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End of
Council Affairs



10 DOWNING STREET

From the Private Secretary

2 December 1983

Dear Roger,

European Community: Main Issues for the
European Council, 4-6 December

The Prime Minister discussed the main issues for the European Council of 4-6 December with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food yesterday. The Minister for Trade and the Minister for Information Technology were also present for the discussion on trade and industry and on the proposed Community programme for information technology (ESPRIT). Sir Michael Franklin, Sir Michael Butler, Mr. Gray, Mr. Unwin, Mr. Hannay, Dr. Walker and Mr. D.F. Williamson also attended.

The Prime Minister said that she had accepted the advice that she should send a message to Mr. Papandreou making clear that it was important to launch discussion early in the European Council on the subjects which were least prepared, in particular those relating to the budget. This did not detract from the need for a global solution. It was now necessary to look at all the elements of a package.

On ESPRIT the Minister for Information Technology said that, if that programme was to be supported at the expense of the United Kingdom's own Alvey programme, he would not be prepared to support ESPRIT at all. There were, however, some other existing or planned research and development programmes within the Community which were of lower priority, some of which were set out in the annex to the Trade and Industry Secretary's minute of 30 November. Wherever feasible, savings should be made on these programmes in order to finance ESPRIT. In discussion it was argued, on the one hand, that there should be offsetting savings if the ESPRIT programme were to go ahead and that some of the planned research programmes on which savings were suggested were likely to be a dead letter. The

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position of public expenditure was bound to be different as a result of membership of the Community. On the other hand, it was said that the ESPRIT programme was a good one; that we should be able to obtain agreement to a review at the halfway stage; and that it should be possible to obtain assurances from the Commission that ESPRIT, as a priority programme, would be financed within the existing spending limits, thus making necessary savings elsewhere within the research and development framework programme or on other sectors such as agriculture. The Prime Minister, summing up the discussion, said that the whole package at Athens depended crucially for the United Kingdom on whether we obtain the budgetary safety net. She was dissatisfied that some research and development programmes in the Community were not very effective and of low priority. If ESPRIT was of higher priority, then some of these programmes should be curtailed.

On other policies the Minister for Trade stressed the importance that we attached to making progress on completing the internal market. These were objectives on which it was reasonable to hope for some positive decisions at Athens.

The Minister of Agriculture, Fisheries and Food said that the agricultural issues at the European Council were difficult and some points could give rise to considerable opposition within the United Kingdom farming industry. United Kingdom farm incomes were not doing well and the political difficulties should not be underestimated. On limits on the guarantees ("guarantee thresholds") the present text was not bad but needed to be strengthened, in order to make quite sure that it applied to Mediterranean commodities and did not concentrate unfairly on those of interest to farmers in Member States such as the United Kingdom. On milk, he preferred action through the price but, if a quota/super levy system were to be introduced, it should be accompanied by a price freeze for a period and there should be no exceptions (as proposed, for example, for the Republic of Ireland in the Presidency text). The quantity above which the super levy should apply should be 97.2 million tonnes of milk and the base year should be 1983 - 6 per cent. Some flexibility would be needed for hard cases; the most satisfactory method would be to have a small margin available in each Member State. He would be extremely concerned if there were any suggestion that the United Kingdom would accept the super levy at Athens other than in a complete package. The normal co-responsibility levy could be tolerated for a further period but it should in no circumstances be increased. There were also three items (intensive levy, partial suspension of intervention for skimmed milk powder and phasing out of the butter subsidy) which should be struck out of the Athens package. On cereals the text on prices was reasonable but there should be no reference to export standards. There were disagreed views within the Community on imports of cereal substitutes. Discussions should continue but a unilateral decision to unbind the tariffs would be likely to lead to direct retaliation by the United States. On monetary compensatory amounts no Franco/German solution was at present in sight and we should have to see how this developed. In any event he could not accept that the European Council should decide on the technical and prejudicial proposals about the method of calculating certain specific monetary compensatory amounts.

In discussion it was pointed out that the pressures for some separate treatment of the Republic of Ireland on the milk super levy would be very strong and that we should need to think carefully about the interests of farmers in Northern Ireland. The Prime Minister, summing up the discussion said that on the individual proposals, she intended to follow the line on which she had been briefed. She confirmed that, if there were no agreement on the whole package, she would not agree to the milk super levy in isolation.

The Chancellor of the Exchequer said that the key element of the Athens package was a successful conclusion on the safety net. He had set out in the annex to his minute of 29 November an assessment of the various packages which might be suggested at Athens. On control of agricultural and other spending (strict financial guideline) the French proposal was certainly helpful. It would require that each year Finance Ministers would have to decide by qualified majority what, within the overall VAT ceiling, would be the specific VAT rate to which the budget must conform. Within this system there would be a guideline for agricultural spending on a three year moving average. While showing caution publicly about referring to an amendment of the Treaty, the French did agree that their proposal implied a legal and binding commitment. In some respects this was an improvement on our original proposal. In discussion it was agreed that on the control of expenditure we could take the revised French text and add some stiffening, in particular a definition of the agricultural guideline as a rate of growth of agricultural expenditure below the rate of growth of own resources. It seemed probable that this part of the package would now be less painful than we had thought earlier. Summing up the discussion the Prime Minister noted the possible progress on the control of expenditure. She reaffirmed her view that the key element at Athens was whether we could negotiate a lasting safety net arrangement which gave the United Kingdom adequate relief from the full burden.

I am sending copies of this letter to the Private Secretaries to the Ministers who attended the meeting and to Sir Michael Franklin, Sir Michael Butler, Mr. Gray (Department of Trade & Industry), Mr. Unwin (Treasury), Mr. Hannay (FCO), Dr. Walker (Alvey Directorate, Department of Trade and Industry) and Mr. Williamson (Cabinet Office).

(Room 1134, DTI, Millbank Tower)

You see

for Wls.

Roger Bone Esq
Foreign and Commonwealth Office.

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Qz.03475

Type letter pl.

A.S.C. 2/a

MR COLES

cc: Sir Robert Armstrong

EUROPEAN COMMUNITY: MAIN ISSUES FOR THE EUROPEAN COUNCIL
4-6 DECEMBER

--- I attach a draft record of the meeting which the Prime Minister held with Ministers principally concerned at 5.30 pm yesterday. You said that if you were content you would be circulating this.

D.F. Williamson
D F WILLIAMSON

2 December 1983

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*Letter to Lord Howe F/C.O.
Copied to private secretary of Minister
attending.*

Qz. 03475

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