

CF file

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cc Williamson (CO)

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cc Pol. office

10 DOWNING STREET

THE PRIME MINISTER

14 April 1986

Dear Edward,

When I met you and your colleagues from the European Reform Group this week, I said that I would write to you about some points which we discussed only briefly at the meeting. I appreciated the way in which you presented your views and, in particular, your assurance that you wished to work to make a success of our membership of the European Community and to achieve our objectives in it.

On the Community budget, even with the considerable protection provided by the Fontainebleau Agreement, the United Kingdom will continue to take a firm line and to oppose any misuse of resources in the Community. I think that we have demonstrated our attachment to these objectives by our recent action in the European Court of Justice. You were right to point out that, in a period when we have resolutely maintained a rigorous approach to public spending in the United Kingdom itself, it is also important that the Community's budget should be defensible. In our view it is quite premature to start talking about an increase in the 1.4 per cent VAT ceiling. The priority must be to look for further savings. The Fontainebleau Agreement states only that "the maximum rate may be increased to 1.6 per cent on 1 January 1988 by unanimous agreement of the Council and after agreement has been given in accordance with national procedures". As I pointed out this means that ratification by Parliament would be required.

Richard Body kindly offered to let me have some further thoughts on agriculture and I look forward to receiving them.

SRW

While we have consistently shown our determination to correct imbalances in the Community's agricultural markets by price restraint, it may be that other measures, including some form of "set-aside" arrangements, should now be more actively considered if we are to correct the excessive build-up of public intervention stocks of some major commodities.

I said that I would elaborate on certain points relating to the Single European Act and, in particular, on the powers of the European Assembly to block progress on Community legislation. I thought that there might have been an element of misunderstanding on this, and Teddy Taylor has subsequently written further about it. The principal law-making power to which the new cooperation procedure with the European Assembly (revised article 149) applies is article 100A which, with some important exceptions (fiscal provisions, those relating to the rights and interests of employed persons), introduces an element of majority voting into the measures necessary to achieve the internal market. But the effect of the new cooperation procedure on article 100A is:

(1) if the European Assembly, by a majority of all its members, rejects the Council's position, the Council can adopt the measure by unanimity. This action by the European Assembly would require an absolute majority there and, if one could be mustered, it would merely take the Council back to the position which exists now under Article 100;

(2) if the European Assembly, by a majority of all its members, proposes amendments and the Commission does not support them, the Council may adopt these amendments by unanimity but equally it need take no notice of them at all;

(3) if the European Assembly, by a majority of all its members, proposes amendments and the Commission supports

them, the Council may adopt the measure by qualified majority. It can also amend the measure (eg by throwing out the European Parliament's amendments) by unanimity. But this is the present rule under article 149.

I thought that I should set this out to show you that, although it is an important United Kingdom objective to speed up decision taking on the completion of the common market, we were very conscious also of the need to take account of the views which you and others have expressed about the role of the European Assembly.

I hope that we can keep in touch on these and other Community issues, particularly since the United Kingdom will have the additional responsibility of the Presidency during the second half of this year.

Y
Lansdown

Margaret

The Right Honourable Sir Edward du Cann, K.B.E., M.P.