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CM(73) 63^{ad}
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

THURSDAY 20 DECEMBER 1973

at 11.15 am

PRESENT

The Rt Hon Edward Heath MP
Prime Minister

The Rt Hon Sir Alec Douglas-Home MP
Secretary of State for Foreign and
Commonwealth Affairs
(Items 1-5)

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Anthony Barber MP
Chancellor of the Exchequer
(Items 1-4)

The Rt Hon William Whitelaw MP
Secretary of State for Employment

The Rt Hon Lord Carrington
Secretary of State for Defence

The Rt Hon Robert Carr MP
Secretary of State for the Home
Department (Items 1-5)

The Rt Hon James Prior MP
Lord President of the Council

The Rt Hon Sir Keith Joseph MP
Secretary of State for Social Services

The Rt Hon Geoffrey Rippon QC MP
Secretary of State for the Environment

The Rt Hon Margaret Thatcher MP
Secretary of State for Education and
Science

The Rt Hon Gordon Campbell MP
Secretary of State for Scotland

The Rt Hon Peter Walker MP
Secretary of State for Trade and Industry

The Rt Hon John Davies MP
Chancellor of the Duchy of Lancaster

The Rt Hon Peter Thomas QC MP
Secretary of State for Wales

The Rt Hon Francis Pym MP
Secretary of State for Northern Ireland

The Rt Hon Maurice Macmillan MP
Paymaster General

SECRET

The Rt Hon Joseph Godber MP
Minister of Agriculture, Fisheries and Food
(Items 1-5)

The Rt Hon Sir Geoffrey Howe QC MP
Minister for Trade and Consumer Affairs

The Rt Hon Lord Windlesham
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

Mr Tom Boardman MP
Minister for Industry (Item 4)

Mr Paul Channon MP
Minister for Housing and Construction
(Items 5 and 6)

The Rt Hon Humphrey Atkins MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Item 2)
Mr H F T Smith (Items 1-3)
Mr P Benner (Items 1, 5 and 6)
Mr J A Hamilton (Item 4)
Mr D Evans (Item 2)
Mr R L Baxter (Item 4)

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EUROPEAN
COMMUNITY
AFFAIRS

Meeting
of Heads
of State or
Government

Previous
Reference:
CM(73) 60th
Conclusions,
Minute 3

2. THE PRIME MINISTER said that the Heads of State or Government of the member countries of the European Communities had met in Copenhagen on 14 and 15 December. When the meeting was originally proposed the intention had been to have an informal discussion concentrating on the energy situation and its political implications and covering other problems currently concerning the Community including the progress on the work programme set by the Paris Summit of October 1972. The arrangements had, however, been complicated by the decision that Foreign Ministers of the Community countries would meet in Copenhagen at the same time, and by the arrival in Copenhagen of a group of Foreign Ministers representing Arab oil exporting countries. Consequently the time available for constructive informal discussion had been rather limited but the Heads of State or Government had been able to discuss the energy situation and had agreed on guidelines for Community action. The meeting had also made progress towards the development of political co-operation in the Community. Discussions on the internal development of the Community had been unsatisfactory in view of the German Government's unwillingness to agree to a Regional Development Fund (RDF) on the scale which we thought necessary. It had been agreed that the Heads of State or Government should meet more frequently and the intention was that meetings would take place twice every year. For the future it would be important to ensure that these meetings were organised in a productive manner.

The Cabinet -

1. Took note with approval of the Prime Minister's statement.

Meetings
of the
Council of
Ministers

Previous
Reference:
CM(73) 60th
Conclusions,
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that following the meeting of Heads of State or Government in Copenhagen there had been meetings of the Council of Ministers (Foreign Affairs) and the Council of Ministers (Finance) on 17 and 18 December. The discussions had been dominated by the energy situation and the disagreement over the size of the RDF which was due to be set up by 1 January 1974. The discussions on the RDF had not been made easier by the brash tactics adopted by the German representative (State Secretary Apel). His approach had accentuated the difference of view between the United Kingdom and Germany and would make it harder ultimately to find a solution. Although it was clear that all the member States except Germany would be willing to settle for an RDF based on the Commission proposal of 2,250 units of account (mua) for the first three years (and it was recognised that the United Kingdom would be prepared to move towards this figure) the Germans had not been prepared to

move from the much smaller figure which they had proposed. In these circumstances there had been no alternative to our adopting tough negotiating tactics. He had therefore refused formally to agree to a resolution setting up a Community Energy Committee. Although this would not in practice delay the Community's preparatory work on energy the move was seen in the Community as being a significant one since it implied unwillingness to co-operate in joint Community action. The Council would meet again early in January to consider further the proposals for an RDF and it was to be hoped that there might by then have been some relaxation in the German position; if not, the situation would be very difficult.

In discussion it was argued that the German Government had recently adopted aggressive tactics in other areas of Community work. This appeared to reflect some concern domestically that the German Government had been too willing to give ground in the past in the interests of Community solidarity; and the Federal Finance Minister (Herr Schmidt), who was influential in the formulation of German policy was strongly opposed to any extension of Community finance which imposed an increased burden on Germany. Although our refusal to agree to Community action on energy might be argued to be out of proportion to the problem of establishing the RDF it should be remembered that it was Herr Schmidt in the first place who had made a link between progress on energy and the move to the second stage of Economic and Monetary Union. It was right for us to make a strong response to the German attitude. Success in Community negotiations depended on being prepared to press with determination for national objectives; unless we did so we would never play an effective and decisive part in Community affairs or achieve benefits for the United Kingdom. The tactical situation on the RDF was not unfavourable to us since there was general support for the Commission's proposal; but we must recognise that the Germans have to shift their position very considerably if we were to reach agreement. We should not publicly move down towards the Commission figure until it became apparent that the Germans for their part were also prepared to move.

THE PRIME MINISTER, summing up the discussion, said the Cabinet was agreed that the establishment of an RDF of a satisfactory size on reasonable terms was our prime immediate objective within the Community and we must be prepared to press this objective with the greatest determination.

The Cabinet -

2. Took note with approval of the Prime Minister's summing up of the discussion.