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bc PC

10 DOWNING STREET

From the Private Secretary

16 April 1985

Development of the European Community

The Prime Minister has considered the Foreign Secretary's minute PM/85/31 of 15 April about the handling of discussions of the future of the European Community between now and the European Council in June. She is content with the guidelines set out in it. I notice that the Foreign Secretary's minute was not copied elsewhere. The Prime Minister would want to be sure that her colleagues most closely concerned were also content with the Foreign Secretary's proposals before finally agreeing them.

I am copying this letter to David Williamson in the Cabinet Office.

(Charles Powell)

CST

C R Budd Esq
Foreign and Commonwealth Office

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Foreign and Commonwealth Office

London SW1A 2AH

18 April, 1985

NBM
CB

Dear Rachel,

Development of the EC

I attach a copy of a minute on this subject which the Foreign Secretary sent to the Prime Minister on 15 April.

The Prime Minister has said that she is content with the guidelines set out in the above minute, but would like before giving her final agreement to know whether the other Ministers concerned are also content. I should be grateful for any comments.

I am copying this letter to Private Secretaries to other members of OD(E), Richard Hatfield and Charles Powell (No 10).

Yours Sincerely,

Colin Budd

(C R Budd)
Private Secretary

Mrs Rachel Lomax
HM Treasury

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ack.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

1 May 1985

Charles Powell Esq
10 Downing Street
LONDON
SW1

NBM

Dear Charles,

DEVELOPMENT OF THE EUROPEAN COMMUNITY

(not COP but from FCO!)

Thank you for your letter of 18 April, enclosing the Foreign Secretary's paper on this subject, which we have shown to the Chancellor.

In general, the Chancellor agrees with the strategy and tactics the Foreign Secretary proposes for the consultations with other governments before the Milan European Council. There are, however, a few points of substance on which he has asked me to send you his comments.

As regards the "internal market" (paragraph 12) the Chancellor entirely agrees that we must do whatever we can to steer the Commission away from unacceptable proposals such as tax "approximation" to which they are giving far too much prominence. The Prime Minister will be discussing this at her meeting on 1 May with Lord Cockfield. If, however, as seems possible, the Commission stick to their proposal that all tax (and other) frontiers should be removed by 1992, we will have to make it clear, if necessary at the June European Council, that this is not acceptable. In the meantime it is desirable that we should seek other Member States' support on this matter and we will now start to do so through the Finance Ministry network. This is clearly a subject on which the Treasury will need to remain in the lead both in the run-up to and, if necessary after, the Milan European Council and any developments relevant to it should be reported to us as soon as possible. We should also seek to ensure that any proposals the Commission make are remitted to the ECOFIN Council.

The Chancellor has a number of comments on the decision-taking section of the paper. He is in general content with the line to take set out in paragraph 15(a), (b) and (c). As regards paragraph 15(b), he has asked me to point out that, though ECOFIN Councils are theoretically prepared by COREPER, in practice the Council generally relies for its advice on all major economic and monetary issues on the Co-ordinating Group, the Monetary Committee, the EPC, the Committee of Central Bank Governors etc. There can be no question of COREPER usurping the functions of these Committees and the Chancellor considers it unlikely that many occasions will arise when ECOFIN business can be decided at COREPER level. As regards paragraph 15(c), the Chancellor doubts whether there will in fact be many "non-sensitive" issues on which Member States will be willing to depart from the present practice of seeking a consensus, but, subject to the restatement of the Luxembourg Compromise in the terms proposed, he can go along with the line proposed.



The Chancellor also broadly agrees with the proposal described in paragraph 14 under which Heads of Government might from time to time stipulate that Member States should not make use of the unanimity rule to frustrate the achievement of an agreed objective. He suggests, however, that it would be better to say that Member States should endeavour not to make use of the unanimity rule, since the European Council quite frequently sets objectives only in fairly general terms, while the difficulties on which we or other Member States might want to invoke the unanimity rule will arise in the subsequent discussion of detail at Council level.

The Chancellor assumes that in practice both we and other Member States would be able to find suitable pretexts to invoke the unanimity rule, notwithstanding any European Council request to the contrary, if we needed to do so. He suggests that we would in any case need to exercise some caution in selecting issues on which the European Council might invite Member States to waive the unanimity rule; it is not obvious, for example, that we would get a better outcome on the non-life insurance directive by accepting a decision by qualified majority than by waiting for the European Court to give judgement in the cases currently before it.

Finally the Chancellor agrees entirely with what is said on the European Parliament and has asked me to emphasise the importance of avoiding any concession to the Parliament on their budgetary powers.

Copies of this letter go to Private Secretaries to Members of OD(E) and Richard Hatfield.

Yours ever
Recebel

MRS R LOMAX
Principal Private Secretary



cc: [initials]

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Secretary of State for Trade and Industry
PS/

30 April 1985

C R Budd Esq
Private Secretary to the
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AH

NBRM
CDP
3/4.

Dear Colin,

DEVELOPMENT OF THE EC

Thank you for sending me a copy of your letter of 18 April to Rachel Lomax. My Secretary of State has discussed its attachment with the Foreign Secretary.

2 He recognises the need to counter some of the proposals which we may expect before the Milan Council about improving the functioning of Europe by advancing practical suggestions of our own. The latest French proposal - Eureka - confirms this. We must now set about consolidating a strategy of our own rather than simply responding to other States' proposals.

3 My Secretary of State therefore welcomes the proposals in paragraph 12 of the Foreign Secretary's paper. He agrees with the comments on handling relations with the Parliament and on political co-operation. Perhaps DTI officials could be given the chance to see the proposed text on this at an early stage.

4 This leaves 'decision taking'. Mr Tebbit recognises the place this has taken in discussions in the Dooze Committee and the difficult corner which Mr Rifkind has had to fight. Paragraph 15(c) seems to be a fair summary of the Treaty's juridical and political options for Member States anxious to make progress while paying proper regard to legitimate national difficulties. It could be strengthened by reference to the desirability of using those options (including Article 148) to get maximum progress on opening up the Common Market. My Secretary of State doubts whether the presentationally different formulation in paragraph 14 will be sufficient to silence the radical Member States. And he

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can see it provoking interminable disputes in the European Council about the delineation of the internal market, the nature of the 'specific steps' to advance its realisation and the target dates attached to each one.

5 I am copying this letter to Private Secretaries to other members of OD(G), Richard Hatfield (Cabinet Office) and Charles Powell (No.10).

Yours sincerely

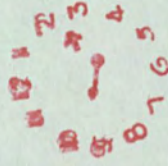
Maureen Dodsworth.

MAUREEN DODSWORTH
Private Secretary

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EURO. BL: Budget 1 Pt 29.

21 MAY 1985



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cert.

01-936- 6229 w.e.f. 28 May 1985

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Communications on this subject should be addressed to

THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

H Darwin Esq. CMG.
Legal Advisers
Foreign and Commonwealth Office
Downing Street
London SW1

24 April 1985

Jean Henry,

DEVELOPMENT OF THE EC

NBPN

COO

24/4

The Attorney General has seen a copy of Colin Budd's letter to Rachel Lomax of 18 April which attached a minute from your Secretary of State to the Prime Minister dated 15 April. Your Secretary of State suggested in paragraph 11 of that minute that we should aim to produce our own draft agreement on political cooperation and mentioned that he was in the process of considering a possible text. The Attorney considers that this text may be of such importance that it should be seen by him before it is put to the other Member States. I should therefore be grateful if you could provide me with the text and any necessary background material. The Attorney has also noted that the French idea of reducing the number of Treaty Articles requiring unanimity would be much more attractive to us if it were accompanied by "formalisation of the Luxembourg Compromise in the Treaty". He has asked whether consideration has been given by FCO Legal Advisers as to how this formalisation should be effected and whether you have prepared a draft Treaty amendment.

I am copying this letter only to Colin Budd and Charles Powell.

Yours sincerely,
Charles Powell

M L SAUNDERS

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EURO . POL : Budget : Pt 29.

24 APR 1985

