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PO -CH /GH/0124



PART A

Begin: 30/3/83

DD: 25 years

Ends: 21/6/83

[Signature] 1/9/95

CHANCELLOR'S PAPERS ON
THE SPECIAL EUROPEAN
COUNCIL, STUTTGART,
17-19 JUNE 1983

PO -CH /GH/0124

PART A

EHG(S)(83)22 - "EC AID TO COSTA RICA"

EHG(S)(83)23 - "TORNADO FOR GREECE"

EHG(S)(83)24 - "SEAT OF EUROPEAN PARLIAMENT"



†
FROM OVERLEAF

Page 'A' EHG (83) 2

Page 'B' EHG (83) 3

Page 'C' Withholding

Page 'D' EHG (83) 4

Page 'E' EHG (83) 14

Page 'F' EHG (83) 3A

Page 'G' EHG (83) 12

Page H Exchange between
PM & Chancellor Kohl

Page J Letter from Tugendhat.

Page K Telegrams.

MAIN BRIEFING FOR SPECIAL COUNCIL AVAILABLE FROM
CABINET OFFICE COMMITTEE SECTION. RELEVANT PAPERS ARE:

EHG(S)(83) 21 REVISE - "MEDITERRANEAN ACQUIS"

EHG(S)(83) 1 - "INDEX OF BRIEFS"

EHG(S)(83) 2 - "GENERAL BRIEF"

EHG(S)(83) 2 Addendum - "GENERAL BRIEF"

EHG(S)(83) 2 Addendum 2 - "

EHG(S)(83) 2 Addendum 3 - "

EHG(S)(83) 3 - "FUTURE FINANCING OF THE COMMUNITY
AND INTERIM SOLUTION"

EHG(S)(83) 3A - "COMMON AGRICULTURAL POLICY"

EHG(S)(83) 4 - "ECONOMIC AND SOCIAL SITUATION"

EHG(S)(83) 4 REVISE - "

EHG(S)(83) 4 Addendum - "

EHG(S)(83) 4 Addendum 2 - "

EHG(S)(83) 5 - "YOUTH UNEMPLOYMENT / SOCIAL AFFAIRS"

EHG(S)(83) 6 - "INTERNAL MARKET (INCLUDING TRANSPORT)
AND PROPOSED COMMON COMMERCIAL POLICY
REGULATION"

EHG(S)(83) 6 Addendum - "

EHG(S)(83) 7 - "ENVIRONMENT (ACID RAIN / LEAD IN PETROL)"

EHG(S)(83) 7 REVISE - "

EHG(S)(83) 8 - "INDUSTRIAL POLICY RESEARCH AND
DEVELOPMENT"

EHG(S)(83) 8 Addendum - "

EHG(S)(83) 9 - "ENLARGEMENT"

EHG(S)(83) 10 - "GREEK MEMORANDUM"

EHG(S)(83) 11 - "POLITICAL COOPERATION"

EHG(S)(83) 11 Addendum - "

EHG(S)(83) 12 - "GENSCHER / COLOMBO PROPOSALS"

EHG(S)(83) 13 REVISE - "ENERGY (SOLID FUELS)"

EHG(S)(83) 14 - "INTERNATIONAL TRADE ISSUES"

EHG(S)(83) 15 - "INTEGRATED MEDITERRANEAN
PROGRAMMES"

(S)(83) 16 - "MEDITERRANEAN ELECTRICITY PROGRAMMES"

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FRAME GENERAL
FRAME AGRICULTURE
FM UKREP BRUSSELS 001342Z MAR 83
TO PRIORITY FCO
TELEGRAM NUMBER 1363 OF 30 MARCH 1983
INFO PRIORITY ATHENS
INFO ROUTINE BONN
INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
LISBON MADRID STRASBOURG

GREECE AND THE EEC

1. THE COMMISSION FINALLY AGREED ITS RESPONSE TO THE GREEK MEMORANDUM ON 29 MARCH. (COPIES BY BAG TO FCO, CABINET OFFICE AND ATHENS).
2. THE CENTRAL OBJECTIVES OF THE RESPONSE ARE DEFINED AS:
 - (A) HELPING THE TRANSFORMATION OF GREEK ECONOMIC STRUCTURES, AND
 - (B) ACCELERATING GREECE'S INTEGRATION INTO THE COMMUNITY.
3. THE COMMISSION MAKES CLEAR THAT THE SUCCESS OF THEIR AMBITIOUS PROPOSALS DEPENDS AS MUCH ON THE EFFORTS GREECE MAKES TO INTEGRATE INTO THE EC AS ON THE CONTINUATION OF OTHER MEMBER STATES.
4. THE PAPER HAS THREE MAIN OPERATIONAL PARTS:
 - (A) A SUMMARY OF THOSE ASPECTS OF THE INTEGRATED MEDITERRANEAN PROGRAMME (IMP) FOR GREECE RELEVANT TO THE PRIORITIES SET OUT IN THE GREEK MEMORANDUM.
 - (B) A SHORT SECTION ON APPLICATION OF LEGISLATION WHICH SPECIFIES THAT THE COMMISSION WILL PROPOSE A TIMETABLE FOR BRINGING GREEK TAXATION INTO LINE BUT GLOSSES OVER THE OTHER INFRACTIONS NOW IN HAND.
 - (C) SPECIFIC ACTIONS NOT COVERED BY THE IMP, WHICH ARE NOT COSTED (AND BURKE REFUSED TO REVEAL FIGURES TO THE PRESS).
5. GIVEN THE WIDELY-HELD DOUBTS ABOUT THE SUCCESS OF THE COMMISSION'S IMP PROPOSALS, MUCH ATTENTION WILL FOCUS ON THE SPECIFIC ACTIONS. THESE ARE:
 - (A) HELP TO MAJOR PROJECTS IN THE 5-YEAR PLAN EITHER UNDER EXISTING COMMUNITY INSTRUMENTS OR IF NECESSARY UNDER SPECIAL MEASURES LASTING 4 YEARS WHICH THE COMMISSION WOULD PROPOSE TO THE COUNCIL - ALL DEPENDENT ON THE GREEKS SUBMITTING APPROPRIATE APPLICATIONS AND SUBJECT TO CURRENT NEGOTIATIONS ON REVISION OF ERDF.
 - (B) HELP FOR RESEARCH, TECHNOLOGY AND ENERGY PROJECTS UNDER EXISTING INSTRUMENTS.

/ (c)

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(C) ACTION ON EMPLOYMENT AND SOCIAL POLICY BY HELP FOR VOCATIONAL TRAINING, FACILITIES FOR THE HANDICAPPED UNDER THE SOCIAL FUND WITH 75 PER CENT COMMUNITY PARTICIPATION.

(D) EXTENSION OF SCOPE OF CURRENT IRRIGATION SCHEMES UNTIL MEASURES FOR AGRICULTURE UNDER IMP COME INTO FORCE PLUS AN EXCEPTIONAL SPECIAL AID TO IMPROVE QUALITY CONTROL. (FOR THE REST THE COMMISSION PLAY DOWN THE SERIOUSNESS OF GREEK AGRICULTURAL PROBLEMS AND SAY, IN EFFECT, WAIT FOR THE IMP.)

(E) PRIORITY TO GREEK REQUIREMENTS ON FISHERIES UNDER REGULATION 31/83, OTHERWISE LEAVING FISHERIES NEEDS TO THE IMP.

(F) SUBSTANTIAL AID TO BE PROPOSED FOR TRANSPORT INFRASTRUCTURE IN ADDITION TO THE WHAT IS ALREADY PROPOSED IN THE EXPERIMENTAL TRANSPORT INFRASTRUCTURE PROJECT (COM(82)828). WHILE RECOGNISING THE HIGH COST OF TRANSPORT IMPOSED BY THE NUMBER OF ISLANDS, THE COMMISSION OPPOSES DIRECT TRANSPORT COST SUBSIDIES AND WILL PROPOSE ONLY LIMITED INTERIM MEASURES IN THE AGRICULTURAL CONTEXT PENDING IMPROVEMENT OF THE INFRASTRUCTURE.

(G) CONTRIBUTION TO THE COSTS OF PREPARATORY ENVIRONMENTAL STUDIES PLUS AN UNDERTAKING TO MAKE PROPOSALS IN DUE COURSE FOR A COMPREHENSIVE ENVIRONMENTAL ACTION PLAN.

COMMENT

6. THESE PROPOSALS ARE MODEST BY COMPARISON WITH THE ORIGINAL DRAFT PROPOSALS PUT FORWARD BY BURKE, AND THE ACCENT IS HEAVILY ON THE IMP. BUT SUBSTANTIAL COSTS MAY STILL BE INVOLVED IN SOME OF THE PROPOSALS, ESPECIALLY SOCIAL AND TRANSPORT (SEE SHEPHERD'S LETTER OF 11 MARCH TO SPRECKLEY FOR PRELIMINARY COSTINGS). IN BUDGETARY TERMS THE UK WOULD, AS IN THE CASE OF THE IMPs, GET NO BENEFIT TO COUNT AGAINST INCREASED CONTRIBUTIONS TO FINANCE THE SPECIAL MEASURES. ON THE OTHER HAND MOST MEMBER STATES WILL PROBABLY RECOGNISE THAT A CERTAIN PRICE WILL BE WORTH PAYING TO SETTLE THE QUESTION OF GREEK MEMBERSHIP. WE MAY ALSO NEED TO CONSIDER SHADING SLIGHTLY OUR ATTITUDE TO THE GREEK (AS OPPOSED TO THE FRENCH AND IRISH) IMP ACCORDINGLY.

FCO COPY TO:
FCO - SPRECKLEY
CAB - LAMBERT
MAFF - HADDON
TSY - SHORE

**THIS TELEGRAM
WAS NOT
ADVANCED**

FCO PASS SAVING TO COPENHAGEN THE HAGUE ROME DUBLIN PARIS
LISBON MADRID STRASBOURG

EKINS-DAUKES

(REPEATED AS REQUESTED)

FRAME GENERAL
FRAME AGRICULTURE
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COPIES TO :
COPY ADDRESSEES

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13/6/83

EXTRACT FROM CONCLUSIONS OF 21/22 MARCH EUROPEAN COUNCIL ANNEX F.

THE COMMUNITY'S FINANCIAL RESOURCES AND RELATED PROBLEMS

25. THE EUROPEAN COUNCIL NOTES THE REPORT ON WORK DONE ON THE COMMISSION'S COMMUNICATION ON THE FUTURE FINANCING OF THE COMMUNITY. THE EUROPEAN COUNCIL FURTHER NOTES THE COMMISSION'S INTENTION TO SUBMIT SPECIFIC PROPOSALS AS SOON AS POSSIBLE. IT EXPECTS THESE PROPOSALS TO TAKE ACCOUNT OF THE DEVELOPMENT OF THE COMMUNITY'S POLICIES, THE PROBLEMS CONNECTED WITH ENLARGEMENT, BUDGETARY IMBALANCES AND THE NEED TO STRENGTHEN BUDGETARY DISCIPLINE. IT INVITES THE COUNCIL (GENERAL AFFAIRS) TO DISCUSS THOSE PROPOSALS AND TO REPORT ITS CONCLUSIONS TO THE JUNE EUROPEAN COUNCIL.

26. THE EUROPEAN COUNCIL AGREES THAT THIS REPORT WILL CONTAIN CONCLUSIONS ALSO CONCERNING THE SO-CALLED SUBSEQUENT SOLUTION IN ACCORDANCE WITH THE UNDERTAKING MADE BY THE FOREIGN AFFAIRS MINISTERS ON 25 MAY AND 26 OCTOBER 1982 REGARDING COMPENSATION TO THE UNITED KINGDOM. CONSEQUENTIAL FIGURES FOR 1983 WILL BE INCORPORATED IN THE DRAFT COMMUNITY BUDGET FOR 1984.

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ANNEX D

13/6/83

I

(Information)

COUNCIL

Council conclusions of 30 May 1980 on the United Kingdom contribution to the financing of the Community budget

1. The net United Kingdom contribution for 1980 will be calculated on the basis of the present Commission estimate (1 784 MEUA). 1 175 MEUA will be deducted from this figure. This leaves a United Kingdom contribution of 609 MEUA for 1980.
 2. The net United Kingdom contribution for 1981 will be calculated on the basis of the Commission estimate of 2 140 MEUA. The United Kingdom's 1980 net contribution will be increased by a percentage equal to the difference between 1 784 and 2 140 MEUA, namely 19.9 % or 121 MEUA. The net United Kingdom contribution for 1981 therefore becomes 730 MEUA.
 3. The United Kingdom contribution, based on the above calculations, is reduced for 1980 and 1981 by 2 585 MEUA (1 175 plus 1 410).
 4. If the United Kingdom's actual contributions for 1980 and 1981 are higher than 1 784 and 2 140 MEUA respectively the difference will be split: for the first year 25 % will be borne by the United Kingdom and 75 % by the other eight Member States. For the second year: increase from 730 to 750 MEUA to be borne in full by the United Kingdom; from 750 to 850 MEUA, 50 % to be borne by the United Kingdom and 50 % by the other eight Member States; above 850 MEUA, 25 % to be borne by the United Kingdom and 75 % by the others.
 5. Payments over the period 1980 to 1982 should be made by means of the adapted financial mechanism and the supplementary measures proposed by the Commission. The financial mechanism will continue to function automatically until the end of 1982.
 6. The credits are entered in the budget of the following year, following the precedent of the financial mechanism.
- At the request of the United Kingdom the Council can decide each year on a proposal from the Commission to make advances to permit the accelerated implementation of the supplementary measures.
7. For 1982, the Community is pledged to resolve the problem by means of structural changes (Commission mandate, to be fulfilled by the end of June 1981: the examination will concern the development of Community policies, without calling into question the common financial responsibility for these policies which are financed from the Community's own resources, or the basic principles of the common agricultural policy. Taking account of the situations and interests of all Member States, this examination will aim to prevent the recurrence of unacceptable situations for any of them). If this is not achieved, the Commission will make proposals along the lines of the 1980 to 1981 solution and the Council will act accordingly.
 8. The Council reaffirms the conclusions adopted by it (in its composition of Ministers of Economic Affairs and Finance) on 11 February 1980 [see Annex to 5081/80 PV/CONS 5 ECOFIN 9], which included reference to the 1 % VAT own resources ceiling.
 9. It is important for the future well-being of the Community that day to day decisions and policy

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making should function effectively, particularly during the period when the review provided for in paragraph 7 is under way. With this objective in mind all Member States undertake to do their best to

ensure that Community decisions are taken expeditiously and in particular that decisions on agricultural price fixing are taken in time for the next marketing year.

Council declaration of 30 May 1980 on the common fisheries policy

1. The Council agrees that the completion of the common fisheries policy is a concomitant part of the solution of the problems with which the Community is confronted at present. To this end the Council undertakes to adopt, in parallel with the application of the decisions which will be taken in other areas, the decisions necessary to ensure that a common overall fisheries policy is put into effect at the latest on 1 January 1981.

2. In compliance with the Treaties and in conformity with the Council Resolution of 3 November 1976 (the 'Hague agreement'), this policy should be based on the following guidelines:

- (a) rational and non-discriminatory Community measures for the management of resources and conservation and reconstitution of stocks so as to ensure their exploitation on a lasting basis in appropriate social and economic conditions;
- (b) fair distribution of catches having regard, most particularly, to traditional fishing activities, to the special needs of regions where the local populations are particularly dependent upon fishing and the industries allied thereto (*), and to the loss of catch potential in third country waters;

(* See paragraphs 3 and 4 of Annex VII to the Council Resolution of 3 November 1976.

- (c) effective controls on the conditions applying to fisheries;
- (d) adoption of structural measures which include a financial contribution by the Community;
- (e) establishment of securely-based fisheries relations with third countries and implementation of agreements already negotiated. In addition, endeavours should be made to conclude further agreements on fishing possibilities, in which the Community — subject to the maintenance of stability on the Community market — could also offer trade concessions.

3. Furthermore, Article 103 of the Act of Accession shall be applied in conformity with the objectives and provisions of the Treaty establishing the European Economic Community, with the Act of Accession, *inter alia* Articles 100 to 102, and with the Council Resolution of 3 November 1976, and in particular Annex VII thereto.

4. The Council agrees to resume its examination of the Commission proposals for Regulations under (a) (technical conservation measures) and (c) (control) at its meeting on 16 June 1980, and also on this occasion to begin examination of other proposals, including a proposal on quotas for 1980 which the Commission undertakes to submit in good time.

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FRAME GENERAL

FM PARIS 141530Z JUN 83

TO PRIORITY FCO

TELEGRAM NUMBER 531 OF 14 JUNE

INFO OTHER EC POSTS

PROSPECTS FOR STUTTGART

1. ARTICLES IN TODAY'S FRENCH PRESS SUGGEST THAT FRANCE COULD FIND HERSELF IN A DIFFICULT AND SOMEWHAT ISOLATED POSITION AT STUTTGART FOLLOWING MONDAY'S COUNCIL. THE FRANCO/GERMAN AXIS IS DESCRIBED AS 'MORE FRAGILE THAN EVER', AND COMMENTATORS NOTE THAT BRITAIN, GERMANY AND NOW THE NETHERLANDS ARE INSISTING THAT THERE SHOULD BE NO INCREASE IN OWN RESOURCES WITHOUT A PRIOR COMMITMENT TO REDUCE CAP EXPENDITURE, IN WHICH FRANCE'S MAJOR INTERESTS ARE AT STAKE. A MAJOR RE-THINK OF EUROPEAN POLICIES COULD BE BEGUN AT STUTTGART - AND MITTERRAND IS SAID TO BE CONVINCED THAT THE COMMUNITY MUST HAVE NEW PROSPECTS FOR DEVELOPMENT. BUT IT IS ALSO NOTED THAT MITTERRAND HIMSELF WILL NOT BE IN STUTTGART FOR THE WHOLE OF THE COUNCIL. THIS AFTERNOON'S LE MONDE SUGGESTS THAT THE OUTCOME COULD BE UNATTRACTIVE FOR FRANCE: A PROMISE OF A SUBSTANTIAL NEW CHEQUE FOR MRS THATCHER, A MORE RIGOROUS CAP, AND ONLY RATHER VAGUE PROSPECTS OF THE DEVELOPMENT OF THE EC AND ITS FINANCING, PLUS A COMMITMENT TO SPAIN AND PORTUGAL NOT TO PUT OFF THE COMPLETION OF THEIR ACCESSION NEGOTIATIONS. THE UK POSITION IS SAID TO HAVE THE MERIT OF SIMPLICITY - TO PRESS WHAT BRITAIN CONSIDERS TO BE ITS ESTABLISHED RIGHT TO COMPENSATION; ACCORDING TO LE MONDE BRITAIN'S PARTNERS SHOULD LIMIT THE SUM PAYABLE AND INSIST ON DEGRESSIVITY.

2. IN AN INTERVIEW PUBLISHED IN TODAY'S LE MATIN (SOCIALIST), CHEYSSON IMPLIED SOME UNDERSTANDING OF THE UK'S NEED FOR BUDGET REFUNDS. HE SAID THAT HE HAD HIGH EXPECTATIONS OF STUTTGART, BUT IF FRANCE'S PARTNERS FAILED THERE, THE COMMUNITY WOULD HAVE GREAT DIFFICULTY IN NOT BEING OVERWHELMED BY THE MULTITUDE OF SPECIFIC PROBLEMS. FOR MRS THATCHER THE PROBLEM WAS COMPENSATION. 'IT SHOULD BE RECOGNISED THAT THE MATTER BECAME SERIOUS IN 1982 BECAUSE THE DIFFERENCE BETWEEN COMMUNITY EXPENDITURE IN BRITAIN AND RECEIPTS LEVIED THERE WAS PROVISIONALLY ESTIMATED AT 2,000 MECU' (A FORMULA WORTH NOTING). IN THE CAP FRAMEWORK THE REDISTRIBUTIVE MECHANISMS WERE OUT OF CONTROL. THOSE WHO GAINED MORE THAN THEY PAID SAW THEIR NET RECEIPTS GROWING AT HALLUCINATORY SPEED. IN 1982 ITALY WOULD HAVE GAINED UNDER THE CAP MORE THAN TWICE WHAT SHE GAINED IN 1981. GREECE SIX TIMES AS MUCH.

/3. CHEYSSON

3. CHEYSSON CONTINUED THAT THE MACHINERY HAD RUN AWAY IN OTHER DIRECTIONS. THE COST TO THE EC OF OILSEEDS AND PROTEIN PRODUCTS HAD INCREASED SIXFOLD. BUT THE NECESSARY EFFORT TO DEAL WITH THESE SPECIFIC PROBLEMS WOULD BE MADE ONLY IF THE PROSPECT OF EUROPE COMMANDED REAL INTEREST. AT STUTTGART, GOVERNMENTS MUST COMMIT THEMSELVES TO THIS PROSPECT OF EUROPE AND DRAW UP THE EXCEPTIONAL PROCEDURES WHICH WOULD ALLOW THEM TO PURSUE IT. WHEN IT WAS DECIDED TO CREATE THE TREATY OF ROME, A SPECIAL STRUCTURE WAS SET UP - MESSINA. THE MESSINA PATTERN NEED NOT NECESSARILY BE FOLLOWED BUT A SPECIAL STRUCTURE WAS REQUIRED. UNLESS THIS COULD BE DONE AT STUTTGART, THE COMMUNITY WOULD GET STUCK IN IMMEDIATE PROBLEMS WITHIN THE FRAMEWORK OF THE USUAL PROCEDURES. IF THAT HAPPENED, HE (CHEYSSON) WOULD BE VERY PESSIMISTIC ABOUT THE OUTLOOK.

4. ACCORDING TO AGENCE FRANCE PRESSE, MITTERRAND IS DUE TO LEAVE STUTTGART ON SATURDAY AFTERNOON, TO TAKE PART IN THE ANNUAL CEREMONY AT MOUNT VALERIEN (THE RESIDENCE MONUMENT) MARKING THE ANNIVERSARY OF DE GAULLE'S BROADCAST FROM LONDON CALLING THE FRENCH PEOPLE TO CONTINUE THE STRUGGLE AGAINST THE GERMANS.

FRETWELL

FRAME GENERAL
RED(1)

**THIS TELEGRAM
WAS NOT
ADVANCED**



10 DOWNING STREET

From the Private Secretary

EXCHEQUER	
DATE	14 JUN 1983 ✓
ACTION	Mr Lawson.
COPIES TO	Mr Hitler
	Mrs Hedley-Miller
	14 June 1983
	Miss. Court.
	Mr R.A. Edwards.

by pm on 15/6
with rps for PFI'S
16/6 meeting
J.H.

EUROPEAN COUNCIL

I enclose a copy of a letter, together with an English translation, which the Prime Minister has just received from Chancellor Kohl setting out his ideas on the agenda for, and the organisation of, the European Council meeting at Stuttgart.

I am copying this letter and the English translation of the Chancellor's message to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment), Jonathan Spencer (Department of Industry), Julian West (Department of Energy), David Edmonds (Department of the Environment) and Richard Hatfield (Cabinet Office).

A. J. COLES

R. B. Bone, Esq.,
Foreign and Commonwealth Office.

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

London, 14 June 1983

Dear Prime Minister

I have been instructed to convey to you a message from Dr. Helmut Kohl, Chancellor of the Federal Republic of Germany, setting out his ideas about the topics and the organisation of the European Council Meeting at Stuttgart.

I enclose the text of the message and a translation.

Identical messages have been sent to the other Heads of State or Government taking part in the Stuttgart meeting, and to the President of the Commission.

I remain, dear Prime Minister
Yours very sincerely
Jürgen Ruhfus
Jürgen Ruhfus

The Rt.Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister and
First Lord of the Treasury

L o n d o n

Translation

Dear Prime Minister,

I should like to present to you my thoughts on the topics and course of our deliberations at the European Council Meeting to take place from 17 to 19 June in Stuttgart.

First of all, we shall have to consider the difficult questions dealt with in the report to the European Council concerning the 'Community's financial resources and related problems'. It will be important to allow sufficient time for these issues. I would therefore suggest that we focus first on this area, and it is likely that we will have to continue our discussion of these questions on Saturday morning.

Later Saturday morning we should direct our attention to the solemn declaration on European union, so that we can, I hope, wind up that discussion before the departure of the French President, planned for later that day.

We might subsequently discuss the work programmes decided upon at our two previous meetings - regarding social issues, particularly unemployment among young people, the continuation of community policies on research and energy, the problems of European industry and its competitiveness, including particularly steel-related issues, and environmental protection.

I consider it vital that we avoid limiting ourselves again in Stuttgart to merely taking note of progress achieved and calling upon the Council to continue its efforts. Our meeting will only be credible if we succeed in arriving

at sufficiently specific guidelines which will ensure that the Council of Ministers achieves the results we are striving for.

We must also consider the special problems confronting our Greek partner, which were dealt with by the Commission in its most recent communication.

Before and during the Williamsburg summit, the general economic and social situation already occupied a central position in our considerations. I do not believe that we should devote a great deal of time to an assessment of the economic and social situation, supplementing the Commission's communication on this topic. What we need is to give a clear signal that the Community and its member states are making a suitable contribution to the process of economic recovery worldwide.

On Saturday afternoon we should also direct our attention to the topics of political co-operation. As you know, I would like to conclude the second day with a dinner for the Heads of Government and the foreign ministers, where we could continue our discussion of political co-operation.

On Sunday morning we should go through the draft conclusions resulting from the deliberations of the two previous days. My aim is to conclude our meeting before lunch.

Finally, I cannot deny my concern about the prospects for achieving results at the Stuttgart meeting of the European Council. I am convinced that a positive outcome can only

be reached if all parties are prepared to meet each other half-way. In view of the complex nature of the issues at hand, I regard it as indispensable, in the interest of balanced, positive results, for each of us to go to Stuttgart willing and able to make a concrete contribution to a successful summit meeting and to strengthening the Community.

I am looking forward very much to seeing you in Stuttgart.

Yours sincerely,

(sgd.) Helmut Kohl

Chancellor of the Federal Republic of Germany

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GRS 282
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FRAME ECONOMIC
DESKBY 151400Z
FM FCO 151215Z JUN 83
TO IMMEDIATE THE HAGUE
TELEGRAM NUMBER 68 OF 15 JUNE
INFO IMMEDIATE UKREP BRUSSELS
STUTTGART EUROPEAN COUNCIL

1. PLEASE DELIVER AS SOON AS POSSIBLE THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO MR LUBBERS:-
BEGINS. I WAS DISAPPOINTED THAT AT THEIR MEETING ON 13 JUNE FOREIGN MINISTERS MADE SO LITTLE PROGRESS ON THE FUTURE FINANCING OF THE COMMUNITY AND PARTICULARLY ON THE INTERIM SOLUTION. WE SHALL HAVE TO TACKLE THIS QUESTION OURSELVES AT STUTTGART.

I WOULD LIKE TO SAY TO YOU, HOWEVER, HOW MUCH WE APPRECIATED THE POSITION WHICH MR VAN DEN BROEK TOOK AT YESTERDAY'S MEETING. I VERY MUCH HOPE THAT WE SHALL BE ABLE TO CONTINUE TO WORK TOGETHER AT STUTTGART. IN PARTICULAR I BELIEVE OUR TWO GOVERNMENTS ARE IN AGREEMENT ABOUT THE NEED TO BRING CAP EXPENDITURE UNDER CONTROL AND TO AVOID ANY LANGUAGE IN THE STUTTGART CONCLUSIONS WHICH WOULD PREJUDGE THE QUESTION WHETHER OR NOT THE COMMUNITY'S OWN RESOURCES SHOULD BE INCREASED. IT WILL ALSO BE ESSENTIAL FOR THE CONCLUSIONS TO CONTAIN A CLEAR STATEMENT OF THE NEED TO SOLVE THE PROBLEM OF BUDGETARY IMBALANCES. AS REGARDS THE INTERIM SOLUTION, WE SHALL HAVE TO WORK FOR SPECIFIC CONCLUSIONS SO THAT THE AGREEMENT WE REACHED IN MARCH, THAT FIGURES SHOULD BE INCLUDED IN THE DRAFT 1984 BUDGET, CAN BE FULFILLED.

OUR RECENT ELECTIONS HAVE CLEARLY DEMONSTRATED THIS COUNTRY'S COMMITMENT TO THE EUROPEAN COMMUNITY. THIS MAKES IT ALL THE MORE IMPORTANT THAT WE SHOULD NOW REACH A SOLUTION TO THESE PROBLEMS, SO THAT THE COMMUNITY CAN GET AWAY FROM THESE

CONFIDENTIAL FRAME ECONOMIC

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ARGUMENTS WHICH HAVE SO BEDEVILLED OUR MEMBERSHIP AND CAN
CONCENTRATE ON ITS FUTURE DEVELOPMENT.

I VERY MUCH LOOK FORWARD TO SEEING YOU AGAIN IN STUTTGART.
ENDS

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DESKBY 151100Z

FM THE HAGUE 150900Z JUN 83

TO IMMEDIATE DESKBY 151100Z FCO

TELEGRAM NUMBER 148 OF 15 JUNE

INFO IMMEDIATE UKREP BRUSSELS AND BONN ROUTINE OTHER EC POSTS

PREPARATIONS FOR STUTTGART COUNCIL: CAP EXPENDITURE AND THE BUDGET.

1. IN MY TELEGRAMS NOS. 145 AND 146 I REPORTED THAT THE DUTCH HAVE BEEN FOCUSING ON THE NEED TO CONTROL AGRICULTURAL EXPENDITURE BEFORE THERE SHOULD BE ANY QUESTION OF INCREASING OWN RESOURCES. I HAD A TALK WITH NIEMAN OF THE MINISTRY OF FOREIGN AFFAIRS ON 14 JUNE.

2. HE GAVE ME A COPY OF A DUTCH PAPER (PLEASE PROTECT) DATED 2 JUNE ON THE CAP AND THE BUDGET WHICH HAD BEEN PRODUCED BY THE MINISTRY OF AGRICULTURE AND ENDORSED BY THE INTER-MINISTERIAL COMMITTEE. A SHORTER VERSION HAS BEEN PROVIDED FOR LUBBERS TO CIRCULATE AT STUTTGART, IF APPROPRIATE. THE PAPER MAY HAVE BEEN CIRCULATED IN SOME FORM AT THE AGRICULTURE COUNCIL IN LUXEMBOURG, AND LUBBERS EXPECTS TO REFER TO THE IDEAS DURING THE EUROPEAN COUNCIL. PLEASE SEE MIFT FOR A MORE DETAILED ACCOUNT OF THE CONTENTS OF THE PAPER.

3. IT COVERS MOST OF THE IDEAS FOR REDUCING EXPENDITURE ON AGRICULTURE WHICH HAVE BEEN DISCUSSED AT SOME TIME IN THE PAST INCLUDING AN EXTREMELY RESTRICTIVE PRICE POLICY, GUARANTEE THRESHHOLDS, CORESPONSIBILITY AND COST CONSCIOUS MARKET MANAGEMENT. BUT ITS MAIN PROPOSAL IS THE RESUSCITATION OF THE FORMULA DISCUSSED AT THE EUROPEAN COUNCIL IN LONDON IN NOVEMBER 1981 FOR A MULTI-ANNUAL NORM FOR AGRICULTURAL EXPENDITURE TO BE STRENGTHENED BY ENDOWING IT WITH A LEGALLY BINDING CHARACTER. THE DUTCH WANT TO REMOVE THE AUTOMATICITY FROM MANY GUARANTEE PAYMENTS AND TO MAKE THE CRITERIA MORE MARKET ORIENTED. THE PAPER ADMITS THAT THIS WILL LEAD TO PROBLEMS OVER FARMERS' INCOMES IN CERTAIN AREAS WHICH WOULD HAVE TO BE MET BY NATIONAL DEFICIENCY PAYMENTS AND BY INCOME SUPPORT MEASURES FROM WITHIN THE FRAMEWORK OF EXISTING EC REGULATIONS FOR AGRICULTURE IN MOUNTAINOUS AND PROBLEM AREAS.

4. I ASKED WHETHER THE DUTCH HAD HAD ANY REACTIONS SO FAR TO THESE IDEAS. NIEMAN SAID THEY HAD BEEN DISAPPOINTED BY THE GERMAN ATTITUDE. IT SEEMED THAT THE GERMAN FARMERS HAD EVEN MORE INFLUENCE WITH THE PRESENT GERMAN GOVERNMENT THAN WITH ITS PREDECESSOR. HE WAS NOT HOPEFUL THAT THE GERMANS COULD BE PERSUADED TO BE TOUGHER WITH THEIR FARMERS. HE WAS ALSO SURE THAT THE DANES WOULD BE STRONGLY OPPOSED. HE HAD OF COURSE BETTER HOPES OF US. SO FAR AS THE DUTCH WERE CONCERNED, HE CONCEDED THAT THEY WERE IN A STRONG POSITION TO PUT FORWARD RADICAL PROPOSALS FOR REFORM SINCE THEIR FARMERS WERE STRONGLY PLACED TO COPE WITH ADDITIONAL BURDENS AND STRONGER COMPETITION.

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5. ON OUR BUDGET PROBLEM, NIEMAN SAID THAT VAN EEKELEN HAD RETURNED FROM LUXEMBOURG WITH THE IMPRESSION THAT SOME PROGRESS HAD BEEN MADE. VAN EEKELEN FELT THAT THERE WAS GENERAL RECOGNITION THAT A FURTHER SHORT TERM ARRANGEMENT HAD TO BE MADE, EVEN THOUGH THE FRENCH WOULD NO DOUBT INSIST ON A TIGHT AND DIFFICULT PROGRAMME FOR DEALING WITH THE LONGER TERM FINANCING PROBLEM. BUT HE ALSO SAID THAT THE DUTCH DID NOT LIKE OUR FIGURES. THEY HAD CAREFULLY SEARCHED THE RECORDS, BUT COULD FIND NO JUSTIFICATION FOR OUR CLAIM THAT THE 1982 PAYMENT INCLUDED AN ELEMENT OF TROP PAYE. HE BELIEVED THAT THE DUTCH WOULD ARGUE AT STUTTGART FOR A REPAYMENT OF AROUND 50 PER CENT MINUS AN ELEMENT OF TROP PAYE RATHER THAN THE 66 2/3 WE HAD ASKED FOR. I SAID THAT I THOUGHT THIS WOULD BE VERY UNWELCOME TO US. THE BASIS FOR SETTLEMENT SHOULD CLEARLY BE 1980-1982. BUT WE WERE GLAD THAT THE DUTCH WERE NOW TAKING A MUCH MORE DEFINITE LINE AGAINST INCREASING OWN RESOURCES WHILE AGRICULTURAL EXPENDITURE REMAINED UNCONTROLLED.

6. FINALLY, NIEMAN ASKED ABOUT OUR ATTITUDE TO THE GREEK MEMORANDUM. HE SAID THAT THE DUTCH WERE STRONGLY OPPOSED TO ANY PROPOSAL WHICH THEY FEARED THE GREEKS WOULD MAKE AT STUTTGART THAT A SPECIAL AD HOC MINISTERIAL COMMITTEE SHOULD BE ESTABLISHED TO DEAL WITH THE GREEK CASE. HE SAID THAT THE DUTCH COULD ACCEPT PROPOSALS BY THE COMMISSION THAT EFFORTS SHOULD BE MADE TO MEET SOME OF THE GREEK REQUESTS THROUGH E.G. THE SOCIAL FUND, THE EUROPEAN BANK ETC. AND THAT COORDINATION SHOULD BE EXERCISED, AS NECESSARY, BY COREPER. BUT THEY DID NOT WANT TO SEE THE GREEKS BEING MADE INTO A SPECIAL CASE ON LINES WHICH COULD CREATE A PRECEDENT FOR THE SPANIARDS AND THE PORTUGUESE.

~~REPEATED AS REQUESTED~~

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DESKBY 151100Z JUN 83

FM THE HAGUE 150920Z JUN 83

TO IMMEDIATE DESKBY FCO

TELEGRAM NUMBER 149 OF 15 JUNE

INFO IMMEDIATE UKREP BRUSSELS AND BONN

INFO ROUTINE OTHER EC POSTS

MIPT: PREPARATIONS FOR STUTTGART: CAP EXPENDITURE AND THE BUDGET.

1. THE PAPER BY THE DUTCH MINISTRY OF AGRICULTURE ON THE CAP (PLEASE PROTECT) OPENS WITH AN UNEXCEPTIONABLE REVIEW OF THE DEVELOPMENT OF GUARANTEE EXPENDITURE AND LISTS FOUR POSSIBLE WAYS OF LIMITING IT IN FUTURE:-

(A) AN EXTREMELY RESTRICTIVE PRICE POLICY , NOT EXCLUDING PRICE REDUCTIONS SEMI COLON

(B) LIMITING THE QUANTITY OF PRODUCE TO BE GUARANTEED SEMI COLON

(C) GREATER FINANCIAL CORESPONSIBILITY BY PRODUCERS SEMI COLON

(D) MORE COST-CONSCIOUS MARKET MANAGEMENT.

THE DUTCH HAD FAVOURED (A) THROUGHOUT THE LATEST PRICE- FIXING. THEY WOULD ACCEPT (B) PROVIDED IT WAS APPLIED UNIVERSALLY AND WITHOUT DISCRIMINATION. THEY RECOGNISED THE ADMINISTRATIVE DIFFICULTIES OF (C) BUT WOULD USE IT IN SUITABLE CONDITIONS. ON (D) THEY BELIEVED THERE WERE CERTAINLY SAVINGS TO BE MADE. BUT AS NIEMAN COMMENTED THESE METHODS DID NOT GO FAR ENOUGH SEMI COLON A RADICAL APPROACH WAS NEEDED. INDEED THE PAPER RECOGNIZES THAT THESE IDEAS HAVE MADE LITTLE PROGRESS IN RECENT YEARS BECAUSE MEMBER STATES COULD NOT AGREE ON THEM, AND BECAUSE THE COMMISSION WAS NEITHER SUFFICIENTLY STEADFAST IN CARRYING OUT ITS PRESENT RESPONSIBILITIES, NOR HAD SUFFICIENT COMPETENCE TO MANAGE THE AGRICULTURAL MARKET SUCCESSFULLY.

2. THE PAPER NEXT EXAMINES HOW CONDITIONS MIGHT BE CREATED IN WHICH THE COMMISSION COULD EXERCISE EFFECTIVE CONTROL OVER GUARANTEE EXPENDITURE. IT SAYS WHAT IS NEEDED IS FOR THE FORMULA ADVANCED AT THE EUROPEAN COUNCIL IN LONDON IN NOVEMBER 1981 FOR A MULTIANNUAL NORM FOR AGRICULTURAL EXPENDITURE TO BE STRENGTHENED BY ENDOWING IT WITH A LEGALLY BINDING CHARACTER. A CONSIDERABLE MEASURE OF AGREEMENT ALREADY EXISTED AND FURTHER ELABORATION NEED NOT NECESSARILY PROVOKE STRONG RESISTANCE FROM THE OUTSET. IF A LEGALLY BINDING CHARACTER COULD BE AGREED, THE DUTCH BELIEVE THAT THE COMMISSION WILL ONLY BE PREPARED TO ACCEPT RESPONSIBILITY FOR ITS APPLICATION IF THEY THEREBY OBTAIN A SUFFICIENT GRIP ON THE MANAGEMENT OF THE SYSTEM TO ENSURE THAT EXPENDITURE REMAINS WITHIN THE BUDGET. THE DUTCH FEEL THAT THE COMMISSION WOULD IN THOSE CIRCUMSTANCES NO LONGER REGARD CERTAIN AUTOMATIC MECHANISMS

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IN THE CAP AS RECONCILABLE WITH THEIR RESPONSIBILITY E.G. AUTOMATIC INTERVENTION FOR SKIMMED MILK POWDER. NIEMAN EMPHASIZED THAT THE DUTCH WERE KEEN TO REMOVE THE AUTOMATICITY FROM MANY GUARANTEE PAYMENTS AND TO MAKE THE CRITERIA MORE MARKET ORIENTED. THE PAPER SUGGESTS THAT AUTOMATICITY SHOULD GIVE WAY TO MORE CONSIDERED COMMISSION MEASURES IN THE MANAGEMENT COMMITTEES AND THAT THE COMMISSION SHOULD CONSEQUENTLY BE GRANTED MORE COMPETENCE FOR A POLICY IN DIRECT MARKET MANAGEMENT. THIS IMPLIES A REDUCTION IN PRICE SUPPORT WHICH HAS INDEED BEGUN IN CERTAIN SECTORS AND SHOULD BE EXTENDED TO OTHERS.

3. ON THE PRACTICAL DECISION-MAKING REQUIRED THE PAPER SUGGESTS THAT THE COUNCIL SHOULD DECIDE ON A RESTRICTIVE PRICE POLICY, QUANTITATIVE LIMITS ON GUARANTEES, AND FINANCIAL CORESPONSIBILITY, WHILE THE COMMISSION SHOULD DECIDE ON MARKET MANAGEMENT INCLUDING RESTITUTIONS AND INTERVENTION. IT NOTES THAT CARE MUST BE TAKEN NOT TO SPEND ON "SOUTHERN" PRODUCTS THE FUNDS SAVED ON "NORTHERN" PRODUCTS. THE FORMER ALREADY BENEFIT FROM A HIGH RATE OF PROTECTION. OTHER SAVINGS MIGHT BE FOUND IN A REDUCTION OR CESSATION OF SOME EXISTING PREMIUM AND SUBSIDY MEASURES, THOUGH THE DUTCH ADMIT THAT THESE MAY PROVE DIFFICULT TO REMOVE.

4. THE PAPER CONCLUDES THAT THE ACCEPTANCE OF ^A LEGALLY BINDING "LONDON FORMULA" WOULD CREATE THE POSSIBILITY OF INCREASING OWN RESOURCES WITHOUT THE RISK THAT THEY WOULD BE SWALLOWED NBY THE CAP. IN TIME IT WOULD LEAD TO PROBLEMS OVER FARMERS' INCOMES IN CERTAIN AREAS. THESE SHOULD BE DEALT WITH IN THE FIRST INSTANCE BY MEMBER STATES AS PART OF THEIR SOCIAL POLICY E.G. A SORT OF DEFICIENCY PAYMENT, TAKING CARE NOT TO RENATIONALIZE THE CAP. FOR POORER COUNTRIES LIKE IRELAND , ITALY AND GREECE PART OF THE SOLUTION MIGHT HAVE TO COME FROM INCOME-SUPPORT MEASURES WITHIN THE FRAMEWORK OF THE EXISTING EC REGULATIONS FOR AGRICULTURE IN MOUNTAINOUS AND PROBLEM AREAS.

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10 DOWNING STREET

From the Private Secretary

15 June, 1983

EXCHEQUER

15 JUN 1983

X Mr Litterer

Mr Urwin

Mrs Medley-Miller

Miss Court

Mr A. Edwards

European Council

Following yesterday's meeting here on the European budget, the Prime Minister decided that she should send messages to Chancellor Kohl and Mr. Lubbers.

I enclose with this letter texts approved by the Prime Minister and should be grateful if you would arrange for their delivery.

I am copying this letter and enclosures to John Kerr (Treasury), Robert Lawson (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

A. J. COLES

R. Bone, Esq.,
Foreign and Commonwealth Office

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MESSAGE FROM THE PRIME MINISTER TO CHANCELLOR KOHL

Thank you for your message about the European Council. I look forward very much to seeing you in Stuttgart and I am extremely anxious that the meeting should be a success both for you personally and for the Community.

The discussion of future financing will of course be at the centre. I hope that the Stuttgart meeting will be able to make real progress and lay down a tight timetable and framework for the detailed negotiation which must follow.

The key issue is the problem of budget imbalances. The Commission have proposed a scheme for modulated VAT which would go some way to reducing the problem, but other measures will certainly be necessary. In addition to the development of cost-effective Community policies in fields other than agriculture some kind of safety net scheme will be needed to ensure that no Member State is again put in an unacceptable situation. Such a scheme would enable Member States to consider new proposals for Community policies on their merits and not have constantly in mind whether they would increase their financial burden.

The UK and Germany have always taken the lead in calling for better financial discipline in the Community, particularly over CAP expenditure. Most other Member States now recognise the need for action in this field. I hope that we can now get acceptance of the need both to set a binding limit on the rate of growth of CAP expenditure, so that it increases markedly less than own resources and to take the necessary measures in the agricultural sector to keep expenditure within this limit.

I know that a number of Member States, and the Commission, believe the case for new own resources is already clear. I am afraid I am not so convinced and I could not agree to any form of prior commitment to increase own resources. I can see no case for such an increase while there is no effective discipline on CAP spending and no lasting solution to budgetary imbalances.

/ As well as

As well as dealing with the long term problem, the Stuttgart European Council must agree on a settlement of the interim problem for the UK until the lasting solution is in place. I was greatly heartened when at our bilateral meetings both in February and in April you showed so much understanding of our need to get this problem resolved during the German Presidency. Now that the British people have shown yet again that they are in favour of Community membership, the need to resolve the immediate difficulty over the budget and so fulfil the promises made by the Community in May and October last year and again at the March European Council this year, is all the more pressing. I can see no other fair and reasonable basis for a settlement than the two-thirds principle which underlay the earlier agreement of 30 May 1980.

Given the failure by Foreign Ministers to get to grips with this issue. I fear that we have no choice but to do so ourselves, so that our agreement in March to include the figures for 1983 in the draft 1984 budget can be carried out. If the Community fails to implement this clear commitment, as well as those made earlier, a most serious situation will arise, and we shall have no alternative but to react to it in such a way as to safeguard our interests.

I very much hope that our Stuttgart meeting will take the decisions which are necessary to the positive outcome we both want.

MESSAGE FROM THE PRIME MINISTER TO MR. LUBBERS

I was disappointed that at their meeting on 13 June Foreign Ministers made so little progress on the future financing of the Community and particularly on the interim solution. We shall have to tackle this question ourselves at Stuttgart.

I would like to say to you, however, how much we appreciated the position which Mr. van de Broek took at yesterday's meeting. I very much hope that we shall be able to continue to work together at Stuttgart. In particular I believe our two governments agree about the need to bring CAP expenditure under control and to avoid any language in the Stuttgart conclusions which would prejudge the question whether or not the Community's own resources should be increased. It will also be essential for the conclusions to contain a clear statement of the need to solve the problem of budgetary imbalances. As regards the interim solution, we shall have to work for specific conclusions so that the agreement we reached in March, that figures should be included in the draft 1984 budget, can be fulfilled.

Our recent elections have clearly demonstrated this country's commitment to the European Community. This makes it all the more important that we should now reach a solution to these problems, so that the Community can get away from these arguments which have so bedevilled our membership and can concentrate on its future development.

I very much look forward to seeing you again in Stuttgart.



C/
In addition to Mrs Hedley-Miller's brief, this folder also includes

- text of Chancellor Kohl's letter to PM, re the plan of campaign, + PM's reply
- the papers you saw yesterday about withholding, plus a note from the Foreign Secretary.
- message from Christopher Tugendhat to the PM, including the British budget protest. (pp 4-5).
- recent telegrams

Our only comment on Mrs Hedley-Miller's brief is that you probably do not need to get to grips with the Genscher/Colombo proposals!

The other FCO briefs are included

1875

Dear Mother
I received your letter
of the 10th and was
glad to hear from
you and to hear
that you were all
well. I am well
at present and hope
these few lines will
find you all the same.

I have not much news
to write at present.
The weather here is
very warm and
pleasant. I have
not much to do at
present and am
enjoying my
leisure.

I have not much news
to write at present.
The weather here is
very warm and
pleasant. I have
not much to do at
present and am
enjoying my
leisure.

I have not much news
to write at present.
The weather here is
very warm and
pleasant. I have
not much to do at
present and am
enjoying my
leisure.



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From : Mrs Hedley-Miller

Date : 15 June 1983

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Mr Middleton
Mr Littler
Mr Unwin Mr Lavelle
Miss Court
Mr Fitchew
Mr Peet

EUROPEAN COUNCIL, STUTTGART. PRIME MINISTER'S PREPARATORY MEETING,
16 JUNE 1983

You have a set of the briefs prepared for the Council. Where appropriate these have been cleared with the Treasury.

- Flag 'A'
2. EHG(83)2, the General Brief, is a useful resumee of the ground to be covered at Stuttgart.
3. The subjects of principal concern to you are as follows.
- Flag B
-brief
83(3)
4. First and overwhelmingly, the EC Budget problem and the future financing of the Community. You covered this ground with the Prime Minister yesterday. Any necessary changes to the briefs will be made when we receive the record.
- Flag 'D'
5. Second, the economic and social situation (Brief No. 4 Revise). This Treasury brief is quite short, and you will wish to read it. The need is to sustain the present incipient recovery, but to go on striving to contain inflationary pressures. No "locomotive" theories. But the UK's 3% growth in demand is helping. The prospects for the US budget deficit continue to be worrying : the UK has tried to exert pressure. The Community itself must do its own best to follow prudent and balanced policies.
- Flag
'E'
6. On international monetary affairs, best to stick to the Williamsburg Summit conclusions (copy attached to Brief 14, on International

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Trade Issues, but further copy attached, not to all). Preferable in particular not to use more forthcoming wording on President Mitterrand's ideas for a new international monetary conference.

7. A new point since the briefs were written : the smaller EC countries generally resent Summits from which they are excluded, and at ECOFIN and the Monetary Committee have shown anxiety lest international monetary affairs might be further discussed by the major countries behind their backs. They can be reassured : there is a general agreement that the bigger G10 Group of industrialised countries and Switzerland, which includes EC countries, should be fully used, particularly in the run-up to the IMF Annual Meeting in the autumn.

8. On the CAP there is general (if resigned) acceptance by most member states and the Commission that economies must now be sought. The draft Presidency conclusions for Stuttgart set out a shopping list of possible CAP reforms. This is broadly acceptable at this stage in that it includes the UK demands as well as others.

Flag 'F' 9. Brief 3(a), on the CAP, has been agreed and is satisfactory. You could stress three points :

- we must continue the campaign at Stuttgart and after for an effective and binding guideline (the word "ceiling" should be avoided) to keep the growth of CAP expenditure markedly below that of own resources;
- this guideline should be built into the Community's budgetary procedures, as the "maximum rate" is built in for non-obligatory expenditure;
- the Commission must be urged to come forward with its own "economies package" in time for the results to be reflected in the 1984 Budget. This is vital because of the need to ensure that there is enough headroom for UK refunds.

10. Finally, the Genscher Colombo proposals (Brief No.12) are of some interest. They are now acceptable, the awkward question of majority voting/Luxembourg compromise having been solved to the UK's satisfaction by dropping an offending paragraph about greater recourse to majority voting. The references to the European Parliament have also been watered down. The FCO have sent a Private Secretary letter to No.10 today, advising that the way is clear for the Prime Minister to agree to a signed Solemn Declaration (rather than to its mere "adoption") if the latest text is acceptable to all.

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MHM

MRS M HEDLEY-MILLER



1983 Summit of Industrialized Nations

Williamsburg, Virginia 23187

May 28-31, 1983

FOR IMMEDIATE RELEASE

MAY 30, 1983

WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY

Our nations are united in their dedication to democracy, individual freedom, creativity, moral purpose, human dignity, and personal and cultural development. It is to preserve, sustain, and extend these shared values that our prosperity is important.

The recession has put our societies through a severe test, but they have proved resilient. Significant success has been achieved in reducing inflation and interest rates; there have been improvements in productivity; and we now clearly see signs of recovery.

Nevertheless, the industrialized democracies continue to face the challenge of ensuring that the recovery materializes and endures, in order to reverse a decade of cumulative inflation and reduce unemployment. We must all focus on achieving and maintaining low inflation, and reducing interest rates from their present too-high levels. We renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditures.

We recognize that we must act together and that we must pursue a balanced set of policies that take into account and exploit relationships between growth, trade, and finance, in order that recovery may spread to all countries, developed and developing alike.

In pursuance of these objectives, we have agreed as follows:

(1) Our governments will pursue appropriate monetary and budgetary policies that will be conducive to low inflation, reduced interest rates, higher productive investment and greater employment opportunities, particularly for the young.

(2) The consultation process initiated at Versailles will be enhanced to promote convergence of economic performance in our economies and greater stability of exchange rates, on the lines indicated in an annex to this Declaration. We agree to pursue closer consultations on policies affecting exchange markets and on market conditions. While retaining our freedom to operate independently, we are willing to undertake coordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful.

(3) We commit ourselves to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers. We intend to consult within appropriate existing fora on ways to implement and monitor this commitment. We shall give impetus to resolving current trade problems. We will actively pursue the current work programs in the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development, including trade in services and in high technology products. We should work to achieve further trade liberalization negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries. We have agreed to continue consultations on proposals for a new negotiating round in the GATT.

(4) We view with concern the international financial situation, and especially the debt burdens of many developing nations. We agree to a strategy based on: effective adjustment and development policies by debtor nations; adequate private and official financing; more open markets; and worldwide economic recovery. We will seek early ratification of the increases in resources for the International Monetary Fund and the General Arrangements to Borrow. We encourage closer cooperation and timely sharing of information among countries and the international institutions, in particular between the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the GATT.

(5) We have invited Ministers of Finance, in consultation with the Managing Director of the IMF, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference.

(6) The weight of the recession has fallen very heavily on developing countries and we are deeply concerned about their recovery. Restoring sound economic growth while keeping our markets open is crucial. Special attention will be given to the flow of resources, in particular official development assistance, to poorer countries, and for food and energy production, both bilaterally and through appropriate international institutions. We reaffirm our commitments to provide agreed funding levels for the International Development Association. We welcome the openness to dialogue which the developing countries evinced at the recent conferences of the Non-Aligned Movement in New Delhi and the Group of 77 in Buenos Aires, and we share their commitment to engage with understanding and cooperation in the forthcoming meeting of the United Nations Conference on Trade and Development in Belgrade.

(7) We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in promoting growth, employment and trade. We have noted with approval the report of the Working Group on Technology, Growth and Employment which was set up at Versailles last year, and commend the progress made in the 18 cooperative projects discussed in that report. We will follow the implementation and coordination of work on these projects, and look forward to receiving a further report at our next meeting.

(8) We all share the view that more predictability and less volatility in oil prices would be helpful to world economic prospects. We agree that the fall in oil prices in no way diminishes the importance and urgency of efforts to conserve energy, to develop economic alternative energy sources, to maintain and, where possible, improve contacts between oil-exporting and importing countries, and to encourage the growth of indigenous energy production in developing countries which at present lack it.

(9) East-West economic relations should be compatible with our security interests. We take note with approval of the work of the multilateral organizations which have in recent months analyzed and drawn conclusions regarding the key aspects of East-West economic relations. We encourage continuing work by these organizations, as appropriate.

(10) We have agreed to strengthen cooperation in protection of the environment, in better use of natural resources, and in health research.

Our discussions here at Williamsburg give us new confidence in the prospects for a recovery. We have strengthened our resolve to deal cooperatively with continuing problems so as to promote a sound and sustainable recovery, bringing new jobs and a better life for the people of our own countries and of the world.

We have agreed to meet again next year, and have accepted the British Prime Minister's invitation to meet in the United Kingdom.

Annex

STRENGTHENING ECONOMIC COOPERATION FOR GROWTH AND STABILITY

I. We have examined in the light of our experience the procedures outlined in the undertakings agreed at Versailles last year which seek to ensure greater monetary stability in the interest of balanced growth and progress of the world economy.

II. We reaffirm the objectives of achieving non-inflationary growth of income and employment, and promoting exchange market stability through policies designed to bring about greater convergence of economic performance in this direction.

III. We are reinforcing our multilateral cooperation with the International Monetary Fund in its surveillance activities, according to the procedures agreed at Versailles, through the following approach:

A. We are focusing on near-term policy actions leading to convergence of economic conditions in the medium term. The overall medium-term perspective remains essential, both to ensure that short-term policy innovations do not lead to divergence and to reassure business and financial markets.

B. In accordance with the agreement reached at Versailles, we are focusing our attention on issues in the monetary and financial fields including interaction with policies in other areas. We shall take fully into account the international implications of our own policy decisions. Policies and objectives that will be kept under review include:

(1) Monetary Policy. Disciplined non-inflationary growth of monetary aggregates, and appropriate interest rates, to avoid subsequent resurgence of inflation and rebound in interest rates, thus allowing room for sustainable growth.

(2) Fiscal Policy. We will aim, preferably through discipline over government expenditures, to reduce structural budget deficits and bear in mind the consequences of fiscal policy for interest rates and growth.

(3) Exchange Rate Policy. We will improve consultations, policy convergence and international cooperation to help stabilize exchange markets, bearing in mind our conclusions on the Exchange Market Intervention Study.

(4) Policies Toward Productivity and Employment. While relying on market signals as a guide to efficient economic decisions, we will take measures to improve training and mobility of our labor forces, with particular concern for the problems of youth unemployment, and promote continued structural adjustment, especially by:

-- Enhancing flexibility and openness of economies and financial markets.

-- Encouraging research and development as well as profitability and productive investment.

-- Continued efforts in each country, and improved international cooperation, where appropriate, on structural adjustment measures (e.g., regional, sectoral, energy policies).

IV. We shall continue to assess together regularly in this framework the progress we are making, consider any corrective action which may be necessary from time-to-time, and react promptly to significant changes.

OK / M
Circulate.



NB.

Decisions needed

C

I believe you have also discussed this with the PM this afternoon.

The summary of recommendations is that:

- (a) withholding should be restricted, at least at first, to restricting payments out across the exchanges;
- (b) withheld sufficient to accumulate a net 66% refund - the rule we are arguing for;
- (c) legislation should be introduced at the earliest, rather than in response to a challenge from the Commission;
- (d) the legislation should also cover the possibility of retaliatory action by the Community;

(f) There might subsequently need to be supplementary measures to compensate recipients of EC funds who do not get them from the EC itself; - either by inc. public expenditure, or deducting the sums from the Commission's own account.

Para 50 on page 13 summarises all this.

B.

15/6/83

26/12

EUROPEAN COMMUNITIES (TEMPORARY PROVISIONS) BILL

D R A F T

O F A

B I L L

T O

Make temporary provision for the withholding by the United Kingdom of certain A.D. 1983
payments to, or to the order of, the European Communities; and for
connected purposes.

Be it enacted, etc.

withholding
of United
Kingdom
contri-
bution to
European
Communities.

- 1.-(1) If it appears to Her Majesty in Council -
- (a) that an unacceptable situation has arisen in respect of
the United Kingdom contribution to the budget of
the European Communities; and
 - (b) that those Communities have failed to remedy that
situation,

Her Majesty may by Order in Council appoint a day for the coming into
force of subsection (2) below.

(2) While this subsection is in force no payment shall be made
without the consent of the Treasury -

- (a) into the EEC No.1 Account kept with the Paymaster
General; or
- (b) out of that account or out of the EEC No. 3 Account
kept with the Paymaster General.

(3) The power to make an Order under subsection (1) above
appointing a day for the coming into force of subsection (2) above
includes power to appoint a day earlier than that on which the Order is
made but the day appointed shall not be before 1983.

(4) Her Majesty may at any time by Order in Council provide that subsection (2) above shall cease to be in force but, subject to any such Order, that subsection shall continue in force for the period of one year beginning with the day appointed under subsection (1) above and may be continued in force thereafter by Order in Council for periods of not more than one year at a time.

(5) Any sum which apart from paragraph (a) of subsection (2) above would be paid out of the Consolidated Fund into the account there mentioned shall be paid instead into a special account in the name of the Treasury kept with the Paymaster General; and any sums standing to the credit of that special account when that subsection ceases to be in force shall be repaid into the Consolidated Fund.

(6) Any Order in Council under subsection (1) above shall be laid before Parliament after being made; and no recommendation shall be made to Her Majesty to make an Order in Council under subsection (1) above unless a draft of the Order has been laid before and approved by a resolution of each House of Parliament.

2.-(1) Subject to subsection (2) below, no court shall -

(a) entertain or continue to entertain proceedings to enforce or declare -

(i) any Community obligation the implementation of which has been or could be directly or indirectly prevented by the withholding of the consent of the Treasury to any such payment as is mentioned in subsection (2) of section 1 above while that subsection is, or (by virtue of subsection (3) of that section) is deemed to have been, in force; or

Legal proceedings.

(ii) any right arising out of or related to such an obligation; or

(b) refer any question relating to such an obligation or right to the European Court.

(2) Where payments of any description can be made -

(a) out of the account mentioned in paragraph (a) of subsection (2) of section 1 above in accordance with a consent given by the Treasury under that subsection; or

(b) by any Minister or other authority out of money received by the Minister or authority ~~[in accordance with such consent]~~ from that account,

a Court may entertain

proceedings to enforce or declare any right in respect of any payment of that description but no question relating to such a right shall be referred to the European Court.

S.I.1972/1590

(3) The European Communities (Enforcement of Community Judgments) Order 1972 shall not apply to any decision, judgment or order of the European Court for enforcing any such obligation as is mentioned in subsection (1) above.

Short title and supplementary provisions.

3.-(1) This Act may be cited as the European Communities (Temporary Provisions) Act 1983.

(2) The Schedule to this Act shall have effect in connection with section 1 above.

(3) Section 1(2) above and the other provisions of this Act shall have effect notwithstanding anything in the European Communities Act 1972.

1972 c.68.

(4) This Act extends to Northern Ireland.

SUPPLEMENTARY PROVISIONS

Preliminary

1.-(1) In this Schedule "relevant authority" means the Treasury, the Secretary of State or the Minister of Agriculture, Fisheries and Food or any of those authorities acting jointly.

(2) The consent of the Treasury shall be required for any exercise by the Secretary of State or that Minister of the powers conferred by paragraph 2 below.

Payments

2.-(1) If it appears to a relevant authority that the withholding by the Treasury of its consent to any such payment as is mentioned in subsection (2) of section 1 of this Act has directly or indirectly resulted in any act or omission by a Community institution or other person, whether in the United Kingdom or elsewhere, the authority may -

- (a) out of money received by it from the account mentioned in paragraph (a) of that subsection before the coming into force of that subsection; or
- (b) out of money provided by Parliament,

make such payments as appear to it to be necessary or expedient in consequence of the act or omission.

(2) A relevant authority may by order make provision (whether by means of schemes or otherwise) with respect to the making of payments under this paragraph, including provision for securing that payments are made only in proper cases.

(3) Without prejudice to sub-paragraph (2) above, any payment under this paragraph may be made as a grant or loan and may be made subject to such conditions as to repayment, accounting and otherwise as may be imposed by the relevant authority in question.

Other consequential measures

3.-(1) If it appears to a relevant authority that the withholding ~~by the Treasury of its consent to any such payment as is mentioned in~~ section 1(2) of this Act has directly or indirectly resulted in any act or omission (or proposed act or omission) by a Community institution, or other person, whether in the United Kingdom or elsewhere, the authority may by order make such provision as appears to it to be necessary or expedient in consequence of the act or omission.

(2) An order under this paragraph may provide for the imposition of levies or duties payable into the Consolidated Fund.

(3) Subsection (1) of section 2 of this Act shall apply to any enforceable Community right the enforcement of which is prevented by an order under this paragraph as it applies to any such right as is mentioned in that subsection.

Provisions as to orders

4.-(1) Without prejudice to the generality of paragraphs 2(2) and 3 above, an order under this Schedule may confer powers of entry and impose prohibitions and restrictions and obligations as to the giving of information but no such order shall create offences carrying penalties greater than those specified in paragraph ⁽¹⁾ (d) of Schedule 2 to the

1972 c.68. European Communities Act 1972.

(2) An order under this Schedule may modify or suspend the operation of any other enactment and may contain provisions having retrospective effect.

(3) Any order made under this Schedule by a relevant authority shall be revoked by that authority when it considers that the provisions of the order are no longer required.

(4) The power to make orders under this Schedule shall be exercisable by statutory instrument.

(5) An order under paragraph 3 above imposing a levy or duty shall be laid before the House of Commons after being made; and unless the order is approved by that House before the expiration of twenty-eight days beginning with the date on which it was made, it shall cease to have effect on the expiration of that period, but without prejudice to anything previously done under it or to the making of a new order.

(6) In reckoning any period for the purposes of sub-paragraph (5) above no account shall be taken of any time during which Parliament is dissolved or prorogued or during which the House of Commons is adjourned for more than four days.

(7) Any order under this Schedule to which sub-paragraph (5) above does not apply shall be subject to annulment in pursuance of a resolution of either House of Parliament.

15/6/83

NOTES ON THE EUROPEAN COMMUNITIES (TEMPORARY PROVISIONS) BILL

The draft Bill comprises (a) basic provisions about the act of withholding itself and (b) a Schedule giving powers which might be needed in the event of retaliation by the Community.

Clause 1

This clause would authorise withholding in domestic law by providing that no payments may be made into or out of the relevant Commission accounts in London without the consent of the Treasury: see subsection (2).

Subsection (1) sets out the circumstances in which the powers given by the Bill are to be used. They are to be used only if in the Government's view an unacceptable situation has arisen over our net contribution to the Community budget, which the Community has failed to remedy. The language is taken from the assurance which the Community gave to the United Kingdom in the accession negotiations and has confirmed on subsequent occasions. In the view of officials it is highly desirable that the opening sentence of the Bill should set the whole exercise firmly in the context of an 'unacceptable situation', as the draft envisages.

Subsection (1) as drafted formally puts the onus on Her Majesty in Council to judge whether an unacceptable situation has arisen and to bring the Bill into force by Order in Council. This is in accordance with normal practice for Bills of major importance and constitutional significance. As the provisions for an Order in Council make clear, the Queen would be acting on advice as Head of State and not in any personal role. If however it is felt that even the appearance of involving the Queen would better be avoided, the Bill could be amended so as to place the onus of judging unacceptability and laying Orders on the Treasury rather than the Queen in Council.

Subsection (3) would enable the Commencement Order to make the authority to withhold retrospective to the date of announcement. This would have the advantage of providing Parliamentary and legislative cover for any act of withholding which might be needed between the date of announcement and passage of the Bill.

Subsection (4) limits the initial authority to withhold to one year but this may be extended by Orders for further one year periods. So that matters may be regularized swiftly on a settlement being reached, provision is made for terminating the authority to withhold at any time.

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Subsection (6) requires the Commencement Order simply to be laid before Parliament. The assumption is that Parliament would so recently have approved the Bill that the affirmative procedure would be unnecessary. Renewal and termination Orders, on the other hand, would be subject to affirmative resolution procedure in both Houses of Parliament.

Subsection (5) provides that, if the Government withholds payments into the EEC No 1 Account, the sums concerned shall be paid into a separately identified account kept by the Treasury with the Paymaster General. In common with other accounts held by the Paymaster General, the money would be available to the Government interest-free. In the view of officials, there would be great presentational advantage in having a specific and clearly visible Treasury account into which any sums we deducted from our gross contributions would be held. The subsection also provides for monies in the account to be paid back to the Consolidated Fund at the end of the withholding.

Clause 2

This Clause and paragraph 3(3) of the Schedule would oust the jurisdiction of UK courts over any proceedings in which the lawfulness of withholding might be called in question and would prevent UK courts from referring questions which might raise that issue to the European Court. These very significant constitutional steps are necessary to avoid the risk of the Government being faced with a judgment by a UK court that withholding is unlawful.

In order to limit the ouster of jurisdiction to what is absolutely necessary, subsection (2) preserves the courts' jurisdiction over proceedings concerned with payments permitted by the Treasury where the lawfulness of withholding would not be called in question.

Subsection (3) would prevent UK courts from enforcing any judgment in regard to the Government's withholding which may be delivered by the European Court.

The provisions in this Clause would not prevent the courts from examining meticulously whether their jurisdiction had been ousted in any particular case. Nor would they preclude argument that the Bill could not validly override Community law.

Clause 3

Withholding would be in breach of Community law having effect in the UK by virtue of the European Communities Act 1972. Subsection (3) overrides that Act to the necessary extent. This crucial but controversial provision is placed at the end of the Bill so as to be as unobtrusive and unprovocative as possible.

The Schedule

The Schedule provides for two types of order-making powers to be available against any Community retaliation. Paragraph 2 would authorise making payments in substitution for those ordinarily made by the Community to UK recipients, if the Community should cut these off. Paragraph 3 would give a general power to take whatever measures are needed if retaliation should take other forms.

The provisions in the Schedule are drafted broadly in the hope of giving Ministers the flexibility which they will need in order to react to the different possible circumstances and types of Community retaliation. They include powers (a) to create offences and impose penalties, up to the limits authorized for orders under the European Communities Act 1972, (b) to impose levies and duties, (c) to modify or suspend Acts of Parliament and (d) to confer powers of entry. They may operate retrospectively but are to be revoked when no longer required.

Since powers of entry tend to be controversial, consideration has been given to whether an alternative form of words could be devised which does not mention these powers specifically. But so far no satisfactory alternative has been found.

The power to impose levies or duties is included for two reasons: first, to enable us to react if other Member states retaliate by imposing levies or duties on UK imports; and, second, to enable us to substitute for Community levies or duties if the Commission should decide to withdraw its cooperation in setting these.

Orders imposing levies or duties could take effect immediately and continue in force for 28 days without Parliamentary approval. Their continuance beyond 28 days would require affirmative resolution in the House of Commons only, in accordance with normal practice on tax-raising powers. Other orders would be subject to negative resolution procedure in either House.

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If it is decided to introduce the Bill and the Schedule at the same time, Parliamentary Counsel has suggested that there could be tactical advantage in transferring the provisions in Clause 2 to the Schedule so as to make it effectively a one clause Bill.

15/6/83

PM/83/38PRIME MINISTER

EXCHEQUER	
DATE	15 JUN 1983
RECIPIENT	Mr Unwin
COPIES TO	Mr Litterer
	Mrs Hedley-Miller
	Miss Court
	Mr A. Edwards

Stuttgart European Council

1. We discussed at your meeting on 14 June just how precisely you should put to colleagues at Stuttgart the intention to withhold if we do not get a satisfactory settlement by the time of the July Budget Council. As you know, I have long argued the case for withholding. And I am absolutely clear about the need to leave no-one in any doubt whatsoever about our firmness of purpose. But I still believe that a specific reference to withholding could well be counter-productive. Let me try to explain why.
2. We have two objectives, as I see it, in making plain at Stuttgart the consequences of failure in July. First we want thereby to strengthen to the utmost the chances - slim though they are - of getting a negotiated settlement in July; and secondly we want to ensure that, if we do withhold, no-one can say we did not warn them. But we also want to guard against subsequent accusations that we were already determined to withhold, come what may, and that that was always our preferred course of action. And we must also take care to avoid prejudice to our legal position by declaring our intention to withhold in advance and laying ourselves open to a possible forestalling action, say by the Commission, in the Court of Justice.

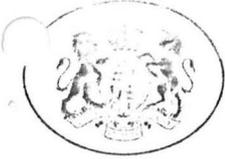
/3.



3. I think it is very risky to assume that our partners will react positively to a direct and explicit threat to withhold. It is possible that some of them, and here I have Mitterrand and Kohl very much in mind, but there may be others, will feel that an express threat of illegal action puts them in an impossible political position if they have to negotiate under it, particularly when it becomes publicly known that it has been made. Nor do I think our second objective of putting them on notice is harmed if we are not absolutely explicit at Stuttgart about what we will do in the case of a failure to settle in July. We will have plenty of opportunities between Stuttgart and the July Budget Council to emphasize yet again the consequences of failure. The White Paper we intend to publish will serve the same purpose. And, as I said yesterday, I should see no harm at all in referring, in subsequent Parliamentary discussion, to our willingness to withhold. As long ago as 21 December last year I myself said, in dealing with an Opposition supplementary: ... 'If events meant that we were unlikely to obtain what was provided for us under last May's agreement, we would seriously have to consider the possibility of withholding our contribution'.

4. Even so I believe it would serve our interests better if we avoid using the term 'withholding our contribution' directly to the face of those present at Stuttgart. So I suggest we talk at Stuttgart along the following lines: 'If the figures for 1983 are not incorporated in the draft Community budget for 1984, it will be because our partners have failed to meet a commitment which they have repeatedly reaffirmed - without linkages or conditions - and most plainly at the European Council in March. In such a situation, we would have no alternative to taking - and we would take - the measures necessary to remedy that situation.'

/5.



5. We could perhaps have another word about this at your briefing meeting on 16 June.

6. I am copying this minute to the Chancellor of the Exchequer and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G.H.', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
15 June 1983

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FROM LUXEMBOURG 211710Z JUN 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 158 OF 21 JUNE
AND TO IMMEDIATE UKREP BRUSSELS
INFO PRIORIT BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS LISBON MADRID

FROM UKREP BRUSSELS

FOREIGN AFFAIRS COUNCIL, LUXEMBOURG 21 JUNE
FOLLOW UP TO STUTTGART EUROPEAN COUNCIL

SUMMARY

1. PROVISIONAL AGREEMENT FOR FIRST SPECIAL MINISTERIAL MEETING ON
8 JULY TO LAUNCH NEGOTIATION ON FUTURE FINANCING. NO DISCUSSION
OF UK 1983 REFUNDS.

DETAIL

2. GENSCHER ANNOUNCED THAT HE HAD RECEIVED A LETTER FROM CHEYSSON
SUGGESTING THAT A SPECIAL FOREIGN AFFAIRS COUNCIL BE HELD DURING THE
LAST WEEK OF THE GERMAN PRESIDENCY TO BEGIN WORK ON THE LONG
TERM NEGOTIATION. THERE WAS GENERAL AGREEMENT THAT THIS WOULD
BE TOO SOON AND THAT ANY MEETING WOULD BE BETTER HELD AFTER VARFIS
HAD COMPLETED HIS PROPOSED TOUR OF CAPITALS. SUBJECT TO
CONFIRMATION, THE BEST DATE APPEARED TO BE 8 JULY AND THE LIKELY
VENUE BRUSSELS.

3. EVERYONE AGREED THAT MUCH WORK WOULD BE NEEDED BETWEEN
JULY AND SEPTEMBER. IT WAS SUGGESTED THAT THE COMMISSION SHOULD
WORK THROUGHOUT AUGUST. VAN EEKELEN (NETHERLANDS) SUGGESTED THAT
AGRICULTURE MINISTERS WOULD NEED TO AGREE THEIR PART OF THE
NEGOTIATION BY OCTOBER. IT WAS GENERALLY ACCEPTED THAT PROPOSALS
WHICH PEOPLE WISHED TO MAKE FOR CONSIDERATION AT THE NEGOTIATION
SHOULD BE MADE BY 1 JULY. THERE WAS A GENERAL DISPOSITION AGAINST
'MASS MEETINGS' OF FOREIGN, FINANCE AND AGRICULTURE MINISTERS,
ALTHOUGH IT WAS RECOGNISED THAT MEETINGS INVOLVING PERHAPS TWO
MINISTERS MIGHT OCCASIONALLY BE NECESSARY. ANY FOREIGN MINISTERS
MEETING DURING THE SPECIAL MEETINGS SHOULD NOT BE ACCOMPANIED
BY THEIR STATE SECRETARIES.

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/4. MOST

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4. MOST OF THE SPECIAL MEETINGS SEEM LIKELY TO TAKE PLACE IN BRUSSELS (AND PRESUMABLY LUXEMBOURG IN OCTOBER). SOME LONGER ONES MAY BE HELD IN SOME SUITABLY REMOTE PLACE IN GREECE AWAY FROM THE EYES OF THE PRESS.

FCO ADVANCE TO:
FCO - PS HANNAY FAIRWEATHER
CAB - WILLIAMSON DURIE
MAFF - ANDREWS
TSY - UNWIN EDWARDS

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TO IMMEDIATE FCO

TELEGRAM NUMBER 2457 OF 21 JUNE

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
BONN LUXEMBOURG ATHENS.

1983 SUPPLEMENTARY BUDGET NO. 2.

1. BUTT SPOKE TO LEVER ABOUT THE PRESENT STATE OF PLAY ON THE SUPPLEMENTARY BUDGET. LEVER CONFIRMED THAT THE COMMISSION WOULD BE CONSIDERING IT TOMORROW, BUT IT MIGHT NOT BE ADOPTED THIS WEEK BECAUSE OF TWO PROBLEMS RAISED BY OTHER COMMISSIONERS (SEE PARA. 3 BELOW).

2. LEVER SAID THAT THE PRESENT DRAFT PROPOSAL TOTALLED 2400 MECU. THE AMOUNT FOR FEOGA GUARANTEE - APPARENTLY ENDORSED BY TUGENDHAT - IS 1811 MECU, THE SUM FOR RISK-SHARING IS 463 MECU AND THERE IS 126 MECU FOR MISCELLANEOUS ITEMS. THESE INCLUDE EXTRA STAFF FOR FISHERIES POLICY AND THE COURT OF JUSTICE, FEOGA STRUCTURAL EXPENDITURE FOLLOWING THE PRICE FIXING, AID FOR POLAND AND THE RECONSTITUTION OF SOME SMALL ITEMS WHICH WERE INCLUDED IN THE 1982 BUDGET BUT NOT SPENT, EG. BELFAST AND IRISH FISHERIES MEASURES. TUGENDHAT IS NOT NOW PROPOSING ANY PROVISION FOR FOOD AID OR FOR THE SOCIAL FUND.

3. THE RISK-SHARING PROPOSAL MAY GIVE RISE TO TWO DIFFICULTIES. DAVIGNON HAS SAID THAT, AS HE HAS NOT BEEN CONSULTED ABOUT THE PROPOSAL TO CHANNEL ALL THE MONEY THROUGH SPECIAL ENERGY MEASURES, HE MAY NOT BE ABLE TO AGREE TO THE PROPOSAL WITHOUT FURTHER CONSIDERATION. (COMMENT: IN AN ATTEMPT TO HEAD OFF THIS SOURCE OF DELAY WE HAVE BEEN IN TOUCH WITH THE DEPARTMENT OF ENERGY AND INFORMED DG XVII THAT THE U K COULD, IF NECESSARY, PROBABLY COME FORWARD WITH SUFFICIENT ENERGY APPLICATIONS TO ABSORB THE FUNDS AVAILABLE). SECONDLY, ORTOLI IS CONTINUING TO ARGUE THAT THE CALCULATION OF OUR RISK-SHARING ENTITLEMENT SHOULD BE BASED ON THE ASSIETTE METHOD. HIS VIEW IS NOT EXPECTED TO PREVAIL BUT HE MAY DELAY A DECISION.

4. LEVER POINTED OUT THAT WHILST THE SUPPLEMENTARY BUDGET APPEARED TO LEAVE HEADROOM OF 500 MECU, 200 MECU OF THIS WOULD BE NEEDED FOR VAT ADJUSTMENT IN RESPECT OF 1982 AND THEY WERE EXPECTING A SHORT-FALL IN TRADITIONAL OWN RESOURCES OF AROUND 300 MECU. (THEIR ESTIMATE LAST WEEK WAS 200 MECU FOR THE LATTER ITEM). THUS, ALTHOUGH THESE REVENUE ADJUSTMENTS WOULD NOT BE MADE UNTIL LATER IN THE YEAR IN A THIRD SUPPLEMENTARY BUDGET, THE PRESENT PROPOSAL EFFECTIVELY TOOK THE COMMUNITY UP TO THE ONE PER CENT CEILING :

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INDEED THE FIGURE FOR FEOGA GUARANTEE WAS SEEN AS THE BALANCING ITEM BETWEEN THE OTHER CLAIMS AND THE ONE PER CENT CEILING.

FCO ADVANCE TO:

FCO - FAIRWEATHER FRY STANTON (ODA)

CAB - DURIE PEARSON

MAFF - ANDREWS DICKINSON

TSY - UNWIN COURT FITCHEW LENNON PEET

FCO PASS SAVING TO COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
LUXEMBOURG ATHENS.

BUTLER

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ADVANCED AS REQUESTED

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