



Foreign and Commonwealth Office

London SW1A 2AH

4 June, 1984

Prime Minister.

will reading before the

Summit. A.F.C. 4/6.

Dear John

French and German Ideas on the Future of the European Community

President Mitterrand's speech to the European Parliament last week (my letter of 24 May) and the subsequent Franco-German Summit on 29 May have prompted a good deal of speculation about Franco-German ideas on the future development of the Community.

The Foreign Secretary considers that by far the most effective way of influencing the debate, and injecting greater realism into it, is by putting forward our own ideas on the lines set out in the paper for Chancellor Kohl which we have sent you separately. This will enable us to help set the agenda for the discussions likely to take place at and after Fontainebleau in a manner consistent with our interests.

The ideas President Mitterrand has so far put forward on European union are somewhat ill-defined; and no formal proposals have yet been made. President Mitterrand was playing to the gallery before the European Parliament and wishes to be seen in France to be trying to put his own stamp on the Community, thereby stealing some of the opposition's clothes during the European election campaign. There is no doubt that ideas of this kind have been advanced in a manner designed to appeal to Chancellor Kohl.

There is an obvious tactical element in the French approach. President Mitterrand's speech was thin on firm commitments. For example, he endorsed the European Parliament's "inspiration" in proposing a treaty on European Union - not the terms of the treaty itself. There is therefore comparatively little of substance in the speech with which we would disagree. I enclose a paper which analyses the ideas in President Mitterrand's speech and suggests how we might comment on each of them as need arises.

In his comments to the press in France last weekend Sir Geoffrey Howe dismissed any suggestion that talk of a two tier Community was addressed to us. He pointed out that we are major participants in every aspect of European activity, not least the defence of Europe; that on many issues we wish to move further and faster than our partners (eg on completion of the internal market): and that already different member states combined in different grouping for different purposes eg Airbus and Jet.

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Sir Geoffrey Howe considers that it will be important, in the bilateral discussions in the margins of the Economic Summit, to continue to make clear that we intend to play our full part in the further development of the Community. The opportunity should also be taken to remind other European leaders that the future development of the Community is not an alternative to solving the Community's present difficulties - its future viability depends on solving those difficulties first.

Sir Geoffrey Howe will be sending the Prime Minister some further thoughts on the handling of Community issues, particularly budget imbalances, in the meetings she will be holding in the margins of the Economic Summit with President Mitterrand, Chancellor Kohl, Signor Craxi and M. Thorn.

I am copying this letter and enclosure to David Peretz (HM Treasury), Callum McCarthy (DTI), Ivor Llewelyn (MAFF) and Richard Hatfield (Cabinet Office).

A handwritten signature in blue ink, appearing to read 'R B Bone', written in a cursive style.

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

PS You may also have seen the editorial comment on this theme in the Daily Express on 31 May: copy enclosed.

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PRESIDENT MITTERRAND'S IDEAS ON THE FUTURE DEVELOPMENT OF THE
EUROPEAN COMMUNITY: COMMUNITY INSTITUTIONS

1. In his speech to the European Parliament on 24 May, President Mitterrand put forward the following ideas:

(a) The unanimity rule for decision-taking in the Council of Ministers had been taken too far - even further than was envisaged in the Luxembourg Compromise. This was a recipe for total inaction. The French Government had already proposed restricting the use of the Luxembourg Compromise to clearly defined instances. The fact that majority voting on important questions has already become more common showed that a return to the Treaty had begun.

(b) The European Council should no longer be used as a permanent Court of Appeal. The Commission and the Council of Ministers should fulfil their responsibility for the conduct of Community policies. The European Council should establish the broad objectives. The European Council should have a permanent secretariat for political cooperation.

(c) Relations with the Parliament should be improved by a modified conciliation procedure.

(d) Thought should be given to means of providing greater continuity between Presidencies.

(e) Each new situation in the Community required a new method of approach. The Parliament had proposed a Treaty of European Union. France supported the inspiration behind this idea. There should be a preparatory discussion which might lead to a conference of interested Member States.

(f) While not explicitly supporting the idea of a two-speed Europe, President Mitterrand implied support for flexible arrangements to enable the Community to respond to particular needs. He cited as examples of areas where Community cooperation already went further than was laid down in the Treaty of Rome: education, health, justice, security and the fight against terrorism.

/Analysis

Analysis of French ideas on Institutional Reform(i) Majority Voting

2. Article 148 of the Treaty of Rome provides that "save as otherwise provided in this Treaty, the Council shall act by a majority of its members". The Community is committed, by the Genscher/Colombo Declaration of June 1983, to observe the decision making procedures laid down in the Treaties, and to taking "every possible means of facilitating the decision-making processes, including, in cases where unanimity is required, the possibility of abstaining from voting".

3. When the Declaration was signed, all Member States made entries in the minutes, recording their positions on majority voting. The United Kingdom (and Denmark) recorded their view that "when a Member State considers its very important interests to be at stake, discussion should be continued until unanimous agreement is reached". The French recorded their view that voting should be postponed "if one or more Member State so requests in order to defend an essential national interest directly related to the subject under discussion, which they confirm in writing". The only formal differences between the French and UK positions on majority voting are, therefore, the French view that the national interest involved should be directly related to the subject under discussion and should be confirmed in writing.

Comment

4. President Mitterrand does not appear to have gone any further than the existing French position. Other French Ministerial comment has been similarly guarded. There does not appear to be any intention to extend majority voting to areas at present requiring unanimity. President Mitterrand made no reference to the recommendation of the European Parliament, in their draft Treaty of European Union, that the practice of unanimity should be phased out over 10 years.

/Line to take

Line to take

5. We favour recourse to majority voting where the Treaties so provide, unless a member state judges that a very important national interest is at stake, in which case discussion should continue until agreement is reached. The number of occasions on which the Luxembourg Compromise is invoked is in fact minimal. We do however agree that the Council has fallen too much into the habit of seeking unanimous agreement even where no major interest is at stake. We therefore agree with the aim, already inherent in the Treaties and confirmed in the Genscher/Colombo Declaration, that we should try to improve decision-making processes. The Treaty provides for unanimity in a large number of cases. So more often it is a question of mustering the collective will to take action than one of specific blocking measures by individual Member States vis for instance the lack of progress on achieving a common market in services.

(ii) Role of the European Council/Permanent Secretariat

6. It is not clear exactly what the French have in mind. In a speech on 23 May, the French Minister for European Affairs, M Dumas, referred to the idea of a Permanent Secretariat to prepare European Council meetings, saying that it should form part of the Secretariat of the Council of Ministers working to an Assistant Secretary General. It should not be composed of separate representatives of the ten Member States. President Mitterrand's words were ambiguous. He appeared to refer to the need for a secretariat to support the political coordinating functions of the European Council. M Cheysson, however, in discussion at last weekend's informal meeting of Foreign Ministers, said that Political Cooperation could be made more effective with a permanent, skilled staff ie implying a secretariat to service political cooperation meetings at Political Director and Foreign Minister level.

7. The Germans have not so far put forward their own ideas, but our Embassy in Bonn have been told by the Chancellor's Office that the Germans also have in mind a Secretary General to serve the
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European Council and the Presidency. The Secretary General would head a staff of about thirty people, who would prepare the work of the European Council and also provide a secretariat for Political Cooperation.

Comment

8. We are not persuaded of the merits of a Political Cooperation Secretariat to be grafted on to the Council Secretariat in Brussels. The real business of Political Cooperation takes place in the Presidency capital, under the direction of the Presidency Foreign Minister and Political Director. Even with a Presidency Secretariat in Brussels, all important Presidency activity would continue to take place in the capital of the Presidency. The Secretariat in Brussels would have little to do and no obvious place in the decision-taking processes in Political Cooperation. The situation would change if Political Cooperation became Brussels-based - like Community activity - but this would be resisted by some Member States, including, probably, the French.

9. We also question the need for a Permanent European Council Secretariat. The Foreign Affairs Council is responsible for preparing European Councils and the creation of a Permanent Secretariat could affect the authority of the Council, contrary to President Mitterrand's declared aim of enhancing the Council's authority. We should not, however, oppose a small Secretariat if that were the general wish of other member states, there was a proper relationship with the Council Secretariat and it was clearly understood that it did not affect the authority of the Council of Ministers.

Line to take

10. We very much agree that the European Council should not simply be a Court of Appeal from the Council. Its true and irreplaceable task is to provide strategic direction and political impetus for all areas of Community work and Member States' cooperation. We agree on the need to look at ways of making the work of the European Council more effective. We might look at the
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structure of European Council meetings. There may be a case for one of the annual meetings being conducted on a more informal basis than at present without advisors. The European Council should also consider setting out each year a brief and succinct statement of priorities to guide the work of individual Councils and to give a public statement of its targets and priorities. At the same time, to ensure that the Community's agenda is not overloaded, the Commission might conduct a rigorous review of existing proposals so that those which are hopelessly blocked can be weeded out, and those which remain a priority but are unnecessarily obstructed can be brought to the notice of the Council.

11. As to the idea of a Permanent Secretariat, we look forward to hearing more about French ideas. It is important not to proliferate bureaucracies. We must make maximum use of the existing Council Secretariat. It will be important not to undermine the role of Foreign Ministers in preparing the European Council. There may be a case exceptionally for some additional preparation by representatives from capitals, plus Permanent Representatives, to review matters likely to arise in the Summit, and to draw the attention of Foreign Ministers and Heads of Government to any particular objectives and linkages with other business.

(iii) Conciliation

12. The Joint Declaration between the Council and Parliament of 4 March 1975 agreement was designed to avoid a situation in which the Parliament's opinion on draft legislation was simply overridden by the Council if Council and Parliament happened to disagree. It provided for a conciliation procedure between Council and Parliament where the two were in disagreement on draft legislation covering proposals "with appreciable financial implications". The Solemn Declaration of June 1983 provided that the Council would enter into talks with the European Parliament and the Commission with the aim of improving and extending the scope of this conciliation procedure to all important items of proposed

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Community legislation.

13. The French Presidency have now put forward a text designed to implement the commitment in the Solemn Declaration. The UK's response to the French Presidency proposal is currently the subject of inter-Ministerial correspondence. Given the fundamental opposition of the Danish parliament to extension of conciliation, formally recorded when the Solemn Declaration was adopted, early progress is unlikely. If agreement is reached in the Council, there will then have to be discussion with the Parliament and the Commission to agree a new Joint Declaration.

Line to take

14. French Presidency have put forward detailed proposals as to how the commitment in the Solemn Declaration to improve and extend the scope of the existing conciliation procedure should be implemented. These proposals are being discussed in Brussels. It is now a matter of agreeing how best this might be achieved.

(iv) Greater Continuity Between Presidencies

15. In Political Cooperation a Troika system already operates, whereby the Presidency country associates the outgoing and incoming Presidencies with its work. The French have not spelled out what in detail President Mitterrand might have in mind as regards the Council.

Comment

16. The Presidency has become very important, particularly in relation to the Parliament, due to the increased range of subjects dealt with by the Community. This puts greater pressure on the Presidency to come forward with suitable proposals and to negotiate compromises. At the same time, the Council and its members are acquiring more obligations to represent the Community vis à vis other countries and institutions. There are stresses and weaknesses in the present system:

- (a) The general problem of a lack of continuity between Presidencies which leads to an element of "stop-go" in the
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conduct of Council policies.

(b) The difficulty which the Presidents of Specialist Councils find in getting to grips with their subjects during their six months tenure.

(c) The difficulty in steering initiatives to agreement within one Presidency period. Sustained political effort over two or three Presidencies is usually needed. Present arrangements however leave much to chance on the extent to which the subsequent Presidency will pursue the policies of its predecessor, even when policy aims are widely shared by other Member States.

(d) Some Presidencies, particularly the smaller ones, have problems meeting all the commitments which the Presidency imposes on Ministers. The European Parliament alone involves about 40 Ministerial attendances during the Presidency.

17. The idea of a Troika for Council business, ie cooperation between the existing Presidency and the incoming and outgoing Presidencies, has been aired before but could be unnecessarily cumbersome. The alternative approach might be to formalise an arrangement under which the Presidency would associate the incoming Presidency with some of its work. The aim would be to provide political continuity, to run in the next Presidency and to relieve the load on the current Presidency. It would be for the Presidency in Office to determine how this would work in practice. Obvious examples of tasks which could be delegated are aspects of relations with the European Parliament and perhaps some functions vis à vis third countries.

Line to take

18. Agree that the burdens on the Presidency are now such that some means should be found to alleviate the load and of forging greater continuity between Presidencies, particularly where policy initiatives need to be sustained between one Presidency and another. We would be in favour of looking at ways of associating the incoming Presidency with the work of the existing Presidency. This would not be a question of creating a new Community

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institution, but of finding practical ways of making the present set-up more effective.

(v) European Union

19. The European Parliament's draft Treaty of European Union, while based on the provisions of the existing Treaties, would provide for the formal union of all Member States which would have a collective legal identity. The Treaty would also enhance the powers of the Parliament by giving it joint legislative authority with the Council. Member States' ability to have majority votes deferred would be phased out over a ten-year period.

20. President Mitterrand did not endorse the details of the draft Treaty, merely its inspiration and the concept of European Union. The French Government would have just as many difficulties with the detailed provisions of the Treaty as the UK. Nor would they be likely to go as far as the Germans who appear to be thinking in terms of a commitment towards European Union on federal lines: a United States of Europe.

Comment

21. All Member States are already committed by the preamble of the Treaty of Rome to "an ever closer union among the peoples and Member States of the European Community". Member States also committed themselves, in the Solemn Declaration of June 1983, to "transform the whole complex of relations between Member States into European Union". The Declaration also committed the Community to a general review of progress towards European unification no later than five years from signature of the Declaration and to deciding, in the light of that review, whether progress achieved should be incorporated in a Treaty on European Union.

Line to take

22. We are committed, by the Treaty of Rome, and by the Solemn Declaration signed by Heads of Government last year, to work towards European Union. The Solemn Declaration looks forward to a
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review in 1988 including the question of whether a Treaty of European Union should then be drawn up. If any Member State has specific proposals for change or addition in the meantime, we shall be ready to consider them. President Mitterrand made clear that he was not talking about changing the existing Treaties but of supplementing them as necessary. What is needed now is a greater mobilisation of the political will of Member States to make headway in the framework of the existing Treaties. That is one of the things that has emerged during the French Presidency, eg the new thrust being made for the removal of frontier restrictions; the new thrust being made for the adoption of a Common Standards Directive; the new thrust being made for a more quota-free road transport policy and the commitment to a better Community air transport policy. Those are things that can be done and should be done within the existing framework. We can look within the arrangements already in place at what more would be possible or desirable in terms of the Treaty.

(vi) Two-speed Europe

23. Talk of a two-speed Europe has been increasingly prevalent over the last six months. Following the failure of the Athens European Council last December, Chancellor Kohl implied that the original Six must get together to make progress if agreement could not be reached among the Ten. Belgium and Luxembourg have made similar suggestions, more explicitly directed against the United Kingdom. Before President Mitterrand's speech there had been references by French Ministers to the possibility that, if the Community could not reach agreement on the post-Stuttgart negotiation, those Member States interested in making progress should meet to decide the future course of action.

24. In an interview following President Mitterrand's speech to the European Parliament, M Dumas denied that President Mitterrand had been suggesting a conference of less than ten Member States or that he had aimed his remarks about a two-speed Europe at Britain. He had simply wanted to leave a certain flexibility. The hard core of the Community was the Six. One could build on that in
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concentric circles of different dimensions. M Dumas said that he was in favour of doing as much as possible at the level of ten and had noted Sir Geoffrey Howe's statement Britain did not intend to be left out of new projects.

Comment

25. There is no doubt that much of what President Mitterrand said was directed at the practical problems facing the Community: the role of the Community already carried it beyond the framework of the Treaty of Rome into areas such as health, education, justice, security and the fight against terrorism. Each time that the Community had faced a new issue it had created an institution to deal with it, eg the European Council, Political Cooperation, or the EMS. Equally, of course, it serves French purposes quite well to hint that, if Britain does not play the game according to the rules laid down by the Six, they will leave her behind - including in areas where exclusive Franco-German cooperation could be damaging to our interests.

26. The UK draws a distinction between the requirements of Community practice as laid down by the Treaties, which do not permit a two-speed Europe, and practical developments where flexibility makes sense. We do not oppose pragmatic groupings of Member States for particular purposes. For example, we ourselves do not participate in the exchange rate mechanism of the EMS; UK is part of the Airbus project; some other Member States are not. France and Germany are embarking on bilateral arrangements to diminish frontier formalities. Our policy is that action undertaken in the Community framework must continue to be on the basis of equal rights and equal obligations. For practical reasons, it may make sense for participation in some new ventures to be optional provided that it is open to other Member States to join in as and when they are able to do so.

Line to take

27. The Community is in some respects already a variable geometry Community and a multi-speed Community in the sense that there are different partnerships and different groupings between different

/Member States

Member States for different objectives. Participation of all ten Member States in every enterprise is not practical. But there should be no rigid distinctions between different groups of participants. The possibility of action financed by the Community, or with Community law as its legal base, should be examined before it is decided to proceed on a more limited basis. Britain is a member of every one of the European organisations, from NATO to the EC: a full member and a fully participating member of all of them. We want a high speed Community. In many aspects of what the Community wants to achieve, Britain is pressing faster and more energetically for progress than many of our partners. But the idea of separating the Community into two speeds would lead to some very curious divisions because at different times different Member States have been more or less reluctant than others to move ahead. How the Community operates as a Community is laid down by the Treaties and what we want is the fastest possible progress within that framework.

A chance to right Europe's balance

PRESIDENT MITTERRAND of France and Chancellor Kohl of Germany are getting a little too close for comfort. A Paris-Bonn axis running Europe is bad news for Britain. Preventing such domination was a prime reason for us joining the Common Market.

But sulking, mere negative opposition, will do no good. We must use our talents to turn the dual alliance into a triple alliance.

M. Mitterrand has urged greater European collaboration in defence, space, aviation and technology. We should take him up on this.

British inventiveness, French flair, and German efficiency would prove a formidable combination in a world where the Americans — with the Japanese coming up fast — are disproportionately strong.

Mrs Thatcher should use the opportunity of the Economic Summit meeting in London next week to take the initiative in righting the European balance of power which could tilt dangerously against us.

EURO POZ: Budget Pt 24

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