

FLASH: *Asson*

12 VAT.

Unadjusted contribution

OPS

CONFIDENTIAL

FM UKREP BRUSSELS 300830Z MAY 83

TO FLASH FCC

TELEGRAM NUMBER 2648 OF 30 MAY.

663

460

FOLLOWING FOR PRIME MINISTER FROM FOREIGN AND COMMONWEALTH SECRETARY.

1. WE HAVE JUST FINISHED AN 18 HOUR MEETING ON THE BUDGET.

2. THE NEGOTIATION HAS BEEN TEDIOUS AND LABORIOUS, BUT THE ATMOSPHERE HAS THROUGHOUT BEEN CONSTRUCTIVE AND BUSINESSLIKE AND STEADY PROGRESS HAS BEEN MADE. COLOMBO AND THE ITALIAN PRESIDENCY HAVE BEEN HELPFUL AND EFFECTIVE, THE COMMISSION SOMEWHAT LESS SO. THE MAIN NEGOTIATION HAS BEEN BETWEEN THE GERMANS AND OURSELVES, WITH THE FRENCH BEING DRAGGED UNWILLINGLY BEHIND THE FORMER.

650
730

1380

3. THE POSITION WE HAVE NOW REACHED IS AS FOLLOWS:

1980 WE SHOULD FIRST GET A REFUND OF 1175 WHICH WOULD REDUCE OUR NET CONTRIBUTION AS ESTIMATED BY THE COMMISSION, FROM 1784 TO 609. IN ADDITION, WE SHOULD BE REFUNDED THREE QUARTERS OF ANY INCREASE IN OUR UNADJUSTED NET CONTRIBUTION BEYOND THAT ESTIMATE OF 1784.

We pay more than

538
800

1708

1981 THE NOTIONAL 1980 NET CONTRIBUTION FIGURE OF 609 (SEE ABOVE) WOULD BE INCREASED BY THE SAME PERCENTAGE AS THE INCREASE IN COMMISSION'S ESTIMATE OF OUR UNCORRECTED NET CONTRIBUTION BETWEEN 1980 AND 1981 - NAMELY FROM 1784 TO 2140 OR BY 19.9 PER CENT. THIS WOULD GIVE AN INITIAL REFUND OF 1410 AND A NET CONTRIBUTION, ON THE COMMISSION ESTIMATES, OF 730. IF OUR NET CONTRIBUTION EXCEEDED 730 WE WOULD PAY THE FIRST 22 MUA IN FULL HALF OF THE NEXT 100 MUA AND A QUARTER OF ANY RESIDUAL EXCESS

730
22
25

800

800

1982 UNLESS THE GENERAL REVIEW OF COMMUNITY FINANCES PRODUCES A DEFINITIVE SOLUTION IN THE MEANTIME, THE COMMISSION WILL MAKE PROPOSALS ALONG THE LINES OF THE 1983-81 FORMULA AND THE COUNCIL WILL ACT ACCORDINGLY.

650
730

1380

4. WE ALSO FACED AN UNSUCCESSFUL ATTEMPT BY THE FRENCH, ABETTED ORIGINALLY BY THE COMMISSION, TO INSERT A "GOOD BEHAVIOUR" CONDITION WHEREBY THERE WOULD HAVE TO BE A LINK BETWEEN OUR REFUND IN 1981 AND AGREEMENT ON 1981 AGRICULTURAL PRICES.

538
800

1338

5. AS YOU WILL SEE WE HAVE NOW GOT A THREE YEAR SOLUTION WITH FIGURES FOR 1982 WHICH ARE HIGHER THAN WE WOULD HAVE HOPED AND FOR 1981 WITHIN OUR TARGET AREA AND BETTER THAN WAS ON OFFER AT LUXEMBOURG. FOR 1982 IT HAS, AS EXPECTED, NOT BEEN POSSIBLE TO GET A PRECISE FIGURE BUT THE FORMULA IS, I THINK, A REASONABLE ONE. ALTHOUGH WE HAVE NOT GOT A STRAIGHTFORWARD APPROACH BASED ON A CEILING ON OUR NET CONTRIBUTION, THE MIXTURE OF A LUMP SUM REPAYMENT AND A RISK SHARING FORMULA SETS CLEAR LIMITATIONS TO OUR NET CONTRIBUTION.

6. I AM CONVINCED THAT THIS IS THE LIMIT OF WHAT WE CAN NEGOTIATE AND I DO NOT BELIEVE THAT WE CAN BRING ANY MORE WORTHWHILE CONCESSIONS OUT OF OUR PARTNERS. IT IS TRUE THAT THEY ARE ANXIOUS TO SETTLE AND TO AVOID A CRISIS AND THE NATIONAL MEASURES ON AGRICULTURE WHICH THE FRENCH ARE THREATENING TO TAKE; AND WE HAVE BEEN ABLE TO CAPITALISE ON THIS. BUT I AM CLEAR THAT THEY ARE AT THE LIMIT OF THEIR SCOPE FOR MANOEUVRE AND THE LAST STAGES HAVE BEEN EXCEEDINGLY SLOW AND PAINFUL.

7. I HAVE NOT ACCEPTED THE PRESENT OUTCOME BUT HAVE SAID THAT I MUST NOW DISCUSS THE WHOLE SITUATION WITH YOU AND OUR COLLEAGUES.

8. AS YOU WILL HAVE SEEN FROM HIS TELEGRAM, PETER WALKER HAS MADE EXCELLENT PROGRESS ON SHEEPMEAT WHILE MAINTAINING A GENERAL RESERVE.

9. ON FISHERIES WE AGREED ON A TEXT WHICH GIVES NOTHING AWAY ON ACCESS AND SETS THE SCENE FOR NEGOTIATIONS IN THE FISHERIES COUNCIL, WHERE THEY BELONG.

10. THIS IS A BALD ACCOUNT OF A LONG AND COMPLEX MEETING. I HOPE TO DISCUSS IT ALL WITH YOU LATER TODAY.

FOO ADVANCE TO :

FOO - PS/SOFS PS/LPS PS/PUS BRIDGES FITZHERBERT

CAB - SIR P ARMSTRONG FRANKLIN ELLIOTT WASH

MAFF - ANDREWS HADLEY

TSY - PS/CHANCELLOR SIR K COUZENS HANCOCK MICHELL ASHFORD THOMSON

MISS WRIGHT (+ 7 COPIES)

NO 10 - ALEXANDER

DUTLER

WYNN

CONFIDENTIAL

FRAME GENERAL

FM UKREP BRUSSELS 300950Z MAY 60

TO FLASH FCO

TELEGRAM NUMBER 2654 OF 30 MAY

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

FOREIGN AFFAIRS COUNCIL, 29-30 MAY.

CONVERGENCE/BUDGETARY QUESTIONS.

NOTE: FOLLOWING IS TEXT OF CONCLUSIONS.

1. THE NET UNITED KINGDOM CONTRIBUTION FOR 1980 WILL BE CALCULATED ON THE BASIS OF THE PRESENT COMMISSION ESTIMATE (1,784 MEUA). 1,175 MEUA WILL BE DEDUCTED FROM THIS FIGURE. THIS LEAVES A UNITED KINGDOM CONTRIBUTION OF 609 MEUA FOR 1980.
2. THE NET UNITED KINGDOM CONTRIBUTION FOR 1981 WILL BE CALCULATED ON THE BASIS OF THE COMMISSION ESTIMATE OF 2,148 MEUA. THE UNITED KINGDOM'S 1980 NET CONTRIBUTION WILL BE INCREASED BY A PERCENTAGE EQUAL TO THE DIFFERENCE BETWEEN 1,784 AND 2,148 MEUA, NAMELY 19.9 PER CENT OR 121 MEUA. THE NET UNITED KINGDOM CONTRIBUTION FOR 1981 THEREFORE BECOMES 730 MEUA.
3. THE UNITED KINGDOM CONTRIBUTION, BASED ON THE ABOVE CALCULATIONS, IS REDUCED FOR 1980 AND 1981 BY 2,585 MEUA (1,175 PLUS 1,410).
4. IF THE UNITED KINGDOM'S ACTUAL CONTRIBUTIONS FOR 1980 AND 1981 ARE HIGHER THAN 1,784 AND 2,148 MEUA RESPECTIVELY THE DIFFERENCE WILL BE SPLIT - FOR THE FIRST YEAR 25 PER CENT WILL BE BORNE BY THE UNITED KINGDOM AND 75 PER CENT BY THE OTHER 8 MEMBER STATES. FOR THE SECOND YEAR - INCREASE FROM 730 TO 750 TO BE BORNE IN FULL BY THE UNITED KINGDOM; FROM 750 TO 850, 50 PER CENT TO BE BORNE BY THE UNITED KINGDOM AND 50 PER CENT BY THE OTHER 8 MEMBER STATES; ABOVE 850, 25 PER CENT TO BE BORNE BY THE UNITED KINGDOM AND 75 PER CENT BY THE OTHERS.
5. PAYMENTS OVER THE PERIOD 1982-82 SHOULD BE MADE BY MEANS OF THE ADAPTED FINANCIAL MECHANISM AND THE SUPPLEMENTARY MEASURES PROPOSED BY THE COMMISSION. THE FINANCIAL MECHANISM WILL CONTINUE TO FUNCTION AUTOMATICALLY UNTIL THE END OF 1982.
6. THE CREDITS ARE INSCRIBED IN THE BUDGET OF THE FOLLOWING YEAR, FOLLOWING THE PRECEDENT OF THE FINANCIAL MECHANISM. AT THE REQUEST OF THE UNITED KINGDOM THE COUNCIL CAN DECIDE EACH YEAR ON A PROPOSAL BY THE COMMISSION TO MAKE ADVANCES TO PERMIT THE ACCELERATED IMPLEMENTATION OF THE SUPPLEMENTARY MEASURES.

CONFIDENTIAL

7. FOR 1982, THE COMMUNITY IS PLEDGED TO RESOLVE THE PROBLEM BY MEANS OF STRUCTURAL CHANGES (COMMISSION MANDATE TO BE FULFILLED BY THE END OF JUNE 1981. THE EXAMINATION SHOULD CONCERN THE DEVELOPMENT OF COMMUNITY POLICIES, WITHOUT CALLING INTO QUESTION THE COMMON FINANCIAL RESPONSIBILITY FOR THESE POLICIES, WHICH ARE FINANCED FROM THE COMMUNITY'S OWN RESOURCES, NOR THE BASIC PRINCIPLES OF THE COMMON AGRICULTURAL POLICY. TAKING ACCOUNT OF THE SITUATIONS AND INTERESTS OF ALL MEMBER STATES, THIS EXAMINATION WILL AIM TO PREVENT THE RECURRENCE OF UNACCEPTABLE SITUATIONS FOR ANY OF THEM). IF THIS IS NOT ACHIEVED, THE COMMISSION WILL MAKE PROPOSALS ALONG THE LINES OF THE 1980-81 SOLUTION AND THE COUNCIL WILL ACT ACCORDINGLY.

8. THE COUNCIL REAFFIRMS THE CONCLUSIONS ADOPTED BY IT (IN ITS COMPOSITION OF MINISTERS OF ECONOMIC AFFAIRS AND FINANCE) ON 11 FEBRUARY 1980 ((OF ANNEX TO DOC. 5081/80 PY/CONS 5 ECO/FIN 9)), WHICH INCLUDED REFERENCE TO THE 1 PER CENT VAT OWN RESOURCES CEILING.

9. IT IS IMPORTANT FOR THE FUTURE WELL BEING OF THE COMMUNITY THAT DAY TO DAY DECISIONS AND POLICY MAKING SHOULD FUNCTION EFFECTIVELY AND THIS PARTICULARLY DURING THE PERIOD WHEN THE REVIEW FORESEEN IN PARAGRAPH 7 IS UNDER WAY. WITH THIS OBJECTIVE IN MIND ALL MEMBER STATES UNDERTAKE TO DO THEIR BEST TO ENSURE THAT COMMUNITY DECISIONS ARE TAKEN EXPEDITIOUSLY AND IN PARTICULAR THAT DECISIONS ON AGRICULTURAL PRICE FIXING ARE TAKEN IN TIME FOR THE NEXT MARKETING SEASON.

FOO PASS ADVANCE COPIES TO:-

FOO PS/SOFS, PS/APS, PS/PUS, BRIDGES, HANNAY, SPRECKLEY
CAB SIR R ARMSTRONG, FRANKLIN, ELLIOTT, WALSH
MAFF ANDREWS, HADLEY
TSY PS/CHANCELLOR, SIR K COUZENS, HANCOCK, MICHELL, ASHFORD
THOMSON, MISS WRIGHT (+7 COPIES)
NO 12 ALEXANDER

BUTLER. [ADVANCED AS REQUESTED]

FRANK GENERAL
EOL(1)