

Ref. A084/2461

PRIME MINISTER

Cabinet: Community Affairs

You will wish to inform the Cabinet that the nomination of Lord Cockfield and of Mr Clinton Davis to the European Commission represents a commitment to an effective Commission and to the strong promotion of British interests there. In particular, the decision to nominate a serving Cabinet Minister should be given weight.

2. You may also wish to refer to your discussion with Dr Garret FitzGerald on 3 September.
3. The Chancellor of the Exchequer will report on the discussion of the proposed Community 1984 supplementary budget and the 1985 preliminary draft budget at the Council of Ministers (Budget) on 6-7 September, at which the Economic Secretary, Treasury represented the United Kingdom. The Economic Secretary set out the conditions on other budgetary questions (in particular, United Kingdom rebates and budgetary discipline) which would make it possible for the United Kingdom to agree to some supplementary financing in 1984 by an intergovernmental agreement, subject to Parliamentary approval. He made solid progress on two points -
 - i. a further significant reduction in the size of the proposed supplementary budget for 1984 which has now been brought down from over 2300 million ecu to 1003 million ecu. This represents some real savings and, in practice, some deferrals into 1985 from which the United Kingdom also benefits because the favourable Fontainebleau system will apply to 1985 expenditure;
 - ii. recognition by the other member states that we need to be satisfied on the package. In particular, they understand that the United Kingdom is not going to



actually pay a penny piece towards 1984 supplementary financing unless it is clear that the European Parliament is removing the block on the 1983 refund.

Notwithstanding the progress made, it was not possible to establish the 1984 supplementary budget or the 1985 preliminary draft budget because the United Kingdom was not yet fully satisfied on the other elements. The United Kingdom's package approach and the results of the Budget Council have been generally well received by British public and press opinion. Other member states, because there is again a nine to one situation, are critical and resentful. It is, therefore, important that we should conclude the package on terms acceptable to us but before the time-bomb explodes.

4. The main points remaining after the Budget Council are -
 - i. 1983 refund. We need to make quite clear that, whether or not the draft budget has been agreed by the Council and sent to the European Parliament, the funding under the intergovernmental agreement from the United Kingdom Parliament will not be forthcoming unless the block on the 1983 refund has been removed;
 - ii. 1984 refund. We have to be satisfied that the decision of the European Council at Fontainebleau (1000 million ecu on the revenue side in 1985) is really being implemented;
 - iii. budget discipline. The European Council having instructed the Council to adopt "the measures necessary to guarantee the effective application of the principles" of budget discipline, these measures must be incorporated formally in the Community's budgetary procedures. The Chancellor of the Exchequer will be dealing with this point at the informal meeting of Finance Ministers on 15-16 September;
 - iv. 1985 budget. The 1985 budget will be established within the 1 per cent value added tax ceiling. We need to avoid any further misunderstandings and protect our position



by making clear formally that if any supplementary finance were needed later in 1985, we would require this to be found by the proper procedures of the new Own Resources Decision.

The discussion on all these points will be resumed in the Foreign Affairs Council on 17-18 September when all other member states will be expecting the 1984 supplementary budget to be established so that the procedures with the European Parliament can begin. We shall therefore need clear-cut assurances in the Foreign Affairs Council.

5. The Foreign and Commonwealth Secretary will report on the Council of Ministers (Foreign Affairs) on 3 September which discussed the enlargement negotiations. The Minister of State, Foreign and Commonwealth Office (Mr Rifkind) represented the United Kingdom. A realistic assessment is that no progress was made. Subsequently, however, it has been agreed that the Presidency should present to the Foreign Affairs Council on 17-18 September a package covering the main outstanding problems in determining the Community's position in the accession negotiations. This may launch a more determined effort to push the negotiations ahead. You are holding a meeting with the Ministers principally concerned immediately after Cabinet.

6. The Foreign and Commonwealth Secretary will report on the informal meeting of Foreign Ministers on 11 September which dealt with political co-operation. There was agreement on a set of measures to combat terrorism and the abuse of diplomatic immunity which the Foreign and Commonwealth Secretary has welcomed as "a major advance in the fight against terrorism".

7. The Minister of Agriculture, Fisheries and Food will report on the meeting of the Council of Ministers (Fisheries) on 10 September, at which the United Kingdom was represented by the Minister of State, Ministry of Agriculture, Fisheries and Food (Mr MacGregor) and the Minister of State, Scottish Office (Lord Gray). Confronted with a nine to one situation the United Kingdom invoked the Luxembourg compromise in order to



prevent a vote on the Commission's proposal for a permanent increase from 10 per cent to 20 per cent in the permitted by-catch (ie the amount of generally immature white fish which the Danes may take) within the area of the North Sea known as the Norway pout box. As a result the negotiation resumed and the final agreement was that the increase should not be permanent but should be for one period of eight months; and that the figure should be 18 per cent, of which only 8 per cent could be of the most sensitive species. This is markedly better but Scottish fishermen have still strongly criticised the agreement.

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12 September 1984