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FM UKREP BRUSSELS
TO DESKBY 100900Z FCO
TELNO 4324
OF 092023Z DECEMBER 85

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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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.

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FCO ADVANCE TO:- ALL DESKBY 100900Z

FCO - WALL

CAB - JAY

TSY - BYATT, LAVELLE, EDWARDS, MISS BARBER, P/S MR BROOKE

BANK - KIRBY

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(ADVANCED AS REQUESTED)

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