



Ref. A085/79

PRIME MINISTER  
\_\_\_\_\_Cabinet: Community Affairs

If the point has not already been dealt with under Parliamentary Affairs, the Chancellor of the Exchequer may refer to the handling of supplementary finance for the 1984 Community budget under the Intergovernmental Agreement of 2-3 October 1984. It was originally planned to obtain Parliament's approval by a section 1(3) Order under the European Communities Act 1972. Attempts by Mr Oliver Smedley to challenge this procedure were rejected by the Court of Appeal, but he intended to seek authority next week from the Appellate Committee to take his appeal to the House of Lords. He would probably not succeed again but the delay has made this procedure more vulnerable since there is a reference to contributions being "paid in 1984". The Solicitor General's Opinion is that, although the balance of probabilities remains in the Government's favour, there would be some risk of a successful challenge. The Economic Secretary therefore proposed to his colleagues on 7 January that the alternative procedure of a Supplementary Estimate and Special Consolidated Fund Bill should now be followed. This might appear to concede the procedural point to Mr Smedley, but it would be much less vulnerable to legal challenge. You endorsed the Economic Secretary's recommendation, which the Lord Privy Seal has also agreed.

2. The Minister of Agriculture, Fisheries and Food may also refer to the milk supplementary levy. Cabinet decided on 13 December (CC(84) 41st Conclusions, Minute 3) that the United Kingdom should not collect and pay the levy owed in respect of Northern Ireland if another member state such as France was not doing so, but that we must not be the only member state to refuse



to collect and pay over the levy. There seems no reason to revise this decision now, particularly since we do not yet know what the new Commission will propose. So far, no member state has actually paid over the levy due although Germany and the Republic of Ireland have collected it. The Commission had already deducted from their advances to member states the amounts they considered to be due. They have also penalised member states who have not collected the levy by removing 25 per cent of the normal advance for milk expenditure in January - £11.8 million in the case of the United Kingdom. This is not expected to cause the Intervention Board any immediate problems.

Flag B — The Minister of Agriculture, Fisheries and Food's letter of 21 December to the Foreign and Commonwealth Secretary recommended that the United Kingdom should wait for the views of the new Commission and that, unless the French move, the best solution might be to defer levy collection until April (end of the milk year). The Chancellor of the Exchequer, in a letter of 7 January to the Minister, doubts whether this is in our best interests. He would prefer the United Kingdom to persuade the other member states in our position to agree before the next Agriculture Council on 14-15 January to collect the levy this month provided that the Commission takes effective action against France and other defaulters. This may be a possible solution later but it would be premature to decide until we know whether or not the new Commission will propose a deferment of the levy collection.

Flag D — 3. A summary of the Council meetings held after the last Cabinet in 1984 is at Annex A. Agreement was reached with Spain on the whole of the industrial chapter, including cars, on terms satisfactory to the United Kingdom; on the single administrative document replacing a multitude of documents accompanying goods at the Community's internal frontiers; on fish quotas for 1985 and related agreements with third countries; and on Community research programmes for the next four to five years. In general, these results were good for the United Kingdom.



4. There will be an Agriculture Council on 14-15 January, and you are meeting Chancellor Kohl on 18 January.

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ROBERT ARMSTRONG

9 January 1985

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## MEETINGS OF COUNCILS OF MINISTERS IN LATE DECEMBER 1984

1. There were a number of meetings of Councils of Ministers after the Cabinet meeting on 13 December in the period up to the Christmas holiday.
  
2. The Foreign Affairs Council on 17-18 December, at which the Minister of State, Foreign and Commonwealth Office (Mr Rifkind) and the Minister for Trade (Mr Chammon) represented the United Kingdom, was primarily devoted to enlargement. The Council was at last able to adopt the Community's negotiating position on the long-outstanding fisheries and wine dossiers, while meetings with the Spanish and Portuguese led to agreement with Spain on industrial tariffs including cars, the European Coal and Steel Community, and institutions. The important agreement on industrial tariffs provides for the dismantling of tariffs in seven years so that after three years the tariffs will be reduced by  $52\frac{1}{2}$  per cent. In addition there is a low tariff ( $17\frac{1}{2}$  per cent) quota for cars starting at 32,000 in 1986 rising to 36,000 and 40,000 over the next two years. A major problem was the allocation of national shares of this quota; on any basis acceptable to other member states, the United Kingdom share would have been miniscule. In fact, the United Kingdom and Italy were given reserved annual shares of 2,000, with the rest freely available subject to Commission monitoring. However, the Minister for Trade made a private agreement with the Spanish Foreign Minister which gives us a guaranteed allocation of 5,000 cars in 1986 with 6,000 and 7,000 in subsequent years. The Spanish also agreed to make interim improvements to the existing quota for the second half of 1985. This agreement gives the United Kingdom a reduced duty quota more than double what we have now at a substantially improved level of duty, and when Spain introduces VAT on her accession the

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present 60 per cent tax and duty disadvantage for British cars trading outside the quota will be more than halved.

3. The Internal Market Council on 18 December, at which the Minister for Trade represented the United Kingdom, agreed the Single Administrative Document to speed up the clearance of goods across internal frontiers; the starting date is 1 January 1988 but it will be introduced on a trial basis beforehand.
4. The Fisheries Council on 19-20 December, at which the Minister of Agriculture, Fisheries and Food, the Minister of State (Mr Macgregor) and the Minister of State, Scottish Office (Lord Gray) represented the United Kingdom, reached agreement on total allowable catches and quotas for 1985 and on the related third country agreements, subject to a United Kingdom Parliamentary scrutiny reserve; this will be lifted after the fisheries debate later this month.
5. The Research Council on 19 December, at which the Minister for Information Technology (Mr Pattie) represented the United Kingdom, agreed a package of eight research programmes within an overall cost of 1225 mecu over their full duration of four to five years. The Commission originally proposed 1310-1340 mecu, and the United Kingdom, which had received only limited German support in seeking to limit this figure, agreed to 1225 mecu only on receiving a commitment from the Commission to reduce staff levels accordingly. We also made a unilateral statement about the need to consolidate the agreed programmes before embarking on any new decisions.
6. The Social Affairs Council on 13 December, at which the Secretary of State for Employment and the Parliamentary Under Secretary of State (Mr Patten) represented the United Kingdom, agreed the second EC anti-

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poverty programme; the United Kingdom was successful in reducing the expenditure total from 35 mecu over four years to 25 mecu, obtaining a review after three years to assess effectiveness, avoiding any commitment to further expenditure, and in cutting back intervention rates. The Council also agreed a young workers exchange scheme, a Recommendation on positive action for women, and a Resolution on long term unemployment which generally reflected United Kingdom policy.

7. The Industry Council on 17 December, at which the Minister of State, Department of Trade and Industry (Mr Lamont) represented the United Kingdom, made only limited progress and will return to steel issues at its first meeting in 1985. After the Council the Commission reached an agreement with the United States to restrict exports of EC steel pipes and tubes to 7.6 per cent of the American market; the United Kingdom's share will be almost unchanged at 0.4 per cent.