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PRIME MINISTER

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Cabinet: Community Affairs

If this has not already been dealt with under Foreign Affairs, you may wish to report on the Community aspects of your discussions with the French President, Monsieur Mitterrand, on 18 November. You also met Monsieur Santer, the Luxembourg Prime Minister and current President of the European Council, on 20 November.

2. The Foreign and Commonwealth Secretary will report on the Ministerial session of the Intergovernmental Conference held on 19 November at which the United Kingdom was represented by the Minister of State, Foreign and Commonwealth Office (Mr Rifkind). The pace of discussion in the Conference has quickened; there will be a meeting of the preparatory group at official level on 21-23 November, a meeting of Ministers on 25-26 November and a final meeting of Ministers beginning on 30 November. The majority of member states, including France and Germany, would like to see the Conference concluded and the main issues settled at the European Council in Luxembourg on 2-3 December. Our own conclusion is that, provided that the result is a modest package meeting our conditions, this timing is also in our interest. The meeting on 19 November discussed the internal market, on which we have to ensure that any move to qualified majority voting, which will be of value on the measures we do want, does not apply to taxation, movement of persons (frontier controls), environment, employer/employee relations ("social engineering" on such issues as parental leave or part-time working) and that our high standards on public, animal and plant health (no rabies, no foot and mouth disease, no Colorado beetle etc) are protected. There was also discussion of the role of the European Parliament and

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and the powers of the Commission. The wilder ideas of some member states for increasing the powers of the European Parliament have almost sunk without trace. The present text of the Presidency would give the European Parliament greater opportunity for being consulted while limiting its ability to complicate decision-making and leaving the last word with the Council. The European Parliament will complain. On monetary cooperation the Commission's proposal was rejected by Germany and the United Kingdom in the ECOFIN Council. There may be efforts later to revive some references but the Chancellor of the Exchequer's principal objective of demolishing the objectionable features of the Commission proposal has been achieved. The Conference on 19 November also considered the draft text on political cooperation. A French draft preamble was also circulated. The outstanding points on political cooperation have to be settled acceptably for us. The draft preamble has to be further examined in order to see whether it could further our attempts to define European Union as no more than what exists now.

3. The Foreign and Commonwealth Secretary may also report that the Sub-Committee on European Questions of the Defence and Overseas Policy Committee (OD(E)) on 20 November reached a very wide measure of agreement on the United Kingdom objectives and strategy for the final stages of the Conference.

4. The Chancellor of the Exchequer will report on the outcome of the Economic and Finance Council (ECOFIN) on 18 November which he attended. While the German Finance Minister (Herr Stoltenberg) and the Chancellor of the Exchequer rejected the Commission's proposal for some amendment to the monetary provisions of the Treaty, the French Finance Minister (Monsieur Beregovoy) argued that a monetary dimension was an essential ingredient of the changes currently under discussion in the Conference. The Monetary Committee will consider these questions again on 28 November. On the taxation aspects of the Commission's White Paper on the completion of the internal market the Council had an inconclusive and sceptical discussion about Lord Cockfield's ideas on the

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approximation of indirect taxes. The Council's reaction confirms the likelihood that the need to retain unanimity on tax matters will be agreed in the Intergovernmental Conference. This suits us well. The Council also approved a loan to the Greek Government of 1750 million ecu (£1035 million) in support of the recent Greek economic measures. The loan will be made available in two instalments, one immediately and one in a year's time, subject to conditions designed to ensure that the Greek measures which have an adverse impact on the rest of the Community are temporary.

5. The Secretary of State for Transport will report on the meeting of the Transport Council held on 14-15 November, which he attended. The Council made significant progress on liberalisation of road transport agreeing to create a free market without quantitative restrictions not later than 1992, and to interim measures which will progressively relax quotas and reduce distortions to competition. It also agreed to greater flexibility on lorry drivers' hours, and on the launch of 1986 as European Road Safety Year. Progress on a package of shipping measures was disappointing but a special Council may be convened next month; progress on aviation will have to wait for the Dutch and United Kingdom presidencies next year.

6. The Minister of Agriculture, Fisheries and Food will refer to the Agriculture Council on 18-19 November which he attended. The major item was a first discussion of the Commission's proposals for reform of the cereals regime. For the United Kingdom the most difficult aspect, because of our large farm size, is the proposal for a coresponsibility levy with exemptions for smaller producers. We have taken a reserved position but are examining the question more fully in London, since any disincentive to over-production does require careful consideration. Further discussion on the new sugar regime failed to produce agreement on quotas and levies. The Commission has also proposed a complete ban on hormone growth promoters, where emotion appears to be over-riding scientific judgement, but no decision was taken. The

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Minister of Agriculture, Fisheries and Food may also report that there are renewed difficulties over our exports of sheepmeat to France. The French are again zealously testing for chemical residues and thus delaying consignments. The Commission are also asking us to change some of the export arrangements; we hope to settle this soon but, if not, further harassment cannot be ruled out.

7. There will be a Foreign Affairs Council on 25-26 November which will in part coincide with a further Ministerial session of the Intergovernmental Conference. There will be a Budget Council on 26 November which will consider the European Parliament's amendments to the 1986 Budget. Also on 26 November there will be an Environment Council.

8. You are meeting the Federal German Chancellor, Herr Kohl, at the bilateral summit on 27 November.

*D F Williamson*

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20 November 1985