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CONFIDENTIAL FILING

European Council Meeting.
Brussels 19/20 March 1984

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POLICY

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13.7.83							
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15.3.84							
20.3.84							
21.3.84							
22.3.84							

PREM 19/1221

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(84) 11 th Meeting, item 3	15/03/1984

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed J. Gray

Date 17/9/2013

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons HANSARD, 21 March 1984, columns 1049 to 1063: European Council

Signed

J. Gray

Date

17/9/2013

PREM Records Team

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16 March 1984

EUROPEAN COUNCIL, BRUSSELS

19/20 MARCH 1984

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- 2C. German Text on Budgetary Imbalances
- 2D. CAP Supplementary General Brief

Note

Full set preserved in
FCO Series. This set
therefore destroyed.

R. P. P. P.
26 Feb 13

Main Briefs

3. Budget Discipline
4. Budget Imbalances
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Foreign and Commonwealth Office

16 March 1984

CONFIDENTIAL

FLASH

FRAME GENERAL

39

LADY YOUNG
/ MR RICHARD
/ FOS
~~MR RICHARD~~
R. C. TIDWELL
/ BARNAY
/ ADAMS

ED/ECO (1) (3)
ED/NEFS
ED/CCD(E) 3
ED/GRS
ED/

FLS FCS
Mr Heath

SECRET OFFICE
D WILLIAMSON
P STAPLETON
ISS S J LAMBERT
P DUPRE
MR Pearson
V TREASURY
P J G LITTLE
P J B DUNN
ISS/VE COURT
MR J E MOLTNER

D D T *1310*
MR R GRAY
MR R WELLS (WEG)
~~MR R WELLS (WEG)~~

V A F F
PARLIAMENT SECRETARY
ANDREWS

FLS ODS
ODA
MR L STANTON
MR KENT
CUSTOMS FLEX
MR COWS No 10

CONFIDENTIAL

FRAME GENERAL
FRAME ECONOMIC

FM UKREP BRUSSELS 221222Z MAR 84
TO FLASH FCO

TELEGRAM NUMBER 1049 OF 22 MARCH 1984

INFO IMMEDIATE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
BONN LUXEMBOURG ATHENS

INFO ROUTINE LISBON MADRID STRASBOURG

COREPER (AMBASSADORS) 22 MARCH
FOLLOW-UP TO EUROPEAN COUNCIL

SUMMARY

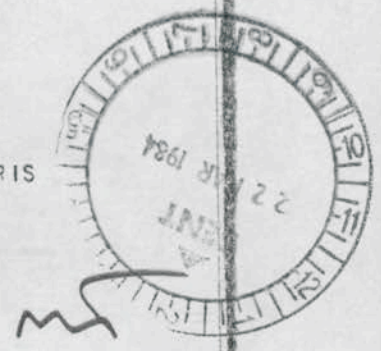
1. PRESIDENCY ANNOUNCED SPECIAL FOREIGN AFFAIRS COUNCIL ON TUESDAY 27 MARCH. SECRETARIAT TO ISSUE REVISED VERSION OF FINAL PRESIDENCY DRAFT CONCLUSIONS INCORPORATING AMENDMENTS AGREED UP TO APPROXIMATELY 5PM ON 20 MARCH.

DETAIL

2. LEPRETTE (PRESIDENCY) ANNOUNCED THAT A FOREIGN AFFAIRS COUNCIL WAS SUMMONED FOR 10 AM ON TUESDAY 27 MARCH. (A TELEX HAS ALSO ISSUED.) THE AGENDA WOULD BE QUOTE FOLLOW-UP TO EUROPEAN COUNCIL UNQUOTE. THE PURPOSE WAS TO ASSESS WHERE AGREEMENT HAD BEEN REACHED AND WHERE IT COULD NOT BE, SO THAT WORK COULD CONTINUE WHERE IT WAS NECESSARY FOR THE COMMUNITY TO MOVE FORWARD. (COMMENT: THERE WAS NO SUGGESTION OF TRYING TO MAKE PROGRESS ON THE MAIN - BUDGETARY IMBALANCES - NEGOTIATION.) HE WAS NOT IN A POSITION TO GIVE FURTHER DETAILS.

3. RUTTEN (NETHERLANDS) ASKED WHETHER IT WAS THE INTENTION TO GIVE FORMAL APPROVAL ON POINTS ON WHICH AGREEMENT HAD BEEN REACHED AND WHETHER THE INTENTION WAS TO CONTINUE DISCUSSION ON POINTS ON WHICH THERE HAD BEEN NO AGREEMENT. LEPRETTE REPLIED THAT HE ASSUMED THERE WOULD BE DISCUSSION ON ALL POINTS.

4. I SAID THAT THE PRIME MINISTER HERSELF HAD PROPOSED THAT SINCE PROGRESS HAD BEEN MADE AND THE GAPS HAD BEEN NARROWED, I WAS



4. I SAID THAT THE PRIME MINISTER HERSELF HAD PROPOSED THAT SINCE PROGRESS HAD BEEN MADE AND THE GAPS HAD BEEN NARROWED. I WAS SURE FOREIGN MINISTER SHOULD MEET AS SOON AS POSSIBLE TO COMPLETE THE NEGOTIATION. THE BRITISH GOVERNMENT WOULD THEREFORE WARMLY WELCOME THE PRESIDENCY'S DECISION TO CALL AN EARLY COUNCIL.

I DREW ATTENTION TO THE DIFFICULTY THE DATE WOULD POSE FOR YOU BUT SAID THAT YOU WOULD MAKE EVERY EFFORT TO BE PRESENT. I AGREED THAT THE AIM SHOULD BE TO REACH AGREEMENT ON OUTSTANDING POINTS, NOT SIMPLY TO TAKE NOTE OF THEM.

5. DIMADIS (GREECE) WONDERED HOW PROGRESS COULD BE MADE ON ONLY SOME ASPECTS OF THE PACKAGE, ALL PARTS OF WHICH WERE INTERDEPENDENT. O'Rourke (IRELAND) ASKED ABOUT IMPLICATIONS FOR THE WORK OF THE AGRICULTURE COUNCIL. LEPRETTE REPLIED THAT IT WAS UP TO MINISTER TO SEE HOW FAR THEY COULD PROGRESS ON THE PACKAGE. AS FOR AGRICULTURE, THERE WOULD BE BRIDGES BETWEEN THE TWO COUNCILS: THE TWO CHAIRMEN WOULD BE IN CLOSE TOUCH.

6. DONDELINGER (LUXEMBOURG) ASKED FOR A TEXT REFLECTING THE LATEST STATE OF NEGOTIATIONS. OTHERS SUPPORTED HIM. ERSBOELL SAID THAT SUCH A DOCUMENT WOULD BE MADE AVAILABLE LATER IN THE DAY COVERING THE SUBSTANCE OF THE LAST VERSION OF THE PRESIDENCY'S DRAFT CONCLUSIONS PLUS OTHER POINTS AGREED ON THE AFTERNOON OF 20 MARCH, IE REFLECTING THE STATE OF DISCUSSION AT ABOUT 5 PM. IN ANSWER TO RUTTEN, HE SAID THAT LUBBERS' AMENDMENT ON TRANSPORT WOULD BE INCORPORATED. I ASKED WHETHER THE PRESIDENCY INTENDED TO HAVE A FURTHER COREPER MEETING ONCE THE NEW TEXT EXISTED TO AVOID MISUNDERSTANDINGS BETWEEN MINISTERS. RUTTEN SUPPORTED AND SUGGESTED A MEETING ON MONDAY. THERE WERE DIFFICULTIES IN THE NEW TEXT SUCH AS THE PHRASE IN THE OWN RESOURCES SECTION : QUOTE ...APRES ACCORD DONNE SELON LES PROCEDURES NATIONALES UNQUOTE, WHICH SEEMED TO REVERSE THE NORMAL ORDER OF THINGS. ERSBOELL DREW ATTENTION TO THE TYPING ERROR IN THE SAME SECTION (ON OWN RESOURCES) WHERE THE SECOND 1986 SHOULD READ 1988. LEPRETTE RULED THAT THE ANTICI GROUP WOULD MEET LATER TODAY TO EXAMINE THE NEW TEXT AND LIST ANY POINTS OF DIFFICULTY. COREPER WOULD MEET IF NECESSARY ON MONDAY.

7. POENSGEN (GERMANY) ASKED TWICE HOW MINISTERS WERE GOING TO GET A NEUTRAL PICTURE OF THE POINTS REMAINING OPEN AND THE REQUESTS FOR AMENDMENT WHICH HAD NOT BEEN AGREED. ERSBOELL THEN VOLUNTEERED THAT IN ADDITION TO THE PAPER REFLECTING DISCUSSION TO 5 PM THERE WOULD BE A NOTE OF THE PROPOSAL WHICH KOHL HAD MADE, PREPARED AT THE REQUEST OF THE PRESIDENCY AND CONFIRMED BY THE GERMAN DELEGATION. I CHALLENGED THIS: THE PRIME MINISTER HAD MADE AT LEAST ONE PROPOSAL. THERE WAS NO REASON TO PICK OUT KOHL'S. EITHER ALL PROPOSALS SHOULD BE RECORDED OR NONE. IT MIGHT BE BETTER TO LEAVE IT TO EACH DELEGATION TO DECIDE WHETHER TO PUT ITS OWN PROPOSALS IN WRITING. LEPRETTE REPLIED THAT THE UK WAS FREE TO CIRCULATE A DOCUMENT IF IT WISHED. I RETORTED THAT THE SAME APPLIED TO THE FRG. AFTER FURTHER (HELPFUL) INTERVENTIONS FROM DONDELINGER AND O'Rourke (THE LATTER'S MIND BEING MAINLY ON THE MILK QUESTION) IT WAS AGREED THAT NO NEW PROPOSALS WOULD BE ISSUED BY THE SECRETARIAT. PICKING UP AN EARLIER REMARK OF DONDELINGER'S AND THE PRESIDENCY'S INTRODUCTION, I SAID THAT FAR FROM SIMPLY COMING TO ASSESS THE STATE OF THE NEGOTIATIONS, I WAS SURE YOU WOULD WANT TO TRY TO REACH AN AGREEMENT AT THE

~~ON THE OTHER QUESTION, IT WAS AGREED THAT NO NEW DECISIONS~~
BE ISSUED BY THE SECRETARIAT. PICKING UP AN EARLIER REMARK OF
DONDELINGER'S AND THE PRESIDENCY'S INTRODUCTION, I SAID THAT FAR
~~FROM SIMPLY COMING TO ASSESS THE STATE OF THE NEGOTIATIONS, I~~
WAS SURE YOU WOULD WANT TO TRY TO REACH AN AGREEMENT AT THE
27 MARCH MEETING.

8. AFTER THE MEETING ERSBOELL GAVE ME IN CONFIDENCE THE TEXT
OF THE GERMAN PROPOSAL (SEE MIFT).

FCO ADVANCE TO:

FCO - PS: PS/MR RIFKIND: PS/PUS: TICKELL: HANNAY: WALL

CAB - WILLIAMSON: STAPLETON: DURIE

MAFF - ANDREWS

TSY - UNWIN

NO.10 - COLES

BUTLER

NNNN

CB BONN/FCO 011/22

Mr. average

to copy to Paris

DD FCO 221730Z

Mr. Fawcett

Mr

RR UKREP BRUSSELS

This, truly needs to go to Paris

23/3

GRS 1370

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FM BONN 221645Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 305 OF 22 MARCH

INFO ROUTINE UKREP BRUSSELS

IMMEDIATE

Sheep

EUROPEAN COUNCIL AFTERMATH : CALL ON LAUTENSCHLAGER

SUMMARY

1. NO RECRIMINATIONS. GERMAN CONCERN TO COOL THINGS. INTEREST IN FURTHER DISCUSSION AND NEGOTIATION. KOHL'S PROPOSAL MISUNDERSTOOD. WORRY ABOUT THE IMPACT OF THAT. KEEN TO CLEAR UP MISUNDERSTANDINGS. I HAVE AN APPOINTMENT WITH GENSCHER ON 24 MARCH. 9.30

DETAIL

2. WHEN I CALLED, AT HIS REQUEST, ON LAUTENSCHLAGER THIS MORNING HE SAID THAT HE WANTED TO MAKE A FEW GENERAL POINTS ABOUT THE WAY THE COUNCIL WENT AND TO CONSIDER HOW THINGS MIGHT BE CARRIED FURTHER FORWARD. CIRCUMSTANCES OF EUROPEAN COUNCILS LED FREQUENTLY TO SHARP DIVERGENCIES BETWEEN OBJECTIVE REALITIES AND SUBJECTIVE RESPONSES. THIS WAS PARTICULARLY SO AT A TIME WHEN SO MUCH WAS AT STAKE AND WHEN A COUNCIL HAD FAILED. IN PRESENT CIRCUMSTANCES THE LAST THING THE COMMUNITY NEEDED WAS A DRAMATISATION AND ESCALATION OF THE CONFLICT. SINCE STUTTGART A GOOD DEAL HAD BEEN ACHIEVED. THE REMAINING DIFFERENCES WERE SMALL AND OUGHT TO BE SOLUBLE. THIS WAS THE LINE GENSCHER HAD TAKEN YESTERDAY WITH THE PRESS. LAUTENSCHLAGER SAID THAT HE WAS GLAD TO SEE THAT IN BRITAIN TOO GOVERNMENT SPOKESMEN HAD BEEN MODERATE. THERE REMAINED, OF COURSE, THE DIFFICULTY ABOUT 1983 REFUNDS: WITHHOLDING PAYMENTS BY THE UK AT THIS STAGE WOULD HE FEARED MAKE SOLUTIONS MORE DIFFICULT.

HE TONE OF GENSCHER'S REMARKS (FOR WHICH LAUTENSCHLAGER CLAIMED RESPONSIBILITY). WE CERTAINLY HAD NO DESIRE TO ESCALATE THE CRISIS AND LAUTENSCHLAGER WOULD HAVE NOTED HOW THE PRIME MINISTER BOTH AT HER PRESS CONFERENCE AFTER THE COUNCIL AND IN THE HOUSE OF COMMONS HAD TAKEN PAINS TO GIVE A BALANCED ACCOUNT OF THE PROCEEDINGS AND TO PLACE THE SMALL DIFFERENCES REMAINING BETWEEN THE PARTNERS IN PROPORTION. WE BELIEVED IT WAS IMPORTANT TO RESUME THE DIALOGUE AND FOR THAT REASON GREATLY WELCOMED THE PRESIDENCY'S PROPOSAL THAT THERE SHOULD BE A FOREIGN AFFAIRS COUNCIL ON TUESDAY NEXT WEEK. LAUTENSCHLAGER SAID HE WAS GLAD TO HEAR THIS. THE SUGGESTION THAT THERE SHOULD BE A COUNCIL WAS ONE THAT THE GERMANS HAD MADE TO AND DISCUSSED WITH THE PRESIDENCY. THE COMMISSION, HOWEVER, HAD NOT BEEN AT ALL ENTHUSIASTIC (BUT WOULD NOT OPPOSE IT, IN HEAR).

4. THERE WAS ONE POINT, HOWEVER, THAT LAUTENSCHLAGER ATTACHED IMPORTANCE TO CLEARING UP. HE SAID THAT THE PROPOSAL MADE BY THE FEDERAL CHANCELLOR HAD EVIDENTLY BEEN MISUNDERSTOOD. CERTAINLY, COMMENT IN THE BRITISH PRESS SEEMED TO BE ILL-INFORMED. IT WAS NOT IN ESSENCE A PROPOSAL FOR A FLAT RATE OF COMPENSATION FOR FIVE YEARS. THE GERMAN AIM TO ACHIEVE A SYSTEM WAS, HE HAD ASSUMED, SELF EVIDENT. THE OBJECTIVE OF THE FIVE YEAR PERIOD HAD BEEN TO WIN TIME SO THAT THAT SOLUTION COULD BE CONVERTED INTO A SYSTEM. (THIS SEEMS TO BE CONFIRMED BY THE TEXT IN UKREP BRUSSELS TELNO 1050, PARA 4.) AND THERE WAS SCARCELY TIME NOW TO GET MORE THAN AN AD HOC ARRANGEMENT FOR 1984. IF ANOTHER AD HOC PROPOSAL WAS MADE THEN THE PARLIAMENT WOULD LOSE ALL PATIENCE. THE CONCEPT BEHIND THE CHANCELLOR'S PROPOSAL WAS THAT THE FLAT RATE SYSTEM WOULD BE CONVERTED AFTER A PERIOD INTO A REGULAR SYSTEM OF THE KIND THAT HAD BEEN UNDER DISCUSSION FOR MONTHS. HE COULD UNDERSTAND WHY THE BRITISH HAD REJECTED THE FIVE YEAR PERIOD GIVEN THAT NO PROGRESSIVITY WOULD BE PROVIDED FOR. BUT THE LENGTH OF THE PERIOD WAS NEGOTIABLE. HE MENTIONED THREE, TWO OR 'EVEN ONE' YEAR. ONE OF THE GREAT DIFFICULTIES OF COURSE WAS THE STARTING FIGURE AND, RELATED TO THAT, THE RATE OF GERMAN PARTICIPATION IN UK REFUNDS. BUT HERE THE CHANCELLOR HAD SHOWN FLEXIBILITY IN INDICATING THAT THE GERMANS WOULD BE PREPARED TO GO TO TWO-THIRDS OF THEIR NORMAL RATE.

BY THE CHANCELLOR'S PROPOSALS AND DEEPLY DISAPPOINTED. FOR MONTHS WE HAD BEEN IN THE CLOSEST CONTACT WITH THE GERMANS, DISCUSSING SYSTEMS AND WE HAD INDICATED THAT THE TIETMEYER PROPOSAL WAS ONE, WITH CERTAIN MODIFICATIONS, THAT WE THOUGHT PROVIDED A REAL BASIS FOR A SOLUTION. FOR THE GERMANS SUDDENLY TO SWITCH TO A LUMP SUM AND DEGRESSIVE SYSTEM WAS FOR US INEXPLICABLE. QUITE APART FROM THE FACT THAT IT DIDN'T MEET OUR NEEDS IT SEEMED TO IMPLY THE ABANDONMENT BY THE GERMANS OF THEIR OWN DEMAND FOR A SYSTEM. MOREOVER, IT UNDERSTOOD THAT WHEN THE PRIME MINISTER AND THE CHANCELLOR HAD HAD A BILATERAL DISCUSSION ON MONDAY EVENING (19 MARCH) THE PRIME MINISTER HAD DETECTED NO SIGN THAT THE CHANCELLOR HAD A RIGID FIXED CEILING SUCH AS HE HAD PROPOSED NEXT DAY. (LAUTENSCHLAGER INTERRUPTED TO SAY THAT THE CHANCELLOR'S PROPOSAL HAD ONLY BEEN WORKED OUT ON TUESDAY.) IN ADDITION, WE HAD IN OUR CONTACTS WITH THE PRESIDENCY BEEN GREATLY ENCOURAGED WHEN THEY HAD AGREED TO MAKE A PROPOSAL FOR A SYSTEM WHICH MET MANY OF OUR REQUIREMENTS AND WHICH INDEED CONTAINED A STARTING FIGURE THAT WAS A DISTINCT IMPROVEMENT ON WHAT THE GERMANS SEEMED READY TO AGREE TO. IT UNDERSTOOD FURTHERMORE THAT IN DISCUSSION WITH SIR M BUTLER TIETMEYER AND LAUTENSCHLAGER HAD GIVEN THE IMPRESSION THAT THE GERMANS WERE READY TO SUPPORT THE PRESIDENCY'S PROPOSAL AND THAT TIETMEYER SEEMED TO ACCEPT FIGURES ALSO. LAUTENSCHLAGER CLAIMED TO HAVE TOLD SIR M BUTLER THAT WHATEVER OFFICIALS PRESENT MIGHT SAY OR IMPLY, THE NEGOTIATIONS WERE TAKING PLACE AT HEAD OF GOVERNMENT LEVEL AND DECISIONS THERE MIGHT BE DIFFERENT. IT THEN DREW ON UKREP TELEGRAMS NUMBERS 1020 AND 1027 TO THE FOREIGN OFFICE AND ON FOREIGN OFFICE TELEGRAM NUMBER 100 TO ATHENS TO DEMONSTRATE TO LAUTENSCHLAGER HOW TOTAL THE MISUNDERSTANDING HAD BEEN. ALL THIS EVIDENTLY MADE AN IMPRESSION ON LAUTENSCHLAGER.

6. IT ALSO EMERGED THAT IT WAS NEWS TO HIM (PARAGRAPH 15 OF UKREP TELEGRAM NUMBER 1020) THAT THE PRIME MINISTER HAD BEEN READY TO AGREE A SYSTEM STARTING WITH 1250 MECU BUT PRECEDED WITH AN AD HOC SUM OF 1000 MECU FOR 1984. HE NOTED THAT CAREFULLY.

7. IN FURTHER DISCUSSION LAUTENSCHLAGER REVERTED TO THE IMPORTANCE FOR THE GERMANS OF THE OPENING FIGURE IN ANY SYSTEM AND ITS CONNECTION WITH THE GERMAN RATE OF PARTICIPATION IN OUR REFUNDS. HE SAID THAT ON THE BASIS OF 1000 MECU THE GERMANS, IF THEY WERE FULL PARTICIPANTS, WOULD HAVE TO PAY AN ADDITIONAL 360 MECU. THAT WAS NOT ON. HE ADDED, HOWEVER, THAT PROVIDED THE GERMAN CONCERNS ABOUT THE DEGREE OF THEIR PARTICIPATION WERE TAKEN INTO ACCOUNT THE GERMANS COULD, HE FELT SURE, BE MORE FLEXIBLE. THE CHANCELLOR HAD BEEN PREPARED TO PARTICIPATE TO THE RATE OF TWO-THIRDS OVER A FIVE YEAR PERIOD. HE MADE IT CLEAR THAT WE COULD ACCEPT AN AD HOC ARRANGEMENT ONLY IN RESPECT OF 1984. LAUTENSCHLAGER WAS INCLINED TO ARGUE THAT THERE WAS A CASE FOR APPLYING AD HOC ARRANGEMENTS TO 1985 ALSO, BEFORE INCREASED OWN RESOURCES BECAME AVAILABLE, BUT DID NOT PRESS THE POINT.

8. WE DISCUSSED BRIEFLY THE IRISH POSITION. LAUTENSCHLAGER FELT THAT THE IRISH HAD BEHAVED UNREASONABLY AND THAT THE OFFER MADE TO THEM OUGHT TO HAVE BEEN ACCEPTABLE AND WAS IN ANY CASE GENEROUS.

9. WE CONCLUDED BY AGREEING THAT IT WAS IMPORTANT TO TALK FURTHER. HE REMINDED HIM OF THE MANY CONCESSIONS MRS THATCHER HAD MADE, OF HOW COSTLY THE MCA PROPOSAL WAS AND THAT IT WAS VERY DISAPPOINTING THAT THE GERMAN PRESS AND SOME POLITICAL SPOKESMEN WERE SO HOSTILE AND DETERMINED TO SEE THE MATTER AS A NINE TO ONE CONFRONTATION.

COMMENT

10. IT IS ALARMING THAT LAUTENSCHLAGER (AND WE HAVE SUBSEQUENTLY LEARNT, GRIMM OF THE FEDERAL CHANCELLERY) WAS UNAWARE OF THE PM'S OFFER (PARAGRAPH 15 OF UKREP TELEGRAM NUMBER 1020). BUT AT LEAST HE HAS NOW TAKEN THAT ON BOARD. IT IS ALSO CLEAR THAT THE GERMANS ARE CONCERNED ABOUT WHAT THEY SEE AS MISUNDERSTANDINGS BETWEEN US.

11. IT IS CLEAR FROM LAUTENSCHLAGER'S REMARKS THAT WHAT THE
GERMANS REJECT THE PRESIDENCY PROPOSAL (AGREED WITH US) WAS THE
SPECIFIC PROVISION THAT GERMANY WOULD HAVE TO PAY ITS FULL (36 PER
CENT) SHARE OF THE COST. IT WAS, HE SAID, EASY FOR THE FRENCH TO
~~X&X&X~~ AGREE TO SOMETHING FOR WHICH GERMANY WOULD HAVE TO PAY SO MUCH.
X HE WAS DEPRESSED ABOUT THE FACT THAT IN THE RELATIVE DISARRAY
(BILATERALS
ETC) OF SUMMIT MEETINGS SUCH GRAVE MISUNDERSTANDING SHOULD OCCUR.

FCO PLEASE PASS ADVANCES

CAB OFF: WILLIAMSON, DURIE, SIMPLETON

FCO: TICKELL, HANNAY, FAIRWEATHER, WALL

HM TSY: UNWIN, FITCHEW, MORTIMER

MAFF: FRANKLIN, ANDREWS, MRS ATTRIDGE

TAYLOR

NNNN

GRS 625

UNCLASSIFIED

FM PARIS 221810Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 376 OF 22 MARCH

INFO PRIORITY UKREP BRUSSELS, ROUTINE OTHER EC POSTS, WASHINGTON
INFO SAVING LISBON, MADRID, UKDEL STRASBOURG, UKMIS GENEVA, UKDEL
NATO

MS
Interesting.
HR 27/3

MY TELNO 370: EUROPEAN COUNCIL: FRENCH PRESS REACTION

SUMMARY

1. PRESIDENT MITTERRAND'S TELEVISION INTERVIEW LAST NIGHT (MY TELNO 373) IS HAVING A CALMING INFLUENCE ON MEDIA PRESENTATION OF POST-SUMMIT ISSUES. ALTHOUGH TELEVISION, RADIO AND THE REGIONAL PRESS ALL CONTINUE TO LAY BLAME AT BRITAIN'S DOOR, THERE ARE FEWER CALLS FOR BRITAIN TO BE PUT IN QUARANTINE.

DETAIL

2. ALTHOUGH LE QUOTIDIEN (RIGHT-WING) PREDICTS THAT BRITAIN'S CONTINUED MEMBERSHIP WILL BE AT ISSUE AT THE JUNE SUMMIT, THE BALANCE OF COMMENT IN THE PARIS PRESS TILTS IN FAVOUR OF TAKING BRITISH VIEWS FULLY INTO ACCOUNT AND RECOGNISING THAT EUROPE HAS CHANGED. LE MATIN (SOCIALIST DAILY) WRITES THAT GOVERNMENTS SHOULD FACE THE CONSEQUENCES OF HAVING BRITAIN AS A MEMBER, WHILE BRITAIN SHOULD BE FACED WITH ITS RESPONSIBILITIES. THE COMMENTARY CONCLUDES THAT A UNITED SOLUTION IS NEEDED BECAUSE THE AFFAIR OF THE EUROMISSILES HAS REMINDED US THAT 40 YEARS AFTER THE WAR EUROPE REMAINS THE MOST DANGEROUS CONTINENT OF THE PLANET. THE SAME PAPER PUBLISHES INTERVIEWS WITH COUVE DE MURVILLE AND JOBERT WHO BOTH ARGUE THAT A COMMUNITY WITHOUT BRITAIN IS NO LONGER POSSIBLE, AND THAT THE PROBLEMS MUST BE SETTLED ONCE FOR ALL.

3. THE RIGHT-WING PAPERS, OFTEN REPORTING COMMENT FROM OPPOSITION POLITICIANS, EMPHASISE THE DIFFICULTIES OF FRENCH FARMERS AND PRESIDENT MITTERRAND'S FAILURE TO TAKE EUROPE FORWARD. FIGARO WRITES THAT THE SOCIALIST GOVERNMENT IS DISTRESSINGLY REMISCENT OF THE FRENCH RUGBY TEAM AGAINST SCOTLAND, CONFUSING ACTION AND AGITATION. ON THE OTHER HAND, LIBERATION (INDEPENDENT LEFT-WING) CLAIMS THAT MRS. THATCHER, THANKS TO HER INTRANSIGENCE, HAS REMOVED A SIZEABLE THORN FROM THE GOVERNMENT'S FOOT . . . FRANCOIS MITTERRAND'S FIRMNESS IN FACE OF MRS THATCHER MAKES HIS IMAGE MORE CREDIBLE.

4. THERE IS AGAIN AN UNUSUAL READINESS TO ACCEPT THAT BRITAIN HAS A CASE. AS YESTERDAY, LIBERATION LEADS THE FIELD IN THIS RESPECT. IT REMINDS ITS READERS HOW THE BRITISH CONTRIBUTION BENEFITS COMMUNITY FARMERS: FRANCOIS GUILLAUME (THE FARMERS' LEADER) IS TAKING GREAT FINANCIAL RISKS WHEN HE CALLS FOR BRITISH WITHDRAWAL. IT ADDS THAT THE ULTIMATE ARGUMENT IN REFUTING A POSSIBLE BRITISH DEPARTURE IS THE GEOPOLITICAL ONE. LIBERATION ALSO POINTS OUT THAT BRITAIN MADE SIGNIFICANT CONCESSIONS AT THE SUMMIT. IT EXPLAINS THE UNDERLYING BRITISH ARGUMENTS (EG MONEY FROM BRUSSELS GOES ONLY TO FARMING AND STEEL, BOTH SECTORS OF THE PAST) AND SAYS THAT MRS THATCHER IS JUSTIFIED IN CLAIMING THAT SHE IS FOR THE EUROPE OF THE FUTURE.

5. TODAY'S LE MONDE IS PESSIMISTIC ABOUT PRESIDENT MITTERRAND'S AVOWED AIM OF ACHIEVING A SOLUTION IN A SPECIAL COUNCIL OR AT FONTAINEBLEAU. IT IS NOT CLEAR HOW WHAT WAS NOT POSSIBLE YESTERDAY WOULD BECOME POSSIBLE TOMORROW. UNLESS, OF COURSE, IT IS BY GIVING WAY TO LONDON'S DEMANDS, AS FRANCE WAS WITHIN A HAIR'S BREADTH OF DOING AT BRUSSELS. THE FRENCH DESIRE NOT TO RUSH THINGS GIVES THE BRITISH HEAD OF GOVERNMENT THE BEST AND SIMPLEST OF WEAPONS: TIME. AS THE ENGLISH PROVERB VERY APPROPRIATELY SAYS, TIME IS MONEY.

FCO PASS SAVING ADDRESSEES

FRETWELL

Frame General
ECD (I)

(REPEATED AS REQUESTED)



File

50

10 DOWNING STREET

THE PRIME MINISTER

22 March 1984

Dear Sir Michael

Thank you very much indeed for once again providing me with such excellent advice and support during a European Council. The results will have been just as disappointing to you as to me but, as I told the House of Commons this afternoon, we must persevere. Please thank all the members of your staff who were involved in the arrangements for the Council - I was most grateful.

And would you also tell Lady Butler how much I enjoyed staying with you both, brief as the time was that I was actually able to spend at Henri Pirenne. Thank you very much.

Yours sincerely
Margaret Thatcher

Sir Michael Butler, K.C.M.G.

INTERVIEW WITH THE RT. HON. EDWARD HEATH, M.P.

A.J.C. 2/13.

f.a.

Interviewer: First I asked Mr. Heath if he agreed with the Italian Prime Minister's comment that Thatcher had provoked the paralysis of the Summit.

EH: I was sorry to hear the Italian Prime Minister say that. When we did our negotiations which were successful in getting Britain into the Community the Italians were one of our strongest supporters together with the Germans and the Benelux countries. And I think one of the most important things at this moment is to lower the temperature, to lower it everywhere, to diffuse this situation. Because it is vital that we get a solution to these problems and as quickly as possible.

Interviewer: Do you blame the British Government, Mrs. Thatcher in particular, for the failure of yet another Summit?

EH: Its not for me to allocate praise or blame. What I do is to look at the problems with which they were faced and the first problem was the question of getting some discipline over the financial expenditure of the Community. I understand that they all agreed about that. So that's a major step forward. Well then the second question they had to deal with was the Common Agricultural Policy. And I think here our Minister of Agriculture, Michael Jopling, has done a very good job indeed.

Interviewer: Would you agree with what the Prime Minister said last night. Mrs. Thatcher said that this is disappointing, but not fatal and we will just have to persevere?

EH: Well I come on then to the other two things. The first one was, what is called own contributions, the contribution which the Community has through its own resources and VAT. I understand that they all agreed that this should go up from 1% to 1.4% and of course the expenditure would have to be under the financial discipline which I have just mentioned. So that also is satisfactory. So we then come to the last problem which remains - it is that of the British contribution to the budget. And I understand here that what we were asking for was £780 million off and the French President offered us £660 million off. So that means there was a gap of
£ 120 million.

£120 million. In other words we were offered 85% of what we were asking. There is a difference of 15%. I cannot believe that that gap is unbridgeable. And once we have lowered the temperature and we can all now look at the thing in perspective I think this is what should now be concentrated upon.

Interviewer: Can you explain why some weeks ago the British Government was able to say that they had got some support on their position, particularly from Germany and when they got to Brussels this support seemed to have gone?

EH: Well I don't think its fair to say that. As I said the French President put forward the proposal on the budget that we should get 85% of what we were asking for. The German Chancellor put forward a proposal before that of rather less. I have no doubt that if we had accepted 85% then the German Chancellor would have gone along with it. And I don't think there would have been objections from anyone else. They would have followed the French lead.

Interviewer: You have advised, Mr. Heath, that this matter should be diffused at the moment. What does that mean as regards the British Cabinet's decision tomorrow about possibly withholding our budget contribution?

EH: Well they should certainly not take a decision of that kind because it will be illegal and unconstitutional and I cannot for one moment think that the Prime Minister wants to do that and I cannot think that the British Cabinet ^{the} would support her in doing that. No I just said that there was / Stuttgart agreement of the Summit that they would refund our money and it was on the way back but last night it was rocked by the French and the Italians.

Interviewer: This is the £450 million rebate, so called.

EH: That's right. But the rebate was also tied to the fact that the Community should have the increase in its own resources which I have just mentioned and the fact is of course that because this Summit broke down its not getting an increase in its own resources and this is the reason why the French and the Italians are saying

/ that an

that an agreement between the leaders which wasn't part of the Treaty or the constitution of the Community is now being blocked.

Interviewer: Supposing the Cabinet wanted to withhold contributions or at least to withhold contributions to the amount of the £450 million would this require legislation?

EH: This is very much a legal matter. I don't believe it is possible to legislate internally against a Treaty which we have signed externally with other partners. Now you are a lawyer, you may know the answer to that one.

Interviewer: The answer to that one is that Parliament can do exactly what it likes.

EH: Yes but its not effective when its challenged in the international courts.

Interviewer: No Act of Parliament has ever been overruled by the British courts on the grounds that it is illegally internationally.

EH: Ah well that may not be the case with the British courts but then we can be taken to the European court and to any other international court and that's where the problem will arise. We have challenged certain decisions of the Community and sometimes we have been right and sometimes we have been overruled. And this was the case with beer and spirits which the Chancellor dealt with in his last budget and dealt ^{with} very skilfully. So the real question is would it be illegal in the European court and after all we are still a member of the Community. But I think there is one other point which is tied up with what I said at the beginning about diffusing this situation. You can't diffuse the situation by countries going on doing tit for tat. It really isn't the right way to get the temperature down and then work for a final solution on this question of the budget.

Interviewer: On the question of withholding our contribution, leaving aside legislation, would it not be perfectly possible for the British Government, namely the Treasury, to put an exchange control bar on the money we pay into the Bank of England for the
/ Commission

for the Commission to take out, namely our budget contribution, in their account, and just say this shan't go out until we have got out rebate?

EH: Well that would be just as illegal. As this Government has abolished exchange controls it becomes the more obvious that you are putting on a single exchange control just to deal with this particular situation. Now in my view that doesn't change the legal situation. If they took the matter to the European court and it certainly would require the approval of Parliament, that means you have got to get it through both Commons and the House of Lords and I think a very large number of people would object to it. They would say this is not the way to handle the situation because in fact however you try to disguise it you are breaking international law and also it doesn't meet my point that the way to diffuse is not to go tit for tat but to be constructive, work quietly behind the scenes with our partners and say well look we have got this one outstanding point, let us see how we . . .

Interviewer: And you would vote against any major bill to enable the British Government to withhold its due contributions.

EH: Yes I certainly would. I am not prepared to vote for something which is so obviously unconstitutional and illegal. Perhaps I should delete "so obviously" but I am not prepared to vote for something which is unconstitutional or illegal. This Government has quite rightly always emphasised that people should obey the law. Its doing so at the moment with the miners and quite rightly. And it cannot therefore turn round and say now we are going to deliberately break the law.

PRESS STATEMENT

Issued by the Ulster Unionist Parliamentary Party at 1030 hours,
Wednesday, 21st March, 1984.

The Ulster Unionist Parliamentary Party welcomes the stand taken by the Prime Minister at the Brussels Council. We congratulate her particularly on the refusal to accord to the Irish Republic special treatment which would have had unfavourable repercussions for Ulster. We also trust she will continue to refuse to allow British money to be unjustly withheld by an institution which has ignored her warnings not to concern itself in the internal political affairs of a part of the United Kingdom. We hope that the Prime Minister's stand will enjoy the full-hearted consent of Parliament and people.

WITH PERMISSION, MR. SPEAKER,

I ATTENDED THE EUROPEAN COUNCIL IN BRUSSELS ON
19/20 MARCH, ACCOMPANIED BY THE FOREIGN AND
COMMONWEALTH SECRETARY.

AS THE HOUSE WILL ALREADY KNOW, THE COUNCIL DID NOT REACH
AGREEMENT ON THE REFORM OF THE COMMUNITY'S
FINANCES NOR ON ANY OF THE OTHER MATTERS BEFORE IT.

I MADE CLEAR AT THE MEETING IN STUTTGART LAST YEAR THAT THE
UNITED KINGDOM WOULD BE PREPARED TO CONSIDER AN
INCREASE IN THE COMMUNITY'S FINANCIAL RESOURCES |
BUT ONLY ON CONDITION THAT THERE WAS EFFECTIVE
CONTROL OF AGRICULTURAL AND OTHER SPENDING AND
THAT THERE WAS A FAIR SHARING OF THE BUDGET BURDEN.

/ WE MADE PROGRESS

Out of step

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WE MADE PROGRESS TOWARDS SECURING CONTROL OF SPENDING
BY, FIRST, AN ANNUAL LIMIT ON OVERALL EXPENDITURE
AND, | SECOND, A STRICT FINANCIAL GUIDELINE ON
AGRICULTURAL EXPENDITURE.

THE FRENCH PRESIDENCY ALSO PROPOSED A LASTING SYSTEM FOR
A FAIR SHARING OF THE BUDGET BURDEN.

WE WOULD HAVE BEEN ABLE TO ACCEPT THIS SYSTEM
BUT SOME OTHER MEMBER STATES, DESPITE THE LONG
DISCUSSIONS OVER THE LAST NINE MONTHS, WERE
STILL UNABLE TO DO SO.
NOR WERE WE ABLE TO REACH AGREEMENT ON THE LEVEL
OF THE UNITED KINGDOM NET CONTRIBUTION WHICH
WOULD RESULT FROM THE APPLICATION OF THE SYSTEM.

/ THE COUNCIL ALSO HAD

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THE COUNCIL ALSO HAD A LONG DISCUSSION ON THE AGRICULTURAL PROBLEMS WHICH HAD BEEN REMITTED FROM THE AGRICULTURE COUNCIL.

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FURTHER DISCUSSION OF THE AGRICULTURAL PACKAGE WILL TAKE PLACE IN THE AGRICULTURE COUNCIL NEXT WEEK.

/ WE MADE A SUSTAINED

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WE MADE A SUSTAINED ATTEMPT TO REACH A SATISFACTORY

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ALREADY DESCRIBED.

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COMMUNITY'S VAT RESOURCES TO 1.4 PER CENT IN
1986 AND HAVE IN PROSPECT A POSSIBLE FURTHER
INCREASE TWO YEARS LATER TO 1.6 PER CENT.

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To
~~THE REGULATIONS NECESSARY TO IMPLEMENT~~ THE UNITED

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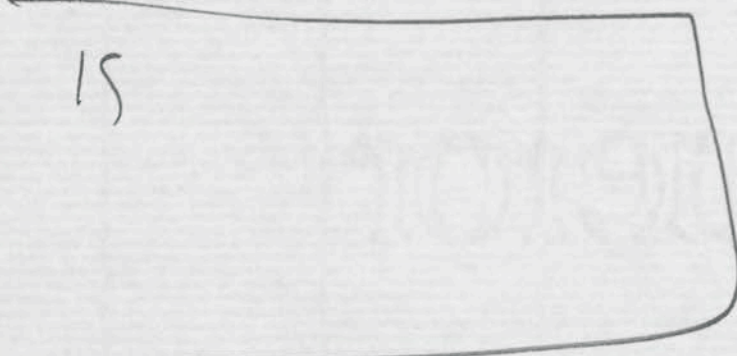
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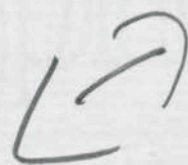
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Inform Wider travellers

| - (Show information collected to the
Public through the media)

Report

~~WAS AGREED LAST YEAR~~ | COULD BE REMOVED.

BUT FRANCE AND ITALY BLOCKED THESE REGULATIONS.

THE GOVERNMENT IS CONSIDERING WHAT ACTION WE
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WE SHALL HOWEVER PERSEVERE IN OUR EFFORTS TO ACHIEVE
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WORLD.

I WANT TO SEE A MORE EFFECTIVE COMMUNITY DEVELOPING
ITS FULL POTENTIAL.

THAT IS THE COMMUNITY IN WHICH I BELIEVE.

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availability

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Our record

1-4-7

Please check against delivery

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Lower refunds than 4 years ago.
~~Just before~~ ~~the~~ ~~failure~~ ~~of~~ ~~the~~ ~~Community~~
Few shares
Ludwig

PRIME MINISTER'S STATEMENT: FAILURE

Well, what can I say?

So near and yet so far away. What a pity. This - yet another - European Council has failed to achieve what I believe the Community increasingly recognises it must have - a new method of financing its operations.

I therefore come to this press conference in sorrow. Not in anger because I know only too well how difficult this problem is for all my colleagues.

do

What we have now to do is to persevere - just as I have persevered these last 5 years - to bring effective control over, and fairness to, the method of financing the Community.

This leads me to say how much I appreciate the efforts which President Mitterrand has made over recent months, and during this Council, to pave the way for a solution to the budget problem.

I shall continue to work with him in the immediate future with the objective of disposing of this problem in June in providing a basis for a relaunch of the Community.

I must confess there were times today when I thought we - that is the Community - might win through and reach an agreement on budgetary control, budgetary imbalances and own resources.

There were at times the prospect at least of tying up the Stuttgart package, subject to settling the details in the 3 months up to June.

But alas it was not to be.

The Irish had problems over milk.

Then Germany, the biggest contributors, had problems over their role in limiting the UK contribution.

And, of course, that led to a problem over our contribution.

These are only a sample of the difficulties that reforming the EC budget had and have for Member States.

From the beginning, 10 keys have been required to turn this lock. Once again it has not been possible to get them all turned simultaneously.

We shall try again and sooner or later the door will open to a fairer, more soundly based, Community which can be relaunched to play a more influential role in the world.

In the meantime, of course, nothing is agreed and that is a matter for regret.

But we shall keep at it.

Stuttering experiment
on 1983 records
done by Rene Dink

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1 letter - blocked them

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Produce various Speed more
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Rehearsal As part of a process

Tietmeyer has just proposed to me the following:-

(1) arbitrary figure for 1984 of 1000m cases.

(2) the Systeme for 1985 +

later years ~~one~~ with 1250 figures. on the basis of the 1983 figures. Hollman

1983 -
referred in
paid in
1982 when
had own
resources with
the effort

1986
?

He says Gauscher would agree.

He didn't.

Officials, including Unwin,

agree that this would be better than breakdown.

MR EDWARDS

*1982 Unwin
cc R. Wilkinson
H. (Gardner)
R. (Gardner) cc
BW.*

J.G.P.
fw

From: J G PEET
26 September 1983

CABINET OFFICE
Tf 6277
2 SEP 83
FILING INSTRUCTIONS
FILE No. _____

cc Mr Unwin
 Mr Fitchew
 Miss Court
 Miss Wilkinson
 Mr Durie - Cabinet Office
 Miss Marsden - FCO
 Mr Butt - UKREP

1982 NET BALANCES

The new Commission figures are remarkably close to the mid-points of the ranges which they provided in January. As UKREP have noted, they are helpful in that they are calculated on a payments basis, and in that the financing key used excludes UK refunds (you may recall that in January, the Commission prepared figures on two different keys: one with and one without UK refunds). Suspicions that the Commission have had these figures for some time, and indeed that they gave them to the European Parliament earlier this year, are confirmed by the fact that the tables are dated 16 June.

2. For the record, the comparison with the January figures is as follows. The most notable change is that France has switched from being a very small net beneficiary to being a very small net contributor:

1982 net balances : Commission figures (mecu)

	26 January table (mid- point of ranges)	<u>16 June</u>
Belgium	+262	+ 253
Denmark	+ 294	+ 295
Germany	-2085	-2086
Greece	+ 698	+ 685
France	+ 14	- 19
Ireland	+ 721	+ 732
Italy	+1586	+1616
Luxembourg	+ 248	+ 256
Netherlands	+ 302	+ 304
UK	-2040	+2036

3. I attach also an updated version of the tables which we have circulated several times previously showing net positions before and after refunds. It should be noted that the figures for net positions after refunds in respect of 1982 assume full payment of 1982 risk-sharing.

J.P.

$$\begin{array}{r} 1258 \\ 1163 \\ \hline \end{array}$$

$$\begin{array}{r} 4 \overline{) 2415} \\ \underline{604} \\ \end{array}$$

NET CONTRIBUTIONS (-) AND RECEIPTS (+) BY MEMBER STATE

(Allocated budget

1100

million ecus

I. Net positions before UK refunds	1975	1976	1977	1978	1979	1980	1981	1982
Belgium/Luxembourg	+135	+346	+329	+337	+610	+439	+515	+509
Denmark	+237	+294	+293	+381	+380	+327	+279	+295
Germany	-1007	-1054	-1467	-597	-1430	-1526	-1684	-2086
Greece	--	--	--	--	--	--	+173	+685
France	+35	+58	-310	-371	-78	+431	+576	-19
Ireland	+175	+158	+212	+326	+545	+650	+582	+732
Italy	+40	+248	+294	-334	+534	+737	+788	+1616
Netherlands	-27	+222	+88	+41	+288	+454	+239	+304
United Kingdom	+104	-90	+126	-228	-849	-1512	-1419	-2036
[Residual]	[+308]	[-179]	[+435]	[+445]	[--]	[--]	[--]	

II. Net positions after UK refunds	1980 As expected at time of 30 May agreement	1981*	1980 Actual	1981 Actual	1982
Belgium/Luxembourg	+709	+846	+377	+441	+445
Denmark	+389	+523	+294	+242	+260
Germany	-1623	-1836	-1957	-2185	-2334
Greece	--	--	-	+161	+658
France	-335	-421	+81	+139	-424
Ireland	+524	+656	+639	+568	+716
Italy	+598	+589	+527	+549	+1377
Netherlands	+347	+463	+376	+94	+212
United Kingdom	-609	-730	-337	-9	-910
			<u>1175</u>	<u>1410</u>	<u>1156</u>

1983

-1163

Source: Commission

As the residuals show, the figures for 1975 to 1978 are unsatisfactory, but they give some guidance as to the orders of magnitude; the figures for 1982 remain subject to revision.

* These figures give rise to a residual of -90, reflecting a last-minute revision to the United Kingdom figure which the Commission made without revising the figures for other member states.

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Av. refund 1100
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Robin

BRUSSELS EUROPEAN COMMUNITY SUMMIT, 19 - 20 MARCH

This brief is unclassified and can be used on the record. Any further questions may be referred to Mike Clements, News Department, Foreign and Commonwealth Office (233 8618).

GENERAL LINE

1. Government's attitude to Community committed and positive. Commitment clear in recent decisions to support collaboration over A320, fast breeders and information technology (ESPRIT).
2. Outcome of current 'big negotiation' matters enormously for jobs/investment in Britain and for prospects of reshaping Community policies to our benefit.
3. We want to relaunch Community on a sustainable basis. Like any other Community, must have adequate resources, budgetary discipline and budgetary fairness. 'Can't have one without other' (Prime Minister, 8 March speech to Conservative E.P. candidates).
4. We want Summit to take key decisions which Ministers and officials can convert into detailed agreements for endorsement at next Summit in June. Agreement must cover all five main elements in Stuttgart conclusions: budget discipline, budgetary imbalances, new policies, agriculture and own resources.
5. Formidable difficulties remain for Heads of State/Government to resolve. But agreement is achievable - and has to be reached sooner or later. Government working determinedly for success.

Supplementary Questions and Answers

6. Government preparing a sell-out?

No question of compromise on our two essential conditions of budgetary discipline and budgetary fairness first spelt out by Prime Minister at Stuttgart Summit. Unless these two conditions met, no question of increase in own resources.

7. Government inflexible?

- No-one has any reason to be surprised that we will continue to insist on our two conditions. Necessary for long term health of Community

Precondition for Parliamentary agreement. But remain ready to negotiate on how they can be met.

- Recognise that all governments will have to compromise on some elements (eg arrangements for milk agreed by Agriculture Ministers)

8. UK in Minority (of one)?

- In respectable company on most issues.
- Naturally others have different interests on question of refunds. But everyone now agrees on need for systematic solution.
- Isolation would, in any case, be irrelevant. Agreement by all Ten necessary to take big decisions.

9. Britain's fault if Summit fails?

No. Government have been doing everything possible to get agreement: constructive proposals, intense activity, stress on urgency. If fails, wont be for want of trying on our part.

10. Mr Heath's criticism of Government's approach?

- Mr Heath's Government obtained assurance that any 'unacceptable situation' would be corrected. We are now trying to turn it into reality.
- To soft pedal on our two conditions would not be in Community's long term interests.
- UK commitment clear in recent decisions on A320, ESPRIT and fast breeder collaboration.

11. Why is any increase needed in own resources?

- Government not committed to any increase as yet. But not possible in negotiations to demand everything and offer nothing.
- Although scope exists for cutting out waste, Community budget only 2% of member states' public expenditure. Savings in agricultural spending will not be achieved overnight.
- Shall need to examine carefully whether increase in resources needed to pay for enlargement/ new (non-agricultural) policies such as ESPRIT.

and

- With satisfactory limit on our budget contribution, effective VAT rate for Britain likely to remain below current 1% for some years.
- Any increase in VAT ceiling would not be called up immediately. Nor would eg a 10% increase in VAT call-up (to 1.1%) result in same increase in Community income (latter more like 6%).

12. Agriculture Ministers' agreement on milk a sell-out of British farmers interests?

Not in anybody's interests to go on producing surpluses for which no economic outlet available. Everybody has to bear fair share of cuts. British farmers doing no worse than others. Agreement very much in Britain's interests and in farmers' long-term interests.

13. 1983 Refunds?

- No technical obstacle to Community meeting commitment nor to bulk of refunds being paid, as in past, by end of March.
- French and Italian reserves unjustified (because refunds linked only to adoption not implementation of Stuttgart agenda) and misconceived (will not deter us from our course).
- If not paid on time, UK would have to safeguard its position.
- (With holding?) Fully prepared for all possible contingencies.

14. 1982 Risk-sharing money?

Community has still not met its legal obligation to pay £42m owing to us. Howe written to Cheysson as President of Council, asking him to consider steps necessary to resolve this. If need be will raise at Summit.



WHAT IS THE VALUE IN STERLING OF THE VARIOUS FIGURES FOR
UK RELIEFS WHICH WERE DISCUSSED IN THE EUROPEAN COUNCIL?

Today's rate of exchange is 1 ecu equals 0.59 pounds. A refund of 1000 mecu would thus have been equivalent to £590. A relief of 1250 mecu is the equivalent of £737.50.

1983 REFUNDS

WILL YOU NOW WITHHOLD?

We will now have to consider very carefully what steps to take in order to safeguard our position. The Cabinet will discuss this and will make a recommendation to the House in due course.

LEGALITY OF WITHHOLDING

No decisions taken on action needed to safeguard our position. No answer therefore possible at present.

LINKAGE BETWEEN REFUNDS AND OUTCOME OF EUROPEAN COUNCIL?

We are entitled to our 1983 refund by virtue of the agreement which we got at Stuttgart last June. That agreement was separate and freestanding. Text of Stuttgart conclusions make it clear that agreement to UK refunds for 1983 was taken in context of agreement on adoption of the Stuttgart Declaration, not its implementation. No question of any linkage of the UK's refunds in 1982 and outcome of the post-Stuttgart negotiations. No mention of linkage in Chancellor Kohl's statement to the European Parliament on 30 June. The refusal of two Member States to adopt the regulations implementing the UK's refunds for 1983 on the basis of this linkage is therefore totally illegitimate.

31 MARCH AN ARBITRARY DEADLINE?

The UK has a clearly established right to expect the bulk of its refunds to be paid by the end of March ie by the end of the financial year to which the refunds relate. The Council, Commission and the Parliament all recognise the importance of the date to us. Council agreement on this point was entered in the Council minutes of 27 October 1980. This provision was honoured in respect of UK refunds covering 1980, 1981 and 1982. At no stage, until the last week, has any Member State challenged this provision. The extent to which it is an accepted provision of the refund agreements is borne out by the Resolution adopted by the European Parliament at its session on 15 December 1983 in which the Parliament expressed the view that a final decision on the question of 1983 refunds "must be made before 31 March 1984 to avoid discrimination against any of the Member States.

COULD WE STILL GET OUR 1983 REFUND BY 31 MARCH?

Most unlikely following failure of yesterday's special meeting of the Foreign Affairs Council to adopt the Regulations necessary to provide legal base for payment of refunds.

1982 REFUNDS

WHAT ARE YOU GOING TO DO ABOUT OUR 1982 REFUND?

The Community has still not met its legal obligation to pay the £42 million owing to us. We have already drawn this problem formally to the attention of the Commission and the Presidency. We are now considering what other steps are open to us.

WILL YOU NOW WITHHOLD OUR 1982 REFUND/GO TO THE ECJ?

This is one of the options we will have to consider.

BUDGET IMBALANCES

WHAT WERE MAIN DIFFICULTIES?

Principal difficulties were duration and level of UK net contribution which would result from the application of the system. We were ready to accept system proposed by French Presidency for a lasting system for the fair sharing of financial burdens. But some other Member States, despite the long discussions over the last 9 months were unable to do so. Came very close to agreement on figures. But in the end we were unable to close the gap. Size of gap was crucial for us but not very big when divided up among the other Member States.

WHAT FIGURE WAS ON OFFER?

We were offered 1000 mecu for 5 years. This was even lower than the average refund - 1100 mecu a year - we have received over the last 4 years on basis of the original 1980 agreement despite fact that Community expenditure has gone up considerably since then and is going up all the time.

WHAT FIGURE WOULD YOU HAVE ACCEPTED?

Prepared to accept a figure of 1250 mecu for UK compensation in the first year of operation of the new system. A system based on parameters derived from this figure would have given us limits on level of our net contribution.

TOO INFLEXIBLE ON FIGURES?

By no means. In final attempt to reach compromise, indicated that I would have been prepared to accept a refund of 1000 mecu for 1984 only but only provided that it was part of a package which gave us a permanent solution for 1985 and all subsequent years on the lines proposed by the Presidency.

WHAT ABOUT THE GERMAN OFFER OF A TIME-LIMITED SOLUTION?

Could not possibly accept another ad hoc time-limited arrangement. Have been trying for 5 years ever since Dublin Summit to achieve an equitable and lasting solution under which our refund can be calculated on the basis of an objective formula based on the principle of ability to pay. Do not intend to give up now.

BUDGET DISCIPLINE

Considerable progress was made in the European Council on achieving control of agricultural and other Community expenditure which is one of our major negotiating objectives. There was general agreement that Community expenditure must be subject to the same kind of discipline as domestic expenditure, that the Community must henceforth decide how much revenue is available each year and determine expenditure accordingly and that there should be a separate constraint for agricultural spending. The UK will continue to press for these provisions to be embodied in the Community's budgetary procedures in a way that makes them binding on all the Community's institutions.

WHY IS THE UNITED KINGDOM PREPARED TO MAKE ADVANCE
PAYMENTS TO THE COMMUNITY?

The Commission have formally requested an advance payment of own resources under Article 10(2) of the Financial Regulation. In the light of the outcome of the Council and the Council's unwillingness to adopt our Refund Regulations, we shall now have to consider the Commission's request again, along with the wider issues raised by the Council's action.

WHY WAS THE UNITED KINGDOM READY TO AGREE TO AN INCREASE
IN OWN RESOURCES?

There was a discussion of own resources, entirely conditional on the satisfactory resolution of the main problems before the Council. In the absence of overall agreement there is, of course, no question of any increase whatsoever.

WOULD THE UK HAVE ACCEPTED AN INCREASE TO 1.6% -----

We said that a case could be made, taking into account the cost of enlargement, new Community policies, etc., for an increase to 1.4% provided our two conditions were satisfied. Any increase at all would of course, require the approval of Parliament.

WHAT WAS OUR PARTNERS' FINAL OFFER?

The Germans put forward an offer which would have given us reliefs of £570 million over 5 years. This would have left the UK making a net contribution of over £550 million on 1983 figures and was not acceptable. At one point, the Presidency proposed that the UK should receive an ad hoc relief in 1984 of £570 million to be followed by a system for subsequent years. That system would have been based on a relief of £712 million to the UK in the first year on 1983 figures. We would have been ready to accept this. Others proved unwilling to do so.

WHEN THE GAP WAS SO SMALL WHY COULD WE NOT FIGHT IT?

In terms of costs to other Member States, the gap was however a small one and I regret that they were unable to take on the necessary small additional burden to bridge the gap. There was a significant difference between the two proposals. The Germans were proposing an absolute figure for UK reliefs over 5 years. The Presidency system would have been based on a relief of £712 million in the first year. The figure for subsequent years would have been a product of the system which would have taken full account of relative prosperity and other factors.

WOULD THERE BE PRECEDENTS FOR WITHHOLDING?

There is no exact precedent for the present situation in which two Member States have blocked Refund Regulations implementing payments already agreed by the European Council. In 1979, France, Denmark and the United Kingdom refused to pay full VAT contributions since they considered the 1979 budget to have been improperly adopted. In 1981, the French, Germans and Belgians similarly refused to pay in full in respect of the 1980 Supplementary Budget Number 2. The parallel is not exact since in both cases Member States were disputing action by the European Parliament which had unilaterally increased the size of the budget.

COMMON AGRICULTURAL POLICY

MILK: WHY COULD WE NOT AGREE TO A SPECIAL DEAL FOR IRELAND?

The Dairy Sector currently absorbs 30% of all Community spending on agriculture, largely because the Community is producing 20% more milk than can be consumed. It was recognition that this could not go on that led Agriculture Ministers last week to agree provisionally on arrangements to cut back consumption from the 1983 level of 105 m tonnes to 98.2 m tonnes this year and 97.2 m tonnes in 1985.

We were ready to accept a 7.3% cut on 1983 output. Yesterday the Irish Government sought authority to continue increasing its milk production. This would have made no sense. The extra 1.3 million tonnes of quota which the Irish Republic and other Member States were seeking would have cost the Community over £200 million each year in disposal costs at a time when we are all looking for ways of cutting agricultural spending, not raising it. This was unacceptable to a number of Member States including the United Kingdom.

MILK: BRITISH ASPECT

Arrangements agreed provisionally by Agriculture Ministers will require sacrifices on all sides. But they are broadly fair to Britain, giving our farmers 16% of the agreed level of production. My rt hon Friend, Minister of Agriculture, deserves credit for having secured agreement from his colleagues on many points of importance to British farmers:

- (i) No exemptions for small producers for direct sales (would have favoured France);
- (ii) No levy on intensive production;
- (iii) Agreement on 1983 as base year for quotas.

MCAS

There are three stages to the deal provisionally agreed by Agricultural Ministers:

- (i) The green ecu would be revalued by 3 percentage points straight away. This will bring positive MCAs, including our own, down by 3 points - but without any reduction in British farm prices. At the same time, negative MCAs will be increased by 3 points. The countries concerned have sought devaluations of their green rates in compensation. Other Member States have resisted this proposal, since it would cost over 400 mecu.
- (ii) German positive MCAs would be cut by a further 5 percentage points. German farmers would be compensated through VAT adjustments, with a possible contribution from Community funds.
- (iii) Positive MCAs remaining for Germany and the Netherlands on the 1st of January 1985 would be dismantled no later than 1987/8.

Sterling's special status as a floating currency would be safeguarded. Consequently there would be no effect on the green pound of the second and third stages of the dismantlement.

BUTTER

Agriculture Ministers agreed an arrangement for the 75% reduction of the butter subsidy. A parallel cut in the butter intervention price will ensure that butter prices in the shops will not change.

GUARANTEE THRESHOLDS

Agriculture Ministers last week agreed that thresholds should be introduced for the limiting of guarantee payments for products in surplus or of which the cost by rising too rapidly. This has long been a high priority for Britain in our campaign to bring agricultural spending under control.

PRICE FIXING

Agriculture Ministers last week agreed on an outline price fixing package which took an important step towards controlling the spiralling costs of the CAP. This comprised price cuts of 1% for many key products (common wheat, barley, maize, olive oil, dried fodder, peas and beans, flax and hemp, table wine, beef, veal, sheepmeat and pigmeat). Sugar, durum, rye and milk prices were left unchanged, while prices for Mediterranean products are due to vary from minus 3% to plus 2.9% per year. In the absence of an agreement at the European Council, these proposals - along with all the others on the agricultural side - will now be referred back to the Agriculture Council.

DOES PRICE FIXING OFFER US ANY LEVERAGE?

We shall of course press hard for our interests to be safeguarded in all areas. But price fixing is determined by qualified majority voting. Decisions on own resources or on the Regulations governing the payment of our 1982 and 1983 refunds require unanimity. We are therefore dealing with two different types of decision-taking, as well as with two separate issues.

WHY NOT INVOLVE THE LUXEMBOURG COMPROMISE?

This must depend on whether the final package before Agriculture Ministers is in the United Kingdom's interest and whether it incorporates savings needed in the interest of the Community as a whole.

COST OF AGRICULTURAL PACKAGE Commission figures estimate that the package put to the European Council (including a 600,000 tonne reserve milk quota for special cases, which could include Ireland) would cost 608 mecu in 1984 - 864 mecu in 1985 - more than the Commission's own proposals for agricultural reform published last year. This is a high cost, likely to make it even more difficult for agricultural spending to stay within its 16.5 billion ecu budget for 1984. When the package is returned to the Agriculture Council, we shall of course seek to keep the cost as low as possible. The package as a whole nevertheless constitutes significant progress on the important areas of dairy surpluses, pricing and guarantee thresholds, which we would like to see implemented without delay.

BEEF VARIABLE PREMIUM

The Commission has proposed that the Beef Variable Premium scheme be discontinued. Other Member States agree. We have reserved our position.

MILK: BRITISH ASPECT

Arrangements agreed provisionally by Agriculture Ministers will require sacrifices on all sides. But they are broadly fair to Britain, giving our farmers 16% of the agreed level of production. My rt hon Friend, Minister of Agriculture, deserves credit for having secured agreement from his colleagues on several points of importance to British farmers including:

- (i) No exemptions for small producers for direct sales (would have favoured France);
- (ii) No levy on intensive production;
- (iii) Agreement that individual farmers may use 1983 production levels less 6% in filling their quotas, provided at the national level Britain respects the 1981 + 1% ceiling.

MILK: WHY COULD WE NOT AGREE TO A SPECIAL DEAL FOR IRELAND?

The Dairy Sector currently absorbs 30% of all Community spending on agriculture, largely because the Community is producing 20% more milk than can be consumed. It was recognition that this could not go on that led Agriculture Ministers last week to agree provisionally on arrangements to cut back consumption from the 1983 level of 105 m tonnes to 98.2 m tonnes this year and 97.2 m tonnes in 1985.

We were ready to accept a 7.3% cut on 1983 output. Yesterday the Irish Government sought authority to continue increasing its milk production. This would have made no sense. The extra 1.3 million tonnes of quota which the Irish Republic and other Member States were seeking would have cost the Community over £200 million each year in disposal costs at a time when we are all looking for ways of cutting agricultural spending, not raising it. This was unacceptable to a number of Member States including the United Kingdom. The Irish Government subsequently rejected the Presidency's compromise.

WILL BRITAIN BE EXCLUDED FROM ANY FOLLOW-UP MEETING
CALLED BY THE FRENCH PRESIDENCY?

If the French Presidency call a further meeting to try to make progress towards an agreement, I am sure that Britain will be there.

DOES NOT THIS MORNING'S STATEMENT OF THE FRENCH
SPOKESMAN MEAN THAT THE FRENCH ARE TRYING TO ORGANISE
OUR PARTNERS AGAINST US?

We were ready to agree, yesterday, to a proposal put forward by the Presidency. Other Member States were not. What we must now do is work to get the agreement which so narrowly alluded us yesterday. That has to be an agreement of the Community as a whole. I am sure that it is on that basis that the Presidency will wish to call further meetings.

BACKGROUND

After the French Cabinet Meeting today the French Government Spokesman said, that consultations would take place over the next few weeks among either the six or the nine members of the Community - or more than that if it were possible. He added that nine out of ten members of the Community agreed on what should be done and Britain now found itself facing its responsibilities. There was no question of yielding to its demands which would have risked undermining the building of Europe.

WHAT IS THE VALUE IN STERLING OF THE VARIOUS FIGURES FOR
UK RELIEFS WHICH WERE DISCUSSED IN THE EUROPEAN COUNCIL?

Today's rate of exchange is 1 ecu equals 0.59 pounds. A refund of 1000 mecu would thus have been equivalent to £590. A relief of 1250 mecu is the equivalent of £737.50.

BUDGETARY IMBALANCES

Control of expenditure and re-balancing of the budget constitute in the longer term the essential means for resolving the problem of budgetary imbalances.

In the meantime, any Member State placed in a particular budgetary situation with respect to its relative prosperity may benefit from a correction.

The details of the correction will be adopted by the Council of Ministers taking account of the following factors:

- that part of the budgetary imbalance due to extra-Community trade will not be taken into account;
- the need to make a correction to imbalances, the threshold above which a correction will be made and the size of that correction will be assessed in the light of the relative prosperity of each Member State as indicated by its per capita GDP;
- a Member State benefiting from a correction may not be exempted from contributing to a net increase in budget expenditure, including the cost of enlargement;
- a part of administrative expenditure will be charged to each Member State in accordance with a formula to be determined;
- any correction will be deducted from the normal share of VAT of the Member State concerned in the budget year following that in respect of which the correction was made; the resulting burden for the other Member States will be allocated according to their normal share of VAT;



UK AMENDMENTS TO DRAFT CONCLUSIONS ON BUDGETARY AND FINANCIAL
DISCIPLINE

1. Last sub-paragraph of Section 1 Delete "in accordance with their respective budgetary powers".

2. Section 2. Sub-paragraphs 2 and 3 Reverse order and redraft as follows:-

"To ensure that the expenditure relating to agricultural markets, calculated on a three-yearly basis, will increase at a rate markedly less than the rate of growth of the own resources base. This development will be assessed on comparable bases from one year to the next.

To this end to lay down the necessary provisions taking account of the proposals in the Commission document on financial guidelines concerning the CAP".

3. Add at the end of Section 3 the words:- "so that they are embodied in the Community's budgetary procedures".

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- harmonize standards and European products, and open up public contracts in the Member States to European undertakings,
- harmonize conditions of competition and progressively liberalize trade in services (notably in the transport and insurance sectors),
- implement a common transport policy and a transport infrastructure programme of Community interest,
- develop a suitable climate for co-operation between European undertakings by establishing a favourable legal and tax framework.

(c) The European Council reaffirms that the ECU is the central element and pillar of the EMS. It is pleased with the spontaneous growth in the private use of the ECU and notes that the Council of Ministers is continuing its discussions with a view to developing the EMS by making specific adjustments.

Steps will be taken to encourage greater use of savings available within the Community for financing investment. The Council therefore considers that significant progress will be made in order to improve financial integration within the Community.

(d) The European Council asks that, before its next meeting in June 1984, the arrangements necessary for the organization of the European Social Area be prepared, with the aim of fully associating social forces with the economic and technological changes which are decisive for recovery prospects within the Community.

SN 579/1/84

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COMMON AGRICULTURAL POLICY

The European Council reaffirms the Community's resolve to ensure the continuity and development of the common agricultural policy in compliance with the basic principles thereof, as set out in Article 39 of the Treaty, and in the desire to increase efficiency in the agricultural sector as a whole by means of rationalization in relation to current economic conditions.

In this context the European Council calls upon the Council of Ministers for Agriculture to give shape before 1 April 1984 to the points of agreement as embodied in the documents which it has adopted.

In addition, the European Council would adduce the following conclusions:

[- Irish problem

- tax on oils and fats

- MCAs

- other questions, in line with the conclusions of the Agriculture Council meetings⁷.

STRUCTURAL FUNDS

The European Council confirms that the Structural Funds must contribute to the revitalization of the Community in accordance with its objectives and priorities, by seeking to promote productive investment and to bring what Europe has to offer into line with the technological revolution.

To that end:

- (a) Management of the Funds will be improved having regard to the observations of the Court of Auditors, in particular by a suitable evaluation of the aid they provide and the elimination of any duplication, through improved co-operation between the Commission and the Member States.
- (b) An attempt will be made to combine aid from the various Funds, for example in the form of integrated programmes.

With this in mind, integrated Mediterranean programmes will be launched in favour of the southern regions of the present Community so as to be operational in 1985. Designed to be of limited duration, such programmes will have as their aim improvement of the economic structures of those regions

to enable them to adjust in the best conditions possible to the new situation created by enlargement. They will also prepare a solution to problems raised in the Greek Memorandum.

- (c) Within the framework of the accepted principles governing budgetary discipline and the future financing of the Community, the financial resources allocated to aid from the Funds will be substantially increased in real terms.

The current discussions initiated on the basis of the Commission's proposals, relating to the revision of the ERDF and the EAGGF Guidance Section, must be concluded before the next meeting of the European Council.

ENLARGEMENT

The European Council agrees that the accession negotiations must be completed by 30 September 1984 at the latest. This will make it possible for both texts requiring ratification, i.e. the texts on enlargement and on the creation of new own resources, to be submitted to national parliaments simultaneously.

BUDGETARY AND FINANCIAL DISCIPLINE

1. The European Council considers it essential that the strict rules which at present govern budgetary policy in each Member State also apply to the EEC budget.

The level of EEC expenditure will be fixed in the light of available income.

Budgetary discipline will apply to all EEC budget expenditure.

This will require a combined effort on the part of all the Institutions in accordance with their respective budgetary powers.

2. The European Council invites the Council of Ministers for its part:

- to fix at the beginning of the budget procedure a reference framework, i.e. the maximum level of expenditure which it considers it must adopt for the following financial year;
- to implement the provisions laid down in the Commission document on financial guidelines concerning the common agricultural policy.

In order to do so, the net expenditure relating to agricultural markets calculated on a three-yearly basis will increase within the limit of the rate of growth of the own resources base. This development will be assessed on comparable bases from one year to

the next. Account will be taken of exceptional circumstances, in particular in connection with enlargement.

- to undertake to comply with the maximum rate throughout the budget procedure. On the first reading the Council will keep the increase in Non-Compulsory Expenditure at a level no higher than half the maximum rate. On the second reading the Council will adopt a position such that the maximum rate is not exceeded.

3. The European Council requests the Council of Ministers to adopt the necessary implementing measures for the principles set forth in paragraph 2.

NEW POLICIES

With a view to the creation of a genuine Economic Union, the Council intends, through specific commitments, both externally and internally, to give the European economy an impetus comparable to that which it derived from the founding of the Customs Union in the early sixties.

The following priority objectives will be pursued:

- convergence of economic policies and Community action, capable of promoting productive investment and thereby a vigorous and lasting economic recovery;
- development, in close consultation with the Community industries and bodies concerned, of Europe's scientific and technological potential in those fields on which the international competitiveness of its industry depends;
- strengthening of the internal market so that European undertakings derive more benefit from the Community dimension;
- protection of employment, which is a crucial factor in Community social policy.

The European Council asks the Council of Ministers to actively pursue the examination of the Commission proposals which already meet these objectives and requests the Commission to report to it in time for its meeting in June on the progress made on revitalizing Europe, laying particular emphasis on the following sectors:

- (a) The European Council stresses the importance of the agreement reached on the launching of the ESPRIT programme, which is an exemplary co-operation project between undertakings.

It expects the Council of Ministers to specify without delay the other areas in which Community initiatives are imperative.

A programme will be adopted before the end of the first half of 1984 in the areas of telecommunications and biotechnology. Scientific and technical co-operation and exchanges will be intensified in the Community, in particular by the encouragement given to mobility among researchers.

It agrees on the need to increase the proportion of Community resources devoted to financing priority Community research and development activities.

- (b) The European Council is satisfied with the agreement reached on reducing technical barriers to trade and combating illegal commercial practices by the Community's partners, and considers that new measures need to be adopted rapidly to:

- simplify formalities in trade within the Community and modernise the customs system,

AGRICULTURE

Speaking note for the Prime Minister

The Presidency is right to concentrate on the major questions in the agricultural part of the post-Stuttgart negotiations. I have a limited number of points, but they are important. This European Council must give a bigger impetus to reforming the operation of the common agricultural policy (eg guarantee thresholds, price restraint) and to avoiding misuse of resources.

First, milk. The Agriculture Ministers have reached an agreement on the main elements of the quota/superlevy system. I would recall to my colleagues that this will be hard for British farmers, who will take a cut in the volume of milk deliveries of more than 7%.

This is a bigger cut than for dairy farmers in, for example, France, Italy or Luxembourg (France 2.9%, Italy 5.2%, Luxembourg 6.3%)

With our Netherlands colleague we have a reserve on the proposal that there should be an extra 0.6 million tons of milk above the basic 97.2 million tons (98.2 million in 84/85). The United Kingdom is strongly opposed to any form of exemption or discrimination in the quota/superlevy scheme. If I were to withdraw my reserve on the 0.6 million tons, I would need to be sure that it would cover all the special demands from Ireland, Northern Ireland, Italy, Luxembourg and Greece.

Secondly, MCA's. The documents give the impression that there is one problem remaining. In my view there are two. There is the question of any Community financial contribution to the German measures. There is also an important general reserve because we need to be sure that there are rules governing the phasing out of the negative monetary compensatory amounts created or likely to be

eated by the new system. The proposed new system will be very expensive. We need some safeguards. I propose that the phasing out of negative MCAs should be over 3 years.

Thirdly, guarantee thresholds in general. We were close to an agreement in Athens. Guarantee thresholds are the centrepiece of our long term policy. We need them where products are or are likely to be in surplus, or where expenditure is rising quickly or where production is increasingly more rapidly than consumption. I understand that these matters have been incorporated in a new text which we must endorse here as part of our proposals.

Fourthly, cereals. I hope that we can agree that the Community does intend to progressively narrow over a period of years the gap between Community prices and those of our principal competitors. That would certainly be welcome to our livestock farmers. If so, we should say so.

I raise these points so that they can be reflected later in a revised Presidency text.

AGRICULTURE

Reserve for later

The cash shortage in 1984

The President of the Commission is right to draw our attention to this looming problem. I do not under-rate its importance in the short term. But we cannot solve it here and now. First, the Agriculture Ministers have not yet completed their package, although they have moved forward. They must be told to continue their search for savings. Secondly, this is March: we simply cannot be sure exactly how the agricultural expenditure is going to turn out. Thirdly, we have to settle our major long-term issues in the post-Stuttgart package first, including the question of budget imbalances which is critical for my country.

AGRICULTURE

The beef variable premium ("the Peart Premium")

I do not propose that this meeting of the European Council should discuss in detail the beef variable premium or the calculation of the ewe premium . The beef variable premium should continue. We can look at this and the ewe premium again in 1985.

SPEAKING NOTE ON BUDGETARY DISCIPLINE

The first paragraph of the Presidency draft lays down principles which are vital for the future health of the Community. Since 1981 we have been discussing the need to constrain agricultural expenditure and yet since then expenditure has been running out of control. The time has come to take action and it must be firm action. If we are to consider providing more resources for the Community, we must put our house in order, as we agreed to do at Stuttgart.

The Presidency draft is an excellent basis for discussion and I only have a few amendments to propose - but those are of crucial importance.

I agree with the thought lying behind the draft that we should decide now on what should be done and instruct the Council to prepare draft texts to give effect to what we propose. I do not want to prejudge the question whether this should be done by Regulation or by some other legal form. The essential point will be to ensure that all the Institutions, including the Parliament and, above all, the Agriculture Council, are bound to apply budget discipline. With these thoughts in mind, I propose two amendments:-

- to delete the last seven words of section 1 "in accordance with their respective budgetary powers." They are not wholly clear and might prejudge the decisions the Ministers will have to take on legal form. Nor are they necessary to the important thought that all three Institutions must make a combined effort.

- to add at the very end of the whole text the words "So that they are ~~formally~~ embodied in the Community's budgetary procedures."

This is vital. The Council and the Parliament must not go on disagreeing each year about whether the budget is legal or not.

/It brings

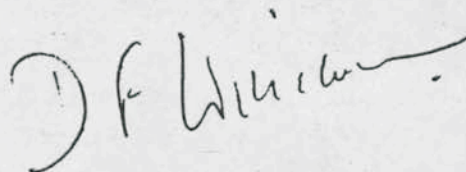
It brings the Community into disrepute. The Agriculture Ministers must know what the financial constraints on them are and act accordingly. Without this addition, we shall not in practise get strict budgetary discipline. We shall certainly not be able to sustain it.

This brings me to my other amendments which are to Section 2 on agricultural spending. My general thought is that we should build on the very constructive paper of the Commission without approving it in detail at this stage. I don't want to take up the European Council's time with the various detailed improvements which still need to be made. Second, we should make it quite clear that the Council's task is to ensure that agriculture expenditure grows significantly less fast than the own resources base. If it grows at the same rate, we shall never get a better balance in the budget. And finally, though I agree that we have to retain sufficient flexibility to deal with circumstances genuinely outside the Community's control, as our own paper on the strict financial guideline proposed, I do not think we should go as far in the direction of creating loopholes as does the present text. I am circulating a proposed revision of the second and third sub-paragraphs of Section 2 to give effect to these thoughts.

PRIME MINISTER

Milk: Statement by the Taoiseach

1. This means an Irish demand for an extra 900000 tonnes of milk [our calculation is based on their 1981 and 1% figure, increasing it as if the Community average yield applied in Ireland: we think that the Irish intended to ask for even more], (compared with the figure of 400000 mecus suggested in your brief). Unacceptable to us or to most other member states.
2. If reached, would cost about 250 million ecu per year.
3. Claim that Irish should be permitted to increase yields to average Community level is unreasonable. Low yields do not necessarily mean low incomes. It is the margin that counts.
4. Irish request implies almost indefinite expansion because they are unlikely to reach average Community yields in foreseeable future.



19 March, 1984

(D F Williamson)

E R

POINTS IN THE PRESIDENCY'S DRAFT CONCLUSIONS WHICH THE UK WOULD WISH TO SEE CHANGED

Common Agricultural Policy

(i) Insert in European Council conclusions the whole of the text on price policy and guarantee thresholds proposed by the German delegation at Athens.

The text reads:

- " The European Council agrees
- in general to pursue a cautious price policy, geared to sales possibilities, for all products.
 - to introduce guarantee thresholds for all intervention and aid products either when there are surpluses or production is increasing more rapidly than sales possibilities or where an appreciable increase in expenditure is recorded (each criteria should apply per se and not be cumulative).
 - where guarantee thresholds are exceeded, measures are to be taken to achieve economies of ^{scale} as proposed by the Commission."

(ii) Insert in European Council conclusions the following text on cereals prices:

"The European Council agrees that the decision to reduce cereals prices represents the first step in a progressive alignment over a period of four years of the Community's support prices for cereals with the support prices obtaining in other major cereals exporting countries, designed to strengthen the balance of prices in the Community between the arable and the livestock sectors."

(iii) On negative MCA's, agree the text in footnote to Document No 5803/84.

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D R A F T

CONCLUSIONS OF THE PRESIDENCY

2A

INTRODUCTION

The European Council reached agreement on a series of decisions and guidelines to ensure the relaunch of the Community and establish a solid basis for its further development during the present decade.

During this period, it will be important to maintain and consolidate the "acquis communautaire", particularly for a modernized common agricultural policy, increase efforts towards greater convergence between the Member States, move towards enlargement of the Community under satisfactory conditions and give priority to action to strengthen the competitiveness of Community industries.

The European Council considers that by pursuing these guidelines the Community will make a significant contribution to the economic growth of the Member States and to the combating of unemployment.

It considers that only a stronger European identity will lead to the Community playing its full role in the world, in particular with a view to re-establishing economic and monetary stability.

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le 20 mars 1984

15.00

P R O J E T

de

CONCLUSIONS DE LA PRESIDENCE

INTRODUCTION

Le Conseil européen s'est mis d'accord sur un ensemble de décisions et orientations afin d'assurer la relance de la Communauté et d'établir une base solide pour la poursuite de son développement pendant l'actuelle décennie.

Durant cette période, il conviendra de maintenir et de consolider l'acquis notamment pour une politique agricole commune modernisée, d'accroître l'effort pour une plus grande convergence entre Etats membres, d'aller vers l'élargissement de la Communauté dans des conditions satisfaisantes et d'accorder une priorité aux actions visant à renforcer la compétitivité des industries communautaires.

Le Conseil européen considère qu'en poursuivant ces orientations la Communauté contribuera de façon significative à la croissance économique des Etats membres et à leur lutte contre le chômage.

Il estime que seule une plus grande identité européenne conduira la Communauté à jouer pleinement son rôle dans le monde, plus particulièrement en vue de recréer la stabilité économique et monétaire.

POLITIQUES NOUVELLES

Dans la perspective de la réalisation d'une véritable Union Economique, le Conseil entend, par des engagements précis, à la fois sur le plan extérieur et sur le plan intérieur, donner à l'économie européenne une impulsion comparable à celle que lui avait apportée, au début des années soixante, la mise en chantier de l'Union douanière.

Les objectifs prioritaires suivants seront recherchés :

- la convergence des politiques économiques et une action de la Communauté capables de promouvoir l'investissement productif et par là une reprise économique vigoureuse et durable,
 - le développement, en étroite consultation avec les industries et organismes concernés dans la Communauté, du potentiel scientifique et technologique de l'Europe.
-
- l'affermissement du marché intérieur pour que les entreprises européennes profitent davantage de la dimension communautaire,
 - la défense et la promotion de l'emploi, élément déterminant de la politique sociale communautaire notamment pour les jeunes.

Le Conseil européen invite le Conseil des Ministres à poursuivre activement l'examen des propositions de la Commission qui répondent déjà à ces objectifs et invite celle-ci à lui faire rapport, pour sa session de juin, sur les progrès qui auront été réalisés pour la relance de l'Europe en mettant particulièrement l'accent sur les secteurs ci-après :

a) Le Conseil européen souligne l'importance de l'accord intervenu pour le lancement du programme ESPRIT, projet exemplaire de coopération entre les entreprises .

Il attend du Conseil des Ministres que soient définis sans délai les autres domaines où des initiatives de la Communauté s'imposent.

Un programme-cadre sera arrêté avant la fin du premier semestre 1984 dans les domaines des télécommunications et des biotechnologies. La coopérations et les échanges scientifiques et techniques seront accentués au sein de la Communauté, notamment par les encouragements donnés à la mobilité des chercheurs.

Il convient de la nécessité d'accroître la part des ressources de la Communauté consacrée au financement des activités prioritaires de Recherche et Développement communautaires.

b) Le Conseil européen satisfait de l'accord intervenu sur la réduction des entraves techniques aux échanges et la défense contre les pratiques commerciales illicites des partenaires de la Communauté, estime nécessaire l'adoption rapide de nouvelles mesures tendant à :

- une simplification décisive des formalités dans les échanges à l'intérieur de la Communauté et la modernisation du système douanier,
- l'harmonisation des normes et des produits européens, ainsi que l'ouverture des marchés publics des Etats membres aux entreprises européennes,
- l'harmonisation des conditions de concurrence et la libéralisation progressive des échanges de services, notamment dans le secteur des transports et de l'assurance,
- la mise en oeuvre d'une politique commune des transports et d'un programme d'infrastructures de transports d'intérêt communautaire,
- la mise en oeuvre d'un environnement propice à la coopération entre les entreprises européennes par la définition d'un cadre juridique et fiscal qui la favorise,
- la pleine utilisation des instruments financiers existants au service des politiques de la Communauté y compris l'encouragement de l'investissement productif.

c) Le Conseil européen réaffirme que l'ECU constitue l'élément central et le pilier du SME. Il se réjouit de l'expansion spontanée de l'usage privé de l'ECU et prend note que le Conseil des Ministres poursuit ses travaux tendant à faire progresser le SME par des adaptations concrètes.

Des moyens seront réunis pour inciter l'épargne disponible dans la Communauté à contribuer davantage au financement de l'investissement. Le Conseil pense, en conséquence, que des progrès significatifs seront effectués pour parvenir à une meilleure intégration financière dans la Communauté.

d) Le Conseil européen demande que soient préparées, avant sa prochaine session de juin 1984, les dispositions utiles à l'organisation de l'espace social européen dans le but d'associer pleinement les forces sociales aux transformations économiques et technologiques qui déterminent les perspectives de relance dans la Communauté.

Il demande également aux Ministres de l'Education et à la Commission d'étudier les voies et moyens susceptibles d'encourager le développement, dans chaque Etat membre, de l'enseignement des langues.

POLITIQUE AGRICOLE COMMUNE

Le Conseil européen réaffirme la volonté de la Communauté de garantir la continuité et le développement de la Politique agricole commune dans le respect de ses principes fondamentaux tels qu'ils figurent à l'article 39 du Traité et dans le souci d'accroître l'efficacité du secteur agricole dans son ensemble grâce à un effort de rationalisation en relation avec les conditions économiques actuelles.

Dans ce contexte, le Conseil européen approuve les conclusions auxquelles est arrivé le Conseil AGRI telles qu'elles figurent dans les documents sur les MCM (doc. 5803/84), le lait (doc. 5802/84), les autres produits et le mode de calcul des MCM (doc. 5847/84) et invite le Conseil (Agriculture) à résoudre le plus rapidement possible les problèmes qui sont encore en suspens.

En outre, le Conseil européen adopte le texte suivant :

Politique commerciale

Le Conseil Européen estime que l'adaptation pour tous les produits de la politique agricole commune à la situation du marché, notamment par la création de seuils de garantie et de co-responsabilité, permettra à la Communauté de fonder sa politique d'exportation agricole sur une base économique saine et d'assurer un respect satisfaisant de la préférence communautaire et de ses obligations internationales.

Des accord cadres conclus avec des pays tiers pour la fourniture de produits agricoles pourront constituer l'un des instruments de sa politique d'exportation.

La Communauté devra aussi contribuer au développement d'une stratégie alimentaire en faveur des pays en développement, en priorité des pays d'Afrique, des Caraïbes et du Pacifique. Dans ce contexte des accords spécifiques pourront être conclus avec ceux des pays qui en feront la requête dans le cadre de leurs politiques de sécurité alimentaire.

La Communauté veillera enfin, dans les enceintes multilatérales, à ce que prévalent dans le développement des échanges agricoles des obligations comparables pour les principaux partenaires exportateurs.

Enfin le Conseil européen apporte les compléments suivants :

Le Conseil Européen décide que la quantité garantie de lait pour l'Irlande sera, en 1984, égale à la quantité produite en 1983 dans ce pays. Au-delà de cette quantité, les autres règles prévues dans l'accord du Conseil Agricole s'appliquent à l'Irlande.

La réserve de la Commission sera modifiée en conséquence.

Le Conseil Européen invite le Conseil Agriculture à prendre, sur proposition de la Commission, une décision prévoyant des mesures particulières en faveur de l'Agriculture irlandaise, sous la section orientation du FEOGA, en vue de rationaliser le secteur de l'élevage; le coût de ces mesures n'excèdera pas 40 MECUS.

/- la taxe sur les matières grasses 7

Le Conseil européen invite le Conseil (Agriculture) à adopter avant le 31 mars 1984 les actes relatifs aux décisions précitées.

FONDS STRUCTURELS

1. Le Conseil européen estime que les Fonds structurels devront devenir des instruments efficaces de politiques communautaires visant à contribuer à la résorption des retards régionaux de développement et à la reconversion des régions en déclin industriel ; à promouvoir une agriculture dynamique et compétitive par le maintien et le développement de structures agricoles efficaces notamment dans les régions moins favorisées ; à lutter contre le chômage, en particulier pour les jeunes.

A cette fin :

a) La gestion des Fonds sera améliorée eu égard aux observations de la Cour des Comptes, et au rapport de la Commission, en particulier par une évaluation appropriée de leurs interventions, par une concentration des actions des Fonds et la suppression de tout double emploi, grâce à une meilleure concertation entre la Commission et les Etats membres.

b) Une coordination des actions des différents Fonds sera recherchée, par exemple sous la forme de programmes intégrés.

Dans cette optique, des programmes intégrés méditerranéens seront lancés au bénéfice des régions méridionales de la Communauté actuelle de manière à être opérationnels en 1985. Conçus pour une durée limitée, ils auront pour objet d'améliorer les structures économiques de ces régions afin de leur permettre de s'adapter dans

les meilleures conditions possibles à la situation nouvelle créée par l'élargissement. Ils couvriront également des problèmes évoqués par le mémorandum grec.

c) Les moyens financiers affectés aux interventions des Fonds compte tenu des PIM seront accrus de manière significative en termes réels dans le cadre des possibilités de financement.

Les travaux en cours, engagés sur la base des propositions de la Commission, en matière de révision du FEDER et de FEOGA "orientation" devront aboutir avant la prochaine session du Conseil européen.

DISCIPLINE BUDGETAIRE ET FINANCIERE

1. Le Conseil européen estime qu'il est essentiel que les règles de rigueur qui gouvernent actuellement la politique budgétaire de chacun des Etats membres s'appliquent également au budget des Communautés.

Le niveau des dépenses des Communautés sera établi en fonction des recettes disponibles.

La discipline budgétaire qui impose un effort conjugué de toutes les institutions dans le cadre de leurs compétences respectives s'appliquera à l'ensemble des dépenses du budget.

2. Le Conseil européen invite le Conseil des Ministres pour ce qui le concerne :

- à fixer en début de procédure budgétaire, un cadre de référence, c'est-à-dire l'enveloppe maximale des dépenses qu'il estime devoir retenir pour financer les politiques communautaires au cours de l'exercice suivant.

- à faire en sorte que les dépenses nettes découlant des marchés agricoles calculées sur une base triennale progressent moins que le taux d'accroissement de la base des ressources propres. L'appréciation de cette évolution se fera sur des bases comparables d'une année sur l'autre. Il sera tenu compte de circonstances exceptionnelles, notamment en relation avec l'élargissement. Les dispositions prévues dans le document de la Commission relatif aux directives financières sur la Politique agricole commune seront mises en oeuvre.

- à s'engager à respecter, tout au long de la procédure budgétaire, telle que définie par l'article 203 du Traité de Rome, le taux maximum. Lors de la première lecture, le Conseil maintiendra l'augmentation des Dépenses Non Obligatoires à un niveau au plus égal à la moitié du taux maximum. En seconde lecture, le Conseil prendra une position telle qu'il n'en résultera pas de dépassement du taux maximum.

3. Le Conseil européen invite le Conseil des Ministres à prendre

DESEQUILIBRES BUDGETAIRES

La maîtrise des dépenses et le rééquilibrage du budget sont à terme les moyens essentiels de résoudre la question des déséquilibres budgétaires.

Toutefois en application de la Déclaration de Stuttgart tout Etat membre supportant une charge budgétaire excessive au regard de sa prospérité relative est susceptible de bénéficier le moment venu d'une correction.

Les modalités de la correction sont arrêtées par le Conseil des Ministres avant le mois de juin compte tenu des éléments suivants :

- la base de la correction est l'écart entre la quote part TVA et la quote part dans les dépenses réparties selon les critères actuels.

Une partie des dépenses administratives sera imputée à chaque Etat membre selon la formule actuelle.

- la correction ne joue qu'à partir d'un certain seuil à déterminer, exprimé en pourcentage du PIB en valeur. Ce pourcentage varie en fonction de la prospérité relative telle qu'elle résulte du PIB per capita dans une Communauté à 12; le taux de correction au-delà du seuil précité varie en fonction inverse de la prospérité relative.
- En conséquence l'Etat membre bénéficiaire d'une compensation supporte un pourcentage de la charge supplémentaire résultant de l'augmentation de la base de la correction y compris les dépenses liées à l'élargissement.
- la correction viendra en déduction de la part normale de la TVA de l'Etat membre concerné au titre de l'année budgétaire suivant celle pour laquelle la correction sera opérée ; la charge qui en résultera pour les autres Etats membres sera répartie selon la part TVA normale ;

- Le mécanisme de correction ci-dessus fera partie de la décision sur les nouvelles ressources propres, leurs durées étant liées.

Un an avant que le nouveau plafond ne soit atteint, la Commission présentera un rapport sur les résultats de la discipline budgétaire, les besoins financiers de la Communauté et le fonctionnement du mécanisme de correction. Le Conseil prendra les mesures nécessaires pour assurer la continuité du système financier de la Communauté.

Pour le Royaume-Uni l'application des éléments ci-dessus aux données budgétaires de l'année 1983 aurait donné lieu à un montant de correction de X MECUS ; pour l'année 1984, cette correction est fixée par anticipation de la modalité de correction à appliquer à partir de 1986. Elle sera versée en 1985 selon des modalités à fixer qui n'affecteront pas le niveau des dépenses communautaires.

RESSOURCES PROPRES ET ELARGISSEMENT

Le taux maximum de mobilisation de la TVA est fixé à 1,4 % à la date du 1er janvier 1986 ; ce taux maximum vaut pour chaque Etat membre et entrera en vigueur dès que les procédures de ratification seront achevées et au plus tard le 1er janvier 1986.

Le taux maximum peut être porté à 1,6 % à la date du 1er janvier 1986 sur décision du Conseil prise à l'unanimité et après accord donné selon les procédures nationales.

Le Conseil Européen demande que les négociations d'adhésion de l'Espagne et du Portugal puissent être achevées au plus tard le 30 septembre 1984. Cela rendra possible une présentation simultanée devant les Parlements nationaux pour ratification des deux textes relatifs à l'élargissement et à la création de nouvelles ressources propres.

La Commission fera le moment venu un rapport sur la situation financière et les propositions appropriées concernant le financement du budget communautaire avant l'entrée en vigueur de la décision sur les nouvelles ressources propres. Le Conseil adoptera les décisions nécessaires en vue d'assurer le fonctionnement de la Communauté.

le 20 mars 1984

1st draft

P R O J E T
de
CONCLUSIONS DE LA PRESIDENCE

INTRODUCTION

Le Conseil européen s'est mis d'accord sur un ensemble de décisions et orientations afin d'assurer la relance de la Communauté et d'établir une base solide pour la poursuite de son développement pendant l'actuelle décennie.

Durant cette période, il conviendra de maintenir et de consolider l'acquis notamment pour une politique agricole commune modernisée, d'accroître l'effort pour une plus grande convergence entre Etats membres, d'aller vers l'élargissement de la Communauté dans des conditions satisfaisantes et d'accorder une priorité aux actions visant à renforcer la compétitivité des industries communautaires.

Le Conseil européen considère qu'en poursuivant ces orientations la Communauté contribuera de façon significative à la croissance économique des Etats membres et à leur lutte contre le chômage.

Il estime que seule une plus grande identité européenne conduira la Communauté à jouer pleinement son rôle dans le monde, plus particulièrement en vue de recréer la stabilité économique et monétaire.

POLITIQUES NOUVELLES

Dans la perspective de la réalisation d'une véritable Union Economique, le Conseil entend, par des engagements précis, à la fois sur le plan extérieur et sur le plan intérieur, donner à l'économie européenne une impulsion comparable à celle que lui avait apportée, au début des années soixante, la mise en chantier de l'Union douanière.

Les objectifs prioritaires suivants seront recherchés :

- la convergence des politiques économiques et une action de la Communauté capables de promouvoir l'investissement productif et par là une reprise économique vigoureuse et durable,
 - le développement, en étroite consultation avec les industries et organismes concernés dans la Communauté, du potentiel scientifique et technologique de l'Europe.
-
- l'affermissement du marché intérieur pour que les entreprises européennes profitent davantage de la dimension communautaire,
 - la défense de l'emploi, élément déterminant de la politique sociale communautaire.

Le Conseil européen invite le Conseil des Ministres à poursuivre activement l'examen des propositions de la Commission qui répondent déjà à ces objectifs et invite celle-ci à lui faire rapport, pour sa session de juin, sur les progrès qui auront été réalisés pour la relance de l'Europe en mettant particulièrement l'accent sur les secteurs ci-après :

a) Le Conseil européen souligne l'importance de l'accord intervenu pour le lancement du programme ESPRIT, projet exemplaire de coopération entre les entreprises .

Il attend du Conseil des Ministres que soient définis sans délai les autres domaines où des initiatives de la Communauté s'imposent.

Un programme-cadre sera arrêté avant la fin du premier semestre 1984 dans les domaines des télécommunications et des biotechnologies. La coopérations et les échanges scientifiques et techniques seront accentués au sein de la Communauté, notamment par les encouragements donnés à la mobilité des chercheurs.

Il convient de la nécessité d'accroître la part des ressources de la Communauté consacrée au financement des activités prioritaires de Recherche et Développement communautaires.

b) Le Conseil européen satisfait de l'accord intervenu sur la réduction des entraves techniques aux échanges et la défense contre les pratiques commerciales illicites des partenaires de la Communauté, estime nécessaire l'adoption rapide de nouvelles mesures tendant à :

- la simplification des formalités dans les échanges à l'intérieur de la Communauté et la modernisation du système douanier,

- l'harmonisation des normes et des produits européens, ainsi que l'ouverture des marchés publics des Etats membres aux entreprises européennes,
- l'harmonisation des conditions de concurrence et la libéralisation progressive des échanges de services, notamment dans le secteur des transports et de l'assurance,
- la mise en oeuvre d'une politique commune des transports et d'un programme d'infrastructures de transports d'intérêt communautaire,
- la mise en oeuvre d'un environnement propice à la coopération entre les entreprises européennes par la définition d'un cadre juridique et fiscal qui la favorise,
- la pleine utilisation des instruments financiers existants au service des politiques de la Communauté y compris l'encouragement de l'investissement productif.

c) Le Conseil européen réaffirme que l'ECU constitue l'élément central et le pilier du SME. Il se réjouit de l'expansion spontanée de l'usage privé de l'ECU et prend note que le Conseil des Ministres poursuit ses travaux tendant à faire progresser le SME par des adaptations concrètes.

Des moyens seront réunis pour inciter l'épargne disponible dans la Communauté à contribuer davantage au financement de l'investissement. Le Conseil pense, en conséquence, que des progrès significatifs seront effectués pour parvenir à une meilleure intégration financière dans la Communauté.

d) Le Conseil européen demande que soient préparées, avant sa prochaine session de juin 1984, les dispositions utiles à l'organisation de l'espace social européen dans le but d'associer pleinement les forces sociales aux transformations économiques et technologiques qui déterminent les perspectives de relance dans la Communauté.

Il demande également aux Ministres de l'Education et à la Commission d'étudier les voies et moyens susceptibles d'encourager le développement, dans chaque Etat membre, de l'enseignement des langues.

POLITIQUE AGRICOLE COMMUNE

Le Conseil européen réaffirme la volonté de la Communauté de garantir la continuité et le développement de la Politique agricole commune dans le respect de ses principes fondamentaux tels qu'ils figurent à l'article 39 du Traité et dans le souci d'accroître l'efficacité du secteur agricole dans son ensemble grâce à un effort de rationalisation en relation avec les conditions économiques actuelles.

Dans ce contexte, le Conseil européen approuve les accords intervenus au Conseil AGRI tels qu'ils figurent dans les documents sur les MCM (doc. 5803/84), le lait (doc. 5802/84), les autres produits et le mode de calcul des MCM (doc. 5847/84).

En outre, le Conseil européen adopte le texte suivant :

Politique commerciale

Le Conseil Européen estime que l'adaptation pour tous les produits de la politique agricole commune à la situation du marché, notamment par la création de seuils de garantie et de co-responsabilité, permettra à la Communauté de fonder sa politique d'exportation agricole sur une base économique saine et d'assurer un respect satisfaisant de la préférence communautaire et de ses obligations internationales.

Des accord cadres conclus avec des pays tiers pour la fourniture de produits agricoles pourront constituer l'un des instruments de sa politique d'exportation.

La Communauté devra aussi contribuer au développement d'une stratégie alimentaire en faveur des pays en développement, en priorité des pays d'Afrique, des Caraïbes et du Pacifique. Dans ce contexte des accords spécifiques pourront être conclus avec ceux des pays qui en feront la requête dans le cadre de leurs politiques de sécurité alimentaire.

La Communauté veillera enfin, dans les enceintes multilatérales, à ce que prévalent dans le développement des échanges agricoles des obligations comparables pour les principaux partenaires exportateurs.

Enfin le Conseil européen apporte les compléments suivants :

Le Conseil européen décide que la réserve de 600.000 t prévue aux paragraphes 2 et 3 de l'accord sur le lait intervenu au Conseil "Agriculture" est portée à 900.000 t / 1.000.000 t. La réserve sera distribuée par la Commission selon des orientations à définir par le Conseil tenant compte des problèmes particuliers de l'Irlande, de l'Italie et du Luxembourg. Le Conseil européen convient en outre d'inviter le Conseil "Agriculture" à prendre sur proposition de la Commission une décision prévoyant des mesures particulières en faveur de l'agriculture irlandaise sous la section "Orientation" du FEOGA, en vue notamment de rationaliser le secteur de l'élevage ; le coût de ces mesures n'excèdera pas 40 mio ECU.

[- la taxe sur les matières grasses]

Le Conseil européen invite le Conseil (Agriculture) à adopter avant le 31 mars 1984 les actes relatifs aux décisions précitées.

- M.C.M. : montant de l'aide communautaire.

La Communauté participera au financement de cette aide de façon dégressive en 1985 et en 1986. Une participation de la Communauté pourra être décidée en 1987 en fonction de l'évolution du niveau de la compensation nationale à laquelle aura procédé la République fédérale d'Allemagne dûment autorisée par la Commission. La Commission fera le moment venu une proposition appropriée au Conseil qui prendra une décision dans les meilleurs délais.

FONDS STRUCTURELS

1. Le Conseil européen estime que les Fonds structurels devront devenir des instruments efficaces de politiques communautaires visant à contribuer à la résorption des retards régionaux de développement et à la reconversion des régions en déclin industriel ; à promouvoir une agriculture dynamique et compétitive par le maintien et le développement de structures agricoles efficaces notamment dans les régions moins favorisées ; à lutter contre le chômage, en particulier pour les jeunes.

A cette fin :

- a) La gestion des Fonds sera améliorée eu égard aux observations de la Cour des Comptes, en particulier par une évaluation appropriée de leurs interventions et la suppression de tout double emploi, grâce à une meilleure concertation entre la Commission et les Etats membres.
- b) Une combinaison des concours des différents Fonds sera recherchée, par exemple sous la forme de programmes intégrés.

Dans cette optique, des programmes intégrés méditerranéens seront lancés au bénéfice des régions méridionales de la Communauté actuelle de manière à être opérationnels en 1985. Conçus pour une durée limitée, ils auront pour objet d'améliorer les structures économiques de ces régions afin de leur permettre de s'adapter dans

les meilleures conditions possibles à la situation nouvelle créée par l'élargissement. Ils prépareront également la solution des problèmes évoqués par le memorandum grec.

c) Dans le cadre des principes reconnus en matière de discipline budgétaire et de financement futur de la Communauté, les moyens financiers affectés aux interventions des Fonds compte tenu des PIM seront accrus /de manière substantielle/en termes réels.

Les travaux en cours, engagés sur la base des propositions de la Commission, en matière de révision du FEDER et de FEOGA "orientation" devront aboutir avant la prochaine session du Conseil européen.

DISCIPLINE BUDGETAIRE ET FINANCIERE

1. Le Conseil européen estime qu'il est essentiel que les règles de rigueur qui gouvernent actuellement la politique budgétaire de chacun des Etats membres s'appliquent également au budget des Communautés.

Le niveau des dépenses des Communautés sera établi en fonction des recettes disponibles.

La discipline budgétaire qui impose un effort conjugué de toutes les institutions dans le cadre de leurs compétences respectives s'appliquera à l'ensemble des dépenses du budget.

2. Le Conseil européen invite le Conseil des Ministres pour ce qui le concerne :

- à fixer en début de procédure budgétaire, un cadre de référence, c'est-à-dire l'enveloppe maximale des dépenses qu'il estime devoir retenir pour financer les politiques communautaires au cours de l'exercice suivant.

- à faire en sorte que les dépenses nettes découlant des marchés agricoles calculées sur une base triennale progressent moins que le taux d'accroissement de la base des ressources propres. L'appréciation de cette évolution se fera sur des bases comparables d'une année sur l'autre. Il sera tenu compte de circonstances exceptionnelles, notamment en relation avec l'élargissement. Les dispositions prévues dans le document de la Commission relatif aux directives financières sur la Politique agricole commune seront mises en oeuvre.

- à s'engager à respecter, tout au long de la procédure budgétaire, le taux maximum. Lors de la première lecture, le Conseil maintiendra l'augmentation des Dépenses Non Obligatoires à un niveau au plus égal à la moitié du taux maximum. En seconde lecture, le Conseil prendra une position telle qu'il n'en résultera pas de dépassement du taux maximum.

3. Le Conseil européen invite le Conseil des Ministres à prendre les mesures d'application des principes visés au paragraphe 2. qui compléteront le règlement financier. 7

DESEQUILIBRES BUDGETAIRES

La maîtrise des dépenses et le rééquilibrage du budget sont à terme les moyens essentiels de résoudre la question des déséquilibres budgétaires.

Toutefois en application de la Déclaration de Stuttgart tout Etat membre supportant une charge budgétaire excessive au regard de sa prospérité relative est susceptible de bénéficier le moment venu d'une correction.

Les modalités de la correction sont arrêtées par le Conseil des Ministres avant le mois de juin compte tenu des éléments suivants:

- la base de la correction est l'écart entre la quote part dans l'assiette TVA et la quote part dans les dépenses réparties ;

Une partie des dépenses administratives sera imputée à chaque Etat membre selon une formule à déterminer.

- la correction ne joue qu'à partir d'un certain seuil à déterminer, exprimé en pourcentage du PIB en valeur dans une Communauté à 12. Ce pourcentage varie en fonction de la prospérité relative telle qu'elle résulte du PIB per capita.
- l'Etat membre bénéficiaire d'une compensation supporte un pourcentage à déterminer de la charge supplémentaire résultant de l'augmentation de la base de la correction y compris les dépenses liées à l'élargissement.
- la correction viendra en déduction de la part normale de la TVA de l'Etat membre concerné au titre de l'année budgétaire suivant celle pour laquelle la correction sera opérée ; la charge qui en résultera pour les autres Etats membres sera répartie selon la part TVA normale ;

- la correction fera partie intégrante du nouveau système financier. Elle s'appliquera jusqu'à l'épuisement des nouvelles ressources propres.

Dans le cas du Royaume-Uni la correction s'élèverait à mio ECUS, sur la base d'un écart de mio ECUS, pris comme exemple et établi comme indiqué ci-dessus. Pour l'année 1984, cette correction est fixée par analogie avec la modalité de correction à appliquer à partir de 1986. Elle sera versée en 1985 selon des modalités à fixer qui n'affecteront pas le niveau des dépenses communautaires.

RESSOURCES PROPRES ET ELARGISSEMENT

Le taux maximum de mobilisation de la TVA est fixé à $\lfloor 1, X \% \rfloor$; ce taux maximum vaut pour chaque Etat Membre et entrera en vigueur dès que les procédures de ratification seront achevées et au plus tard le 1^{er} janvier 1986.

Le Conseil Européen demande que les négociations d'adhésion de l'Espagne et du Portugal puissent être achevées au plus tard le 30 septembre 1984. Cela rendra possible une présentation simultanée devant les Parlements nationaux pour ratification des deux textes relatifs à l'élargissement et à la création de nouvelles ressources propres.

Lorsque le nouveau plafond TVA sera proche d'être atteint, la Commission présentera un rapport sur les résultats de la discipline budgétaire, les besoins financiers de la Communauté, l'évolution de la structure du budget et son impact sur la situation des Etats Membres. Ce rapport sera accompagné des propositions appropriées.

Le Conseil des Ministres prendra les dispositions utiles sur la base de ces propositions.

P.M.: Financement du budget communautaire avant l'entrée en vigueur de la décision sur les nouvelles ressources propres.

DRAFT CONCLUSIONS OF THE PRESIDENCY

COMMON AGRICULTURAL POLICY (new text)

The European Council reaffirms the Community's resolve to ensure the continuity and development of the common agricultural policy in compliance with the basic principles thereof, as set out in Article 39 of the Treaty, and in the desire to increase efficiency in the agricultural sector as a whole by means of rationalization in relation to current economic conditions.

In this context the European Council calls upon the Council (Agriculture) to give shape before 1 April 1984 to the points of agreement as embodied in the documents which it has adopted on MCAs (5803/84), milk (5802/84), other products and the method of calculating MCAs (5847/84).

The Council adopted the following text on commercial policy (Athens text).

Commercial policy

With regard to export policy, the European Council takes the view that the implementation of measures permitting compliance with guarantee thresholds and, among other things, partial or total producer participation in disposal costs, will enable the Community to develop its agricultural export policy for all products on a sounder economic basis. This would create the conditions in which it would be possible to conclude framework agreements for the supply of agricultural products to non-member countries, and particularly certain developing countries which have made this request to the Community as part of their food security policies.

With regard to import policy, the Community will, bearing in mind the need to ensure adequate compliance with Community preference, have to reconsider the arrangements applicable to the various products in order to adapt them to the market situation, both in cases where unilateral concessions have been granted for reasons of general commercial policy and foreign policy and in cases where the Community has signed international undertakings on agricultural imports in return for reciprocal concessions in agricultural or other sectors. This examination will have to be made while complying with the Community's international obligations.

The European Council would also stress the importance of international co-operation, on a reciprocal basis, with the principal exporting countries, in order to counteract the downward trend in world prices.

The European Council adopted the following conclusions (to be specified) on

- the Irish problem
- the tax on oils and fats
- financial implications.

Start 15.15.

Mitterand

Speech of welcome and thanks (incl. to previous Pres?)

Referred to informal personal bilateral.

Limit discussion to main decisions.

Order - arbitrary but logical, since some require new resources until the past has been "épuré". Have to get budget sorted out. If discipline achieved contributors will know where they stand.

1. Discipline
2. Problems causing imbalance
3. CAP
4. Own resources
5. Structural funds
6. New policies, incl. enlargement.

Discipline - Clear, courageous Com. proposals.
Discipline on all - DO + DND
Expenditure acc. to resources + not vv.
Main contributors need a guideline, an indication of how expenditure will develop.

Thom

Distinguish DO + DND

DO must not grow faster than OR. Can we agree "less fast"?

DND more difficult: EP vigilant. Increase has not been excessive.

Need framework - maximum. How concrete can we be in self-discipline.

Mitterand

limits on "cadre de référence"

Papandreu

Fix receipts first. Stay in INT 203 framework on DND. Seem to agree Pitt's approach. So long as we get 2%

Med. products need to be separately dealt with. EC
must be more than a customs union.

Mitt. Discipline doesn't exclude new policies. IMPs are in
Presⁿ text.

Kohl Presⁿ text remarkable. Work on it.

PM

Discipline essential for health of C¹³
Eng. text less clear than French text (en fonction de -
in the light of.)

Presidency paper excellent basis. But must be binding
on all, without prejudicing method at this stage, incl.
EP + Ag. Council. (Distrib. text of amendments.)
Rules in a regulation or otherwise in budgetary procedures.

Doesn't agree Kohl on rate of growth of ag. spending -
must be "markedly less".

Witter

Thank Pres? - Reasonable solution for ch. V. good text.
Can't make it harder - would block & contradict Treaty.
Agree affect DO + DNO. Must subject C¹³ to discipline, but
keep sense of proportion. Only 2% of public spending.

Wiers

Good text. Discipline must be in accord with C¹³ rules.
Amend in sense of original Com. text on institutions.
Add after "cadre de ref" - "en fonction des politiques à mettre en oeuvre"

Gr

wants 5 year moving average on CAP exp. Agrees Belg.
on ref to Art 203. General reserve till with settled.

Woth

Thanks for preparatory work. Everything linked to everything.
Agree Mrs. Thatcher need certainty on discipline not guidelines. ||
But no parallelism C¹³/national budgets. Respect max. rate,
adapting to needs of new policies. Must be pre-budgetary
consultation with EP. Discipline must not prevent us achieving
the goals we set.

We'll talk about new policies later. Link discipline
and new own resources. New policies will be allowed for, but
we need principles. If no agreement on discipline, the
discussion can cease.

(End of discipline discussion).

19 03 1984

16 H 30

AMENDEMENTS DE LA BELGIQUE

(discipline budgétaire)

p. 8 4ème alinéa du point 1

" cela nécessitera un effort conjugué de toutes les Institutions dans le respect de leur pouvoir budgétaire respectif. Dans cet ordre d'idées, le Conseil Européen demande au Conseil de convenir avec le Parlement et la Commission une amélioration de la procédure budgétaire qui pourrait prendre la forme d'une consultation pré-budgétaire telle que prévue dans le document de la Commission relatif à la discipline budgétaire.

p. 8 point 2 1er tiret

" à fixer en début de procédure budgétaire en cadre de référence c'est-à-dire l'évaluation maximale des dépenses qu'ils estiment devoir retenir pour l'exercice suivant en fonction des politiques à mettre en oeuvre.

p.9 para 3

" Le Conseil Européen invite le Conseil des Ministres à prendre des mesures d'application des principes visés au par. 2 dans le respect des "dispositions de l'art. 203."

JN 631

Structural Funds

Andreotti

Text OK.

Genscher

No resources over + above Structural funds

Papandreu

IMPs need extra resources — from 1985

Pangalos

Text must go further than Stuttgart.

Genscher

1.4 new o.v. is enough. From 1.1.86 not before enlargement. So nothing for IMPs before then.

Schlüter

As soon as possible 1:1:85, 1.6% minimum.

Own Resources

Sri G. Howe

How much will enlargement cost?

Thom

We'll consume 0.2% quickly. Figures have all been wrong. 1.4% will be reached before we're satisfied. 1.6% is a minimum.

Coxi

↑ o.r. must be 1.1.85.

Kohl

We must continue Stuttgart neg-
Logical link with enlargement

ATGG

Agree text. But 1.4% too little: foolish
We'll be negotiating again. 1.8%
minimum.

Lubbers

If we have discipline DO will grow
less fast than o.r. Let's stick to that.

M.H.

Discipline fundamental.

Range 1.4 - 2.0%. Suggest 1.6%, with
1.4% to be passed only by unanimity.

Kohl

Agree Lubbers. Discipline must be taken
seriously. M.H.'s suggestion not realistic.
I have to go to Bundestag. 1.4% is not
"foolish".

M.H.

Link o.r. / enlargement in text. We need
unanimity - I want 1.4%.

Coxi

This method of working is not right.

Pap

Confusion between discipline + enlargement.
Discipline doesn't mean limiting growth of C⁺.

Crazi

If we use the veto we won't get a solution.

Parlins

We need to decide 1.6% by unanimity.

P. H.

If parliament won't go beyond 1.4%. If we have applied L.H formula we won't need it.
1.4 is the maximum.

Andreotti

Take care of new policies.

H. H.

We've got lots of new policies. But some work nothing. E.g. Social area. Can't put a cost on them.
It's enlargement that matters.

20/3 Morning

(A)

0920

Howe }
Andreotti (p2) change last text - youth unemployment exp.

v.d Broek (p3) Wants something ^{more} on transport.

Andreotti Ask Transport Council to do something.

Fesch (p4) something stronger on EMS

Cheysson This is GLOFIA text.

Howe (pb) Ask AG Ministers to find solution to problems

Genscher Can't accept
Ready to accept AG this cond. Not a
new discussion of CAP

Cheysson Howe's idea not accepted

Andreotti Govt must give AG Ministers a margin of
manoeuvre -
Sugar ^{minim} important for Italy. Agree Howe's
idea.

Cheysson What are we talking about? Our job is
to agree a text, where we can't - for EC to
take up.

Pampalos Greece hasn't accepted 5847 (170M); only
5805. So I can't discuss.

Cheysson EC to approve AG Council conclusions.

Andreotti But there were reserves in council.

Cheysson Only agree conclusions & get ministers to continue.

Andreotti Can't play ping-pong like that

Cheysson EC's role is not to replace specialist councils.

Andreotti Important not to claim after EC that any particular point is agreed. Get AG ministers to continue.

Genscher Then we've nothing new to say.

Cheysson Appears not to get back into discussion on MCAs. Here we only confirm what of ministers have agreed.

Genscher agrees (then leaves to talk to Kohl).

Cheysson (p7.) - Interval while some PMs come + go. (Lankenshlager replaces Genscher)

Barron Can't accept with text

Pangalos Wants to be included on p 7.

Andreotti Reserve on 600 000 (?)

Fleisch Yesterday's discussion showed this very difficult. Push to destroy as ministers agreement

Howe If Ireland gets 400 000 tons must have something for N. Ireland

Cheysson (p8) Germans want text on NCAs out: already agreed. ... "member states" for FRG

Cheysson

Oils & fats tax.

Hone

Wants something on cereals prices

Cheysson

Already accepted by ag ministers

Hone

Yes but not as at Athens.

Cheysson

No Annex 5847 p3: all major products

Hone

Need something on cereal prices

Cheysson

Already agreed by ag ministers.

Fusch

Don't reopen agreed points

Cheysson

Doel has assured me these points are covered by COM 500.

Ortoli

Confirms

Cheysson

EC will resume at 11.00.

Ag ministers agreed after Athens: so overtake

Athens texts

Cheysson

(p9) Structural Funds.

Papadopoulos

~~for the Commission~~
wants (b) "coordination des actions"

[OK]

indicate only partially ~~covered~~ cover Gk memo.

Genscher

- in framework of what can be financed" (p10)

(p9) can't accept 1985 for ITPs

Hone

significant

Cheysson

OK

(p11)

General UK reserve
L)

Add after "throughout budgetary procedure" "in accordance with Article 203"

UK amendment to para 3.

1145

Luttwak reopened transport text.

Belgium + UK support.

Com. proposal Council to decide.

Servot speeches about frontier controls + need to get rid (Kohl, Mitterand) - quite emotional.

Mitterand Space. Refer to Hague speech. We could mention that subject has been raised.

Not in competition with US. Commercial + communication factors NOT military

Greece All must take part. Nothing military

Kohl .
-
Not reserved, just a first discussion
Could have a defence aspect.
Nothing excluded.

Ditt
-
Let's stay exchange of views

Andreotti
-
Let's say v. little. We must be in vanguard of move against militarisation of space. Emphasise purely civilian character.

Ditt
-
Just say we're discussing + will discuss further, so that we aren't left out by USA.

- 9.00 Kohl - Ditterhand breakfast.
- 9.15 Foreign Ministers meet on text
- 11.10
- 10.15 Thabke Ditterhand, followed by James - Butler.
- 11.10 Ditterhand reports EC.

4 subjects to concentrate on:

- New own resources
- Irish milk
- IMPs
- UK problem

I have worked on it in detail this morning
 meeting with UK. Perry/UK approach working
 perhaps we could calculate on a
 figure of 1100. Lack of discussing amount shows
 everyone unable to make progress.

Brief session, then more negotiations outside (from 1145)

Lubbers Transport - see (E)

1145 Lubbers reopened transport text.
Chynoweth - Fri's agreed. Lubbers essential. New text.
Belgium + UK support. ^{Pres}

Kohl - For specialists. What people want is border functions.
Com. proposal Council to decide.

Several speeches about frontier controls + need to
get rid (Kohl, Mitterand) - quite emotional.
Mitterand I've asked France must take part in liberating border

Chynoweth * Kohl something on border controls too.
Mitterand Space. Refer to Hague speech. We

could mention that subject has been raised.

Not in competition with US Commercial + communication
factors NOT military

Greece All must take part. Nothing military

Kohl
-
I'm reserved. Just a first discussion
Could have a defence aspect.
Nothing excluded.

Deff Let's say exchange of views

Andreotti
-
Let's say v. little. We must be in
vanguard of move against militarisation
of space. Emphasise purely civilian
character. (difficult if only 1.4% !!)

Deff
-
Just say we're discussing + work from
further, so that we aren't left out by
USA

Budgetary Discipline

Cheyron Can't have rules in Fin Reg^s. : self discipline.
Only outstanding point UK request; procedures

DK IKL GR approx sq. brackets

Marlin Art 203 end of §2.

G.H. Insist on UK version of §3 - essential to carry out
Stuttgart agreement.

Papa What is all this about budget discipline? (1)

Cheyron Can we find alternative to "budgetary procedures"
Try "pratiques" (+ other alternatives)
Lang discussion Cheyron / Thakker.

J.H. Lunch 1315. Suspend till 1500. Run conference 1830 or
later.

Kohl Not much time. Don't talk about important things,
not space.

Craxi Don't interrupt meeting.

Mitterand Those who are hard-working win. We work through.

— The 4 problems: OR, milk, IMB, + UK problem.
Start with milk. Kohl why not with something we
can agree. Pitt Increase reserve to 1m. + 40 new
for Ireland. For UK 1 billion - UK want 1.5 bn.

Kohl Can't find sol. Ireland but the

~~12/11~~

need a figure of 99.2 m. tons for 1984.

Thakker Can we have a new paper on budg. imbalances?

Pat No method agreed yet: several figures on table - 900, 1m. 1322.

FitzG. Can't accept Pus⁴ prop. on milk.

Milk

1530 FitzG. Proposal agreed with Pres? went beyond text
—
84 = 84 + 260 000 + conditions (to be reviewed in light of market developments)

NL + UK Rejected.

FitzG. This was a personal suggestion - last effort.

Mitt. Everyone, at the extreme.

- 3 cases - reduced
- maintained (It. Lux)
- slight increase (Ireland)

FitzG Can't accept. Can take a risk for future but can't go lower than I have. Everyone getting something. Vital interest. Involvement for first time. Can't negotiate.
(FitzG left)

1600

Long interruption to study new text.

Imbalances

Discussion on text of 1500

- 1615 Mitt Agreement on system, let's talk figures.
- P.M. Let's talk system ~~fig~~ first.
- Werner (+ later Fusch) Difficult to accept "present formula"
- Andreotti Agreed with Mitt's position at Athens: transitional.
I want a pragmatic solution. Problem with our parliament too. Against Treaty
- Mitt Let's not bandy words. We're talking duration + amount. I agree it's not in spirit of Treaty, but let's not be too purist.
- Papa Agree Andreotti. ^{Prefer} ~~front~~ expenditure side solution, ad hoc.
- Mitt OK but it's now 6 years. We've got the habit.
- P.M. I've fought for 5 years for this. Must have equity, system.
- Mitt Don't concentrate on words.
- Andreotti OK benefits from C⁺. (New agreement on colza) Can't accept permanent.
- Mitt We're correcting: linked to o.r. operation.
- Schäfer Understand difficulties of others.
- Fontenay Difficulties for us, too.

1945

Mitt
 —
 Summarizes proposals

Schmidt
 —
 1 billion today not later

Plautus
 —
 agreed

Lubbers
 —
 agree : 5 yrs. 1000.

P.T.
 —
 av. of 4 yrs - 1100 can't have less. must
 have mech.
 1000 84
 1250 '85 on '83 figures.

Werner
 —
 800, no more.

Craxi
 —
 Kohl's idea ok

Hove
 —
 We want a defensible result.
 Greek net benefit 900, Italy 1300/1600.
 Go to 1250
 Cost 1500 is total of all these elements

Pap.
 —
 Contexts Hove's figures

Kohl
 —
 repeats 1000 x 5

Barr
 —
 agrees

Hove
 —
 we would have 1250
 + 1000 comp. 1650 base would be 77% - not right
 figure. Take 2000. It gives us figures of last 4 years
 1000 + 1250 → is lower than 1320 easy for 9 to pay

Lubbers
 —
 Stuttgart was recog. of trip pay but don't
 exaggerate our generosity.

PM
 —
 I accepted 750 because 2/3 over 4 years.
 If we can't go further dramatic - Tim
 87. F.T.s to meet in 10 days

Lubbers
 —
 1000 is real effort. Understand you like 2/3. Take
 1000 1000 = 2/3

Craxi Agree Kohl - Many like it, did not like Pöhl's formula.
How can we make progress by putting to FTAs.
How can we go beyond what I agree?
How can we have another neg. result?
UK to move.

Thatcher 1600 wrong base -
1000/2000 is not enough.
Others than 3 net contributors should make effort.

Schmitter ^{Pöhl's} Accept/disincline text if we go to Kohl proposal. A
major concession for us. Complete acceptance

Mitt All to say what their position is.

B Kohl prop.
Thom Think just too tough.

Can we asked to propose
1000 x 2 the new or the system, giving 1000-1200

Mitt That gives durability. 5 years enough. Kohl
model proposal - I'm tied.

Werner Kohl's proposal.

Craxi "
Ireland "
France "

Kohl maintain position.
Schmitter agree Kohl,

P.A.C.S. Explain by text.

M.T. 15 95.8M, incl. when, ok

P.A.C.S. Yes

F172: But excluding Ireland

P.A.C.S. Yes.

GENSEN: We shall accept by this text.

M.T. Shedes 20 with text.

Adts:

If Ireland was to take some other
to the rest they need 335,000 com
extra. If we don't show that the
matching process needed for N.I.

Italy + France have some other.
then UK to they have no real choice

Pos. Let us accept FRC proposal: clear
general reserve + by let proposals +
link problem.

LULLAS: when are we?

M.T. " " " what day should we
agree on

LULLAS: major reservation on by let conclusions

- (1) must read conclusions on text
- (2) must conclude in favor of Lullas
proposal a variety of possibilities
- (3) can't go beyond general reserves
of the same family

KONL:

Can't be done at this point
+ give a view of the compromise
The other points - brief, structured - can
be taken later.

CRAXI:

If 2+2 makes 5, don't see how we can
fit all this in Ag. mins agreement.

Beyond that we had various other reservations.
- elimination of 10% harmonisation has to
be done gradually.
For the rest, it's a delicate balance: we
don't leave it

PAP:

Already a reasonable compromise
But now it is yet agreed - have
report in N.Y. H.T.: least 2-3 hours
Obviously, that's not for our comfort
But a general point: Member mins
go on all budget discipline, yet Ag mins
have proposed extra spending of 608 m ECW
in '85 > 864 m ECW

PRES:

I don't want this problem to be dealt
with now. But I want Ag. mins' conclusions
to be accepted. They've agreed a good deal
- except for oil & gas rate + this problem
Obviously this will leave a budgetary gap.

MORF:

Let that go. There was a reserve of 6 m ECW,
without allocation. We have to give a final
reply to this - not negotiating when the money
goes

TUORW.

All these things involve a reduction in savings - gives details a familiar line

Pres:

True. But Ag. has been agreed, with our authority.

Obviously, I retain my general view.

So let's accept their proposals

- subject to the means already stated

AND:

For good reason that we shall go on all this ground again, we've got minimum satisfaction - we don't have to cut on production. But we're hoping for that about 10.000 tons + price for milk has also been reduced.

So we're making no problem on this:

but N.B. note is made to Ag. has of our view. We're entitled to

- 356,000 tons : year 1

- 400,000 tons : year 2

Pres.

We agree

LUBSON

But 100,000 was fixed. And all that was recorded was under a different condition.

We can't even discuss it from now, + say that this problem will be resolved outside that.

My idea + Mrs T's view is that all these problems must be dealt with in .6 m. Those who want > .6 m are

going beyond the agreed 1 Ag. Col. We can

Pres:

Erasmus is right

356 for Italy leaves 250 for rest:
What to go? Lux request. Irish request.
Greek request - at different order.
How fit in?

We've always ~~said~~ said summit
will deal with this

M.7:

We can't go beyond .6M.

Our sample is already larger than others.

Can't go beyond that.

Co. not being want help us out.
What is the money coming from?

We also have more on Bretton
+ that. need: let that's 200 details
for this meeting.

Home:

We also have more on Bretton

M.7. right is saying no money.

But it's no .8M right little the whole
why not?

LURBEM:

Of .6M, put 50% to Ireland +
50% for the rest

Then a technical discussion as to whether we
need further resources for Ireland, not leading
to > introduction but to within their
guidelines: call at 1 FEBGA

F172

Labour proposal cut reduce on
products by 400,000

Quite unacceptable

Supposing what main other comes from UK.

Mustang or similar with policies

That was cause of our problem

We cannot move away from this
market demand so much like average,
by increasing our output at same rate as
we have grown in recent years

PROS.

I'm not trying to forecast this debate

WEAVER

We're repeating the 1972

On M.7's figures, we're reducing our production
at rate which is better than the others

I'm not asking for any special figures,
just that special handling cases that
to decide all

LURSON

Qn to F172

What's cost? How long for? Product price

In Italy: is it fair to look for
full union, when we're reducing

One country says you cut output by 20
take part, but we haven't grown as much;
the other says we cut out back, but
we haven't grown as much

MARTON

I'm glad to endorse Purdy's case
- slight to the other ~~strong~~ language
points

M.7:

Don't see how we can manage reserves
Cos we're running away from need to cut
money.

Quadruple figures a share of FLOTT money
or more

Don't see how we can solve this in
the way suggested

We must be prepared to discuss a
one quarter package

CRMA:

Don't see how it is unacceptable to us.

What is part in M7's intervention?

Ag. being needed against. How now
impose the

Prog:

We'll have to ask for. This is
the to look this at

Oil + fertilizer?

Kome : No

M.7. No

Exp. fr. It. Italy Lux - Yes

N.L. No.

D.H. No

MCM

Gowson. Agree by. more text

- M.T. (1) How much control to general?
- (2) Phasing out over 3 years

PAOS: Surely agreed by Ag. miss? Why not accept

Sen Luonn.

One major point still outstanding:
 Size of EC control to FRC program
 Attached (1) 3 years: 1/2 depreciation
 Size of EC control to FRC would be
 based on no program not being done

LUBRON:

We agree with MCA proposal.
 Also with 2 basic points
 Important not to get rid of MCA too fast:
 Control to allow loan to make program

MARRONS:

Proposal to accept compromise

ORZOW:

No other proposals a MCA will
 command better
 All changes will cost some money.
 But this does allow us to cope
 This allow loan to make a proposal
 It'll have to be a funded proposal;
 + it'll need a qualified majority,
 which will be difficult to reach
 We've the fund in last 2 years.
 Annually used to be automatic.
 No hope. Prop of funding is
 in early. We still have - or MCM.

On game question

- is FOC bound to demonstrate interest rates?
This case leaves that open. I'd think it
to be irrelevant especially - a decreasing
FOC aid. Bagui share

- that EC finance aid, probably more?
Not amount. left for. But asked to be
repeated. '75 '78 - decrease. '77 by 10%
but this game is not for now

PROS: Less chance to provide this.

Common will examine
Council will decide

CONS: suggest we stick to agreed text.
Will give me no major difficulties in
our country.

This is a sensitive bit to be handled to under.
Suggest we learn the text ~~and~~ unchanged
- without any change to what is said in
game without

PROS: MEM - a basis of Ag. this proposal,
what is at issue is procedure for game.
So will only raise this point with
as whole Ag. proposal the job

Structure funds:

G.M.: states "substantively"

- Kohl:
- ① better agreed. with the contracts imposed by market in real terms
 - ② What was budget cost really means in a narrow sense 1.1.86

- Andreas:
- ① Date has to be as stated
 - ② Challenge meaning of 'substantively' + given address

Consensus: As Kohl

PAP: All this is with. must be in place ahead of budget

PAC: His comment. What he says is what we have in mind. Even if 1.1.86 stands - in a narrow, as it had - ed. includes IMP stat.

PAN: Need separate provision for IMDS in structure funds. And for funds memorandum

O/R.

G. E. W. S. C. A.: O/R decision has to come into force
on budget not later. NA > 1.4%

S. C. A. S. C. A.: 1.6% 1-1985

G. U.: Brit: B(84)(5)

§ 10, 1, 2, 3, 4, 5, 6, 7, 8

T. H. O. R. N.: To limit on various taxation to 1.1.86,
unless no provision for your overhead.

And budget is not overestimated in
C. A. S. C. A. paper. We got force wrong.

To see this time

And think it is taken for any further
increase to be put in there

Perhaps 2% is too much.

C. R. A. M.: Our various views that to be linked to
budget, that's not true given us.

Can accept Brit. case for understanding
+ that being forward date to 1985

On overall - we in change with that C. A. S. C. A.
problem: we now will accept a compromise

K. O. N. L.: Cautious about early date

Role of pass. Country woody don't lean
Pass out. Big. want to add words. But
want the at. I don't mind.

But we must expect Pass to add by some
debilities. One country is asking to reduce
its own deficit from 12 to 7% so we can
expect Pass to do the same.

Note that today, we're not trying to
legislate for war.

So a to budget imbalance.

Go through text

"Extensive trade" has been challenged

LUBBERS:

Budget deficits - I didn't speak a word -
is nice ~~balance~~ balance.

Warning on budget imbalances. It's a
symptom of danger in us. No words to
suggest

GENSERA

We must not have a system that has
a possible decision against. Much a
one when here.

(1) Do you know the of 2 which had
system to one which state is not right:
perhaps replace "one" with "any" [It's
already in Pres. text: 6d]

② Second budget add - "time & which countries comes into force"

③ Ask him what it means to make detailed proposals for this to be decided by June.

WERNER:

We can agree with next proposals

One exception:

- budget or admin. ext.

Current policy is aimed at lowering burden on various states in various budgets. This is increasingly moving away from old ideas: let new thoughts - meaning impact on public countries & not just public. policies but impact of admin. expenditure.

Obj's We get 95% of our revenue from admin. extend + 2% from other sources

Let us say - admin. extend should not be taken into A/C & d

PACO:

This was just to meet your point that we include this.

but it has work in down outside + but in thinking with great help

WERNER

To show good will, it now falls outside to next, I'm ready to withdraw by one & half you next

M.7:

Sheets to cost.

will: bid for 4-500 or so down

Pract.

Make P.M. for working to clear.

P.M. train the best computer in the club
copying this book in Harold & Linda

Not shall have control in me a man
the that!

New cost will be produced

AND.

Don't challenge need for a change.

But N.B. under 78 we were not controls.
to Budget.

We mostly said that those who control more
the to a than in City extent.

We do the better, i.e., to work at new policies

But in discussion, there was the a movement
in the direction - a consolidation of the
town.

I think this cost is not a beginning, but
an end a process.

I think people of equity - many according
to ability - is right. But T wants it.
And do this.

Must also make clear that no state that
get computers for cost or enlargement. Other
that this will be paid by town + not by
state.

Confess this to hand or around VAT
key: no exception

We can look at another side
But seems to me that previous work is
reasonable embodiment of position that
has been adopted

On duration, we should have thought
typed by Pres. last of time, let not
institutionally an exception. I believe
it can be done. But in the end
whether this a permanent basis
democracy has not been a problem

PANCIOS.

Letter Andreotti.

This side. Only acceptable if
on temporary basis

For us to agree to cooperation is a
concession already.

If we agree to settle properly, we
shall also settle the actual the control
made by others

PRES.

And's had taken it by agreement is
an important one

TINDERMANN

I can accept that as it is

On trade price, limits + duties
belong as a right to Italy. Rotterdam
effect, Union standard
value in Italy

Pres:

long term not for the time of P172.
But we can't let City life depend on 3rd countries

F172:

Buoyancy is not to last, -? Cities + states
grow less fast. Demand doesn't grow as likely
to fall as rise. Higher budgeting in
that seems.

L. VASCOM:

Like without case we're making. If we're
making rules to describe ourselves, why
that expenditure grows so fast: 1.4%

P172:

3 x 1.4%
Comm - 2
Lone - 1.8%
Suggest. 1.6% : not beyond 1.4% unless
Council unanimously agrees to do so

KOHL:

1 year with Lullies.
Way of what this says.
Why is (F172) "1.4% max"?
If we take on self-describes seriously,
the 1.4% is enough.
If we have budget describes, then we that
take it seriously
I would want 1.6% with safeguard.
Warning is necessary further who go over
we're cheap another kind which budget
+ income in our houses.
There will not be that budget state yet.
Have to have some regard for my own people

I have no law regard for those in FOC
who regard FOC as hypothesis & Guide
Please note my honest sincerity
Things can get out of hand.
Have to take decisive standing

Pres: If no agreement, I'll have to propose a procedure
- in a minute

With all due regard - if you want more flexibility,
that can be done

As no procedure, in light of law. I have no
other lower figure: 1.4%

I'll see if we can go to 1.5%

Not committed from here.

If 3 don't go beyond 1.4, we can't go
beyond that

CRAI: That takes ALL states on par basis

Pres: 1.4 is highest at which we can get unanimity

PAP: Long piece: policies must determine expenditures

CRAI: I certainly understand how it works. But it

will be necessary to look a part of balance.

I think you can find one when FOC will not be
considered upon

To try to look agreement.

Pres: PARS have no ruling this. To a de facto one

MARRONS.

I feel uneasy.

I favour discipline.

But we have Louis agents, which must be taken seriously.

So lets look again at yr. horizon: 1.4; the 1.6 or uncertainty.

M. 7.

Can't get them any part.

We're going to 1.4 now: business.

I can't get 1.4 the other way on 2 conditions.

Key worry is that 1.4 is strange. Still max.

Pros:

I would give up bond for carbon.

So lets start a re flow, when 3 variables are willing to increase.

But after what I've heard > 1.4 will be difficult.

And:

But we can do one or two things.

with part.

So lets look at new policies, the above figure.

Pros:

See paper.

No figures emerge from that.

Can't cost them at all.

What will cost money is

- enlarge
- IMF
- few odds + ends in new policies

But no working

Ans.

But then an algorithm over a no. of years.
 Can just take A/C of foreign cost in
 fixing new old costs

CONCL.

We want to advance further.
 But we need to advance the policy.
 But yet what do we see at frontiers?
 Only difficulties for ordinary citizens.
 Why no more autonomy rolls.
 All citizens pay taxes; why rolls or work?
 But what does the infrastructure mean?
 I think we should have to let business to this.

P.3 (1) economic order:

NP "addressing" but

"examined with a view to adopting"

(2) Increase the threshold -- R+D

- only stable if we know what

we're hoping for

(3) What is lacking is "facilitated
 cross-frontier co-operation"

Kone (m)

[Point missed]

Decreasing incentives to learn foreign languages in the schools. What cost money to do > a shot.

PROS:

I can reduce costs of government.

Other things can replace that part

- cost of tuition w/ rebates
- research:

This will cost money, but not the cost

And budget

So all will pass at a 1.4%

As to whether this means we going beyond study, I'm not going to comment

should forget date

LUB:

P.Lt. I'm sure that'll cost nothing

Agreed - certain projects will be done any way over 5 years, according to program to be adopted by the house by ... '84

Wishwar:

Wishwar on 600

PROS:

It takes up to other means available, outside budget: .4%

3 central issues have remain

- ① Income is VAT - not the kind of problem but it is a difficulty
If you have, new business, budget, etc can be adjusted
- ② Comparison to 2 countries or more, UK situation. But it is the theme 'in this is a problem
- ③ Another, all same companies, but will happen.

There can not be a work on way.

M.T. think fin. guidelines.

Res: I think we're agreed in principle

PAP: what did med. products?

Pres: Surely agreed by Ag. mins. med. products
Can only know a basis to new programmes.

PAP: We need agreed e.g. a cotton. etc
There is/was no agreed in Ag. Dec.

Pres: I was convinced there was.
I have not agreed a 1971, when British
products are sold more

AND: We cut some more in 1964

- o: Colles horizon
- Thuythien horizon

We're in favor of placing at Colles horizon,
with vertical date

We cut down this better weighting
of the beds

Post: During conversation at Nagpur, I had first - known
 which amount interest: my proposals or those
 Study proposals for a whole share schedule
 Read after proposals for ~~some~~ schedule
 in a share schedule
 But, it is, before funds are gathered, it will take
 10 years

The 2 projects that really matter will cost the
 most in financial terms

Unfortunate if Bank don't loan the two projects
 of this kind. Going into the details.
 Indispensable for the future, need for military hardware
 We did discuss military matters too

PAP. I - think, we don't disagree. But she catches
 that in other schedule. Non-military:
 pleasurable business also

IND. Absolutely. When I spoke with it in 1962, I had
 that in mind
 10 years is a long time - except for women!
 So we should get on. Answered and found this

WONE: Don't let's bring in ideology of disarmament.
 I'm not prepared to say that disarmament needs
 an eye at the question.
 We're all parties to ECSC
 I think we should continue to examine this as
 lets not try to achieve exactly what we
 want

Pres.

We can indicate we've had this
exchange of views. She has at least a
major role in indicating that we've discussed this

And:

Agree - tho' I don't know how we're going
to finance these programs in the long

run implications w. re. impact for
E+W; r for EC/US relations

If us can develop its defense ~~budgeting~~
sanctions in this way, EC has to
be adversely affected. So we should be
pleased to show feeling to be making
use of space.

But we should stress the primary intention
of an interest. For it is in EC's
interest

Pres.

This isn't the problem. So I hope
that for sake of public opinion we should
stress that we've discussed this, so that
we're not subjected to other matters

C.C.

Both aspects. Explains our position

G.Y.

Explains our attitude.

E.J.

This is broader which is v. different in
nature. We're talking about ~~sect. defense~~.
That's manifested in our declaration under
Article 3. Its meaning + interest
= 2

F. 72. Introduction.

PAP:

- ① Both a type II in []s in case ambr.
Int. decision - Art. 73 power - that to court
- ② Regard form of is interpretation. Policy varies from country to country. Shall delete in § 1 "which" -- to state
- ③ Delete "as a function" in § 2
- ④ § 2, second word
"and after" "of which"
" + binding cases"

MANNING

Justifying 1. Syntact a ambr to report Art 203

omit at end of last word of § 2 "in addition with Art. 203"

F. 100m:

- ① Fully without this after to "body by power" avoids after to regulation.
But don't need a point
Regulate requires role for Part.
UK ambr require us (Col) to uniform on with a Part. We can't do that.
We can't change Art 203
- ② We Regulate after to Art 203

Prm:

Prm:

- ① ? milk
- ② 1.4 → 1.6 in 88 a main apt
- ③ ~~grub~~ - has 9+10 apt
Now ~~make~~ a new ~~system~~ ~~product~~ ~~product~~

Boys ~~address~~:

UK has ~~proposed~~ new volume a ~~double~~

Boys ~~address~~:

UK has ~~proposed~~ 1322 ~~accus~~

None

Now a copy of ~~UK~~

- ① links: 98.2 after 2 years
99.2 in first year
- ② 1.4 for 1.i.84; 1.6 for 1.i.88 with ~~mainly~~, ~~acceptable~~
- ③ ~~links~~ in UK ~~links~~
 - embedded in system?
 - how ~~links~~ ~~log~~ ~~to~~ ~~last~~?

M.7.

Embedded in system

Prm:

Let's deal with milk first

Fizz

Quite ~~unacceptable~~
 16 ds. have ~~revised~~ a ~~quantity~~ of ~~some~~ ~~products~~
 Lux got ~~brain~~ ~~to~~ ~~move~~

Prm:

No the ~~same~~ for Lux

We've made plan for last week & hold
or our books.

This was in manuscript

Pres.

Let's discuss our time

VAT in 2 stages

Lubent.

hills

- serious injuries

- let proposal to consider being looked at 83 figure
but that was by lot to consider whether to increase
600,000 to 1 m or last program

I can go back with this letter

I want share - 1.4/1.6 part

then

C.4.

① above > 600,000

② .. 1.6 step

WONE:

Delicate to have just as difficult for us.

But we can justify second step by refer
to enlargement: 1.6 for enlargement; 1.8 for
restructure

Everyone knows they can block any further
increase

What will you get for i.v. class

hills: for speakers I'm hoping, what's
hollow is remarkable. Now we can
call a meeting. Can we collect
what we get for 4 m can do with

2008 9. m.

1. Risk program.

- 1.1- Unit = 83 Level + 260,000 tons
for future year will be reviewed in light
of market + production schedule
- The Louis review is modest acceptable

M.7: So value has gone for '6 to 1.3m

F172: buy production can differ & not have
production a specific added firm for 85

$$\begin{array}{r}
 674 \\
 260 \\
 \hline
 934 = 250m
 \end{array}$$

NL. Check and

DU We must allow for 83 units + 40 million
MO mm

- Pres: 3 parts:
- ① those who are active
 - ② pricing
 - ③ ~~value~~ look what units are, plus revenue
- Intend to start and mean solid cross
you will have 100,000 + 50 million

F172

1 in broken water a mistake in by 260,000
 = 5% growth: that is average of last 10 years.
 Last 2 yrs was 8,9%.
 For future 1.4% rate with a rising rate in hands
 of Ag. Colleges
 Look at my share of N2 bills.
 I have depend less on my land
 End of road as far as I'm concerned.

Gowen.

Was a lot of hands to test

PAGE

What is her is what I spend, off
 account with 1000 pounds, as to system
 0- figures, UK starts from 2000.
 buy on was 1000
 M.7 said like we had to keep job
 We now have 1322 put forward.
 Other don't want.
 Are we going to go back on working again
 or find new jobs
 (Said, last night, what I've think of
 - 900, 1000, 1100
 I've mentioned one, come the other
 system.
 What first?

Defense Committee - 2017

W Spore: Why they funds a education?

PAES: That means we know when we see
This is a funds now.

FLYSEN: The study committee was not in the
context of a system. So it had some
objection for the students.

We helped you out. We that have
the the figures on the table.

PAES: "Funds" don't matter
- but "teacher"

AND: I feel I would say what a teacher is
We need to talk about the other side
should be for us at others.

Looking in very pragmatic way the
teaching from a country was in

V. difficult for us to accept this kind
of funds

Some people have looked for a figure part
+ the a system

So we have v. considerable resources that this
this is turning eye people it really

If we want to accept this course, this
on basis of products. But not to have
the right one. V. want ~~the~~ opposed

PAES:

you're supposed to be together with it

Tracy & Rose. I know

If I'm full time, I'd have to be

in. I'd like to see what you

Today by the way, I'm not sure if I'm

to remind you that

I'm trying to help you.

If you're a teacher, I'd agree with you.

But I'm not sure if I can.

I just go to school. But with the way it is

I'm not being paid, I think we can now

find a way to do it

GR:

We say it has to be done.

And a student, not a teacher

PAES:

And that is right. It's not the way

A program. That's what we've

done since 1980

M.T

Can't go on with it now, I'm not

sure.

We might as well get it by the

End with right tips, with the

not outside

How to have by the

PAES

Is it the right way to do it?

But they don't want

Ans. We've not done a thing yet.
 Can't try it without if we have this
 We have time to make a smaller figure
 We're not as fast as we were But that's
 still not.
 We're willing to make time there for this
 This is different
 This is

PROS. 1. the cost all in fact is
 Consider as definite it is
 And back as by as minimum price
 Can we buy that? from what
 it's a system or a model
 We have that then

DE
 Fundamentals come from broadly speaking to
 And + Pros is one with them
 But we will give no details together
 is based on a unit to have a system,
 to avoid as missing out on the steps

- 2 parts
- ① VAT basis dropped in - a major
 concern to our home: great
 concern to our union
 - ② "What sort of reform" may be
 planned by a cutting a budget:
 fundamental principle. Variable
 all principles

MARRONS:

I shall return to test this morning.
The effort in work being asked to make
this ~~way~~ a.m. was a reasonable one

PIB figs 9081 mdu BELG - 100 + 250
• 8052 " " UK - 94

So what's the case?

W.A. is intended to curb a world, by the

- ① Why is UKy 12?
- ② Why return to our previous decision + not to expression?
- ③ What's about the figures? If official mechanism, we have arrived at a figure

PROX:

Refer to UKy 12 after to present a budget

Our previous approach is unbalanced: looking
Sylvia to counter, we know what has to
And the following paragraph

Why refer to '85? Got in that
know figs for 84 yet

MARRONS

Refer will be made to the
Conference: should refer. That's
democracy.

ALPH:

But how is not - settled
So talk to figure.

Pras (w)

On the way to find figure

UK said ^{50%} 1.322, which is not valid
We said 1.100

Belgium same 2 figures they UK said 1.322

G.M.

Explain 1322

General:

UK can do 500 calls; FRG a whole of 700

We should hope that this mechanism will
allow to other countries

- need some coding or no liability

DK

Call centre

Pras

FRG are just putting down a marker

Call refer FRG in Brussels to check
the UK to risk of which they must
be clear.

Kone.

DK can do business by this. We
have to look at all figures. If look
at us here, compare with DK - the
figures are quite astounding.

When we had 250 in Stuttgart,

Our contract was cut by 50%.

- from 36 to 18%

UK demand = 486 M CU for us,
DK + above what we already pay.

That was more what largest contract
and. In paying almost 1/2 B to
second largest

If you work as no controllable fully, that's nonsense.

1 - the husband no denies the extent of the control.

You can't just walk that out of court.

One point is that we're the main contributors

1 - FMI making us spend various things. Banked debt.

Is the firm its last word?

There's still that problem

And: ~~Problem~~ + more understanding of what we are.

If take A/C of ~~control~~ + loans + debts,

What is the picture?

Already including the firm's debt issues

We'll need a Marshall plan. Stick to 1.8%

Pres: If ~~the~~ we had followed our motto,

We would have this situation today

But they took in ~~the~~ loans + debts

We're looking forward in doing this

Any action on 1.8%

~~ARM~~

CRMX

What is the FMI position today?

Kene

0 - loans of 1.8%, APRC then is 36%

1 - shifted in it in 1870

0 - what loans - 1.8% position then.

1 - we go > 1870 but not full 36%

1 - we have 60% = 21.6% = 21.6 under 2.1%

● CRMA: I am this ∴ it F&E says that, the
will have to pay more
That will make it harder for us to consider I.R.V.

Scenarios.

■ Thought a probably work, with
lowest normal VAT key

It is a simple F&E system that
for compensation - a new system. Let
think that up. An option.

But when that F&E that is needed
for the system is highly not possible
for domestic reasons.

Our intention is that we have no mandate.

We must find a solution - but cannot
move away from normal VAT key.

PRM:

But we have hundreds

We could 500k when it was there.

Which was all 60% now.

M.T.

In view for gov. v. voluntary efforts which
1000 is not enough.

Still leaves us with 900/1000: 200 million

When I hear others saying that the
than when others, I'm worried
about how big the burden is

1000 is not enough

LV 11000

This is a problem for UK.

But we can't expect the whole amount.

We need a system around UK

- + that's what we're asking

As to amount, we said 850
was our figure

We would be giving you that idea
of the problem

We assumed FRC ready to pay the sum.

We now have not 100% , tho' > 50%

What M.T. will do with that as far

As what level can we avoid which
thing becoming bogged down?

If we were to deduct from 850, perhaps
not very long from becoming unworkable

I suspect M.T.'s remaining but it is
likely to be that close, we would like
not to depend on FRC + D.H.
So we must be careful.

We must start perhaps you are doing

Howe: We have no doubt all R.R. time
not the FRC figure. Can't reach
what level should be.

FRC from what to give ~~the~~
Charles Kings.

PAK: Give the B.W., who's going to
pay what, give from from.
My opinion is R.R. not to be
to pay 2/3rd

D 11

PROCS.
~~QUESTIONS:~~

You've said I'm not in the group.

But don't forget FR

Let's look

1835

(E1)

KOHL:

Dramatic moment in context

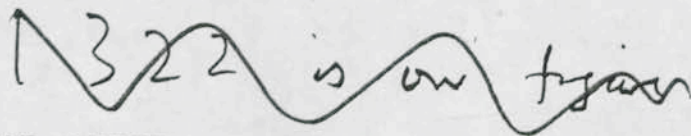
U. informed by developments not to mind a certain
promises. But I'd be v. worried if we failed
for me Burke is v. important. If we were ~~for~~ backwards,
that'd be v. bad.

See Washing + Time. + consider the implications
Laid effort why is devoted in 25 years like other
countries have done in 100 or 200 years

To have another failure not not to go on.

We're all under samples. Why frame is
unavailable

We should be asking ourselves what is possible
for decision with all that to put that
I suggest 1000m for 5 years - budget on
ordinary basis. No doubt about that



So, thought, that was the good night for you.

It's the difficult for you + you Paul. But
other have more too.

You've got security for 5 years period

I'd like to offer 20% for the least, Margaret.
Perhaps we can look for a few months to consider
If we discuss with you, the company will be
unavailable. We'd be the largest stock in the
world. Europe not be v. little. But for all
hope is tiny

for business of Adam. You at University.

Other of Space, Adam. So I offer

- ① System
- ② Admin - LUB
- ③ VAT train - Concerning both ways
- ④ Refund has been ~~deducted~~ City, but then is a than 7.11
- ⑤ Why City of 12?
- ⑥ Why didn't we see returns down
+ not till exhaustion.
- ⑦ Why is 84 first by 86? Includes 7.11
Anticipate '86

2 meaning a business. They had come about
in mind. I do estimate but about
long time to find a trade offer

M. 7.

1 then Europe about

Forgot or started in it.

Refund to give a good deal

We've done a lot. but with the books,

MCA, co. with. long. Refund to

take on that of work of volume.

ESpirit.

V. flexible. Taxes another man.

Paid man.

But just think in paper A 1000

We've worked a man a this machine,

will what it says about machine

The overall result of the combine machine

is the part of 2/3: 1/3.

LOU A, it we have double machine - OLA,

Agree it will be my name - later.

We can make a flat sum. There is to
a maximum

I wanted to work with an agent.

Suggest a book.

PAP: More said in State for the delegation
All agreed to the 1.6M for 5 years.
No. No more for maximum

100
PRES.

Zulu

UK - 1322

Boko - 1100

The FAC said they look at by the ~~and a month by the~~
of the 1000 minutes and.

Now?

There's UK broadcast 1300 - 1100 then by the
+ FAC broadcast 1000 x 5 + by the after that
I've not heard of any other

Senecora

by me is the 1000 is a hour
Morris, I think in that leave after a
table. 11.00 to discuss for us to justify
at home.

I suggest this the copy to write
have been + notable conditions on
the next 5 years

Other available today. Can still see
that next time round.

Can still do that next time + start
moving it.

PRES:

There's one problem. But my whole
discovery but his role the leave

MARRONS

1000 for 5 yrs

LUBRAM

We can 850, we can still 1000

M 7

Avge for last 4 yrs

- figures given

Rebonds 2/3 : 1/3

Average spend was 1100

You'll understand why we found volume is declining with spend less this year.

So our whole in the is rather less than previously

Can't tell what the 100 1000 was

- + asking for > our revenue

Wait the 4 yrs

That's my brother

must have considered marketing - this year

Ed. we have

'84 - 1000 m

'85 m - 1250m on '83 figures will happen

WEAVER

Fatig Alc & determine to

Back home @ 1000

We don't know how figures will work at our next 5 years.

This is surely what most all of us are worried

PAP

Maybe 800 was ok.

Revised home's position

perhaps that was fair

There can be argued that as fair

CRAM: This work was v.

G.M.: Our proposal

PANLAW: Challenge on figures

PROS: Substantly in Kone's proposal
1000 m for 5 years + after that
conversion mechanism

1250 and for 77% or 1613

When we were talking of mechanism we
didn't know how it would work.

1000 proposed by them would not
provide for 5 years: the mechanism
and spend

BARR: 1000: Kone

G.M.: Revised. Answer Pros.

LUSCOM: Strategy 750 was cost cost target
Earlier figures were too high
On that basis, 750 was acceptable.
We were not legitimizing the earlier
generosity. Cost cost was not the
average
We think the 750 was agreed to
as a large amount had been

PLEASE NOTE (K4) IS MISSING

(FS)

P.A.P.

Sick of report to agency i'tain
Report what I said yesterday at the record.
Sketchy detail about a bytles now -
forward to the future

M.7.

Reason why I was able to go as low as
750 was \therefore because of $2/3 / 1/3$
No question of big other to sell \leftarrow how
when we're in the process to accept that
large when spending in the direction
Inevitably it fails for too small a amount.
Suggest F.M. meet on basis of their needs
in 10 days time

LVA ROM

Carrying against a better picture
What our has said is true
But your $2/3 : 1/3$ is true: but we
thought it was a temporary problem
Logical to have a degree more
We didn't
know we have a bytles.
Not withdrawing that.
We're said to work out values of bytles
in our
M.7 can agree to that
Q: is that figure less than 1622
A: better than $\approx 850 = 50\%$
We agree to get as close as possible to
 $2/3$.
1000 is 62% of 1622
When does that figure rise?
Not unusual

Pres:

We're speaking numbers.

Don't know what you're for this.

∴ all trying to make sense.

(R. 1881.)

Agree with you.

Since about all have said I found at home,

that we had considerable numbers

of making together samples

Say this to M.T.: Can you imagine

they will look better by looking

at the different ones?

It'll look much worse

How justify that?

Time + you've had said not

convinced to this

If you refuse this, what will you

be in future? Only work - future

Get now v. hard. They've

no time that got, by accident home

M.7

Time got to 1913 + not 1622

Only 3 not calculated.

Other are not complete

Suggest the number to be put in 2000
+ little less

Pres:

Ask you to say to me to

Conclude.

Under new program last year

Ask other all to make further

If GR, LAB, NL, DA further

hold one, with hand the other.

What can I buy in hand - choice
with for 5 years & 1000 the rest
or UK program

Clearly UK has made an effort.

Two books on design

Let's give down it like that

Let's go for smaller

Are you - Kone etc - so say if you're
going to stick to that

And M.7: what you?

Kone: I think rest of the program
+ the basis of solution

how from remains reasonable.

I think I do as really a reflection of
what is possible: perhaps on 5 years

Schlesinger: Like to meet colleagues and discuss
on mission, with program to assist
Baylor needs

Fact:

MATSONS: Kone is right

Thompson:

Not for us to fix things. But we
are trying to find total range
if we take today, Paul will have
no other hope - 750m + which
mechanics will include

PRIME MINISTER'S BRIEFING MEETINGS

I have discussed with Sir Michael Butler and the following (but only the following) are invited to attend the Prime Minister's briefing after dinner at Henri Pirenne this evening:-

Sir Robert Armstrong
Sir Crispin Tickell
Sir Michael Franklin
Mr. Hannay
Mr. Williamson
Mr. Unwin
Mr. Ingham
Mr. Goulden
Mr. Shepherd
Mr. Bone

There will be another briefing meeting on Tuesday morning. Time and place will be decided at this evening's briefing meeting. Sir Julian Bullard and Mr. Brenton are invited to join the above at the Tuesday morning briefing.

A. J. G. .

19 March, 1984



PRIME MINISTER

EUROPEAN COUNCIL: 19/20 MARCH

1. I had two and a half hours of talks with Roland Dumas at Chevening on 17 March. We worked systematically through the draft Presidency conclusions and covered a great deal of ground.
- I enclose a full record of our meeting, which will be important for those working on the texts in Brussels; but I will not trouble you in this minute with all the detail.
2. Roland Dumas brought with him a personal message to you from President Mitterrand. I enclose Mitterrand's letter together with a very rough translation which I have had done on the spot.
3. I am in no doubt at all after these talks that the French want to get an agreement next week. They realise that they have to do a deal with us if they are to succeed and they are prepared to negotiate seriously. But of course, like us, they have their sticking points. We made a lot of progress during our talks in identifying the problems we have with the existing text and in identifying ways of solving them. The explicit reference in Mitterrand's letter to the Presidency producing a new text on Tuesday morning is encouraging.
4. We identified three really difficult problems, apart from anything in the agricultural field, about which I was rather unsighted, having not yet had an account from Michael Jopling of how the Agriculture Council had turned out:

(i) Duration of the Budget Settlement

The French are in no doubt of the fact that the text they have put forward, which could result in the corrective system simply disappearing when the new VAT ceiling is reached, is unacceptable to us. But

/they



2.

they are determined not to accept any wording which enables us to block absolutely any change in the new ceiling while preserving our corrective system intact indefinitely. It will not be easy to find a way through this problem.

(ii) The figures

I refused to show any flexibility on figures at this stage, saying that our willingness to do so in Brussels would be totally dependent on agreement being reached on the outline of a system in terms which were satisfactory to us, which the present draft certainly was not. I think the French understand the logic of this approach and that their willingness to be receptive to our criticisms of the present text reflected this recognition.

(iii) The German Problem

Roland Dumas is going on to Bonn tomorrow. The German paper for the Summit and its indication that they are still determined to have a limit on their contribution has clearly set the cat amongst the pigeons. I suspect the French still think that they may be able to push the Germans off their present position. There is no doubt that the French willingness to do a reasonable deal with us is heavily dependent on this factor.

5. Given the warm tone of Mitterrand's letter to you, I think it would be well worth while sending him a very brief personal word before the Summit begins.

/6.

CONFIDENTIAL



3.

6. I am copying this minute to the Chancellor of the Exchequer, to the Minister of Agriculture, Fisheries and Food, and to Sir Robert Armstrong.

J. A. Weir

pp (GEOFFREY HOWE)

18 March 1984

CONFIDENTIAL

MEETING BETWEEN THE FOREIGN AND COMMONWEALTH SECRETARY
AND THE FRENCH MINISTER FOR EUROPEAN AFFAIRS AT CHEVENING
ON 17 MARCH 1984

1. The Ministers, accompanied by M. Legras on the French side and by Mr Hannay on the British side met from 16.45 to 19.15. They agreed to discuss the draft Presidency conclusions in the order in which they were set out. Sir Geoffrey Howe said that he found this draft a workmanlike one which drew everything together. But there were a good number of points on which we had difficulty.

Policies

2. Sir G Howe thanked M. Dumas for having included references to transport policy and to insurance as he had asked when they last met. He would like to see also some reference to fixing a date for phasing out lead from petrol. M. Dumas said he believed M. Mitterrand also wanted some reference to environmental questions.

Common Agricultural Policy

3. The discussion on the CAP was somewhat handicapped by the fact that neither side had had a full account of the results of the meeting of Agriculture Ministers, although the French clearly had a broad outline of the main conclusions. M. Dumas said that there was still a UK reserve on the beef premium. Sir Geoffrey Howe said this was a major domestic problem. M. Dumas said the French still wanted to see an oils and fats tax. Sir Geoffrey Howe said that we could not agree to that. M. Dumas said in that case it would be necessary to find 600 mecu in some other way. He went on to say that the Presidency's proposed reductions in common prices had been agreed. The following agricultural problems were then discussed:

- (i) The Irish milk problem. We explained that we were firmly opposed to making any concession on milk for Ireland beyond allowing them access to the 400,000 tons in the provisional reserve. Even with that we would need 17 thousand tons from the reserve for Northern Ireland. If the Irish had more than that, then we would need more for Northern Ireland (2,700 tons for every 10,000 tons more the Irish got). The French said

/they

335,000
more for
Northern
Ireland

they believed the Italians had already been promised most of the provisional reserve. Both Mitterrand and Kohl were likely to be ready to do something for the Irish. They hoped we would too. Perhaps the least bad solution would be to give the Irish a bit out of the provisional reserve of 600,000 tons and also a bit on top of that.

- (ii) Guarantee thresholds. We said that it was absolutely essential that the European Council should adopt the text tabled by the Germans in Athens. The French said that, even if the Agriculture Council had not agreed to do it, they would make sure that that text got into the next version of the Presidency conclusions.
- (iii) Cereals Prices. We urged strongly the need for the European Council to endorse a ^{long-term policy on reductions} multi-annual approach to ^{Prices} cereals prices. This would be crucial if there was to be a successful negotiation with the Americans over cereals substitutes. We described the text we had in mind. The French were receptive and took the point about cereals substitutes.
- (iv) MCAs. We argued against giving the Germans Community money; in favour of setting a fixed timetable for dismantling MCAs; and against changing the technical calculation of MCAs. The French favoured going for a low figure for Community payment to Germany, perhaps by setting a single figure for three years; were not unresponsive about setting a timetable for dismantling negative MCAs (they said the French Finance Minister strongly favoured this) and believed a two year schedule might be achieved; and were unsighted on the technical calculation issue.

/(v)

- (v) Agriculture Export and Import Policy. We checked the text the French had in their files, which would be tabled in Brussels, and confirmed that it was the Athens text with the Prime Minister's amendments.
- (vi) Excess Agricultural Expenditure in 1984. The French began by arguing that the European Council would have to take a decision next week on how to finance this. We said that was quite out of the question. It was still early in the year; the top priority was to take the necessary decisions to bring agricultural spending under control; if it was agreed now that the excess should be financed, the Commission would just go on spending as they had always done. The French seemed impressed by these arguments and willing to consider a text which merely expressed a willingness to look at the problem and take ~~on~~ only such decisions as were shown to be necessary later in the year.

Structural Funds

4. Sir Geoffrey Howe explained that we were not willing to agree both to an increase in real terms and also to that increase being 'substantial'. The French said that they, personally, favoured our approach; but the Italians and Greeks would be very insistent, and they must have something.

Enlargement

5. It was agreed that the text on enlargement was unexceptionable.

Budget Discipline

6. The following points were covered in the discussion:

- (i) we pointed out that the second sub-paragraph of para 1 was wrongly translated (the French 'en fonction de' being translated as 'in the light of'). The French agreed to correct this in the next version.

/(ii)

- (ii) we asked whether the last phrase in the 4th sub-para of paragraph 1 ('in accordance with their respective budgetary powers') was intended to rule out a treaty change. The French disagreed with each other, one saying it was and the other that it was not. We suggested the text would be better with that phrase removed. That still left the issue entirely open. The French seemed receptive.
- (iii) we explained that paragraph 2 was quite wrongly set out from our point of view. It was essential that, after the reference in the first indent to setting the maximum expenditure level, there would then be a clear and mandatory reference to a guideline on agricultural spending and we suggested the following draft for a second indent: '' To ensure that the net expenditure relating to agricultural markets, calculated on a three-yearly basis, will increase at a rate markedly less than the rate of growth of the own resources base. This development will be assessed on comparable bases from one year to the next'' . We suggested that the present second indent should then become a third and should read as follows:
- ''To implement the necessary provisions on financial guidelines concerning the common agricultural policy, taking account of the proposals in the Commission document.''

The French took careful note of these changes and said that the re-ordering we suggested did not shock them. They would not agree to 'markedly less'; but they believed they would be able to agree to 'less'. They agreed that the reference to 'exceptional circumstances' should be dropped as being too large a loophole; and that the

/technical

technical problem of taking account of enlargement might be relegated to a footnote.

- (iv) we said that para 3 still seemed to us weak and suggested adding the words 'so that they are formally embodied in the Community's budgetary procedures'. We reminded the French that this was the amendment tabled by the Prime Minister at Athens. They took note; but gave no indication of being willing to accept this addition.

Budget Imbalances

7. Sir Geoffrey Howe said that if there was to be a useful discussion on figures, then there must first be a proper foundation in the form of an acceptable system. Some of the points in the Presidency text were helpful, but a good deal of it was either obscure or unhelpful. It was not, in its present form, a useable basis for a serious discussion. Having agreed that there was no need to quarrel with the first three sub-paragraphs, the discussion then went systematically through the remaining indents:

(i) First Indent

It was agreed to leave on one side the unresolved difference over net contributions and the VAT/Expenditure gap. We said that the present phrasing was totally obscure and prejudicial. It gave no idea of what the gap was that needed to be measured and corrected. If the object was to say that the gap was between the VAT share on a payments basis and the expenditure share on the basis of the present allocated budget, then that was what it should say. The French responded positively to this, both to the general point about the formulation needing to be positive rather than negative and to the detail; and said they would be willing to redraft.

/Second indent

(ii) Second indent

The French explained that the initial phrase and the absence of any reference to a linear curve were both due to the German problem. They did not believe that both Britain and Germany could be accommodated within a single linear curve and they were therefore not prepared to commit themselves to that approach until they knew where they stood with regard to the Germans. We made it clear that we must have a linear curve to define our limit and also, if we were to accept that, our ticket modérateur. The French said they understood this and had no problems so far as the UK was concerned. This point would have to be taken up when the German position had been clarified.

*Ticket modérateur
proposed to
relieve R.D.P.*

(iii) Third indent

We said we saw no case for including this section at all in the operative part of the text. Both a UK contribution to budget increases and to the cost of enlargement were in fact covered in the earlier indents. This one implied that some additional monkeying about was in mind. The French denied that that was the intention. After a long discussion they concluded that it might be possible to insert these two thoughts in the introductory paragraphs, thus making it clear that the system in the operative paragraphs actually took account of them.

(iv) Fourth indent

We strongly challenged the suggested change on administrative expenditure. The Belgian and Luxembourg case was really very weak. Since neither Belgium or Luxembourg's standing as a net beneficiary was relevant to the operation of the scheme, there was no case for an adjustment. An adjustment merely complicated the task of

/arriving

7.

arriving at an equitable figure for us. The French showed some understanding of these arguments, but gave no clear indication of a willingness to change the text.

(v) Fifth indent

We welcomed payment on the revenue side. We said that we were worried that the last phrase implied net financing but not net/net financing. The French said that was indeed the case. The Germans must not be let off their share of our relief. We suggested to them that, at some stage in the negotiation, they might need to consider an arrangement whereby the two beneficiaries from relief financed each other only at the level of their tickets modérateurs.

(vi) Sixth indent

We said the second sentence would not do. It implied that, as soon as the ceiling was reached, the corrective system would fall away. The French said they could not under any circumstances agree to wording which implied that we could, while continuing to secure our reliefs, block an increase in our own resources indefinitely.

M. Dumas then suggested a new text:

'Avant l'épuisement des ressources propres, le Conseil, sur proposition de la Commission, prendra les dispositions appropriées pour permettre la continuation du système correctif et l'établissement d'un nouveau plafond par les ressources propres'.

Sir Geoffrey Howe said that he did not think that this would do either. It was agreed that both sides would reflect further on this difficult problem.

(vii)

8.

(vii) Seventh indent

There was no discussion of the figures.

Own Resources

8. There was a very brief discussion in which M. Dumas indicated that the French were thinking of 1.5% rather than 1.4% for the new ceiling. The French explained that the phrase about the maximum rate applying to every member state was designed to ensure that the Commission did not go on spending to a point when individual member states were above the ceiling, even though the average was within it.

9. At the end of the talks, M. Dumas referred very vaguely to two further points:

(i) a Secretariat to prepare the European Council. We were discouraging.

(ii) some additional very general language about 'the future of Europe' which the French might bring out, if things went very well on 20 March.

Resume on Cost-

TRANSLATION OF LETTER FROM PRESIDENT MITTERRAND
TO THE PRIME MINISTER


We are going to meet on a decisive occasion. I have had the opportunity to explain to you personally that it seemed to me necessary now to reach an overall agreement which would permit us to close the disputes which have too often paralysed the life of the Community in recent years; and, by means of specific measures, to re-launch the building of Europe. I believe that this will to make progress is shared by all members of the European Council. It has also led the Council to reach solutions on several of the very important subjects which we discussed at length in Athens. It therefore seems to me that the moment has now come to conclude at our level the process which was undertaken at Stuttgart.

On the basis of the consultations undertaken during the last weeks, the Presidency has prepared draft conclusions, as succinct as possible, with a view to limiting discussion to the essential points. Starting from this text, I believe that the best way to proceed would consist in reviewing on Monday afternoon all the questions covered by the Stuttgart Mandate in the following order:

- Budgetary and financial discipline,
- Budgetary imbalances,
- Common Agricultural Policy,
- Own resources,
- Structural funds,
- Enlargement,
- New policies.

- *Cont. from substantially in red letter*

Cont/d...



You will understand that, on each of these points, I would like the Council to reply clearly to the questions which are submitted to it without opening up again the content of agreements already reached and without proceeding to a long examination of the subjects, which are already well known to all of us. This effort of discipline should allow us to devote the greater part of our discussions on Monday afternoon to the last agricultural questions in dispute and to budgetary problems. At the end of this session the Presidency will prepare a revised draft for the Tuesday morning session.

The dinner will provide an occasion to continue to discuss those points which we consider will be crucial for the overall agreement.

The Tuesday morning session could begin by examining the draft conclusions which will have been revised by the Presidency during the night. We will then take up the traditional subjects, in particular the economic and social situation of the Community and Political Cooperation questions.

I have taken good note of the additional information which you sent me, following our meeting at Chequers, about the correction of imbalances.

I know that our Ministers are continuing to work together on Sunday (sic), and I am very pleased with that. I hope that we will be able to reach on Monday and Tuesday an overall agreement which will be acceptable to all and which will rise to the challenges which Europe has to face today.

While looking forward to the pleasure of seeing you again soon, I send you my best wishes and my warmest thoughts.

Madame le Premier Ministre,

Nous allons nous retrouver pour une échéance décisive. J'ai eu l'occasion de vous expliquer personnellement qu'il me paraissait indispensable d'arriver maintenant à un accord d'ensemble permettant de clore les contentieux qui ont, trop souvent, paralysé la vie de la Communauté au cours des dernières années, et de relancer par des mesures concrètes, la construction européenne. Cette volonté d'aller de l'avant est, je crois, partagée par tous les membres du Conseil Européen. Elle a également conduit le Conseil des Ministres à dégager une solution sur plusieurs sujets très importants dont nous avons longuement discuté à ATHENES. Le moment me paraît donc venu de conclure à notre niveau le processus engagé à STUTTGART.

A la suite des consultations menées au cours des dernières semaines, la Présidence a préparé un projet de conclusion, aussi condensé que possible, afin de limiter la discussion aux points essentiels. A partir de ce texte, je pense que la meilleure façon de procéder consiste à passer en revue, au cours de la première séance lundi après-midi, toutes les questions couvertes par le Mandat de STUTTGART, dans l'ordre suivant :

- . discipline budgétaire et financière,
- . déséquilibres budgétaires,
- . politique agricole commune,
- . ressources propres,
- . fonds structurels,
- . élargissement,
- . politiques nouvelles.

Vous comprendrez que, sur chacun de ces points, je sois conduit à demander au Conseil de répondre clairement aux questions qui lui sont soumises, sans revenir sur le contenu des accords déjà intervenus, et sans procéder à un long examen

Madame Margaret THATCHER,
Premier Ministre du Royaume-Uni.

.../...

des sujets qui sont déjà bien connus de tous. Cet effort de discipline devrait nous permettre de consacrer la plus grande partie de nos discussions du lundi après-midi aux dernières questions agricoles en suspens et aux problèmes budgétaires. A l'issue de cette session, la Présidence préparera un projet révisé pour notre séance de mardi matin.

Le dîner pourrait être l'occasion de continuer sur les points que nous jugeons déterminants pour l'accord d'ensemble.

La session du mardi matin pourrait commencer par l'examen du projet de conclusion révisé par la Présidence pendant la nuit. Nous aborderions ensuite les sujets traditionnels, notamment la situation économique et sociale dans la Communauté et les questions relevant de la coopération politique.

J'ai pris bonne note des compléments d'information que vous m'avez adressés à la suite de notre rencontre de Chequers, au sujet de la correction des déséquilibres.

Je sais que les travaux entre nos Ministres se poursuivront dans la journée de dimanche prochain, et je m'en félicite. J'espère que nous pourrons parvenir, lundi et mardi, à un accord d'ensemble acceptable pour tous qui soit à la mesure des défis auxquels l'Europe doit aujourd'hui faire face.

En attendant le plaisir de vous revoir bientôt, je vous prie, Madame le Premier Ministre, de croire à l'expression de mes sentiments les meilleurs — *et de mes bien cordiales pensées*

François Mitterrand

François Mitterrand

GRS 900

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FRAME GENERAL/FRAME AGRICULTURE

DESKY

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1004 OF 17 MARCH

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MY TELNO 1002

COUNCIL OF MINISTERS (AGRICULTURE): 16/17 MARCH 1984

AGRICULTURAL PRICE FIXING: CONCLUDING STAGES

SUMMARY

1. THE COUNCIL FAILED TO REACH DEFINITIVE AGREEMENT ON THE VARIOUS ASPECTS OF THE 1984 PRICES PACKAGE AND REFORM OF THE CAP. NO FURTHER DISCUSSION ON MILK AND MCA DISMANTLEMENT. DEBATE CENTRED ON OTHER PRODUCTS. A REPORT (MUFAXED TO FCO THIS AFTERNOON) WILL BE MADE TO THE SUMMIT INDICATING THE PROGRESS MADE ON ALL ASPECTS OF THIS WEEK'S WORK AND THE OUTSTANDING RESERVES.

2. THE UK, IN ADDITION TO THE RESERVES ALREADY ENTERED ON MILK AND MCAS, RESERVED ON THE POTENTIAL COST OF THE 'OTHER PRODUCTS' PACKAGE, ON THE NON CONTINUANCE OF THE BEEF VARIABLE PREMIUM SCHEME AND THE CALCULATION OF THE SHEEPMEAT PREMIUM.

3. IT IS HOPED THAT SUFFICIENT PROGRESS WILL BE MADE AT THE SUMMIT IN RESOLVING THE OUTSTANDING AGRICULTURAL PROBLEMS TO ENABLE THE AGRICULTURE COUNCIL TO WRAP UP THE FINAL DETAILS AT ITS NEXT MEETING ON 26/27 MARCH.

DETAIL

4. AFTER A PROLONGED BREAK OVER THE DINNER INTERVAL, A REVISED 'NON-PAPER' WAS TABLED AT 1.30 AM FOLLOWING DISCUSSION BETWEEN THE COMMISSION AND THE PRESIDENCY (COPY BY MUFAX ON MONDAY MORNING). IT WAS MODELLED ON THE NON-PAPER TABLED AT THE SESSION OF THE COUNCIL EARLIER THIS WEEK.

5. THE COUNCIL DISCUSSED THIS WITHOUT A BREAK, AND IN EXTREMELY RESTRICTED SESSION (MINISTERS PLUS ONE), UNTIL 11.30AM, WHEN THE CHAIR (ROCARD) CONCLUDED THAT NO FURTHER PROGRESS WAS POSSIBLE BEFORE THE SUMMIT.

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6. AS A RESULT OF THE WORK OVER THE WEEK AS A WHOLE, THERE WILL BE A PROGRESS REPORT FROM THE AGRICULTURE COUNCIL TO THE SUMMIT BASED ON THREE DOCUMENTS:

- MILK (MY TELNO 933 - TEXT OF 5802/84)
- MCAS (MY TELNO 932 - TEXT OF 5803/84)
- OTHER PRODUCTS (TEXT OF 5847 MUFAXED TO FCO THIS AFTERNOON)

7. THE TEXT ON OTHER PRODUCTS INCLUDES (INTER ALIA) A PARAGRAPH ON THE INTRODUCTION OF GUARANTEE THRESHOLDS FOR PRODUCTS IN SURPLUS OR WHERE COSTS ARE RISING RAPIDLY. OTHER NEW FEATURES OF THE DRAFT PACKAGE ARE PRICE REDUCTIONS OF 1 PER CENT FOR VARIOUS COMMODITIES, A 0 PER CENT CHANGE FOR SUGAR, DURUM, RYE AND MILK, AND CHANGES BETWEEN MINUS 3 PER CENT AND PLUS 2.9 PER CENT FOR MEDITERRANEAN PRODUCTS. SOME CHANGES TO THE METHODS OF CALCULATION OF MCAS, NOTABLY FOR PIGMEAT. ADOPTION OF THE CEREALS SUBSTITUTES MANDATE IN THE MANNER ENVISAGED BY THE GENERAL AFFAIRS COUNCIL. GUARANTEE THRESHOLDS FOR DURUM, COTTON, DRIED GRAPES AND SULTANAS. INTRODUCTION OF BEEF GRID WITH CERTAIN SAFEGUARDS. SOME OF COMMISSION PROPOSALS ON SHEEPMEAT DEFERRED. (THE TEXT APPEARS TO OMIT AN AGREED WORDING ON MANAGEMENT OF PIGMEAT MARKET AND TO HAVE THE WRONG CURRANTS GUARANTEE THRESHOLD QUANTITY.)

8. ALL THESE DOCUMENTS ARE STILL SUBJECT TO A VARIETY OF RESERVES. THOSE ON MILK AND MCAS ARE AS IN MY TELNO 918. ON OTHER PRODUCTS, THERE IS A GENERAL RESERVE FROM ALL DELEGATIONS SUBJECT TO A SATISFACTORY PACKAGE. IN ADDITION:

- THE UK HAS SPECIFIC RESERVES ON THE POSSIBLE FINANCIAL COSTS, THE ABSENCE OF A PROPOSAL TO EXTEND THE BEEF VARIABLE PREMIUM SCHEME AND THE CALCULATION OF THE SHEEPMEAT PREMIUM.
- IRELAND WARNED THAT IF WE PRESSED THE VARIABLE PREMIUM AT THE SUMMIT THEY WOULD DEMAND EXTENSION OF THE CALF PREMIUM.
- ITALY HAS A RESERVE ON OLIVE OIL.
- GREECE HAS A RESERVE ON THE WHOLE PAPER AS STILL BEING IMBALANCED.

9. THE COSTINGS OF THE NEW PAPER, AS NOW AMENDED, ARE STILL SOMEWHAT CONFUSED GIVEN THE PRESSURES ON THE COUNCIL AND ITS METHODS OF WORK. BUT A ROUGH ESTIMATE BY THE COMMISSION (VILLAIN) INDICATED THAT THE REVISED PACKAGE ON OTHER PRODUCTS WOULD NOW COST 72 MECU LESS IN 1984 THAN THE COMMISSION'S ORIGINAL PROPOSALS AND 224 MECU LESS IN 1985. (THE NETHERLANDS SOUGHT A COMMISSION DECLARATION THAT THE COST OF THE BEEF REGIME IN PARTICULAR WOULD NOT EXCEED THE 1984 BUDGET PROVISION). ON THIS BASIS, COMMISSIONER DALSAGER WAS PREPARED TO RECOMMEND THE PACKAGE TO HIS COLLEAGUES. A DOCUMENT IS EXPECTED FROM THE COMMISSION SETTING OUT THE FINANCIAL IMPLICATIONS OF THE PACKAGE.

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10. THE COUNCIL DECIDED TO MAINTAIN THE PLANNED DATES FOR ITS NEXT MEETING OF 26/27 MARCH - RÔCARD HAS DIFFICULTIES IN ATTENDING ON 26 MARCH AND TRIED TO SHIFT THE COUNCIL TO THE PREVIOUS WEEKEND. SOUCHON WILL TAKE THE CHAIR FOR THE FIRST DAY. IN THE LIGHT OF INSTRUCTIONS RECEIVED FROM THE SUMMIT, IT WILL TRY TO CONCLUDE ITS WORK ON THIS YEAR'S PRICE FIXING AND REFORM OF THE CAP.

FCO ADVANCE TO: ADVANCED AS REQUESTED
FCO - TICKELL HANNAY WALL CARY
CAB - WILLIAMSON DURIE
MAFF - PS/MINISTER PS/MOS FRANKLIN ANDREWS ATTRIDGE PACKER
 HADLEY ARCHER DIXON MYERS DICKINSON
TSY - BOSTOCK FITCHEW UNWIN
NO.10 - COLES

RESIDENT CLERK (FCO): PLEASE NOTIFY SIR M FRANKLIN (MAFF) WALL (FCO) WILLIAMSON (CABINET OFFICE AND BOSTOCK (TREASURY) OF CONTENT OF THIS TELEGRAM AND OF MUFAX OF DOC 5847/84.

FCO PASS SAVING LISBON MADRID ✓ ✓

BUTLER

FRAME GENERAL
FRAME AGRICULTURE
ECD (1)

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EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 17 March 1984

5847/84	
R/LIMITE	

AGRI 43
AGRIFIN 177

WORKING DOCUMENT

from: COUNCIL (AGRICULTURE)

Mujaw to Resident Clerk, FCO.

please i) communicate contents of this document by telephone to Sir M. Franklin (MAFF) for Mr. Boddy (Treasury) of R. Williamson (Cob. office) same time as taking tel. no. 1004 17/3/84
ii) to R. Wall ECDC(I) for immediate information.

1. At its meeting on 11, 12, 13, 16 and 17 March 1984 the Council (Agriculture) worked out:

- as regards milk products, the points set out in 5802/84 dated 13 March 1984;

- as regards the dismantling of monetary compensatory amounts, the points set out in 5803/84 dated 13 March 1984;

- as regards the other products and the questions relating to the method of calculation of the MCAs, the text attached hereto.

The points decided upon supplement or amend the proposals and communications submitted by the Commission with respect to the adjustment of the common agricultural policy (COM 500) and the fixing of prices for the 1984/1985 marketing year and related measures.

2 points

Money for P.R.G.

Phasing out the 3% rebate M.C.A. - over 3 years.

M.B. of emergency arrangements more rebate M.C.A. related.

Winding up the proceedings, the Presidency noted that all the delegations are upholding a blanket reservation on this document. In fact, their agreement is subject to a balance being found between all the decisions to be taken by the European Council.

3. The President also noted that more specific reservations were tabled by:

- the United Kingdom delegation on:
 - = the variable slaughter premium for bovine animals; *defining payment* →
 - = the arrangement retained for the method of calculation of the ewe premium;
 - = the financial consequences of the various points adopted by the Council;
- the Irish delegation on the calving premium in conjunction with the United Kingdom reservation on the variable premium ⁽¹⁾;
- the Greek delegation, which emphasized that a better balance should be found in the treatment given to the various products;
- the Italian delegation on the attached text, particularly on paragraph 3.2.

4. As regards the financial consequences of all the points worked out by the Council, the Commission proposed to submit a document containing figures as soon as possible.

602.002 PM

⁽¹⁾ See also 5802/84 for the position of the Irish delegation.

WORKING DOCUMENT FROM THE AGRICULTURE COUNCIL

Subject: Bases for agreement by the Council on the Commission proposals and communications concerning the adjustment of the common agricultural policy, prices and related measures

The Council approved the guidelines contained in COM 500 regarding the fixing of guarantee thresholds. It emphasized the advisability of introducing these instruments into the organization of the markets in products in surplus or those on which expenditure was likely to increase rapidly.

*Text - see Annex 1
2 of our 3 points*

On the basis of the discussion held within the Council of Agricultural Ministers, the Presidency considers that the following points warrant assessment.

1. Price level

As compared with the prices for the 1983/1984 marketing year, the various products break down as follows:

(a) Products the price of which is reduced by 1%

Common wheat, barley, maize, olive oil, dried fodder, peas and beans, flax and hemp, table wine, beef and veal, sheepmeat and pigmeat.

For sheepmeat, no change in price has been decided upon for the 1985/1986 marketing year. Before 31 October 1984 the Commission will make proposals for the 1985/1986 prices.

(b) Products the price of which remains unchanged

Intervention price for durum wheat and rye, price of sugar and target price of milk.

(c) Products the price of which is amended:

- rice: target price: + 2,9
intervention price: + 2,5
- durum wheat: target price: + 0,6
aid: + 1,5
- cotton: guide price: + 1,5
minimum price: + 1,5
- tobacco: guide price and intervention price
between - 3 and + 2
- fruit and vegetables: basic price
between - 1 and + 2
- silkworms: aid: + 1,5

For sunflower and colza, the price is reduced by one additional point, i.e. - 1 and - 2 respectively.

2. Method of calculation of Monetary Compensatory Amounts

2.1. Non-cumulative rules

If the monetary gap (after deduction of the neutral margin) brought about by amendment of the parities is between 0 and 0,5, no MCA will be paid.

If the monetary gap (after deduction of the neutral margin) is greater than 0,5 and less than 1, the MCA will be fixed at 1 point.

2.2. The present rules relating to neutral margins will be retained.

2.3. The contraction rule for wine will be abolished. In this sector the Commission may, after consulting the Management Committee, extend the neutral margin to a maximum of 5%.

- 2.4. The Commission proposal on the amendment of the method of calculating the MCA for pigmeat will be applied as from 1 January 1985. This amendment will remain valid for as long as the new system governing MCAs applies.

However, the intervention price in the basic Regulation will not be discontinued.

- 2.5. The Council notes that the Commission intends to review the method of calculating MCAs on sugar.

3. The following amendments are made to the Commission proposals and communications (COM(83) 500 final, implementing regulations and measures related to the price proposals);

3.1. Cereals

The target prices are derived from the intervention prices actually fixed by the Council for the marketing year in question.

The carry-over payments at the end of the marketing year will be calculated in accordance with the usual procedure, but:

- 5,5 monthly increases will be taken into account for wheat and rye,
- 4 increases will be taken into account for maize.

The Council notes that the Commission intends to implement intervention measures on common wheat of minimum breadmaking quality in the first three months of the 1984/1985 marketing year.

Starch products: the arrangements currently applied will be renewed. The Commission will propose, with a view to their application during the following marketing year, new arrangements for aid for starch products.

Cellulose content of barley: technical study by a Commission Working Party, and Commission report for the 1985/1986 marketing year.

The brief which the Commission has requested from the Council on the stabilization of imports of cereal substitutes will be adopted in the manner envisaged by the General Affairs Council.

Durum wheat: a guarantee threshold of 4 600 000 tonnes will be introduced in accordance with COM 500, but the intervention arrangements will not be amended.

2. Olive oil

The Council agrees to take a decision by 31 May 1984 on the proposals for Regulations improving supervision.

3.3. Seed oil

Problem of colza OO: technical study by a Commission Working Party and proposal for the 1985/1986 marketing year.

3.4. Protein products

Aid for peas and field beans for human consumption will be maintained.

The system of aid for protein products will be extended to lupins (threshold price 47,82 ECU/100 kg on the basis of the present threshold price for peas).

Soya: the present aid arrangements will be maintained. For one marketing year, producer Member States will have the option between the present system (aid granted to the first purchaser) and the system proposed by the Commission (aid to oil mills); before the expiry of this deadline the Commission will submit to the Council a report on the application of the arrangements, together with any appropriate proposals.

3.5. Wine

(a) Structural measures

New plantings of table-grape vines and wine-grape vines, including those intended for the production of quality wines p.s.r., will be prohibited until the beginning of the 1990/1991 wine year, excepting individual derogations granted under Commission supervision.

Structural measures to improve and reduce vine-growing will be continued.

(b) Oenological processes and quality policy

The provision proposed by the Commission will be examined at a later date with a view to a range of measures aimed at gearing production to quality and restricting vine planting in areas unsuited to quality production.

(c) Intervention arrangements

The words "totally or partly" will be deleted from the draft amendment to Article 15 of Regulation No 337/79.

The trigger price will be set at 92% of the guide price for all types of wine.

- (d) Regulation (EEC) No 337/79 should be completed by a specific article based on the following text:

"In order to prevent, at the time of distillation, any undue advantage for wines part of whose alcohol has been obtained at low prices by means of chaptalization or enrichment with must for which aid has been granted, the price of the distilled product will be reduced in proportion to the advantage enjoyed by such wine."

3.6. Processed fruit and vegetables

(a) Tomatoes

1. Guarantee thresholds

A guarantee threshold of 4 600 000 tonnes (raw material) will be fixed for all processed tomato products. Where the threshold is exceeded, aid will be reduced for the following marketing year in proportion to the amount by which the threshold has been exceeded.

The excess amount will be calculated on the basis of the average of the quantities produced during the previous three marketing years (i.e., for the 1984/1985 the average of the 1981/1982, 1982/1983 and 1983/1984 marketing years).

2. Calculating the aid

- A. The aid will be calculated on the basis of the raw material.

The basis for the aid payment will be the net finished product (excluding can).

Raw material is translated into net finished product by means of standard coefficients (e.g. 6 kg of tomatoes for 1 kg of concentrate).

Where the price of products imported from third countries cannot be considered representative (insufficient volume imported), a fixed price will be substituted, determined in the manner envisaged by the Commission.

- B. Small packages: the scale of subsidies for concentrates in small packages will be gradually abolished over three marketing years in three equal stages.

(b) Dried grapes

The following amendments will be made to the present arrangements:

- there will be a ban on new plantations;
- the minimum price paid to producers will be maintained at its present level for 1984/1985;
- a guarantee threshold is introduced for currants (70 000 t) and sultanas (85 000 t). For quantities in excess of these amounts the buying-in prices will be 50% lower than the minimum price to be paid to the producer, up to a maximum of half the guarantee thresholds thus fixed;

- intervention measures will in any event be ruled out during the first ten months of the marketing year;
- quality standards will be raised.

The Commission is asked to exercise the greatest vigilance in fixing and applying storage costs for dried grapes.

Before 31 December 1987 the Commission will submit a report on the operation of these arrangements, accompanied by proposals for any amendments.

Structural measures

Irrigation and advisory programmes in Greece will continue in 1985 with priority financing from the EAGGF.

(c) Other processed fruit

To take account of the price situation on the world market, aid will be reduced as follows:

- pears in syrup: - 5%
- peaches in syrup: - 18%
- cherries in syrup: - 60%

(This proposal maintains the budget saving envisaged by discontinuing aid for cherries).

3.7. Cotton

The guarantee threshold is set at 470 000 tonnes.

3.8. Beef

1. The guide price and the intervention price for all beef will continue to be fixed for a further 3 years on a live-weight basis.
2. The Council agrees to the immediate introduction of the carcass classification scale for the fixing of buying-in prices, on an experimental basis for 3 years. The Commission will report to the Council on the application of the scale for intervention before the end of the 1984/1985 marketing year.
3. The Commission will establish the buying-in prices on the basis of:

350 ECU/100 kg for bulls R 3
335 ECU/100 kg for steers R 3.
4. There will be three equal stages in the transitional period for moving from the present buying-in price in each Member State to the uniform buying-in price.

The Council notes that the Commission intends, when introducing the scale, to apply the same intervention arrangements in Ireland and in Northern Ireland.

5. The Commission will accept the purchase of U 2 quality carcasses for bulls and steers into intervention for the duration of the transitional period.

5.9. Sheepmeat

1. The starting date of the marketing year for sheepmeat continues to be the first Monday in April.
2. The proposed seasonalization of the basic price is modified to take account of the technical discussions held in the Council.
3. France continues to be regarded as a separate region.
4. The proposed ceiling on the variable premium, and the associated limit on the claw-back, are left aside for the time being, pending the outcome of the negotiations on the establishment of a minimum import price.
5. The Council takes note of the Commission's intention of continuing not to apply the claw-back in respect of the variable premium to products exported from the Community.

Levi
+ duties

2,500

VAT

2.5



10 DOWNING STREET

Prime Minister

This note from
John Macgregor follows
up your talk with him
in the House of Commons
last Tuesday.

MA

16/3



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the
Minister of State

The Rt Hon Michael Alison MP
10 Downing Street
London SW1

15 March 1984

Dear Michael

You will recall our conversation last night when the Prime Minister asked me to send over some of the statistics which I mentioned in relation to Britain's relative share of the CAP. I enclose the particular tables I had in mind, with a brief summary pulling out a few key points; and one or two additional notes[†]. They are really for background briefing and for use if the going gets really rough. We have not had to use any of the material so far!

I think you ought also to see the enclosed Revised Draft Reply which I cleared yesterday. This is an answer to a PQ from Lord Chelwood who asked for net farm income per farm broken down between the different types of farm from 1978/79. When you handed over the figures from 1979/80 to the Prime Minister you may recall that I briefly mentioned that the figures varied depending on the base year. It was this I had in mind. There were some dramatic changes between 1978/79 and 1979/80 which is why the figures look so different from the ones I sent to you. You will note that although Lord Chelwood did not ask for them, I have put in the 1979/80 figures because I have been making quite a lot of use of them and I did not want there to be any confusion! The relativities remain the same in the two tables, but I think the key points which it may be worth pointing out to the Prime Minister at some time is that LFA cattle and sheep farms (which she spotted last night) do look quite different when you take a 1978/79 base year. — The

PQ (which is enclosed) gives you the figures you asked for on the phone on the other table.

I also enclose the paper I prepared today for Cabinet colleagues and backbenchers as promised.

Again with many thanks for your help.

JOHN MACGREGOR

*but now
sent to avoid
burdening
you with
paper.*

*Yes, ev,
JH*

REVISED DRAFT REPLY

Index numbers of net farm income per farm in the United Kingdom for the main types of farm are shown in Table 26 of the White Paper on the Annual Review of Agriculture 1984 (CMND 9137). They indicate the following percentage changes in real terms (deflated by the RPI) in the 5 years since 1978/79 including the forecast change in 1983/84:

Cereal farms	+ 27%
Dairy farms	- 39%
LFA Cattle and Sheep farms	- 27%
Lowland Cattle and Sheep farms	- 58%
Pigs and Poultry farms	- 81%

However, the figures vary considerably from year to year and a different base year can give significantly different results. If, for example, the comparison is made on the basis of a 1979/80 base year, the figures are as follows:

Cereal farms	+ 74%
Dairy farms	- 2%
LFA Cattle and Sheep farms	+ 60%
Lowland Cattle and Sheep farms	- 6%
Pigs and Poultry farms	- 73%

Comparable figures are not available for beef, sheep and pig farms separately. This comparison of trends reflects in part of the fact that cereals yields have increased proportionately more during the period than such livestock indicators as milk yields and eggs laid per bird.

KEY POINTS IN TABLE

a) One of the points that is sometimes made in relation to the sheepmeat regime is that the UK is almost the sole beneficiary (and of course that the cost is rising substantially). We have 90.7% of total EEC expenditure, at a total of 228 MECU (1982 figures).

b) The table shows that, as percentages of EEC expenditure (1982 figures):-

On Cereals

France has 37.3% - 680 MECU

Germany has 16.5% - 300 MECU

UK has 13.2% - 240 MECU

UK has 18.5% of EEC wheat production and 33.9% of EEC barley production

On Sugar

France has 40.9% - 508 MECU

Germany has 18.5% - 230 MECU

UK has 7.7% - 95 MECU

On Olive Oil

Italy has 83.6% - 412 MECU

On Fruit and Vegetables, Wine and Tobacco

Italy has 69.4%, 68% and 46% respectively, to a total of 1,311 MECU for these three products alone. UK's total FEOGA for all products was 1286 MECU.

On Milk

Germany has 24.1% - 800 MECU

Netherlands has 22.8% - 757 MECU

France has 20.9% - 696 MECU

UK has 8.7% - 290 MECU

On Eggs and Poultry

France has 55.6% - 57 MECU

UK has 1.5% - 1 MECU

c) FEOPA expenditure for 1982 per country compared with agricultural production as a percentage of EEC totals was:

	FEOPA Expenditure %	Agricultural Output %
UK	10.4	13.4 (P)
France	23.1 (1)	19.6 (1)
Germany	16.4	18.4 (3)
Greece	5.5	5.1
Belgium	4.3	3.0
Denmark	4.5	4.0
Ireland	4.0	2.1
Italy	20.2 (2)	19.6 (1)
Luxembourg	-	-
Netherlands	11.5	12.5

TABLE 4

GUARANTEE EXPENDITURE BY MEMBER STATE

mecu

		Belgium	Denmark	Germany	Greece	France	Ireland	Italy	Lux	Neth	UK	Total
Cereals	1981 expenditure % of EC total	108.5 5.6%	32.6 1.7%	318.0 16.6%	19.2 1.0%	878.4 45.7%	3.0 0.2%	256.4 13.3%	0.6 -	83.2 4.3%	221.5 11.5%	1921.4
	1982 expenditure % of EC total	90.0 4.9%	40.3 2.2%	300.1 16.5%	129.3 7.1%	680.1 37.3%	5.4 0.3%	233.5 12.8%	0.1 -	103.9 5.7%	240.8 13.2%	1824.5
Rice	1981 expenditure % of EC total	0.6 2.8%	Nil Nil	0.9 4.1%	Nil Nil	0.4 1.8%	Nil Nil	19.3 90.6%	Nil Nil	0.1 0.5%	0.4 1.8%	21.7
	1982 expenditure % of EC total	0.7 1.4%	- -	- -	Nil Nil	0.7 1.4%	Nil Nil	48.9 97.2%	Nil Nil	- -	- -	50.3
Sugar	1981 expenditure % of EC total	88.1 11.5%	29.6 3.9%	156.3 20.4%	2.8 0.4%	317.7 41.4%	3.9 0.5%	64.5 8.4%	Nil Nil	51.5 6.7%	53.1 6.9%	767.5
	1982 expenditure % of EC total	166.7 13.4%	44.9 3.6%	230.0 18.5%	11.7 0.9%	508.5 40.9%	5.2 0.4%	92.7 7.5%	- -	87.2 7.0%	95.0 7.7%	1241.9
Olive oil	1981 expenditure % of EC total	- -	- -	Nil Nil	43.6 9.9%	- 0.1 -	Nil Nil	398.5 90.0%	Nil Nil	- -	0.4 0.1%	442.7
	1982 expenditure % of EC total	- -	- -	- -	76.2 15.5%	1.2 0.2%	- -	412.2 83.6%	Nil Nil	Nil Nil	0.7 0.1%	493.1
Oilseeds and proteins	1981 expenditure % of EC total	19.6 3.0%	8.5 1.3%	228.3 35.2%	- -	204.1 31.5%	0.1 -	49.9 7.7%	- -	28.4 4.4%	109.2 16.8%	648.1
	1982 expenditure % of EC total	16.3 2.0%	21.6 2.7%	295.7 36.8%	1.4 0.2%	215.1 26.8%	0.5 0.1%	53.0 6.6%	- -	82.4 10.3%	117.5 14.6%	803.5
Textiles	1981 expenditure % of EC total	2.1 2.9%	Nil Nil	- -	54.9 76.0%	13.1 18.1%	Nil Nil	0.6 0.8%	Nil Nil	0.9 1.3%	Nil Nil	72.2
	1982 expenditure % of EC total	3.0 2.6%	Nil Nil	Nil Nil	96.6 83.0%	14.3 12.3%	Nil Nil	0.5 0.4%	Nil Nil	1.0 0.9%	Nil Nil	116.4

1982

1982 & cont.

		Belgium	Denmark	Germany	Greece	France	Ireland	Italy	Lux	Neth	UK	Total
Fruit and vegetables	1981 expenditure	5.7	0.7	19.3	20.5	106.7	0.1	479.9	Nil	6.1	2.1	641.1
	% of EC total	0.9%	0.1%	3.0%	3.2%	16.6%	-	74.9%	Nil	1.0%	0.3%	
	1982 expenditure	3.8	0.9	15.4	133.8	110.0	0.1	634.2	Nil	13.2	2.8	914.3
	% of EC total	0.4%	0.1%	1.7%	14.6%	12.0%	-	69.4%	Nil	1.4%	0.3%	
Wine	1981 expenditure	Nil	-	0.5	3.3	215.0	Nil	240.4	Nil	Nil	0.2	459.4
	% of EC total	Nil	-	0.1%	0.7%	46.8%	Nil	52.3	Nil	Nil	-	
	1982 expenditure	Nil	-	4.0	20.7	157.7	Nil	387.8	Nil	Nil	0.4	570.6
	% of EC total	Nil	-	0.7%	3.6%	27.6%	Nil	68.0%	Nil	Nil	0.1%	
Tobacco	1981 expenditure	2.2	Nil	27.0	Nil	79.5	Nil	253.1	Nil	-	Nil	361.8
	% of EC total	0.6%	Nil	7.5%	Nil	22.0%	Nil	69.9%	Nil	-	Nil	
	1982 expenditure	3.9	Nil	35.9	205.5	87.8	Nil	289.3	Nil	0.2	Nil	622.6
	% of EC total	0.6%	Nil	5.8%	33.0%	14.1%	Nil	46.5%	Nil	-	Nil	
Minor products	1981 expenditure	1.0	8.5	7.0	1.3	8.3	0.1	3.8	-	6.0	10.7	46.7
	% of EC total	2.1%	18.2%	15.0%	2.8%	17.8%	0.2%	8.1%	-	12.8%	22.9%	
	1982 expenditure	0.9	9.6	7.0	2.3	7.8	0.2	4.9	0.1	7.1	13.5	53.4
	% of EC total	1.7%	18.0%	13.1%	4.3%	14.6%	0.4%	9.2%	0.2%	13.3%	25.3%	
Milk	1981 expenditure	174.8	261.1	810.1	0.4	828.9	193.0	57.9	3.1	722.7	290.7	3342.7
	% of EC total	5.2%	7.8%	24.2%	-	24.8%	5.8%	1.7%	0.1%	21.6%	8.7%	
	1982 expenditure	222.7	293.8	800.7	1.9	696.7	191.8	69.5	2.8	757.7	290.1	3327.7
	% of EC total	6.7%	8.8%	24.1%	0.1%	20.9%	5.8%	2.1%	0.1%	22.8%	8.7%	
Beef	1981 expenditure	19.1	54.5	288.2	Nil	402.5	219.2	213.1	0.1	101.5	138.7	1436.9
	% of EC total	1.3%	3.8%	20.1%	Nil	28.0%	15.3%	14.8%	-	7.1%	9.7%	
	1982 expenditure	10.0	48.9	173.1	2.9	275.6	263.0	244.2	0.1	37.5	103.3	1158.6
	% of EC total	0.9%	4.2%	14.9%	0.3%	23.8%	22.7%	21.1%	-	3.2%	8.9%	



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TABLE 4 cont.

		Belgium	Denmark	Germany	Greece	France	Ireland	Italy	Lux	Neth	UK		Total
Sheepmeat	1981 expenditure	Nil	Nil	Nil	Nil	Nil	4.0	Nil	Nil	Nil	187.5		191.5
	% of EC total	Nil	Nil	Nil	Nil	Nil	2.1%	Nil	Nil	Nil	97.9%		
	1982 expenditure	Nil	Nil	1.8	Nil	11.8	8.7	Nil	Nil	1.1	228.3		251.7
	% of EC total	Nil	Nil	0.7%	Nil	4.7%	3.5%	Nil	Nil	0.4%	90.7%		
Pigmeat	1981 expenditure	9.3	84.8	19.8	Nil	7.1	0.4	11.4	-	19.8	2.0		154.6
	% of EC total	6.0%	54.9%	12.8%	Nil	4.6%	0.3%	7.4%	-	12.8%	1.3%		
	1982 expenditure	5.2	58.6	12.9	-	5.0	1.7	8.6	-	17.2	2.4		111.6
	% of EC total	4.7%	52.5%	11.6	-	4.5%	1.5%	7.7%	-	15.4%	2.2%		
Eggs and poultry	1981 expenditure	1.5	6.1	10.3	0.2	40.7	-	0.2	-	23.3	1.6		83.9
	% of EC total	1.8%	7.3%	12.3%	0.2%	48.5%	-	0.2%	-	27.8%	1.9%		
	1982 expenditure	1.5	5.6	11.9	0.2	57.8	-	0.3	-	25.0	1.6		103.9
	% of EC total	1.4%	5.4%	11.5%	0.2%	55.6%	-	0.3%	-	24.1%	1.5%		
Processed goods	1981 expenditure	56.4	21.1	27.5	Nil	26.2	14.2	18.0	-	55.9	63.1		282.4
	% of EC total	20.0%	7.5%	9.7%	Nil	9.3%	5.0%	6.4%	-	19.8%	22.3%		
	1982 expenditure	13.3	25.5	38.1	1.8	28.7	18.9	32.4	-	68.6	187.1		414.4
	% of EC total	3.2%	6.2%	9.2%	0.4%	6.9%	4.6%	7.8%	-	16.6%	45.1%		
Fish	1981 expenditure	0.4	1.3	2.5	Nil	3.7	2.6	4.6	Nil	8.4	4.5		28.0
	% of EC total	1.4%	4.6%	8.9%	Nil	13.2%	9.3%	16.4%	Nil	30.0%	16.1%		
	1982 expenditure	0.4	2.0	2.5	Nil	2.9	4.3	6.0	Nil	8.1	7.8		34.0
	% of EC total	1.2%	5.9%	7.4%	Nil	8.5%	12.6%	17.6%	Nil	23.8%	22.9%		
Total Guarantee section (incl. MCAs)	1981 expenditure	500.1	513.6	2058.0	146.2	3146.8	441.0	2065.0	4.0	1179.5	1086.2		11141.0
	% of EC total	4.5%	4.6%	18.5%	1.3%	28.2%	4.0%	18.5%	-	10.6%	9.7%		
	1982 expenditure	535.5	558.7	2030.0	684.6	2869.1	500.8	2508.6	2.7	1424.8	1286.1		12405.6
	% of EC total	4.3%	4.5%	16.4%	5.5%	23.1%	4.0%	20.2%	-	11.5%	10.4%		

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TABLE 4 cont.

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	Belgium	Denmark	Germany	Greece	France	Ireland	Italy	Lux	Neth	UK		Total
Agricultural 1981 expenditure revenue (incl. % of EC total for production expenses)	206.2	29.4	306.8	18.4	257.6	8.9	310.1	0.1	214.5	395.5		1747.5
	11.8%	1.7%	17.6%	1.1%	14.7%	0.5%	17.7%	-	12.3%	22.6%		
1982 expenditure % of EC total	283.0	32.8	392.1	76.6	281.9	13.0	368.6	0.1	231.4	548.3		2227.8
	12.7%	1.5%	<u>17.6%</u>	3.4%	<u>12.7%</u>	0.6%	<u>16.5%</u>	-	<u>10.4%</u>	<u>24.6%</u>		

Source : EC Commission FEOGA Financial Reports (except agricultural levy revenue from EC Court of Auditors Reports)

Prime Minister.

Qz.03636

MR COLIN

*Advantages
to 44 member countries
not*

EUROPEAN COUNCIL, 19-20 MARCH

The Prime Minister said that it would be helpful if she could have short notes, picking out advantages which other member states have from the Community or as a result of their trade with the United Kingdom. I attach short notes giving a selection of the benefits which other member states have.

I am sending copies to Roger Bone (FCO) and to Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

16 March 1984
1982

	Their net benefit	Cost per 100 million of our expenditure
Belgium	250	5
Luxembourg	250	0.25
Denmark	300	2
Netherlands	300	7
Ireland	700	1
Greece	700	2
	<u>2500</u>	<u>17.25</u>
Italy	1600	17
France		19
FRG		30
		2086
		35

1322)
1100

222

1 m tons 270 m écu

GERMANY

1. In 1982 Germany made a net contribution to the Community Budget of 2086 million ecu.
- (2. For each 100 million ecu reduction in the United Kingdom's net contribution in 1982, Germany's net contribution would have increased by some 35 million ecu if all member states (other than the United Kingdom) contributed according to their VAT shares.)
3. In 1983: total exports from Germany to the United Kingdom were 16600 million ecu of which 15250 million ecu were manufactured goods; Germany had a trade surplus with the United Kingdom of 6200 million ecu.
4. Germany received a non-budgetary resource gain in 1981 of about 140 million ecu as a result of intra-Community trade in agriculture.
5. German farmers have had benefit of higher prices from the long running positive monetary compensatory amounts.

FRANCE

1. In 1982, France made a net contribution to the Community Budget of 19 million ecu.
2. For each 100 million ecu reduction in the United Kingdom's net contribution in 1982, France's net contribution would have increased by only about 30 million ecu if all member states (other than the United Kingdom) contributed according to their VAT shares.
3. In 1983: total exports from France to the United Kingdom were 8650 million ecu of which 6900 million ecu were manufactured goods.
4. In addition, France received a non-budgetary resource gain in 1981 of about 700 million ecu as a result of intra-Community trade in agriculture.
5. Under the supplementary levy proposals for milk, French farmers will only have to cut deliveries to dairies back by 2.9%. Our farmers will have to cut back by 7.3%.

BELGIUM

1. In 1982 Belgium received a net benefit from the Community Budget of 253 million ecu.
2. For each 100 million ecu reduction in the United Kingdom's net contribution in 1982, Belgium's net benefit would have been reduced by only about 5 million ecu if all member states (other than the United Kingdom) contributed according to their VAT shares.
3. In 1983: total exports from Belgium and Luxembourg to the United Kingdom were 5400 million ecu of which 4250 million ecu were manufactured goods; Belgium and Luxembourg had a trade surplus with the United Kingdom of 960 million ecu.

DENMARK

1. In 1982 Denmark received a net benefit from the Community Budget of 295 million ecu.
2. For each 100 million ecu reduction in the United Kingdom's net contribution in 1982, Denmark's net benefit would have been reduced by only about 2 million ecu if all member states (other than the United Kingdom) contributed according to their VAT shares.
3. In 1983: total exports from Denmark to the United Kingdom were 2600 million ecu of which at least 1150 million ecu were agricultural exports. Denmark had a trade surplus with the United Kingdom of 600 million ecu.
4. In addition to Denmark's net benefit under the Community budget, Denmark received a non-budgetary resource gain in 1981 of about 140 million ecu as a result of intra-Community trade in agriculture.

GREECE

1. In 1982 Greece received a net benefit from the Community Budget of 685 million ecu.
2. For each 100 million ecu reduction in the United Kingdom's net contribution in 1982, Greece's net benefit would have been reduced by only 2 million ecu if all member states (other than the United Kingdom) contributed according to their VAT shares.

IRELAND

1. In 1982, Ireland received a net benefit from the Community Budget of 732 million ecu.
2. For each 100 million ecu reduction in the United Kingdom's net contribution in 1982, Ireland's net benefit would have been reduced by only 1 million ecu if all member states (other than the United Kingdom) contributed according to their VAT shares.
3. In 1983: total exports from Ireland to the United Kingdom were 3900 million ecu of which 2350 million ecu were manufactured goods.
4. In addition to Ireland's net benefit under the Community budget, Ireland received a non-budgetary resource gain in 1981 of about 300 million ecu as a result of intra-Community trade in agriculture.

ITALY

1. In 1982, Italy received a net benefit from the Community Budget of 1616 million ecu.
2. For each 100 million ecu reduction in the United Kingdom's net contribution in 1982, Italy's net benefit would have been reduced by only about 17 million ecu if all member states (other than the United Kingdom) contributed according to their VAT shares.
3. In 1983: total exports from Italy to the United Kingdom were 5500 million ecu of which 4700 million ecu were manufactured goods. Italy had a trade surplus with the United Kingdom of 1500 million ecu.

LUXEMBOURG

1. In 1982, Luxembourg received a net benefit from the Community Budget of 256 million ecu.
2. For each 100 million ecu reduction in the United Kingdom's net contribution in 1982, Luxembourg's net benefit would have been reduced by only about 1/4 million ecu if all member states (other than the United Kingdom) contributed according to their VAT shares.
3. In 1983: total exports from Belgium and Luxembourg to the United Kingdom were 5400 million ecu of which 4250 million ecu were manufactured goods. Belgium and Luxembourg had a trade surplus with the United Kingdom of 960 million ecu.

NETHERLANDS

1. In 1982, the Netherlands received a net benefit from the Community Budget of 304 million ecu.
2. For each 100 million ecu reduction in the United Kingdom's net contribution in 1982, the Netherlands' net benefit would have been reduced by only about 7 million ecu if all member states (other than the United Kingdom) contributed according to their VAT shares.
3. In 1983: total exports from the Netherlands to the United Kingdom were 8750 million ecu of which 4950 million ecu were manufactured goods.
4. In addition to the Netherlands' net benefit under the Community budget, the Netherlands received a non-budgetary resource gain in 1981 of about 430 million ecu as a result of intra-Community trade in agriculture.



10 DOWNING STREET

From the Private Secretary

16 March, 1984

Transport Liberalisation in
the European Community

Thank you for your letter of 15 March.

The Prime Minister has approved the draft reply, enclosed with your letter, to Dr. Lubbers' letter of 6 March. I should be grateful if you could arrange for the text to be delivered in the Hague today.

A. J. COLES

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

Ru



Foreign and Commonwealth Office

Prime Minister.

London SW1A 2AH

15 March 1984

Agree reply to

Dr. Lubbers letter?

John [unclear]

A.S.C. 15/3.

mt
Duncan

Letter from the Prime Minister of the Netherlands:
Transport Liberalisation in the European Community

Thank you for your letter of 9 March enclosing one from Dr R F M Lubbers, Prime Minister of the Netherlands, who has written in identical terms to all Community Heads of Government.

I attach a draft reply, agreed with the Department of Transport.

As you will recall from the correspondence resting with your letter of 11 January on European Community transport issues, the Prime Minister has agreed that we should press for progress on transport liberalisation in the run up to the European Council of 19/20 March. During the visit of Mr Lubbers on 2 March, the Netherlands Foreign Minister left us with an advance copy of Mr Lubber's letter. We subsequently encouraged the Netherlands Foreign and Transport Ministries to ensure that the letter was despatched, since we entirely share Mr Lubber's objective - to reach agreement in the Community this year on the phased abolition of all road haulage quotas. Several Member States (eg Germany, France and Italy) are reluctant to agree to the adoption of a helpful Commission proposal leading to the abolition of all quotas within five years. We expect Mr Lubbers to raise this issue during discussion of new policies at the European Council; the new policies brief for the Council invites the Prime Minister to weigh in to support.

Enforce.
Budget 1982

If you agree, we would propose to telegraph the reply to The Hague for onward transmission.

Copies of this letter and its enclosure go to the Private Secretaries to the Secretaries of State for the Environment, Trade and Industry, Transport and to Richard Hatfield (Cabinet Office).

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

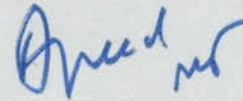
SECURITY CLASSIFICATION

TO: Dr R F M Lubbers
Prime Minister of the Netherlands

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:



PRIVACY MARKING

SUBJECT:

.....In Confidence

I was very glad to receive your letter of 6 March 1984 about the liberalisation of transport services in the European Community.

CAVEAT.....

We need to make rapid progress on this important element of our work for the completion of the Community's internal market, including the achievement of free exchange of services. I am glad that Geoffrey Howe and Hans van den Broek were able to cooperate closely together at this week's Foreign Affairs Council in pressing the French to include appropriate language on transport policy in the European Council conclusions. I look forward to working with you at next week's European Council to secure that objective.

I should like to see a firm commitment to abolish all lorry quotas after a five year transitional period. I should also like to see the Community make a commitment to real progress on liberalisation of air transport services, and the preservation of free competition in shipping. I hope to have an opportunity to mention these points at the European Council and that it can be agreed that they should be followed up substantially at the Transport Council meeting on 22 March and 10 May. Heads of Government could then review progress at the European Council in June.

Enclosures—flag(s).....

Euro PSI PT17

Euro Council Meeting

BRUSSELS



15 MAR 1984

300



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Prime Minister.

Fair sharing.

Qz.03623

MR COLES

COMMUNITY BUDGET: FAIR SHARING OF THE BURDEN

If there is a settlement of the post-Stuttgart negotiations at the next European Council involving a new financing system and an increase in the Community's own resources, the first question which will be asked is whether the United Kingdom is better off. It may be helpful to have the following figures set out -

I The 4 year average

The United Kingdom's net contribution to the Community budget, after receipt of refunds, on average over the 4 years 1980-83 was about £350 million →

II The situation in 1983

The United Kingdom's net contribution in 1983, before adjustment, was £1115 million

The United Kingdom's actual net contribution in 1983, adjusted by the ad hoc 1983 refund, was £675 million

If we deduct from the United Kingdom's net contribution in 1983 the average refund obtained under the 4 year ad hoc arrangements, the result is £480 million

III The United Kingdom's safety net proposal, if applied to 1983

The United Kingdom's adjusted net contribution, if the new fair sharing arrangement (safety net) had applied in 1983, would have been -

- (a) £120 million [UK safety net proposal]
- (b) £310 million [UK safety net proposal, using relative prosperity index of Community of 12]

Even if the Community had increased the VAT ceiling to 1.4% and had used all the extra money, the United Kingdom's adjusted net contribution in 1983 under the new fair sharing system (safety net) would have remained at £120 million (or £310 million).

IV The VAT share/expenditure share gap proposal, if applied to 1983

You will recall that, in the paper for President Mitterrand, we suggested some technical changes in order to make the basic VAT share/expenditure share gap scheme give a low UK limit.

If the VAT share/expenditure share gap scheme had applied, the United Kingdom's adjusted net contribution in 1983 would have been -

- (c) £170 million [VAT share/expenditure share gap proposal, using threshold 1 in the paper for President Mitterrand]
- (d) £170 million [VAT share/expenditure share gap proposal, using threshold 2 in the paper for President Mitterrand]
- (e) £230 million [(c) using relative prosperity index of Community of 12]
- (f) £270 million [(d) using relative prosperity index of Community of 12]

/2.

CONFIDENTIAL

2. You will note that all the figures under the United Kingdom's own proposal and under the technically corrected VAT share/ expenditure share scheme are substantially better than our actual adjusted net contribution in 1983.

3. If the new system were to contain a "ticket moderateur" of 5%, the figures at (a) to (f) above would be £170 million, £350 million, £220 million, £220 million, £280 million and £310 million. All these figures are better than the United Kingdom's actual net contribution in 1983. With a small "ticket moderateur" there would also be a small increase in our adjusted net contribution if the Community's total spending rose: the smaller the "ticket moderateur", the smaller will be this effect.

4. It seems to me that the crucial figures with which comparisons will be made are the figures underlined in I and II above. In fact, the fairest comparison is with the £480 million in point I because it reflects the latest budget and the average level of ad hoc refund with which we were satisfied. We should be prepared, however, for comparisons to be made also with the £350 million (4 year average net contribution after receipt of ad hoc refunds). The ad hoc refunds were presented to United Kingdom parliamentary and public opinion as giving a relief of about two-thirds of our unadjusted net contribution (ie an adjusted net contribution of about one-third of the unadjusted net contribution). If we can beat this and obtain a lasting system, we should be two goals up.

5. I am sending a copy to Sir Robert Armstrong.

E. Griffiths

for D F WILLIAMSON

12 March 1984



10 DOWNING STREET

From the Private Secretary

12 March 1984

PREPARATION FOR THE EUROPEAN COUNCIL: 19-20 MARCH

The Prime Minister had a meeting yesterday with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Minister of Agriculture, Fisheries and Food, and, for the first part of the meeting, the Chief Whip and the Lord Privy Seal in order to discuss the United Kingdom's negotiating position for the European Council on 19-20 March. Sir Robert Armstrong, Sir Michael Franklin, Sir Michael Butler, Mr. Unwin, Mr. Hannay, Mr. Williamson and, for the first part of the meeting, Mr. Maclean, were also present.

The Prime Minister asked for the latest report on the possible request from the Commission, in the light of its cash shortage, for an advance payment from member states. The Chancellor of the Exchequer said that it was now unlikely that there would be an immediate request for the payment of an advance on 20 March. If the Commission were to make a request for an advance to be made on 30 March or later, it would be possible for the United Kingdom to reserve its final decision until after the European Council and the plenary session of the European Parliament which would deal with the United Kingdom's 1983 refunds. The Prime Minister said that if, as now expected, there would not be a request for an immediate advance to be made on 20 March, then there was no need to decide the United Kingdom's reaction immediately. It would be good discipline if the Community were short of cash.

On the fair sharing of the Community budget burden, the Prime Minister said that President Mitterrand had admitted that the logic was on the British side but had claimed that no other member state would be prepared to agree to an adjusted United Kingdom net contribution as low as we were proposing. It was important to avoid a situation in which other member states would pocket any concessions which the United Kingdom might be prepared to make. In particular, we should not move from the safety net proposal related to the whole net contribution, although we might discuss the VAT share/expenditure share gap. It would equally be wrong to make any concession now on the "ticket moderateur". The Foreign and Commonwealth Secretary

/said that

said that substantial progress had been made in getting greater agreement within the Community on the need for a revised system of financing. The French were likely now to accept most of the elements which we needed in the system (paragraphs 5 and 16(i) in the Cabinet Office paper of 5 March). The French ideas on the figures were not acceptable and we were seeking to show them the changes which were necessary to meet our objectives. The revised version of the paper for President Mitterrand made clear that our solution related to the whole net contribution; that other member states were suggesting a solution related to the VAT share/expenditure share gap; and that the VAT share/expenditure share gap solution could not give the figures we needed unless the limit were set very low. The Chancellor of the Exchequer said that the revised paper for President Mitterrand did make clear that we were not arguing in favour of the VAT share/expenditure share gap scheme, even with a low limit. It also made clear the risks associated with this scheme because the customs duties and levies element could vary up as well as down. In a further discussion specific changes to the text in the draft paper for President Mitterrand were put forward, with a view to making clear that the United Kingdom was commenting upon, but not advocating, the VAT share/expenditure share gap solution. The text has been revised in the light of the discussion (see my letter of 9 March).

On control of agriculture and other spending, Sir Michael Butler reported the latest position. He recalled that the United Kingdom's prime objective was to obtain a strict financial guideline for agricultural spending, which must be incorporated in the budgetary procedures of the Community. We would certainly not get agreement to a Treaty amendment covering all expenditure at the next European Council. We must have agreement on the substance which did not preclude a Treaty amendment. It would then be possible to sort the question out in the preparation of the appropriate texts by the following European Council. In discussion it was pointed out that our first objective was the binding guideline on agricultural spending but that the earlier discussions had shown that our best chance of obtaining this might be within an agreement on budget discipline covering all Community expenditure. The Prime Minister, summing up the discussion, said that we must reiterate our stated objective on a strict financial guideline for agricultural expenditure to be incorporated in the Community's budgetary procedures, which should be binding on all three institutions of the Community.

On the VAT ceiling, the Prime Minister accepted the recommendation in the Cabinet Office paper that we should discuss neither the principle nor the size of an increase in own resources until the remaining elements in the package (in particular, the strict financial guideline and the figures on the fair sharing of the budget) had been subject to satisfactory offers by other member states. It was important not to concede the principle of an increase in own resources at this stage.

/ On agriculture,

On agriculture, the Foreign and Commonwealth Secretary reported the results of the meeting of the Sub-Committee on European Affairs of the Defence and Oversea Policy Committee. On monetary compensatory amounts our objective should be to ensure that the question was not settled on the basis of the revised German proposal in the Agriculture Council, since we needed to impose important conditions and to sell dearly any agreement to it. These conditions related to the phasing out of negative monetary compensatory amounts. They included a time limit on the system and no automatic application to countries with variable monetary compensatory amounts such as the United Kingdom. On milk, we should continue to seek application straightaway of the superlevy to production above 97.2 million tonnes, application of the superlevy at the farm level and no exceptions. It was recognised, however, that there were certain practical arguments in favour of phasing down to 97.2 million tonnes over two years. There would be further examination of possible action outside the milk sector to deal with the Irish problem. On the butter subsidy, we should aim for no reduction and our fallback position would be that we could accept a reduction provided that there were no increase in United Kingdom butter prices. We would continue to press for retaining the beef variable premium scheme but had not taken a view about the position if this did not prove negotiable. The Prime Minister said that it might be necessary again to look at the agricultural questions when it was clearer which points might be coming to the European Council.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Minister of Agriculture, Fisheries and Food, the Chief Whip, the Lord Privy Seal and Sir Robert Armstrong.

A. J. COLES

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

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Qz.03627

MR COLES

Type letter pl.
A.D.C. 2/3

PREPARATION FOR THE EUROPEAN COUNCIL, 19-20 MARCH

--- I attach a draft note of the Prime Minister's meeting yesterday.

DF Williamson

D F WILLIAMSON

9 March 1984

CONQUEROR

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PREPARATION FOR THE EUROPEAN COUNCIL, 19-20 MARCH

The Prime Minister had a meeting yesterday with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, ~~the Lord Privy Seal~~, the Minister of Agriculture, Fisheries and Food and, for the first part of the meeting, the Chief Whip ^{and the Lord Privy Seal} in order to discuss the United Kingdom's negotiating position for the European Council on 19-20 March. Sir Robert Armstrong, Sir Michael Franklin, Sir Michael Butler, Mr Unwin, Mr Hannay, Mr Williamson and, for the first part of the meeting, Mr Maclean were also present.

2. The Prime Minister asked for ^{the} latest report on the possible request from the Commission, in the light of its cash shortage, for an advance payment from member states. The Chancellor of the Exchequer said that it was now unlikely that there would be an immediate request for the payment of an advance on 20 March. If the Commission were to make a request for an advance to be made on 30 March or later, it would be possible for the United Kingdom to reserve its final decision until after the European Council and the plenary session of the European Parliament which would deal with the United Kingdom's 1983 refunds. The Prime Minister said that if, as now expected, there would not be a request for an immediate advance to be made on 20 March, then there was no need to decide the United Kingdom's reaction immediately. It would be good discipline if the Community were short of cash.

Letter to
 Roger Bone Esq.,
 F/C.O.
 from A.S.C.

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3. On the fair sharing of the Community budget burden, the Prime Minister said that President Mitterrand had admitted that the logic was on the British side but had claimed that no other member state would be prepared to agree to an adjusted United Kingdom net contribution as low as we were proposing. It was important to avoid a situation in which other member states would pocket any concessions which the United Kingdom might be prepared to make. In particular, we should not move from the safety net proposal related to the whole net contribution, although we might discuss the VAT share/expenditure share gap. It would equally be wrong to make any concession now on the "ticket moderateur". The Foreign and Commonwealth Secretary said that substantial progress had been made in getting greater agreement within the Community on the need for a revised system of financing. The French were likely now to accept most of the elements which we needed in the system (paragraphs 5 and 16(i) in the Cabinet Office paper of 5 March). The French ideas on the figures were not acceptable and we were seeking to show them the changes which were necessary to meet our objectives. The revised version of the paper for President Mitterrand made clear that our solution related to the whole net contribution; that other member states were suggesting a solution related to the VAT share/expenditure share gap; and that the VAT share/expenditure share gap solution could not give the figures we needed unless the limit were set very low. The Chancellor of the Exchequer said that

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4. On control of agricultural and other spending, Sir Michael Butler reported the latest position. He recalled that the United Kingdom's prime objective was to obtain a strict financial guideline for agricultural spending, which must be incorporated in the budgetary procedures of the Community. We would certainly not get agreement to a Treaty amendment covering all expenditure at the next European Council. We must have agreement on the substance, which did not preclude a Treaty amendment. It would then be possible to sort the question out in the preparation of the appropriate texts by the following European Council. In discussion it was pointed out that our first objective was the binding guideline on agricultural spending but that the earlier discussions had shown that our best chance of obtaining this might be within an agreement on budget discipline covering all

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Community expenditure. The Prime Minister, summing up the discussion, said that we must reiterate our stated objective on a strict financial guideline for agricultural expenditure to be incorporated in the Community's budgetary procedures, which should be binding on all three institutions of the Community.

5. On the VAT ceiling, the Prime Minister accepted the recommendation in the Cabinet Office paper that we should discuss neither the principle nor the size of an increase in own resources until the remaining elements in the package (in particular, the strict financial guideline and the figures on the fair sharing of the budget) had been subject to satisfactory offers by other member states. It was important not to concede the principle of an increase in own resources at this stage.

6. On agriculture, the Foreign and Commonwealth Secretary reported the results of the meeting of the Sub-Committee on European Affairs of the Defence and Oversea Policy Committee. On monetary compensatory amounts our objective should be to ensure that the question was not settled on the basis of the revised German proposal in the Agriculture Council, since we needed to impose important conditions and to sell dearly any agreement to it. These conditions related to the phasing out of negative monetary compensatory amounts. They included a time limit on the system and no automatic application

/to



10 DOWNING STREET

From the Private Secretary

9 March 1984

I enclose a copy of a letter which the Prime Minister received this afternoon from the Prime Minister of the Netherlands. This proposes a draft conclusion on transport policy for adoption by the European Council.

BF | I should be grateful for advice on a draft reply.

I am sending copies of this letter and its enclosure to the Private Secretaries to the Secretaries of State for the Environment, Trade and Industry, Transport, and to Richard Hatfield (Cabinet Office).

A. d. COLE

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

Mr. Bayley.

Mr. Cotes
~~Mr. Cotes~~
Confirmed.

Can I please have 1000 ^{Dms} 9/3

1130 on 14 June (Wednesday) @

a teach-in on the European
Council. V. important.

If so, pl. inform Mr. Hanning ✓
and Mr. Williams.

A. J. C. 5/3.



CONFIDENTIAL

Qz.03622

MR COLES

PREPARATION FOR EUROPEAN COUNCIL, 19-20 MARCH

The Prime Minister is holding a meeting of Ministers most concerned with the post-Stuttgart negotiations at 4.45 pm on 8 March. I attach a brief for the Prime Minister on the points set out in the paper which I submitted to you on 5 March.

2. The Ministers present will be the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food. I understand that, if the Prime Minister wishes to also discuss the question of the Commission's possible request for an advance payment in March, the Attorney General would also be present.

3. I am sending a copy to Sir Robert Armstrong.

1 Df Williamson

D F WILLIAMSON

7 March 1984

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PREPARATION FOR THE EUROPEAN COUNCIL

BRIEF FOR THE PRIME MINISTER FOR THE MINISTERIAL MEETING
AT 4.45pm ON 8 MARCH

Introduction

1. There is a meeting of the Ministers most closely concerned with the European Community's post-Stuttgart negotiations at 4.45pm on 8 March. The purpose of the meeting is to prepare the ground on the main issues for the European Council on 19-20 March. The European Secretariat of the Cabinet Office has prepared a paper, after discussion with Departments, as a basis for discussion.

2. The paper deals in turn with:

- I. Correcting the budget inequity (paragraphs 4 to 16)
- II. Budgetary discipline (paragraphs 17 to 20)
- III. Own Resources (paragraphs 21 to 22)
- IV. Agricultural Issues (paragraphs 23 to 24)
- V. New Policies (paragraph 25).

The points on which Ministers are invited to take decisions are summarised in paragraph 26. The points for decision on correction of the budget inequity are set out in more detail in paragraph 16.

3. There have been some developments since the paper was written which you may also wish to refer to in the discussion and these are dealt with below.

/4.

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Correcting the budget inequity

4. Your discussions with President Mitterrand have shown that there is now a greater readiness within the Community to agree to a revised and lasting system for financing the Community which should be included in a revised Own Resources Decision and contain the various elements set out in paragraph 5 of the paper. There are, however, two points on which we are not getting a satisfactory response from other member states -

(i) they will not agree to relate the new system directly to the whole net contribution because they do not wish to take account of the excess element of customs duties and levies. It is possible, however, to achieve a genuine safety^{net} and the figures we require by basing the system on the VAT share/expenditure share gap. The net result could still be - and could be fairly presented as - an adjusted net contribution which would be less than one third of our unadjusted net contribution, ie relief of more than two-thirds;

(ii) they are resisting the figures which must result from the system, if we are to accept it. This is the crux of the matter. The difference between the French suggestion of a United Kingdom unadjusted net contribution of 1200-1300 million ecu and our own proposal of a United Kingdom unadjusted net contribution of 400-500 million ecu (1982 figures, using relative prosperity index for Community of 12) is very far from the basis for an agreement.

You are sending to President Mitterrand a note which sets out United Kingdom views on these points.

5. The Cabinet Office paper makes clear that a scheme based on the VAT share/expenditure share gap could work for us, although it does not offer the same degree of certainty as one based directly on the net contribution. The uncovered part of our net contribution (our excessive share of customs duties and levies) may vary from year to year. Over the

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years 1979-1983 it has been about 340 million ecu but in the two most recent years it has been lower. It is impossible to predict reliably how it will develop but the most likely course is that this element will be static or falling, taking one year with another. The Chancellor of the Exchequer is likely to express some concern about the risk. The conclusion might be that, if the system were to relate to the VAT share/expenditure share gap, which implies for us that about 250-350 million ecu of our net contribution would not be subject to relief, the remaining room for manoeuvre would be narrow: in any event, we have to be satisfied that the United Kingdom's adjusted net contribution will not exceed the figure we have indicated as acceptable (400-500 million ecu on 1982 figures, using the relative prosperity of a Community of 12).

6. The paper does not attempt to assess the extent to which an agreement which left the United Kingdom with a net contribution of more than 400-500 million ecu could in the last resort be accepted if all other conditions were met.

Budget discipline

7. The discussion at the European Council will depend greatly on whether the French Presidency table a paper which comes close to being acceptable. If they do, we should be able to secure most of what we want, including insistence on subsequent incorporation of the agreement in a suitable form in the Community's budgetary procedures in a way which does not exclude the possibility of Treaty amendment. If they do not, we will have to fight hard to make the present Commission paper acceptable. The key elements for the United Kingdom are that we must have a properly defined strict financial guideline for agricultural expenditure; that it must be in the budgetary procedures of the Community; that it must be binding on all the institutions, which means that the Commission must also respect it in making agricultural /proposals;

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proposals; and that this is most likely to be achieved within a new framework of budgetary discipline for all expenditure, which should not rule out the possibility of a Treaty amendment.

8. Ministers will need to decide whether at the end of the day to drop the insistence that the agricultural guideline should include the words 'markedly below'. The Chancellor of the Exchequer is likely to suggest that if we do, we should make clear that 'below' is not to be interpreted as 'equal to'.

Own resources

9. Although the Commission has proposed that the ceiling on own resources should be raised from a VAT rate of 1% to 2%, we should be able to insist that it should rise to no more than 1.4% provided that our two conditions are met and provided that the Germans stand firm.

10. The Prime Minister may wish to note that, if a system of correction of budget inequity is based on relative prosperity and GDP, the United Kingdom's net contribution will not rise with an increase in own resources. Our threshold will be set by relation to our GDP, not to the size of our net contribution. This remains true even if the system is based on the VAT share/expenditure share gap, since the size of the uncovered element (our excess share of customs duties and levies) is not affected by an increase in the VAT ceiling on own resources.

Agriculture

11. OD(E) will have reviewed the main issues, in particular milk and monetary compensatory amounts, at its meeting at 9.15am on 8 March. The Foreign and Commonwealth Secretary, as chairman of OD(E), will be able to report the outcome. On milk the main points are likely to be

- should we accept a two year phasing-in of the 97.2 million tonnes limit?
- is no concession for Ireland a breaking point?

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On monetary compensatory amounts the Minister of Agriculture, Fisheries and Food has set out to OD(E) the various conditions which in his view we should require before we could agree to the latest German proposal.

12. There will also have been a discussion in OD(E) on the financial situation of the Community. The combination of agricultural payments deferred from 1983, the higher than expected rate of expenditure in early 1984 and the possible erosion of the Commission's proposals (eg phased introduction of the super levy on milk, the German solution for monetary compensatory amounts) means that claims for agricultural expenditure in 1984 could exceed the provision in the Community budget (about 16.5 billion ecu) by more than 1 billion ecu. The French Presidency may be seeking to use the European Council to agree that the necessary finance should be found in 1984. It would be dangerous to agree to this, as it will take pressure off. OD(E) will have considered what tactics the United Kingdom might adopt in these circumstances.

HANDLING

13. The Prime Minister may wish the discussion first to focus on budget inequity and in particular on the points in paragraph 16(ii) (whether, and on what conditions, the United Kingdom might be ready to consider a scheme based on the VAT share/expenditure share gap). The Chancellor of the Exchequer will have views. If Ministers do decide to accept this basis, they will wish to consider whether we should place any particular conditions on our acceptance.

14. On budgetary discipline the Prime Minister will wish to focus discussion on the need to incorporate any agreement into the budgetary procedures of the Community in a way which would permit us later to insist on the appropriate legal form (paragraph 19) and on "below" or "markedly below" for the agricultural guideline (paragraph 20).

/15.

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15. On own resources the Prime Minister will wish to ensure (paragraph 22) that Ministers are agreed that, if a satisfactory package is offered and the conditions which the United Kingdom has imposed are met, we should be prepared also to accept a revised VAT ceiling of 1.4%.

16. On agricultural issues the Prime Minister will wish to ask the Foreign and Commonwealth Secretary as Chairman of OD(E) to report on the outcome of that morning's OD(E) discussion on issues likely to come before the European Council. The meeting will then wish to consider whether it supports OD(E)'s conclusions, particularly on milk, monetary compensatory amounts and on the financing of agriculture in 1984.

17. On new policies, the Prime Minister may wish to ensure that Ministers are content with the present position described in paragraph 25 of the paper.

CONCLUSIONS

18. The Prime Minister will wish to draw conclusions on each of the above elements of the post-Stuttgart package. Paragraph 26 of the paper summarises the points on which conclusions may be required.

Cabinet Office

7 March 1984

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FROM UKREP BRUSSELS 071505Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 833 OF 7 MARCH 1984

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LUXEMBOURG ATHENS

INFO SAVING LISBON MADRID STRASBOURG

COREPER (AMBASSADORS) 7 MARCH 1984

PREPARATION FOR EUROPEAN COUNCIL

SUMMARY

1. EUROPEAN COUNCIL WILL START WITH LUNCH ON 19 MARCH AND MAY GO ON UNTIL THE EVENING OF 20 MARCH. PRESIDENCY UNABLE TO SAY WHAT PAPERS WERE LIKELY TO BE PRODUCED.

DETAIL

2. AT COREPER LUNCH LEPRETTE (PRESIDENCY) ANNOUNCED THAT THE EUROPEAN COUNCIL WOULD START WITH LUNCH (ON THE 15TH FLOOR OF THE CHARLEMAGNE) ON MONDAY 19 MARCH. HE ADVISED THAT MEMBERS OF THE EUROPEAN COUNCIL SHOULD BE PREPARED TO REMAIN UNTIL POSSIBLY QUITE LATE ON TUESDAY EVENING, 20 MARCH.

3. UNDER PRESSURE TO EXPLAIN WHAT PAPERS WERE TO BE PRODUCED BY WHOM BEFORE THE 12/13 MARCH MEETINGS AND THE EUROPEAN COUNCIL AND WHEN SUCH PAPERS WOULD BE AVAILABLE LEPRETTE COULD ONLY SAY THAT A SECRETARIAT REPORT ON THE DISCUSSIONS THIS WEEK AND LAST WEEK IN COREPER AND A PRESIDENCY PAPER ON NEW POLICIES AND STRUCTURAL FUNDS WOULD BE AVAILABLE 'BY FRIDAY'. HE DID NOT KNOW WHAT OTHER PAPERS WERE LIKELY TO EMERGE AT OR AFTER THE 12/13 MARCH MEETINGS. HE WAS ALSO UNABLE TO SAY WHETHER THE DISCUSSION IN THE COUNCIL (AS OPPOSED TO THE INFORMAL MEETING) ON 12 MARCH WOULD GET INTO THE SUBSTANCE OF THE NEGOTIATION, BUT HE THOUGHT IT QUITE LIKELY THAT IT WOULD.

FCO ADVANCE TO:-

FCO - PS TICKELL HANNAY FAIRWEATHER WALL PROTOCOL DEPT

CAR WILLIAMSON STAPLETON DURIE LAURENT

Handwritten circular stamp: H/ (50) (C) SENT - 7 MAR. 1984 PS Sir C Tickell M Hannay

IMMEDIATE

ADVANCE COPY

Mr WALL - FDC
Mr WILLIAMSON
Mr STAPLETON
Mr DURIE
Mr LAURENT } CAB OFF
Mr ANDREWS - MAFF
Mr UNWIN - TSY
Mr COLES - N^o 10 St

Mr. [Signature]

To note X.

A.d.C. 2/3.

X ||

FCO ADVANCE TO:-

FCO - PS TICKELL HANNAY FAIRWEATHER WALL PROTOCOL DEPT
CAB - WILLIAMSON STAPLETON DURIE LAMBERT
MAFF - ANDREWS
TSY - UNWIN
NO 10 - COLES

FCO PASS SAVING TO: LISBON MADRID STRASBOURG

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Ref. A084/757

MR COLES

cc Mr Williamson
Miss Lambert

Prime Minister's Briefing for European Council in Brussels:
19 and 20 March 1984

I should be grateful for your agreement to the following Ministers and Officials being invited to attend the meeting of Ministers on Thursday 15 March at 4.00 pm to brief the Prime Minister for the European Council:

Foreign and Commonwealth Secretary	
Chancellor of the Exchequer	
Minister of Agriculture, Fisheries and Food	
Sir Michael Butler	(UK REP)
Sir Julian Bullard	(Foreign and Commonwealth Office)
Sir Crispin Tickell	(Foreign and Commonwealth Office)
Mr David Hannay	(Foreign and Commonwealth Office)
Sir Michael Franklin	(Ministry of Agriculture, Fisheries and Food)
Mr Brian Unwin	(Treasury)
Mr Robin Gray	(Department of Trade and Industry)
Sir Robert Armstrong	(Cabinet Office)
Mr David Williamson	(Cabinet Office)

2. The Officials listed above will be accompanying the Prime Minister as members of the United Kingdom delegation to the European Council with the exception of Mr Gray. I have suggested that Mr Gray be invited to the briefing meeting in the event that briefing is required on new policies, most of which fall within the responsibilities of the Department of Trade and Industry, or on international trade issues.

Lindsay Wilkinson

LINDSAY WILKINSON

7 March 1984



10 DOWNING STREET

From the Private Secretary

MR. WILLIAMSON
CABINET OFFICE

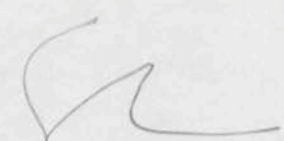
European Council: Paper for President Mitterrand

Thank you for your minute of 6 March.

The Prime Minister has considered the paper which you annexed. She is, however, concerned that if we appear to present the French with a choice between Formula A (net contributions) and Formula B (VAT share-expenditure share gap) they will pocket the latter as a concession. The Prime Minister has not said that she will never be willing to move down this route but she is not convinced that it is right to open up that possibility with the French now. She wishes to discuss this matter further at the Ministerial meeting already arranged for 4.45 p.m. tomorrow and take a final decision on the message in the light of that discussion.

I am copying this minute to Mr. Bone (Foreign and Commonwealth Office), Mr. Kerr (H.M. Treasury) and Mr. Llewelyn (Ministry of Agriculture, Fisheries and Food).

7 March, 1984



HU

MISS WILKINSON
CABINET OFFICE

European Council: Prime Minister's briefing

Thank you for your minute of 7 March.
I agree that those whom you list should be
invited to attend the briefing meeting.

JC

7 March 1984

SUBJECT
cc Master
Ops.



MINISTER-PRESIDENT

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T37AA/84.

The Hague, March 6, 1984

Dear Prime Minister,

With a view to the forthcoming meeting of the European Council on 19-20 March 1984, I should like to draw your attention once more to the Community's transport policy.

Recent events on Europe's roads have demonstrated yet again how important it is that early progress should be made on transport policy, which is a necessary component to the achievement of a free market within the Community. On various occasions the Netherlands have drawn the attention of the partners and the Commission to this matter and I should now like to do so again with increased emphasis.

I am fully aware that there are different interests at stake in national transportmarkets and that these interests are rooted in past developments. A joint policy for all categories of transport is, however, an essential component of the process of European integration market. Without free movement of transport for goods and people a genuine internal market does not exist.

The Netherlands Government notes with particular concern that whereas goods can generally cross frontiers without hindrance, the vehicles in which such goods are carried are still subject to bilateral quotas. The

Margareth Thatcher FRS M.P.
Prime Minister
10 Downingstreet
LONDON
Verenigd Koninkrijk



MINISTER-PRESIDENT

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effects of such a quota system are similar to those of non-tariff barriers and as such contravene the spirit if not the letter of the EEC Treaty.

Such restrictions on freedom to provide services have in practice led to great inefficiency and serious reductions in the profitability of transport and the consumer has thus been forced to pay unnecessarily high prices for the goods carried. In this way, Europe is also weakening its competitive position unnecessarily in respect of third countries. Moreover, the quota system gives rise to discriminatory treatment of road haulage firms from various Member States.

The Netherlands Government expressed its concern in a Memorandum on European Transport Policy, which was presented to the EC Transport Council on 7 June 1983 and was also discussed at the Stuttgart meeting of the European Council.

In general the Memorandum was given a positive reception.

The Commission's proposal to abolish road transport quotas gradually over a period of five years now enjoys the support of a majority of Member States. It is alleged by those who oppose the immediate initiation of a gradual liberalisation however that the harmonisation of competitive conditions in transport (such as the weights and dimensions of commercial vehicles and the costs of road use) is not yet sufficiently advanced for liberalisation to take place. While the Netherlands have always supported measures to harmonise transport, it has opposed the view that such measures must necessarily accompany and precede liberalisation.

It is against this background that I intend to raise the question of transport at the forthcoming session of the European Council and to place the following draft conclusion before the Council:

"The European Council is of the opinion that transport policy constitutes an essential element in the complete establishment of the internal market. In view of this the Council notes that measures are required now to liberalise the transport market effectively within the Community. Inter alia, decisions should therefore be taken on the basis of Commission proposals with a view to phasing

out bilateral quotas for traffic between Member States within a period of five years by means of appropriate transitional measures. The European Council instructs the Council of Ministers of Transport to lay down an exact timetable and to decide appropriate transitional arrangements for this process before the end of 1984. The Council of Ministers of Transport should also take concrete decisions with regard to the harmonisation of competitive conditions in transport."

I am sure that Community rules can be devised for European transport policy which will be to the advantage of all parties concerned and will at the same time provide a considerable stimulus to goods traffic. In this respect I consider the European Commission's initiative regarding air transport and France's initiative with respect to transport by sea as positive steps.

Community rules should also be developed for other categories of transport.

Yours sincerely,

A large, stylized handwritten signature in blue ink, consisting of a long horizontal line with a loop at the end and a vertical line extending upwards from the middle.

THE PRIME MINISTER

Drs R.F.M. Lubbers

Euro 1981 European Council.

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MR COLES

PREPARATION FOR THE EUROPEAN COUNCIL OF 19-20 MARCH

--- A meeting of Ministers has been arranged for 7 March in order to review the state of the post-Stuttgart negotiations in preparation for the European Council of 19-20 March. I attach a paper which has been prepared by the European Secretariat of the Cabinet Office, after discussion with Departments, as a basis for discussion at the meeting on 8 March.

I am sending copies to Roger Bone (FCO), John Kerr (Treasury), Ivor Llewelyn (MAFF) and to Sir Robert Armstrong.

Df Williamson

D F WILLIAMSON

5 March 1984

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**FUTURE FINANCING AND DEVELOPMENT OF THE COMMUNITY
PREPARATION FOR THE EUROPEAN COUNCIL**

Note by the European Secretariat, Cabinet Office

Background

1. The major issues for these negotiations were set out by the European Council in its declaration at Stuttgart on 18 June 1983 (text at Annex I). The failure in December of the Athens European Council to reach any conclusions has not changed the agenda established at Stuttgart but the French Presidency which took over from the Greeks on 1 January has considerably changed the nature of the negotiation which has proceeded mainly by bilateral contacts with little multilateral negotiation and with few new documents made available in the Community. In particular,
- (i) the main questions for the European Council will be the central core issues of the future financing of the Community - correction of the budget inequity, control of agricultural and other spending, the size of own resources. If there is agreement on these points, there will probably also be a further declaration on the timing of the Community's enlargement;
 - (ii) some agricultural questions will almost certainly be remitted to the European Council - in particular monetary compensatory amounts (MCAs) and means of controlling milk production (the super levy). Discussions on a wide range of agricultural questions are going on in the Agriculture Council together with the 1984 price fixing. We need to ensure that potential solutions do not get out of step. We cannot be sure, however, which of the many agricultural problems the Presidency will decide to submit to the European Council.
 - (iii) new policies are being dealt with, as far as possible, in the normal Councils. We expect, however, that they will form a part of the communique from the next European Council and that this part of the negotiation will not be controversial.
2. The French Presidency is planning that any agreement or substantive progress reached at the European Council on 19/20 March would be on the major issues only, with the various legal and other texts being worked up for approval

by the June Council. This is not against our interest provided that we ensure that the financing package is held together and that any text on own resources is made subject to exactly the same conditions as any text on the correction of the budget inequity and the control of spending. The implementation of any agreements on the three questions would have to proceed strictly in parallel. We cannot accept any increase in own resources without including in the same package the legal and other texts necessary to satisfy the conditions which the Prime Minister laid down at Stuttgart.

3. This note covers:

- | | |
|-----------------------------------|-----------------|
| I. Correcting the budget inequity | (paras 4 to 16) |
| II. Budgetary discipline | (" 17 " 20) |
| III. Own Resources | (" 21 " 22) |
| IV. Agricultural issues | (" 23 " 24) |
| V. New policies | (" 25) |

I. Correcting the budget inequity

4. This is the central issue for the United Kingdom. It is the price which other member states now have to pay because without it there will be no agreement on an increase in own resources. The present level of own resources is not sufficient to finance existing agricultural and other programmes in 1984 and 1985, and various expédients to reduce or defer expenditure are being pursued by the Commission. Although a number of suggested solutions to the budget inequity were put forward last year and none have been withdrawn, it seems to us that in practice the negotiation is now focussed on three forms of a safety net:

- (i) the United Kingdom's proposal for setting a limit on net contributions related to ability to pay:
- (ii) the outline German scheme advanced at Athens, which also sets a limit related to ability to pay but based on the VAT share/expenditure share gap, which in the United Kingdom's case is less than the net contribution;
- (iii) a French scheme on similar lines to the German but with various devices for removing the benefit to Germany and reducing the benefits to the United Kingdom which would leave us with a high net contribution after adjustment.

These schemes are described in Annex II. The Commission may also put forward a proposal on the lines of (ii) above. Many member states are just as concerned about minimising benefits to Germany as they are about the adjustment of the British contribution.

5. We have made progress in persuading most member states that

- there must be a system of budgetary correction, based on a member state's relative prosperity and expressed as a percentage of its gross domestic product;
- this system is to be included in the own resources decision and to last as long as the problem lasts;
- the correction must be made on the revenue side by reducing a member state's VAT contribution in the following year;
- the correction of the budget inequity should come into effect in 1985 so that it could apply to our relief for 1984. The Germans, however, are opposed to any increase in own resources before enlargement (ie 1 January 1986 at the earliest).

On the figures which should result from the system, however, there is at present a very wide gap between the United Kingdom's position and the proposals which the French Presidency is likely to put forward. The difference can be broadly expressed as follows: the United Kingdom has stated that it could agree to make an adjusted net contribution of 450-500 million ecu (based on 1982 figures and using the relative prosperity of a Community of 12) while the French Presidency may propose that the United Kingdom's adjusted net contribution should be of the order of 1200-1300 million ecu. This gap has to be closed in our favour.

6. Although some major elements in the United Kingdom's safety net proposal are likely to be accepted in a revised financing system, almost all member states have opposed the concept of net contributions, which they reject on principle and because it maximises our budgetary claim. We need now to judge whether we can obtain a safety net giving us the reduced net contribution which we seek on a reliable and sustainable basis, while accepting some changes of presentation. If the illustrative example in the paper had applied in 1982 or 1983 and using the relative prosperities of member states in a Community of 12, the results would be

	<u>Million ecu</u>	
	<u>UK</u>	
	<u>1982</u>	<u>1983</u>
Unadjusted net contribution	2036	1913
(for information)		
United Kingdom adjusted net contribution if we obtained two-thirds relief, as under ad hoc arrangements	679	638
Safety net limit on net contribution	437	525
Amount of reliefs	1599	1388

7. The figures for the net contributions of France, Germany and the United Kingdom before and after reliefs would be

	<u>Million ecu</u>					
	<u>France</u>		<u>Germany</u>		<u>United Kingdom</u>	
	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>
Unadjusted net contribution (- implies net benefit)	19	-5	2086	2300	2036	1913
Adjusted net contribution after reliefs (using VAT financing key)	736	608	2118	2311	437	525

In both 1982 and 1983 the German adjusted net contribution (like the United Kingdom's) is limited to the threshold established by the safety net formula. France's adjusted net contribution could be reduced slightly by using a special financing key so that their figure was about the same as ours.

8. The main differences between the German and French schemes and our own are:
- (i) both these schemes are based on the VAT share/expenditure share gap and not on net contributions as they have been measured for refund purposes so far. This reduces the United Kingdom's apparent burden and by about 340 mecu on average over 1979-1983, but by between 250 and 300 mecu in 1982 and 1983;
 - (ii) both include a "ticket moderateur" whereby a member state whose measured gap is above its threshold would still make a marginal contribution to the excess. In the French proposal, that contribution would be very high (currently 45%);
 - (iii) the French proposal would redefine the allocated budget by treating administrative expenditure in a way which would reduce the United Kingdom's apparent burden and thus eligibility for relief by about 100 mecu a year. We doubt, however, whether they will insist on this.
 - (iv) the French proposal is constructed with the intention of giving no relief to Germany.
9. The effect is to increase by comparison with our safety net proposal the United Kingdom's net contribution after adjustment. The German proposal using the percentages in our own threshold formula, would still increase our adjusted net contribution from 437 million ecu in 1982 under the safety net to about 755 million ecu. The French scheme would be even less favourable: the United Kingdom's adjusted net contribution in 1982 would have been about 1300 million ecu (against 437 million ecu). The French themselves like to express the result in terms of relief for the United Kingdom and refer always to a proposed relief of 750 million ecu which implies an adjusted net contribution of 1200-1300 million ecu on 1982 and 1983 figures.
10. The three schemes described are not necessarily the only ones that will be on the table at the March European Council. Although we continue to stress that the United Kingdom is prepared to remain a modest net contributor and that the correct approach is to consider the net contributions after adjustment, other member states continue to think primarily in terms of the amount of reliefs for the United Kingdom. The French tactics have been to try to persuade the Germans

to rely for their own protection mainly on the favourable effect of better control of spending and by this means to weaken German pressure for a limit on net contributions and to detach the Germans from the United Kingdom position. The more the French can do this, the more they can create a common front of all other member states to hold down the benefits for the United Kingdom. Ministers will wish now to consider how best the United Kingdom can secure its aim on figures and a defensible system.

11. The four points which will particularly affect the resulting figures are:
- (i) Calculation of the budget correction. The VAT share/expenditure share gap is most likely to command general support within the Community. Paragraph 12 below discusses how we should deal with this.
 - (ii) The "ticket modérateur". It may prove difficult to resist this altogether, since other member states claim that without it the United Kingdom would lose interest in controlling Community expenditure (since we would be compensated in full for any resulting increase in our net contribution). A 5% ticket modérateur would cost about 65 to 75 million ecu.
 - (iii) Redefining the allocated budget. We should be able to continue to resist the proposal to reduce the size of our apparent burden by altering the way administrative expenditure is dealt with.
 - (iv) Net financing. We will want to continue to insist that we do not contribute to our own or to German reliefs. This will be a difficult issue in the negotiations: the prime objective of many member states is to make sure that the Germans do contribute to their own and to British reliefs.
12. Ministers will need to consider whether, provided the figure is right, the United Kingdom should be prepared at the end of the negotiations to accept a scheme based on the VAT share/expenditure share gap. Linked with this are two questions:
- how to ensure that we obtain sufficient relief under such a scheme?
 - are the risks of the scheme significant?

13. In any event, the United Kingdom should continue to argue for a safety net based on full net contributions until a very late stage in the negotiations at the European Council. The discussion at the European Council is likely to focus first on the figures. If a satisfactory settlement on figures appears to be within reach, this would be the stage at which to decide whether or not to agree that the scheme should be based on the VAT share/expenditure share gap.

14. Because the measured gap is smaller, a system of reliefs based on the VAT share/expenditure share gap has to give reliefs for a higher proportion of the gap if it is to produce the same adjusted net contribution as our own proposal. In short, we would have to accept that the VAT share/own resources share gap element of our net contribution would not be subject to adjustment and accordingly we would need a high level of compensation for the rest of our net contribution. There are a number of ways in which we could tackle the situation eg:

- (i) by finding some other device to top up the reliefs for the United Kingdom. One such would be to allow any member state benefiting from the corrective mechanisms and whose share of levies and duties was larger in turn than its VAT share (ie the United Kingdom) to have a correction to the latter gap as well. Since this would be our full net contribution under another name, it would produce for the United Kingdom the same result as our safety net proposal. Its only advantage for other member states is that it does not refer specifically to net contributions. An alternative would be a revised and simplified form of "Dublin mechanism" shorn of all its restrictions and constructed in such a way as to give reliefs only for the United Kingdom.
- (ii) by altering the operation of the system so as to combine an increase in the United Kingdom's eligibility for reliefs with a low level of relief for Germany. This is the course which is most likely to be negotiable in the Community.

15. By such changes a scheme operating on the VAT share/expenditure share gap can be devised which would leave the United Kingdom with an estimated net contribution of around 500 million ecu (on 1982 figures with relative prosperity in a Community of 12). It should be noted, however, that the difference between the United Kingdom's net contribution and the VAT share/expenditure share gap varies from year to year. Although the gap averaged about 340 million ecu between 1979 and 1983, it has varied from 442 million ecu in 1980 to 251 million ecu in 1982. Such fluctuations mean that in some years the result will be worse than expected while in others it will be better.

16. On the correction of the budget inequity, therefore, Ministers are invited:
- (i) to agree that the United Kingdom should continue to insist that there must be a revised financing system to be included in the Own Resources Decision and containing the following elements:
 - a limit based on relative prosperity and expressed as a percentage of a member state's GDP;
 - corrections through reductions in the VAT contribution in the following year ("on the revenue side");
 - the corrections should be made from 1985 to apply reliefs for 1984.
 - (ii) to decide whether the United Kingdom should be ready to consider a scheme based on the VAT share/expenditure share gap, provided that the estimated adjusted net contribution resulting from it was satisfactory. This implies that the margin on the negotiation of the threshold would be tight and any "ticket modérateur" would have to be low.

II. Budget Discipline

17. The United Kingdom tabled its own proposal for a strict financial guideline to ensure that the rate of growth of FEOGA guarantee expenditure would be markedly lower than the rate of growth of own resources. The chief elements of the United Kingdom's proposal are:

- (i) that the Community's budgetary procedures should embody the strict financial guideline;
- (ii) that the guideline would constrain the Community's decision making procedures on the Common Agricultural Policy by limiting the amount of money available to a sum at or below the maximum permitted by the guideline;
- (iii) that, if expenditure exceeded the maximum permitted by the guideline because of unforeseen circumstances, any such excess should be clawed back the following year.

The effect of these procedures would be to ensure that over a period of years the trend rate of increase of agricultural guarantee expenditure laid down in the financial guideline would not be exceeded. Many member states remain opposed to a guideline on agricultural expenditure alone. We have taken the view, therefore, that our best chance of securing our principal aim of a strict financial guideline on agricultural expenditure is to seek to incorporate it within a broader framework as proposed by the French. Accordingly at Athens, the Prime Minister tabled our own amendments to the French proposal (Annex III).

18. Since Athens, the Commission has tabled a further paper on budget discipline and the French have been taking a tougher line. At La Celle St Cloud they welcomed the Commission's revised proposals on agricultural expenditure but criticised the latest text on overall budgetary control as too lax and likely to lead to conflict between the institutions. There is a reasonable prospect that, after further discussion in COREPER, the French Presidency will, at or before the next European Council, come forward with a text which may come close to being acceptable or at least provide the basis for a satisfactory result. We have continued, however, to press for all the main elements of our original proposal and, in particular, that:

- the rate of growth of agricultural spending should rise markedly below the rate of growth in own resources;
- this must be included in the budgetary procedures of the Community.

It is important that the guideline for agricultural expenditure should be reliably defined and also that the Commission should respect the guideline. If the Commission never make proposals above the guideline it would require unanimity in the Council to go beyond it, so that we would have an effective veto.

19. In the final stages of the negotiations the United Kingdom's primary aim is to secure binding control of agricultural guarantee expenditure to be incorporated in the Community's budgetary procedures in a form which will determine the decisions taken at the annual price fixing. The United Kingdom should also continue to seek a commitment to a wider agreement on financial discipline for all Community spending, the terms of which should be respected by all three institutions of the Community. The best way of doing this would be by Treaty amendment (a view shared only by the French) but it would also be possible,

with the agreement of the Parliament, to achieve most of what we require by Council regulation. Even if member states could be persuaded to consider Treaty amendment, they would not wish to broach the subject openly in advance of the elections to the European Parliament in June. Our aim, therefore, should be to ensure that the substance of the agreement at the March European Council is satisfactory and that it states firmly that the agreement is to be incorporated into the budgetary procedures of the Community in a way which would permit us later to insist on the appropriate legal form, not excluding the possibility of Treaty amendment.

20. We shall need in the final stages of the negotiations to decide whether to continue to insist that the agriculture guideline should be for the rate of increase in FEOGA guarantee expenditure to be "markedly below" the rate of growth of own resources, rather than "below" the rate of growth of own resources. We have received no support for our wording but it should be possible in the end to obtain agreement of all member states to "below".

III. Own Resources

21. The Government has made it clear both in the Community and in the House of Commons that the United Kingdom is only prepared to consider an increase in the Community's own resources provided that agreement is reached on:

- a more equitable arrangement for the sharing of budgetary burdens between member states, and
- strict budgetary control of agricultural and other expenditure.

22. The Commission are proposing that the ceiling on VAT contributions should be raised from 1% to 2%. There is no clear consensus among member states, though most are prepared to go to at least 1.6%. The Germans, however, have said that they will only go as far as a VAT ceiling of 1.4%. We should continue to base ourselves on the Stuttgart declaration and to discuss neither the principle nor the size of an increase in own resources until the remaining issues in the package (in particular the strict financial guideline and the figuring on the correction of imbalances) have been subject to satisfactory offers by other member states. If a satisfactory package is offered and the conditions which the United Kingdom has imposed are met, we should be prepared also to accept a revised VAT ceiling of 1.4%.

IV. Agricultural Issues

23. Most agricultural issues are now being discussed in the Council of Ministers (Agriculture) as part of the negotiations on the 1984 agricultural price fixing. There are two further meetings of the Agriculture Council before then European Council (on 5/6 March and 12/13 March). It is still not clear which issues will be put before the European Council. A meeting of the Ministerial Sub-Committee on European Questions of the Defence and Oversea Policy Committee (OD(E)) has been arranged for 8 March to discuss the outstanding questions on the price fixing. The Defence and Oversea Policy Committee (OD) considered the United Kingdom line on the proposed supplementary levy on milk at OD(84)3rd meeting.

24. In general, the United Kingdom's position is to urge the need for a rigorous price policy, and to implementation of effective guarantee thresholds for all sectors which are, or are likely to be in surplus, where costs are increasing rapidly or where production is outrunning economic outlets, as the practical means of bringing the rate of growth of agricultural expenditure markedly below the rate of growth of the Community's resources, and to do so in a way which does not discriminate against United Kingdom producers. In the price fixing discussion we are continuing to press for price reductions on some products and are resisting any suggestion for more generous price increases than the Commission have proposed. Ministers may wish at this stage to note the following on issues which might come to the European Council.

- (i) Milk. OD agreed at OD(84)3rd meeting that it was essential for the Community to take action to deal with the surpluses and costs of the milk sector and that the supplementary levy was the least unattractive option which was likely to be negotiable and effective in tackling the problem. It concluded that the United Kingdom should continue to pursue the line that we would be prepared to consider the supplementary levy provided that it was legal, workable and non-discriminatory, and that the United Kingdom should oppose any exemptions and should work for a system operated at the farm level by reference to deliveries in 1983. The main issues will be the volume of milk above which the levy would apply (we favour the Commission's proposal of 97.2m tonnes), whether this limit should be phased in over two years and the various requests for exemptions and exceptions.

(ii) Monetary Compensatory Amounts. This has been a major point of dispute between the French and the Germans. The French are keen to phase out positive German MCAs as soon as possible. The difference between the French and the Germans is narrowing and the Germans may be prepared to suggest the following schedule for dismantling existing MCAs

- (a) an immediate 3% "switch over" by reducing all positive MCAs by 3% and increasing negative MCAs to the same extent. The cost of this would depend on how quickly negative MCAs would be phased out.
- (b) a commitment to remove 5 percentage points in German positive MCAs probably from 1 July 1985. This would involve a drop in prices paid to German farmers which the Germans would compensate at some cost (they say 2000M DM) to the German budget by adjustments in the arrangements by which German farmers pay VAT. This would not affect prices elsewhere in the Community.
- (c) the remainder would be dismantled in line with the existing "Gentleman's Agreement" in the course of 1986 and 1987.

It is clear that the cost of the switch over will depend on how quickly the new negative MCAs are phased out. The United Kingdom will therefore need to concentrate on trying to get any advantages to Italy, France and Greece netted off against the Commission's price proposals. It will also be necessary to look carefully at the rules governing the creation of new MCAs following any future currency realignments, since the Germans and French will want these to be only negative and thus to involve potential costs for the Community budget. We also need to ensure that floating currencies should not automatically be subject to the same rules as currencies with fixed exchange rates and to protect our own position on this point.

(iii) Cereals and Cereal Substitutes. The United Kingdom has been seeking a Community commitment to a progressive narrowing of the gap between Community cereal prices and those in other producer countries over the next five years. Strengthening of the dollar has, however, brought American prices closer to Community prices. Nevertheless a reduction in cereal prices is essential to ensure a better cereal/livestock balance and should be argued for on that basis.

If satisfactory decisions are taken on milk and cereals, the United Kingdom is ready to authorise the opening of negotiations under Article XXVIII of the GATT with the United States and other principal suppliers with the aim of stabilising the Community's imports of corn gluten feed. Only when the results of any negotiation have been reported to the Council will the Council be required to decide whether to unbind the tariff. Our aim is to avoid provoking American retaliation and to ensure that definitive decisions are not taken before those on other parts of the package.

(iv) Oils and fats tax

The United Kingdom in common with a number of member states remains opposed to an oils and fats tax. The proposal for such a tax may effectively be dropped before the European Council.

V. New Policies

25. This was the section of the draft conclusions for the Athens Council which was nearest to agreement. The priorities put forward by the United Kingdom were the creation of a true common market for goods and services, including simplification of frontier facilities, liberalisation of transport, and a genuinely liberal insurance regime; the regeneration of industry, in particular through more effective action in research such as ESPRIT and through increased industrial collaboration- a Community solid fuels policy; and a firm timetable for the introduction of unleaded petrol. All of these were reflected in the draft on the table at Athens, and the United Kingdom has taken every opportunity since to stress to our partners the importance we attach to new policies figuring on the agenda at the March Council. Our aim is to show that the Community should look beyond narrow budgetary and agricultural issues and work constructively to develop cooperation in all areas where Community action is more effective than action on a national basis without necessarily incurring extra expenditure. We continue to stress the need for cost-effectiveness.

Conclusions

26. Ministers are invited:

- (i) to agree that the United Kingdom should continue to insist on a revised system for Community financing on a lasting basis to be included in a revised Own Resources Decision and containing the elements set out in paragraph 5;
- (ii) to decide whether they would accept that it should be based on the VAT share/expenditure share gap provided that the other elements of the system and the resulting figures were satisfactory (para 16);
- (iii) to agree that a strict financial guideline for agricultural guarantee expenditure requiring that the rate of growth of agricultural expenditure should be ^{manually} below the rate of growth of own resources must be incorporated in the Community's budgetary procedures; and that an agreement on overall budgetary discipline is also required in a form that does not exclude subsequent Treaty amendment (paras 19 and 20); *and what all this without*
- (iv) to confirm the Government's position on the size of the increase in own resources (para 22);
- (v) to note the position on the various agricultural issues (para 24); and on new policies (para 25).

Cabinet Office

5 March 1984

DECLARATION

adopted by the European Council
in Stuttgart on 18 June 1983

At a time when the European Community is faced with enormous social and economic challenges and is in the process of negotiating a third enlargement ten years after the first accession, the European Council has decided to take broad action to ensure the relaunch of the European Community.

In the course of the coming six months a major negotiation will take place to tackle the most pressing problems facing the Community so as to provide a solid basis for the further dynamic development of the Community over the remainder of the present decade.

With regard to the importance, complexity and linkage of the problems, negotiations will be started under a special emergency procedure. For this purpose special Council sessions will take place at the level of Foreign Ministers and Finance Ministers; where necessary, other Ministers will also participate, especially Ministers of Agriculture. State Secretaries may assist the Ministers.

The result of the negotiation will be submitted to the European Council meeting in Athens on 6 December 1983.

.../...

The negotiation will cover the subjects mentioned in the conclusions of the European Council of 21-22 March 1983: the future financing of the Community, the development of Community policies, the issues relating to enlargement, particular problems of certain Member States in the budget field and in other fields and the need for greater budgetary discipline.

Decisions will be taken in common on all these questions at the end.

The negotiation will aim at examining all the existing policies with particular attention to the common agricultural policy.

The examination of policies will take place with the purpose on the one hand of modernizing and making more effective the existing policies and to determine the priority areas for new Community action, and on the other hand to ensure that policies are cost effective and that economies are made wherever possible.

The negotiation will in addition aim at a more balanced and equitable situation, also in financial terms from the point of view of the interests of the different Member States and of the Community as a whole.

The negotiation will be based on the following guidelines:

the Common Agricultural Policy

The basic principles of the Common Agricultural Policy will be observed in keeping with the objectives set forth in Article 39 of the Treaty establishing the EEC. The Common Agricultural Policy must be adapted to the situation facing the Community in the foreseeable future, in order that it can fulfill its aims in a more coherent manner.

The following questions will in particular be examined:

- price policy,
- thresholds for guarantees, in relation to objectives for production
- co-responsibility of producers,
- intervention arrangements,
- arrangements on export refunds,
- substitutes and Community preferences,
- compensatory amounts,
- aids and premium arrangements,
- internal barriers to trade,
- type and size of farms, and particular situations of the various categories of farmers,
- the need for strict financial guidelines,
- external agricultural policy
- special problems arising in certain regions, such as in the Mediterranean regions, in mountain areas or other regions at a disadvantage because of natural or economic features.

The examination will result i.a. in concrete steps compatible with market conditions being taken to ensure effective control of agricultural expenditure by making full use of available possibilities and examining all market organizations.

All Member States must contribute to achieving the savings.

Proposals will be submitted by the Commission by 1st August 1983.

The European Council has taken note of the communications of the Commission on Integrated Mediterranean Programmes which aim in particular at modernizing Mediterranean Agriculture and its better integration into the general economy. It asks the Council to examine them as soon as the Commission's proposals are submitted.

Other policies

Development of policies and new Community action

The European Council is determined to develop and make more effective Community action in research, innovation and the new technologies with a view to facilitating cooperation between enterprises. On the basis of proposals by the Commission, decisions will be taken on new Community actions making use of the Community dimension to improve the international competitiveness of enterprises.

Negotiations on certain projects of an exemplary nature, e.g. the ESPRIT programme, should be concluded as soon as possible. Likewise concrete progress should be made toward uniform standards and norms.

The protection of the environment, employment policy, in particular concerning young people and social policy will be given equally high priority.

Budgetary discipline

Expenditure must also be controlled, in cooperation with the European Parliament, outside the agricultural sector. Policies are to be developed within the bounds of financial feasibility and supplemented through new actions which must be incorporated in an economically suitable way into Community policies.

By 1st August 1983 the Commission will present a report with proposals for increasing the effectiveness of the Community's structural funds (the Regional Fund, the Social Fund and the Guidance Sector of the EAGGF). It will concentrate on a more consistent co-ordination of policies to avoid duplication of effort and expenditure and to achieve greater budgetary discipline.

On the basis of this report, the policies in question will be reviewed and priorities determined on the basis of urgency and importance.

Own resources and particular problems of certain Member States

The objective is:

- to secure the financing of Community policies and actions and their further development over a longer period of time taking into account the additional financial requirements which would flow from the accession of Spain and Portugal, while exhausting all possibilities for savings ;
- to agree measures which, taken as a whole, will avoid the constantly recurrent problems between the Member States over the financial consequences of the Community's budget and its financing. All appropriate ways and means will be examined to this end, in particular the proposals made by the Commission and the suggestions of certain Member States with a view to ensuring equitable financial situations for all Member States.

On the basis of the conclusions reached on development of policies, improving budgetary discipline and the examination of the Financial System, the extent and timing of the Community's requirements in terms of Own Resources will be determined.

Sound financial management

The Court of Auditors of the European Community will be asked to review the sound financial management of Community activities and to submit a report by the end of 1983. This report will be followed up in the Court's Annual Reports.

Enlargement

The accession negotiations with Spain and Portugal will be pursued with the objective of concluding them, so that the accession Treaties can be submitted for ratification when the result of the negotiation concerning the future financing of the Community is submitted.

PROPOSALS FOR CORRECTION OF BUDGET INEQUITY(i) The United Kingdom Safety Net Proposal

1. Under this proposal, the maximum net contribution which a member state would be expected to pay into the Community budget would be related to that member state's relative prosperity and to its GDP. If the member state's net contribution in any year exceeded this threshold, it would receive in the following year an abatement to its contributions to the Community budget in that year equal to the full amount of its excess net contribution in the previous year. The main features of it are:

- (a) the threshold would be calculated by reference to the full net contribution to the Community's allocated budget as currently defined;
- (b) in the illustrative example put forward by the United Kingdom the threshold would be set at 0 for a member state whose relative prosperity was at or below 90% of the Community average (ie a member state at or below this level would not be expected to make any net contribution). Above this level, the threshold would rise by 0.007% of the member state's GDP for each percentage point increase in its relative prosperity;
- (c) the member state would receive 100% relief for all the excess of its net contribution above its threshold;
- (d) the abatements would be financed by an increase in the contributions of other member states (up to their own threshold) either in proportion to their own VAT shares (the VAT financing key) or in accordance with some special financing key designed to produce a particular result;
- (e) no member state would be expected to contribute to its own relief or to the relief of another member state if by so doing it would increase its net contribution above its threshold. This is known as 'net' financing.

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CONFIDENTIAL

(ii) The German proposal advanced at Athens

2. This proposal would also establish a safety net related to ability to pay, but:

- (a) The burden would be measured by the difference between a member state's share of Community VAT (in the United Kingdom case, averaging between 20% and 21%) and its share of the receipts from the Community budget (in the United Kingdom case, about 13%) and not by the whole net contribution. This is known as the VAT share/expenditure share Gap. For the United Kingdom this gap was 1785 million ecu in 1982. On average in 1981-83 the gap was about 1512 million ecu pa about 280 million ecu less than our unadjusted net contribution. This relief therefore relates to by far the bigger part of our budget inequity, which is the low level of our receipts from the Community. But it does not cover the smaller element which results from the high volume of duties and levies transferred as own resources by the United Kingdom to the Community. It also needs to be noted that for both France and Germany the gap between VAT and expenditure is significantly larger than their net contribution, and thus exaggerates their problem. This makes it more difficult to find equitable solutions based on this gap.
- (b) A member state would only be compensated for part of the amount by which its VAT share/expenditure share gap exceeded its threshold. The rate of compensation would fall with increasing relative prosperity. Every member state would therefore continue to make a marginal contribution to additional Community expenditure. This is known as a "ticket modérateur".

The German proposal contains no figures. In private, however, the Germans indicated last year that the sort of figures they had in mind would have given a relief of about 1100 mecu under their scheme in 1982. If, however, the threshold formula was the same as in the United Kingdom's safety net and if the United Kingdom contributed 5% to expenditure above its threshold then the United Kingdom's figure for 1982 and 1983 would have been as shown (safety net figures in brackets):

	<u>Million ecu</u>	
	<u>1982</u>	<u>1983</u>
Unadjusted Net Contribution	2036	1912
Adjusted Net Contribution	c.755 (437)	c.815 (525)
Reliefs	c.1280 (1599)	c.1100 (1388)

/(iii)

CONFIDENTIAL

(iii) A French Proposal based on VAT Share/Expenditure Share Gap

3. The French Presidency have also been canvassing a mechanism based on the VAT share/expenditure share gap. The chief features of it are:

- (a) The gap would be measured by the difference between VAT share and expenditure share operating on the allocated budget as presently defined except that less than 50% of administrative expenditure would be included in the allocated budget (this reduces the measured gap for the United Kingdom by something over 100 mecu).
- (b) The threshold would be similar to our safety net so that a member state below 90% of average Community prosperity would have a limit of 0 (ie would be entitled to recover 100% of any gap between the VAT share and expenditure) rising by 0.007% of GDP for each percentage point increase in relative prosperity. However a member state above 120% of relative prosperity would receive no abatement. The chief effect of this is that the Germans would not benefit.
- (c) A member state whose measured gap exceeded its threshold would receive abatement according to a stepped formula based on relative prosperity. A member state whose prosperity was between:

90% and 100% of the Community average	would recover	65%	of the excess
100% and 110%	"	55%	"
110% and 120%	"	45%	"

4. This has a number of unattractive features for the United Kingdom:

- (a) The relief is low. On 1982 figures, applied to relative prosperity in a Community of 12, the United Kingdom would have received relief of about 700 mecu (safety net - 1599 mecu) leaving a net contribution of about 1300 mecu (safety net - 437 mecu).
- (b) The marginal contribution to extra spending is high (45% in 1982).
- (v) The marginal contribution would rise greatly (from 45% to 55%) and the rate of relief would fall correspondingly, if, for exchange rate or other reasons, the United Kingdom's relative prosperity rose above 110% of the Community average.

FRENCH TEXT FOR EUROPEAN COUNCIL CONCLUSIONS

The European Council in Stuttgart recognised the need for greater budgetary discipline. In fact it is essential that management of EEC resources shall be based on the same strict rules as those governing the management of public finances in the member states. Expenditure must therefore be determined by the means available, not the other way round.

To this end, the European Council adopts the following guidelines:

1. At the beginning of the budgetary procedure, the Council (ECOFIN) shall set itself a 'frame of reference', that is to say the maximum overall resources to be used in the following financial year.

The frame of reference shall be established in consultation with Parliament.

2. Within that frame of reference and preserving Parliament's margin for manoeuvre, the Council shall set itself two guidelines, one for expenditure as a whole, the other for agricultural expenditure. In order to take economic fluctuations into account, agricultural expenditure shall be calculated over a 3-year average.

The Council shall also provide for a contingency reserve to be used on decision by the Council.

On these bases, the Commission shall draw up the preliminary draft budget.

3. Every 4 months, the Council (ECOFIN) shall monitor trends in expenditure as a whole.

In the event of the framework adopted being exceeded or in danger of being exceeded, the Council (ECOFIN) shall take the necessary corrective measures.

UNITED KINGDOM AMENDMENTS TO FRENCH TEXT ON BUDGETARY DISCIPLINE

- A. Amend second paragraph to read:

"To this end the European Council adopts the following guidelines, and instructs the Council (ECOFIN) to prepare detailed proposals for their embodiment in a legal form as part of the Community's budgetary procedures;"

- B. Amend first sentence of paragraph 2 to read:

"...the other to do with agricultural expenditure. For the latter, the rate of increase should be markedly less than the increase in the own resources base over a period of years. To take account of conjunctural fluctuations, the agricultural guideline is calculated on a three year average. If in any year, for exceptional circumstances, agricultural expenditure has to exceed budgetary provision for that year consistent with the guideline calculated for that year, the excess shall be recovered over the two succeeding years". and delete the second and third sentences of that paragraph.

File

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MS. WILKINSON
CABINET OFFICE

EUROPEAN COUNCIL

Thank you for your minute of 24 February.
I should prefer to receive all the briefs
together on 14 March.

I will let you have as soon as I can the
Prime Minister's decision on the composition
of the delegation to the Council.

AJC

24 February 1984

to



Ref. A084/631

MR COLES

European Council, Brussels: 19 and 20 March 1984

The preparation of briefs for the next European Council is now being set in hand. The contents of some of the briefs may be affected by discussions at the Foreign Affairs, Agriculture and ECOFIN Councils which are taking place on 12 and 13 March. There are two possible ways of proceeding. A double deadline could be set of Friday 9 March for those few briefs not affected by the various Councils and 14 March for the others, or a single deadline of 14 March for all the briefs. I think that the latter would be tidier. I should be grateful if you would indicate your preference on the timing of the briefs.

2. I shall also provide advice on who might be invited to the Prime Minister's briefing meeting at 4.00 pm on Thursday 15 March once I am informed of the Prime Minister's decision on who will be attending the European Council itself.

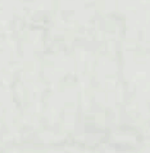
LINDSAY WILKINSON

24 February 1984

Euro PSI - Euro Council Brussels. pt 17



COMPTON





✓
cc EUROPEAN POLICY:
European Council Mtg
Paris. At 18

10 DOWNING STREET

From the Private Secretary

12 July 1983

French Presidency: January-June 1984
European Council Dates

Thank you for your letter of 8 July.
I confirm that the dates suggested in your
letter for the European Council meetings
are acceptable in principle to the Prime
Minister.

TIM FLESHER

R B Bone Esq
Foreign and Commonwealth Office.

da

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CC EUROPEAN COUNCIL: European Council Mtg
Paris Pt 18.

2



Foreign and Commonwealth Office

London SW1A 2AH

8 July 1983

191
Prime Minister:

Dear Tim,

To note:

French Presidency: January-June 1984:

European Council Dates

These dates seem fine although the June Council is only two days after the Delors conference

UKRep Brussels report that the French intend to propose that European Councils during their Presidency should be held on 19/20 March in Brussels and 25/26 June in Paris. The Secretary of State is content with these dates. I should be grateful to know whether they are acceptable in principle to the Prime Minister.

JT
11/7

yours ever
Alison

MT.

pp (R B Bone)
Private Secretary

PS/10 Downing St

● PART 16 ends:-

Strasbourg Tel 75 30 June 83

PART 17 begins:-

feo to TR 8 July '83

