



Ref. A085/2514

PRIME MINISTER

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Cabinet: Community Affairs

1. The Foreign and Commonwealth Secretary may refer to the Foreign Affairs Council of 1 October, at which the United Kingdom was represented by the Minister of State, Foreign and Commonwealth Office (Mr Rifkind). This dealt with some trading issues with other Mediterranean countries in the light of the enlargement of the Community. There was also a general discussion of Community/United States relations in view of the moves towards increased protectionism in the United States and the risks for the Community and world trade generally if the principal trading nations embark on a period of retaliation and counter-retaliation. There was no discussion by Foreign Ministers of the progress of the intergovernmental conference, the next Ministerial session being on 21-22 October. Weekly meetings of officials in the preparatory group, however, have continued satisfactorily from our point of view. The French are noticeably reticent and unenthusiastic. Our own "constructive criticism" is acting as a brake on wilder ideas. Formal proposals have been tabled by the German Government on the involvement of the European Parliament in the Community's decision-making processes but have run into flak from the Benelux (because they would reduce the Commission's role). Working documents have been put forward by the Commission, in particular on the internal market, technology, environment and their own powers. These have run into a barrage of objections or questions, in particular from the United Kingdom, France and Germany. Everything in this intergovernmental conference so far is overweight and will have to slim down. A modest package



remains likely. This will become clearer after the Ministerial session on 21-22 October, which the Foreign and Commonwealth Secretary will attend.

2. The Chancellor of the Exchequer may refer to the informal Economic and Finance Council (ECOFIN) on 20-21 September. There was a general consensus at the meeting (the Presidency alone dissenting) that monetary questions should not be pursued at the intergovernmental conference. The meeting also concluded that tax harmonisation was a politically sensitive issue and should be the subject of a political debate in ECOFIN to be held at the end of this year or early in 1986. These conclusions are fully in line with your approach at the Milan European Council.

3. The Chancellor of the Exchequer may also mention the publication on 2 October of the 1985 Community Budget White Paper. Care is being taken with the public presentation. Because 1985 is the last year before the full Fontainebleau system comes into effect the United Kingdom's net contribution to the Community Budget in 1985 is estimated at the high figure of £1.2 billion but this will give rise to a substantially higher abatement in 1986.

4. The Minister of Agriculture, Fisheries and Food may mention the discussion at the informal Agriculture Council on 23 September of the Commission's paper on Perspectives for the Common Agricultural Policy. He is due to circulate shortly a note to his colleagues reporting on the discussion there and on the way in which the matter might be pursued over the next few months. He is also likely to mention the outcome of the Fisheries Council on 27 September. The Commission proposed to reintroduce a higher limit for fish for human consumption caught as a by-product of industrial fishing of Norway pout. The United Kingdom is strongly opposed to this on conservation grounds and effectively blocked the decision. The next Fisheries Council is on 4 November.

5. The Secretary of State for Employment may refer to the informal Social Affairs Council which he attended on 24 September. Lord Young pushed hard on the initiative on deregulation within the Community. He also received an undertaking from the Commission that the Equal Treatment Directive would be looked at in the Commission's deregulation review.

6. There will be an Internal Market Council on 7 October.

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ROBERT ARMSTRONG

2 October 1985