

PRIME MINISTER

UNITED KINGDOM PRESIDENCY OF THE EC

The Foreign Secretary's minute (attached) reports the outcome of OD(E)'s discussion on objectives and priorities for the United Kingdom Presidency.

The minute suggests that we should concentrate on:

- pressing ahead with completion of the internal market including liberalisation of transport;
- following up our initiative on deregulation by pushing measures to promote labour market flexibility and dragging the Community away from social engineering;
- reform of the CAP;
- completion of the Multifibre Arrangement and launching of the new GATT round.

We shall be duty bound as Presidency to undertake some dreary tasks: negotiations on the 1987 budget, clearance of a 1986 supplementary budget, emissions from large combustion plants.

Our European Council would concentrate on further progress to complete the internal market and measures to secure labour market flexibility.

It's a worthy programme but a bit dull and unlikely to get the government much good publicity, with the exception of liberalisation of transport and air fares. (I am not quite sure what greater labour market flexibility actually means.) That's all right if your aim is a quiet life with the Community over the next eighteen months or so. But if you want a higher profile issue which will demonstrably have you battling for Britain, thorough reform of the CAP is probably the hottest issue (though you could not expect early results).

In that event, you would probably want to make it a if not the major theme at our European Council.

Content with Foreign Secretary's proposals?

*Yes*

or

Ask Foreign Secretary to look again at possible initiatives during our Presidency (though this might encourage some to re-open the question of our membership of the ERM) and the scope for holding a discussion at the European Council on longer term reform of the CAP?

*C.D.P.*

CHARLES POWELL

5 March 1986

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PM/86/006

PRIME MINISTER

United Kingdom Presidency of the European Community:  
July-December 1986

1. The preparations for the United Kingdom Presidency of the Community are now well advanced. I discussed our main objectives and priorities with colleagues in OD(E) this week and there was a broad measure of agreement on them.
2. First, we are agreed that the Presidency does offer an opportunity to put across to the public the relevance of this Government's approach to the Community. We must avoid arousing public expectations which cannot be fulfilled. But the Presidency does provide a ready made platform for speeches and other occasions covering a whole range of Community business. We shall want to derive good publicity from events during the Presidency and to ensure that the key themes are given public prominence. We intend to do all we can to ensure this by timing initiatives with a European flavour to coincide with our Presidency. Examples of such initiatives which should be well received by the public are those connected with road safety and with the forthcoming programme of employment for the disabled.
3. Secondly, we have reached agreement on our own main priorities for the substantive issues which must be carried forward during our Presidency. These are the action programme on the completion of the internal market (including the liberalisation of transport). We have already established the

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main elements of the joint action programme with the Dutch Presidency in all the areas in which our main priorities coincide. This should enable us to give a sustained impetus to Community work on these issues on the basis established at the Milan European Council. We shall want to give particular attention to the internal market in high technology, with the emphasis on market led opportunities and liberalising public procurement, as well as using our Presidency to advertise Britain's own technological strengths.

4. Our other main priority is to follow through our initiative on deregulation and to seek agreement on measures which would promote labour market flexibility. David Young believes that we are beginning to make some ground in moving the Community away from its earlier attention to social engineering proposals such as the parental leave directive and that we can begin to make some real progress in our Presidency on our views about promoting labour market flexibility.

5. We shall also want to give priority to continuing efforts to adapt the common agricultural policy. These problems are clearly acute, although not - let it be noted - confined to the Community: all developed countries are facing difficulties as a result of the agricultural revolution, no matter what their system of agricultural support. The situation in our Presidency will depend crucially on what - if anything - is achieved in the Price fixing negotiations during the Dutch Presidency.

6. On external policy we shall want to conclude the negotiations on the renewal of the Multi-Fibre Arrangement and to put real impetus behind the new round of GATT negotiations. We shall take as much credit as we can for the successful opening of the new Round if, as seems likely, it occurs during our Presidency. We shall have to steer as best we can the continuing Community/United States trade conflicts but sustain

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real pressure on the Japanese to do more for the open trading system from which they have benefited so much.

7. In political cooperation East-West relations and the Middle East will still be the dominant issues, both heavily influenced by United States electoral considerations. From the Presidency we shall be better placed to ensure that moves or statements by the Community will be to the point and constructive. On South Africa we shall be working hard to ensure that the Twelve concentrate on positive action likely to promote peaceful change and we shall continue to divert pressure away from sanctions. On international terrorism cooperation will, by our Presidency, have become more substantive. We shall want to continue to develop it in practical ways.

8. In addition to our priorities above we shall also, of course, have certain obligations to carry forward Community business, some of which will clearly be difficult. During the second half of 1986 there will be the negotiations on the 1987 budget, and this will be against the background of the case which the Council and a number of member states, including the United Kingdom, have launched in the European Court of Justice against the European Parliament's position on the 1986 budget. We shall also have to deal with the 1986 supplementary budget, increasing our Fontainebleau abatement in respect of 1985 and probably containing proposals for extra expenditure on agriculture (in excess of the guideline) and the structural funds. We shall, of course, be working firmly to keep pressures for an increase in the 1.4% ceiling on the back burner.

9. A good deal of time will also need to be spent on the new research and development framework programme which will set priorities and levels of Community financing until 1991. In principle, we are in favour of this type of approach which should

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enable us to steer Community research and development in a better direction, as we have succeeded in doing recently on programmes such as ESPRIT and RACE. The excessive ambitions of the Commission, however, will need to be brought down to size and we shall need to work closely with the French and with the Germans.

10. An area which will be difficult for us will be the Environment Council, since there will be a revived effort by other member states to reach agreement on the draft directive on emissions from large combustion plants during our Presidency.

11. We have fixed the dates of the European Council for 5-6 December and you have also agreed that you will make your report to the European Parliament on 9 December. I recommend that the themes of the European Council should be progress on the action programme on the completion of the internal market, including that in high technology, and new directions in labour market flexibility. It is probable, of course, that some specific issues which develop during the second half of the year will also be submitted to that Council. We have already agreed that we shall improve procedures and aim for a much shorter communique highlighting only the key points.

12. In summary, OD(E) agreed that our priorities in the Presidency should be:

- (a) to make maximum progress towards the objective of completing the internal market (including high technology) by 1992 in accordance with the rolling action programme agreed between Dutch, United Kingdom and Belgian presidencies; and with the liberalisation of transport, deregulation and labour market flexibility;
- (b) subject to developments between July and November, to make these the main themes at the December European

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Council and to aim to generate favourable public and political impact from them as from other events during the Presidency;

- (c) to lead the work of political cooperation in the spirit of the new United Kingdom-inspired Treaty;
- (d) to look for positive initiatives which, while not involving more than marginal new expenditure, can be given a European slant and publicised to our advantage in our Presidency. Such areas might include: the reduction of burdens on businesses; youth training; consumer benefits and especially safety issues including road safety and transport for the disabled; and development questions, especially relating to agricultural production and alleviation of famine in Africa;
- (e) to follow through and get firmly established the reforms we have agreed with the Dutch on the handling of the European Council.

We shall be developing these themes and giving them, as far as possible, a human face.

13. I am sending copies to members of OD(E), the Lord President of the Council, the Home Secretary, the Secretary of State for Education and Science, the Secretary of State for Energy, the Secretary of State for Social Services, the Chancellor of the Duchy of Lancaster, the Secretary of State for Transport, the Secretary of State for Employment, the Secretary of State for the Environment and to Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
4 March 1986

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