



Ref. A085/2628

PRIME MINISTER

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Cabinet: Community Affairs

The Foreign and Commonwealth Secretary may refer to the forthcoming Ministerial session of the Intergovernmental Conference which will coincide with the next Foreign Affairs Council on 21-22 October. The United Kingdom will be represented by the Minister of State, Foreign and Commonwealth Office (Mr Rifkind). This will be the first real stocktaking at Ministerial level of the work done by officials in the preparatory group for the Intergovernmental Conference. So far the Germans have tabled formal proposals on the European Parliament and the Commission have put forward a number of working documents, principally on the internal market, technology, the environment, the European Parliament, their own powers and the cohesion of the Community. Further proposals are expected from most other member states within the next week or two. It is not clear whether it will be possible to construct out of all this a modest and practical package, but the Presidency is likely to turn its hand to this after the Ministerial meeting on 21 October. Mr Rifkind will take the line, as we have done in the preparatory group, that we shall participate in the examination of the proposals but not take a view on the whole package until all the elements are clear. Our main criterion will be whether proposals will genuinely advance the Community objectives (eg completion of the internal market) that we have set ourselves.

2. At the Foreign Affairs Council which will follow the Ministerial session of the Intergovernmental Conference there will be a review of Community commercial policy towards Japan in preparation for the visit to Tokyo by three Commissioners in



November. It would be desirable for United Kingdom Ministers to look again at these issues before that visit (an OD discussion is provisionally planned for 28 October). The Foreign Affairs Council will also have a further discussion of trading issues with other Mediterranean countries in the light of the enlargement of the Community.

3. The Secretary of State for Trade and Industry may refer to the meeting of the Internal Market Council on 7 October, at which the Minister for Trade (Mr Channon) represented the United Kingdom. This Council decided, in line with our objectives, how to take forward the work on the completion of the internal market, in the light of the Commission's White Paper. The Council agreed to press ahead in the short term with topics already selected for action by the Presidency on the basis of the Milan European Council conclusions. Thus it did not allow itself to become enmeshed in the large number of proposals - some of which in our view are not acceptable or are not directly relevant - in the Commission's White Paper but decided to base its programme on our priorities. At its December meeting it will specifically consider a programme for action into 1987 to be drawn up by the successive Luxembourg, Dutch and United Kingdom Presidencies. This also was a United Kingdom initiative.

4. The Chancellor of the Exchequer may inform the Cabinet that the Commission have decided to issue a rectifying letter to the 1986 Community draft budget in order to increase the estimated VAT abatement for the United Kingdom. This abatement, which will be made automatically in 1986 in respect of our 1985 contribution, rises from 1400 million ecu (about ~~£206~~<sup>826</sup> million) to 1664 million ecu (about £982 million). Recent Treasury calculations suggest that the final abatement (which will not be determined until autumn 1986) could be as high at 1930 million ecu (about £1139 million). Thus in the first year of the



Fontainebleau mechanism the United Kingdom will gain about £550 million more than in the last year of the ad hoc system.

5. There will be an Industry Council on 17 October, which will deal mainly with steel (Community arrangements after 1 January 1986 and the difficult negotiations with the United States on their proposed import restrictions); a meeting of Community and ASEAN Ministers in Bangkok on 17-18 October, at which the Minister for Trade (Mr Channon) will represent the United Kingdom; an Agriculture Council on 21-22 October; and an informal meeting of Research Ministers on 23 October, at which Sir Robin Nicholson will represent the United Kingdom.

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ROBERT ARMSTRONG

14 October 1985