



PM/85/74

PRIME MINISTERYour Meeting with the French Prime Minister: European Community

1. The purpose of M. Fabius' mission on 1 August is not entirely clear. But it should give you an opportunity to discuss matters connected with Europe. On that basis, I hope it will be useful to offer some reflections on the way ahead.
  
2. The French have been reacting rather cautiously after Milan. The French press has noted that despite the apparent unity of the Six in Milan, there are underlying differences between the French on the one hand and the Italians and the Benelux on the other. The Franco-German draft treaty could have been agreed without treaty amendment and most French officials have been cautious about this.
  
3. They have warned us, however, that at a political level, different considerations will apply. Mitterrand regards himself as more "European" than his predecessors. He claims to be convinced that we will not exclude ourselves from the mainstream of European development again, as we did by not participating in the negotiations leading to the signature of the Treaty of Rome.



However Mitterrand may perceive us, that is certainly the way in which we see our position.

4. So far as Fabius's own views are concerned, he told one visitor recently that with the Community France can still play an important role in the world. Without it France would be reduced to the role of a small power. The French are determined to remain locked into the German economy. There is a large majority in France in favour of increased European cooperation. We must aim to exploit our membership of the Community at least as effectively as the French.

? South Africa?

5. In the months ahead French conduct will be increasingly dominated by electoral considerations. Mitterrand will be looking for an outcome in Luxembourg which he can present as a political success. He will want to align himself with the Germans, in the knowledge that he can dictate how far they and others of the Six can go. The French probably hope that in some respects we can be persuaded to take a step forward. To see if there is any prospect of this may well be one purpose of M. Fabius's visit. Alternatively, however, the French would seek to pin on us responsibility for a negative outcome. They would then try to launch some new agreement with the Germans to which others would subscribe. This could not affect the formal operation of the existing Treaties. But it would be a politically undesirable development and one we should make it difficult to engineer.



/ 6. French ideas on the institutions were set out in the attached memorandum they circulated before Milan. For the most part they pose no great difficulties for us. In political cooperation the French want a new treaty but will be determined to ensure that the binding commitments relate to the obligation to consult and, as we have seen in the Security Council this week, do not inhibit their ultimate freedom of action. Mitterrand has proposed extension of the treaties or conclusion of a new treaty to promote cooperation on technology, the environment, culture, health, etc. But the French probably will be cautious about any global extension of Community competence. They would have little desire, for instance, to see the jurisdiction of the European Court extended to the French educational system. For that reason, and to make more of a political splash they may revert to the idea of some new agreement on intensified cooperation in some of these areas above and beyond the existing treaties.

7. On the Parliament, the French in their memorandum at Milan proposed some essentially cosmetic changes. We could go along with most of what they proposed subject to some necessary clarifications.

8. In the inter-governmental conference the French objective may be to end up with modest changes in the existing treaty articles but with a package that can be presented as constituting some kind of European union. They are no more



prepared than we are to see their essential interests disregarded.

9. The French proclaim their commitment to tax approximation and "Europe without frontiers" as eventual goals. It would, of course, cause them the greatest difficulty actually getting there. But under the Moselle Treaty (which they have just concluded with Germany and the Benelux) they have moved to spot checks on passenger vehicles at land frontiers; and they are committed to study tax approximation and the possibility of the eventual abolition of frontier controls. The Italians have been excluded so far from the agreement because the French are concerned about the laxity of their immigration controls. They also have been pressing the Dutch to tighten drugs legislation. There are many problems to overcome and it will take years to do so; but the participating countries are aiming at the eventual creation of a common travel area. A summary of the key provisions of the Moselle Treaty is enclosed.

10. Against this background I suggest that it would be best to adopt a questioning approach. It will be worth asking M. Fabius how far the French are prepared to go in terms of increased majority voting, the powers of the Parliament, etc. You might point out that much of the Franco-German draft treaty was broadly acceptable to us, being based so closely on our own draft. In what precise respects do the French favour amending and/or extending the existing Treaties? Do they envisage a new



general treaty above and beyond the existing Treaties? On Article 100 you might ask whether the French think it could make sense to have measures relating to direct taxation or the abolition of frontier controls decided by majority vote. The French may be prepared, however, to move to majority voting on less sensitive issues under Article 100.

11. If tax approximation is raised, I suggest that you should ask how the French see themselves tackling the obvious difficulties. They would have to increase their duty on wine by 229% and on tobacco by 87%. They and others, however, would like to shelter behind us on this issue and we should not let them do so. We were one of the few member states to support the Commission's proposals for a Fourteenth VAT directive to introduce postponed accounting for VAT imports throughout the Community. We have agreed that the many problems associated with tax approximation should be studied in ECOFIN.

12. On the internal market the French will continue to drag their feet; but have been brought now to accept the need for progress in this area. I hope that you will mention the question of road haulage quotas, which are maintained both by the French and by the Germans. It is absurd that such restrictions should still be in force twenty-eight years after signature of the Treaty of Rome, and particularly so in the perspective of a Channel Fixed Link.



13. As to our final position on treaty change, I suggest that you should be guarded. The French are adept at cultivating ambiguity about their intentions and giving others the impression that they may be prepared to go further than is likely to be the case. If the French get the impression that they can shelter behind us because we will block any treaty amendment, they would take pleasure in doing so and then going for a separate agreement of the kind I have described. I suggest that you might take the line that you will require convincing that useful amendments can be worked out. But we want to see an effectively functioning Community and progress in the development of a genuine common market and will examine what proposals are made. On the European Parliament it will be worth bearing in mind that this is an area where the French want very little change, but would particularly like to be able to say that they would have gone much further but for a British veto.

14. I hope that M. Fabius will return to Paris with the impression that we are willing to take a step forward in Europe, but with some uncertainty in his mind as to just how far, on specific issues, we shall in the end be prepared to go. On the one hand we are quite close to the French, and should bring this out in the meeting, on some of the substantive issues. On the other, for the reasons I have described, it is important not to give them the impression that we shall always leave them opportunities of outflanking us by putting forward propositions to which they can pay lip-service but which they believe that we



- 7 -

would be bound to oppose.

15. Depending on how Michael Heseltine gets on by the time you meet Fabius, it would be useful if you could raise the European Fighter Aircraft - an issue on which French protestations of enthusiasm for Europe contrast with the single-minded pursuit of their industrial interests at the expense of five nation cooperation on an aircraft which really would meet the requirements of European air defence. Mitterrand is due to meet Kohl on 24 August. You will be getting separate notes on this and on EUREKA and the Channel Fixed Link.

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

(GEOFFREY HOWE)

Foreign and Commonwealth Office

26 July 1985

SUMMARY OF FRENCH MEMORANDUM FOR MILAN EUROPEAN COUNCIL :  
INSTITUTIONS

Towards European Union

- France wishes to improve the working of the institutions and to see the creation as soon as possible of European union by:

i) improving existing institutions;

ii) there have been a number of relevant suggestions from the Dooge Committee on increasing the use of majority voting, the powers of initiative of the Commission and the European Parliament's participation in decision taking. France agrees and will go along either by formal modification of the Treaty or decision by the European Council.

- France favours measures to enable the European Parliament to take a greater part in decision taking, particularly in decisions on training, conditions of work, regional development, environment, living conditions, culture and education. Proposals in those areas to be submitted by the Commission to Parliament and Council. Parliament to approve or amend the proposal. The Council would consider the text as voted by the Parliament. In case of disagreement between Council and Parliament, a conciliation committee would have 30 days to resolve the difference. If conciliation worked, Parliament and Council would approve the measures within 90 days. If agreement was not reached, then the Council would have the last word. Council would also have the last word if the Parliament failed to give its opinion within 45 days of first receiving proposal from the Commission.



- The Council would inform the Parliament each year of the reference framework for expenditure which could be set by agreement. In the absence of agreement the Council would have the last word.

- In the context of an increase in the VAT ceiling to 1.6%, the European Council would consider associating the Parliament with the necessary decisions on own resources.

#### Decision taking

- There would be greater use of majority voting in the Council and abstention in accordance with Article 148(3). Abstaining member states might be dispensed from the rights and obligations resulting from decisions on which they had abstained.

- Use of the Luxembourg Compromise should be limited: any member state invoking a very important national interest should be required to justify it in the General Affairs Council or even the European Council.

- The Commission should have greater managerial powers.

#### Building European Union

- France wants to create European union, uniting the Communities operating under their own rules and political cooperation between the member states.

- European Council could take on the title of Council of the European Union with its own Secretariat and Secretary General. This Secretariat would be at the disposal of the Council, particularly to ensure continuity of political cooperation.

- France is not against an inter-governmental conference but agreement on the main points should be reached first.

- The day will come when the people of Europe themselves will need to ensure the necessary leap forward towards European unity. That will be a matter for a constituent assembly.

KEY PROVISIONS OF THE "MOSELLE" TREATY SIGNED BY FRANCE, GERMANY,  
THE NETHERLANDS, BELGIUM AND LUXEMBOURG ON 14 JUNE 1985

A: SHORT TERM

- Visual checks only as normal rule for tourist vehicles crossing internal frontiers, ie vehicles not to be stopped except for random checks which should be arranged so as not to disturb traffic flow.
- Vehicles may display green disc in windscreen to declare compliance with police/customs/exchange control regulations.
- Reduction of waiting time for coach/bus controls, and abandonment of certain existing checks.
- Establishment of joint "juxtaposed" control points.
- Coordination of visa policies to avoid immigration problems at frontiers.
- Commitment to energetic fight against drug trafficking.
- Strengthened cooperation between customs and police authorities.
- As regards goods vehicles, abandonment from 1 July 1985 of border checks on:
  - drivers' hours and rest periods;
  - weights and dimensions of utility vehicles;
  - mechanical and technical checks;
  - journeys not subject to specific authorisations or quotas (suitable sign to be agreed for display in windscreens).
- Harmonisation of national rules for authorising road haulage journeys.

B: LONG TERM

- Commitment to shift controls on persons from internal to external frontiers.
- Harmonisation of visa and entry requirements.
- Harmonisation of legislation on drugs, arms, explosives, and registration requirements at hotels.
- Efforts to transfer controls on movement of goods either to external frontiers or to within individual states (ie not at internal frontiers).
- Pressure within Community for increased travellers' allowances, and for harmonised system for VAT on coach travel.
- Harmonisation of tax and duty rates for diesel fuel.
- Study of how VAT and excise duties generally can be harmonised, and support for Community initiatives in this field.

