

PRIME MINISTER

EUROPEAN COUNCIL: MILAN

You have a 'seminar' meeting tomorrow morning with the Foreign Secretary, Michael Butler and David Williamson.

I suggest that you use this to focus on the future of the Community which will be the main issue at Milan. Other subjects - technological cooperation, Japan, airport security, economic and social situation, political cooperation - can then be dealt with at the regular briefing meeting on Thursday.

You will want if possible to read the Foreign Secretary's minute (attached) and the Steering Brief. The latter has separate speaking notes on the various aspects of the future of the Community, e.g. decision-taking, political cooperation etc.

* not essential tonight.

The British press have suggested that we are going to score a spectacular victory at Milan. This is unrealistic and could prove counter-productive. The discussion is in practice likely to be messy and the results ambiguous. The Italians in particular still harbour exaggerated expectations of what can be achieved: the French will probably come up with some unexpected idea: and the Germans will be all over the shop. We should stick patiently and firmly to our ideas and they will eventually prevail because they are the only sensible ones: but the others may not be ready to recognise this yet. The procedural outcome will be crucial. The aim will be to remit follow-up to Coreper and Political Directors who will report back to the European Council in December, which will meet as an inter-Governmental Conference.

The particular points which I suggest you should focus on at this meeting are:

- (i) our tactics on the internal market. To what extent has the Commission's decision to link desirable steps with undesirable ones such as approximation of taxes queered our pitch? Will our opposition to approximation offer other member states an excuse for not accepting those bits of the Commission proposals which they don't like? How do we avoid this?
- (ii) the other member states will want to call the formal agreement on political cooperation a 'Treaty'. For us it is in practice a distinction without a difference: a legally binding agreement has the force of a Treaty. We should go on referring to it as an agreement, particularly in Parliament: but can we let the others talk about a Treaty?
- (iii) decision-taking. The Foreign Secretary's minute suggests (para 7) that while we should strongly oppose Treaty amendment, we could in the last resort agree to study the possibility of amending certain articles without commitment. This seems to me a mistake: the first step on a downward path. We have a firm position against Treaty amendment: let's stick to it.
- (iv) European Assembly. You will want to look carefully at what the Foreign Secretary now proposes (paras 11 and 12 of his minute and Annex). In essence it is an attempt to enhance the European Assembly's role without increasing its powers. I think it does this - just. But you will want to consider whether some of the language is compatible with your strong views on the very limited role of the Assembly.

C.P.P.
CHARLES POWELL

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