



Ref. A084/3029

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the Foreign Affairs Council on 12-13 November at which the United Kingdom was represented by the Minister of State (Mr Rifkind) and the Minister for Overseas Development. The discussion of enlargement did not achieve any progress towards fixing the Community's negotiating position either on one of the outstanding agricultural points, fruit and vegetables (the other agricultural point is wine), or on fisheries. The United Kingdom has no significant problems on fruit and vegetables but the French are holding up the establishment of a Community position. On fisheries we believe that the United Kingdom's hard line, supported by most major fishing member states, will prevail but this is taking time. A further Foreign Affairs Council on enlargement is to be held on 20 November. The Council did make some progress on the size of the European Development Fund for ACP countries in the Third Lome Convention; this was on the basis of a Commission proposal that the agreed figure of 7 billion ecu could be increased to 7.4 billion ecu, reflecting the contributions which Spain and Portugal would make on enlargement, while the United Kingdom and Germany would not contribute more than our existing share of the 7 billion ecu. This proposal was close to acceptance but was blocked by Belgium. It will be discussed further at the Council on 20 November.

2. The Foreign and Commonwealth Secretary will also report that the Foreign Affairs Council endorsed the text of the Council conclusions on budgetary discipline which were agreed in the Finance Council on 12 November, at which the United Kingdom was represented by the Economic Secretary. The agreement on budgetary discipline contains the two main elements setting a framework for all Community expenditure and establishing the strict financial



guideline for agricultural support expenditure. There is no question of "base drift". The text will be formally included in the conclusions of the Council on the measures necessary to guarantee the effective implementation of budgetary discipline in accordance with the Fontainebleau agreement. The text will not be finally adopted until there has been a meeting between the Council and the European Parliament which has been arranged for 21 November. The agreement is the responsibility of the Council itself but the European Parliament is to be given an opportunity to express its views. When the text has been definitively adopted, the Government will be in a position to seek the United Kingdom Parliament's approval to the provision of supplementary finance for 1984.

3. The Foreign and Commonwealth Secretary may also provide the latest report on this week's session of the European Parliament. The European Parliament will propose increases in the Community's 1985 draft budget so that it exceeds the revenue available within the 1 per cent VAT limit. This would not be legal. A conflict between the European Parliament and the Council is therefore to be expected. It is too early to foresee the result. If, as is possible, there is no agreement on the budget, the Community would have to operate from January 1985 on the basis of provisional twelfths of the annual amount. This would not be against the United Kingdom's interest. In revising the 1985 draft budget the European Parliament is also expected to make provision for the United Kingdom's 1984 refund (the ad hoc 1,000 million ecu) not by the method agreed at Fontainebleau of a reduction of VAT contribution but on the previous basis of new expenditure in the United Kingdom. The European Democratic Group has not taken a robust line on this and will probably abstain. The Council can be expected to reject the European Parliament's proposal and to respect the Fontainebleau agreement.

4. The European Parliament also did not give the Commission the budget discharge (clearance of accounts) for 1982. This has no practical effect on payments made but represents a deterioration in relations between the European Parliament and the Commission.



5. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 12-13 November. This made no progress on the reform of the wine regime which is an element in the enlargement negotiation. It is now likely to be referred to the December European Council. On the milk super-levy Mr Jopling stressed the need to avoid discrimination in the collection and asked the Commission for a progress report. This revealed that France was not ready to pay over the levy to the Community and was apparently seeking to equalise out individual shortfalls and excesses in order to avoid payment by French farmers. Belgium and the Netherlands made it clear that they would not collect the levy until France properly applied the rules. Mr Jopling said that in these circumstances he had no alternative but to suspend collection in the United Kingdom (this would otherwise have been necessary in Northern Ireland). The Commission may now propose the postponement of the first collection of the levy to the end of the year. A further French request for approval of recent measures costing 400 million francs to support its beef producers was refused. The Commission said that the measure did not appear to conform with the Treaty and asked for their official notification by France. Mr Jopling and other Ministers pointed out that the beef market was worse in other member states and that there was no justification for French aids.

6. The Secretary of State for Transport will report on the Transport Council on 8 November at which the United Kingdom was represented by the Minister of State (Mrs Chalker). This reached provisional agreement on a compromise on vehicle weights: the scope of the first directive will be confined to international traffic movements, with the question of the drive axle weight being left open. A derogation for the United Kingdom and the Republic of Ireland was agreed which will enable us to preserve our existing limits. The formal adoption of the directive and of the other measures in the May package (infrastructure spending, railway co-operation and road haulage quota liberalisation) is expected at the next Transport Council on 11-12 December.



7. The Secretary of State for Energy may refer briefly to the Energy Council on 13 November, at which the United Kingdom was represented by the Minister of State (Mr Buchanan-Smith), which reviewed member states' energy policies and energy saving programmes.

8. There will be a Foreign Affairs Council and a Political Co-operation Ministerial meeting on 20 November, a Steel/Shipbuilding Council on 22 November and a meeting of Culture Ministers the same day.

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Approved by
ROBERT ARMSTRONG

and signed in his absence

14 November 1984