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MR POWELL

EUROPEAN COUNCIL, 28-29 JUNE

--- As instructed at Cabinet this morning, I attach a note on some clear cases where the actions of other member states do not match their words.

I am sending copies to Colin Budd (FCO) and to Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

27 June 1985

EUROPEAN COUNCIL: STILETTOS, MARK 2

1. Infraction proceedings

There is a marked contrast between Community rhetoric and actual infraction proceedings for breaches of the Treaty and Community law. A very recent Commission report (COM(85) 149 of 6 May 1985) shows that for the period 1979-1984 -

(i) the three countries against which most proceedings were started were Italy (567), France (481) and Belgium (333). The three countries against which the least number of proceedings were opened were the United Kingdom, the Netherlands and Denmark;

(ii) in the European Court Italy (76) faced six times as many infraction proceedings as the United Kingdom, France (45) faced about four times as many infraction proceedings as the United Kingdom and Belgium (37) faced three times as many. Only Denmark had less cases than the United Kingdom;

(iii) on failure to implement Directives (or no notification of action taken) the record of Italy was six times worse than that of the United Kingdom. The worst offenders were Italy (77 Directives not implemented or notified), France (58) and Belgium (47). By far the best performance was that of the United Kingdom and Denmark.

2. Trade Barriers

A recent survey by the Federation of Danish industries on barriers to industrial exports in 1984 showed that the worst barriers were in France and Japan, each being about three times as obstructive as the average. United Kingdom barriers to trade were lower than those of any other of /Denmark's

Denmark's 15 largest trading partners, which include 7 Community countries (France, Italy, Germany, Belgium, Netherlands, UK). Graph annexed.

3. Lorry quotas

France, Germany and Italy have been the principal opponents of lifting the quotas on lorries. As a result the European Court of Justice has now found that "the Council has abstained, in violation of the Treaty, to assure the free provision of services in the matter of international transport and to fix the conditions of admission for non-resident carriers to national transport in a member state". The key Treaty articles are articles 59 and 75. Article 59 states ". . . restrictions on freedom to provide services within the Community shall be progressively abolished during the transitional period in respect of nationals of Member States who are established in a state of the Community other than that of the person for whom the services are intended".

The judgement of the European Court of Justice in relation to article 75 states:

"The Council was required to extend the freedom to provide services to transport before the expiry of the transitional period, in accordance with Article 75, paragraph 1 letters a and b, and 2, insofar as that extension concerned international transport carried out from or to the territory of a Member State or crossing the territories of one or more Member States, as well as to fix within the framework for the freedom to provide services in this sector, in accordance with Article 75, paragraph 1 a and b, and 2, the conditions of admission of non-resident carriers to national transport in a Member State. It is agreed that the measures necessary for that purpose have not yet been taken. We must therefore find that the Council is in default on this point, the Council having failed to take the measures which it ought to have done . . .".

4. Shipping (cabotage)

The United Kingdom opens its ports to cabotage trade by other member states. Only the Netherlands, Belgium and the Republic of Ireland reciprocate. Denmark and Germany have agreed to do so on a bilateral basis. Italy, France and Greece refuse to open cabotage routes. This is in clear breach of article 59 of the Treaty (quoted above).

5. Air fares

The United Kingdom, Netherlands and Luxembourg have taken action to reduce air fares. Italy, France and Greece are all opposed to Community-wide action under article 87 of the Treaty to lift restrictions on air fares.

[NB: the legal position is not so clear-cut as in the case of road transport]

6. Introduction of VAT

The own resources system did not become fully operational until 1980 because of delays by certain member states, especially Germany, in introducing full VAT arrangements. The United Kingdom was one of only two members which introduced such arrangements by the original target date of January 1978, despite having to start from scratch.

7. European Foundation

Nothing could be more European than the European Foundation! We were the first to ratify the agreement. Germany, the Netherlands and Belgium have still not done so (Belgium proposed the idea in the first place).

8. Agriculture (wine and cereals)

In the package of necessary reforms of the wine regime, Germany blocked the proposal for a reduction or elimination of the addition of sugar to wine, although this practice clearly adds to the volume of production and the cost.

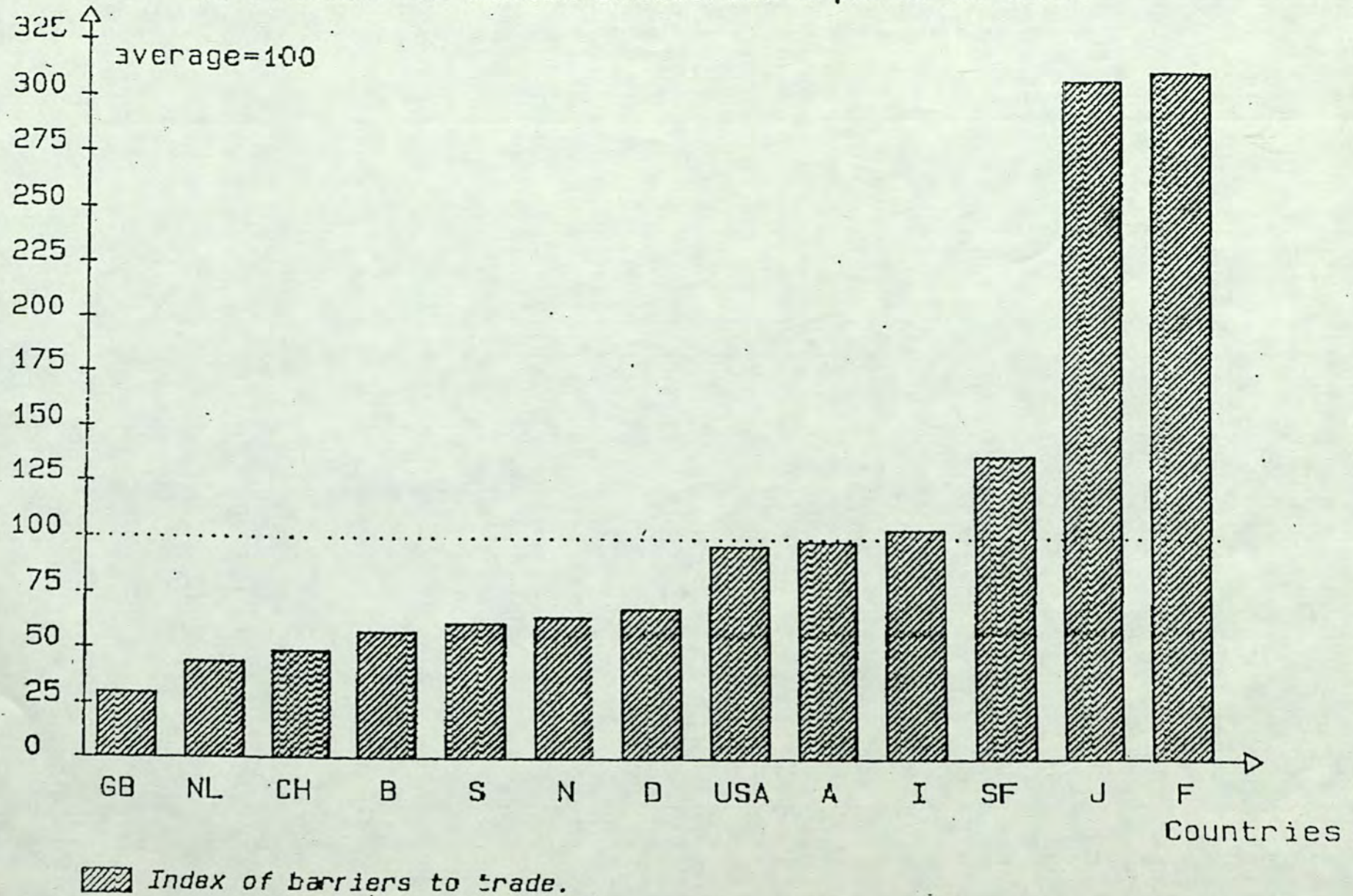
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Similarly, Germany blocked the proposed settlement on prices and related measures for cereals and rapeseed for 1985/86, although only about 9 per cent of German farmers' income comes from cereals and the question at issue was less than 2 per cent of the support price.

There are very many other instances of such national resistance to improvements in the common agricultural policy.

NATIONAL BARRIERS TO TRADE

in relation to Danish industrial exports in 1984.



Source: Federation of Danish Industries.

ENCLOSURE

The graph "Number of complaints about barriers to trade in relation to Danish industrial exports in 1984" is based on the table "Trade barriers according to types and countries".

The total number of barriers in the 13 largest export markets (which all account for more than 1 per cent of Danish industrial exports) is set out in the table below.

Complaints as a percentage of the total number of complaints as shown in column 2.

If trading with all countries was equally difficult one would expect that the distribution of the number of complaints would correspond approximately to the distribution by countries of industrial exports as shown in column 3.

This is obviously not the case.

Therefore, the column showing the percentage share of complaints is related to (divided by) the share of exports and multiplied by 100. This is how the trade barriers index in column 4 was constructed.

	1.	2.	3.	4.
	Total Complaints	%-Share of Complaints	%-Share of Industrial Exports	Trade Barriers Index
	-----	-----	-----	-----
B Belgium	10	1.0	1.7	44
D FRG	111	10.7	15.2	70
F France	142	13.7	4.4	311
I Italy	23	2.2	2.1	105
NL Holland	18	1.7	3.8	45
GB UK	36	3.5	11.3	31
S Sweden	92	8.9	14.1	63
N Norway	61	5.9	8.9	66
SF Finland	37	3.6	2.6	138
CH Switzerland	10	1.0	2.0	50
A Austria	11	1.0	1.0	100
US USA	84	8.1	8.3	98
J Japan	45	4.3	1.4	307