



Ref. A085/3150

PRIME MINISTER

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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.

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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.

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ROBERT ARMSTRONG

4 December 1985