



Ref. A085/1746

PRIME MINISTER

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Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the special Foreign Affairs Council on 25 June, at which the United Kingdom was represented by Sir Michael Butler. This was held in order to resolve outstanding points of difficulty on the approval and financial procedures for the Integrated Mediterranean Programmes (IMPs). The agreement reached met the United Kingdom's objective of ensuring that the draft regulation did not permit any form of additionality and was consistent with the conclusion of the European Council that the Structural Funds would continue to operate normally.

2. The Foreign and Commonwealth Secretary may also comment on the Second Reading debate on the European Communities (Finance) Bill in the House of Commons on 25 June. The Bill covers the revised Own Resources decision providing for the lasting system of reductions in the United Kingdom's VAT contribution to the Community and for the increase in the VAT Own Resources limit to 1.4 per cent. During the debate the Foreign and Commonwealth Secretary and the Economic Secretary, Treasury were able to bring out that, as a result of the Fontainebleau mechanism, the United Kingdom's adjusted contribution will be much less than 1 per cent of VAT and that the net cost to the United Kingdom of the ad hoc intergovernmental agreement covering the budget overrun in 1985 will be reduced to about £40 million. In spite of criticism from a group of backbenchers, the Bill was given its Second Reading with a Government majority of 168.





3. The Minister of Agriculture, Fisheries and Food may report the latest development on prices and related measures for cereals and rapeseed following the Commission's decision, in spite of German opposition, to manage the market broadly in line with the proposal for a support price reduction of 1.8 per cent. In a pre-emptive strike against the possibility that Germany may take the Commission to the European Court, Commissioner Andriessen has written to Mr Andreotti, as President of the Council, noting the Council's failure to act, making it clear that the Commission considers the Council to be in breach of the Treaty, requesting the Council to take the necessary decisions with all due speed, and reserving the right to take action against the Council before the European Court for its failure to act.

4. The Secretary of State for Energy may report on the Energy Council on 20 June. This agreed two four-year regulations on support for energy demonstration projects and technological developments in oil and gas. Following pressure from the United Kingdom and others the financing was cut back to 90 million ecu a year for the first and 35 million ecu for the second.

5. The Secretary of State for Transport may report on the Transport Council on 24 June. This agreed the main lines of the drivers' hours regulations, providing for more flexible use of drivers and longer rest periods. The Council also agreed a declaration on terrorism against civil aircraft and airports, condemning any criminal interference, expressing the hope that the problem would be considered at the European Council, and resolving to implement the necessary measures to ensure the highest possible level of security in civil aviation. In generally welcoming the Commission's proposals for a common shipping policy to improve conditions of competition in the Community, the United Kingdom stressed that our priority was freedom to provide services and that action should be taken by the end of this year.





6. There was a routine meeting of the Joint Council of the European Communities and of the African, Caribbean and Pacific countries on 21 June, at which the United Kingdom was represented by the Minister for Overseas Development (Mr Raison), but this reached no decisions requiring a report to Cabinet.

7. The Environment Council meets on 27 June. You and the Foreign and Commonwealth Secretary are attending the European Council on 28-29 June.

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ROBERT ARMSTRONG

26 June 1985