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PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the first meeting of the Intergovernmental Conference which was held on 9 September. Two preparatory groups at official level had already been set up - one to deal with the political co-operation texts and the other with proposed Treaty amendments and other ways of improving the working of the Community. The first Ministerial meeting was concerned with procedural matters and with setting the scene for the work which will be carried out by Foreign Ministers in three or four further sessions of the Conference and by the official groups. Despite their political statements at Milan and afterwards, no member state has yet tabled an amendment of the Treaty. The work on political co-operation is going ahead well on our lines. The Luxembourg Presidency, in a refreshing contrast to the Italian performance, is making a real effort to put some order into proceedings and to insist on deadlines (15 October for any Treaty amendment) and proper preparation of the European Council. In consequence, the meeting was business-like and did not go over old ground. From extensive contacts which we have had in the last week or two, it is evident that member states are now having to face up to realities as they decide how far and in what areas they might wish to propose changes in the Treaty of Rome, in the Council's procedures and in working arrangements affecting the European Parliament. Differences are already emerging between the Benelux and the Commission and the French and Germans, the French being particularly cautious on substance. It is therefore far too early to say what the final package - if one can be constructed - will look like. The Foreign and Commonwealth Secretary made clear that the aim



should be to reach limited and realistic objectives and that the United Kingdom would judge other member states' proposals by the criterion whether they would actually improve the working of the Community and, in particular, the completion of the internal market.

2. The Foreign and Commonwealth Secretary will have reported under Foreign Affairs about South Africa, which was discussed at the meeting of Community Foreign Ministers on 10 September. In the Foreign and Commonwealth Secretary's absence in Nigeria, the Minister of State, Foreign and Commonwealth Office (Mr Rifkind) represented the United Kingdom.

3. The Chancellor of the Exchequer may refer to the forthcoming meeting of the Budget Council on 17-18 September which will be the first Ministerial discussion of the Community's 1986 preliminary draft budget. The Minister of State, Treasury (Mr Gow) will be sending to you and colleagues later this week a letter setting out the line which he proposes to follow at the Budget Council. The main areas of difficulty are likely to be the provision to be made in the budget for the cost of enlargement and for liquidating certain outstanding commitments, particularly in the Regional Fund, overhanging from previous years (the so called "cost of the past").

4. There will be meetings of the Agriculture Council on 16-17 September and of the Foreign Affairs Council on 1 October. It is possible that there will be a short Ministerial session of the Intergovernmental Conference also on 1 October; if not, the next meeting will be on 21-22 October.

ROBERT ARMSTRONG

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