

UNCLASSIFIED  
FM UKREP BRUSSELS  
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FRAME ECONOMIC

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1986/87 BUDGETS: CHRISTOPHERSEN PRESS CONFERENCE

SUMMARY

1. CHRISTOPHERSEN CONFIRMS IN PRESS CONFERENCE DETAILS OF SUPPLEMENTARY NEEDS IN 1986 THAT WERE GIVEN TO ECOFIN YESTERDAY. STRONGLY CRITICISES INCOHERENCE WITHIN COUNCIL BETWEEN SPENDING AND BUDGET MINISTERS.

DETAIL

2. CHRISTOPHERSEN GAVE A PRESS CONFERENCE TODAY TO EXPLAIN WHAT HE HAD TOLD ECOFIN YESTERDAY. IN 1986 IT WAS LIKELY THE COMMISSION WOULD NEED A SUPPLEMENTARY BUDGET TO COVER:

- (I) AN EXTRA 750-800 MECU TO MEET PAYMENTS ON OUTSTANDING STRUCTURAL FUND COMMITMENTS. A REPORT ON THIS PROBLEM WOULD ISSUE AT THE END OF APRIL.
- (II) AN EXTRA 1.5 BECU FOR FEOGA GUARANTEE. THIS WAS LARGELY DUE TO THE FALL IN THE DOLLAR AND IT ASSUMED THE CURRENT DOLLAR/ECU RATE WOULD BE MAINTAINED UNTIL THE END OF THIS YEAR.
- (III) AN EXTRA 400 MECU FOR THE UK ABATEMENT. 264 MECU OF THIS STEMMED FROM THE VAT ADJUSTMENT THE UK MADE IN 1985; THE REST FROM LESS EXPENDITURE TAKING PLACE IN THE UK IN 1985 THAN ORIGINALLY ENVISAGED.
- (IV) AN EXTRA 200 MECU FOR SPAIN AND PORTUGAL SINCE THEY RECEIVED A REFUND OF 87 PERCENT OF THEIR CONTRIBUTIONS TO THE SUPPLEMENTARY BUDGET.

3. ONLY IF THESE ELEMENTS WERE FINANCED IN 1986 WOULD IT BE POSSIBLE TO HOLD THE 1987 BUDGET WITHIN 1.4 PERCENT. THE COMMISSION WOULD TAKE ITS FINAL DECISION ON THE SUPPLEMENTARY EARLY IN MAY WHEN THE 1985 ACCOUNTS WERE AVAILABLE. THIS WOULD GIVE TIME TO SEE IF THE DOLLAR SETTLED DOWN. HE CRITICISED THE INCOHERENCE BETWEEN THE EUROPEAN AND SPENDING COUNCILS ON THE ONE HAND WHO AGREED EXPENDITURE COMMITMENTS AND THE BUDGET AND FINANCE COUNCILS ON THE OTHER WHO REFUSED TO AGREE THE NECESSARY FUNDS. THE EUROPEAN COUNCIL AND THE IGC HAD ASKED THE COMMISSION TO DRAW UP THE NEW R AND D FRAMEWORK WHICH STOLTENBERG HAD CRITICISED IN THE COUNCIL.

4. ASKED WHETHER THE 1.4 PERCENT-LIMIT MIGHT HAVE TO BE RAISED IN 1986 GIVEN THAT SPENDING REQUIREMENTS ADDED UP TO 2.9 BECU COMPARED WITH THE 2.5 BECU LEFT UNDER THE 1.4 PERCENT CEILING, CHRISTOPHERSEN SAID THE BUDGET HAD TO BE FINANCED IN ONE WAY OR ANOTHER. IT WAS NOT THE COMMISSION'S INTENTION TO GO BEYOND THE 1.4 PERCENT LIMIT IN 1986 BUT RESPONSIBILITY WOULD REST WITH THE COUNCIL WHO HAD TO TAKE DECISIONS ON THE PRICE PACKAGE. HE DID NOT EXCLUDE THE POSSIBILITY

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THAT SAVINGS MIGHT HAVE TO BE MADE. SOME WERE PROPOSED WITH THE PRICE-FIXING PROPOSAL. THE 1.5 BECU FEOGA OVERRUN ASSUMED THESE PROPOSALS WOULD BE AGREED. AGRICULTURE MINISTERS HAD TO TAKE ACCOUNT OF THE BUDGET SITUATION. SOME SURPLUS MIGHT BE AVAILABLE FROM 1985 TO HELP FINANCE THE SUPPLEMENTARY.

5. HE WELCOMED THE FAC'S INVOLVEMENT IN BUDGET QUESTIONS SINCE MANY OF THE POLICY COMMITMENTS HAD ORIGINALLY BEEN AGREED BY FOREIGN MINISTERS. HE RECOGNISED THAT SOME OF THE 11 BECU OUTSTANDING COMMITMENTS ON THE STRUCTURAL FUNDS WAS UNLIKELY TO BE PAID SINCE SOME PROJECTS HAD NEVER BEEN STARTED. BUT THE COMMISSION HAD NO AUTHORITY TO CANCEL THESE COMMITMENTS. IF THE COMMITMENT AND PAYMENT FIGURES IN THE 1986 PDB HAD BEEN ACCEPTED THERE WOULD BE NO PROBLEM.

6. CHRISTOPHERSEN WOULD NOT BE DRAWN ON WHETHER THE COMMISSION WOULD PROPOSE AN ENERGY TAX. THE COMMISSION HAD DISCUSSED THE ENERGY SITUATION BUT NO DECISION ON A LEVY HAD BEEN TAKEN. THE COMMISSION WANTED TO SEE AT WHAT LEVEL ENERGY PRICES WOULD STABILISE. HE ADMITTED THAT HE WAS HAVING TROUBLE GETTING THE COMMISSION TO AGREE ON A 4-YEAR FORECAST BUT HOPED IT WOULD ISSUE IN A FEW WEEKS.

7. IN 1987 THE FINANCIAL GUIDELINE SHOULD BE RESPECTED BUT AN INCREASE IN NON-OBLIGATORY PAYMENTS FOR SPAIN AND PORTUGAL WOULD BE NEEDED TO MEET THE HIGH LEVEL OF COMMITMENTS AGREED IN 1986.

HANNAY

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