

CONFIDENTIAL/DEDIP

3216 - 1

OCMIAN 3216
CONFIDENTIAL
DEDIP
DD 051430Z BREEC
FM FCOLN TO BREEC
051300Z NOV
GRS 982

CONFIDENTIAL DEDIP
FM FCO
TO IMMEDIATE UKREP BRUSSELS DESKBY 051430Z
TELNO 366
OF 051300Z NOVEMBER 85
AND TO RFI (PERSONAL FOR AMBASSADORS) IMMEDIATE PARIS, BONN
AND TO PRIORITY (PERSONAL FOR AMBASSADORS) OTHER EUROPEAN COMMUNITY
POSTS

FOLLOWING PERSONAL FOR HANNAY FROM RENWICK
INTER-GOVERNMENTAL CONFERENCE

1. TRUMPF TELEPHONED THIS MORNING. I HAD ASKED HIM TO LET ME
HAVE A PREVIEW OF WHAT HE THOUGHT LIKELY TO BE AGREED ON THE
COMMUNITY AT THE FRANCO GERMAN SUMMIT ON 7-8 NOVEMBER. ALTHOUGH
WHAT HE SAID WILL COME OUT IN DUE COURSE, HIS CONFIDENCE MUST BE
PROTECTED. HE IS OF COURSE AWARE THAT WE ARE NOT COMMITTED TO
ANY TREATY CHANGE.

2. TRUMPF SAID THAT THE FRENCH AND GERMANS WERE CLOSE TO AN
AGREED DEFINITION OF THE INTERNAL MARKET, BASED ON THE FRENCH
DOCUMENT ORIGINALLY PROPOSED AS AN 'ACT' OF THE CONFERENCE, BUT
WHICH THE FRENCH NOW SEEMED PREPARED TO PUT IN A JURIDICAL FORM.
THE FRENCH AND GERMANS INTENDED TO INCLUDE A REFERENCE TO A
'UNITED MARKET WITHOUT FRONTIERS'. GIVEN THAT 'FRONTIERS' WOULD
BE QUALIFIED IN THIS WAY, TRUMPF HOPED THAT OTHERS MIGHT BE ABLE
TO AGREE TO THIS. THE FRENCH AND GERMANS ALSO WOULD PROPOSE
REFERENCES TO TAX APPROXIMATION, THOUGH PROBABLY NOT ON THE 1992
TIME-SCALE.

3. TRUMPF SAID THAT THERE HAD BEEN AN IMPORTANT SHIFT IN THE

FRENCH POSITION. THE FRENCH NOW AGREED THAT THERE COULD BE AN OVERALL CHANGE TO QUALIFIED MAJORITY VOTING UNDER ARTICLES 57(2) AND 100. UNANIMITY WOULD NEED TO BE MAINTAINED UNDER ARTICLE 99 FOR INDIRECT TAXATION AND, SO FAR AS THE GERMANS WERE CONCERNED, FOR ANY MEASURES RELATING TO DIRECT TAXATION UNDER ARTICLE 100. THE GERMANS WERE LIKELY TO HAVE TO ABANDON THE QUALIFICATIONS IN THEIR OWN DRAFT REVISION OF ARTICLE 100 DIRECTED TOWARDS THE PROTECTION OF HIGHER STANDARDS.

4. I ASKED WHETHER THERE WOULD BE CONTINUING PROTECTION FOR MEASURES RELATING TO PUBLIC SAFETY, HEALTH, SECURITY ETC. TRUMPF SAID THAT IT WAS NOT CLEAR WHAT THE FRENCH ENVISAGED IN THIS REGARD AND WHETHER ARTICLE 36 WOULD BE LEFT UNAFFECTED. THE FRENCH HAD SAID THAT THEY ENVISAGED RELYING ON THE 'VITAL INTEREST' IE THE LUXEMBOURG COMPROMISE IN RELATION TO ANY MEASURES THEY DEFINITELY COULD NOT ACCEPT.

5. THE BIG PROBLEM FOR THE FRENCH WAS WHAT WOULD HAPPEN IN 1992. THEY COULD NOT AGREE THAT THE COURT SHOULD THEN BE IN A POSITION TO STRIKE DOWN ANY REMAINING OBSTACLES. BUT THEY WOULD BE PREPARED TO PUT THE 1992 DATE IN THE TREATY IF THEY COULD GET A REVIEW CLAUSE, ENABLING THE COUNCIL TO POSTPONE THE 1992 COMPLETION DATE. THE GERMANS DID NOT THINK THAT ABSOLUTE FINALITY COULD EVER BE REACHED IN RELATION TO COMPLETION OF THE INTERNAL MARKET IN ANY EVENT. THEY WANTED TO MAINTAIN A CUT OFF DATE IN 1992, FOLLOWING WHICH THERE WOULD BE MUTUAL RECOGNITION OF STANDARDS.

6. THE FRENCH AND GERMANS AGREED THAT IN THE INTERNAL MARKET AREA DEROGATIONS SHOULD APPLY ONLY IN EXCEPTIONAL CASES, AND SHOULD BE TIME-LIMITED. THE FRENCH WERE STILL THINKING, HOWEVER, OF THE POSSIBILITY OF INTRODUCING AN ARTICLE 235(2) INTRODUCING DIFFERENTIATION FOR DECISIONS IN 'NEW' AREAS.

7. IN THE CONFERENCE THE FRENCH AND GERMANS WOULD BE TRYING TO TAKE THE COMMISSION'S DRAFT ARTICLES ON THE INTERNAL MARKET, AND TO TURN THEM INTO PROPOSALS OF THE KIND DESCRIBED. THE MAJOR ISSUE FOR DECISION AT THE EUROPEAN COUNCIL WOULD BE HOW FAR THE HEADS OF GOVERNMENT WERE PREPARED TO GO IN THE EXTENSION OF QUALIFIED MAJORITY VOTING ON THE INTERNAL MARKET. THE FRENCH AND

GERMANS HOPED ALSO TO SEE AGREEMENT ON THE POCO TEXT, COOPERATION WITH THE PARLIAMENT, AND ON DRAFT ARTICLES ON TECHNOLOGY AND THE ENVIRONMENT. OTHER MATTERS, IF NECESSARY, MIGHT BE DEALT WITH LATER.

8. ON TECHNOLOGY TRUMPF CONFIRMED THAT GERMAN DEPARTMENTS (BUT, HE INDICATED, NOT NECESSARILY GENSCHER HIMSELF) WANTED UNANIMITY TO BE MAINTAINED FOR IMPORTANT NEW PROGRAMMES AND NOT JUST FOR THE MULTI-ANNUAL FRAMEWORK.

9. I ASKED ABOUT FRENCH AND GERMAN THINKING ABOUT THE PARLIAMENT. TRUMPF WAS AWARE OF OUR FUNDAMENTAL OBJECTIONS TO THE FRENCH IDEA THAT A VOTE IN THE PARLIAMENT COULD TRIGGER A SHIFT TO MAJORITY VOTING IN THE COUNCIL. HE SAID THAT THE FRENCH AND GERMANS NOW RECOGNISED THAT THEY WOULD HAVE TO DROP THEIR OWN PROPOSALS AND WORK ON THE BASIS OF THE COMMISSION'S PROPOSAL. I POINTED OUT THAT THE COMMISSION'S PROPOSAL REQUIRED THE COUNCIL FORMALLY TO DECIDE TWICE. TRUMPF AGREED THAT THIS WAS UNDESIRABLE. THE FIRST PHASE PROCEDURE SHOULD BE SIMPLER.

10. ON THE DELEGATION OF POWERS TO THE COMMISSION TRUMPF SAID THAT THE GERMANS FAVOURED BASING A SOLUTION ON THE DUTCH PROPOSAL, BUT WOULD PREFER TO SEE THIS WRITTEN INTO ARTICLE 155.

11. TRUMPF CONFIRMED THAT DELORS' PROPOSALS ON MONETARY COOPERATION WERE STRONGLY OPPOSED BY THE BUNDESBANK. BUT THE GERMANS MIGHT AGREE TO SOME REFERENCE TO THE EMS IN ARTICLE 107.

12. ON 'COHESION' THE GERMANS INTENDED TO SUPPORT FRENCH TEXT. I QUESTIONED ~~OF~~ THE REFERENCE IN THAT TEXT TO BORROWING. TRUMPF SAID THAT THE FRENCH CLAIMED THAT THEY INTENDED TO REFER ONLY TO THE EXISTING FACILITIES IE EURATOM LOANS AND NEW COMMUNITY INSTRUMENTS. HE AGREED THAT THE REFERENCE TO BORROWING WOULD NEED TO BE DROPPED (PREFERABLY) OR CLARIFIED.

13. I THANKED TRUMPF FOR GIVING US THIS PRIVATE ACCOUNT OF THE FRANCO-GERMAN EXCHANGES. I ADDED THAT I THOUGHT IT EXTREMELY IMPORTANT THAT THE FRENCH AND GERMANS SHOULD NOT START TRYING TO PRESENT US OR OTHERS WITH A JOINT POSITION. THEY WERE LIKELY TO GET A BETTER HEARING IF THEY APPROACHED US ON THE BASIS OF A SERIOUS ATTEMPT TO WORK SOMETHING OUT TO WHICH WE COULD BOTH AGREE. TRUMPF CLAIMED TO TAKE THIS POINT (THOUGH WHETHER IT WILL

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3216 - 1

WORK OUT LIKE THAT AT THE POLITICAL LEVEL REMAINS TO BE SEEN).
HE WANTS TO TALK FURTHER IN LUXEMBOURG ON MONDAY.

HOWE

LIMITED.

HD/ECD (1)

HD/ECD (E)

PRIVATE SECRETARY

PS/MR RIFKIND

PS/PUS

MR DEREK THOMAS

MR BRAITHWAITE

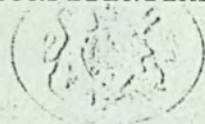
MR RENWICK

MR ADAM FERGUSSON

COPIES TO:

MR WILKINSON - CABINET OFFICE

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From: R W Renwick
Date: 5 November 1985

cc: Private Secretary
PS/Mr Rifkind
Mr Derek Thomas
Mr Braithwaite
Mr Hannay, UKREP Brussels
Mr Williamson,
Cabinet Office
Mr Weston, Paris
Mr Shepherd
ECD(I)

Mr Wall

INTER-GOVERNMENTAL CONFERENCE: FRENCH POSITION

1. Boissieu rang me back this afternoon. I did not refer to Trumpf's account of French and German views. But Boissieu was quite forthcoming. He dealt with the issues in the following terms, stressing that he was anxious to work with us to see if common ground could be established when President Mitterrand meets the Prime Minister.

Decision-Taking

2. Boissieu indicated that the French are prepared to move to qualified majority voting on Articles 57(2) and 100, and possibly also 28 (which, if any treaty change is considered, should not cause great problems for us). He confirmed, explicitly, that the French would be determined to maintain the safeguards in Article 36 of the treaty about public policy, health, security, etc. I said that this was very important.



The Parliament

3. Boissieu acknowledged that the French proposal did not look likely to pass. We had made clear the problems it would cause for us. The French, therefore, would be working on the Commission proposal. Boissieu agreed that it did not make sense to oblige the Council to decide twice. The first reading should fall short of that. Boissieu also indicated that in the French view, in the final stage of the procedure the Council should decide according to the treaty, ie the Parliament/Commission view should not trigger a switch to qualified majority voting. Boissieu knows that it is very difficult for us to contemplate any treaty change in this area. It was striking, however, that French concerns about the Commission proposal appeared to be close to ours. Boissieu added that the coverage of the articles concerned would need to be reduced to avoid this procedure applying to conjunctural policy.

Environment

4. Boissieu confirmed that in the French view this is an area in which unanimity must apply, whether for framework regulations or for implementing measures.

Technology

5. Boissieu said that the French favoured requiring unanimity for agreement on specific programmes. This might, be expressed as unanimity being required for programme decisions "except when....": The French had not yet made their doctrine on the limited areas in which majority voting might apply.



Cohesion

6. I asked Boissieu about the references in the French text to borrowing. Boissieu said that the French intention was that this should cover nothing more than the existing instruments, ie Euratom loans and the new Community instruments. There could be no question of opening up deficit financing.

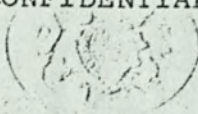
Monetary Co-operation

7. I pointed out the objectionable features of the Delors proposal for amendments to Article 107. Boissieu said it was certainly not the French intention that it should be made more difficult for us to participate in the EMS. The French were concerned that Spain and Portugal, whose currencies would not be participating in the ECU package, should not enjoy full EMCF rights. Those rights must, however, apply to Britain. I said that this was not the effect of the Commission's proposal. We saw no need for any change to Article 107. Boissieu said that the French would be trying to get a reference to strengthened monetary co-operation included in that article.

General

8. I told Boissieu that we realised that the French and Germans were engaged in bilateral discussions. I thought it most important that we should not be confronted when President Mitterrand came here with a Franco-German position. Boissieu said that he understood this. He would be advising that the French approach should be rather: This is the kind of

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package we think might be achievable. Can we work to try to get something like this agreed?

R W Renwick

R W Renwick

RRAACI

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Europe Budget

STRICTLY PERSONAL & CONFIDENTIAL
Mr C·D Powell, No 10



For your own information

With the compliments of
R W Renwick

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9/11/81