



Ref. A086/731

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report that the Danish referendum on 27 February produced a majority in favour of the Treaty changes embodied in the Single European Act; and that Denmark immediately signed the Act, followed by Italy and Greece. The process of ratification in all 12 member states can now begin. In the United Kingdom the text of the Act is to be presented to Parliament as a White Paper within the next fortnight and there is a possibility that the short ratifying Bill will be introduced into Parliament before Easter. Some of the issues may be aired in the debate in the House of Commons on 5 March on Community affairs.

2. The Foreign and Commonwealth Secretary may also refer to the meeting of the joint Council of the Community and the African, Caribbean and Pacific (ACP) states on 4 March, at which the United Kingdom was represented by the Minister of State, Foreign and Commonwealth Office, Mrs Chalker. The ACP states insisted on this special meeting of the EC/ACP Joint Council to try to resolve the long-running dispute over the price to be paid for their cane sugar exports to the Community under the sugar protocol to the Lomé Convention. The ACP countries will in any event receive a small increase this year while Community sugar producers get none. We were not in favour of any greater increase for ACP sugar. The United Kingdom has an important interest because about 90 per cent of the sugar is purchased by Tate and Lyle. Too high a price, relative to the Community's raw sugar price, paid to the ACP exporters would reduce Tate and Lyle's refining margin and could endanger its operations. The Council





was unable to resolve the issue and the ACP countries may invoke the dispute procedure under the Lomé Convention, which involves arbitration.

3. The Chancellor of the Exchequer may report that the application by the United Kingdom to the European Court of Justice for an interim order suspending implementation by the Commission of the disputed elements in the 1986 Community budget will be heard by the Court on 10 March. The main case brought by the Council and five member states against the European Parliament will come to the Court later in the year, probably in the summer.

4. The Secretary of State for Trade and Industry will report on the meeting of the Industry Council on 3 March at which the United Kingdom was represented by the Parliamentary Under Secretary of State, Department of Trade and Industry, Mr Butcher. This meeting saw the start of the negotiations towards a new régime for state aids to shipbuilding in the Community after 1986. The discussion will have to resolve the tension between assisting Community shipbuilders to compete with Far Eastern yards and the desirability of phasing out or at least reducing the levels of aid within the Community. There was discussion, but no decision, on the mutual recognition of telecommunications equipment standards. This measure, in which we have a considerable interest, is designed to open up public purchasing of such equipment in the Community by avoiding duplication of equipment testing.

5. The Secretary of State for Trade and Industry may also mention his discussions with Commissioner de Clercq on a number of trade issues in contention between the Community and the United States. These include steel, where the United States have taken action against Community exports of semi-finished steel (to which the Community has responded with retaliation) in spite of the renewal in 1985 of the carbon steel agreement and the





conclusion of special arrangements for exports to the Tuscaloosa plant in Alabama; and citrus, where the United States is demanding improved out-of-season access to the Community market against the strong opposition of Italy: this dispute has an impact on the revised agreements that the Community is making with certain Mediterranean countries in the wake of the enlargement of the Community. Other consequences for the United States of the accession to the Community of Spain and Portugal are causing difficulty. The United States, having fully supported in political terms this accession and with the prospect of trade advantages because of the Community's more liberal import arrangements for industrial products, are now threatening to proceed in the GATT against the Community about some specific trade effects. Given the protectionist pressures in Congress the situation is of increasing difficulty which will need careful handling.

6. There will be an Environment Council on 6 March; an Economic and Financial Affairs Council on 10 March; a Foreign Affairs Council on 10-11 March; and an informal meeting of Ministers convened by the Dutch Presidency in The Hague on 10-11 March on the status of women.

A handwritten signature in black ink, appearing to read 'RCA'.

ROBERT ARMSTRONG

5 March 1986