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EHG(B)(85)2

COPY NO

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26 March 1985

EUROPEAN COUNCIL, BRUSSELS

29/30 MARCH 1985

STEERING BRIEF

Brief by Foreign and Commonwealth Office

INTRODUCTION

We hope that the outstanding issues in the enlargement negotiations will have been resolved at the Foreign Affairs Council on 28 March. The text of the Own Resources Decision is also substantively agreed. Both the conclusion of the enlargement negotiations and the timing of the entry into force of new own resources have been linked by the Greeks to Integrated Mediterranean Programmes. Discussion of IMPs is therefore likely to be the main substantive issue at the European Council.

Integrated Mediterranean Programmes (IMPs)

Discussion will focus on the revised Commission proposal on IMPs. The Greeks regard the proposal as

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inadequate and Papandreou may not be ready to settle in
advance of the Greek elections. Other Member States
will be concerned to get this issue resolved if
possible because of the problems for enlargement/own
resources if the Greek linkage is maintained. There
will therefore be a general disposition to accept the
Commission's revised proposals. The Irish and the
Belgians will be concerned, however, about any general
tilting of the Structural Funds towards the
Mediterranean. The Germans, who will be paying five
times as much as we shall of any additional sums agreed
for IMPs, will join us in resisting the Commission
proposal for 2 billion ecu extra expenditure.

If Papandreou refuses to settle we shall wish to try to
get the Greek reserve on enlargement shifted to cover
signature or ratification so that the negotiations can
be completed. We shall wish to get the Greeks to lift
their reserve on the Own Resources Decision, which
Greece needs as much, if not more, than other Member
States. In the event of continued Greek blockage we
should need to look, with others, for ways of putting
real pressure on Greece, eg, by getting the Commission
to delay disbursements to Greece.

Future of the Community

The Council is likely to have a preliminary discussion of the report of the Dooge Committee and to take note of the report of the People's Europe Committee. Unless President Mitterrand launches his promised "surprise initiative", (probably majority voting; a slight increase in powers for the European Parliament; and formalisation of the European Council) the discussion is likely to focus on follow-up to the Dooge Committee report, particularly whether there should be an inter-governmental conference. The Italians may try to keep the Dooge Committee in being. We should aim to ensure that follow-up to the Dooge Committee report takes the form of contacts between governments with a view to decisions being taken at the June European Council.

UK Initiative on Unemployment/Deregulation

This is covered in the paragraphs on the Economic and Social Situation. A possible text for inclusion in the European Council conclusions is attached. This has been discussed with the Council Secretariat.

Commission Paper on Strengthening the Technological
Base of the Community

The Commission have tabled a paper containing proposals for strengthening the Community's technological base. We can agree with most of the paper (which stresses the importance of completing the internal market; the role of SMEs and the importance of R and D). But it contains some equivocal wording on protectionism. Nor can we accept the Commission's specific proposal that 6% of the EC budget should be diverted to R and D and may wish to suggest that there should be a review of the effectiveness of existing spending before we consider further expansion. We shall wish to avoid any commitment to the proposed Community programme on telecommunications which as yet is inadequately defined and in particular, to reserve our position on any Community funding of it given the healthy financial state of the industry.

Commission Paper on a Europe-wide Environment Policy.

Chancellor Kohl has said that he looks forward to a debate at the European Council on environment issues. The European Council agreed at Dublin to devote part of

this session to this issue. The Commission has tabled a paper calling for:

i) protection of the environment to be treated as an integral part of economic and social policy.

ii) coherent action on the environment within the Community framework.

iii) designation of 1987 European Year of the Environment.

The Commission paper is broadly acceptable though it takes no account of the improvements in pollution control already achieved, to which we shall wish to draw attention.

Political Cooperation

A separate steering brief has been provided (Brief No 13)

OBJECTIVES

1. ENLARGEMENT

- To resolve any issues outstanding from the Foreign Affairs Council on 28 March so that the 1 January 1986 target can be met.

2. IMPS

- If possible to remove the Greek block on enlargement by agreement on IMPS on the basis of:

(a) a final figure for IMPS as low as possible and taking account of the Greek benefits from the structural funds, including FEOGA guidance.

(b) Greece getting the lion's share of money from IMPS;

(c) IMPS forming the definitive response to the Greek Memorandum.

[If no agreement possible]

- To hold the Germans to a common position.

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- To ensure that the new Own Resources Decision and completion of the enlargement negotiations are not held up, and that Papandreou is isolated.

3. BUDGET ISSUES

- To get the Greek reserve on the text of the new Own Resources Decision lifted.

- To ensure that the new Own Resources Decision goes ahead as currently drafted, ie with provision for our 1000 mecu abatement as soon as all ratifications of the Own Resources Decision have taken place.

4. FUTURE OF THE COMMUNITY

- To secure agreement that follow-up to the work of the Dooge Committee should take the form of consultations between governments leading to a substantive discussion and decisions at the June European Council.
- To avoid any further remit to the Dooge Committee itself.

- To approve the recommendations of the first report of the People's Europe Committee, in particular progress towards completion of the internal market, but not to accept any commitments to tax harmonisation.

5. UK INITIATIVE

- To get the European Council to support our initiative on wealth creation, employment and deregulation and to adopt our draft conclusions.

- To secure continuing commitment by the Community to prudent counter-inflation policies and promotion of freer markets.

6. COMMISSION PAPER ON STRENGTHENING THE TECHNOLOGICAL BASE OF THE COMMUNITY

- To welcome the paper's emphasis on completion of the internal market, the role of SMEs and the importance of R&D.

- To avoid any implication of endorsing protectionism.

- To make clear that there should be a review of the contribution which R&D has made to improving industrial competitiveness before the Community considers any further expansion of R&D programmes.

7. ENVIRONMENT

- to note the considerable progress made, eg on vehicle emissions.
- to agree guidelines for Community environmental policy that take account of cost-effectiveness and the varying nature of problems both in Member States and in the wider international context.

8. CAP

- To avoid conclusions which lead to a price fixing more generous than the Commission has proposed.
- On cereals, to ensure that the principle of guarantee thresholds is implemented and to resist pressure from the Germans to weaken the Commission's proposals for a 3.6% price reduction.

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- To point out that the price fixing is an important test of the European Council's conclusions on control of EC spending and an integral part of the Fontainebleau agreement.

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ARGUMENTS

1. INTEGRATED MEDITERRANEAN PROGRAMMES (IMPS)

General

- Welcome Commission's recognition of the need for a reappraisal.

- New proposals an improvement. Hope we can now settle this issue.

- Brussels European Council conclusions stated that IMPS would be:
 - launched as a coordination of activities in 1985;
 - operational in 1985;
 - of limited duration;
 - designed to prepare southern regions for enlargement; and to respond to Greek Memorandum;
 - financed through increases in the resources of the existing funds within the limits of financing possibilities.

- Against this background, should aim to implement IMPS in 1985. They should form completion of the

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Community's positive response to the Greek Memorandum.

- The main effort under IMPs should be directed towards Greece.

Financial Envelope

- Brussels European Council conclusions said that total cost of IMPs was to be "within the limit of financing possibilities".
- Brussels conclusions also stated that "the financial resources allocated to aid from the funds, having regard to IMPs, will be significantly increased in real terms within the limits of financing possibilities".
- Agreement on Regional and Social Fund, and recent agreement on FEOGA Guidance, are in line with that decision.
- Need clarification of Commission proposal that 2.5 becu from the Structural Fund would be directed to the Mediterranean over 7 years. If this means that all of the projected increase in spending under the Structural Funds will go to the Mediterranean regions then this is contrary to the intention of the European Council. If it means that financial support on this scale can be

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provided for integrated programmes from within the
total sums available within the Structural Funds then
we could agree. Need to be clear.

- The Community must maintain a unified regional
policy. Cannot establish what would effectively be a
separate structural fund for the Mediterranean.
- Mediterranean regions already have high priority in
the structural funds.
- Other areas also have special needs.

Duration

- Agreed IMPs should be "of limited duration".
- Strong preference for IMPs to last five years. [?]

Loans

- Mediterranean countries can expect to be major
beneficiaries from EIB resources over the next five
years.
- On Commission proposal for a further 2.5 becu of EIB
lending, could this be done without adversely affecting

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the balance of lending policy within the EIB?

- Would also need to know how money would be raised and what credit terms would be agreed.

Their Objectives

Greece:

Either: to secure a demonstrable success in terms of significant additional sums for Greece, in the run up to the Greek elections.

Or:

to adopt a defiant line, if necessary in isolation, in demanding large extra sums for Greece.

Italy and France:

To keep open the possibility of qualifying for IMPs in order to be able to fulfil political commitments to their farmers.

Germany, Netherlands, Denmark:

To keep down level of
additional money for IMPs
(though Dutch will be
prepared to pay to unblock
enlargement).

Belgium, Ireland:

To protect their structural
fund receipts by ensuring
all the finance for IMPs is
additional.

Our Response

- Willing to look at special package of measures for
Greece.

- Can agree:

(a) to ensure that IMPs are broadly directed
towards special needs of Greece, to which the
main effort should be directed;

(b) to ensure that use of the amounts available to
the Mediterranean regions through the increased
resources of the Regional and Social funds, should
be through coordinated and fully integrated
programmes.

(c) to consider the role of Community lending facilities;

(d) some additional funding as agreed by the European Council;

- When combined with Greek receipts under the structural funds, a package on these lines could bring up to at least 3500 mecu the value of the agreed commitments for Greece over the next five years. Any further help for Greece from within FEOGA Guidance could take the total to nearer 4000 mecu. Such additional help would need to be properly costed and taken into account in any overall settlement.

Italy and France

- Main need is in Greece. Other very needy regions can qualify. But other Mediterranean countries could finance their IMPs from existing structural funds.

[If necessary]

- Regret inability to be able to reach agreement on IMPs given effort made by majority of Member States. Cannot allow this to hold up enlargement or own resources. Foreign Affairs Council will have to revert to IMPs.

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- Should be no question of delaying completion of enlargement negotiations. Greek reserve placed at last European Council has not delayed progress in the meantime. Spain and Portugal will find it intolerable if enlargement is delayed by preoccupations of one Member State. Must at least complete the process of negotiation so that delay is minimised.

- If the adoption of the Own Resources Decision is held up this will not only delay enlargement but also the availability of own resources; agreement on the '85 budget and preparation of the '86 budget.

- This will have serious consequences for the Community in general and also for Greece, including Integrated Mediterranean Programmes.

2. FUTURE OF THE COMMUNITY (DOOGE COMMITTEE)

- Committee's report shows many areas of agreement.
 - emphasis on need to create genuine internal market by the end of the decade;
 - good text on development of political cooperation;
 - sensible passages on defence and security;

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- general endorsement of UK suggestion of one Commissioner per Member State;
 - emphasis on strategic role of European Council. Should not take on role of FAC.
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- Report reflects common desire to make Community more effective after enlargement.
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- Time for decisions will be in June. Hope we can reach substantive agreement on what to do and announce it then.
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- This will require contacts between member governments. Presidency should play an important role in this. May be need for Gymnich-type meeting of Foreign Ministers.
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- [As necessary]
- Do not believe that Dooge Committee as such should carry out this work. Essentially now for member governments, with good offices of Presidency, to discuss how to take report forward.
 - Have already indicated that premature to take decision about inter-governmental conference now.

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Contacts between governments may make it possible to take substantive decisions under Presidency in June.

Decision-taking [As necessary]

? - General agreement that in enlarged Community will need to be majority voting. ?

- Ample scope for this under the Treaties. Need to move away from practice of seeking consensus in every case, when non-vital issues involved.

- At same time must recognise political reality: no Member State prepared to be voted down when an issue of vital national importance is at stake. System must make allowance for this.

- Dooge Committee has tried to resolve decision-taking problems by institutional means. This cannot substitute for readiness to tackle the more difficult dossiers seriously, and a political will to make speedy progress.

- Some members of Dooge Committee believe majority voting should be extended to most areas where Treaty

currently requires unanimity.

- In many cases clearly not possible to change the unanimity requirement, eg:

- (a) membership of Community institutions;
- (b) seat of institutions, Community languages;
- (c) uniform electoral procedure;
- (d) own resources;
- (e) common economic policy measures.

- Should beware of embarking of a discussion in which we could end up arguing over minor points.

EMS [As necessary]

This question discussed at length by our representatives on the Committee before agreeing language in report. No need to discuss them again here. Others know our position on ERM. We keep the question under review and have concluded the time is not yet right.

European Parliament [As necessary]

- European Parliament should be encouraged to make more effective contribution to EC decision making.

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- Should make more use of its right to put forward proposals for Community action.

- There should be improvement and extension of conciliation procedure, in particular more effective consultation at earlier stages of consideration of proposals.

- Council should follow up EP resolutions with the Parliament - or explain its reasons for not doing so.

- Serious misgivings about proposal on joint decision taking:

- recipe for greater inter-institutional conflict;

- would slow down decision taking;

- greater control in external policy would go further than powers of national parliaments. What would happen if European Parliament delayed agreements to which all national parliaments had given approval?

- could not accept to give EP more responsibility over revenue. No evidence that Parliament would use it wisely;

- more power for the EP means less for the Council and national parliaments to which we are all

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answerable;

- should not upset delicate balance between institutions and Member States.

Their Objectives

- To press for early decision to convene an inter-governmental conference.

Arguments

- Agenda too crowded today to discuss report in detail now. Time needed for reflection. Issues are too important to be rushed.

- Not prepared to agree to an inter-governmental conference until we have a clearer idea of what we want to achieve. Failed or confused conference would be a major set-back.

- Case for a new Treaty not yet proven.

- [If appropriate] Treaty amendment may not be necessary. There are quicker ways of achieving what we want (ie immediate implementation of existing provisions).

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- All recognise that we have fallen well short of completing Community envisaged in the Treaties. Dooge Committee majority hope to overcome this by institutional means. Legitimate aspiration but will it work?

- Real problem is lack of political will to break down remaining barriers. Need to commit ourselves to do this on basis of firm timetable.

- Should not fall into trap of grasping at Treaty change as easier option than real progress under Treaty of Rome.

3. COMMITTEE ON PEOPLE'S EUROPE

- The report of the Committee on People's Europe contains a good number of specific recommendations on such questions as travellers' allowances, which will be welcome to ordinary people and which we should approve today.

- In broadly endorsing the report I should like to make three points. First, my representative made clear in the Committee that he supported the Committee's view

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that there should be a firm deadline for the completion of the single market for goods and services but that he could not specifically endorse the Commission's proposal for a "Europe without frontiers" by 1992. We ought to be able to complete the internal market before 1992. But we cannot have a Europe totally without frontiers (so long as we have real differences in taxation which will not be readily changed and) so long as we have to face the vital issues of drugs, terrorism and illegal immigration. We should not underrate the importance of these points for our people.

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- Secondly, it is possible to make progress on the right for professional and other people to establish themselves in other Member States through the approach, in general, of mutual recognition of qualifications. But there will be some exceptions, as the Committee recognise, where for historical reasons training courses and diplomas differ greatly between Member States.

- Finally, I am glad that the Committee has realistically recognised a link between the right of residence and a citizen's resources, so that a citizen wishing to reside in a country other than his own does

not become a burden on the public purse in the host country. On this basis, I can welcome the Committee's report. I hope that my colleagues can do so as well.

Their Objectives

- French may argue that the report does not fly high enough; is not sufficiently radical; and that the original political impetus has been lost.
- Danes may seek to remove underlying, UK-inspired distinction in text between proposals for controls on people at land frontiers and those on people at sea and air ports.

Our Response

- Second report will contain more proposals (eg on youth exchanges) which may be wider-ranging. But real value in these practical measures which we can all agree to act on quickly.
- Sea and air ports different from land frontiers because of high proportion of travellers from third countries.
- (If pressed) UK cannot accept radical relaxation of controls at sea and air ports because UK immigration

rules rely on external frontier controls not internal measures.

4. ECONOMIC AND SOCIAL SITUATION

Arguments to Use

- Lack of progress towards reducing European unemployment reflects entrenched structural problems.

To create new jobs we must have fewer rigidities and more competition especially in labour markets.

- Contrast with flexible US labour market where over 7 million jobs created since end 1982, two thirds of them in firms employing under 50 people.

- Increased role of public sector inevitably crowds out private sector activity.

- Community governments have major responsibility to create open, market based climate.

- Without firm counter-inflationary commitment, inflation likely to accelerate as in previous cycles and undermine efforts and progress so far.

Regulation

- Nos. in 1982

- Savings

V.A.T. - threshold membership low

- There has probably never been a time when Community Governments closer both in objectives and means of achieving them.

- Reducing unemployment, creating wealth and promoting enterprise major elements in all our policies.

- Believe we should build on excellent report agreed at Dublin by expressing our common determination to take measures in these areas and by encouraging Council and Commission to play their part in backing up and facilitating national measures. This would show Community as a whole tackling issue of unemployment and demonstrate to our people that we were adopting policies that supported and reinforced each other.

Their Objectives

- Commission may resist new initiative being wrested from them.

- Commission will seek agreement to greater dialogue with social partners; and

- Commitment to step up public investment in infrastructure projects.

- Pressure on UK and particularly Germany for shift to expansionary fiscal stance.

- Commission may seek greater Community (and therefore Commission) involvement in international financial/monetary discussions because of link with trade issues.

Our Response.

- UK initiative based on existing policies in Annual Economic Report. Consistent with approach set out in useful Dutch paper produced after Dublin European Council.

- See use in social dialogue if it emphasised respective roles. Useful to influence expectations, but could not accept commitment to formal incomes policy for UK.

- Infrastructure investment only benefits economy when justified on rates of return. No backlog of profitable public sector projects in UK.

- Fiscal discipline, within medium term framework,

lowers inflation and creates room for manoeuvre.

Prudent budgetary policies in German allowing scope for tax cuts. Hope others will do likewise. Experience suggests expansionary policies not long term solution.

- See no need for Community to have single positions in international financial discussions (IMF etc.)
Accept their work relevant to trade, but decisions on trade are taken elsewhere, ie in GATT.

5. COMMISSION PAPER ON STRENGTHENING THE TECHNOLOGICAL BASE AND COMPETITIVENESS OF THE COMMUNITY

Arguments

- Stimulating Commission paper. Many important proposals, especially emphasis on:
 - completing internal market;
 - greater links between universities and industry including setting up industrial/academic Centres of Excellence.

- Long argued the need to direct Community activity towards completion of internal market and improving technological and thereby economic base of Community.

Commission paper recognises important role of SME's and greater R & D activity.

- Strategic thrust is right but Commission must concentrate on setting the right climate for new technologies to emerge.

- Not Commission's job to stimulate demand for specific technologies.

- Agree that R & D expenditure should be aimed at strengthening technological base; need to be sure it actually does so.

- Over 3 billion ecu spent on Community R & D since UK joined. Research Council agreed new programme of 1225 mecu in December. Before considering further expansion should have review of past and present spending to show what contribution this has made to improving industrial competitiveness compared with comparable national programmes.

Others' Objectives

- Commission, supported by some other Member States, will seek to secure European Council commitments to

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increasing R & D spending to 6% of the Community budget (which is currently less than 3%) and to include telecommunications as a major area of Community of R & D activity.

- Germans, and possibly the French, will share our reservations about a sharp increase in the R & D budget.

Our Response

- Proposal should first be considered by Research Council on basis of suggested review of past and present expenditure. Cannot support idea without evidence of effectiveness.

- Have accepted commitment to gradual increase in proportion of Community budget spent on research and Research Council has adopted new programmes. Should not go beyond at this stage while effectiveness not yet tested and while Community budget tightly constrained.

Telecommunications

- Achieving EC market in telecommunications highly desirable objective.

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- First priority must be to liberalise market by opening up public procurement to competition.

- Increased R & D effort desirable but industry should be encouraged to find funds to finance this. Already evidence of possibilities in recent collaboration by major telecommunications companies.

[If necessary]

- Not persuaded of need for Community contribution.

6. ENVIRONMENT

Arguments

- Commission communication rightly stresses importance of subject and need for action. Major improvements have already been achieved or are in hand.

- In UK rivers are cleaner, urban air healthier. Much due to domestic measures but Community policy also important.

- Successful conclusion of UK initiative on unleaded petrol an important step. So, too, the recent agreement

in principle on vehicle emissions. Negotiations on both have shown importance of balancing need for action on environmental ground with choice of the most cost-effective measures and ensuring compatibility with other Community policies.

- Environmental considerations should be a basic element in economic decision taking, both nationally and in Europe. The environment is receiving greater attention in other areas, industry, energy and - particularly encouraging - agriculture. Community can give lead in this process of integration, and Commission's suggestions are welcomed on this point.

- With increased attention to cross-sectoral problems UK concept of best practicable environmental option offers basis for future Community policy. Not sensible to take action in one area (eg water) if knock-on effect increases pollution elsewhere (eg on land or air).

Their Objectives

Commission: to secure Council endorsement of three guidelines for Community environmental policy:

- (a) integration of environmental protection within other policies;

- (b) the need for coherent action within the Community framework;
- (c) designating 1987 European Year of the Environment.

Germany, along with Denmark and Benelux, likely to endorse uncritically.

France and possibly Italy may support UK in advocating a more balanced presentation.

Our Response

Integration of environment and other policies

- Agree this should be political aim, in Community and capitals.

- Good start made by Agriculture Council agreement to UK initiative on conservation measures within CAP, aimed at protecting rural wildlife and preserving the landscape.

- Negotiations on vehicle emissions also encouraging in balancing environmental policy and needs of internal market.

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- Commission statement that active environmental policy "can help economic growth and job creation". May increase jobs but only marginally without major public expenditure. Over-stringent controls can hinder economic growth and decrease jobs.

Future Actions

- Where need for Community action clearly established agree it should not be piece-meal. Go for best practicable environmental option. Should be realistic in estimating likely effectiveness of proposals.

European Year of the Environment

- Need to avoid this becoming a gimmick but could support if others enthusiastic. Opportunity to evaluate success of first three environmental action programmes. Should not be occasion for ill thought out action.

Air Pollution

- Much action already taken. UK total emission of SO₂ down by 40% since 1970 and 20% since 1980. Draft directive for large combustion plants too expensive (£150m per power station - £2 billion total) and success uncertain. 30% Club commitment in ECE also unacceptable but we aim to reduce SO₂ and NO_x emissions by 30% by the

end of the 1990s. Community is moving away from arbitrary targets for vehicles emissions. This should offer useful lesson for other air pollution proposals.

Marine Pollution

- Existing international agreements adequate. Mediterranean a special case but fully catered for by Barcelona Convention. No need for new EC initiative. Main problem caused by discharges from rivers and estuaries. Half the total pollution of North Sea comes from the Rhine and Meuse. UK will host conference in 1986-87 as follow up to North Sea Conference held at Bremen in November 1984.

Dangerous Chemicals

- Community has already taken precautionary action ("Seveso" Directive). Important to use our experience in work with other international bodies, eg UNEP, OECD.

Agriculture

- Agree that modern farming can cause damage. UK initiative on conservation step in right direction.

Developing Countries

- Essential to work together (and within OECD and UNEP)

to help developing countries. Environmental consequences must be prime consideration in bilateral and multilateral aid.

8. CAP

Arguments

- Should leave Council of Ministers to agree 1985 price fixing on the basis of Commission's proposals and consistent with financial guideline for agriculture.

Their Objectives

- Other Member States may raise the subject in an attempt to encourage the Commission to amend their proposals to make them less stringent.

Our Response

- The Commission have their own responsibilities for ensuring the viability of Community policies. We should do nothing to undermine their resolve.

- Unpicking of Commission proposals would be inconsistent with conclusions of EC Heads of Government on control of EC spending.

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- If any danger of such inconsistency, joint council with Finance Ministers would need to be convened, in accordance with agreed arrangements.

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