



Prime Minister

YOUR PRESS CONFERENCE

1. We have our own briefing room in the Press Centre which is about half a mile away from the Chateau. It is in the form of a tiered lecture room with you addressing the audience from the well.
2. There is a COI mike system for the briefer, but not for the media.
3. You will be accompanied by the Foreign Secretary and Sir Michael Butler. I will preside and select the questions. I intend to conclude the press conference after thirty minutes.
4. There are no facilities for Radio and TV. I have, however, arranged for you to give the usual four Radio and TV interviews on the lawn immediately outside the lecture room in a corner formed by 2 brick and glass walls. We shall try to confine attendance to Radio and TV crews.
5. Are you content to give these interviews on the lawn?

Presentation

6. The media's main aim will be to pick holes in a "successful" outcome - to underline how far short it falls from the optimum which is perceived to be a continuation of the past formula: ie, no less than two-thirds of our unadjusted net contribution. They will press you to justify any shortfall from two-thirds. And they will want to know what, if anything, you have gained since Brussels - ie their aim will be to show you have lost rather than gained from holding out.



7. In addition, they will inevitably raise questions about whether you will be able to sell a settlement to your Back-benchers, especially the increase in own resources. I attach at Annex B a separate short speaking note on this. I set out below in shorthand form the sorts of questions which are likely to arise. We need to consider these questions at a briefing in your room at the Chateau before you go to the Press Centre.

Questions arising:

- What will Britain's net contribution be in the late 1980s and especially in 1987/88 before an election?
- Why have you agreed to what can't really be described any more as a "modest net contribution".
- What gains have you made since Brussels in March?
- What has happened to the 1982 risk-sharing debt?
- What guarantee have you against the squandering of increased own resources and that you are protected from the effects of this squandering?

Media and Tone

8. You must present a successful outcome as a success and not grudgingly. This does not mean going overboard in triumph. But it does mean saying as a minimum: that your two conditions have been met and that it was right to strike a reasonable deal. You should not give the many critics queuing up any encouragement.

9. I attach a draft opening statement for your press conference at Annex A.

Bernard Ingham

QUESTION

No case for increase in Own Resources?

- Said I would consider O/R increase if two conditions met. Outline agreement now reached on both.
- But nothing finalised. Package won't be accepted by me and put to Parliament until detailed texts agreed on budget discipline and imbalances.
- Could not expect to get refunds, budget discipline, system, etc without agreeing on O/R: a basic point of negotiation.
- In any case, extra O/R needed for new policies/enlargement/structural funds/UK refunds.
- .4% VAT means only 24% increase in O/R. UK won't have to pay 1.4% VAT in foreseeable future because of revenue side refunding.

BUDGET IMBALANCES

You will recall that at the Brussels European Council we had a long discussion of the need for a system which would ensure that Britain in future was bearing a fairer share of the budgetary burden; and that we did not have to negotiate each year for ad hoc refunds to correct that burden.

The achievement of a systematic correction of our budgetary contribution and of a fairer sharing of the burden between all Member States has been a prime objective of the British Government since we first took office. It has required more than a year of negotiation to get to the point now reached.

You will recall that at the Brussels European Council we were offered a flat rate refund at 1000 mecus for five years, with the operation of a system based on a 1000 mecu notional figure thereafter.

I rejected that proposal because it would have left Britain exposed to a much greater budgetary burden as our contribution increased over the years. I insisted that the system must come into operation to correct the payments we shall be making to the Community from next year - 1985 - and that the correction must increase as our contribution grows.

At the outset of this European Council I was offered a further flat rate refund of 1080 mecu in 1985 with the system to operate on the basis of an inadequate compensation for the increase in our budgetary contribution thereafter. I rejected that proposal.

After long discussions last night and again this morning the French Presidency put forward a proposal for a systematic correction of our budgetary burden on a basis which would ensure

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that we received back two-thirds of the contribution we make on the basis of the difference between the VAT share of payments we make to the Community and the receipts we receive. This will come into operation from 1985.

This correction will increase proportionately with any increase in our contribution and is worth far more than the offer made at the Brussels European Council. The correction is on a basis which preserves all the elements agreed in previous negotiation which we regard as essential. These are

- (i) that the correction should be embodied in the own resources decision;
- (ii) that it should last as long as the increase in own resources we have agreed;
- (iii) that the correction should be related to our relative prosperity and ensure a fairer sharing of the financial burden and
- (iv) that the correction should operate on the revenue side.


On the basis of this agreement, and subject to satisfactory completion by Finance Ministers of the agreement on effective budgetary discipline, we shall agree that the own resources ceiling may be increased progressively from 1% to 1.4% of VAT. There can be no further increase beyond that without our agreement. We have therefore succeeded in securing at last after years of very difficult negotiation a systematic correction of our budgetary contribution. This will secure also the release of the 750 mecus of refunds we are due from 1983 and in due course the payment of the 1000 mecus refunds which have been agreed for 1984.

This outcome is good for Britain and good for the Community. It will enable the enlargement negotiations to be completed, helping to strengthen democracy in Spain and Portugal; and remove what has been a constant source of

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friction in Britain's relations with the Community ever since we joined it. It has never before been possible to achieve a budgetary system which provided for an automatic correction of this type and that is a great prize for us all.

[As necessary: Those who say that we should agree to no increase in the VAT ceiling should do their sums. With the increase still in place our contribution would continue at about 2 billion ecus ie at least £1200 millions per annum. We should have been obliged to continue arguing each year for ad hoc refunds which were increasingly difficult to get agreed at a satisfactory rate: and the results would have been much less satisfactory than the agreement now reached, which furthermore provides for a systematic correction of our contribution applied automatically each year].



ESSENTIAL POINTS FROM THE PRIME MINISTER'S STATEMENT ON 21 MARCH

I made clear at the meeting in Stuttgart last year that the UK would be prepared to consider an increase in the Community's financial resources but only on condition that there was effective control of agricultural and other spending and that there was a fair sharing of the budget burden ...

We made progress towards securing control of spending by first an annual limit of overall expenditure and second a strict financial guideline on agricultural expenditure. The French Presidency also proposed a lasting system for a fair sharing of the budget burden. We would have been able to accept this system but some other Member States, despite the long discussions over the last 9 months, were still unable to do so. Nor were we able to reach agreement on the level of the UK's net contribution which would result from the application of the system ...

At the end of the discussion the proposition which the UK was invited to accept was first that instead of a lasting equitable system for Community financing, there should be a five year ad hoc arrangement which would have left us receiving less than the average refund which we received in the years 1980 - 83; second, that we should endorse the unsatisfactory and discriminatory arrangements for milk; third that we should accept an increase in the Community's VAT resources of 1.4% in 1986, having the prospect of a possible further increase two years later to 1.6%.

I made it plain that neither the Government nor the British Parliament could accept such a package. Therefore I did not agree to any increase in the Community's resources. The 1% VAT ceiling remains.



[On budgetary discipline - in answer to a question from  
Mr Kinnock]

..... we want strict financial restraints on the total European budget and in particular on the agricultural budget; this should be embodied in the budgetary procedure so that they can bite. Therefore we made it clear that if there were strict financial constraints plus a fairer sharing of the burden we would consider an increase in own resources. As the Rt Hon Gent will be aware such an increase in own resources has to be ratified by each and every Parliament in the Community.

[In reply to a question from Mr Douglas]

The Hon Gent will remember that we have had refunds for 4 years which have averaged 1100 mecu a year. That has meant that the refund - in Community jargon - has been about two-thirds of our net contribution, leaving us with only one-third to pay. That was a reasonable deal, but it was only an ad hoc arrangement. The Community will not extend it since, if we obtain agreement, we are going into a period of increase in own resources, it is vital that we should obtain a fair distribution of the burden .....

FOR USE AS NECESSARY

THE VAT SHARE, EXPENDITURE SHARE GAP

Does this mean that you have agreed that the levies and duties we pay on imports from outside the Community should not be counted against our budget correction?

Not at all. Other Member States have strongly held positions on that score. But the basis of correction which has been agreed covers the great bulk of our payments to the Community since what this definition means is that our levies and duties are counted as if they were paid at the VAT rate, ie just over 21% of the Community budget. On 1983 figures our "excess" levies and duties on this definition amounted to 291 mecu on a total gap of 1913 mecu. Over the last few years the figure has fallen in real terms.



Each country makes its best contribution to the Community when it's true to its own style and tradition. That is how we harness the diversity and vitality of the Community's ten members. Britain's style is pragmatic; our tradition is gradualistic. But that does not mean that we are less enthusiastic than our partners about the Community's next phase - enlargement, the completion of the Common Market and the relaunch of new policies.

Britain has played a key role in ~~the~~ building <sup>the</sup> of great organizations of the West - the Alliance, the World Bank, OECD, etc. We want to do the same for the Community; because many of our vital interests are now focussed there. That's the thinking behind the paper I have given my colleagues on "Europe, the Future". It is also the reason why we have insisted, often in isolation, on a durable, financial foundation for the Community. You can't credibly aim for one without the other.

Either:

Now we have the basis of a sound financial system, we can concentrate our energies increasingly on the exciting new prospects in front of the Community.

OR:

That remains the position. Despite the setbacks at the last three Councils, the Community will eventually agree on a sound, fair and lasting financial system. That must remain its first priority, however tempting it may be to talk instead about utopian future products.