

Part A

TREASURY

FILE NUMBER

6610/HG/0199
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15-6-81

FILE TITLE

PO-CH/GH/0199

Visit of Mr Christofas

8/6/81

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NOTE OF A MEETING HELD IN THE CHANCELLOR OF THE EXCHEQUER'S ROOM,
H.M. TREASURY ON WEDNESDAY, 6 MAY, 1981

Present:

Chancellor of the Exchequer
Financial Secretary
Minister of State (C)
Sir Douglas Wass
Sir Kenneth Couzens
Mr. Hancock
Mr. Kemp
Mr. Scholes
Mr. Monaghan
Mr. Cropper

UK PRESIDENCY OF THE COMMUNITY: 1 JULY TO 31 DECEMBER 1981

The meeting had before it a minute dated 16 April by Mr. Hancock to which was attached a note on the prospective UK presidency of the Council of Ministers dealing with the meetings to be chaired by the Chancellor.

2. Mr. Hancock said that budget restructuring would be the most important subject for the Council of Ministers in the second half of the year. The main action would be for the Foreign Affairs Council (and also the European Council) and although the Finance Council was likely to need to take a view on certain aspects of the problem, the real issue was the broad political problem not the financial one. From the point of view of the UK ECOFIN was not the right forum. An important lower level objective would be to secure the adoption of an insurance services directive; this had been on the table for a great many years and sustained lobbying pressure might permit a breakthrough. More immediately a programme of meetings between the Chancellor and key individuals in the Commission and Council was being arranged; visits were to be made shortly by Mr. Ortoli and Mr. Tugendhat, and Mr. Richard

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and Mr. Schulmann were coming over on 11 May. Assuming ECOFIN were cancelled it would be desirable to give Mr. Schulmann lunch in No.11. The visit to The Hague on 3 June when it was planned that the Chancellor should deliver a considered speech on restructuring, would be most important. It would be best to leave the discussion with Mr. Christofas until June.

3. In a brief discussion the following main points were agreed:-

(i) there might be a case for a special financial group to examine the longer term aspects of budget restructuring, including the negotiation of a lasting adjustment mechanism. At the right stage it might be worth talking to the Germans about this. In general success on restructuring would depend crucially on relations with them, and on the willingness of the Benelux countries and the Danes to give way. It was unlikely that partial national financing of agricultural expenditure would provide a sufficient answer to the problem.

(ii) It would be a major feather in the UK's cap if it could secure the adoption of the insurance directive. Mr. Hancock would arrange for a short speaking note to be prepared setting out the main arguments so that the point could be pressed at meetings with key individuals beginning with Mr. Schulmann on 11 May.

(iii) European monetary co-operation, and the problem presented by US interest rates, was likely to be a continuously live issue, where the UK stance could have a bearing on the negotiations on restructuring. The likelihood that under the Reagan administration the US would return to a policy of "benign neglect" on exchange rates clearly worried our partners; and the basic problem for us during



the Presidency would be to work out a position on the interest rate issue which did not look too unsympathetic to them but which was in practice close to the US position.

(iv) To allow time for briefing in Brussels before Council meetings (and Luxembourg in October) by the Council Secretariat and Sir Michael Butler, it would be desirable if at all possible for the Chancellor to travel out the night before. The alternative would be to begin the meeting mid-morning, but this would be less satisfactory.

(v) The Financial Secretary and the Minister of State (C) would be involved where appropriate in the series of informal meetings with key individuals prior to the Presidency.

(vi) Thought needed to be given to ways of fostering good relations with the UK MEPs. It was arguably more effective to seek to influence two or three of them by going into matters in some depth rather than to deal with large groups. Once a clear line had been worked out on budget restructuring, the meeting with ten or so MEPs would be desirable.

4. The Chancellor, summing up, said that subject to the additional points agreed, there was general acceptance of the report's proposals for the preparation and priorities of the UK Presidency as it would affect Treasury Ministers.

Distribution

Those present
Minister of State (L)
Mrs. Gilmore o.r.

P.S.
P.S. JENKINS
6 May 1981

CHANCELLOR

cc CST
FST
MST(C)
MST(L)
Sir D Wass
Mr Burns
Sir K Couzens
Sir A Rawlinson
Mr Ryrie
Mr Byatt
Mr Battishill
Miss Brown
Mr Cassell
Mr HP Evans
Mrs Hedley-Miller
Mr Lovell
Mr Monck
Mr Unwin
Mr Ashford
Mr Bottrill
Mr Edwards
Mr Fitchew
Mrs Gilmore
Mr Scholes

Mr Butt, UKREP
Mr Balfour, B/E
Mr Phelps, C & E
PS/Inland Revenue

UK PRESIDENCY OF THE COMMUNITY: 1 JULY 1981 - 31 DECEMBER 1981

1. I attach a note on the prospective UK Presidency of the Council of Ministers prepared by OF after consultation with all the other Treasury divisions concerned and the Bank of England. It deals with those meetings that you would chair yourself - separate arrangements are being made to brief the Financial Secretary and the Minister of State (C) on the chairmanship of the Budget and Fiscal Councils.
2. On substance (paragraphs 2-13 of the attached note), the outstanding issue is of course that of Budget restructuring. We hope to make progress during our Presidency and the Finance Council may have a role to play. But it is inevitable that the chief negotiations on this issue will take place in the Foreign Affairs Council and the European Council. The extent to which the Finance Council is brought in will be a considerable extent under our control and we may find it advantageous to initiate a discussion. For example, it may suit us to get the Finance Council to endorse the Commission's calculations of

net benefits and net receipts from the Budget. The Finance Council is likely to be particularly concerned with the potential cost of enlargement and with the importance and implications staying within the 1% VAT ceiling. Another possibility would be to arrange for a frank and informal discussion at the informal meeting of Finance Ministers to be held in October or November.

3. The second substantive issue of importance is the possibility that we may secure agreement to a directive on insurance during our Presidency. I do not rate the chances very high but success would be a feather in our cap.

4. So far as the other items on the list are concerned, our objectives are more modest - to achieve a consensus, to resolve crises and to despatch business efficiently. The fact that we cannot hope for a glittering array of substantive achievements makes the questions of procedure, style and handling (paragraphs 14 to 20 of the attached note) that much more important. We want our Presidency to be a success. If we are seen to conduct the business efficiently and sensitively, we shall earn the respect of the rest of the Community. As we are so often in bad odour, such credit that we can earn in this way will be well worth the trouble. But I have to acknowledge that, in order to make a success of our Presidency in this sense, you, and other Treasury Ministers, will have to spend more time on Community business during the rest of 1981 than would normally be justified.

For example, the suggestions for consultations with important individuals between Easter and 1 July, mentioned in paragraphs 17 to 19 of the note, would take up your time.

5. We may be able to bring a distinctive tone to our Presidency that would look confident and communautaire by contrast with the recent behaviour of the French and German governments. The various discussions likely to take place on the economic situation in the Community will give you an opportunity to persuade your colleagues to take a more balanced and confident line on the state of their economies. More generally, the Presidency may, on occasion, enable you to give effect to what you said at Breda about the need to tackle problems in good time instead of allowing them to drag on so that they have to be settled by last-minute fights.

6. You may wish to discuss the attached note with a few of us after Easter. In any case, it would be helpful to have your reaction to the ideas in paragraphs 17 to 19 before the end of the month so that the necessary arrangements can be made. I would in particular recommend:-

- (i) An offer to call on Mr Van der Stee in the Hague in June if that could be arranged.
- (ii) An invitation to Mr Ortoli and Mr Padoa-Schioppa to visit you in London (? a dinner engagement at No 11, like the rather successful dinner you organised in the run-up to the 30 May last year.)
- (iii) An invitation to Mr Christofas (plus Mr Ersboell if he wishes to join him) to visit the Treasury for talks with Ministers and officials.

D.H.

D J S HANCOCK

16 April 1981

UK PRESIDENCY OF THE COMMUNITY: 1 JULY 1981 to 31 DECEMBER 1981

Treasury Ministers have seen papers describing the responsibilities of the Presidency in general terms - OD(E)(81)4 and Mr Ashford's brief dated 9 February 1981. This note is specifically related to the responsibilities of the Chancellor of the Exchequer as chairman of various Community meetings. It thus covers the Finance Council, the informal meeting of Finance Ministers, the Jumbo Council (if there is one) and the Tripartite Conference (if there is one). The Budget Council and the Fiscal Affairs Council are being dealt with separately.

FINANCE COUNCIL

2. Budget restructuring will be much the most important subject for the Council of Ministers in the second half of this year, but the main action will be for the Foreign Affairs Council (and also the European Council). Even so, the Finance Council will no doubt be required to take a view on certain aspects of the problem as they were before the 30 May 1980 agreement and it may suit the UK interest to arrange for such a discussion. In general, however, we must recognise that the mood in the Finance Council is unlikely to be favourable to a generous settlement for the UK. Another possibility will be to put restructuring on the agenda for the informal meeting of Finance Ministers planned for the autumn (see paragraph 21 below).

3. We have an interest in securing an insurance services directive during our Presidency. The subject has been thoroughly discussed and agreement may be possible if a breakthrough could be achieved on a number of critical points of difficulty. The UK insurance industry hope to gain upwards of £50 million of business a year if the directive is passed and success would be a way of demonstrating to UK public opinion the value of Community membership. (The Department of Trade, not the Treasury, are the policy department in the UK but they fully share our desire for a settlement).

4. With strong US pressure for reform of the export credit consensus, the negotiations are likely to reach a critical stage during our Presidency. The UK interest is in holding the consensus together and finding a solution that will reduce our

subsidy bill without undue damage to our competitiveness. The aim will be to work out a Community position, acceptable to the French at one extreme and the Germans at the other, which offers the prospect of an agreement with the United States and Japan.

5. The IBRD/IMF meetings will be held in Washington at the end of September. The Chancellor will be expected to follow precedent and to deliver speeches on behalf of the Community both in the Interim Committee and, from the rostrum, in the Annual Meetings themselves. (If at all possible, ways will be found of reducing the scope of these traditional procedures.)

6. The first drafts of these speeches will be prepared in IG3 division and then placed before the Monetary Committee which will process them and submit them to the September Finance Council. This Council will be held just before the Chancellor leaves for the Commonwealth Finance Ministers and the IMF/IBRD Annual meetings and will look also at the other relevant IMF issues. M. Monory, as Chairman of the Interim Committee, can be expected to play an active part in these discussions.

7. European Monetary Fund. Technical studies about the development of a European Monetary Fund are now being carried out in the Monetary Committee and in the Committee of Central Bank Governors.. These may be presented to the Finance Council in June, but more probably during the UK Presidency. On present plans they will do no more than describe some options to Ministers, on the assumption that Governments want to keep the subject in play rather than to bring about any significant results. But, if Giscard wins the French Presidential election, there is a chance that there will be a new Franco-German initiative in this area.

8. Under the "convergence decision" of 18 February 1974 (74/120/EEC), the Community is obliged to conduct a regular sequence of economic reviews, two of which are likely to take place during our Presidency - one in July and the other in December. We have given some thought to ways of improving the discussion in the Council of the Commission's documents. One possibility would be for the Chancellor to send a personal message to other Ministers before the relevant meeting suggesting a small number of specific points on which the Council should

focus its attention. The aim would be to get a genuine debate going. Sir Douglas Wass could, if the Chancellor wished, prepare the ground by giving advance notice of the list at the preparatory meeting of the Coordinating Group the week before.

9. The Community is also obliged to prepare a medium-term economic policy programme every five years. The draft of the latest edition is now being discussed by the Economic Policy Committee and it is likely to reach the Finance Council in the second half of this year. From the UK's point of view, this document has never been of value and always a nuisance; but its preparation is a legal requirement. Our objective will be to remove any embarrassing material from the document and to get it approved with the minimum of fuss.

10. There may be some discussion during our Presidency of problem countries, such as Poland or Turkey. Such items are usually best dealt with informally, perhaps over lunch. We are in no position to take the lead in whipping up increased contributions from others and, at an informal discussion over lunch, the leadership could more easily be left with the Germans or the French.

11. A number of North/South questions may surface in the late summer or autumn. The global negotiations may be stalled until 1982 or eventually fade away completely; but they might reopen in October. There is also the Mexican Summit in October. Strictly, these are all matters for the Foreign Affairs Council. But Finance Ministers have a critical interest in the subject (and, in particular, the protection of the independence of the Bretton Woods institutions) and it may occasionally prove expedient to ask the Finance Council to take a view.

12. The need may appear for a realignment in the European Monetary System. It would fall to the Treasury, with the Bank of England, to organise the prescribed consultations. The process normally occupies an active week-end, when the foreign exchange markets are closed. It might be achieved by telephone and telex if the proposed moves seem relatively minor or look as though they can be fairly easily negotiated. But the Italians were criticised for the way they handled their devaluation and, as a result, it is unlikely that the next realignment will be agreed without a week-end meeting of Finance Ministers and Governors

13. Last October the Commission made a formal proposal for the indefinite extension of the New Community Instrument (or 'Ortoli facility'), which allows the Commission to borrow in the markets for on-lending to projects in the Community. So far the Dutch have not taken any steps to remit the proposal for examination by a Council working group but there are signs that they are about to do so. It may be ready for discussion by the Council itself in the second half of the year.

Improving the Standard of Discussion

14. Like other international meetings, Finance Council discussions are usually best if they have been carefully prepared. Coreper, the Coordinating Group, the Monetary Committee and the Committee of Governors can all play their part in this process:-

- (i) Coreper is important as the means of conveying to other delegations the agenda and procedural arrangements. It will be the forum for the negotiation of the draft insurance directive. But on other matters of substance, it is not a good vehicle for communication between Finance Ministries who tend to be scornful of the expertise of their diplomatic colleagues.
- (ii) The Coordinating Group. Although its performance has been disappointing, this is the best available forum for the preparation of the regular reviews of Community economies - see paragraph 8 above.
- (iii) It might be possible to make more use of the Monetary Committee by arranging for them to prepare the way for a serious Council discussion of a specific topic, like interest rate policy, or the problems of a particular country. Much would depend on the drafting ability of the Commission - whose performance is variable and sometimes totally inadequate - and the cooperation of the French Chairman, M. Haberer.
- (iv) The Committee of Governors is serviced by a neutral Secretariat that produces documents which faithfully reflect the discussions of the Committee and therefore tend to be of a higher quality than those produced by

the Commission, which are often biased by the views of the Commission itself. As Mr Richardson is the current chairman, there would be greater scope than usual, in cooperation with him, to use the Committee of Governors to help prepare discussions in the Finance Council on topics which are of particular concern to the Community central banks. Provided these topics are carefully chosen, M. Ortoli's susceptibilities ought not to be offended by a deliberate increase in the involvement of the Governors' Committee in this way.

15. Two other suggested points might be helpful:-

- (i) There is evidence that the more useful discussions among Finance Ministers take place over lunch. It could be profitable to suggest to colleagues that more of the business is discussed over lunch so that the formal discussion in the Finance Council can be kept deliberately short. This, and other ideas, could be put to colleagues at the lunch on the occasion of the first meeting under the Chancellor's Chairmanship on 6 July.
- (ii) It could help to create an atmosphere of trust in the Council if the Chancellor were to close each meeting with a statement indicating what he proposed to say to the press in his role as President, so as to give his colleagues a chance to influence the line taken.

Logistical points

16. Before each Council meeting, the Chancellor will need to allow time to be briefed in Brussels (or Luxembourg in October) by the Council Secretariat and Sir Michael Butler. He may also need to have bilateral discussions with Ortoli or Tugendhat or other Finance Ministers in order to ensure the smooth passage of business. At some point we shall have to decide whether to continue the Dutch practice of morning meetings ending with lunch or whether to revert to the earlier practice of lunch followed by an afternoon meeting. If we continue with morning meetings, the Chancellor will need to travel out the night before.

Contacts before the Presidency

17. There is a strong case for a visit by the Chancellor to the Hague in June to discuss the handover of the Presidency personally with Mr Van der Stee. The Dutch elections are on 26 May; but, under their caretaker system, Mr Van der Stee will still be in office in June whatever the outcome.

18. The fact that we so often feel dissatisfied with the Commission's performance makes it especially important to maintain good relations with them personally. For this reason the Chancellor might consider inviting Ortoli to London in late May or June to discuss the business of the Finance Council in the second half of the year. It would be appropriate to suggest to Mr Ortoli that he would be accompanied by the Director-General of DGII, Mr Padoa-Schioppa.

19. The Council Secretariat plays a key role at Councils and the Director-General who deals with them, Mr Christofas, is extremely well informed about delegations' views and a shrewd tactician. He might be invited to visit the Treasury for meetings with Ministers and officials. Mr Ersboell, the Secretary-General, might wish to accompany him; but as he covers all Councils he might think it best to leave the handling of the Finance Council to Mr Christofas.

20. As our Governor is Chairman of the Committee of Central Bank Governors, coordination with that group will be easily arranged. Similarly, Sir Douglas Wass will be the Chairman of the Coordinating Group during the period of our Presidency. Contact with the Chairman of the Monetary Committee, M. Haberer, can be arranged by Sir K Couzens. And Mr Byatt will be able to discuss the handling of the medium-term economic policy programme with the Dutch Chairman of the Economic Policy Committee, Mr Rutten.

INFORMAL MEETING OF FINANCE MINISTERS

21. It was agreed at the Informal Finance Ministers Meeting in April at Breda that there should be a further informal meeting later in the year, probably at the end of October or early in November. Proposals for a suitable venue and appropriate entertainment are being discussed with GHF and will be submitted as soon as possible after Easter.

JUMBO COUNCIL

22. This is the name given by the Dutch to the proposed joint Council of Ministers of Economic Affairs, Finance, Social Affairs and Employment, which the Chancellor would chair if it were held under UK Presidency. The intention to hold such a Council was endorsed at the March European Council and efforts are now being made to ensure that it takes place in June under the Dutch Presidency. It would be desirable to get it over quickly since the longer it is delayed the greater the expectations that may be built up about it and then be disappointed. There would be no advantage for the UK in holding it under our Presidency and, if the Dutch do not hold it by the end of June and there is strong support for the view that the Council be "carefully prepared", we might wish to try tactfully to defer it until the Belgian Presidency in 1982.

TRIPARTITE CONFERENCE

23. A Tripartite Conference is a meeting of Finance and Employment Ministers and representatives of the two sides of industry. The last to be held was in 1978 and there is at present no pressure for a new one. However, such pressure might build up - for example as a means of consulting the "social partners" about the medium-term plan or the agenda for the Jumbo Council.

CHANCELLOR OF THE EXCHEQUER

cc Financial Secretary
 MST(C)
 Sir D Wass
 Sir K Couzens
 Mr Kemp
 Mr Ashford
 Mr Bottrill
 Mr Edwards
 Mr Hawtin
 Mr Peretz
 Mr Donovan
 Mr Mathews
 Mr Scholes
 Mr Hutson
 Mr Cropper
 PS/Customs & Excise

VISIT OF MR CHRISTOFAS, 8 JUNE 1981

1. You are having a meeting with Mr Christofas at No 11 Downing Street at 11.15 a.m. on Monday.
2. Mr Christofas is one of the six Directors-General of the Council Secretariat. He is responsible for economic, financial, parliamentary and institutional affairs. He was formerly a member of the Diplomatic Service and held the position now held by Mr Nicoll in UKREP.
3. The following have been invited to attend the meeting:-
 - Financial Secretary
 - MST(C)
 - Sir D Wass
 - Sir K Couzens
 - Mr Hancock
 - Mr Ashford
 - Mr Scholes
 - Mr Butt (UKREP), plus a representative of Customs
4. The purpose of the meeting is to enable Treasury Ministers to get to know Mr Christofas before the start of the Presidency and to seek his advice on how to conduct business. I attach a list of questions that might serve as an agenda. I will have an opportunity to go through it with Mr Christofas before your meeting and I will ask him to say a few words under each heading and then invite any further questions you, or other Ministers, may wish to pose.
5. Mr Christofas is not responsible for the Community Budget. But his responsibility for relations with the Parliament makes it appropriate to ask for his advice on how to reduce the

chances of another confrontation over the 1982 draft Budget.

6. He is responsible for fiscal policy and the Minister of State may wish to ask him some questions about the chances of a successful fiscal Council during our Presidency.

7. I suggest that you take the opportunity to tell Mr Christofas that:-

(i) You are willing to continue the general practice holding Eco/Fin meetings on Monday mornings ending if possible with lunch.

(ii) You would normally expect to arrive in Brussels or Luxembourg on Sunday evening so that you would be available for a briefing meeting if that were necessary.

8. By way of background I also attach:-

(i) My submission dated 16 April on the Presidency.

(ii) The note of the meeting to discuss it on 6 May.

D.H.

D J S HANCOCK

5 June 1981

VISIT OF MR CHRISTOFAS, 8 JUNE

Suggested Agenda

*Mon a.m. only
Agree his visit: ldy.*

Procedure

1. What sort of briefing does the Council Secretariat provide for Ministers before each Eco/Fin?
2. What role do the Secretaries play during the course of the Council meeting?
3. Has Mr Christofas any general advice on how best to conduct meetings?
4. What arrangements are made for briefing the press after each Council?

Eco/Fin business

5. Budget restructuring: does Mr Christofas have any views on the best role for Eco/Fin in the negotiations on the Commission mandate?
6. Regular economic views. There will be two of these during our Presidency: the mid-year Economic Report in July and the adoption of Annual Economic Guidelines in December. How can we make the discussions more useful? (Mr Ortoli was quite interested in the idea that he should put on the Commission documents a personal cover note suggesting topics on which Ministers might concentrate.)
7. Does Mr Christofas have any particular advice to give about other subjects likely to come up during our Presidency, namely:
 - (i) Insurance Services Directive
 - (ii) Export Credits
 - (iii) Preparations for Bank Fund Meetings
 - (iv) European Monetary Fund
 - (v) The medium-term Economic Policy Programme
 - (vi) The new Community Instrument (or Ortoli facility)
 - (vii) The Commission paper on energy subsidies
 - (viii) Preparation for Ottawa Summit?
 - (ix) Follow-up to the Jumbo Council?

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Relations with Parliament

8. Would it be desirable for the Chancellor to speak at a suitable plenary session of Parliament - e.g. on Wednesday, 16 Spetember, the day before the September Eco/Fin?
9. Has Mr Christofas any suggestions to make for avoiding another confrontation with the Parliament over the Community Budget?

Fiscal Affairs

10. What could the Fiscal Council achieve during the British Presidency?



NOTE OF A MEETING HELD IN NO 11 DOWNING STREET ON MONDAY 8 JUNE 1981

Present

Chancellor of the Exchequer
Financial Secretary
Minister of State (C)
Sir D Wass
Sir K Couzens
Mr Hancock
Mr Ashford
Mr Scholes
Mr Butt (UKREP)
Mr Freedman (Customs & Excise
Mr Christofas (EC Council Secretariat)

The meeting had before it an agenda suggested by Mr Hancock (attached).

2. After welcoming Mr Christofas the Chancellor noted that the Jumbo Council would take place later in the week and asked how it was likely to go. Mr Christofas' views were similar to our own: most Ministers were likely to make lengthy prepared speeches, and with up to three Ministers per country this could take most of the day.

3. On the question of whether Finance Councils should be held in the morning or the afternoon, Mr Christofas argued in favour of the afternoon. He thought it was helpful if the conclusions of any discussion over lunch could be reported in a formal session, and he noted that afternoon meetings removed the need for Ministers with long journeys to travel out the night before. It was agreed that the Chancellor should tell his colleagues at the Finance Council on 15 June that under the UK Presidency meetings would be held in the afternoon. Sir Douglas Wass would forewarn other member states at the co-ordinating group on 9 June.



4. In discussion of the briefing provided for the Presidency by the Secretariat, Mr Christofas explained that they normally provided a written steering brief similar to that provided for the Prime Minister for Cabinet Meetings. It dealt mainly with questions of handling and procedure and gave an indication of other delegations' views where this was not clear from the other documents. It might also suggest compromise solutions and possibly appropriate conclusions. He would also provide oral briefing shortly before the meeting. This might include any last minute information and any sensitive matters which had not been mentioned in the written briefing. On the Council Secretariat side this briefing was usually attended by Mr Ersboll, Mr Christofas, a lawyer and possibly one other; on the UK side the Chancellor could be accompanied by the Financial Secretary and any advisers he wished. At the meeting itself, the Secretariat would be sitting next to the Chancellor and could whisper advice if asked. The Chancellor emphasised that he would be grateful if Mr Christofas would volunteer advice when he thought it appropriate, without being asked.

5. Mr Christofas noted that the Presidency always had the prerogative to call for a more restricted meeting. He thought that this could usefully be done more often. Asked about the basis for this right, he explained that it was not laid down in any rules of procedure, but that it definitely existed. After discussion of the best way of restricting the meeting, it was agreed that the best formulation was "those round the table". This had the advantage that it allowed some flexibility in numbers, and it was immediately apparent when it had been carried out. Another possibility was to have a discussion over lunch. The advantage of restricted sessions in the Council room was that they were quieter and simultaneous translation was provided. (Nonetheless it is clear that some lunchtime discussion had a role to play.)



6. The Chancellor asked if the Presidency was expected to do more than introduce the agenda items briefly and to sum up at the end. Mr Christofas agreed that it was quite in order for the Presidency to intervene and to steer the discussion, but the crucial job was drawing out conclusions at the end of the discussion.
7. The Chancellor asked if the Presidency press conference was conducted with more decorum than the national press conferences. Mr Christofas explained that it was. A podium was provided for the Chancellor, UK officials and Mr Christofas. The journalists were seated in front of the podium in a semi-circle. Mobile microphones were provided. The UK press would be particularly well represented. The procedure was for the Chancellor to run through the agenda giving a brief summary of the debate and the conclusions reached. He then answered questions. The journalists were usually very well informed, so it was important to give honest answers. Individual delegations should not be identified; one referred to "some ... others ..."
8. Mr Christofas suggested that the UK might send someone to listen in on Mr van der Stee's press conference on Monday 15 June.
9. In discussion of the confidentiality of the proceedings, Mr Christofas emphasised that it was essential to get clear agreement on what should not be revealed. Otherwise Ministers would feel free to talk to the press. Lunch was normally regarded as more confidential than the formal discussions, but even here Ministers would feel free to reply to direct questions from journalists, unless there was a specific agreement to the contrary.
10. The Chancellor explained that he would chair Finance Councils and the Financial Secretary would represent the UK. The Financial Secretary and the Minister of State would attend Budget Councils; this would enable Mr Nicoll (UKREP), as chairman of COREPER (Deputies), to be at the side of the Financial Secretary who



would preside. The Minister of State said that he would take the chair at any Fiscal Councils, but we had not yet decided who would represent the UK. Mr. Christofas explained that the rule was always the same: an official was quite acceptable, but it was an advantage to field a second Minister.

11. There was a brief discussion of the best way of handling the discussions on budget restructuring. Mr. Christofas thought that there was a risk of confusion if more than one Council was involved. The essential requirement was proper co-ordination within national cabinets, especially vis a vis Agricultural Ministers, and the best way of achieving this was to conduct the negotiations in the Foreign Affairs or "general" Council. He also noted that it would be difficult to avoid a discussion in the Agricultural Council if the topic was discussed by the Finance Council. The Chancellor said that UK Ministers would need to consider these points before making procedural proposals.

12. The Chancellor noted that the Finance Council discussions of the economic situation had been unhelpful and unproductive. Mr. Ortoli had suggested that he might be able to provide a list of specific topics for discussion. Would this help? Mr. Christofas suggested that restricted sessions would do much to improve the quality of the discussions. A list of specific topics would certainly be helpful, but it would be better produced by the Treasury. DG II was somewhat demoralised and Mr. Ortoli's thoughts were elsewhere. It was agreed that the idea should be pursued; the ground could be prepared in the Co-ordinating Group. Sir Kenneth Couzens noted that there should be no difficulty in identifying suitable topics. For example, member states thought it might be useful for the Community to say something about indexation which they would find valuable for domestic consumption.

13. Mr. Christofas stated that he did not favour informal meetings of Finance Ministers. It was better to improve the quality of discussion at Finance Councils. The Chancellor explained that he had



already suggested to his colleagues that there should be an informal meeting in the UK in October or November. Mr. Christofas suggested that if he introduced more informal and confidential debates in restricted sessions at Council meetings the Chancellor could reasonably suggest that a separate informal meeting was no longer necessary. If, however, such a meeting was held, he asked that he and a member of his staff should be allowed to attend. Although he had not attended the meeting at Breda, he had always attended such meetings in the past. The Chancellor agreed to consider these points.

14. Asked to give his views about the creation of a European Monetary Fund, Mr. Christofas thought there was little prospect of such a development in the UK President. Indeed, it was more likely that Ministers would have to discuss how the existing exchange rate mechanism could be preserved.

15. The Chancellor asked if he was expected to attend any debates of the European Parliament. Mr. Christofas said that this was not essential, although the Parliament sometimes asked that the Presidency should be represented at important debates. There could be advantage in an appearance by the Chancellor if a major economic or financial subject was being debated. Unemployment was likely to be covered in the plenary session in September. Tuesday, 15 September (or possibly the following day) might be a suitable occasion for the Chancellor. The Chancellor explained that unfortunately September was a difficult month. It was noted that in any case unemployment was more a subject for the Secretary of State for Employment. Mr. Christofas said that the subjects for debate later in the year had not yet been finalised.

16. Mr. Christofas noted that one way of reducing the risk of another confrontation with Parliament over the Community budget might be for the Council to meet the Parliament the day before the Budget Council rather than on the morning of the same day; the Parliament had informally proposed this. The Financial Secretary noted that the Parliamentary delegation often did not arrive until



after lunch. The difficulty was that Ministers would not be keen to devote an extra day and the suggested procedure would be unlikely to affect the outcome. He noted that it would be important for other member states to send Ministers; if they sent officials the suggested procedure might actually harm relations with the Parliament.

17. Mr. Christofas noted that there was also a problem over the location of the Parliament's autumn budget session. They did not want to meet in Luxembourg and Strasbourg was not available at the end of October. They might decide on 3-6 November for the budget session; but it would be unwise to mention this until after the July Budget Council.

18. In a brief discussion of fiscal affairs, Mr. Christofas noted that a difficulty on the drink side was that no-one understood the Italian position. He had not detected any desire among member states for a November Council to discuss tobacco.

15 June 1981

Distribution

Those present
Mrs. Hedley-Miller
Mr. Bottrill
Mr. Edwards
Mr. Hawtin
Mr. Peretz
Mr. Donovan
Mr. Matthews

M

VISIT OF MR CHRISTOFAS, 8 JUNE

Suggested Agenda

Procedure

1. What sort of briefing does the Council Secretariat provide for Ministers before each Eco/Fin?
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3. Has Mr Christofas any general advice on how best to conduct meetings?
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7. Does Mr Christofas have any particular advice to give about other subjects likely to come up during our Presidency, namely:
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8. Would it be desirable for the Chancellor to speak at a suitable plenary session of Parliament - e.g. on Wednesday, 16 September, the day before the September Eco/Fin?
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Fiscal Affairs

10. What could the Fiscal Council achieve during the British Presidency?

Mr Scholes

Reference..... Secs. 21

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(Rose present (incl. Mr Christophers))

Mrs Hedley-Miller

Mr Bottrill

Mr Edwards

Mr Hawkins

Mr Peretz

Mr Donovan

Mr Matthews

Pl. rd I have the original back in
due course.

J Scholes
~~16~~ 15.6.81

NOTE OF A MEETING HELD IN NO 11 DOWNING STREET ON MONDAY 8 JUNE 1981Present

Chancellor of the Exchequer	Mr Christofas
Financial Secretary	(EC Council Secretariat)
Minister of State (C)	
Sir D Wass	
Sir K Couzens	
Mr Hancock	
Mr Ashford	
Mr Scholes	
Mr Butt (UKREP)	
Mr Freedman (Customs & Excise)	

The meeting had before it an agenda suggested by Mr Hancock (attached).

2. After welcoming Mr Christofas the Chancellor noted that the Jumbo Council would take place later in the week and asked how it was likely to go. Mr Christofas' views were similar to our own: most Ministers were likely to make lengthy prepared speeches, and with up to three Ministers per country this could take most of the day.
3. On the question of whether Finance Councils should be held in the morning or the afternoon, Mr Christofas argued in favour of the afternoon. He thought it was helpful if the conclusions of any discussion over lunch could be reported in a formal session, and he noted that afternoon meetings removed the need for Ministers with long journeys to travel out the night before. It was agreed that the Chancellor should tell his colleagues at the Finance Council on 15 June that under the UK Presidency meetings would be held in the afternoon. Sir Douglas Wass would forewarn other member states at the co-ordinating group on 9 June.
4. In discussion of the briefing provided for the Presidency by the Secretariat, Mr Christofas explained that they normally provided a written steering brief similar to that provided for the Prime Minister for Cabinet Meetings. It dealt mainly with questions of handling and procedure and gave an indication of other delegations' views where this was not clear from the other

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documents. It might also suggest compromise solutions and possibly appropriate conclusions. He would also provide oral briefing shortly before the meeting. This might include any last minute information and any sensitive matters which had not been mentioned in the written briefing. On the Council Secretariat side this briefing was usually attended by Mr Ersboll, Mr Christofas, a lawyer and possibly one other; on the UK side the Chancellor could be accompanied by the Financial Secretary and any advisers he wished. At the meeting itself, the Secretariat would be sitting next to the Chancellor and could whisper advice if asked. The Chancellor emphasised that he would be grateful if Mr Christofas would volunteer advice when he thought it appropriate, without being asked.

5. Mr Christofas noted that the Presidency always had the prerogative to call for a more restricted meeting. He thought that this could usefully be done more often. Asked about the basis for this right, he explained that it was not laid down in any rules of procedure, but that it definitely existed. After discussion of the best way of restricting the meeting, it was agreed that the best formulation was "those round the table". This had the advantage that it allowed some flexibility in numbers, and it was immediately apparent when it had been carried out. Another possibility was to have a discussion over lunch. The advantage of restricted sessions in the Council room was that they were quieter and simultaneous translation was provided. (Nonetheless it is clear that some lunchtime discussion had a role to play.)

6. The Chancellor asked if the Presidency was expected to do more than introduce the agenda items briefly and to sum up at the end. Mr Christofas agreed that it was quite in order for the Presidency to intervene and to steer the discussion, but the crucial job was drawing out conclusions at the end of the discussion.

7. The Chancellor asked if the Presidency press conference was conducted with more decorum than the national press conferences. Mr Christofas explained that it was. A podium was provided for the Chancellor, UK officials and Mr Christofas.

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The journalists were seated in front of the podium in a semi-circle. Mobile microphones were provided. The UK press would be particularly well represented. The procedure was for the Chancellor to run through the agenda giving a brief summary of the debate and the conclusions reached. He then answered questions. The journalists were usually very well informed, so it was important to give honest answers. Individual delegations should not be identified; one referred to "some ... others ..."

8. Mr Christofas suggested that the UK might send someone to listen in on Mr van der Stee's press conference on Monday 15 June.

9. In discussion of the confidentiality of the proceedings, Mr Christofas emphasised that it was essential to get clear agreement on what should not be revealed. Otherwise Ministers would feel free to talk to the press. Lunch was normally regarded as more confidential than the formal discussions, but even here Ministers would feel free to reply to direct questions from journalists, unless there was a specific agreement to the contrary.

10. The Chancellor explained that he ^{would chair Finance Councils} and the Financial Secretary would ^{represent the UK.} ~~attend Finance Councils~~. The Financial Secretary and the Minister of State would attend Budget Councils; this would enable Mr Nicoll (UKREP) ^{as chairman of COREPER (Deputies),} to be at ^{the side of} the Financial Secretary ^{who would preside.}'s side. The Minister of State said that he would take the chair at any Fiscal Councils, but we had not yet decided who would represent the UK. Mr Christofas explained that the rule was always the same: an official ~~s~~ was quite acceptable, but it was an advantage to field a second Minister.

11. There was a brief discussion of the best way of handling the discussions on budget restructuring. Mr Christofas thought that there was a risk of confusion if more than one Council was involved. ~~But~~ The essential requirements ~~s~~ was proper coordination within national cabinets, especially vis a vis Agricultural ministers, ^l He also noted that it would be difficult to avoid a discussion in the Agricultural Council if the topic was discussed by the Finance Council. The Chancellor said that UK Ministers

would need to consider these points before making procedural proposals.

and the best way of achieving this was to conduct the negotiations in the Foreign Affairs or "general" Council.

12. The Chancellor noted that the Finance Council discussions of the economic situation had been unhelpful and unproductive. Mr Ortoli had suggested that he might be able to provide a list of specific topics for discussion. Would this help? Mr Christofas suggested that restricted sessions would do much to improve the quality of the discussions. A list of specific topics would certainly be helpful, but it would be better produced by the Treasury. DG II was somewhat demoralised and Mr Ortoli's thoughts were elsewhere. It was agreed that the idea should be pursued; the ground could be prepared in the Co-ordinating Group. Sir Kenneth Couzens noted that there should be no difficulty in identifying suitable topics. For example, member states thought it might be useful for the Community to say something about indexation which they would find valuable for domestic consumption.

13. Mr Christofas stated that he did not favour informal meetings of Finance Ministers. It was better to improve the quality of discussion at ~~formal~~ Finance Councils. The Chancellor explained that he had already suggested to his colleagues that there should be an informal meeting in the UK in October or November.

Mr Christofas suggested that ~~after trying out the new technique above (paragraph 12)~~ the Chancellor could reasonably suggest that ^{a separate} ~~an~~ informal meeting was no longer necessary. If, however, such a meeting was held, he asked that he and a member of his staff should be allowed to attend. Although he had not attended the meeting at Breda, he had always attended such meetings in the past. The Chancellor agreed to ^{consider} ~~take note of~~ these points.

14. Asked to give his views about the ^{creation of a} ~~possible development of a~~ European Monetary Fund, Mr Christofas thought there was ~~no~~ little prospect of such a development ^{in the UK Presidency}. Indeed, it was more likely that Ministers would have to discuss ^{how} ~~whether~~ the existing exchange rate mechanism could be ~~retained~~ ^{preserved}.

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said that this was not essential, although

if he introduced proposed ~~move~~ more informal and Confidential debates in restricted sessions ~~of the~~ at Council meetings

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 The Financial Secretary noted that the Parliamentary delegation ^{did not arrive until after} usually turned up late, often not before lunch. The difficulty was that Ministers would not be keen to devote an extra day and the suggested procedure would be unlikely to affect the outcome. He noted that it would be important for other member states to send Ministers; if they sent officials the suggested procedure might actually harm relations with the Parliament.

17. Mr Christofas noted that there was also a problem over the location of the Parliament's main budget session. ^{at the end of October.} ^{and} Strasbourg was not available ^{and} they did not want to meet in Luxembourg. ^{It then} ^{decide on} might be necessary to suggest 3-6 November for the budget session; but it would be unwise to mention this until after the ^{July} Budget Council.

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Chancellor of the Exchequer's Office

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