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Foreign and Commonwealth Office

London SW1A 2AH

11 June, 1985

Dear Charles,

Development of the Community: Prime Minister's Questions

With the approach of the European Council at Milan, questions about our ideas on the development of the Community may arise in the House. I enclose some points on which the Prime Minister may wish to draw.

The Foreign Secretary found at Stresa that no other member state had as clearly worked out a position as we do on the future development of the Community. Although the Italians and some of the others still want an inter-governmental conference, the Italian draft mandate for such a conference got limited support at the weekend. The Italians will now prepare options, including our ideas for decisions by the heads of government themselves. Delors stated that, while the Commission would like to see some Treaty articles amended to help completion of the Common Market, our approach was a valid alternative.

The Foreign Secretary also circulated our draft agreement on Political Cooperation. This was well received except, predictably, by the Greeks. The Irish expressed their reservations on security, while the French and Germans would if anything like to go further. Sir Geoffrey Howe made clear that we were not prepared to discuss the text before Milan. The heads of government would then have to decide whether they wanted an agreement of this type, with the Political Directors putting the text into final shape as necessary. The Political Cooperation agreement, with any other measures agreed in outline at Milan, could be given final approval by heads of government in December. There was some support for the idea that the European Council in Luxembourg on 3-4 December might constitute itself as a "conference" for the purpose of signing such a formal agreement.

I am copying this letter and the enclosure to PS/
Sir Robert Armstrong.

Yours ever,
Colin Budd

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(C R Budd)
Private Secretary

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BRIEF FOR PRIME MINISTER'S QUESTION TIME :
FUTURE DEVELOPMENT OF THE COMMUNITY

- We have put forward more precise proposals than any other member state for strengthening the Community in practical ways:

- internally: through a precise timetable for completion of the common market in goods and services by 1990; and by practical improvements in decision-taking;
- externally: by strengthening and developing political cooperation.

- Our ideas could be implemented quickly. I hope that heads of government will take the necessary decisions of substance at Milan at the end of the month.

Political Cooperation

- We are putting forward ideas for the development and strengthening of political cooperation in which



Britain has always played a leading role.

- We have proposed that the member states should agree formally to consult on major foreign policy issues, including the political and economic aspects of security. Political Cooperation should not extend to defence matters, which are the concern of the Alliance.

[As necessary]

- Political and economic aspects of security already are discussed in political cooperation - East/West relations, CSCE/CDE, UN aspects of disarmament. Defence aspects would not be covered. These must remain for the Alliance.

[As necessary]

- We are not suggesting that the Republic of Ireland should change its position of neutrality, which everyone understands. Believe it possible to proceed on a basis enabling Ireland to participate, as it does now.

Decision-Taking

- We have put forward ideas for applying the existing



Treaties. Need for practical improvements in decision taking. No need to amend the Treaties.

[As necessary]

- The unanimity rule under certain Articles need not be an obstacle to completion of the common market. Believe it would be sensible step if, where it is agreed that a specific objective should be achieved, it might also be agreed that member states will aim not to impede progress by invoking the unanimity rule in relation to measures necessary for its implementation.

[As necessary]

- The Luxembourg compromise will be maintained. No member state will agree to be voted down when very important national interests at stake.

- Inter-Governmental Conference

The European Council is an inter-governmental conference. Decisions needed by heads of government themselves. I want to see decisions taken at Milan.

- Agreement of Parliament

Any agreement on Community issues which led to formal proposals by the Commission would be subject to



scrutiny procedures in the normal way. Parliament would of course be given the opportunity to consider any new steps in political cooperation.