



10 DOWNING STREET

From the Private Secretary

1 June 1985

Dear Colin,

EUROPEAN COMMUNITY: MILAN EUROPEAN COUNCIL

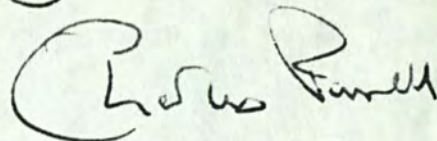
Thank you for your letter of 30 May enclosing a draft reply from the Prime Minister to Signor Craxi's recent message about the Milan European Council.

The Prime Minister does not wish to encourage a visit by Signor Craxi before the Milan Council. She has already discussed the prospects with him in the margins of the Bonn Economic Summit, and is not convinced that a further meeting would be useful. Moreover she is very heavily committed between now and the end of June. She therefore hopes that the Foreign Secretary will take discussions forward so far as possible with Signor Andreotti.

I recognise that Signor Craxi may nevertheless come forward later with a specific proposal that he should come here. We shall have to deal with that at the time.

I enclose a revised version of the message to Signor Craxi.

I am copying this letter and enclosure to Richard Hatfield (Cabinet Office).

yours sincerely,


C D POWELL

Colin Budd, Esq.,
 Foreign and Commonwealth Office

D. R.
Please deliver the following reply from the Prime Minister to Signor Craxi. Begins:

Thank you for your letter of 24 May about our discussions in Milan at the end of June.

Like you, I hope that we can make substantive progress towards the completion of the common market on the basis of a specific timetable. This, together with the work we initiated at our last meeting on lifting the administrative burdens on European businesses, could make a real impact on the creation of jobs.

I look forward to discussing the future development of the Community. Geoffrey Howe will have some specific ideas to put forward at the Stresa meeting. As I mentioned to you when we met in Bonn in May, I am convinced that the Milan European Council can mark a real step forward in the development of the Community. It remains my view that the Heads of Government themselves must take decisions, and give clear directions at the Milan European Council on the completion of the common market, the development of political cooperation and improved decision taking. If detailed work needs to be done to give effect to the agreements reached at Milan, that should be referred to the appropriate high level groups to enable further decisions to be taken or agreements entered into at the December European Council. If we can proceed in this way I am convinced we can achieve a successful and positive outcome at Milan.

I am very pleased that the Spanish and Portuguese Prime Ministers will be joining us at the European Council. I am sorry that I cannot be at the signature ceremonies on 12 June because of the coincidence with the State visit to the United Kingdom of the President of Mexico.

With best wishes.

Ends.

CDP to deal Craxi



Foreign and Commonwealth Office

London SW1A 2AH

30 May 1985

Rome Minister:

Dear Charles,

No,

Do you agree to
a reply along the
attached linesEuropean Community: Milan European Council

M 2/5

Signor Craxi has sent the enclosed message to the Prime Minister and other EC Heads of Government about the Milan European Council. The Foreign Secretary recommends that the Prime Minister should send a brief reply. I enclose a draft in the form of a telegram to Rome.

I enclose a copy of Rome telno 526 reporting David Williamson's talks with the Italians on 28 May. The Italians have no clear idea which Treaty articles they wish to amend, but continue to hanker after Treaty amendment and remain committed to an inter-governmental conference. We have made it plain that we do not believe that an inter-governmental conference would serve a useful purpose and that substantive decisions should be taken by the Heads of Government themselves at the Milan European Council. As Signor Craxi is likely to take a more realistic view on some of the issues than Andreotti the Foreign Secretary thinks it important to encourage him to come here for a discussion before the Milan European Council. I also enclose a copy of the Foreign Secretary's reply to Sr Andreotti's recent letter to him outlining his views on the 'mandate' for a possible inter-governmental conference.

No
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no

I am copying this letter and enclosures to Richard Hatfield at the Cabinet Office.

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

GRS 1100

CONFIDENTIAL

FM ROME 290800Z

TO IMMEDIATE FCO DESKBY 290930Z

TELNO 526 OF 29 MAY 85

INFO PRIORITY UKREP BRUSSELS, BONN, PARIS.

INFO ROUTINE OTHER EC POSTS

NYTELNO 519: EUROPEAN COUNCIL, MILAN

SUMMARY

1. MAIN BRITISH PRIORITIES FOR MILAN EXPLAINED TO SECRETARY GENERAL MFA: POLITICAL COOPERATION, COMPLETION OF COMMON MARKET, DECISION-MAKING, EUROPEAN PARLIAMENT AND THE EUROPEAN TECHNOLOGICAL COMMUNITY (INCLUDING EUREKA). BRITISH OPPOSITION TO TREATY AMENDMENT REAFFIRMED AS WERE OUR RESERVATIONS OVER NEED FOR INTER-GOVERNMENTAL CONFERENCE. ITALIANS SHOWED INTEREST IN OUR POCO IDEAS BUT WANT TO PLACE COMPLETION OF COMMON MARKET IN WIDER CONTEXT OF QUALITATIVE MOVE FORWARD ON EUROPEAN UNION, INCLUDING COMPLETION OF EMS AND IMPROVEMENT OF DECISION-MAKING INVOLVING TREATY AMENDMENT. STANDARD ITALIAN LINE ON INCREASED POWERS FOR THE PARLIAMENT. ITALIAN STRESS ON POLITICAL EXPECTATIONS THAT MILAN SHOULD MARK A NEW PHASE ON ROAD TOWARDS THE EUROPEAN UNION. DISCUSSION OF PROCEDURES ON EUREKA. MANIFEST PRESIDENCY DESPAIR AT GERMAN OBSTINACY OVER CEREALS IN CAP PRICE FIXING.

DETAIL

2. ON MAY 26 I ACCOMPANIED WILLIAMSON (CABINET OFFICE) FOR A TWO HOUR SESSION WITH RUGGIERO (SECRETARY GENERAL MFA) WHO WAS FLANKED BY FONTANA GIUSTI AND CAVALCHINI (ANDREOTTI'S CHEF DE CABINET). WILLIAMSON SAID YOU WERE SORRY THAT IT HAD NOT BEEN POSSIBLE TO ARRANGE A BILATERAL MEETING WITH ANDREOTTI EARLIER THAN THE MARGINS OF THE LISBON NAC MEETING. THE PRIME MINISTER AND YOU BOTH FELT THE NEED FOR CLOSER CONTACTS WITH THE ITALIAN PRESIDENCY AS WE APPROACHED THE MILAN MEETING. WILLIAMSON OUTLINED BRITISH OBJECTIVES FOR MILAN UNDER THE FIVE HEADINGS DESCRIBED ABOVE, STRESSING OUR COMMON DESIRE THAT THE MEETING SHOULD BE A SUCCESS. RUGGIERO AGREED THAT OUR LIST COVERED THE GROUND AS TO SUBSTANCE BUT ALL THESE ISSUES NEEDED TO BE DISCUSSED AGAINST THE BACKGROUND OF A PERCEIVED POLITICAL ACCEPTANCE ON THE PART OF THE COMMUNITY.

OF A PERCEIVED POLITICAL ACCEPTANCE ON THE PART OF THE COMMUNITY FOR THE OPENING OF A FRESH STEP ON THE ROAD TOWARDS EUROPEAN UNION. THE EXPECTATIONS ALREADY AROUSED CALLED FOR AN INTERGOVERNMENTAL CONFERENCE.

POLITICAL COOPERATION

3. WILLIAMSON EXPLAINED OUR THINKING ON AGREED LINES AND HANDED OVER A TEXT ON POLITICAL COOPERATION. IN ANSWER TO A QUESTION WHETHER WE ACCEPTED THAT THIS COULD BE A TREATY, HE SAID THAT WE PROPOSED THE TEXT OF AN AGREEMENT WITH BINDING FORCE. IF IT FOUND FAVOUR WITH OTHER MEMBER STATES NO DOUBT THERE WOULD BE DISCUSSION OF THE PRECISE FORM WHICH IT SHOULD TAKE. WE LOOKED FORWARD TO THE ITALIAN PRESIDENCY'S COMMENTS. RUGGIERO SAID A BINDING AGREEMENT WOULD HAVE TO BE SUBMITTED TO THE ITALIAN PARLIAMENT.

COMPLETION OF THE COMMON MARKET

4. WILLIAMSON SAID THAT ALTHOUGH DISCUSSION AT MILAN WOULD PROBABLY BE BASED ON A SUMMARY VERSION OF THE PROMISED COMMISSION WHITE PAPER (SINCE THAT WAS UNLIKELY TO BE READY IN TIME) WE HAD PREPARED OUR OWN PAPER SETTING OUT SPECIFIC AREAS AND DEADLINES FOR WORK ON THE COMPLETION OF THE INTERNAL MARKET. WE HOPED THE PRESIDENCY WOULD FIND THIS USEFUL. DECISIONS IN THIS AREA WERE A MAJOR POLITICAL PRIORITY FOR BRITAIN AT MILAN. RUGGIERO EMPHASIZED BOTH ITALIAN AND PRESIDENCY COMMITMENT TO COMPLETION OF THE COMMON MARKET, BUT IT HAD TO BE SEEN IN THE WIDER CONTEXT OF A NEW PHASE OF EUROPEAN UNION. COMPLETION OF THE EMS (INCLUDING STERLING JOINING THE ERM) WAS AN IMPORTANT ADDITIONAL CONSIDERATION. SO WAS THE NEED FOR FURTHER CONVERGENCE OF ECONOMIC POLICIES. HE DID NOT BELIEVE THAT REAL PROGRESS IN THIS AREA WOULD BE POSSIBLE WITHOUT CHANGING THE UNANIMITY PROVISIONS OF THE TREATY. WILLIAMSON DREW ATTENTION TO OTHER EXISTING OBSTACLES TO COMPLETION OF THE EMS, EG. LACK OF FREEDOM OF CAPITAL MOVEMENTS, AND REAFFIRMED THAT IT REMAINED OUR VIEW THAT THE MAIN POINTS OF OUR PROGRAMME MUST BE AMONG DECISIONS FOR MILAN.

DECISION MAKING

5. WILLIAMSON STRESSED OUR VIEW THAT MORE USE COULD AND SHOULD BE MADE OF EXISTING DECISION-MAKING PROVISIONS OF THE TREATY AND THAT THE LUXEMBOURG COMPROMISE WAS A POLITICAL REALITY. WE OPPOSED TREATY AMENDMENTS WHICH WOULD ANY WAY TAKE TIME. INSTEAD IT MIGHT BE WORTH CONSIDERING A NEW FORMULATION SUCH THAT WHERE THE COUNCIL AGREED THAT A SPECIFIC OBJECTIVE SHOULD BE ACHIEVED, IT MIGHT ALSO BE AGREED THAT MEMBER STATES WOULD ENDEAVOUR NOT TO IMPEDE PROGRESS BY INVOKING THE UNANIMITY RULE IN RELATION TO MEASURES NECESSARY FOR ITS IMPLEMENTATION. RUGGIERO SAID HE SAW A CONTRADICTION BETWEEN RETENTION OF THE LUXEMBOURG COMPROMISE

... NOT FEEL IN POWER THAT MEMBER STATES WOULD ENDEAVOUR NOT TO
IMPEDE PROGRESS BY INVOKING THE UNANIMITY RULE IN RELATION TO
MEASURES NECESSARY FOR ITS IMPLEMENTATION. RUGGIERO SAID HE SAW A
CONTRADICTION BETWEEN RETENTION OF THE LUXEMBOURG COMPROMISE,
THE INTRODUCTION OF A PROCEDURE NOT TO INVOKE UNANIMITY PRO-
VISIONS BY ABSTENTION IN THE CIRCUMSTANCES DESCRIBED ABOVE WHILE
THE POWER OF VETO STILL IN PRACTICE EXISTED. THIS MIGHT BE A
SOLUTION FOR A STAND-STILL PERIOD WHILE SCOPE FOR TREATY AMENDMENTS
WAS IDENTIFIED AND AGREEMENT SOUGHT TO MAKE THEM. HE CONFESSED
PERPLEXITY AS TO HOW TO DEAL WITH THE POLITICAL REALITY REPRESENTED
BY THE LUXEMBOURG COMPROMISE, BUT FELT SURE THAT SOME TREATY
AMENDMENT WOULD BE REQUIRED.

EUROPEAN PARLIAMENT

6. BRITISH AND ITALIAN/PRESIDENCY POSITIONS WERE FURTHEST APART
HERE. RUGGIERO SAID THE ITALIANS WERE LOOKING FOR AGREEMENT ON
CO-DECISION IN CERTAIN AGREED AREAS; CO-DECISION MEANT NEITHER
COUNCIL NOR PARLIAMENT WOULD HAVE THE LAST WORD IN EVENT
OF DISAGREEMENT. HE WAS NOT CONVINCED THAT SUGGESTIONS WE MADE FOR
IMPROVING PROCEDURES WITH THE EUROPEAN PARLIAMENT OR ENCOURAGING
THEM TO USE THEIR POWERS OF PROPOSAL AT AN EARLIER STAGE REPRESENTED
A SUFFICIENTLY IMAGINATIVE STEP FORWARD. HE FOUND IT HARD TO UNDER-
STAND WHY THE HOUSE OF COMMONS WAS THOUGHT TO BE SO RELUCTANT
TO EXTEND THE POWERS OF A DEMOCRATICALLY ELECTED EUROPEAN
PARLIAMENT.

EUROPEAN TECHNOLOGICAL COMMUNITY

7. DISCUSSION REVEALED SOME SHARED VIEWS ON THE NEED FOR
LARGELY COMPANY COLLABORATION ALTHOUGH RUGGIERO STRESSED THE
NEED FOR COMMUNITY FINANCE AND WHAT HE DESCRIBED AS A POLITICAL
CATALYSER FOR THE WORK OF A HIGH LEVEL COMMITTEE IF THE
LATTER WERE TO CONSIST OF SCIENTIFIC BUREAUCRATS. WILLIAMSON
STRESSED THAT IN OUR VIEW, ON THE CONTRARY, THE NEED WAS FOR
SATISFACTORY EXPLOITATION AND FOR ACCESS TO THE ENTIRE COMMUNITY
MARKET, INCLUDING PUBLIC PURCHASING, FOR THE PRODUCT OF COLLA-
BORATIVE RESEARCH.

CAP: CEREALS

9. AT THE END OF THE MEETING FONTANA GIUSTI ASKED WHETHER WE
HAD ANY ROOM FOR MANOEUVRE OVER THE PRESIDENCY COMPROMISE OF
1.5 PERCENT DECREASE IN CEREALS IN ORDER TO PRODUCE A FACE-
SAVING FORMULA FOR THE GERMANS. WILLIAMSON SAID WE SAW NO REASON
TO MAKE CONCESSIONS TO THE GERMANS AFTER THEY HAD HELD OUT AGAINST
THE OTHER NINE FOR SO LONG.

7. DISCUSSION REVEALED SOME SHARED VIEWS ON THE NEED FOR
LARGELY COMPANY COLLABORATION ALTHOUGH RUGGIERO STRESSED THE
NEED FOR COMMUNITY FINANCE AND WHAT HE DESCRIBED AS A POLITICAL
ANALYSER FOR THE WORK OF A HIGH LEVEL COMMITTEE IF THE
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SATISFACTORY EXPLOITATION AND FOR ACCESS TO THE ENTIRE COMMUNITY
MARKET, INCLUDING PUBLIC PURCHASING, FOR THE PRODUCT OF COLLA-
BORATIVE RESEARCH.

CAP: CEREALS

9. AT THE END OF THE MEETING FONTANA GIUSTI ASKED WHETHER WE
HAD ANY ROOM FOR MANOEUVRE OVER THE PRESIDENCY COMPROMISE OF
1.6 PERCENT DECREASE IN CEREALS IN ORDER TO PRODUCE A FACE-
SAVING FORMULA FOR THE GERMANS. WILLIAMSON SAID WE SAW NO REASON
TO MAKE CONCESSIONS TO THE GERMANS AFTER THEY HAD HELD OUT AGAINST
THE OTHER NINE FOR SO LONG.

10. FCO ADVANCE TO: BRAITHWAIT, RENWICK, WALL ECD(1), WILLIAMSON
CAB. OFFICE.

BRIDGES

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OUT TELEGRAM

	Classification and Caveats RESTRICTED FRAME INSTITUTIONAL	Precedence/Deskby IMMEDIATE
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ZCZC
GRS
CLASS
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1	ZCZC
2	GRS
3	RESTRICTED FRAME INSTITUTIONAL
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6	FM FCO
7	IMMEDIATE TO ROME
8	TELEGRAM NUMBER
9	REPEATED FOR INFORMATION IMMEDIATE TO UKREP BRUSSELS
10	AND ROUTINE TO OTHER EC POSTS, LISBON AND MADRID
11	EUROPEAN COMMUNITY: INTER-GOVERNMENTAL CONFERENCE: LETTER FROM
12	ANDREOTTI
13	1. Please pass the following reply to Andreotti's letter to
14	me of 21 May with his draft mandate for an inter-governmental
15	conference. Begins:
16	Thank you for your letter of 21 May and for sending me
17	your ideas for the Milan European Council. I look forward to
18	discussing these with you when we meet on 6 June and again in
19	Stresa at the weekend.
20	I am convinced that there is a real opportunity for
21	positive decisions on the development of the Community to be
22	taken under your Presidency. We are concerned to work closely
23	with you to achieve a success at the Milan European Council. We
24	believe that what is required is for the Heads of Government
25	themselves to take substantive decisions at Milan. I hope

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File number	Dept ECD(I)	Distribution Frame Institutional
Drafted by (Block capitals) P S Fairweather		
Telephone number		
Authorised for despatch <i>L. Appaya</i>		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

C	↓	Classification and Caveats		Page
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1 <<<<
 2 that at Stresa we can focus on the issues the Heads of Government
 3 themselves will wish to decide. I shall have some proposals to
 4 put forward at that meeting. Of course there may be some areas
 5 where further detailed work will be needed before agreements
 6 reached by the Milan European Council can be implemented. Those
 7 issues could be remitted by the Heads of Government to working
 8 parties with a view to final decisions being taken or agreements
 9 entered into in December.
 10 I am glad that our officials have had a chance to discuss
 11 our approach to the Milan European Council in some detail earlier
 12 this week. After the success achieved in the completion of the
 13 enlargement negotiations, the role of the Presidency will be
 14 crucial in paving the way for agreement at Milan. I hope that we
 15 can continue to keep in the closest touch. With best wishes.
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 17 HOWE
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30 MAY 1985

U.S. AIR FORCE
14724



OUT TELEGRAM

Classification and Caveats

RESTRICTED FRAME INSTITUTIONAL

Precedence/Deskby

IMMEDIATE

ZCZC
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DESKBY
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TEL NO

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3	RESTRICTED FRAME INSTITUTIONAL
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7	IMMEDIATE TO ROME
8	TELEGRAM NUMBER
9	REPEATED FOR INFORMATION IMMEDIATE UKREP BRUSSELS
10	AND ROUTINE TO OTHER EC POSTS, LISBON AND MADRID
11	UKREP BRUSSELS TELNO 1565: MESSAGE FROM THE ITALIAN PRIME
12	MINISTER: EUROPEAN COUNCIL
13	1. Please deliver the following reply from the Prime
14	Minister to Signor Craxi. Begins:
15	Thank you for your letter of 24 May about our discussions
16	in Milan at the end of June.
17	Like you, I hope that we can make substantive progress
18	towards the completion of the common market on the basis of a
19	specific timetable. This, together with the work we initiated at
20	our last meeting on lifting the administrative burdens on
21	European businesses, could make a real impact on the creation of
22	jobs.
23	I look forward to discussing the future development of
24	the Community. Geoffrey Howe will have some specific ideas to
25	put forward at the Stresa meeting. As I mentioned to you when

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NNNN ends telegram	BLANK	Catchword we met
File number	Dept ECD(I)	Distribution Frame Institutional
Drafted by (Block capitals) P S Fairweather		
Telephone number		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

C	Classification and Caveats	Page
	RESTRICTED FRAME INSTITUTIONAL IMMEDIATE	2

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1 <<<<
 2 we met in Bonn in May, I am convinced that the Milan European
 3 Council can mark a real step forward in the development of the
 4 Community. It remains my view that the Heads of Government
 5 themselves must take decisions, and give clear directions at the
 6 Milan European Council on the completion of the common market,
 7 the development of political cooperation and improved decision
 8 taking. If detailed work needs to be done to give effect to the
 9 agreements reached at Milan, that should be referred to the
 10 appropriate high level groups to enable further decisions to be
 11 taken ^{or} ~~on~~ agreements entered into at the December European
 12 Council. If we can proceed in this way I am convinced we can
 13 achieve a successful and positive outcome at Milan.
 14 I am very pleased that the Spanish and Portuguese Prime
 15 Ministers will be joining us at the European Council. I am sorry
 16 that I cannot be at the signature ceremonies on 12 June. ~~But I~~
 17 ~~was very glad to note that you plan to be in touch again before~~
 18 ~~the end of June. I would welcome the opportunity to have a talk~~
 19 ~~with you before the European Council. Ends.~~
 20 *with best wishes. Ends.*
 21 HOWE
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President of Mexico.

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