

EC BUDGET



I THE INTERIM SOLUTION

UK BUDGET REFUND FOR 1983 "REFUND TOO LOW"

Over the four years 1980-83 we have now brought back more than £2,500 million. On 2 July 1980 the then Chancellor of the Exchequer, reporting on the settlement of 30 May 1980, told the House that we had a rebate "reducing our estimated net contribution for those years by about two-thirds" [Hansard, 2 July 1980, col 1550]. We have now achieved in Stuttgart last weekend a further settlement, as a result of which we have for the four years 1980-83 an average refund of about two-thirds of our net contribution (65.4%). Hon. Gentlemen opposite never did anything effective to get back a penny piece.

"REFUND LESS THAN WE ASKED FOR"

We were prepared in the negotiation to accept less than two-thirds of 1983 net contribution because we did much better than expected in respect of 1980 and 1981. That is why the agreement has to be seen in the context of the full 4-year period.

WHY NO RISK-SHARING FOR 1983?

In earlier years the reference figure on which the calculations were based was either set a year in advance (1981) or it was set rather unrealistically low (1982). It was necessary to have a risk sharing formula. The 1982 risk sharing formula, for example, is now operating in our favour and an extra refund for 1982 of an estimated 305 million ecu (£178 million) will very shortly be made to the United Kingdom. In 1983, on the contrary, the reference figure has been set at a more realistic level. It may even turn out to our advantage to have no risk sharing formula in 1983.



WILL FRENCH BLOCK PAYMENT OF THE REFUNDS?

The French have, like all member states, agreed to the European Council conclusions, which specify the amount of the UK compensation and say that it will be included in the draft 1984 Community budget. There are no conditions attached.

WHAT ABOUT 1984?

The European Council in Stuttgart has now launched a major effort to achieve a permanent solution to the problem of a more soundly based and more fairly financed Community. This has been the aim of UK policy for some years and we strongly welcome the initiative now being taken. The results will be reported to the next meeting of the European Council on 6 December. It is the objective of all member states that any revision of the system should apply to 1984. If not, it is well understood that we will insist on an appropriate solution being found for 1984 to avoid the recurrence of an unacceptable situation.

WHAT WILL THE 1983 MONEY BE SPENT ON?

This will be decided when the figures are entered in the Community's draft budget shortly. The money will be spent on public expenditure projects of Community interest in the United Kingdom. These will be selected by the British Government and may include action to improve transport and to make better use of energy.



II THE LONG TERM SOLUTION

"PASS SOLD ON INCREASE IN COMMUNITY'S OWN RESOURCES?"

No. Other member states pressed us hard for an advance commitment to such an increase. But the conclusions do not contain such a commitment. This question had not been prejudged.

Main elements for discussion in important negotiation ahead are control of agricultural and other expenditure; greater budgetary discipline; a more equitable financial arrangement; the extent and timing of the Community's requirements in terms of its own resources; the development of Community action on research, innovation and new technologies; and the conclusion of accession negotiations with Spain and Portugal. We are prepared to look at the Community's financial requirements "on the basis of the conclusions reached on... improving budgetary discipline and the examination of the financial system".

AGRICULTURAL AND OTHER SPENDING

We have agreed, for the first time, that the Community is committed to taking measures "to ensure effective control of agricultural expenditure" and that "expenditure must also be controlled... outside the agricultural sector". One element under discussion is strict financial guidelines on agricultural spending.

TACKLING THE UNFAIR BUDGET BURDEN PERMANENTLY

We have agreement on the objective "to agree measures which, taken as a whole, will avoid the constantly recurrent problems between the member states over the financial consequences of the Community's budget and its financing". This is the first time that we have set ourselves a long term aim to settle this problem once and for all as a Community.



"OPENING THE DOOR"

In these conclusions we have at last really opened the door to a sounder based financial system which will deal on a permanent basis with the budget problem which has plagued Britain since its entry. The work which is to be carried out on a tight timetable and with a special procedure in the autumn will be important. First meeting: 8 July. We shall support the work fully.

POSSIBLE REACTION OF EUROPEAN PARLIAMENT

The European Parliament wants what we want - a long term solution. The United Kingdom is one of the member states most concerned that the future financing and development of Community actions should be put on a sounder and fairer basis. We shall be pressing strongly for such a solution, if possible by the end of this year, when the Parliament will have to adopt the 1984 budget. Mr Dankert stated recently that "Interim solutions, such as a financial mechanism to increase benefits and compensate disadvantages seemed virtually inevitable".

IS THE COMMUNITY'S MONEY RUNNING OUT?

Yes. It seems likely that, when the Commission proposed a supplementary budget for 1983, the Community will be almost at the limit of own resources even in the current year.



CAP REFORM

We continue to seek improvements in the operation of the CAP to tackle the problem of surpluses and to meet the rise in costs. At Stuttgart, Heads of Government agreed to take concrete steps to control agricultural expenditure. The Commission will submit proposals by the 1st of August. Amongst other questions they will examine the need for strict financial guidelines.

WHAT REFORMS DO WE SEEK?

Reluctant to prejudge the Commission's report. It is clear, however, that Community support mechanisms need to be adjusted to bring about sensible levels of production and to introduce greater market discipline into the operation of the CAP.



INTEGRATED MEDITERRANEAN PROGRAMMES

The Commission has put forward ideas for 'Integrated Mediterranean Programmes' (IMPs) involving Community expenditure of an additional 6,600 mecu (about £4 billion) over six years. The programmes would be intended to increase incomes and improve employment levels in certain rural areas of France, Italy and Greece. At Stuttgart it was agreed that the Council should examine specific proposals in accordance with these ideas as soon as they are submitted.

WHAT IS UK VIEW?

We are ready to enter into discussion of these ideas, but there has, as yet, been no agreement on them, even in principle. Such proposals would need to compete for priority with other Community expenditure. There is inevitable overlap with other ideas to help the Mediterranean through the Regional and Social Funds, and in the forthcoming review of the Agricultural Guidance Fund.



COMMUNITY RESEARCH PROGRAMMES

The European Council reaffirmed its determination to make Community action in this area more effective and to improve the international competitiveness of European enterprises. The UK supports greater Community activity in research and the development of new technologies and we look forward to practical and realistic proposals from the Commission. In particular, we hope for early agreement on the ESPRIT programme (European Strategic Programme for Research in Information Technology).



ENLARGEMENT

PROGRESS?

Reasonable. Outstanding questions for both Spain and Portugal include difficult areas of social affairs, agriculture, fisheries and own resources.

TIMING OF ACCESSION?

Negotiations must be concluded during 1984 so that Spain and Portugal may accede to Community by 1986 as they wish.

LINK BETWEEN ENLARGEMENT AND OWN RESOURCES?

Stuttgart European Council called for accession negotiations to be concluded so that the accession treaties could be submitted to national parliaments for ratification when the results of the negotiation on the future financing of the Community is submitted. This underlines the fact that both sets of negotiations need to be given the highest priority: but there is no more link between them than that.

WHAT NEXT? MEDITERRANEAN AGRICULTURAL REGIMES?

First requirement is for Agriculture Ministers to conclude their work on reform of Mediterranean agricultural regimes quickly, so that progress can be made on agriculture chapters of accession negotiations.

SPANISH TARIFFS?

Spanish industry has developed behind high tariff barriers. Negotiations continue on the industrial chapters in order to achieve a fair balance between Community wish for the rapid dismantlement of tariff barriers and the Spanish wish to dismantle her protective barriers more slowly.



EC/SPAIN: GIBRALTAR?

The restrictions on movement which exist between Gibraltar and Spain are incompatible with the obligations which Spain will assume as a member of the Community. Partial opening of the frontier will not solve this problem. The terms of the Lisbon Agreement of April 1980 envisage the removal of all the restrictions. We remain committed to the Lisbon Agreement. We continue to look for the total lifting of all the current restrictions.

(If necessary) In our view it is inconceivable that Spain should join the Community while restrictions remain on ordinary traffic between Spain and Gibraltar.



EUROPEAN UNION: GENSCHER/COLOMBO "SOLEMN DECLARATION ON EUROPEAN UNION"

WHAT IS THE PRESENT POSITION?

The text of the Solemn Declaration was signed at the 17th to 19th^d June European Council in Stuttgart.

WHAT DOES THE GENSCHER/COLOMBO PROPOSALS SAY ABOUT MAJORITY VOTING/LUXEMBOURG COMPROMISE?

The Solemn Declaration refers to the importance of applying the decision-making procedures laid down in the Treaties. There is no specific reference to majority voting or the Luxembourg Compromise.

WILL IT AFFECT OUR VETO?

We do not anticipate that there will be any change in the position regarding the Luxembourg Compromise. To ensure that there could be no possible misunderstanding, we recorded in the minutes our view that when a Member State considers its very important interests to be at stake, discussions should be continued until unanimous agreement is reached. Four other Member States made similar statements.

WILL THE TEXT BE DEPOSITED IN THE HOUSE?

A copy of the text was deposited in the Library of the House of Commons on the 21st of June.



ECONOMIC RECOVERY

"STUTTGART OFFERS NO HOPE OF ECONOMIC RECOVERY"

On the contrary, the European Council agreed on the need to sustain the present economic up-turn - but without jeopardising the success achieved in combatting inflation. The Commission has been given a specific task of analysing the situation and indicating what new factors the Member States and the Community can bring forward to underpin the recovery as and when necessary. There was of course no support for the ruinous course advocated by the Opposition of a massive increase in public expenditure; that would simply abort the recovery now under way.



UNEMPLOYMENT

YOUTH UNEMPLOYMENT

The European Council underlined the deep concern we all feel at the level of youth unemployment across the Community. They also warmly welcomed the recent agreements on new rules for the European Social Fund and on vocational training policies, both of which give priority to the needs of the young unemployed.



INTERNAL MARKET

The European Council agreed on the need for further work to remove non-tariff barriers to intra-Community trade, including ironing out differences between national standards and the simplification of frontier formalities to speed up the passage of goods. They also urged the need to develop free trade in services. We welcome these conclusions which could bring real benefits to British industry including the insurance industry and will continue to work to get them implemented. There was, regrettably, little progress at the Internal Market Council on the 21stth June.


TRANSPORT

The European Council emphasised the importance of progress towards a Common Transport Policy. We shall continue to work for this and to seek greater freedom for lorry movement across the Community and liberalisation in European air transport.



STEEL

The European Council recognised the urgent need for agreement on the future of the Community's steel regime. We fully support the Community approach to the problems of the steel industry and believe that the Community steel regime is a key element in bringing the industry back to viability. In current discussions of steel matters in Community fora we are pressing the other European steel producers to shoulder their fair share of the burden of capacity reductions and are arguing that BSC and the other UK steel companies have a very good case for better and more flexible production quotas to reflect the restructuring they have already achieved.



ENVIRONMENT

ENVIRONMENTAL PROBLEMS

We share the concern expressed by the European Council about environmental problems including damage to German forests. The Council called for urgent action to combat the pollution of the environment. We shall continue to play a full part in furthering initiatives in this area both within the Community and in the wider international context. Our recent initiative on unleaded petrol is an example.

ARE FORESTS BEING DAMAGED BY ACID RAIN IN THE UK?

The main reports of forest damage come from the Federal Republic of Germany. Recent research indicates that a variety of factors is involved and it is not clear what part is played by acid rain.

DO THE COUNCIL'S CONCLUSIONS IMPLY THAT THE UK SHOULD NOW TAKE URGENT STEPS TO REDUCE EMISSIONS, PARTICULARLY FROM POWER STATIONS?

In the Government's view what is now important is to press ahead to establish the effectiveness of a concerted international programme of emission reductions. UK sulphur emissions have declined substantially over the last few years.



LEAD IN PETROL

We warmly welcome the endorsement by the European Council of the conclusions reached by Community Environment Ministers in response to our initiative on unleaded petrol. There is a clear wish to see exposure to environmental lead reduced throughout the Community, and the European Commission are to bring forward proposals to reduced the amount of lead used in petrol.

BUT NO CLEAR COMMUNITY COMMITMENT TO LEAD-FREE PETROL?

We have always recognised that one or two of our Community partners might not be won over to the UK's views on unleaded petrol overnight. But we are strongly supported by a majority of Member States.



GREEK MEMORANDUM

At Stuttgart it was agreed that the Council should examine proposals which the Commission is to produce about problems over Greek membership with a view to decisions before the European Council meeting in Athens in December.

WHAT IS UK VIEW?

We will participate fully in consideration of the formal proposals when they are produced. The cost of any proposals will, of course, have to be measured against other demands on the Community's resources.

WHAT ABOUT GREEK INFRACTIONS?

We are concerned that Greece has yet to comply with all her Treaty obligations, for example over taxation, and look to her to regularise her position with the least delay.



EUROPEAN REGIONAL DEVELOPMENT FUND

The European Council called on the Commission to report by ~~the~~ 1st August on ways of improving the effectiveness and coordination of the structural funds (Regional Fund, Social Fund and FEOGA). We welcome this. In current negotiations of a new regulation we are pressing for early agreement on a fund which concentrates its resources on areas of greatest need in the less prosperous Member States.



COMMUNITY ENERGY POLICY

We seek to play a constructive role in the development of realistic Community energy policies which provide a framework for the national energy programmes of Member States. In particular we are keen to see rapid progress in the important area of a comprehensive and balanced Community coal policy, from which as the Community's leading coal producer we stand to benefit.



UNCTAD

UNCTAD VI?

UNCTAD VI (which is currently taking place at Belgrade until the 1st of June) is an important opportunity to achieve a more practical and realistic dialogue with the developing countries. The Williamsburg Summit Declaration emphasised this. The outcome of the Conference will not become clear until the final stages. Britain is playing a full and constructive part along with our Community partners.



EXTERNAL TRADE POLICY

REINFORCEMENT OF TRADE POLICY INSTRUMENTS?

COMMON COMMERCIAL POLICY REGULATION?

This was a subject of discussion at the Internal Market Council on the 21st of June on which a separate statement will be made on the of June.

REFERENCES

FLAG A 10 JUNE 1983 EXTRACT NATO MINISTERIAL COMMUNIQUE
FLAG B 19 JUNE 1983 EXTRACT EUROPEAN COUNCIL CONCLUSIONS

NOTES FOR SUPPLEMENTARIES POLITICAL COOPERATION

POLAND

WESTERN POLICY?

The Government's views and those of our partners and allies were set out fully in the recent statements by NATO Foreign Ministers on the 10th of June and by the European Council on the 19th of June. I have nothing to add.

OUTCOME OF PAPAL VISIT?

We naturally hope that this visit will help contribute to national reconciliation in Poland which alone can lead that country out of its crisis. We remain in close touch with our partners and allies and are keeping the situation under close review.

AID TO POLAND?

The European Community has made a substantial contribution (some fifteen million pounds) channelled through voluntary agencies and distributed by the Polish Church. A proposal by the European Commission for further EC aid is now under active consideration. (If pressed) Right that aid should continue within the resources available.

(1023)

CSCE

MADRID MEETING?

The Ten agreed to examine, with due care and in a positive spirit, the Spanish proposal that the meeting be brought to a close with only three amendments to the draft concluding document tabled by the neutral and non-aligned countries. A key question is the attitude of the Soviet Union to the proposal. So far the East have refused even to discuss modest advances on the draft which Western countries put forward early in May.

MIDDLE EAST

ISRAEL-LEBANON

The Israel-Lebanon agreement (of the 17th of May) is a welcome step towards removal of all foreign forces from Lebanon and the restoration of Lebanon's territorial integrity and sovereignty. We hope it can be implemented soon.

PALESTINIAN CIVILIANS

As the Stuttgart conclusions state, we are very concerned about reports of harassment of Palestinian civilians. The Ten have made their concern known to both the Israeli and Lebanese Governments.



RELATIONS WITH ISRAEL

We and our Community partners have agreed that the Community should resume financial cooperation with Israel, which was suspended at the time of the Israeli invasion of Lebanon. Our bilateral relations with Israel are close and we are fully committed to Israeli security. But we are disappointed by Israeli rejection of the Reagan proposals, and especially by her refusal to freeze the expansion of Jewish settlements on the West Bank. There is no change in the decision by certain members of the Ten, ourselves included, not to sell Israel arms in present circumstances.

EUROPEAN POLICY ON ARAB-ISRAEL

We remain committed to a distinctive European approach based on the balanced principles set out in the Venice Declaration of June 1980. The Ten have a dense web of interests and relationships with the Middle East and a long-standing commitment to work for peace in the area. We shall use our influence to encourage movement towards compromise and negotiated solutions.

CENTRAL AMERICA

ATTITUDE OF THE TEN

The passage on Central America reflects the concern felt in EC countries at events in that part of the world. We continue to follow these developments closely and are regularly in touch with our EC partners, as well as with the US and regional governments, about them.

ROLE FOR THE EC

As the European Council Statement indicates, we believe it is for the countries of the region to judge how best to resolve these problems. Although European Community countries are keeping a close watch on the situation, we do not see a particular role for the Community as such at the moment.



CONTADORA GROUP

We have already made clear that we support the efforts of the Contadora Group and that support is reflected in the Statement of the European Council.

US POLICY

Ministers have made clear on several occasions that they support the basic aims of US policy as set out in President Reagan's address to Congress on the 27th of April.

MAIN SECTION ON POLAND FROM NATO MINISTERIAL COMMUNIQUE
OF 9/10 JUNE 1983

The Allies deplore the continuing violation by the Polish authorities of the commitments undertaken by Poland in the Helsinki Final Act. They look to those authorities to honour the wish of the Polish people for national reconciliation, the release of political prisoners and the establishment of civil rights, including the right of the workers to have trade unions of their own choice. This would enable Poland to overcome its crisis. More normal trade and economic co-operation with Poland, for which the Allies wish, could be effective if progress were made towards national reconciliation without which there can be no genuine economic and social recovery. The Allies urge the Soviet Union to cease its pressure on Poland so as not to impede the efforts of the Polish people for national renewal and reform.

EXTRACT FROM
CONCLUSIONS OF THE EUROPEAN COUNCIL
Stuttgart - June 17-19, 1983

POLAND

At the moment when the important visit of Pope John Paul II is taking place in Poland, the Heads of State and Government reviewed the situation in that country, to which their peoples are linked by strong ties of solidarity.

At a time when the depth of the aspirations of the Polish people is more than ever apparent, they expressed their conviction that only a national reconciliation, which takes full account of these aspirations, can lead Poland out of its grave crisis.

her.

W. L. M.

You have dared to address
 Britain's basic problems. The British
 people have expressed their approval.
 They supported your resolve to
 tackle the basic causes of economic
 stagnation.

Those who wish Britain well
 welcome the prospect of a significant
 change in social structure -
 They are the fundamentals of any
 economic revival.