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PM/88/059

PRIME MINISTER

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Fine Minister
his is mostly
familiar to you.
Worth only a
quick glance.

CB 25/xi

Issues for the Rhodes European Council

1. OD(E) met after Cabinet today to discuss the prospects for the Rhodes European Council.
2. Because of Papandreou's fragile health, and the fact that they have little in the way of achievement to parade, the Greeks are keen to contrive a brief and low key European Council, not calling for operational decisions. Their precise plans are not yet certain, but Papandreou is expected to circulate on 28 November a letter setting out a 3 part agenda:
 - the development of the Community, a general discussion concentrating on Single Market issues including the "Social Dimension" and the Environment (plenary session on 2 December);
 - wider world issues, concentrating on East/West and transatlantic relations (dinner on 2 December);
 - discussion of possible conclusions, statements (short plenary session on 3 December).

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General Considerations

3. There are no operational issues ripe for resolution at European Council level on which we need decisions now. Present evidence suggests that neither the Commission nor any other member state want a more sharply decision-oriented summit than the Greeks envisage. On the two key areas where decisions will be sought next year - ie on monetary and tax issues - no-one appears to want to provoke a substantive pre-emptive debate. The monetary dossier is now in the hands of the Delors Group which will report in April; the indirect tax issue will return to ECOFIN after Rhodes; and Commission ideas on tax on savings will be for consideration in ECOFIN in early 1989. The greater risk of unwelcome pressure at Rhodes may be on the "Social Dimension" (paragraphs 10-11 below).

The Development of the Community

4. On Single Market issues, the focus of discussion will be the Commission's mid-term progress report called for under Article 8(b) of the EC Treaty, as revised by the Single European Act. Our aim should be to secure conclusions which reaffirm commitment to the mainstream 1992 programme, and to the short term priorities selected at Hanover notably financial services, public purchasing and standards. The Commission report contains a number of critical remarks about the Council's record in getting through the necessary work, which it compares

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unfavourably to that of the Commission; there will therefore be no question of its being "adopted" by the European Council. It also touches briefly on frontiers issues, the Social Dimension, etc.

Frontiers

5. The references to frontiers issues have a familiar Cockfield ring, reflecting his view that all internal frontiers must go by the end of 1992. If the Commission's presentation provokes discussion we will want to present by contrast an undogmatic and very practical approach. In your speech in Bruges you emphasised the need for "plain common sense" in this area, particularly in relation to drugs, terrorism and illegal immigration.

6. Over the last 18 months colleagues in OD(E) have been establishing what continuing frontier checks we shall need and how best to operate them in conformity with the Treaty and the Single European Act. The Attorney General has assured us that we do indeed have power to take national action as necessary in the key areas (and the Commission recognise in their report that enforcement agencies must be able to operate in frontier zones); but he has emphasised that the checks that remain must be both soundly based and proportionate to the threats to which they are addressed.

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7. We have established that there is real scope for reducing the present level of action at frontiers. The Home Secretary is likely to announce next month at a meeting of Community Interior Ministers that there will be a single channel at UK ports of entry for all EC nationals. HM Customs and Excise are developing ideas which could eliminate fiscal frontier controls on commercially-traded goods. The Minister of Agriculture is working actively with his colleagues to find Community solutions to animal and plant health problems, which will nonetheless retain protection where this is essential for us. Some other member states are, we know, as concerned as we are about the need to retain effective action against illegal immigration, terrorism and drug trafficking: we are working with them to find common solutions.

8. There is no reason to expect - or indeed to encourage - protracted discussion of these issues at Rhodes. But by emphasising points of this sort we can demonstrate our willingness to seek practical solutions to real problems. The more we are able to shift the whole debate, on this and other issues, away from the kind of absolutism that characterizes the Cockfield - and, less often, the Delors - approach, the more we are likely to gain support for our kind of practical common sense. We shall want also to stress that finding ways through some of the thorniest problems will take time, certainly well beyond the life of the present Commission.

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The Social Dimension

9. M. Delors has said that he has no intention of provoking a wide-ranging discussion at Rhodes of the "social dimension" of the Single Market programme. But despite his wishes there could be Presidency pressure for endorsement of the discussion paper which the Commission put to the "social partners" in September. We should make it clear that we do not challenge the concept of the "social dimension". The concept of the social market economy was after all being commended by Keith Joseph long before anyone in the present Commission thought of it. Moreover since we took office we have invested a great deal of effort and money in developing industrial training, encouraging share ownership by employees and allied initiatives, all of which are very positive parts of the social dimension of a market economy. This point was underlined by the Employment Secretary at our OD(E) discussion today: the number of employee share ownership schemes in Britain has grown from 30 to over 1,500 during the nine years since my first Budget.

10. At the same time, we shall make it clear that we see little value in debating generalities and that we will not endorse any new measure just because it sails under the "social dimension" flag. Each issue needs to be addressed on its own merits. We should argue that the top social priority for all member states remains the reduction of unemployment, and point out that measures

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suggested in our 1986 Employment Growth Resolution have not yet been adopted. We have no difficulty in principle with further work on health and safety: indeed we endorsed that in the Single European Act. But we are against action which will add burdens to business, so cutting growth and jobs. It is for this reason that we will oppose any moves to legislate for compulsory worker participation, while being ready to commend an approach which simply offers a menu of alternative options including employee share-ownership, management buy-out and the like. We should also emphasise the extent to which the Community is already committed to supporting the "social dimension" through the doubling of the structural funds over the next four years - money which is expected to go to precisely those parts of the Community which will face the highest transitional costs as the single market spreads and deepens.

Environment

11. We see no harm, and indeed some advantage, in a discussion of global Environmental issues. But the Presidency may hanker after more discussion of European problems, and the possibility of more EC budget finance for measures against eg Mediterranean pollution, or even the case for a new EC Environment Fund. Our line should be that it is for member states, in submitting projects for financing from the (augmented) Regional fund, to take due account of environmental considerations. A

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potentially useful draft statement on environmental issues is being discussed in the Environment Council today. The Greeks may also propose the establishment of a new high level group of Community experts on environment issues. We see no advantage, and some risks, in the idea; helpfully, the Commission oppose it. We shall want to use the discussion to draw attention to our international conference on the protection of the ozone layer in London next March.

13. Certain other subjects may also arise:

- (a) Youth: There may be a risk of a last minute Commission/Presidency initiative. The only area where the Presidency have been pressing for an early decision concerns the proposed second phase of the action programme on cooperation between universities and industry on training in technology (COMMETT II); following discussion in the Education Council on 23 November they now seem likely to settle for agreement in principle to a second phase. We have reservations (shared by many other member states) about the proposed budget, legal base, and duration.
- (b) Audio-Visual: The French may seek to boost the existing EUREKA project on high definition television, which would cause us no problem.

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(c) Island problems and Transport Infrastructure: The Presidency are likely to ask for a Commission study of the particular economic problems of small islands, and for acceleration of Council consideration of help for transport infrastructure. They can expect no support from the Commission on the islands. Our line on both should be negative.

Wider World

12. We welcome the idea of a broad discussion on external issues. Our aim should be to focus it principally on relations with the next US Administration (following your visit, and Chancellor Kohl's, to Washington), and on East/West relations (Da Mita, Kohl and Mitterrand have recently visited Moscow, and we will of course be able to point to Gorbachev's forthcoming visit here). There will be some discussion of the Middle East. Following successful exchanges in the Agriculture Council and FAC, there is no requirement for substantive discussion of the Community's approach to the immediately following Uruguay Round Midterm Meeting in Montreal. The President are preparing a possible statement on the Community's relations with the wider world. Though the initial Greek text contained more material on improving East/West than on maintaining good West/West relations, there seems a fair prospect of satisfactory amendment: Greek reluctance to expose Papandreou to a detailed drafting exercise may work in our favour.

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Conclusions

13. Despite continuing doubts about precise Greek plans, the overall prospect therefore is probably for a low key European Council, with this Commission signing off and the Presidency concerned to salvage something from an ineffectual autumn. Any lack of harmony is more likely to stem from confusion (as a result of weak chairmanship) than conspiracy.

14. OD(E) concluded that our objectives should be:

- a) to concentrate attention on the mainstream 1992 programme, and the short term priorities agreed at Hanover;
- b) while recognising the validity of the concept of the "social dimension", to argue as necessary for a pragmatic programme, avoiding additional burdens on business; and
- c) to ensure that public texts, eg on issues of foreign policy and environment policy, are satisfactory.

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15. I am copying this minute to other members of OD(E), the Home Secretary, the Secretary of State for the Environment, the Secretary of State for Transport and to Sir Robin Butler.

A handwritten signature in dark ink, appearing to be 'G. Howe'.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

24 November 1988

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