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PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the Community budget discussions in the Council of Ministers (Foreign Affairs) on 17-18 September. He may also refer (in the absence of the Chancellor of the Exchequer from Cabinet) to the work of the informal meeting of Finance Ministers in the Republic of Ireland on 15-16 September. The United Kingdom made considerable progress this week on two of its immediate objectives in these discussions: first, on keeping the whole package of issues together, as agreed at your meeting on 3 September; and, secondly, on highlighting the inconsistent and in some cases scarcely defensible position of some other member states, thus putting pressure on them to move towards our position. Our negotiating situation for the resumed discussion on 1-2 October is improved. There are, however, important points of substance still to be settled on the United Kingdom rebates, the date at which the revised Own Resources Decision would come into effect and on budgetary discipline. On the United Kingdom's 1983 rebate the Foreign and Commonwealth Secretary made quite clear that, whether or not the supplementary budget is formally established, the United Kingdom Government and Parliament will not actually provide any supplementary funds until it is certain that the European Parliament is lifting the block which it ill-advisedly imposed. On the 1984 rebate (which will actually be a deduction of 1000 million ecu or about £580 million from our VAT contribution) all member states are repeating their willingness that this should be implemented, as agreed at Fontainebleau, in 1985. We still have to be satisfied, however, that the text meets this requirement. On the date of entry into effect of the new Own Resources Decision we and eight

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other member states wish it to be open for this to be during 1985, so that any supplementary budget in 1985 could be financed by the proper procedures under the Treaty through the own resources system: the Germans, however, have so far not been able even to accept the option. On budgetary discipline the informal meeting of Finance Ministers moved forward in specifying points to go into the text necessary to effectively implement the Fontainebleau conclusions. The high level group of finance officials is meeting on 20 September to try to settle this text and there will be a meeting of the Council of Ministers (Finance) on 1 October intended to seek agreement. The Council of Ministers (Foreign Affairs) will also be meeting on 1-2 October.

2. The Foreign and Commonwealth Secretary will report on the remaining points discussed in the Foreign Affairs Council on 17-18 September, in particular enlargement and some trade issues. The Council, despite a very long and difficult session, did not reach agreement on the whole package of outstanding questions in the preparation of its position for the negotiations with Spain and Portugal. It did agree, however, that the Commission should discuss with the Spanish the accelerated dismantling of their high industrial tariffs, as proposed in the Commission's latest document which we support. This is satisfactory. The Council also came close to agreement on olive oil but Greece blocked this (the Italian position was more reasonable). On trade and the internal market, after Denmark lifted its long-standing reserve, the Council adopted the package of 15 directives on the elimination of technical barriers to trade within the Community and also the common commercial policy regulation.

3. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 17-18 September which discussed the implementation of the milk supplementary levy and the reform of the wine regime. There was pressure on Italy from the Commission and other member states to implement the milk

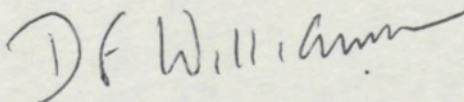
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quotas properly. Most member states followed the United Kingdom's example in pressing for uniform application and it was agreed that the Council should re-examine regularly the implementation of the quotas. There was little or no progress on wine reform.

4. There will be informal meetings of Social Affairs Ministers on 20-21 September and of Agriculture Ministers on 23-26 September.



D F WILLIAMSON

19 September 1984

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