

Ref. A084/120

PRIME MINISTER

Cabinet: Community Affairs

In the Foreign and Commonwealth Secretary's absence in the Middle East, the Minister of State, Foreign and Commonwealth Office, (Mr Rifkind) will report on the Foreign and Commonwealth Secretary's meeting with Monsieur Thorn, the President of the Commission, on 6-7 January. The discussion dealt mainly with the procedure and substance of the negotiations leading up to the March European Council. The French Presidency has not yet made available formally its proposals for the handling of the negotiations but is likely to follow the view of the Commission that the agricultural and "other policies" issues should be carried forward in the specialised Councils, leaving the European Council with an overview of the results. The major financial issues (budget inequity, control of agricultural and other spending, own resources) will need to be handled in a single body - possibly the Foreign Affairs Council at which Ministers of Finance will also be present. The Foreign and Commonwealth Secretary agreed with this broad approach, stressing the need to put into place quickly the arrangements for the further negotiation in Brussels of the central financial and budgetary questions. Monsieur Thorn confirmed that Monsieur Dumas, the new French Minister with responsibility for Community affairs, will take a much bigger role in the negotiations than his predecessor.

2. The Foreign and Commonwealth Secretary also pressed Monsieur Thorn to make a proposal to the European Parliament to transfer the 1983 refunds in the 1984 Community budget back from the reserve Chapter 100 on to budget lines and the prospect of such a proposal in February/March is not bad. On the disputed element of the 1982 risk-sharing, the letter which you approved has been sent to the Commission and made available in all Community capitals. Contrary to certain newspaper reports, there was no disagreement with Monsieur Thorn on this point: the

Commission is considering the letter and will probably reply in February. The United Kingdom Government will then be able to decide its position at the same time as its contingency plans on the financially much more important 1983 refunds.

3. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 9-10 January. This discussed the future handling of the agricultural component of the post-Stuttgart negotiations. It was agreed that this and the 1984/85 price proposals, which will be tabled shortly and will be very restrictive, should be handled in the Agriculture Council. The high level group of officials will meet on 18-19 January to look at milk, green currency adjustments and other products, while the Council itself will have its first discussion of this year's price proposals on 6-7 February. The United Kingdom supported the Commission against criticism from other member states of their recent economy measures which in our view are necessary in the tight budgetary situation of 1984.

4. The Secretary of State for Trade and Industry is away in India, but the Steel Council on 22 December, at which the United Kingdom were represented by the Minister of State, Department of Trade and Industry, (Mr Lamont), approved the measures for stabilising the Community steel market, and the United Kingdom secured a satisfactory arrangement on customs procedures for the accompanying document. Agreement in principle was given to monitoring traditional trade flows. The Council also agreed that the regulations implementing the Commission's proposals for the non-quota part of the Regional Fund should be circulated for agreement by the written procedure by 13 January. This agreement is probable but not certain. The United Kingdom will gain about £86 million of mainly additional receipts to spend on measures to improve the environment and to help to generate new small and medium-sized businesses in steel, ship-building and textile closure areas. The United Kingdom is the principal beneficiary under these three measures together and our negotiators in this sector have done well.



5. Over the next seven days the Consumer Affairs Council will meet on 17 January and the Industry Council on 19 January.

RIA

ROBERT ARMSTRONG

11 January 1984

CONQUEROR