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CC PC  
MS.  
/CDP.



Foreign and Commonwealth Office

London SW1A 2AH

27 June, 1985

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27/6

Dear Charles,

European Council: Milan

We have revised the Prime Minister's opening statement on the future of the Community in the way you asked (your minute to David Williamson of 26 June). I enclose the revised version. It now makes explicit reference to the work of the Dooge Committee, since Craxi intends to open the discussion by inviting comments on the Dooge Report's conclusions.

Later this morning we shall be letting you have some comments on Signor Craxi's scene setting letter, together with a checklist for the Prime Minister's bilateral meeting with Craxi.

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

Yours ever,  
Colin Budd

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

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EUROPEAN COUNCIL : MILAN

DEVELOPMENT OF THE COMMUNITY

OPENING STATEMENT

1. It is a year since we decided to set up an ad hoc Committee to suggest improvements in European cooperation. The Committee played a useful role in identifying a wide area of agreement. On three or four issues it was unable to reach final conclusions. At our meeting in March we agreed on bilateral contacts to enable this European Council to reach decisions. Since then, Foreign Ministers have been able to carry matters a good deal further forward. We must now aim to reach conclusions on these matters.

2. Over the last year, the Community has demonstrated its capacity to take decisions (Fontainebleau; enlargement etc). We should aim at this meeting to agree on the steps necessary to strengthen unity, internally through completion of the common market and improved decision taking, and externally through the

development and strengthening of political cooperation.

- These major decisions about the future of the Community have to be taken by Heads of Government themselves.

3. I have put forward proposals for decisions in four areas:

a) Completion of the common market

Since Fontainebleau, the Community as a whole has made this a priority objective. In March, we agreed to take action to achieve a single large market by 1992. Such a large market with its immense purchasing power would mean more jobs, more prosperity and faster growth. Since then, the Commission has made a major contribution in the form of its White Paper which will provide a basis for future work in specialist Councils.

The European Council needs to establish the priorities for action. We should agree on the need for rapid progress on:

i) the removal of obstacles to free movement of goods within the European Community in all areas except where, for example, controls are required for the protection of public, plant and animal health;

ii) creation of a free market in financial and other services;

iii) full freedom of establishment;

iv) a liberalised, freely competitive transport market.

b) Political Cooperation

We suggested in "Europe the Future" a year ago that member states must take more seriously their solemn commitment to consult and that we must show more political will to act together. Our discussions over the past months have shown that

there is general agreement to strengthen political cooperation and to put it on a new basis. We have an opportunity in Milan to take a major and politically striking step forward. I have proposed that we should agree on a formal and binding agreement on political cooperation and have circulated our ideas on the form that this should take. I hope that that text can now be remitted to Political Directors so that they can produce a final text of an agreement for signature by heads of government at the European Council in December.

c) Improved decision taking

I have proposed:

i) agreement on the need to make greater use of the majority voting articles of the Treaty; at the same time requiring any member state asking for a vote to be deferred to justify its invocation of a very important interest in a special and formal procedure at the General Affairs Council.

ii) greater use of the abstention procedure (Article 148) so as not to prevent the adoption by the Council of acts which require unanimity.

iii) specific agreement that, where the European Council decides that a specific objective should be achieved, member states at the same time should agree to aim not to impede progress by invoking the unanimity rule in relation to the measures necessary for its implementation.

I suggested, a year ago, that a Commission of 17 would be too large for efficiency or to provide its members with worthwhile portfolios; and that, after enlargement, the Commission should have 12, not 17 members. The idea of a smaller Commission was endorsed by the Dooge Committee. I would like to know what the President of the Commission thinks about that proposal and whether others can now agree.

The role of the European Council must be to give strategic direction to the work of the Community. The European Council should adopt each year a statement of the Community's major priorities for

action including specific timings and targets. This would serve as a basis for the Council's activities over the following twelve months.

d) European Parliament

We have suggested steps that would enable the Parliament to make a positive and responsible contribution through closer association with decision taking within the existing Treaty powers.

4. I shall be ready to explain our ideas in greater detail when we consider these issues separately. Last year we remitted these questions for study. They have been studied for months and in some cases for years. We must now reach decisions on these matters. There would be no point in simply remitting all the difficult issues again to a conference if we cannot settle them ourselves. I believe that there should be broad enough agreement on these main issues for this meeting to reach positive conclusions and, where necessary, to give clear guidance about any necessary follow up work.

5. If, as I hope, we can reach agreement at this meeting on these key issues, the European Council at Luxembourg on 3/4 December could constitute itself as a conference, as necessary, for the signature of agreements worked out meanwhile; and to endorse final conclusions.