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PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the Ministerial meeting, which he is attending in Paris today (17 July), to follow up the Milan European Council conclusions on European technological co-operation. The Minister for Information Technology (Mr Pattie) and the Chief Scientific Adviser (Sir Robin Nicholson) are also present. In addition to Community member states, seven other Western European countries are represented. The meeting has been called to decide how to carry forward various collaborative projects in high technology under the "EUREKA" label and to consider the United Kingdom's suggestions on opening up the market for high technology products, including our Eurotype market guarantee proposal. The United Kingdom is pressing hard the ideas you put forward at the Milan European Council, in particular the need for a market-led approach. We have distributed to all countries represented at the meeting a paper setting out our approach in relation to product sectors identified in discussion with United Kingdom industrialists. We are also proposing that industrialists should be associated with future work.

2. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 15-16 July. The Commission maintained their proposal for a 1.8 per cent cut in cereals and rapeseed support prices. The Germans again blocked agreement. The cut will now be applied on the Commission's own authority. At the same time the Commission will be making some changes in supporting measures which it considers to fall within its own competence, eg by reducing the delay in payment for wheat sold into intervention and by offering to buy in up to 3 million



tonnes of any unsold breadmaking wheat at the end of the marketing year in May 1986. The Minister of Agriculture, Fisheries and Food sought assurances that these measures could be financed within the budget provisions but did not approve the changes, so that the United Kingdom will be free in the Cereal Management Committee to oppose them or to seek detailed amendments. The Commission intends before October to put forward further proposals for a wider reform of the cereals regime. This may be linked with the Commission's new Green Paper on the future direction of the common agricultural policy. This document has proved to be firmer than expected in stressing the necessity for continuing price restraint but the difficulties with other member states will be considerable.

3. The Agriculture Council agreed, after nearly 15 years of discussion, the directive setting Community health standards for pasteurised milk. The Community standards in the first stage, to be introduced in 1990, will be below the United Kingdom's own health standards but we shall of course maintain our higher standards, which will have to be met by all milk, whether home produced or imported. It will not be until 1994, when the second tier of standards is introduced, that milk meeting them will be able to enter the United Kingdom freely. We understand that United Kingdom milk producers, manufacturers and distributors are content with the arrangement. The adoption of the directive should lead the Commission to drop its European Court action against the United Kingdom for refusing to import milk which does not comply with British health standards.

4. The Budget Council is meeting on 17-18 July to give a first reading to the Community's preliminary draft budget for 1986. The Foreign Affairs Council on 22-23 July will be considering the follow-up to the Milan European Council and, in preparation



for this, the Foreign and Commonwealth Secretary will be having prior meetings with the Luxembourg and German Foreign Ministers. The Industry Council meets on 26 July.

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ROBERT ARMSTRONG

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