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~~Prime Minister~~

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COO.

MR POWELL

PRIME MINISTER'S MEETING WITH MONSIEUR DELORS, 15 OCTOBER

Detailed briefing for the Prime Minister's meeting with Monsieur Delors, President-designate of the European Commission, on 15 October is being submitted by the Foreign and Commonwealth Office after consultation with Departments. I would like, however, to pick out two points which the Prime Minister may wish to stress. On these points it should be possible to find considerable identity of view with Monsieur Delors and with the new Commission to the benefit of the United Kingdom - a welcome change after "les années misérables" of Monsieur Thorn -

(i) a wealth-creating Community. This is what we believe in and it seems to me that it should be our first theme in the immediate future. The fact is that the original six member states of the Community, after the massive and successful effort of creating the common market and of digesting the new member states, have been backward-looking and that the Community does need some turbo-charging.

The Community is already by far the world's biggest trader (exports represent about 25.7% of Germany's and about 21.2% of the United Kingdom's gdp while they represent about 13.4% of Japan's and 8% of the United States' gdp): the task of the new Commission externally is to use all its efforts to ensure that the Community pulls its full weight in negotiation, both in defending our market in the sensitive sectors and in maintaining pressure to open up other markets (Japan, newly industrialised countries etc).

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The population of the enlarged Community will be half as large again as that of the United States and its gross domestic product comparable; internally the Commission has the major task of pressing on with the removal of barriers (frontier delays, freer movement of people, transport restrictions, unjustified state-aids, disguised protection through public purchasing, absence of a genuine common market for some important services such as insurance). It is undoubtedly possible to open up the Community's internal market in ways which can create more jobs;

(ii) following through after Fontainebleau.

Monsieur Delors is on record in the discussions leading up to Fontainebleau and in his handling of the French economy as an advocate of "budget rigour". We have some confidence that his arrival in the Commission will make real changes there. I strongly recommend that, in dealing with budgetary issues, the Prime Minister should emphasize that, with the agreement at Fontainebleau and the establishment by the Council of the 1984 draft supplementary and the 1985 draft preliminary budget, there is no longer any question of a dispute between the United Kingdom and other member states. On the contrary, the obligation is on all member states, as decided at Fontainebleau, to put into effect in good time the revised Decision on Own Resources (increase in VAT ceiling, budget correcting mechanism) and to implement the measures necessary to guarantee the principles of budgetary discipline also agreed at Fontainebleau. Thereafter it is for the Council and the Commission consistently in coming years to

/make

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make sure that money is well spent within the revised VAT ceiling and with the "budget rigour" necessary to avoid wasting Community resources.

I am sending a copy to Sir Robert Armstrong.

*D F Williamson*

D F WILLIAMSON

10 October 1984

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Foreign and Commonwealth Office

London SW1A 2AH

12 October 1984

Dear Charles,

CDP  
16/x

Prime Minister's Meeting with M Delors

/ I attach a brief for the Prime Minister's meeting with M. Delors.

Mr Clinton Davis saw M. Delors in Paris on 9 October. He has given Sir Michael Butler in strict confidence an account of their conversation (paragraph 4 below). \*  
M. Delors said that he would not be prepared to discuss the allocation of portfolios in the new Commission with national governments but only with the Commissioners-designate. The formal position of course is that the portfolios are decided by the members of the new Commission themselves, with the President of the Commission playing a major role in their allocation.

While Ministers should tell Delors of our concern that the Budget and Agriculture portfolios must be in responsible hands in the new Commission and that a major task should be to press ahead with the development of the internal market, the Foreign Secretary believes that tactically it will be best for Lord Cockfield to take the lead in exploring with Delors the possibility of his securing the Budget portfolio. The brief for the Prime Minister takes account of this point.

Delors told Mr Clinton Davis that he would not be able to secure Development as it would probably have to go to Natali. \*  
Although we should like Development, there would be some advantages for us if it went to Natali. The latter will be the senior Italian Commissioner. We do not want him in the Agriculture portfolio, for which he has been bidding, and it would be preferable not to have him as Commissioner for External Relations, where some would like to see him. Delors offered Mr Clinton Davis the possibility of a portfolio combining the Environment and Transport. This sort of combination would be risky, since it might well be broken up after enlargement; we shall be suggesting to Mr Clinton Davis that, if he is not able to secure the

/Development

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Development portfolio, he might aim for Research and Development.

The Foreign Secretary will mention to M. Delors the question of the succession to M. Noel, who is due to retire as Secretary-General of the Commission in two or three years' time.

I am sending a copy of this letter, with the notes for the meetings with M. Delors, to the Chancellor's Office and the Cabinet Office.

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

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VISIT OF M. JACQUES DELORS, PRESIDENT-ELECT OF THE EUROPEAN  
COMMISSION: 15/16 OCTOBER 1984

List of Briefs

- FLAG A Development of the Community including Budgetary Issues
- FLAG B The New Commission
- FLAG C Curriculum Vitae of M. Delors

VISIT OF MONSIEUR JACQUES DELORS: 15/16 OCTOBER 1984

DEVELOPMENT OF THE COMMUNITY, INCLUDING BUDGETARY ISSUES

INTRODUCTION

One of M. Delors' main aims in coming to London is to learn what our priorities are for the Community over the next four years. He has had a copy of "Europe - The Future" and is likely to be sympathetic to our objectives. His visit provides the opportunity to tell him of our ideas for the Community's future development and to get across the importance of budgetary discipline if the Community is to have resources to devote to new policies and if it is to stem the current excessive growth of agricultural guarantee expenditure.


OBJECTIVES

- (i) To explain our ideas for the future development of the Community.
- (ii) To point out the importance of budgetary discipline if the Community is to be able to devote attention to new policies; and the need for Commissioners with the knowledge and experience to handle the budget and agriculture portfolios.
- (iii) To explain our determination to complete the negotiation on outstanding budgetary issues as soon as possible.

POINTS TO MAKE

1. Fontainebleau was a major success for the French Presidency and for the Community. It gave us the opportunity to set the Community's finances on a sound basis and to concentrate on making the Community relevant to its citizens; effective in terms of job and wealth creation; and competitive and influential in international affairs.

/UK Priorities



UK Priorities

2. Our ideas set out in our paper on "Europe - The Future". They are practicable but nonetheless far-reaching. We are as committed as anyone else to the goals of the Treaty but believe that they can only be attained by practical, sometimes painstaking, steps.

3. Our priorities are broadly as follows:

(a) Internal Market. We must create a genuine common market for goods and services. This involves:

- breaking down barriers to trade;
- harmonising standards;
- liberalising transport of goods and people;
- liberalising trade and services including banking and insurance.

(b) Industry. We must give priority to creating conditions in which European industries can cooperate and generate ability to compete effectively with Japan and the United States. Breaking down barriers to trade is key to this and job creation. Industrial cooperation depends essentially on the enterprises themselves. But scope for better cooperation on pre-industrial research and development and industrial projects such as Airbus; and for cooperation in the new technologies, eg telecommunications and biotechnology.

(c) Organisations and Institutions. There is scope for

- more effective cooperation between the Presidency in office and preceding and succeeding Presidencies;
- the proper ordering of Community priorities. The European Council should take the lead in this. The Commission should undertake periodically a more drastic weeding out of blocked and unnecessary items of legislation.



- an improved relationship between the decision-making institutions of the Community and the Parliament (eg through more systematic consultation with chairmen of the key committees).

#### External

4. In external affairs, the Community needs to show more political will to act together. Our influence with the Americans and others will depend upon extent to which we are able to do so.


5. We should be ready:

- to liberalise our own trading practices;
- to act jointly with major trading partners to promote the further liberalisation of international trading;
- to aim for better coordination worldwide of the Community and national development efforts.

6. This is an ambitious but realistic agenda. Its realisation depends not just on political commitments but on making the best available use of the Community's resources. Many of these proposals could make a major impact without involving new spending. In the longer term, they will save money by removing trade barriers, harmonising standards etc. Where there is scope for new expenditure initiatives, eg in some R and D sectors, we should see if such expenditure is best incurred at a Community rather than national level - as has been the case in ESPRIT.

7. In this context budget discipline is critical. All Member States have recognised that it makes no sense for agriculture to take an overwhelming proportion of the budget: 68% in the 1984 budget; 71% taking the 1984 and the 1984 supplementary budgets together, and a similar figure expected for 1985.

8. Your proposal for reference framework for all expenditure was based on the sound principle that finance should determine expenditure, not expenditure finance. UK's aim throughout has not  
/been




been to seek draconian measures which would undermine the CAP but rather to control growth of CAP spending to ensure that it no longer takes a growing proportion of the budget. Unless budget discipline is effectively implemented, Community, and the new Commission, would find that the bulk of the available increase in own resources is gobbled up by agriculture.

9. Hence importance of agreement of the Council which implements the Fontainebleau Conclusions and the commitments of the Commission in respect of the annual price fixing. Hope the Commission will observe the guideline throughout the price fixing and not just in its original price fixing proposals.

10. We need to continue the start made this year towards effectively curbing surplus production. The proposals which you made as French Finance Minister, which led to the budget discipline document now under discussion, provide a mechanism for the wise management of Community resources. They must, however, be backed up by the difficult decisions that will be needed at the next price fixing on a commodity by commodity basis to achieve a better balance between supply and demand. Decisions taken by the Community on guarantee thresholds, and in implementing the milk superlevy, were a major policy development which needs to be sustained. An effort is now being made to deal with the problems of wine and olive oil. We face similar problems over surplus cereals production. Guarantee thresholds and quotas in the best circumstances are difficult to manage. Not all Member States are capable of implementing them effectively. Crucial to use the classic and only really effective method of bringing supply back into balance with demand, namely price policy. Rely on the Commission to pursue a consistent policy of restrictive price proposals for products in surplus.

11. Essential that budget portfolio should be held by someone with the knowledge, experience and commitment to work for the implementation of the decisions of Heads of Government and for the management of Community finances so as to permit development of

/new



new policies we all wish. Agriculture portfolio needs similarly to be in responsible hands.

(ii) New Own Resources

12. New Own Resources Decision broadly agreed by nine Member States. Community has, however, faced major difficulty over date of implementation. Commission's draft of the new Own Resources Decision fell foul of German insistence that new Own Resources should not be implemented before 1 January 1986. We think a limited amount of new own resources should be brought forward next year to finance the UK's abatement and the Community's inescapable financial obligations. Fontainebleau Conclusions provide that UK abatement in respect of 1984 is to be paid in 1985 on the revenue side of the budget.

(iii) Budget Imbalances

13. Fontainebleau major success in providing a lasting solution to the problem of budget imbalances, getting away from previous ad hoc arrangements.

14. Vital, now that the Community has reached that agreement with so much difficulty, that it should not be challenged by the European Parliament. The Budgets Committee have suggested radical changes including keeping UK's abatements on the expenditure side of the budget and limiting their duration to 4 years. The European Parliament does not of course have the power to change the text but will try to exert pressure for changes. We must all work to persuade the Parliament not to oppose agreement approved by all the Heads of Government.



ESSENTIAL FACTS

1. A copy of "Europe - The Future" and of the UK's Programme of Action based upon it are attached. Monsieur Delors was given a copy of "Europe - The Future" at the time of its publication. It has again been drawn to his attention in advance of his visit.
2. During the post-Stuttgart negotiations last year, UK ideas on control of agricultural expenditure met with resistance from the majority of Member States, including France. A significant change occurred shortly before the December European Council when M. Delors, as French Finance Minister, put forward proposals for budgetary discipline involving the establishment by the Council of a maximum VAT call-up rate, within which there would be a separate guideline for agricultural spending. The aim was to ensure that in future, finance determined expenditure and not expenditure finance within the Community. As originally conceived, the French idea included the possibility of Treaty amendment to abolish the difference between obligatory and non-obligatory expenditure and thereby to curtail the powers of the European Parliament.
3. Although M. Delors' proposal was subsequently watered down because of French fears of a confrontation with the European Parliament, the French Government remained firmly committed to budget discipline throughout M. Delors' tenure at the Finance Ministry.
4. M. Delors is likely to remain committed to the principles of financial control set out in his proposals. As President of the Commission he will clearly be even more reluctant than he was as a Government Minister to fall foul of the European Parliament. But, within those constraints, he is likely to be receptive to the argument that control of expenditure is essential if the Community is to have adequate resources, after the increase in the ceiling to 1.4%, to enable it to develop new policies, particularly in the field of industrial collaboration and research and development, in which M. Delors is keenly interested.

5. The present position on various budget issues under discussion is as follows.


(1) New Own Resources

6. Nine of the ten Member States would be willing to see the new own resources agreed at Fontainebleau brought into effect during 1985 so as to make provision for the UK's abatement of 1000 mecu in respect of 1984 and to cover the Community's inescapable financial obligations in 1985. The Germans are in a minority of one in continuing to insist that the new own resources can only take effect on 1 January 1986, at the same time as the accession of Spain and Portugal. At the last Foreign Affairs Council on 2 October the German Foreign Minister blocked a compromise Commission/Presidency proposal which would have met German concerns by effecting the introduction of increased own resources on 1 January 1986, but which would also have secured our abatement and requirements of other Member States by setting an interim VAT rate for 1985 of 1.2%. This would have been sufficient to pay our 1000 mecu abatement and to meet an estimated supplementary financing requirement of 1315 mecu.

7. There is little prospect of progress on this front for the time being. Once agreement is reached in the enlargement negotiations it is possible that the Germans may relax their attitude. For the time being, they wish to maintain leverage on the negotiations by the linkage which they have established and to which their Parliament attaches importance.

(ii) Budget Imbalances

8. Subject to one or two points of detail, the Commission's draft new Own Resources Decision satisfactorily incorporates the Fontainebleau agreement on budget imbalances. The new Own Resources Decision cannot, however, be adopted by the Council until the issues described in paragraph 6 above are resolved. The  
/opinion



opinion of the European Parliament is also required. In a draft opinion on the Decision prepared by the German MEP and rapporteur of the Budgets Committee, Herr Pfennig, it is claimed that the new own resources text does not reflect the Fontainebleau conclusions; that it is improper to replace the existing Own Resources Decision rather than amend it; that it violates the principle of a uniform rate of VAT for all Member States; and that corrections for the UK should be on the expenditure, not the revenue side, and should be temporary and not enshrined in the Own Resources Decision itself. This resolution may be adopted by the Plenary of the Parliament later this week.

9. Neither the Council nor the Commission is obliged to take account of the Parliament's opinion though the Parliament does have the right to seek a conciliation meeting with the Council to discuss its views. The European Parliament has no power to change the text. As an alternative, the Parliament may simply withhold its opinion altogether in the hope that this will prevent the Council from adopting the Own Resources Decision. It is the generally held view that, once the Parliament has been given the opportunity to give its opinion, the Council is free to act if no opinion has been forthcoming.

(iii) Budget Discipline

10. Finance Ministers on 1 October got close to agreement on a text implementing the Fontainebleau conclusions. The main outstanding issues were as follows.

Legal Form

11. This question was left open at ECOFIN. Partly perhaps because of the Council Legal Service's statement towards the end of ECOFIN emphasising that a decision would have legal effect, seven Member States (including France) argued at the FAC in favour of a simple Resolution. We argued strongly for a Council Decision.

/Base Drift



Base Drift

12. The French are also unhappy with reference to basing the calculation on "original budgets". We believe this is important in order to avoid base drift.

13. These are important differences though the French assure us they stand by the European Council conclusions. Treasury and FCO officials will be having further bilateral contacts to explore French thinking, pending further discussion in ECOFIN.

"EUROPE - THE FUTURE": A PROGRAMME OF ACTION

"The attached programme of action is a synopsis of the paper, "Europe - The Future", which the Prime Minister circulated to her colleagues before the Fontainebleau European Council in June 1984. The document will be drawn on by Mr Rifkind in meetings of the Ad Hoc Committee on Institutional Affairs."



## EUROPE THE FUTURE - A PROGRAMME OF ACTION

Organisation and Institutions

A number of improvements are called for in the functioning and decision-making arrangements of the Institutions:

- To make its role as initiator of Community action more effective, the Commission should be reduced to 12 members after enlargement. It should weed out annually blocked items of legislation and bring unnecessary cases of obstruction to the Council's notice;
- To enhance the effectiveness of the Council in the management of Community business, the Community should agree to greater cooperation between the Presidency in office and preceding and succeeding Presidencies (cf the existing Political Cooperation arrangements as a model);
- The European Council should have a strategic role (not merely as a court of appeal from the Council). It should adopt annually a brief statement of the Community's priorities;
- Liaison between the European Parliament and the main decision-making Institutions of the Community should be improved through more extensive consultation procedures;
- The Community should keep the Council's decision-making procedures under review. Where majority voting applies, Member States wishing for discussion of an issue of important national interest to continue until agreement is reached should give reasons for their request.

External Affairs

The Community must aim towards a common approach in external affairs:

- by making the fullest use of the available instruments on the Community side, including preferential agreements with certain third countries and groups of third countries (some involving association or having cooperation elements), and the Common Commercial Policy;
- by combining the use of Community instruments with greater political will to act together through political cooperation, concentrating efforts in areas such as the Middle East and Africa where our leverage is greatest, and ensuring better links between the Political Cooperation framework and the Council.

On aid and trade we should:

- liberalise our own trading practices;
- encourage our major trading partners to take their share of responsibility for the world economy and act jointly with them to promote the further liberalisation of international trade;
- work for the better coordination of Community aid with national development efforts and with those of other donors, to ensure maximum effectiveness.

Industry

The Community should give priority to the development of a vigorous, efficient and cost-effective industrial sector. Urgent consideration should be given to:

- whether more can be achieved or can be achieved more efficiently by action on a Community basis. The Commission's proposals for telecommunications and biotechnology programmes are relevant here;
- better cooperation on Research and Development;
- giving higher priority to inter-governmental cooperation along the lines of Airbus. In the enlarged Community it may sometimes be right for such ventures to go ahead without the participation of all Member States, though it should be open to others to come in later if they wish to do so;
- removing the impediments to risk-sharing and investment.

#### Internal Market

Industry will not realise the benefits of a market of 270 million until we create a genuine common market for goods and services as envisaged in the Treaty of Rome. The Community needs:

- a sustained effort to remove the remaining obstacles to intra-Community trade;
- harmonised standards and to prevent the deliberate use of national standards as barriers;
- more rapid and coordinated customs procedures;
- a major effort to improve mutual recognition of professional qualifications;
- liberalisation of trade in services including banking and insurance;
- liberalisation of transportation of goods and people.

CAP

To release resources for a wider range of Community policies and achieve a better balance between production and demand, a sustained effort will be required:

- to introduce guarantee thresholds for products in surplus;
- to apply a strict pricing policy which will narrow the gap between Community and world commodity prices.

Environment

Decisions should be taken urgently:

- on a programme of research aimed at finding solutions to the problems caused by acid rain;
- to agree controls on trans-frontier shipments of hazardous waste;
- to bring about the elimination of lead in petrol.

Culture

The Community should:

- examine whether governments can do more to encourage the learning of other Community languages;
- see whether the European Foundation could play a useful role in this and in developing professional exchanges;
- encourage access to each other's satellite broadcasting systems.

We must make the Community more relevant to the lives of our people. This means a sustained effort:

- to simplify and speed up customs and other formalities;
- to allow European citizens to travel as freely and cheaply as the inhabitants of the United States, notably by increasing competition and liberalising air services.

Search for new areas of action

Member States should review their own policies and programmes in sectors covered by the Treaty to see whether greater progress could be made by a cooperative approach at the Community level.

Foreign and Commonwealth Office  
10 October 1984

## VISIT OF M. JACQUES DELORS, PRESIDENT-ELECT OF THE EUROPEAN COMMISSION

15/16 OCTOBER 1984

## THE NEW COMMISSION

## INTRODUCTION


1. Formally the allocation of portfolios in the new Commission is a matter to be decided between the Commissioners themselves. M. Delors will have a major influence. Lord Cockfield and Mr Clinton Davis should take the lead in declaring their own preferences and will do so in their meetings with M. Delors. The Prime Minister will wish to emphasise the importance we attach to the Budget and Agriculture portfolios being in responsible hands and to draw attention to the particular qualifications of our Commissioners-designate.

## POINTS TO MAKE

2. The manner in which the Commission carries out its task over the next four years crucial to the future of the Community. Glad the Presidency of the Commission in the hands of somebody so well qualified to meet the challenge. Britain means to play full part in Community's development; our Commissioners-designate want to make active and positive contribution to all aspects of Commission's work.

3. Completion of the budget negotiations - on which there was a major breakthrough under French Presidency at Fontainebleau - essential to lay the foundations for the future. Agriculture and Budget will be key portfolios if Community is not to slip back into its old ways and create new distortions in distribution of its financial resources, instead of enabling these to be put to work where they can profit the Community most. Strong leadership from President essential: will have UK support.

4. Essential that Agriculture Commissioner should be committed to sound financial management, and have the weight to enforce it. (As necessary: Understand Andriessen could be persuaded to take



the job. He would be a good candidate. Natali also said to be interested: but wrong moment for an Italian Agriculture Commissioner, given Italian hostility to any control of agricultural surpluses.

5. Delors better qualified than most to appreciate importance of experienced and able Budget Commissioner. Have chosen Lord Cockfield as our Senior Commissioner and Vice-President in expectation that he will have an important portfolio. Understand that he would be keen to have the budget portfolio and he is admirably qualified by his experience. Delors will wish to discuss the possibilities with him. With regard to second Commissioner, Mr Clinton Davis has a strong personal interest in development.

6. Essential also to develop Community policies in such a way as to create the condition for economic growth. Completion of the internal market crucial to job creation. Essential that there should be strong and active Commissioners for Internal Market and the major industrial responsibilities (including competition, new industries, research and development).



## BACKGROUND

## References

- (A) FCO paper on the New European Commission
- (B) List of declared candidates for the New Commission
- (C) Biographical details of new British Commissioners.

British Objectives for Distribution of Portfolios

1. The paper prepared for the Prime Minister and circulated under cover of Mr Budd's letter of 7 September (attached) gives full background. The Prime Minister took the view that our priorities should be to obtain either the Budget portfolio or a single portfolio covering industrial policy and the internal market for our senior Commissioner; and either science/research or overseas development for our junior Commissioner.
  
2. Lord Cockfield has strong qualifications for the budget portfolio. He would also have an interest in a portfolio based on internal market/financial services (banking, insurance, etc). Since we have held the budget portfolio for eight years, there will be resistance; but some of the other leading contenders, like De Clercq will probably be going for other portfolios. We should aim for the budget. Tactically, however, it will be best to leave this to be dealt with primarily between Lord Cockfield and Delors. Alternatively we should be well placed to secure a major portfolio in the other areas identified by the Prime Minister and Lord Cockfield. The Tugendhat portfolio also includes financial services.
  
3. Mr Clinton Davis has expressed a strong interest in the development portfolio. Pisani may leave the Commission, and the French may look to the development portfolio which they have held since 1958. But this is an argument we must use with care since the major argument against our securing the budget portfolio will be that Mr Tugendhat has held it eight years. Delors is reported to be thinking of Natali, who will be the senior Italian Commissioner, for development.





#### Objectives of Other Member States

4. According to officials, Germany wants an internal and an external portfolio. Their senior Commissioner will be Narjes, who is reported to be interested in external relations, agriculture - on economic and financial affairs (ECOFIN). It would be easier for us to retain the budget if Narjes got external relations, leaving De Clercq (Belgium) free to take ECOFIN (he wants it, and has told the Chancellor he would support us for the budget if he gets it: as an ex-Finance Minister he is well qualified). German officials are reported to want social affairs for Pfeiffer. Christophersen (Denmark) and Andriessen (Netherlands), also ex-Finance Ministers, would be interested in ECOFIN too. Christophersen has an interest in the budget portfolio, and Andriessen in external relations or agriculture. Natali (Italy) wants agriculture, but the French and Germans will oppose him: they would prefer Andriessen to get the job. There are indications that Varfis (Greece) and Sutherland (Ireland) would also be interested in legal affairs and perhaps internal market. Varfis is said also to be interested in the Regional Fund. Mosar (Luxembourg) wants a high technology portfolio (eg. information technology) or, failing that, steel.

#### Secretary Generalship of the Commission

5. M Noel, French Secretary General of the Commission, is expected to retire in about a year. M. Dumas indicated earlier this year that if France got the Presidency of the Commission, they would be prepared to back our candidate for the Noel succession. The Secretary of State raised the subject with M. Dumas when he came to London to lobby for a French President on 17 July, and made it clear that we should want to propose a well qualified British candidate to succeed him.

Foreign and Commonwealth Office  
11 October 1984

EUROPE - THE FUTURE

THE ATTACHED PAPER WAS GIVEN TO  
EUROPEAN COMMUNITY HEADS OF GOVERNMENT  
BY THE PRIME MINISTER  
AS A CONTRIBUTION TO DISCUSSION  
AT THE EUROPEAN COUNCIL  
HELD AT FONTAINEBLEAU ON 25/26 JUNE 1984

## EUROPE - THE FUTURE

### INTRODUCTION

1. At the European Council in Stuttgart an ambitious programme was decided, involving a review of almost every aspect of the Community's activities. The negotiation has not been easy; and that is not surprising. There will continue to be arguments over priorities and the allocation of resources. That would be true even in a full-fledged federation. The Community progresses by the process of argument and discussion necessary to resolve its differences.

2. The Community is now close to agreement on the issues determining the course of its future development. Some progress has been made towards financing Community activity in the longer term and establishing a fairer balance of contributions. Some steps have been taken towards limiting the future costs of the agricultural regime. The Ten have agreed to work on a series of new policies to promote the economic, social and political growth on which their future well being depends. The negotiations remain to be completed. Their completion will enable the Community to concentrate on longer term objectives, and on responding to the needs and aspirations of its 270 million inhabitants.

3. This means giving greater depth to the Community in both its internal and external activities. The European Community, which has the largest share of international trade in the world and the immense benefit of the ingenuity of its peoples, and of the diversity of its economies, has only just begun to take advantage of its great potential. The Common Market is a means to an end, described in the Treaty itself as, "a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living".

4. The Community's energies must also be turned outwards so that we can:

- (i) create the sense of common purpose and momentum needed to hold together a Community of 12;
- (ii) defend our collective interests in an increasingly troubled world;
- (iii) fulfil our international responsibility to the causes of freedom, democracy, prosperity and peace;

5. If the European Community is to be effective in the world, it must also be effective in the national life of each of its Member States.

/Strengthening

#### Strengthening the Community

6. If the problems of growth, outdated industrial structures and unemployment which affect us all are to be tackled effectively, we must create the genuine common market in goods and services which is envisaged in the Treaty of Rome and will be crucial to our ability to meet the US and Japanese technological challenge. Only by a sustained effort to remove remaining obstacles to intra-Community trade can we enable the citizens of Europe to benefit from the dynamic effects of a fully integrated common market with immense purchasing power. The success of the United States in job creation shows what can be achieved when internal barriers to business and trade come down. We must create the conditions in which European businessmen too can build on their strengths and create prosperity and jobs. This means action to harmonise standards and prevent their deliberate use as barriers to intra-Community trade; more rapid and better coordinated customs procedures; a major effort to improve mutual recognition of professional qualifications; and liberalising trade in services, including banking, insurance and transportation of goods and people. If we do not give our service and manufacturing industries the full benefit of what is potentially the largest single market in the industrialised world, they will never be fully competitive at international level, and will be unable to create much needed jobs within the Community.

7. At the same time we must do more, and work harder, to make actions undertaken within the Community relevant to the lives of our people. A sustained effort will be required further to simplify and speed up customs and other formalities affecting the ease with which our citizens can travel across intra-Community borders. We should aim, for example, to allow European citizens to travel as freely and cheaply as the inhabitants of the United States. Important steps could be taken in that direction by increased competition and the de-regulation of air services.

8. The Common Agricultural Policy has succeeded in the objective of providing Europe with a strong agricultural base. Remarkable increases in productivity have been achieved. The preservation of the best elements of that policy requires a continuing effort to correct the distortions which manifest themselves in the form of massive and costly surpluses of certain products, imposing high storage costs and the need to dispose of them in ways which complicate trading relations with our OECD partners and are impossible to defend to our own citizens and tax payers. An important and courageous effort has been made to control surpluses in the dairy sector. A sustained, multi-year effort will be required to achieve a better balance between production and demand, thereby releasing resources for other purposes.

9. For in the next decade equal priority must be given to creating the right conditions for the development of a vigorous, efficient and cost effective industrial sector able to compete with the United States, Japan and the newly industrialised countries. To this end, we need to examine urgently whether more can be achieved, or can be achieved more economically, by action on a Community basis rather than nationally. Better cooperation on research and development will help avoid duplication and waste. In some cases Governments can cooperate directly to encourage industrial activity at European levels - as in the case of Airbus, ESPRIT and JET. The Commission has suggested that the Community now look at possible programmes in telecommunications and biotechnology. We should examine these and similar proposals carefully to see whether they will be more effective at the Community level. In doing so, we should give high priority to facilitating collaboration at the industrial level. Member Governments must act to limit the administrative and legal impediments to risk-sharing and investment, in order to allow European firms to compete and cooperate in a way which will enhance their ability to match the performance of their competitors.

10. Creating the right conditions for economic growth without due regard for the wider interests of our environment and of our consumers is not acceptable. The peoples of Europe must feel

that the Community improves the quality of their lives. Many environmental problems require action going beyond the capabilities of individual Member States. They have to be tackled on the basis of serious analysis of the scientific evidence and with due regard to industrial costs and efficiency. This is an area in which the Community has an important role to play. The United Kingdom has already suggested that decisions should be taken urgently to bring about the elimination of lead in petrol. It is also time for a programme of research aimed at finding solutions to the problems caused by acid rain, and for controls on trans-frontier shipments of hazardous waste to continue to be developed.

11. At the cultural level, we should examine whether Governments cannot do more to encourage the learning of other Community languages. The European Foundation could play a useful role in this and in developing professional exchanges. Full access to each others' satellite broadcasting systems would help the process of cultural interchange in an eminently practical way of direct concern to mass audiences.

12. This process will require political direction. We should agree in the European Council that each Member Government should examine its priorities and policies in sectors covered by the Treaties in order to see in each case whether greater progress

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could be made by a cooperative approach at the Community level.

#### A flexible Europe

13. The European Communities, with their corpus of institutional and legal structures, and their own resources, are and must remain the framework within which Community law applies. Action undertaken in the Community framework must continue to be on a basis of equal rights and equal obligations. But a certain flexibility of approach may be necessary in the coming decade, when the Community will have become larger, its membership more diverse, and in some areas of technological development, the industrial structures and interests of Member States more varied. For such practical reasons, it may sometimes make sense for participation in new ventures to be optional. This should not lead to rigid distinctions between different groups of participants. That would be particularly disillusioning for our new members who expect to be joining a democratic and homogeneous Community. Where ventures are launched by Member States with limited participation, it should be open to others to join in as and when they are able to do so. The possibility for action financed by the Community or with Community law as its legal base should be examined before it is decided to proceed on a more limited basis. The progress of all such work relevant to European integration should be monitored and open for discussion in a suitable high-level forum.

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#### Europe in the World

14. It must be our objective to aim beyond the Common Commercial Policy through Political Cooperation towards a common approach to external affairs. Such a policy can only be achieved progressively: it must nevertheless be the aim before us.

15. The Community and its Member States already have at their disposal many of the elements for a common external policy. It is linked to other Western European countries through the EEC/EFTA agreements. The Lomé Convention binds the Community in a contractual relationship covering aid and trade with 64 developing countries. The Common Commercial Policy governs its trade relations with the rest of the world. The Community takes common action in international economic organisations. There is the network of Association and Cooperation agreements both with individual countries and with groups such as ASEAN and the Andean Pact. The growth of Political Cooperation enables the members of the Community increasingly to adopt common positions on world problems and to vote together in non-economic international bodies. Our aim for the future should be to bring about a greater coherence between these different elements. In that way a common external policy could be progressively achieved.

16. The US will remain central to European security and the

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management of East-West relations, and no less so in the management of the problems of the world economy and trade. Our task must be to ensure that Europe plays no less central a role in all those respects. By common action of the Community and the Ten, Europe must impress on the US that unilateral American action, eg on technology transfers, extra-territoriality, unitary taxation and, above all, protection for US industries will put the success of Alliance consultation and coordination at risk. Equally we must be ready in Europe to make progress towards the liberalisation of our trading practices, and to play a full part in strengthening the GATT trading system. Mechanisms for consultation and coordination between the Allies are already in place. What we need is the will on both sides to use them to get results: bilaterally, within the Alliance, and on behalf of the Community and its Member States.

17. Europe is more than Western Europe alone. By the end of this century we could see the Soviet Union with increasingly serious economic difficulties and growing problems in Eastern Europe. At that stage more than ever, a coherent and persuasive West European voice will need to be heard on the management of East-West relations. Europeans have their own interest in economic relations with the Soviet Union and East European countries, illustrated by the level and intensity of their political contacts with them. They should reflect on the special

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status this gives them, and on the scope it offers for a more coordinated approach on wider questions, eg the encouragement of a more differentiated economic and social development in Eastern Europe. Steps of this kind will strengthen the European political entity and enable it to act more effectively in relation to the major international issues which legitimately concern it.

18. The Community must also use its weight to influence the other major industrialised economies to shoulder their share of responsibility for the world economy: the United States by paying more attention to the international consequences of its domestic economic policies, and Japan by integrating its financial markets into the world economy and raising the level of its manufactured imports to one comparable with other industrial democracies. The Community must act jointly with these major trading partners to promote the further liberalization of international trade and to extend the open trading system, including a well-prepared new GATT trade round. This would bring the many varieties of developing countries more effectively into the world trading system, and persuade the more advanced among them to take more responsibility for its good management. Our performance so far in encouraging development in the Lomé countries, in South-East Asia, in Latin America, and in many other countries through our food aid and non-associates programmes is commendable. But there

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is room for better coordination between Member States, the Community and other donors to secure maximum political as well as developmental effectiveness from our aid.

19. In Political Cooperation, the Ten need to act with more vigour and greater purpose. Cooperation should not just be a matter of making declarations in the face of increasingly complex challenges. The Ten have the weight and must show more political will to act together: concentrate their efforts where their leverage is greatest and their interests most directly touched e.g. in the Middle East and Africa; and recognise that influence does not last if not backed by the necessary resources. Member States must take more seriously their solemn commitments to consult and take account of partners' views and work for common positions. The objective should be the progressive attainment of a common external policy.

#### Defence and Security

20. Our objective must be to strengthen the European pillar of the Alliance and improve European defence cooperation.

21. Europe already carries a heavy defence burden within the Alliance - although some of its members take a greater share of that burden than others. It contributes to security both on this Continent and in the wider world by a variety of political and economic as well as military instruments. This contribution is

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far greater than is understood in the United States. If such views are not corrected, the temptation will grow for America, under pressure from the Congress, to look more toward interests outside Europe. Yet the US strategic commitment to Europe will remain an irreplaceable guarantee of Western security. If we wish to preserve it and ensure that our views continue to be given due weight by future US Administrations, the European Allies must find answers to some difficult questions: Are we able to take on a larger share of the responsibility for our defence? How should we respond to renewed public questioning of defence policy? Or the need to develop new technologies at a time of rising costs and resource constraints? The answers make it evident that such problems have to be tackled jointly.

22. Most work to coordinate European positions on this so far has been done in the NATO framework, particularly in the Eurogroup and the IEPG (which has the merit of including France), and there is still more that could be done to exploit the potential of these groupings. We must continue to work for the implementation of the Genscher/Colombo Solemn Declaration of 19 June 1983 which provides a helpful reaffirmation of the Community's political and economic objectives. But if we want early progress - and an early chance to demonstrate our seriousness - we must be willing to look at new openings including those offered by the WEU.

23. Procedure and new organisations are no substitute for content and action to solve existing problems. We have to be prepared to make efforts before we can pool them. Progress demands in particular that we focus on the resource allocation and defence industrial aspects of the problem. We should be able to achieve better value for money by common procurement and collaborative manufacturing projects, recognising (as past experience has always shown) that this process will give rise to very real political problems and difficulties for which there are no facile solutions. Individual projects are probably best organised on a case-by-case basis between those member countries with the capacity and wish to undertake them, making use of the framework of the IEPG. But the general prospects for them could be greatly improved by progress towards a more integrated European industrial and technological base, and by strengthening the Community's internal market. These are areas of proper Community concern which need our urgent attention.

#### Organisation and Institutions

24. There are several areas in which specific improvements can be made. With regard to the Community:

- (a) The Commission's role is central to the functioning of the Community. It is crucial that it should attract, and that Member States should appoint, individuals of the

highest calibre with a clear recognition of the tasks to be done. After enlargement the Commission still needs to be able to provide real jobs for people of the best quality. A Commission of 17 is liable to be too large for efficiency or to provide all members with serious portfolios.

(b) The Presidency also plays a key role in the management of the Community's business. Its effectiveness would be enhanced by greater cooperation between the Presidency in office and the preceding and succeeding Presidencies.

(c) An early European Council should consider adopting a new procedure under which each year the European Council would adopt a brief and succinct statement of priorities, with specific timings and targets, which would form the basis of the Community's activities for the following 12 months.

(d) When the Commission reviews its legislative proposals each year, there should be a thorough weeding out of hopelessly blocked items and unnecessary cases of obstruction brought to the notice of the Council.

(e) The voting provisions of the Treaty must be fully honoured. Unanimity must be respected in all cases where the Treaty so provides. The same applies for majority

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voting. At the same time, Member States must be able to continue to insist where a very important national interest is at stake on discussion continuing until agreement is reached. But they should be required in each case to set out their reasons fully.

(f) The European Council should eschew the role of Court of Appeal from the Council. Its true and irreplaceable task is to provide strategic direction and political impetus for all areas of Community work and Member States' cooperation. For this, it might be enough for it to meet no more than twice a year, perhaps for two full days. Alternatively, one of the three annual meetings might be conducted on a more informal "Gymnich-type" framework without advisers. The primary responsibility for preparing European Councils should rest, as it does now, with Foreign Ministers.

(g) In a grouping of democratic European states the directly elected European Parliament must reflect with increasing responsibility the preoccupations and priorities of our peoples. Through the various procedures set out in the Solemn Declaration of June 1983, the Council and Member States need to work out ways of keeping the Parliament better informed, responding to its suggestions and bringing it to work in greater harmony with the main decision making

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institutions of the Community.

(h) Once the post-Stuttgart negotiation has been completed it should be possible for Member Governments to take common action to present the Community to their peoples in a more favourable light. It is important that people should receive an objective picture of the present state of European integration. It would be desirable for Foreign Ministers, at an early informal meeting, to discuss this question and, if possible, to agree on some common themes for Governments to put forward in their presentation of the Community and of the issues under discussion in it.

#### Conclusions

25. The European Community and the Alliance jointly have brought an unprecedented period of peace and prosperity to the peoples of Europe. We cannot rest on the achievements of the post-war generation. Over the next decade Europe will face new economic and social challenges, and a continuing threat to her security.

26. Periodic expressions of pessimism about the future of the Community have never turned out to be justified. Europe needs to advance its internal development. The progress that has been made towards "an ever-closer union of the peoples of Europe" of which the Treaty of Rome speaks in its first paragraph is

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unlikely to be reversed.

27. The objectives now must be to:

- strengthen democracy and reinforce political stability in Europe. This means bringing to a successful conclusion the accession negotiations with Portugal and Spain;
- develop a dynamic society in which industry thrives and activities which create wealth are encouraged. To do so, we must complete the internal market, particularly in the services sector;
- strengthen the European pillar of the Alliance and the contribution Europe makes to its own security;
- promote policies which will improve the quality as well as the standard of life in the Community;
- with due regard for the needs of economic and industrial efficiency, do more to promote the improvement and protection of the environment;
- agree urgently on certain organisational changes;
- adopt policies which will guarantee the relevance of the Community to the problems, particularly unemployment, which

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affect our societies;

- take the necessary steps to strengthen the voice of the Community and make its influence felt in the world;

- heighten the consciousness among our citizens of what unites us.

