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Qz.03784

EUROPEAN COMMUNITY: REFORM OF COMMUNITY'S FINANCES AND
UNITED KINGDOM REFUNDS

Brief for the Prime Minister for the informal meeting of Ministers
at 4pm on 21 June

PURPOSE AND COMPOSITION OF MEETING

1. This meeting is intended to reach agreement on the main lines of the United Kingdom's negotiating approach at the European Council on 25-26 June on the question of correcting the budget inequity and United Kingdom refunds. Ministers present will be the Lord President of the Council, the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer. Sir Michael Butler will also be present.

2. The issues are summarised in the note of 14 June submitted by the European Secretariat of the Cabinet Office after discussion between Departments. The Foreign and Commonwealth Secretary may wish to bring the negotiating position up to date following the many bilateral meetings in the margins of the Foreign Affairs Council on 18/19 June.

3. It is suggested that the main points for discussion might be:
 - (i) how to maximise our chance of an acceptable settlement. The position so far is set out in paragraphs 1-5 of the Cabinet Office paper. The experience at and in the margins of the Foreign Affairs Council of 18-19 June shows that the French Presidency is prepared to make some effort to reach a settlement which would retain the system proposed at the last European Council and aim for a figure between 1000 and 1250 million ecu on 1983 figures as the base

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of the system. Other member states are very torpid but could follow a lead from the French Presidency, if it were firm enough;

(ii) the ad hoc year. There are now very strong reasons for insisting on a single ad hoc year. It is possible, however, that in the course of negotiation other member states will come back to their original position of 2 or more ad hoc years. This must be resisted;

(iii) keeping the system and the base of the system, ie a United Kingdom refund on 1983 figures;

(iv) implementation of the system, if there is an agreement on a figure between 1000 and 1250 million ecu on 1983 figures. The paper explains (paragraph 9) that there are three ways of dealing with this at the European Council: either an agreement on the figure only; or an agreement on the threshold and compensation rate above the threshold which would be consistent with a satisfactory figure; or an agreement on a compensation rate (no threshold) which would also have to be consistent with the figure. It is strongly recommended that you should not commit yourself to one or other of these courses in advance of the meeting of the European Council. If the figure is right, any one of these courses could give us an acceptable result.

4. The United Kingdom objectives are summarised in paragraph 12 of the Cabinet Office paper.

HANDLING

5. You may wish to ask the Foreign and Commonwealth Secretary to set out the negotiating situation and the possible line which the French Presidency may take at the beginning of the European Council (it is not expected that they will table a

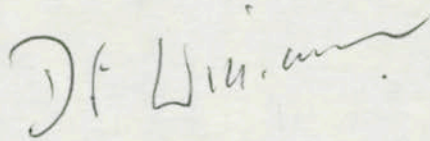
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paper on this question because they have not been able to carry sufficient member states with them). The Chancellor of the Exchequer and the Lord President of the Council will no doubt also wish to comment on each of the points set out above. In addition, the Chancellor of the Exchequer may wish to refer to the public expenditure consequences both of a settlement and of a failure to agree (paragraphs 7-8 of the Cabinet Office paper).

CONCLUSION

6. You may wish to conclude that the United Kingdom objectives should be on the lines of paragraph 12 of the Cabinet Office paper but that it is not possible in advance of the European Council to determine precisely whether an agreement might be reached on the basis of the reference figure alone or of the threshold and rate of compensation above the threshold or the rate of compensation. But, in any event, it will be essential that the agreement does genuinely correspond to a satisfactory compromise between 1000 and 1250 million ecu on 1983 figures.



D F WILLIAMSON

20 June 1984