

ENLARGEMENT

Speaking Note

I think we are all agreed that we need to make early progress to sort out the future arrangements for fruit and vegetables and for olive oil so that a basis can be established for our negotiations with Spain and Portugal. That was the sense of our discussion yesterday.

I therefore support the first page of the draft on enlargement except that the deadline of March in the last line is surely unrealistic.

The second page is far too detailed for Heads of Government and raises all sorts of difficult points. For example, I do not believe that the April 1985 deadline makes sense in relation to our negotiations with Spain. And the last paragraph prejudices issues which our Agriculture Ministers need to discuss.

I therefore suggest that we end the text at the first page, replacing March by April and deleting the words: "taking account of the following factors".



THE ECONOMIC AND SOCIAL SITUATION

✓  
p. 1.

Suggested Amendments

Replace paragraph 1 by the following: -

"The European Council discussed the continued implementation of the Community's comprehensive strategy for re-establishing economic stability, encouraging productive activity and contributing to <sup>a climate of expansion of markets</sup> economic recovery without renewed inflation, and thus to the creation of durable jobs."

In the second paragraph, second line, replace "must now take effective action" by "must continue to take effective action".

a climate of expansion  
of markets

" One should also continue  
work on work-sharing."  
Letter States -

"

and possible circumstances of the  
problems arising from working hours.

←

Add change



THE ECONOMIC SUMMIT IN WILLIAMSBURG IN MAY 1983

Suggested Amendment

In paragraph 1, last two lines, replace "be supported through the concerted policies of the Summit participants" by "be sustained by the concerted non-inflationary policies of the Summit participants".

In the second paragraph amend the opening to read: "The European Council considers that a modest fall in oil prices constitutes ....."

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ENLARGEMENT

OLIVE OIL AND FRUIT AND VEGETABLES

(Detailed brief on second page of conclusions for use as necessary)

First paragraph

We should want to replace the words "ensure the maintenance of producers incomes". This text could imply maintaining producers' incomes in the olive oil sector in real terms. This is a guarantee which is not given to producers in other sectors and is clearly unacceptable. We could accept instead the words in the Treaty of Rome, ie "ensure a fair standard of living for producers".

Line to Take

Not happy about the reference of assuring the maintenance of producers' incomes. This seems to go far beyond the guarantee given to producers in other sectors. Suggest we go back to the wording in the Treaty of Rome which speaks of "a fair standard of living for producers".

Second paragraph

Comment

The wording "increased efficiency of present market mechanisms" is dangerous and unacceptable. It could be interpreted (by the Italians and Greeks) as a commitment to increasing the efficiency of the consumption aid about which the Commission have made a proposal which we do not accept. The reference to "an appropriate transitional period" relates to a separate Commission proposal under which the Spaniards would continue their existing import regime for "vegetable oils (other than olive oil) and other oil seeds" for a 10 year period. We accept this proposal for a long transition on the Spanish import regime since it would reduce the /competition



competition for olive oil on the Spanish market.

Line to Take

The reference to "increased efficiency of present market mechanisms" is far from clear. We cannot be expected to accept such a vague form of words. I could accept instead a reference to "increased efficiency by improving the mechanisms for controlling expenditure".

Third and Fourth paragraphs

These two paragraphs need to be considered together. The first of them refers to a review of the "possibilities of a reform of internal and external aspects" of the olive oil arrangements. The reference to internal aspects would cover the suggestion for a flat rate aid; the external aspects would embrace ideas such as levies on imports or taxes on imports and domestic production. We cannot expect to prevent the French and others from continuing to press their arguments for levies or taxes. But we would prefer to avoid such a direct link with possible reforms of the internal mechanism.

The reference to April 1985 in the last sentence would effectively put off discussions of the olive oil regime for up to two years. And it would then be very difficult to take decisions without involving the Spaniards and Portuguese who would inevitably line up with the Italians and Greeks against any fundamental changes.

Alongside this uncertain prospect for securing reforms on olive oil, the last paragraph of the text invites the European Council to agree in principle the approach of the Commission on fruit and vegetables. This clearly implies that the European Commission would be effectively taking decisions on the proposals - which the Agriculture Council could hardly then fail to agree - on both the internal changes and on the increased protection against third countries.

Line to Take

Do not think that we can look at the last two paragraphs entirely separately. The first of these would be to leave over for up to 2 years any decisions on changing substantively the olive oil regime. I cannot see how we could justify this to the two countries with whom we are negotiating. On the other hand we are invited in the last paragraph of the draft on the Mediterranean products to endorse the approach of the Commission on fruit and vegetables. This hardly seems a balanced package.



1. FOLLOWING ARE DRAFT EUROPEAN COUNCIL CONCLUSIONS ON THE MIDDLE EAST AS AGREED BY POLITICAL DIRECTORS AT 1800Z ON 21 MARCH. PLEASE CONTACT THE NENAD DUTY OFFICER TO GET HIS COMMENTS HERE DESKBY 220600Z BUT PREFERABLY TONIGHT.

THE TEN ARE DEEPLY DISTURBED BY THE CONTINUED LACK OF PROGRESS TOWARDS PEACE BETWEEN ISRAEL AND HER ARAB NEIGHBOURS. THEY ARE CONVINCED THAT ALL PARTIES MUST SEIZE THE PRESENT OPPORTUNITY TO ACHIEVE THE TWO MOST URGENT OBJECTIVES: THE WITHDRAWAL OF ALL FOREIGN FORCES FROM LEBANON AND A RESUMPTION OF NEGOTIATIONS AIMED AT A COMPREHENSIVE PEACE SETTLEMENT.

THE TEN REAFFIRM THEIR SUPPORT FOR THE SOVEREIGN AND INDEPENDENT STATE OF LEBANON AND FOR ITS GOVERNMENT, WHICH SHOULD URGENTLY BE ENABLED TO ESTABLISH WITHOUT RESTRICTIONS ITS AUTHORITY OVER THE WHOLE OF ITS TERRITORY. THIS REQUIRES THE PROMPT WITHDRAWAL OF ISRAELI, SYRIAN AND PLO FORCES. THE TEN SUPPORT THE EFFORTS OF THE UNITED STATES TO ACHIEVE THIS OBJECTIVE. THEY [TEN] CALL ON ALL CONCERNED TO CONCLUDE NEGOTIATIONS WITHOUT FURTHER DELAY. THEY [TEN] CONTINUE TO SUPPORT THE PEACEKEEPING ROLE OF UN AND [INTERNATIONAL] FORCES IN LEBANON.

MULTINATIONAL

THE PRINCIPLES WHICH UNDERLIE THE TEN'S APPROACH TO WIDER PEACE NEGOTIATIONS, AS SET OUT IN MORE THAN ONE PREVIOUS STATEMENT, REMAIN VALID. A LASTING PEACE CAN ONLY BE BUILT ON THE RIGHT TO A SECURE EXISTENCE FOR ALL STATES IN THE REGION, INCLUDING ISRAEL, AND JUSTICE FOR ALL THE PEOPLES, INCLUDING THE RIGHT OF THE PALESTINIAN PEOPLE TO SELF-DETERMINATION [WITH ALL THAT THIS IMPLIES.] THESE RIGHTS MUST BE MUTUALLY RECOGNISED BY THE PARTIES THEMSELVES. NEGOTIATIONS WILL HAVE TO EMBRACE ALL THE PARTIES CONCERNED, INCLUDING THE PALESTINIAN PEOPLE: AND THE PLO WILL HAVE TO BE ASSOCIATED WITH THEM.

PRESIDENT REAGAN'S INITIATIVE OF 1 SEPTEMBER 1982 INDICATED A WAY TO PEACE, AND THE ARAB SUMMIT MEETING AT FEZ DEMONSTRATED A READINESS FOR IT. THE TASK NOW IS TO MOVE BEYOND STATEMENTS



OF PRINCIPLE AND FIND A MEANS TO RECONCILE AND IMPLEMENT THE  
VARIOUS PEACE PROPOSALS. 'SQUARE BRACKETS' THE TEN TOOK NOTE  
● WITH INTEREST OF THE DECISIONS OF THIS RECENT MEETING OF THE PALESTINE  
NATIONAL COUNCIL IN ALGIERS AND EXPRESSED THE EXPECTATION THAT  
THEY WILL LEAVE THE DOOR OPEN FOR THE FORWARDING OF THE PEACE  
PROCESS. 'SQUARE BRACKETS OFF' 'SQUARE BRACKETS' THE CONCLUSIONS OF  
THE RECENT MEETING OF THE PALESTINE NATIONAL COUNCIL CAN AND  
SHOULD CONTRIBUTE TO THE PEACE PROCESS. 'SQUARE BRACKETS OFF'  
THE TEN THEREFORE WELCOME THE DISCUSSIONS BETWEEN JORDAN AND THE  
PLO. THE PALESTINIAN PEOPLE AND THE PLO SHOULD SEIZE THE PRESENT  
OPPORTUNITY BY DECLARING THEMSELVES IN FAVOUR OF PEACE NEGOTIATIONS.  
THIS WOULD BE A MAJOR STEP FORWARD, TO WHICH THE TEN WOULD EXPECT  
ALL CONCERNED TO RESPOND CONSTRUCTIVELY.

THE TEN LOOK TO THE ARAB STATES TO PLAY <sup>THEIR</sup> THIS PART BY  
SUPPORTING THOSE WHO SEEK A SOLUTION TO THE DEMANDS OF THE  
PALESTINIAN PEOPLE BY POLITICAL MEANS.

THE EFFORTS OF THE <sup>UNITED STATES</sup> UK WILL CONTINUE TO BE INDISPENSABLE TO  
CREATE THE CONDITIONS IN WHICH NEGOTIATIONS CAN BEGIN.

ABOVE ALL THE TIME HAS COME FOR ISRAEL TO SHOW THAT IT  
STANDS READY FOR GENUINE NEGOTIATIONS ON THE BASIS OF SECURITY  
COUNCIL RESOLUTIONS 242 AND 338, IN THE FIRST PLACE BY  
ABSTAINING FROM SETTLEMENT ACTIVITY, WHICH IS CONTRARY TO  
INTERNATIONAL LAW AND A MAJOR AND GROWING OBSTACLE TO PEACE  
EFFORTS.

*colony  
enough  
not  
medi  
now*

THE MIDDLE EAST IS A REGION WITH WHICH THE TEN HAVE LONG  
BEEN CLOSELY ASSOCIATED AND IN WHOSE FUTURE THEY HAVE A DEEP  
INTEREST. THEY INTEND TO MAINTAIN THEIR CONTACTS WITH ALL THE  
PARTIES AND TO USE THEIR INFLUENCE TO ENCOURAGE MOVEMENT TOWARDS  
COMPROMISE AND NEGOTIATED SOLUTIONS. THEY BELIEVE THAT THIS IS  
IN THE BEST INTEREST OF THE COUNTRIES AND THE PEOPLES OF THE  
REGION, OF THE TEN THEMSELVES AND OF [RELATIONS BETWEEN THEM.]

*THEIR MUTUAL RELATIONS.*


ENDS.

NOTE:

THE TWO SENTENCES IN SQUARE BRACKETS ARE ALTERNATIVES. THE FIRST  
IS SUPPORTED BY THE FRG, NETHERLANDS AND (LESS STRONGLY) ITALY AND  
DENMARK: THE SECOND BY THE REMAINDER.

FCO ADVANCE TO:  
P/S S OF S PS/PUS NENAD





WILL BRITAIN BE EXCLUDED FROM ANY FOLLOW-UP MEETING  
CALLED BY THE FRENCH PRESIDENCY?

If the French Presidency call a further meeting to try to make progress towards an agreement, I am sure that Britain will be there.

DOES NOT THIS MORNING'S STATEMENT OF THE FRENCH  
SPOKESMAN MEAN THAT THE FRENCH ARE TRYING TO ORGANISE  
OUR PARTNERS AGAINST US?

We were ready to agree, yesterday, to a proposal put forward by the Presidency. Other Member States were not. What we must now do is work to get the agreement which so narrowly alluded us yesterday. That has to be an agreement of the Community as a whole. I am sure that it is on that basis that the Presidency will wish to call further meetings.



SPEAKING NOTE ON BUDGET IMBALANCES

1. Glad to see that some progress has been made since Athens. But unfortunately this item still seems to be in a much less advanced state of preparation than the others. Presidency text contains some useful elements, but requires to be clarified in some parts and changed in others if it is to provide a basis for agreement. There is also a German paper and President Thorn gave me a very useful paper from the Commission when he came to see me on Friday, and which I believe he has given to others.
2. I suggest that we ought now to have a discussion of substance, rather than look at texts, to establish how much common ground we have and to try to settle any outstanding points of difference.
3. First, it would be illogical and unwise to think that our main task at this meeting is simply to agree a correction for the UK based on 1982 figures. We must have a system which works consistently over time. So what we should do is to calculate the thresholds based on relative prosperity in a Community of 12, as the Presidency text suggests. The size of the correction will be a function of that. limits

THE GAP

4. So that brings me, secondly, to one of the most difficult problems, the measurement of the burden. The real burden for a Member State which is a net contributor, as everyone knows and as the discussion of the costs of enlargement shows, is the net outflow of funds to Brussels and on to other Member States. Without correction more than 160 million ecus a month would have flowed out of London into the allocated budget, <sup>last year.</sup> I cannot deceive the British Parliament and pretend the real gap is something less.



The Presidency paper is obscure on this point. It says that the part of the budgetary imbalance due to extra-Community trade will not be taken into account. If that meant excluding the tariffs and levies altogether, that would reduce the UK gap from about 2,000 million ecus to about 300 million ecus. I cannot think this is the Presidency's intention.

*VAT expenditure*  
The German and Commission papers suggest measuring the imbalance by the difference between expenditure shares and VAT shares, that is to say counting the tariffs and levies as though they were VAT. In the case of the UK, on the average of the four years up to 1982, our VAT/expenditure share gap has been 350 m ecus less than our real gap. So a threshold system based on VAT/expenditure share gap would have to produce a threshold 350 m. ecus lower than one based on the own resources/expenditure share gap if it was to leave us with the same budgetary burden.

Even from the point of view of other Member States, is it really sensible to try to pretend that the contribution we shall be making after correction is smaller than it is? As far as I am concerned, I shall have to tell my own Parliament the true figure.

TICKET MODERATEUR

5. Then, thirdly, there is the level of correction above the threshold. All three texts before us suggest in different words that it should be less than 100%. I will be frank. Whatever the system, I shall have to justify it to my own Parliament in terms of the net contribution which the UK will be paying. It is understandable that the Commission and other Member States should want us to make a very large contribution and should therefore want not only a high threshold but a percentage contribution beyond it.



I am not convinced of the case for this. But my attitude is strictly practical. It is the result that matters. If others prefer to fix a very low threshold, I should be prepared to consider a very low percentage contribution beyond it. If not, not.

ADMINISTRATIVE EXPENSES

6. Fourthly there is the question of administrative expenditure where proposals are made which will have the effect of increasing the UK's budgetary burden after correction. I see no justification for this. Under the existing allocated budget, 15% of administrative expenditure is already excluded. I strongly advise against any further attempts to make changes in the allocated budget. The text should say it will remain unchanged.

COST OF ENLARGEMENT

7. Fifthly on the cost of enlargement, **as I have** already said, I am prepared now to accept a system in which the UK's threshold limit is based on relative prosperity in a Community of 12; that will take account of enlargement. It would be contrary to everything that has been said about not hypothecating expenditure to "neutralise" the costs of enlargement as the Commission suggests.

DURATION

8. Finally, on duration, there are different formulations in the three papers before us, some more acceptable than others. ~~think~~ ~~The system must continue as long as no decision is taken to change the own resources, text on which we are now working.~~ *revised decision of which it will be an integral part.* The Presidency text is again a bit obscure on that. It will need to be clear.

CONCLUSION

9. Mr President, there remains much to be settled. There is also the question of the German request for a limit to be looked at. We cannot do it all at once. I welcome the Presidency's intention to produce a new paper which sets out the elements



of an arrangement on which we might all be able to agree.

10. In the light of that, I suggest we could take up the most difficult issue of all, the setting of the figures for the various parameters of the system we are agreeing.

If Mitterrand tries to organise pressure on us to accept a low refund

No rational arguments have been advanced in favour of the UK making a net contribution of 1,000 m ecus or more. [The average for the last four years has been ~~just over 500 m~~ <sup>about 600m</sup> ecus]. We shall only be just above the average in relative prosperity in a Community of 12 in 1986. If we get richer, absolutely and/or relatively, we shall have a higher limit. Four Member States much more prosperous than us will remain net beneficiaries. Each 100 m. ecu relief for the UK reduces their net benefits by very small sums - for example, 2 m. ecus for Denmark. So I must ask that the threshold, and ticket modérateur if there is to be one, be set at a level which produces a total net contribution for the UK of the order of 4-500 m. ecus.

Belgium  
Netherlands  
Luxembourg  
Denmark





BACKGROUND

After the French Cabinet Meeting today the French Government Spokesman said that consultations would take place over the next few weeks among either the six or the nine members of the Community - or more than that if it were possible. He added that nine out of ten members of the Community agreed on what should be done and Britain now found itself facing its responsibilities. There was no question of yielding to demands which would have risked undermining the building of Europe.



COMMISSION FIGURES FOR 1982 NET BALANCES.

1. On 28 January the Commission published estimates of Member States' unadjusted net budget balances for 1982. The figures (which exclude the effect of the UK refunds) are expressed as ranges, as follows:

	MILLION ECU		
BELGIUM	232	TO	292
DENMARK	276	"	312
GERMANY	-2177	"	-1993
GREECE	673	"	723
FRANCE	- 51	"	79
IRELAND	682	"	760
ITALY	1497	"	1675
LUXEMBOURG	233	"	263
NETHERLANDS	252	"	352
UK	-2108	"	-1972