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Prime Minister

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Qz.05101

Early warning of likely themes at the European Council.
EDD 6/6.

MR POWELL

EUROPEAN COUNCIL, 26 - 27 JUNE

We have now had some further information from the Dutch about the likely agenda for the European Council on 26 - 27 June. This does reflect to some degree our earlier discussions with them, as we have been concerned that the likely results of the European Council should be such that we could follow them up effectively during our Presidency in the second half of the year and exploit the results at the United Kingdom's European Council in December.

The revised agenda for the European Council on 26 - 27 June is:

- (i) Economic and Social Situation. There will be no new document from the Commission but the ECOFIN Council, which the Chancellor of the Exchequer is attending on 16 June, may submit some views on the basis of a report from the Economic Policy Committee. We shall need to highlight the considerable amount of support within the member states for economic and financial policies close to those of the United Kingdom Government. This will also be an opportunity to get a favourable steer for our own ideas on creating the conditions for employment growth, which have now been set out in the paper presented by the Paymaster General to the Social Affairs Council. There may also be discussion under this item of further liberalisation of capital movements, on which our own record is excellent: we expect that there will be some further Commission proposals shortly and that we have a good chance of getting these through during our Presidency;



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(ii) Internal Market. There will be a report from the Commission and a shorter document from the Presidency on perspectives for 1992. The Dutch Presidency has put in a lot of effort but has not done quite as well as expected. We need conclusions that maintain impetus. The key issue in this first year of the programme for completing the internal market is that a good deal should get done and that we should maintain credibility with industry and the professions that we are going to achieve the target date of 1992. The British Presidency will be pressing for this. Publicly we cannot pick and choose as Presidency but in practice we shall want to make a strong effort on transport (including air transport) and on financial services and freer movement of capital;

(iii) Political priorities and financial resources. The Dutch Presidency apparently intend that there should be a table round and that the conclusions should be no more than a reiteration of what was said at Fontainebleau. Nonetheless, I think myself that this item will open up the debate between those member states, particularly Mediterranean member states, which look for higher expenditure on structural measures, those member states who give priority to agricultural expenditure and those member states (France, the Federal Republic of Germany and the United Kingdom) who do not want to open up the question of the VAT ceiling now. Our theme should be that we must live within our means.

(iv) Global agricultural problems. There will be a document from the Presidency and possibly a paper from the Commission which is being discussed at the informal meeting of Agriculture Ministers shortly. We shall want to get it agreed that the Community will work with other countries in international fora on the current problems of agricultural surplus production and distortions of trade; that the planned elements of reform of the agricultural policy (beef regime, cereals set-aside, structural measures) will be carried forward as a matter of priority; and that savings should be sought,



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as required in order to respect the 1.4 per cent VAT ceiling.

(v) Development of nuclear energy post Chernobyl. There will be a Commission paper. We shall need to concert our position closely with France and other nuclear member states. The smaller non-nuclear states, such as Greece and Denmark, will cause difficulties but the conclusions will be on our lines.

(vi) Citizen's Europe. We shall identify those practical measures which we hope to press forward during our Presidency.

Full briefing on all these questions will be submitted shortly.

I am sending a copy to Michael Stark.

DF Williamson

D F WILLIAMSON

6.6.86



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Qz.05028

NOTE FOR THE RECORD

EUROPEAN COUNCIL, 26-27 JUNE

We discussed with Dutch officials in the margins of the Foreign Affairs Council today the agenda for the European Council which they will be recommending to the Dutch Prime Minister. At present they expect that the agenda will be, apart from the political cooperation items:-

(i) economic and social situation in the Community. Either under this heading or separately there will be an opportunity for the United Kingdom to draw attention to the ideas on labour market flexibility which are included in the paper which the Paymaster General has sent to the Commission and to Ministerial colleagues in all other member states. We see this as a preliminary to further work during the autumn and a more substantive discussion under our Presidency at the European Council in December;

(ii) budgetary situation of the Community. The Dutch have no enthusiasm for this item but Mr van den Broek has already indicated that there will be room for some discussion at their European Council. We gave a very firm warning of the risks of opening up issues which would not be resolved; in particular, we made clear that if any member states thought that they would get a decision which went one iota beyond the Fontainebleau text on any possible increase in the VAT ceiling from 1.4 to 1.6 per cent, they would be completely misleading themselves;

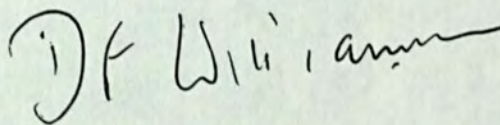
(iii) follow-up to Chernobyl disaster. The Netherlands expect that there will be discussion not on the immediate issues but on ways in which Community member states can achieve a better common position in the IAEA, in the preparation of the response to accidents or other emergencies and in the maintenance of confidence in nuclear power. In the calmer atmosphere some

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weeks ahead there could be elements which would be helpful to our approach;

(iv) internal market. The Netherlands' Presidency will wish to have a discussion intended to maintain impulsion on the various measures which are necessary for the completion of the internal market. We suggested that it might be helpful to get an understanding from other member states that the rolling Presidency programme (which we have constructed ourselves with the Dutch) should be completed as far as possible in 1986. This could be helpful to us in pushing recalcitrant member states during the second half of the year.

The Dutch Presidency will also be looking for endorsement of certain actions in implementation of the reports on People's Europe; these are unlikely to cause us any difficulties as we had, in any event, intended to pick up one or two of these ideas during our Presidency.



D F WILLIAMSON

13 May 1986

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