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FROM UKREP BRUSSELS:-

EUROPEAN COUNCIL : MILAN : 28-29 JUNE 1985

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## SUMMARY

A LONG AND INCREASINGLY BAD TEMPERED COUNCIL FROM WHICH THE PRESIDENCY SECURED A PYRRHIC VICTORY IN THE FORM OF AN INTER-GOVERNMENTAL CONFERENCE (IGC).

2. DISCUSSION WAS DOMINATED BY AN INSTITUTIONAL DISAGREEMENT BETWEEN THOSE WHO WANTED TO TAKE CONCRETE DECISIONS AT MILAN (LED BY THE UK) AND THOSE WHO FAVOURED AN INTERGOVERNMENTAL CONFERENCE LATER WITH THE OPTION OF TREATY AMENDMENT (LED BY ITALIAN PRESIDENCY). THE PRESIDENCY, HELPED BY UNCERTAIN FRENCH AND GERMAN TACTICS FORCED THROUGH A VOTE BY 7-3 (UK, DENMARK AND GREECE) TO CONVENE AN IGC UNDER ARTICLE 236 DESPITE A CLEAR WARNING FROM THE PRIME MINISTER THAT IT WOULD NOT SECURE THE UNANIMITY NECESSARY FOR TREATY AMENDMENT. ALL PROPOSALS FOR INSTITUTIONAL CHANGE WILL NOW BE INCORPORATED IN PRESIDENCY PROPOSALS TO THE NEXT FOREIGN AFFAIRS COUNCIL FOR AN IGC.

## 3. AGREEMENTS WERE REACHED ON:

- 1) TECHNOLOGY: AN AD HOC COMMITTEE WILL MEET IN PARIS BY 14 JULY
- 11) INTERNAL MARKET: FOREIGN AFFAIRS COUNCIL TO DRAW UP PRECISE ACTION PROGRAMME TO COMPLETE SINGLE MARKET BY 1992 ON THE BASIS OF COMMISSION'S WHITE PAPER.
- 111) JAPAN: DELORS WILL SPEAK STERNLY TO NAKASONE ON THE BASIS OF THE COMMUNITY'S DECLARATION ON 19 JULY.
- 1V) PEOPLE'S EUROPE: FINAL REPORT APPROVED. COMMISSION TO MAKE PROPOSALS FOR IMPLEMENTATION AND COUNCIL TO REPORT PROGRESS IN DECEMBER.

4. STATEMENTS WERE ALSO AGREED ON FAMINE IN AFRICA AND ECONOMIC/ SOCIAL SITUATION - BUT THERE WAS NOT TIME FOR THE COUNCIL ITSELF TO DISCUSS POLITICAL COOPERATION TEXTS (INCLUDING TERRORISM.) SUBJECTS WHICH HEADS OF GOVERNMENT HAD DISCUSSED AT DINNER LAST NIGHT.

## DETAIL

## INSTITUTIONS

5. THE MAJOR PART OF THE COUNCIL'S TIME WAS TAKEN UP WITH THE INSTITUTIONAL ISSUES - MAJORITY VOTING, POWERS OF THE PARLIAMENT AND AGREEMENT ON POLITICAL COOPERATION. A FIRST TOUR DE

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TABLE TOOK PLACE BEFORE AND AFTER LUNCH YESTERDAY WITH FEW SURPRISES. THE PRIME MINISTER'S POSITIVE RE-STATEMENT OF OUR POSITION WAS WELL RECEIVED. BUT ALREADY IN THE CORRIDORS ITALIAN OFFICIALS WERE SAYING THAT, AS FAR AS THEIR MINISTERS WERE CONCERNED, THE THING THAT MATTERED WAS TO BE ABLE TO TELL THE EUROPEAN PARLIAMENT THAT AN INTER-GOVERNMENTAL CONFERENCE WILL BE CONVENED TO CONSIDER AMENDMENTS TO THE TREATY: THEY WOULD PREFER NO RESULT TO A BAD ONE WHICH DID NOT INCLUDE THIS. ANDREOTTI IS REPORTED TO HAVE SAID VIRTUALLY THE SAME TO THE PRESS.

6. THE SIMILARITY BETWEEN THE OPERATIONAL PARTS OF THE POLITICAL COOPERATION AGREEMENT TABLED BY FRANCE AND GERMANY WITH THAT OF THE UNITED KINGDOM WAS WIDELY REMARKED. DESPITE THE WAY IN WHICH THE FRANCO-GERMAN DRAFT HAD BEEN HANDLED, THE PRIME MINISTER TOOK A QUIET LINE, ONLY CRITICISING THE IDEA OF A SECRETARY-GENERAL AND THE WEAKENING OF ARTICLES 5 AND 8. EXCEPT FROM THE GREEKS, THE BRITISH TEXT RECEIVED A GENERALLY FAVOURABLE RECEPTION.

7. WITH THE FRENCH AND BRITISH POSITIONS ON INSTITUTIONAL ISSUES VERY CLOSE, AND WITH THE GERMANS ONLY DIFFERING IN RESPECT OF A DESIRE TO AMEND ARTICLES 57(2) AND 100 OF THE TREATY TO PROVIDE FOR MAJORITY VOTING, THE POSSIBILITIES OF A FAIR DEGREE OF SUCCESS SEEMED REASONABLE. BUT CRAXI AND ANDREOTTI DID NOT TRY TO GUIDE THE COUNCIL IN THAT DIRECTION. HEADS OF GOVERNMENT ASKED FOREIGN MINISTERS TO TRY TO REACH AGREEMENT DURING THE COURSE OF THE EVENING, AND A LARGE MAJORITY OF FOREIGN MINISTERS ADVOCATED SETTLING FOR WHAT COULD BE AGREED NOW AND CONTINUING TO DISCUSS THE REMAINDER. ONLY BELGIUM SUPPORTED ANDREOTTI IN INSISTING THAT AN ESSENTIAL ELEMENT IN ANY CONCLUSIONS HAD TO BE AN INTER-GOVERNMENTAL CONFERENCE TO CONSIDER TREATY AMENDMENTS. THE INCOMING LUXEMBOURG PRESIDENCY (POOS) ARGUED STRONGLY WITH MAJORITY SUPPORT THAT IT WAS NO GOOD REACHING AGREEMENT AT MILAN ON A PROCEDURE WHICH WAS BOUND TO LEAD TO FAILURE AT LUXEMBOURG.

8. THE MEETING ENDED WITH ANDREOTTI SAYING THAT IF EVERYBODY FELT LIKE THAT, THEY WOULD HAVE TO DRAFT THEIR OWN CONCLUSIONS. YOU SUGGESTED THAT THE SECRETARY-GENERAL SHOULD BE ASKED TO PREPARE A DRAFT, AND THIS WAS AGREED. HOWEVER, ITALIAN OFFICIALS INSISTED ON HAVING THE MAJOR SAY IN WHAT WAS PREPARED ON INSTITUTIONAL QUESTIONS. (RUGGIERO AND CALAMIA PLAYED AN UNHELPFUL ROLE THROUGHOUT.) THE TEXT SUBMITTED TO FOREIGN MINISTERS THIS MORNING WAS THEREFORE UNSATISFACTORY AND THE DISCUSSION WAS MADE WORSE BY GENSCHER TABLING AN ILL-THOUGHT-OUT PROPOSAL WHICH SUGGESTED THAT THERE SHOULD BE A TREATY ON EUROPEAN UNION INCLUDING NOT ONLY POLITICAL COOPERATION AND CHANGES IN THE EXISTING TREATIES, BUT THE INTERNAL MARKET, TECHNOLOGY ETC. HE LATER PARTIALLY RETRACTED THIS SUGGESTION, BUT THE GERMANS PERSUADED THE FRENCH TO GO ALONG WITH AN UNSATISFACTORY TEXT WHICH ACCEPTED THAT THERE SHOULD BE AN INTER-GOVERNMENTAL CONFERENCE TO DISCUSS BOTH TREATY AMENDMENTS AND THE POLITICAL COOPERATION DRAFT.

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9. THE PRESIDENCY WERE ENCOURAGED BY THIS DEVELOPMENT TO PUSH THEIR LUCK. WHEN THE MATTER RETURNED TO HEADS OF GOVERNMENT, CRAXI PUSHED VERY HARD INDEED FOR AN IMMEDIATE DECISION TO CALL AN INTER-GOVERNMENTAL CONFERENCE, BASING HIMSELF ON ARTICLE 236 OF THE TREATY. THE TEMPERATURE ROSE AND, DURING A PAUSE, KOHL WENT SO FAR AS TO ACCUSE THE PRIME MINISTER OF BEING UNWILLING TO MAKE PROGRESS IN THE COMMUNITY, A CHARGE WHICH SHE VIGOROUSLY REBUTTED, DRAWING ATTENTION AMONG OTHER THINGS TO THE UK AND DENMARK'S GOOD RECORD ON INFRACTIONS OF THE TREATIES COMPARED WITH THOSE OF THE OTHER MEMBER STATES. WHEN THE COUNCIL RESUMED, CRAXI MADE NO EFFORT TO SEEK A CONSENSUS BUT - FOR THE FIRST TIME IN THE HISTORY OF THE EUROPEAN COUNCIL - PUSHED ON TO A VOTE ON THE ISSUE, CLAIMING TO BASE HIMSELF ON ARTICLE 236 DESPITE THE ABSENCE OF AN OPINION OF THE PARLIAMENT. ONLY THE GREEKS AND DANES JOINED THE PRIME MINISTER IN VOTING AGAINST.

10. BY THIS TIME, IT WAS AFTER 2PM AND TEMPERERS WERE FRAYED. DELORS PROPOSED A BREAK FOR LUNCH.

11. FRENCH OFFICIALS AND, PERHAPS, MITTERRAND HIMSELF HAD BEEN UNHAPPY WITH THE LATEST VERSION OF THE GERMAN PROCEDURAL PROPOSAL. THEY PRODUCED A TEXT WHICH THEY DISCUSSED WITH UK OFFICIALS, WHICH ONLY REQUIRED FOUR OR FIVE RELATIVELY MINOR AMENDMENTS TO MAKE IT ACCEPTABLE. A UK VERSION OF THE FRENCH TEXT WAS THEREFORE WORKED OUT OVER LUNCH, AND THE PRIME MINISTER TABLED IT IN THE AFTERNOON (TEXT IN MY IFT). BUT THE PRESIDENCY HAD THEIR OWN VERSION READY, WHICH RECORDED THAT THE COUNCIL HAD AGREED BY A MAJORITY VOTE TO AN INTER-GOVERNMENTAL CONFERENCE TO WORK ON BOTH TREATY AMENDMENTS AND THE POLITICAL COOPERATION AGREEMENT. A LONG DISCUSSION FOLLOWED, IN WHICH THE COUNCIL WAS LED UP MANY SIDE-ALLEYS. THE BELGIANS RESISTED EVEN AN ITALIAN TEXT WHICH MENTIONED THE LUXEMBOURG COMPROMISE. CRAXI SEEMED THEN TO BE TRYING TO ADOPT THE CONCLUSIONS OF THE COUNCIL BY MAJORITY VOTE AND WAS STRONGLY RESISTED BY SCHLUETER AND THE PRIME MINISTER. THE ITALIANS WERE DETERMINED TO KEEP DISCUSSION OF THE POLITICAL COOPERATION AGREEMENT AND TREATY AMENDMENTS IN THE SAME INTER-GOVERNMENTAL CONFERENCE. IN THE END, A LARGE PART OF THE DRAFT WAS ABANDONED AND ONLY THE UNATTRACTIVE PARAGRAPHS IN MY SECOND I.F.T. REMAINED.

#### HIGH TECHNOLOGY

12. MITTERRAND INTRODUCED HIS IDEAS FOR EUREKA. 16 WESTERN EUROPEAN COUNTRIES HAD EXPRESSED INTEREST: EVEN THE RUSSIANS HAD DONE SO. HE WAS OPEN MINDED ABOUT METHODS: AN AD HOC COMMITTEE SEEMED THE BEST WAY FORWARD. HE STRESSED THAT THERE WAS NO CONNECTION WITH SDI: WHOSE TIMETABLE, SHAPE AND PURPOSE WERE VERY DIFFERENT. HE MENTIONED BUT POLITELY IGNORED THE COMMISSION'S PROPOSALS. THE PRIME MINISTER SUPPORTED MITTERRAND AND LISTED THREE PRIORITIES:

1) TO IDENTIFY PRODUCTS WITH A REAL MARKET POTENTIAL: (CONSULTATION WITH UK COMPANIES HAD PRODUCED TEN SPECIFIC SUGGESTIONS:)

11) IDENTIFY WAYS OF ENCOURAGING COMMERCIAL EXPLOITATION. THE INTERNAL MARKET WAS CRUCIAL, BUT THE OPENING OF PUBLIC PROCUREMENT WAS PARTICULARLY IMPORTANT. THE PRIME MINISTER CIRCULATED THE PROPOSAL FOR A EUROTYPE GUARANTEE:

111) WORK OUT THE RIGHT MACHINERY FOR INVOLVING FIRMS IN EUREKA, WHILE AVOIDING NEW BUREAUCRACY AND PUBLIC EXPENDITURE. AS A FIRST STAGE, THERE SHOULD BE A MEETING OF SENIOR OFFICIALS. LUBBERS STRONGLY SUPPORTED THE PRIME MINISTER ESPECIALLY ON PUBLIC PROCUREMENT. KOHL WARMLY WELCOMED MITTERRAND'S IDEAS. HE SAW NO CONFLICT BETWEEN SDI AND EUREKA. THE RUSSIANS' REQUEST FOR INVOLVEMENT COULD BE IGNORED. HE FAVOURED A MEETING IN FRANCE INVOLVING TECHNOLOGISTS RATHER THAN BUREAUCRATS. MITTERRAND AGREED TO CALL A CONFERENCE (TWO REPRESENTATIVES FROM EACH PARTICIPATING STATE AND THE COMMISSION) BY 14 JULY.

13. WHEN THE SUBJECT RETURNED AT THE END OF THE COUNCIL HOWEVER DELORS COMPLAINED AT THE COUNCIL'S FAILURE TO DISCUSS AND ENDORSE THE COMMISSION'S IDEAS AND THREATENED TO WITHDRAW ITS PROPOSALS. IN THE END ITS REPORT WAS QUOTE ACCEPTED UNQUOTE (FRENCH: QUOTE APPROUVE ET FAIT SIEN UNQUOTE) BY THE COUNCIL.

#### 14. INTERNAL MARKET

AFTER RUSHED DISCUSSION AT THE END OF THE COUNCIL, THE COMMISSION'S COMMUNICATION WAS APPROVED AND ITS WHITE PAPER QUOTE RECEIVED FAVOURABLY UNQUOTE. SEVERAL GOVERNMENTS (NOTABLY FITZGERALD) CONNIVED AT A WATERING DOWN OF THE COMMISSION'S IDEAS ON TAX HARMONISATION, WHICH DO NOT FEATURE AMONG THE PRIORITY TARGETS SET BY THE COUNCIL. ON TAX HARMONISATION ECOFIN ARE NOW TASKED WITH QUOTE EXAMINING THE MEASURES WHICH COULD BE NECESSARY TO ACHIEVE THE OBJECTIVES OF A SINGLE MARKET AND A POSSIBLE TIME-TABLE FOR THE IMPLEMENTATION OF THESE MEASURES UNQUOTE. FOREIGN MINISTERS ARE CHARGED WITH STUDYING THE INSTITUTIONAL IMPLICATIONS.

#### EC/CMEA

15. CRAXI SUGGESTED THAT THE COMMUNITY'S REPLY TO THE POLISH AMBASSADOR'S MESSAGE SHOULD BE WARMED UP. THE PRIME MINISTER AND YOU OPPOSED THIS AND QUESTIONED WHETHER A STATEMENT WAS NECESSARY AT ALL. AGREEMENT THAT THE COMMUNITY'S RESPONSE MUST NOT PRECLUDE COMMUNITY NEGOTIATIONS WITH INDIVIDUAL CMEA MEMBERS. GENSCHER WAS CONFIDENT THAT IT WOULD NOT DO SO PROVIDED THAT THE STATEMENT WAS IN GENERAL TERMS: THE HUNGARIANS HAD SAID THAT THEY WOULD WELCOME A STATEMENT ON THE LINES BEING DISCUSSED. LUBBERS AND FITZGERALD STRESSED THE EXPLORATORY NATURE OF CONTACTS MADE SO FAR.

#### JAPAN

16. THE PRIME MINISTER RAISED EC/JAPAN RELATIONS, ARGUING THAT THE COUNCIL SHOULD ENDORSE THE FAC DECLARATION ON 19 JUNE WHICH CALLED FOR REAL ACTION TO OPEN UP THE JAPANESE MARKET. THE JAPANESE IMPORT ACTION PROGRAMME SEEMED ON FIRST EXAMINATION TO BE INADEQUATE. DELORS SHOULD STRESS TO NAKASONE THAT THE COMMUNITY WOULD

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/ JUDGE

JUDGE JAPAN'S RESPONSE BY THE ACTUAL RESULTS AND WOULD REVIEW THESE IN THE AUTUMN. DELORS SHARED THE PRIME MINISTER'S ANALYSIS. THE JAPANESE PROBLEM WAS NOT JUST ONE OF CUSTOMS' PROCEDURES. THE COMMUNITY HAD 2 ALTERNATIVES WHICH HE WOULD PUT TO THE FAC SOON: TO SET JAPAN AN IMPORT TARGET OR TO INCREASE TARIFFS. WITHOUT ONE OR THE OTHER, EUROPEAN FIRMS WOULD NOT BE PROFITABLE ENOUGH TO PAY FOR RESEARCH AND DEVELOPMENT FOR THE NEXT GENERATION. HE DID NOT TAKE THE JAPANESE PACKAGE SERIOUSLY AND WOULD SPEAK SHARPLY TO NAKASONE. KOHL AGREED ON THE NEED FOR TOUGH TALKING BUT WARNED AGAINST PROTECTIONISM, WHICH COULD AGGRAVATE THE US PROBLEM. LUBBERS AGREED. THE COUNCIL ENDORSED THE FAC DECLARATION.

#### ECONOMIC SITUATION

17. THERE WAS A PREDICTABLE GENERAL DISCUSSION, WITH KOHL ARGUING THE NEED FOR CAUTION AND OTHERS (ESPECIALLY LUBBERS AND FITZGERALD) ARGUING FOR REFLATION BY THE ECONOMIES WHICH COULD AFFORD TO DO SO. DELORS PROMISED A CONSTRUCTIVE REPORT IN DECEMBER WITH PROPOSALS FOR INVIGORATING THE EUROPEAN ECONOMY.

#### ECONOMIC/SOCIAL

18. DELORS SAID THAT, FROM HIS MEETING WITH THE TRADE UNION AND EMPLOYER SIDES, HE SAW SCOPE FOR COOPERATION ON 2 ISSUES: NEW TECHNOLOGY AND TRAINING, ESPECIALLY FOR THE YOUNG. THE PRIME MINISTER WARNED THAT SOME SOCIAL LEGISLATION FROM THE PAST WAS WORKING IN THE OPPOSITE DIRECTION FROM WHAT WAS INTENDED. GOVERNMENTS SHOULD SUPPORT EACH OTHER IN THEIR EFFORTS TO REMOVE THESE FAULTS AND TO CREATE A CLIMATE FOR GROWTH AND EMPLOYMENT.

#### DEREGULATION

19. THE PRIME MINISTER WELCOMED THE COMMISSION'S RESPONSE TO HER PROPOSAL FOR A REVIEW OF BURDENS ON BUSINESS. SHE FAVOURED A PERMANENT MACHINERY, PERHAPS A CENTRAL UNIT IN THE COMMISSION, TO VET PROPOSALS. SHE LOOKED FORWARD TO DETERMINED ACTION BY THE COMMISSION IN THE REST OF THE YEAR. DELORS REPLIED THAT THE COMMISSION WAS STUDYING THE PROBLEMS OF SMALL BUSINESS AND WOULD REPORT IN TIME FOR FULL DISCUSSION AT LUXEMBOURG.

#### PEOPLES' EUROPE

20. THE PRESIDENCY PROPOSED THAT OFFICIALS SHOULD PROVIDE AN INTERIM REPORT ON PROGRESS TO THE LUXEMBOURG COUNCIL: AND THAT FOREIGN MINISTERS SHOULD REPORT FINALLY TO THE BRUSSELS COUNCIL IN 1986. ANDREOTTI COMPLAINED THAT DECISIONS ALREADY TAKEN BY THE COUNCIL WERE NOW BEING BLOCKED LOWER DOWN, PARTICULARLY ON DIFFERENT PROCEDURES AT LAND AND SEA/AIR FRONTIERS. DELORS AND CRAXI CALLED FOR A STRONG POLITICAL ENDORSEMENT OF THE REPORT. MITTERRAND SUGGESTED THAT SOME OF THE IDEAS IN HIS MEMORANDUM SHOULD BE TAKEN WITH THE REPORT.

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## FAMINE IN AFRICA

21. THE COUNCIL NOTED THAT THE COMMUNITY AND MEMBER STATES HAD MET THEIR TARGET OF MOBILISING 1.2 MILLION TONNES OF CEREAL AND THAT 2/3RDS OF THE AID HAD REACHED THE RECIPIENTS OR WAS ON ROUTE. DEVELOPMENT MINISTERS WILL CONSIDER THE COMMISSION'S PROPOSAL FOR A SPECIAL RESERVE TO MAKE AVAILABLE 500,000 TONNES OUTSIDE NORMAL AID PROGRAMME.

22. COUNCIL CONCLUSIONS IN MY THIRD IFT.

HOWE

FCO ADVANCE TO:-

FCO : PS, PS/MR RIFKIND, BRAITHWAITE, RENWICK, FAIRWEATHER,  
SHEPHERD  
CAB : WILLIAMSON, JAY, NICHOLSON  
DOT : LACKEY  
MAFF : ANDREWS  
TSY : UNWIN, FITCHEW      [ADVANCED AS REQUESTED]

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