



Ref. A085/1814

PRIME MINISTER

Cabinet: Community Affairs

You will wish to report on the European Council in Milan on 28 and 29 June, at which you and the Foreign and Commonwealth Secretary represented the United Kingdom. Much of the discussion, and most of the subsequent press reporting, was about decision taking. A real chance of agreement on a package of practical measures (including our ideas for a formal agreement on political co-operation, more majority voting under existing treaties, more use of abstention, and procedures to discourage abuse of the Luxembourg compromise) was lost when the Italian Presidency, determined that the Council should agree to convene an intergovernmental conference to consider treaty amendment, proceeded to a vote on the issue. A vote was unprecedented in the European Council, and unnecessary in Milan. Without it, agreement on more moderately worded conclusions could probably have been reached. Despite appearances to the contrary, and despite the extraordinary behaviour of France and the Federal Republic of Germany in presenting on the eve of the conference a draft treaty on European Union which consisted mainly of a watered-down version of our ideas on political co-operation, embellished with a good deal of rhetoric, the French and German positions on substance were not far from ours. As it was, member states divided during the vote as might have been expected, and an intergovernmental conference will be convened by the Luxembourg presidency. The United Kingdom will attend, and will continue to press for practical steps to improve decision taking. But at best there will be delay, and at worst there will be the risk of serious divisions within the Community, though there can be no question of the United



Kingdom, as a major European power, being in any second rank. At Milan a real opportunity for the Community to move forward was lost.

2. Discussion on institutional questions overshadowed discussions on completing the internal market on which the Council agreed that priority should be given to a number of issues which accord closely with our own priorities; technology on which there will be a meeting shortly to consider how to carry forward the so-called EUREKA proposal and our own ideas for the exploitation of high technology in the market; trade with Japan; the economic and social situation in the Community, including deregulation; terrorism and hijacking; and famine in Africa.

3. The Secretary of State for Foreign and Commonwealth Affairs may report on the Committee Stage of the European Communities (Finance) Bill on 1 July. Because of pressure from backbenchers the conclusion of the Committee Stage was postponed until after your statement on the outcome of the Milan European Council. The present intention is that the Committee should resume on the same day as the Bill has its Third Reading.

4. The Secretary of State for the Environment may report briefly on the Environment Council held on 26-28 June, at which the United Kingdom was represented by the Parliamentary Under Secretary of State, Department of Environment (Mr Waldegrave) and by the Parliamentary Under Secretary of State, Department of Trade and Industry (Mr Butcher). The main item for discussion was vehicle emissions, and in particular the Commission's proposed figures for medium range cars (1400cc to 2000cc). After lengthy discussion, agreement was reached (ad referendum in the case of the United Kingdom and subject to a Danish reserve) on figures which included an HC + NOx level of 8 grammes per ECE test. At a meeting which you chaired



subsequently, it was agreed that the United Kingdom's agreement would be given, but this is subject to the clarification at working group level of some outstanding technical points.

5. The Council of Economic and Finance Ministers meets on 8 July.

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ROBERT ARMSTRONG

3 July 1985