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PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the Special Council in Athens on 10-12 October, at which he was accompanied by the Financial Secretary, Treasury, and the Minister of Agriculture, Fisheries and Food. This reviewed all the issues in the post-Stuttgart negotiations. There was some slight but significant movement in the United Kingdom's direction on the correction of the budget inequity ("the safety net"). For the first time the French publicly joined the Germans and the United Kingdom in stating that the correction should be made by reducing the amount of Value Added Tax which a member state (ie the United Kingdom) pays rather than by new expenditure measures. There were still objections to the concept of net contributions in the United Kingdom proposal. We have to insist that, however described, this is the right measurement of the problem. There was little change of positions on the agricultural issues, but work on these is to be carried forward by a high-level agriculture group of junior Ministers or senior officials. In the discussion on new policies the Foreign and Commonwealth Secretary proposed that the list of points for the Athens European Council should be short but should include issues (eg insurance, administrative barriers to trade, solid fuels) which would be in the United Kingdom's interest; specialist Councils were asked to try and take the work forward before the next Special Council. At the conclusion of the meeting the Greek Presidency gave notice that they intended to table the first draft of a compromise at the Special Council meeting on 9-12 November.

2. The Foreign and Commonwealth Secretary will also report on the Foreign Affairs Council on 17-18 October, at which the Minister of State (Mr Rifkind) represented the United Kingdom. This was largely devoted to external trade questions. On the main issue of following up the Williamsburg declaration there was a generally favourable response to the Commission's proposals for the

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Community's contribution to rolling back protectionism but France blocked their approval. On Japan there were reasonably satisfactory conclusions intended to keep up the pressure. There was a first debate on the Commission's proposals for the 1984 steel voluntary restraint agreements.

3. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 17-18 October. This was successful in reaching agreement on some limited changes in the regimes for certain Mediterranean products (fruit and vegetables). This is a step forward. The long blockage of this question had seriously held up the enlargement negotiations. France has now lifted its block on the agriculture chapter of the accession negotiations, and this has been reflected in a Council Declaration. The United Kingdom, with Dutch and German support, made a declaration that to render the olive oil regime suitable for a Community of twelve mechanisms should be introduced to tailor production to foreseeable market outlets. The Commission presented its proposals for a revised agriculture structures regime and for imports of New Zealand butter. There was a short political debate on New Zealand butter, with Ireland seeking to make a link with the Stuttgart negotiations and France and Belgium with other agricultural questions. At the United Kingdom's insistence, there will be a further discussion of the proposal itself at the November Agriculture Council. There was also a debate on the extension of the United Kingdom's less-favoured areas, with France, Germany and Denmark all adopting a negative attitude. Efforts to resolve the French objections in bilateral discussions did not succeed. The question will again be on the agenda of the next Council.

4. The Minister of Agriculture, Fisheries and Food will also report on the Fisheries Council on 19 October which is making yet another attempt to agree allowable catches and quotas for 1983 for all fish stocks including North Sea herring.

5. The other Community meetings during this period were the Informal Meeting of Transport Ministers on 6-7 October and the opening of negotiations on the Third Lomé Convention. Neither requires any report to Cabinet.

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6. Over the next seven days you are meeting the French President on 20-21 October. There is an informal meeting of Foreign Ministers on 22-23 October, a Finance Council on 24 October, and Research and Internal Market Councils on 26 October.

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ROBERT ARMSTRONG

19 October 1983

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