



Ref. A085/1594

PRIME MINISTER

Cabinet: Community Affairs

1. The Foreign and Commonwealth Secretary will report on the signature of the Spanish and Portuguese Accession Treaty in Madrid and Lisbon on 12 June.
2. The Foreign and Commonwealth Secretary will also report on the preparatory discussions for the Milan European Council at the informal meeting of Foreign Ministers in Stresa on 8-9 June. The Italian Presidency argued for an intergovernmental conference to conclude a new treaty on progress towards European union, covering a juridical basis for political co-operation; the completion of the common market; changes on decision taking; greater involvement of the European Parliament; and an extension of Community competence. This attracted explicit approval only from Belgium and Luxembourg. The support of France and Germany was noticeably more muted. Monsieur Delors said the Commission would be putting forward specific ideas for the Milan European Council, in particular on the completion of the common market and on reinforcement of technological and monetary co-operation. He too was less than enthusiastic about a conference. The Foreign and Commonwealth Secretary recalled that the United Kingdom had already put forward our own ideas for a precise timetable for action to complete the internal market, to which we attached high importance. He circulated for discussion at Milan the United Kingdom's proposals for a binding agreement on the existing informal arrangements on political co-operation; and suggestions for improved decision taking without amendment of the Treaty. He also explained the procedural ways in which the discussions between the Council and the European Parliament could be made more effective, again without amendment of the



Treaty or the European Parliament's powers. If conclusions on all these points were reached at the Milan European Council, which was the proper forum for taking decisions on these major issues, the European Council at the end of the year could then act as a conference of heads of government to give them final endorsement. There is no doubt that the United Kingdom has made great progress in swinging opinion within the Community towards our own practical approach, particularly since we are the only member state with a coherent, negotiable package and with specific proposals and texts on the internal market, political co-operation and decision-making. The negotiating position is somewhat fragile but should hold up so long as we maintain the tacit agreement of France, Germany and the United Kingdom that there will be a success at Milan on ground which we can all accept.

3. The Secretary of State for Trade and Industry may report that the Internal Market Council on 10 June, at which the United Kingdom was represented by the Minister for Trade (Mr Channon), finally reached agreement on a long outstanding directive on freedom of establishment for architects, following a compromise whereby the shorter period of academic training for certain architects in Germany would have to be supplemented by several years' practical experience. The Minister of Trade also stressed the importance of vehicle emission standards for the internal market and the need to respect the agreement reached by Environment Ministers in March.

4. The Chief Secretary may report on the Finance Council on 11 June, at which he represented the United Kingdom. This discussed the budgetary discipline reference framework for 1986 (the Commission has not yet provided all the figures because they wished first to have the 1985 budget adopted by the European Parliament) and the draft unit trusts directive, which



we support because it would be favourable to the United Kingdom (more sales by United Kingdom unit trusts in Europe) and as a step towards the liberalisation of other financial services.

5. The Chancellor of the Exchequer may also be able to report whether the European Parliament, at its session this week, has formally adopted the 1985 Community budget which provides for the United Kingdom's 1000 million ecu abatement for 1984. You may wish to know that the Commission's draft of the 1986 budget, which we have obtained unofficially, includes an estimated rebate on our VAT contribution of 1400 million ecu. This is a satisfactory progression (750 million ecu for 1983, 1000 million ecu for 1984 and 1400 million for 1985) and in practice we expect that, because of the Chancellor of the Exchequer's recent decision on the point at which VAT is collected, the outturn in 1986 on the United Kingdom rebate for 1985 will be higher than 1400 million ecu.

6. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 11-12 June, which is making a further attempt to agree the level of support prices for cereals (and rapeseed) outstanding from this year's farm price settlement. The Germans, again trying to conceal their reliance on the Luxembourg compromise, strongly opposed the Council coming to a vote on the proposed reduction of 1.8 per cent on cereals support prices. They failed, however, to prevent the Presidency calling for a vote and were forced to invoke paragraph 2 (the veto) of the Luxembourg compromise (ie "where very important interests are at stake, the discussion must be continued until unanimous agreement is reached"). The Presidency then took a vote. Four member states participated but this was not, of course, sufficient to reach a decision. Since the Luxembourg compromise had been invoked, the United Kingdom, France, Greece, Denmark and Ireland agreed that it must be respected and, like Germany, did not take part. In the prospect of the Milan European Council, we have gained a treble



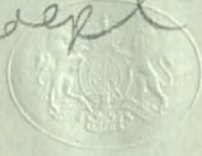
advantage: German invocation of the Luxembourg compromise,
French re-endorsement of it and a public demonstration that the
majority of member states support it.

7. The Labour and Social Affairs Council meets on 13 June, the Foreign Affairs Council on 18-19 June, and the Energy Council on 20 June.

Approved by
ROBERT ARMSTRONG
and signed in his absence

12 June 1984

Ends
Budget



COMPTROLLER

