

CONFIDENTIAL

NBAM
CDD
20/4

RECORD OF MEETING BETWEEN THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS AND M. DELORS, PRESIDENT-ELECT OF THE EC COMMISSION AT 10.15 ON 16 OCTOBER

Present

M. Delors
M. Lamy
Mr Scott

The Rt Hon Sir Geoffrey Howe, QC, MP
Mr Malcolm Rifkind, MP
Sir M Butler
Mr Williamson
Mr Renwick
Mr Fairweather
Mr Crowe

IMPROVING THE WORKING OF THE COMMUNITY INSTITUTIONS

1. M. Delors expressed concern about the work of the Dooge Committee. He feared the Committee would be divided. There was a need for fresh ideas on the role of summits, and possibly also on COREPER. There were good ideas in the 1979 report of the Three Wise Men. He would be concentrating on setting his own house in order. The Commission needed better decision-making procedures, and more effective implementation. Mr Rifkind said the UK had shared M. Delors' concern about the Dooge Committee; but the first meetings had been encouraging. There had been agreement on the need for realistic conclusions capable of being adopted by Heads of Government. The approach would be practical, and would cover not just institutions but subjects like the internal market and variable geometry. Spinelli had made an initial presentation of his ideas. The Committee was divided on how much time should be spent on them. But most members, regardless of their personal views, accepted that it was unrealistic to expect such ideas to be adopted. The Committee would spend most of its time on practical ways of improving the detailed working of the Commission and Council, rather than discussing Treaty amendments. M. Delors

CONFIDENTIAL

CONFIDENTIAL

asked how reform could be achieved without Treaty amendment. Sir G Howe said that in his experience good ideas for reform had usually been around for a long time. They just needed dusting off.

2. Sir M Butler said that the Three Wise Men had made the sensible suggestion that Ministers should settle the broad lines of policy and tell COREPER to fix the details. This had been tried without success. The speed at which Presidencies changed made it difficult to keep up the momentum. Sir G Howe said that in "Europe - The Future" we had recommended greater cooperation between succeeding Presidencies. In Whitehall it was possible for Ministers to give a steer and for officials to settle the details. COREPER did not find it easy to do this, and too much detail ended up in the Council. Sir M Butler said that some Member States (including the UK) would be happy to negotiate all questions of detail in COREPER. Others (notably France and Germany) were either not prepared to use COREPER for this or failed to give their permanent representatives the necessary negotiating latitude. Some Governments apparently preferred to argue about details in the Council. Sir G Howe suggested that M. Delors, in cooperation with the Presidency of the day, might be able to improve the position. Over-concentration on detail was one of the most irritating features of Council meetings.

3. Sir M Butler said that in the UK's experience, it was important that there should be close coordination between the Commission and the Presidency of the day. Work needed to be planned over several months so that the Presidency and the Commission could work to the same timetable in preparing Council meetings. Member States then knew that they had to come to the Council prepared to settle. The Foreign Minister played the key role. But the UK had also found it useful for the President of COREPER (and his successor for the following Presidency) to see the President of the Commission for COREPER each week. M. Delors thought this a good idea.

CONFIDENTIAL

CONFIDENTIAL

4. Sir G Howe said that there was need to lay out a clear programme for the year ahead. The French Presidency, for example, had set clear objectives, though in the event not all of them were achieved. M. Delors expressed concern about the problems of continuity when the new Commission took office. Sir G Howe said it would be important for the Dublin European Council to give the Commission clear guidelines. He asked if M. Delors would himself be at Dublin. M. Delors said that according to tradition he would not be present, though he could no doubt be invited. Sir G Howe said this would be a good idea.

5. M. Delors said he envisaged making two speeches to the European Parliament at the beginning of next year. He would make his traditional opening speech in January. Once the new President of the Council had made his opening statement, M. Delors would make a second speech on the Commission's orientation for the new Presidency. If the Dublin Summit could adopt objectives for the next 2 or 3 years, the new Commission would be able to make good start. Sir G Howe said there was a need to distinguish carefully between what could be done in a year and what would take longer. M. Delors commented that the internal market could not be achieved in a year. Sir G Howe agreed, but added that individual elements in it could be settled soon. M. Delors said that if the Commission could propose a realistic 2-year programme which the European Council could adopt, this would make progress easier.

Internal Market

6. M. Delors said he agreed with British Ministers on the priority that should be given to completing the internal market. A selective approach was needed, which should be coordinated with work on harmonisation and cooperation between European firms. Could the UK accept this? Sir G Howe said we believed these issues were very closely linked. Many of the real obstacles to cooperation lay in the incomplete internal market. Mr Williamson said that the UK attached the highest importance to the internal market, and was prepared to take some risks to achieve it.

CONFIDENTIAL

CONFIDENTIAL

Whenever we had tried to find out why there was not greater cooperation between enterprises in Europe, we had concluded that internal market problems were largely to blame and not, for example, company law. Mr Rifkind said that this was why we believed that mutual recognition of standards was a quicker and more practical way of making progress than harmonisation. M. Delors said there was an important difference of tradition. France and the FRG were now working closely together. If the UK could move closer to them, then he believed there would be some hope of negotiating a package. Sir M Butler said that the place for harmonising standards was in new products. M. Delors agreed. It was hard to cut through existing barriers by harmonisation. Sir G Howe said it was pointless to try to harmonise standards for well-established products like domestic electrical plugs; new products such as telecommunications equipment were a different matter. M. Delors agreed. But he also attached importance to progress on company law. He asked about the UK's attitude to the European Economic Interest Grouping (EEIG) on which progress was very slow. Sir M Butler said he thought it would be worth taking another look at the EEIG. Mr Grierson had recently come out in favour of it. Mr Williamson agreed. M. Delors said he regarded the EEIG as a high priority.

Budget Discipline

7. M. Delors said he found it difficult to decide what constituted "the Council" in this context. Sir M Butler said that "The Council" was whatever met. In practice, Agriculture and Finance Ministers played a key role. In the annual price fixing agriculture ministers had tended to solve their disagreements at the expense of the Community budget. The Commission would make sensible price proposal, the Council would add a few percent, and would then award themselves extra Christmas presents. (M. Delors agreed.) The problem with guidelines was that one could not be sure that ministers would stick to them. Last year, the Commission had suggested that if, following a proposal from the Commission, agriculture Ministers were about agree on prices which

CONFIDENTIAL

CONFIDENTIAL

in the Commission's view would lie outside the guideline, they should not take a decision without holding a joint meeting with finance ministers. This proposal had been formally approved at Fontainebleau. If we were to get agriculture ministers to take the guideline seriously, we had to make this system work. Then farm ministers could if necessary explain to their domestic lobbies that they had been compelled by the guideline procedure to stick within it.

8. M. Delors asked if budget discipline would be sorted out before the Dublin Summit. Sir M Butler said we hoped it would. The remaining tasks were to fix a base, and to control base drift. These were technical problems, and we should be able to reach agreement soon provided there was no new public dispute over the desirability of a guideline. But it would be very difficult if there were a repetition of the events surrounding the last Council, where Rocard had criticised the agreement reached, and Genscher had said that Stoltenberg had been too lax.

9. M. Delors said it would be easier to get agreement if Member States could agree on funding for new policies. This did not have to be much - perhaps only a hundred million ecu. Sir G Howe said that the whole purpose of the exercise was to get greater flexibility on the non-agricultural side of the budget.

European Parliament

10. M. Delors thought it would be useful to bring in the Parliament at an earlier stage of budget discussions, rather than the current system where Parliament was consulted towards the end and proceeded irresponsibly to overturn decisions taken with difficulty by the Council. Mr Rifkind said that from his recent contacts with MEPs it was clear that their concern was not that their formal powers might be reduced, but that their scope for going over the formal limit as they had done repeatedly in recent years might be restricted. They argued that controls on non-obligatory expenditure would prove effective, while those on

CONFIDENTIAL

CONFIDENTIAL

agriculture would not. In logic, this meant that they ought to be arguing for a strict guideline for agricultural expenditure.

11. M. Delors said that Article 203 was used far too much. Mr Renwick said that the Parliament had come to regard their ability to increase expenditure over the formal limit as a right. The Council had to get this back under control. The price might indeed be greater consultation. Mr Rifkind commented that the conciliation procedure was too open-ended. It needed to be brought to a clear conclusion. M. Delors said it would be useful if the Commission engaged in informal consultation with the Budget Committee of the Parliament earlier than at present.

12. Sir G Howe said that although he had had responsibilities for aspects of Community affairs for 5½ years, he had never been to Strasbourg, and had only met Parliamentarians at formal meetings with Ministers. The way the Community's institutions worked meant that most Ministers did not become real people in the eyes of the Parliament. M. Delors said that Parliament had a specific role to play in the relationship between the Commission and the Council. In the budgetary process this meant that the Parliament had to be carefully handled, because at the end of the day it was the master.

Information Policy

13. Sir G Howe said that although the Community spent a lot on information work, it was still subject to ill-informed attack. For example, a story had recently emerged from Strasbourg that the UK would have to change the name of Waterloo Station. It had made headline news in the UK press. It had been a mischievous and inaccurate story put out by Labour MEPs. But mischief could get around the world before truth got its boots on. This was a minor example, but we needed to make better use of the Community's information machine. One Commissioner should be given clear responsibility for public presentation. Mr Scott said that frankly Natali had paid little attention to presentation work.

CONFIDENTIAL

CONFIDENTIAL

The Community's information services suffered from lack of leadership. This weakness would persist unless they were headed by a strong commissioner. M. Delors said the Community's information work had been poor. Each commissioner went his own way, and there was no coordinated Commission policy. Proper presentation of the Community in Europe would be a priority for him - not in partisan terms but in terms of what the Community meant to the citizen. Mr Scott said that Mr Ingham and other Whitehall Press Officers would be having lunch with the Commission Office to discuss areas in which they could legitimately work together.

Agriculture

14. Sir G Howe said that the urgency of the problem of agricultural surpluses had only impressed itself on the European Council when the money began to run out and the milk problem could be expressed in simple and concrete terms. Armed with the basic facts and figures, he had met the farmers in his constituency and explained the problem. Their reaction had been "If only you'd told us earlier, we could have adapted ourselves without any need for bureaucratic quotas." This was a lesson that needed to be learnt in other surplus areas. Surpluses were very damaging to the Community's image, both domestically and in the Third World. Mr Williamson said that if you tackled surpluses early enough, you didn't need quotas. M. Delors said that greater involvement and better use of the structural funds were required. Mr Williamson said there was no direct relation between budget expenditure and farmers' incomes. The year in which farm expenditure fell was the year when farm incomes rose most. The greater part of farm incomes was supplied by the market.

15. Mr Rifkind said that surpluses needed to be tackled with policies which could in practice be implemented in all Member States concerned. The problem with milk was that some Member States could not - or would not - implement the policy. A price policy was much easier to implement and enforce than a quota

CONFIDENTIAL

CONFIDENTIAL

policy. Sir G Howe said that President Mitterrand at the Athens Summit had himself considered quotas impractical when he referred to a gendarme behind every cow. Mr Renwick said that the quota was working properly in only about half the Member States; but the price freeze was having an effect. M. Delors expressed surprise. Mr Rifkind said it would become increasingly difficult to enforce quotas even where they were being applied rigorously because resentment at the performance of other Member States was spreading.

16. Sir M Butler said that fishing presented similar problems. All Community fishermen cheated, and the Commission's powers of control were inadequate. The prospect of Spanish accession made it essential for the Commission to build up these powers. As fisheries policy was based on conservation and quotas, it would not work unless there was proper control. There would be enormous problems at the end of the Spanish transition period. Sir G Howe said that the problems of over-fishing would exist even if there were no Community. It was wrong to blame the Community for tackling them.

17. M. Delors said that the problem was a very difficult one. So was wine. Mr Rifkind said that only the Italians were now holding up this enlargement dossier. They admitted that their position was purely tactical. A price would have to be paid. Any solution would not be comprehensive, since it would have over-production built in. M. Delors said that the problem needed to be solved before the Italian Presidency. Otherwise it would be insoluble. Sir G Howe said that the olive oil problem had only been solved by postponement.

Research and Development

18. At Sir G Howe's invitation, Mr Williamson said that M. Davignon had suggested a need to set priorities within the R & D programme. The UK considered that a sound approach. M. Delors asked how this could be done. Mr Williamson said there

CONFIDENTIAL

CONFIDENTIAL

was a need to look at the likely scientific value of projects. For example, it was useful in political terms for the Community to work on radiation protection, but current projects were not of good scientific quality. M. Delors said he liked the UK's idea of promoting cooperation between scientists and research centres.

19. Sir G Howe said that domestic R & D expenditure was very closely scrutinized by the Treasury. Those who had fought to secure their domestic programmes were understandably reluctant to see Community money going to programmes which were known to be inferior to those run at national level. Non-scientific Ministers were too easily impressed by buzz words like biotechnology about which they knew little. Programmes should be assessed on their technical merits.

20. M. Delors said that if Member States were not prepared to drop some of their own programmes, the result might sometimes be that no Community programmes got off the ground. Sir M Butler said that if the Community got programmes going early enough, then individual Member States would only pay a fraction of the cost. The Commission needed to get out and talk to those concerned in good time so that it could be ready with proposals before national programmes were set up and running. M. Delors said it was difficult for a generalist to choose between new avenues of research.

21. Sir G Howe said the UK attached importance to improving access to information about work in progress at national research centres. Mr Williamson said it must be in the Community's interest to build up centres of excellence and to spread the information they produced as widely as possible. M. Delors agreed.

Commission Handling of Relations with the US

22. Sir M Butler said that EC/US relations would be a major problem at the beginning of the new Commission's term. The

CONFIDENTIAL

CONFIDENTIAL

filled quickly. The commissioner responsible for either external relations or industry must be ready to make early contact with the US administration. M. Delors agreed. It was difficult to organise the Commission well because of the existing framework of directorates general. Ideally one would give a commissioner a clearly defined task (eg the internal market) for which he could draw on all the resources of the Commission. In practice this was difficult. Perhaps commissioners should work in groups.

Sir M Butler said that committees or task forces could be very useful but the President of the Commission needed to supervise them himself if he was to keep control. M. Delors said he was attracted by the UK system of Cabinet Committees. But commissioners should avoid spending all their time in meetings.

Economic Community Department (Internal)

18 October 1984

Distribution:

PS

PS/Mr Rifkind

PS/PUS

Mr Derek Thomas

Mr Renwick

Mr Houston

ECD(I)

ECD(E)

Head, News Dept

Head, Planning Staff

PS/Prime Minister

PS/Chancellor

PS/Secretary of State for Trade
and Industry

PS/Minister for Trade

PS/Minister of Agriculture

Sir M Butler, UKRep Brussels

Mr Williamson, Cabinet Office

HM Ambassadors in EC Posts

CONFIDENTIAL