



Foreign and Commonwealth Office

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*Dear Charles,*Prime Minister's Meeting with President Mitterrand

The Prime Minister may like to see as background Mr Hannay's telegram of 14 November about the IGC, which in the Foreign Secretary's view contains wise advice.

We have had a further round of discussions with French officials this week on the matters under discussion in the Intergovernmental Conference. The French stated that:

- (a) they agree that in proposed new articles on the environment and technology, unanimity must be maintained for all important decisions;
- (b) in discussion of "cohesion", they will not agree to new resource transfers to the southern Member States. They will propose writing the terms of reference of the existing structural funds and better coordination between them into the treaty;
- (c) on the Parliament, they will agree to changes in procedure to enable the Parliament to put forward its views but will not agree to any change in the institutional balance or to arrangements which would make decision-taking worse; and they will insist that the last word must remain with the Council. With prompting from the French and us, the Luxembourg Presidency have made proposals which come close to meeting those requirements;
- (d) they will not agree to any general delegation of powers to the Commission, except in areas where the Council decides;
- (e) on decision-taking, they envisage a limited shift to qualified majority voting for the removal of direct obstacles to the free movement of goods, persons, services and capital, i.e. amending parts of Articles 57 and 100. They are concerned, as we are, to maintain essential safeguards concerning public health and safety, animal and plant health, etc;

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- (f) they think we are close to agreement on the political cooperation text. Like the Germans, they want this to form part of a wider agreement, including limited treaty changes, which they would describe as "European union".

Mitterrand attaches great importance to seeing something on monetary cooperation in any new agreement, based on the existing Articles 105 and 107 of the treaty. The French realise that Delors' proposal will not run. They and the Germans will be trying to get some general language agreed. The Foreign Secretary agrees with the line the Chancellor proposes to take on this matter at ECOFIN; but agrees also that we should not foreclose completely the possibility of a reference to the EMS.

The Foreign Secretary hopes that the Prime Minister will use her meeting with Mitterrand to find out whether the line the French have been taking, which shows a considerable convergence of views on the substance of most of the issues, does indeed correspond to Mitterrand's own thinking as to what might be done at the European Council. If it does, there is common ground on which we should seek to build. But it will be important to get this established with him personally. If these are not his views, we need to know that now.

Yours ever,

Colin Budd

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