems that the UK faces".

I am copying this letter to other members of OD(E) and to the Prime Minister, Nicholas Edwards, Malcolm Rifkind, Kenneth Baker and Sir Robert Armstrong.

*Yours ever,
Ian.*

IAN LANG





Parliamentary Under
Secretary of State

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213.....6620.....
Switchboard 01-213 3000

CCPE

NSM

The Rt Hon John Biffen MP
Lord Privy Seal
Privy Council Office
68 Whitehall
London SW1

24 April 1986

Dear John,

EC SCRUTINY DEBATE: COMMISSION COMMUNICATION AND DRAFT COUNCIL RESOLUTION CONCERNING A MEDIUM-TERM COMMUNITY PROGRAMME ON EQUAL OPPORTUNITIES FOR WOMEN (4118/86)

The House of Commons Select Committee on European Legislation recommended on 26 February this year (Twelfth Report 1985-86) that the Medium Term Programme on Equal Opportunities for Women put forward by the European Commission and a draft Resolution on the adoption of the programme raised issues of general concern. The Committee did not identify these issues further than in noting that the draft Resolution refers to three draft directives, Parental Leave, debated on 26 November 1985, Occupational Social Security and Self Employed Occupations.

The second equal opportunities programme (1986-90) focuses on action to be taken by member states and by the Commission to improve the application of existing equal treatment legislation; develop training and education programmes to expand women's occupational choice, with special reference to new technology; revise protective legislation which is no longer needed; promote the sharing of family and occupational responsibilities; and modify outdated attitudes towards women through information campaigns, contacts and exchanges. The Commission estimates that annual expenditure from the EC Budget on the programme will rise from £600,000 in 1986 to £1.5 million in 1990 although this will be subject to the normal budgetary negotiations. The draft resolution undertakes to support the broad outlines of the new action programme and invites member states to implement relevant measures put forward by the Commission.

The Select Committee recommended that the Programme and Resolution might be further considered jointly with two equal treatment draft directives previously recommended for debate, namely self-employed occupations (5825/1/84), on which the Home Office lead, and equal treatment for men and women in occupational social security (6871/83) on which DHSS lead. Legislation Committee have already considered a memorandum on the latter by Norman Fowler and agreed to an early debate. We have agreed with the Home Office at official level to seek a joint debate on the action programme and the self-employed draft directive, but I understand Norman proposes to hold a separate debate in May on the social security proposal.

The Resolution on the equal opportunities programme has been discussed at Working Group level in Brussels and is likely to reach final agreement by the Labour and Social Council on 5 June. It is therefore highly desirable for the debate to be held in May. I recommend that it should take place on the floor of the House for an hour and a half after 10 pm, a time and place which would be consistent with the Scrutiny Committee's recommendation.

I suggest that the motion should be :

That this House takes note of European Community documents No. 5825/1/84 a draft directive on the application of the principle of equal treatment for men and women in self employed occupations including agriculture and on protection during pregnancy and maternity and No 4118/86 a Communication from the Commission to the Council concerning a medium term Community programme (1986-1990) on equal opportunities for women and of the Explanatory Memoranda submitted by the Home Office dated 10 May 1984 and by the Department of Employment dated 11 February 1986. This House endorses the Government's commitment to the principle of equal treatment.

In the debate we propose to emphasise that UK policy is already consistent with the main thrust of the programme but that we are seeking to amend the draft Resolution so as to ensure, for example, that it contains no commitment to further Directives or other measures which could be detrimental to job creation.

I should be grateful if Legislation Committee would agree to a debate to meet scrutiny requirements on the two documents being held on the floor of the House in May.

I am copying this letter to members of the Committee, the chairman and members of OD(E) Douglas Hurd, Norman Fowler, Sir Robert Armstrong and the secretaries of L and OD(E).

Yours ever,
Ian

IAN LANG



Ref. A086/1237

PRIME MINISTER

Cabinet: Community Affairs

You may wish to mention that at your meeting with Mr Hawke, the Australian Prime Minister, on 21 April he expressed strong concern about world trade in agricultural products and the impact on Australia of the export policies of the European Community and stressed the need to include agriculture substantively in the next GATT round of trade negotiations. The reports from Brussels of Mr Hawke's subsequent discussion with Monsieur Delors, President of the Commission, are that the atmosphere was quite good, that the regular high level consultations were reinstated and that the Commission confirmed a number of specific agricultural undertakings, eg staying out of some traditional Australian markets for beef.

2. The Foreign and Commonwealth Secretary will report on the Foreign Affairs Council on 21-22 April which he and the Minister of State, Foreign and Commonwealth Office (Mrs Chalker) attended. Libya dominated the first part of the Council and the Foreign and Commonwealth Secretary was successful in persuading his colleagues of the need for further measures to curb the unacceptable activities of Libyan nationals. Steps agreed by the Council include restricting the number and mobility of Libyan diplomats in Community countries, reducing Libyan organisations in member states and excluding from the whole Community any Libyan expelled from a single member state. The major economic discussion was on the Community's tactics in handling the dispute with the United States over the impact of the admission of Spain and Portugal to the Community on American trade in cereals and oil seeds. The Council supported the Commission in trying to keep down the temperature. Under



pressure from domestic lobbies the United States Administration is over-reacting to the, as yet, unquantifiable consequences of enlargement while discounting both the long term political benefits and what it will gain in improved access to Iberian markets for industrial goods. The Community is ready to continue the dialogue both bilaterally and within the GATT. It was satisfactory that the Council agreed the mandate for the formal GATT negotiations on enlargement. At Greek instigation the Council discussed the Community's budgetary position, with the Greeks drawing attention to the need for a supplementary budget this year (this, of course, is closely linked with the agricultural prices decisions) and asking that the procedure for raising the VAT ceiling to 1.6 per cent should be set in motion. This discussion was in our view premature and unnecessary. Though the Greeks received some support from the smaller member states and Italy for their analysis, Mrs Chalker received firm backing from the Germans and Belgians in ruling out the possibility of increasing the VAT ceiling before 1988. We believe that this is also the French position. The Council also discussed the preparations for the Tokyo Economic Summit, with Mrs Chalker and Monsieur Raimond, the French Foreign Minister, both highlighting the need to keep up pressure on Japan for economic liberalisation; and agreed its approach to the joint meeting it will hold with the members of the African, Caribbean and Pacific (ACP) states on 24-25 April.

3. The Foreign and Commonwealth Secretary may also mention the Development Council which was held on 17 April, at which the United Kingdom was represented by the Minister for Overseas Development, Mr Raison. The Commission had a preliminary discussion of Commission ideas for improving the operation and effectiveness of the Community's food aid programmes; and discussed ways in which countries affected by famine could be encouraged to make the long term adjustments needed to avoid future disasters. There was also discussion on the link between aid and trade promotion.



4. The Minister of Agriculture, Fisheries and Food (if he has returned from the Agriculture Council) may report on its recent discussions on 21-23 April on the 1986 prices package. Though the Council has not so far reached a conclusion and in particular has not received a proposal from the Commission on green rates, it seems likely that Mr Jopling may be able to report the outlines of a possible agreement. Much of the discussion this week has been based on a compromise package tabled by the Dutch Presidency, which is claimed to give additional budgetary savings. Even though this will be modified, it may provide the basis for a final agreement. From our point of view it has the advantage of maintaining the price freeze and removing the positive discrimination against United Kingdom farmers which was built into the original Commission proposals on cereals and beef; it would also remove another feature we found objectionable, ie the proposal to amalgamate Northern Ireland and the Republic of Ireland into a single region for the purposes of calculating premium payments on sheepmeat; and it would introduce a three year compulsory programme of quota cuts and a Community-funded outgoers scheme for milk, both designed to bring the dairy surplus further under control. Though it would put off for further study major decisions on beef, it does not close off the possibility for the Commission on its own authority to reduce the impact of intervention for beef this year. Proposals on green rates are likely to emerge next week but the idea being floated is that there might be a new but uniform green rate devaluation of 2 per cent for cereals and 4 per cent for other products. This is relatively modest and could, of course, be helpful for British farmers. There would be nothing for farmers in revaluing countries: the Federal Republic of Germany and the Netherlands would not like this and the Germans at least would probably give some national aid. The budgetary consequences of these ideas, which are not yet formal proposals will have to be examined both in London and in Brussels.



5. It is possible that the Paymaster General may mention the informal meeting of the Social Affairs Ministers which he is attending on 23 April. This has been convened in order to discuss financial and administrative problems in connection with the European Social Fund.

6. The joint Community/ACP Council meets on 24-25 April. There is a meeting of the Economic and Finance Council on 28 April. It is possible that the Agriculture Council may resume next week to try to complete the agriculture price package: this depends on the results of the present Agriculture Council which is still in session.

RA

ROBERT ARMSTRONG

23 April 1986



CCP
PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

21 April 1986

Dear Kenneth

CD 2/10

**IMPLEMENTATION OF THE EUROPEAN DIRECTIVE ON
ENVIRONMENTAL ASSESSMENT**

You wrote to me on 17 April reporting the outcome of your further correspondence with Peter Walker and Paul Channon on two points of substance outstanding from H Committee's earlier consideration of this draft consultative document.

I am glad that you have been able to reach agreement. You may now take it that you have H Committee approval to publish the document.

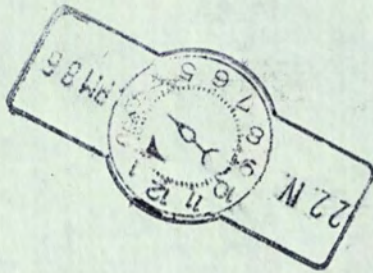
I am sending a copy of this letter to the Prime Minister, the members of H Committee, the Secretaries of State for Foreign and Commonwealth Affairs, Energy, and Trade and Industry, the Minister of Agriculture, Fisheries and Food, the Attorney General and Sir Robert Armstrong.

Yours
William

The Rt Hon Kenneth Baker MP

Euro Pol: Budget

PK-31



010

CC [Signature]

01 211 6402

CDG 2/14

The Hon Peter Morrison MP
Minister of State
Department of Trade & Industry
1/19 Victoria Street
LONDON
SW1H 0ET

21 April 1986

See

ERDF: VALOREN

WILL REQUEST IF REQUIRED

Thank you for my copy of your letter to Lynda Chalker of 4 April.

My Department has been concerned about the VALOREN proposal in a couple of respects. We no longer see tactical advantage from blocking the proposal in negotiations with the Greeks over coal state aids: the value of VALOREN to the Greeks is too small. My officials are in touch with yours over amendments to the VALOREN text to correct the misunderstandings therein of the nature of the Energy Objectives.

More generally, the value of VALOREN to the UK and the Community is properly being assessed against regional policy objectives; I do not see the need on purely energy grounds to support otherwise uneconomic projects.

On the other hand, I fully take the points you make in your last paragraph but one: I have asked my officials to keep a look out for projects which are non-additional in Whitehall but can be regarded as additional in Brussels.

I am copying this letter to the recipients of yours.

[Handwritten signature]

PETER WALKER



CEPC



RESTRICTED
DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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From the Minister of State for Industry

THE HON PETER MORRISON MP

NBM
COO 21/6

Mrs Lynda Chalker MP
Minister of State
Foreign and Commonwealth Office
Downing Street
London
SW1

21 April 1986

Lynda

EC INTEGRATED OPERATIONS

The European Commission are working on proposals for "integrated operations" in areas of the Community affected by the decline in the steel industry. They are known to be considering five UK areas in this context, and have asked officials whether we can rank the UK areas in order of priority. We need to consider our attitude towards EC integrated operations in general, and in particular whether to indicate a UK view of priorities as between the UK steel areas under consideration.

I enclose a note which has been prepared by the Official Committee on European Questions, and which sets out the main issues. The Commission have long been interested in developing their ideas for integrated operations, but they have been unclear about how to do this. While forced to question whether the benefits would be worth the work involved we have co-operated to explore the possibilities, and to try to ensure that we do not lose out to other Member States. We have, for example, supported the experimental integrated operations for Belfast, a pilot study of South Wales by the Welsh Office, and a number of studies by consultants jointly financed by the Commission and local authorities in the areas concerned. Some of these studies have not been very practical, and the Commission have not hitherto been ready to move to integrated operations simply because there is a completed study for an area. There is considerable frustration in the areas in question, and a tendency to blame the Government for the lack of progress.

1TUBSZ



However the Commission now seem to be on the threshold of a significant advance in respect of integrated operations. Six Member States are likely to be involved. In the UK, the Commission are thinking about Humberside/South Yorkshire, North East England, Clwyd in North Wales, areas in South Wales and Strathclyde in Scotland. If we do not react positively we are likely to lose out to other Member States who will gain priority at our expense. For example France has a system of regional government which lends itself to integrated operations, and is pressing the Commission hard to acknowledge integrated operations in France. However the Commission will probably seek to use integrated operations to press both for clear additionality of the EC receipts involved and for extra UK Government expenditure on the relevant operations. This may prove awkward in the light of our policies on non-additionality and restraint of public expenditure, but the likely advantages are worth the risks.

As regards steel areas the Commission have asked us to indicate our priorities. The Commission's criteria for the most severely affected steel producing areas were published in general terms in their Communication on this problem of last June (COM(85)384 Final), and we have more recently been told by Commission officials of the kind of quantification and thresholds which they have in mind - which in the case of dependency also take account of jobs in the coal industry. In the light of this the attached table ranks the various UK areas according to the various criteria. Any choice would depend on decisions about the relative weights to be given to the criteria, and there is no obvious basis for this. Moreover fairly small changes in definitions - and we have not always been able to use exactly the same definitions or areas as the Commission - could have important implications for the future.

It would obviously be difficult for us to agree to rank these areas in order of priority for integrated operation status, and any expression of preference by the UK Government would be likely to become public, and difficult to defend. I conclude, therefore, that at least for the time being we should press the Commission for all five areas.

We also need to consider what other possibilities there are for integrated operations which we might propose to the Commission so as to maximise our receipts from the structural funds. I understand that colleagues at the Departments of the Environment and Employment are considering whether to press the Commission to agree that inner city areas should be accepted for integrated operation status.

1TUBSZ



Finally we need to decide how to handle future possible integrated operations and whether an individual Department should have lead responsibility for policy on integrated operations. The European Regional Development Fund is likely to figure largely in most integrated operations, and the Regional Policy Directorate of the Commission have been the most interested in such operations. I therefore propose that we accept the recommendations in paragraph 16(v to vii) of the report of the Official Committee, and should be grateful if colleagues would indicate that they agree.

As regards integrated operation studies we should continue to keep an eye on existing studies, but before we support new studies in relation to integrated operations we should try to be clear about their likely usefulness, and their relation to our own objectives.

I am copying this to the other members of OD(E) and E(A) and to Malcolm Rifkind, Nicholas Edwards, Peter Walker, David Young, Michael Jopling, Rhodes Boyson, Kenneth Baker and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'P. Morrison', written in a cursive style.

PETER MORRISON

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INTEGRATED OPERATIONS

Note by the Cabinet Office

Introduction

1. The European Commission mean to give more attention in future to integrated operations under the Community's structural funds. Their ideas are not well formulated yet, and may not be so until they put forward proposals (in late 1986 or early 1987) for the co-ordination of the structural funds, as required by the new Treaty articles agreed in December 1985. Meanwhile there is a risk that they will take matters forward in an ad hoc and unsatisfactory way on particular proposals, some of which, such as those for areas affected by steel industry closures, will have a high political profile.

2. We need to consider whether we can capitalize on the Commission's enthusiasm for integrated operations and turn it to our advantage.

3. This note considers the main issues involved and suggests a possible United Kingdom approach. It was agreed that the Cabinet Office should prepare the first paper on the subject, since the interests of many Departments were involved. But further detailed work will need to be carried out by the Departments concerned once an overall approach has been agreed.

Background

4. An integrated operation involves the use of two or more Community instruments, to support national measures aimed at alleviating specified difficult economic and social problems in a particular geographical area within the Community.

5. For the United Kingdom the instruments will normally be the European Regional Development Fund (ERDF) and the European Social Fund (ESF), although FEOGA guidance funds may sometimes be involved, as may ECSC loans for any steel or coal area operations. European

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Investment Bank (EIB) funds could in theory be involved too. There will normally be a Committee with Commission membership overseeing the programme. The Commission may try to insist on further and more transparent additionality than in practice applies to structural fund applications, though we, along with other member states, will seek to resist this. The Government's normal additionality rules can be expected to apply to integrated operations.

6. The following integrated operations have already been adopted :

- i. Belfast Integrated Operation: included extra money to provide support under a special regulation which enables housing needs, which were not eligible for aid under ERDF rules, to be met.
- ii. Naples Integrated Operation: limited to projects eligible under existing ERDF and ESF rules.
- iii. Integrated Development Programme for the Western Isles of Scotland: centred on FEOGA guidance.
- iv. Integrated Mediterranean Programmes (IMPs): a special regulation was agreed by the Council in 1985 which permits integrated programmes for improving the economic structures of the Southern regions of the Community of ten (ie excluding Spain and Portugal). These programmes, which may last between three and seven years, are to help enable those countries to adjust to the consequences of enlargement. They are to be funded by 2,500 mecu from the existing structural funds, plus additional resources of 1,600 mecu. The financing of the IMPs from the structural funds rests on the priority given to Integrated Operations in the texts governing those funds.

7. Integrated operation studies. There have also been several studies of other possible integrated operations, mainly prompted by the Commission. For the United Kingdom these studies have included the Scilly Isles; Humberside, with special reference to Hull and

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Grimsby; Merseyside; Strathclyde; industrial South Wales, and Clwyd. Studies of Bradford and of Dyfed, Gwynedd and Powys are under way. Despite pressure from the local authorities concerned, these studies have not so far led to formal designation of further integrated operations nor will they necessarily do so. In the case of the Scillies, for example, the Commission has decided to proceed under FEAGA guidance alone. In the case of Strathclyde, the Commission suggested, and the Industry Department for Scotland accepted, that in the absence of any mechanism for approving an integrated development operation, an ERDF bid should be formulated as a national programme of Community interest (NPCI) under the new ERDF regulation. An NPCI covering Glasgow District was submitted and an ERDF grant at 55 per cent (the maximum available) was secured in December 1985. Integration with the other Community funds remains outstanding. The Commission have also asked for a NPCI application to be prepared for Clwyd and the Welsh Office have this in hand.

8. Departments are considering how to handle the problems caused by studies which have aroused expectation in local authorities which are unlikely to be fulfilled.

9. Steel Areas. In a communication to the Steel Council in July 1985 the Commissioners announced their intention of introducing stronger Community structural measures to help steel restructuring areas including the use of an an integrated approach in agreement with the member states concerned, in 14 worst hit areas, of which five - Clwyd, South Wales, Strathclyde, Yorkshire/Humberside (possibly including or overlapping with the South Yorkshire coalfield) and North East England are in the United Kingdom. The Commission want to press ahead quickly in a limited number of areas and have asked us to indicate our priorities among the United Kingdom candidates. Departments are considering how best to respond to this.

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United Kingdom objectives

10. There is a strong case for making an effort to maximise our receipts from the structural funds, partly to counteract the shift of fund allocations towards the Mediterranean as a result of enlargement, and partly to offset the adverse effect, particularly on the ERDF, of the abolition of the metropolitan county councils and privatisation. In any event, there would be political difficulty in overtly declining a Commission suggestion that it should designate areas in the United Kingdom as integrated operation areas, with the implied advantages this would bring. These factors argue strongly in favour of our seeking to take advantage of the Commission's interest in integrated operations.

11. It should be possible to do this. The rules of the ERDF and the ESF provide for priority to be given to integrated operations at the discretion of the Commission - a discretion they seem likely to exercise. Provided that we can select and design satisfactory programmes, participation in integrated operations should help us:

i. to reach a higher level of receipts under both the ERDF and the ESF than would otherwise be the case by:

a. securing finance for projects to which we accord a high priority but which, if submitted separately (either under the ERDF or the ESF) would receive a lower priority or be regarded as marginal in accordance with the funds' regulations. (The Manpower Services Commission's (MSC) Community programme, currently eligible for finance under the ESF, but not accorded priority, is an example). As far as the ESF is concerned it would be preferable not to extend the current eligibility criteria, since these accord with our own priorities.

b. attracting higher rates of grant under the ERDF;

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ii. to maximize our receipts from any new money that may be made available for integrated operations. (Current budgetary pressures make it very unlikely that extra money would be available, and it would be inconsistent with our present policy towards the budget if it were).

12. Our ability to maximise our receipts from the funds will be enhanced if we can influence Commission thinking before their paper on co-ordination of structural funds gets cast in tablets of stone. If we move fast we ought to be able to do this by seeking to ensure through contacts with the Commission that:

i. integrated operations (other than IMPs, which are by definition biased towards the Mediterranean) do not discriminate against, and if possible favour, northern states and in particular the United Kingdom - for example, by concentrating on areas, such as areas of urban and industrial decline, on which we would have a strong case for receiving priority;

ii. the framework for integrated operations does not develop in ways which would tell against us - for example, by requiring heavily centralised co-ordination of individual integrated operations;

iii. the basic responsibility for designing individual integrated operations is left as much as possible in the hands of individual member states.

Selection of United Kingdom operations

13. We shall be in a better position to influence Commission thinking if we have a clearer idea of the integrated operations which we would like to see in the United Kingdom. The first priority should be to decide on the relative merits of the steel areas the Commission have in mind (paragraph 9). But we shall also need to consider the merits of other possibilities, including:

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i. Follow-up to integrated operation studies (paragraph 7)
This is now under way.

ii. Inner cities

The Departments of the Environment and Employment are exploring, in consultation with other interested Departments, the option of using existing domestic arrangements in Urban Programme partnerships as a basis for integrated operations.

iii. Further national programmes of Community interest (NPCI)

The United Kingdom was the first member state to exploit this provision in the ERDF Regulation. Of the ten national programmes submitted, six were rejected, one is pending and three (one in Scotland and two in England) have been approved. So far the threat of undue Commission interference has not materialised and the extra administrative load is tolerable. Since NPCIs only involve the ERDF, they are not technically integrated operations, though they could become so if associated subsequently with other structural funds. They may represent a useful first step towards, and possibly an acceptable alternative to, integrated operations.

14. The Commission's capacity for handling integrated operations will be limited. They will want to designate priority steel areas fairly soon, but seem likely to be prepared to consider other areas with problems at least as serious, such as inner cities (paragraph 13 ii.) The selection process will be difficult, and could lead to domestic political controversy. But choices may well have to be made. Difficulties would be substantially reduced if we were able to agree domestically and with the Commission some objective criteria based, for example, on measures of urban deprivation or of structural change. The main criterion should be that the specific operations accord with the Government's own priorities (and in this context it will help if we make clear to local authorities and others that preparing an integrated operation does not necessarily mean it will be designated and followed through). Other factors too will need to be weighed and judged, including:

- i. the likelihood of winning Commission support;
- ii. the desirability of regional balance;
- iii. the intrinsic merit of an integrated operation approach in economic, social and domestic political terms; to include an assessment of the needs of the area, the extent to which an integrated operation will meet them, and the prospect of alternative sources of funding if an integrated operation does not go ahead;
- iv. whether preliminary studies have already aroused local expectations which it will be hard to quench;
- v. the extent of territorial coverage for integrated operation areas;
- vi. the possible advantage of putting forward candidates which fall into more than one of the categories above (for example a steel area or an inner city which was also the subject of an integrated operation study), or which demonstrate a combination of problems (for example, steel and coal closures and urban problems in industrial South Wales or the North East of England).

The characteristics of integrated operations

15. When negotiating individual integrated operations with the Commission, Departments will need to be guided by an agreed set of aims. These might include the following:

- i. to design operations in such a way as to maximise their economic and social benefits;
- ii. to ensure favourable publicity in the United Kingdom for the Community (while avoiding unrealistically high local expectations);

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- iii. to be able to justify publicly the selection of areas covered;
- iv. to overcome the likely Commission request for more transparent additionality (for example by proposing programmes which are already planned or, in the case of new programmes, avoiding clear statements in advance of the amount and source of United Kingdom contributions to them);
- v. to avoid undue Commission influence in the management of each operation;
- vi. to minimise the additional bureaucracy at integrated operation level;
- vii. to avoid tensions between central and local authorities;
- viii. to establish how the Commission propose to handle applications made under different Fund rules and regulations;
- ix. to avoid undue Commission influence over the formulation and execution of domestic regional policy.

Conclusions

16. i. We should respond positively to the Commission's interest in integrated operations and should try to capitalize on it to increase our uptake from the structural funds (paragraphs 10 and 11);
- ii. we should seek to influence Commission thinking, on the lines set out in paragraph 12;
- iii. we should co-operate with the Commission in its wish to designate steel integrated operation areas and should consider how to respond to the Commission's request that we decide our priorities among the areas proposed for the United Kingdom; (this is under way);

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iv. we should decide whether and how to follow-up the studies already carried out;

Departments should consider other possibilities for integrated operations bearing in mind the criteria in paragraph 14. In particular the Departments of the Environment and Employment should continue their consideration of the scope for integrated operations for inner cities;

vi. when discussing individual proposals with the Commission, Departments should be guided by the aims in paragraph 15;

vii. the DTI should co-ordinate policy on integrated operations, and should normally be responsible for the formal submission of Integrated Operations proposals to the European Commission. Individual Departments should, however, take the lead in discussions among Departments and with the Commission on the individual funds and on the specific operations for which they have primary responsibility, keeping the DTI informed of developments;

viii. the Minister of State for Industry should be invited to write to his colleagues setting out the proposed United Kingdom line on further integrated operations.

Cabinet Office

4 April 1986

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TABLE

CRITERIA FOR "MOST SEVERELY AFFECTED STEEL - PRODUCING AREAS"

AREA	Jobs in Coal, Iron and Steel 1978	Production Workers 1978	Dependency rate (1) + (2) as %	Iron and Steel jobs 1977	Iron and Steel jobs 1985	Iron and Steel loss (4) - (5)	% loss of base year ((4-5) as % of 4)	Unemp Apr 83	Unemp Rate Apr 83	Unemp June 83	Unemp Rate June 83	Unemp Apr 84	Unemp Rate Apr 84	Unemp Apr 85	Unemp Rate Apr 85
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
NORTH EAST RANK	63,542 (3)	321,819	19.74 (4)	27,460	8,151	19,309 (3)	70.3 (2)	193,221	18.1	183,542	18.8	189,470	19.4	198,711	20.4 (1)
NORTH WALES (Clwyd) RANK	14,073 (5)	36,839	38.20 (1)	13,009	3,487	9,522 (5)	73.2 (1)	24,300	18.0	22,351	16.7	23,389	17.4	24,188	18.0 (3)
SOUTH WALES RANK	79,621 (2)	236,873	33.61 (3)	46,266	17,136	29,130 (1)	63.0 (4)	*135,249	*15.8	*124,566	*15.3	*129,069	*15.8	*136,570	*16.7 (5)
SOUTH WEST YORKSHIRE & HUMBERSIDE RANK	120,074 (1)	328,298	36.57 (2)	46,700	21,469	25,231 (2)	54.0 (5)	152,351	16.2	140,428	15.6	145,045	16.2	153,620	17.1 (4)
TRATHCLYDE RANK	24,713 (4)	299,118	8.26 (5)	16,164	5,629	10,535 (4)	65.2 (3)	189,632	17.4	184,314	17.6	190,701	18.2	196,881	18.8 (2)
Commission threshold	10,000		15.0				25.0		8.8				9.37		9.91

* Includes figures for the whole of Dyfed rather than just the TTWA of Llanelli. Rates of unemployment would be likely to increase marginally for the South Wales area, but would be unlikely to change its ranking on this variable.





Qz.04927

MR POWELL

EUROPEAN COMMUNITY BUDGET FOR 1986

We have now received the text of the order of the European Court of Justice, which upheld the United Kingdom's application against the European Parliament on the European Community's 1986 budget. This was an application for interim measures because the European Parliament had increased the budget on non-obligatory expenditure (Regional Fund, Social Fund etc) beyond the maximum rate without the agreement of the Council and had then declared this budget to be adopted. The United Kingdom was the only member state to take the European Parliament to court for interim measures, although the Council as a whole and a number of member states (including the United Kingdom) have taken the European Parliament to the European Court on the substantive case, which should be decided in June or July.

The interim decision of the European Court is:

"The Commission shall implement, until 10 July 1986 or until the date on which the Court delivers its judgment in Case 34/86, Council v European Parliament, whichever date shall be the earlier, the budget for the financial year 1986, as regards both payment appropriations and credit appropriations, on the basis of the draft budget established by the Council at its second reading on 27 November 1985, subject to those amendments decided by the Parliament on 12 December 1985 which do not have the effect of increasing non-compulsory expenditure

In the first call which it makes, following this order, on the United Kingdom for funds relating to the 1986 budget, the Commission shall reduce the amount claimed, on the basis of the budget established by the Council at its second reading, by the amount of any overpayments made by the United Kingdom prior to this order on the basis of the budget declared by the President of the European Parliament on 18 December 1985."

/This



This is exactly what we asked for. For the United Kingdom the amount at issue is 115.9 million ecu (about £76 million). It is also very satisfactory that elsewhere in the Court's order there are statements which support the United Kingdom's position in the substantive case. In particular, the Court states that:

"From a reading of those two paragraphs, taken together, of Article 203 of the EEC Treaty, it appears that the European Parliament's right to the last word in regard to non-compulsory expenditure may be exercised only within the limits of the maximum rate of increase laid down in paragraph (9) of that article. If it is desired to increase non-compulsory expenditure beyond that rate, it seems that a new rate of increase must be fixed by agreement between the two budgetary authorities. It would therefore appear, at first sight, that Article 203 (6) of the EEC Treaty did not confer on the European Parliament the power to increase unilaterally non-compulsory expenditure beyond the maximum rate of increase stated in the draft budget established by the Council at the second reading."

I am sending copies to Colin Budd (FCO), Rachel Lomax (Treasury) and to Sir Robert Armstrong.

D F WILLIAMSON

18 March 1986

CBG



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU
TELEPHONE: 01-233 3000

ESP

The Hon Peter Morrison MP
Minister of State for Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

18 April 1986

AS

Dear Mr. Morrison,

ERDF COMMUNITY PROGRAMMES

*will request - 18
re d.*

Thank you for sending Malcolm Rifkind a copy of your letter of 4 April to Lynda Chalker about the energy (VALOREN) and telecommunications (STAR) Community programmes.

I agree the line which you propose. We had considered the possibility of the Scottish islands qualifying for both programmes. After consultation here, we came reluctantly to the conclusion that the programmes were drafted in such a narrow way that we seemed unlikely to be able to offer any measures which would meet the Commission's requirements. Indeed, it is perverse of the Commission to propose programmes of such limited application.

I am copying this letter to members of OD(E) and EA Committees, and to the Secretaries of State for the Environment, Energy, Wales and Northern Ireland.

Yours sincerely,

for ALLAN STEWART

(Approved by the Minister and signed
in his absence)



The Hon. Peter Mitchell, M.P.
Minister of State for Industry
Department of Trade and Industry
1-10 Victoria Street
London, W1
20th April 1986

FROM COMMUNITY DEVELOPMENT

I have the honor to acknowledge the receipt of your letter of 14th April 1986 in relation to the proposed development of the site at 1-10 Victoria Street, London, W1. I am sorry that I cannot provide you with a more detailed response at this time.

The site is currently occupied by the premises of the Community Development Foundation, which are being vacated in the near future. The proposed development of the site is being considered by the relevant authorities and I am sure that you will be kept informed of any progress. I am sorry that I cannot provide you with a more detailed response at this time.

I am sure that you will be kept informed of any progress. I am sorry that I cannot provide you with a more detailed response at this time.

Yours faithfully,
Peter Mitchell



CEBA

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

17 April 1986

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1974

Mr Miller,

ENVIRONMENT ASSESSMENT

After you had sent your letter to me of 4 February about publication of my consultation paper on the implementation of the EC Directive on Environmental Assessment, colleagues raised one or two substantive points on the proposals. Following further correspondence, with Paul Channon and Peter Walker in particular, I have now heard from both of them that they are content for the consultation paper to be issued. *will report if req'd*

I should like to be able to announce publication of the consultation paper by means of an arranged answer on Monday 21 April and would be grateful if you could indicate your agreement to this.

I am sending a copy of this letter to the Prime Minister, Geoffrey Howe, members of H Committee, Peter Walker, Michael Jopling, David Young, Michael Havers, and Sir Robert Armstrong.

Tomlin
Kenneth

KENNETH BAKER

Budget : EURO POL.



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10 DOWNING STREET

From the Private Secretary

17 April 1986

1986 EC BUDGET

The Prime Minister has seen Mr. Brooke's minute of 16 April about the request from the European Commission to bring forward payments of non-VAT own resources which were due to be paid on 20 May.

The Prime Minister agrees that we should fall in with the Commission's request. She further agrees that Mr. Brooke need not bring any similar requests in the course of this year to her attention unless they raise wider issues.

I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Lord Privy Seal, the Minister of Agriculture, Fisheries and Food, the Chief Whip and Sir Robert Armstrong.

(Charles Powell)

Mike Norgrove, Esq.,
HM Treasury.

CJ

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Prime Minister ①

Agree that Minister of State can accept

FROM: Minister of State



DATE: 16th April 1986

Commission report for advances? No public expenditure implications.

Yes

CDP 16/4.

PRIME MINISTER

1986 EC BUDGET

You will wish to be aware that the European Commission have again found it necessary to resort to requests to bring forward payment of non-VAT own resources under Article 10(2) of Regulation 2891/77 (ie Customs duties, agricultural levies etc). This is the first request since November last year and the first to be dealt with in the 1986-87 financial year. The latest request is for the advance of the amount due to be paid on 20 May to 21 April. The sum involved is currently estimated to be some £132 million.

A major factor affecting the Commission's cash flow position this month has been the UK's successful application to the European Court of Justice for an interim order. This obliged the Commission to repay to member states at the beginning of April the excess amounts of earlier VAT contributions.

Until the European Court has ruled on the outstanding case brought by the Commission against the UK concerning Article 10(2), our legal advice remains that requests under the terms of this Article are not obligatory. We will therefore need Parliament's approval of a Supply Estimate if we are to make a payment, and, pending that approval, to finance the payment initially from the Contingencies Fund. As the Commission have provided a satisfactory explanation for its cash needs in April, I would however propose to agree to it - both on the grounds that there is a need to ensure that UK recipients of Community payments continue to receive this money without undue delay, and to avoid facing any risk of a claim for penal interest. An announcement of the Government's intentions to pay the advance would be made to the House by Written Answer in the usual manner. This latter would need to be done by Friday, 18 April.

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This is likely to be the first of several similar requests. Such advances only involve rescheduling payments and are now largely routine. They do not involve providing extra resources in a year, and they have no effect on public expenditure. In 1985 we made eleven such advances without raising any serious concern in Parliament. I would not therefore propose bringing further requests to your attention unless other issues are involved. We shall of course take into account the Commission's financial position at the time of each further request, and follow the appropriate Parliamentary procedure in making the payments.

Copies of this minute go to the Foreign Secretary, the Lord Privy Seal, Minister of Agriculture, Fisheries and Food, Chief Whip and Sir Robert Armstrong.

P.B.

PETER BROOKE

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42BC



Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 01-215 7877

15 April 1986

The Rt Hon Kenneth Baker MP
Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON
SW1

CDP 1574

Dear Kenneth,

EC ENVIRONMENTAL ASSESSMENT DIRECTIVE

Thank you for your letter of 27 March. ^{at 4:00}

Your officials have provided mine with the detailed legal advice which prevents you accepting the redrafted passage which I had proposed in my letter of 18 March.

In the light of that advice, I accept that we cannot propose thresholds or criteria which would automatically exclude categories of project from the powers you propose to take. Given that, I agree with your view that express mention of thresholds and criteria would probably be counter productive, in that it would encourage those lobbying for Environmental Assessments to propose categories of project for which they would be mandatory, rather than leaving matters to your discretion.

I am therefore content that the passage in the consultation document should revert to something on the original lines. For the reasons explained in my earlier letter, I hope that it is however still understood between us - even if it would be unwise in Community terms to say so in the consultation document - that the Government would only expect to use these reserve powers on very rare occasions.

I am copying this letter to the Prime Minister, Willie Whitelaw, Geoffrey Howe, members of H Committee, Kenneth Clarke, Peter Walker, Michael Jopling, Michael Havers and Sir Robert Armstrong.

Paul
PAUL CHANNON
Paul

DWLAZR

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister has considered your minute of 14 April about the book Sir Michael Butler proposes to publish about the working of the European Community.

The Prime Minister is content for publication to go ahead and does not require any changes in that part of the text which she has been shown.

I am copying this minute to Sherard Cowper-Coles in the Foreign Office.

Charles Powell

15 April 1986

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Prime Minister

①

You should see what Michael Butler proposes to say about you. It redounds to your credit, as you would expect from him.
Agree that he may

Ref. A086/1134

MR POWELL

publish his book?
CDP
14/4

Sir Michael Butler has written a book about the working of the European Community. It describes the constituent parts of the Community, its inter-relationships, and its development; and it is enlivened by example and comment drawn from his long --- experience. I enclose a list of its chapter headings.

2. It is unusual but not unprecedented (cf Sir Leo Pliatzky) for a public servant to publish such a book, with a considerable autobiographical element in it, so soon after retirement. But it is an interesting and lively book, written of course from the standpoint of a convinced supporter of the Community and of British membership of it, and I do not think that we need or should object in principle.

3. The Foreign and Commonwealth Office and the Cabinet Office have gone through the typescript in detail, and have proposed or are proposing a number of changes to protect national security, to avoid damage to international relations, and to preserve confidentiality on matters to which he was privy in confidence. He is being very co-operative in making changes to meet these proposals.

4. Of particular sensitivity is his account of the British budget negotiations, and his account of the Prime Minister's way of working. Sir Antony Acland and I are satisfied that the chapter on the budget negotiations will, as finally amended, be in order. I do not find the passage on the Prime Minister's way of working, in its finally amended form, offensive: on the contrary, I think it is fair, friendly and admiring. But she may like to see for herself how this particular adviser has --- found his dealings with her, and I am therefore attaching copies

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of the relevant pages as they now stand. I am sure that Michael Butler would be prepared to make further changes, if the Prime Minister said that she would prefer him to do so.

RA

ROBERT ARMSTRONG

14 April 1986

SIR MICHAEL BUTLER'S BOOK: LIST OF CHAPTER HEADINGS

1. What is the European Community?
2. The Work of the Community
3. The Internal Market, Industry, Technology and Research
4. Fisheries, the Environment, Rules of Competition and State Aids, Economic and Monetary Policy
5. The Council at Work
6. The Community Budget and Resources Transfer
7. The British Budget Problem
8. Britain in Europe Decision-taking As Others See Us
9. The Media
10. National Characteristics and Interests
11. Europe and the World
12. Constitutional Issues

Cabinet Office, I would every month or two attend one of the Foreign Secretary's meetings in preparation for a Council. And quite often on another day in the week, I would have to fit in a visit to London to attend a meeting with Sir Geoffrey Howe or Mrs Thatcher herself. Meetings at 10 Downing Street will be among my most vivid memories of all the events of these six crowded years. No meeting Mrs Thatcher chairs is ever dull. On the European Community, at any rate, there are normally vigorous exchanges of arguments. Mrs Thatcher, though thoroughly convinced of the need to make the Community work properly, is - to say the least - not automatically in favour of Commission proposals which involve sharing more sovereignty or spending the tax-payers' money through the Community budget! It is often a Permanent Representative's duty to argue in favour of one or other of these things. He needs to have a good case.

Meetings with Mrs Thatcher are not for the faint-hearted or the ill-briefed. She has normally read all the papers on the subjects under discussion, probably in the middle of the night when her Ministers and advisers sleep. She will frequently launch a ferocious attack on a possible weak point in the

arguments she is advised to accept. She expects her Ministers and officials to defend them with equal vigour if they believe they are right. She will interrupt them if they say something she disagrees with - and yet listen intently if they insist and prove to have an important point to make which she needs to consider. It sometimes seemed to me that she would on occasion tease her advisers by advancing some outrageous proposition in which she did not believe, just to see how they responded to it.

Contrary to what is generally written in the newspapers and believed by her critics, she seemed to me positively to welcome serious argument and to have a high regard for those who argued with her most effectively. She likes a tough exchange, as I have several times heard her explain to Heads of Government from other Community countries who she has treated to a frank expression of her views. "That," she says, to their astonishment "is how we reach decisions at home." And this is true, though her Ministers and officials do not always know at the time of their discussion with her whether their recommendations have been accepted. Just occasionally, I have heard her say "you are doing quite well", after a particularly difficult corner in

the discussion has been turned. But more often it is not clear until later, until - let us say - she is going through her speaking notes, frequently already revised on her instructions, in the plane on the way to the meeting, how far she has accepted the advice she has been offered.



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Foreign and Commonwealth Office

London SW1A 2AH

10 April 1986

*CDP
10/4.*

Dear Charles,

European Community: Legal action by the UK
against the Commission and other Community institutions

You will recall David Williamson's minute on this subject of 26 March. Reading it prompted the Foreign Secretary to commission an internal FCO analysis of the cases listed in David's minute, and also of the cases currently being brought against us.

While he accepts David's point that we have recently been taking a more robust line than in the past in initiating cases, particularly against the Commission, he notes also that on several cases being brought against us we are at the moment heading for likely defeat - and that while we have reasonable prospects of success in most of the cases we are bringing against the Commission, there are some important exceptions.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
PS/10 Downing Street

RESTRICTED



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FIRST CLASS PERMIT NO. 100 NEW YORK, N.Y.



Ref. A086/1079

PRIME MINISTER

Cabinet: Community Affairs

The Chancellor of the Exchequer may mention the effects of currency realignments within the European Exchange Rate Mechanism which were agreed last weekend. The changes were triggered off by a French request for an 8 per cent devaluation against the Deutschmark. In the end a package, including a smaller effective devaluation of the French franc, was agreed without undue difficulty (French franc -3%, German mark +3%, Danish krone, Belgian and Luxembourg francs and Dutch guilder +1%). One consequence is an increase in the negative monetary compensatory amounts for France in the agricultural sector. This will provide scope for France in the negotiations on the 1986 price fixing to provide its farmers with a small increase in domestic currency terms even if there is a freeze in common prices. This may reduce the chance of the French allying themselves with the Germans over agricultural prices and increases the chance of the Commission being able to maintain its proposals for a broad freeze. The United Kingdom monetary compensatory amount stands at 6.6 per cent, which also allows us - like the French - scope to make some correction of our green currency if we wished to do so.

2. The Secretary of State for Trade and Industry may refer to the meeting of the Research Council on 8 April at which the Minister for Information Technology, Mr Pattie, represented the United Kingdom. The principal item was the first consideration of the Commission's framework programme for research and development for the 5 years 1987 to 1991. The Commission has proposed that the sum of 10.35 billion ecu should be allocated. At the Council France, Germany and the Netherlands all supported



us in arguing that the Commission's bid was unrealistically high. The chances of this alliance holding together are better than usual. We stressed the need for a "bottom-up" approach, rather than a programme based on a global figure plucked out of the air, and asked the Commission to identify for each of the main components of the framework programme the proposed benefits of action at a Community level. A broad consensus is already developing in line with our view that energy research and development should take a decreasing share of finance and increased priority must be given to research and development which will aid industrial competitiveness. Final decisions on the size, cost and broad scope of the framework programme will have to be made during the United Kingdom presidency. The future of the Joint Research Centre (JRC) - at Ispra in Italy - was also tackled in a more sensible manner than in the past. Under pressure from the French, the Dutch and ourselves for a critical look at the JRC the Commission are to consider setting up an external committee, which would include industrialists, to examine the future role of the Centre.

3. There is an informal meeting of Ministers for Development on 16 April to be followed by a Development Council on 17 April. 30 April seems likely to be the date for the hearing of the Council's case against the European Parliament on the 1986 budget. In addition to taking our own cases against the Parliament, the French, the Germans and the United Kingdom have each intervened in support of the Council's case.

RTA

ROBERT ARMSTRONG

9 April 1986

CCBG



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

NSM

My ref:
Your ref:

27 March 1986

J. Paul

Thank you for your letter of 18 March about the EC Environmental Assessment Directive. This reply also takes into account Peter Walker's letter to me of 19 March.

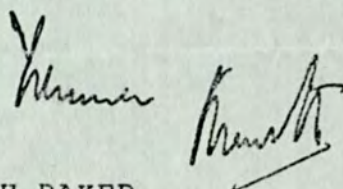
As my officials indicated in the discussion to which you refer, there are difficulties over the approach adopted in your proposed redraft of the consultation document. Article 4 of the Directive envisages the use of criteria and/or thresholds to determine which of the projects of the classes listed in Annex II are to be subject to an assessment. Your proposal, on the other hand, is to use them expressly to limit the power to direct that assessment should be carried out in any particular case. I am advised that your proposal is not in accordance with the requirements of the Directive. My officials will be providing yours with the detailed reasons for this.

I do not think that an express reference to thresholds and/or criteria is either necessary or desirable. I am perfectly willing to consider proposals for their use, but the evidence of the discussions in the EC Working Group suggests that they will not be easy to devise. My aim is the same as yours and Peter Walker's: we should limit the compulsory application of environmental assessment to the few projects of the types set out in Annex II which are of sufficient size and therefore potential impact to justify it. The consultation paper already makes it clear that we have in mind that the power to direct that an assessment should be carried out will be used only for that purpose. The application of criteria or thresholds (which I am advised, if satisfied, will require compulsory environmental assessments for qualifying projects) seems to me very likely to result in more projects being subject to the procedure than the approach which I have in mind. That being so, it seems to me tactically unwise to invite comment on the option - for all those who advise against it there will be those who favour it. Moreover, we need to be careful precisely how we refer to this matter or we shall simply fuel the suspicions which the Commission already have about our attitude to the Directive. We are under a legal obligation to give effect to its requirements, and we have been trying to do this in a way which industry will not find onerous. If the Commission were to challenge our approach in the European Court, we could finish up with something much less satisfactory.

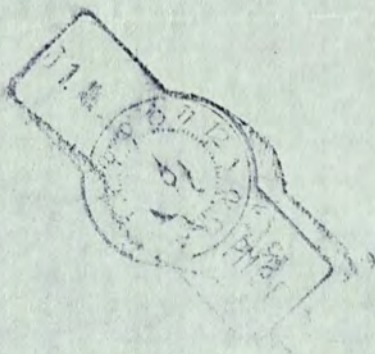
EUR. POL: Budget: Pt 31

For these reasons, I feel that I should publish the consultation document without the amendments which you have suggested. At the same time, I shall be more than happy for my officials to discuss with yours the possibility of devising thresholds and/or criteria which meet our common objective of ensuring that developers are required to carry out assessments only for the limited number of significant projects falling within Annex II of the Directive. I will in any event ensure that your officials continue to be involved in the implementation process. I propose therefore to issue the consultation paper, in the form enclosed in my letter of 10 March, soon after Easter.

I am copying this letter to the Prime Minister, Willie Whitelaw, Geoffrey Howe, members of H Committee, Kenneth Clarke, Peter Walker, Michael Jopling, Michael Havers and Sir Robert Armstrong.



KENNETH BAKER



Qz.04951

MR POWELL

EUROPEAN COMMUNITY: LEGAL ACTION BY THE UNITED KINGDOM
AGAINST THE COMMISSION AND OTHER COMMUNITY INSTITUTIONS

The Prime Minister has been informed recently about a number of individual cases in the European Court of Justice in which there has been a United Kingdom interest. I should also draw your attention to a change in the balance of such cases. The impression is still sometimes given in press comment that the United Kingdom has the sole role of defending its actions in the European Court. This may have been the case in the past. Currently, however, the boot is on the other foot. In the first ten years of our Community membership the United Kingdom took only one case against the Commission in the European Court. More recently, however, we have taken a more robust line, both in order to get money which we consider due to us and to restrict Commission attempts to extend their competence. In the last eighteen months we have initiated nine cases (seven against the Commission, one against the European Parliament and one against the Council).

The United Kingdom's cases against the Commission are

- a challenge to two Commission decisions ruling against payments in the United Kingdom (case 133/84)

- Social Fund: challenge to a Commission decision; need to avoid retroactive application and to give legal certainty (case 84/85)

- Migration: challenge to a Commission decision as being ultra vires (case 287/85)

If the European Court follows the Advocate General, we should gain about £300,000

Question of principle and of United Kingdom receipts

Question of Commission competence and misuse of a Treaty article

/Sheepmeat



- Sheepmeat: challenge to
Commission Regulation
(case 305/85)

Commission has not in
our view respected the
legislative requirements
in calculating money
for United Kingdom
sheep farmers

- Milk pricing: challenge to
Commission decision disallowing
certain expenditure in the
United Kingdom (case 347/85)

A substantial amount
of money could be at
stake

- Fisheries: challenge to
Commission decision disallowing
some expenditure in the
United Kingdom (case 364/85)

- Sheepmeat: challenge to a
Commission regulation applying
clawback (case 23/86)

In addition, we have taken the case against the European Parliament on the 1986 budget (on which we successfully gained interim measures on 17 March) and a case against the Council on the Treaty base for the directive on hormones, which we claim to be insufficient. We are also taking a more robust line on intervening in other cases in order to express our view, for example in the four insurance cases which the Commission has brought against France, the Federal Republic of Germany, Denmark and the Republic of Ireland.

I am sending copies to Colin Budd (FCO) and to Sir Robert Armstrong.

D F WILLIAMSON

26 March 1986

60



CCPC
②

Qz 04941

Prime Minister

MR POWELL (10 Downing Street)

mt

CDP
24/3

EUROPEAN COURT OF JUSTICE CASES ON INSURANCE

The Advocate-General at the European Court of Justice has now given his opinion, in cases brought by the Commission against France, Denmark, the Federal Republic of Germany and the Republic of Ireland, that certain barriers which those countries have erected against insurance companies from other member states contravene the Treaty of Rome. These cases relate to the provision of co-insurance, where large commercial insurance risks are shared by more than one insurer. The United Kingdom intervened in the European Court of Justice on behalf of the Commission and we adjusted our negotiating tactics within the Community in order to be able to exploit a favourable decision, if it could be obtained. If the Court follows the Advocate-General's opinion, the judgment would be a step towards the completion of a free market in services throughout the Community, an important United Kingdom objective.

The Advocate-General's opinion carries weight with the European Court, but it is only when the Court gives its final judgment, which may not be until late summer or autumn, that we shall know whether it has carried the day. The Advocate-General's opinion is, however a good step in the right direction.

I am sending copies to Colin Budd (FCO), Rachel Lomax (Treasury), John Mogg (DTI) and to Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

21 March 1986

Ref. A086/912

PRIME MINISTER

Cabinet: Community Affairs

The Chancellor of the Exchequer will report on the welcome success of the United Kingdom's application to the European Court of Justice against the European Parliament on the Community's 1986 budget. This was an application for interim measures; and the effect of the judgment is to authorise the United Kingdom to make its monthly contributions to the Community on the basis of the draft budget established by the Council on 27 November 1985, rather than the higher level subsequently adopted by the European Parliament in December 1985, which we regard as illegal. The United Kingdom's share of the difference between the budget agreed by the Council and the budget adopted by the European Parliament is about £76 million. As a result of the Court's decision the Commission is now obliged to reduce the amount which it claims from the United Kingdom by about £6½ million a month. The terms of the European Court's decision are also clearly favourable to the United Kingdom's view on the issue of law and this could help in the substantive case on the 1986 budget which the Council and five member states, including the United Kingdom, have brought against the European Parliament. This should be decided in June or July. Despite some carping criticism in the press, we consider that the European Court's decision this week is wholly good news.

2. The Secretary of State for Transport may refer to the Transport Council on 14 March. The Presidency, with Mr Ridley's support, attempted to make further progress on liberalisation of air, sea and road transport. This is one of the key areas in which both we and the Dutch are seeking progress during our



successive presidencies. On road transport progress is in prospect on increasing lorry quotas in the period up to their abolition. An agreement may also be possible on axle weights (perhaps at 11.5 tonnes), on which we have a derogation and will need to maintain a lower figure in the United Kingdom. On shipping the dispute continued on the liberalisation of cabotage, ie the reservation to a country's carriers of the right to carry that country's coastal traffic. As a way of bringing pressure to bear Mr Ridley made it clear that, if illiberal member states were not prepared to open up their trade to the same extent as the United Kingdom has traditionally done, he might be forced to restrict our cabotage trade to United Kingdom vessels.

3. The Secretary of State for Trade and Industry may report on the meeting of the Internal Market Council on 18 March, at which the United Kingdom was represented by the Minister for Trade, Mr Clark. The Council discussed a number of technical issues on which agreement will contribute towards the completion of the internal market. On the rolling Action Programme the Dutch are concerned that progress in their Presidency has so far been slow, partly because the Commission has not brought forward all the proposals which it promised in its White Paper. It looks as if it will fall to the United Kingdom in the second half of the year to steer home many of the items in the 1986 rolling programme and we are determined to do so.

4. There is an Energy Council on 20 March and an Agriculture Council on 24-25 (and possibly 26) March.

ROBERT ARMSTRONG

19 March 1986

CUBG

01 211 6402

EDP
17/13

The Rt Hon the Viscount Whitelaw CH MC
Lord President of the Council
68 Whitehall
LONDON SW1

19 March 1986

Dear Lord President,

IMPLEMENTATION OF THE EUROPEAN DIRECTIVE ON ENVIRONMENTAL ASSESSMENTS

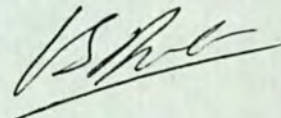
I have seen Kenneth Baker's letter of 10 March responding to my and colleagues' concerns about his proposals on this topic. I note his intention to publish his draft consultation document largely unchanged as soon as possible, although I understand his original timetable of 17 March has slipped a little.

I fully appreciate Kenneth's wish to avoid the possibility of unnecessary conflict with Brussels in the run-up to the UK Presidency. However, as he acknowledges, the extent of our obligation to implement the Directive in respect to Annex II projects remains a grey area. He also acknowledges that, under existing planning arrangements, the coal and oil industries already produce entirely adequate environmental assessments where these are necessary. Formalisation of these arrangements in the way implied in the draft consultation document would do nothing to improve the quality of these assessments. But it would provide scope to objectors to manipulate the planning process, with significant risk of additional delays to important developments and increased costs to developers.

I would still, therefore, prefer to see our options on Annex II projects kept open in the consultation document, perhaps soliciting consultees' views on this aspect. If however this approach is not acceptable to colleagues, it may be necessary to return to this aspect of the Directive in the light of industrialists' responses to the document.

I am copying this letter to the Prime Minister, Members of H Committee, Kenneth Clarke, Michael Jopling, Paul Channon, Michael Havers, Geoffrey Howe and Sir Robert Armstrong.

Yours sincerely,



P

PETER WALKER
(Approved by the Secretary of
State but signed in his absence)

EUR. POL : Budget : A31





Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 01-215 7877

cc BG

18 March 1986

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

NBPM

Dear Kenneth

ENVIRONMENTAL ASSESSMENT DIRECTIVE

I have seen your letter of 10 March to Willie Whitelaw.

I reluctantly accept the arguments in your letter against completely excluding Annex II projects from the scope of the proposed powers to require environmental assessments. Nonetheless, I remain of the view that it should be wholly exceptional for any such project to be required to go through this procedure, as has always been our understanding. I accept that there may be cases where a developer's passage through the planning process may indeed be eased by the preparation of an environmental assessment; but there is a world of difference between developers choosing to go down this route where they perceive it as being in their own interest, and imposing the system upon them.

As envisaged in my letter to you of 11 February, my officials have been discussing with yours, ways in which the drafting of the consultative document might be strengthened, to give the strongest possible reassurance that Government did not in fact expect to make use of the power. I attach a redraft of paragraph B of the consultative document, which has been discussed in its essentials between our officials; I should be content to see the consultative document published subject to amendment on these lines.

Following the consultation process, your Department will no doubt be preparing more detailed proposals for implementation of the Directive. I should wish my Department to be involved in this process.

DW1AUR

1786
1986
BOARD OF TRADE
BICENTENARY

Amendment to paragraph 8 of Environmental Assessment Consultation Paper

8 Under the terms of the Directive, the making of an environmental assessment is mandatory only for the types of projects listed in Annex I to the Directive. The extension of the assessment requirements to Annex II projects is left to the discretion of Member States. In particular, under the Directive Member States may specify certain classes of project from the Annex II list as being subject to an assessment, or may establish criteria or thresholds to determine which projects within Annex II classes are to be subject to an assessment. In general, the Government does not foresee that it will be necessary to make the carrying out of formal assessment mandatory in cases falling within Annex II, having regard in particular to the existing requirements of planning legislation. Nevertheless, there may be particular Annex II projects which are so substantial in their environmental impact that a formal environmental assessment ought to be carried out before a decision is taken on whether or not the project should be allowed to proceed. It is therefore proposed that powers should be taken for the appropriate Secretary of State to direct that an assessment should be carried out in any particular case. The Government invites comments as to whether these reserve powers - which the Government would expect to use only on very rare occasions - should be applicable to any type of project falling within Annex II, or whether certain types of project, determined by class, threshold or other criteria, might reasonably be excluded from the scope of such powers.

(Amendments underlined)

DTI

14 March 1986





I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Geoffrey Howe, members of H Committee, Kenneth Clarke, Peter Walker, Michael Jopling, Michael Havers and Sir Robert Armstrong.

Young - Paul

PAUL CHANNON

Enro Pol

BUDGET

PT 37



10 DOWNING STREET

From the Private Secretary

17 March 1986

1986 COMMUNITY BUDGET:

RESPONSE TO THE COURT'S INTERIM MEASURES DECISION: 17 MARCH

The Prime Minister has considered the Economic Secretary's minute of 14 March about our response to the expected judgement on 17 March of the European Court of Justice on our application for suspension of the disputed part of the 1986 Community Budget.

The Prime Minister agrees that we should respond in the terms suggested in paragraph 8 of the Economic Secretary's minute.

I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Lord Privy Seal, the Law Officer's Department, the Chief Whip and Sir Robert Armstrong.

CHARLES POWELL

Mike W. Norgrove Esq.,
H.M. Treasury

FUE

CAJ (SS)

CF

BMG



PRIME MINISTER

MS

Prime Minister
Agree that we should go on paying our contributions to the Community budget in full, even if judgment in the interim case goes against us.
From: PETER BROOKE
14 March 1986
CAP 14/3

1986 COMMUNITY BUDGET : RESPONSE TO COURT'S INTERIM MEASURES DECISION, 17 MARCH

We expect to receive on 17 March the judgment of the European Court of Justice on our application for suspension of the disputed part of the 1986 Community budget. We need to react quickly and confidently to the Court's decision, and this paper seeks your approval for the way in which the Chancellor and I would like to proceed.

2. Whatever its form, the judgment will have implications for the size of our contribution towards the Community budget. Parliament has so far approved ex gratia payments towards the disputed part of the budget for the first quarter of 1986. However a further payment falls due on 1 April, and the Government will need to decide in the light of the Court's judgment whether to continue making such payments in full.

[Most unlikely]

3. If the Court finds in our favour, there are two main forms which its ruling might take. It could order suspension of the disputed expenditure and contributions pending final judgment. Or it could order the Commission to postpone expenditure of the disputed amounts pending final judgment, on the basis that member states should continue to contribute in full. In either case, we suggest that the Government's reaction should be to welcome the Court's decision as vindicating our arguments, either in full or in substance. We would presumably contribute or not contribute to the disputed sums in accordance with the Court's ruling.

4. Should we lose the interim case, the Court might base its judgment on the Granaria doctrine, whereby Community acts are deemed valid until the Court has ruled otherwise. If the Court were to apply this doctrine to the budget, failure by the UK to contribute in full to the disputed amounts would amount to a breach of Community and hence domestic law. Consequently we have little choice in such circumstances but to announce that we intend to continue paying in full until the judgment on the Council's and national cases is given later in the year.

5. Unfortunately, rejection of our application by the Court is unlikely to be so clear cut. It may simply take the view that we have failed to establish that we would suffer substantial and irrecoverable loss if our application was refused. In such circumstances, it would be tempting to stop payment towards the disputed elements of the budget, particularly since the Government's earlier decision to pay in full was substantially influenced by the desire not to prejudice the interim measures application itself. That argument, ex hypothesi, would no longer apply.

6. However, the arguments for continuing to pay in full are compelling:

- First, we would have to reckon with the virtual certainty that the Commission would bring a case against us, putting us on the defensive and, assuming we lost, rendering ourselves liable to penal interest charges.
- Second, the Court would be bound to see failure to pay as an irritant, even if it did not affect its consideration of the legal cases themselves.
- Third, we would upset many other member states if we decided to break ranks and withhold payment at a time when the Council needs to present as united a front as possible to the Court.

- Fourth, such action would almost certainly stimulate efforts in the European Parliament to interfere with our abatement.
- Fifth, refusal to pay in full might appear to be a reversal of policy more likely to attract criticism than congratulations from the Government's backbench critics.
- Sixth, supporters of the Community in the House would undoubtedly be most critical if the Government appeared to be rebuffing the Court.

7. Our conclusion therefore is that, if the Court refuses our application without specifically referring to the Granaria doctrine, we should continue to pay in full until judgment on the substantive cases is received later this year.

8. If you and colleagues agree, our intention is to respond to the Court's judgment on Monday by saying simply that we are studying the terms of the judgment closely. This we would follow with an answer to an arranged Parliamentary Question the following day (Budget day) announcing our intention to continue paying in full. Such an arrangement would give us time to consider seriously the precise nature of the judgment without delaying our response for so long that it encouraged speculation of and pressure for a change in policy. And on the assumption that we had to continue making ex gratia payments, we would draw on the arguments set out below:

- i. we naturally regret that the Court did not find in our favour, but will study the ruling carefully;
- ii. we do not see this as a major setback: what really matters is that the Council and member states should win the substantive cases;

- iii. we have no regrets about having brought the application for interim measures. The application may have been an important element in influencing the Court to give earlier judgment on the substantive cases;
- iv. the Government sees no reason to change existing policy of paying in full towards the 1986 budget on an ex gratia basis. All other member states are continuing to do so.
- v. to stop paying would mean breaking ranks with other member states at a time when the Council needs maximum unity in its main action against the Parliament.

9. I am copying this minute to the Foreign and Commonwealth Secretary, Lord Privy Seal, the Law Officers, Chief Whip and Sir Robert Armstrong.

P.B.

PETER BROOKE



14. III. PM 86

FCO
 Ps/SOFS.
~~MR DEREK THOMAS~~
~~SIR G THORNTON~~
 MR RENWICK
 MR BRAITHWAITE

RESIDENT CLERK
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PLUS FCO

WALL.
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<p><u>CABINET OFFICE</u> MR D WILLIAMSON MR JH HOLROYD MISS S J LAMBERT MR T J BURR MERCER MR M H JAY</p>	<p><u>DTI</u></p>	<p><u>PLUS OGD's</u> MR P KENT HM CUSTOMS & EXCISE</p>
<p><u>H M TREASURY By Hosm</u> MR J S UNWIN SIR GEOFFREY LITTLER MR J E MORTIMER <u>DESKBY</u> MR C D CRABBIE MR R G LAVELLE 141630 Ps/CHANCELLOR Ps/MIN OF STATE TSY. LAVELLE/EDWARDS/CRABBIE</p>	<p><u>MAFF</u> PERMANENT SECRETARY MR PERRINS. PRATT (TRYS SOLICITORS) WHELDON (" ") Ps ATTORNEY GENERAL</p>	<p>ODA. MR WINTER. Ps NO 10.</p>

CONFIDENTIAL
 FM UKREP BRUSSELS
 TO DESKBY 141630Z F C O
 TELNO 914
 OF 141547Z MARCH 86
 AND TO DESKBY 141630Z TREASURY
 INFO ROUTINE EUROPEAN COMMUNITY POSTS

FRAME ECONOMIC

U.K CONTRIBUTION TO 1986 BUDGET.

1. I UNDERSTAND THAT THE COURT IS LIKELY TO DELIVER ON 17 MARCH ITS JUDGEMENT ON OUR APPLICATION FOR INTERIM RELIEF FROM PAYING THE PARLIAMENT-ADOPTED 1986 BUDGET IN FULL. IF THE JUDGEMENT GOES AGAINST US, MINISTERS ARE BOUND THEN TO BE PRESSED ABOUT WHAT WE INTEND TO DO OVER PAYMENTS IN THE PERIOD UNTIL THE COURT GIVES ITS JUDGEMENT ON THE MAIN CASE.

2. I RECOMMEND FOR THE FOLLOWING REASONS THAT WE CONTINUE TO PAY AS BEFORE AT THE FULL RATE AS:

- I. ALL OTHER MEMBER STATES WILL BE DOING SO.
- II. NO-ONE ELSE SHARES OUR VIEW ON WHAT CONSTITUTES AN OBLIGATION UNDER COMMUNITY LAW. IN VIEW OF THAT AND OF THE CLOSE PROXIMITY TO AN ADVERSE JUDGEMENT BY THE COURT THERE WILL BE A LOT OF "BRITANNIA WAIVES THE RULES" TALK IF WE PAY AT THE LOWER RATE, WHICH MIGHT NOT MATTER TOO MUCH IF
- III. IT WAS NOT LIKELY TO AFFECT ADVERSELY OUR CHANCES IN THE MAIN COURT CASE. THE COURT FEELS STRONGLY THAT IT IS TIME ABOVE ALL TO UPHOLD THE RULE OF LAW IN THE COMMUNITY AND

ABOVE ALL TO UPHOLD THE RULE OF LAW IN THE COMMUNITY AND
THEY WILL REGARD OUR ACTION AS AN AFFRONT TO THAT. IN
ADDITION

- IV. PAYING AT THE LOWER RATE IS LIKELY TO RENDER MORE TRICKY
THE PASSAGE THROUGH THE EUROPEAN PARLIAMENT LATER THIS
YEAR OF OUR INCREASED 1985 ABATEMENT. OUR CRITICS IN THE
PARLIAMENT ARE LOOKING FOR A STICK WITH WHICH TO BEAT US
AND DEDUCTING FROM IT THE DIFFERENCE BETWEEN THE TWO RATES
OF PAYMENT ON THE 1986 BUDGET WOULD ATTRACT THEM GREATLY:
- V. ALL INDICATIONS ARE THAT THE COURT IS TRYING TO DELIVER ITS
JUDGEMENT ON THE MAIN CASE BEFORE THE SUMMER HOLIDAY: IN
WHICH CASE THE INTERIM PERIOD IS NOT A LONG ONE:
- VI. IN ANY CASE PAYING AT THE LOWER RATE COSTS US MONEY SINCE
THE COMMISSION WILL CERTAINLY INSIST WITH THE LAW ON THEIR
SIDE ON OUR PAYING INTEREST ON THE SHORTFALL IN OUR
CONTRIBUTION.

HANNAY

YYYY

ADVANCE

PS/SOS FCO

RENWICK FCO

WALL FCO

BLOOMFIELD FCO

WILLIAMSON CAB

JAY CAB

MERCER CAB

WINTER ODA

PERRINS MAFF

PS/CHANCELLOR TSY

PS/MINISTER OF STATE TSY

LAVELLE TSY

EDWARDS TSY

CRABBIE TSY

PRATT TSY SOLS

WHELDON TSY SOLS

PS/ATTORNEY GENERAL

PS/NO.10

MAIN

FRAME ECONOMIC



Ref. A086/814

PRIME MINISTER

Cabinet: Community Affairs

You may wish to refer to any Community aspects of your discussion with Signor Craxi at the Anglo-Italian Summit.

2. The Foreign and Commonwealth Secretary will report on the Foreign Affairs Council on 10-11 March. The Council agreed a strong statement on the Community's relations with Japan which will keep up the pressure on Japan to indicate targets for imports, stimulate domestic demand, liberalise its financial markets and take wider steps to integrate its economy more effectively with those of its trading partners. Our interest in specific discussions with Japan on alcoholic drinks was also included; and the Japanese were warned that the Community may take action in the GATT both under the Agreement and in the context of the new Round. This statement is closely in line with the recommendations in the joint minute of the Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry to you on 6 March, which you approved. The Council also reviewed its approach to the range of outstanding difficult issues in trade with the United States. It supported the Commission both in trying to keep down the temperature and in standing firm against the United States' over-reaction to the trade consequences of the accession of Spain and Portugal. The Commission calculate that the United States will get substantially more trade benefits than loses (an estimate of five to one) from the accession of Spain and Portugal because the protectionist regimes there will be replaced by the Community's very open import regime for industrial goods. The United States, however, is under strong domestic pressure to beat the drum on agricultural trade. In spite of continued Greek moaning the Council kept up momentum towards restoring to normal the Community's relations with Turkey. The Council considered that, pending ratification by Parliaments of the

results of the Intergovernmental Conference we should use our best endeavours to improve decision making on the lines agreed but no formal position was taken: this was the United Kingdom's approach.

3. The Chancellor of the Exchequer may refer to the Economic and Finance Council on 10 March at which the Minister of State, Treasury, Mr Brooke, represented the United Kingdom. In introducing the Court of Auditors' report the President of the Court drew attention to the level of outstanding commitments on the structural funds and the scale of the potential losses on agricultural stocks, both of which would have to be paid for in due course. This led him to stress the need to maintain budget discipline and to keep agricultural spending under control. He was supported by Mr Brooks and the Dutch and (in this Council) the French and German Ministers. The Council expects to settle the 1987 reference framework for the Community's 1987 expenditure at its April meeting. The Chancellor of the Exchequer may also say that the United Kingdom's application for interim measures in the case against the European Parliament on the 1986 budget has been heard and that a decision will probably be given on Monday next, 17 March. Our present assessment is that we have only a limited chance of winning the interim case but that the chances of winning the main case are quite good.

4. The Secretary of State for the Environment may report on the Environment Council on 6-7 March at which the United Kingdom was represented by the Minister for the Environment, Countryside and Local Government, Mr Waldegrave. Agreement was reached - subject to certain safeguards agreed between United Kingdom Ministers - on a new directive on the discharge of certain toxic chemicals (in particular, carbon tetrachloride) in water and on an extension to third countries of the principles that govern the export of hazardous waste within the Community. There was pressure from Commissioner Clinton Davis and from the Presidency for commitments on steps to be taken to control emissions from

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large combustion plants but no decisions were taken. The Irish raised informally the subject of radioactive leaks from Sellafield, asking that the Environment Council should discuss the subject at a future meeting and suggesting the creation of a European inspection force. Mr Waldegrave responded by stressing the minor importance of recent incidents and the recent close contacts with the Republic of Ireland on this issue.

5. There is a Transport Council on 14 March, and Internal Market Council on 18 March and an Energy Council on 20 March. The European Parliament is in session from 10-14 March.

RA

ROBERT ARMSTRONG

12 March 1986

Amerided.



Private Secretaries' Office

cc PE

What?

PS/ Lord President,

W

I refer to my
Secretary of State's letter
of 10/3 to Lord - at that
Whitehall about
European Community's
Environmental Assessment
directive.

I am afraid page
2.2.1 should have
read: more formalised
way.

Apologies for the
inconvenience this has
caused.

I am copying this
as before.

12/3

EUR. POL: Budget: Pt 31.



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TO DESKBY 111700Z FCO
OF 111420Z MARCH 86

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1986/87 BUDGETS: CHRISTOPHERSEN PRESS CONFERENCE

SUMMARY

1. CHRISTOPHERSEN CONFIRMS IN PRESS CONFERENCE DETAILS OF SUPPLEMENTARY NEEDS IN 1986 THAT WERE GIVEN TO ECOFIN YESTERDAY. STRONGLY CRITICISES INCOHERENCE WITHIN COUNCIL BETWEEN SPENDING AND BUDGET MINISTERS.

DETAIL

2. CHRISTOPHERSEN GAVE A PRESS CONFERENCE TODAY TO EXPLAIN WHAT HE HAD TOLD ECOFIN YESTERDAY. IN 1986 IT WAS LIKELY THE COMMISSION WOULD NEED A SUPPLEMENTARY BUDGET TO COVER:

- (I) AN EXTRA 750-800 MECU TO MEET PAYMENTS ON OUTSTANDING STRUCTURAL FUND COMMITMENTS. A REPORT ON THIS PROBLEM WOULD ISSUE AT THE END OF APRIL.
- (II) AN EXTRA 1.5 BECU FOR FEOGA GUARANTEE. THIS WAS LARGELY DUE TO THE FALL IN THE DOLLAR AND IT ASSUMED THE CURRENT DOLLAR/ECU RATE WOULD BE MAINTAINED UNTIL THE END OF THIS YEAR.
- (III) AN EXTRA 400 MECU FOR THE UK ABATEMENT. 264 MECU OF THIS STEMMED FROM THE VAT ADJUSTMENT THE UK MADE IN 1985; THE REST FROM LESS EXPENDITURE TAKING PLACE IN THE UK IN 1985 THAN ORIGINALLY ENVISAGED.
- (IV) AN EXTRA 200 MECU FOR SPAIN AND PORTUGAL SINCE THEY RECEIVED A REFUND OF 87 PERCENT OF THEIR CONTRIBUTIONS TO THE SUPPLEMENTARY BUDGET.

3. ONLY IF THESE ELEMENTS WERE FINANCED IN 1986 WOULD IT BE POSSIBLE TO HOLD THE 1987 BUDGET WITHIN 1.4 PERCENT. THE COMMISSION WOULD TAKE ITS FINAL DECISION ON THE SUPPLEMENTARY EARLY IN MAY WHEN THE 1985 ACCOUNTS WERE AVAILABLE. THIS WOULD GIVE TIME TO SEE IF THE DOLLAR SETTLED DOWN. HE CRITICISED THE INCOHERENCE BETWEEN THE EUROPEAN AND SPENDING COUNCILS ON THE ONE HAND WHO AGREED EXPENDITURE COMMITMENTS AND THE BUDGET AND FINANCE COUNCILS ON THE OTHER WHO REFUSED TO AGREE THE NECESSARY FUNDS. THE EUROPEAN COUNCIL AND THE IGC HAD ASKED THE COMMISSION TO DRAW UP THE NEW R AND D FRAMEWORK WHICH STOLTENBERG HAD CRITICISED IN THE COUNCIL.

4. ASKED WHETHER THE 1.4 PERCENT-LIMIT MIGHT HAVE TO BE RAISED IN 1986 GIVEN THAT SPENDING REQUIREMENTS ADDED UP TO 2.9 BECU COMPARED WITH THE 2.5 BECU LEFT UNDER THE 1.4 PERCENT CEILING, CHRISTOPHERSEN SAID THE BUDGET HAD TO BE FINANCED IN ONE WAY OR ANOTHER. IT WAS NOT THE COMMISSION'S INTENTION TO GO BEYOND THE 1.4 PERCENT LIMIT IN 1986 BUT RESPONSIBILITY WOULD REST WITH THE COUNCIL WHO HAD TO TAKE DECISIONS ON THE PRICE PACKAGE. HE DID NOT EXCLUDE THE POSSIBILITY

THAT

THAT SAVINGS MIGHT HAVE TO BE MADE. SOME WERE PROPOSED WITH THE PRICE-FIXING PROPOSAL. THE 1.5 BECU FEOGA OVERRUN ASSUMED THESE PROPOSALS WOULD BE AGREED. AGRICULTURE MINISTERS HAD TO TAKE ACCOUNT OF THE BUDGET SITUATION. SOME SURPLUS MIGHT BE AVAILABLE FROM 1985 TO HELP FINANCE THE SUPPLEMENTARY.

5. HE WELCOMED THE FAC'S INVOLVEMENT IN BUDGET QUESTIONS SINCE MANY OF THE POLICY COMMITMENTS HAD ORIGINALLY BEEN AGREED BY FOREIGN MINISTERS. HE RECOGNISED THAT SOME OF THE 11 BECU OUTSTANDING COMMITMENTS ON THE STRUCTURAL FUNDS WAS UNLIKELY TO BE PAID SINCE SOME PROJECTS HAD NEVER BEEN STARTED. BUT THE COMMISSION HAD NO AUTHORITY TO CANCEL THESE COMMITMENTS. IF THE COMMITMENT AND PAYMENT FIGURES IN THE 1986 PDB HAD BEEN ACCEPTED THERE WOULD BE NO PROBLEM.

6. CHRISTOPHERSEN WOULD NOT BE DRAWN ON WHETHER THE COMMISSION WOULD PROPOSE AN ENERGY TAX. THE COMMISSION HAD DISCUSSED THE ENERGY SITUATION BUT NO DECISION ON A LEVY HAD BEEN TAKEN. THE COMMISSION WANTED TO SEE AT WHAT LEVEL ENERGY PRICES WOULD STABILISE. HE ADMITTED THAT HE WAS HAVING TROUBLE GETTING THE COMMISSION TO AGREE ON A 4-YEAR FORECAST BUT HOPED IT WOULD ISSUE IN A FEW WEEKS.

7. IN 1987 THE FINANCIAL GUIDELINE SHOULD BE RESPECTED BUT AN INCREASE IN NON-OBLIGATORY PAYMENTS FOR SPAIN AND PORTUGAL WOULD BE NEEDED TO MEET THE HIGH LEVEL OF COMMITMENTS AGREED IN 1986.

HANNAY

FRAME ECONOMIC
ADVANCE
WALL FCO
BLOOMFIELD FCO
JAY CAB
MERCER CAB
WINTER ODA
PERRINS MAFF
EDWARDS TSY
CRABBIE TSY

'ADVANCED AS REQUESTED'

FRAME ECONOMIC
ECD(I)

RESTRICTED

FM UKREP BRUSSELS
TO DESKBY 110900Z FCO
TELNO 835
OF 102150Z MARCH 86
INFO ROUTINE EUCOM

FRAME ECONOMIC

ECOFIN COUNCIL: 10 MARCH 1986.

BUDGET DISCIPLINE/REFERENCE FRAMEWORK.

SUMMARY

1. NO DISAGREEMENT TO PRESIDENCY CONCLUSION THAT 1987 REFERENCE FRAMEWORK BE FIXED AT 28 APRIL ECOFIN. COMMISSION TO SUBMIT NOTE ON SUPPLEMENTARY NEEDS IN 1986 FOR FURTHER DISCUSSION: CHRISTOPHERSEN TALKS OF FEOGA GUARANTEE OVERRUN OF 1,500 MECU. UNHELPFUL COMMENTS BY CHRISTOPHERSEN THAT SOME OF EXTRA UK ABATEMENT IN 1986 COULD BE POSTPONED UNTIL 1987.

DETAIL

1987 REFERENCE FRAMEWORK

2. RUDING (PRESIDENCY) EXPLAINED THAT THE EP HAD DECLINED HIS INVITATION TO MEET COUNCIL TODAY. THEIR RESPONSE REFERRED TO PFLIMLIN'S LETTER OF 17 JULY LAST YEAR AND TO THE FACT THAT THEY WERE MEETING IN PLENARY SESSION THIS WEEK.

3. MR BROOKE SAID THE 1987 FRAMEWORK SHOULD BE FIXED AT THE APRIL ECOFIN. MARTIN (FRANCE) AGREED. ESPER LARSEN (DENMARK) SAID THE 1986 REFERENCE FRAMEWORK EXPERIENCE SUGGESTED THAT THE COUNCIL SHOULD WAIT UNTIL THE COMMISSION'S EXPENDITURE PLANS FOR 1987 WERE AVAILABLE BEFORE FIXING THE FRAMEWORK. CHRISTOPHERSEN (COMMISSION) BLAMED THE DELAY IN CIRCULATING THEIR FIGURES FOR THE 1987 REFERENCE FRAMEWORK ON THE MEMBER STATES WHO HAD FAILED TO RESPOND IN TIME TO THE COMMISSION'S INVITATION TO SUPPLY OWN RESOURCE ESTIMATES FOR 1987. THERE WAS STILL A GREAT DEAL OF UNCERTAINTY ABOUT THE 1986/87 OWN RESOURCE FIGURES. THE FALL IN THE DOLLAR MIGHT MEAN A DROP IN REVENUE OF SOME 400 MECU THIS YEAR. JUNCKER (LUXEMBOURG) THOUGHT IT IMPORTANT TO SEND A CLEAR SIGNAL TO AGRICULTURE MINISTERS TO RESPECT THE GUIDELINE IN 1986. CHRISTOPHERSEN COMMENTED THAT IT WOULD HELP THE COMMISSION IF FINANCE MINISTERS COULD FIX THE AGRICULTURAL GUIDELINE FOR 1987 ON 28 APRIL AND URGE AGRICULTURE MINISTERS TO TAKE DECISIONS TO LIVE WITHIN IT NEXT YEAR.

4. ON THE SUBSTANCE OF THE REFERENCE FRAMEWORK, MR BROOKE SAID THAT THE NON-OBLIGATORY ELEMENT SHOULD BE BASED ON THE COUNCIL'S SECOND READING FIGURES. IT WAS NOT NECESSARY TO DEDUCT 400 MECU FROM THIS. MARTIN FAVOURED USING THE COUNCIL'S SECOND READING DNO FIGURES THOUGH THIS COULD CHANGE IF THE COUNCIL LOST ITS COURT ACTION. GORIA (ITALY) FAVOURED USING THE ADOPTED 1986 BUDGET FIGURES FOR DNO. ESPER LARSEN SAID THAT THE COST OF THE PAST SHOULD BE OUTSIDE THE REFERENCE FRAMEWORK.

ADAPTATION OF GUIDELINE TO EC-12

5. MR BROOKE SAID THAT THE COMMISSION SHOULD COME FORWARD WITH THE STUDY ON THE GUIDELINE WHICH THEY HAD PROMISED AT THE OCTOBER 1985 ECOFIN. THE UK'S ESTIMATES SUGGESTED THAT INCLUDING SPAIN AND PORTUGAL IN THE GUIDELINES WOULD GIVE A FIGURE FOR EC-12 IN 1987 ROUGHLY SIMILAR TO THE COMMISSION'S AD HOC ESTIMATE. MARTIN SAID THE SUBJECT REQUIRED FURTHER STUDY. GORIA AND ESPER LARSEN FAVOURED AN AD HOC APPROACH. CHRISTOPHERSEN OBSERVED THAT INCORPORATING SPAIN AND PORTUGAL IN THE FINANCIAL GUIDELINE BY USING THEIR OWN RESOURCE FIGURES WOULD GIVE AN EC-12 GUIDELINE OF 24 BECU IN 1987 SOME 800 MECU HIGHER THAN THE EC-10 GUIDELINE PLUS THE COMMISSION'S AD HOC FIGURE.

1986

6. CHRISTOPHERSEN SAID THAT THE COMMISSION'S REPORT ON THE 'COST OF THE PAST' WOULD BE READY AT THE END OF APRIL. IT WOULD PROBABLY SUGGEST THAT AN EXTRA 800 MECU IN PAYMENTS WAS NEEDED. HIS LATEST ESTIMATE FOR FEOGA SUGGESTED AN OVERRUN OF 1.5 BECU. THE BUDGET AUTHORITY HAD NOT FOLLOWED HIS PROPOSAL TO RESTRAIN NEW STRUCTURAL FUND COMMITMENTS IN 1986. THE COUNCIL HAD TO RECONCILE THE INCONSISTENCIES BETWEEN WHAT SPENDING MINISTERS SAID IN THEIR COUNCILS AND WHAT FINANCE AND BUDGET MINISTERS URGED ON THE COMMISSION. A SUPPLEMENTARY BUDGET WOULD PROBABLY BE PUT FORWARD IN EARLY MAY. THERE MIGHT BE SOME UNDERSPEND IN 1985 TO HELP FINANCE THE SUPPLEMENTARY BUT VIRTUALLY ALL THE 1.4 PER CENT RESOURCES WOULD BE NEEDED THIS YEAR.

7. STOLTENBERG (GERMANY) SAID ECOFIN WOULD HAVE TO DISCUSS WHERE SAVINGS MIGHT BE MADE IN 1986. HE LISTED A NUMBER OF RECENT COMMISSION EXPENDITURE PROPOSALS INCLUDING THE 10 BECU RESEARCH FRAMEWORK PROGRAMME AND ASKED HOW THESE WERE CONSISTENT WITH BUDGET DISCIPLINE. THE COMMITMENTS TO SPAIN AND PORTUGAL HAD TO BE KEPT BUT THERE SHOULD BE NO ASSUMPTION THAT NATIONAL PARLIAMENTS WOULD AGREE TO INCREASE THE COMMUNITY'S RESOURCES IN 1987. MR BROOKE ASKED WHAT CHRISTOPHERSEN WAS DOING ABOUT THE AGRICULTURAL OVERRUN WHICH HAD INCREASED FROM 800 MECU IN JANUARY TO 1,500 MECU TODAY. ARTICLE 6 OF THE BUDGET DISCIPLINE CONCLUSIONS REQUIRED ECOFIN'S APPROVAL TO AMEND THE 1986 GUIDELINE. JUNCKER AND EYSKENS (BELGIUM) BOTH THOUGHT IT IMPORTANT TO SEND A CLEAR SIGNAL TO AGRICULTURE MINISTERS TO RESPECT THE GUIDELINE IN 1986. MARTIN SAID IT WAS CLEAR THAT THERE WERE 'EXCEPTIONAL CIRCUMSTANCES' IN 1986. THESE WOULD HAVE TO BE DISCUSSED IN APRIL. SOLCHAGE (SPAIN) AND CADILHE (PORTUGAL) ARGUED THAT THE SOLUTION TO THE 'COST OF THE PAST' PROBLEM SHOULD NOT BE AT THEIR EXPENSE.

UK VAT ABATEMENT

8. CHRISTOPHERSEN SAID THAT A FURTHER 264 MECU WAS NEEDED FOR THE UK ABATEMENT IN RESPECT OF 1985. NOW THAT 1985 EXPENDITURE FIGURES WERE AVAILABLE THE COUNCIL MIGHT ALSO HAVE TO DECIDE TO INCREASE THE ABATEMENT FURTHER. MR BROOKE REMINDED HIM THAT THE COUNCIL HAD ALREADY AGREED THAT THERE SHOULD BE A SUPPLEMENTARY TO TAKE ACCOUNT OF THE INCREASED UK ABATEMENT NOT JUST FOR THE 1985 VAT ADJUSTMENT BUT FOR ALL RELEVANT BUDGETARY INFORMATION IN 1985. CHRISTOPHERSEN /REPLIED

REPLIED THAT HIS PERSONAL VIEW WAS THAT THE COUNCIL SHOULD INCREASE THE ABATEMENT ABOVE 264 MECU IN 1986 BECAUSE OF THE LATEST INFORMATION: THERE WAS NOTHING TO BE GAINED BY STORING UP BURDENS FOR 1987: BUT THE COUNCIL WOULD HAVE TO DECIDE.

9. RUDING CONCLUDED THAT THE COMMISSION SHOULD SUBMIT A NOTE ON THE LATEST POSITION IN 1986 AND ON WHAT THE FIGURES WOULD BE IF SPAIN AND PORTUGAL WERE INCLUDED IN THE GUIDELINE BUDGET COMMITTEE. AND COREPER SHOULD EXAMINE THESE PROBLEMS SO THAT ECOFIN COULD TAKE THE NECESSARY DECISIONS AND FIX THE 1987 REFERENCE FRAMEWORK ON 28 APRIL. HE WOULD INVITE A DELEGATION FROM THE EUROPEAN PARLIAMENT TO THAT MEETING. ECOFIN SHOULD SEND A MESSAGE TO ALL THE SPENDING COUNCILS THAT THE BUDGET DISCIPLINE RULES MUST BE RESPECTED. THEY SHOULD APPEAL TO COLLEAGUES NOT TO TAKE DECISIONS WHICH MIGHT BREACH THE FRAMEWORK IN 1987. SURPRISINGLY, NO DELEGATION CONTESTED THIS SUMMING UP BUT CHRISTOPHERSEN POINTED OUT THAT THE COMMISSION'S REPORT ON THE 'COST OF THE PAST' MIGHT NOT BE AVAILABLE UNTIL THE END OF APRIL AND THAT THIS MIGHT COMPLICATE THE ESTABLISHMENT OF THE FRAMEWORK.

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JAY CAB
MERCER CAB
WINTER ODA
PERRINS MAFF
PS/MINISTER OF STATE TSY
LAVELLE TSY
EDWARDS TSY
CRABBIE TSY

UCLNAN 1057

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COPIES TO:

3 ADVANCE ADDRESSEES

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NBPM

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

10 March 1986

John Mullie

WILL REQUEST IF REQUIRED

Thank you for your letter of 4 February agreeing to the publication of my consultation documents relating to the implementation of our obligations under the European Community's Environmental Assessment directive. Since then, a number of colleagues have written to express their views.

It is clear that there is some concern about the proposal to enable directions to be made requiring assessments of particular projects or classes of project which do not fall within Annex I to the Directive. I have considered this proposal again in the light of the views expressed by colleagues, but it remains my view that this is the right basis on which to go out to consultation. The Directive requires projects of classes listed in Annex II to be made subject to an assessment where "Member States consider that their characteristics so require" and I can see the force of the doubts which the Commission have already expressed informally about whether it is legally open to us to say that we will never consider that this requirement needs to be met. At best, this is a grey area in legal terms, and we have to remember that the European Court nearly always supports the Commission against individual Member States in disputes of this kind. An even greater and more immediate consideration is that the proper implementation of Environmental Directives by all Member States is likely to be a major environmental theme of the UK Presidency in the second half of this year. It would therefore be a particularly embarrassing time to be in conflict with the Commission on this point.

I would also ask colleagues to bear in mind that the proposals set out in the consultation documents do not represent in principle a new form of control over industry. An industrialist would normally already be required to provide information on environmental effects when seeking planning permission for a major project. Environmental assessment is no more than a formalised procedure for collecting and considering this information. It was the unanimous view of the Working Party that produced the proposals on which the Consultation Document is based, including the members from the industrial side, that the use of this procedure has positive benefits: the early consideration of environmental effects enables problems to be resolved at the design stage, and can often avoid unnecessary delay and frustration at the approval stage. We have seen the usefulness of environmental assessment procedures for projects like the Channel Fixed Link and the proposed Trident base at Faslane. Mineral working is not within Annex I, but I know that the National Coal Board use environmental

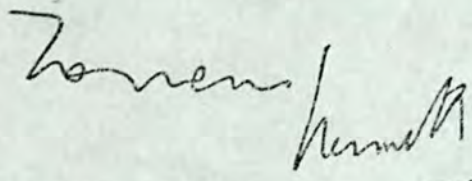
assessment techniques for developing major proposals, and environment assessment of the recent proposals for oil exploration in Dorset was a major factor in the speedy approval of that project. The clear intention is that assessment should be required only for major projects: the consultation document already refers to "projects which are so substantial in their effects that a formal environmental assessment ought to be carried out." I also recognise Michael Jopling's particular concern about agriculture and forestry, but the consultation paper specifically states that the proposals relate only to development which is subject to planning control under the Planning Acts.

These proposals represent a different and more ^fnormalised way of working rather than an additional overall burden for major projects, and I will certainly specifically refer to this point in the consultation paper as Kenneth Clarke requests. I am also pleased to say that agreement has now been reached between officials on the drafting point which was concerning him.

Finally, Paul Channon has expressed concern about the proposal that the local planning authority should have 16 weeks instead of 8 to determine an application for which assessment is mandatory. The need for this proposal stems from the requirement for public consultation in Article 6 of the Directive. The Working Party's proposal was that the developer should be required to initiate such consultations at least 8 weeks before the planning application was submitted. The industry members were unhappy about this proposal, and I have accepted their view that there should be no obligation on a developer to consult before his application and assessment are submitted, even though I am quite certain that developers will be most unwise not to do so. It follows that adequate time must be allowed for public consultation after the application is submitted and, bearing in mind the importance of the schemes to which the Directive will apply, I do not consider that 8 weeks is sufficient. I should perhaps add that the industrialists on the working party said that they would expect local authorities to require more than 8 weeks to consult on and consider projects of this magnitude, and that an extension of the 8 week period in such cases would not be unreasonable.

I am copying this letter to the Prime Minister, Members of H Committee, Kenneth Clarke, Peter Walker, Michael Jopling, Paul Channon, Michael Havers, and Sir Robert Armstrong, and also to Geoffrey Howe in view of the implications for relations with the European Community.

Unless I receive further representations from colleagues I shall propose to issue the consultation paper on Monday 17 March.


KENNETH BAKER

EUROPOL

BUDGET



PT 31



10 DOWNING STREET

From the Private Secretary

10 March 1986

EUROPEAN REGIONAL DEVELOPMENT FUND

The Prime Minister has seen your letter to Mark Addison of 4 March and was grateful for the information you provided about grants made by the European Regional Development fund.

(David Norgrove)

Brian Leonard, Esq.,
Department of the Environment.

ds



From the Minister of State for Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5186
GTN 215
(Switchboard) 01-215 7877

RESTRICTED

THE HON PETER MORRISON MP

The Rt Hon Lord Young of Graffham
Secretary of State for
Employment
Caxton House
Tothill Street
London
SW1

6 March 1986

UK REGIONAL DEVELOPMENT PROGRAMME 1986-90 : JOB DEFICIENCY FORECASTS

It is a requirement of the main regulation governing the European Regional Development Fund (ERDF) (EEC No 1787/84) that member States must communicate Regional Development Programmes (RDPs) to the European Commission. The Commission are required to examine RDPs and consult the Regional Policy Committee which declares its opinion on the Programmes. They are also required to examine each ERDF application for consistency with the appropriate RDP.

The RDPs must take account of the Commission's recommendation on the subject of 23 May 1979 which says, inter alia, that Member States should provide at least "quantified forecasts of job deficits in each region" in respect of the period covered by the programmes. The period should coincide with that chosen for the Commission's medium term economic programmes - the last published (the fifth) covered the period 1981-1985. A sixth medium-term economic programme covering the period 1986-90 is to be published shortly. The Commission will therefore want the new RDP to cover the period 1986-90 and to include the job deficit forecasts.

Projections of labour supply and unemployment by region up to 1986 were provided in the last UK RDP, after Ministerial agreement in

1MOBSM



December 1982, and we now have to provide the forecasts for the new UK RDP. I should therefore be grateful if your officials would let mine have the necessary forecasts covering the period from 1986 to 1990.

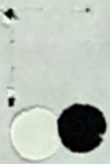
The information will come into the public domain as a complete copy of the RDP will be placed in the House of Commons library, and copies will be sent to Local Authority Associations. It would also be very difficult to refuse any specific requests for information in the RDP - eg in response to Parliamentary Questions.

In any case the document will be available to the Regional Policy Directorate of the Commission and the Regional Policy Committee of Officials of Member States, and we could hardly succeed in keeping it confidential. Moreover on past experience once the document has had a favourable opinion by the Regional Policy Committee Commission, officials will make it available on request to MEPs, and to universities and similar bodies.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and other members of E(A), the Secretaries of State for Foreign and Commonwealth Affairs, the Environment, Scotland, Wales and Northern Ireland and to Sir Robert Armstrong.

PETER MORRISON

1MOBSM





Ref. A086/731

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report that the Danish referendum on 27 February produced a majority in favour of the Treaty changes embodied in the Single European Act; and that Denmark immediately signed the Act, followed by Italy and Greece. The process of ratification in all 12 member states can now begin. In the United Kingdom the text of the Act is to be presented to Parliament as a White Paper within the next fortnight and there is a possibility that the short ratifying Bill will be introduced into Parliament before Easter. Some of the issues may be aired in the debate in the House of Commons on 5 March on Community affairs.

2. The Foreign and Commonwealth Secretary may also refer to the meeting of the joint Council of the Community and the African, Caribbean and Pacific (ACP) states on 4 March, at which the United Kingdom was represented by the Minister of State, Foreign and Commonwealth Office, Mrs Chalker. The ACP states insisted on this special meeting of the EC/ACP Joint Council to try to resolve the long-running dispute over the price to be paid for their cane sugar exports to the Community under the sugar protocol to the Lomé Convention. The ACP countries will in any event receive a small increase this year while Community sugar producers get none. We were not in favour of any greater increase for ACP sugar. The United Kingdom has an important interest because about 90 per cent of the sugar is purchased by Tate and Lyle. Too high a price, relative to the Community's raw sugar price, paid to the ACP exporters would reduce Tate and Lyle's refining margin and could endanger its operations. The Council



was unable to resolve the issue and the ACP countries may invoke the dispute procedure under the Lomé Convention, which involves arbitration.

3. The Chancellor of the Exchequer may report that the application by the United Kingdom to the European Court of Justice for an interim order suspending implementation by the Commission of the disputed elements in the 1986 Community budget will be heard by the Court on 10 March. The main case brought by the Council and five member states against the European Parliament will come to the Court later in the year, probably in the summer.

4. The Secretary of State for Trade and Industry will report on the meeting of the Industry Council on 3 March at which the United Kingdom was represented by the Parliamentary Under Secretary of State, Department of Trade and Industry, Mr Butcher. This meeting saw the start of the negotiations towards a new régime for state aids to shipbuilding in the Community after 1986. The discussion will have to resolve the tension between assisting Community shipbuilders to compete with Far Eastern yards and the desirability of phasing out or at least reducing the levels of aid within the Community. There was discussion, but no decision, on the mutual recognition of telecommunications equipment standards. This measure, in which we have a considerable interest, is designed to open up public purchasing of such equipment in the Community by avoiding duplication of equipment testing.

5. The Secretary of State for Trade and Industry may also mention his discussions with Commissioner de Clercq on a number of trade issues in contention between the Community and the United States. These include steel, where the United States have taken action against Community exports of semi-finished steel (to which the Community has responded with retaliation) in spite of the renewal in 1985 of the carbon steel agreement and the



conclusion of special arrangements for exports to the Tuscaloosa plant in Alabama; and citrus, where the United States is demanding improved out-of-season access to the Community market against the strong opposition of Italy: this dispute has an impact on the revised agreements that the Community is making with certain Mediterranean countries in the wake of the enlargement of the Community. Other consequences for the United States of the accession to the Community of Spain and Portugal are causing difficulty. The United States, having fully supported in political terms this accession and with the prospect of trade advantages because of the Community's more liberal import arrangements for industrial products, are now threatening to proceed in the GATT against the Community about some specific trade effects. Given the protectionist pressures in Congress the situation is of increasing difficulty which will need careful handling.

6. There will be an Environment Council on 6 March; an Economic and Financial Affairs Council on 10 March; a Foreign Affairs Council on 10-11 March; and an informal meeting of Ministers convened by the Dutch Presidency in The Hague on 10-11 March on the status of women.

ROBERT ARMSTRONG

5 March 1986



010

cc P/S
(w/10 Ad.)

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

Prime Minister 4

Work is now just beginning
on the unemployment projections
("job deficits") for the next five
years which have to be provided
in the course of getting these grants.
They were last provided in 1982.

My ref:

Your ref:

4 March 1986

Dear Mark, Awkward, but can be done without
too much embarrassment.

DS
7/3

EUROPEAN REGIONAL DEVELOPMENT FUND

I understand that at the meeting of the Conservative New Towns and Urban Affairs Committee on Thursday 27 February, at which Lord Elton and Mr Tracey were present, the Prime Minister said in the course of a discussion about grant that she would like some more information about European Regional Development Fund projects.

The Fund was set up in 1975 to help correct regional economic disparities. It is used for two main purposes: to help industrial or service activities which are already getting the Government's regional aid; and to support infrastructure works carried out by local authorities and other public bodies. The Department of Trade and Industry are responsible for industry schemes as well as having the lead on the ERDF generally. The Department of the Environment is responsible for the administration of ERDF infrastructure grant in England.

To qualify for an ERDF grant, a project should be in or serving an Assisted Area, be above £30,000 in value and be funded by a local authority or public body (eg Water Authority) or similar organisation.

Last year, the European Commission, with whom the final decision to approve an ERDF application rests, agreed to grant some £290m (excluding special sectoral grants) to the United Kingdom. About £184m of this was for English infrastructure schemes and of this £46m was for two major development programmes covering the Mersey Basin and Shildon, County Durham.

Details of each project by district are at Annex A. A breakdown showing the total number and value of projects together with details of political control are shown at Annex B. Projects vary in size from a trunk road scheme, which may pass through several parliamentary constituencies, to a single building. Programmes, which involve the development of a number of different schemes within one area, may include several local authorities and public bodies. A note on the two programmes is attached. (Annex D).

The European Commission announce from time to time how much grant they have approved. The Secretary of State uses this as a basis for a press announcement. The latest example is attached (Annex C). Members of Parliament in the areas concerned are informed.

Yours sincerely

Brian Connell.

B H LEONARD
Private Secretary

NOTE

EUROPEAN REGIONAL DEVELOPMENT FUND 1985

Total grant commitment for English infrastructure	£m
Schemes in 1985	184
of which project expenditure amounted to	138
and programme expenditure	46
(i) A breakdown showing each project by district is at	A
(ii) A breakdown showing total number and value of projects and details of political control	- B
(iii) A copy of the most recent press notice	- C
(iv) A Note on programmes.	D



ANNEX A

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DOE Reference	Title	Base Date	Grant Committed	Grant Rate	Vote Code	Authority	Travel To Work Area
ALNWICK							
*N/85/1/032	COBNET MARINA	85/03/01	700000.00	50.00	8/1	ALNWICK DC	ALNWICK AND AMBLE
*N/85/0/019	A1068 RED ROW TO AMBLE ST6 2	85/03/01	1037000.00	50.00	6/1	NORTHUMBERLAND CC	ALNWICK AND AMBLE
	Number of Projects	2	1737000.00				
BLYTH VALLEY							
*N/85/2/035	NELSON INDUSTRIAL ESTATE PHASE 1	85/07/01	67500.00	50.00	8/1	NORTHUMBERLAND CC	NEWCASTLE UPON TYNE
	Number of Projects	1	67500.00				
DARLINGTON							
*N/85/1/002	HEIGHINGTON LANE IA EXT	85/01/01	221000.00	50.00	8/1	AYCLIFFE AND PETERLEE DEVCORP	DARLINGTON
*N/85/1/010	LONGFIELD ROAD SEWERS	85/01/01	358500.00	50.00	8/1	NORTHUMBRIAN WA	DARLINGTON
	Number of Projects	2	579500.00				
DERMENTSIDE							
*N/85/1/028	C10 BRADLEY COTTAGES	85/01/01	117500.00	50.00	8/1	DURHAM CC	NEWCASTLE
	Number of Projects	1	117500.00				

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DOE Reference	Title	Base Date	Grant Committed	Grant Rate	Vote Code	Authority	Travel To Work Area
DURHAM							
*N/85/0/035	DRAGON LANE STORM SEWER PHASE B	85/07/01	128000.00	50.00	8/1	NORTHUMBRIAN WA	DURHAM
	Number of Projects	1	128000.00				
EASINGTON							
*N/85/1/015	PORT DEVELOPMENT PHASE B	85/01/01	140000.00	50.00	6/3P	SEAHAM HARBOUR DOCK CO	SUNDERLAND
	Number of Projects	1	140000.00				
GATESHEAD							
*N/85/2/023	SOUTH SANDS ACCESS AND DRAINAGE PHASES 2 AND 3	85/03/01	43000.00	50.00	8/1	GATESHEAD MBC	NEWCASTLE UPON TYNE
*N/85/2/024	RIVER DERWENT EAST BANK RECLAMATION STAGE 2	85/03/01	126500.00	50.00	8/1	GATESHEAD MBC	NEWCASTLE UPON TYNE
*N/85/1/012	FELLING STW ABANDONMENT	85/01/01	370000.00	50.00	8/1	NORTHUMBRIAN WA	NEWCASTLE
*N/85/1/035	PELAW IE-SITE PREPARATION	85/01/01	31500.00	50.00	8/1	TYNE AND WEAR MET CC	NEWCASTLE
*N/85/1/037	RAINES-ATLAS WORKS RAIL ALTERATIONS	85/01/01	165000.00	50.00	8/1	TYNE AND WEAR MET CC	NEWCASTLE
*N/85/1/040	DUNSTON RIVERSIDE ACCESS	85/01/01	70000.00	50.00	8/1	TYNE AND WEAR MET CC	NEWCASTLE
	Number of Projects	6	806000.00				
HARTLEPOOL							
*N/85/2/026	IMPROVEMENT OF THE A178 ICI NORTH TEES TO A1184	85/07/01	159000.00	50.00	6/1	CLEVELAND CC	HARTLEPOOL
*N/85/2/027	A1048 / MIDDLETON ROAD JUNCTION	85/07/01	142000.00	50.00	6/1	CLEVELAND CC	HARTLEPOOL
*N/85/2/049	SECURITY OF SUPPLY PHASE 3 - NAISBERRY SERVICE RESERVOIR	85/07/01	126500.00	50.00	8/1	HARTLEPOOLS WATER CO	HARTLEPOOL

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DOE Reference	Title	Base Date	Grant Committed	Grant Rate	Vote Code	Authority	Travel To Work Area
*N/85/3/001	ROLL-ON/ROLL-OFF PONTOON AND LINKSPAN HARTLEPOOL DOCKS	85/07/01	261500.00	50.00	6/3P	TEES AND HARTLEPOOL PORT AUTH	HARTLEPOOL
Number of Projects		4	689000.00				
LANGBAURGH							
*N/84/3/203	SOUTH BANK AND GRANGETOWN BYPASS STAGE 2	84/06/01	9000.00	30.00	6/1	CLEVELAND CC	TEES-SIDE
*N/84/3/204	DOCKSIDE SPIRE ROAD	84/06/01	867900.00	30.00	6/1	CLEVELAND CC	MIDDLESBROUGH
*N/85/2/029	RECLAMATION OF CARGO FLEET WHARF	85/07/01	679500.00	50.00	8/1	CLEVELAND CC	MIDDLESBROUGH
*N/84/3/930	KIRKLEATHAM RECREATION AND TOURISM DEVELOPMENT STUDY	84/09/01	15000.00	50.00	8/1	LANGBAURGH BC	TEES-SIDE
*N/85/2/005	CAPE INSULATION WORKS (IMPERIAL PARK) RECLAMATION	85/03/01	43500.00	50.00	8/1	LANGBAURGH BC	MIDDLESBROUGH
*N/85/2/006	NORMANBY ROAD IE (CLAY LANE COMMERCIAL PARK) RECLAMATION	85/03/01	100500.00	50.00	8/1	LANGBAURGH BC	MIDDLESBROUGH
*N/85/2/007	SOUTH BANK TIP RECLAMATION	85/03/01	43000.00	50.00	8/1	LANGBAURGH BC	MIDDLESBROUGH
*N/85/2/045	BROTTON SEWERAGE	85/07/01	102500.00	50.00	8/1	NORTHUMBRIAN WA	MIDDLESBROUGH
Number of Projects		8	1860900.00				
MIDDLESBROUGH							
*N/85/2/008	BRITANNIA ENTERPRISE ZONE AREA K - ROADS AND SEWERS STAGE 1	85/03/01	35000.00	50.00	8/1	MIDDLESBROUGH BC	MIDDLESBROUGH
*N/85/0/030	CONDUIT 78 LINK MAIN (FORMERLY CONDUIT 67/68 LINK MAIN)	85/07/01	559000.00	50.00	8/1	NORTHUMBRIAN WA	MIDDLESBROUGH
*N/85/0/031	WALBY GRANGE RESERVOIR AND MAINS	85/01/01	2304500.00	50.00	8/1	NORTHUMBRIAN WA	MIDDLESBROUGH
*N/85/0/032	ACKLAM ST/ST HILDAS PUMPING STATION	85/01/01	352000.00	50.00	8/1	NORTHUMBRIAN WA	MIDDLESBROUGH
*N/85/1/008	THORNFIELD ROAD OVERFLOW	85/01/01	418000.00	50.00	8/1	NORTHUMBRIAN WA	MIDDLESBROUGH
Number of Projects		5	3668500.00				
NEWCASTLE UPON TYNE							
*N/85/1/014	PANDON SEWER	85/01/01	72500.00	50.00	8/1	NORTHUMBRIAN WA	NEWCASTLE

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*N/85/2/046	HEATON/WALKER III FOSSWAY	85/07/01	427500.00	50.00	8/1	NORTHUMBRIAN WA	NEWCASTLE UPON TYNE
Number of Projects		2	500000.00				
NORTH TYNESIDE							
*N/85/2/036	POINT PLEASANT PARK INDUSTRIAL DEVELOPMENT WALLSEND	85/07/01	397000.00	50.00	8/1	NORTH TYNESIDE MBC	NEWCASTLE UPON TYNE
*N/85/1/019	CADCAM CENTRTE WALLSEND	85/01/01	313500.00	50.00	8/1	TYNE AND WEAR MET CC	NEWCASTLE
Number of Projects		2	710500.00				
SOUTH TYNESIDE							
*N/85/0/027	ST PAULS JARROW-PROMOTION AS TOURIST ATTRACTION	85/01/01	86500.00	50.00	8/1	SOUTH TYNESIDE MBC	SOUTH TYNESIDE
*N/85/2/037	SOUTH SHIELDS FORESHORE WORKS PHASE II	85/07/01	450000.00	50.00	8/1	SOUTH TYNESIDE MBC	SOUTH TYNESIDE
*N/85/2/039	BOLDON COLLIERY DEVELOPMENT	85/07/01	500000.00	50.00	8/1	SOUTH TYNESIDE MBC	SOUTH TYNESIDE
*N/85/1/033	KEPPEL STREET BUS FACILITY	85/01/01	130000.00	50.00	8/1	TYNE AND WEAR MET CC	SOUTH TYNESIDE
*N/85/1/034	ACCESS ROAD AND COMPOUND DEV BLACKETT STREET JARROW	85/01/01	187000.00	50.00	8/1	TYNE AND WEAR MET CC	SOUTH TYNESIDE
Number of Projects		5	1353500.00				
STOCKTON ON TEES							
*N/84/4/101	WATER EXPORT PROJECT AT TEESIDE	84/10/01	50400.00	30.00	8/1	NORTHUMBRIAN WA	STOCKTON ON TEES
*N/85/1/025	PRESTON FARM IE PHASE 4	85/01/01	35500.00	50.00	8/1	STOCKTON ON TEES BC	STOCKTON
Number of Projects		2	85900.00				

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SUNDERLAND							
*N/84/3/105	PROVISION OF SECOND 35 TONNE QUAYSIDE CRANE	01/04/04	31000.00	30.00	8/1	PORT OF SUNDERLAND AUTH	WEAR SIDE
*N/84/3/902	PANN'S BANK IIA	04/06/01	341400.00	30.00	8/1	SUNDERLAND MBC	WEAR SIDE
*N/85/2/040	FARRINGDON ROW REDEVELOPMENT	85/07/01	712500.00	50.00	8/1	SUNDERLAND MBC	SUNDERLAND
*N/85/0/022	WESSINGTON WAY DUALLING ADVANCE WORKS-WALL AND FOOTBRIDGE	85/01/01	200000.00	50.00	8/1	TYNE AND WEAR MET CC	SUNDERLAND
*N/85/1/036	WESSINGTON NORTH IE PHASE 2	85/01/01	55000.00	50.00	8/1	TYNE AND WEAR MET CC	SUNDERLAND
*N/85/1/038	ST MARYS WAY/LIVINGSTONE ROAD JUNCTION	85/01/01	60000.00	50.00	8/1	TYNE AND WEAR MET CC	SUNDERLAND
	Number of Projects	6	1679700.00				
TYNEDALE							
*N/85/2/004	LOW PRUDHOE IE-PRINCESS WAY EXTENSION PHASE 2	85/03/01	24500.00	50.00	8/1	NORTHUMBERLAND CC	NEWCASTLE
	Number of Projects	1	24500.00				
WANSBECK							
*N/85/2/015	WEST SLEEKBURN IE ACCESS ROAD STAGES A AND B	85/03/01	70000.00	50.00	8/1	WANSBECK DC	MORPETH & ASHINGTON
	Number of Projects	1	70000.00				

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WEAR VALLEY							
#N/85/2/032	A689 DADDY SHIELD IMPROVEMENT	85/07/01	212500.00	50.00	6/1	DURHAM CC	BISHOP AUCKLAND
	Number of Projects	1	212500.00				
TOTALS for the NORTH							
	Number of Projects	51	14430500.00				
CORBY							
EM/85/2/010	COMBINED HEAT AND POWER / REFUSE INCINERATION	85/05/01	13879000.00	50.00	8/1	CORBY HEAT AND POWER LTD	CORBY
EM/85/1/005	STATION YARD KINGS CLIFFE CORBY	85/01/01	130000.00	50.00	8/1	EAST NORTHAMPTONSHIRE DC	CORBY
EM/85/2/005	A6116 BRIGSTOCK BYPASS	00/00/00	1806500.00	50.00	6/1	NORTHAMPTONSHIRE CC	CORBY
	Number of Projects	3	15823500.00				

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KETTERING							
EM/85/1/003	A6116 Bell Vue and West of Sudborough	85/01/01	235000.00	50.00	6/1	NORTHAMPTONSHIRE CC	KETTERING
	Number of Projects	1	235000.00				
TOTALS for the EAST MIDLANDS							
	Number of Projects	4	16058500.00				
ALLERDALE							
NM/85/1/012	PORT OF WORKINGTON - Hydraulic Operation of Dock Gates	85/01/01	70000.00	50.00	6/3P	CUMBRIA CC	WORKINGTON
NM/85/3/033	WORKINGTON WESTERN IND ROUTE SOUTHERN SECTION	85/05/01	281000.00	50.00	8/1	CUMBRIA CC	WORKINGTON
NM/85/3/034	LAKES SITE DERWENT HOME INDUSTRIAL PARK	85/07/01	1109983.00	50.00	8/1	CUMBRIA CC	WORKINGTON
	Number of Projects	3	1460983.00				
BLACKBURN							
NW/85/1/029	TRANSPORT DEPOT INTACK PH 3	85/01/01	506000.00	50.00	6/2L	BLACKBURN BC	BLACKBURN
NW/85/1/024	ROAD IMPS TO VARIOUS STREETS WITHIN THE NOVA SCOTIA IIA PH I	85/01/01	17500.00	50.00	6/1	LANCASHIRE CC	BLACKBURN
NW/85/1/025	EAMAM OLD ROAD IMP BLACKBURN	85/01/01	19500.00	50.00	6/1	LANCASHIRE CC	BLACKBURN
NW/85/1/026	BRUNSWICK STREET IMPS BLACKBURN	85/01/01	17500.00	50.00	6/1	LANCASHIRE CC	BLACKBURN
NW/85/1/027	LORNE STREET IMPS DARMEN	85/01/01	20500.00	50.00	6/1	LANCASHIRE CC	BLACKBURN
NW/85/1/028	HUTCHINSON COURT IMP DARMEN	85/01/01	24000.00	50.00	6/1	LANCASHIRE CC	BLACKBURN
	Number of Projects	6	605000.00				

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BLACKPOOL							
NW/83/4/012	SANDCASTLE LEISURE CENTRE	83/10/01	2521200.00	30.00	8/1	BLACKPOOL BC	BLACKPOOL
Number of Projects		1	2521200.00				
BOLTON							
NW/85/1/042	HILL HILL IIA PH I	85/01/01	25500.00	50.00	6/1	BOLTON MBC	BOLTON
NW/85/1/043	COE STREET IIA PH I	85/01/01	26000.00	50.00	6/1	BOLTON MBC	BBOLTON
NW/85/1/044	BELLA STREET IND DEV AREA PH 2	85/01/01	60000.00	50.00	6/1	BOLTON MBC	BOLTON
NW/85/1/046	SHIFFNALL STREET IIA PHI	85/01/01	57000.00	50.00	8/1	BOLTON MBC	BOLTON
NW/85/1/047	IMP OF ACCESS AND CAR PARKING TO GRECIAN MILL	85/01/01	25500.00	50.00	8/1	BOLTON MBC	BOLTON
Number of Projects		5	194000.00				
BURY							
NW/85/4/016	BOLTON ROAD IMPROVEMNT - BURY	85/08/01	129000.00	50.00	6/1	GREATER MANCHESTER MET CC	BOLTON AND BURY
NW/85/4/019	HOLLINS BROW RECONSTRUCTION BURY	85/08/01	269000.00	50.00	6/1	GREATER MANCHESTER MET CC	BOLTON AND BURY
Number of Projects		2	398000.00				
CHESTER							
NW/85/3/001	CHESTER WEST IE	85/05/01	154500.00	50.00	8/1	CHESHIRE CC	WIRRAL AND CHESTER
Number of Projects		1	154500.00				

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ELLESMERE PORT							
NW/85/3/002	ELLESMERE PORT TOWN CENTRE TRAFFIC MANAGEMENT SCHEME	85/05/01	185000.00	50.00	6/1	CHESHIRE CC	WIRRAL AND CHESTER
NW/85/3/003	RIVACRE VALLEY LANDFILL SITE	85/05/01	329500.00	50.00	8/1	CHESHIRE CC	WIRRAL AND CHESTER
NW/85/1/021	CLAYHILL INDUSTRIAL ESTATE PHASE 7	85/05/01	143000.00	50.00	8/1	ELLESMERE PORT AND NESTON BC	WIRRAL AND CHESTER
		Number of Projects	3	657500.00			
HALTON							
NW/85/1/003	RUNCORN REINFORCEMENT AND INDUSTRIAL SUPPLY	85/01/01	29250.00	50.00	4/36	BRITISH GAS CORP	WIDNES
NW/85/1/001	MANOR PARK 1 NORTH MAIN DRAINAGE	85/01/01	349000.00	50.00	8/1	WARRINGTON AND RUNCORN DEVCORP	WIDNES
NW/85/1/002	MANOR PARK 1 NORTH DISTRIBUTER AND SPIRE ROAD	85/01/01	255000.00	50.00	6/1	WARRINGTON AND RUNCORN DEVCORP	WIDNES
NW/85/3/007	TOWNFIELD INTERCHANGE AND EXPRESSWAY 10 DUALLING	85/05/01	864000.00	50.00	6/1	WARRINGTON AND RUNCORN DEVCORP	WIDNES AND RUNCORN
		Number of Projects	4	1497250.00			
HYNDBURN							
NW/85/2/019	HYNDBURN LINK ROAD	85/03/01	2754000.00	50.00	6/1	LANCASHIRE CC	ACCRINGTON ROSENDALE
		Number of Projects	1	2754000.00			
KNOWSLEY							
NW/85/1/013	KIRBY IE IMP PROGRAMME PH 7 KNOWSLEY	85/01/01	51500.00	50.00	8/1	MERSEYSIDE MET CC	LIVERPOOL
		Number of Projects	1	51500.00			

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LANCASTER							
NW/85/2/010	LANCASTER THEME PARK	85/03/01	735000.00	50.00	8/1	LANCASTER CITY	LANCASTER
	Number of Projects	1	735000.00				
LIVERPOOL							
NW/85/0/002	LIVERPOOL AIRPORT DEVELOPMENT PHASE 3	85/01/01	2544000.00	50.00	6/2A	MERSEYSIDE MET CC	LIVERPOOL
NW/85/3/010	WAVERTREE TECHNOLOGY PARK	85/06/01	1220000.00	50.00	8/1	MERSEYSIDE MET CC	LIVERPOOL
NW/85/3/011	QUEENS DRIVE MUIRHEAD AVE TO MILLBANK/MILL LANE IMPROVEMENT	85/06/01	350500.00	50.00	6/1	MERSEYSIDE MET CC	LIVERPOOL
NW/85/3/013	DOUBLE TRACK FAZAKERLEY TO AINTREE LANE	85/06/01	214000.00	50.00	6/2L	MERSEYSIDE MET CC	LIVERPOOL
NW/85/1/010	ENGINEERING MANAGEMENT SYSTEM	85/01/01	468500.00	50.00	8/1	MERSEYSIDE PTE	LIVERPOOL
	Number of Projects	5	4797000.00				
MANCHESTER							
NW/85/4/015	AGECROFT ROAD BRIDGE / KERSAL VALE ROAD IMPROVEMENT	85/08/01	168000.00	50.00	6/1	GREATER MANCHESTER MET CC	MANCHESTER
NW/85/1/011	REDEVELOPMENT AND EXTENSION TO INTERNATIONAL ARRIVALS	85/01/01	1358247.00	50.00	6/2A	MANCHESTER INTNAT AIRPORT AUTH	MANCHESTER
NW/85/2/020	MANCHESTER AIRPORT EXTENSION TO INTERNATIONAL PIER C	85/03/01	1313217.00	23.70	8/1	MANCHESTER INTNAT AIRPORT AUTH	MANCHESTER
NW/85/1/041	CHAPMAN ST/RAILWAY ST JUNCTION IMP MANCHESTER	85/01/01	49500.00	50.00	6/1	MANCHESTER MET CITY	MANCHESTER
	Number of Projects	4	2888964.00				
OLDHAM							
NW/85/4/021	MIDDLETON ROAD OLDHAM	85/08/01	177000.00	50.00	6/1	GREATER MANCHESTER MET CC	OLDHAM
NW/85/4/022	MOORHEY / MOUNT PLEASANT IIA HIGHWAY IMPROVEMENTS	85/08/01	106000.00	50.00	6/1	GREATER MANCHESTER MET CC	OLDHAM
NW/85/7/027	CALLOW FIELDS EMPLOYMENT PARK	85/07/01	125500.00	50.00	6/1	OLDHAM MDC	OLDHAM

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NW/85/3/030	REDEVELOPMENT OF VICTOR HILL SITE STALYBRIDGE	85/05/01	34000.00	50.00	8/1	TAMESIDE MBC	MANCHESTER
Number of Projects		4	1573500.00				
ROCHDALE							
NW/85/1/050	HIGHWAY CONSTRUCTION - WILLIAM STREET LITTLEBOROUGH	85/01/01	62500.00	50.00	6/1	ROCHDALE MBC	ROCHDALE
NW/85/1/051	ELIZABETHAN WAY MILNROW	85/01/01	33500.00	50.00	6/1	ROCHDALE MBC	ROCHDALE
NW/85/3/028	ACCESS ROAD LAND ADJOINING GREEN HILL ROCHDALE PH 2	85/05/01	55000.00	50.00	6/1	ROCHDALE MBC	ROCHDALE
NW/85/4/014	STATE HILL ADULT TRAINING CENTRE	85/08/01	509500.00	50.00	8/1	ROCHDALE MBC	ROCHDALE
Number of Projects		4	660500.00				
ROSSENDALE							
NW/85/3/038	RAWTENSTALL GRID SUPPLY POINT AND 132KV OVERHEAD LINE	85/07/01	1830000.00	50.00	4/3E	NORWEB	ACCRINGTON ROSENDALE
Number of Projects		1	1830000.00				
SALFORD							
NW/85/4/017	BROUGHTON ROAD IMPROVEMENT	85/08/01	86000.00	50.00	6/1	GREATER MANCHESTER MET CC	MANCHESTER
NW/85/1/052	SPOONERS INDUSTRIAL ROAD	85/01/01	50000.00	50.00	6/1	SALFORD MET CITY	SALFORD
NW/85/1/054	LEGH STREET CAR PARK	85/01/01	22500.00	50.00	8/1	SALFORD MET CITY	SALFORD
Number of Projects		3	158500.00				

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ST HELENS							
NW/85/1/014	ACCESS ROUTES TO HOLIDAY MOSS LANDFILL SITE PH 1 ST HELENS	85/01/01	142500.00	50.00	6/1	MERSEYSIDE MET CC	WIGAN AND ST HELENS
	Number of Projects	1	142500.00				
TAMESIDE							
NW/85/4/020	HYDE TOWN CENTRE BYPASS	85/08/01	1153000.00	50.00	6/1	GREATER MANCHESTER MET CC	MANCHESTER
	Number of Projects	1	1153000.00				
TRAFFORD							
NW/85/4/023	TRAFFORD PARK VILLAGE HIGHWAY IMPROVEMENTS	85/08/01	237500.00	50.00	6/1	GREATER MANCHESTER MET CC	MANCHESTER
	Number of Projects	1	237500.00				
VARIOUS							
NW/85/1/070	MANCHESTER SHIP CANAL UPPER REACHES Cheshire CC	85/05/01	27500.00	50.00	6/3P	CHESHIRE CC	VARIOUS
NW/85/5/006	MERSEY BARRAGE AND TIDAL POWER STATION STUDY	85/01/01	20000.00	50.00	8/1	MERSEYSIDE MET CC	VARIOUS
NW/85/5/007	TOURISH AND ARTS IN MERSEYSIDE STUDY	85/01/01	35000.00	60.00	8/1	MERSEYSIDE MET CC	VARIOUS
	Number of Projects	3	82500.00				

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WEST LANCASHIRE							
NW/85/1/069	SLEMERSDALE NEW TOWN REVITALISATION	85/01/01	42500.00	50.00	8/1	WEST LANCASHIRE DC	WIGAN AND ST HELENS
	Number of Projects	1	42500.00				
WIGAN							
NW/85/2/018	WIGAN INNER RING ROAD	85/03/01	8303000.00	50.00	6/1	GREATER MANCHESTER MET CC	WIGAN AND ST HELENS
NW/85/1/055	MIRY LANE IE	85/01/01	207000.00	50.00	8/1	WIGAN NBC	WIGAN
NW/85/1/056	TEMPLETON ROAD REDEVELOPMENT AREA	85/01/01	95000.00	50.00	6/1	WIGAN NBC	WIGAN
NW/85/1/057	COLLEGE STREET/BREWERY LANE IMPS	85/01/01	81000.00	50.00	8/1	WIGAN NBC	WIGAN
	Number of Projects	4	8686000.00				
WIRRAL							
NW/85/1/009	MERSEY FERRY LANDING STAGE AT WOODSIDE	85/01/01	1482000.00	50.00	6/2L	MERSEYSIDE MET CC	LIVERPOOL
	Number of Projects	1	1482000.00				
TOTALS for the NORTH WEST		Number of Projects	61	34763397.00			

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DOE Reference	Title	Base Date	Grant Committed	Grant Rate	Vote Code	Authority	Travel To Work Area
CARADON							
SW/85/3/010	83255 SOUTHERN ROAD - CALLINGTON	85/06/01	510000.00	50.00	6/1	CORNWALL CC	BODMIN AND LISKEARD
	Number of Projects	1	510000.00				
CARRICK							
SW/85/1/015	PROTECTION OF TOURIST INFRASTRUCTURE - FALMOUTH	85/01/01	291000.00	50.00	8/1	CARRICK DC	FALMOUTH
SW/85/1/006	IMPROVEMENT AT PERRANWELL VILLAGE	85/01/01	116000.00	50.00	8/1	CORNWALL CC	NEWQUAY
SW/85/3/009	NANTURRIAN HILL - MABE	85/06/01	45000.00	50.00	6/1	CORNWALL CC	FALMOUTH
SW/85/1/030	FALMOUTH SEWERAGE	85/06/01	123000.00	50.00	8/1	SOUTH WEST WA	FALMOUTH
	Number of Projects	4	575000.00				
FOREST OF DEAN							
SW/85/3/001	VALLEY ROAD STAGE II CINDERFORD	85/06/01	79000.00	50.00	6/1	GLOUCESTERSHIRE CC	CINDERFORD AND ROSS
SW/85/3/002	BROCKWEIR BRIDGE STRENGTHENING	85/06/01	92000.00	50.00	6/1	GLOUCESTERSHIRE CC	CINDERFORD AND ROSS
SW/85/3/003	NAILBRIDGE CAUSEWAY	85/06/01	110500.00	50.00	6/1	GLOUCESTERSHIRE CC	CINDERFORD AND ROSS
SW/85/3/004	MITCHELDEAN HIGH STREET	85/06/01	56500.00	50.00	6/1	GLOUCESTERSHIRE CC	CINDERFORD AND ROSS
	Number of Projects	4	338000.00				
ISLES OF SCILLY							
SW/85/1/021	ST MARYS ROAD SCHEME 1984	85/01/01	44000.00	55.00	6/1	COUNCIL OF THE ISLES OF SCILLY	PENZANCE

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SW/85/3/013	SUPPLY OF MAINS ELECTRICITY TO OFF-ISLANDS ISLES OF SCILLY	85/06/01	1144000.00	55.00	4/3E	SOUTH WESTERN EB	PENZANCE AND ST IVES
	Number of Projects	2	1188000.00				
KERRIER							
SW/85/3/006	BICKLAND WATER ROAD - FALMOUTH	85/06/01	107500.00	50.00	6/1	CORNWALL CC	FALMOUTH
SW/85/3/007	A394 CARNEBONE TO TREWENNACK	85/06/01	650000.00	50.00	6/1	CORNWALL CC	HELSTON
SW/85/3/012	ST KEVERNE SUBSTATION	85/06/01	44500.00	50.00	4/3E	SOUTH WESTERN EB	HELSTON
	Number of Projects	3	802000.00				
PENWITH							
SW/85/1/013	LONG ROCK No 3 INDUSTRIAL ESTATE - PENZANCE	85/01/01	50000.00	50.00	8/1	PENWITH DC	PENZANCE AND ST IVES
SW/85/1/101	PENZANCE HARBOUR STUDY	85/01/03	41500.00	70.00	8/1	PENWITH DC	PENZANCE AND ST IVES
SW/85/1/025	ST JUST SEWERAGE	85/06/01	160500.00	50.00	8/1	SOUTH WEST WA	PENZANCE
	Number of Projects	3	252000.00				
PLYMOUTH							
SW/85/0/002	PLYMOUTH ROAD LONGBRIDGE DUALLING PLYMOUTH	85/10/01	1911000.00	50.00	6/1	DEVON CC	PLYMOUTH
SW/84/4/101	PLYMOUTH AIRPORT NAVIGATIONAL AIDS	84/11/01	80000.00	50.00	6/2A	PLYMOUTH CITY	PLYMOUTH
SW/85/3/011	SOUTHWAY 33/11kV SUBSTATION	85/06/01	595500.00	50.00	4/3E	SOUTH WESTERN EB	PLYMOUTH
	Number of Projects	3	2506500.00				

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RESTORMEL							
SM/85/1/024	INDIAN QUEENS TO COSWORTH WATER MAIN	85/06/01	312000.00	50.00	8/1	SOUTH WEST WA	NEWQUAY
	Number of Projects	1	312000.00				
TORBAY							
SM/83/3/012	ROSE TOR CENTRE	84/10/01	2181600.00	30.00	8/1	TORBAY BC	TORBAY
	Number of Projects	1	2181600.00				
TORRIDGE							
SM/85/2/001	NEW LUNDY SUPPLY AND PASSENGER VESSEL	85/03/01	182500.00	50.00	8/1	LANDMARK TRUST	BUDE
	Number of Projects	1	182500.00				
TOTALS for the SOUTH WEST		Number of Projects	23	8927600.00			
BIRMINGHAM							
WM/85/0/005	WOODGATE VALLEY BUSINESS PARK Phase 1	85/01/01	500000.00	50.00	8/1	BIRMINGHAM MET CITY	BIRMINGHAM
WM/85/1/032	BORDESLEY GREEN INDUSTRIAL ESTATE - ESTATE ROAD	85/01/01	42500.00	50.00	6/1	BIRMINGHAM MET CITY	BIRMINGHAM
WM/85/2/051	ASTON SCIENCE PARK - FURTHER EXPANSION- PHASE III	85/06/01	74500.00	50.00	8/1	BIRMINGHAM MET CITY	BIRMINGHAM
WM/85/2/068	BIRMINGHAM INTERNATIONAL CONVENTION CENTRE	85/06/01	13055000.00	35.00	8/1	BIRMINGHAM MET CITY	BIRMINGHAM

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DOE Reference	Title	Base Date	Grant Committed	Grant Rate	Vote Code	Authority	Travel To Work Area
WM/84/4/201	Minworth WRW Operational Improvements - SLUDGE TREATMENT	84/09/01	66000.00	30.00	8/1	SEVERN TRENT WA	BIRMINGHAM
WM/84/4/202	Minworth WRW Operational Improvements PRELIMINARY TREATMENT	84/09/01	78900.00	30.00	8/1	SEVERN TRENT WA	BIRMINGHAM
WM/84/4/203	Minworth WRW Operational Improvements - OXIDATION PLANT	84/09/01	181200.00	30.00	8/1	SEVERN TRENT WA	BIRMINGHAM
WM/84/4/204	Minworth WRW Operation Imps SEDIMENTATION & STORMWATER TANKS	84/09/01	183600.00	30.00	8/1	SEVERN TRENT WA	BIRMINGHAM
WM/84/4/209	RIVER TAME SALTLEY TO BESCOT CHANNEL IMPROVEMENTS Contract 7	84/09/01	64500.00	30.00	8/1	SEVERN TRENT WA	BIRMINGHAM
WM/84/3/412	PROVISION OF PARTRIDGE COURT WORKSHOPS	84/06/01	136600.00	20.00	8/1	WEST MIDLANDS MET CC	BIRMINGHAM
WM/85/1/006	PROPOSED ACCESS ROAD AND SERVICES	85/01/01	106000.00	50.00	6/1	WEST MIDLANDS MET CC	BIRMINGHAM
WM/85/1/015	SELLY OAK JUNCTION COMPLETION	85/01/01	969000.00	50.00	6/1	WEST MIDLANDS MET CC	BIRMINGHAM
WM/85/1/016	SMALL HEATH BY-PASS Phase 2	85/01/01	1585000.00	50.00	6/1	WEST MIDLANDS MET CC	BIRMINGHAM
WM/85/2/003	SMALL HEATH BY - PASS Phase 3	85/06/01	3054881.00	50.00	6/1	WEST MIDLANDS MET CC	BIRMINGHAM
Number of Projects		14	20097681.00				
CANNOCK CHASE							
WM/85/2/016	LITTLEWOOD PUMPING STATION & RISING MAIN	85/06/01	397000.00	50.00	8/1	SEVERN TRENT WA	WALSALL
WM/85/2/017	NORTON CANES WRW ABANDONMENT	85/06/01	253000.00	50.00	8/1	SEVERN TRENT WA	WALSALL
WM/85/2/061	SOUTH STAFFORDSHIRE BUSINESS PARK	85/06/01	420000.00	50.00	8/1	SOUTH STAFFORDSHIRE DC	WALSALL
WM/85/2/059	CANNOCK INNER RING ROAD PHASE 2	85/06/01	217000.00	50.00	6/1	STAFFORDSHIRE CC	WALSALL
Number of Projects		4	1287000.00				
COVENTRY							
WM/85/2/052	SISKIN DRIVE	85/06/01	113500.00	50.00	8/1	COVENTRY MET CITY	COVENTRY & HINCKLEY
WM/85/1/038	SWAN LANE SEWERAGE Stage 4	85/01/01	244500.00	50.00	8/1	SEVERN TRENT WA	COVENTRY
WM/85/2/025	WEM FOUL WATER SEWER PHASES 1 & 2	85/06/01	270500.00	50.00	8/1	SEVERN TRENT WA	COVENTRY & HINCKLEY
WM/85/2/030	COVENTRY AREA SLUDGE DISPOSAL (ROCK FARM)	85/06/01	106500.00	50.00	8/1	SEVERN TRENT WA	COVENTRY & HINCKLEY
Number of Projects		4	815000.00				

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SANDWELL							
WM/84/4/205	River Tame Oldbury Arm: Sec 2 Pt 1&3 OCKERHILL LAKE & CHANEL	84/09/01	106200.00	30.00	8/1	SEVERN TRENT WA	DUDLEY & SANDWELL
WM/84/4/206	River Tame Oldbury Arm (Sec 3 Pt 6) W. BROWICH ST. CALVERTS	84/09/01	54000.00	30.00	8/1	SEVERN TRENT WA	DUDLEY & SANDWELL
WM/84/4/207	River Tame Oldbury Arm (Section 4 Part 4)	84/09/01	58000.00	30.00	8/1	SEVERN TRENT WA	DUDLEY & SANDWELL
WM/84/4/208	River Tame Oldbury Arm (Sec. 4 Pt. 9) WOLVERHAMPTON RD. CALVERT	84/09/01	142200.00	30.00	8/1	SEVERN TRENT WA	DUDLEY & SANDWELL
WM/84/3/406	BRICKHOUSE LANE IMPROVEMENT STAGES 1 & 2	84/06/01	285300.00	30.00	6/1	WEST MIDLANDS MET CC	DUDLEY & SANDWELL
WM/85/1/024	OLDBURY ROAD / SPON LANE / MALLIN STREET JUNCTION - SANDWELL	85/01/01	273500.00	50.00	6/1	WEST MIDLANDS MET CC	DUDLEY AND SANDWELL
WM/85/1/025	BROWFORD ROAD / FOUNTAIN LANE Phase 2	85/01/01	52000.00	50.00	6/1	WEST MIDLANDS MET CC	DUDLEY AND SANDWELL
	Number of Projects	7	972000.00				
TANWORTH							
WM/85/2/019	TANWORTH FLOOBBANK UPRATING	85/06/01	24000.00	50.00	8/1	SEVERN TRENT WA	BIRMINGHAM
WM/85/2/058	COTON LANE RAILWAY BRIDGE	85/06/01	414500.00	50.00	6/1	STAFFORDSHIRE CC	BIRMINGHAM
WM/85/2/066	IMPROVEMENTS TO COTON LANE AT FOX CORNER	85/06/01	127500.00	50.00	6/1	STAFFORDSHIRE CC	BIRMINGHAM
WM/85/2/063	STONYDELPH EMPLOYMENT AREA - DRAINAGE WORKS	85/06/01	137500.00	50.00	8/1	TANWORTH BC	BIRMINGHAM
	Number of Projects	4	703500.00				
THE WREKIN							
WM/85/2/065	NEW RAILWAY STATION - TELFORD CENTRAL	85/06/01	1125500.00	50.00	6/3R	BRITISH RAILWAYS BOARD	TELFORD & BRIDGNORTH
WM/85/2/010	BUILDWAS TO WOODSIDE LINK ROAD	85/06/01	4513500.00	50.00	6/1	TELFORD DEVCORP	TELFORD & BRIDGNORTH
WM/85/2/011	A518 DIVERSION	85/06/01	2278000.00	50.00	6/1	TELFORD DEVCORP	TELFORD & BRIDGNORTH
WM/85/2/012	NORTH WEST DISTRICT ROAD PHASES 3 AND 4	85/06/01	516500.00	50.00	6/1	TELFORD DEVCORP	TELFORD & BRIDGNORTH
	Number of Projects	4	8433500.00				

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VARIOUS							
WM/85/0/010	INSTALLATION OF TELECONTROL SYSTEM	85/03/01	889500.00	50.00	4/3E	MIDLANDS EB	VARIOUS
	Number of Projects	1	889500.00				
WALSALL							
WM/84/4/210	BLACK COUNTRY TRUNK SEWER - WATERY LANE TO PORTOBELLA	84/09/01	54600.00	30.00	8/1	SEVERN TRENT WA	WALSALL
WM/84/4/211	BLACK COUNTRY TRUNK SEWER SYSTEM - WASALL RD. TO LUNT RD. WRW	84/09/01	446400.00	30.00	8/1	SEVERN TRENT WA	WALSALL
WM/85/2/018	CANNOCK RELIEF SEWER - FISHLEY LANE TO GOSCOTE	85/06/01	211000.00	50.00	8/1	SEVERN TRENT WA	WALSALL
WM/85/0/003	CHESTER ROAD / LICHFIELD ROAD / PELSALL ROAD / HIGH STREET	85/01/01	965500.00	50.00	6/1	WEST MIDLANDS MET CC	WALSALL
WM/85/1/009	BULL LANE CANAL BRIDGE	85/01/01	203000.00	50.00	8/1	WEST MIDLANDS MET CC	WALSALL
WM/85/1/011	LITCHFIELD ROAD / PELSALL LANE	85/01/01	42500.00	50.00	6/1	WEST MIDLANDS MET CC	WALSALL
WM/85/1/013	CLAYHANGER BRIDGE	85/01/01	169500.00	50.00	8/1	WEST MIDLANDS MET CC	WALSALL
WM/85/1/014	BRICKYARD ROAD Phase 1	85/01/01	106500.00	50.00	6/1	WEST MIDLANDS MET CC	WALSALL
	Number of Projects	8	2199000.00				
WOLVERHAMPTON							
WM/85/1/036	SUPPLY TO NEW INDUSTRIAL LOADS IN EAST WOLVERHAMPTON	85/01/01	430000.00	50.00	4/3E	BRITISH GAS CORP	WOLVERHAMPTON
WM/85/1/017	WOLVERHAMPTON RING ROAD Phase 6B (Interin)	85/01/01	1976500.00	50.00	6/1	WEST MIDLANDS MET CC	WOLVERHAMPTON
WM/85/1/019	HILLFIELDS / PARKFIELD ROAD / MANOR ROAD	85/01/01	60500.00	50.00	6/1	WEST MIDLANDS MET CC	WOLVERHAMPTON
WM/85/1/020	BIRMINGHAM NEW ROAD / PARKFIELD ROAD JUNCTION	85/01/01	192000.00	50.00	6/1	WEST MIDLANDS MET CC	WOLVERHAMPTON
WM/85/1/021	WADDENS BROOK LANE / LAKEFIELD ROAD	85/01/01	26500.00	50.00	6/1	WEST MIDLANDS MET CC	WOLVERHAMPTON
WM/85/2/005	WOLVERHAMPTON RING ROAD 6B (Final) and BUS STATION	85/06/01	2529468.00	50.00	6/1	WEST MIDLANDS MET CC	WOLVERHAMPTON
	Number of Projects	6	5214968.00				

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WYRE FOREST							
WM/85/2/008	A456 BEWDLEY BYPASS	85/06/01	4119000.00	50.00	6/1	HEREFORD AND WORCESTER CC	KIDDERMINSTER
	Number of Projects	1	4119000.00				
TOTALS for the WEST MIDLANDS							
	Number of Projects	53	44731149.00				
BARNSLEY							
YH/85/1/004	THURNSCOE STATION	85/01/01	107500.00	50.00	8/1	SOUTH YORKSHIRE NET CC	ROTHERHAM
YH/85/1/005	GOLDTHORPE STATION	85/01/01	112000.00	50.00	8/1	SOUTH YORKSHIRE NET CC	ROTHERHAM
YH/85/1/006	A629 THURGOLAND BARNSLEY	85/01/01	28500.00	50.00	6/1	SOUTH YORKSHIRE NET CC	BARNSLEY
YH/85/2/066	WATH ROAD/TINGLE BRIDGE LANE	85/06/01	36500.00	50.00	6/1	SOUTH YORKSHIRE NET CC	BARNSLEY
	Number of Projects	4	284500.00				
BEVERLEY							
YH/85/2/061	HUMBERSIDE AIRPORT - AIRCRAFT APRON	85/09/01	111000.00	50.00	6/2A	HUMBERSIDE CC	HULL
YH/85/3/026	RIVER HULL IMPROVEMENT SCHEME STAGE 9A	85/09/01	73000.00	50.00	8/1	YORKSHIRE WA	HULL
	Number of Projects	2	184000.00				

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BRADFORD							
YH/85/3/034	BRADFORD TTWA MANAGED WORKSHOP COMPLEX	85/06/26	6000.00	50.00	8/1	BRADFORD MET CITY	BRADFORD
YH/85/3/035	THORNTON RD INDUSTRIAL IMP (Formerly Bradford Drainage)	85/10/18	105000.00	50.00	8/1	BRADFORD MET CITY	BRADFORD
YH/85/1/040	BRADFORD RING MAIN REINFORCEMENT	85/01/01	39500.00	50.00	4/36	BRITISH GAS CORP	BRADFORD
YH/85/1/041	IDLE REINFORCEMENT	85/01/01	28000.00	50.00	4/36	BRITISH GAS CORP	BRADFORD
	Number of Projects	4	178500.00				
DONCASTER							
YH/85/2/068	ARWTHORPE BRIDGE	85/06/01	23000.00	50.00	8/1	SOUTH YORKSHIRE MET CC	DONCASTER
	Number of Projects	1	23000.00				
EAST YORKSHIRE							
YH/85/1/022	INDOOR RESORT BRIDLINGTON	85/02/01	2125000.00	50.00	8/1	EAST YORKSHIRE BC	BRIDLINGTON
	Number of Projects	1	2125000.00				
GRIMSBY							
YH/85/2/000	GRIMSBY OUTFALL PHASE III	85/07/10	2700000.00	50.00	8/1	ANGLIAN WA	GRIMSBY
YH/85/1/030	WEELSBY ROAD/LADYSMITH ROAD JUNCTION IMPS	85/01/01	25000.00	50.00	6/1	HUMBERSIDE CC	GRIMSBY
	Number of Projects	2	2725000.00				

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KINGSTON UPON HULL

YH/85/1/027	MAGDALEN LANE HIGHWAY IMP	85/01/01	51000.00	50.00	6/1	HUMBERSIDE CC	HULL
YH/85/1/028	NATIONAL AVENUE JUNCTION IMPS	85/01/01	80500.00	50.00	6/1	HUMBERSIDE CC	HULL
YH/85/1/024	TELEX & DATA COMMUNICATION EQUIPMENT	85/02/01	1639500.00	50.00	8/1	KINGSTON UPON HULL CITY	HULL

Number of Projects	3	1771000.00
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LEEDS

YH/82/2/012	LEEDS / BRADFORD AIRPORT (EXTENSION OF RUNWAY)	84/01/01	2524750.00	25.00	6/2A	WEST YORKSHIRE MET CC	LEEDS
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Number of Projects	1	2524750.00
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ROTHERHAM

YH/85/1/001	ROTHERHAM CENTRAL STATION	85/01/01	415000.00	50.00	8/1	SOUTH YORKSHIRE MET CC	ROTHERHAM
YH/85/1/002	HOLMES CHORD ROTHERHAM	85/01/01	818000.00	50.00	8/1	SOUTH YORKSHIRE MET CC	ROTHERHAM
YH/85/1/003	SWINTON STATION	85/01/01	219500.00	50.00	8/1	SOUTH YORKSHIRE MET CC	ROTHERHAM
YH/85/1/009	SHEFFIELD ROAD / FULLERTON ROAD ROTHERHAM	85/01/01	17000.00	50.00	6/1	SOUTH YORKSHIRE MET CC	ROTHERHAM
YH/85/1/019	TAYLORS LANE/MANGHAM ROAD C603 ROTHERHAM	85/01/01	223500.00	50.00	8/1	SOUTH YORKSHIRE MET CC	ROTHERHAM
YH/85/2/065	WHITEHILL ROAD (B6066) / WHITEHILL LANE JCT IMPROVEMENT	85/06/01	37500.00	50.00	6/1	SOUTH YORKSHIRE MET CC	ROTHERHAM NEXBOROUGH
YH/85/2/067	(A630) CANKLOW ROAD/ALMA ROAD - JUNCTION IMPROVEMENT	85/06/01	31500.00	50.00	6/1	SOUTH YORKSHIRE MET CC	ROTHERHAM NEXBOROUGH

Number of Projects	7	1762000.00
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SCARBOROUGH							
YH/84/3/408	TOWN CENTRE PEDESRIANISATION SCARBOROUGH	84/06/01	20400.00	30.00	8/1	SCARBOROUGH BC	SCARBOROUGH
	Number of Projects	1	20400.00				
SCUNTHORPE							
YH/85/1/043	FLIXBOROUGH INDUSTRIAL ESTATE - INFRASTRUCTURE PHASE 2	85/01/01	100000.00	50.00	8/1	GLANFORD BC	SCUNTHORPE
YH/85/1/029	BOTTESFORD ROAD REALIGNMENT	85/01/01	25000.00	50.00	6/1	HUMBERSIDE CC	SCUNTHORPE
YH/85/3/001	SCUNTHORPE BRIGG RD/STATION RD/NORTH LINCOLN RD JUNCTION IMP	85/09/01	80500.00	50.00	6/1	HUMBERSIDE CC	SCUNTHORPE
YH/85/1/046	BURRINGHAM PUMPING STATION AREA IMP SCHEME	85/09/01	169000.00	50.00	8/1	SCUNTHORPE INTERNAL DRAINAGE B	SCUNTHORPE
	Number of Projects	4	374500.00				
SHEFFIELD							
YH/85/1/038	HOLDER STATION REORGANISATION - NEEPSSEND LANE	85/01/01	643500.00	50.00	4/36	BRITISH GAS CORP	SHEFFIELD
YH/85/1/007	PARKWAY / PARK SQUARE APPROACH SHEFFIELD	85/01/01	20000.00	50.00	6/1	SOUTH YORKSHIRE MET CC	SHEFFIELD
YH/85/1/017	SHEFFIELD INNER RING ROAD IV	85/01/01	765000.00	50.00	6/1	SOUTH YORKSHIRE MET CC	SHEFFIELD
YH/85/2/069	HIGH STREET (A616) / QUEEN STREET MOSBOROUGH	85/06/01	73500.00	50.00	6/1	SOUTH YORKSHIRE MET CC	SHEFFIELD
YH/85/2/070	RICHARDS ROAD/SPENCER ROAD (B6388) IMPROVEMENT	85/06/01	97500.00	50.00	6/1	SOUTH YORKSHIRE MET CC	SHEFFIELD
YH/85/2/071	ROTHER VALLEY ACCESS ROAD	85/06/01	81500.00	50.00	6/1	SOUTH YORKSHIRE MET CC	SHEFFIELD
YH/84/3/031	LANGSETT TREATMENT WORKS	84/05	2285100.00	30.00	8/1	YORKSHIRE WA	SHEFFIELD
YH/85/2/001	DON VALLEY SEWER - 6TH TRANCHE	85/07/09	3662000.00	50.00	8/1	YORKSHIRE WA	SHEFFIELD
	Number of Projects	8	7628100.00				

Date :28/02/86

ERDF PROJECTS APPROVED 1985 (in District order)

DOE Reference	Title	Base Date	Grant Committed	Grant Rate	Vote Code	Authority	Travel To Work Area
VARIOUS							
YH/85/3/036	POTENTIAL TOURISM SCHEMES IN HUMBERSIDE	85/08/12	22500.00	70.00	8/1	HUMBERSIDE CC	VARIOUS
	Number of Projects	1	22500.00				
TOTALS for YORKSHIRE AND HUMBERSIDE							
	Number of Projects	39	19623250.00				
GRAND TOTALS							
	Number of Projects	231	138534396.00				

EUROPEAN REGIONAL DEVELOPMENT FUND

PROJECTS APPROVED

1985

District	Political Control	Number of Projects	Total Expenditure	Grant Committed
ALLERDALE	None	3	3,911,000	1,460,983
ALNWICK	None	2	4,874,000	1,737,000
BARNSELEY	Lab	4	569,000	284,500
BEVERLEY	Cons	2	368,000	184,000
BIRMINGHAM	Lab	14	61,106,000	20,097,681
BLACKBURN	Lab	6	1,210,000	605,000
BLACKPOOL	Cons	1	10,744,000	2,521,200
BLYTH VALLEY	Lab	1	135,000	67,500
BOLTON	Lab	5	388,000	194,000
BRADFORD	None	4	357,000	178,500
BURY	Cons	2	943,000	398,000
CANNOCK CHASE	None	4	3,797,000	1,287,000
CARADON	Independent	1	1,020,000	510,000
CARRICK	None	4	1,150,000	575,000
CHESTER	Cons	1	309,000	154,500
CORBY	Lab	3	31,722,000	15,823,500
COVENTRY	Lab	4	3,488,000	815,000
DARLINGTON	Lab	2	1,165,000	579,500
DERWENTSIDE	Lab	1	235,000	117,500
DONCASTER	Lab	1	46,000	23,000
DURHAM	Lab	1	256,000	128,000
EASINGTON	Lab	1	280,000	140,000
EAST YORKSHIRE	Cons	1	4,250,000	2,125,000
ELLESMERE PORT	Lab	3	1,461,000	657,500
FOREST OF DEAN	None	4	684,000	338,000
GATESHEAD	Lab	6	1,612,000	806,000
GRIMSBY	None	2	5,729,000	2,725,000
HALTON	Lab	4	3,025,000	1,497,250
HARTLEPOOL	Lab	4	1,380,000	689,000
HYNDBURN	Cons	1	6,125,000	2,754,000
ISLES OF SCILLY	None	2	2,613,000	1,188,000
KERRIER	None	3	1,604,000	802,000
KETTERING	Cons	1	470,000	235,000
KINGSTON UPON HULL	Lab	3	3,542,000	1,771,000
KNOWSLEY	Lab	1	103,000	51,500
LANCASTER	Cons	1	1,470,000	735,000
LANGBAURGH	Lab	8	6,375,000	1,860,900
LEEDS	Lab	1	19,228,000	2,524,750
LIVERPOOL	Lab	5	9,594,000	4,797,000
MANCHESTER	Lab	4	11,857,000	2,888,964
MIDDLESBROUGH	Lab	5	7,455,000	3,668,500
NEWCASTLE UPON TYNE	Lab	2	1,017,000	500,000
NORTH TYNESIDE	Lab	2	1,597,000	710,500
OLDHAM	Lab	4	4,006,000	1,573,500
PENWITH	Independent	3	504,000	252,000

PLYMOUTH

Cons

3

6,492,000

2,586,500

Date 28/02/86

EUROPEAN REGIONAL DEVELOPMENT FUND

PROJECTS APPROVED

1985

District		Number of Projects	Total Expenditure	Grant Committed
RESTORMEL	Independent	1	624,000	312,000
ROCHDALE	None	4	1,407,000	660,500
ROSSENDALE	Cons	1	3,660,000	1,830,000
ROTHERHAM	Lab	7	3,524,000	1,762,000
SALFORD	Lab	3	317,000	158,500
SANDWELL	Lab	7	2,862,000	972,000
SCARBOROUGH	Cons	1	68,000	20,400
SCUNTHORPE	Lab	4	749,000	374,500
SHEFFIELD	Lab	8	20,564,000	7,628,100
SOUTH TYNESIDE	Lab	5	2,707,000	1,353,500
ST HELENS	Lab	1	285,000	142,500
STOCKTON ON TEES	Lab	2	313,000	85,900
SUNDERLAND	Lab	6	4,229,000	1,679,700
TAMESIDE	Lab	1	2,357,000	1,153,000
TAMWORTH	Cons	4	1,439,000	703,500
THE WREKIN	Lab	4	19,309,000	8,433,500
TORBAY	Cons	1	7,472,000	2,181,600
TORRIDGE	Independent	1	365,000	182,500
TRAFFORD	Cons	1	475,000	237,500
TYNEDALE	None	1	49,000	24,500
VARIOUS (Projects in several Dists)		5	5,780,000	994,500
WALSALL	None	8	6,113,000	2,199,000
WANSBECK	Lab	1	165,000	70,000
WEAR VALLEY	Lab	1	425,000	212,500
WEST LANCASHIRE	Cons	1	85,000	42,500
WIGAN	Lab	4	17,911,000	8,686,000
WIRRAL	Cons	1	2,964,000	1,482,000
WOLVERHAMPTON	Lab	6	16,391,000	5,214,968
WYRE FOREST	None	1	8,270,000	4,119,000
TOTALS		231	361,145,000	138,534,396
	Conservative	16		
	Independent	5		
	Labour	41		
	No Control	2		

ENVIRONMENT

NEWS RELEASE

44

29 January 1986

KENNETH BAKER WELCOMES GRANTS FROM EUROPE:FINAL EUROPEAN REGIONAL DEVELOPMENT FUND AWARDS FOR 1985

The European Commission announced in Brussels today that England is to receive grants worth nearly £44 million from the European Regional Development Fund (ERDF) towards the cost of 65 infrastructure projects. This means that for 1985 England will have received some £185 million from the European Commission towards the economic development of Assisted Areas.

Welcoming the announcement Kenneth Baker, Secretary of State for the Environment, said: "I am delighted that England has been awarded such a high level of grant despite the stiff competition from other member states. This money will help the reconstruction of areas which are suffering from high unemployment.

"I am particularly pleased that the European Commission are supporting the City of Birmingham's International Convention Centre in these latest awards."

Five regions of England (the North, North West, Yorkshire and Humberside, South West and West Midlands) will benefit from this announcement. Projects on the list include the Point Pleasant Industrial Development at Wallsend; the Ellesmere Port town centre traffic management scheme; the Humberside Airport-Aircraft Apron; a supply and passenger vessel to operate between the island of Lundy and Bideford and Ilfracombe; and the construction of a new railway station at Telford Central.

The Regional distribution of this instalment of grant is as follows:-

Northern Region	£ 7,437,283
North West Region	£ 10,206,000
Yorkshire and Humberside Region	£ 433,500
South West Region	£ 520,500
West Midlands Region	£ 25,200,349

Total	£ 43,797,632
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NOTES TO EDITORS

Under the Fund Regulation projects eligible for grant are those which are carried out by local and public authorities in Assisted Areas and include the provision of infrastructure which will contribute to the economic development of the areas in which they are located.

These latest approvals bring the total amount of grants to the United Kingdom received from the ERDF to over £1,462 million.

The present assisted areas were designated in November 1984 and comprise "travel to work" areas with consistently high unemployment and structural economic problems

Parallel announcements are to be made by the Department of Industry and by the appropriate Departments in Scotland, Wales and Northern Ireland.

Details of the projects are attached.

Press Enquiries: 01 212 4686/90/5113
(out of hours: 01 212 7132)
Public Enquiries: 01 212 3434
(ask for Public Enquiries Unit)

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EUROPEAN REGIONAL DEVELOPMENT FUND -UNITED KINGDOM-

Community contribution to the financing of investment projects

REGION: NORTH

ERDF Contribution

Local. Allerdale County CUMBRIA ERDF No. 850904144/001	New construction: Lakes Site, Derwent Howe Industrial Park Investor: Cumbria CC	1,109,983 £
Local. Durham County DURHAM ERDF No. 850904164/006	New construction: Dragon Lane Storm Sewer Phase B Investor: Northumbrian WA	128,000 £
Local. Wear Valley County DURHAM ERDF No. 850904164/002	New construction: A689 Raddy Shield Improvement Investor: Durham CC	212,500 £
Local. Hartlepool County CLEVELAND ERDF No. 850904163/003	New construction: Roll-on/Roll-off Pontoon and Linkspan Hartlepool Docks Investor: Tees and Hartlepool Port Auth	261,500 £
Local. Hartlepool County CLEVELAND ERDF No. 850904164/001	Modernisation: A104B/Middleton Road Junction Investor: Cleveland CC	142,000 £
Local. Hartlepool County CLEVELAND ERDF No. 850904164/008	New construction: Security of Supply Phase 3 - Naisberry Service Reservoir Investor: Hartlepool Water Co.	126,500 £
Local. Hartlepool County CLEVELAND ERDF No. 850904169/001	Modernisation: Improvement of the A178 ICI North Tees to A1184 Investor: Cleveland CC	159,000 £
Local. Langbaugh County CLEVELAND ERDF No. 850904062/001	Modernisation: Cape Insulation Works (Imperial Park) reclamation Investor: Langbaugh BC	43,500 £
Local. Langbaugh County CLEVELAND ERDF No. 850904062/002	Modernisation: Normanby road IE (Clay Lane Commercial Park) reclamation Investor: Langbaugh BC	100,500 £
Local. Langbaugh County CLEVELAND ERDF No. 850904062/003	Modernisation: South Park tip Reclamation Investor: Langbaugh BC	43,000 £
Local. Langbaugh County CLEVELAND ERDF No. 850904169/002	Modernisation: Reclamation of Cargo Fleet Wharf Investor: Cleveland CC	679,500 £
Local. Langbaugh County CLEVELAND ERDF No. 850904169/006	New construction: Brotton Sewerage Investor: Northumbrian WA	102,500 £

EUROPEAN REGIONAL DEVELOPMENT FUND -UNITED KINGDOM-

Community contribution to the financing of investment projects

REGION: NORTH

ERDF Contribution

Local. County ERDF No.	Middlesbrough CLEVELAND 850904062/004	New construction: Britannia enterprise zone area K -roads and sewers, stage 1 Investor: Middlesbrough BC	35,000 £
Local. County ERDF No.	Middlesbrough CLEVELAND 850904164/005	New construction: Conduit 78 Link Main Investor: Northumbrian WA	559,000 £
Local. County ERDF No.	Gateshead TYNE AND WEAR 850904064/001	Modernisation: River Derwent East Bank reclamation stage 2 Investor: Gateshead MBC	126,500 £
Local. County ERDF No.	Gateshead TYNE AND WEAR 850904064/002	New construction: South Sands access and drainage phases 2 and 3 Investor: Gateshead MBC	43,000 £
Local. County ERDF No.	Newcastle upon Tyne TYNE AND WEAR 850904164/007	New construction: Heaton/Walker III Fossway Investor: Northumbrian WA	427,500 £
Local. County ERDF No.	North Tyneside TYNE AND WEAR 850904169/003	Modernisation: Point Pleasant Park Industrial Development, Wallsend Investor: North Tyneside MBC	397,000 £
Local. County ERDF No.	South Tyneside Tyne and Wear TYNE AND WEAR 850904163/002	New construction: Boldon Colliery Development Investor: South Tyneside MBC	500,000 £
Local. County ERDF No.	South Tyneside TYNE AND WEAR 850904164/003	Modernisation: South Shields Foreshore Works Phase II Investor: South Tyneside MBC	450,000 £
Local. County ERDF No.	Sunderland TYNE AND WEAR 850904101/003	New construction: Provision of a second 35 tonne Quayside Crane at Port of Sunderland Investor: Port of Sunderland authority	310,800 £
Local. County ERDF No.	Sunderland TYNE AND WEAR 850904169/004	New construction: Farrington Row Redevelopment Investor: Sunderland MBC	712,500 £
Local. County ERDF No.	Alnwick NORTHUMBERLAND 850904049/001	New construction: Coquet Marina, Aamble Investor: Alnwick DC	700,000 £
Local. County ERDF No.	Blyth Valley NORTHUMBERLAND 850904163/001	New construction: Nelson Industrial Estate phase 1 Investor: Northumberland CC	67,500 £

TOTAL AID COMMITTED IN RESPECT OF 24 INVESTMENTS

7,437,283 £

REGION: NORTH WEST

ERDF Contribution

Local. County ERDF No.	Chester CHESHIRE 850904121/001	New construction: Chester West IE Investor: Chester CC	154,500 £
Local. County ERDF No.	Ellesmere Port CHESHIRE 850904121/002	New construction: Ellesmere Port town centre traffic management scheme Investor: Chester CC	185,000 £
Local. County ERDF No.	Ellesmere Port CHESHIRE 850904121/003	New construction: Rivacre Valley Landfill site Investor: Chester CC	329,500 £
Local. County ERDF No.	Ellesmere Port CHESHIRE 850904121/005	New construction: Clayhill Industrial Estate phase 7 Investor: Ellesmere Port and Neston BC	143,000 £
Local. County ERDF No.	Halton CHESHIRE 850904121/007	New construction: Townfield interchange and expressway 10 dualling Investor: Warrington and Runcorn Devcorp	864,000 £
Local. County ERDF No.	Lancaster LANCASHIRE 850904045/001	New construction: Lancaster Theme Park Investor: Lancaster City Council	735,000 £
Local. County ERDF No.	Rosendale LANCASHIRE 850904146/001	New construction: Rawtenstall grid supply point and 132kv overhead line Investor: Norweb	1,830,000 £
Local. County ERDF No.	Liverpool MERSEYSIDE 850904134/002	New construction: Wavertree Technology Park Investor: Merseyside Met CC	1,220,000 £
Local. County ERDF No.	Liverpool MERSEYSIDE 850904134/003	Modernisation: Queens Drive (Muirhead ave to Millbank/ Mill Lane) improvement Investor: Merseyside Met CC	350,500 £
Local. County ERDF No.	Liverpool MERSEYSIDE 850904134/004	Extension: Electrified double track (Fazakerley to Aintree Lane) Investor: Merseyside Met CC	214,000 £
Local. County ERDF No.	Bury GREATER MANCHESTER 850904177/002	Modernisation: Bolton Road Improvement-Bury Investor: Greater Manchester Met CC	129,000 £

Community contribution to the financing of investment projects

REGION: NORTH WEST

ERDF Contribution

Local. County ERDF No.	Bury GREATER MANCHESTER 850904177/005	New construction: Hollins Brow Reconstruction Investor: Greater Manchester Met CC	269,000 £
Local. County ERDF No.	Manchester GREATER MANCHESTER 850904177/001	Modernisation: Agecroft Road Bridge/Kersal Vale Road Improvement Investor: Greater Manchester Met CC	168,000 £
Local. County ERDF No.	Oldham GREATER MANCHESTER 850904120/006	Modernisation: Redevelopment of Victor Mill site,Staly- bridge Investor: Tameside MBC	34,000 £
Local. County ERDF No.	Oldham GREATER MANCHESTER 850904145/001	New construction: Salmon fields employment park Investor: Oldham MBC	1,256,500 £
Local. County ERDF No.	Oldham GREATER MANCHESTER 850904177/007	Modernisation: H Middleton Road Oldham Investor: Greater Manchester Met CC	177,000 £
Local. County ERDF No.	Oldham GREATER MANCHESTER 850904177/008	Modernisation: Moorhey/Mount Pleasant IIA Highway Improvements Investor: Greater Manchester Met CC	106,000 £
Local. County ERDF No.	Rochdale GREATER MANCHESTER 850904120/004	New construction: Access road land adjoining Green Mill, Rochdale,ph 2 Investor: Rochdale MBC	55,000 £
Local. County ERDF No.	Rochdale GREATER MANCHESTER 850904179/001	New construction: State Mill Adult Training Centre Investor: Rochdale MBC	509,500 £
Local. County ERDF No.	Salford GREATER MANCHESTER 850904177/003	Modernisation: Broughton Road Improvement Investor: Greater Manchester Met CC	86,000 £
Local. County ERDF No.	Tameside GREATER MANCHESTER 850904177/006	Modernisation: Hyde Town Centre Bypass Investor: Greater Manchester Met CC	1,153,000 £
Local. County ERDF No.	Trafford GREATER MANCHESTER 850904177/009	Modernisation: Trafford Park Village Highway Improvements Investor: Greater Manchester Met CC	237,500 £

TOTAL AID COMMITTED IN RESPECT OF 22 INVESTMENTS

10,206,000 £

EUROPEAN REGIONAL DEVELOPMENT FUND -UNITED KINGDOM-

Community contribution to the financing of investment projects

REGION: YORKSHIRE HUMBERSIDE

ERDF Contribution

Local. Beverley County HUMBERSIDE ERDF No. 850904185/002	New construction: Humberside Airport - Aircraft Apron Investor: Humberside CC	111,000 £
Local. Beverley County HUMBERSIDE ERDF No. 850904185/006	New construction: River Hull Improvement Scheme Stage 9A Investor: Yorkshire WA	73,000 £
Local. Scunthorpe County HUMBERSIDE ERDF No. 850904185/001	New construction: Scunthorpe Brigg RD/Station RD/North Lincoln RD Junction Imp Investor: Humberside CC	80,500 £
Local. Scunthorpe County HUMBERSIDE ERDF No. 850904185/007	Modernisation: Burringham Pumping Station Area Impro- ment Scheme Investor: Scunthorpe Internal Drainage Board	169,000 £

TOTAL AID COMMITTED IN RESPECT OF 4 INVESTMENTS

433,500 £

EUROPEAN REGIONAL DEVELOPMENT FUND -UNITED KINGDOM-

Community contribution to the financing of investment projects

REGION: SOUTH WEST

ERDF Contribution

Local. Torridge County DEVON ERDF No. 850904048/009	New construction: Supply and passenger vessel to operate between the Island of Lundy and Bide- ford and Ilfracombe and on excursion Investor: Landmark Trust	182,500 £
Local. Glos County GLOUCESTERSHIRE ERDF No. 850904153/001	Modernisation: Valley road, stage II, Cinderford Investor: Gloucestershire CC	79,000 £
Local. Glos County GLOUCESTERSHIRE ERDF No. 850904153/002	Modernisation: Nailbridge causeway Investor: Gloucestershire CC	110,500 £
Local. Glos County GLOUCESTERSHIRE ERDF No. 850904153/003	Modernisation: Mitcheldean High street Investor: Gloucestershire CC	56,500 £
Local. Glos County GLOUCESTERSHIRE ERDF No. 850904153/004	Modernisation: Brockweir bridge strengthening Investor: Gloucestershire CC	92,000 £
TOTAL AID COMMITTED IN RESPECT OF 5 INVESTMENTS		520,500 £

EUROPEAN REGIONAL DEVELOPMENT FUND -UNITED KINGDOM-

Community contribution to the financing of investment projects

REGION: WEST MIDLANDS

ERDF Contribution

Local. Birmingham County WEST MIDLANDS ERDF No. 850903012/001	New construction: Birmingham International Convention Centre - Phase I Investor: Birmingham Met City	13,055,000 £
Local. The Wrekin County SALOP ERDF No. 850904123/003	New construction: New railway station - Telford Central Investor: British Railways Board	1,125,500 £
Local. Cannock Chase County STAFFORDSHIRE ERDF No. 850904133/001	New construction: Cannock Inner Ring Road phase 2 Investor: Staffordshire CC	217,000 £
Local. Cannock Chase County STAFFORDSHIRE ERDF No. 850904133/009	New construction: South Staffordshire business park Investor: S/Staffordshire DC	420,000 £
Local. Tamworth County STAFFORDSHIRE ERDF No. 850904133/006	Modernisation: Improvements to Coton Lane at Fox Corner Investor: Staffordshire CC	127,500 £
Local. Tamworth County STAFFORDSHIRE ERDF No. 850904133/007	New construction: Coton Lane railway bridge Investor: Staffordshire CC	414,500 £
Local. Tamworth County STAFFORDSHIRE ERDF No. 850904133/010	New construction: Stonydelph Employment Area - drainage works Investor: Tamworth BC	137,500 £
Local. Birmingham County WEST MIDLANDS ERDF No. 850904143/001	Modernisation: Small Heath by-pass Phase 3 Investor: W/Midlands Met CC	3,054,881 £
Local. Hereford/Worcs County WEST MIDLANDS ERDF No. 850904171/001	New construction: A456 Bewdley Bypass Investor: Hereford and Worcester CC	4,119,000 £
Local. Wolverhampton County WEST MIDLANDS ERDF No. 850904143/002	Modernisation: Wolverhampton ring road 6B (final) and bus station Investor: W/Midlands Met CC	2,529,468 £

EUROPEAN REGIONAL DEVELOPMENT FUND -UNITED KINGDOM-

Community contribution to the financing of investment projects

REGION: WEST MIDLANDS

ERDF Contribution

TOTAL AID COMMITTED IN RESPECT OF 10 INVESTMENTS

25,200,349 £

ERDF PROGRAMMES

Two ERDF programme bids were given grant commitment in 1985. The applications were for multi-sector activities in more than one local authority area.

Shildon - Newton Aycliffe - Bishop Auckland Programme

1985 commitment £6,580,000

covering parts of the Districts of Sedgefield and Wear Valley.

Mersey Basin Programme

1985 commitment £39, 123, 500

covering the Districts of Bolton, Blackburn, Bury, High Peak, Manchester, Oldham, Rochdale, Rossendale, Salford, Stockport, Tameside, Trafford, Wigan, Congleton, Crewe and Nantwich, Halton, Knowsley, Macclesfield, St Helens, Warrington, Vale Royal, Ellesmere Port and Neston, Liverpool, Sefton, Wirral, West Lancashire and Chester.



From the Minister of State for Industry

DEPARTMENT OF TRADE AND INDUSTRY

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THE HON PETER MORRISON MP

The Rt Hon John Biffen MP
Lord Privy Seal
Lord Privy Seal's Office
68 Whitehall
London
SW1

cc B9
CJP 2/22
28 February 1986

DEBATE ON DRAFT EC DIRECTIVE - POWERED INDUSTRIAL TRUCKS

I enclose a memorandum covering a recommendation by the House of Commons Select Committee on European legislation for a debate on the draft Council directive on specifications for powered industrial trucks (Document 6893/79). There is some urgency to arrange the debate before the end of March and I hope we can take comments by correspondence.

The main points for consideration are the timing and location of the debate (Paragraphs 15 and 16 of the memorandum). The UK could well be isolated in blocking the proposal at the 18 March Internal Market Council.

It would therefore be helpful to have the debate before the end of March to give us time to consider our position at the next Council which will be soon afterwards on 8 April. Regarding location, I should like a debate on the floor of the House but in view of the urgency you may consider it necessary to take it in Standing Committee.

I am copying this letter to Geoffrey Howe, David Young, Nicholas Ridley, members of L and OD(E) Committees, Sir Robert Armstrong and the secretaries of L and OD(E).

PETER MORRISON

1FRBGW



Foreign and Commonwealth Office

London SW1A 2AH

27 February 1986

T Flesher Esq
10 Downing Street
LONDON SW1

TOD
NR 2872

Dear Sir

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V

DEVELOPMENTS IN THE EUROPEAN COMMUNITY: JULY-DECEMBER 1985

We propose to publish in early March a White Paper on Developments in the European Community covering the period July-December 1985. The report is purely factual and one of a series normally produced every six months.

I should be grateful if you, and those to whom I am copying this letter, would kindly confirm that there is no objection to publication.

Yours sincerely

J G Rice

J G Rice
Parliamentary Clerk

cc: D R Morris Esq
Office of the Lord Privy Seal and
Leader of the House
70 Whitehall
LONDON SW1

C Roberts Esq
Chief Whips
12 Downing Street
LONDON SW1

RESTRICTED

DEVELOPMENTS IN THE EUROPEAN COMMUNITY
JULY TO DECEMBER 1985

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Note: Save where stated otherwise European currency units (ecu) have been converted at the 2 December 1985 market rate of 1.7 ecu = £1.

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SECTION I: INTRODUCTION

1.1 This White Paper covers the Luxembourg Presidency of the Council of Ministers from 1 July to 31 December 1985. The major preoccupation of the Community was the Inter-Governmental Conference on institutional reform called for by the European Council in Milan in June. The period also saw the finalisation of arrangements leading to the accession of Spain and Portugal. The European Communities (Spanish and Portuguese Accession) Bill received Royal Assent on 19 December, enabling the United Kingdom to ratify the Spanish and Portuguese Treaty and Act of Accession on 20 December. The two countries become full members of the European Communities on 1 January 1986.

1.2 The formal decision to convene an Inter-Governmental Conference was taken by Foreign Ministers at their meeting on 22 July. A series of Ministerial meetings and official level meetings were held leading up to the European Council on 2-3 December. The Government made clear that they would judge proposals for Treaty amendment by whether they contributed to the achievement of the Community's and the United Kingdom's objectives, particularly completion of the common market, and would bring about real improvements in decision taking. The European Council on 2/3 December reached agreement, subject to general reserves by Denmark and Italy, on measures to complete the common market by 1992; steps to bring the EC Treaty up-to-date by new articles on technology, environment and the regional fund; procedural changes to enable the European Parliament to play a more constructive role; and separate treaty provisions on co-operation in foreign policy on the basis of a draft originally presented by the United Kingdom.

1.3 The Government believe the changes agreed represent worthwhile improvements in the operation of the Community. The agreements to complete the common market by 1992, to speed up decision-taking, to strengthen our co-operation in foreign policy, and to ensure that our

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efforts in research and development are geared to the exploitation of a growing market will help to achieve objectives which we have consistently pursued, enabling the United Kingdom to realise more fully the benefits of membership of the Community.

1.4 Following the adoption by the Council on 7 May of the new Own Resources Decision, the United Kingdom introduced on 14 June the European Communities (Finance) Bill seeking Parliament's approval of the measure. This received Royal Assent on 30 October, and the United Kingdom formally notified the Secretary-General of the Council of the completion of our procedures for approval on 4 December.

1.5 The United Kingdom received an abatement of £604,634,000 in respect of 1984. This abatement of 1000 million ecus was the last of the ad hoc arrangements before the more favourable Fontainebleau system of abatements entered into force. Of this amount 270 million ecus (£160 million) was received by the end of 1985 and the rest in the first few days of January 1986.

1.6 The Community's 1986 budget provides for an abatement for the United Kingdom of 1400 million ecus (£824 million) in respect of 1985 as a result of the Fontainebleau agreement.

1.7 Following the failure of the Council and European Parliament to agree on the 1986 Budget at a special Budget Council in Strasbourg on 11/12 December, the European Parliament voted for a budget including 629 million ecu (£391 million) in payment appropriations and some 473 million ecu (£294 million) in commitment appropriations over and above the Council's revised draft budget. The 1986 budget was signed by the President of the European Parliament on 18 December. The Council decided on 20 December to begin proceedings before the European Court against the budget adopted by the European Parliament.

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1.8 In July the Commission issued a Green Paper "Perspectives for the Common Agricultural Policy" (CAP). The paper addressed the issues of surplus production and its budgetary cost; the trade aspects of the CAP; and social and environmental issues including the need to integrate agriculture within a viable rural economy. The key elements of the Commission's approach in the paper were sustained action on prices as the main means of bringing about a better balance between supply and demand in the market; various measures to tackle the problems of the cereals sector; the possibility of direct income support for producers most affected by a restrictive price policy; alternative production and uses; and various measures to benefit the environment. A further memorandum in December recorded the Commission's conclusions in the light of the views expressed on the Green Paper. It covered similar ground but also suggested that new budgetary resources would be needed to finance the measures envisaged before savings were made. The United Kingdom has repeatedly stressed the importance which it attaches to the contribution of price policy to resolving the problems of surplus and the need to observe the agreed financial limits.

1.9 The Commission issued specific memoranda in November and December with ideas for changes in the cereals and beef regimes as well as proposals for a Community milk outgoers scheme. For cereals the central feature was the suggested introduction of a co-responsibility levy, together with possible restrictions on the availability of intervention. For beef the Commission suggested a much reduced role for intervention and the rationalising of the various premium schemes. The milk proposals envisaged the purchase of some 3 per cent of the Community's quota which would then be cancelled to reduce the level of surplus production. These memoranda formed the basis of a discussion in the Agriculture Council on 19 December on the future operation of the CAP. The basic problems as outlined in the Commission's Green Paper were generally accepted, but a wide divergence of opinion remained on how best to deal with them. The Commission indicated that its conclusions would underlie its CAP price proposals for 1986/87.

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1.10 The revised Common Fisheries Policy (CFP) agreed in January 1983 has continued to function smoothly. The necessary detailed arrangements have been made in accordance with the Act of Accession to take account of the accession of Spain and Portugal to the Community. Total allowable catches (TACs) and quotas have, for the second year running, been settled before they are due to come into effect and they now include catch limitations applying to Spanish and Portuguese vessels. The major 1986 fisheries arrangements with third countries, including Norway, have also been concluded. The United Kingdom successfully defeated a proposal to increase the permitted whitefish by-catches when fishing for Norway pout. Significant amendments to the Community control measures as well as certain additional measures to ensure compliance with the post-enlargement regime were agreed.

1.11 On the Internal Market the Council on 12 December endorsed a rolling Presidency action programme for 1986. This was originally proposed by the United Kingdom, in close consultation with the Netherlands, so that significant action to open up the internal market can be carried forward during our Presidencies. This is the first time that such an agreed plan covering more than one Presidency has been worked out jointly.

1.12 On steel the Industry Council on 29 October agreed a new, restrictive regime on state aids which will ensure that United Kingdom steel firms in both the public and private sectors will not face the threat of extensive subsidies to continental competitors. A new production quota system was also agreed which combines a welcome return to a free market with increased quotas for United Kingdom firms.

1.13 In the area of research and development agreement in principle was reached at the Research Council on 10 December on two major programmes of research in the environment and materials sectors. The European Council on 2-3 December agreed new Treaty articles on Research and Technological

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Development. These provide for an overall Framework Programme governing the Community's scientific and technological activities. The Framework will define Community scientific and technological objectives, establish priorities, set the main lines of envisaged activity, fix an appropriate overall level of funding and determine a financial breakdown between the respective activities. The EUREKA programme, which goes wider than the Community and for which the United Kingdom currently holds the presidency, took forward work to promote market-oriented collaborative ventures in high technology between European firms.

1.14 On Regional Policy the Council in December adopted amendments to the main European Regional Development Fund Regulation so as to provide for the participation in the Fund of Spain and Portugal.

1.15 At the Environment Council on 28 November Ministers resolved a number of outstanding points on the draft directive on polluting emissions from vehicles. They also agreed that the marine pollution information system for the control and reduction of pollution caused by hydrocarbons discharged at sea should be extended to cover other harmful substances. Work was set in hand to prepare for the European Year of the Environment which will run from 21 March 1987 to 20 March 1988.

1.16 In the inland transport sector agreement was reached that a free market in transport without quantitative restrictions should be created by 1992 at the latest. The liberalisation of transport services within the Community is a major priority for the United Kingdom and, although the details of the transitional period remain to be worked out, the commitment in principle to liberalisation by 1992 is a welcome step forward. It was, however, disappointing that very slow progress was made in work on draft Community instruments on sea and air transport.

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1.17 In the social and employment field, agreement was reached on the draft directive on noise and on a revised European Social Fund (ESF) regulation to accommodate the entry of Spain and Portugal in 1986. It was also agreed that the basic rules of the ESF should be revised to provide support for unemployed people wishing to set up their own businesses from 1986. The Commission issued a supplementary decision on applications for ESF assistance allocating the United Kingdom a further £16 million for 1985 employment and training schemes. A programme of co-operation between industry and higher education in the field of training in technology was also agreed.

1.18 On energy issues the Government welcomed the extension of the coal state aids regime for a further six months. Agreement was also reached to continue sales aid for coking coal until the end of 1986, but at a reduced level. Discussion continued on the new energy objectives for 1995 with acceptance that they should be expressed principally in qualitative terms. Approval was given to the final texts of regulations renewing Community support for energy demonstration projects and projects to develop new technologies in the hydrocarbons sector. The Government regretted that proposals for continued support for social measures resulting from the restructuring of the coal industry were not agreed and had to be remitted for further discussion.

1.19 On external trade the Community, as the world's biggest trading bloc, welcomed the decision by the Contracting Parties of the General Agreement on Tariffs and Trade (GATT) to establish a Preparatory Committee for the new round of multilateral trade negotiations. (The Preparatory Committee is due to conclude its work by mid-July 1986 and make recommendations to a GATT Ministerial Meeting in September, which the Government hopes will agree to launch the new round.) As a contribution to more liberal trade, the Community decided to accelerate certain tariff cuts agreed in the Tokyo round of multilateral trade

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negotiations. The Community welcomed the US Government's re-affirmation of its support for the open trading system but continued to follow closely the progress of draft protectionist legislation in Congress. An arrangement for future levels of Community steel exports to the US was concluded. The Community took note of the series of measures adopted by the Japanese Government, including the 3-year Action Programme, to liberalise the domestic market and stimulate domestic demand. The Community continued to press the Japanese Government to set itself a quantified target for a significant increase in imports of manufactured goods and processed agricultural goods and to take further steps to expand domestic demand and strengthen the Yen. The Community reaffirmed its determination to respond to unfair trade practices on the part of all trading partners and imposed anti-dumping duties on certain products from a number of countries including Japan, the US and China.

1.20 The Community and member states continued to provide famine relief on a very large scale. The Commission reported in November that delivery had been effected of nine-tenths of the food and other aid committed under the Plan agreed at the European Council in Dublin (December 1984) to provide at least 1.2 million tonnes of grain to the worst affected countries. For 1986 the Community has agreed to establish a reserve to finance food aid for famine relief and on a special programme for rehabilitation in the famine affected countries.

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SECTION II: INTER-GOVERNMENTAL CONFERENCE (IGC)

2.1 The European Council in Milan on 28-29 June 1985 decided by majority vote to convene a Conference of Governments of member states to consider institutional reform of the Community and possible treaty amendments, as well as the proposals put forward by the United Kingdom and others for a treaty on foreign policy and security.

2.2 The Foreign Affairs Council on 22 July took the formal decision to convene the Conference at Foreign Minister level. The first meeting was held in Luxembourg on 9 September, with representatives of the Commission, Spain and Portugal attending.

2.3 The Inter-Governmental Conference (IGC) subsequently met six times. The United Kingdom was represented by the Secretary of State for Foreign and Commonwealth Affairs or by the Minister of State (Mr Malcolm Rifkind). Twelve preparatory meetings of officials also took place, led on the United Kingdom side by our Permanent Representative to the European Communities. A full list of IGC and IGC related meetings is at Annex B. Discussion covered the following subjects: internal market, role of the European Parliament, powers of the Commission, technology, environment, cohesion, monetary co-operation, social policy, European Court of Justice.

2.4 At the European Council in Luxembourg on 2-3 December Heads of Government reached agreement, subject to Italian and Danish overall reserves and some outstanding reserves on individual aspects of the texts, on a single European Act, comprising amendments to the Treaty of Rome in the areas listed in paragraph 2.3, as well as Treaty provisions codifying foreign policy co-operation among the member states. This outcome was reported by the Prime Minister to the House of Commons on 5 December.

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2.5 On completion of the internal market the Community set itself a target date of 1992 and agreed to make greater use of majority voting. Unanimity will be maintained on important issues such as fiscal provisions and those relating to the free movement of persons or the rights and interests of employees. The main effect of agreement will be to speed up completion of the common market in goods and services. The agreement does not affect frontier controls to deal with terrorism, drugs or immigration. It includes safeguards enabling the United Kingdom and Republic of Ireland to protect their high standards of animal and plant health.

2.6 As regards the European Parliament, the co-operation procedure which was agreed will give the European Parliament the opportunity to play a more constructive role in Community decisions on the internal market and in other important areas, while leaving the last word with the Council of Ministers. The European Parliament's assent will be required for new accession and association agreements.

2.7 The new articles on technology and the environment will update the Treaty of Rome by writing into it the pattern of collaboration already established in the Research and Environment Councils, and will provide a basis for future action. In technology emphasis is placed on market-oriented programmes to improve the competitiveness of European industry.

2.8 The article on cohesion gives a treaty base for the first time to the Regional Fund, which was set up in 1975 and has had a considerable impact on the poorer regions of the European Community, including areas of industrial decline. The structural funds operated by the Community (Regional Fund, Social Fund, Agricultural Guidance Fund) are to be better coordinated with one another and with the activities of the European Investment Bank.

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2.9 Agreement was reached that a reference should be made to the European Monetary System in the Treaty in a way which records what has already happened in this field without conferring new powers.

2.10 On the European Court of Justice agreement was reached inter alia on new Treaty articles providing power to set up a Court of First Instance. It is hoped that when this power is exercised it will enable the court to deal with staff matters and cases raising complex issues of fact (especially competition and anti-dumping cases). The changes are designed to reduce the Court's heavy workload.

2.11 The new treaty on European Co-operation in the sphere of Foreign Policy, based on the British text tabled earlier in 1985, formalises and strengthens the commitment to consult and concert. It applies to the existing pattern of consultation on the economic and political - but not the defence - aspects of security.

2.12 The European Council also endorsed Commission plans to relieve the burdens of Community requirements on businesses (deregulation) in response to an initiative of the Prime Minister.

2.13 A further meeting of the Inter-Governmental Conference took place in Brussels on 16 December. Discussion centred on relatively minor points which, following the decisions taken at the European Council, required clarification or further work.

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SECTION III: ECONOMIC BUDGETARY AND MONETARY MATTERS

New Own Resources Decision

3.1 The United Kingdom introduced on 14 June the European Communities Finance Bill seeking Parliament's approval of the new Own Resources Decision. The Bill completed its House of Commons stages on 22 October and all its stages in the House of Lords on 28 October. It received Royal Assent on 30 October. The formal notification to the Secretary-General of the Council on the completion of our procedures was made on 4 December. This made the United Kingdom the second member state to make this notification. The last notification, that of Italy, was received on 28 December and the new Own Resources Decision came into effect on 1 January 1986.

Amending Letter to the 1986 Preliminary Draft Budget (PDB)

3.2 The Commission published on 11 October a letter of amendment to the 1986 PDB proposing that the provision for the United Kingdom's abatement should be increased from 1400 million ecus (£824 million) ecus to 1664 million ecus (£979 million). This proposal was made because the VAT adjustment paid on 1 August increased the United Kingdom's 1985 VAT share, which is used for calculating our entitlement to abatement under the Fontainebleau system, from 21.34 per cent to 22.83 per cent. Because of the size of the resulting correction, the Commission felt that prudent budgetary management required this to be reflected in the budget at the earliest possible moment.

3.3 The Economic and Finance Council (ECOFIN) discussed the amending letter on 28 October. The Council accepted that the United Kingdom was entitled to the increased abatement, but expressed some anxiety about the timing of the Commission's proposal on two grounds. The first was that, although the adjustments had been made on 1 August, the Commission had failed to make its proposals in time for them to be considered at the first Budget Council on 17 September. The second was that the agreed methodology for the calculation of the abatement made no specific provision for a correction at that stage in the budgetary process.

3.4 The Council decided accordingly that a better solution would be to invite the Commission to bring forward a supplementary budget in September 1986 to correct the United Kingdom's abatement. This would take account not only of the VAT adjustment, whose effects had already been established, but also of the latest available information on receipts shares. The Council undertook to take the necessary decisions on the Commission's proposals at that time.

1000 million ecus abatement in respect of 1984

3.5 The European Council at Fontainebleau in June 1984 agreed that the United Kingdom should receive a 1000 million ecus flat-rate abatement of its VAT payments in 1985 in respect of its excessive net contribution in 1984. Provision for this was included in the new Own Resources Decision as well as in the 1985 budget. It was agreed that the abatement would be made not later than the first working day of the month following the second working day after the receipt by the Secretary-General of the Council of the last notification from member states that they had completed their national procedures for approval of the Own Resources Decision.

3.6 The last of these notifications was received on 28 December. The Commission made a payment of 270 million ecus to the United Kingdom on 31 December. The remaining 730 million ecus were paid at the beginning of January 1986. The payments were made at the exchange rate prevailing on 16 December 1985 (1.65 ecu = £1), giving the United Kingdom a total of £604,634,000. The whole payment will be debited to the 1985 budget.

1986 Budget

3.7 The start of the 1986 Budgetary Procedure was delayed by the late adoption of the 1985 Budget on 13 June 1985. The 1986 Preliminary Draft Budget, containing some 35,051 million ecu (£21,776 million)⁽¹⁾ in

(1) Converted at the rate of 1.6096 = £1 used by the Commission for the 1986 Budget.

payment appropriations and some 36,359 million ecu (£22,589 million) in commitment appropriations, was considered by the Budget Council on 17-18 September. The Council established a draft budget by qualified majority. The expenditure agreed by the Council totalled 32,056 million ecu (£19,916 million) in payment appropriations and 34,218 million ecu (£21,259 million) in commitment appropriations. This was consistent with the 1986 Reference Framework adopted in July and the Budgetary Discipline conclusions of December 1984. It also took into account the budgetary effects arising from the accession of Spain and Portugal. On the revenue side it included provision for the United Kingdom to receive a VAT abatement of 1.4 billion ecu, in accordance with the Fontainebleau agreement of June 1984.

3.8 On 13 November the European Parliament adopted a number of amendments and modifications to the 1986 draft budget. The total effect of these was to increase non-obligatory expenditure by some 1,786 million ecu (£1,110 million) over the draft budget. The Budget Council met again on 26 November and responded by proposing to limit these additions to 821 million ecu (£510 million) comprising 321 million ecu on account of enlargement, 400 million ecu for the so-called 'cost of the Past' overhang of past commitments in the Regional Development and Social Funds, and 100 million ecu in other budget lines. Two member states, the United Kingdom and Republic of Ireland, for different reasons, voted against the revised draft budget. The United Kingdom was opposed to making special extra provision for the 'cost of the past' problem and considered that the increase proposed for this purpose represented a threat to budget discipline. The Budget Council accepted the Parliament's proposal for establishing a new budget line for emergency food aid relief and reaffirmed its commitment to review the Community food aid arrangements in the light of need.

3.9 The European Parliament's Committee on Budgets made clear that the European Parliament wished to see substantially greater increases in expenditure. The Presidency called a further meeting of the Budget Council on Wednesday 11 December in Strasbourg in an effort to promote

agreement between the Council and the European Parliament. The Council decided by qualified majority to offer the European Parliament a further 242 million ecu (£150 million) of non-obligatory expenditure, provided that the European Parliament was willing to settle on this figure. The United Kingdom voted against this further offer on the same grounds as at the second Budget Council.

3.10 The European Parliament's plenary session voted on 12 December to increase the Council's revised draft budget figures by 629 million ecu (£391 million) in payment appropriations and some 473 million ecu (£294 million) in commitment appropriations - mainly for regional and social purposes. The President of the European Parliament then signed the Budget, as voted by the European Parliament, on 18 December.

3.11 The Council agreed on 20 December to take action before the European Court against the adopted Budget.

Economic and Finance Council Business

3.12 In accordance with the new arrangements for budget discipline, ECOFIN on 8 July reached an agreement by qualified majority to fix the reference framework for 1986 at 29.7 billion ecus (£17 billion). The major element in this was the guideline for limiting agricultural expenditure relating to agricultural markets for the ten member states to 20.6 billion ecus (£12 billion). The July Council also agreed that the 20th VAT Directive, which concerns special national aid for German farmers, should be adopted.

3.13 In discussions at its 28 October and 18 November meetings, the Council decided on measures to liberalise the marketing of unit trusts throughout the Community (see paragraph 5.14). The text was agreed for co-ordination and capital movements Directives, establishing common rules for unit trusts and other undertakings for collective investment in financial securities.

3.14 The Council in October discussed two budgetary matters. The 1986 Budget provision for the United Kingdom's VAT abatement in respect of 1985 was considered (see paragraphs 3.2 to 3.4). There was discussion also on how the financial guideline limiting agricultural expenditure should be extended to cover the Community of twelve member states.

3.15 The Council in November approved a loan to Greece, to be made under the Community Loan Mechanism, of 1.75 billion ecus (about £1 billion). It agreed also to raise the ceiling on the issue of Euratom loans from 2 to 3 billion ecus (roughly from £1.2 billion to £1.8 billion).

3.16 The Council continued its regular reviews of the economic situation in the Community, culminating in agreement at the 9 December Council to adopt the Annual Economic Report for 1985-86. The Council in December also discussed a progress report from the Economic Policy Committee, on labour markets and employment.

3.17 Following several previous discussions on indirect tax approximation in the context of the internal market, the Council in December agreed on the setting up of a high level working group to take the matter forward.

3.18 The Council's discussions also covered: in the context of the Inter-Governmental Conference on Treaty amendment, possible changes to the Treaty of Rome in respect of monetary co-operation; tax measures to encourage co-operation between undertakings in different member states; the system of commercial interest reference rates for export credits; and the application of Community competition rules to insurance.

European Monetary System

3.19 On 20 July, central rates within the European Monetary System (EMS) were adjusted. The effect of the adjustment was to devalue the central rate for the lira by 8 per cent. The Monetary Committee continued its consideration of the official and private ecu, and of

further liberalisation of capital movements. The European Council of 2-3 December requested the Commission to let it have a progress report, before the end of 1987, on the European Monetary System and the liberalisation of capital movements.

European Investment Bank (EIB): Loans

3.20 EIB own resources loans to the United Kingdom totalling £522 million were approved over the period. £295 million of this sum went to public sector bodies for energy, infrastructure and communications projects. The remaining £227 million went to private industry and was mainly in respect of two large projects in the energy sector - British Nuclear Fuels Ltd for the construction of a Thermal Oxide Reprocessing Plant at Sellafield, Cumbria and Hamilton Oil Great Britain to help finance the development of the Esmond Gas Field in the North Sea.

Customs Union

3.21 Work on harmonisation of customs and VAT legislation continued. The Council on 15/16 July adopted the 17th VAT Directive which introduced a harmonised system of VAT temporary importation reliefs. Subject to conditions relief may be claimed for specific classes of goods temporarily imported or, for a limited range, imported for possible sale. Relief is also available on temporary importation from another member state for any goods which belong to a person established outside the territory of the importing member state. The United Kingdom implemented the Directive on 1 January 1986.

3.22 The Council on 12 December adopted a regulation defining the conditions under which a person may be permitted to make a customs declaration. The Council on 20 December adopted a Regulation and a Directive effective from 1 July 1986 increasing from 35 to 45 ECU (£20 to about £27) the value of goods which may be relieved of duty and tax, when sent in small consignments of a non-commercial nature from third countries.

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Excise Duties

3.23 As a result of amendments to the United Kingdom's criteria for granting relief from duty on alcohol used in perfumed spirits and toiletries, which were introduced on 1 August 1985, the Commission has withdrawn its action before the European Court of Justice in which it had been alleged that the criteria in force prior to 1 August were in breach of Article 95 of the Treaty of Rome.

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SECTION IV: AGRICULTURE AND FISHERIES

Milk Supplementary Levy

4.1 A Commission Regulation was published on 17 October transferring 2.5 million litres from direct sales to wholesale quota under the milk supplementary levy arrangements. In November the Commission published its proposals for a Community Outgoers' Scheme to buy up and cancel quota. It is proposed to purchase and cancel up to 3 million tonnes of quota (approximately 3 per cent of the total quota), split between member states in proportion to their national quotas. Member states would have the option of using their own national funds to purchase further quota for reallocation at the same time. (The proposals will not be discussed by Agriculture Ministers until early 1986.)

Heat-Treated Milk

4.2 The Agriculture Council on 15-16 July agreed a directive on intra-Community trade in heat-treated milk which includes various provisions of special interest to the United Kingdom.

Sheepmeat and Beef

4.3 The Agriculture Council on 15-16 July agreed a decision authorising a further exchange of letters with Hungary to extend the arrangements for sheepmeat exports to Community markets considered to be sensitive areas.

4.4 The Council on 16-17 September agreed a decision authorising an exchange of letters with Argentina to extend, until the end of 1987, the arrangements for sheepmeat exports to Community markets considered to be sensitive areas.

4.5 The Council on 19 December adopted a regulation making arrangements for the import of sheep and sheepmeat during 1986 and subsequent years from third countries which had not concluded voluntary restraint agreements with the Community.

4.6 Following discussions with the member states most concerned which failed to reach agreement, the Commission adopted, on 6 December, a regulation imposing a clawback charge, with effect from 9 December, on ewes and ewemeat exported from Great Britain within the EC of 50 per cent of the rate applying to certified lambs. The United Kingdom implemented the regulation forthwith but France excluded ewe and ewemeat exports from Great Britain from 2-16 December and only lifted the ban after repeated protests had been made.

4.7 The Council on 9-10 December adopted regulations to extend eligibility for annual premium payments at 80 per cent of the normal rate, with effect from 1986, to untupped shearling ewes of the Herdwick breed in the Lake District and to goats in certain regions, in particular Greece, South Italy and Corsica.

4.8 The Fisheries Council on 20 December adopted a regulation amending the basic sheepmeat Regulation 1837/80 and Regulation 1985/82 so as to apply the sheepmeat regime to Spain and Portugal upon accession to the Community.

4.9 On 29 November the Commission adopted a regulation amending the rules under the sheep annual premium scheme so as to allow member states to fix two alternative periods for the submission of applications within the overall period from 1 December to 30 April.

4.10 The Council on 16-17 December adopted regulations to open two Community import quotas for 1986 covering 29,800 tonnes of high quality cuts of beef and 2,250 tonnes of buffalo meat.

Pigmeat

4.11 In October, the Commission adopted a regulation on the detailed rules for the Community scale for grading pig carcasses according to lean meat content. Member states have until 1 January 1989 to implement the new arrangements.

Eggs

4.12 In July 1985 a Commission regulation came into force setting out detailed rules governing the use of the description of eggs as 'free-range', as well as other standards for egg marketing. The regulation sets out provisions for the labelling of such eggs and criteria for their production. These rules are designed to provide better information for consumers and protect them from fraud.

Animal Health and Meat Hygiene

4.13 The Agriculture Council on 18/19 November adopted a directive which determines the measures to be taken by member states in the event of outbreaks of foot and mouth disease. It enables the United Kingdom to maintain its slaughter and non-vaccination policy and to retain certain measures which are more stringent than the directive's provision.

4.14 At the same Council a decision was adopted with effect from 1 July 1985 which amends Council Decision 77/99. This extends Community financial assistance in dealing with outbreaks of serious animal diseases to include non-exotic foot and mouth disease.

4.15 A Council directive was also adopted which extends, until 31 December 1987, the trade rules relating to enzootic bovine leukosis contained in Council Directive 80/1102. These rules provide guarantees that cattle traded within the Community are free from the disease.

4.16 Two Directives supplementing Directive 81/602 concerning the prohibition of certain substances having a hormonal action and any substances having a thyrostatic action were adopted by the Agriculture Council. On 15-16 July 1985, a Directive specifying control measures on the manufacture, distribution and use of certain hormonal substances was adopted. On 31 December 1985 a further Directive was adopted which will prohibit, from 1 January 1988, the use in livestock farming of certain substances having a hormonal action and will restrict others to therapeutic use only.

4.17 On 18 September, in compliance with Article 9 of fresh meat Directive 64/433 as amended, the European Commission adopted Decision 85/446 concerning on-the-spot inspections of fresh meat establishments approved for intra-Community trade. The Decision provided for Commission veterinary experts to check routinely and in the event of disputes between member states that EEC approved fresh meat establishments do in fact comply with the fresh meat Directive.

Food Additives

4.18 The Council on 20 December adopted a directive amending Directive 64/54 on preservatives for use in foodstuffs. The directive removes the deadline on the use of one substance and adds another, which will be used in wine-making, to the list of permitted preservatives.

Plant Health

4.19 On 19 December the Agriculture Council adopted a directive amending the text of Directive 77/93/EEC on the protective measures against the introduction of harmful plant pests and diseases into member states.

Sugar

4.20 The Agriculture Council on 9/10 December agreed to proposals extending the current sugar and isoglucose regime for the period 1985/86 to 1990/91 subject to the opinion of the European Parliament. Production quotas and levies remain unchanged for two marketing years, but before the end of that period, the Council will have to take a decision on the arrangements to apply for the following three years. An additional 'elimination' levy has been introduced which is designed to recoup, over the next five years, the accumulated deficit on the production levy/export refund account.

Processed Fruit and Vegetables

4.21 The Agriculture Council on 23 July adopted a proposal establishing the general rules for a permanent system of minimum import prices and countervailing charges for dried grapes. It became effective at the start of the marketing year on 1 September.

4.22 The Commission on 2 August acted under its safeguard powers in Article 14(2) of Regulation 516/77 to impose a temporary ban on imports of frozen and other processed sour (Morello) cherries for the period 3 August to 30 September. On 30 September the Commission revised the minimum import price arrangements for frozen and other processed sour cherries introduced in June 1985. A two tier system of minimum import prices was introduced from 1 October to take account of the major price differences for cherries marketed with or without the stones.

4.23 The Agriculture Council on 21 October adopted a proposal allowing the Commission to derogate for 1985/86 from the additional production aid arrangements for tomato products adopted at the 1985 price fixing.

Agri-monetary

4.24 The Agriculture Council on 19 December agreed to a devaluation of the representative ("green") rate used to convert sheepmeat support prices into French francs, to apply from the start of the marketing year on 6 January 1986.

European Agricultural Guidance and Guarantee Fund (EAGGF)

4.25 Under the Guarantee section of the EAGGF, United Kingdom receipts during the period were £637 million, with the main areas of benefit being payments for export refunds on cereals, milk products and beef, oilseed production aids, skimmed milk feed aids, butter aids, the storage of milk products, and beef and sheepmeat premiums. United Kingdom receipt from the Guidance section of the EAGGF amounted to £56 million during the period, with £5 million for direct (project type) measures and £2 million for non-marketing of milk.

Fisheries - Internal

4.26 The Fisheries Council on 16/17 December agreed two changes to the regulation on 1985 total allowable catches (TACs) and quotas for member states. These were an increase in the TAC for plaice in the Bristol Channel and changes in the quotas for monkfish and megrim. The Fisheries Councils on 16/17 December and 20 December agreed in principle to TACs and quotas for 1986 and to their implementation on a provisional basis until 25 January. As provided for in the Act of Accession of Spain and Portugal, the Council reached agreement on the allocations to Spain and Portugal of stocks already subject to TAC and the introduction of TACs and quotas for the enlarged Community for pollack and Norway lobster in Western waters as well as for a number of other species in Spanish and Portuguese waters.

4.27 At the 16/17 December Fisheries Council the Commission agreed to withdraw its proposal for an increase in the whitefish by-catch when fishing for Norway pout, which the United Kingdom had firmly opposed. Guide prices for 1986 were agreed as a matter of urgency at a Council other than Fisheries. Certain changes in the market and trade arrangements for fish and fish products were also agreed in the context of enlargement.

4.28 The 20 December Fisheries Council also adopted a series of improvements to the Regulation on the control of fishing activities in order to provide in particular for better enforcement of catch reporting and control of transshipments. Additional controls on vessels of other member states fishing in Spanish and Portuguese waters as well as on Spanish and Portuguese vessels fishing in the waters of the existing member states were also adopted.

External Regime

4.29 Negotiations were concluded with a number of third countries on the fishing arrangements for 1986. These provided for fishing by Norwegian, Swedish and Faroese vessels in the waters of member states and for fishing opportunities for member states' vessels in the waters off Norway, Sweden and the Faroe Islands as well as off Canada and Greenland. An agreement was concluded with Norway and Sweden on the 1986 fishing arrangements in the Skagerrak and Kattegat. The Fisheries Council on 20 December agreed to the implementation of the agreements with Sweden and the Faroes and of the trilateral agreement; it agreed to the implementation of the Norway agreement, subject to Parliamentary scrutiny procedure, on a provisional basis to 25 January. The Council also agreed the 1986 licensing arrangements for third country vessels fishing off French Guyana.

SECTION V: REGIONAL POLICY, THE INTERNAL MARKET AND INDUSTRIAL AFFAIRS

Regional Policy

5.1 The Foreign Affairs Council - on 16-17 December adopted four regulations which completed the second and final set of non-quota measures under the European Regional Development Fund (ERDF). Two of these provided some other member states with the kind of aid already available to the United Kingdom in respect of certain areas suffering from the decline in the textile and shipbuilding industries. The third regulation extended the geographical scope of the existing regulation concerning border areas of the Republic of Ireland and Northern Ireland. The changes in respect of the United Kingdom concerning ERDF aid for the border areas of the Republic of Ireland and Northern Ireland resulted in the inclusion of the whole of Northern Ireland except the urban area of Belfast. It also extended the activities eligible for aid in order to include investment aid to small firms, promotion of innovation and the setting up of economic promotion agencies. The fourth regulation concerned aid for areas affected by the decline in the fishing industry, and provided in respect of the United Kingdom for aid to the Travel to Work Areas of Hull, Grimsby and Blackpool (which includes Fleetwood). The United Kingdom should receive as a result of these regulations about £9.5 million in respect of Northern Ireland and about £8.5 million in respect of the Fisheries Regulation, in each case over a period of five years.

5.2 On 20 December the Agriculture Council adopted amendments to the main regulation governing the ERDF in order to provide for the participation in the Fund of Spain and Portugal with effect from their accession to the Community on 1 January 1986. The main amendment provided for minimum and maximum percentages of the Fund for each new member state, and for consequential reductions in the percentage ranges of the existing member states.

5.3 About £1450 million was available in 1985 for commitments to all member states under the support measures section of the Fund, and in addition the budget provided some £68 million for the special measures (non-quota) section. The United Kingdom was allocated about £354 million from the support measures section, 23.8% of the commitments made. Just over £62 million of the United Kingdom allocation constituted the first annual commitment, of an overall grant of £153 million to be made over a three year period, to three national programmes of community interest (in respect of Glasgow; the Mersey Basin; and Shildon, Newton Aycliffe and Bishop Auckland). These programmes were the first in any member state to be approved since provision for programme financing was introduced under the new main Regulation in January 1985. In addition the United Kingdom continued to receive aid under the non-quota section of the Fund, in respect of certain areas affected by the decline of the steel, shipbuilding and textiles industries, and in respect of certain border areas of Northern Ireland.

5.4 In October the Commission reported to the Council on the application of Regulation 1739/83, which provides assistance for urban renewal in Belfast, indicating that it was satisfied that the additionality requirement had been met in respect of the first two tranches of aid. In November the Commission approved the third and final tranches of 34 million ecu (£20 million), for infrastructure projects in the Belfast area.

Internal Market

5.5 The Internal Market Councils on 7 October and 12 December considered the follow-up to the conclusions of the European Council in Milan. The Council in October agreed that the Internal Market Council should act as the focal point for coordinating and monitoring progress on the proposals contained in the Commission's White Paper 'Completing the Internal Market' and that the Luxembourg Presidency should prepare with the two following Presidencies (the Netherlands and the United Kingdom) an action programme to the end of 1986. The programme was approved by the Council on 12 December.

5.6 The Council on 12 December reached a common position on the Co-ordinated Development Project, which is designed to develop interconnection of the computer systems of the member states' customs administrations, the Commission and the trade, in order to facilitate both intra-Community and third country trade.

5.7 The first application of the new approach to technical harmonisation of standards envisaged in the Council Resolution of 7 May 1985 is in the field of simple pressure vessels, on which the Commission has consulted experts from member states with a view to making a formal proposal to the Council early in 1986.

Information Technology Standards

5.8 The high level group established to oversee the harmonisation of information technology standards met on 18 September and 25 November. The Commission has contracted with the European standards bodies (CEN/CENELEC) to provide the infrastructure and procedures necessary to ensure the swift generation of harmonised functional standards, which will relate baseline international standards to products and services. An open meeting held in Brussels in October considered the initial standardisation programme. The programme is now well under way. Proposals received in response to the Commission's call for bids to provide European conformance testing services for products which are claimed to comply with the emerging standards have been considered and after having held detailed negotiations with the proposers the Commission is ready to issue contracts: two UK test centres are involved. Discussion has begun to establish Community wide arrangements for the mutual recognition of certification of products for conformity to standards. Within the multi-annual programme on data-processing, the research programmes on the development of Ada (an advanced computing language) and international distributed databases are proceeding on schedule.

Steel

5.9 The Industry Council on 29 October agreed a code governing state aids to the steel industry for the next three years and a new system of production quotas for the next two years. The new state aids code bans operating aid and investment aid (including regional aid) for the steel industry. Aid for research and development and for environmental protection will be permitted on terms similar to other industries. Closure aids can be paid, if member states wish, for the costs of redundancy, and to firms leaving the steel industry altogether. All funds made available by Governments to the steel industry must be notified to the Commission in advance. The Commission will scrutinise proposed payments to ensure that they are on commercial terms and include no aids other than those types permitted under the new code. Coated sheet and reinforcement bar are freed from the revised steel production quota system on 1 January 1986. All other products will remain under quota control, but the position will be reviewed during 1986. The Council also agreed to suspension of the system of minimum prices. The Commission will continue to monitor trade flows in steel products between member states for evidence of possible breaches of the price rules in the European Coal and Steel Community Treaty. The new arrangements also make provision for extra quota to be given to firms such as the British Steel Corporation, which have had to make regular and significant purchases of quota under the past system.

Shipbuilding

5.10 On 5 July, it was announced that the negotiations for a new Shipbuilding Intervention Fund regime had been concluded. The new arrangements, which will apply to orders taken from July 1984 and last until December 1986, permit an increased rate of up to 20.5 per cent Intervention Fund plus 2 per cent Shipbuilders Relief. For vessels over 70,000 deadweight tonnes built in Northern Ireland, the maximum may be

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increased to 25.5 per cent plus 2 per cent Shipbuilders Relief. The Commission has indicated also that it will be prepared to consider payments above these levels on a case by case basis particularly for orders where there is no Community competition. Intervention Fund assistance is essentially intended as a temporary aid to merchant shipbuilding and it is provided only for contracts taken on a non-profit basis. Aid of this kind will thus not normally be appropriate for, nor provided to, yards which have been or are to be privatised by British Shipbuilders. The Commission has, however, agreed to consider any case where exceptionally, for reasons related to the maintenance of defence capacity, Intervention Fund assistance might be given.

Patents and Trade Marks

5.11 Following a request from the Presidency, a diplomatic conference was arranged for 4-18 December with the aim of adopting an instrument to allow swift entry into force of the Community Patent Convention and an associated Protocol on litigation. During the Conference it became apparent that agreement could not be reached on entry into force and the matter was referred to the meeting of the Internal Market Council on 12 December. This meeting was also unable to reach agreement on bringing the Convention into force in the near future but asked the Conference to continue to work. The Protocol on Litigation which provides a revised system of settling disputes in Community patent cases was agreed, subject to detailed examination and any change in circumstances in advance of entry into force of the convention. The Council Working Group on Intellectual Property (Trade Marks) met six times for detailed discussions on the Commission proposal for a Council Regulation on a Community Trade Mark and completed the second reading of this proposal in November.

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Insurance

5.12 No progress was made on the proposed non-life insurance services directive or the insurance contract law directive. Further discussions took place on the EC/Swiss agreement on non-life insurance.

Company and Securities Law

5.14 The regulation to introduce the European Economic Interest Grouping (EEIG) was adopted on 25 July which will make it possible to register EEIGs as from 1 July 1989. Negotiations continued on the proposed 5th Company Law Directive (worker participation, company structure) and on the proposed Directive on the accounts of Credit institutions. The adoption on 20 December of a directive establishing common rules for unit trusts and other undertakings for collective investment in transferable securities (UCITS) was a noteworthy step forward in eliminating barriers to the Community's internal market in financial services. Under the directive, which is to be implemented by 1 October 1989, UCITS authorised by any member state will be able to market their units freely throughout the Community, subject only to complying with the rules on marketing in the member state where the units are sold. An associated directive adopted on the same day will remove exchange controls applied to units of UCITS.

SECTION VI: RESEARCH AND DEVELOPMENT

Towards a Technological Community

6.1 An informal session of the Research Council was held in October which was devoted exclusively to an initial exchange of views on the Commission's proposals for implementing its ideas for improving Europe's technological and industrial competitiveness. The Council expressed broad agreement on the need for an overall strategy for European Community Research and Development reflecting current priorities and objectives and on the need for more effective exploitation of the results of R & D in the market place. In this context the Council also discussed complementary European collaboration as envisaged under the EUREKA initiative.

Environment

6.2 The Research Council on 10 December reached agreement in principle on the technical content of and financial resources for a continued programme on Environment and Climatology. The programme will cover research into environmental protection, climatology, including a small element on earthquakes, and major technological hazards and has been allocated a total of 75 million ecu (£44 million) over a five year period 1986-1990.

Materials

6.3 A second materials programme was also agreed in principle by Council in December. The programme will provide for continued activity on primary and secondary raw materials and wood research. New work will be undertaken in the field of advanced materials (EURAM) and will account for nearly one-half of the programme. A total of 70 million ecu (£41 million) was allocated to the programme over a four year period 1986-1989.

Science and Technology for Development

6.4 The December Council considered the possible integration into the existing Science and Technology for Development programme of a new research proposal covering the development of endogenous scientific and technical research capacity in developing countries. No decisions were taken and the Commission will submit formal proposals for the enlarged programme during 1986.

Joint Research Centre

6.5 Following a report by the Centre's Board of Governors that allocated funding would be insufficient to carry out the Centre's planned programme for 1987, the Council approved a Commission proposal to make savings of 20 million ecu (£12 million) during 1986 and 1987 and agreed to review the Centre's work during 1986. The Joint Research Centre carries out direct action research programmes in the fields of industrial technologies, fusion, fission, non-nuclear energy sources and environment.

RACE

6.5 The Commission's proposal for research in the field of telecommunications was taken a stage further on 25 July 1985, at which a Decision was adopted at a meeting of the Steel Council initiating the Definition Phase of Research and Development in Advanced Communications Technologies for Europe (RACE). This is to continue for 18 months from 1 July 1985 and is in two parts. Part I will consist of analytical work to formulate a reference model for integrated broad-band communications. Part II will involve projects to evaluate and explore technological options for research and development, to be carried out under shared-cost contracts.

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ESPRIT

6.6 The December Research Council gave its approval to the 1986 work programme for the European Strategic Programme for Research and Development in Information Technology (ESPRIT) and an Evaluation Report on proposals submitted under the 1985 Work Programme was accepted by the Commission. There was a Supplementary Call for proposals on Software Technology. A Mid Term Review on the Programme, as required under Article 8 of Council Decision 84/130/EEC, was carried out by a Review Board and its Report was submitted to the Commission.

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SECTION VII: ENVIRONMENT AND TRANSPORT

Environmental Issues

7.1 The main item on the agenda for the Environment Council on 28 November was the draft directive on polluting emissions from vehicles. Subject to a general reserve by two other member states and a Parliamentary reserve by the United Kingdom, agreement was reached on the points left outstanding from the June Council. A correction factor will be applied to emission standards for cars with automatic transmission; these cars will be eligible for the full fiscal incentive schemes being offered by some other member states. A derogation of three years in the timetable to meet the agreed emission levels is to apply to cars fitted with direct injection diesel engines; these cars will not be eligible for fiscal incentives during this period. The dates from which cars can be required to be able to run on unleaded petrol were settled as: 1988 for new models over two litres; 1989 for new models below two litres; and 1990 for existing models below two litres (with a derogation of one year for small cars, and three for medium cars if the existing model required major re-engineering).

7.2 Agreement was also reached on an extension to the marine pollution information system for the control and reduction of pollution caused by hydrocarbons discharged at sea to cover other harmful substances.

7.3 The Council discussed the chapter on the environment in the Commission's Green Paper "Perspectives for the Common Agricultural Policy", giving a general welcome to the Commission's proposals; and held a preliminary exchange of views on the designation as European Year of the Environment of the twelve months beginning 21 March 1987. After discussion of the draft directive on the discharge of dangerous substances to water, it was agreed that further scientific assessment was needed to determine which substances should be covered by the directive.

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7.4 Other items discussed included draft directives on the control of emissions to the air from large combustion plants; the sulphur content of gas oil; the use of sewage sludge in agriculture; pollution by waste from the titanium dioxide industry; and a proposed regulation establishing a scheme to provide forests in the Community with increased protection against fire and atmospheric pollution.

Transport Issues

7.5 At the Transport Council meeting on 14 November, Ministers reached agreement that for inland transport a free market without quantitative restrictions should be created by 1992 at the latest. In the meantime there should be a progressive adaptation of the existing bilateral road haulage quotas and a simultaneous development of the Community road haulage quota. Member States would also seek to remove distortions of competition during this period. The Council asked the Committee of Permanent Representatives (COREPER) to work out the details of the transitional arrangements.

7.6 The Council also adopted revised regulations on drivers' hours for commercial vehicles and conclusions on an Italian proposal for a Transport "Masterplan." An increase in the Community quota for road haulage to take account of the accession of Spain and Portugal was also agreed as were conclusions on measures to be taken during European Road Safety Year in 1986.

7.7 The Council was, however, unable to reach any agreement on the package of draft shipping legislation put forward in the commission's memorandum on sea transport. Similarly, the Council discussion on aviation was inconclusive and the Commission proposals on competition, tariffs and capacity in intra-Community air transport were remitted to officials for further consideration. The Council also considered a proposed directive on combined transport, the question of a maximum drive axle weight for lorries, and future policy on vehicle taxation, but without reaching any firm conclusions on these subjects.

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SECTION VIII: SOCIAL AFFAIRS

Employment

8.1 Employment Ministers met informally on 24 September. The main topic of discussion was labour market flexibility. They also discussed the possibility of exempting small firms from the provisions of the Equal Treatment Directive. The Standing Employment Committee, a four sided group consisting of Employment Ministers, the European Commission and representatives of the employers and the workforce, met on 20 December to discuss growth and employment in a large internal market.

8.2 The Labour and Social Affairs Council on 5 December (see paras 8.4-8.5) agreed the draft directive on noise at work, and a programme for promoting co-operation between industry and higher education in the field of advanced training (COMETT). It also agreed a revised European Social Fund decision and regulation to take account of the accession of Spain and Portugal together with an amendment to the Fund rules so as to provide fund support for 1986 for unemployed people wishing to set up their own businesses. The United Kingdom maintained its opposition in principle to the draft parental leave directive. There was also a short discussion on the Commission memorandum on youth policies.

European Social Fund

8.3 The Commission issued a supplementary decision in December allocating to the United Kingdom a further £16 million for 1985 employment and training schemes. The main beneficiary is the Manpower Services Commission with £9.7 million, including £3.8 million for the Community Programme and £3.6 million for the Youth Training Scheme. Northern Ireland receives an extra £1.7 million. This brings the total Social Fund allocation to the United Kingdom in 1985 to £308 million.

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8.4 The Labour and Social Affairs Council agreed a revised Social Fund decision and regulation to accommodate the entry of Spain and Portugal in 1986 (see paragraph 8.2). The whole of Portugal and parts of Spain were granted special priority status giving them the same enhanced intervention rate of 55 per cent as the French overseas territories, Greece, Ireland, the Mezzogiorno (Southern Italy) and Northern Ireland. It was also agreed to raise the level of support available to these areas from 40 per cent to 44.5 per cent of the Fund.

8.5 The Council further agreed to amend the Social Fund basic rules so as to provide Fund support for unemployed people wishing to set up their own businesses from 1986.

The Anti-Poverty Programme

8.6 The Commission announced their final selection of projects on 11 October 1985. 61 projects, spread over participating member states, are to be financially assisted. A total of 14 projects have been selected in the United Kingdom - 9 in England, 3 in Wales, and 2 (combined) projects in Northern Ireland. The projects will begin in January 1986.

8.7 The United Kingdom have also submitted 3 projects to assist homeless people under the "marginals" theme of this programme. The Commission will make their selection by March 1986.

Rights of Establishment

8.8 Draft directives on the mutual recognition between member states of qualifications of pharmacists were agreed at the Foreign Affairs Council on 16 September.

Consumer Affairs

8.9 A Council Directive (85/374/EEC) on product liability was adopted at the Steel Council on 25 July. The directive, which makes manufacturers and importers throughout the Community strictly liable for

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injuries and damage to personal property caused by defects in their products, is to be implemented by member states within three years. The Department of Trade and Industry issued a consultative document in November 1985 on implementing the directive. At the Internal Market Council on 12 December, Germany lifted their reserve on doorstep selling, clearing the way for the adoption of this directive at the Council on 20 December. The directive provides a statutory cooling-off period for most contracts of around £35 or more where these are concluded during an unsolicited call on the consumer at his home or place of work. Progress was also made at the Internal Market Council towards the setting up of a Community-wide accident surveillance system. The Council also took note of the progress made in discussions on the consumer credit directive. The Council discussed the Commission's recent paper on a new impetus for consumer protection policy and agreed that this warranted further discussion. Discussions have continued on proposals for a toy safety directive where the United Kingdom is pressing for more rapid progress.

Education

8.10 The EC Education Committee has carried forward work on implementing the conclusions in a number of areas agreed by Ministers in June 1985.

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SECTION IX: ENERGY

9.1 The Energy Council on 11 November adopted a directive governing the use of substitute fuels in petrol. Approval was also given to the final texts of the regulations extending for another four years the Community schemes for aiding energy demonstration projects and developing new technologies in the hydrocarbons sector.

9.2 In discussions on the new Community energy objectives for 1995, Ministers were agreed that the objectives should be principally qualitative, acknowledging the uncertainty of market developments and the widely different energy resources and demands of member states. It was recognised that the inclusion of some illustrative quantification could be helpful as markers against which to assess changes. There was a wide variety of views on particular sectoral objectives but there was general acceptance that Commission monitoring of national energy policies as agreed in the conclusions of the November 1984 Council should continue.

9.3 The decision governing the payment of aids by member states to their coal industries, due to expire at the end of 1985, was extended for six months. This extension will prevent the legislative vacuum that would otherwise have arisen, and will allow proper time for discussion of the Commission's proposals for a new regime. Agreement was also reached on a continuation of sales aid for coking coal until the end of 1986 at a reduced quantity of 8.5m tonnes. No agreement however was forthcoming on the need for continued support for social measures resulting from the restructuring of the coal industry. The question of making resources available for this purpose was remitted for further consideration.

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9.4 On the issue of refining and the trade in oil products the Commission will closely monitor the measures announced by Japan to open its markets to refined products. Commissioner Mosar visited Japan in December to emphasize the importance the Community attaches to this question.

9.5 It was also agreed that energy arguments supported the raising of the ceiling on Euratom loans as proposed by the Commission. The matter was agreed by ECOFIN in December. The Commission in August adopted the 1984 Illustrative Nuclear Programme under Article 40 of the Euratom treaty.

Receipts from the Community

9.6 The European Regional Development Fund paid grants totalling £1.2 million to the electricity supply industry and £2.3 million to the gas industry for projects in the United Kingdom. The United Kingdom Atomic Energy Authority (UKAEA) expects to receive sums in the full year in the order of £15-18 million in respect of the Joint European Torus (JET) and the Authority's own fusion research programme, and £1-2 million for its radio-active management and safety research and development programmes. The National Coal Board received £2.0 million in research grants from both EEC and ECSC.

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SECTION X: EXTERNAL RELATIONS, TRADE AND AID

External Trade

10.1 The Community played an important role in the 41st meeting of GATT Contracting Parties on 25-28 November. The Contracting Parties decided by consensus to establish a Preparatory Committee to determine the objectives, subject matter, modalities for and participation in a new round of multilateral trade negotiations. The Preparatory Committee will prepare by mid-July 1986 recommendations for the programme of negotiations for adoption at a Ministerial meeting to be held in September 1986. The Community agreed on 11 November to bring forward to 1 January 1986 the tariff cuts previously due to take place in 1987, according to its schedule agreed in the GATT Tokyo Round of multi-lateral trade negotiations.

10.2 The Community agreed on 4 July to impose anti-dumping duties of between 2.9 per cent and 31.9 per cent on imports of excavators from Japan and on 12 August imposed duties of 14.5 per cent on Japanese glycine exports and 20 per cent on imports of cycle chains from China. On 13 September the Community imposed a duty of 3.9 per cent on imports of polyester from the US. The Community are currently investigating dumping allegations against electronic scales and photocopier imports from Japan.

European Free Trade Association (EFTA)

10.3 Senior officials from the EFTA countries and the Commission met on 29 October to review progress and to give further impetus to expert work on implementing the April 1984 Luxembourg Joint Declaration of EC/EFTA Ministers on further co-operation between the two blocs. Separate meetings were held in December between the Community and each of the EFTA countries on a variety of issues under the terms of its free trade

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agreements with these countries. There was a series of meetings at official level between the Commission and individual EFTA countries to discuss the Adaptation Protocols to the free trade agreements following the accession to the Community of Spain and Portugal. No final text for the Adaptation Protocols was agreed. It was therefore agreed to extend the current trade agreements and arrangements which exist between Spain and Portugal on the one hand and the EFTA countries on the other to 28 February 1986.

EC/United States

10.4 The Community was encouraged that the United States (US) President's trade policy statement in September reaffirmed his Government's support for the open trading system. However, protectionist pressures in Congress remained high; the Community continued to follow closely the progress of draft protectionist legislation. In August an agreement was concluded limiting the levels of Community exports to the US of steel 'consultation products' for the remainder of 1985. A successor agreement to the 1982 EC/US Carbon Steel Arrangement was ratified on 10 December. Consequently, Community exports to the US of 33 categories of steel products, including pipes and tubes, will be subject to agreed restraint levels until 30 September 1989. In November the Community and the US resolved a long-standing dispute over production aids granted for Community canned fruit producers. The US unitary system of taxation continued to be used in several states. The Community noted the US President's statement that his Government will support federal legislation to resolve the issue. The Community has submitted a number of diplomatic Notes to the US Government concerning changes in US export control laws. In July, following the passage into law of the amended US Export Administration Act, the Community urged the US Government to reconsider the need for extraterritorial export control laws. The Community also made representations in July and November on the new US Distribution Licence regulations. The US authorities were reminded that they would have to seek the permission of member states before sending US officials to carry out 'audits' of foreign firms under these regulations.

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EC/Canada

10.5 The Community continued to urge upon the Canadian Government the need for Provincial Liquor Boards to remove discriminatory practices against imported alcoholic beverages. In the absence of action by Canada the Community requested the establishment of a GATT Panel to rule on the dispute. The Community sought GATT consultations with Canada following the Canadian Government's extension of its restrictions on footwear imports for a further three years.

EC/Japan

10.6 The Foreign Affairs Council on 22 October took note of the series of measures adopted by the Japanese Government to liberalise the Japanese market, including the 3 year Action Programme announced on 30 July and the measures to stimulate domestic demand announced on 15 October. The Council acknowledged the Japanese Government's intentions as reflected by the measures as a move in the right direction, but expressed doubt that they would have a significant and early enough effect on the trade imbalance. Furthermore the Council agreed that the Japanese Government should be invited by the Community to set itself a quantified target, with a timetable, for a significant increase in imports of manufactured goods; to take further steps to expand domestic demand; and to encourage the strengthening of the Yen. Three Commissioners visited Tokyo between 16-18 November to take up these points with the Japanese Government. The Community's 3 year voluntary restraint arrangement with the Japanese Government expired on 31 December, as the latter indicated its intention to continue monitoring export levels of certain sensitive items.

EC/Association of South East Asian Nations (ASEAN)

10.7 Community and ASEAN Ministers met in Bangkok on 17-18 October to review relations and to discuss economic and commercial matters of mutual interest. A wide range of commercial and economic issues were discussed. In particular the two sides agreed on the importance of a new GATT round and on the need to look at ways of promoting private sector Community investment in ASEAN.

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EC/China

10.8 The non-preferential co-operation agreement with the People's Republic of China entered into force on 1 October. The second EC/China Business Week was held in Brussels from 2 - 7 December.

EC/Pakistan

10.9 A new non-preferential co-operation agreement with Pakistan was signed at Brussels on 23 July.

EC/Gulf Co-operation Council (GCC)

10.10 A ministerial level meeting between the Community and the GCC took place in Luxembourg on 14 October. The two sides agreed that EC/GCC discussion should move into a new and more active phase with the aim of concluding a mutually beneficial economic and commercial co-operation agreement.

Mediterranean Policy of the Enlarged Community

10.11 At the Foreign Affairs Council on 25 November, the Community agreed a mandate for negotiations with Mediterranean third countries on the adaptation of their co-operation/association agreements to take account of enlargement. The mandate is designed to ensure that their access to the Community market is not adversely affected by Spanish and Portuguese accession. At the same time the Community agreed a mandate for negotiations with Cyprus on the establishment of a customs union. General guidelines for financial co-operation with Mediterranean third countries were also approved.

EC/Central America

10.12 EC and Central American Foreign Ministers met in Luxembourg on 11-12 November. A wide range of economic and political issues were discussed and a new non-preferential EC/Central America co-operation agreement was signed on 12 November.

Textiles

10.13 The Community agreed in July an initial position on the future of the Multi-Fibre Arrangement. Discussion began on a detailed negotiating mandate for the renewal of the MFA and of the bilateral textile agreements and arrangements on the basis of a proposal by the Commission. The Community took safeguard measures on imports from Turkey on a number of sensitive clothing and textile categories and a voluntary restraint arrangement was agreed in December on a further five textile categories. Agreement was reached with Malta on extending the voluntary restraint arrangement for 1986 and 1987.

Steel

10.14 The Community approved the Commission's negotiating mandate for the renewal of voluntary restraint arrangements operating in 1985 and earlier years covering steel imports from 12 countries; certain of the countries of EFTA and the Council for Mutual Economic Assistance (CMEA), Japan, South Africa and Brazil. The measures are designed to minimise the disruption of unfairly priced imports by granting exemption from antidumping action in return for suppliers' agreement to keep within agreed margins of Community producers' delivered prices and to respect quantitative ceilings based on traditional patterns of trade by time, product and geographic coverage. The 1986 regime provides for continuation of the principal features of the existing arrangements, subject to some relaxation of restraint levels. A system of basic import reference prices is applied to those supplier countries which do not conclude voluntary restraint arrangements.

Generalised Scheme of Preferences (GSP)

10.15 The Community's mid-term review of the GSP has been completed and some adjustments made. Reductions in the benefits for competitive industrial products from the more advanced developing countries were agreed, thus permitting agreement on improvements for the poorer and less

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competitive developing countries. Regulations for the 1986 scheme were adopted by the Foreign Affairs Council on 16-17 December 1985 and come into operation on 1 January 1986.

Consumer Electronics

10.16 The Community agreed on 20 December to increase the duty on video tape recorders (VTRs) from 8 per cent to 14 per cent on 1 January 1986. In accordance with its GATT obligations, the Community also agreed to make offsetting duty reductions on semiconductors from 17 per cent to 14 per cent and to reduce to zero the duties on electronic calculators, portable radio receivers, portable cassette players and radio alarm clocks. Following the lapse, on 31 December 1985, of the Community's voluntary restraint arrangement with Japan, imports of VTRs will no longer be subject to quantitative limitation.

Overseas Development

10.17 Preparations for the implementation of the third Lome Convention continued, and the United Kingdom deposited its instrument of ratification. The Minister for Overseas Development addressed the first meeting of the African, Caribbean and Pacific countries (ACP)-EC Joint Assembly under its new constitution, which was held in Inverness from 23-27 September.

10.18 The Foreign Affairs Council on 1 October agreed to introduce a new system of compensation for loss of export earnings on various commodities for the benefit of a number of least developed countries not covered by the provisions of the Lome Convention. An announcement to this effect was made at the mid-term review of the UN sponsored Substantial New Programme of Action for Least Developed Countries held in Geneva from 30 September to 11 October.

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10.19 The Development Council on 4 November reviewed implementation of the Dublin Plan, gave a favourable reception to the Commission's outline proposal for rehabilitation assistance to the famine affected countries in Africa, and agreed on the need to create a food aid reserve to be used if necessary to respond to crisis situations in Africa in 1986. The Council also followed up earlier discussion on coordination of member states' aid policies, the role of women in development and trade promotion.

10.20 Under the framework Cooperation Agreement signed between the Community and the Central American States in November, there is provision for a substantial increase in EC aid with priority for projects designed to encourage greater regional co-operation.

10.21 Under the Community's regular food aid programme, food aid worth £113 million was allocated. 76 aid projects in the ACP countries associated with the Community under the Lome Convention worth a total of £209 million were approved. Nine projects worth £60 million were approved under the Community's aid programme to Non Associated developing countries; under the Community's agreements with Mediterranean partners, 6 projects to a value of £70 million were approved.

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SECTION XI: EUROPEAN POLITICAL CO-OPERATION

Introduction

11.1 The main feature of this period was the agreement reached at the European Council in Luxembourg on a Treaty on European Co-operation in the sphere of Foreign Policy. The Treaty provisions which derive from a United Kingdom initiative form part of the outcome of the Inter-Governmental Conference (see Section II). The member states, with Spain and Portugal, continued to consult and co-operate on a wide range of international issues, including East/West relations and the problems of the Middle East, Southern Africa, and Latin America.

Treaty on European Co-operation in the Sphere of Foreign Policy

11.2 The Foreign Affairs Council on 22 July instructed the Political Committee to draw up a draft Treaty on Political Co-operation on the basis of the texts put forward by the United Kingdom and others before the European Council at Milan in June. A draft Treaty on European Co-operation in the sphere of Foreign Policy, based closely on the United Kingdom's draft, was agreed in principle by the Heads of State and Government at the Luxembourg European Council (2-3 December). The Treaty gives a formal basis to the process of political co-operation which has hitherto rested on political agreements between the member states. It enshrines the member states' commitment to consult each other on matters of foreign policy and to co-operate on certain aspects of security. The machinery of Political Co-operation will be strengthened, in particular by the creation of a small permanent secretariat which will help the Presidency with routine tasks and improve continuity between Presidencies.

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East/West Relations

11.3 Foreign Ministers of the member states, Spain and Portugal issued a statement on 17 December expressing their satisfaction at the summit in Geneva between President Reagan and Secretary General Gorbachev. They reiterated their determination to make every effort to contribute to greater stability in East/West Relations.

Arab/Israel and Lebanon

11.4 During the Luxembourg Presidency the Ten maintained their support for the peace process and in particular the efforts of King Hussein of Jordan. This position was set out in a statement to the press after a meeting of Ministers on 19 November. The Ten reaffirmed their willingness to support a constructive effort to bring peace in the region and noted again the value of the Jordanian-Palestinian agreement concluded on 11 February. On 1 October the Ten issued a statement condemning the bombing by the Israeli Air Force of the PLO Headquarters in Tunis, and expressed the hope that this would not jeopardise the peace process.

Iran/Iraq

11.5 The Ten expressed their continuing concern about the Iran/Iraq conflict in a press statement after the 19 November Ministerial meeting. They welcomed the efforts of the member countries of the Gulf Co-operation Council to bring about a peaceful solution to the conflict.

Conference on Security and Co-operation in Europe (CSCE)

11.6 At the meeting on 30 July 1985 held to mark the tenth anniversary of the signing of the Helsinki Final Act the member states made clear their continuing support for all aspects of the CSCE process. They continued to work together within the CSCE process during the Budapest Cultural Forum in November.

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11.7 The Ten worked together in the Conference on Confidence and Security-Building Measures and Disarmament in Europe (CDE) in Stockholm to promote a series of concrete measures on confidence-building and security whose formal acceptance would be a major step forward.

South Africa

11.8 On 22 July Foreign Ministers of the Community, Spain and Portugal agreed a statement condemning the continuation of the apartheid system, calling for the renunciation of violence by all parties in South Africa, and regretting in particular the declaration of a state of emergency. This common position was reiterated in a statement issued at Helsinki on 1 August. During September, the Ten agreed a package of positive and restrictive measures which gave a clear political signal to the South African Government of their condemnation of apartheid and the need to begin a genuine dialogue with the representatives of the black community. The statement reiterated calls by the Ten for urgent and fundamental reform.

11.9 At the Foreign Affairs Council on 19 November, member states reached agreement on a revised Code of Conduct for Companies from the EC with Subsidiaries, Branches or Representation in South Africa, up-dating and strengthening the previous text which had been adopted in 1977. The voluntary Code is concerned with the pay rates and working conditions of the black South African employees of Community companies.

Central America

11.10 The member states supported the efforts of the Contadora Group to bring about a negotiated, comprehensive, and verifiable settlement in Central America based on the 21 Contadora objectives. The meeting in Luxembourg on 11-12 November between the member states and the countries of Central America demonstrated the practical support of the Community for the Contadora process. The conference concluded with the signature of a Final Act recording all the participants' agreement that the dialogue should be continued and developed.

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Terrorism and Hijacking

11.11 On 22 July Foreign Ministers of the member states issued a statement expressing their deep concern at the recent resurgence of terrorism and hijacking. An examination of the possibilities of establishing and maintaining strengthened international standards for airline and airport security was set in motion. The Ten agreed to collaborate closely in the International Civil Aviation Organisation and to encourage third countries not party to the existing international conventions to adhere to them.

Judicial Co-operation

11.12 In the field of civil law, the working group finalised a list of correspondents amongst the twelve for mutual assistance and the informal exchange of views on the operation of the European Convention on the recognition and enforcement of custody decisions and on the Hague Convention on the civil aspects of child abduction.

11.13.

The working group completed preparation of a draft convention to provide for the abolition of legalisation of public documents within the Community.

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SECTION XII: THE EUROPEAN PARLIAMENT

12.1 The European Parliament held six plenary sessions, each lasting a week, five in Strasbourg and one in Luxembourg. The Parliament several times discussed the work of the Inter-Governmental Conference as well as technology in Europe, human rights questions and action to combat drug abuse. It was also particularly concerned with the Community's 1986 Budget which is dealt with in Section III.

12.2 The following members of the Government visited Strasbourg during European Parliament sessions: Mr John MacGregor, Minister of State at the Ministry of Agriculture, Fisheries and Food, in July; Mr David Mellor, Parliamentary Under Secretary of State at the Home Office in September; Mr Ian Gow, Minister of State at the Treasury, in October; Sir Geoffrey Howe, Secretary of State for Foreign and Commonwealth Affairs, in November, and the Hon Peter Brooke, Minister of State at the Treasury in December.

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SECTION XIII: EUROPEAN COURT OF JUSTICE

Membership

13.1 On 16 July 1985 Mr Fernand Schockweiler was appointed Judge of the Court from 7 October 1985 to 6 October 1991, and Mr Jean Mischo was appointed Advocate-General from 1 January 1986 to 6 October 1991. They replace Mr Pierre Pescatore and Mr P Verloren Van Themaat, respectively, who have retired from membership of the Court.

Cases

13.2 References from United Kingdom Courts or Tribunals reached the ECJ in four cases. The United Kingdom either has submitted or is likely to be submitting observations in these cases. It has also submitted observations in seven references from other member states. In addition it has intervened as a party in three direct actions.

13.3 The last six months has been particularly characterised by an increase in the number of direct actions brought by the United Kingdom against the Commission. Two such cases involve challenges by the United Kingdom to decisions disallowing payments from Community funds on the ground of activities by the United Kingdom which are alleged to be contrary to Community law. One case involves differential milk pricing and the other concerns fishing quotas. Other member states have also suffered disallowance and are bringing actions challenging the relevant decisions. The United Kingdom has also brought two actions challenging other Commission decisions. One relates to the setting up of a prior communication and consultation procedure on migration policies in relation to non-member states. The other relates to the method of calculation of premiums payable to the United Kingdom in respect of ewes. An action commenced by the United Kingdom towards the end of the previous six month period, but not noted in the previous paper, seeks to reverse a decision reducing European Social Fund support for job creation schemes involving part-time work.

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13.4 The Commission has brought four actions against the United Kingdom. Two are in respect of VAT exemption and zero rating, one is in respect of restrictions on the importing of pasteurised milk and one in respect of differential pricing of milk for export purposes. A complete list of cases in which the United Kingdom has been involved is at Annex F.

13.5 The Court gave judgments of particular significance or interest for the United Kingdom on the following cases. In joined cases 25 and 26/84 Ford-Werke v Commission the Court was concerned with a selective distribution system designed to prevent the purchase of right hand drive cars in Germany at considerably cheaper cost than in Great Britain. Such cars had to be purchased either from a Ford dealer established in the United Kingdom or from a subsidiary of Ford Britain. The Commission decided that this agreement contravened Article 85 of the EEC Treaty and Ford challenged that Decision. The Court however upheld the Decision of the Commission.

13.6 Case 181/84 E D & F Man (Sugar) Limited provides an illustration of the operation of the principle of proportionality. In accordance with a Commission Regulation a security of over 2.7 million ecus was forfeit when the company failed to meet a deadline for applying for an export licence for export of sugar to non-member countries. The delay had been one of a few hours. The Court held that total forfeiture of this magnitude was disproportionate to the objective being sought to be achieved and that to that extent the Regulation was invalid.

13.7 In case 19/84: Pharmon v Hoechst the Court had to consider for the first time the question whether, and if so to what extent, the grantee of a compulsory licence under a national patent in one member state could use that licence for the purpose of selling in other member states where equivalent patents existed but where no equivalent compulsory licence had been imposed. Hoechst was the proprietor of a patent covering a medicine

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in Germany and of parallel patents in both Netherlands and the United Kingdom. DDSA, a United Kingdom company, obtained a compulsory licence to exploit the invention under the parallel patent which Hoechst had registered in the United Kingdom. DDSA had obtained a non-exclusive and non-transferrable compulsory licence covering the territory of the United Kingdom and subject to an export ban. Nevertheless, shortly before expiry of the United Kingdom patent, DDSA acted in breach of the export ban by selling to Pharmon a large consignment of the medicine which it had manufactured. Pharmon proposed to market the goods in the Netherlands and Hoechst proceeded against them in the Dutch courts to prevent them doing so. The Court held that Hoechst could prevent the importation and marketing of the medicine in the Netherlands in order to be able to exercise its exclusive rights arising under the patent. Articles 30 and 36 of the Treaty did not prevent it from so doing. That being so, it was immaterial that the compulsory licence had contained an export prohibition.

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SECTION XIV: PARLIAMENTARY SCRUTINY OF EC LEGISLATION

14.1 Parliament was in session for 12 weeks. The House of Commons Select Committee on European Legislation considered 317 documents and recommended 43 of those for further consideration by the House. 7 debates were held on the floor of the House covering a total of 20 documents. 6 debates were held in Standing Committee covering 13 documents.

14.2 The House of Lords Select Committee on the European Communities considered 345 documents and recommended 56 for further scrutiny. 7 reports covering 10 documents were presented to the House for debate and 3 reports covering 3 documents were presented to the House for information. 6 debates on the Committee's reports covering 29 documents were held in the House of Lords.

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ANNEX A

MEETING OF THE EUROPEAN COUNCIL

<u>Date</u>	<u>Location</u>	<u>UK Minister attending</u>
2-3 December	Luxembourg	Rt Hon Margaret Thatcher MP Prime Minister Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs

MEETINGS OF THE COUNCIL OF MINISTERS

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
8 July	Economic and Finance	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
15-16 July	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food
22-23 July	Foreign Affairs	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs Rt Hon Paul Channon MP Minister for Trade
6 August	Steel	Norman Lamont Esq MP Minister of State for Industry
16-17 September	Agriculture	Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
17-18 September	Budget	Ian Gow Esq TD MP Minister of State to the Treasury
27 September	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food

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MEETINGS OF THE COUNCIL OF MINISTERS

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
27 September (Cont'd)		Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food Rt Hon Lord Gray of Contin PC Minister of State, Scottish Office
1 October	Foreign Affairs	Malcolm Rifkind Esq MP Minister of State Foreign and Commonwealth Office
7 October	Internal Market	Rt Hon Paul Channon MP Minister for Trade
21-22 October	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
21-22 October	Foreign Affairs	Malcolm Rifkind Esq MP Minister of State Foreign and Commonwealth Office Timothy Eggar Esq MP Parliamentary Under-Secretary of State, Foreign and Commonwealth Office Rt Hon Paul Channon MP Minister for Trade
28 October	Economic and Finance	Ian Gow Esq TD MP Minister of State to the Treasury
29 October	Steel	Rt Hon Peter Morrison MP Minister of State for Industry
4 November	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon Lord Gray of Contin PC Minister of State, Scottish Office

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MEETINGS OF THE COUNCIL OF MINISTERS

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
4 November	Development	Rt Hon Timothy Raison MP Minister for Overseas Development
11 November	Energy	Rt Hon Peter Walker MP Secretary of State for Energy
14 November	Transport	Rt Hon Nicholas Ridley MP Secretary of State for Transport Lord Caithness, Parliamentary Under-Secretary of State for Transport
18 November	Economic and Finance	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
18-19 November	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
25-26 November	Foreign Affairs	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs Rt Hon Paul Channon MP Minister for Trade
26-27 November	Budget	Hon Peter Brooke MP Minister of State to the Treasury
28 November	Environment	Hon William Waldegrave MP Minister of State for the Environment, Countryside and Local Government
5 December	Labour and Social Affairs	Rt Hon Kenneth Clarke QC MP Paymaster General George Walden Esq, MP Parliamentary Under-Secretary of State for Education and Science

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MEETINGS OF THE COUNCIL OF MINISTERS

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
9 December	Economic and Finance	Hon Peter Brooke MP Minister of State to the Treasury
10 December	Research	Geoffrey Pattie Esq MP Minister of State for Industry and Information Technology
9-10 December	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
11-12 December	Budget	Hon Peter Brooke MP Minister of State to the Treasury
16-17 December	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food Rt Hon Lord Gray of Contin PC Minister of State, Scottish Office
17 December	Foreign Affairs	Rt Hon Paul Channon MP Minister for Trade
19 December	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food
20 December	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food

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OTHER MEETINGS

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
20-21 September	Informal Meeting of Economic and Finance Ministers	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
23-24 September	Informal Meeting of Agriculture Ministers	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
24 September	Informal Meeting of Employment Ministers	Rt Hon Lord Young Secretary of State for Employment
17-18 October	EC/ASEAN Ministerial Meeting on Economic Matters	Rt Hon Paul Channon MP Minister for Trade
23 October	Informal Meeting of Research Ministers	Sir Robin Nicholson F. Eng, FRS Chief Scientific Adviser representing the Minister of State for Industry and Information Technology
11-12 November	EC/Central American Meeting of Foreign Ministers	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs Rt Hon The Baroness Young Minister of State Foreign and Commonwealth Office
20 December	Standing Employment Committee	Peter Bottomley Esq, MP Joint Parliamentary Under-Secretary of State

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ANNEX B

MEETINGS OF THE INTER-GOVERNMENTAL CONFERENCE AND OTHER
IGC RELATED MEETINGS

IGC MEETINGS (7)

9 September
21/22 October
11 November
19 November
25/26 November
30 November/1 December (conclave)
16 December

OTHER MINISTERIAL MEETINGS AT WHICH IGC ISSUES WERE DISCUSSED (5)

20/21 September - ECOFIN (Economic and Finance Council)
26/27 October - informal Foreign Ministers
28 October - ECOFIN
18 November - ECOFIN
2/3 December - European Council

PREPARATORY GROUP MEETINGS (13)

30 August
2/3, 17, 24, 30 September
7/8, 14/15, 30/31 October
5/6, 14, 21/23 November
6, 12 December

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OTHER OFFICIAL MEETINGS (5)

10, 26 October (Monetary Committee)

9 November (Monetary Committee)

28 November (Legal Experts)

10 December (Legal Experts)

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MAJOR PROPOSALS ADOPTED

CUSTOMS AND INDIRECT TAXATION

Council Directive 85/362 - Seventeenth Council Directive on the harmonisation of the laws of the member states relating to turnover taxes - Exemption from value added tax on the temporary importation of goods other than means of transport.

Council Regulation 3632/85 - defining the conditions under which a person may be permitted to make a customs declaration.

Council Regulation 3822/85 - amending Regulation 918/83 setting up a Community system of relief from customs duty.

Council Directive 85/576 - amending Directive 78/1035 on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries.

AGRICULTURE AND FISHERIES

Council Regulation 3643/85 - concerning the import system applicable to certain non-member countries in the sheepmeat and goatmeat sector in 1986 and subsequent years.

Council Regulation 3523/85 - extending annual premium payments to goats in certain specified areas of the Community from 6 January 1986.

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AGRICULTURE AND FISHERIES (Cont'd)

Council Regulation 3524/85 - extending annual premium payments to untupped shearlings of the Herdwick breed in the Lake District of the United Kingdom from 6 January 1986.

Council Regulation 3789/85 - amending the Community rules so Spain and Portugal can apply the European Community sheepmeat regime from the date of their accession, 1 March 1986.

Council Regulation 2089/85 - establishing general rules relating to the system of minimum import prices for dried grapes.

Council Regulation 2939/85 - amending Regulation 1320/85 on temporary measures for production aid to processed tomato products by revising processing quota arrangements.

Council Regulation 3582/85 - opening a community import quota for 1986 for 2,250 tonnes of buffalo meat.

Council Regulation 3583/85 - opening a community import quota for 1986 for 29,800 tonnes of beef.

Council Regulation 3772/85 - amending regulation 1678/85 fixing the conversion rates to be applied in agriculture.

Council Regulation (EEC) No 3720/85 - increasing the TAC for Bristol Channel plaice and amending the quotas for monkfish and megrim.

Council Regulation (EEC) No 3721/85 - implementing on a provisional basis to 25 January, 1986 TACs and quotas for the existing 10 member states.

Council Regulation (EEC) No 3777/85 - modifying 1986 TACs and quotas to allow for the accession of Spain and Portugal.

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AGRICULTURE AND FISHERIES (Cont'd)

Council Regulation (EEC) No 3778/85 and 3779/85 - concerning member states' fishing in Spanish and Portuguese waters.

Council Regulation (EEC) No 3602/85 and 3603/85 - setting fish guide prices for 1986

Council Regulation (EEC) No 3723/85 - revising the control measures concerning fishing by member states.

Council Regulation (EEC) No 3730/85 - implementing on a provisional basis to 25 January, the 1986 agreement with Norway.

Council Regulation (EEC) No 3725/85 - concerning the 1986 agreement with Sweden.

Council Regulation (EEC) No 3732/85 - concerning the 1986 agreement with the Faroe Islands.

Council Regulation (EEC) No 3551/85 - allocating 1986 catch quotas in Canadian waters.

Council Regulation (EEC) No 3783/85 - allocating 1986 catch quotas in Greenland waters.

Council Regulation (EEC) No 3729/85 - concerning licences for third country vessels in the waters of French Guyana.

Council Directive 85/574 - amending Directive 77/93 on protective measures against the introduction into member states of organisms harmful to plants or plant products.

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AGRICULTURE AND FISHERIES (Cont'd)

Council Directive 85/585 - amending Directive 64/54 on preservatives authorised for use in foodstuffs intended for human consumption.

Council Directive 85/358/EEC - Supplementing Directive 81/602/EEC concerning the prohibition of certain substances having a hormonal action and of any substances having a thyrostatic action.

Council Directive - supplementing Directive 81/602 concerning the prohibition from 1 January 1988, of the use in livestock farming of certain substances having a hormonal action and the restriction of others to therapeutic use only.

Council Directive 85/397 - on health and animal health problems affecting intra-Community trade in heat treated milk.

Council Directive 85/511 - control measures dealing with foot and mouth disease.

Council Directive 85/571 - extending the trade rules in relation to enzootic bovine leukosis.

Council Decision 85/212 - on Community financial assistance in relation to foot and mouth disease.

Council Decision 85/359 - relating to point 2 of the voluntary restraint agreement on mutton, lamb and goatmeat between the European Economic Community and Hungary.

Council Decision 85/431 - relating to point 2 of the voluntary restraint agreement on mutton, lamb and goatmeat between the European Economic Community and Argentina.

AGRICULTURE AND FISHERIES (Cont'd)

Commission Regulation 1943/85 - amending Regulation 95/69 which sets out detailed rules on the marketing of hen eggs in shell. The latest regulation describes the requirements for the use of special marketing terms such as 'free-range' eggs and sets out criteria for the production of such eggs.

Commission Regulation 2229/85 - temporarily banning the issue of import certificates for frozen and other processed sour cherries.

Commission Regulation 2752/85 - amending Regulation 1626/85 on minimum import prices for sour cherries, setting separate minimum import prices for stone-in and stoned fruit.

Commission Regulation 2893/85 - amending the UK direct sales and wholesale national reference quantities under the milk supplementary levy system.

Commission Regulation 2967/85 - laying down detailed rules for the application of the Community scale for grading pig carcasses.

Commission Regulation (EEC) 3378/85 - amending Regulation (EEC) No 3007/84 laying down detailed rules for the application of the premium for producers of sheepmeat.

Commission Regulation 3655/85 - laying down detailed rules for the application of the import arrangements provided for by Regulations 3583/85 and 3582/85 in the beef and veal sectors.

Commission Decision 85/446/EEC - concerning on-the-spot inspections to be carried out in respect of intra-Community trade in fresh meat.

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SCIENCE AND TECHNOLOGICAL RESEARCH

Council Decision 85/372 - on a Definition Phase for a Community action in the field of telecommunications technologies - R&D programme in advanced communications technologies for Europe (RACE).

SECURITIES

Council Directive 85/ - on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

Council Directive 85/ - amending the Directive of 11 May 1960 for the implementation of Article 67 of the Treaty.

CONSUMER AFFAIRS

Council Directive 85/374 - on the approximation of laws, regulations and administrative provisions of the member states concerning liability for defective products.

Council Directive 85/ - on doorstep selling.

STEEL

Commission Decision 3484/85/ECSC - establishing Community rules for aid to the steel industry.

Commission Decision 3485/85/ECSC - on the extension of the system of monitoring and production quotas for certain products of undertakings in the steel industry.

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ENVIRONMENT

Commission Directive 85/469 - on adapting to technical progress Council Directive 84/631 on the supervision and control of the transfrontier shipment of hazardous waste.

Council Directive 85/444 - amending Council Directive 83/129 concerning the importation of skins of certain seal pups and products derived therefrom.

Council Directive 85/467 - amending Directive 76/769 on the approximation of the laws of the member states relating to restrictions on the marketing and use of certain dangerous substances and preparations (PCBs/PCTs).

Council Decision 85/ - on the marine pollution information system.

TRANSPORT

Council Regulation (EEC) No 3820/85 of 20 December 1985 on the harmonisation of certain social legislation relating to road transport.

Council Regulation (EEC) No 3821/85 of 20 December 1985 on recording equipment in road transport.

ENERGY

Council Regulations (EEC) No 3820/85 of 20 December 1985 on the harmonization of certain social legislation relating to road transport.

Council Regulations (EEC) No 3821/85 of 20 December 1985 on recording equipment in road transport.

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ENERGY (cont'd)

Council Directive 85/536/EEC on crude-oil savings through the use of substitute fuel components in petrol. -

Council Regulation 3639/85 on a programme of support for technological development in the hydrocarbons sector.

Council Regulation 3640/85 on the promotion, by the granting of financial support, of energy demonstration projects.

HEALTH

Council Directive 85/443 - on the mutual recognition of diplomas, certificates and other evidence of formal qualification in pharmacy, including measures to facilitate the effective exercise of the right of establishment relating to certain activities in the field of pharmacy.

SOCIAL AFFAIRS

Council Regulation 3823/85, amending, on account of the accession of Spain and Portugal, Regulation (EEC) No 2950/83 on the implementation of Decision 83/516/EEC on the tasks of the European Social Fund.

Council Regulation 3824/85, amending, with a view to its extension to cover self-employed persons, Regulation (EEC) No 2950/83 on the implementation of Decision 83/516/EEC on the tasks of the European Social Fund.

Council Decision 85/568 amending, on account of the accession of Spain and Portugal, Decision 83/516/EEC on the tasks of the European Social Fund.

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ECONOMIC, MONETARY AND BUDGETARY

"Council Decision - adopting the Annual Report on the economic situation in the Community (1985) and laying down economic policy guidelines for 1986"

REGIONAL POLICY

Council Regulation 3634/85 - on the establishment of specific Community regional development measures in 1985 and amending Regulation 1787/84.

Council Regulation 3635/85 - amending Regulation 2617/80 instituting a specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by restructuring of the shipbuilding industry.

Council Regulation 3636/85 - amending Regulation 219/84 instituting a specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by restructuring of the textile and clothing industry.

Council Regulation 3637/85 - amending Regulation 2619/80 instituting a specific Community regional development measure contributing to the improvement of the economic and social situation of the border areas of the Republic of Ireland and Northern Ireland.

Council Regulation 3638/85 - instituting a specific Community regional development measure contributing to the development of new economic activities in certain zones affected by the implementation of the Community fisheries policy.

Council Regulation 3641/85 - amending Regulation 1787/84 on the European Regional Development Fund.

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ANNEX D

MAJOR MINISTERIAL SPEECHES ON COMMUNITY TOPICS

<u>Date</u>	<u>Speaker</u>	<u>Occasion</u>
2 July	Lord Lucas of Chilworth Parliamentary Under-Secretary of State for Trade and Industry	London Chamber of Commerce
4 July	Rt Hon Sir Geoffrey Howe QC, MP Secretary of State for Foreign and Commonwealth Affairs	European Movement "Enterprise Europe" British Council London
9 July	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food	Home-Grown Cereals Authority Lunch, London
10 September	Hon William Waldegrave MP Minister of State for the Environment, Countryside and Local Government	Deutsche Gesellschaft fur Auswartige Politik, Hamburg
3 October	Rt Hon Sir Geoffrey Howe QC, MP Secretary of State for Foreign and Commonwealth Affairs	"Europe our Future" Speech in Bonn
7 October	Rt Hon John Selwyn Gummer MP Minister of State, Ministry of Agriculture, Fisheries and Food	International Council for Exploration of the Sea
14 October	Rt Hon Sir Geoffrey Howe QC, MP Secretary of State for Foreign and Commonwealth Affairs	Meeting of EUREKA Finance Ministers in London
28 October	Rt Hon Paul Channon MP Minister for Trade	Wilton Park Conference
29 October	Rt Hon Lord Young Secretary of State for Employment	CBI "Europe for business" Conference
30 November	Rt Hon Paul Channon MP Minister for Trade	European Movement
4 December	Hon William Waldegrave MP Minister of State for the Environment, Countryside and Local Government	University Association for Contemporary European Studies (UACES) Conference, London

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ANNEX E

MAJOR TREATIES AND AGREEMENTS
SIGNED BY THE COMMUNITY

1. Co-operation agreement between the European Community and Pakistan.

Signed at Brussels on 23 July 1985.

2. Co-operation agreement between the European Community and Norway on a research and development programme in the field of metals and mineral substances.

Signed at Brussels on 19 September 1985.

3. Co-operation agreement between the European Community and Central America.

Signed at Luxembourg on 12 November 1985.

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ANNEX F

LIST OF EUROPEAN COURT OF JUSTICE CASES IN WHICH THE UNITED KINGDOM HAS
BEEN INVOLVED

(i) Cases referred to the European Court from United Kingdom
Courts and Tribunals.

Case 192/85 Newstead v Department of Transport and HM Treasury
(Civil Service Pension Scheme)

Case 377/85 Burchell v The Adjudication Officer
(Family benefits)

Case 384/85 Mrs Clarke v Chief Adjudication Officer
(Disablement allowance)

Case 387/85 Hinde v ILEA and Secretary of State for Education and
Science
(Student grant)

ii. Cases in which Observations have been submitted by the United
Kingdom

Case 102/85 Steinrucke
(Free movement of workers)

Case 123/85 La Pieve
(Judgment Convention)

Case 144/85 SNCF Luxembourgeois
(Rail transport)

Case 198/85 Carron
(Judgments Convention)

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Case 237/85 Rummler
(Equal pay)

Case 266/85 Shenavai
(Judgments Convention)

Case 268/85 Bozdog
(Free movement of workers in relation to EEC/Turkey Agreement)

(iii) Cases in which the United Kingdom is a primary party

Case 261/85 Commission v United Kingdom (Pasteurised Milk)

Case 353/85 Commission v United Kingdom (Exemption from VAT in respect of items for medical care: spectacles)

Case 416/85 Commission v United Kingdom (VAT - Zero Rates)

Case 428/85 Commission v United Kingdom (Differential pricing of milk for exports)

Case 287/85 United Kingdom v Commission (Migration)

Case 305/85 United Kingdom v Commission (Sheepmeat)

Case 346/85 United Kingdom v Commission (Milk pricing disallowance)

Case 347/85 United Kingdom v Commission (Disallowance in respect of over fishing)

(iv) Direct Actions in which the United Kingdom has intervened

Cases 114, 125 to 129/85 "Woodpulp" cases

Case 181/85 France v Commission (Alcohol)

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Case 213/85 Commission v Netherlands (State aid)

Case 84/85 United Kingdom v Commission (European Social Fund)
(commenced in the previous period).

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ANNEX G

UNITED KINGDOM TRADE WITH THE EUROPEAN COMMUNITY

Note: All figures in the following text and accompanying table are on the Balance of Payments basis. Figures for Greece are included in all years. Figures for Spain and Portugal are excluded.

Importance of Trade with the European Community

In 1985 United Kingdom total trade (exports plus imports) with other countries of the European Community accounted for 46 per cent of our overseas trade compared with shares of 45 per cent in 1984 and about 30 per cent before accession. In recent years the Federal Republic of Germany has been our second most important export market and six of our top seven markets are members of the European Community.

Trade Performance with the European Community

In 1985 United Kingdom total trade with other countries of the European Community amounted to £73 billion compared with £65 billion in 1984. The ratio of exports to imports was 96 per cent. This is the highest figure since the peak years of 1980 and 1981 and is markedly higher than through the seventies.

By Commodity

In 1985 exports of oil accounted for 30 per cent of our exports to other member states. The balance of trade in fuels reached a record level of £9.1 billion. This surplus was more than off-set by deficits on such other areas of the trade account as manufactures and food, beverages and tobacco so that on all visible trade there was a deficit of £1.6 billion, the smallest deficit since 1982.

UNITED KINGDOM TRADE WITH THE EUROPEAN COMMUNITY

£ billion, BALANCE OF PAYMENTS BASIS

	Total Trade				Food, Beverages and Tobacco				Basic Materials			
	Exports	Imports	Balance	Export/ Import Ratio %	Exports	Imports	Balance	Export/ Import Ratio %	Exports	Imports	Balance	Export/ Import Ratio %
1970	2.4	2.3	+0.1	104	0.1	0.6	-0.4	24	0.1	0.1	+0.0	109
1971	2.5	2.7	-0.2	93	0.1	0.7	-0.5	22	0.1	0.1	+0.0	116
1972	2.89	3.4	-0.6	83	0.2	0.7	-0.5	27	0.2	0.1	+0.0	118
1973	3.9	5.2	-1.3	74	0.3	1.1	-0.8	28	0.2	0.2	+0.0	101
1974	5.5	7.7	-2.1	72	0.3	1.7	-1.3	20	0.3	0.3	-0.0	99
1975	6.2	8.7	-2.5	71	0.5	2.1	-1.6	26	0.3	0.3	+0.0	103
1976	8.9	11.2	-2.3	80	0.7	2.2	-1.5	32	0.5	0.5	+0.0	101
1977	11.7	13.6	-1.9	86	1.0	2.4	-1.5	40	0.6	0.5	+0.0	103
1978	13.3	15.9	-2.5	84	1.4	2.7	-1.3	53	0.6	0.5	+0.1	110
1979	17.3	19.9	-2.6	87	1.5	3.0	-1.5	50	0.8	0.6	+0.1	119
1980	20.4	19.7	+0.8	104	1.6	2.9	-1.3	55	0.9	0.6	+0.2	141
1981	20.9	20.8	+0.0	100	1.7	3.1	-1.4	55	0.7	0.8	-0.1	90
1982	23.0	24.2	-1.2	95	1.9	3.5	-1.6	53	0.7	0.8	-0.1	88
1983	26.5	28.9	-2.4	92	2.0	4.0	-2.0	49	0.9	1.0	-0.1	89
1984	31.5	33.9	-2.5	93	2.1	4.4	-2.2	49	1.1	1.3	-0.2	88
1985	35.9	37.5	-1.6	96	2.3	4.8	-2.5	48	1.2	1.3	-0.1	92

Source: Department of Trade and Industry.

UNITED KINGDOM TRADE WITH THE EUROPEAN COMMUNITY—continued

£ billion, BALANCE OF PAYMENTS BASIS

	Fuels				Manufactures				
	Exports	Imports	Balance	Export/ Import Ratio %	Exports	Imports	Balance	Export/ Import Ratio %	
1970	0.1	0.1	-0.0	71	2.0	1.4	+0.5	137	
1971	0.1	0.2	-0.0	74	2.1	1.7	+0.3	119	
1972	0.1	0.2	-0.1	67	2.3	2.3	-0.1	98	
1973	0.2	0.3	-0.1	71	3.0	3.5	-0.5	87	
1974	0.5	0.6	-0.2	70	4.3	5.0	-0.6	87	
1975	0.5	0.7	-0.3	65	4.7	5.4	-0.7	87	
1976	0.8	0.9	-0.2	83	6.8	7.4	-0.7	91	
1977	1.2	1.0	+0.2	120	8.7	9.4	-0.8	92	
1978	1.4	0.9	+0.4	146	9.7	11.5	-1.8	84	
1979	2.7	1.5	+1.2	182	12.0	14.6	-2.6	82	
1980	4.3	1.4	+2.9	302	13.3	14.5	-1.2	92	
1981	5.6	1.5	+4.0	363	12.5	15.2	-2.6	83	
1982	6.3	1.5	+4.8	420	13.7	18.1	-4.4	76	
1983	8.1	1.5	+6.6	551	15.0	22.1	-7.1	68	
1984	9.8	2.3	+7.5	424	17.9	25.6	-7.7	70	
1985	11.3	2.2	+9.1	517	20.6	28.3	-7.7	71	

Source: Department of Trade and Industry.

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Ref. A086/667

PRIME MINISTER

Cabinet: Community Affairs

The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council which took place on 24-25 February. For part of the second day Mr Jopling took the chair (the Dutch Chairman was attending the funeral of the Dutch Interior Minister). This was the first Agriculture Council after the presentation of the Commission's price proposals for 1986-87. Traditionally Agriculture Ministers make statements for home consumption. Although the Chairman concluded that differences of view were wide, these do not appear to be worse than normal and there seems some chance that the price freeze will stick. The German Minister seemed ready to support a price freeze overall. The Mediterranean countries argued that the proposals are biased against them. Member states expressed concern about the social consequences for small producers of too tough an approach on prices and looked to proposals on structural policy which have been promised by the Commission. Mr Jopling argued against unfair differentiation against large and efficient producers in some elements of the Commission's proposals on cereals, beef and sheep. Denmark and the Netherlands supported him. The French Minister generally took the view that the Commission's proposals were not an acceptable basis for discussion, this approach being primarily intended to protect their own political position until after their election in March. The process of bringing nearer together the wide range of views is likely to be long and difficult. But progress was made in developing a common position on the proposed milk outgoers scheme which aims to purchase and then cancel 3 per cent of the present Community quota. This measure is necessary and must be applied fully and fairly across the Community if



milk production is to be brought further under control; and it is likely to be part of the eventual price package.

2. The Agriculture Council also reached agreement on arrangements on starch and sugar for the chemical industry; on a range of technical changes in the agricultural regimes triggered by the entry of Spain, which was voted down on trading arrangements for fruit and vegetables, and Portugal into the Community; and on a package of structural measures which include provision for an agricultural development programme for the Scottish Isles (to which the Secretary of State for Scotland attached much importance) to be carried out over the next five years.

3. The Secretary of State for Employment may refer to the judgment of the European Court of Justice that relates to the compulsory retirement age for women (case of Miss Marshall, former employee of the Southampton and South West Hampshire Area Health Authority). The Court held that dismissing a woman on the ground that she had passed the State retirement age in the circumstances where a man would not be dismissed was discriminatory. The case is solely concerned with discrimination with regard to dismissal. It is not concerned with conditions for the payment of retirement pension and it would be undesirable for any speculation on this point to develop. There may be implications for our sex discrimination legislation, which are being studied urgently. It is too early to say whether amending legislation will be required.

4. The Chancellor of the Exchequer may inform the Cabinet that on the Community budget the date for the hearing of the United Kingdom application against the European Parliament in the European Court of Justice is 10 March.

CONFIDENTIAL



5. There will be a meeting of the Industry Council on 3 March and of the Environment Council (we have succeeded in putting off discussion of acid rain and large combustion plants) on 6 March.

RA

ROBERT ARMSTRONG

26 February 1986



Ref. A086/553

PRIME MINISTER

Cabinet: Community Affairs

The Minister of State, Foreign and Commonwealth Office, Baroness Young, will report on the Foreign Affairs Council on 17-18 February at which the United Kingdom was represented by the Minister of State, Foreign and Commonwealth Office, Mrs Chalker, and the Minister for Trade, Mr Clark. The main event was the signature by nine member states of the Single European Act. In the event the Greeks and the Italians both used the Danish inability to sign as an excuse for delaying their signature. But the Danes seemed confident of the outcome of their referendum and are hoping to sign very soon after it, possibly on 1 March. The Council discussed a number of important trade matters. It resolved the outstanding difficulties in the adaptation of the EC/EFTA agreements to take account of the enlargement of the Community. This will allow the Commission to resume negotiation with the EFTA countries with the hope of concluding a new agreement by 1 March. The Council also had a substantial discussion of the Community's trade problems with Japan. There was general agreement that pressure on Japan must be sustained and, though it will continue discussion at its next meeting, the Council issued a declaration at our prompting that reaffirms the stand it took last year on the need for a positive response for the Japanese. Considerable progress was made in the Council on the Community's negotiating mandate for the revision of the Multi-Fibre arrangement. This negotiation has assumed a key importance in the light of the proposed new GATT Round that is due to be launched this autumn. We have taken the lead in getting over this point and the texts agreed by the Council now clearly acknowledge it. The Council also agreed, in spite of continued foot-dragging by Greece, that



it should aim at holding the meeting of the EC/Turkey Association Council in the early autumn and that meanwhile contacts should take place with Turkey on outstanding issues.

2. The Paymaster General may refer to the informal meeting of Employment Ministers on 17-18 February, which he attended. Though there was general agreement on the need to tackle unemployment as a high priority many member states showed themselves still bound by traditional approaches to it. The Paymaster General argued strongly for improved flexibility in the labour market and deregulation as important means of creating new employment.

3. There will be a meeting of the Agriculture Council on 24-25 February.

RTA

ROBERT ARMSTRONG

19 February 1986

Ref. A086/484

PRIME MINISTER

Cabinet: Community Affairs

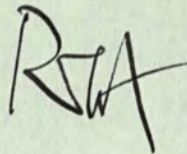
The Foreign and Commonwealth Secretary will report that all member states other than Denmark (and possibly Greece) are expected to sign on 17 February the text which resulted from the Intergovernmental Conference. The United Kingdom is ready to do so. The text, however, can only enter into effect when signed by all 12 Governments and approved by all 12 Parliaments.

2. The Minister of Agriculture, Fisheries and Food may say that the European Commission have now tabled their proposals on agricultural prices for 1986-87. United Kingdom policy towards the whole package will be discussed in a meeting of the Defence and Overseas Policy Committee Sub-Committee on European Questions (OD(E)) on 6 March and most Ministers will not want to prejudge that discussion. The proposal is basically a price freeze for all major commodities. For cereals there would also be some changes in intervention arrangements which would have the effect of reducing the effective support and should reduce the cost. In addition, there would be a 3 per cent levy on cereal farmers but applied in a manner against the United Kingdom's interest. For beef public intervention would only be available in future in exceptional circumstances and a new system of direct aids would be introduced for specialised beef producers. For butter the intervention price would go down by 4 per cent. The proposed package as a whole is clearly restrictive. The estimated financial effect is a reduction in the Community budget of about 400 million ecu (£260 million) in 1986 and of about 780 million ecu (£500 million) in 1987.

CONFIDENTIAL

Despite this, however, the Commission estimates that because of the fall in the dollar they will still need a supplementary budget in 1986.

3. The Foreign Affairs Council will take place on 17-18 February; there is to be a special meeting of Trade Ministers on 17 February; and an informal meeting of Employment Ministers on 17-18 February. The European Parliament will be in session from 17 to 21 February.



ROBERT ARMSTRONG

12 February 1986



Secretary of State for Trade and Industry

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CC/PC

// February 1986

The Rt Hon Kenneth Baker MP
Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

EDM

Ken Tennitt

EC ENVIRONMENTAL ASSESSMENT DIRECTIVE

I have seen a copy of your letter of 23 January to Willie Whitelaw, seeking colleagues' approval for the issuing of consultation documents on the implementation of this Directive.

attached as T1ap

I have also seen Peter Walker's response of 3 February.

I know that the consultation documents are based largely on the advice of a Working Party which included representatives of this Department. While I am broadly content with the proposals, there are two areas in particular where they go further than was recommended by the Working Party, and which cause me some concern.

The first of these relates to the discretionary power you propose to take to require environmental assessments for projects listed in Annex II of the Directive - in effect the majority of new manufacturing and mineral extraction projects. I am advised that the understanding of the Working Party was that the UK would not be under an obligation to require assessments for Annex II projects, and would not do so.

DW1APB

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BOARD OF TRADE
BICENTENARY



I share Peter Walker's view that assessments should not be required for Annex II project : the implications for industry in terms of the cost of preparing them and the risk of subsequent delay could well be considerable, not to mention the considerable scope for pressure from interested parties for use of the powers in individual cases. I would therefore strongly prefer that such a discretionary power should not be taken, and support Peter Walker's suggestion that if possible this option be kept open in the consultative document.

If, however - and only if - the balance of legal opinion is that the absence of such a power would place the UK in breach of its obligations under the Directive, I would wish to see the strongest permissible indication in the consultation document that the Government does not expect to make use of the power in practice, whether through the use of high thresholds or other means. I have asked my officials to explore this with yours.

I am also concerned at the proposal that the local planning authority should have 16 weeks to determine an application. As I understand it this is not required by the Directive, nor is it based on a recommendation of the Working Party. Moreover, it is clearly inconsistent with the Government's proposals in the 'Lifting the Burden' White Paper and elsewhere to simplify and speed up the planning process wherever possible.

As the draft advisory booklet for developers and authorities itself states (paragraph 4) the provision of information in the form of environmental assessments should enable planning authorities to identify more quickly and accurately which environmental issues are material to their decision. I can therefore see no reason in principle why authorities should have more than the normal eight weeks to determine applications to which the assessment requirement applies.

I am copying this letter to the Prime Minister, Willie Whitelaw, other members of H Committee, Peter Walker, Michael Jopling, David Young and Michael Havers.

PAUL CHANNON

DW1APB

17
19
86
BOARD OF TRADE
BICENTENARY

EURO POL PT31

Budgets

Ref. A086/384

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary may report that the Dutch Presidency proposes that the text incorporating the results of the Intergovernmental Conference should be signed on 17 February. It is expected that 10 or 11 member states would sign then - the Minister of State, Foreign and Commonwealth Office (Mrs Chalker) would sign for the United Kingdom - with the Danes signing after their referendum (if favourable, as is expected) and with the Greeks possibly a little late. The text can only enter into effect when signed by all 12 Governments and approved by all 12 Parliaments.

2. The only Council this week has been the 4 February Internal Market Council, at which the Minister for Trade (Mr Clark) represented the United Kingdom. The Dutch Presidency usefully put pressure on the Commission and on member states to speed up the implementation of the programme for completing the Community's internal market. This is an area in which we and the Dutch have agreed a rolling programme for our successive Presidencies. The Minister for Trade supported the Presidency and welcomed their emphasis on the importance of progress, in particular on technical standards and public procurement.

3. No Councils are scheduled for the coming week.



ROBERT ARMSTRONG

5 February 1986



Treasury Chambers, Parliament Street, SW1P 3AG

Ms Alison Smith
Private Secretary to
The Rt Hon John Biffen MP
Lord Privy Seal
Cabinet Office
Whitehall
LONDON SW1A 2AS

3 February 1986

Dear Alison

EC BUDGET: SPECIAL SUPPLEMENTARY ESTIMATE

I enclose a draft copy of the Minister of State's opening speech for this afternoon's debate. The text is still under discussion with the Government's legal advisers and will be revised in the light of their comments.

I should be grateful for any comments you and copy recipients might have by telephone please.

I am copying this to Charles Powell (No 10), Private Secretaries to the Chancellor of the Duchy, Chief Whip, Solicitor General, and Mrs Chalker (FCO).

Yours faithfully
M W Norgrove

M W NORGROVE
Private Secretary

OPENING SPEECH

1. Mr Speaker, I beg to move [the Motion].

Introduction

2. The Special Supplementary Estimate which is before the House today relates to our contributions to the 1985 and 1986 budgets of the European Communities. There are two other relevant documents, apart from the Estimate itself, of which Members will wish to be aware: a Memorandum submitted by the Treasury to the Treasury and Civil Service Committee on 24 January and a Report by the Committee dated today. I congratulate the Committee on the speed with which they have issued this Report and on its clarity.

3. I hope that it may be helpful to Hon Members if I first remind the House of the purpose and content of the Special Supplementary. I would propose then to discuss the Government's policy on the disputed 1986 Community budget and our contributions towards it. Then finally I would propose to say something about the statutory basis for the Special Supplementary Estimate and the procedures for obtaining Parliamentary approval.

Purpose and content of Supplementary Estimate

4. First, then, the purpose and content of the Supplementary Estimate.

5. The Estimate contains two elements. The larger of these concerns the provision of some £118 million towards meeting

a Commission request to member states to bring forward a payment of traditional own resources - that is agricultural levies and customs duties - from December to November 1985. I should stress that this sum does not represent an increase in Community spending; it is purely a question of the timing of the payment of own resources collected during October 1985. These would normally have been paid to the Commission in December; instead they were paid on 20 November. Our December payment was reduced by a corresponding amount and there was therefore no effect on the public expenditure planning totals.

6. The need for the November advance arose because one element in the financing of the 1985 Budget - supplementary contributions under the 1985 Intergovernmental agreement - was not received before the very end of 1985. We had taken provision of £820 million in Main Estimates and Summer Supplementaries to cover these advances during 1985 but had not expected them to continue to be required as late as November. Consequently when the Commission asked member states to bring forward the £134 million December contribution into November only £16.1 million could be covered by the amount remaining in the Vote. The balance of £118 million was paid by means of a drawing on the Contingencies Fund. Parliament was duly informed of the advance payment on 21 November. The purpose of the Supplementary Estimate now proposed is to reimburse the Contingencies Fund. This has to be done before the end of the current financial year.

7. The Commission's cash flow difficulties caused by late payment of the 1985 IGA have now been resolved. There should

therefore be no need for further advance payments of traditional own resources in the immediate future.

8. The second part of the Estimate relates to the disputed 1986 budget. It seeks provision of £18 million in respect of our contributions during the first quarter of the year towards that part of the Budget added by the European Parliament in excess of their powers under the Treaties.

9. As Hon Members will recall, the European Parliament adopted in December a budget for 1986 which made provision for some 629 million ecu, about £400 million, of spending above that agreed by the Council. The Government has decided to join the Council and several other member states in asking the European Court to annul the disputed elements in the budget. In the meantime, the Government propose, in common with all other member states, to pay in full to the budget on a without prejudice basis. Since however we do not accept any legal obligation to contribute towards the disputed elements, this element in our contribution cannot be charged direct to the Consolidated Fund under the European Communities Act 1972 and we need instead to seek Parliament's authority through the Estimates procedure.

Government's policy on disputed 1986 budget dispute

10. I come now to my second main heading - the Government's policy on the disputed budget for 1986.

11. The Government takes an extremely serious view of what has happened during the 1986 budget process. The two main issues are budget discipline and Treaty violation.

12. On budget discipline, the Government first expressed its concern at the Council's 'second reading' discussion on 26-7 November. On that occasion, the Council voted by qualified majority to increase non-obligatory expenditure by some 1.2 billion ecus on payment appropriations. In the Government's view, it would have been compatible with the spirit of the budget discipline agreement to increase non-obligatory expenditure by some 1 billion ecu, comprising 440 million ecu permitted under the statutory maximum rate of increase for this expenditure plus some 550 to 600 million ecu earmarked for Spain and Portugal in the first year of the enlarged Community. The 1.2 billion ecu voted by the Council somewhat exceeded this figure. The United Kingdom therefore voted against the Council's 'second reading' budget as representing a threat to budget discipline. We did not however regard it as a flagrant violation. The non-obligatory expenditure totals exceeded budget discipline levels, strictly interpreted. But the excess was more than offset by the new own resources (net of refunds) which Spain and Portugal will be bringing to the budget.

13. At the December Budget Council the Council decided, with the UK again voting against, to offer a further 242 million ecu of non-obligatory expenditure in an attempt to reach agreement with the Parliament. The Parliament rejected the offer, which the President of the Council then withdrew, and took instead the momentous step of voting and then adopting a budget providing for non-obligatory expenditure at a level 629 million ecu above the Council's 'second reading'.

14. The budget as adopted by the Parliament is clearly incompatible with the Council's budget discipline conclusions on non-obligatory expenditure. It does not follow that budget discipline as a whole lies in ruins. The single most important element in the budget discipline agreement is the guideline for expenditure on agricultural market support, and the budget as proposed by the Council and adopted by the Parliament respects that guideline: there is indeed headroom of some 170 million ecu within it. The problem area is non-obligatory expenditure. That is where the Parliament's action, and to a lesser extent the Council's December offer, were manifestly incompatible with the budget discipline agreement.

15. The breach of budget discipline is a serious matter. To be fair, however, the Parliament has never subscribed to the Council's conclusions on budget discipline and is not legally bound by them. What is even more serious, therefore, is that the Parliament exceeded its powers under the Treaty by adopting a budget for 1986 with levels of non-obligatory expenditure going well beyond what the Council had agreed. The Treaty provides that if the statutory maximum rate of increase in non-obligatory expenditure is to be exceeded, the Council and the Parliament must agree on a new maximum rate. In the event, the Parliament unilaterally adopted a budget which included a level of non-obligatory expenditure for which the Council's agreement had been neither sought nor obtained.

16. In the Government's view, the Parliament cannot be allowed to get away with this. If it were, there would

(as my Rt Hon Friend the Member for Worthing has put it) be a substantial shift of real power in the Community. The balance of budgetary power between the Council and the Parliament would shift markedly in the Parliament's favour. The Parliament would be able to add substantial sums with impunity each year to the Council's proposals. These implications for future control of the Community's expenditure are even more serious than the amount of some 629 million ecu which is immediately at issue in the current year.

17. The Government has acted swiftly in response to the Parliament's action. We have taken three steps.

18. First, we urged the Council to bring a case against the Parliament before the European Court under Article 173 of the EEC Treaty. This the Council agreed to do, by a 7 to 3 majority, on 20 December, a bare day after confirmation of the President of the Parliament's decision to adopt the budget. The Council's legal services are expected to deposit pleadings with the Court in the middle of this month.

19. Second, we have ourselves initiated a case against the Parliament before the European Court, alongside the Council's case. Our application to the Court was completed on 28 January and deposited on 29 January. The pleadings cannot be published but have been made available to the Treasury and Civil Service Committee. Copies have also been placed in the Library of the House for Members' use.

20. The Government's decision to bring separate national proceedings alongside the Council's case was influenced by three main considerations:

- first, the need to insure against the slight risk that the Council's case might be found inadmissible;
- second, the need to insure against the risk that the majority in the Council in favour of the Court action might at some stage be lost; and
- third, our ability to deploy in our own case the legal arguments which we believe to be most compelling.

Four other member states are likewise bringing national cases: France, Germany, Luxembourg and the Netherlands. ...

21. The substance of our case is that the Parliament acted unlawfully by adopting payment and commitment appropriations in excess of the maximum rate and failing to respect the maximum rate provisions of the Treaty, and also by including unauthorised appropriations for certain items of obligatory expenditure over which the Council has the last word. We are asking the Court accordingly to annul the 1986 budget as adopted insofar as it exceeds the Council's own 'second reading' budget of 26-7 November. Failing that, we are asking the Court in the alternative to annul the budget in its entirety or in other words to find that no valid budget exists at all.

22. Our third action is to ask the Court for an interim order suspending implementation of the illegal elements in the budget until the Court has given judgment. We hope to apply for this order within the next week or so. Our application will ask the Court to suspend implementation both of the excesses of expenditure in the budget above the Council's 'second reading' levels and of the extra contributions required to finance these excesses. Our advice is that the Court is unlikely to reach judgment on the substantive cases before the end of this year or quite possibly later. In our view, this reinforces the case for requesting an interim order, on which we would expect the Court to decide within a few weeks. Other member states are likewise considering whether to request interim orders but we are the only country to have decided firmly to do so.

23. The other policy issue which the Government has had to address is how much the United Kingdom should pay towards the disputed budget in the meantime, pending rulings by the European Court. The Government has decided after careful consideration that the best course is to pay in full towards the budget as adopted, on a without prejudice basis, pending the Court's rulings. That is why we have had to present the Special Supplementary Estimate. I am aware from discussions last week in the Treasury and Civil Service Committee [and from the Report which the Committee has released today] that some Hon Members may find this decision surprising, and I would therefore like to explain as clearly as possible the considerations which have influenced it.

24. The first and most important consideration is that the Council and individual member states must win the Court cases if a major shift in power towards the European Parliament is to be avoided. The Government's legal advice has been that failure to pay in full would impair the United Kingdom's posture before the European Court and tend to prejudice the substantive cases brought before the Court by the United Kingdom and others and, still more, our application for an interim order. The second consideration is that we would incur a potential liability to penal interest charges on delayed payments if we failed to pay in full. The penal rate is currently nearly 21 per cent and rises with each month of delay. Finally, it is noteworthy that all other member states have decided, like the United Kingdom, to pay in full.

25. Several Members of the Treasury and Civil Service Committee argued last week that, on the contrary, payment in full would tend to prejudice the case rather than failure to pay in full. I would be the first to admit that, in the context of English or Scottish law, such an argument would be cogent. We have to recognise however that European institutions and practices are not necessarily identical with our own. The only sensible thing to do in such circumstances is to be guided by the judgment of those who are expert in the areas concerned, and our advice has been that it is failure to pay in full which would tend to prejudice our cases, and in particular our request for an interim order. There are three particular points.

- First, our advice is that the Court is likely to be more impressed if the Council and member states adopt a common approach than if different member states pursue different courses. The dispute is effectively between the Community's institutions. The more an institution shows itself divided, the weaker its position will be.

- Second, the Court may be expected to have some regard to the reasonableness of the conduct of the parties before it. Our advice is that our case will not be helped, least of all our application for an interim order, if we act in a way which appears to pre-empt the very judgment which we are asking the Court to make. So far as the interim order is concerned, there would indeed be a certain awkwardness in applying to the Court to excuse us from making payments which we are not in fact making anyway.

- Third, our advice is that there is advantage in being plaintiff rather than defendant throughout the nexus of cases surrounding the disputed budget. Our posture will be strengthened by standing on the high ground rather than being on the defensive. If we did not pay in full, we should almost certainly find ourselves on the defensive. The Commission would charge penal interest on the amounts not paid. We should naturally be reluctant to pay such a charge in relation to an ex gratia payment. The Commission would then almost certainly sue us, since they take

the view that member states have an obligation to pay in full towards an adopted budget unless and until the Court has ordered otherwise. We would then be defendants in one of the nexus of Court cases and our posture would consequently be impaired in the way I mentioned.

26. To sum up, then, the important thing in the Government's view, is to win the Court cases. Otherwise the European Parliament will gain substantial power at the expense of national governments and Parliaments. I freely acknowledge how tempting it is not to pay in full in the meantime. It would however in the Government's view be quite misguided to act in ways which, on the best available legal advice, would tend to prejudice the Court cases.

Parliamentary procedures

27. I now turn to Parliamentary and payments procedures. The Treasury and Civil Service Committee questioned me at some length on these issues last week, and [and has raised them in its Report today.] I want to say at once how much I respect and share their wish to protect the rights of this House in matters of Supply.

28. Before coming to the substance, I want to stress that the procedures we are now adopting - the Supplementary Estimate and the debate in the House today - are those suggested by the Committee's predecessor in the last Parliament in 1982. The Government has complied with to their suggestion. That is why the House has the opportunity today to debate the issues fully before any payment is made towards the disputed part of the budget.

29. On substance, I would like first to say something about how payments will be made and financed. The due date for our first VAT payment towards the 1986 budget as adopted by the Parliament is today - January's payment is based by convention on the Draft Budget - and we shall potentially be liable to penal interest charges in the event of delay. The Government therefore intends, if the House approves the Supplementary Estimate, to credit the Commission's account today with some £12 million in respect of January and February. This will be financed initially from the Contingencies Fund pending formal proceedings in due course on the March Consolidated Fund Bill. As I have already mentioned, the Government is applying to the European Court for an interim order suspending implementation of the disputed part of the budget. If our application succeeds, we hope that it will not be necessary to go on contributing to the disputed elements of the budget. If we do not succeed, it may be necessary to make further ex gratia payments during 1986-87. Any payments in April-July would similarly be financed initially by advances from the Contingencies Fund, pending Parliamentary approval of a 1986-87 Estimate and the Appropriation Act next summer.

30. [The procedures which I mentioned earlier are designed to allow the House the opportunity to consider and debate the issues. The Government could have chosen to make the payment from the Contingencies Fund before any debate or vote on the Estimate. It had every right to do so, under Section 3(1) of the 1946 Miscellaneous Financial Provisions Act. However, in view of the representations made by the Treasury and Civil Service Committee in 1982, we have stated

clearly that in this exceptional case payments, financed initially from the Contingencies fund, will not be made until the House has voted in favour of the Estimate.]

31. Several members of the Treasury and Civil Service Committee suggested last week, [as does the Committee's Report published today], that payment should be delayed until the House has passed a Consolidated Fund Bill. I have considered these suggestions most carefully but have to say that I cannot accept them. Payment is urgent and the best interests of the United Kingdom taxpayer require that we should credit the Commission's account tonight. There is insufficient time to complete all stages of a Consolidated Fund Bill in both Houses and obtain Royal Assent; these procedures, which are now formal, will be completed as part of the usual March Consolidated Fund Bill. The well-understood and recognised role of the Contingencies Fund is to provide for payments that are urgent, in anticipation of Supply procedure. In accordance with the long-established practice therefore, the Government would propose to assume that if the House votes in favour of the Estimate tonight, it will not vote differently in the formal proceedings on the Consolidated Fund Bill.

32. I would like finally to say something about the Government's statutory authority for making payments towards the disputed element of the budget. This too is a subject which members of the Treasury and Civil Service Committee raised upstairs [and which the Committee has queried in its report to the House.] As the Special Supplementary Estimate makes

quite clear, this will be one of the many cases where the Government's authority to incur expenditure will rest on the House's approval of the Estimate and, in due course, of the confirming Appropriation Act. In the Government's view, such authority is sufficient and by no means uncommon. I should like to explain to the House rather fully why the Government is in no doubt that this is a perfectly proper way to proceed.

33. A Government Department does not, as is sometimes suggested, require specific statutory authority to carry out its functions. The converse is true. It can do anything that is not specifically prohibited by statute, provided that the House of Commons provides it with any necessary funds. In the present case, there is no legal restriction which prevents the Treasury from making a voluntary payment... to the Community, and funds are available from the Contingencies Fund initially and then through completion of the Supply procedures.

34. There are, I accept, cases where specific statutory authority is appropriate, although not legally necessary. The relevant doctrine is based on exchanges between the Treasury and the Committee of Public Accounts in 1932. The Treasury and PAC reached general agreement on the subject of when an Estimate and the Appropriation Act would not suffice, and I cannot do better therefore than to quote from the relevant Treasury Minute on the PAC Second Report of that year. The Treasury then agreed that "practice should normally accord with the view expressed by the PAC that, where it is desired that continuing functions should be exercised by a Government Department (particularly where

such functions involve financial liabilities extending beyond a given year) it is proper that the powers and duties to be exercised should be defined by specific statute." In all other cases, by implication, the Treasury and PAC agreed that specific statutory authority was unnecessary.

35. The Treasury and Civil Service Committee referred to Erskine May, page 791. Our proposed method of proceeding does not fall into either category described by Erskine May as having been criticised by the PAC. First, this voluntary payment is not illegal under any existing statute. Second, as I have already implied, we do not propose to create a continuing function of Government involving financial liabilities extending over several years. Perish the thought! The procedure we are adopting for obtaining the consent of the House is therefore fully in accord with established practice and with the recommendations of the PAC.

36. [I have dwelt on these procedural matters at some length but I think it right that the House is quite clear about the procedures which the Government is adopting. I also thought it right to respond to opinions expressed upstairs by the Treasury Committee last Thursday [and in their Report today], just as the Government is responding to its predecessor Committees' views by bringing forward this Supplementary Estimate in a proper way that permits the House to debate the issues and vote upon them before any payment is made.]

Conclusion

37. There are two conclusions, Mr Speaker, which emerge clearly from what I have been saying. First, the Government is pursuing the right policies with regard to the disputed Community budget for 1986. Second, we are seeking Parliament's approval in the right way. I therefore have no hesitation in commending the Supplementary Estimate to the House.

WIND-UP SPEECH

Peroration

In conclusion, Mr Speaker, I express the hope that Rt Hon and hon Members on both sides of the House will vote in favour of this Special Supplementary Estimate.

2. The procedures through which the Government is seeking approval are those recommended by no less an authority than the Treasury and Civil Service Committee in the previous Parliament.

3. On substance, several Rt hon and Hon Members have expressed surprise at the nature of the Government's legal advice; but to my memory no-one has suggested that we should ignore that advice.

4. If any Rt Hon or Hon Members should still be thinking of voting against the Supplementary, I ask them to pause and reflect. Do they really wish to prejudice the crucial court cases? Do they really wish to cast their votes in favour of the European Parliament and against our own Parliament? I cannot believe it.

5. I ask the House to approve the Supplementary.



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILE END LONDON SW1F 4QJ

01 211 6402

The Rt Hon the Viscount Whitelaw CH MC
Lord President of the Council
68 Whitehall
LONDON
SW1

3 February 1986

IMPLEMENTATION OF THE EUROPEAN DIRECTIVE ON ENVIRONMENTAL ASSESSMENTS

I have seen Kenneth Baker's letter of 23 January seeking colleague's agreement to the issue of a consultation paper on implementation of this Directive. ^{WILL REQUEST IF REQUIRED}

Kenneth rightly stresses the need to ensure that the Directive is implemented in a way that minimises the burdens on those developers affected by it. With that in mind, we successfully obtained agreement in Brussels to mandatory assessments being required only for the limited categories of projects in Annex I of the Directive. It was always our intention that application of the Directive to Annex II projects should be minimal.

I am therefore concerned that we should not at the consultation stage rule out the possibility of giving blanket exemption to Annex II projects. Otherwise we would bring virtually all new mineral extraction and energy projects (including new coal mines) within the scope of the Directive. While it is proposed to take only a discretionary power to this effect, its every existence would encourage objectors to press for its use.

We all recognise the lengthy and costly delays that can arise under our existing planning requirements. CBI and NICG among others have been pressing for measures to reduce them and 'H' Committee has already taken action in the field of public inquiries. The discretionary power to apply this Directive to Annex II projects could be seen as a move in the opposite direction.

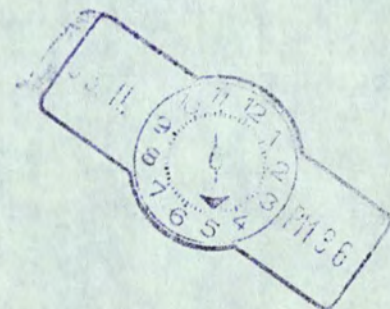


I am advised that it is open to us to justify blanket exemption of Annex II projects to the Commission on the basis of our existing legislation. I note also that Article 4.2 of the Directive gives Member States discretion either to specify types of Annex II projects to be covered or to establish criteria and thresholds for the same purpose. I therefore propose that we keep our options open by amending paragraph 8 (and elsewhere as necessary) of the consultative document to the effect that we are considering the extent to which we should exercise this discretion in respect of Annex II projects. Officials could then consider further in the light of reactions.

Copies of this go to the Prime Minister, members of H Committee, Michael Jopling, David Young, Paul Channon and Michael Havers.

A handwritten signature in black ink, appearing to read 'Peter Walker', with a large, stylized initial 'P'.

PETER WALKER

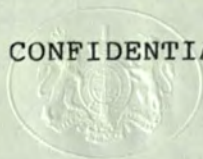


Ref. A086/296

PRIME MINISTER

Cabinet: Community Affairs

The Secretary of State for Foreign and Commonwealth Affairs will report on the Foreign Affairs Council which was held on 27 January. The Minister of State, Foreign and Commonwealth Office (Mrs Chalker) and the Parliamentary Under Secretary of State at the Department of Trade and Industry (Mr Butcher) represented the United Kingdom. It was agreed that all member states should make every effort to sign the Act that enshrines the Treaty amendments arising out of the Intergovernmental Conference on 17 February. Before it can enter into effect the approval of the national Parliaments of all member states is required. The texts are now complete. They include revised wording on the working environment which rules out the imposition of administrative, financial and legal constraints on small and medium-sized businesses. The Italian general reserve on the whole package will probably be lifted before 17 February. The Danish position depends on the national referendum to be held on 27 February. The Foreign Affairs Council heard a report by Monsieur Delors, the President of the Commission, on his recent visit to Tokyo and will follow this up with substantive discussion of Japan/Community trade questions at its February meeting. The Council also decided on a package of measures in retaliation against the restrictions which the United States have placed on semi-finished steel imports (the agreed quantity for the British Steel Corporation's contract with the plant at Tuscaloosa, Alabama is not touched). The Community measures will come into operation on 15 February if by then discussions between the Commission and the United States have not resolved



the problem. The Council also agreed, as we had urged and in spite of difficulties with the Greeks, on the need to take steps to unfreeze relations between the Community and Turkey.

2. The Chancellor of the Exchequer may report that the United Kingdom's case against the European Parliament on the 1986 Budget has been deposited in the European Court of Justice on 29 January. The debate on the supplementary estimate in the House of Commons will be on 3 February.

ROBERT ARMSRTONG

29 January 1986

Qz.04816



From: D F Williamson
Date: 28 January 1986

MR POWELL
10 Downing Street

*The Rio Minister
has been
informed.*

EUROPEAN COMMUNITY: INTERGOVERNMENTAL CONFERENCE

I minuted you on 16 ^{at 11am} January about the United Kingdom reserve on the text on the working environment and the changes in the text which we had to get in order to ensure that this would not impose burdens on small and medium-sized businesses. You replied on 17 January, suggesting an extra safeguard in the sentence (the words "and financial"). I can now report that we have successfully negotiated the inclusion in the Treaty text of the sentence as set out in my minute of 16 January with the addition of the words "and financial". Other member states who raised various troublesome objections were finally persuaded to withdraw them yesterday.

*CDP
28/1*

I am sending copies to Colin Budd (FCO), John Lambert (Department of Employment), John Mogg (Department of Trade and Industry) and Sir Robert Armstrong.

DF Williamson

D F WILLIAMSON

CONFIDENTIAL

TO BE CHECKED
AGAINST DELIVERY

CC CDP
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Press
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STATEMENT ON THE FOREIGN AFFAIRS COUNCIL 27 JANUARY 1986 TO BE MADE
BY THE MINISTER OF STATE, MRS LYNDAL CHALKER MP IN THE HOUSE OF
COMMONS ON THURSDAY 30 JANUARY 1986

1. With permission, Mr Speaker, I should like to make a statement about the meeting of the Foreign Affairs Council which took place in Brussels on the 27th of January. I and my honourable Friend the Parliamentary Under-Secretary of State for Industry represented the United Kingdom. A statement of forthcoming business in the European Community has been deposited in the Vote Office.
2. Ministers had a further preliminary discussion of the Commission's proposals for a negotiating mandate on renewal of the Multi-Fibre Arrangement.
3. They reviewed progress in negotiations to adapt the European Community/EFTA agreements to take account of enlargement.
4. In response to the imposition by the United States of quotas on imports of EC semi-finished steel, the Council decided to introduce quotas on US exports of fertiliser, coated paper and bovine fats. These restrictions will not be introduced until the 15th of February, allowing time for further efforts to achieve an agreed outcome.
5. The President of the Commission reported on his discussion with the Japanese Government on EC/Japan trade relations during his recent visit to Tokyo. I emphasised the importance we attach to the

achievement of a better balance in trade between the European Community and Japan.

6. In Political Cooperation the Foreign Ministers of the Twelve agreed and issued a statement on international terrorism. They announced further measures to strengthen defences against terrorism within the Community and to discourage support from other Governments for terrorist attacks. They agreed to set up a new group within Political Cooperation to ensure effective follow-up in the areas covered by the statement. They agreed not to undercut measures taken by others against Governments which support terrorism.

7. The Foreign Ministers reviewed briefly the implementation of the measures vis-à-vis South Africa which were agreed at Luxembourg on the 10th of September.

8. In the Inter-governmental Conference member states finalised the text of the amendments to the EC Treaties and treaty provisions on European Political Cooperation. On the question of the working environment, we secured inclusion in the treaty text of provisions protecting the position of small and medium sized undertakings, as proposed by my right honourable Friend the Prime Minister at the European Council in Luxembourg. This enabled the only outstanding United Kingdom reserve to be lifted. All member states have accepted the agreed text. The Netherlands Presidency hope that the new Act will be signed by all member states on the 17th of February. If the Danish Government cannot sign on that date they will aim to do so after the referendum in Denmark.

CONFIDENTIAL

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10 DOWNING STREET

From the Private Secretary

24 January, 1986.

**EUROPEAN COMMUNITY:
INTER-GOVERNMENTAL CONFERENCE**

Thank you for your letter of 23 January describing the position reached over the results of the meeting of Heads of State in Luxembourg last December. The Prime Minister has noted this.

I have drawn to the Prime Minister's attention the fact that once the new treaty provisions agreed at Luxembourg come into effect, the description "European Parliament" will be embodied in formal treaty language. She has acknowledged this.

(C.D. Powell)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

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Prime Minister CONFIDENTIAL

You will want to pay particular attention to X on Foreign and Commonwealth Office London SW1A 2AH

23 January 1986

page 2. The point is that the existing Treaty speaks of European Assembly; but the texts agreed in Luxembourg speak of European Parliament, and this Dear Charles will now become the general usage in the Treaty. We formally accept that title anyway, though in practice you speak of 'Assembly'.

European Community: Inter-Governmental Conference

At the Foreign Affairs Council on 27 January the Netherlands Presidency will be seeking final approval of the agreements reached by the Heads of Government in Luxembourg. As regards the outstanding reserves the position is as follows.

(a) We have made clear that we shall not be prepared to approve the text on the working environment without inclusion of a provision, based on that proposed by the Presidency, which affords protection for small and medium enterprises. The Italians and Germans are still making difficulties, but other member states have accepted this.

(b) The Italians may not be in a position finally to confirm their agreement to the package next week. Since the European Parliament has been obliged reluctantly to acquiesce in the agreed reform package, they can be expected to do so shortly.

(c) The Danes will not be in a position to give final approval because they were unable to get a majority in the Folketing on 21 January. Although Social Democrat leaders saw little wrong with the package, the party as a whole decided to vote against it to embarrass the government. Mr Schluter is well aware that there is no possibility of changing what was agreed by the Heads of Government and accepted by him in Luxembourg. Mr Elleman-Jensen came to see Sir Geoffrey Howe yesterday and said that it would be helpful for us to confirm this to him, which the Foreign Secretary has done. The Danes are getting the same message from the Presidency and all other member states. Mr Schluter's intention is to put the matter to a vote in a referendum. In the referendum campaign he will be arguing that a refusal to accept the package would be extremely damaging to Denmark, which derives large material benefits from membership of the Community through the CAP.

to this includes 'financial']

Agree that the term in the Treaty shall henceforth be Parliament? CDP 23/1 ✓/er mr

/If



CONFIDENTIAL

If the Danes do not secure a positive vote in the referendum, it will not be possible for them to ratify the agreement. If they do, it will take up to a year before ratification procedures are completed in all member states. In the interim the Presidency will try, pending ratification, to handle business so far as possible in accordance with last month's Luxembourg agreement. We can accept that on a "best endeavours" basis (as we proposed before Milan), on the clear understanding that the agreement will have no binding effect until it is ratified by all member states.

X | / On the European Parliament, the attached text providing for changes in the cooperation procedure, without increasing the power of the Parliament, was agreed by the Heads of Government. Despite attempts by the Italians, Belgians and others to re-open the issue that text was adopted at the last meeting of the Inter-Governmental Conference on 17 December. Our insistence that none of the texts agreed in Luxembourg can be changed (save for minor points of clarification) has been the key to ensuring that countries who fared less well than we did in the European Council have been unable to re-open things they agreed to then. As we have made clear in the House, the description European Parliament is the general usage throughout the Community. The government accepted that usage on taking office, as did previous governments, while continuing to use Assembly as the legal title. The Conservative manifesto for the European elections in 1984 referred to the European Parliament, as is the practice in all government documents. Once the new treaty provisions agreed at Luxembourg come into effect, ie as and when they are ratified by all the member states, the description European Parliament will be embodied in formal treaty language.

On a separate point, the operative paragraphs of the English text of the Single Act have been agreed in the form we require them. The key provision refers to progress towards the establishment of European unity - not union - and there is of course no reference to European union in the title. Preambular references add nothing to the declaration issued by the Stuttgart European Council.

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
PS/10 Downing Street

CONFIDENTIAL

EUROPEAN PARLIAMENT

Article 1

A cooperation procedure shall be introduced which shall apply to acts based on Articles 7, 49, 54(2), 56, 57 and 100(a) of the Treaty establishing the European Economic Community. The Cooperation procedure shall also apply to acts based on Article 11(2) of the text on research and technological development and on Article 5 of the text on cohesion and also on acts to be taken by a qualified majority pursuant to Article 118.

Article 2

The provisions of Article 149 of the Treaty establishing the European Economic Community shall be replaced by the following:

1. Where, in pursuance of this Treaty, the Council acts on a proposal from the Commission, unanimity shall be required for an act constituting an amendment to that proposal.
2. Where, in pursuance of this Treaty, a Council act is adopted in cooperation with the European Parliament, the following procedure shall apply:
 - a) The Council, acting by a qualified majority under the conditions of paragraph 1 above, on a proposal from the Commission and after obtaining the Opinion of the European Parliament, shall adopt a common position.
 - b) The common position of the Council shall be transmitted to the European Parliament. The Council and the Commission shall inform the Parliament fully of the reasons which led the Council to adopt its common position and also of the Commission's position.

If, within three months of such communication, the European Parliament approves this common position or has not taken a decision within that period, the Council shall definitively adopt the act in question in accordance with the common position.

c) Within the period of 3 months referred to in paragraph 2b, the European Parliament may, by an absolute majority of its constituent members, propose amendments to the common position of the Council. The European Parliament may also reject the common position of the Council by the same majority. The result of the proceedings shall be transmitted to the Council and the Commission.

If the Parliament has rejected the common position of the Council, unanimity shall be required for the Council to act on a second reading.

d) The Commission shall, within the period of 1 month, re-examine the proposal on the basis of which the Council adopted its common position, by taking into account the amendments proposed by the European Parliament.

e) The Council, acting by a qualified majority, shall adopt the proposal re-examined by the Commission.

Unanimity shall be required for the Council to amend the re-examined Commission proposal.

f) The Council shall be required to act within a period of 3 months.

3. As long as the Council has not acted, the Commission may alter its original proposal at any time during the procedure.

Article 3

The provisions of the first paragraph of Article 237 shall be replaced by the following:

Any European state may apply to become a member of the Community. It shall address its application to the Council which, after consulting the Commission, shall act unanimously after receiving the assent of the European Parliament which shall act by a majority of its members.

Article 4

The provisions of the second paragraph of Article 238 shall be replaced by the following:

These agreements shall be concluded by the Council, acting unanimously and after receiving the assent of the European Parliament which shall act by a majority of its members.



Ref. A086/224

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will give his assessment of the impact of the vote in the Danish Folketing on 21 January on the results of the Intergovernmental Conference. He will also report on his discussions with the Danish Foreign Minister, Mr Elleman-Jensen, in London on 22 January. Against the advice of the minority Government the Folketing voted by 80 votes to 75 to reject the current package of Treaty amendments and to seek to negotiate changes. The Danish Government knows that this is not possible and that Mr Elleman-Jensen will receive the same message in each capital. The next Danish step will probably be the calling of a referendum on the Treaty changes next month. The Government expects to win but such forecasting is hazardous. This delay will take the pressure off the Italians to lift their general reserve, towards which they were moving. The most likely outcome remains that, after the Danish situation is resolved, the present texts (with the amendment necessary to allow us to lift our reserve on the effect on small and medium sized businesses of directives on the working environment) will go forward for ratification.

2. The Foreign and Commonwealth Secretary may also refer to the latest opinion poll (Eurobarometer) which for the first time for five years shows that more people in the Community are optimistic than are pessimistic about the future of the Community and the benefits for Community citizens in 1986. This was also true among those interviewed in the United Kingdom.

3. On the Community's 1986 budget the Chancellor of the Exchequer will report the steps that have been taken following



the Government's decision that the United Kingdom should proceed in parallel with the Council against the European Parliament in the European Court of Justice (ECJ). In taking national action we are being joined by France, the Federal Republic of Germany, the Netherlands and Luxembourg. We are also applying to the Court for an interim order that would suspend implementation of elements of the budget which we regard as illegal. Pending the Court's decision it has been decided for legal and financial reasons that we should pay in full on a without prejudice basis towards the budget adopted by the European Parliament. The first payment is due on 3 February. The Law Officers have advised that those elements of the adopted budget which are regarded as illegal by the United Kingdom cannot be paid from the Consolidated Fund and a Supplementary Estimate will be required initially for some £18 million to cover them. To meet the Parliamentary timetable and the views of the Treasury and Civil Service Committee on the procedures adopted in similar circumstances in 1982 the Supplementary Estimate had to be presented on 22 January. But it was accompanied by a Written Answer which explains that this action is designed to underpin our case before the ECJ and minimise the risk of being liable for interest rate charges.

4. The Chancellor of the Exchequer may also refer to the meeting of the Economic and Finance Council which took place on 20 January. The main outcome was agreement on the terms of reference for the high level working party on fiscal harmonization which is being set up in accordance with the remit from the Milan European Council to study those aspects of the Commission's White Paper on the internal market that relate to the abolition of fiscal frontiers. We have all along been concerned to make sure that this work is carried through under the Economic and Finance Council and that it should analyse the problems inherent in the reduction of fiscal frontiers - social,



economic and political - as well as looking at possible solutions. Both these aims have been achieved and no deadlines have been set for the high level group.

5. The Minister of Agriculture, Fisheries and Food will report on the meeting of the Agriculture Council on 20-21 January. The discussion on the major items - restructuring of the cereals and beef regimes - took place in a high level group and was designed to give the Commission substantive advice on these commodities before their proposals for the 1986 price fixing appear early next month. We were able to give general support to Commission ideas on the weakening of intervention arrangements for both commodities, but expressed misgivings about their current proposals on premiums for beef and on a co-responsibility levy for cereals. The Council itself agreed on the transfer of 300,000 tonnes of feed grain from the United Kingdom to Italy, which will usefully reduce our stocks, and on imports into the Community in 1986 of calves and beef under various special arrangements, one of which, that for frozen beef, is of particular interest to the United Kingdom processors.

6. There will be a Foreign Affairs Council on 27-28 January.

ROBERT ARMSTRONG

22 January 1986



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Biffen MP
 Lord Privy Seal
 Lord Privy Seal's Office
 Whitehall
 LONDON SW1A 2AT

Prime Minister
 There was no time to
 consult you during the

day. But I think
 this step is
 inevitable.
 22 January 1986

CCP
 22/1

Dear John,

ILLEGAL COMMUNITY BUDGET FOR 1986: NEXT ACTION

As you will see from the Chancellor's minute of 15 January and Charles Powell's letter of 16 January below, the Prime Minister has endorsed the Chancellor's proposals for action on the illegal Community budget for 1986.

We have been giving careful thought, as the Prime Minister suggested, to the Parliamentary handling and the line to take on why we shall be paying in full to a disputed budget. We have now to assume that all other member states, including the French, will be paying in full.

As mentioned in the Chancellor's minute, we cannot pay direct from the Consolidated Fund contributions to elements in the Community budget which we regard as illegal. We need therefore to seek Vote provision. In principle the simplest course would be to announce our policy next week and then to make a drawing on the Contingencies Fund, followed by presentation of a Spring Supplementary Estimate. But a TCSC report in 1982 asked that on all future occasions the Government should submit Supplementary Estimates on which the House could decide before any payment is made to an illegal budget. We must, I am sure, comply with this request.

We propose, accordingly, to present a Special Supplementary Estimate to Parliament today (following a precedent established a year ago with regard to our contribution under the 1984 inter-governmental agreement) and to announce our general policy on the 1986 budget at the same time in a Written Answer to a Question already tabled by Mr Foulkes. We are anxious to secure Parliament's approval for the Supplementary on Thursday 30 January, thus enabling us to make on time and in full our first payment to the 1986 budget as adopted, on Monday 3 February.

The basic reason for haste is that we risk prejudicing our case



before the European Court, and not least our application for an interim measures Order suspending application of the disputed elements in the budget, if we delay payment in full. A further significant anxiety is that we shall incur a potential liability for penal interest charges for every day we delay beyond 3 February. These charges, though not large in themselves, would be a further source of criticism and controversy, possibly including further adverse comments from the TCSC as well as criticism by the C and AG. We would therefore hope to present the Estimate today and then to have the House debate and vote on it on Thursday of next week, 30 January, if this can possibly be arranged. That would enable us to pay on time on the following Monday 3 February.

It is in my view highly desirable to meet this timetable if we possibly can so as to minimise the amount of controversy surrounding this tiresome issue. I do appreciate your difficulties with the Parliamentary timetable: I would not want to exaggerate the costs of deferring the business till the week of February 3, and we could argue before the Court that our late payment was a function of the Parliamentary process, but it is much less clean than paying on the correct date, and it could be argued against us that the Parliamentary process was within our control.

As regards presentation of the decision to pay in full, we must I suggest emphasise that (a) the key thing is to win the Court case and not to prejudice it by appearing to prejudge the Court's decision and (b) we need to minimise any potential liability to penal interest charges.

I attach the draft Written Answer (cleared with the Law Officers), Press Notice and Q and A briefing. The latter will, I hope, be useful to other Press Offices as well as our own.

If you or other Ministers have any points on these proposals, we should be glad to have them by 3.00pm today at the latest, please.

I am copying this minute to the Prime Minister, Geoffrey Howe, John Wakeham, the Law Officers and Sir Robert Armstrong.

I was ever
Pm

PETER BROOKE

I do apologise for the timetable implied in the penultimate paragraph, but a number of strands had to combine in the final determination of the way forward (the French, not least), and these have only just coalesced.



ANNEX A

Sir P Middleton
Sir G Littler
Mr Lavelle
Mr Scholar
Mr Butt
Mr Crabbie
Mr Mortimer
Mr Donnelly
Miss Wheldon - T.Scl

Treasury Chambers, Parliament Street, SW1P 3AG.
01-233 3000

PRIME MINISTER

ILLEGAL COMMUNITY BUDGET FOR 1986 : UK ACTION

The President of the European Parliament, M. Pflimlin, signed on 18 December the Community budget for 1986 as voted by the Parliament in its December plenary. The Parliament has thus adopted illegally, in defiance of the Treaty, a budget which includes a larger total for non-obligatory expenditure than the Council had agreed. The Council responded on 20 December by deciding (by 7 votes to 3) to take the Parliament to the European Court.

UK objectives

The fundamental issue in this dispute is not the precise level of spending in the 1986 budget but rather the balance of budgetary power between the Council and the Parliament. If the Court cannot be persuaded to find the Parliament's action illegal, the Parliament will undoubtedly make a habit of adopting budgets which go far beyond what is acceptable to the Council, which will become little more than a cypher. We must therefore do everything we can to ensure that the Parliament's action is found illegal. We must also aim to protect our Fontainebleau abatement and to end up with the lowest possible figure for the 1986 budget total.

Matters for decision

With these objectives in mind, there are four matters which we need to consider:

- First, should the UK bring a separate case against the Parliament, alongside the Council's case?

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1



- Second, should we simultaneously seek an interim order suspending application of the illegal elements in the budget?
- Third, should we also bring a case against the Commission for implementing an illegal budget?
- Fourth, how much should we contribute to the budget in the meantime, while these matters are sub judice?

We need if possible to resolve these matters in the course of this week in order that Counsel may prepare and deposit the necessary pleadings with the Court by the deadline of 28/29 January.

The Law Officers and Counsel have been consulted about the legal implications. The Law Officers' advice is reproduced at Annexes A and B.

Attitudes of other member states

It appears from discussions at official level that the position in France, Germany and the Netherlands is as follows:

- Case against the European Parliament. The Dutch (who now have the Presidency) have already decided to bring a case (though not to seek an interim measures order), provided France or Germany do so as well. Germany and (less certainly) France are likewise expected to bring cases, including applications for interim measures. The Germans are expected to decide on Wednesday and the French by the end of the week.
- Case against the Commission. The Germans and Dutch do not intend to bring a case against the Commission, certainly at this stage; French officials see some merit in doing so if the French Government decides to take court action, but we cannot count on this.



- Rate of contribution. The Germans and Dutch will pay in full: they believe that they are under a legal obligation to do so until the Court has pronounced otherwise. The French have still to decide but will probably pay in full as well.

Case for suing the Parliament

Individual member states would not normally sue the Parliament alongside the Council, and the Head of the Council's legal services has warned that the Court might be irritated by this. There are, however, cogent reasons for the UK (and other member states) bringing separate cases, and the Law Officers have advised that we have a reasonable prospect of winning. The main considerations are:

- i. Possible loss of majority for Council's case. If, as is all too probable, one of the seven member states which supported the December decision should later decide to withdraw its support, the necessary majority in the Council would be lost and the Council's case could collapse.
- ii. Possible mishandling of Council's case. The Council's legal services cannot be relied on to put the full range of legal arguments which our own legal advisers would wish.
- iii. Possible inadmissibility of Council's case. The legal advice is that it is not impossible that the Court might rule that the Parliament cannot be sued under Article 173 of the EEC Treaty. In that event, the case would need to invoke Article 38 of the ECSC Treaty, which makes provision for member states (but not the Council) to sue the Parliament.



The detailed basis of our pleadings has still to be determined. But the Law Officers have suggested that our main argument should be that the budget is valid pro tanto (ie up to the amounts agreed by the Council in its second reading budget) without excluding the alternative interpretation that no valid budget has been established and that the Community ought accordingly to be on a 'provisional twelfths' regime. In parallel with our substantive action against the Parliament, we would also ask the Court for an interim order suspending implementation of the disputed elements in the budget pending judgment by the Court.

Case for suing the Commission

The Commission have indicated that they intend to implement the budget as adopted by the Parliament in full. The question arises, therefore, whether we should sue the Commission as well as the Parliament.

We may need to sue the Commission at some stage if the Court unexpectedly judges the case against the Parliament to be inadmissible. As the Germans and Dutch have concluded, however, there is no need to decide on this further step now, and I suggest we suspend judgment for the time being. A particular difficulty will be to identify an 'act' of the Commission which we could challenge successfully.

How much to pay in the meantime

My natural preference would be not to pay in full towards the budget as established by the Parliament but to contribute only the sums needed to finance the elements which are not in dispute. We would not then have to ask Parliament, as in 1982, for a Supplementary Estimate to finance our contribution towards those parts of the budget which we consider illegal.



But Counsel has advised that such a course could prejudice in some degree our primary objective of winning the substantive case against the Parliament. It would prejudice still more our chances of winning an interim or suspensory measures order. Counsel has also advised that, if we declined to pay in full, the Commission would be likely to ask for interim measures requiring us to pay in full until the Court has resolved the substantive issue. If the Court granted this (as is quite possible), we should be obliged to reverse engines within three or four weeks and pay in full. If on the other hand the Court rejected the Commission's request, it could still judge later, at the end of the judicial process, that member states are obliged to pay in full, and we should be liable to pay interest penalties running into millions of pounds sterling.

I conclude, regretfully, that, tiresome as it will be to have to ask Parliament for a Supplementary Estimate, we ought to decide provisionally to join with other member states in meeting the Commission's requests for payment in full while (a) making clear that our contribution to the disputed elements of the budget is without prejudice and (b) seeking from the Court an interim order suspending implementation of these elements as suggested earlier. But if by any chance the French decide not to pay in full, we should be prepared to join with them and we should confirm with them in the meantime that this is our position.

Conclusions

To summarise, I propose that, subject to the views of yourself and the Foreign and Commonwealth Secretary and any further views of the Law Officers and Counsel, we should now decide -

- (a) to join other member states in bringing our own case against the European Parliament, including a request for interim or suspensory measures;
- (b) to suspend judgment for now on whether to bring a case against the Commission; and



(c) to contribute in full to the budget for the time being on a without prejudice basis, unless and until the Court directs otherwise, but to reconsider this if the French should decide not to pay in full.

As mentioned earlier we ought if possible to resolve these matters by the end of this week.

I am copying this minute to the Foreign and Commonwealth Secretary, the Law Officers and Sir Robert Armstrong.

YR.

(N.L.)

15 January 1986

RESTRICTED



10 DOWNING STREET

From the Private Secretary

Dear Rachel,

ILLEGAL COMMUNITY BUDGET FOR 1986: UK ACTION

The Prime Minister has considered the Chancellor's minute of 15 January dealing with the consequences of the adoption by the European Assembly of an illegal Community Budget for 1986.

The Prime Minister agrees with the conclusions of the Chancellor's minute. She has commented that we shall need to work out a more careful line for the Parliamentary handling of the decision to pay our full contribution to an illegal Budget while legal action is in train.

I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Legal Secretary to the Law Officers and Sir Robert Armstrong.

Yours sincerely
(C D Powell)

C D POWELL

Mrs Rachel Lomax,
H M Treasury

RESTRICTED

ANNEX B

16 JAN 1986

X

Mr A. EDWARDS

EST. MGT.

Sir P. MIDGTON

Sir C. LITTLE

16 January 1986

Mr LAVELLE

Mr SCHOLAR

Mr BUTT

Mr CRABBIE

Mr MORTIMER

Mr DONNELLY

Miss WHEDON, T. Sec

SECOND REPORT

The Treasury and Civil Service Committee have agreed to the following Report:

SPRING SUPPLEMENTARY ESTIMATES

INTRODUCTION

1. Two Spring Supplementary Estimates accounted for by the Treasury or a public body associated with the Treasury were among those presented to the House on 18 February 1982. We decided to obtain further information on both of them—in the first case by hearing oral evidence. It is our view that both of the Estimates raise issues with which the House should be acquainted before the appropriate Consolidated Fund Bill is debated on Second Reading (under the existing timetable for Supply it was not possible to make a report before the Estimates themselves were voted upon).

CLASS II, VOTE 12 (BUDGET OF THE EUROPEAN COMMUNITIES)

2. This is a new Vote resulting from the adoption by the European Assembly of a larger budget than that agreed by the Council of Ministers. The amount required in the financial year 1981–82 is £7,100,000, although another £20 million or so will fall to be paid in 1982–83 if the dispute which gave rise to the need for provision of this kind is not resolved before the end of the year.¹

3. The House was forewarned of the need for this Supplementary Estimate in a statement made by the Lord Privy Seal on 3 February.² This also made it clear that recourse was being made to the Contingencies Fund, so that sums could be advanced before the Vote came before the House. A further description of the circumstances which had arisen within the Community institutions over the adoption of the Budget for 1982 was given to the Committee by witnesses from the Treasury and the Foreign and Commonwealth Office.

4. Briefly, the sequence of events in the Community has been as follows. On 21 December 1981 the European Assembly adopted the Budget for 1982 in a form which the United Kingdom Government found questionable on two counts. First, the total sum finally included was in excess of the "maximum rate of increase" allowed under Article 203(9) of the Treaty of Rome. Second, the Assembly claimed that the food aid item within the disputed amount was non-obligatory expenditure; this meant that they were allowed to increase the amount proposed by the Council. HM Government, on the other hand, regarded the food aid item as obligatory expenditure, which the Assembly had no power to increase to a sum greater than that decided earlier by the Council.³ These objections were discussed in the Budget Council where it became clear that not all member governments took the same view of the legal position.

5. It would have been open to HM Government to institute proceedings against the Assembly in the European Court of Justice. But the view was taken that it would be preferable, if agreement could be reached, there, that the Council of Ministers itself should take the matter to the Court. Accordingly, a compromise was reached whereby the Council agreed that proceedings should be instituted

¹Q.7–8.

²HC Deb (1981–82) 17, c 305–9.

³Q.86–88.

before the Court, but that in the meantime member States would pay in full the sums resulting from the Budget as adopted.¹ Although discussions have continued between the Council, the Commission and the Assembly to try to resolve the problem without the need for a judgment by the Court, proceedings in the Court have now been started as decided by the Council.²

6. Faced with the need to make the appropriate contribution to cover the Budget as adopted, the Government decided that as the part added by the Assembly was in their opinion not legally adopted, it could not be treated, as was the rest of the Budget, as a direct charge on the Consolidated Fund in compliance with section 2(3) of the European Communities Act 1972. Accordingly, it was decided to follow the alternative course of seeking the authority of Parliament for the first payments to be made; this was done by presenting a Spring Supplementary Estimate, with advance drawings being made from the Contingencies Fund.³

7. The situation which has now been reached is unprecedented. We consider it to be an unsatisfactory precedent. However, we accept the Government's view that, once the compromise had been arrived at within the Council, the money required could not be a direct charge on the Consolidated Fund. In our opinion, the right course for the Government then to have taken would have been to present an immediate supplementary estimate on which the House could have taken a decision. This would have been preferable to making use of the Contingencies Fund.⁴

8. Both the Lord Privy Seal in the House and the representative of the Foreign and Commonwealth Office before the Committee were reticent in explaining why it was that the Government preferred that the case should be brought to the Court by the Council as a whole rather than by themselves, when the price to be paid for such a decision was that the United Kingdom had to agree to make payments to cover the whole of the Budget as adopted by the Assembly rather than that part which they believed to be legally adopted.⁵ We realise that this is delicate ground. We accept that there is some political weight in the contention that it is preferable that the case before the Court should be seen to be one involving two community institutions, rather than one or more member governments and one institution.⁶ Nevertheless we cannot escape the conclusion that, as well as recognising the political advantage of carrying their partners with them, the Government's view was that proceedings launched by a unanimous Council were more likely to produce a sympathetic reaction from the Court than proceedings brought by one or two individual member states. We have already stated our view that the Government would have been better advised to put the question of the payment of public money to the judgment of the House before disbursement, thereby allowing a full discussion of the circumstances.

9. It is, to say the least, an unusual posture for parties when going to law to pay out beforehand sums which they regard as illegally levied and which they would be under no obligation to pay if they won their case. However, that is precisely the position in which the Government have placed themselves. The Lord Privy Seal asserted that the money would be repaid if the case went against the

¹HC Deb (1981-82) 17, c 305.

²Q.1-2.

³Q.10, 20-24.

⁴Evidence on legal issues surrounding the use of the Fund (about which there is some disagreement) will be appended to our forthcoming Report on Budgetary Reform in the United Kingdom.

⁵HC Deb (1981-82) 17, c 306; Q.31-33.

⁶Q.32-33.

Assembly.¹ We were glad to note that the Treasury confirmed this by stating that the means by which this would be done in due course would be to deduct an appropriate amount—which we trust will include interest—from the monthly VAT contribution.²

10. We note that this is the fourth successive year when there have been major difficulties between the Council and the Assembly over the adoption of the Budget, although on each occasion the precise nature of the dispute has been different.³ In so far as the difficulties have arisen because of uncertainties about the interpretation of community law—and that is especially so this year—we welcome the fact that the Council have agreed that a case should go before the European Court of Justice.

11. We regret that it has not been possible for the Government to provide a copy of the case as presented in writing to the Court by the Council.⁴ Nor have we seen the legal advice given to the Government. It is our opinion that the reference should be sufficiently wide to allow all the relevant issues to be resolved one way or the other in the near future and we recommend that the Government keep the House fully informed on this score.

12. Having considered the circumstances so far as we know them and noting the unusual features of the present situation, we do not recommend on this occasion that the House should take steps to disallow the Vote. But it is our opinion that, if the overall position is not satisfactorily resolved in 1982 and a similar legal problem arises on a subsequent Community budget, the Government should refuse payment of any disputed sums unless the matter has been debated and decided in Parliament.

CLASS XIII, VOTE 10 (ECONOMIC AND FINANCIAL ADMINISTRATION: DEPARTMENT FOR NATIONAL SAVINGS)

13. A further sum of £1,221,000 is needed to supplement the £79,179,000 already voted for the Department for National Savings. We sought from the Department and the Treasury a further explanation than that provided in the Note by the Financial Secretary, which simply said that additional provision was being sought "because the amount received from the National Savings Bank Fund for the cost of administration of the National Savings Bank Ordinary Account was lower than expected".

14. The two reasons for this shortfall in the amount recovered from the National Savings Bank Fund were (i) that the proportion of the transactions of the National Savings Bank which are ordinary account transactions had decreased in the course of the financial year faster than forecast and (ii) that an adjustment of about £0.5 million had to be made for over-recoveries in previous years.⁵

15. The National Savings Bank administers two types of account, the "Ordinary" and the "Investment". The Investment Account was defunded on 31 December 1980 and the related expenditure transferred to the Vote. A further change is to take effect at the beginning of the financial year 1982-83, when the Ordinary Account Fund, instead of making an Appropriation in aid of the Department for National Savings' own Vote, will make a counterpart payment

¹HC Deb (1981-82) 17, c 305.

²Q.66. See also Appendix 1, p 13.

³Q.81.

⁴Appendix 2, p 14.

⁵Appendix 3, p 15.

MR FOULKESTo ask Mr Chancellor of the Exchequer, if he plans to take any steps to counter the European Commission's implementation of the Community budget in the form approved by the European Parliament; if he intends to pay the United Kingdom's share for February on the basis of the budget approved by the European Parliament; and if he will make a statement.

Mr

(Pursuant to his reply, 21 January 1985, Cols -)

The European Parliament adopted on 18 December a Community budget for 1986 which includes a larger total for non-obligatory expenditure than the Council had agreed and other disputed elements.

In the view of seven member states, including the United Kingdom, the Parliament's action was not compatible with the EEC Treaty, and the Council decided accordingly on 20 December, by 7 votes to 3, to bring an action against the European Parliament before the European Court. The French, German, Dutch and Luxembourg Governments have decided to bring separate actions against the Parliament.

The UK Government has likewise decided to bring a separate action against the European Parliament in which the Court will be asked to ^{rule} ~~declare~~ ^{are invalid} ~~invalid~~ ^{that} ~~either~~ the disputed elements in the budget, and in particular the 629 mecu (some £385 million) of non-obligatory expenditure which the Parliament added in mid-December to the Council's second reading draft budget of 27 November, ^{in the alternative, that no legal budget has been established.} ~~or the budget as a whole. Counsel for the~~

The UK will shortly deposit ^{an application} ~~pleadings~~ with the European Court in Luxembourg.

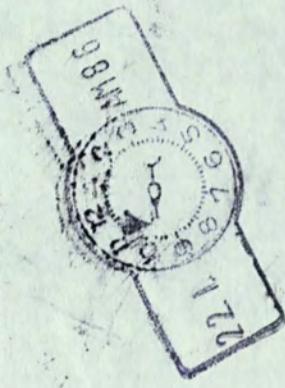
The Government will also be applying shortly to the European Court for an interim measures order suspending implementation of the disputed elements in the budget pending substantive judgment by the Court.

Since the elements which the Parliament added to the budget after the Council's second reading budget were not, in the Government's view, legally adopted, we cannot treat our contributions towards those elements, which amount to some £6 million a month, as we do the rest of the budget, as a direct charge on the Consolidated Fund under Section 2(3) of the European Communities Act, 1972. The Government proposes, as in the 1982 budget dispute, to contribute in full to the budget but to make clear that our contributions to the disputed elements in the budget are paid on a without prejudice basis, pending judgment by the European Court. The authority of Parliament for this element in our contributions is being sought in a Special Supplementary Estimate for the current financial year which is today being presented to the House.

The Government's intention in adopting this approach is to minimise the risks of prejudicing the United Kingdom's case before the European Court, including our application for an interim measures order, and likewise the risks of incurring liability for penal interest rate charges.

EURO POL PT31

Budget.



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Foreign and Commonwealth Office

London SW1A 2AH

17 January 1986

CCPE
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17/1

Dear Charles,

European Community : First Impressions
and Annual Review for 1985

The Prime Minister may wish to see the attached copy of Sir David Hannay's combined First Impressions Despatch and Annual Review. As the Despatch records, 1985 was a year in which we were able to attain some key objectives in the Community : the enlargement negotiations were completed on terms satisfactory to us; the Fontainebleu mechanism was established in Community law; and we were able to turn the potentially damaging exercise of Treaty amendment into one that was both limited in scope and directed to practical issues of concern to us.

In the coming year we shall be seeking to use our Presidency inter alia to make progress on the internal market and transport liberalisation, on the basis of an action programme which we have concerted with the Dutch and which will be pursued throughout the year. Our European Council will afford the opportunity to review progress and give a further impetus to that work. A paper for Ministers on this and our other objectives, and the handling of our Presidency generally, is in preparation.

As Sir David points out, although we have achieved price cuts in each of the past three years, the problems of the CAP are no less acute than before and will become more so unless we can achieve further reforms this year and next. A restrictive price policy will remain the key to CAP reform, though a mix of measures is likely to be necessary to produce results. This too is being considered inter-departmentally and will be discussed in OD(E) in February.

The fact that 1985 was a good year for us in the Community owes a great deal, in the Foreign Secretary's view, to the efforts of Sir Michael Butler and Sir David Hannay and their team in Brussels.

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
No.10 Downing Street

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EUROPEAN COMMUNITY: FIRST IMPRESSIONS AND ANNUAL REVIEW FOR 1985
SUMMARY

First Impressions

1. Contrast with the Community of 20 years ago: nearly twice the population and 7 times the GDP. (Paragraphs 1-3). The Community's business is now so varied and central that none of us could afford the paralysis which de Gaulle imposed in 1965 (paragraph 3). Striking contrast in the UK's position: thanks to the budget settlement, now well placed to play a central role (paragraph 4).

2. Pace the federalists, there has been little change in the influence of the Commission or in the Community's ability to act (paragraphs 5 and 6).

1985

3. A pretty good year for the Community and for Britain within it: but it ends with problems more evident than opportunities or solutions (paragraph 7).

4. Completion of the enlargement negotiations a historic achievement, though it involved some pain and some sweeping under the carpet of problems which will return (paragraph 8).

5. Agricultural reform was set back, largely by German inconsistency over cereals (paragraph 9).

6. The new budget system and budget discipline are in place; but the latter is already under great strain - from the CAP, the European Parliament and the Mediterranean mendicants (paragraph 10).

7. The outcome of the Inter-Governmental Conference was satisfactory and it was worth swallowing the unpalatable pill of treaty amendment to bring it to a swift conclusion (paragraph 11).

8. Externally, the Community played a major and constructive part in the launch of the GATT Round and managed some very tricky trade disputes with the US, but made little impact on Japanese policies (paragraph 12).



9. The Delors Commission is an improvement on its predecessor; it produced some impressive policy papers though there are doubts about its sense of direction and consistency (paragraph 13).

Prospects for 1986

10. Some digestive problems with Spain and Portugal, though the worst probably lies beyond 1986 (paragraph 15).

11. In agriculture, especially cereals, progress will be disappointing; but the choice between radical measures (price discipline or quotas) and crisis (in the budget or relations with the US) is ever more stark (paragraph 16).

12. The other major challenge is to sustain the momentum towards the internal market, despite the temptations to apply the brakes (paragraph 17).

13. Some of the main tasks for the British Presidency are already clear: the internal market, the 1987 budget, the European Parliament and decision making in the light of the IGC. They will require much ministerial time and patience.

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OFFICE OF THE UNITED KINGDOM
PERMANENT REPRESENTATIVE
TO THE EUROPEAN COMMUNITIES
ROND-POINT ROBERT SCHUMAN 6
1040 BRUSSELS

The Right Honourable
Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
LONDON SW1

TELEPHONE 230 62 05

31 December 1985

Sir,

1. The end of 1985 more or less coincides with the completion of my first three months as Permanent Representative. I am therefore daring to proffer my first impressions along with my annual review of the European Community, trusting that, coming from a post which bombards you and the department with nearly 5,000 telegrams a year, such a reduction in the flow of paper will be welcome.

First Impressions

2. The European Community to which I was first posted in September 1965 was very different from the one to which I returned almost exactly twenty years later in October 1985; and the same is true of UKRep, or UKDel as it was then known. In 1965 there were six member states; now there are twelve. The population of the Community in 1965 was 181 million; now it is 320 million. The Community's GDP in the same period (at current market prices) has risen from 400 billion ecu to well over 3,000 billion ecu. The Community budget for 1965 was 162 million ecu. The 1986 budget signed by the President of the European Parliament last week, whose legality is admittedly now being contested by the Council, rolls out at over 35 billion ecu. As for UKRep, it has grown from a staff of less than 10 ("very useful listening post" Personnel Department protested in 1965) to a mini-Whitehall of 75.

3. The qualitative changes have been as great as the quantitative. When I arrived in 1965, and for the six months that followed, there were no meetings of the Council, Coreper or even of Working Groups; only a few management committees conducted the bare minimum of business. General de Gaulle was hurling thunderbolts from the Elysée, denouncing the Commission as an "aréopage apatriide". That could not happen now, not just because no member state looks likely to imitate the Gaullist policy of the empty chair, but because it

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would not now be tolerable for the Community's much more complex business to be brought to a standstill in that way. The range of business transacted in the 1985 Community is far more diverse than in 1965; the economies of the member states have become progressively more interdependent; the network of overseas relationships and their content have extended and developed.

4. No change has been greater over this period than that in the UK's position. In 1965 it looked as if we were resigning ourselves to exclusion from the club. The talk in governmental circles in London was of building bridges between EFTA and the EEC. Now we have just completed our thirteenth year of membership. The ride has often been bumpy and the results disappointing; but with a lot of determination and a dash of bloody-mindedness we have now settled the uncompleted budgetary business left in suspense at the time of our accession. We have learnt from the inside how the machine works and how to make it work. Thanks in considerable part to the work of my own predecessor, I have been dealt a hand about which I cannot complain. We are as well placed as we shall ever be to play a full role in the development of Community policies.

5. Strangely enough one qualitative change much bemoaned by the Euro-federalists, a weakening of the influence of the Commission vis-a-vis the Council, is not very apparent to me. Admittedly the Thorn Commission was a remarkably weak one, but so was the Hallstein Commission once it had committed the cardinal error of taking on the government of one of the larger member states. The Thorn Commission's one outstanding personality, Davignon, was very bit as capable of getting his way and moulding Community policy as were the founding fathers. The truth of the matter, I suspect, is that what the Euro-federalists really bemoan is the failure of the Commission to turn into the European government they would have liked it to become. The reality is not that its role is much diminished, it is that it is much the same.

6. One or two tentative conclusions spring to mind after this extremely cursory glance over a couple of decades. The first is that the conventional Brussels wisdom that the 1960s, when there were only Six, was a golden age, is a myth. Like many potent political myths it reflects an attitude of mind with which we have to live; but it is not consistent with the facts. The second is that the Community's development needs to be viewed over a longer

/time



time scale than the intense frustrations of transacting business in its institutions normally permit. It is all too easy to fall victim to the technical complexity of the issues at stake and the byzantine nature of the decision-making process and to conclude that nothing much every gets done in Brussels. But that is not the case. And it is also important to remember that it is as true of the Community as it is of any of its component countries that its legislative history is not the whole story. There are not many important Community decisions being taken now about the customs union in which we live; but there is an awful lot of business being done on the basis of the decisions taken in 1958.

1985

7. 1985 was not an annus mirabilis for the Community. The European Community goes in for nothing as flamboyant as that; and if it ever did, it would certainly fail to present it properly. But it was a pretty good year for the Community as a whole, and for Britain within it, albeit with a spot of turbulence around the Milan European Council at the end of June. It ends, however, with the problems on the horizon rather more prominent than the opportunities and with the prospects for hammering out the necessary solutions in a newly enlarged twelve member organisation more dauntingly complicated and time consuming than ever. There is no room for the good Dr Pangloss here.

8. The first half of the year was dominated by the successful completion of the enlargement negotiations, culminating in the signature of accession treaties with Spain and Portugal. These negotiations were fully described in a despatch by my predecessor. Suffice it to say that, while their success was more or less pre-ordained, getting them into harbour was not an easy business. As in our own case a number of problems were swept under the carpet (olive oil in particular) and in some areas the terms negotiated seem almost certain to be contested sooner or later by the acceding countries. But the achievement remains a substantial one; and one liable to influence the politics of Western Europe as much as its economics. Whether or not Louis XIV ever said "Il n'y a plus de Pyrénées", that is the objective, figuratively, which the Community has set itself: a reversal of the historical trends of the last one hundred and fifty years.



9. But just as much time was taken up in that same half year on one of the longest and bitterest of the Community's agricultural price-fixing marathons as on enlargement. For month after month the Commission and the majority of the Agriculture Ministers struggled to get the Germans to resolve the inconsistencies between their advocacy of budgetary stringency and their refusal to agree to a price reduction for cereals even when there was a massive and growing structural surplus. In the end they refused the latter and made nonsense of the former, at the same time reversing their own policy on the use of the Luxembourg compromise. The immediate result of this setback were not dramatic, particularly since the Commission has filled the legal vacuum in cereals by effectively reducing prices and the rest of the price-fixing was settled reasonably satisfactorily. But, in the longer term, the consequent weakening of the Commission's resolve to press ahead with the rigorous price policy needed to reform the CAP could be very damaging.

10. The earlier part of the year also saw the final dotting of "i's" and crossing of "t's" on the new own resources decision and the texts on budget discipline; and the decisions on Integrated Mediterranean Programmes. This is another clear instance of the frequently repeated pattern in the Community of taking inconsistent, or at least mutually conflicting, decisions. The procedures for budget discipline have been implemented for the first time this year but they are already under great strain, in agriculture because of the fall in the dollar and the failure to check surpluses; outside the agricultural field because the European Parliament is not bound by them and seems determined to challenge them. We have a major fight on our hands to hold on to what we have achieved. As to the Mediterranean begging bowl, now re-christened cohesion, it will be rattled ever more loudly, even if its original wielder, Papandreou, fell unusually silent in the autumn after the collapse of his domestic economic policies. The Spaniards and the Portuguese will be doughty mendicants.

11. The European Council meeting at Milan at the end of June and the contested decision there to set up an Inter-Governmental Conference to reform the Treaty divided the year neatly into two.

/The



The resulting conference totally dominated the second half of the year. It has now been successfully wound up, following the Luxembourg European Council, which qualifies it to be considered in Community terms as a hundred metre sprint and not the endless marathon which it sometimes felt like to those involved. There is probably not much point in dwelling now on the sequence of events that led up to the ill-tempered disagreement in Milan. What at the time looked like the possible beginning of a dangerous split in the Community, with the UK becoming isolated from the mainstream of Community policy-making, has not turned out like that, not least because we ourselves set about preventing it from doing so. The "maximalists" (Italy, Belgium, the Commission) in the event had little support and above all not that of France and Germany; so we were able, in concert with the latter two, to shape up a package which largely reflected our own priorities for the future development of the Community and, where it did not do so as over the European Parliament, was sufficiently limited to leave the last word with the Council. The accompanying pill of accepting treaty amendment remained unpalatable. I would not seek to argue that it was sweet. But once the other member states had thrown themselves into the uncharted waters of treaty reform, it was not practical politics to persuade them to scramble ignominiously up the bank off which they had jumped. We were wise not to try to make them do so.

12. I realise that in this account of the Community in 1985 I have so far managed fully to validate the views of those who regard it as an introspective organisation, obsessed almost to the exclusion of all else with its own internal affairs. It is not quite like that, although the risk remains. In fact, give or take the odd French wobble and effort to trip it up, the Community has played an important and constructive role in the run-up to the new GATT round of trade negotiations which now seem likely to start in the latter part of 1986. A good deal more determination and ingenuity will be required before that show finally takes the road and even more to make a success of it. But the pivotal role of the Community in world trade politics and its basic commitment to resisting protectionism (at least outside the agricultural field) has again been confirmed. Trade relations with the US in what, thanks largely to the US budget and trade deficits and to Congress, has been a very tricky year, have been successfully managed,

/although



although damage limitation rather than progress has been the order of the day. The Community has yet again demonstrated its inability to make an effective impression on Japan's shining carapace. There is no alternative in my view to going on trying - and to going on trying too to achieve an approach which is consistent with, even if it cannot for political reasons be concerted with, that pursued by the US.

13. This has been the first year of the Delors Commission. Both man for man (no woman Commissioner yet and none in prospect) and collectively, they are an improvement on their predecessors, of whom only Davignon is really missed. Delors has himself provided both leadership and authority; but as the year wore on, the leadership was undermined by doubt as to whether he really knew where he was leading and the authority by his distinctly erratic performance in the Inter-Governmental Conference and the resulting demonstration of his being pushed aside by the member states when they were in a hurry. I fear he seeks the palm (practically any palm which brings French domestic political dividends) without the dust; and that is just not on offer in the Community. But it is far too soon to think of writing either Delors or this Commission off. The quality of their policy papers (the Cockfield White Paper on the internal market and the Andriessen Green Paper on the CAP in particular - though not Narjes' colourless paper on technology) is well above what we have come to expect. The Commission too will have to grapple with enlargement. In large measure they continue to deserve our support and encouragement, tempered from time to time with some healthy criticism.

14. I realise that I have found no place here for many significant developments during 1985, ranging from the important decisions (subject to a Danish reserve) on vehicle emissions through agreement to abolish lorry quotas by 1992 to the successful fixing of TACs and quotas on time for 1986 after a 3-day Fisheries Council. But the Community only fits with difficulty on the Procrustean couch of the 2,500 word limit; and anyway this is meant to be a review and not a catalogue.

/The Prospects for 1986



The Prospects for 1986

15. The first major event of 1986 will be enlargement. It is not easy to predict just how the Spaniards and Portuguese will play their hands. Up till now they have resembled patients in the dentist's waiting room, nervous and edgy but anxious to please. That surely will not last. Previous enlargements have each been followed by prolonged bouts of indigestion; there is no reason to believe this one will be very different. But the worst symptoms are usually delayed for a year or two, so 1986 may prove deceptively calm in that respect. Thanks to the refusal of the other large member states to take up our proposal of coming down to one Commissioner each, the Commission will have to suffer from too many Commissioners chasing too few real jobs; and they will also have the upheaval of placing senior officials from the new member states. It will not be an easy time for them.

16. The path of CAP reform will be stony. The proposals the Commission have put forward on cereals, quite apart from their considerable inherent defects, demonstrate how hard we too will find it to tread. But the Community can not afford to turn back except at the risk of both a major new budgetary crisis and a trade war with the US. However quixotic it may seem in a pre-election year in Germany, a further attempt will have to be made to extract some degree of price discipline if far worse solutions such as quotas are to be avoided. One safe but bleak prediction is that less progress will be made on CAP reform in 1986 than needs to be.

17. Perhaps the biggest challenge of 1986 will be to put flesh on the bones of the commitment to complete the internal market by 1992. Of course it does not all, or even most of it, need to be done in one year. But if there is no significant and visible progress in 1986, there will be plenty of voices raised to say that the whole thing has run into the sand. It is easier to maintain momentum than to create it in the first place. Much will depend on the efforts of the Dutch and British presidencies. We will not ourselves find some of the necessary decisions easy to take. It is all too simple in this game to magnify the snakes and shrink the ladders and conclude that it is not worthwhile. But it really is hard to see British industry (including the service industries) in the longer term prospering and competing world wide without the base of a Europe-wide internal market. So I suggest we must grit our teeth and persevere. Tax

/approximation



approximation will remain a cross we shall have to bear but the longer we can keep out of a distracting hassle with Lord Cockfield and leave that to others who have just as great problems with his over-ambitious approach as we do, the better.

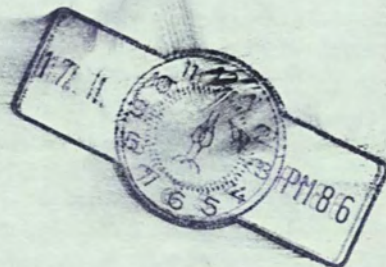
18. And then there will be the British Presidency, an experience likely to be at least as liberally provided with banana skins as with good conduct marks. It is a bit early to predict the main focus because much will depend on progress under the Dutch Presidency - on the internal market, on transport policy and on CAP reform. One thing is certain, the Presidency will require much ministerial time and patience. And one or two of the larger issues can already be spotted. The 1987 budget will stretch to the full our capacity to reconcile our national objectives and those of the Presidency. The handling of an increasingly tetchy Parliament, in litigation with the Council over the budget, will be exceptionally demanding. The management of voting procedures in the Council, whether the new treaty reforms are close to ratification or are blocked by the Danes, the Italians or both, will be distinctly tricky.

19. So 1986 will not be trouble free. But no year in the Community is.

20. I am copying this despatch to Her Majesty's Ambassadors in Community posts, at Washington and Tokyo; to the United Kingdom Permanent Representatives to NATO, the OECD, the Council of Europe, the United Nations at New York and Geneva, and to the Governor of the Bank of England.

I have the honour to be, Sir
Your obedient Servant

David Harvey



CONFIDENTIAL



10 DOWNING STREET

file RB
L03ASZ

cc for PC adok

From the Private Secretary

MR. WILLIAMSON,
CABINET OFFICE

EUROPEAN COMMUNITY INTERGOVERNMENTAL CONFERENCE

Your minute of 16 January dealt with the question of our reserve on the proposed Article 118A (working environment). It also sought the Prime Minister's agreement to a Presidency proposal to amend the text of the Article to ensure that it would not be used to impose burdens on small and medium-sized businesses.

I think that the Prime Minister would be prepared to lift our reserve on this basis on two conditions:

- (a) the new clause should be amended to read
"..... imposing administrative, legal and
financial constraints on small business";
- (b) our reserve was lifted only in the context of lifting all outstanding reserves.

I should be grateful if you could let me know whether you consider the first point to be negotiable.

I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Trade and Industry Secretary and the Employment Secretary.

CHARLES POWELL

17 January 1986

CONFIDENTIAL

CPD

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

17 January 1986

CDP
17/1

Dear Charles,

European Community: 1986 Budget

The Foreign Secretary has seen the Chancellor of the Exchequer's minute of 16 ^{15? at Plap.} January about the 1986 Budget. The Chancellor's recommendations were made in consultation with us and the Law Officers and the Foreign Secretary agrees with them.

I am copying this letter to the Private Secretaries of the Chancellor of the Exchequer, the Law Officers and Sir Robert Armstrong.

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

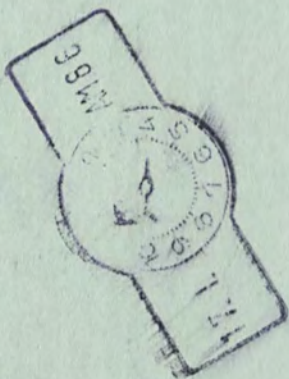
C D Powell Esq
PS/10 Downing Street

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Budget.



PRIME MINISTER

EUROPEAN COMMUNITY: INTERGOVERNMENTAL CONFERENCE

You will remember that at the Luxembourg Council you put a reserve on the new Article 118A and insisted that majority voting be retained for it.

There is now a proposal to add a new clause to the Article saying that directives made under it "shall avoid" imposing administrative and legal constraints on small business. This would be in the text of the Treaty.

what about financial constraints?

It is suggested that this should enable us to drop our insistence on unanimity. The Foreign Secretary, the Employment Secretary and the Trade and Industry Secretary are content to do so.

It's not an easy choice. Who is to judge whether a particular directive imposes administrative and legal constraints?
Answer: a majority of members of the Council. So there's no doubt that we would not have the same protection as unanimity would give.

On the other hand, if all other issues were resolved satisfactorily (i.e. if others drop their reserves), we would look a bit unreasonable if we held out on this. I think what is proposed would be defensible in the House. (I attach Hansard for your statement after Luxembourg.)

Since your principal colleagues are content, agree in the context of all other reserves on the points agreed at Luxembourg being lifted without significant changes?

C.D.P.

Would agree to drop reserve provided the Council get the small business exception right - see above note

C.D. POWELL
16 January 1986

"ARTICLE 118A

1. Member States shall pay particular attention to encouraging improvements, especially in the working environment, as regards the health and safety of workers, and shall set as their objective the harmonization of conditions in this area, while maintaining the improvements made.

2. In order to help achieve the objective laid down in the first paragraph, the Council, acting by a qualified majority on a proposal from the Commission, in co-operation with the European Parliament and after consulting the Economic and Social Committee, shall adopt, by means of directives, minimum requirements for gradual implementation, having regard to the conditions and technical rules obtaining in each of the Member States.

3. The provisions adopted pursuant to this Article shall not prevent any Member State from maintaining or introducing more stringent measures for the protection of working conditions compatible with the Treaty."

European Council (Luxembourg)

3.39 pm

The Prime Minister (Mrs. Margaret Thatcher): With permission, Mr. Speaker, I shall make a statement about the European Council held in Luxembourg on 2 and 3 December. My right hon. and learned Friend the Secretary of State for Foreign and Commonwealth Affairs accompanied me to this meeting. I have arranged for the conclusions of the Council to be put in the Library of the House.

The European Council reached agreement in five main areas. The first was the completion of the Community's internal market. This has been an important United Kingdom objective for a long time, with the strong support of British industry and business. The target of completing the Common Market by 1992 will be established in the treaty, and we agreed that there should be greater use of majority voting on a number of treaty articles dealing with goods and services. But unanimity will be retained for all decisions on taxation. The free movement of persons and the rights and interests of employees.

We also retain the right to take national action where required to protect public, animal and plant health.

The United Kingdom's position and the position of this Parliament are thus properly protected on such vital questions as frontier controls in relation to terrorism, crime, drugs and immigration from outside the Community; and on essential controls in health—for example, on rabies. The Luxembourg compromise, whereby a member state can invoke a very important national interest to prevent a decision being taken, is unaffected.

Secondly, the European Council agreed that the treaty should be brought up to date by new articles on technology, environment and the regional fund. Action has hitherto been taken in these areas on the basis of the general article in the treaty. The new articles will provide a more precise basis for action in these areas in future. Unanimity will be preserved for all-important decisions.

Thirdly, we agreed on procedural changes to improve consultation with the European Assembly. There will be better arrangements to enable the Council to take account of amendments to Community legislation suggested by the Assembly. But in all cases the last word on such legislation will rest with the Council. There will be no transfer of power on these matters from this House to the Assembly.

Fourthly, on monetary co-operation between member states, an amendment to the treaty was agreed which describes what has already been achieved in the Community framework, without entering into new commitments.

Finally, agreement was reached on a separate treaty of co-operation in foreign policy on the basis of the draft presented last summer by the United Kingdom. This formalises existing arrangements for consultation among the Ten on foreign policy matters and looks to a steadily closer co-operation.

The European Council's decisions on all these matters remain subject to general reservations from Italy and Denmark. The proposed amendments to the treaty will go forward only if these reserves are lifted. The United Kingdom has reserved its position on the voting arrangements in a proposed new treaty article on working

conditions. We insist that unanimity be preserved, in view of the risks that this article might be used to impose unfair burdens on our small and medium-sized business.

The European Council also discussed the economic and social situation and confirmed existing economic policies designed to reduce inflation and encourage sustained growth. On deregulation, the Commission gave an undertaking that in future all new proposals would be accompanied by an assessment of the effects on business and job creation; that the most important existing regulations would be re-examined to simplify them and to reduce the burden on industry; and that there should be a regular procedure for monitoring progress towards this objective. The United Kingdom's initiative earlier this year has thus been formally adopted.

In my statement in this House following the last European Council in June, I made it clear that we would have been ready then to take the steps necessary to complete the internal market, to improve decision taking, to formalise foreign policy co-operation and to improve procedures for consultation with the European Assembly.

Those objectives are now embodied in the conclusions of the Luxembourg European Council together with some tidying up of the treaty to reflect the Community's development. The amendments to the treaty have to be approved by each sovereign Parliament and accordingly will be submitted to this House.

I believe that the conclusions on completing the Common Market and reducing the burden of regulations will be of long-term benefit to British firms selling their goods and services in the European Community. Together with the arrangements to reduce the scale of Britain's budgetary contribution agreed last year, they will be an important step towards enabling this country to realise more fully the benefits of our membership of the European Community.

Mr. Neil Kinnock (Islwyn): Is the Prime Minister aware of the widespread feeling that yet again a summit has evaded the obligations and opportunities to tackle effectively unemployment in Europe and to promote Europe's role in international affairs? Does she recall saying to the House on her return from the Milan summit in July:

"I saw nothing before us that would require an amendment to the treaty"—[*Official Report*, 2 July 1985; Vol. 82, c. 189.] Why has she now performed a U-turn and agreed to procedures for amending the treaty as well as conceding the national right of veto in important sectors?

At Luxembourg, did the Prime Minister bother to pursue reform of the common agricultural policy, which produces food stockpiles that not only obviously outrage the British people but continue to distort seriously Community funding? Did she raise the question of the huge gap between social fund remittance and payments which, according to Commissioner Varfis, will ensure that the worst losses will be inflicted on the British people in 1986? Why does the Prime Minister continue to promote the idea of European foreign policy co-operation but ignore the views of our partners in the Community over issues such as the Falklands and South Africa, and today spitefully rejected their unanimous plea for us to remain in UNESCO?

The Prime Minister: We had a debate on economic matters and considered a substantial report by the Commission. It will be considered in more detail by the

the Prime Minister]

finance Council. All member Governments present endorsed the approach of the Commission which was to pursue policies to keep inflation down and prudent financial policies, and thereafter to pursue deregulation and to take steps to bring the internal market into being.

As to the amendments, as the right hon. Gentleman is aware, most of what has been done now could have been achieved without treaty amendment. Many of the others wished to go by treaty amendment. I was not one of those, but as they wished to do so they were entitled to. The detailed drafting of the amendments shows that all our interests are protected. Many amendments, such as that on monetary matters, merely describe the state that we have reached in the Community. It was interesting that those who wanted treaty amendments most were those who have put a reserve on the results.

As to the CAP, the treaty is not the obstacle to reform. There is nothing wrong with the treaty provision for the common agricultural policy. The matter comes up each time, but, as we were dealing with treaty matters, reform did not arise.

As to foreign policy co-operation, I expect that there will continue to be differences, but we shall try to work together as much as possible. As the right hon. Gentleman mentioned the Falklands, I remind him of the support that we got from the Community when the Falklands campaign was beginning, support for which we were profoundly grateful.

Mr. David Howell (Guildford): Is not the best way to bring monetary affairs within the scope of the Community and the treaty to achieve free trade in financial services and free capital movement throughout the Community? Can my right hon. Friend reassure us that the summit agreement has made, and will make, progress on that front?

The Prime Minister: My right hon. Friend is aware that we pointed out to some of those countries that wished to go much further than we did that in practice we have released exchange controls and have freedom of capital movements, while some of those whose rhetoric was to the fore in the Milan Council have not done either of those things as yet, and some will not do it now. As my right hon. Friend made very clear, we were right. The treaty amendment is very modest. However, I doubt whether every country will free exchange controls, although Germany is anxious that capital movement should be freed.

Mr. Roy Jenkins (Glasgow, Hillhead): Does the Prime Minister regard the result of the European Council as a significant advance towards majority voting and more effective decision making? Is it again, in her view, just a question of "that much", or is this a significant advance?

The Prime Minister: If the articles that are enumerated in the treaty are passed, it will be a significant advance for the internal market. As the debate and discussion continued, it became obvious that those countries whose rhetoric had been the highest were among those who put a reserve on, for example, majority voting for transport matters in the Community. They are of great importance to us. As the right hon. Gentleman is very much aware, there was a big gap between the rhetoric and what they

were prepared to agree in practice. We had a small reservation about one matter. Other countries had reservations about the whole matter.

Mr. Teddy Taylor (Southend, East): Was it not a little daft to make significant concessions in order to achieve a piece of paper on the so-called completion of the market, when France has today imposed a complete ban upon all lamb imports and apparently we cannot do a single thing about it?

Was it wise for the Government to concede the veto on article 28 relating to changes to the common external tariff? Will not this mean that the majority of the member states can go ahead with a protectionist regime and that there is nothing that Britain can do about it?

The Prime Minister: On my hon. Friend's last point, he is aware that trade matters are for the European Community. We agree that sometimes by unanimity and sometimes by majority. Some of them are already agreed by majority.

As for my hon. Friend's question about lamb, that was not a matter for treaty amendment, so we were not considering it.

Mr. Tony Benn (Chesterfield): Will the Prime Minister clarify her view about the long-term objective of political union within a fully federal united states of Europe, about which a great deal is regularly said in the Commission and elsewhere? Is she aware that an overwhelming majority of the British people would not only reject it but would believe that the policies designed to deal with unemployment in Britain could not be carried through under the treaty as it now stands?

The Prime Minister: I do not believe in the concept of a united states of Europe, nor do I believe that it would ever be attainable. The whole history is completely different, so I agree with the right hon. Gentleman about that matter. I am constantly saying that I wish that they would talk less about European and political union. The terms are not understood in this country. In so far as they are understood over there, they mean a good deal less than some people over here think they mean.

Mr. Robert Jackson (Wantage): My right hon. Friend is to be congratulated upon a personal diplomatic success in ensuring that there is a high degree of practical content in these institutional agreements. One of the most striking features of the discussions seems to have been the silence of other delegations on the much discussed question of the revision of the Luxembourg compromise. How does my right hon. Friend envisage the future operation of majority voting procedures in the Community?

The Prime Minister: As my hon. Friend is very much aware, the Luxembourg compromise will still be applied even when there is majority voting, provided that a very important national interest is involved. He will also be aware that at Milan we said that we should write down that interest so that it could be clearly defined and seen by other delegations. However, my hon. Friend is right. Other delegations did not pursue that matter, so presumably the Luxembourg compromise will operate as it does now by the declaration of a particular point that is of very important national interest.

Mr. Eric Deakins (Walthamstow): What advantages does the Prime Minister now see in amendments to the basic treaties to extend the legislative powers of the

European Assembly and the competence of the Commission which she did not appreciate when she made her statement against treaty amendments after the Milan summit?

The Prime Minister: Most of the changes that have been made under the text on the European Assembly, which are modest, could in our view, have been done by discussion without amending the treaty because the last word will continue to remain with the Council. Only two changes in the text would not have been undertaken otherwise. First, where there is an application for new accessions from a different country to the Community, the Assembly could, by withholding its consent, stop that application. Secondly, where there is an application for a new association agreement between third countries and the Community, the Assembly could, by failing to give its consent, stop it. Those are the only differences, except that we shall consult more with the Assembly before decisions are taken.

Sir Anthony Meyer (Clwyd, North-West): Could my right hon. Friend say whether this modest step in the direction of majority voting, which is surely inevitable if the 12 nation Community is not to be paralysed, is itself threatened by the possibility of one of the signatories to the summit agreement applying a veto to its implementation?

The Prime Minister: Yes. If Italy and Denmark maintain their general reserve, the matter could not be passed by each sovereign Parliament. Italy has undertaken to see what the European Assembly's views are before she makes up her mind. Denmark has certain constitutional problems, which she might be able to resolve, in which case, if Italy could go ahead, we could go ahead and bring the matters before the House.

Mr. Bryan Gould (Dagenham): Is it not the case that the Prime Minister has made a statement to the House on a meeting which she did not want to take place, on an agenda which she did not want to discuss, and on agreements which she did not want to make? How did that come about?

The Prime Minister: The meeting would have taken place anyway because — [*Interruption.*] The hon. Gentleman misses the point. If it had not been called the "intergovernmental conference", the same people as sit on the European Council would have met at the same place at the same time.

Mr. Anthony Nelson (Chichester): Although I welcome the agreement as far as it goes, is my right hon. Friend of the view that protection and promotion of national interests should be synonymous with joining more wholeheartedly with our European member neighbours on monetary and economic policy, particularly on full membership of the European monetary system? Will my right hon. Friend consider whether it is time for us to be in the vanguard rather than the rearguard of such movements?

The Prime Minister: I have said, and it remains our policy, that we shall join the exchange rate mechanism of the European monetary system when we believe that the time is appropriate. We do not believe that it is so at present.

As for being in the lead on monetary matters, as I said earlier, there are many matters on which we are well in the lead, both in the absence of a foreign exchange control and

in capital movement. It would be a great benefit to further monetary co-operation if some of the states who are members of the EMS would follow our lead.

Mr. Alex Carlile (Montgomery): While in Luxembourg, was the Prime Minister informed by the French Government that they would ignore the communality of the so-called complete Common Market by putting a ban two days later on the import of British sheepmeat? Will she tell the sheep farmers of Wales what the Government will do about the ban?

The Prime Minister: Obviously, my right hon. Friend the Minister of Agriculture, Fisheries and Food will take up the matter because we negotiated the agreement on lamb, and it is beneficial to the hon. and learned Gentleman's farmers in Wales and to farmers throughout the country. The hon. and learned Gentleman's comments reflect my earlier point that other countries have an enormous gap between their rhetoric about what they want to do and what they do in practice. The whole time, part of our task has been to diminish their expectations, and to bring them down from the clouds to practical matters.

Mr. Robin Maxwell-Hyslop (Tiverton): Since there is no pretence that United Kingdom lamb is banned from being exported to France on health grounds, will my right hon. Friend inform the Commission and the Council of Ministers that she will not place before the House any motion to ratify the Luxembourg agreements until the French comply with the basic elements of the original treaty of Rome in allowing free movement of agricultural produce of that sort?

The Prime Minister: If that action trespasses against the Community's law, it will be a matter for the Commission to take to the European Court.

With regard to the point about not putting matters before the House should Denmark and Italy not lift their reserve, I must point out to my hon. Friend that some of the matters, especially those relating to the internal market, would be helpful to our insurance business and financial services setting up in Europe, because one vote against has stopped many people from establishing themselves in Europe as they can in this country. It would be wrong to hold that up because it would not help the problems to which my hon. Friend correctly refers.

Mr. Allan Rogers (Rhondda): Will the Prime Minister say in what circumstances in future negotiations, she will invoke the Luxembourg compromise?

The Prime Minister: No, Mr. Speaker. One has to wait for the negotiations. As the hon. Member will be aware, we sometimes have to consider the Luxembourg compromise, in particular, with regard to agriculture.

Mr. Michael McNair Wilson (Newbury): In her statement, my right hon. Friend referred to the Community attitude to terrorism. Did the Irish Prime Minister use the Council meeting as an opportunity for him to sign the European convention on the suppression of terrorism, as promised at the time of the Anglo-Irish agreement?

The Prime Minister: The European convention on the suppression of terrorism is not the Community's convention. The Taoiseach and I met and reviewed the position following the signing of the Anglo-Irish agreement and confirmed that the agreement would be implemented as planned. I hope that the signing of that convention will take place.

Mr. Nigel Spearing (Newham, South): Will the Prime Minister reconsider her reply to my hon. Friend the Member for Walthamstow (Mr. Deakins) about the European Assembly's powers? Is she aware that in the communiqué issued yesterday article 149 of the present treaty, which contains five lines, was replaced by a new article of about 35 lines? It refers to the Assembly's increased powers of consultation and recommendation. Does not the inclusion of such a proposal in the treaty constitute a change in that Assembly's powers and require an amendment to the European Assembly Elections Act 1978 passed by this House?

The Prime Minister: Increased consultation with the European Assembly was taking place in any event. It was proposed by us at the Milan Council but without treaty amendment. It has now been put into a treaty amendment, but in that amendment the last word stays with the Council, as was made clear by the President's communiqué.

Mr. Michael Grylls (Surrey, North-West): Was my right hon. Friend able to make progress with our European partners on the pledge contained in the document "Lifting the Burden" on raising the VAT threshold to £50,000? Does she agree that that would remove a serious burden from small firms?

The Prime Minister: As my hon. Friend will be aware, our VAT threshold for small firms is considerably higher than those in the Community. We are strongly advocating the retention of our limit. I agree that we should like it higher, although that view is not shared by everyone in this country. At the moment, we insist upon retaining our level, although in its calculations the Community says that it is too high.

Mr. Dennis Skinner (Bolsover): How much did the summit cost? How much will it add to the £4,726 million net that the British taxpayer has had to find in the first 10 years of Britain's membership of the Common Market? Those are the questions that people ask in Bolsover, not all the gobbledegook that we have heard from the Prime Minister. Is it not a rather strange state of affairs that we have a Prime Minister who constantly tells the British nation that there will be no meetings at No. 10 with beer and sandwiches, but at the moment when they decide to have a Common Market summit, with all its banqueting, junketing and claret—even though it is a meeting that the Prime Minister does not think is important—she gets on the first aeroplane?

The Prime Minister: I wonder whether the hon. Gentleman will convey to his most distinguished constituents of Bolsover that the Government are in favour of having only two European Councils a year instead of three, and that I hope that we shall implement that next year.

Mr. Jonathan Aitken (Thanet, South): I sympathise with my right hon. Friend's efforts to play down this non-event at Luxembourg on the ground, as she put it, that it would have happened anyway. May I remind her that before going to the summit she and my right hon. and learned Friend the Foreign Secretary reiterated time and again that in their view there was no need for any changes in the treaty of Rome? How does she justify the change of policy which, presumably, need not have happened?

The Prime Minister: We could have made most of the changes without amendments to the treaty. We could have done it by agreement among the same people, who would be called a European Council instead of an intergovernment conference. If one belongs to a Community, one has to take into account other people's views, particularly if one wants some of the changes that are being made to enable some of our people to establish themselves in the Community, which they cannot now do. We wanted something from our European partners and they wanted something from us. It seemed a reasonable compromise.

Mr. Stuart Bell (Middlesbrough): With reference to the question put earlier by my right hon. Friend the Leader of the Opposition about how the treaty modifications affect unemployment, will the Prime Minister tell the House whether the modifications in relation to the environment, the regional fund and technology will affect stricken regions such as Cleveland? Is the Prime Minister aware that Cleveland has the highest unemployment rate in the country? Are the treaty modifications designed to increase and improve the flow of funds to areas such as Cleveland?

The Prime Minister: The treaty modifications are called cohesions. As the hon. Gentleman will be aware, there were two funds operating under the treaty which were contained in the treaty. The third fund, the regional fund, had not been a matter for the treaty. We put the regional fund into the treaty and we put into it that the areas which have been subject to industrial decline and change should also rank for payments from that fund and for consideration in any review of the three funds. We have retained the status quo on that matter. Again, it could have been done without the treaty. The amendments on the environment and technology show more precisely the activities which were previously taking place under article 235.

I believe that the changes in the internal market can help a number of people. The general policy to try to have more job creation is set out in the economic report which is being considered by the European Council, and whose general thrust was approved by us.

Mr. Hugh Dykes (Harrow, East): My right hon. Friend deserves congratulations on achieving a significant, but in some respects still modest, agreement which takes the Community further forward. Does she agree that after 12 years of membership, following 12 years of negotiating entry, it is high time that the United Kingdom pitched in with much more integration and co-operation with the other member states to create general extra prosperity for all member states? Accepting the House's endorsement of the measure when it is presented to the House in due course—which I am sure will happen—does my right hon. Friend also accept that this is a first step which should be used to continue in the future the process of co-operation and integration, involving the European Parliament at the margin more and more? As a gesture of Christmas monetary confidence, would it not be a good idea to join the European monetary system without delay?

The Prime Minister: No, Mr. Speaker. One does not do such things at Christmas or any other time unless it is in Britain's interest to do so. I believe that it is right to have more consultation and co-operation with the European Assembly, but it is difficult enough to reach decisions with 10, let alone 12, members of the European Economic

Community. If the decision has also to take place in conjunction with the European Assembly, we should never have any. I am sorry, but that is what I believe. Therefore, we have not given more powers to the European Assembly. In general, we have kept the final word with the Council. The European Assembly has extra rights to consultation and to make amendments.

Mr. James Wallace (Orkney and Shetland): The Prime Minister has reported on the limited progress made at the Council, which will involve some alterations to the treaty. Was any progress made on the articles in the treaty which are awaiting fulfilment, specifically article 138 on the uniform electoral system to be used for elections to the Assembly? If not, why not?

The Prime Minister: No, Sir, because I believe that they are neither desirable nor would they be agreed.

Mr. Stephen Dorrell (Loughborough): Does the Prime Minister agree that the best way of reinvigorating our economy and that of Europe and thereby creating more jobs is to create companies in Europe capable of holding their own in international competition? Does she agree that the steps that the Government have taken to complete the European market are the best way to provide the kind of home market that is available to competitors based in the United States and Japan?

The Prime Minister: My hon. Friend is absolutely right. At our insistence, an extra clause was added to the article on technology stating that technological co-operation will work to the advantage of job creation only if the producers can see the whole of Europe as a single market similar in size to that of the United States. We believe that that would make more jobs available to the British people.

Several Hon. Members *rose*—

Mr. Speaker: Order. I will allow questions to continue for a further five minutes, but I remind the House that there are other statements to be made.

Mr. Tony Marlow (Northampton, North): My right hon. Friend the Prime Minister made some robust and reassuring remarks about the European union. Will she clarify any speculation by stating categorically that during the time of her premiership she will not ask the House to agree to a European act of union?

The Prime Minister: I do not understand what is meant by a European act of union, but I assure my hon. Friend that I would never commend to the House a federation equivalent to a United States of Europe.

Mr. Michael Latham (Rutland and Melton): Is my right hon. Friend aware that lurking near the top of her statement today and of other statements that she has made is the obvious pressure placed upon her by other Common Market nations for more integration, more interference and more power for the European Assembly? Will she state clearly that her opinion is against any such action?

The Prime Minister: My hon. Friend is absolutely correct. We often hear such talk at Councils. On each occasion, the Government's task is to bring the rhetoric back to reality, which is that other countries—with one or two exceptions—tend to take the same view as we do. Indeed they sometimes do not observe the conditions

of the treaty as well as we do and they frequently put reserves on particular matters that are in their interest to a greater extent than we do.

The Government are wary of greater integration except on matters such as the internal market which are to our advantage. We are also very anxious to protect British interests where they differ from the rest of the Market—for example, in animal health and farm matters where, because we are an island, we have and shall retain different systems of protection.

With regard to the question of further interference, I firmly hold that any treaty changes must be a matter for each and every sovereign parliament.

Mr. Frank Cook (Stockton, North): The Prime Minister has laid great emphasis on the need for a spirit of compromise, particularly with regard to greater integration. Does that mean that the House will hear in future of a possible Anglo-Spanish agreement in line with the Anglo-Irish agreement? If there is such a prospect, what provision will be made for a process to self-determination for the Gibraltarians?

The Prime Minister: As the hon. Gentleman is aware, the position of the Gibraltarians is protected in their constitution and will continue to be protected.

Mr. Eric Forth (Mid-Worcestershire): Does my right hon. Friend expect the European Parliament to consider the proposals at its meeting next week? [HON. MEMBERS: "Assembly, not Parliament."] The Prime Minister will know that I do not share the obsession of my colleagues with the distinction between Assembly and Parliament. Will there not be a paradox if we do not accept the verdict of the European Parliament to which we seek to give more consultative powers?

The Prime Minister: I do not think that there will be a paradox. The European Assembly is different from our national sovereign Parliament. Any changes to the treaty are a matter for each and every sovereign Parliament to which we as a Government are responsible. I think that it is reasonable to consult the European Assembly. My hon. Friend may have been to the Assembly more often than I, but it is the difference between the European Assembly and a national sovereign Parliament which impress me more than the similarities.

Mr. Tim Smith (Beaconsfield): Is my right hon. Friend aware that the agreement which has been reached on assessing the effects of Euro regulations and directives on businesses will be very welcome, especially to small firms? How will the proposal be implemented if, for example, a particular directive is seen to be unduly burdensome for small firms?

The Prime Minister: The President of the Commission is setting up a unit within the Commission which will examine every new directive or regulation and assess the costs that would be added to businesses before the directives are implemented. The unit will also look at existing regulations in that light and report to the relevant groups considering them. That is a good move, though I confess that I expressed a certain amount of scepticism about it because when the unit was proposed regulations were being made which were needlessly detailed and would add considerable cost to small businesses and others. The Government have rightly resisted such

[The Prime Minister]

proposals and will continue to resist them. By setting up the unit, the Commission is making an effort. I hope that it will produce the results that we want.

Mr. Keith Best (Ynys Môn): Does my right hon. Friend agree that there is so much opposition from Labour Members, particularly from the right hon. Member for Chesterfield (Mr. Benn) and the hon. Member for Bolsover (Mr. Skinner), to closer monetary and economic co-operation within Europe because such co-operation would be a permanent safeguard against the implementation of full-blooded Socialist policies in this country?

The Prime Minister: I do not believe that there can be any safeguard against that happening except to make sure that it never does.

Mr. Nicholas Budgen (Wolverhampton, South-West): Is it not clear that in foreign policy matters and on all important issues each member state acts according to its own national interests? Is not the pretence and rhetoric of a common policy on foreign affairs dangerous in that it leads to muddle and misunderstanding?

The Prime Minister: The leading article states:

"That being members of the European Community, we shall endeavour jointly to formulate and implement a European foreign policy".

Of course, each member state has its own particular national interests by virtue of history and of economic and geographical differences. If differences exist, we maintain them and act in our own interests, but it is equally in the interests of all member states to act together if we can on certain matters because we are very much stronger by so doing. One of the reasons for coming together in Europe was to be the most powerful market in the world and to have more power in negotiating trading matters with other nations. Sometimes it is in our interests to act separately, and sometimes it is very much in our interests to act together.

Sir William Clark (Croydon, South): Following my right hon. Friend's answer to my hon. Friend the Member for Surrey, North-West (Mr. Grylls), is she aware that many hon. Members think that the threshold for VAT, at £19,500, acts as a deterrent, especially to small businesses? While it is true that some thresholds within the Common Market are lower than ours, does my right hon. Friend agree that the rates in those cases are much lower than 15 per cent.?

The Prime Minister: There are a number of differences between us and the Community on tax matters. That is why we have been so anxious to limit the Community's capacity to make more taxation regulations. I want to maintain our VAT threshold, but the Community is already at us because it thinks that our threshold is too high. It was because of those differences that we insisted at the intergovernmental conference that changes in taxation should come about only by unanimous rule. We do not want to get into more difficulties of the kind involved in the threshold directive.

Business of the House

4.20 pm

Mr. Neil Kinnock (Islwyn): May I ask the Leader of the House if he will state the business for next week?

The Lord Privy Seal and Leader of the House of Commons (Mr. John Biffen): The business for next week will be as follows:

MONDAY 9 DECEMBER—There will be a debate on the Channel fixed link on a motion for the Adjournment of the House.

Afterwards there will be a debate on a motion to take note of European Community documents relating to hormone growth promoters. Details of the relevant documents will be given in the *Official Report*.

TUESDAY 10 DECEMBER—Second Reading of the Gas Bill.

Remaining stages of the European Communities (Spanish and Portuguese Accession) Bill [*Lords*].

WEDNESDAY 11 DECEMBER—Opposition day—(2nd Allotted Day). There will be a debate on an Opposition motion entitled "The Housing Crisis and Urban Deprivation".

Motion relating to the Crown Prosecution Service (Transfer of Staff) Regulations.

There will be a debate on a motion to take note of European Community documents relating to the European regional development fund. Details of the documents concerned will be given in the *Official Report*.

THURSDAY 12 DECEMBER—There will be a debate on a motion to approve the Chancellor of the Exchequer's autumn statement.

Motion on the Social Security (Contributions, Re-rating) Order.

FRIDAY 13 DECEMBER—Private Members' motions.

MONDAY 16 DECEMBER—Until seven o'clock, private Members' motions.

Remaining stages of the Education (Amendment) Bill.

Motion on the Education Support Grants (Amendment) (No. 2) Regulations.

It is expected that the Chairman of Ways and Means will name opposed private business for consideration at seven o'clock.

The House will wish to know, Mr. Speaker, that it will be proposed that subject to the progress of business, the House should rise for the Christmas Adjournment on Friday 20 December until Monday 13 January.

[Debate on Monday 9 December

Relevant Documents

- | | |
|----------------|---|
| (a) 7948/84 | Draft Directive to amend Directive 81/602 on use of hormones in animals |
| (b) Unnumbered | Amendment to Document No. 7948/84 |

Relevant Reports of European Legislation Committee

- | |
|--------------------------------------|
| (a) HC 78-xxxv (1983-84) paragraph 1 |
| (b) HC 21-ii (1985-86) paragraph 1 |

Debate on Wednesday 11 December

Relevant Documents

- | | |
|-------------|---|
| (c) 9563/84 | Report on European Regional Development Fund (ERDF) |
| (d) 9506/85 | Tenth Report on ERDF 1984 |



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MR POWELL

EUROPEAN COMMUNITY: INTERGOVERNMENTAL CONFERENCE

At the European Council on 2-3 December the Prime Minister maintained a reserve on the proposed Article 118A (working environment) because she insisted that it should not be used in such a way as to impose unfair regulatory and administrative burdens on small and medium-sized businesses. This was in direct line with the United Kingdom initiative on deregulation which has been broadly accepted within the Community. At the Foreign Affairs Council on 16-17 December the Foreign and Commonwealth Secretary maintained the reserve.

The Dutch Presidency is working for the signing of the texts incorporating the results of the Intergovernmental Conference at the Foreign Affairs Council on 27 January. Although the position of the Italian and Danish governments has not been decided, their general reserves may be lifted. The Italian government is trying to find grounds to do this. The Danish government, which is playing for high stakes at home, may sign and challenge the opposition by announcing its willingness to hold a national referendum. The Dutch Presidency has therefore been seeking to resolve all issues, including the United Kingdom reserve on the proposed Article 118A. For this purpose the Dutch Presidency proposed that the United Kingdom's insistence on avoiding burdens on small and medium-sized businesses should be met by a declaration of the Commission or of the Conference. We rejected this in summary fashion, stating that we must have an amendment of the text. We continue to advise that the United Kingdom needs the legal protection afforded by a Treaty text.

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In the light of our refusal the Dutch Presidency has now proposed an amendment of the text and has a reasonable chance of carrying other member states with them. The proposal is to add:

"Such directives shall avoid imposing administrative and legal constraints in a way which would hold back the creation and development of small and medium sized undertakings".

Although we have not obtained a requirement of unanimity for voting, which we sought at Luxembourg, the text above would be a new legal requirement clearly barring the potentially burdensome regulatory proposals against which our reserve was entered and maintained. The wording is closely based on the conclusions on deregulation of the European Council of 29-30 March 1985. I should stress that the voting provisions of Article 118A relate to minimum requirements on health and safety of workers, member states being free to maintain or introduce higher standards. Our national standards are likely to be higher than those of, for example, Portugal. The extent to which any proposal would bite on the United Kingdom may be limited. We consider, therefore, that we would be justified in relying on the ban on burdensome regulations which would be imposed by the text above. We seek agreement to accept it if, and only if, all other member states accept it.

The Foreign and Commonwealth Secretary and the Secretary of State for Employment have been consulted and agree with this recommendation.

I am sending copies to Colin Budd (FCO), Leigh Lewis (Department of Employment), John Mogg (Department of Trade and Industry) and Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

16 January 1986

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10 DOWNING STREET

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CCPC
[Signature]
(84)

From the Private Secretary

16 January 1986

ILLEGAL COMMUNITY BUDGET FOR 1986: UK ACTION

The Prime Minister has considered the Chancellor's minute of 15 January dealing with the consequences of the adoption by the European Assembly of an illegal Community Budget for 1986.

The Prime Minister agrees with the conclusions of the Chancellor's minute. She has commented that we shall need to work out a more careful line for the Parliamentary handling of the decision to pay our full contribution to an illegal Budget while legal action is in train.

I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Legal Secretary to the Law Officers and Sir Robert Armstrong.

C D POWELL

Mrs Rachel Lomax,
H M Treasury

RESTRICTED

BMC



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Prime Minister
Your colleagues recommend:
(a) that we sue the Assembly ourselves (as well as through the Council) and seek an interim order to suspend illegal elements in the budget;

PRIME MINISTER

(b) defer a decision whether or not to take action against the Commission;

ILLEGAL COMMUNITY BUDGET FOR 1986 : UK ACTION

(c) pay our full contribution to the budget meanwhile, so as not to spoil the chances

The President of the European Parliament, M. Pflimlin, signed on 18 December the Community budget for 1986 as voted by the Parliament in its December plenary. The Parliament has thus adopted illegally, in defiance of the Treaty, a budget which includes a larger total for non-obligatory expenditure than the Council had agreed. The Council responded on 20 December by deciding (by 7 votes to 3) to take the Parliament to the European Court.

of our case, but on a without prejudice basis. Point (c) is the most difficult & may well attract adverse comment

UK objectives

The fundamental issue in this dispute is not the precise level of spending in the 1986 budget but rather the balance of budgetary power between the Council and the Parliament. If the Court cannot be persuaded to find the Parliament's action illegal, the Parliament will undoubtedly make a habit of adopting budgets which go far beyond what is acceptable to the Council, which will become little more than a cypher. We must therefore do everything we can to ensure that the Parliament's action is found illegal. We must also aim to protect our Fontainebleau abatement and to end up with the lowest possible figure for the 1986 budget total.

in Parliament. But the reasons & motives are good: and we can always change our mind later.

Matters for decision

With these objectives in mind, there are four matters which we need to consider:

Yes or Agree?

- First, should the UK bring a separate case against the Parliament, alongside the Council's case?

CDP 15/1



- Second, should we simultaneously seek an interim order suspending application of the illegal elements in the budget?
- Third, should we also bring a case against the Commission for implementing an illegal budget?
- Fourth, how much should we contribute to the budget in the meantime, while these matters are sub judice?

We need if possible to resolve these matters in the course of this week in order that Counsel may prepare and deposit the necessary pleadings with the Court by the deadline of 28/29 January.

The Law Officers and Counsel have been consulted about the legal implications. The Law Officers' advice is reproduced at Annexes A and B.

Attitudes of other member states

It appears from discussions at official level that the position in France, Germany and the Netherlands is as follows:

- Case against the European Parliament. The Dutch (who now have the Presidency) have already decided to bring a case (though not to seek an interim measures order), provided France or Germany do so as well. Germany and (less certainly) France are likewise expected to bring cases, including applications for interim measures. The Germans are expected to decide on Wednesday and the French by the end of the week.
- Case against the Commission. The Germans and Dutch do not intend to bring a case against the Commission, certainly at this stage; French officials see some merit in doing so if the French Government decides to take court action, but we cannot count on this.



- Rate of contribution. The Germans and Dutch will pay in full: they believe that they are under a legal obligation to do so until the Court has pronounced otherwise. The French have still to decide but will probably pay in full as well.

Case for suing the Parliament

Individual member states would not normally sue the Parliament alongside the Council, and the Head of the Council's legal services has warned that the Court might be irritated by this. There are, however, cogent reasons for the UK (and other member states) bringing separate cases, and the Law Officers have advised that we have a reasonable prospect of winning. The main considerations are:

- i. Possible loss of majority for Council's case. If, as is all too probable, one of the seven member states which supported the December decision should later decide to withdraw its support, the necessary majority in the Council would be lost and the Council's case could collapse.
- ii. Possible mishandling of Council's case. The Council's legal services cannot be relied on to put the full range of legal arguments which our own legal advisers would wish.
- iii. Possible inadmissibility of Council's case. The legal advice is that it is not impossible that the Court might rule that the Parliament cannot be sued under Article 173 of the EEC Treaty. In that event, the case would need to invoke Article 38 of the ECSC Treaty, which makes provision for member states (but not the Council) to sue the Parliament.



The detailed basis of our pleadings has still to be determined. But the Law Officers have suggested that our main argument should be that the budget is valid pro tanto (ie up to the amounts agreed by the Council in its second reading budget) without excluding the alternative interpretation that no valid budget has been established and that the Community ought accordingly to be on a 'provisional twelfths' regime. In parallel with our substantive action against the Parliament, we would also ask the Court for an interim order suspending implementation of the disputed elements in the budget pending judgment by the Court.

Case for suing the Commission

The Commission have indicated that they intend to implement the budget as adopted by the Parliament in full. The question arises, therefore, whether we should sue the Commission as well as the Parliament.

We may need to sue the Commission at some stage if the Court unexpectedly judges the case against the Parliament to be inadmissible. As the Germans and Dutch have concluded, however, there is no need to decide on this further step now, and I suggest we suspend judgment for the time being. A particular difficulty will be to identify an 'act' of the Commission which we could challenge successfully.

How much to pay in the meantime

My natural preference would be not to pay in full towards the budget as established by the Parliament but to contribute only the sums needed to finance the elements which are not in dispute. We would not then have to ask Parliament, as in 1982, for a Supplementary Estimate to finance our contribution towards those parts of the budget which we consider illegal.



But Counsel has advised that such a course could prejudice in some degree our primary objective of winning the substantive case against the Parliament. It would prejudice still more our chances of winning an interim or suspensory measures order. Counsel has also advised that, if we declined to pay in full, the Commission would be likely to ask for interim measures requiring us to pay in full until the Court has resolved the substantive issue. If the Court granted this (as is quite possible), we should be obliged to reverse engines within three or four weeks and pay in full. If on the other hand the Court rejected the Commission's request, it could still judge later, at the end of the judicial process, that member states are obliged to pay in full, and we should be liable to pay interest penalties running into millions of pounds sterling.

I conclude, regretfully, that, tiresome as it will be to have to ask Parliament for a Supplementary Estimate, we ought to decide provisionally to join with other member states in meeting the Commission's requests for payment in full while (a) making clear that our contribution to the disputed elements of the budget is without prejudice and (b) seeking from the Court an interim order suspending implementation of these elements as suggested earlier. But if by any chance the French decide not to pay in full, we should be prepared to join with them and we should confirm with them in the meantime that this is our position.

Conclusions

To summarise, I propose that, subject to the views of yourself and the Foreign and Commonwealth Secretary and any further views of the Law Officers and Counsel, we should now decide -

- (a) to join other member states in bringing our own case against the European Parliament, including a request for interim or suspensory measures;
- (b) to suspend judgment for now on whether to bring a case against the Commission; and



(c) to contribute in full to the budget for the time being on a without prejudice basis, unless and until the Court directs otherwise, but to reconsider this if the French should decide not to pay in full.

As mentioned earlier we ought if possible to resolve these matters by the end of this week.

I am copying this minute to the Foreign and Commonwealth Secretary, the Law Officers and Sir Robert Armstrong.

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(N.L.)

15 January 1986

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ANNEX A

01-405 7641 Ext.

Communications on this subject should
be addressed to

THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

Miss J L Wheldon
The Treasury Solicitor
Queen Anne's Chambers
28 Broadway
London SW1H 9JS

6 January 1986

Jean Juhet

1986 EC BUDGET

The Lord Advocate and the Solicitor General for England and Wales ("the Law Officers") have considered your letter to me of 23 December and its enclosures. Their views on the questions asked in paragraph 29 of your letter are as follows:

- (1) On the evidence presently available, there is a reasonable prospect of the European Court holding that the Parliament acted unlawfully (a) in exceeding the maximum rate and (b) in adding obligatory expenditure.
- (2) The Council having decided to challenge the legality of the Budget in the European Court, the Law Officers consider that it would be desirable and prudent from a legal point of view for the UK also to take the matter to the Court. (The Law Officers recognise, of course, that there may be policy reasons for not proceeding, alone among the Member States, to challenge the Budget). A challenge by the UK would give us control over the way in which the case is pleaded before the European Court and would ensure that the case presented before the Court is consistent with any action taken in the UK limiting our contribution to the Budget. It is also relevant that Article 38 ECSC provides for applications being made to the Court by a Member State (but not by the Council). Any UK challenge should be made by way of a separate application rather than by way of intervention in the Council's Application. It would be unsafe for the UK to limit its contribution and then simply await a challenge in the European Court by the Commission for the reasons given by the Attorney General in paragraph 3(f) of his letter of 22 January 1982 to Mr Ridley. Moreover, it would be tactically preferable for the UK to be a Plaintiff rather than a Defendant in any proceedings.

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(3) The UK should attack the act of the Parliament in adopting the Budget (or the Budget itself) and also, in case the Court declines to exercise jurisdiction over the Parliament, the Commission's request for payment of February's VAT contribution (although the Law Officers acknowledge the difficulty of establishing that this request is an "act"). It will also be necessary to consider attacking any other acts by the Commission which are manifestations of its implementation of the Budget as adopted, such as for example implementation of the Parliament's unlawful amendments to obligatory expenditure or expenditure exceeding the monthly one-twelfth ceiling. Decisions on whether to attack such acts will depend on the terms and timing of those acts, as well as on the extent to which arguments as to the legality of the acts would be consistent with the UK's various arguments on the legality of the Budget (see (4) below).

(4) From the legal point of view it would be desirable for the reasons given by the Attorney General in his letter of 22 January 1982 to Mr Ridley that any proceedings launched by the UK should contend that the Budget be annulled as to its disputed part (pro tanto validity). The UK should plead in the alternative that the Budget be declared void in toto. It will, however, be important to ascertain the views of other Member States before making any final decisions on the content of the UK's Application.

(5) The Law Officers consider that the UK cannot, in the absence of a valid Budget, abate its VAT contribution automatically, either on the basis of Article 3(3) of the new Own Resources Decision or on the basis of a carry-forward of the rate applicable under Article 3(4). They repeat the advice given by the Attorney General about the Granaria Judgment in his letter of 22 January 1982 to Mr Ridley but recognise that the European Court may well at the end of the day extend the Granaria doctrine to the Budget, especially if it finds it has jurisdiction over the Parliament. The Law Officers consider, on the basis of the material currently before them, that the legal obligation on the UK is to make monthly contributions towards the Budget to the extent of its share of a 1.25 becu Budget, modulated in accordance with the provisions of the new Own Resources Decision. Monthly



- page three -

contributions to this extent would be justified on the ground either that the Budget was valid to the extent of 1.25 becu and the Own Resources Decision operated to modulate the UK's contribution or that the Budget was invalid and monthly contributions should be made on the basis of the second reading draft Budget. Should other Member States consider themselves bound to limit their contributions on a different basis, the Law Officers would wish to consider the arguments of those States justifying their limited contributions.

(6) Whether the Commission would succeed in an application for interim measures is doubtful. The Law Officers consider the arguments in paragraph 19 of your letter against such measures being granted as persuasive. They would not, however, rule out the possibility of such measures being ordered if the Commission is able to argue that it is suffering serious difficulties in implementing the Budget.

I am copying this letter to Douglas Duncan, Andrew Edwards, Martin Eaton and Tim Pratt.

Yours ever,

P. Hoel.

M L SAUNDERS

20/1/82
Warden

ANNEX B

MR AJC EDWARDS
IPS CEF
EST MST L
SIR O WASS
SIR K COLZENS
MR MITCHELL
MR KEMP
MRS MEDLEY-HILLER
MR ALLWOOD
MR ASHFORD
MR DONOVAN
MR BOTT UKREP

GD



22 January, 1982

Let Nick

EUROPEAN COMMUNITY BUDGET FOR 1982

1. Thank you for sending me a copy of your letter of 20 January to the Lord Privy Seal. In view of the timetable for a decision by colleagues that is outlined in the last substantive paragraph of your letter and despite the quite unreasonably and unnecessarily short time that was left to me to consider the difficult and important legal issues on which my advice was sought - your letter was not received here until yesterday morning and even then arrived without its essential enclosure - I thought it right to put aside other work and deal with this at once. I am therefore now able to give you the advice which you have requested. But I must voice the hope that I shall not again be put in the intolerable position of being expected to express, within what in practice is a matter of hours, a considered opinion on issues as complicated and difficult, and at the same time of such political and practical importance, as those with which we are now concerned.

2. Having considered the summary, enclosed with your letter, of the views of the departmental lawyers, I see no reason to dissent from their analysis or from their assessment both of the strength of our case on each of the issues involved and of the likely reaction of the Court. However, for convenience of future reference, I indicate below, in a little more detail, the conclusions which I have reached on each of the legal elements of the problem. In the

/light



light of these conclusions and having regard to your own analysis of the political and practical considerations, I concur in the course of action which you propose.

3. My views - necessarily expressed in summary terms - on the legal aspects of this matter are as follows:

- (a) I think that we have a good case for arguing that Food Aid given in pursuance of international conventions (in effect, cereals and sugar) should be classified as "obligatory expenditure" but that the remainder of Food Aid will probably have to be accepted as "non-obligatory expenditure". I would expect this to be the view which would be adopted by the Court.
- (b) I think that we have a strong case for resisting the contention - if it is indeed the European Parliament's contention - that all entries in Chapter 100 of the Budget are to be treated as "non-obligatory expenditure": all the arguments of logic and practicality seem to support our view that what determines the "obligatory" or "non-obligatory" nature of an item is the intended use of the expenditure to which it refers and not the status of the item as a provisional or definite entry in the Budget. Again, I think that the Court is likely to uphold us on this issue.
- (c) I also think that we have a strong case for resisting the argument - and again one has to add "if it is indeed the argument which the European Parliament relies on" - that the payment appropriations agreed by the Council on 25 November established an agreed new maximum rate as contemplated by the fifth paragraph of Article 203.9 of the Treaty and that this then entitled the Parliament to insist on further increases of "non-obligatory expenditure" up to 50% of that new maximum rate. Here, too, I think that the Court should be with us.
- (d) It follows from the above that I think that the Parliament was not entitled to adopt a Budget containing the increases in dispute. However, I do not think it likely that the Court would uphold a contention that the whole Budget, as the Parliament purported to adopt it, was invalid. I think it more likely that they would confine the area of invalidity to the excess of the Budget, as so adopted,

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over the proposals which left the Council on 25 November and I think that this is the view of the law on which we should take our stand.

- (e) I turn now to what we should do when faced with a request by the Commission for a contribution calculated on the basis of the Budget as adopted by the Parliament. I do not think that the Court's decision in the Granaria case should be construed as requiring us to accept the validity of what Parliament did in the present case until such time as it is invalidated by a judicial decision. I think that we must therefore proceed on the basis that we do not have a "Community obligation", within the meaning of s.2(3) of the European Communities Act 1972, beyond that part of the Budget which reflects the 25 November proposals and, in these circumstances, there is no legal basis for the payment of the excess out of the Consolidated Fund. As I understand it, the competent authorities would not, in the light of this advice, authorise the release of the excess funds and the option, discussed in your letter, of paying in full but under an express reserve is therefore not open to us. I add that, even if it were, I think that it would be of questionable propriety in view of the doubts that we entertain and it would certainly expose us to gravely embarrassing challenge in our own Parliament. Faced with the choice between that sort of challenge and the risk of challenge through judicial proceedings in Luxembourg, I am strongly of the opinion that it is the latter that is to be preferred.
- (f) Our refusal to pay in full the contribution demanded by the Commission will of course expose us to the risk of infraction proceedings. We could defend ourselves in those proceedings only by asserting the invalidity of the demand and we can only do this if we have, within the time prescribed by Article 173 of the Treaty, ourselves instituted proceedings against the Commission. I therefore advise that such proceedings must be instituted within the prescribed time (two months and ten days from the notification to us of the demand). I emphasise that the decision to institute such proceedings is a necessary corollary of the decision to refuse payment in full: it is not a decision which will remain open to be taken at a later date. This does not mean, of course, that the initiation of the proceedings, or their continuation if already initiated, may not be made unnecessary by a subsequent political settlement.



4. I ought to add that the assessments which I have made above about the likely reactions of the European Court must be read subject to the usual caveat that this Court is a very unpredictable tribunal and takes what we would regard as an excessively political approach to some of the problems which come before it, particularly in cases where one organ of the Community is challenging the competence of another. Moreover, where what is at issue is an assertion by the European Parliament, as against the Council, of its claimed responsibilities in connection with the Community Budget, I think that we must expect the Court to be instinctively on Parliament's side. But subject to this word of caution, I stand by the predictions I have made above.

I am copying this letter to the Lord Privy Seal, Chancellor of the Exchequer, the other members of OD(E), the Minister for Overseas Development and Sir Robert Armstrong.

Yours GC.

Michael

Rt Hon Nicholas Ridley MP
 Financial Secretary to the Treasury
 HM Treasury
 Parliament Street
 London, SW1



Ref. A086/151

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary may say that it is still not clear whether Italy and Denmark will be able to sign the texts incorporating the results of the Intergovernmental Conference at the Foreign Affairs Council on 27 January. The Italians appear to be preparing the way to sign. The minority Danish government, which is in serious difficulties with the opposition in the Folketing, seems ready to raise the stakes by signing and announcing that, if necessary, it will call a referendum, this tactic being intended to make the opposition back down. The texts are now in almost final form. The Presidency suggested that the United Kingdom requirement that directives on the working environment must not impose an administrative burden on small and medium sized businesses should be met by a declaration in the record. We rejected this in summary fashion. The Presidency has now proposed an amendment of the text itself. Negotiations are not completed but the prospects are good.

2. On the Community's 1986 budget the Chancellor of the Exchequer may say that he has just sent you and his colleagues his advice on the action which the United Kingdom should take, in parallel with the Council's satisfactory decision to sue the European Parliament. This advice is that we should launch an action ourselves against the European Parliament; that we should go for a quick decision (probably within 4-6 weeks) by requesting the European Court to suspend the disputed element added to the budget by the European Parliament; that in the interim we should be prepared to pay a full contribution to the budget without prejudice to the result of the Court

action; and that we can defer the question whether to launch an action against the Commission since there is at present no legal basis for this, the Commission not having requested any contributions at the higher level.

3. The Secretary of State for Transport may report that, at the informal meeting of Transport Ministers on 8-9 January, there was an increased willingness to make some progress on shipping (on which the United Kingdom is pressing for the liberalisation of the cabotage trade) and that the aim should be to reach an agreement by March. On road haulage quotas the Dutch Presidency confirmed that the final date for a free market was 1992 but, with United Kingdom support, pressed hard for further liberalisation during 1986.

4. The European Parliament seems likely to debate on 16 January under emergency procedure a resolution on Westlands. Though the intention of the originators is to commit the European Parliament to supporting a European restructuring of Westland, efforts are being made to have a more even-handed debate.

5. There will be an Economic and Finance Council on 20 January and an Agriculture Council on 20-21 January.

RCA

ROBERT ARMSTRONG

15 January 1986



Ref. A086/69

PRIME MINISTER

Cabinet: Community Affairs

On 1 January the Dutch took over the Presidency of the enlarged Community.

2. The Foreign and Commonwealth Secretary will report on the allocation of portfolios within the European Commission following the addition of Spanish and Portuguese Commissioners. Lord Cockfield's responsibilities, particularly those concerning the internal market, are unchanged and Mr Clinton Davis has retained his two main responsibilities for environment and transport. The allocations to the Spanish and Portuguese Commissioners do not cause us problems. The senior Spanish Commissioner, Senor Marin, takes over employment and social affairs but will probably be better on employment than the German trade unionist, Herr Pfeiffer, who has responsibility now. The Portuguese Commissioner, who takes over fisheries, may reflect the traditional Portuguese disagreement with Spanish ambitions in this sector. If so, this will be to our advantage.

3. The Chancellor of the Exchequer may report on the present position on the Community's 1986 budget. On 11 December the Budget Council and representatives of the European Parliament failed to agree on the 1986 budget. On 18 December the President of the European Parliament nonetheless signed the budget. The Council then agreed by a majority vote, which we strongly supported, to launch an action in the European Court against the European Parliament for acting unlawfully. This was a speedy and satisfactory reaction. The action may carry more weight with the Court because it is being brought by the Council



as a whole. Treasury Ministers are now considering, on the basis of advice from the Law Officers, whether in parallel with the Council's action in the European Court the United Kingdom should also start an action there against the European Parliament. The advice is likely to be in favour of this course. There does not appear at present to be the basis for a case against the Commission, since the Commission has not yet undertaken any act to implement the disputed budget but, if they do so at the end of this month, we should consider whether there should be an action in the European Court against the Commission also. Treasury Ministers are also considering with the Law Officers the amount that the United Kingdom should pay in the meantime before the European Court has made its judgment. The Chancellor of the Exchequer will provide advice to you and his colleagues on these points in the next few days.

4. The Chancellor of the Exchequer may also report that the United Kingdom has received the 1000 million ecu (about £600 million) which is the last of the ad hoc rebates before the more favourable Fontainebleau mechanism (which will apply to the imbalances in 1985 and subsequent years) came into effect on 1 January 1986.

5. The Minister of Agriculture, Fisheries and Food may refer to the decision of the Council to ban the use of five hormone growth promoters in livestock production from January 1988. Mr Jopling voted against the ban. He negotiated, however, a commitment that the operation of the ban in the United Kingdom would be delayed for a further year until 1 January 1989.

CONFIDENTIAL

6. An informal meeting of Transport Ministers is being held on 8-9 January.

MS

for

ROBERT ARMSTRONG

8 January 1986

CONFIDENTIAL



Call
Prime Minister
CDD
8/1

Treasury Chambers, Parliament Street, SW1P 3AG

Charles Powell Esq
10 Downing Street
LONDON SW1

7 January 1986

Dear Charles,

MW

OUR 1000 MECU ABATEMENT

The Minister of State has asked me to let you know that on 6 January we received the last instalment of the 1000 million ecu abatement in respect of 1984 which the Prime Minister negotiated at Fontainebleau.

As you know, the abatement was originally due to be made during the course of 1985, but, as the provision for it was included in the new Own Resources Decision, it could not be paid until all member states had notified their approval of that Decision. The final notification was made on 28 December, and the Commission immediately set in motion the machinery they had already set up to effect payment. They paid us some £166m out of the resources they already had available in the UK on 31 December, and the foreign exchange transactions necessary to pay the rest were completed on 6 January. The final sum received was £604.634m.

The Prime Minister will wish to know also that, despite the dispute over the 1986 Community Budget, we have received the first instalment of our abatement for 1985 payable during 1986 under the Fontainebleau correction mechanism.

A copy of this letter goes to Len Appleyard, Private Secretary to the Foreign Secretary, and to David Williamson (Cabinet Office).

*Yours etc,
Mike Norgrove*

M W NORGROVE
Private Secretary

CONFIDENTIAL

RECORDED



RESTRICTED

FM ROME

TO PRIORITY FCO

TELNO 1072

OF 201400Z DECEMBER 85

INFO PRIORITY EC POSTS, MADRID, LISBON, UKDEL STRASBOURG

[FRAME INSTITUTIONAL]

ms

MYTELNO 1067: INTER-GOVERNMENTAL CONFERENCE IN BRUSSELS

1. ANDREOTTI YESTERDAY ANSWERED QUESTIONS IN THE PARLIAMENT ON THE OUTCOME OF THE BRUSSELS MEETING. HE SAID 'ITALY IS AT A CROSSROADS: EITHER WE ACCEPT WHAT HAS BEEN ACHIEVED AND THAT IS NOT MUCH, OR WE REJECT IT BUT IN DOING SO GIVE SATISFACTION TO THOSE WHO DID NOT WANT THE IGC SO THAT EVERYTHING WOULD BE AS IT WAS BEFORE.' 'IL TEMPO' DESCRIBES ANDREOTTI'S POSITION AS 'LUCID PREGMATISM'. HE REAFFIRMED THAT THE GOVERNMENT WILL NOT ACCEPT THE OUTCOME OF LUXEMBOURG AS COMPLETED BY BRUSSELS, WITHOUT CONSULTING THE ITALIAN PARLIAMENT, BUT WAS EQUIVOCAL ON WHETHER THE POSITION OF THE EUROPEAN PARLIAMENT WOULD BE DECISIVE. THE PROGRAMME NOW ENVISAGED APPEARS TO BE FOR A MEETING OF ALL ITALIAN MEPS IN EARLY JANUARY AFTER WHICH THE ITALIAN PARLIAMENT WILL BE ASKED FOR ITS VIEW. THE LATTER WILL ITSELF DECIDE WHETHER TO AWAIT A DEFINITIVE DECISION BY THE EUROPEAN PARLIAMENT BEFORE ADOPTING ITS OWN POSITION. IL TEMPO COMMENTS THAT THE MOOD OF THE ITALIAN MPS YESTERDAY WAS NOT FAVOURABLE TOWARDS RATIFICATION OF THE 'SMALL STEPS' APPROACH BUT IT WILL BE NECESSARY TO WAIT FOR THE ISSUES TO RIPEN. IT NOTES THAT ANDREOTTI DESCRIBED THE BRUSSELS MEETING AS MAKING PROGRESS.

COMMENT

2, MFA OFFICIALS CONFIRM THE PROGRAMME OUTLINED ABOVE BUT IT IS NOT YET CLEAR WHEN THE MEETINGS WILL BE HELD IE WHETHER THE ITALIAN PARLIAMENT WILL MEET BEFORE THE EPS NEXT SCHEDULED SESSION FROM 13 TO 17 JANUARY. NOR WOULD CANGELOSI BE DRAWN ON THE LIKELY GOVERNMENT POSITION IN THE DEBATE. IT STILL APPEARS MOST LIKELY THAT THE ITALIAN GOVERNMENT IS LOOKING FOR A DIGNIFIED CLIMBDOWN. GETTING THE ITALIAN PARLIAMENT TO SHOULDER RESPONSIBILITY FOR THE ITALIAN POSITION, IN THE ABSENCE OF AN OVERT GOVERNMENT LEAD, IS A POSSIBLE WAY OUT AND WE SUSPECT THAT SOME COALITION LEADERS, INCLUDING CRAXI, WILL BE ARGUING PRIVATELY FOR RELUCTANT ENDORSEMENT. BUT ANDREOTTI IS KEEPING HIS OPTIONS OPEN AND A WARY EYE ON THE DANES. THE CONCLUSION WE DRAW IS THAT, LIKE THE DANISH SOCIAL DEMOCRATS (COPENHAGEN TELNO 314), ANDREOTTI DOES NOT WISH ITALY TO BE ALONE IN REJECTING THE LUXEMBOURG PACKAGE BUT SEES POSSIBLE ADVANTAGE TO HIS EUROPEAN CREDENTIALS IN ITALY'S NOT HAVING ENDORSED IT IN THE EVENT OF ITS REJECTION BY DENMARK. THIS MEANS HE MUST PLAY A WAITING GAME.

BRIDGES

FRAME INSTITUTIONAL

EGD (1)

THIS TELEGRAM
WAS NOT
ADVANCED

RESTRICTED

RESTRICTED

FM BONN

TO PRIORITY FCO

TELNO 1208

OF 191810Z DECEMBER 85

INFO ROUTINE UKREP BRUSSELS, OTHER EC POSTS, MADRID, LISBON

FRAME INSTITUTIONAL

IGC BRUSSELS, 16/17 DECEMBER: GERMAN REACTIONS

1. GENSCHER, BANGEMANN AND TELTSCHIK, ON WHOM I CALLED YESTERDAY, ALL EXPRESSED PLEASURE AT THE OUTCOME OF THE IGC. GENSCHER AND TELTSCHIK REFERRED TO THE CLOSE ANGLO-GERMAN COOPERATION AT THE LUXEMBOURG EUROPEAN COUNCIL, ESPECIALLY ON THE MONETARY TEXT. I SAID THAT WE TOO HAD BEEN PLEASED AT THE EFFECTIVENESS OF OUR COOPERATION, AND THANKED GENSCHER PARTICULARLY FOR THE CONTRIBUTIONS OF RUHFUS, JELONEK AND TRUMPF.

2. GENSCHER SEEMED TO ASSUME THAT THE DANISH AND ITALIAN RESERVES WOULD EVENTUALLY BE REMOVED. HE SAID THAT GERMANY FOR ITS PART WOULD BE READY TO IMPLEMENT THE NEW IGC MEASURES, INCLUDING THOSE RELATING TO THE EUROPEAN PARLIAMENT, IN ADVANCE OF RATIFICATION BY NATIONAL PARLIAMENTS. BUT HE RECOGNISED THAT OUR VIEW MIGHT BE DIFFERENT. AS AN EX-MEP, BANGEMANN WAS HIGHLY CRITICAL OF PFLIMLIN'S LINE: HE ARGUED THAT THE PARLIAMENT SHOULD ACCEPT THE LUXEMBOURG OUTCOME AND SEEK TO MAKE THE MOST OF IT.

3. GENSCHER HAS DESCRIBED THE OUTCOME TO THE PRESS AS "SIGNIFICANT PROGRESS FOR EUROPE" TO WHICH HE CLAIMS TO HAVE GIVEN A FIRST IMPULSE IN THE 1981 GENSCHER-COLOMBO INITIATIVE. YOUR STATEMENT THAT THERE SHOULD BE AN END TO EUROPESSIMISM AND A MOVE TO EUROACTIVITY WAS PICKED UP BY THE GERMAN NEWS AGENCY AND REPORTED IN THE PRESS. REPORTING AND EDITORIAL COMMENT ON THE FOREIGN MINISTERS' IGC MEETING HAS OTHERWISE BEEN VERY THIN. IN THE ONLY COMMENT OF ANY SUBSTANCE, THE BRUSSELS CORRESPONDENT OF THE FRANKFURTER RUNDSCHAU AND BONN GENERAL ANZEIGER NOTES THAT "THROUGHOUT THE ENTIRE REFORM DEBATE SINCE MILAN IT EMERGED THAT GREAT BRITAIN WANTS UNDER ALL CIRCUMSTANCES TO BELONG TO THE CORE STATES OF THE EC. APART FROM ALL THE PRACTICAL RESULTS, THAT FACT IS PERHAPS THE MOST IMPORTANT CHANGE IN THE FABRIC OF THE COMMUNITY FOR THE FUTURE. CERTAINLY MUCH MORE IMPORTANT THAN WHETHER THE WORDS "EUROPEAN UNION" ARE INCLUDED IN THE NEW UMBRELLA TREATY FOR THE EC AND FOREIGN POLICY COOPERATION."

BULLARD

FRAME INSTITUTIONAL

ECD (I)

RESTRICTED

ACT OF EUROPEAN UNION

= Preamble =

THE HIGH CONTRACTING PARTIES,

- moved by the will to continue the work undertaken on the basis of the Treaties establishing the European Communities and henceforward to convert relations as a whole between their Member States into a European Union in accordance with the Stuttgart Solemn Declaration,
- resolved to implement this European Union on the basis, on the one hand, of the Communities operating according to their own rules and, on the other, of Political Co-operation between the signatory States, and to endow this Union with the necessary means of action,
- aware of the responsibility incumbent upon Europe to speak as often as possible with one voice and to act coherently in order more effectively to protect its common interests and its independence, better to safeguard peace and freedom in the world and in particular to display the principles of democracy and observance of the law to which they are attached,
- determined, on the occasion of the further enlargement of the Community, to contribute to improving the economic and social situation by extending common policies and implementing new actions, and to improve the functioning of the Community by enabling the Institutions to exercise their powers in conditions which are most suited to the Community interest,

HAVE AGREED AS FOLLOWS:

.../...

TITLE I - EUROPEAN UNION

Article 1

European Union shall comprise the European Communities on the one hand and Political Co-operation on the other.

The European Communities are founded in the Treaties of Paris and of Rome and in the subsequent Treaties and Acts which amend them.

Political Co-operation, hitherto conducted according to the procedures laid down in the Luxembourg (1970), Copenhagen (1973) and London (1981) reports and according to practices progressively established between the Member States, shall henceforth be governed by Title III hereafter.

Article 2

The Council of the European Union shall comprise the heads of State or Government of the High Contracting Parties and the President of the Commission of the European Communities. They shall be assisted by the Ministers for Foreign Affairs and by a member of the Commission.

The Council shall meet at least twice a year.

Article 3

To ensure consistency in the conduct of the affairs of the Union, the Council of the European Union shall lay down the general guidelines :

- . for the common policies of the European Communities;
- . for European Political Co-operation.

.../...

Article 4

The institutions set up by the Treaties of Paris and Rome as revised in particular by the Treaty establishing a single Council and a single Commission of the European Communities shall exercise their powers and jurisdiction under the conditions and for the purposes provided for by the said Treaties, by the subsequent Treaties and Acts and by the provisions of Title II hereafter.

As far as political coopération is concerned, the competent Institutions and bodies shall exercise their powers and jurisdiction under the conditions laid down in Title III hereafter.

Article 5

The Council of the European Union shall be assisted as necessary by a(n) (Executive) (Permanent) (General) Secretariat under the authority of the Presidency.

=====

TO BE CHECKED
AGAINST DELIVERY

CC CP
TF
Press
PC

STATEMENT ON THE FOREIGN AFFAIRS COUNCIL AND THE INTER-GOVERNMENTAL CONFERENCE: 16/17 DECEMBER 1985 TO BE MADE BY THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS, SIR GEOFFREY HOWE QC MP IN THE HOUSE OF COMMONS ON WEDNESDAY 18 DECEMBER 1985.

1. With permission, Mr Speaker, I should like to make a statement about the meetings of Community Foreign Ministers that have been taking place in Brussels on 16 and 17 December. I took part in the meeting of the Inter-governmental Conference which finished at midday yesterday. My right hon Friend the Minister for Trade and the UK Permanent Representative represented the UK at the subsequent meeting of the Foreign Affairs Council.
2. The Foreign Affairs Council discussed Commission proposals for a negotiating mandate on the renewal of the Multi Fibre Arrangement. Further discussions will take place at the Foreign Affairs Council in January.
3. Ministers also reviewed progress in negotiations to adapt the EC/EFTA agreements to take account of enlargement.
4. The Ministers of the Ten as well as Spain and Portugal issued a statement on East/West relations following the meeting between President Reagan and

Secretary General Gorbachev in Geneva. A copy of the statement is being placed in the Library of the House.

5. The Council considered a draft Regulation adapting the Regional Fund to take account of the enlargement of the Community. The new regulation should be ready for adoption in the near future.

6. Following discussion at the European Council it was agreed to set up a committee of scientific experts to recommend coordinated action to combat cancer.

7. The Intergovernmental Conference completed its work. Discussion centred on those points which, following the decisions taken at the European Council, required clarification or further work.

8. We agreed the Political Cooperation Treaty, together with a small Secretariat, on the lines the UK proposed before Milan. We reached agreement upon the framework in which to set the Political Cooperation Treaty and the amendments to the EC Treaty in a way which preserves the juridical separation between the European Community Treaties on the one hand and the Political Cooperation Treaty on the other. We achieved

the necessary clarifications on the internal market and the European Parliament to complete the agreement reached without affecting the substance of what was agreed by the heads of government in Luxembourg.

9. The Italian and Danish governments continue to have overall reserves on all the texts. The United Kingdom maintained its reserves on the text on the working environment. The Presidency will now collate the texts that have been under discussion for examination by the official group of legal and linguistic experts. I will of course make the texts available to the House as soon as we have them in final form.

10. Mr Speaker, the changes agreed, represent worthwhile improvements in the operation of the Community. The agreements to complete the common market by 1992, to speed up decision taking, to strengthen our cooperation in foreign policy and to ensure that our efforts in research and development are geared to the exploitation of a growing market will help to achieve objectives we have consistently pursued. We welcome this as a useful step forward for the Community. The agreements now reached are, of course, subject to the approval of national parliaments.

GRS450

FRAME INSTITUTIONAL
UNCLASSIFIED

FM ROME

TO IMMEDIATE FCO

TELNO 1067

OF 181430Z DECEMBER 85

INFO PRIORITY ALL EUROPEAN COMMUNITY POSTS, MADRID, LISBON.

INTER-GOVERNMENTAL CONFERENCE IN BRUSSELS: ITALIAN PRESS
REACTION.

SUMMARY.

1. THE PRESS TAKES A RESIGNED RATHER THAN A DISAPPOINTED VIEW OF THE RESULTS OF THE MEETING. EMPHASIS ON ITALIAN AND DANISH RESERVES. THE FOREIGN SECRETARY'S COMMENT 'FROM EURO-PESSIMISM WE CAN NOW PASS TO EURO-ACTIVISM' IS WIDELY CARRIED.

DETAIL.

2. ALL PAPERS CARRY FULL AND REASONABLY POSITIVE REPORTS ON THE RESULTS OF THE MEETING. THE PRESS ACCEPTS THAT ITALY HAS HAD TO BE SATISFIED WITH MUCH LESS THAN IT WANTED AND THAT THE MIDDLE GROUND, REPRESENTED BY FRANCE, BRITAIN AND GERMANY HAS CARRIED THE DAY. THE OPPOSITION OF DENMARK TOWARDS MORE POWER FOR THE EUROPEAN PARLIAMENT IS SEEN AS A DECISIVE FACTOR. THE TWO PARTY PAPERS, AVANTI FOR THE SOCIALISTS AND IL POPOLO FOR THE CHRISTIAN DEMOCRATS, BOTH TAKE FAIRLY POSITIVE LINES. AVANTI TALKS OF 'A MODEST VICTORY OF PRINCIPLE FOR THE EUROPEAN PARLIAMENT' AND COMMENTS THAT 'PRAGMATISM AND REALISM HAD THE BEST OF THE DREAMERS, EVEN THOUGH THE REALISTS DON'T SEEM TO KNOW THAT EUROPE IS MISSING ONE TRAIN AFTER THE OTHER'. THE PRO-GOVERNMENT IL TEMPO CARRIES THE HEADLINE 'EUROPE TAKES A STEP FORWARD: EURO-PESSIMISM IS FINISHED'. WHILE THE USUALLY AGGRESSIVE LA REPUBBLICA SAYS 'A STEP FORWARD TOGETHER' THE AUTHORITATIVE CORRIERE DELLA SERA TAKES A MORE SOMBRE LINE 'THE EUROPEAN SPIRIT OF ITALY IS DEFEATED' AND GOES ON TO COMMENT THAT 'NONE OF THE REQUESTS FORWARDED BY THE STRASBOURG ASSEMBLY WERE ACCEPTED. BUT PROBABLY THE EURO-MPS WILL HAVE TO PUT A GOOD FACE ON IT'. THE AGNELLI NEWSPAPER LA STAMPA TALKS OF 'EC STILL IN DISAGREEMENT' AND OF BRITISH AND DANISH INTRANSIGENCE AGAINST ANDREOTTI'S POSITION.

3. ANDREOTTI HAS NOT HIDDEN DISAPPOINTMENT AND IS QUOTED AS SAYING 'THE GLASS IS EITHER HALF FULL OR HALF EMPTY DEPENDING ON WHO IS LOOKING AT IT. FOR SIR GEOFFREY HOWE IT IS HALF FULL BUT I CANNOT SAY I SHARE HIS VIEWS'. AND 'IF WE HAD THROWN EVERYTHING AWAY WE WOULD HAVE GIVEN GREAT SATISFACTION TO THOSE

WHO

WHO DID NOT WANT AN IGC IN THE FIRST PLACE'. HE RECOGNISES HOWEVER,
THAT SOME USEFUL PROGRESS HAS BEEN MADE. ALL PAPERS CARRY HIS
STATEMENT THAT THE ITALIAN PARLIAMENT WILL HAVE TO APPROVE THE
PACKAGE OF REFORMS BEFORE ITALY CAN SIGN, PROBABLY ON 27 OR 28
JANUARY. SOME PAPERS COMMENT THAT IS IS UNLIKELY THAT THE
ITALIAN GOVERNMENT WILL REFUSE THEIR APPROVAL.

4. ALMOST ALL PAPERS CARRY SIR GEOFFREY HOWE'S REMARK 'FROM
EURO-PESSIMISM WE CAN NOW PASS TO EURO-ACTIVISM' AND COMMENT
THAT BRITAIN IS SATISFIED WITH THE OUTCOME OF THE MEETING. THERE
IS NO CRITICISM OF THE UK'S POSITION.

BRIDGES

RFHPAN 1572

FRAME INSTITUTIONAL
ECD(I)



Ref. A085/3303

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the final session of the Intergovernmental Conference on 16-17 December. This successfully tidied up the small number of points left over from the European Council (eg various declarations and the amendments necessary to change certain arrangements in the operation of the European Court of Justice, as requested by the Court). The articles to which qualified majority would apply were settled in line with our views: article 84 (sea and air transport) is included but with a safeguard clause which already exists elsewhere in the Treaty. The meeting agreed on the preamble to the package and decided that the results of the Conference would not be called a Treaty of European Union but only a European Act. The Foreign and Commonwealth Secretary spent much of the meeting, in concert with the Presidency, the French and Germans, in beating off various attempts to change or add to texts, eg by the Belgians on monetary questions, the Greeks on cohesion and the Italians on the European Parliament. On the European Parliament the Conference agreed only that the Commission, when it sent forward a revised proposal, should pass on European Parliamentary amendments for information and not for decision to the Council. It also clarified (as we have always maintained) that, if no decision were taken on a revised Commission proposal within the time limit (now three months, with the possibility of one more month by agreement), the proposal would lapse. The Presidency robustly ruled out requests to continue the Conference to discuss other issues (eg culture) or the European Parliament's views. The Italian and Danish general reserves remain but the Italians at least were clearly looking for ways of giving up their



reserve. The United Kingdom's reservation on the voting provisions on health and safety of workers was maintained. All other reserves were withdrawn. The Presidency will submit fair texts to Governments shortly.

2. In the Foreign Affairs Council on 16-17 December, which followed the Intergovernmental Conference, agreement was reached on how to follow up the discussion of an action programme on cancer which the French President, Monsieur Mitterrand, advanced at the Milan and Luxembourg European Councils. A committee of high-calibre medical experts, on which the United Kingdom will be represented, is to be set up by the Commission early in the New Year charged to recommend co-ordinated action to combat cancer. The United Kingdom is putting the emphasis on measures of prevention. Over lunch Ministers discussed informally a proposed mandate for the Commission to follow in negotiations between the International Tin Council and its creditors following the suspension of dealings in tin on world markets on 24 October. In the face of German and French opposition no mandate was agreed. Primary action still lies with the International Tin Council, in which there cannot now be a common Community position, acting with tin brokers and bankers.

3. The Chancellor of the Exchequer may report on the present position on the Community's 1986 budget. On 11 December the Budget Council and representatives of the European Parliament failed to reach agreement, even though the President of the Council offered an additional 242 million ecu of non-obligatory expenditure (ie mainly for Regional and Social Funds) on top of the increase already included in the Council's revised draft budget. The following day the European Parliament rejected the Council's offer and voted for an increase of 570 million ecu above the Council's revised draft budget. The President of the European Parliament has signed the budget as voted. It is likely that France, the Federal Republic of Germany, the Netherlands,



Luxembourg and Denmark, as well as the United Kingdom, will be disposed to take the matter to the European Court. Legal advice on this is being sought urgently.

4. The Secretary of State for Trade and Industry may report on the Internal Market/Consumer Affairs Council on 12 December. From the United Kingdom point of view the most important point was the Council's review of progress on Lord Cockfield's programme of action on the internal market. We received support for the rolling programme of measures in this area for 1986 which we have drawn up with the Dutch. This, of course, reflects the priorities of the ~~United Kingdom~~ and of the Netherlands. It is the first example of an agreed and concerted programme covering more than one Presidency. We have similar undertakings with the Dutch over a number of other important areas.

5. In the absence of the Minister of Agriculture, Fisheries and Food the Foreign and Commonwealth Secretary may report that, in response to our pressure, the French measures against United Kingdom exports of ewe meat have been withdrawn.

6. There is an Agriculture Council on 19 December and a meeting of Ministers of Culture on 20 December.

RA

ROBERT ARMSTRONG

18 December 1985

CONFIDENTIAL

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FM UKREP BRUSSELS

TO IMMEDIATE FCO

TELNO 4460

OF 171721Z DECEMBER 85

INFO PRIORITY EUROPEAN COMMUNITY POSTS, LISBON, MADRID

FRAME GENERAL/INSTITUTIONS

IGC: BRUSSELS 16/17 DECEMBER

SUMMARY

GENERAL

1. AFTER A DAY AND A HALF, THE IGC CLEARED UP ALL THE POINTS LEFT OVER FROM THE LUXEMBOURG EUROPEAN COUNCIL SUBJECT TO GENERAL RESERVES FROM ITALY AND DENMARK AND THE UK RESERVE ON SOCIAL POLICY. ANDREOTTI (ITALY) GAVE THE CLEAR IMPRESSION THAT THE ITALIANS ARE ANXIOUS TO GET BACK ON BOARD. THE DANES TOO WORKED HARD TO MAKE THEIR TASK VIS A VIS THE FOLKETING AS EASY AS POSSIBLE. DELORS IS AGAIN TALKING OF DISASSOCIATING THE COMMISSION BUT WAS URGED BY EVERYONE TO THINK HARD BEFORE GOING PUBLIC.

INTERNAL MARKET

2. THE RESERVES ON THE LIST OF ARTICLES FOR QM WERE LIFTED, SUBJECT TO MINOR CLARIFICATIONS AND UNILATERAL STATEMENTS. MODELS FOR IMPLEMENTATION WILL BE ADOPTED BEFORE THE TREATY ENTERS INTO FORCE AND WILL GIVE A PREDOMINANT PLACE TO THE ADVISORY COMMITTEE PROCEDURE. AN INTERPRETATIVE STATEMENT, AGREED WITH DIFFICULTY, CLARIFIES THAT ARTICLE 1 CARRIES NO AUTOMATIC LEGAL EFFECT.

EUROPEAN PARLIAMENT

3. TWO ATTEMPTS TO EXTEND THE SCOPE OF THE COOPERATION PROCEDURE WERE SEEN OFF. SOME COSMETIC ADDITIONS WERE MADE TO THE PROCEDURE FOR HANDLING EP AMENDMENTS, WHICH HAS ALSO BEEN USEFULLY CLARIFIED. THE PROPOSAL FOR A REVIEW OF THE EP'S POWERS BEFORE 1992 WAS RESISTED. THE DUTCH PRESIDENCY WILL TRY TO REVISE THE COUNCIL'S RULES OF PROCEDURE TO ENCOURAGE EARLIER VOTING.

MONETARY COOPERATION

4. THE BELGIAN AMENDMENTS WERE REJECTED SUBJECT TO TWO MINOR TEXTUAL IMPROVEMENTS WHICH WERE ACCEPTED. THE PRESIDENCY AND COMMISSION WILL ISSUE A STATEMENT TO CLARIFY THAT THE TREATY AMENDMENTS DO NOT PREJUDICE THE OPERATION OF THE EMS IN THE FRAMEWORK OF EXISTING POWERS.

COHESION

5. THE PHRASE ABOUT ADEQUATE FINANCING HAD BEEN DELETED IN FAVOUR OF A STATEMENT CONTAINING A NON-COMMITTAL REFERENCE TO THE CONCLUSIONS OF THE 1984 BRUSSELS EUROPEAN COUNCIL.

SOCIAL POLICY

6. NO DISCUSSION OF SUBSTANCE. UK AND (TACTICAL) ITALIAN RESERVES STAND.

CONFIDENTIAL

EUROPEAN

CONFIDENTIAL

EUROPEAN COURT

7. PROPOSALS APPROVED.

ENVIRONMENT

8. THE DECLARATION ON EXTERNAL COMPETENCE SURVIVED INTACT.

TECHNOLOGY

9. CONSEQUENTIAL AMENDMENT TO OWN RESOURCES DECISION AGREED.

POLITICAL COOPERATION TREATY (NOT REPORTED FURTHER BY TELEGRAM)

10. SUBSIDIARY DOCUMENTS TIDIED UP. SECRETARIAT WILL CONSIST OF 5 MEMBERS. HEAD TO BE APPOINTED UNDER ARRANGEMENTS TO BE AGREED BETWEEN MINISTERS.

SINGLE ACT

11. AFTER A LONG WRANGLE, OTHER DELEGATIONS WERE PERSUADED TO SETTLE FOR THE TITLE 'SINGLE EUROPEAN ACT'. ARTICLE 1 NOW REFERS TO 'THE OBJECTIVE OF CONTRIBUTING TOGETHER TO MAKING CONCRETE PROGRESS TOWARDS EUROPEAN UNITY' (INSTEAD OF 'THE ESTABLISHMENT OF EUROPEAN UNION').

OTHER PROPOSALS

12. THERE WAS A HALF-HEARTED ATTEMPT TO CONTINUE THE CONFERENCE SO THAT OTHER PROPOSALS, IN PARTICULAR CULTURE, COULD BE WORKED UP. BUT IT WAS AGREED WITHOUT MUCH DIFFICULTY THAT THE IGC SHOULD BE WOUND UP AND THAT OTHER PROPOSALS SHOULD BE TAKEN FORWARD ON THEIR MERITS ELSEWHERE.

13. DETAIL IN MY 5 IFTS AND TEL NO 4448.

HANNAY

YYYY

FRAME GENERAL/INSTITUTIONS

FCO ADVANCE TO:-

FCO - PS, PS/MR RIFKIND, RENWICK, WALL, EATON

CAB - WILLIAMSON, JAY

DTI - BRECKNELL, LOUGHEAD

MAFF - HADLEY

TSY - LAVELLE

DOE - GRUFFYD-JONES

D/EN - FREEMANTLE

(REPEATED AS REQUESTED)

D/EM - LAMBERT

FRAME GENERAL/INSTITUTIONS

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-2-

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TELNO 4458
OF 171715Z DECEMBER 85

CONFIDENTIAL

INFO PRIORITY EUROPEAN COMMUNITY POSTS, LISBON, MADRID
INFO ROUTINE UKMIS NEW YORK, WASHINGTON, UKMIS GENEVA, TOKYO,
INFO ROUTINE KUALA LUMPUR, BANGKOK, JAKARTA, CANBERRA, OTTAWA,
INFO ROUTINE STOCKHOLM, OSLO, HELSINKI, BERNE, LAGOS, KINSHASA,
INFO ROUTINE NEW DELHI, BRASILIA, LA PAZ

FRAME EXTERNAL

FOREIGN AFFAIRS COUNCIL: 17 DECEMBER 1985
TIN

SUMMARY

1. IN THE FACE OF STRONG GERMAN AND FRENCH OPPOSITION, THE COMMISSION FAILED TO OBTAIN A MANDATE TO RESPOND TO INITIATIVES FROM OTHERS IN THE TIN COUNCIL'S NEGOTIATIONS WITH ITS CREDITORS. THE COMMISSION MAY ONLY SIT AND OBSERVE. THE PRESIDENCY AND THE COMMISSION AGREED THAT IF THE TIN COUNCIL TOOK A VOTE ON NEGOTIATING, MEMBER STATES WOULD VOTE INDEPENDENTLY, NOT ACCORDING TO A CO-ORDINATED COMMUNITY LINE. VAN RHIJN HAS TOLD US THAT THE COMMISSION REGARDS ITS 'NON-MANDATE' TO BE AT AN END.

DETAIL

2. AT LUNCH, ATTENDED BY MINISTERS ONLY, NARJES (COMMISSION) MADE SEVERAL PROPOSALS, ALL OF WHICH WERE REJECTED. HE SAID THAT THE COMMUNITY SHOULD BE READY TO RESPOND TO ANY INITIATIVE THAT MIGHT BE MADE BY OTHERS. HE OUTLINED AN EIGHT POINT PACKAGE THAT COULD BE ACCEPTABLE TO ALL:

- (1) THE BANKS TO BEAR SOME SHARE OF THE LOSS:
- (2) THE BROKERS TO CONTRIBUTE, SAY, PDS 50 MILLION:
- (3) CONTROLS ON EXPORTS BY PRODUCER COUNTRIES:
- (4) A LIQUIDATION PERIOD OF ABOUT 2 YEARS:
- (5) TALKS WITH THOSE PRODUCERS OUTSIDE THE INTERNATIONAL TIN AGREEMENT TO PERSUADE THEM TO ACCEPT DISCIPLINE ON PRICE AND QUANTITY:
- (6) TALKS WITH THE USA TO PERSUADE THEM TO POSTPONE TIN SALES FOR TWO YEARS (NARJES SAID THAT FROM INFORMAL CONTACTS HE THOUGHT THE AMERICANS WOULD AGREE)
- (7) THE PROBABLE SHORTFALL IN THE NEXT SIX MONTHS WOULD BE PDS 350 MILLION:
- (8) THIS SHORTFALL WOULD BE COVERED AS FOLLOWS:-
 - (A) THE BANK OF ENGLAND TO PROVIDE AN INTEREST FREE BRIDGING LOAN (NARJES SAID HE HAD BEEN TOLD THAT THIS MIGHT BE POSSIBLE).
 - (B) PDS 50 MILLION TO BE PUT UP BY THE BROKERS
 - (C) PDS 130 MILLION WAS LIKELY TO BE FOUND FROM THE EXISTING TIN STOCKS.
 - (D) THE REMAINING PDS 150 MILLION TO BE SHARED BETWEEN PRODUCERS AND CONSUMERS PRO RATA IN ACCORDANCE WITH THEIR CONTRIBUTIONS TO THE ITC. THE EC SHARE WOULD BE PDS 27 MILION (IE 25 PER CENT). EACH MEMBER STATE WOULD BEAR ITS PROPORTION.

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13.

3. GENSCHER (GERMANY) AND DUMAS (FRANCE) COULD NOT AGREE: THEY REPEATED THEIR VIEWS ON LEGAL LIABILITY AND SAID THAT THEY WERE NOT PREPARED TO ALLOW THE COMMISSION TO TAKE ANY ACTIVE ROLE. MR CHANNON (UNITED KINGDOM) SUPPORTED THE COMMISSION, BUT NO-ONE ELSE DID. THE ONLY OTHER COMMENT WAS FROM PANGALOS (GREECE) WHO, WHILE NOT KEEN, WOULD GO ALONG WITH A PROPOSAL IF ALL OTHERS DID.

4. POOS SAID THAT ON THE BASIS OF INFORMAL CONTACTS HE NOTED THAT THREE MEMBER STATES WERE AGAINST ANY COMMISSION INITIATIVE, TWO WERE OPEN TO INFORMAL CONTACTS, AND FIVE WERE MORE FAVOURABLE TO SOME KIND OF COMMUNITY ACTION TO PROMOTE BURDEN-SHARING.

5. MR CHANNON ASKED WHAT WOULD HAPPEN IF THERE WAS A VOTE IN THE TIN COUNCIL ON THE NEGOTIATION TOMORROW. POOS, WITH NARJES' AGREEMENT, SAID THAT VOTING WOULD BE A NATIONAL MATTER FOR THE MEMBER STATES, NOT FOR A CO-ORDINATED COMMUNITY POSITION. IF THE UK WANTED TO PURSUE BILATERAL CONTACTS, THEY COULD OF COURSE DO SO.

6. WE COMPARED NOTES WITH VAN RHIJN (DGIII) ON THE LUNCH TIME DISCUSSION, AND SPOKE TO HIM SUBSEQUENTLY, AFTER HE HAD SPOKEN TO NARJES. VAN RHIJN SAID THAT NARJES HAD REPORTED THAT THE FRENCH, GERMANS AND DUTCH DID NOT WANT TO PREJUDICE THEIR LEGAL POSITION, OR TO SPEND ANY MONEY AT ALL. BUT IF WORTHWHILE PROPOSALS WERE PUT FORWARD BY OTHERS (EG. BANKERS, BROKERS OR THE UK GOVERNMENT), THEN THEY WOULD BE PREPARED TO LOOK AT THEM. THE UK HAD BEEN TOLD THAT IF IT WANTED TO NEGOTIATE WITH OTHER PARTIES, IT COULD DO SO. IN THESE CIRCUMSTANCES THE COMMISSION'S 'NON-MANDATE' WAS RECKONED TO BE AT AN END, AND THEY WOULD ADOPT A PASSIVE STANCE. VAN RHIJN HIMSELF WOULD NOT GO TO TOMORROW'S ITC MEETING. THE COMMISSION WOULD BE REPRESENTED BY NICOLAI, WHO WOULD TAKE THE LINE THAT ALTHOUGH THE COMMISSION HAD HAD NO MANDATE, THEY HAD TAKEN SOUNDINGS WITH A VIEW TO A PRAGMATIC SOLUTION WITHOUT PREJUDICE TO THE LEGAL POSITION. AS OTHER PARTIES HAD NOT RESPONDED, THE COMMISSION HAD NO FURTHER ROLE TO PLAY. MOREOVER, THE COMMISSION WERE SCEPTICAL ABOUT THE WILLINGNESS OF PRODUCER COUNTRIES TO BE HELPFUL: WE HAD LEARNT THAT TIN SHIPMENTS WERE EN ROUTE TO EUROPE FROM ASIA.

-2-
CONFIDENTIAL

/7. we.

7. WE SAID THAT WE WOULD OF COURSE GREATLY REGRET IT IF THE COMMISSION REGARDED THEIR MANDATE AS OVER. VAN RHIJN CONFIRMED THAT IT WAS. HE COMMENTED THAT IT WAS PERHAPS A PITY THAT THE UK HAD TAKEN SO CLEAR A VIEW OF THE LEGAL POSITION RATHER THAN TRYING TO PLAY A MEDIATING ROLE. HE ALSO REGRETTED OUR NEGATIVE APPROACH ON THE QUESTION OF A BANK OF ENGLAND LOAN.

HANNAY

YYYY

FRAME EXTERNAL

FCO ADVANCE TO:-

FCO - PS, BRAITHWAITE, MAUD, TAIT, MS REID, SHEPHERD

CAB - JAY

DTI - PS/MR BRITTAN, PS/MR CHANNON, MOUNTFIELD, MURRAY, LUNN,
DENISON-CROSS

TSY - MISS BARBER, REDLEY

(ADVANCED AS REQUESTED)

FRAME EXTERNAL.
ECD (E)

COPIES TO .
AS ADDRESSEES .

-3-
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DEPARTMENT OF TRADE AND INDUSTRY

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From the Minister of State for Industry

THE HON PETER MORRISON MP

Lord Gray of Contin
Minister of State for Agriculture
and Fisheries
Scottish Office
New St Andrew's House
EDINBURGH
EH1 3SX

16 December 1985

CDP
17/12

will request if required.

Thank you for your letter of 11 December.

The fact is that other countries, particularly France, have been pressing the case for particular areas, and all these cases, including in particular Fraserburgh, Dunkerque and Boulogne, were withdrawn at COREPER as part of a package deal. The subject is on the agenda of the Council on 17 December as an 'A' point, and it would put at risk the whole package if we were to seek to reopen the deal at this stage. This would not, as indeed you recognise, be in the interest of the UK.

There is no question of "turning Fraserburgh down". Nobody except the UK has ever suggested that Fraserburgh be included. However we are planning a UK entry in the Council minutes which makes specific reference to Fraserburgh. Thus we will certainly be able to say that we have pressed the case for Fraserburgh as hard as we can.

I am sending copies of this letter to members of OD(E) and E(A) Committees, and to Nicholas Edwards, Rhodes Boyson, Michael Jopling and to Sir Robert Armstrong.

PETER MORRISON

1MOBCW





FROM: Minister of State

DATE: 16 December 1985

2

PRIME MINISTER

MS

*Prime Minister
Highly unsatisfactory,
as you should say so
if questioned in the House.
CDP
16/12*

EC BUDGET COUNCIL, 11 DECEMBER

The Budget Council and the representatives of the European Parliament failed on Wednesday to reach agreement on the Community budget for 1986.

The President of the Council, on his own initiative after discussion in the Council, offered them an additional 242 mecu of non-obligatory expenditure on top of the increase (on 1985) of 1.25 billion ecu in the Council's revised draft budget. He also offered some prejudicial language implying the need for a supplementary budget for the structural funds during 1986. The representatives of the Parliament, deeply divided among themselves, did not accept the offer.

The Council then decided nevertheless, by qualified majority, to confirm the President's offer - both the extra 242 mecu figure and the language - on condition that the Parliament accepted it. As at the previous Council, I argued that the whole level of expenditure under discussion was too high and voted against.

The Parliament's plenary voted on Thursday to increase the Council's revised draft budget by the larger sum of some 570 mecu in payment appropriations (629 mecu after allowing for the consequential increase in refunds to Spain and Portugal) and some 410 mecu in commitment appropriations. The President of the Council then formally withdrew the Council's 242 mecu offer.

The question now is whether the President of the Parliament, M. Pflimlin, will sign the budget as voted and, if so, whether and in what form the Commission will implement it. If M. Pflimlin does sign - and it may be difficult for him not to do so - the

Parliament will have adopted illegally a budget which the Council has not agreed. The Council and individual member states will have then to decide whether and how to bring the matter before the European Court and how much to pay in the meantime. If M. Pflimlin does not sign, there may be attempts to set up a further round of negotiations between the Council and the Parliament.

My officials are discussing these issues intensively with the Government's lawyers in preparation for further consideration by Ministers at an early stage.

I am copying this minute as before.

P.B.

PETER BROOKE

Ripped off MS/HMT to PM 16/12/85
by CSP.

✓ PB 16/xii

M..... To ask Mr Chancellor of the Exchequer, if he will report on the outcome of the latest meeting of the European Community's Budget Council.

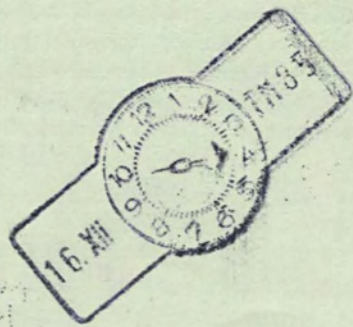
MR PETER BROOKE

The Budget Council met in Strasbourg on Wednesday/Thursday of last week. I represented the United Kingdom.

The Council and the representatives of the European Parliament failed to reach agreement on the Community Budget for 1986. The Council decided nevertheless by qualified majority to propose a further 242 mecu (some £150 million at the budget exchange rate of 1.61 mecu to the £) of payment appropriations for non-obligatory expenditure, on top of the provision proposed in the Council's revised draft budget, provided that agreement could be reached in the Parliament's plenary on this figure. I voted against this decision on the grounds that the figures in the Council's revised draft budget were already too high and represented a threat to budget discipline.

The Parliament's plenary voted on Thursday to increase the Council's revised draft budget figures by the larger sum of some 570 mecu in payment appropriations (about £355 million). This figure rises to some 630 mecu (about £390 million) after including the consequential increase in transitional refunds for Spain and Portugal. The Parliament also voted to increase the provision for commitment appropriations by some 410 mecu (about £255 million).

The President of the Parliament is expected to decide shortly whether to sign the budget as voted by the Parliament.



COLOMBIA

file



10 DOWNING STREET

12 December 1985

From the Private Secretary

Dear Colin,

EUROPEAN COUNCIL: FOLLOW-UP

Thank you for your letter of 11 December about follow-up to the European Council. The Prime Minister agrees that it should be made clear when Foreign Ministers meet next week that we cannot agree any changes in the text negotiated at Luxembourg and that the European Assembly's vote is not relevant.

The position on the draft preamble is more difficult. The Prime Minister points out with justice that it is one thing to accept language on European Union in a statement by the European Council but another to embody it in a Treaty text which has to be got through the House of Commons. She would, with some reluctance, be ready to accept the language on this matter in the draft recitations as they stand but baulks at the first paragraph of Article 1. We need to explore an alternative formulation for this. Would it be possible, for instance, to talk of a "European identity" or a "Union of European States"? The latter has the advantage for British ears of making explicit that the countries preserve their separate status. You will wish to reflect on this, but should be in no doubt that the Prime Minister does not wish us to agree the paragraph in question in its present form.

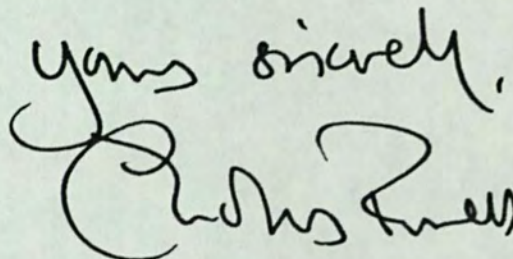
I note that the Foreign Secretary will let the Prime Minister have advice later on the title for the preamble. I should warn you however that the Prime Minister will not accept "Act of European Union", though would I think go along with "European Act" This has the advantage of being meaningless.

The Prime Minister emphatically does not agree with the way in which it is proposed to handle our reserve on the new Article on Social Policy. She recalls that she caused similar wording to be struck out of Article 99 (though it did of course creep back in to the new Article on the

AP

Environment). She thinks that the wording you propose will be taken as a clear signal that we are ready sooner or later to be pushed to qualified majority voting.

I am copying this letter to David Williamson (Cabinet Office).

Yours sincerely,


(Charles Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER

FOLLOW-UP TO EUROPEAN COUNCIL

A number of points of follow-up to the European Council will come up at the Foreign Ministers' meeting next week. This minute deals with those on which your views are needed.

Draft Preamble

The Presidency have circulated a revised draft preamble (attached) to cover both the proposed amendments to the Treaty of Rome and the new Treaty on Foreign Policy Cooperation (while preserving the distinction between them). The Foreign Secretary is content with it. But you will want to consider how far the references to European Union cause you difficulty. These are to be found in the first two recitations and in the first paragraph of Article 1. The language in the recitations is very close to what you accepted in the Stuttgart Declaration (and was accepted by the last government in the conclusions of the 1976 European Council at the Hague). Substantive Article 1 arguably goes a bit further than these earlier statements, though the differences are semantic. But the earlier texts were political declarations: this is a Treaty text which the Government will have to get through the House.

There is also a proposal to call the document "Act of European Union", though it is not clear how far others will press this.

If you feel all this is more than you and the House will bear, you might instruct the Foreign Secretary:

(a) to secure the agreement of his colleagues that "European Union" will be translated in all English language texts as

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"European Unity". This somehow sounds better: but I am bound to say that the big OED does not support much of a distinction between the two. 'European Identity' would be better but is unlikely to be satisfactory to the others. The only other suggestion I have is to speak of "the establishment of a Union of European States" which makes clear that the states preserve their individual status.

(b) to instruct him to oppose the title "Act of European Union" if it is proposed and to argue either for no title or for something blander like "European Act", which is fatuous but harmless.

Social Affairs

You insisted on unanimity on this new Article. It may be proposed that, as in the case of Article 99, we should say that unanimity will be proposed unless the Council decides unanimously that certain decisions can be taken by qualified majority.

The second part of Article 99 was struck out.

Agree:

(a) to accept references to European Union in the recitations?

Reluctantly - but I dislike it intensely.

(b) to seek to amend the wording of Article I of the Preamble?

Yes.

(c) to oppose "Act of European Union"?

Opined not

(d) to proposed compromise on the Social Affairs Article?

No

CDP

CDP

11 December, 1985.



Foreign and Commonwealth Office

London SW1A 2AH

11 December 1985

*Dear Charles,*European Council: Follow Up

You asked about the draft Single Act to cover the treaty amendments and treaty on foreign policy co-operation which was remitted to Foreign Ministers by the European Council. The Prime Minister's briefs for the European Council covered the French draft preamble for the agreements now arrived at, with a commentary on that draft (copies enclosed).

In drafting their document the French did so in a way which fully met their concern and ours that the treaty on co-operation in foreign policy must be kept juridically separate from the Treaty of Rome (so that there is no question of the Commission having the right to make proposals or of the jurisdiction of the Court applying to political co-operation). There is unanimous agreement on this among the member states. The French text did, however, contain some objectionable features, which we pointed out to the Luxembourg Presidency.

The Presidency have now put forward their own proposal for a draft preamble (attached) and have removed some objectionable features from the French draft. The preamble defines "European union", as the French draft did, as consisting of what has already been achieved - on the one hand in the Community framework including the treaty changes now agreed, and on the other, political co-operation. This is in line with

- (a) the conclusions of the 1976 European Council in The Hague that: "European Union will be built progressively by consolidating and developing what has been achieved within the Community, with the existing Treaties forming a basis for new policies"; and
- (b) the declaration issued by the Stuttgart European Council in June 1983 that: "European Union is being achieved by deepening and broadening the scope of European activities, so that they inherently cover a growing proportion of Member States' mutual relations and of their external relations".

The title is left open. The French, with German support, propose that this should be "Act of European Union", though

/Italy



Italy may argue that what has been agreed is not enough to be described as "union". The Presidency know that what others describe as "union" in English has a meaning closer to "unity".

The Presidency have watered down the references to the role of the European Council to meet Benelux objections to the original French draft. We consider that the proposed changes go in the right direction.

Following consultation with us, the Presidency have struck out the proposal in Article 5 of the French draft for a Secretary General of the European Council.

The Presidency draft will be discussed in the preparatory group and at the Foreign Affairs Council on 16 December. The Foreign Secretary considers some of the language could be improved, but that in general we should be able to agree to the revised draft. He will make a recommendation about the title in the light of the discussion among Foreign Ministers. Our position meanwhile will be reserved.

With strong encouragement from us, the Luxembourg Presidency are insisting that the texts as agreed in the European Council are final. Since we won all our key points in the European Council, it is essential for us that the texts should not be changed. We have, however, been able to get some points usefully clarified in translation. There will now be a jurists/linguists group to put these into the correct form.

The European Parliament will debate the agreement today. They can be expected to vote against it. The Italians will then try to seek amendments. We shall make clear that the text on the Parliament, along with the other texts agreed by the heads of government, cannot be changed.

We shall be seeking to bring this process to a conclusion on 16 December, and to ensure that the other proposals for treaty change which were not discussed at the European Council and which, generally, have attracted little support should be set aside. We have only one outstanding point ourselves, namely our requirement to maintain unanimity for decisions on the working environment. The Luxembourg Presidency may propose language on the lines of that used elsewhere in the texts agreed at Luxembourg - ie that unanimity should be maintained except insofar as the Council unanimously agrees that certain decisions can be taken by qualified majority. If the Presidency do make such a proposal the Foreign Secretary thinks we should accept. The Department of Employment agree.

/I am

CONFIDENTIAL



I am writing separately about the draft declaration on East-West relations.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

11. XII 10.12.65 AM 65

PRESIDENCY PROPOSAL (5 DECEMBER)

SINGLE ACT

PREAMBLE

THE HIGH CONTRACTING PARTIES,

- Moved by the will to continue the work undertaken on the basis of the Treaties establishing the European Communities and to transform relations as a whole among their States into a European Union in accordance with the Stuttgart Solemn Declaration.
- Resolved to implement this European Union on the basis firstly of the Communities operating in accordance with their own rules and, secondly, of European cooperation among the States Signatory in the field of foreign policy and to invest this union with the necessary means of action.
- Aware of the responsibility incumbent upon Europe to speak as often as possible with one voice and to act with consistency in order more effectively to protect its common interests and independence, in particular to display the principles of democracy and compliance with the law to which they are attached and to move towards the ideal of friendly relations between nations and towards the preservation of international peace and security in accordance with the undertaking entered into by them in the framework of the United Nations Charter.

- Determined, on the occasion of the further enlargement of the Community, to contribute to improving the economic and social situation by extending common policies and implementing new forms of action and to improve the functioning of the Community by enabling the institutions to exercise their powers under conditions most in keeping with Community interests.

HAVE AGREED AS FOLLOWS:

TITLE I

COMMON PRINCIPLES

Article 1

The European Communities and European Political Cooperation shall share the objective of contributing together to the unification of Europe with a view to the establishment of the European Union.

The European Communities shall be founded on the Treaties of Paris and of Rome and on the subsequent Treaties and Acts modifying them.

Political Cooperation, conducted in line with the procedures agreed in the reports of Luxembourg (1970), Copenhagen (1973) and London (1981) and in accordance with practices gradually established among the member states shall be governed by Title III hereinafter.

Article 2

The European Council shall bring together the Heads of State or of Government of the member states of the Community together with the President of the Commission of the European Communities. They shall be assisted by the Ministers for Foreign Affairs and by a member of the Commission.

The European Council shall meet at least twice a year, constituted as the Council of the Communities, and pursuant to Political Cooperation.

TITLE II

PROVISIONS AMENDING THE TREATY OF ROME

TITLE III

PROVISIONS GOVERNING POLITICAL COOPERATION

TITLE IV

GENERAL AND FINAL PROVISIONS

Article X

Subject to Title II above, the provisions of this Act shall not affect the Treaties establishing the European Communities or any subsequent Treaties amending them.

Article Y

Ratification and entry into force.

Article Z

Language versions and deposit.

GRS 1300

UNCLASSIFIED

FM UKDEL STRASBOURG

TO DESKBY 120900Z FCO

TEL NO 264

OF 112045Z DECEMBER 85

AND TO DESKBY 120930Z UKREP BRUSSELS

INFO ROUTINE ROME THE HAGUE PARIS BONN

INFO SAVING BRUSSELS COPENHAGEN DUBLIN LUXEMBOURG ATHENS

INFO SAVING LISBON MADRID

FRAME INSTITUTIONAL

FROM UKREP BRUSSELS

EUROPEAN PARLIAMENT : INTERGOVERNMENTAL CONFERENCE

SUMMARY

1. PARLIAMENT REJECTS THE OUTCOME OF THE EUROPEAN COUNCIL BUT RESERVES ITS FINAL POSITION UNTIL AFTER THE 16/17 DECEMBER GAC. MOTION ADOPTED BY 244 FOR, 47 AGAINST WITH 9 ABSTENTIONS, SPELLS OUT EP'S DEMANDS TO THE COUNCIL. IF NOT MET ON 16/17 DECEMBER, THE EP WILL PROPOSE SPECIFIC AMENDMENTS TO THE IGC CONCLUSIONS, WHICH WERE ABLY DEFENDED BY PRIME MINISTER SANTER AND PRESIDENT DELORS.

DETAIL

2. SANTER (PRESIDENT) SUMMARISED THE OUTCOME OF THE EUROPEAN COUNCIL, THE FIRST TO ADDRESS THE FUTURE OF THE COMMUNITY. SIGNIFICANT PROGRESS HAD BEEN MADE. THE TREATY ON POLITICAL CO-OPERATION WENT BEYOND THE STATUS QUO, AND INCLUDED USEFUL INNOVATION. THE IGC COULD NOT COVER ALL POSSIBLE AREAS OF WORK : THE PRESIDENCY HAD TRIED TO IDENTIFY THE HIGHEST COMMON POSITION ON THE MAIN AREAS. IT WAS ENCOURAGING THAT THE OUTCOME WAS CRITICISED BY BOTH EXTREMES OF THE SPECTRUM. THE INTERNAL MARKET HAD BEEN A PRIORITY : THERE WAS A COMMITMENT TO ACHIEVE IT BY 1992, WITH MEMBER STATES' CAPACITY TO BLOCK PROGRESS DIMINISHED. THE ECU AND THE EMS WERE NOW SITUATED IN THE TREATY, TOGETHER WITH A POSSIBILITY OF FUTURE DEVELOPMENT. THE PROVISION ON SOLIDARITY WAS A CAREFUL BALANCE BETWEEN THE INTERESTS OF MEMBER STATES. SIMILARLY TECHNOLOGY COVERED BOTH GLOBAL ACTION AND SPECIFIC MEASURES. THE INCLUSION OF ENVIRONMENT WAS A NOTABLE INNOVATION. WHILE PROGRESS ON THE EP HAD BEEN LESS THAN HE PERSONALLY FAVOURED, IT OFFERED A SUBSTANTIAL GAIN FOR THE EP WHICH COULD AMEND OR REJECT COMMON POSITIONS OF THE COUNCIL. ALL IN ALL THE OUTCOME REPRESENTED USEFUL PROGRESS INVOLVING SUBSTANTIAL CONCESSIONS BY ALL MEMBER STATES, AND JUSTIFIED AMENDMENT OF THE TREATY. IF REJECTED, HE COULD NOT GUARANTEE THAT THERE WOULD BE AN EARLY OPPORTUNITY TO RECONSIDER THE ISSUES. HISTORY WOULD JUDGE THAT THE COMMUNITY HAD BEEN RIGHT TO ACCEPT THE POSSIBLE.

3. DELORS (COMMISSION) SAW THE OUTCOME AS POSITIVE FOR THE FUTURE OF THE COMMUNITY. THE RESULTS SHOULD BE VIEWED REALISTICALLY. WHILE THE INTERNAL MARKET WAS VITAL, THERE WERE GENUINE DIFFICULTIES, AFFECTING ALL MEMBER STATES, AND NOT DICTATED BY NATIONAL SELFISHNESS. HE CITED AS EXAMPLES FREE MOVEMENT OF PERSONS, TAX HARMONISATION, PLANT HYGIENE MEASURES, AND STRICTER NATIONAL STANDARDS IN SOME MEMBER STATES. THE TEXT EMBODIED A LEGAL REQUIREMENT TO ACHIEVE THE MARKET BY 1992. THERE HAD ALSO BEEN PROGRESS ON COHESION. MONETARY CO-OPERATION HAD BEEN GIVEN LEGITIMACY. TWO THIRDS OF THE DECISIONS NECESSARY TO ACHIEVE THE INTERNAL MARKET COULD BE TAKEN BY QUALIFIED MAJORITY. BUT IN PRACTICE, THIS WOULD ALSO NEED A CHANGE IN VOTING HABITS. THE COUNCIL WOULD NEED TO TAKE DECISIONS. ARTICLES 145 AND 149 OFFERED THE COMMISSION AN OPPORTUNITY TO FACILITATE DECISION-MAKING. THE EP WAS BEING OFFERED LEVERAGE RATHER THAN POWER, BUT IN CRUCIAL AREAS. NATURALLY, THE EP WOULD SEEK ENHANCED POWERS, BUT IT WAS TIME TO CONCENTRATE ON THE MAIN ISSUES. THE COMBINATION OF THE COMMISSION, ANSWERABLE TO THE EP, AND THE EP ITSELF COULD MAKE THE NEW ARRANGEMENTS WORK. A VACUUM EXISTED IN THE PROPOSAL ON THE POWERS OF THE EP, AND THIS COULD BE REMEDIED BY THE GAC. THE COMMUNITY APPROACH HAD BEEN REALISTICALLY ADVANCED. THE TEMPTATION OF SOME MEMBER STATES TO PRESS FORWARD ALONE HAD BEEN AVOIDED. IF THE PROVISIONS OF THE INTERNAL MARKET DID NOT WORK WITHIN TWO YEARS, THE COMMISSION WOULD PRESS FOR ANOTHER IGC, AND THE EP/COMMISSION LINK, NOT INTENDED TO BE ANTI-COUNCIL, WOULD BE A DYNAMIC FORCE FOR PROGRESS. TRIUMPHANT DECLARATIONS HAD NOT WORKED IN THE PAST. THIS EUROPE OF THE POSSIBLE COULD ONE DAY BECOME THE IDEAL.

4. ARNDT (SOC) WANTED ALL MEMBER STATES TO ACCEPT THE OUTCOME OF THE EUROPEAN COUNCIL, WHICH REPRESENTED MODEST PROGRESS. PROGRESS HAD BEEN MADE IN SOME AREAS, BUT THE OBJECTIVE WAS TO REDUCE UNEMPLOYMENT. HE HAD LITTLE TIME FOR THOSE WHO RHETORICALLY CRITICISED THE LUXEMBOURG COMPROMISE BUT THEN APPLIED IT. THE DEMOCRATIC DEFICIT WITHIN THE COMMUNITY WAS INCREASING. KLEPSCH (CD) RECOGNISED THAT ALL MEMBER STATES HAD PARTICIPATED. MEASURED AGAINST THE PARLIAMENT'S TREATY, NOT MUCH HAD BEEN ACHIEVED. BUT THE GAC COULD IMPROVE THE TEXT ON THE EP'S POWERS, AND ON DECISION MAKING. FINAL JUDGEMENT SHOULD AWAIT AN AGREED TEXT.

5. PLUMB (EDG) PICKED OUT THE INTERNAL MARKET AS THE MOST SIGNIFICANT DEVELOPMENT. BUT THE LUXEMBOURG COMPROMISE REMAINED, AND THERE WAS NO TIME LIMIT FOR THE COUNCIL TO TAKE ITS FIRST READING. THE COMPROMISE SHOULD BE FUNDAMENTALLY REVISED AND ITS SCOPE MUCH REDUCED. THE EP'S AMENDMENTS SHOULD STAND UNLESS REJECTED BY THE COUNCIL WITHIN THREE MONTHS. JUDGEMENT ON THE PACKAGE SHOULD AWAIT FURTHER CONSIDERATION BY THE COUNCIL. ARTICLE 145 THREATENED TO PREVENT THE COMMISSION DISCHARGING

Ans is bad

ITS RESPONSIBILITIES. SPINELLI (COMMUNIST) REPEATED THAT THE CONFERENCE HAD REJECTED THE EP'S WISH TO APPROVE ITS CONCLUSIONS. HE APPEALED FOR SUPPORT FOR HIS COMMITTEE'S AMENDMENTS TO THE TABLED MOTION. WHILE PROGRESS HAD BEEN MADE, THE LUXEMBOURG COMPROMISE REMAINED UNAFFECTED. THE EP WAS ONLY BEING OFFERED AN OPPORTUNITY TO GIVE ITS OPINION TWICE. THE COUNCIL SHOULD OFFER GENUINE CO-DECISION AND COMMISSION SHOULD BE UNFETTERED IN EXECUTION OF LEGISLATION. HE WAS LOOKING FOR AN EFFICIENT DEMOCRATIC COMMUNITY, NOT WAR WITH THE COUNCIL. SUTRA (SOC) WANTED TO ELABORATE RATHER THAN REJECT THE CONCLUSIONS. IT WAS ENCOURAGING THAT AT LAST THE TREATY WOULD BE CHANGED. FURTHER PROGRESS COULD BE MADE LATER.

6. SUCCESSIVE INTERVENTIONS MOSTLY SUPPORTED THE LINE AGREED BY THE INSTITUTIONAL AFFAIRS COMMITTEE IN ADVANCE. THERE, SPINELLI, IN A TOUR DE FORCE WHICH BROOKED NO OPPOSITION, HAD DRIVEN THROUGH AMENDMENTS, WHICH WHILE WEAKENING HIS ORIGINAL TEXT, STILL REJECTED THE COUNCIL'S PROPOSALS, AND SET OUT SPECIFIC DEMANDS TO THE 16/17 DECEMBER GAC. LOMAS (UK, LABOUR) REJECTED THE WHOLE PACKAGE AS IRRELEVANT IN TACKLING UNEMPLOYMENT.

7. CONCLUDING SANTER, NOTED THAT HE WAS THE FIRST PRESIDENT OF THE EUROPEAN COUNCIL TO RESPOND TO A DEBATE. THE COUNCIL ON 16/17 DECEMBER WOULD FINALISE THE TEXTS AND DETERMINE ITS PRECISE TREATY FORM. IT WOULD CLARIFY THE PROCEDURAL ASPECTS ON THE EP, AND DISCUSS THE OUTSTANDING RESERVATIONS. THE LUXEMBOURG COMPROMISE WAS A POLITICAL AGREEMENT OUTSIDE THE SCOPE OF THE CONFERENCE, BUT IT COULD BE MODIFIED LATER. THE CONFERENCE CONCLUSIONS SHOULD BE APPROVED AS A SIGNPOST FOR FUTURE CHANGE.

8. DELORS ALSO RESPONDED. HE PRAISED THE QUALITY OF THE DEBATE WHICH HAD BEEN MODEST IN ITS DEMANDS. THE SUCCESS OF THE CONFERENCE CONCLUSIONS WAS NOT GUARANTEED, AND THE COMMISSION WOULD CERTAINLY REQUEST ANOTHER IGC IF THE AMENDMENTS DID NOT WORK. HE ARGUED THAT THE CHANGES TO ARTICLE 145 ADDED TO THE COMMISSION'S POWERS. HE WAS NOT PREPARED TO GIVE UP THE COMMISSION'S RIGHT OF INITIATIVE, BUT THE COMMISSION, IN REVISING ITS PROPOSAL IN RESPONSE TO THE EP, WOULD ALSO PUT FORWARD TO THE COUNCIL THOSE PROPOSALS WHICH IT COULD NOT ACCEPT. THE MILAN EUROPEAN COUNCIL HAD ALREADY ADDRESSED THE NEED FOR DECISIONS TO BE TAKEN IF THREE OR MORE MEMBER STATES WISHED.

9. IN A COMPLICATED VOTE, THE TEXT OF MIFT WAS ADOPTED BY
244 IN FAVOUR, 47 AGAINST WITH 9 ABSTENTIONS. UK LABOUR,
DANISH ANTI-MARKETEERS, GAULLISTS AND FRENCH AND GREEK COMMUNISTS
VOTED AGAINST. THE PROVISION IN ARTICLE 4 TO RESERVE A FINAL
POSITION UNTIL AFTER THE GAC WAS SECURED BY THE EDG. SPINELLI
WAS THROUGHOUT AT THE CENTRE OF COMPROMISE FORMING AND DICTATED
THE OUTCOME.

STODDART

YYYY

FCO PSE ADVANCE TO :-

FCO - PS/MR RIFKIND RENWICK WALL

CAB - WILLIAMSON JAY

UKREP DIST - JONES-PARRY GOULDEN POL/INST/LEGAL

FCO PSE PASS SAVING BRUSSELS COPENHAGEN DUBLIN LUXEMBOURG
ATHENS LISBON AND MADRID

STLNAN 0182

FRAME INSTITUTIONAL
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(ADVANCED AS REQUESTED)

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(REPEATED AS REQUESTED)

4 .



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10 DOWNING STREET

THE PRIME MINISTER

11 December 1985

Dear Professor Carstens,

Thank you for your letter of 25 November. It was a useful reminder of the conclusions reached by the Action Committee for Europe.

As you say, these issues have been at the centre of the work of the Inter-governmental Conference. We went to Luxembourg in the hope that agreement could be reached on practical steps to speed up completion of the common market, to make the Community more competitive and to strengthen foreign policy cooperation. The results that we achieved mark an important step towards enabling the Community to realise the objectives laid down in the Treaty.

Yours sincerely
Margaret Thatcher

Professor Dr. Karl Carstens

86W

Ref. A085/3238

PRIME MINISTER

Cabinet: Community Affairs

The Minister of State, Foreign and Commonwealth Affairs (Baroness Young) will report that the work necessary to follow up the agreement in the European Council on 2-3 December is going forward satisfactorily. We have resisted any attempt to change any text. Elucidations have been to our benefit. The technical amendments relating to the European Court of Justice which were not discussed in detail by the European Council have now been examined by a group of senior lawyers without giving rise to any serious difficulty. The Foreign Affairs Council on 16-17 December will consider any remaining points on the preamble and the agreed texts. It is not yet known whether either Denmark or Italy will lift their general reserves at the Council.

2. The Chancellor of the Exchequer will report on the Budget Council of 11 December, at which the United Kingdom is being represented by the Minister of State, Treasury (Mr Brooke). On 26 November the Budget Council accepted an increase in non-obligatory expenditure (mainly the Regional and Social Funds, including some expenditure on Spain and Portugal) over 1985 of 1.25 billion ecu (about £735 million). The European Parliament is deciding its position today and will certainly try to increase this figure. The United Kingdom has made clear that both the Council and the European Parliament are proposing too high a level of spending for 1986, even taking account of enlargement, and we shall use our vote to restrain expenditure to the lowest feasible level.



3. The Chancellor of the Exchequer may also report on the Economic and Finance Council of 9 December. There were a few points of substance. The Council agreed, however, to set up a High Level Group on tax approximation whose terms of reference will be settled on 20 January: thus this question will be kept firmly within the responsibility of Finance Ministers.

4. The Secretary of State for Trade and Industry may report on the Research Council on 10 December, at which the United Kingdom was represented by the Minister for Information Technology (Mr Pattie) and the Chief Scientific Adviser. The Council agreed on the 1986 work programme for ESPRIT (the European Strategic Programme for Research and Development in Information Technologies). It also decided on new multi-annual Community research programmes in the fields of raw materials and environment. The United Kingdom supports these new programmes in principle but, maintaining a firm alliance with France and West Germany, gained a substantial reduction in the level of proposed expenditure. Outside the meeting the memoranda of understanding on participation in the European synchrotron radiation facility (ESRF) at Grenoble and the spallation neutron source (SNS) at the Rutherford Appleton Laboratory, Cambridge, were signed by the United Kingdom, the Federal Republic of Germany and France. Italy will sign within a few days.

5. The Secretary of State for Trade and Industry may also report the successful conclusion of the remaining details of the negotiations with the United States on semi-finished steel products. The United States administration has signed the letter assuring the Tuscaloosa steel plant of access to 200,000 tonnes of semi-finished steel a year from the British Steel Corporation over the next four years with short-supply and review of provisions which can give higher quantities.

6. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 9-10 December. The Council agreed

in principle to the revised sugar regime which will come into operation on 1 April 1986. There will be no change in quotas for two years but a new levy is to be introduced to make the regime more nearly self-financing. The regime is to be reviewed after two years. There was discussion of proposals for space standards for hens in battery cages, on which agreement is near. Discussion continued on the use of hormones as growth promoters in farm animals, and no decision was taken. In view of strong pressure from consumers, most member states now support a ban.

7. The Minister of Agriculture, Fisheries and Food may also report on difficulties which our exporters are facing in sending ewe meat to the French market. The Commission, urged on by the French, have recently turned against special arrangements which we have operated for some four years to ensure that meat from ewes is not at a disadvantage when exported to the profitable French market. The Commission has ordered us to stop paying immediately the premium on ewes and has introduced a regulation that from 9 December the clawback on export shall still be charged on ewe meat but at half the normal rate. We are in dispute with the Commission over the legal justification for their action. While they have been waiting for the Commission's regulation to come into operation the French have taken the law into their own hands and have set up a licensing system which effectively blocks the trade in ewe meat. We have put pressure on the Commission to take action against the French. It is not yet clear whether in the light of the Commission's response and the new regulation the French will allow this trade to flow again.

8. The Paymaster General may refer to the Social Affairs Council on 5 December. The directive on industrial noise, which has caused us a good deal of difficulty, was agreed on terms fully acceptable to us and includes a provision for hearing checks using existing National Health Service arrangements. The United Kingdom maintained its total opposition to the parental

CONFIDENTIAL

leave directive and succeeded in bringing out the lesser reserves of several other member states. Agreement was reached on the COMETT programme on industrial training and student exchanges in the new technologies, which we support.

There is an Internal Market/Consumer Affairs Council on 12 December. The Foreign Affairs Council and a Fish Council will meet on 16-17 December. There is to be an Agriculture Council on 19 December and a meeting of Culture Ministers on 20 December. At its session this week the European Parliament is debating the outcome of the European Council meeting on 2-3 December, in addition to the revised draft budget for 1986.

RA

ROBERT ARMSTRONG

11 December 1985

CONFIDENTIAL



NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Hon Peter Morrison Esq MP
Minister of State for Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

CDP

11/12

11/12
December 1985

Dear Peter,

ERDF: FISHERIES NON-QUOTA

Allan Stewart is at present absent from the office as a result of illness and I am dealing with the fisheries non-quota measure. I have seen Richard Tracey's letter of 11 November and Michael Jopling's letter of 29 October about the implications for Hull and Grimsby if any of the ERDF non-quota resources were diverted to Fraserburgh (the use of the word 'divert' seems to imply that the money is theirs by right, which is not the case).

I appreciate their problem, but we are coming under increasing pressure to maintain the strongest possible bid for Fraserburgh, I have no doubt that there will be a strongly adverse reaction if we turn Fraserburgh down in order to maintain the level of the allocation for Hull and Grimsby.

If Fraserburgh were to be allocated say 10% of the UK share under this programme, that could not be regarded as having an adverse effect on Humberside, which would still, unlike Fraserburgh, benefit from the UK quota range. A further point is that we have never so far gone into these sort of discussions on the basis that the domestic share-out is agreed in advance, or that any one area or areas has an exclusive right to the ERDF fund on offer. We should, as before, look at the distribution once the regulation is approved.

I enclose a copy of a letter I have just written in response to representations from Grampian Regional Council. I understand that the negotiations are liable to be concluded at the Foreign Affairs Council on 16/17 December and I hope that the negotiating brief will be flexible enough to accept any offer for Fraserburgh, with or without extra money, if this can be achieved without putting at risk the whole package.

I am sending copies of this letter to the members of OD(E) and E(A) Committees, and to Nicholas Edwards, Rhodes Boyson, Michael Jopling and to Sir Robert Armstrong.

Yours sincerely
Hamish

GRAY OF CONTIN

EUR. POL. Budget: A31

THE PRESIDENT OF THE EUROPEAN COUNCIL

NEW ST. ANDREW'S HOUSE

ST. JAMES'S GATE

DUBLIN 2

Dear Sir,
I have the pleasure to inform you that the Commission has received your letter of the 15th of June 1971 concerning the proposed amendments to the Treaty of Rome.

The Commission has examined the amendments and has found them to be in line with the objectives of the Treaty. It is therefore pleased to inform you that the Commission has decided to accept the amendments in principle.

The Commission will now proceed to the final stage of the process, which is to prepare a draft Treaty incorporating the amendments. This draft will be submitted to the Council of Ministers for their approval.

I am sure that you will be pleased to hear that the Commission has accepted the amendments in principle. This is a significant step towards the completion of the process of amending the Treaty of Rome.

I would like to thank you for your cooperation and for the information you have provided. I am sure that you will be pleased to hear that the Commission has accepted the amendments in principle.

Yours faithfully,
The President of the European Council

15th June 1971



cdp
11/12

cdp

Treasury Chambers, Parliament Street, SW1P 3AG

The Hon Peter Morrison MP
Minister of State
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

17th December 1985

Dear Peter,

EUROPEAN REGIONAL FUND (ERDF): UK RECEIPTS

of Flue
P630
Thank you for your letter of 27 November, replying to Ian Gow's letter of 14 November. I think that we are broadly agreed on the need to continue to stress the importance of industrial decline as a criterion for the allocation of ERDF funds, without great hopes that this will prevent the UK's share of the fund from falling back. In an enlarged Community the UK is unfortunately likely to be a net contributor to the Regional Fund, and we will need to plan accordingly.

non request if required
There is however one point on non quota measures on which I would like to avoid any misunderstanding. Clearly as a general rule for both quota and non quota ERDF funds we should use our best endeavours to ensure that all available funds are received by the Exchequer as quickly as possible. Where receipts can be acquired without any change in Government objectives they can then be used to help offset our large deficit with the Community. But it would be quite wrong to seek additional receipts at the cost of either unacceptable Commission influence on UK decisions on regional policy or through a weakening of the rules on the additionality of EC receipts. There is little point in acquiring extra funds from the ERDF if at the end of the day these are additional to planned UK expenditure programmes. While we are of course prepared to look at individual cases, it must be on the presumption that these agreed rules apply.

I am copying this letter to the recipients of yours.

I am ever

Peter

PETER BROOKE

Europol: Budget

AL-31



capec

FCS/85/322CDP
11/12MINISTER OF STATE, TREASURYEC Budget Council, 11 December

1. I have seen copies of your minute of 9 December to the Prime Minister about the forthcoming Budget Council, and of Mr Powell's reply recording the Prime Minister's agreement.
2. I agree that we should only vote in favour if to do so would enable us to get the budget established at a lower level than would otherwise be the case, or if this were necessary to prevent the Parliament adopting an illegal budget. As you point out, the adoption of an illegal budget could lead to the implementation of a provisional twelfths regime which could in turn affect our abatement, since others may dispute our entitlement in these circumstances. For future years the provisions of the Own Resources Decision will enable us to secure our abatement automatically even under a provisional twelfths regime.
3. I am copying this minute to the Prime Minister, members of OD(E), the Secretaries of State for Energy and Transport, the Minister of Overseas Development and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

11 December 1985

THE COMMUNITY BUDGET
EURO POL Pt 31.



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BEMAAF
cc PC

BM

10 DOWNING STREET

From the Private Secretary

10 December 1985

EC BUDGET COUNCIL, 11 DECEMBER

The Prime Minister has considered the unattractive options for how the United Kingdom should vote at the EC Budget Council on 11 December set out in Mr. Brooke's minute of 9 December. She agrees, reluctantly, to the course proposed.

I am copying this letter to the Private Secretaries to members of OD(E), the Private Secretaries to the Secretaries of State for Energy and Transport and the Minister for Overseas Development and to Michael Stark (Cabinet Office).

(C.D. Powell)

Mike Norgrove, Esq.
HM Treasury

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TELNO 4324
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FRAME ECONOMIC

ECOFIN COUNCIL: 9 DECEMBER 1985

ANNUAL ECONOMIC REPORT

SUMMARY

1. REPORT ADOPTED INCLUDING UK AMENDMENTS TO REFERENCE TO
'SOCIAL PARTNERS'.

DÉTAIL

2. SANTER (PRESIDENCY) CONFIRMED THAT THE COMMISSION HAD ACCEPTED ALL THE AMENDMENTS LISTED IN ANNEX 1 TO 10947/85 TOGETHER WITH THE UK AMENDMENTS TO 10947 COR 1. THE COUNCIL COULD THEREFORE HAVE A GENERAL POLITICAL DEBATE. HE READ OUT THE CONCLUSIONS OF THE LUXEMBOURG EUROPEAN COUNCIL RELATING TO THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY. IT WAS UNFORTUNATE THAT THE PRESS HAD NEGLECTED THE EUROPEAN COUNCIL'S AGREEMENT ON THESE POINTS.

3. PFEIFFER (COMMISSION) SAID THAT THERE WAS AGREEMENT BOTH WITH MEMBER STATES ON THE DETAILED CONTENT OF THE REPORT AND WITH THE SOCIAL PARTNERS ON THE COMMISSION'S PROPOSAL FOR AN EMPLOYMENT INTENSIVE GROWTH STRATEGY. THIS HAD BEEN CONFIRMED BY THE AGREEMENT REACHED WITH UNICE AND ETUC AT VAL DUCHESSE ON 12 NOVEMBER. (TEXT OF AGREEMENT TO MISS BARBER, HM TREASURY, BY BAG). THE REPORT SHOULD NOT BE SEEN AS AN ATTEMPT TO ENDANGER PAST ACHIEVEMENTS, FOR EXAMPLE ON INFLATION, AS A CALL FOR RECKLESSLY EXPANSIONARY MONETARY AND FISCAL POLICIES OR AS AN ATTACK ON MEMBER STATES EXISTING POLICIES. ON THE CONTRARY IT TRIED TO BUILD ON PAST SUCCESSES AND TO DEVELOP THE EFFORTS WHICH MEMBER STATES WERE ALREADY MAKING, FOR EXAMPLE THE DIALOGUE BETWEEN THE SOCIAL PARTNERS IN GERMANY.

4. IN A TOUR DE TABLE MINISTERS EXPRESSED SUPPORT FOR THE REPORT, THOUGH WITH SOME NUANCES. SPRUNG (GERMANY) EMPHASISED THE CENTRAL IMPORTANCE OF POLICIES FOR STABILISATION AND CIRCULATED A STATEMENT FOR THE MINUTES INDICATING GERMANY'S UNDERSTANDING OF COMPLICATIONS OF THE COMMISSION'S PROPOSALS (BY BAG TO MISS BARBER). SIMITIS (GREECE) AND ANDERSEN (DENMARK) SPOKE OF THE NEED FOR MEMBER STATES IN A STRONG POSITION TO MAINTAIN A REASONABLE LEVEL OF DEMAND, DUKES (IRELAND) OF THE SPECIAL PROBLEMS OF PERIPHERAL AREAS OF THE COMMUNITY, EYSKENS (BELGIUM) OF THE REQUIREMENT TO LIMIT PRODUCTION COSTS AND MOVE AWAY FROM INDEXATION, DE NANTEUIL (FRANCE) OF THE NEED FOR GLOBAL ECONOMIC CO-OPERATION AND IN PARTICULAR FOR JAPANESE PARTICIPATION IN THE PROCESSES OF INTERNATIONAL ECONOMIC ADJUSTMENT.

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15.

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5. MR BROOKE SAID THAT THERE WERE TWO POINTS IN THE REPORT ON WHICH THE UK HAD RESERVATIONS. IT WOULD BE BETTER IF THE FIGURES QUOTED IN PART I OF THE REPORT FOR GROWTH AND EMPLOYMENT IN 1986-90 WERE PRESENTED AS ILLUSTRATIVE RATHER THAN TARGETS: AND A MORE CAUTIOUS LINE WAS APPROPRIATE ON INFRASTRUCTURE INVESTMENT, WHICH MUST HAVE DUE REGARD TO RATES OF RETURN AND BUDGETARY CONSIDERATIONS. BUT THE REPORT CONTAINED MANY POSITIVE POINTS, FOR EXAMPLE ON THE ROLE OF MONETARY POLICY, THE IMPORTANCE OF WAGE MODERATION AND LABOUR MARKET FLEXIBILITY. THE UK WELCOMED IT AND WAS GRATEFUL TO THE COMMISSION FOR THE AGREEMENT REACHED ON OUR AMENDMENTS TO THE UK CHAPTER. SANTER HAD RIGHTLY DRAWN ATTENTION TO THE EUROPEAN COUNCIL'S AGREEMENT ON THE NEED TO IMPROVE THE CLIMATE FOR SMALL AND MEDIUM ENTERPRISES.

6. THE COUNCIL THEN FORMALLY ADOPTED THE REPORT.

HANNAY

YYYY

FRAME ECONOMIC

FCO ADVANCE TO:- ALL DESKBY 100900Z

FCO - WALL

CAB - JAY

TSY - BYATT, LAVELLE, EDWARDS, MISS BARBER, P/S MR BROOKE

BANK - KIRBY

FRAME ECONOMIC
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(ADVANCED AS REQUESTED)

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ANSWERS TO QUESTIONS 1-3 (EC/UNITY/VETO/LOSS OF SOVEREIGNTY)

- When the United Kingdom joined the Community in 1972 we committed ourselves to the shared goal of creating, as the Treaty of Rome says, "an ever closer union among the peoples of Europe". But we need to be clear what we mean by "union". I think it means steadily working more closely together on matters of common interest to us all. That is what we are doing.

- There is agreement on the objectives we want to attain - better decision-taking, the completion of a genuine common market, the strengthening of our cooperation in foreign policy. These are things we have been advocating for years. I would have liked to have seen decisions arrived at in the Milan European Council. Instead they were deferred. We have now got a worthwhile agreement - which will contribute to completion of the internal market and so to the creation of wealth and employment, though Italy and Denmark still have reservations. The change to majority voting under some internal market Articles will help to get progress in that area. But in areas which are sensitive for all member states, like taxation, unanimity is maintained. And the Luxembourg compromise remains as before: it will remain open to a member state to ask for discussion to continue in any subject where it considers that its very important national interest is at stake.



NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

Councillor John Sorrie
Convener
Grampian Regional Council
Woodhill House
Ashgrove Road West
ABERDEEN
AB9 2LU

9th December 1985

Dear John,

Thank you for your letter of 15 November to Mr Stewart, who is currently absent from the office as a result of illness, about the possibility of Fraserburgh qualifying for the ERDF non-quota fisheries measure.

It is expected that the draft regulation implementing this measure will be approved at the Foreign Affairs Council on 16/17 December. In the negotiations we have been pressing very hard for the inclusion of Fraserburgh as one of the eligible zones. A good case has been presented to the Commission based on the high dependency on fisheries for employment in Fraserburgh. However, the Commission have insisted that qualifying zones should be assisted areas, which would exclude Fraserburgh, and so far they have not demonstrated that they are prepared to move their position.

I can assure you that the Government will continue to pursue very hard the case for Fraserburgh until the negotiations on the non-quota measures are concluded.

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GRAY OF CONTIN

EUR POL: Budget: Pt 31

ROYAL CANADIAN MOUNTED POLICE
ST. JAMES STREET
EDMONTON, ALTA. T6J 1A1

RECEIVED
COMMUNICATIONS SECTION
NOV 11 1961



Prime Minister
Once again a
singularly unattractive choice?
Agree that we should
vote against any
increase UNLESS our vote

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FROM: Minister of State
DATE: 9th December 1985

cc/1 ①

PRIME MINISTER could clinch a lower increase
than would otherwise result?

Yes - reluctantly

EC BUDGET COUNCIL, 11 DECEMBER

A-30

(i.e. from the Assembly
CDP, 1/2: adopting an
illegal budget)

As noted in my minute of 28 November, the European Parliament will discuss this week the Budget Council's revised draft budget for 1986, which proposes an increase in non-obligatory expenditure over 1985 of 1.25 billion ecus (some 20 per cent). The Parliament is likely to bid for substantially more than this - their first reading called for an increase of 2.2 billion ecus - and the Luxembourg Presidency has called a further meeting of the Budget Council on Wednesday in an effort to promote agreement between the Council and the Parliament.

The United Kingdom's objective for this Council should, I suggest, be to maintain unswervingly our position that the levels of spending under discussion are all too high, while exercising whatever restraining influence we can on any further increases in expenditure and avoiding, if possible, a situation where the Parliament adopts its own version of the budget illegally.

There are several reasons why adoption by the Parliament of an illegal budget would be unwelcome. The Council would have great difficulty in challenging the Parliament effectively before the European Court, especially in a year when the Council itself has proposed to the Parliament that the maximum rate of increase in non-obligatory expenditure laid down in the Treaty should be exceeded. Negotiations between the Council and the Parliament would probably continue alongside the litigation, and the outcome would be likely to be closer to the Parliament's than the Council's position. In the meantime, there would be awkward and embarrassing decisions for member states, not least the UK, about how much to contribute or not to contribute to the budget as adopted.

As to tactics, the Chancellor's and my strong instinct is to vote against all new proposals for still higher levels of expenditure in just the same way as we voted against the revised draft

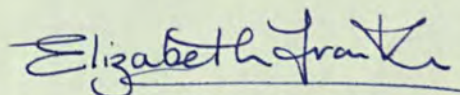
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budget on 27 November. The revised draft budget figures could just about be defended on the basis that the increase in expenditure over budget discipline levels would be counter-balanced by the new own resources revenues which Spain and Portugal will be bringing to the budget. Further increases in expenditure will make the breach of budget discipline the more flagrant.

There is however a danger that the Council might either fail to obtain a qualified majority for anything at all (in which case the European Parliament would be likely to respond by adopting their own version of the budget illegally) or move towards a significantly higher figure than if we had helped form a qualified majority of the more moderate member states. In such circumstances there could, I believe, in the last resort, be a case for using the UK's votes tactically, with the object of clinching agreement in the Council on the lowest possible figure. We could indeed be criticised for failing to do so. There are some indications that the Parliament might be prepared to settle for a relatively small extra sum. If such a situation should arise, I would propose to consult the Chancellor by telephone about how far we should be prepared to go. Clearly we should not contemplate voting even tactically for anything beyond a very modest further increase. If it does in the end seem right to use our votes in this way, I would of course make it abundantly clear that our voting was tactical and that we still considered that the whole level of expenditure under discussion was too high.

I hope that this approach will commend itself to you and other colleagues.

I am copying this minute to the members of OD(E), the Secretaries of State for Energy and Transport, the Minister of Overseas Development and Sir Robert Armstrong.



PETER BROOKE

(Approved by the Minister of State
and signed in his absence)

Euro per Pt 31
Budget



CONQUEROR



Ref. A085/3150

PRIME MINISTER

Cabinet: Community Affairs

You will wish to inform your colleagues about the European Council of 2-3 December which resulted in an agreement on a package coming forward from the Intergovernmental Conference:

a. Internal Market. There was agreement to move to qualified majority voting by amending the key Articles 57 (services and professions) and 100 (internal market) - and possibly some other Articles, eg 84 (sea and air transport). Unanimity is retained, however, for taxation, movement of persons (frontier controls etc) and rights and interests of employees ("social engineering"). Decisions, if taken by qualified majority, on public, animal and plant health do not preclude national measures, thus protecting our position on such issues as rabies and foot and mouth disease.

b. New Articles on technology, environment and the regional fund provide for the first time a properly defined Treaty base. Unanimity is kept for all main decisions. Criteria cover for the first time some points of importance to us, eg costs to industry of environmental measures.

c. European Parliament. A new procedure for consultation between the Council and the European Parliament applies to a limited number of Articles and leaves the last word with the Council.



d. Monetary Co-operation. The text simply describes what has been going on in the Community for some years and involves no further commitments.

e. Political Co-operation. A treaty on the basis of the earlier United Kingdom draft was agreed.

2. There are general reserves from Italy and Denmark. The package will only go forward to Parliaments for approval if these are lifted. The United Kingdom has a reserve only on one specific point: a proposed Article on working conditions, which would have added to the burden of small and medium enterprises. You may wish to suggest that the agreement should be presented positively by stressing the potential advantage for Britain's industry and jobs of completing the internal market by 1992 and that it is reasonable to bring the Treaty up-to-date in the more forward looking sectors such as technology.

3. The conclusions of the European Council will also show that on deregulation within the Community the three main points of your initiative have been achieved (assessment of effect on businesses of each new proposal; review of main existing legislation; regular monitoring by a unit within the Commission).

4. The Secretary of State for Trade and Industry will wish to inform his colleagues of the latest position in the negotiations with the United States on supplies by the British Steel Corporation of semi-finished steel for the plant at Tuscaloosa, Alabama. We have been making good use in these negotiations of our refusal to accept the whole agreement on steel, reached ad referendum between the Community and the United States, unless and until we have satisfactory assurances on semi-finished steels. We have to be careful, however, not to set our sights so high that the whole agreement collapses and the United States unilaterally and immediately imposes tight import controls on



steel and steel products. The Secretary of State for Trade and Industry expects to take a decision today whether the assurances on semi-finished steel are satisfactory. If we have not lifted our reserve, a Steel Council is scheduled for 5 December. You will know from your conversation with Mr Lubbers of the concern of the Dutch and some other member states that the agreement should not fail.

5. The Secretary of State for the Environment may report on the Environment Council on 28 November which the Minister of State, Department of the Environment (Mr Waldegrave) attended. Agreement was reached on the main outstanding points on the vehicle emissions directive, subject to a tactical Greek reserve; a reserve by the Danes who want freedom to introduce more stringent national limits; and resolution of some technical points which are not expected to cause difficulty. It should prove possible to reach unconditional agreement at the next Council. Outstanding United Kingdom concerns about the treatment in the directive of direct injection diesel engines being developed by Austin Rover and automatic transmissions were satisfactorily met. On emissions from large combustion plants the United Kingdom opposed outright the Presidency draft principles for agreement on the proposed directive. We were alone in this but Italy and France also had some difficulties. The issue was therefore put off. There was a useful exchange of views, initiated by the United Kingdom, on the environmental aspects of agricultural policy. The Council agreed to a new marine pollution information system and discussed some proposals for the European Year of Environment (1987).

6. There is a Social Affairs Council on 5 December; and Economic and Finance Council on 9 December; an Agriculture




Council on 9-10 December; a Research Council on 10 December; and an Internal Market and Consumer Affairs Council on 12 December. At its session on 9-13 December the European Parliament will consider the Council's revised 1986 budget and the Treaty amendments agreed at the European Council.

RA

ROBERT ARMSTRONG

4 December 1985



PART 30 ends:-

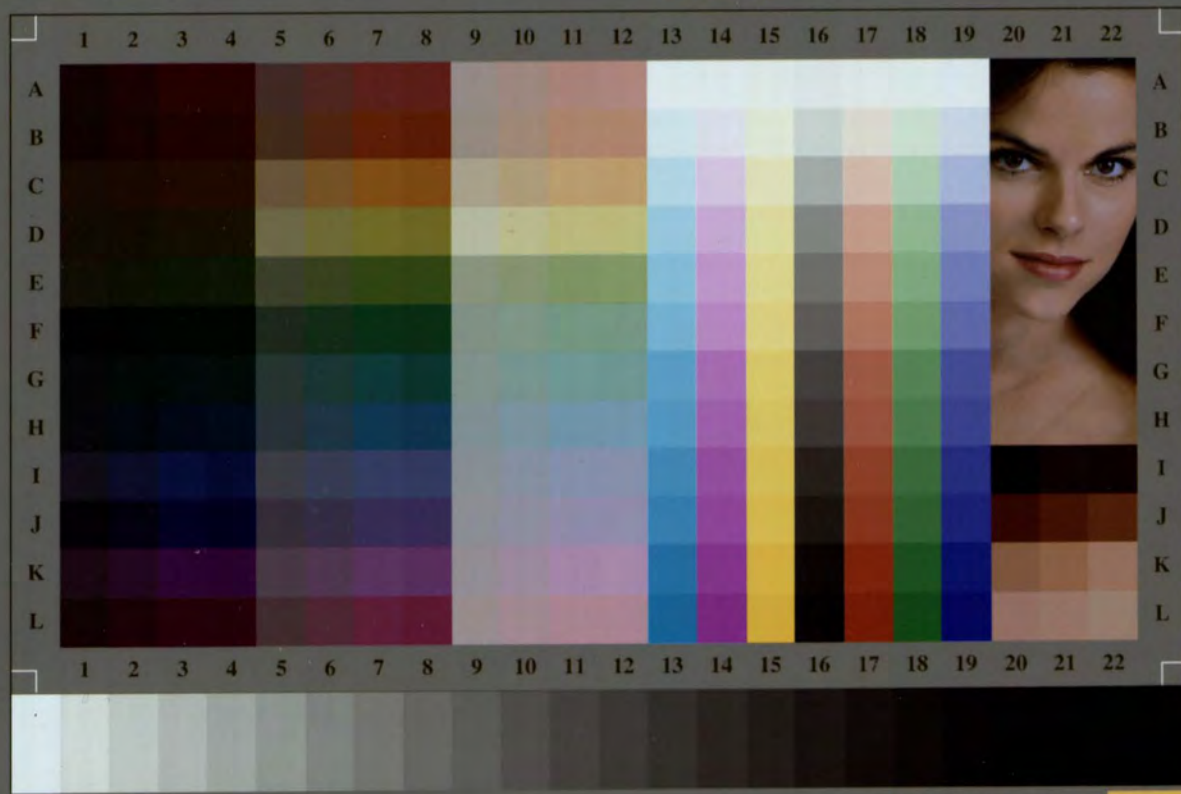
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PART 31 begins:-

RTA to Pm(A085/3150) 4.12.85

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