



Ref. A084/748

PRIME MINISTER

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Cabinet: Community Affairs

You may wish to inform the Cabinet of significant points arising from your discussions with Mr Lubbers on 2 March and President Mitterrand on 5 March.

2. The Foreign and Commonwealth Secretary may wish to give a brief assessment of the negotiating situation for the European Council, which is now only a fortnight away. He has had discussions this week with the French Minister responsible for European affairs, Monsieur Dumas, and with the Danish Foreign Minister, Mr Elleman-Jensen. He will also refer to the 1983 refunds and, in particular, to a coking coal scheme. This scheme is of little direct importance to us but the Germans need it so that they can get their element of the 1983 refunds. So far the coking coal scheme has formed part of a package of four measures (the others being coal social measures, demonstration projects and solid fuels) under discussion in the Energy Council. The Secretary of State for Energy, who will be represented by the Minister of State (Mr Buchanan-Smith), would like to keep the package together. The Foreign and Commonwealth Secretary, however, is concerned that by blocking agreement on coking coal we would endanger the approval of our own 1983 refund regulations. The Chancellor of the Exchequer is likely to support the Foreign and Commonwealth Secretary, since the only United Kingdom financial contribution under the coking coal scheme is 800,000 ecu a year from the British Steel Corporation, compared to some £437 million due to us under the refund regulations. Officials met earlier this week and agreed that, against this background, Ministers should be recommended to accept the coking coal scheme in the last resort and to use our agreement to this as a lever for agreement to the other elements in the energy package. If so, we would follow this line in COREPER on 9 March.

3. The Chancellor of the Exchequer will wish to report that the Commission has given a warning that it may not have enough money



to meet its commitments in March and April and that it may again invite member states to advance the monthly transfer of own resources. The Commission might be able to struggle through. If not, there would be a request for about an additional £100 million from the United Kingdom on 20 March. There are two reasons: first, the Commission has to find the money for the United Kingdom's 1983 refunds and, secondly, agricultural expenditure is running at even higher levels than in the budget. The obvious disarray in Community finances should help our negotiating objectives at the European Council. The timing, however, of a specific request by the Commission would be bad. A Bill would be required. The line which the Chancellor is likely to take is that, if a request is received, a supplementary estimate would be presented but no final decision would be taken until after the European Council. Thus our options would be kept open. The Commission's request would, in any event, be at unjustifiably short notice. After the European Council we would have a choice between withholding and making the advance late.

4. The Minister of Agriculture, Fisheries and Food may report on the Agriculture Council on 5-6 March which had its first substantive negotiation on the 1984 price proposals. The negotiation was difficult and unproductive but does show that the member states are at last facing the real problems resulting from runaway expenditure in the agricultural sector and the budget ceiling.

5. The Secretary of State for the Environment may report on the Environment Council on 1 March at which the United Kingdom was represented by the Parliamentary Under-Secretary (Mr Waldegrave). This agreed a useful framework Directive on the control of air pollution from industrial plants and a Regulation providing for Community funding for clean technologies and environmentally sensitive areas. At the United Kingdom's suggestion all food industries were excluded from the scope of the Directive and three years were allowed for its implementation. On the Regulation the United Kingdom succeeded in more than halving its cost to 13 million ecu from the 27.5 million ecu originally proposed by the Commission.

*Mr Pollard*



6. There was a Consumer Affairs Council on 2 March at which the United Kingdom was represented by the Parliamentary Under-Secretary, Department of Trade and Industry (Mr Fletcher). No decisions were reached requiring a report to Cabinet, but the United Kingdom made a firm statement on the need for future Commission proposals to be limited to problems with a genuine Community-wide dimension.

7. There is an Internal Market Council and an informal Ministerial meeting on Women's Affairs on 8 March, Finance and Foreign Affairs Councils on 12 March, an informal Foreign Ministers meeting on 13 March, and an Agriculture Council on 12-13 March. The Foreign Affairs and Agriculture Councils represent the final formal preparation for the European Council on 19-20 March.

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ROBERT ARMSTRONG

7 March 1984