



Ref. A086/814

PRIME MINISTER

Cabinet: Community Affairs

You may wish to refer to any Community aspects of your discussion with Signor Craxi at the Anglo-Italian Summit.

2. The Foreign and Commonwealth Secretary will report on the Foreign Affairs Council on 10-11 March. The Council agreed a strong statement on the Community's relations with Japan which will keep up the pressure on Japan to indicate targets for imports, stimulate domestic demand, liberalise its financial markets and take wider steps to integrate its economy more effectively with those of its trading partners. Our interest in specific discussions with Japan on alcoholic drinks was also included; and the Japanese were warned that the Community may take action in the GATT both under the Agreement and in the context of the new Round. This statement is closely in line with the recommendations in the joint minute of the Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry to you on 6 March, which you approved. The Council also reviewed its approach to the range of outstanding difficult issues in trade with the United States. It supported the Commission both in trying to keep down the temperature and in standing firm against the United States' over-reaction to the trade consequences of the accession of Spain and Portugal. The Commission calculate that the United States will get substantially more trade benefits than loses (an estimate of five to one) from the accession of Spain and Portugal because the protectionist regimes there will be replaced by the Community's very open import regime for industrial goods. The United States, however, is under strong domestic pressure to beat the drum on agricultural trade. In spite of continued Greek moaning the Council kept up momentum towards restoring to normal the Community's relations with Turkey. The Council considered that, pending ratification by Parliaments of the

results of the Intergovernmental Conference we should use our best endeavours to improve decision making on the lines agreed but no formal position was taken: this was the United Kingdom's approach.

3. The Chancellor of the Exchequer may refer to the Economic and Finance Council on 10 March at which the Minister of State, Treasury, Mr Brooke, represented the United Kingdom. In introducing the Court of Auditors' report the President of the Court drew attention to the level of outstanding commitments on the structural funds and the scale of the potential losses on agricultural stocks, both of which would have to be paid for in due course. This led him to stress the need to maintain budget discipline and to keep agricultural spending under control. He was supported by Mr Brooks and the Dutch and (in this Council) the French and German Ministers. The Council expects to settle the 1987 reference framework for the Community's 1987 expenditure at its April meeting. The Chancellor of the Exchequer may also say that the United Kingdom's application for interim measures in the case against the European Parliament on the 1986 budget has been heard and that a decision will probably be given on Monday next, 17 March. Our present assessment is that we have only a limited chance of winning the interim case but that the chances of winning the main case are quite good.

4. The Secretary of State for the Environment may report on the Environment Council on 6-7 March at which the United Kingdom was represented by the Minister for the Environment, Countryside and Local Government, Mr Waldegrave. Agreement was reached - subject to certain safeguards agreed between United Kingdom Ministers - on a new directive on the discharge of certain toxic chemicals (in particular, carbon tetrachloride) in water and on an extension to third countries of the principles that govern the export of hazardous waste within the Community. There was pressure from Commissioner Clinton Davis and from the Presidency for commitments on steps to be taken to control emissions from

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large combustion plants but no decisions were taken. The Irish raised informally the subject of radioactive leaks from Sellafield, asking that the Environment Council should discuss the subject at a future meeting and suggesting the creation of a European inspection force. Mr Waldegrave responded by stressing the minor importance of recent incidents and the recent close contacts with the Republic of Ireland on this issue.

5. There is a Transport Council on 14 March, and Internal Market Council on 18 March and an Energy Council on 20 March. The European Parliament is in session from 10-14 March.

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ROBERT ARMSTRONG

12 March 1986