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PRIME MINISTER

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Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the Ministerial meeting of the intergovernmental conference on 21-22 October at which the Minister of State, Foreign and Commonwealth Office (Mr Rifkind) represented the United Kingdom. This proved to be more realistic than we had feared, most member states indicating a wish to look for a modest and negotiable package. There was a wider insistence - in particular, from the French and Germans - that any changes in decision-taking should be directed to the main objective, ie the completion of the common market in goods and services. There was little common ground on the European Parliament. The Presidency could only conclude that there was no desire to change the fundamental balance between the Community institutions but that the European Parliament should be more directly involved in decision-taking. On instructions from the conference the Presidency made clear in a meeting with the representatives of the European Parliament that the European Parliament's request to have the right to approve or amend the outcome of the conference was not acceptable. This was not well received by the European Parliament. The next meeting of the conference is on 11 November.

2. The Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry will report on the Foreign Affairs Council on 22 October, which dealt mainly with trade issues. The United Kingdom was represented by the Minister for Trade (Mr Channon) and the Parliamentary Under Secretary of State, Foreign and Commonwealth Office (Mr Eggar). The Council decided that tariff reductions agreed by the Community in the Tokyo



round should go ahead a year earlier than planned ("rollback"). The United Kingdom attaches importance to this as a counterweight to growing protectionism. The decision was adopted by qualified majority against the opposition of France and Greece. On trade relations with Japan the Council agreed that the Commissioners who are visiting Japan later this month should tell the Japanese that, as a means of checking Japanese performance against their promises, we would look for a quantified target for a significant increase in imports. The United Kingdom has advocated this approach because of Japanese procrastination. The Council also reviewed the difficulties with the United States of citrus/pasta with a view to attempting to defuse the situation. Finally the Council tried - against Italian filibustering and opposition - to come to a decision on the maintenance of access to the Community market for certain products from Mediterranean countries (eg Tunisian olive oil, Cypriot potatoes and Israeli citrus) after the enlargement of the Community. The discussion continued at length in the informal meeting of Foreign Ministers on 25-26 October. Some progress is being made.

4. The Secretary of State for Trade and Industry may refer to the two Industry Councils held on 17 and 29 October which dealt with steel. The Minister of State, Department of Trade and Industry (Mr Morrison), represented the United Kingdom. The issue has been the arrangements in the Community's own steel market when the current restrictive measures expire at the end of the year. The Commission proposed a gradual return to free market conditions by the end of 1988, with production quotas progressively relaxed but the controls on state aids tightened. This has now been agreed. The United Kingdom also gained its objective of an increase in production quotas for the British Steel Corporation in this interim period, though not the full amount we had been seeking. There are still major problems resulting from the United States' wish to further restrict their imports of steel and to extend restrictions to new products, in

particular semi-finished steel products (the British Steel Corporation has a major interest in supplying these products to a United States plant in Tuscaloosa). These negotiations are under way.

5. The Chancellor of the Exchequer may refer to the Economic and Finance (ECOFIN) Council on 28 October at which the United Kingdom was represented by the Minister of State, Treasury (Mr Gow). The Council agreed (subject only to a Danish reserve which is expected to be withdrawn) on two Directives permitting unit trusts and similar bodies to operate freely throughout the Community. The United Kingdom should benefit, both because of the expertise of our companies and as a further step toward greater liberalisation of the Community's capital markets. On the 1986 draft budget the basic provision was not in issue but there was a discussion of the Commission's proposal to add about £150 million now to this figure. The Council did not question our entitlement to an additional abatement but considered that the correct figure would not be known until next year. They did not therefore accept the rectifying letter now but agreed as declaration inviting the Commission to submit an amending budget in September 1986 to take full account of our increased abatement, which will be known accurately then. We should still make the full abatement during 1986. The President of the Commission, Monsieur Delors, indicated a proposal for referring to the European Monetary System (EMS) in the package which might result from the intergovernmental conference. This does not involve any additional obligation in relation to the exchange rate mechanism. Nonetheless, it was received cautiously and will be examined later and in detail by the ECOFIN Council itself and by the preparatory group of the intergovernmental conference.

6. The Minister of Agriculture, Fisheries and Food may report on the meeting of the Agriculture Council on 21-22 October. The main items were a report by the Commission on the outcome of



their consultations on their paper on perspectives for the common agricultural policy; the revision of the sugar regime, which must be agreed by June 1986; and various technical matters, including space standards for battery hens. An additional Agriculture Council has been fixed for 19 December to discuss the perspectives for the common agricultural policy.

7. There was a meeting of EC(ASEAN) Economic Ministers in Bangkok on 17-18 October (attended by the Minister for Trade, Mr Channon); an informal meeting of Research Ministers (attended by Sir Robin Nicholson) on 23 October; and a meeting of Culture Ministers on 29 October (attended by the Minister for the Arts, Mr Luce).

8. There will be a Fisheries Council on 4 November. On 5-6 November the Foreign and Commonwealth Secretary and the Minister for Information Technology (Mr Pattie) will attend the EUREKA Ministerial meeting in Hanover. The EUREKA scheme is beginning to take on a more sensible shape as an instrument for promoting market-led developments in high technology. A number of projects will be announced in Hanover and the British EUROTYPE proposal is being actively followed up with support from the Commission.

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ROBERT ARMSTRONG

30 October 1985