

Ref: A03552

MR. ALEXANDER

I don't think we should get any where by raising these matters directly.

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Prime Minister

(1)

Insofar as both the civil aviation proposal & the humane proposal are for measures of liberalisation and would benefit us nationally, I would have thought there would be every advantage in mentioning them briefly. There would be no need to make an issue of them or to insist on a response. You would firm up your approach on a later occasion.

European Council: 1st-2nd December 1980

The Prime Minister has indicated that she will want to have some occasion for discussion at the European Council about budget restructuring, the CAP and current trade problems; this is not likely to be a meeting where major Community decisions are taken. We have been considering, whether in these circumstances, there would be any advantage in raising at the meeting other specific issues which are of current interest in the United Kingdom.

2. One such is civil aviation policy. Part of our answer to the criticism following the Government's recent rejection of Laker's application was that we were pressing the Community to do more to liberalise both on access to routes and on air fares. The Community is currently looking, at our instigation, at a draft Regulation on the carriage of parcels, and will shortly receive a Commission proposal about improving inter-regional services between member states. On air fares, we succeeded in getting the Council of Transport Ministers last June to agree to a study which is now under way. We are hoping that these initiatives will come up for decision, if not during the first half of next year, during the United Kingdom Presidency. It might help to give some impetus to the discussions if the Prime Minister were to refer to them at the European Council, explaining that public attitudes towards the Community in this country might be improved if the Community could be seen to be taking action to achieve greater competition in this area. She could raise it orally with or without circulating a brief memorandum beforehand.

3. The Foreign and Commonwealth Office see some merit in such an initiative. We should certainly be pushing in a "Communautaire" direction, and while it is not to be expected that much will be achieved, the Heads of Government might give general endorsement to the need to make progress in this field and invite the Commission and the Council of Ministers to take the appropriate action. The Department of Trade had some reservations and have consulted the Secretary of State for Trade. Mr. Nott does not consider that this is such a central issue that it would be worth the Prime Minister taking it



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The Prime Minister has indicated that he will not have any further discussions with the European Council unless the C.A.F. has been established on a firm basis; this is not likely to be achieved in the near future. It has been concluded, however, that in these circumstances, there would be no advantage in continuing the existing arrangements which are of no benefit to the United Kingdom.

The Council will continue to meet. The Prime Minister has indicated that the Government's recent decision to leave the C.A.F. is a necessary step towards the achievement of a more stable and secure international situation. The Government is extremely anxious to see the C.A.F. replaced by a more effective and stable arrangement.

The Prime Minister has indicated that the Government is prepared to discuss the C.A.F. with the Council in the future. We are hoping that the Council will agree to a new arrangement which is more stable and secure. We are hoping that the Council will agree to a new arrangement which is more stable and secure.

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on personally. He believes that it would be sufficient for the Prime Minister's briefing to contain defensive material which would allow our efforts to liberalise civil aviation in the Community to be quoted if we came under criticism more generally for being protectionist. The Prime Minister may wish to consider whether she agrees with this advice or sees advantage in giving what may be an otherwise rather dull European Council meeting some slight colour by raising an issue in which there is public interest here.

4. A similar issue arises on insurance, though there is likely to be less public interest in this. The provisions of the Rome Treaty give freedom to the providers of services, including insurers, to operate throughout the Community, but progress to give this practical effect through draft Directives has been very slow. Given the strength of British insurance, it is in our interest to see more rapid progress made especially on a draft Directive on the provision of insurance services across frontiers which has been before the Council since 1975. The Department of Trade are currently consulting Mr. Nott about the advantage of raising this at the European Council and trying to get the Heads of Government to set a reasonable deadline for decisions in the Council of Ministers.

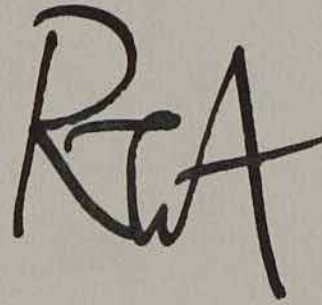
5. President Giscard and perhaps some other Heads of Government are likely to take the line that these are matters that should be left to the Community institutions and should not take up the time and attention of the European Council. It is admittedly the kind of thing the French have done, with some success, in the past; but it is not, however, as if the process of discussion in the Community institutions had been exhausted or the institutions were deadlocked on these subjects. There is therefore a risk that raising the issues in this Council would not get us anywhere and might even be counter-productive. For this reason my own judgment would coincide with that of the Department of Trade, against raising them ourselves.

6. If the Prime Minister would like to raise either or both of them, we should need to give notice of her intention of doing so if she were to have any hope of getting a helpful response from the Council. Sir Michael Butler would have to be given instructions to warn his colleagues reasonably in advance, or



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it could be mentioned by the Foreign and Commonwealth Secretary at the Foreign Affairs Council on 24th-25th November. But the Prime Minister will no doubt want the views of the Foreign and Commonwealth Secretary and the Secretary of State for Trade, before she finally makes up her mind.



(Robert Armstrong)

14th November 1980

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