

Ref. A086/151

PRIME MINISTER

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Cabinet: Community Affairs

The Foreign and Commonwealth Secretary may say that it is still not clear whether Italy and Denmark will be able to sign the texts incorporating the results of the Intergovernmental Conference at the Foreign Affairs Council on 27 January. The Italians appear to be preparing the way to sign. The minority Danish government, which is in serious difficulties with the opposition in the Folketing, seems ready to raise the stakes by signing and announcing that, if necessary, it will call a referendum, this tactic being intended to make the opposition back down. The texts are now in almost final form. The Presidency suggested that the United Kingdom requirement that directives on the working environment must not impose an administrative burden on small and medium sized businesses should be met by a declaration in the record. We rejected this in summary fashion. The Presidency has now proposed an amendment of the text itself. Negotiations are not completed but the prospects are good.

2. On the Community's 1986 budget the Chancellor of the Exchequer may say that he has just sent you and his colleagues his advice on the action which the United Kingdom should take, in parallel with the Council's satisfactory decision to sue the European Parliament. This advice is that we should launch an action ourselves against the European Parliament; that we should go for a quick decision (probably within 4-6 weeks) by requesting the European Court to suspend the disputed element added to the budget by the European Parliament; that in the interim we should be prepared to pay a full contribution to the budget without prejudice to the result of the Court

action; and that we can defer the question whether to launch an action against the Commission since there is at present no legal basis for this, the Commission not having requested any contributions at the higher level.

3. The Secretary of State for Transport may report that, at the informal meeting of Transport Ministers on 8-9 January, there was an increased willingness to make some progress on shipping (on which the United Kingdom is pressing for the liberalisation of the cabotage trade) and that the aim should be to reach an agreement by March. On road haulage quotas the Dutch Presidency confirmed that the final date for a free market was 1992 but, with United Kingdom support, pressed hard for further liberalisation during 1986.

4. The European Parliament seems likely to debate on 16 January under emergency procedure a resolution on Westlands. Though the intention of the originators is to commit the European Parliament to supporting a European restructuring of Westland, efforts are being made to have a more even-handed debate.

5. There will be an Economic and Finance Council on 20 January and an Agriculture Council on 20-21 January.

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ROBERT ARMSTRONG

15 January 1986