



Ref. A086/2993

PRIME MINISTER

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Cabinet: Community Affairs

The Foreign and Commonwealth Secretary is likely to mention the meeting of Community Ministers and those of the ASEAN group of countries on 20-21 October which he attended after accompanying The Queen on the State Visit to China. The economic topics covered ways in which primary producers might cope with falling revenues from commodity exports - without any ASEAN pressure for commodity agreements - and ways to increase European investment in the region. The main political issues were Cambodia - where ASEAN want pressure to be sustained for the Vietnamese to withdraw - and reactions to the meeting between President Reagan and Mr Gorbachev at Reykjavik. There was a brief but useful discussion on terrorism and drugs.

2. The Home Secretary will report on the informal meeting of Community Interior Ministers which he chaired on 20 October. They reviewed the action taken to follow up the decisions taken at their informal meeting on 25 September on terrorism. They also agreed to a seven-point plan of international co-operation to step up the fight against drug abuse. This puts particular stress on enhanced co-operation between law enforcement agencies in the Community and, on a British initiative, on mutual enforcement of confiscation orders on drug traffickers' assets. The discussions were set in the context of the widespread desire to increase the freedom of bona fide travellers to move within the Community, while none the less protecting ordinary citizens and strengthening the Community's safeguards, particularly at its external frontiers, against terrorists, drug traffickers and others involved in serious crime and against illegal immigration. To carry the work forward the Ministers set up a working group of



member states' representatives on the problems of immigration, asylum-seekers, extradition and visa policy. The Home Secretary's Presidency statement of the conclusions of the meeting on terrorism, drugs and immigration is attached. This meeting has been well publicised. We believe that some of the themes can be picked up and carried forward in discussions at the European Council in December.

3. The Secretary of State for Trade and Industry is likely to mention the meeting of the Industry Council on 20 October at which the Minister for Industry, Mr Shaw, took the chair. The most important outcome of the meeting was swift and unanimous assent to a resolution on small and medium enterprises put forward by the Presidency and to a communication presented by Commissioner Matutes (who is generally helpful towards our views) setting out a continuing active policy by the Commission towards deregulation. These are positive developments, especially as they coincide with the long-awaited publication of a draft directive which will, if agreed, adjust the level of relief from VAT for small traders to be consistent with our national rules and more generous than present Community provisions. These moves help to pave the way for the European Council discussion in December. The Council also discussed some liberalisation of the current régime of quotas applied to steel production within the Community. Most member states, especially Germany and Luxembourg, are a good deal more cautious than the Commission over the speed at which such liberalising moves should take place. With the present arrangements due to expire at the end of this year there was also a first discussion on a possible new régime for aids for shipbuilding. We shall be aiming for agreement on both steel and shipbuilding at the November Industry Council.

4. The Secretary of State for Trade and Industry may also mention the Research Council on 21 October under the chairmanship of the Minister for Information Technology, Mr Pattie. Our aim



as Presidency was to advance discussions of the major item in the research and development field - the Community's framework programme for 1987-91 - to the point where the outstanding issues can be established for negotiation and, we hope, agreement at the final Research Council in our Presidency on 9 December. The two main issues are

a. the need to balance within the programme the intention, expressed especially by the Germans, French and ourselves, to move the emphasis on research and development towards the programmes which will clearly advance our industrial competitiveness with the more specific interests of some smaller member states; and

b. the total size of the programme: the Commission have proposed a total sum over the five years of 7.735 billion ecu.

France, Germany and ourselves have identified a core of priority areas and would be prepared to see a total programme of no more than about 5 billion ecu. Unanimity is required for agreement on the framework programme.

5. The European Parliament is in session from 20 to 24 October. There will be a Foreign Affairs Council on 27-28 October and a Consumer Affairs Council on 28 October.

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ROBERT ARMSTRONG

22 October 1986