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PRIME MINISTER

Cabinet: Community Affairs

In the absence of the Foreign and Commonwealth Secretary, the Minister of State, Foreign and Commonwealth Office (Baroness Young) will report on the Foreign Affairs Council on 14-15 May. Agreement was reached on all major outstanding issues in the revision of the Regional Development Fund which is expected to be adopted at the June Foreign Affairs Council. Under the present regulation the United Kingdom has an effective quota share of 22.6 per cent. Under the new regulation quotas will be expressed as ranges and the United Kingdom range will be 21.42 per cent to 28.56 per cent. If our projects are good, the United Kingdom should do slightly better under the new regulation. The United Kingdom successfully resisted German attempts to strike out urban renewal from the eligible categories, since this is a category from which we benefit. We also obtained a declaration by the Presidency referring to the provisional conclusions of the last European Council: this will make it easier for us to resist Greek and Italian claims (for example, at the next European Council) for additional finance for integrated Mediterranean programmes. The Council also reached agreement on the Community position on a series of negotiating points with Portugal (application of VAT, fisheries etc). There was discussion of the date for the already agreed changes in the fruit and vegetables regime as preparation for Spanish accession. The Council decided to implement these changes from 1 June. The French, who wanted this for European electoral reasons, were pleased that the United Kingdom accepted this date (although in reality we only did so because we knew that the Germans were going to capitulate and that we could not therefore stop adoption). There was no discussion in the Council of the reform of the Community's financing and United Kingdom refunds, as the Foreign and Commonwealth Secretary judged that this would be counter-productive, but there were further bilateral contacts. On the 1984 budget overspending the Council invited the Commission and

COREPER to undertake more work on the size of the overrun and to examine the scope for savings. This is in line with our approach. The Commission linked this issue to other budgetary matters for consideration at the European Council in June. The Council agreed upon a declaration on Afghanistan, on which the United Kingdom wished to continue to direct public attention.

2. The Minister of State, Foreign and Commonwealth Office, may also report on the Foreign and Commonwealth Secretary's meetings on the reform of the Community's financing and United Kingdom refunds with the President of the Commission, Monsieur Thorn, on 13 May and with the French Minister responsible for European affairs, Monsieur Dumas, on 14 May. The meeting with Monsieur Thorn produced little of substance that was new; he was concerned about the hard line being taken by the French but prepared to keep Monsieur Davignon's ideas alive behind the scenes. The trend of Monsieur Dumas's comments was pessimistic. He did not see a settlement being reached before the European election campaign and feared that member states might have little incentive to reach an agreement on the present system afterwards. He even mentioned that if there were no agreement on a system at Fontainebleau there might be agreement on a refund for 1984 of 1,000 million ecu, with all other problems being left over. The Foreign and Commonwealth Secretary emphasised that the Presidency should not look for solutions other than an agreement on the whole package.

3. The Chancellor of the Exchequer may report on the informal Finance Ministers' meeting on 12-13 May which discussed the preparations for the forthcoming meeting of the Group of Ten. An official group will plan the system of budget discipline. Ministers also agreed in principle to increase the Community loan mechanism from 6 to 8 billion ecu but no formal decision is expected until the June Finance Council.

4. The Secretary of State for Transport will report on the Transport Council on 10 May. This agreed substantial increases in the road haulage quota for the next five years and adopted conclusions on the Vehicle Weights Directive which included a



satisfactory derogation for the United Kingdom. High level groups were set up, to report by the end of the year, on how more flexibility could be introduced into the current civil aviation system and to work out a timetable for road transport liberalisation and harmonisation. The transport infrastructure programme for 1983 and 1984 was adopted with all the British projects agreed; these should bring a small net benefit of about £1.25 million. There was also agreement to a Recommendation on railway co-operation and to Resolutions on road safety and drivers' hours. The Secretary of State for Transport took the opportunity to announce the new cheap air fares between London and Amsterdam which result from a measure of liberalisation agreed bilaterally with the Netherlands' Government.

5. The Education Council meets on 21 May, the Energy Council on 22 May and the Fish Council on 24 May. There will be an informal meeting of Foreign Ministers on 25-27 May.

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ROBERT ARMSTRONG

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