

OO UKREP BRUSSELS

OO BRUSSELS

OO ROME

OO PARIS

OO BONN

PP COPENHAGEN

PP THE HAGUE

PP DUBLIN

GPS 1400

CONFIDENTIAL

DESKBY 211600Z

FM LUXEMBOURG 211559Z APRIL 80

TO IMMEDIATE FCO AND TO UK REP BRUSSELS

TELEGRAM NUMBER 98 OF 21 APR

INFO IMMEDIATE BRUSSELS, ROME, PARIS, BONN, PRIORITY COPENHAGEN  
THE HAGUE, DUBLIN.

FOLLOWING FROM UKREP BRUSSELS.

EUROPEAN COUNCIL PREPARATIONS: CONVERGENCE.

1. FOLLOWING TEXT WAS DISTRIBUTED AT THE END OF  
THE ECO/FIN COUNCIL THIS MORNING AND CONSTITUTES  
THE PRESIDENCY COVER NOTE PROMISED BY PLAJA IN  
COREPER LAST WEEK IN RESPONSE TO FRENCH REQUEST.  
IT IS LIKELY TO FORM THE BASIS OF THE DISCUSSION AT  
THE FOREIGN AFFAIRS COUNCIL TOMORROW.

BEGINS:-

THE CHAIRMAN OF COREPER HAS SOUGHT TO SUMMARIZE BELOW THE  
MAIN POINTS WHICH COULD BE TAKEN INTO CONSIDERATION IN THE  
DISCUSSION ON THE ITEM "CONVERGENCE AND BUDGETARY QUESTIONS",  
AS THEY HAVE EMERGED FROM THE PREPARATORY DISCUSSIONS.

BASIC PRINCIPLES.

PS  
PS/L PS  
PS/PUS  
Wood Bridges  
Hd of ECSD(I)  
Cabinet Office (3)  
HM Treasury (13)  
10 Downing St  
Mr Alexander  
RC

X 9

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## BASIC PRINCIPLES.

IT IS BEYOND DOUBT THAT THERE WILL HAVE TO BE A RE-AFFIRMATION OF THE BASIC PRINCIPLES TO BE OBSERVED IN ANY ATTEMPT TO SEEK A SOLUTION TO THESE QUESTIONS.

THE CHAIRMAN CONSIDERS THAT THIS RE-AFFIRMATION SHOULD BE EXPRESSED IN A SUITABLE FORM IN THE CONCLUSIONS OF THE EUROPEAN COUNCIL.

THESE PRINCIPLES ARE BASED ON ARTICLE 2 OF THE TREATY AS REGARDS THE TASK OF THE COMMUNITY, ON ARTICLE 39 OF THE TREATY, WHICH SETS OUT THE OBJECTIVES OF THE COMMON AGRICULTURAL POLICY, AND ON THE SYSTEM OF OWN RESOURCES AS DEFINED BY THE DECISION OF 26 APRIL 1976.

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### CONVERGENCE AND BUDGETARY QUESTIONS.

WITH REGARD TO THE PROBLEM OF THE UNITED KINGDOM'S CONTRIBUTION THE PRESIDENCY WOULD DRAW ATTENTION TO THE DECLARATION, REAFFIRMED AT THE HIGHEST LEVEL WITHIN THE COMMUNITY, TO THE EFFECT THAT IF UNACCEPTABLE SITUATIONS WERE TO ARISE, THE VERY EXISTENCE OF THE COMMUNITY WOULD DEMAND THAT THE INSTITUTIONS FIND ADEQUATE WAYS OF RESOLVING THEM.

THE SIZE OF THE NET BALANCE OF THE UNITED KINGDOM'S CONTRIBUTION TO THE 1980 BUDGET - AND THAT OF THE OTHER MEMBER STATES - HAS BEEN THE SUBJECT OF FORECASTS BASED ON DIFFERENT METHODS OF CALCULATION. THESE FORECASTS HAVE BEEN COMPILED IN A SEPARATE NOTE.

TO MEET THE PROBLEMS POSED BY THE SITUATION OF THE UNITED KINGDOM, TWO SERIES OF MEASURES HAVE BEEN MENTIONED: ADJUSTMENT OF THE FINANCIAL MECHANISM INTRODUCED IN 1976 AND ADOPTION OF ADDITIONAL COMMUNITY MEASURES TO HELP THE UNITED KINGDOM.

### FINANCIAL MECHANISM.

(A) THE COMMISSION HAS PROPOSED THAT

-THE LIMIT ON REPAYMENTS IN THE EVENT OF A POSITIVE BALANCE OF PAYMENTS;



-THE LIMIT ON REPAYMENTS IN THE EVENT OF A POSITIVE BALANCE OF PAYMENTS;

-THE SYSTEM OF REPAYMENTS BY TRANCHES; AND

-THE CEILING OF 3% PER CENT OF THE BUDGET,

SHOULD BE DISCONTINUED.

ACCORDING TO THE COMMISSION'S ESTIMATES, BASED UPON ITS BUDGETARY PROPOSALS FOR 1980, THIS ADJUSTMENT WOULD MEAN A PAYMENT TO THE UNITED KINGDOM, FOR 1980, OF AROUND 600 MEUA GROSS (495 MEUA NET).

(B) THIS POSITION APPEARS TO BE ACCEPTABLE TO ALL THE DELEGATIONS, ONE OF THEM HAVING RESERVED ITS POSITION IN CONNECTION WITH AN OVERALL SOLUTION. THE SAME DELEGATION IS ASKING THAT AN ANNUAL CEILING IN TERMS OF AN ABSOLUTE AMOUNT SHOULD BE PROVIDED FOR.

(C) A KEY QUESTION IS THAT OF THE PERIOD FOR WHICH THE AMENDED FINANCIAL MECHANISM WOULD CONTINUE TO APPLY. WHILE THERE IS GENERAL AGREEMENT ON THE TEMPORARY NATURE OF THE MECHANISM, DIFFERENCES OF OPINION REMAIN AS TO THAT PERIOD. SOME DELEGATIONS ARE IN FAVOUR OF A THREE-YEAR PERIOD (I.E. UP TO 1982), WHILE ONE DELEGATION CONSIDERS THAT THE MECHANISM SHOULD APPLY FOR SIX YEARS AND BE SUBJECT TO REVIEW BEFORE THAT PERIOD.

AN INTERMEDIATE POSITION HAS BEEN SUGGESTED IN THE COMMISSION COMMUNICATION ACCORDING TO WHICH PROVISION SHOULD BE MADE FOR A 3-4 YEAR EXTENSION, A REVIEW OF THE SITUATION TAKING PLACE AT A CERTAIN INTERVAL BEFORE THE MECHANISM EXPIRES.

THE FORMULA PROPOSED BY THE COMMISSION COULD BE LINKED WITH THE MEDIUM-TERM TREND TOWARDS DIVERSIFICATION OF COMMUNITY EXPENDITURE, ESPECIALLY THROUGH THE STRUCTURAL AND INVESTMENT POLICIES. ONLY IN THE CONTEXT OF SUCH DIVERSIFICATION AND THE MEDIUM-TERM ATTAINMENT OF COMMUNITY POLICIES WILL IT BE POSSIBLE TO FIND A LASTING SOLUTION TO THE PROBLEM OF THE UNITED KINGDOM CONTRIBUTION TO THE COMMUNITY BUDGET.

#### ADDITIONAL COMMUNITY MEASURES

THE COMMISSION HAS PROPOSED THAT ADDITIONAL COMMUNITY MEASURES BE ADOPTED BY MEANS OF A REGULATION BASED ON ARTICLE 235 OF THE TREATY. SUCH MEASURES WILL HAVE TO BE COMPATIBLE WITH



THE COMMISSION HAS PROPOSED THAT ADDITIONAL COMMUNITY MEASURES BE ADOPTED BY MEANS OF A REGULATION BASED ON ARTICLE 235 OF THE TREATY. SUCH MEASURES WILL HAVE TO BE COMPATIBLE WITH THE OBJECTIVES OF COMMUNITY POLICIES, FOSTER THE CONVERGENCE OF ECONOMIES AND BE CONSONANT WITH THE GENERAL INTEREST OF THE COMMUNITY.

WHILE ALL DELEGATIONS ACCEPT THE LEGAL BASIS PROPOSED FOR SUCH MEASURES - THE MATTER OF THE OVERALL BUDGET REMAINING OPEN - THE OTHER QUESTIONS TO BE DECIDED APPEAR TO BE AS FOLLOWS:

- (A) WHICH PROJECTS COULD BENEFIT FROM THESE ADDITIONAL MEASURES: IT SHOULD BE CONFIRMED IN THIS CONNECTION THAT PROJECTS SHOULD BE OF COMMUNITY INTEREST;
- (B) WHAT WILL BE THE PROCEDURE FOR ADOPTING PROJECTS: THE QUESTION HERE IS THE EXTENT TO WHICH THE COMMISSION AND THE COUNCIL WOULD EACH PARTICIPATE IN THE DECISION ON THE PROJECTS PROPOSED BY THE MEMBER STATE CONCERNED;
- (C) FOR HOW LONG SHOULD THESE ADDITIONAL MEASURES BE PROVIDED: MENTION SHOULD BE MADE IN THIS CONNECTION OF THE POSITIONS SET OUT ABOVE REGARDING THE FINANCING MECHANISM;
- (D) SHOULD THESE ADDITIONAL MEASURES PLANNED FOR THE UNITED KINGDOM ALSO BE MADE AVAILABLE FOR PROJECTS IN OTHER LESS PROSPEROUS MEMBER STATES?

#### CONVERGENCE

1. THE PRESIDENCY WOULD REFER TO THE CONCLUSIONS REACHED BY THE EUROPEAN COUNCIL ON THIS POINT AT ITS MEETING ON 29 AND 30 NOVEMBER 1979 IN DUBLIN.
2. THE COMMISSION INVITED THE EUROPEAN COUNCIL TO ADOPT THE PRINCIPLE THAT THE RATE OF INCREASE IN EXPENDITURE FOR INVESTMENT PURPOSES SHOULD BE APPRECIABLY HIGHER THAN THE RATE OF INCREASE IN THE SIZE OF THE BUDGET.
3. THE COMMISSION ALSO PROPOSED THAT SPECIAL RESOURCES BE CHANNELLED TO THE LESS PROSPEROUS MEMBER STATES IN ORDER TO STRENGTHEN THE INTEREST REBATE SYSTEM, AUGMENT THE FUNDS AVAILABLE FOR REGIONAL DEVELOPMENT AND FURTHER IMPROVE THE OPERATION OF COMMUNITY FUNDS. SEVERAL DELEGATIONS SAID THAT THIS WAS NOT THE MOST APPROPRIATE CONTEXT TO BROACH THIS PROBLEM WHICH IN THEIR VIEW WOULD MAKE IT MORE DIFFICULT TO ARRIVE AT AN OVERALL SOLUTION.



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ER PROBLEMS

BEARING IN MIND THE CONCLUSIONS OF THE EUROPEAN COUNCIL IN DUBLIN, IN VIEW ALSO OF THE PRECONDITION INVOLVED FOR ONE DELEGATION AND OF THE FACT THAT - IN THE PRESIDENCY'S OPINION - A NUMBER OF OTHER PROBLEMS MUST BE SETTLED, IT IS VITAL THAT A CONSENSUS BE REACHED ON THE IMPORTANT MATTERS CURRENTLY UNDER DISCUSSION IN THE AGRICULTURAL FIELD (PRICES FOR THE NEW MARKETING YEAR, ECONOMY MEASURES, ORGANIZATION OF THE MARKET IN SHEEPMEAT).

THE PRESIDENCY WOULD ALSO EMPHASIZE THE IMPORTANCE OF ADOPTING GUIDELINES TOGETHER WITH A TIMETABLE FOR THE FISHERIES POLICY, AND OF MAKING HEADWAY TOWARDS FINDING COMMUNITY SOLUTIONS IN THE FIELD OF ENERGY.

FCO ADVANCE TO:-

FCO - PS/S OF S, PS/LPS, PS/PUS, BRIDGES, SPRECKLEY, GOODENOUGH

CAB - FRANKLIN, WALSH, WILLIAMS

TSY - PS/CHANCELLOR, COUZENS, HANCOCK, MICHELE, THOMSON,

MISS WRIGHT PLUS 7. (ADVANCED AS REQUESTED)

NO 10 - ALEXANDER

THOMAS

IMMEDIATE

\* CCN ADD AND TO IMMEDIATE UKREP BRUSSELS

SENT AT 1745/21 JC

RECDA T 1745/21 E.T.