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There is a 411 - but have made a 415 amendment not

Qz.03738

MR COLES ✓

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Prime Minister

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There are strong arguments for handing over the paper soon. But we need comments from the Chancellor, the Trade Secretary and the Agriculture Minister. The target of handing it over during the Summit (Economic) seems ambitious. If you think the paper broadly all right we do it on the right lines? A.T.C. 1/6.

|| but if you could try.

PAPER FOR CHANCELLOR KOHL ("EUROPE - THE FUTURE") AND REACTIONS TO FRANCO GERMAN STATEMENTS ON THE FUTURE OF THE COMMUNITY

The Prime Minister has told Chancellor Kohl that she would let him have a paper on United Kingdom views about the future of the European Community. You will be receiving a draft paper from the Foreign and Commonwealth Office shortly.

2. There has been a good deal of rhetoric in the Community this week about moves to European Union and about more areas for co-operation in Europe and between France and Germany. President Mitterrand delivered a very successful speech to the European Parliament on 24 May, which did not, however, contain any significant new or specific commitments. The same theme was echoed in the statements following the bilateral meeting between Chancellor Kohl and President Mitterrand, with the implication that Britain might be left outside these new developments. In our view the United Kingdom's strategy ought to be:

- not to join in competitive rhetoric about European Union;
- to make clear that we are ready to examine any new or specific ideas for greater co-operation within the Community or between member states;
- to stress that in any such examination we shall be putting forward our own ideas for making the Community work better both externally as a greater force in the world and internally by making the common market more real and more effective (cheaper and less restrictive transport

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and travel; fair competition in financial services; removing bureaucratic obstructions and exploiting the scale of the whole market). There is no harm in implying that the original Six have spent too much time and energy defending their national interests in the status quo (in particular, in agriculture) and have been far too lethargic in really spreading the benefits of the common market.

3. The paper for Chancellor Kohl can help this objective. Although there is some Eurojargon (which goes better in Bonn or Paris than in London), the message is that we ought to strengthen the internal market, to make better use of the Community's weight in foreign policy and trade, strengthen the European pillar of the Alliance, improve European defence co-operation and make some improvements in the organisation of the Community's business. Paragraphs 6-12 refer specifically to creating the genuine common market in goods and services; to doing more to make actions undertaken within the Community relevant to people's daily lives, eg through cheap and unrestricted travel; to a sustained effort on the agricultural policy which would release resources for other purposes; and to limiting the administrative and legal impediments to risk-sharing and investment. We want more momentum towards these practical improvements which are in our own interest. They are also a necessary counter-balance to the tendency of some other member states to see the development of the Community in terms of more public expenditure on new centrally conceived initiatives. If and when the reform of the financing system and the correction of the budget inequity is achieved in the Community, we can begin to win quite wide support in all member states for the message that we want to make the Community a better place for individual enterprise and not just the sort of place in which member states dispute about amending the common market organisation for linseed oil. Paragraphs 24-25 of the paper set out some suggested

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improvements in the operation of Community business, in particular the idea that each year the European Council should set strategic priorities as the basis for the Community's work; that as far as possible the European Council should not act as a court of appeal in relation to business being handled in other Councils; and that Community legislative proposals should be subject to regular scrutiny and weeding out if hopelessly blocked. Some of the suggestions in these paragraphs have already been discussed or advocated but they have now been brought together in a more determined effort to present improvements in the Community's working methods.

I am sending a copy to Sir Robert Armstrong.

*Df Williamson*

D F WILLIAMSON

1 June 1984