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DESKBY 281230Z FCO  
DESKBY 281230Z MILAN  
FM LUXEMBOURG 281120Z  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 203 OF 28 JUNE 85.  
AND TO IMMEDIATE UKREP BRUSSELS  
INFO IMMEDIATE MILAN (FOR PRIME MINISTER'S PARTY).

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FROM UK REP BRUSSELS.

PERSONAL FOR PRIME MINISTER FROM MR WALDEGRAVE  
26/28 JUNE ENVIRONMENT COUNCIL: VEHICLE EMISSIONS.

1. DETAILS OF THE 16 HOUR DISCUSSION ON VEHICLE EMISSIONS AND ITS OUTCOME ARE SET OUT IN LUX TEL NO 198. JOHN BUTCHER AND I REPRESENTED THE UNITED KINGDOM.

2. I REALISE THAT COLLEAGUES WILL WANT TO CONSIDER THIS FINELY BALANCED AGREEMENT, TO WHICH I ASSENTED AD REFERENDUM, BEFORE DECIDING WHETHER TO CONFIRM OR REJECT IT. THERE IS NO INTERMEDIATE CHOICE. OUR PARTNERS WILL ANXIOUSLY AWAIT AN EARLY DECISION.

3. I CONDUCTED THE NEGOTIATIONS THROUGHOUT WITHIN THE NOVEMBER E(A) REMIT AND I BELIEVE THE OUTCOME CONFORMS TO THE CONCLUSIONS OF THAT MEETING. I COMMEND IT ON THE FOLLOWING GROUNDS:-

(I) WE HAVE A COMMUNITY STANDARD FOR VEHICLE EMISSIONS WHICH THUS PRESERVES THE INTEGRITY OF THE INTERNAL MARKET AND REMOVES THE THREAT OF UNILATERAL ACTION BY THE RESTRICTIONIST MEMBER STATES:

(II) FOR MEDIUM SIZED CARS, WE HAVE SECURED AGREEMENT TO A COMBINED HC/NOX EMISSION STANDARD INSTEAD OF THE SEPARATE FIGURES PROPOSED BY THE COMMISSION AND PRESSED HARD BY THE GERMANS AND OTHERS. THIS GIVES MUCH GREATER FLEXIBILITY TO MANUFACTURERS AND REMOVES OR EASES THE PROBLEMS WE WOULD OTHERWISE HAVE FACED IN NEGOTIATING SATISFACTORY ARRANGEMENTS FOR DIESEL CARS WITH AUTOMATIC TRANSMISSIONS:

(III) THE ACTUAL FIGURE OF 8 GRAMS PER TEST FOR THE COMBINED HC/NOX STANDARDS, THOUGH AT THE LIMIT OF LEAN BURN TECHNOLOGY FOR THE UPPER RANGE OF THE MEDIUM CATEGORY, CAN CERTAINLY BE ACHIEVED WITHOUT THREE-WAY CATALYSTS AND REPRESENTS THE ONLY POSSIBLE MEETING POINT BETWEEN THE OPPOSING CAMPS. FOR MUCH OF THIS DISCUSSION THE GERMANS AND DUTCH REFUSED ADAMANTLY TO CONTEMPLATE ANY FIGURE ABOVE 7, HAVING STARTED AT 5 AND MOVED ONLY RELUCTANTLY TO 5.5. I PRESSED 9.5 WITHOUT SUCCESS.

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THE ITALIANS MADE IT KNOWN TO US EARLY ON THAT THEY COULD GO TO 7.5 AND THE FRENCH SEEMED AT ONE POINT TO WAVER. BUT WE WORKED IN CLOSE HARNESS WITH BOTH COUNTRIES THROUGHOUT THE DAY AND NIGHT AND IN THE FINAL STRETCH ALL THREE OF US STOOD FIRM ON 8 AS OUR ABSOLUTE LIMIT. THIS FINALLY BROUGHT THE GERMANS ROUND. I AM CONVINCED THAT THEY COULD AND WOULD NOT GO HIGHER:

(IV) WE FOUGHT OFF INITIAL COMMISSION AND PRESIDENCY ATTEMPTS TO RE-JIG THE VEHICLE CATEGORIES BY MAKING THE BREAK BETWEEN MEDIUM AND LARGE CARS AT 1700CC INSTEAD OF 2,000CC (THIS WAS DESCRIBED TO ME BY BOTH BL AND FORD AS THE WORST OUTCOME OF ALL): AS WELL AS LATER ATTEMPTS TO MAKE THE COMBINED HC/NOX FIGURE ONLY A TEMPORARY FEATURE, REVERTING IN A FEW YEARS TO SEPARATE HC AND NOX NORMS:

(V) THE DEAL INCLUDES A PERMANENT SOLUTION TO OUR JAGUAR PROBLEM: A LARGE CAR THAT MIGHT FAIL THE EC TEST WILL STILL GET COMMUNITY TYPE APPROVAL IF IT CAN SUBSEQUENTLY PASS THE US TEST.

(VI) IF ALL COMMUNITY COUNTRIES CAN SPEEDILY ACCEPT THE AGREEMENT, WE WILL HAVE PUT AN END TO THE DAMAGING UNCERTAINTY OF THE PAST YEAR IN THE EUROPEAN CAR MARKET.

4. DESPITE THESE REAL GAINS, I ACKNOWLEDGE THAT THIS RESULT IS NOT IDEAL FOR THE UK AND FOR BRITISH LEYLAND IN PARTICULAR. I AM HOWEVER SURE THAT IT WAS THE ONLY BASIS ON WHICH AGREEMENT COULD BE REACHED.

5. THE GERMANS, BY ACCEPTING IT, HAVE ABANDONED THEIR PREVIOUSLY VIRULENT OPPOSITION TO THE COMMISSION FIGURES: MORE THAN THAT, THEY HAVE SWALLOWED A WEAKENING OF THOSE FIGURES BY THE ABOLITION OF THE SEPARATE NOX NUMBER. IF WE HAD FAILED TO AGREE OR IF WE REJECT THE AGREEMENT NOW IT IS MY JUDGEMENT THAT THE GERMANS AND THEIR ALLIES WILL BE BOUND TO WITHDRAW THOSE CONCESSIONS WHICH THEIR PARLIAMENTS WILL MAKE IT IMPOSSIBLE FOR THEM TO DEPLOY AGAIN. FRANCE AND ITALY WOULD IN THOSE CIRCUMSTANCES SEEK ALTERNATIVE ROUTES TO COMPROMISE - ALL OF WHICH ARE LIKELY TO BE WORSE FOR THE UK. THERE WOULD BE A REAL POSSIBILITY OF A COALITION BETWEEN THE NORDIC AND EFTA COUNTRIES AND SEVERAL COUNTRIES OF THE COMMUNITY ON A COMPROMISE WHICH WOULD BE IMPOSSIBLE FOR THE UK. THUS THE ONLY ALTERNATIVE, IN MY VIEW, TO THIS AGREEMENT (WHICH IS SUBJECT TO A CHARACTERISTIC DANISH RESERVE) WAS AND IS A FAILURE TO AGREE, WITH THE UK ISOLATED AND THE STRUCTURE OF THE MARCH 20TH AGREEMENT IN THE END ABANDONED. I DID NOT BELIEVE I WOULD HAVE FULFILLED EITHER MY E(A) REMIT OR THE CLARIFICATION OF THAT REMIT I WAS GIVEN ON THE TELEPHONE BY THE FOREIGN SECRETARY ON 27TH JUNE HAD THAT BEEN THE OUTCOME. INSTEAD, WE HAVE ON OFFER AN AGREEMENT WHICH HALTS THE DRIFT TO 3 WAY CATALYSTS FOR MEDIUM CARS NOT ONLY IN THE COMMUNITY BUT ALSO IN THE PERIPHERAL EUROPEAN MARKETS

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6. I HAVE KEPT IN CLOSE TOUCH WITH PATRICK JENKIN THROUGHOUT. IT IS HIS VIEW, AS IT IS MINE, THAT FOR US TO ISOLATE OURSELVES IN OPPOSITION TO A DEAL WHICH ALL THE OTHER CAR MANUFACTURING STATES OF EUROPE COULD ACCEPT, WHICH FORD UK COULD ACCEPT, AND WHICH WAS WITHIN THE E(A) REMIT IN DEFERENCE TO THE JUDGEMENT OF BRITISH LEYLAND ALONE WOULD BE QUITE WRONG. WE ARE ABOUT TO ENTER A YEAR IN WHICH THERE WILL BE MOUNTING PRESSURE ON US ON THE LARGE PLANT DIRECTIVE: TO START THAT YEAR WITH SUCH AN AGGRESSIVE REJECTION OF A TOLERABLE DEAL ON CARS WOULD HAVE SEEMED ALMOST DELIBERATELY TO COURT OPPROBRIUM IN EUROPE AND INDEED AT HOME AT GREAT COST TO OUR GENERAL ENVIRONMENTAL REPUTATION. I THEREFORE RECOMMEND THAT THE UK ACCEPTS THE AGREEMENT.

### FCO ADVANCE TO:

FCO - FAIRWEATHER ECDI,

CAB - PS/SIR R ARMSTRONG.

DTI - PS/MR TEBBITT, PS/MR BUTCHER, WILLIAMS, LACKEY.

TSY - PS/CHANCELLOR.

DOE - PS/MR JENKIN, PS/MR WALDEGRAVE, PS/SIR PETER HARROP,  
GRUFFYD-JONES.

D/TP - PS/MR RIDLEY, LYNESS.

UKREP DIST - BROWNE CURRIE KILROY BENDER - FULL DIST.

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COPIES TO:

ADVANCE ADDRESSEES.

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FM LUXEMBOURG 280550Z

TO IMMEDIATE FCO

TELEGRAM NUMBER 198 OF 28 JUNE 85.

AND TO IMMEDIATE UK REP BRUSSELS.

INFO IMMEDIATE MILAN (FOR PM'S PARTY), PARIS AND BONN.

INFO PRIORITY THE HAGUE AND ROME.

INFO ROUTINE COPENHAGEN, ATHENS, DUBLIN AND BRUSSELS.

INFO SAVING LUXEMBOURG.

FROM UKREP BRUSSELS.

ENVIRONMENT COUNCIL: VEHICLE EMISSIONS, 27-28 JUNE.

SUMMARY.

AGREEMENT AT 6.30 A.M. ON CO 30/HC PLUS NOX 8 FOR MEDIUM CARS, COMMISSION PROPOSALS ON LARGE CARS, AND 1992/93 STAGE 2 DATE FOR SMALL CARS, WITH AD REFERENDUM RESERVE BY U.K. AND GENERAL RESERVE BY DENMARK. FRG TO IMPLEMENT FISCAL INCENTIVES ON 1 JULY WITH THESE STANDARDS. DIRECTIVE TO BE FINALISED AS SOON AS POSSIBLE. PERSISTENT CHAIRMANSHIP BY BIONDI. MR WALDEGRAVE AND MR BUTCHER REPRESENTED U.K.

DETAIL.

1. CLINTON-DAVIS (COMMISSION) DEFENDED THE COMMISSION PROPOSALS, HE SAID THE EUROPEAN COUNCIL SHOULD NOT BE TROUBLED WITH THIS PROBLEM, AND PROMISED TOUGH STAGE 2 STANDARDS FOR SMALL CARS. IN INITIAL TABLE ROUND THERE WERE NO SURPRISES FROM DELEGATIONS. ZIMMERMANN (FRG) PROPOSED HC 2.5 NOX 2.5 FOR MEDIUM CARS, WHILE AERTS (BELGIUM) REVERTED TO EARLIER BELGIUM FIGURES OF CO 2.5 HC 8.5 NOX 4.5 FOR MEDIUM. WINSEMIUS (NETHERLANDS) DOUBTED HE COULD DEFEND COMMISSION PROPOSALS IN HIS PARLIAMENT AND WANTED STRICTER VALUES. MR WALDEGRAVE STOOD BY 20 MARCH AGREEMENT, AND WAS SUPPORTED BY MME BOUCHARDEAU (FRANCE) AND ANFUSO (ITALY).

2. BIONDI (CHAIRMAN) THEN ASKED FOR FURTHER COMMENT ON COMMISSION PROPOSED STANDARDS. MME BOUCHARDEAU PUT FORWARD 35/11/5 FOR MEDIUM CARS, SAYING SHE COULD GO NO LOWER, PARTICULARLY FOR NOX. BANGEMANN (FRG) ACKNOWLEDGED THAT THEIR OPENING BID WAS UNREALISTIC, BUT HAD NOTHING TO ADD. CHRISTIANSEN (DENMARK) WANTED TO GO BELOW GERMAN FIGURES, HAVING EARLIER MAINTAINED OVERALL RESERVE. WINSEMIUS SAID CARS DRIVING IN NETHERLANDS COULD ACHIEVE HC 3/NOX4.

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3. DURING LUNCH AND DISCUSSION OF OTHER AGENDA ITEMS, EXCHANGES FOCUSED ON U.K. IDEA OF DROPPING SEPARATE NOX FIGURE, WHICH OTHERS COULD CONSIDER, THOUGH FRANCE AND ITALY WORRIED ABOUT HOW FAR THEY COULD GO. ON RESUMPTION CLINTON-DAVIS ASKED FOR VIEWS ON DIVIDING MEDIUM CAR CATEGORY INTO TWO, AND ON ADOPTING NOX FIGURE WHICH WOULD BE IMPLEMENTED LATER THAN COMBINED HC PLUS NOX FIGURE. SEPARATION OF MEDIUM CAR CATEGORY WAS REJECTED WHEN MR WALDEGRAVE MADE CLEAR HE COULD NOT ACCEPT IT, AND ZIMMERMANN ACKNOWLEDGED THAT IT WOULD NOT WORK. CONTINUED INTEREST IN DROPPING NOX FIGURE ALTOGETHER.

4. DURING FURTHER BREAK, AND AFTER CONSULTING YOU AND OTHER COLLEAGUES, MR WALDEGRAVE SECURED AUTHORITY TO GO TO HC PLUS NOX FIGURE OF 8 FOR MEDIUM CARS, ON CONDITION THAT THIS WAS LAST RESORT, IN CONTEXT OF AN OVERALL AGREEMENT, AND WITH WAITING RESERVE.

5. AFTER BILATERAL CONTACTS BETWEEN PRESIDENCY, FRANCE AND U.K., BIONDI BEGAN NEXT SESSION WITH DISCUSSION ON FIGURES FOR CO AND A COMBINED HC PLUS NOX VALUE FOR MEDIUM CARS. AGREEMENT WAS QUICKLY REACHED ON A FIGURE OF 30 FOR CO. CLINTON-DAVIS PRESSED CONSISTENTLY FOR THE COMMISSION'S COMBINED FIGURE OF 8 GRAMMES PER TEST FOR HC PLUS NOX TO BE ADOPTED. BASING HIS CASE ON THE 20 MARCH AGREEMENT SPECIFICALLY STATING THAT A FIGURE SHOULD BE CAPABLE OF BEING ACHIEVED BY SIMPLE LEAN BURN TECHNOLOGY PLUS OXYDATION CATALYSTS, MR WALDEGRAVE SUGGESTED 9.5, FRANCE, ITALY AND BELGIUM (WHO COULD GO TO 8.5) WOULD NOT ACCEPT THE COMMISSION FIGURE. AFTER AN UNSUCCESSFUL ATTEMPT TO GO BACK TO A SEPARATE NOX FIGURE, BANGEMANN AND ZIMMERMAN WITH DUTCH SUPPORT REFUSED TO GO ABOVE 5.5. FURTHER UNPRODUCTIVE DISCUSSION INVOLVING GERMANY AND NETHERLANDS WAS CUT SHORT BY A POWERFUL INTERVENTION BY MADAME BOUCHARDEAU. SHE CHASTISED CERTAIN MINISTERS FOR TURNING THE COUNCIL INTO AN AUCTION AND URGED HER COLLEAGUES TO TAKE THEIR RESPONSIBILITIES. WITH SUPPORT FROM MR WALDEGRAVE SHE CALLED FOR A RESTRICTED MINISTERIAL SESSION.

6. IN CLOSED MINISTERIAL SESSION ZIMMERMAN SAID THE GERMAN PUBLIC COULD ONLY ACCEPT LESS THAN 8.0 ON MEDIUM CARS. WINSEMIUS AGREED AND SUGGESTED 7.5. IN A LONG SPEECH MME BOUCHARDEAU SAID SHE COULD ONLY GO TO 8.0 AS HER FINAL OFFER. ITALY COULD SUPPORT AND LUXEMBOURG COULD ACCEPT THE COMMISSION PROPOSAL. MR WALDEGRAVE SAID THAT IN THE LAST RESORT HE COULD SUPPORT FRANCE SUBJECT TO A WAITING RESERVE TO ALLOW FOR REFERENCE TO COLLEAGUES. CLINTON-DAVIS THEN PROPOSED 7.5 WITH A 33 PERCENT TOLERANCE. AFTER A BREAK FOR TECHNICAL CONSULTATIONS, MR WALDEGRAVE MADE IT CLEAR THAT THIS WAS UNACCEPTABLE.

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7. AFTER A FINAL SESSION FOR MINISTERS ONLY, THE COMMISSION TABLED A PAPER PROPOSING AGREEMENT ON CO 25/HC PLUS NOX 6.5/NOX 3.5 FOR LARGE CARS, CO 30/HC PLUS NOX 8 FOR MEDIUM CARS AND 1992/93 IMPLEMENTATION DATE FOR SMALL CARS. THE PAPER ALSO INCLUDED AN UNDERTAKING BY U.K. AND FRANCE THAT THEY WOULD NOT PURSUE LEGAL REPRESENTATIONS ON FISCAL INCENTIVES, LEAVING GERMANS FREE TO IMPLEMENT SCHEME ON 1 JULY. ALL BUT GREECE AND DENMARK ACCEPTED. MR WALDEGRAVE CLARIFIED THAT REFERENCE WAS TO LEGAL REPRESENTATIONS TO COMMISSION, SECURED ALTERNATIVE OF U.S. TEST FOR LARGE CARS, AND STATED THAT U.K. AGREEMENT WAS AD REFERENDUM. AGREEMENT THAT DIESELS OVER 1.4 LITRE SHOULD MEET MEDIUM CAR STANDARDS. MINOR POINTS COVERED IN OTHER MINUTES STATEMENTS. KOULOUMBIS FINALLY LIFTED RESERVE, AFTER COMMISSION HAD UNDERTAKEN TO CONSIDER SPECIAL PROVISIONS FOR GREECE IF AIR POLLUTION REACHED UNACCEPTABLE LEVEL.

### FCO ADVANCE TO:

FCO - PS, RENWICK, FAIRWEATHER, GRAY, SAWERS.

CAB - WILLIAMSON, JAY, SHEARER.

DTI - PS/MR TEBBITT, PS/MR BUTCHER, LACKEY, MEDWAY, ANDREWS.

DOE - PS/MR JENKIN, PS/MR WALDEGRAVE, GRUFFYD-JONES, FISK,  
REYNOLDS, MORRISON.

D/EK - MUNRO.

D/TP - LYNESS, FENDICK.

UKREP DIST - BROWNE CURRIE KILROY BENDER - FULL DIST.

(ADVANCED AS REQUESTED)

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