

CONFIDENTIAL

No. the procedure in
milk returns. Its whole
purpose is to devalue
Britain. The result
is a catastrophe



Prime Minister
Agree para 8?

①

Treasury Chambers, Parliament Street, SW1P 3AG.

01-233 3000

PRIME MINISTER

original proposal.
We must justify this
- if necessary opening
can that be held now
we
lowest level
own whole
part.

EC BUDGET REFUNDS UNDER ARTICLE 235 SUPPLEMENTARY MEASURES
SCHEME: APPROVALS PROCEDURE

We discussed briefly on Monday the continuing negotiations in Brussels on the draft Regulations to implement the 30 May budget refunds agreement. The main area of difficulty at present in these negotiations is not differences of view over additionality between the Commission and ourselves, as suggested in the Sunday Times article, but the approvals procedure for refunds due to us under the Article 235 supplementary measures scheme. The present deadlock on this issue threatens to hold up agreement on the Regulation for an indefinite period, and we cannot obtain the refunds due to us until agreement has been reached. We need therefore to consider whether there is any intermediate solution which we could accept in order to resolve the deadlock.

2. The question at issue is - who should (a) approve the programmes which we have submitted for assistance under the scheme and (b) decide on the amounts to be paid in respect of each programme? The Commission's original draft Regulation envisaged that the Commission itself would take these decisions, the former after consultation with the Regional Policy or Energy Committees acting in an advisory capacity. We have strongly supported the Commission's proposal. At the other extreme, the French have continued to insist, with German support, that the refunds must be subject to unanimous approval by the Council of Ministers.

CONFIDENTIAL



3. From our point of view, a requirement for unanimous Council approval must be totally unacceptable. It would give each and every member state a power of veto over payment of the refunds due to us, even though these have been specifically agreed in the 30 May settlement. It is clearly a nonsense that unanimous Council agreement should be required for implementing a decision already taken, and this would be contrary to established Community procedures. The veto power appears, however, to be exactly what the French want: some elements, at least, in the French Government appear still to believe, despite the Foreign Secretary's personal intervention with the French Foreign Secretary in July, that they can use the threat of a veto on our refunds to make us accept the kind of farm price settlement which they want ahead of next year's Presidential election.

4. The Commission's original proposal, whereby implementation of the refunds agreement would be left to the Commission and ourselves, after consultation with other member states in the Regional Policy Committee, is clearly the best from our point of view. But some kind of intermediate solution will evidently be needed if the deadlock is to be resolved in time to enable us to receive some payments in the form of advances this year, as a charge against the 1980 Community budget.

5. The Commission themselves have now indicated that they would be prepared in the last resort to agree to the intermediate solution of a negative qualified majority "management committee" procedure. Now that this proposal is on the table, I am reluctantly persuaded that we should if necessary be prepared, at the appropriate moment in the negotiations, to go along with it. Under a negative qualified majority procedure, a committee of member states



(probably an ad hoc committee rather than the Regional Policy Committee) would be able to reject the Commission's proposals on our refunds, but only if opponents of the proposals could muster 41 votes between them (45 from January next - see annex for voting strengths). The Commission would then have either to amend the proposals or to withdraw them or to appeal to the Council. What this means in practice is that the French and Germans could not block our refunds on their own: they would have to convert to the cause the Italians plus at least three of the smaller countries as well.

6. Another intermediate solution would be approval by positive qualified majority. In that case, however, two big countries acting together, or one big country plus two or three of the smaller countries, or the smaller countries as a block could each block the refunds. This would be somewhat better than a requirement for unanimity. But it would put us in the hands of the Germans and the French acting together.

7. There are important related issues as well, such as whether the Council or a lesser Committee should approve the programmes and whether the approval should apply to the next three years as a whole or to one year ahead only. We should continue to press for approval of programmes over a three year period, and for minimum Council involvement. But the key issue remains the form of the approvals procedure.

8. Subject to your views and those of the Foreign Secretary, therefore, I suggest that we should be prepared if necessary to agree to a negative qualified majority "management committee" procedure as part of an overall solution to the impasse on the supplementary measures

CONFIDENTIAL



regulation. The timing will need careful consideration. We should not make the concession unless we are as certain as we can be that it would clinch agreement on the regulation as a whole in an acceptable form. It is just possible that this stage will be reached at next week's meeting of the Foreign Affairs Council - that will be for the Foreign Secretary to judge - but as of now this looks unlikely.

9. I am copying this minute to the Foreign Secretary and to Sir Robert Armstrong.

Approved by the
Chancellor, and
signed in his absence, R. I. Pollock (Private Secretary)

(G.H.)

12 September 1980



12 SEP 1980

COMMUNICATIONS