



PM/85/63

PRIME MINISTER

Prime Minister

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Milan: European Council

1. I have been reflecting on the events in Milan and the consequences for our approach to the inter-governmental conference.

2. In the period before the European Council we put forward positive proposals which offered a practical alternative to the fundamentally impractical course of large scale Treaty amendment. The Germans and French made a ludicrous attempt to take over our proposals on political cooperation. By entitling their document "European Union" they brought out the worst in the Benelux, who were made the more determined to press for Treaty amendment. The key role was played by the Italian Presidency who worked throughout for disagreement rather than agreement. But this they were able to do so only because Kohl in the end gave them strong backing. Having been obliged to give way to us on the budget, Kohl and Mitterrand were determined to show themselves ready to go further than us; and not to have themselves portrayed once again as having been obliged to fall in with our plans.

3. The Italians, having achieved the procedural outcome they wanted - a conference - have saddled the Luxembourg Presidency with an impossible task in trying to bring it to a successful conclusion. The Luxembourgers may try to work towards a formal agreement on political cooperation based largely on our text, which everyone except the Greeks could accept, and propose modest partial changes to Articles 57(2) and 100 related to progress on the internal market. But the original Six may try to go for more

/ambitious



ambitious proposals which they know have no chance of being accepted, including the extension of Community competence to new areas; and, when this is not agreed, aim to sign a treaty among themselves on those matters, though that of course could not affect the operation of the existing treaties.

4. Our position, under the Treaty of Rome, is fully protected by the fact that treaty amendment requires unanimity. We shall carry out our obligations under Article 236. Having put forward positive proposals, we should stick to them. We should oblige others to come up with precise proposals of their own which have some chance of being agreed. We should point out the impossibility, for instance, of reconciling the Danish and Italian positions on the Parliament. We should participate fully in the proceedings and use them to draw attention to the many areas in which the performance of others, and of the Community generally, is so far from matching the existing provisions of the Treaty - insurance, transport, banking, shipping, etc. We may need to consider some proposals of our own which would be difficult for others to accept, eg on the free movement of capital. We should suggest that since there is to be discussion of changing the rules of the Community, there should also be discussion of their observance: those member states who have an above average number of infraction proceedings should be asked to state why and what they are doing about them.

5. Discussions on the political cooperation agreement will be carried forward between Foreign Ministers. This should not formally be part of the Article 236 process, as treaty amendment is not required.

6. In this process we must avoid being identified with the Greeks, whose motives are very different from ours. On the question of Treaty amendment, we should be wise to avoid saying an absolute never. In our manifesto for the European elections what we insisted on was maintenance of the Luxembourg compromise; /and we



and we argued against attempts to force the pace of institutional reform in ways which would not command the necessary degree of common agreement (I attach the relevant extract from the manifesto). We should concentrate, as we have done so far, in pointing out that what is required is not for the Treaties to be changed, but for them to be implemented; and on the extreme improbability of all twelve governments and national parliaments being able to agree on changes. That was the rationale for our original proposals.

7. Any reasonable German government should see that it is in their interests to go for things to which we can agree. One's faith that the Germans may have any clear perception of their interests and the damage to their relations with us cannot be great after their performance in Milan. I think, however, that the Luxembourgers will want to try to play a more constructive role than the Italians. It remains to be seen whether it will be possible to re-build some common ground. But I am sure that it is in our interests that the Luxembourg European Council should take place against a background of a continued presentation by us of rational and sensible proposals for the development of the Community which could be generally agreed. We should, I am sure, continue to take the line, as you did in your press conference, that we were looking for positive decisions to be taken by the heads of government themselves. It is a pity that others were not ready to do so and that, in consequence, decisions were deferred. We shall of course participate fully and put forward our own ideas in the further discussions which will now take place, though what is required in our view is not another round of talks but decisions on changes that would make a practical difference to the functioning of the Community and enable it to achieve the goals set out in the Treaties - many of which were restated at Milan itself.



8. I am sending a copy of this minute to Sir Robert Armstrong.

*Approved by the Foreign Secretary
and signed in his absence.*

Lv Appleyard.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

1 July 1985



EXTRACT FROM THE CONSERVATIVE MANIFESTO FOR THE EUROPEAN
ELECTIONS, 14 JUNE 1984

"Conservatives have insisted that member states should retain the right to protect their vital national interests in the Council of Ministers by being able to invoke, where necessary, the principle of unanimity. However, we recognise that if the Council is to be an effective decision-making body, a member state's right to block a decision should be used only as a last resort. It is not in our interest that other member states should, without proper justification, veto agreement on measures which would benefit the United Kingdom.

We welcome practical reforms in the workings of the Community institutions. But we do not support attempts to force the pace of institutional reform, especially in ways which might jeopardise the defence of genuinely vital national interests or which would not command the necessary degree of common agreement and public support." (Page 24)

