



Ref. A085/1289

PRIME MINISTER

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Cabinet: Community Affairs

Unless it has already been covered under Foreign Affairs, you may wish to inform the Cabinet of any Community aspects of the Bonn Economic Summit on 2-4 May.

2. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 2-5 May. No agreement was reached, the main stumbling block being the German refusal to countenance any price reduction for cereals. The Commission made no changes in its proposals and put strong emphasis on the need for budgetary restraint. Mr Andriessen, the Commissioner responsible for agriculture, launched a strong attack on Herr Kiechle, the German Minister of Agriculture, describing his position publicly as unacceptable and in conflict with the principles established by the Council both for the operation of the cereal market and for budgetary consequences. The influence of Monsieur Delors was evident. A Presidency document, which was circulated but not agreed, implied a smaller cut in cereal support prices than proposed by the Commission; would have extended, with some changes, the beef variable premium scheme for a further year in line with the United Kingdom's objective; was unsatisfactory on sheepmeat; and proposed to leave the agri-monetary arrangements for Germany unchanged but to dismantle the monetary gap for Greece, Italy and France, which have negative monetary compensatory amounts. The Foreign and Commonwealth Secretary is discussing these issues, and the extent to which such a package would be compatible with the financial guideline, with the Ministers concerned this evening (8 May), in preparation for the resumption of the Council on 13 May.



3. In the absence of the Secretary of State for Trade and Industry in the United States, there will be no formal report on the Internal Market Council on 7 May, at which the Minister of Trade (Mr Channon) represented the United Kingdom. The Council did achieve a significant agreement on the Community standards initiative. This will speed up the process of opening up the common market to our industry, as the Council will now lay down the main guidelines for standards rather than having to agree them in detail product by product. The Council also made progress in the right direction on the draft frontier formalities Directive. In the earlier discussions the United Kingdom had been almost isolated on the need for systematic checks at our ports and airports but now, as a result of the report of the Committee on People's Europe and the discussion in the European Council, nine member states agree to our position with only Denmark and the Commission against. The Foreign and Commonwealth Secretary may comment on the results of this Council in the light of the OD(E) discussion of the Internal Market before Cabinet.

4. There were informal meetings of Health Ministers on 3-4 May and of Education Ministers on 6 May, but these reached no decisions requiring a report to Cabinet.

5. The European Parliament this week is giving a first reading to the Community's 1985 draft budget established by the Budget Council on 29 April. This budget does not cover the long-term method agreed at Fontainebleau for correcting our budget contribution which will come into effect in 1986 but it does include the ad hoc 1,000 million ecu abatement for 1984 due in 1985. The Budgets Committee of the European Parliament has already recommended that the United Kingdom's 1,000 million ecu abatement for 1984 should be removed from the revenue side and that token entries should be made on the expenditure side of the budget. The intention would be that, instead of receiving the 1,000 million ecu by abatement of our contribution we would



receive it by direct payments. If the European Parliament follows the advice of its Budgets Committee, there is no doubt that the Council will reject the amendment and restore the correct method of implementation. The European Parliament will then reconsider its position at its second reading in June.

6. The Consumer Affairs Council meets on 13 May and the Agriculture Council on 13-15 May.

A handwritten signature in dark ink, consisting of a stylized 'R' followed by a small 'A' and a horizontal line.

P.P. ROBERT ARMSTRONG

8 May 1985