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PRIME MINISTER

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Cabinet: Community Affairs

The Minister of State, Foreign and Commonwealth Affairs (Baroness Young) will report that the work necessary to follow up the agreement in the European Council on 2-3 December is going forward satisfactorily. We have resisted any attempt to change any text. Elucidations have been to our benefit. The technical amendments relating to the European Court of Justice which were not discussed in detail by the European Council have now been examined by a group of senior lawyers without giving rise to any serious difficulty. The Foreign Affairs Council on 16-17 December will consider any remaining points on the preamble and the agreed texts. It is not yet known whether either Denmark or Italy will lift their general reserves at the Council.

2. The Chancellor of the Exchequer will report on the Budget Council of 11 December, at which the United Kingdom is being represented by the Minister of State, Treasury (Mr Brooke). On 26 November the Budget Council accepted an increase in non-obligatory expenditure (mainly the Regional and Social Funds, including some expenditure on Spain and Portugal) over 1985 of 1.25 billion ecu (about £735 million). The European Parliament is deciding its position today and will certainly try to increase this figure. The United Kingdom has made clear that both the Council and the European Parliament are proposing too high a level of spending for 1986, even taking account of enlargement, and we shall use our vote to restrain expenditure to the lowest feasible level.



3. The Chancellor of the Exchequer may also report on the Economic and Finance Council of 9 December. There were a few points of substance. The Council agreed, however, to set up a High Level Group on tax approximation whose terms of reference will be settled on 20 January: thus this question will be kept firmly within the responsibility of Finance Ministers.

4. The Secretary of State for Trade and Industry may report on the Research Council on 10 December, at which the United Kingdom was represented by the Minister for Information Technology (Mr Pattie) and the Chief Scientific Adviser. The Council agreed on the 1986 work programme for ESPRIT (the European Strategic Programme for Research and Development in Information Technologies). It also decided on new multi-annual Community research programmes in the fields of raw materials and environment. The United Kingdom supports these new programmes in principle but, maintaining a firm alliance with France and West Germany, gained a substantial reduction in the level of proposed expenditure. Outside the meeting the memoranda of understanding on participation in the European synchrotron radiation facility (ESRF) at Grenoble and the spallation neutron source (SNS) at the Rutherford Appleton Laboratory, Cambridge, were signed by the United Kingdom, the Federal Republic of Germany and France. Italy will sign within a few days.

5. The Secretary of State for Trade and Industry may also report the successful conclusion of the remaining details of the negotiations with the United States on semi-finished steel products. The United States administration has signed the letter assuring the Tuscaloosa steel plant of access to 200,000 tonnes of semi-finished steel a year from the British Steel Corporation over the next four years with short-supply and review of provisions which can give higher quantities.

6. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 9-10 December. The Council agreed

in principle to the revised sugar regime which will come into operation on 1 April 1986. There will be no change in quotas for two years but a new levy is to be introduced to make the regime more nearly self-financing. The regime is to be reviewed after two years. There was discussion of proposals for space standards for hens in battery cages, on which agreement is near. Discussion continued on the use of hormones as growth promoters in farm animals, and no decision was taken. In view of strong pressure from consumers, most member states now support a ban.

7. The Minister of Agriculture, Fisheries and Food may also report on difficulties which our exporters are facing in sending ewe meat to the French market. The Commission, urged on by the French, have recently turned against special arrangements which we have operated for some four years to ensure that meat from ewes is not at a disadvantage when exported to the profitable French market. The Commission has ordered us to stop paying immediately the premium on ewes and has introduced a regulation that from 9 December the clawback on export shall still be charged on ewe meat but at half the normal rate. We are in dispute with the Commission over the legal justification for their action. While they have been waiting for the Commission's regulation to come into operation the French have taken the law into their own hands and have set up a licensing system which effectively blocks the trade in ewe meat. We have put pressure on the Commission to take action against the French. It is not yet clear whether in the light of the Commission's response and the new regulation the French will allow this trade to flow again.

8. The Paymaster General may refer to the Social Affairs Council on 5 December. The directive on industrial noise, which has caused us a good deal of difficulty, was agreed on terms fully acceptable to us and includes a provision for hearing checks using existing National Health Service arrangements. The United Kingdom maintained its total opposition to the parental

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leave directive and succeeded in bringing out the lesser reserves of several other member states. Agreement was reached on the COMETT programme on industrial training and student exchanges in the new technologies, which we support.

There is an Internal Market/Consumer Affairs Council on 12 December. The Foreign Affairs Council and a Fish Council will meet on 16-17 December. There is to be an Agriculture Council on 19 December and a meeting of Culture Ministers on 20 December. At its session this week the European Parliament is debating the outcome of the European Council meeting on 2-3 December, in addition to the revised draft budget for 1986.

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ROBERT ARMSTRONG

11 December 1985

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