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Econ. Policy:
Bonn Econ Summit
Pt 19

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HMA, Rome.

(89)
(35)

10 DOWNING STREET

From the Private Secretary

3 May 1985

MWM 020/4		
RECEIVED IN REGISTRY		
10 MAY 1985		
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INDEX	PA	Action Taken
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Mr. Smith

WRS 020/1		
RECEIVED IN REGISTRY NO. 13		
12 JUN 1985		
DESK OFFICER	PA	REGISTRY
INDEX	PA	Action Taken
	✓	120 AW

MEETING BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ITALY IN THE PALAIS SCHAUMBURG IN BONN ON 3 MAY AT 0915

The Prime Minister met Signor Craxi this morning before the opening session of the European Council. Since I was interpreting for the meeting I found it hard to take any comprehensible note. But the following is my recollection of the main issues discussed.

Future of the European Community

The Prime Minister said that there was a great deal of work to get through before the Milan European Council. But once the Heads of Government got down to the detail of issues such as majority voting, she thought that there would be relatively few differences between them. A number of Member States were proclaiming their readiness to dispense with unanimity but in practice when their interests were at stake they insisted upon it. She saw scope for more use of the majority voting provisions of the Treaty but it was essential to maintain the Luxembourg compromise. She was firmly opposed to giving the European Assembly additional powers, particularly tax-raising powers. She thought that France would have the same difficulty on constitutional grounds. As regards a greater role for the European Parliament, she found the proposals in the Spinelli Report impracticable. Were they ever to be implemented they would vastly delay and encumber decision making in the Community. The matters on which practical progress could be made were completion of the internal market, for which the Commission was working out a detailed timetable, and political co-operation. Finally, the Prime Minister said that she was ready for the United Kingdom to reduce to one Commissioner upon enlargement and hoped that the other large Member States would be prepared to follow suit.

/Signor Craxi

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Signor Craxi said that much of the impetus for making further progress towards European union had come from the Assembly. It would be difficult, therefore, to avoid making some concessions to it. He agreed that giving it the power to raise revenue would be a very delicate matter. But he thought that there was scope for some "constitutional engineering" which would allow the Assembly a great role in the Community's decision taking. But he agreed that the balance of power between the Council and the Assembly should not be distorted. He would be sending his personal representative, Signor Ferri, on a tour of Community capitals to discuss the way ahead. He understood that Signor Ferri would be seeing Sir Geoffrey Howe.

The Prime Minister said that she was not at all enthusiastic about the idea of an inter-governmental conference. This would simply create a new level of bureaucracy. The initiative must be kept firmly in the hands of the Council. There would be an opportunity for the European Council to discuss the future of the Community at Milan in June and she thought it should be possible to make substantial progress there. Any issues which were unresolved could be pursued further at the December European Council. An inter-governmental conference would degenerate into a talking shop. Signor Craxi thought it would be difficult not to hold an inter-governmental conference, given that the idea had been firmly launched. There was now an expectation that it would be held. The Prime Minister said firmly that it had not been agreed. There was nothing an inter-governmental conference could do which the European Council could not do better.

Economic Summit

The Prime Minister referred to the difficulties which the French seemed to be creating over setting a date for a new round of international trade negotiations and the linkage which they were making with an international monetary conference. There were plenty of opportunities in the next few months to discuss international monetary questions and she could see no need for a special conference. Signor Craxi agreed but said that it might be the price others had to pay to get the French to agree to set a date for a new GATT round.

There was also a brief discussion of the sentences in the political declaration dealing with the Geneva talks. Signor Craxi agreed with the Prime Minister that it was important that the Economic Summit should seem to be firmly behind President Reagan. He could accept the wording which he understood had been agreed between the French and Americans, although he would prefer to "hope" rather than "urge" the Soviet Union to act positively. The latter implied disapproval. He would also very much like to see a sentence on the Middle East in the political declaration. The Prime Minister thought it was too late to introduce that now.

I am copying this letter to David Williamson (Cabinet Office).

(C D Powell)

L Appleyard Esq
Foreign and Commonwealth Office

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