



Foreign and Commonwealth Office

London SW1A 2AH

6 December 1985

Dear Charles,

Action Committee for Europe

Professor Karl Carstens, Chairman of the Action Committee for Europe, has written to the Prime Minister and to Sir Geoffrey Howe to remind them before the Luxembourg European Council of the Committee's priorities. I enclose Professor Carsten's letter to the Prime Minister, which was sent via David Hannay.

The Prime Minister gave Professor Carstens a full reply on these points in her letter of 25 June (attached). I enclose the draft of a brief acknowledgement of Professor Carsten's follow-up letter.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
PS/10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

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Prime Minister

Reference

DEPARTMENT:

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SECURITY CLASSIFICATION

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TO:
 Professor Karl Carstens
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Your Reference

Copies to:

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PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

Thank you for your letter of 25 November. It was a useful reminder of the conclusions reached by the Action Committee for Europe.

As you say, these issues have been at the centre of the work of the Inter-governmental Conference. We went to Luxembourg in the hope that agreement could be reached on practical steps to speed up completion of the common market, to make the Community more competitive and to strengthen foreign policy cooperation. The results that we achieved mark an important step towards enabling the Community to realise the objectives laid down in the Treaty.

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Enclosures—flag(s).....

EUR. POL. Milan Council: Pt 22.





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10 DOWNING STREET

THE PRIME MINISTER

25 June, 1985

MWE 022/2

Dear Professor Carstens

Thank you for your letter of 13 June letting me know of the meeting of the Action Committee for Europe. I have read the Declaration and the Appeal with interest.

The European Council's forthcoming meeting at Milan will be of great importance for the future development of the European Community. The United Kingdom will do everything possible to achieve progress in several areas.

I share the Committee's view on the need to complete the common market for goods and services as laid down in the EC Treaty. This is vital for wealth and job creation. We need a specific timetable covering the removal of obstacles to the free movement of goods, a free market in financial and other services, full freedom of establishment and a liberalised, freely competitive transport market.

Like you, we also believe the time has come to strengthen co-operation in foreign policy. I hope the Milan European Council will decide on a binding agreement on political co-operation. This agreement would include a commitment to consult on major foreign policy issues including political aspects of security.

As the Action Committee's Appeal point out and as you remind me in your letter, practical improvements in decision making will be needed in a Community of Twelve. We believe

the Council should have greater recourse to majority voting where the Treaty so provides; that Member States should make greater use of the abstention procedures under Article 148; that where the European Council decides on particular objectives it might also agree that Member States would aim not to impede progress by invoking the unanimity requirements; and that any Member State asking for a vote to be deferred should be required to explain in a special and formal procedure of the General Affairs Council why it considers a very important interest to be at stake.

We have a real opportunity at Milan to take decisions which will strengthen the Community's competitive position, improve the working of the Community's institutions, including the relationship between the European Parliament and the Council and lead to greater unity, both internally and externally in practical ways. We know what needs to be done. We now need the political will to take decisions in the areas I have described. I am ready to take these decisions at Milan.

Finally may I take up the second point in your letter regarding the UK joining the Exchange Rate Mechanism. As we have made clear on a number of occasions, this matter is kept under review. Community co-operation in this area would not be helped if the UK were to join prematurely. We need to assure ourselves not only that sterling's participation would help promote the UK's domestic policy objectives, but also that it would not lead to strains on the system itself.

Yours sincerely
Margaret Thatcher

Professor Dr. Karl Carstens.

File on Euro Por. Milan

See ?

CONCLUSIONS OF THE MILAN EUROPEAN COUNCIL, 28/29 JUNE 1985

MILAN EUROPEAN COUNCIL, 28/29 JUNE

INSTITUTIONAL AFFAIRS

The European Council held a wide-ranging discussion on the proposals of the Ad Hoc Committee for Institutional Affairs set up at Fontainebleau and the draft mandate of the Italian Presidency, and in particular on the improvement of the Council's decision-making procedure, the enlargement of the European Parliament's role, the Commission's administrative powers and the strengthening of political cooperation in the general context of the transition to European union.

It confirmed the need to improve the operation of the Community in order to give concrete form to the objectives it has set itself, in particular as regards the completion of the internal market by 1992 and measures to promote a technological Europe.

The European Council noted that the President of the Council would submit proposals for the improvement of the Council's decision-making procedure, the exercise of the Commission's administrative powers and the Parliament's powers with a view to their early adoption.

The European Council discussed in detail the convening of a conference to work out the following with a view to achieving concrete progress on European union:

- a Treaty on a common foreign and security policy on the basis of the Franco-German and United Kingdom drafts;
- the amendments to the EEC Treaty, in accordance with Article 236 of that Treaty, required for the implementation of the institutional changes concerning the Council's decision-making procedure, the Commission's

executive powers and the powers of the European Parliament and the extension to new spheres of activity in accordance with the proposals to the Dooge Committee and the Adonnino Committee, as set out elsewhere, and taking into account certain aspects of the Commission proposal concerning the freedom of movement of persons.

The President noted that the required majority as laid down in Article 236 of the Treaty had been obtained for the convening of such a conference. The Portuguese and Spanish Governments would be invited to take part in that conference. The Belgian, German, French, Irish, Italian, Luxembourg and Netherlands delegations were in favour of holding that conference.

The Presidency would consequently take the steps necessary to convene that conference with a view to submitting the results for a decision by the Heads of State and of Governments at the European Council meeting in Luxembourg.

A PEOPLE'S EUROPE

The European Council thanked the Ad Hoc Committee on a People's Europe for its initial report and for its final report submitted in Milan, both of which contained numerous concrete measures aimed at involving the citizens of Europe more determinedly in the construction of the Community.

With regard to the latter report, the European Council approved the proposals which it contained. Those proposals concerned inter alia citizens' rights, culture, youth, education and sport. The European Council instructed the Commission and the member states, acting within their respective powers, to take the necessary implementing measures, and instructed the Council to report to it at its December meeting on the progress achieved.

The European Council accepted the suggestions along the same lines contained in the French memorandum on a People's Europe and emphasized in particular the sections of that document concerning young people, culture and health. In this context, the European Council emphasized the value of launching a European action programme against cancer.

With regard to the measures contained in the initial report and approved by the European Council in March 1985, the European Council expressed its concern at the delay in implementing them and asked the Council, the member states and the Commission, each acting within its own powers, to take the necessary decisions to remedy this situation as soon as possible.

ECONOMIC AND SOCIAL SITUATION

The European Council discussed the economic and social situation on the basis of two reports submitted by the Presidency on the future of the EMS and on the problem of investment and employment in the context of the implementation of the strategy defined in Dublin in December 1984.

As regards the EMS the Commission was invited to continue its consideration of its development, including the role of the ECU, at Council meetings on economic and financial affairs and with the Governors of the Central Banks.

As regards short-term economic policy, the Council of Ministers for economic and financial affairs was invited to consider the extent to which the convergence which had already been achieved between the member states in the field of inflation and imbalances made it possible to intensify the battle against unemployment.

On a more general level, the European Council invited the Commission to submit to the European Council meeting in December a detailed report on current inadequacies as regards growth and employment in the European economy compared to that of its major competitors amongst the industrialized countries and on the new strategies that could be implemented to remedy the situation.

COMPLETION OF THE INTERNAL MARKET

The Council welcomed the White Paper on completing the internal market, submitted at its request by the Commission.

It instructed the Council to initiate a precise programme of action, based on the White Paper and the conditions on the basis of which customs union had been brought about, with a view to achieving completely and effectively the conditions for a single market in the Community by 1992 at the latest, in accordance with stages fixed in relation to previously determined priorities and a binding timetable.

Progress towards this objective should be both gradual and visible and the European Council therefore requested the Commission to submit its proposals swiftly and the Council to ensure that they were adopted within the deadlines established in the timetable.

The following fields and measures were considered to be of high priority:

- the removal of physical barriers to the free movement of goods within the Community;
- the removal of technical barriers to the free movement of goods within the Community (in particular the adoption of common or compatible standards for major new technologies in order to open up public purchasing and satisfy the needs of the economy);

- the creation of a free market in the financial services and transport sectors;
- the creation of full freedom of establishment for the professions;
- liberalisation of capital movements.

In deciding on the above measures the Community will make every effort to ensure that the creation of a single free market contributes to furthering the more general objectives of the Treaty including those of harmonious development and economic convergence.

As regards the method: application whenever the situation permits of the principle of the general equivalence of the member states' legislative objectives and of its corollaries; the fixing of minimum standards, mutual recognition and monitoring by the country of origin; an undertaking on the part of the member states not to take measures, throughout the realisation of the programme, that would have the effect of delaying the Community's achievement of the above objective.

As regards the approximation of VAT and excise duties, the European Council invited the Council of Ministers for financial affairs to examine on the basis of the White Paper any measures which might be necessary for the achievement of the objective of a single market and the possible timetable for the application of those measures.

The Council of Ministers was asked to study the institutional conditions in which the completion of the internal market could be achieved within the desired time limits.

TECHNOLOGY

The European Council noted that a collective effort to master new technology was a condition for maintaining European competitiveness. It therefore decided to give the Community a new technological dimension.

The European Council approved and endorsed the Commission report on the strengthening of technological cooperation in Europe.

The European Council gave its support to the French Eureka project for creating a technological Europe and to the Commission's constructive proposals in the same direction, and noted with interest the agreements already signed by several European companies.

It expressed the wish that the Eureka project should be open to those non-Community countries which had already shown interest in taking part in it. France, the originator of the project, would continue the steps it was taking by convening, in collaboration with the Presidency and the Commission, an Ad Hoc Committee before 14 July to hold a session on European technology. The Committee would bring together the Ministers for research or other qualified representatives of the Governments of countries which had responded positively to the initiative and representatives of the Commission.

The European Council considered that these steps should exploit the Community dimension in order to:

- establish a close link between technological development and the effort to unify the internal market, for example by means of practical incentive measures such as the Euro-type proposal;

- ensure that the technological effort was closely tied in with common policies, in particular trade policy towards the Community's main partners;
- reduce the risk of unnecessary duplication of national efforts and assemble a critical mass of financial and human resources;
- obtain the maximum benefit from the immediately available Community technical and financial instruments, including those of the EIB.

JAPAN

The European Council examined the question of trade relations with Japan, in particular in the light of the serious concern which the Council had expressed at its meeting on 19 June and which the European Council fully shared.

More particularly, the European Council's discussions were held in the context of the responsibilities which Japan shares with its Western partners for safeguarding and strengthening the system of multilateral trade.

The European Council endorsed the request made by the Council that Japan should undertake to increase significantly and continuously its imports of manufactured products and processed agricultural products. It also emphasized the importance of liberalising Japanese financial markets and internationalising the yen.

The European Council asked the Commission to put all these concerns to the Prime Minister of Japan during his forthcoming visit to Europe.

FAMINE IN AFRICA

The European Council, aware of the critical situation confronting those African countries affected by drought, noted with satisfaction that the objectives of the Dublin plan had been achieved and that 1.2 million tonnes of cereals or their equivalent had finally been mobilized by the Community and the member states to meet emergency requirements. It also welcomed the fact that two-thirds of that aid had already reached the recipients or was en route.

If felt, however, that new food aid requirements could arise if the rains which had just started on the continent of Africa were again to be insufficient. In that context it welcomed the Commission proposal for a special reserve allocation which would make it possible to mobilize 500,000 tonnes of cereals equivalent over and above the normal aid programme. The European Council instructed the Council meeting on development to examine that proposal as a matter of urgency.

The Council was aware of the possibility that such disasters might recur and it considered it necessary for the future to set up a general coordinated strategy against short and long term drought, and in that context welcomed the Commission communication.

As regards the long-term, the Council considered it necessary above all to support the African countries' policy redirection effort in the field of food security. The Council noted that this objective was included in Lome III and expressed the hope that the member states would also give priority in their national aid programmes to support for this policy so that together they would achieve the indispensable critical financial mass.

In the field of environmental protection, in particular the battle against desertification, the Council considered it vital, in the light of the importance of present requirements, for all European aid, Community and bilateral, to give priority to that type of action, to give long-term commitments and to organise their contributions coherently by setting up an appropriate coordination structure.

EC/CMEA RELATIONS

The European Council held an exchange of views on the recent letter from COMECON to the EEC Commission proposing the resumption of their mutual relations. It noted that an exploratory mandate had been given to the Commission. It considered that the results of these contacts should now be awaited.

More generally the Heads of State or Government also discussed the interest in the political role of the ten recently demonstrated in a statement by the Secretary-General of the CPSU. They noted these developments with interest.