



Ref. A085/1099

PRIME MINISTER

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Cabinet: Community Affairs

Since Cabinet on 28 March there have been three Council meetings: the successful European Council on 29-30 March; an inconclusive Agriculture Council on 1-2 April which pursued its consideration of the 1985-86 price-fixing; and an informal meeting of Finance Ministers on 13-14 April which discussed methods of improving economic and monetary co-operation.

2. The European Council marked the conclusion of a period of important decisions in the Community:

a. Agreement on the entry of Spain and Portugal on terms which achieved all the United Kingdom's negotiating objectives including:

accelerated cuts in Spanish industrial tariffs (down by 52½ per cent in 3 years);

improved access for British car exports;

maintenance of every significant fishing opportunity for British fishermen. There will be no access for Spanish fishing vessels to the North Sea until 2002, subject to review in 1993. France bears the brunt of the Spanish fishing effort in the Bay of Biscay;

transitional financing arrangements which are highly favourable to the United Kingdom (probably no net budget cost at all to the United Kingdom for Spanish accession in the early years);



- b. Agreement on the text of the revised Own Resources Decision implementing the budgetary arrangements for the United Kingdom negotiated at Fontainebleau. This provides for automatic abatement by the United Kingdom each year of its payments to the Community by 66 per cent of the VAT share/expenditure share gap. The text also makes provision for our 1000 million ecu (£600 million) ad hoc abatement for 1984 to be made in 1985 as soon as the new Own Resources Decision has been ratified by all member states, with the increased own resources as a whole coming into effect on 1 January 1986.
- c. Agreement on the Integrated Mediterranean Programmes (IMPs) which cut back the Commission's original proposal of 6.6 billion ecu over six years to 1.6 billion ecu over seven years. The operation of the Fontainebleau mechanism means that the United Kingdom's net contribution will be about 7 per cent, compared with 33 per cent for Germany and 17 per cent for France.
- d. The launching of your initiative - now reflected in the Council's conclusions - to underline the key role of business in generating wealth and employment and to reduce the burden of Community legislation, particularly on small and medium-sized businesses. The Council has set a target date of 1992 for completing the internal market.
- e. Approval of the workmanlike first report of the Citizens' Europe Committee and avoidance of a premature decision on the final report of the Dooge Committee, which is to be further considered by the Milan European Council in June.
3. The Chancellor of the Exchequer may report on the informal meeting of Finance Ministers on 13-14 April, which reached broad agreement on the need for increased co-operation between the



World Bank and the International Monetary Fund and for a more vigorous policing role for the Fund over individual countries' economic policies. The Ministers also approved a package of measures worked out by Community central banks to encourage the official use of the ecu: central banks outside the Community will be able to use the ecu as part of their reserve; central banks within the European Monetary System will be able to intervene on foreign exchange markets for stabilisation purposes, even when currencies are not at their EMS floor or ceiling; and the official ecu interest rate will be determined on the basis of market interest rates and not on the basket of EMS currencies.

4. The Agriculture Council meets on 22-23 April but will probably not come to the point of decision on agricultural prices, particularly as there has been a recent change of Minister in France where Monsieur Nallet has replaced Monsieur Rocard. The Budget Council meets on 23 April, when it will examine the 1985 budget overrun. An informal meeting of Research Ministers will be held on 23-25 April.

RTA

ROBERT ARMSTRONG

17 April 1985