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Conclusions

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CABINET

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

THURSDAY 12 DECEMBER 1974

at 10.00 am

PRESENT

The Rt Hon Harold Wilson MP  
Prime Minister

The Rt Hon Edward Short MP  
Lord President of the Council

The Rt Hon Lord Elwyn-Jones  
Lord Chancellor

The Rt Hon Roy Jenkins MP  
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP  
Secretary of State for the Environment

The Rt Hon Michael Foot MP  
Secretary of State for Employment

The Rt Hon Eric Varley MP  
Secretary of State for Energy

The Rt Hon Shirley Williams MP  
Secretary of State for Prices and  
Consumer Protection

The Rt Hon Barbara Castle MP  
Secretary of State for Social Services

The Rt Hon Anthony Wedgwood Benn MP  
Secretary of State for Industry

The Rt Hon Peter Shore MP  
Secretary of State for Trade

The Rt Hon Roy Mason MP  
Secretary of State for Defence

The Rt Hon Reginald Prentice MP  
Secretary of State for Education and Science

The Rt Hon William Ross MP  
Secretary of State for Scotland

The Rt Hon John Morris QC MP  
Secretary of State for Wales

The Rt Hon Merlyn Rees MP  
Secretary of State for Northern Ireland

The Rt Hon Harold Lever MP  
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd  
Lord Privy Seal

The Rt Hon Robert Mellish MP  
Parliamentary Secretary, Treasury

The Rt Hon John Silkin MP  
Minister for Planning and Local Government

ALSO PRESENT

The Rt Hon Edmund Dell MP  
Paymaster General (Item 4)

SECRETARIAT

Sir John Hunt  
Mr P D Nairne (Items 2 and 3)  
Mr H F T Smith (Items 1 - 3)  
Mr P Benner (Item 1)  
Mr J A Hamilton (Item 4)  
Mr R J O'Neill (Items 2 and 3)  
Mr R L Baxter (Item 4)

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FOREIGN  
AFFAIRS---  
Meeting of Heads  
of Government of  
the European  
Economic Community

2. THE PRIME MINISTER said that the most useful feature of the Meeting of Heads of Government of the European Economic Community (EEC) held in Paris on 9 and 10 December had been the discussions of major world issues, notably energy, the problems of recycling, inflation and the dangers of an international recession. It had been agreed that the French President should speak on their behalf to President Ford when they met next week in Martinique, conveying views which were closely in line with those agreed with the Chancellor of the Federal Republic when the latter was at Chequers on 1 December. Agreement had also been reached on the importance of those countries with a strong balance of payments to follow policies of reflating demand. Herr Schmidt had given the meeting a full account of the new economic measures which the German Government were about to introduce in the light of their serious unemployment problem. The Heads of Government had agreed on the importance of co-ordinating their positions so far as possible in future discussions of world economic problems.

As to more specific issues, the Heads of Government had agreed to request the Belgian Prime Minister, in a personal capacity, to prepare a study in the course of 1975 on the concept of European Union: Governments were in no way committed in advance to what this report might contain, and it would defer until after the process of renegotiation was completed institutional decisions which might create difficulties for the United Kingdom Government. On a number of other institutional issues set out in the Communique he had fully reserved the Government's position; he had made it plain that the United Kingdom's approach to all the conclusions in the Communique was governed by the commitments and objectives on renegotiation defined in the February Election Manifesto, which he had explained in detail. There had been a long and difficult discussion of the issue of the Community Budget; but, in spite of the initial intransigence of the French President, agreement had been reached on a formula acceptable to us instructing the Council of Ministers and the Commission to take account of the United Kingdom's suggestions and establish as soon as possible the corrective mechanism we sought. Agreement had also been reached on the establishment of a Regional Development Fund, for three years only, from which the United Kingdom would draw a 28 per cent share. The Communique referred briefly to the objective of the eventual establishment of an Economic and Monetary Union; but it had been agreed between the Heads of Government in discussion that this was not a realistic goal in the foreseeable future, and the reference to it in the Communique should be seen in the same light as the commitment to "general and complete disarmament" to which Governments were always ready to subscribe.

In discussion it was suggested that certain passages in the Communiqué appeared to commit the Government on a number of issues in terms which were incompatible with the February Election Manifesto and would weaken the credibility of the Government's approach to renegotiation. This was notably the case in respect of the agreement recorded in the Communiqué in relation to majority voting and the Luxembourg Agreement of 1966, to the election of the European Assembly by universal suffrage, and to the reaffirmation of the 1972 Paris Summit commitment to Economic and Monetary Union. The firm retention of the power of veto was essential to the preservation of the sovereignty of the United Kingdom Parliament and represented a crucial safeguard against the EEC overriding the powers of both the Government and Parliament. It was argued that the concept of Ministerial responsibility was further threatened by the agreement recorded as regards greater latitude to Permanent Representatives: this would increase the powers of officials at the expense of the Council of Ministers. Direct elections to the European Assembly would further strengthen that body and thus weaken the position of the United Kingdom Parliament. The terms of the Communiqué in respect of Economic and Monetary Union, however the concept might be regarded in practice, were directly at variance with the terms of the Government's February Election Manifesto.

On the other hand it was argued that it was clear that as regards majority voting the terms of the Communiqué amounted to no more than an appeal that the power of veto should be exercised in future by Governments with reference to real issues of vital national interest. Governments would remain free to decide which those issues were, and there had been no weakening whatever in the veto power essential to the United Kingdom position. Our position had also been expressly reserved on the question of direct elections to the European Assembly; and on that basis we were in no position to object to the approval of other Governments to the question of direct elections to the Assembly. It was fully clear that no country regarded Economic and Monetary Union in practice as anything other than an ideal but distant goal. The status of Permanent Representatives would be unchanged by the decision to remit more detailed decisions to them: they would continue to be Ambassadors acting on the instructions of Ministers and Governments. Furthermore the passages in the Communiqué recording the views of the nine Governments on unemployment and inflation were entirely in line with the views of the Government: it was a substantial achievement by the Prime Minister and the Foreign and Commonwealth Secretary to have secured general endorsement by EEC Governments of this important element in the Government's policy.

THE PRIME MINISTER said that in agreeing to the terms of the Communiqué the Foreign and Commonwealth Secretary and he had not in any way jeopardised our national interests or any aspect of Government renegotiation policy as set out in the Election Manifesto. All the points on which agreement at the Summit was recorded should be read in the light of paragraph 34 of the Communiqué, which placed on record that he had explained to the other Heads of Government, along the lines of the public speech he had made on 7 December, the basis on which the Government approached renegotiation and the particular issues to which the Government attached the highest importance. Throughout the Summit discussions he had adhered strictly to the terms of the Manifesto. In particular, the power of the Government to use the veto when necessary in the Community remained unimpaired; one example of potential use was the question of lorry axle weights, but it could be used, if the Government wished, in relation to any of the policy questions which might arise in future from the conclusions of the Summit meeting or from other areas of Community business.

The Cabinet -

Took note.

FUTURE HANDLING  
OF THE RENEGO-  
TIATION OF THE  
TERMS OF BRITISH  
MEMBERSHIP OF  
THE EUROPEAN  
ECONOMIC  
COMMUNITY

3. The Cabinet discussed the question of their approach to the future handling of the renegotiation of the terms of membership of the European Economic Community (EEC), in the light of the outcome of the meeting of Heads of Government in Paris. The discussion and the conclusions reached are recorded separately.

TOP SALARIES

4. The Cabinet resumed their consideration of Top Salaries. Their discussion and the conclusions reached are recorded separately.

Previous  
reference:  
C(74) 50th  
conclusions,  
minute 6

Cabinet Office

12 December 1974