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FM UKREP BRUSSELS  
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TELNO 835  
OF 102150Z MARCH 86  
INFO ROUTINE EUCOM

FRAME ECONOMIC

ECOFIN COUNCIL: 10 MARCH 1986.

BUDGET DISCIPLINE/REFERENCE FRAMEWORK.

#### SUMMARY

1. NO DISAGREEMENT TO PRESIDENCY CONCLUSION THAT 1987 REFERENCE FRAMEWORK BE FIXED AT 28 APRIL ECOFIN. COMMISSION TO SUBMIT NOTE ON SUPPLEMENTARY NEEDS IN 1986 FOR FURTHER DISCUSSION: CHRISTOPHERSEN TALKS OF FEOGA GUARANTEE OVERRUN OF 1,500 MECU. UNHELPFUL COMMENTS BY CHRISTOPHERSEN THAT SOME OF EXTRA UK ABATEMENT IN 1986 COULD BE POSTPONED UNTIL 1987.

#### DETAIL

##### 1987 REFERENCE FRAMEWORK

2. RUDING (PRESIDENCY) EXPLAINED THAT THE EP HAD DECLINED HIS INVITATION TO MEET COUNCIL TODAY. THEIR RESPONSE REFERRED TO PFLIMLIN'S LETTER OF 17 JULY LAST YEAR AND TO THE FACT THAT THEY WERE MEETING IN PLENARY SESSION THIS WEEK.

3. MR BROOKE SAID THE 1987 FRAMEWORK SHOULD BE FIXED AT THE APRIL ECOFIN. MARTIN (FRANCE) AGREED. ESPER LARSEN (DENMARK) SAID THE 1986 REFERENCE FRAMEWORK EXPERIENCE SUGGESTED THAT THE COUNCIL SHOULD WAIT UNTIL THE COMMISSION'S EXPENDITURE PLANS FOR 1987 WERE AVAILABLE BEFORE FIXING THE FRAMEWORK. CHRISTOPHERSEN (COMMISSION) BLAMED THE DELAY IN CIRCULATING THEIR FIGURES FOR THE 1987 REFERENCE FRAMEWORK ON THE MEMBER STATES WHO HAD FAILED TO RESPOND IN TIME TO THE COMMISSION'S INVITATION TO SUPPLY OWN RESOURCE ESTIMATES FOR 1987. THERE WAS STILL A GREAT DEAL OF UNCERTAINTY ABOUT THE 1986/87 OWN RESOURCE FIGURES. THE FALL IN THE DOLLAR MIGHT MEAN A DROP IN REVENUE OF SOME 400 MECU THIS YEAR. JUNCKER (LUXEMBOURG) THOUGHT IT IMPORTANT TO SEND A CLEAR SIGNAL TO AGRICULTURE MINISTERS TO RESPECT THE GUIDELINE IN 1986. CHRISTOPHERSEN COMMENTED THAT IT WOULD HELP THE COMMISSION IF FINANCE MINISTERS COULD FIX THE AGRICULTURAL GUIDELINE FOR 1987 ON 28 APRIL AND URGE AGRICULTURE MINISTERS TO TAKE DECISIONS TO LIVE WITHIN IT NEXT YEAR.

4. ON THE SUBSTANCE OF THE REFERENCE FRAMEWORK, MR BROOKE SAID THAT THE NON-OBLIGATORY ELEMENT SHOULD BE BASED ON THE COUNCIL'S SECOND READING FIGURES. IT WAS NOT NECESSARY TO DEDUCT 400 MECU FROM THIS. MARTIN FAVOURED USING THE COUNCIL'S SECOND READING DNO FIGURES THOUGH THIS COULD CHANGE IF THE COUNCIL LOST ITS COURT ACTION. GORIA (ITALY) FAVOURED USING THE ADOPTED 1986 BUDGET FIGURES FOR DNO. ESPER LARSEN SAID THAT THE COST OF THE PAST SHOULD BE OUTSIDE THE REFERENCE FRAMEWORK.



ADAPTATION OF GUIDELINE TO EC-12

5. MR BROOKE SAID THAT THE COMMISSION SHOULD COME FORWARD WITH THE STUDY ON THE GUIDELINE WHICH THEY HAD PROMISED AT THE OCTOBER 1985 ECOFIN. THE UK'S ESTIMATES SUGGESTED THAT INCLUDING SPAIN AND PORTUGAL IN THE GUIDELINES WOULD GIVE A FIGURE FOR EC-12 IN 1987 ROUGHLY SIMILAR TO THE COMMISSION'S AD HOC ESTIMATE. MARTIN SAID THE SUBJECT REQUIRED FURTHER STUDY. GORIA AND ESPER LARSEN FAVOURED AN AD HOC APPROACH. CHRISTOPHERSEN OBSERVED THAT INCORPORATING SPAIN AND PORTUGAL IN THE FINANCIAL GUIDELINE BY USING THEIR OWN RESOURCE FIGURES WOULD GIVE AN EC-12 GUIDELINE OF 24 BECU IN 1987 SOME 800 MECU HIGHER THAN THE EC-10 GUIDELINE PLUS THE COMMISSION'S AD HOC FIGURE.

1986

6. CHRISTOPHERSEN SAID THAT THE COMMISSION'S REPORT ON THE 'COST OF THE PAST' WOULD BE READY AT THE END OF APRIL. IT WOULD PROBABLY SUGGEST THAT AN EXTRA 800 MECU IN PAYMENTS WAS NEEDED. HIS LATEST ESTIMATE FOR FEOGA SUGGESTED AN OVERRUN OF 1.5 BECU. THE BUDGET AUTHORITY HAD NOT FOLLOWED HIS PROPOSAL TO RESTRAIN NEW STRUCTURAL FUND COMMITMENTS IN 1986. THE COUNCIL HAD TO RECONCILE THE INCONSISTENCIES BETWEEN WHAT SPENDING MINISTERS SAID IN THEIR COUNCILS AND WHAT FINANCE AND BUDGET MINISTERS URGED ON THE COMMISSION. A SUPPLEMENTARY BUDGET WOULD PROBABLY BE PUT FORWARD IN EARLY MAY. THERE MIGHT BE SOME UNDERSPEND IN 1985 TO HELP FINANCE THE SUPPLEMENTARY BUT VIRTUALLY ALL THE 1.4 PER CENT RESOURCES WOULD BE NEEDED THIS YEAR.

7. STOLTENBERG (GERMANY) SAID ECOFIN WOULD HAVE TO DISCUSS WHERE SAVINGS MIGHT BE MADE IN 1986. HE LISTED A NUMBER OF RECENT COMMISSION EXPENDITURE PROPOSALS INCLUDING THE 10 BECU RESEARCH FRAMEWORK PROGRAMME AND ASKED HOW THESE WERE CONSISTENT WITH BUDGET DISCIPLINE. THE COMMITMENTS TO SPAIN AND PORTUGAL HAD TO BE KEPT BUT THERE SHOULD BE NO ASSUMPTION THAT NATIONAL PARLIAMENTS WOULD AGREE TO INCREASE THE COMMUNITY'S RESOURCES IN 1987. MR BROOKE ASKED WHAT CHRISTOPHERSEN WAS DOING ABOUT THE AGRICULTURAL OVERRUN WHICH HAD INCREASED FROM 800 MECU IN JANUARY TO 1,500 MECU TODAY. ARTICLE 6 OF THE BUDGET DISCIPLINE CONCLUSIONS REQUIRED ECOFIN'S APPROVAL TO AMEND THE 1986 GUIDELINE. JUNCKER AND EYSKENS (BELGIUM) BOTH THOUGHT IT IMPORTANT TO SEND A CLEAR SIGNAL TO AGRICULTURE MINISTERS TO RESPECT THE GUIDELINE IN 1986. MARTIN SAID IT WAS CLEAR THAT THERE WERE 'EXCEPTIONAL CIRCUMSTANCES' IN 1986. THESE WOULD HAVE TO BE DISCUSSED IN APRIL. SOLCHAGE (SPAIN) AND CADILHE (PORTUGAL) ARGUED THAT THE SOLUTION TO THE 'COST OF THE PAST' PROBLEM SHOULD NOT BE AT THEIR EXPENSE.

UK VAT ABATEMENT

8. CHRISTOPHERSEN SAID THAT A FURTHER 264 MECU WAS NEEDED FOR THE UK ABATEMENT IN RESPECT OF 1985. NOW THAT 1985 EXPENDITURE FIGURES WERE AVAILABLE THE COUNCIL MIGHT ALSO HAVE TO DECIDE TO INCREASE THE ABATEMENT FURTHER. MR BROOKE REMINDED HIM THAT THE COUNCIL HAD ALREADY AGREED THAT THERE SHOULD BE A SUPPLEMENTARY TO TAKE ACCOUNT OF THE INCREASED UK ABATEMENT NOT JUST FOR THE 1985 VAT ADJUSTMENT BUT FOR ALL RELEVANT BUDGETARY INFORMATION IN 1985. CHRISTOPHERSEN /REPLIED



REPLIED THAT HIS PERSONAL VIEW WAS THAT THE COUNCIL SHOULD INCREASE THE ABATEMENT ABOVE 264 MECU IN 1986 BECAUSE OF THE LATEST INFORMATION: THERE WAS NOTHING TO BE GAINED BY STORING UP BURDENS FOR 1987: BUT THE COUNCIL WOULD HAVE TO DECIDE.

9. RUDING CONCLUDED THAT THE COMMISSION SHOULD SUBMIT A NOTE ON THE LATEST POSITION IN 1986 AND ON WHAT THE FIGURES WOULD BE IF SPAIN AND PORTUGAL WERE INCLUDED IN THE GUIDELINE BUDGET COMMITTEE. AND COREPER SHOULD EXAMINE THESE PROBLEMS SO THAT ECOFIN COULD TAKE THE NECESSARY DECISIONS AND FIX THE 1987 REFERENCE FRAMEWORK ON 28 APRIL. HE WOULD INVITE A DELEGATION FROM THE EUROPEAN PARLIAMENT TO THAT MEETING. ECOFIN SHOULD SEND A MESSAGE TO ALL THE SPENDING COUNCILS THAT THE BUDGET DISCIPLINE RULES MUST BE RESPECTED. THEY SHOULD APPEAL TO COLLEAGUES NOT TO TAKE DECISIONS WHICH MIGHT BREACH THE FRAMEWORK IN 1987. SURPRISINGLY, NO DELEGATION CONTESTED THIS SUMMING UP BUT CHRISTOPHERSEN POINTED OUT THAT THE COMMISSION'S REPORT ON THE 'COST OF THE PAST' MIGHT NOT BE AVAILABLE UNTIL THE END OF APRIL AND THAT THIS MIGHT COMPLICATE THE ESTABLISHMENT OF THE FRAMEWORK.

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