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PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will wish to report on the outcome of the Foreign Affairs Council on 25/26 October. This finally reached agreement, subject to a French reserve for three days, on the implementation of the 25 May Agreement on the United Kingdom's 1982 budget refunds. Under the settlement the United Kingdom will receive one billion ecus gross before the end of 1982, three to six months earlier than originally agreed, and any payments under the risk sharing formula in 1983 rather than 1984; the net effect after our contribution to the German refund will be that the United Kingdom will receive the 850 mecus net originally agreed. The Council also agreed that the Danish Presidency should make a démarche to the Argentine on the reciprocal lifting of trade sanctions.

2. The Minister of Agriculture, Fisheries and Food will wish to report the outcome of the Fisheries Council on 25/26 October. Nine member states reached agreement on a Common Fisheries Policy package based on final compromise proposals tabled by the Commission. The Danes would not accept unless they were given a quota of 20,000 tonnes of western mackerel and seven licences in the Shetland box. They are considering their position over the next 10 days in the hope that they will be able to agree. If there is continued Danish opposition the Council will consider alternatives including national measures at its next session on 8 November.

3. The Secretary of State for Industry, in addition to noting the conclusion of the EC/United States agreement on steel imports on 21 October, may wish to report on his discussions in Brussels the same day with Commissioner Davignon on the need for a significant tightening of the voluntary restraint arrangements governing steel imports from non-Community countries, which come up for renewal at the end of the year, better policing within the Community of the mandatory production quotas and rules about pricing, and the

importance of other EC steel industries matching the restructuring which has already taken place in the United Kingdom. The Minister for Trade spoke similarly at the Foreign Affairs Council.

4. There were also meetings of Justice Ministers on 25 October and of the Standing Employment Committee on 26 October, but neither produced results of interest to the Cabinet.

5. Immediately after Cabinet E Committee will be considering papers on trade policy by the Secretary of State for Trade, the Foreign and Commonwealth Secretary and the CPRS, about the need to defend British industry in the face of protectionist trade policies against our exports. You will be meeting Chancellor Kohl at the Anglo-German Summit meeting on 28/29 October, and President Mitterrand at the Anglo-French Summit meeting on 4/5 November. The Research Council meets on 4 November.

ROBERT ARMSTRONG

27 October 1982