

SPEAKING NOTE ON BUDGETARY DISCIPLINE

The first paragraph of the Presidency draft lays down principles which are vital for the future health of the Community. Since 1981 we have been discussing the need to constrain agricultural expenditure and yet since then expenditure has been running out of control. The time has come to take action and it must be firm action. If we are to consider providing more resources for the Community, we must put our house in order, as we agreed to do at Stuttgart.

The Presidency draft is an excellent basis for discussion and I only have a few amendments to propose - but those are of crucial importance.

I agree with the thought lying behind the draft that we should decide now on what should be done and instruct the Council to prepare draft texts to give effect to what we propose. I do not want to prejudge the question whether this should be done by Regulation or by some other legal form. The essential point will be to ensure that all the Institutions, including the Parliament and, above all, the Agriculture Council, are bound to apply budget discipline. ~~With these thoughts in mind, I propose two amendments:-~~ *On this point*

no change in the text proposed

- to delete the last seven words of section 1 "in accordance with their respective budgetary powers." They are not wholly clear and might prejudge the decisions the Ministers will have to take on legal form. Nor are they necessary to the important thought that all three Institutions must make a combined effort.

- to add at the very end of the whole text the words "So that they are formally embodied in the Community's budgetary procedures."

This is vital. The Council and the Parliament must not go on disagreeing each year about whether the budget is legal or not.

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It brings the Community into disrepute. The Agriculture Ministers must know what the financial constraints on them are and act accordingly. Without this addition, we shall not in practise get strict budgetary discipline. We shall certainly not be able to sustain it.

This brings me to my other amendments which are to Section 2 on agricultural spending. My general thought is that we should build on the very constructive paper of the Commission without approving it in detail at this stage. I don't want to take up the European Council's time with the various detailed improvements which still need to be made. Second, we should make it quite clear that the Council's task is to ensure that agriculture expenditure grows significantly less fast than the own resources base. If it grows at the same rate, we shall never get a better balance in the budget. And finally, though I agree that we have to retain sufficient flexibility to deal with circumstances genuinely outside the Community's control, as our own paper on the strict financial guideline proposed, I do not think we should go as far in the direction of creating loopholes as does the present text. I am circulating ^{revised texts} a proposed ~~revision of the second and third sub-paragraphs of Section 2~~ to give effect to these thoughts.