

CONFIDENTIAL

PRIME MINISTER

EUROPEAN COUNCIL

I have been talking to Michael Butler. We find the European Council briefs deficient in some points.

Enlargement: Industrial Tariffs

The brief is full of suggestions for possible compromises, when compromise is the last thing we need at the moment.

(i) There is common Community position at the moment

which protects our interests. Davignon is negotiating with the Spaniards on it. So far, he has not got them within a mile of it. He needs to go on negotiating until they get closer. A move now to a new Community position would be tactically wrong: it would only mean that we should have to move again later.

(ii) Rather than promoting compromise you should explain the great political and economic importance of this issue to us and insist that the Community stick to its present position until there is evidence that the Spaniards are prepared to move much closer to it than they did last week. There is no need for discussion of possible compromises while negotiations are actually in train.

Budget Discipline

The brief does not explain adequately what is likely to be needed to solve this problem. We must keep the original budget discipline text. But some small bone must be tossed to the Assembly. This could be in the form of separate draft conclusions on a meeting which took /place between

place between the Council and the Assembly, and this could be incorporated in a letter to the Assembly - a stronger version of that in Annex B to the brief.

This is really a job for Foreign Ministers. But the Greeks and Italians may see it as offering them leverage to get IMPS and may therefore insist that it comes to Heads of Government.

IMPS

The brief takes you straight from our present blocking line to an offer of 500 million Ecu over two years. There are some intermediate fall-backs which it would at least be worth trying:

- (i) To argue that it is not appropriate to fix a long-term figure now. It is agreed already that money will come out of the structural funds. But no new ceiling has yet been agreed for the Feoga structural fund and until that is done it would be better to settle only a figure for the next year.
- (ii) Why then does the European Council not set a sum for 1985? For instance, the Budget Council has set aside 50 million Ecu in Chapter 100: that could be distributed among the three structural funds (Feoga, Regional and Social funds) for IMPS in 1985.

Once you get locked into discussions on the long-term figure it is unlikely that it would be possible to settle as low as 500 million Ecu. The Germans - who will pay 40 per cent of it - are already talking of 1,000 million Ecu.

Doodge Committee

The brief suggests that we should be pressing for the Doodge Committee to produce an agreed final report for the next European Council. But that is virtually inconceivable. With people like Faure on the Doodge Committee who have a vested interest in the powers of the European Parliament, there is no way that we are going to get an agreed report. An alternative tactic would be to try to bat it away to Foreign Ministers. The line might be that the Doodge Committee have done splendid work but it is doubtful whether it is really the body to go deeply into these issues. Instead, Foreign Ministers might take it up and have some of the detailed points examined further, and then themselves report to the next European Council on whether or not it is worth calling an Inter-Governmental conference.

Famine in Africa

There seems a risk that the Irish President and the French will try to spring on the European Council a text committing the Community to massive additional food aid. The brief does not provide adequate material for contesting this. I have asked for a new one to be prepared in the course of today which we shall have early tomorrow.

I am, of course, ready to discuss any of these points if you would find it helpful.

CHARLES POWELL

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