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PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the Ministerial meeting on EUREKA held in Hanover on 5-6 November which he attended together with the Minister for Information Technology (Mr Pattie). The purpose of the meeting was to agree a joint Declaration by member Governments and to give more substance to the operation of EUREKA, including ways of identifying and approving projects and the benefits to participants that would be expected from gaining the EUREKA stamp. A wide range of projects, including British ones, were tabled, though few are fully developed. The meeting also discussed administrative arrangements and the role of Government funding: the United Kingdom is committed to no additional public funding but existing schemes are, of course, available. The Foreign and Commonwealth Secretary offered to host the next Ministerial meeting in the United Kingdom in May/June 1986. This role puts the United Kingdom in the lead in taking EUREKA forward over the next six months and gives us a good chance of shaping it in our direction. Our aim continues to be to keep the whole operation responsive to industry and geared to meeting the needs of the market.

2. The Foreign and Commonwealth Secretary may refer to the Intergovernmental Conference. The next Ministerial meeting is on 11 November but there have been further meetings at official level. The United Kingdom negotiators, while taking no commitment on Treaty amendment, have been following your instructions to grind away at the over-ambitious proposals of other member states. It may be possible, if we keep in contact with the French (who do not want to go far) and the Germans



outside the conference, that the package will become quite modest, covering some improved decision-making on the internal market (without, of course, touching the veto in the "Luxembourg compromise"); some limited changes on the European Parliament which would leave the last word with the Council; and articles on technology and environment which might provide a better legal base than the existing practice of putting forward these proposals under the basket article (235) without a specific provision.

3. The Secretary of State for Trade and Industry will wish to bring his colleagues up to date on developments in the negotiations between the Community and the United States on 17 "consultation products" not covered by the 1982 Carbon Steel Arrangement. The United States, determined to protect their steel industry, set a 31 October deadline for concluding an export restraint arrangement with the Community for 1986 and beyond as the alternative to taking unilateral action to restrict imports from the Community. The deal, which was concluded on the deadline but ad referendum to Governments, is generally better than had been expected on quantities for the main steel products and in this respect can be considered tolerable for British exports. We do need, however, better assurances on semi-finished steel products, including slabs which are important for the participation of the British Steel Corporation in the joint venture plant at Tuscaloosa in Alabama. There are no quantity limits in the agreement on semi-finished products, which are merely "consultation" products, but our fear is that this will not stop the United States authorities acting unilaterally to restrict supplies. Discussions are in train with the Commission and bilaterally in Washington with a view to gaining assurances from the United States which will safeguard the contracts between the British Steel Corporation and Tuscaloosa. If these are not received, our ability to accept the whole package is in doubt. This would have a very serious effect on trade relations with the United States and within the Community and almost certainly on



our exports of other steel products. What the United Kingdom needs is both the agreement and the assurances on semi-finished products.

4. In the general field of Community/United States trade relations the Secretary of State for Trade and Industry may mention that after the breakdown of negotiations on citrus/pasta on 31 October the United States unilaterally imposed a duty on pasta imports from the Community. The Community announced retaliatory measures on lemons and nuts. The Community is taking up the issue in the General Agreement on Tariffs and Trade (GATT) but possibilities for further negotiation between the Commission and the United States should not be neglected, in view of the risks of fall-out on other trade issues.

5. There was a Development Council on 4 November (attended by the Minister for Overseas Development, Mr Raison) which reviewed the Community's action on famine in Africa. The 1.2 million tonnes of cereals food aid agreed at the Dublin European Council is on schedule. The Council also re-established for 1986 a food aid reserve of 500,000 tonnes of cereals, although the budgetary implications have still to be sorted out. Mr Raison drew attention to the need for Community action on famine relief to be more effectively presented to public opinion. There was also a Fisheries Council on 4 November which does not call for a report to Cabinet.

6. There will be an Energy Council on 11 November and a Transport Council on 14-15 November. In its session from 11 to 15 November the European Parliament will return to the draft 1986 budget.

ROBERT ARMSTRONG

6 November 1985