

Qz.03474

MR COLES

EUROPEAN COUNCIL, 4 - 6 DECEMBER: OPENING REMARKS BY THE
PRIME MINISTER

In the light of the discussion yesterday, I submit
draft opening remarks for the Prime Minister.

I am sending copies to Brian Fall (FCO), John Kerr (Treasury)
and Sir Robert Armstrong.

D F Williamson
D F WILLIAMSON

2 December 1983

ATHENS EUROPEAN COUNCIL

OPENING REMARKS BY THE PRIME MINISTER

We have a long and difficult agenda and must not spend too much time on making speeches to each other. So I shall be brief.

2. It is vitally important that the Community should solve its internal problems. Viewed in the wider perspective of East West relations and the problems of the world economy, the issues which divide us are relatively small. Yet for each of us agreement on these issues will be bound to cause serious political difficulties at home. No-one is going to emerge from this meeting without problems.

3. On the other hand the prize of an agreement should be an important incentive to us. It would:-

- a. Set the Community on a new path, accelerate industrial co-operation and growth in a revived common market and help to contribute to the economic recovery which is just beginning in Europe.
- b. Institute much stricter financial control, a vital need when we are all struggling to keep public expenditure down.
- c. At last set in train a reform of the CAP which will bring the agricultural surpluses under control.

/d. Launch

- d. Launch a revised own resources system which ensures that we do not have to quarrel about money again in the next decade.
- e. provide a sound basis for the early completion of the negotiations for the enlargement of the Community.

3. We are all agreed that the Stuttgart package has to be treated as a whole, here in Athens and afterwards. That is the only way we can have a balance of advantage for all of us. We need to tackle the most difficult and least prepared subjects first - that is to say budgetary control and budget imbalances and the CAP - to give us time to work out solutions. But equally we have to be clear that decisions on one subject depend on agreement on the others.

4. I want to say a word about the problem of budget imbalances. We have all suffered, but no-one more than I, from the arguments of the last four years. We must put these behind us. What we agree must be fair for all of us and suitable in an enlarged Community. We are not devising a short term arrangement to reduce the burden on the United Kingdom.

5. Behind all the arguments in the preparations for this meeting there lies a difference of perspective. When we in the United Kingdom look at the problem, we ask ourselves what would be a fair net contribution for a country in the position of the United Kingdom,

/still below

still below the average in relative prosperity now and only just above it in a Community of 12. I have the impression that many of your governments are briefing you to look at it simply in terms of what it will allegedly cost you to reduce the burden on us, that is to say in 7 cases how much your net benefits will fall. Since we are trying to devise a fair system for the longer term, we have to look at the likely outcome for all member states, ensuring that the least prosperous receive appropriate benefits and that those who will bear the burden of net contributions do so in relation to their ability to pay.

6. I am pleased to hear that Foreign and Finance Ministers have been edging forward towards a consensus that the new solution should be implemented on the revenue side by a reduction of VAT payments in the following year and should form an integral part of the amended own resources decision, thus keeping the expenditure side of the Community budget free for the development of genuine Community policies. I hope too we can all accept the Commission's latest proposal that a threshold should be established beyond which relief will be made available to member states bearing too heavy a burden and that this threshold should be expressed as a percentage of the GDP of the member state, the richer having a higher threshold.

7. But it is distressing to hear that Ministers have been arguing for so long about how to measure the burden. I must tell you frankly that we shall not be

willing to go along with any of the various devices which have been put forward for defining the burden as less than it is. We are not going to make a fudged compromise on this issue. A lasting solution must be fair, rational and durable for all member states. It is frankly not serious to suggest that the burden to be lightened, the gap to be filled - in part not in whole - is the difference between a country's share of Community expenditure and its share of Community GDP or its share of the Community's population. The real gap is between its share of Community expenditure and its share of own resources. That is the money which flows out from the net contributors to the Community each month to be spent in the net beneficiary countries.

I made it clear at Stuttgart that I could only consider an increase in the Community's own resources if arrangements were agreed for a fair sharing of the budgetary burden and for effective control of agricultural and other expenditure. On both those issues the Special Preparatory Councils have made some progress in substance but the Presidency's draft conclusions are a very long way indeed from providing a satisfactory basis for an agreement. I suggest, Mr President, that we concentrate this afternoon on making progress on these issues so that revised draft conclusions can be prepared over night on which we can work tomorrow. Otherwise we shall find that there is no time to solve our remaining differences through the thorough discussion which will be required.