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PRIME MINISTER

Cabinet: Community Affairs

You will wish to inform the Cabinet about the European Council on 4-6 December. You may like to stress that the compromises put forward were certainly unacceptable to the United Kingdom but that we were not isolated. There were widely differing views on the agricultural measures and requests for exemptions. The discussion on the budget burden-sharing did not develop to a point where a serious basis for agreement could be found and was set back by President Mitterrand's proposal for a short term rather than a lasting solution. On the effective control of spending the French did not follow through their own paper which we had supported and sought to improve. A factor contributing to the failure was the deficiencies of the Greek Presidency in overloading the agenda and in failing to tackle the budgetary issues at the start. For the future, you may wish to mention that you have rejected the idea of an inevitably ill-prepared emergency European Council in January and to underline the determination you have already publicly expressed to continue to press for the United Kingdom's objectives.

2. The political consequences for the Community and for enlargement cannot yet be fully assessed. A potential immediate problem is that the European Parliament at its session next week may react to the collapse of the Summit either by rejecting the Community's draft 1984 Budget which makes provision for the United Kingdom's 1983 budget refunds or by putting the refunds back into the reserve chapter and refusing to release them until there is a permanent settlement. As you will know from your meeting on 1 December, contingency plans have been prepared for such an eventuality.

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3. The Secretary of State for Transport may report that the Transport Council on 1 December agreed the frontier facilitation Directive on easing goods transport across member states' borders and the road haulage tariff Regulation. He succeeded in maintaining the United Kingdom's position on transport infrastructure support and vehicle weights and dimensions, and pressed for progress on the liberalisation of air services.

4. Over the next seven days the Social Affairs Council will meet on 8 December, the Finance and Consumer Affairs Councils on 12 December, the Agriculture Council on 12-13 December, the Research Council on 13 December, and the Fisheries and Steel Councils on 14 December. The European Parliament will be in session on 12-16 December.

*D F Williamson*

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