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EUROPEAN COUNCIL VENICE

12/13 JUNE 1980

UK BUDGET CONTRIBUTION AND RELATED SUBJECTS

Brief by the Foreign and Commonwealth Office, HM Treasury and MAFF

OBJECTIVE

1. To ensure that any discussion is limited to confirming the agreement reached in Brussels on 29-30 May.

POINTS TO MAKE (for use as necessary)

2. Glad it has been possible to reach agreement. No winners, no losers.

3. Now possible for Community to focus on other major issues, external and internal.

4. On budget, in general interest to expedite agreement on required legal instruments in appropriate Councils.

5. In the medium term must put to good use the review we have agreed to have of the development of Community policies and examination of operation of Community budget, including need to keep within 1% ceiling and to prevent recurrence of an unacceptable situation for any Member State. Review needs to be well prepared.

6. [If 1980 budget raised] Can agree to European Council urging Council of Ministers to make rapid progress. We want budget adopted by end July. Under some chapters 12/12ths could be exhausted by end August.

7. [If Regional Development Fund raised] 1200 mEUA is right figure for 1980. Proposed by Commission. UK budget agreement is based on Commission estimate of UK net contribution that assumes RDF of this size. This higher figure will help to secure Parliament's agreement to the budget as it is the figure they wanted.

/BACKGROUND

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BACKGROUND

- References: A: UKREP telno 2654: reporting Foreign Affairs Council conclusions of 30 May
- B: Note on CAP prices package
- C: Note on sheepmeat settlement
- D: Council Declaration on Common Fisheries Policy

Budget

8. Essential elements of Foreign Affairs Council conclusions (from text at Ref. A) were:

(a) 1980 contribution would be limited to 609 mEUA provided Commission estimate of our net contribution of 1784 mEUA not exceeded. If actual figure exceeds Commission estimate, risk sharing agreement will split remainder 25% to UK, 75% to others;

(b) In 1981 provided UK figure does not exceed Commission estimate of 2140 mEUA, limit on our contribution of 730 mEUA. If it does exceed, risk sharing formula as follows:

- (i) first 20 mEUA borne by UK;
- (ii) next 100 mEUA split 50:50;
- (iii) thereafter 25:75 as in 1980.

(c) For 1982 solution to UK problem provided by Community pledge to resolve problem of structural changes (involving examination of development of Community policies and with aim of preventing occurrence of unacceptable situations);

(d) If not, Commission will make proposals along lines of 80-81 solution and Council will act accordingly;

(e) payments up to and including 1982 will be made through adapted Financial Mechanism and Article 235 Regulation (neither of which has been discussed in detail in Council up to now);

(f) credits paid in the first instance as under present Financial Mechanism Regulation i.e. 75% on 1 January of following year and remainder as soon as state of accounts enables final adjustments to be made. However, special clause included to enable Council to make advances on request by the UK.

French tried to insist that 1981 price fixing should not be challenged (normal timetable would involve discussion shortly before date of French Presidential election May 1981. Giscard is concerned about effect on farming vote if price fixing is held up again). But French acquiesced in the end to a formula committing Member States

/merely

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merely to "do their best" to ensure decisions are taken expeditiously.

9. Reiteration of earlier Finance Ministers conclusion on need to adopt prudent farm price policy and control CAP spending (para.8 of conclusions).

10. Reference also to 1% ceiling. Useful because this is an important lever in our hand for ensuring that the 1981 review leads to radical change.

11. We shall press in Council for rapid agreement to texts of new regulations. (Commission likely to be considering draft texts at 11 June meeting). Vital that these be ready at early stage in order to enable Commission to start spending money in UK. No problem over actual payments. These could run over in 1981 if necessary but still be made within UK 1980/81 financial year.

12. 1980 Budget: Italians are trying to get 1980 budget adopted as soon as possible (preferably before their Presidency ends). Have proposed budget Council on 16 June. Parliament to hold emergency session on 26/27 June. They could adopt it then, but only if they were willing to leave it unamended. They may well amend, in which case second Budget Council would be needed in early July followed by Parliament's second reading at its 7-11 July sitting.

13. Major UK aims will be:

(a) To ensure a substantial sum entered for advance payments to UK budget solution (given method of payment, will only be possible to get a part in 1980 budget);

(b) To secure highest level of RDF possible (Commission budget proposals have reverted to their earlier figure of 1.2 billion EUA (they have also based their estimates of our 1980 net contribution on this assumption); 1979 second Budget Council agreed to 1015 mEUA. Italians will probably urge us to press for higher sum to be established by Council on 16 June. Together we could block Council agreement to lower figure, but not get our own figure entered unless others support).

14. Most unlikely that European Council will discuss details. However, if Italians propose higher RDF on grounds that they should e.g. be compensated for their contribution to UK budget solution, we should support. As we get 27% of RDF expenditure we benefit too.

/CAP Prices ...

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CAP Prices Package

15. The main provisions of the 1980/81 CAP prices settlement and the most important implications for the UK interests are set out in Note at Ref B. Nearly all the appropriate regulations implementing the settlement were agreed on 5 June and the new prices were to take effect either immediately for commodities, like milk and beef, for which the current year had already ended or at the beginning of the respective commodity marketing years for other products i.e. sugar (1 July), cereals (1 August), and wine (mid-December). The commitment to production refunds for cereals used in whisky remains to be implemented before the end of 1980 through negotiation in the Agriculture Council. The next Council in mid-June will consider certain agricultural aid proposals for Northern Ireland. The Council is also committed to continue discussion of savings in the beef sector.

Sheepmeat

16. The scheme should protect the interests of New Zealand and other third country suppliers. A summary is at Ref C. The basic Regulation and prices for 1980/81 are agreed, but the regime will not enter into force until the implementation of the voluntary restraint agreements being negotiated by the Commission with third country suppliers, notably New Zealand. New Zealand accounts for over 80% of the Community's annual third country imports of about 230,000 tonnes. The New Zealanders have a number of reservations about the proposed regime, as Mr Muldoon told the Prime Minister on 1 June, but they decided on 3 June to enter into negotiations with the Commission. Since the provisions in the agreement in respect of New Zealand give her an effective veto over the introduction of the regime, the New Zealanders have the opportunity to negotiate not only on the volume of imports and tariff reductions but also on the operation of export refunds and other matters of interest to them.

17. The Australians have delivered an aide memoire recently expressing concern about the regime's effect on their own trade, although this trade is of very much less economic importance to them than New Zealand's. It is open to them to negotiate a voluntary restraint agreement which will safeguard their rather smaller interests.

/Fish



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Fish

18. The Foreign Affairs Council on 30 May agreed to include a declaration on fisheries as part of the proposed budget 'package' (text at Ref D).

19. The main points are:

(a) a deadline of 1 January 1981 for settlement of the revised CFP;

(b) a list of most of the main elements which need to be decided in a revised CFP (conservation, quotas, control measures, structural aids, third country arrangements), with criteria which should be applied in determining the solution on each element;

(c) a separate section on access arrangements which also mentions criteria to be taken into account in making a decision on this aspect. We regard this as defining access to be an additional element in the fisheries package on which a decision must be reached before 1 January 1981;

(d) an instruction to the Fisheries Council to proceed with negotiations on 16 June, especially on certain aspects.

20. The text leaves fisheries to be negotiated on its merits. Despite pressure from the Germans and others, it does not include unacceptable language on (or explicit reference to) "equal access".

21. There is no reason to raise fisheries at Venice. If others do so it is important to stress that all CFP issues (i.e. including access) should be considered together. We should resist changes to the Brussels text.

Foreign and Commonwealth Office

5 June 1980

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