



Ref. A085/918

PRIME MINISTER

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Cabinet: Community Affairs

The Minister of State, Foreign and Commonwealth Office (Lady Young) will report on the outcome of the Foreign Affairs Council on 17 to 21 March. The Foreign and Commonwealth Secretary reported to Cabinet last week that there was a reasonable chance that this long Council, then still in progress, might reach agreement on the main points still outstanding on the negotiations on the accession of Spain and Portugal to the Community. In the event, despite considerable progress particularly on the difficult Spanish issues, negotiations were not completed. This was mainly because of French reserves on fish (and in particular the number of Spanish vessels that should be allowed to fish in Community waters) and wine (the amount Spain would be allowed to produce before compulsory distillation). The Spanish press is stating clearly that it was the French who prevented an agreement. A number of less controversial Portuguese issues also remain to be settled. The Foreign Affairs Council will resume on 28 March, with the Minister of State, Foreign and Commonwealth Office (Mr Rifkind) representing the United Kingdom. The Italian Presidency will make a strong effort to settle the outstanding issues at this resumed Foreign Affairs Council and not to refer them to the European Council of 29-30 March.

2. The Foreign Affairs Council also agreed the text of the new own resources decision, including provision for the United Kingdom's 1,000 million ecu abatement in respect of 1984, and implementation of the Fontainebleau mechanism for United Kingdom abatements in future. The only reserve is a Greek one, blatantly related to the integrated Mediterranean programmes.



Subject to ratification of the accession treaty, increased own resources for all other purposes would become available from 1 January 1986. Meanwhile, the Community's budgetary overrun in 1985 should be met through intergovernmental agreement.

3. The Secretary of State for Trade and Industry will report the outcome of the Industry Council on 26 March at which the Minister of State, Department of Trade and Industry (Mr Lamont) represented the United Kingdom. The main issue, on which satisfactory agreement was reached, subject to a Greek waiting reserve, concerned amendments to the steel aids code in order:

a. To extend the December 1984 deadline for payment of operating aid to December 1985. We supported because the British Steel Corporation requires such payments.

b. To permit member states to increase total aid to their steel industries by December 1985 beyond the levels agreed by the Commission in June 1983. This amendment is of particular concern to the French and Italians. We argued, together with the Germans and Dutch, that any such increased payments should be conditional on capacity cuts going beyond those required by the Commission in June 1983.

The terms of the agreed amendments were considered satisfactory for the United Kingdom. The French finally accepted wording which should allow them to delay further capacity cuts until after their Parliamentary elections next year - but not to avoid them completely.

4. The Minister of Agriculture, Fisheries and Food will report on the outcome of the Agriculture Council's first detailed consideration of the Commission's 1985-86 price-fixing proposals at its meeting on 25 to 27 March. Negotiations on the main elements of the package have been deferred until the Agriculture Council resumes next week, but the Presidency held a series of



bilateral meetings with member states in order to identify the main points of difficulty. The Minister of Agriculture, Fisheries and Food stressed the importance of an outcome to the negotiations which built on and reinforced the difficult decisions taken the previous year. The Germans were not prepared to relax their demands on cereals and Chancellor Kohl may pursue this in the European Council with the aim of weakening the Commission's proposal for a 3.6 per cent price reduction. Meanwhile the Presidency and the Commission will prepare a paper which will serve as the basis for discussion in the resumed session of the Agriculture Council next week.

5. You will be attending the European Council on 29-30 March, when the main business will be the integrated Mediterranean programmes and the report of the Dooge Committee. The resumed Agriculture Council will be meeting in Luxembourg from 1 to 4 April.

A handwritten signature in dark ink, consisting of the letters 'R' and 'A' in a stylized, cursive font.

ROBERT ARMSTRONG

27 March 1985