

Bob

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10 DOWNING STREET

From the Private Secretary

23 June 1983

Dear Bob

European Council:
17/19 June

I attach two copies of the statement that the Prime Minister will be making at 1430 hours this afternoon, 23 June.

I am copying this letter to Brian Fall (Foreign and Commonwealth Office), Michael Arthur (Lady Young's Office), John Kerr (HM Treasury), Robert Lawson (Ministry of Agriculture, Fisheries and Food), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

yours ever
Willie Rickett

Bob Whalley, Esq.,
Private Secretary to the Lord President

STATEMENT: EUROPEAN COUNCIL

MR. SPEAKER

I ATTENDED THE EUROPEAN COUNCIL IN STUTTGART ON 17/19 JUNE,
ACCOMPANIED BY MY RT HON AND LEARNED FRIEND,
THE FOREIGN AND COMMONWEALTH SECRETARY.

THE MAIN QUESTIONS DISCUSSED WERE:

- FIRST, THE FUTURE FINANCING OF THE COMMUNITY
AND A MORE EQUITABLE BASIS FOR SHARING THE BURDEN
OF MEMBER STATES' CONTRIBUTIONS TO ITS BUDGET
- SECOND, THE 1983 BUDGET REFUND FOR THE UNITED KINGDOM
- THIRD, THE DECLARATION ON EUROPEAN UNION PROPOSED
EARLIER BY THE FOREIGN MINISTERS OF THE FEDERAL
REPUBLIC OF GERMANY AND ITALY, HERR GENSCHER AND
SIGNOR COLOMBO
- FOURTH, ECONOMIC RECOVERY WITH PARTICULAR CONCERN FOR
YOUTH UNEMPLOYMENT.

/THE COUNCIL'S

THE COUNCIL'S CONCLUSIONS AND THE TEXT OF THE DECLARATION HAVE
BEEN PLACED IN THE LIBRARY OF THE HOUSE.

FUTURE FINANCING

AS REGARDS THE FUTURE FINANCING OF THE COMMUNITY, IT WAS
OUR OBJECTIVE TO ACHIEVE CLEAR DIRECTIONS ON THE
DETAILED ISSUES TO BE RESOLVED, TOGETHER WITH A
TIGHT TIMETABLE AND AN EFFECTIVE PROCEDURE FOR
DISCUSSION DURING THE AUTUMN.

THE COUNCIL'S CONCLUSIONS MEET THIS OBJECTIVE AND PROVIDE:-

- THAT NEGOTIATIONS WILL BE STARTED UNDER
AN URGENT PROCEDURE

- THAT SPECIAL MEETINGS WILL TAKE PLACE AT THE
LEVEL OF FOREIGN AND FINANCE MINISTERS

- AND THAT

- AND THAT THE RESULT OF THE NEGOTIATIONS
WILL BE SUBMITTED TO THE NEXT EUROPEAN
COUNCIL IN ATHENS ON 6 DECEMBER 1983.

THE MAIN ISSUES FOR DISCUSSION WILL BE:

- MEASURES TO ENSURE GREATER BUDGETARY
DISCIPLINE AND EFFECTIVE CONTROL OF
AGRICULTURAL AND OTHER COMMUNITY
EXPENDITURE

/ - MEASURES

- MEASURES TO AVOID THE CONSTANTLY RECURRING PROBLEMS OF CERTAIN MEMBER STATES AND TO ASSURE A MORE EQUITABLE SHARING OF THE BURDEN OF FINANCING THE COMMUNITY BUDGET,

- AND THE COMMUNITY'S REQUIREMENTS IN TERMS OF OWN RESOURCES TAKING INTO ACCOUNT THE ACCESSION OF SPAIN AND PORTUGAL AND FUTURE COMMUNITY ACTION IN OTHER FIELDS,

DECISIONS WILL BE TAKEN IN COMMON ON ALL THESE ISSUES AT THE END.

I MADE IT CLEAR THAT WE REMAINED TO BE CONVINCED THAT THERE IS A CASE FOR INCREASING THE FUTURE RESOURCES OF THE COMMUNITY,

1983 BRITISH REFUND

AGREEMENT WAS ALSO REACHED ON A 1983 BUDGET REFUND FOR THE UNITED KINGDOM OF 750 MILLION ECU (437 MILLION POUNDS).

CONSEQUENTLY, THE UNITED KINGDOM WILL HAVE RECEIVED FOR THE FOUR YEAR PERIOD 1980^{*} TO 1983, BUDGET REFUNDS OF MORE THAN 2,500 MILLION POUNDS, ROUGHLY TWO-THIRDS

/ OF OUR

OF OUR UNADJUSTED NET CONTRIBUTION WHICH HAD BEEN THE INTENDED RESULT OF THE 1980 AND 1981 SETTLEMENTS AND WHICH, IN THE ABSENCE OF A LONG TERM ARRANGEMENT FOR 1982, WAS TO APPLY TO THAT YEAR.

AS THE HOUSE KNOWS, NO LONG TERM ARRANGEMENTS WERE AGREED IN SPITE OF MANY EFFORTS.

A SERIES OF UNDERTAKINGS TO FIND A SOLUTION WERE MADE IN 1982 AND 1983 BUT BY THE TIME OF THE STUTTGART COUNCIL NO DECISION HAD BEEN TAKEN.

AS THE CONCLUSIONS OF THE COUNCIL STATE, THE FIGURE OF 750 MILLION ECU "WILL BE INCORPORATED IN THE DRAFT COMMUNITY BUDGET FOR 1984."

DECLARATION ON EUROPEAN UNION

TOGETHER WITH OTHER MEMBERS OF THE COUNCIL I SIGNED THE DECLARATION ON EUROPEAN UNION.

WE STRONGLY SUPPORT THE OBJECTIVES OF GREATER POLITICAL CO-OPERATION AND MORE EFFICIENT DECISION-MAKING PROCEDURES WHICH ARE SET OUT IN THIS DECLARATION.

AND WE WELCOME THIS REAFFIRMATION OF THE WIDER OBJECTIVES OF THE EUROPEAN COMMUNITY.

OTHER ISSUES

ON OTHER MATTERS

- THE EUROPEAN COUNCIL WELCOMED THE DECISION OF THE COUNCIL OF MINISTERS ON THE REFORM OF THE EUROPEAN SOCIAL FUND WHICH WILL GIVE HIGH PRIORITY TO THE FIGHT AGAINST YOUTH UNEMPLOYMENT.

- IT CALLED FOR COMPLETION OF THE INTERNAL MARKET AND CONTINUED WORK TO REMOVE VARIOUS FORMS OF DISTORTION INCLUDING TRADE BARRIERS CAUSED BY DIFFERENCES IN NATIONAL STANDARDS, AND DISTORTION IN THE SERVICES SECTOR.

- IT STRESSED THE NEED FOR ACTION TO COMBAT THE POLLUTION OF THE ENVIRONMENT, IN PARTICULAR PROTECTION OF FORESTS, REDUCTION OF THE AMOUNT OF LEAD IN THE ENVIRONMENT AND PROGRESS TOWARDS THE USE OF LEADLESS PETROL.

* / POLITICAL CO-OPERATION

POLITICAL CO-OPERATION

FINALLY, THE EUROPEAN COUNCIL DISCUSSED A NUMBER OF INTERNATIONAL
POLITICAL QUESTIONS, INCLUDING POLAND, THE CSCE REVIEW
CONFERENCE IN MADRID, THE MIDDLE EAST AND CENTRAL
AMERICA.

THE PRESIDENCY'S CONCLUSIONS ON THESE MATTERS HAVE
BEEN PLACED IN THE LIBRARY OF THE HOUSE.

/ THIS WAS A CRITICAL

THIS WAS A CRITICAL MEETING OF THE COUNCIL.

AT THE OUTSET NO FIGURES OF ANY KIND HAD
BEEN PROPOSED FOR THE BRITISH REFUND.

SOME MEMBER STATES HAD SAID THAT THEY WOULD
REFUSE TO NEGOTIATE ANY REFUND AT ALL.

HAD THAT VIEW PREVAILED, I SHOULD HAVE HAD
TO MAKE A VERY DIFFERENT STATEMENT TODAY.

THANKS TO THE EFFORTS OF THE GERMAN PRESIDENCY AND
OF A NUMBER OF OTHER COUNTRIES WE ACHIEVED NOT
ONLY A SETTLEMENT OF THE BRITISH REFUND FOR
THIS YEAR BUT ALSO MADE ENCOURAGING PROGRESS
TOWARDS A LONG-TERM SETTLEMENT OF THE FINANCING
PROBLEMS WHICH HAVE FOR SO LONG BEDEVILLED
COMMUNITY DISCUSSION.

House of Commons

Thursday 23 June 1983

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

MEMBER SWORN

The following Member took and subscribed the Oath:
Eldon Wylie Griffiths, esquire, Bury St. Edmunds.

European Council (Stuttgart)

2.35 pm

The Prime Minister (Mrs. Margaret Thatcher): I attended the European Council in Stuttgart on 17 to 19 June, accompanied by my right hon. and learned Friend the Foreign and Commonwealth Secretary.

The main questions discussed were, first, the future financing of the Community and a more equitable basis for sharing the burden of member states' contributions to its budget; secondly, the 1983 budget refund for the United Kingdom; thirdly, the declaration on European union proposed earlier by the Foreign Ministers of the Federal Republic of Germany and Italy, Herr Genscher and Signor Colombo; and, fourthly, economic recovery with particular concern for youth unemployment.

The Council's conclusions and the text of the declaration have been placed in the Library of the House.

I shall deal with these matters in order.

As regards the future financing of the Community, it was our objective to achieve clear directions on the detailed issues to be resolved, together with a tight timetable and an effective procedure for discussion during the autumn. The Council's conclusions meet this objective and provide that negotiations will be started under an urgent procedure in which special meetings of Foreign and Finance Ministers will take place, and that the result of the negotiations will be submitted to the next European Council in Athens on 6 December 1983.

The main issues for discussion on that occasion will be measures to ensure greater budgetary discipline and effective control of agricultural and other Community expenditure, measures to avoid the constantly recurring problems of certain member states and to assure a more equitable sharing of the burden of financing the Community budget, and the Community's requirements in terms of own resources, taking into account the accession of Spain and Portugal and future Community action in other fields. Decisions will be taken in common on all these issues at the end. I made it clear that we remained to be convinced that there is a case for increasing the future resources of the Community.

The second matter concerned the 1983 British refund. Agreement was also reached on a 1983 budget refund for the United Kingdom of 750 million ecu—about £437 million net. Consequently, the United Kingdom will have received, for the four-year period 1980 to 1983, budget refunds of more than £2,500 million—roughly two-thirds of our unadjusted net contribution. This was the

intended proportion in the 1980 and 1981 settlements, and the 1982 settlement was to be on similar lines and was so settled. A series of undertakings to find a solution for 1983 had been given, but by the time of the Stuttgart Council no arrangements had been made.

Nevertheless, as the conclusions of the Council state, a net refund of 750 million ecu was agreed and a consequential figure

"will be incorporated in the draft Community budget for 1984".

The third matter that we discussed was the declaration on European union. Together with other members of the Council, I signed the declaration on European union. We strongly support the objectives of greater political co-operation which are set out in this declaration, and we welcome the reaffirmation of the wider objectives of the European Community.

On other matters, the European Council welcomed the decision of the Council of Ministers on the reform of the European social fund which will give high priority to the fight against youth unemployment. It called for completion of the internal common market and continued work to remove various forms of distortion, including trade barriers caused by differences in national standards, and distortion in the services sector. It stressed the need for action to combat the pollution of the environment, in particular protection of forests, reduction of the amount of lead in the environment and progress towards the use of leadless petrol.

Finally, the European Council discussed a number of international political questions, including Poland, the Madrid conference, the Middle East and Central America. The Presidency's conclusions on these matters have been placed in the Library of the House.

This was a critical meeting of the Council. At the outset, no figures of any kind had been proposed for the British refund. Some member States had said that they would refuse to negotiate any refund at all. Had that view prevailed, I should have had to make a very different statement today.

Thanks to the efforts of the German Presidency and of a number of other countries, we achieved not only a settlement of the British refund for this year, but also made encouraging progress towards a long-term settlement of the financing problems which have for so long bedevilled Community discussion.

Mr. Michael Foot (Blaenau Gwent): Does the right hon. Lady agree, first, that the best way to describe the outcome of the Stuttgart Council in general is that, like the increase in the mortgage interest rate, it is extremely disappointing? Certainly it is disappointing for the country.

Will the Prime Minister say how far the £437 million that she has negotiated falls short not only of the estimates made in the public expenditure White Paper by her Government only a few weeks ago but of the figure that she has often mentioned before?

Does the right hon. Lady's acceptance of this amount now and the result of previous negotiations mean that she has finally abandoned the principles laid down in the resolutions accepted unanimously by the House on 16 July and 22 November 1979, when it was agreed that Britain's contribution to the budget should be no greater than receipts? That is the principle laid down by the House. Will the right hon. Lady confirm how far she has fallen short of securing that aim?

[Mr. Michael Foot]

Will the right hon. Lady also clear up the matter that she failed to deal with properly yesterday by giving the House an absolute assurance that there will be no increase in Britain's VAT contribution to the European Community? She said that she remains to be convinced. Does that mean that she is now contemplating an increase in the contribution that we make, despite the wholly unjust contribution that Britain has had to make over the years?

The Prime Minister: There has never been any agreement that our contribution should not be greater than our receipts. That is a *juste retour* that has always been totally and utterly rejected. In the settlement, which I have in my hand, on 30 May 1980 we agreed arrangements for the years 1980 and 1981 which amounted to 65.9 per cent. It was expected that by the end of that time there would be long-term arrangements. In the absence of long-term arrangements, it was agreed that the arrangements for 1982 should be along the lines of the 1980 and 1981 solution. Those lines were 65.9 per cent., but the formula was so geared that the actual amount that we received back in 1980 was 77 per cent. and in 1981 it was 99.4 per cent. When it came to 1982 to be settled along the same lines, which had been expected to be 65.9 per cent., we naturally had to take into account the overpayments on 1980 and 1981. By the time that we came to 1983 there were no arrangements for refunds at all.

The amounts which we have secured give us an average of 65.4 per cent. over the four years. I remind the right hon. Gentleman that the Labour Government left us with no arrangements for refunds of any kind. After renegotiation, there were no arrangements. Despite that, over the four years we have secured 2,500 million ecu in refunds. That is a reasonable arrangement for Britain.

As regards own resources, all the decisions on the long-term budget are to be made after all the discussions. When we started the discussions on own resources—[HON. MEMBERS: "Too long."] It is too long because it sets out the facts. I was faced with two proposed clauses. One, the end result of the negotiations, will be the decision on the extent and timing of an increase in the Community's own resources. That is no longer in the statement because we would not have it. It committed us to an increase in own resources, and we could not be committed to that.

I was also faced with a commitment not only to an increase in own resources, which we fought out, but to a method which meant that an increase in own resources would take the form of a decision on a new ceiling, which of course is a VAT ceiling.

Both those clauses have gone, so we are not committed to any increase in own resources, even in the face of the accession of Spain and Portugal. We are committed to considering it provided there is a more equitable arrangement for burden sharing of the contributions and strict budgetary control of agricultural and other expenditure.

Mr. Foot: The right hon. Lady's statement makes the position even more unsatisfactory than it was before. Will she now tell us exactly what is the figure that she has agreed to pay this year? Will she also tell us how she thinks that there will be any progress with the timetable over this period? Does she really think that the other members of the Community will agree to the fundamental change in the common agricultural policy of which she talks? Will

the right hon. Lady give an absolute undertaking that she will not agree to the proposition about increasing the VAT contribution to the EC? She says that she is not committed to favouring it, but will she give a proper undertaking to the House?

Why has the right hon. Lady flouted the resolution passed in the House? If she was not prepared to work and fight for it, why did she not put up a Minister to speak against it in the House of Commons? This House has authority in these matters. We are prepared to debate the matter on the same resolution as we had before, for which the Government voted at the time.

The Prime Minister: The 750 million ecu this year was calculated on a reference figure of 1,900 million ecu for our unadjusted contributions this year—[*Interruption.*] It is about 0.6 if that is how the right hon. Member for Bethnal Green and Stepney (Mr. Shore) chooses to do the calculations—[*Interruption.*] I am sorry. One never knows what the budget is until the end of the year. That is why for the years—[*Interruption.*] Of course, but if the right hon. Member for Bethnal Green and Stepney thinks that in the middle of the year one knows the precise budget, he is mistaken. This is how we got the overpayment of refunds in 1980 and 1981. I know that the right hon. Gentleman wishes us to come out of Europe. I think that it is reasonable to pay what we are paying, which is 65.4 per cent. over four years, for some 2 million jobs which would be put at risk if we came out of Europe.

Sir Brandon Rhys Williams (Kensington): May we congratulate my right hon. Friend on bringing back from Stuttgart an extremely reasonable settlement on current account? But does she recognise that for the future of the Community, the way our resources are spent on capital account is of probably much great significance in the long run? Will the British Government therefore pay attention to the way in which funds will be disbursed under the terms of the new Ortolí facility and by the European Investment Bank? Will my right hon. Friend pledge this Government to work for a united European market for capital?

The Prime Minister: My hon. Friend goes a good deal further than we went, although at Lancaster House last year we agreed to increase the amount available for the Ortolí facility. I think that it would be most unwise to go any further at the moment. The long-term budget is trying to consider methods of effective control of expenditure, both for the agricultural budget and other budgets. Without effective control and a more equitable and fair distribution of the burden of contributions, we could not possibly consider agreeing to an increase in own resources.

Mr. J. Enoch Powell (Down, South): To what extent will the implementation of any of these financial arrangements depend upon the willingness of the European assembly to approve the budget?

The Prime Minister: I believe that it has to go before the European assembly towards the end of the year. The importance of Stuttgart was that we had to get the amount entered into the draft budget for next year, and the first significant draft budget is the one in July. That is why this Council was so critical. It is considered by the European assembly towards the end of the year. The European assembly likewise wants a better long-term financial arrangement for the Community budget. So far we have