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PRIME MINISTER

Cabinet: Community Affairs

In the absence of the Foreign and Commonwealth Secretary the Minister of State, Foreign and Commonwealth Office (Mr Rifkind) will report on the Ministerial session of the Intergovernmental Conference on 11 November. The meeting took forward discussion on technology and environment. At present the Commission puts forward proposals on research and on environment under the basket article 235 of the Treaty which is very widely and generally drafted with no criteria at all. This has given us a good deal of trouble, eg on acid rain. The proposal is that there should be specific Treaty articles. This could be helpful if we could write in some criteria, eg on the need to take account of the costs to industry or environmental proposals. Without committing ourselves on Treaty amendment, we have been manipulating the proposals of others so that they do contain sensible criteria, maintain unanimity on the environment (now secured) and maintain unanimity on the financing (now secured) and on all the main elements of significant research and development proposals (partly secured but we need to do better). At the Ministerial meeting there was also discussion of "cohesion". The northern member states are having no truck with further attempts by southern member states to bid for more in this Conference and, rather belatedly, Monsieur Delors, the President of the Commission, came out strongly against attempts by the southern member states to divert the discussion in their own interest. There will be further Ministerial meetings of the Conference on 19 and 25 November which will discuss the internal market and the role of the European Parliament. There seems now to be an increasing wish in many member states to aim for the main decisions at the European Council in Luxembourg and to



close Pandora's box, even though quite a lot of wind has escaped in the meantime, as quickly as possible. The Italians are an exception because they still hold unnegotiable ambitions for the European Parliament. The general strategy for the United Kingdom in the run-up to the European Council will be discussed by the Sub-Committee on European Questions of the Defence and Oversea Policy Committee on 20 November.

2. The Secretary of State for Trade and Industry may wish to bring his colleagues up-to-date on developments in the negotiations between the Community, acting at United Kingdom instigation, and the United States on the need for clear assurances that will protect the trade in semi-finished steel products between the British Steel Corporation and the joint venture plant at Tuscaloosa in Alabama. Until such assurances are received our ability to accept the whole outcome of the recently concluded negotiations between the Community and the United States on an export restraint agreement for steel products remains in doubt.

3. The Secretary of State for Energy may report on the Energy Council held in Brussels on 11 November, which he attended. The main subject discussed was a series of measures relating to the coal industry. The existing Community arrangements, eg in relation to aids, expire at the end of 1985. Following an intervention by the Secretary of State for Energy at the formative stage, we are generally content with the way the Commission have now framed their proposals for the continuing arrangements. But we and the Germans agree on the need still to make some improvements in the detail. To allow time for this the Council agreed that the present regime should be rolled forward until the end of June 1986.

4. A Transport Council, attended by the Secretary of State for Transport, is being held on 14-15 November in Brussels. There will be an Economic and Finance Council on 18 November; an



Agriculture Council on 18-19 November; and in parallel with the Intergovernmental Conference on 19 November there will be a Political Co-operation Ministerial meeting.

5. In its current session the European Parliament has returned to the draft 1986 budget. Any amendments it passes - preliminary discussion indicates that they might add to the budget up to 2 billion ecu on account of enlargement and the so-called "cost of the past" on the Regional and Social Funds - will be considered by the Budget Council on 26 November. The Budget Council left a small margin of manoeuvre but is expected to reject most of the European Parliament's amendments.

6. You will be seeing President Mitterrand at the Anglo-French Summit on 18 November and entertaining Monsieur Santer, the Luxembourg Prime Minister and current President of the European Council, to lunch on 20 November.

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ROBERT ARMSTRONG

13 November 1985