



Foreign and Commonwealth Office

London SW1A 2AH

4 December, 1984

*Dear Charles,*

UN Law of the Sea Convention (UNLOSC)

The Foreign Secretary minuted to the Prime Minister on this subject on 30 November. This letter summarises the responses we have had to that minute, and proposes a course of action.

The Prime Minister was, I understand, concerned about Community competence on taxation and on the continental shelf. On both these subjects the rules are not affected by Community signature of the Convention, and the Community would not by virtue of its signature be able to do anything which it cannot already do under the Treaty of Rome without signature.

The extent of Community competence in areas covered by the Convention would be clearly set out in one of two declarations to be made at the time of Community signature. Texts have been agreed among all the Member States. They do not assert any competence for the Community in connection with revenue contributions from the continental shelf.

On taxation, the Community's rules and powers at present cover discriminatory internal taxes, VAT harmonisation and certain forms of harmonisation of other indirect taxes. The provisions of the Convention relating to revenue-sharing are more akin to royalties than to taxation. There are no Community rules on royalties on production of minerals by the state or other persons. There is therefore no relevant Community competence in either of the two fields raised by the Prime Minister which affects our policy on signature.

The Chief Secretary's office have confirmed that it is also the view of the Treasury and Inland Revenue that Community signature would not change the present position on taxation. The Treasury have no other comments on the Foreign Secretary's minute.

Mr Walker and Mr Lamont have both indicated that they would not wish to stand in the way of Community signature, provided that the declarations to be made by the Community on signature indicated more clearly the limited nature of Community competence on the subjects covered by the Convention. Both have proposed limited drafting changes. The Foreign Secretary agrees that it would be right to require changes to the Community

CONFIDENTIAL



declaration which would make more clear the limited competence of the Community in the Convention or the work of the Preparatory Commission.

Subject to the Prime Minister's views, the Foreign Secretary therefore proposes to instruct Sir Michael Butler in Brussels to seek amendments along the lines requested by Mr Walker and Mr Lamont, and provided that these are agreed, to indicate that the UK would not make objection to Community signature. The last occasion on which these changes could be negotiated would be at COREPER on the afternoon of 5 December. Formal confirmation of the Community's decision would be obtained at the Environment Council on 6 December, and announced to Parliament that afternoon.

I am copying this letter to Michael Reidy (DOE), Callum McCarthy (DTI) and Richard Broadbent (Chief Secretary's Office).

*Yes ever,*

(P F Ricketts)  
Private Secretary

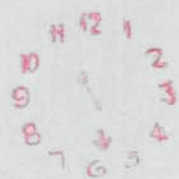
*Peter Ricketts*

C D Powell Esq  
10 Downing Street

CONFIDENTIAL



-4 DEC 1984



CONFIDENTIAL



FILE

10

10 DOWNING STREET

cc: P.C.

*From the Private Secretary*

5 December, 1984

UN LAW OF THE SEA CONVENTION (UNLOSC)

Thank you for your letter of 4 December about Community signature of the UN Law of the Sea Convention.

In the light of the comments in your letter, the Prime Minister is ready to acquiesce in Community signature of the Convention provided that the declarations to be made by the Community on signature are strengthened as proposed in your letter to bring out more clearly the limited nature of Community competence on the subjects covered by the Convention.

I am sending a copy of this letter to Michael Reidy (Department of Energy), Callum McCarthy (Department of Trade and Industry), Richard Broadbent (Chief Secretary's Office) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

P. Ricketts, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL

67



10 DOWNING STREET

1

Prime Minister

This has now been  
gone into very thoroughly.  
Other departments, including  
Energy & Treasury, acquiesce  
in Community signature,  
provided that the  
accompanying declaration  
sets out even more  
clearly the limited nature  
of Community competence. This  
should be obtainable.

Agree to Community  
signature on this basis?  
(Deadline is tomorrow).

C.D.P. 4/xii

GEND  
PC

Treasury Chambers, Parliament Street, SW1P 3AG

P F Ricketts Esq  
Private Secretary to the  
Foreign Secretary  
Foreign & Commonwealth Office  
Downing Street  
London  
SW1

Dubs  
20/12

19 December 1984

Dear Peter,

**UN LAW OF THE SEA CONVENTION**

I have seen a copy of your letter of 4 December recording the views of Revenue and Treasury as conveyed by this office. This letter confirms for the record that it was the view of officials in both departments, having consulted their opposite numbers in your department and the Department of Energy, that Community Signature of the Convention would not compromise in any way UKCS oil exploration or tax take. EC signature would only make it party in respect of matters in which it has competence, and they have to make an accompanying declaration of the areas in which they have competence. These do not include UKCS oil exploration or tax take. In the light of your department's advice on the areas of competence, officials' view was that signature would not affect any EC claims or competence in relation to the UKCS. I can also confirm that the Treasury had no other comments to offer on the Foreign Secretary's minute of 30 November to the Prime Minister.

These are, of course, certain ways in which the Convention, if eventually signed and ratified by the UK, could possibly affect UKCS tax, including the looser requirement on abandonment, and the extension of the UKCS beyond 200 miles. However, it is not certain what is the customary or emerging international law in these areas and hence what the effect of the Convention would be. There would also be costs in relation to the establishment of the International Sea Bed Authority. These however are matters bearing on the substance of the Treaty which were not relevant to the immediate issue of EC signature.

CONFIDENTIAL

I am copying this letter to Charles Powell, Michael Reidy  
and Callum McCarthy.

*Yours sincerely*  
*Paul Pegler*

**PAUL PEGLER**

**Assistant Private  
Secretary**

CONFIDENTIAL

20 DEC 1984

11 12 1 2 3 4  
5 6 7 8 9 10