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The Community's future own resources

It is already apparent that an increase in the Community's own resources of as little as .4% VAT could be difficult to defend domestically; the public has now grasped that the Commission's expenditures yield few benefits. This concession could be the element of any package we secure that will be highlighted; it is easier to understand than budgetary mechanisms.

The Brief provides some powerful arguments against a VAT ceiling higher than 1.4%. We offer two more:

1. Budgetary discipline: it will be difficult to explain to the European public why the Community needs additional resources beyond those required for enlargement (0.1-0.2% VAT) if the budgetary disciplines of the kind we propose are adopted. Our own refunds have up to now been met from within the 1% ceiling, so this is not an argument for raising it.
2. The purpose of the Community: there is a more general, philosophical point to be made which could serve in other aspects of the negotiations, too. Our believe is that the major economic benefits which derive from the Community arise not so much from expenditure but from the stimulus to efficiency, innovation and economies of scale which is imparted by the unification of European markets. (To illustrate this contrast, a recent study of the CAP ('The Costs of the Common Agricultural Policy', Buckwell et al, 1983) estimated that the costs of the CAP to consumers and taxpayers in 1980 exceeded the benefits to producers by 11 billion ecu. In contrast, it has been estimated that

the additional trade in manufacturers attributable to the Community improved economic performance of the founder members of the EC by an amount equivalent to several percent of their GDP ('Economies of Scale, Competitiveness and Trade Patterns in the EC', Owen 1983).

The European publics are not impressed by the Commission's zest for expenditure; they are sickened by food surpluses, and not greatly impressed by Community-inspired technological schemes. They would be more impressed by cheap air travel; international competition in services; a wider choice of telecommunications equipment, achieved through harmonized standards and open public purchasing. By drawing attention to these considerations you could present our parsimony on our resources in a more positive light.

New Policies


This approach (initiatives of most value cost least) suggests that some items of our New Policies could be conceded, or downplayed, if necessary. We do not need to spend in order to encourage industrial cooperation. If the markets are unified, firms will organise this themselves, where it makes sense. The solid fuels proposal sits oddly with our call for restraints on CAP expenditure. Self-sufficiency in coal makes no more sense than self-sufficiency in food. Our partners have no interest in this proposal, which we formulated as a means of restoring our budgetary position. We have now a better mechanism; and have registered a grievance that our partners have shown no interest in the solid fuels proposal. Now is the time to cash in this particular bargaining chip.

Enlargement

The FCO brief advises you to resist a German proposal that any increase in own resources should coincide with Spanish and Portuguese accession. They favour a link with completion of negotiations.

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We wonder whether there is not merit in the German idea. Greek accession has been expensive. Should we not establish the financial disciplines before concluding substantive enlargement negotiations? The timing of the increase in own resources ought to reflect financing needs ie our refunds, if they cannot be met from within the 1% ceiling; and accession.


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