

*Dutch
Relations*

RECORD OF A MEETING BETWEEN THE MINISTER OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS, MALCOLM RIFKIND MP, AND THE DUTCH STATE SECRETARY FOR FOREIGN AFFAIRS, DR WILLEM VAN EEKELLEN, HELD AT FCO ON THURSDAY 1 DECEMBER 1983

Present:

Dr van Eekelen	Mr Rifkind
Dr Posthumus Meyjes, Director General for European Cooperation	Mr Hannay
J Huydecoper, Netherlands Ambassador	Mr Lanport
Mr van Doesburgh, Minister, Netherlands Embassy	Mr Shaw

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Future Financing

1. Mr Rifkind, in welcoming Dr van Eekelen, said that he had appreciated the co-operation between Dutch and UK officials in discussions that had taken place on the problems that faced the Community, especially on the agricultural side. He said that consensus between the two countries had almost been reached on the majority of the problems but that there had been less harmony on the question of reform of the budget. There was growing consensus on the need for a permanent solution to the budget problem which would have relevance to an enlarged Community. He regretted that the Netherlands had not felt able to agree to the British proposals on the safety net. He could not understand the Dutch Prime Minister's remarks to the effect that the British proposals smacked of juste retour. The UK wanted to achieve some redistribution, but if this did take place it should be on the basis of a movement of resources from the prosperous to the less prosperous Member States. He accepted that the UK would continue to be a net contributor but said that existing arrangements were indefensible. Under them, for example, Portugal after accession would be a net contributor. He would appreciate the Dutch Minister's comments on the extent to which he felt unable to follow the UK approach on the safety net.

2. Dr van Eekelen said that the Dutch were unable to accept the British proposals as basic Dutch interests had to be protected. There were many advantages to Community membership which could not be measured simply by the budget. He felt that on entry into the Community the UK had thought they would have the same advantages as the FRG. He said that the safety net proposals were against the spirit of the Community - adding that the whole problem was not yet ripe for a compromise as so many different formulas were under discussion. Mr Rifkind agreed that it was going to be difficult to find a solution but maintained that the safety net approach was the most sensible formula that had been presented. The UK would, however, be prepared to look at some other formula but so far the other proposals presented were not as good as the safety net. He stressed the simplicity of the safety net idea. Dr van Eekelen said that the Dutch felt that the whole question of measuring the contribution side was difficult.
3. Mr Rifkind said that, whatever formula was applied, at the end of the day there was a substantial problem under which the UK suffered.
4. Dr van Eekelen said that the German problem was secondary in the discussions. Mr Rifkind said that the Germans were not willing to continue with an open-ended commitment. Dr van Eekelen said that he did not think the system was such that it was open-ended, merely that the limits were difficult to calculate.
5. Dr van Eekelen remarked that the problem would exist for the next five years. Mr Rifkind said that the consequences of enlargement would accentuate existing difficulties. He still did not understand why the Dutch considered the safety net to be uncommunautaire. Dr van Eekelen said that he recognised that the present situation was unacceptable for the UK. Mr Hannay interjected that the definition of an unacceptable situation had come to be accepted by the Commission and the Community as a whole. The Commission had used the net contribution as the basis

of its calculations of UK refunds since 1978 and this was agreed practice within the Community.

6. Dr van Eekelen said that it was an intangible idea. Mr Hannay said that the UK had calculated the industrial side of the balance of advantage for the customs union for Member States but the figures for the UK came out negative. Dr van Eekelen questioned why this was so. He said that the percentage of Dutch exports to Community States prior to Dutch membership of the Community was 57 per cent and the figure was now in the region of 72 per cent. Mr Rifkind observed that while our exports to other Member States had increased since Britain joined the Community our imports had risen even more. He said that the UK was willing for the non-budgetary benefits of Community membership to be taken into account but was not insisting on that.

7. Mr Rifkind questioned whether the UK and the Dutch were in fact so very far apart and observed that there was a substantial amount of de facto agreement. There was general agreement on this by the Dutch delegation.

8. Dr van Eekelen asked why the UK could not accept the Danish budget proposal. Mr Rifkind replied that this proposal was confined to the expenditure gap. Dr van Eekelen said that this was not necessarily so. Mr Hannay said that one of the problems with the Danish proposal was the amount it could actually produce. They were talking of relief for two thirds of our expenditure gap, ie two thirds of 1200 mecus out of a net contribution of 2,036 mecus in a year. This left us with a net contribution of more than 1200 mecus which could not be defended. Dr van Eekelen said that the argument had come round to what the UK expected to get out of the Community next year. Mr Rifkind replied that the UK were seeking an automatic adjustment which would reflect changes in prosperity in Member States. Dr van Eekelen claimed that VAT by itself was a reflection of prosperity. He said that he realised the present situation was unacceptable but he could not accept some of the UK's underlying arguments. Mr Rifkind replied

that if the problem was acknowledged it was best to concentrate on a solution which could be agreed. Dr van Eekelen said that a solution was needed that was communautaire. Dr Posthumus Meyjes said discussion of the system to be applied was sterile. The UK scheme found no support and it was time to go on to determine the real size of the problem.

9. Mr Hannay said that there were two lesser but perhaps less contentious points about the system which were important for the UK. The first was that the country that received relief should not have to contribute to that relief. Dr van Eekelen interjected that he did not think that this would be possible. The fact of dividing compensation amongst other Member States on an ad hoc basis would become insoluble; it was also politically unacceptable. He said that the Dutch were prepared to pay one, and maybe twice in respect of British compensation. To pay three times was too much. Mr Hannay said that, secondly, it was necessary for the solution to be applied in respect of 1984 and subsequent years. Dr van Eekelen said that if a position of principle was reached there would be no problem about including provision for it in the 1985 budget but then there was the problem of own resources. The two went hand in hand.

Own Resources

10. Mr Rifkind asked whether he was correct in thinking that the Dutch policy on own resources was similar to that of the UK. Dr van Eekelen said that CAP reform was vital. Mr Rifkind asked for the Dutch views on the recently tabled French paper. Dr van Eekelen said that it was interesting, in that the French were prepared to discuss a 'discipline'. He thought however that the Dutch would have difficulty with the parliamentary implications and that such proposals were bound to be rejected by the Dutch parliament in their present stark form. Mr Rifkind said that the proposals were psychologically important in that they would transform the debate. Dr van Eekelen said that it was important to avoid changing Article 203. Dr Posthumus Meyjes queried to

what extent the French were prepared to include a separate financial guideline for agriculture in their proposals. Mr Hannay said that the French proposals were interesting but would only make sense if they were formally incorporated in the Community's budgetary procedures. The UK was determined that if we were to go down this road the proposals would have to be in a form which could be properly embodied in Community law. There was general Dutch agreement to this. Mr Hannay went on to say that he hoped that the Dutch would continue to agree that any proposals should be legally binding. Dr Posthumus Meyjes said that any agreement should be embodied in a legal text and this should be spelt out in the text of the Athens communique.

New Policies

11. Mr Rifkind asked what were the main concerns in this area for the Dutch. Dr van Eekelen listed these as transport, the internal market, insurance and Esprit. Mr Hannay said that the Presidency had now run away from this chapter and had produced a weak document; this was very disappointing. Our two delegations would have a hard time getting some substance back into it. Dr van Eekelen said that the Commission had behaved in a very peculiar fashion. Mr Hannay commented that the Germans had proposed negative amendments in many fields such as transport and the environment. Dr Posthumus Meyjes in echoing the general disappointment, said that initially it had been his impression that this chapter had been the most promising for Athens. Mr Hannay said that something might still be salvaged if the British and Dutch worked together. There was general Dutch agreement to this remark. Dr van Eekelen, in referring to the forthcoming European Council, said that the whole problem was with the documents that had been prepared. We now had to sort out the question of how decisions could be reached.

Future Financing

12. Dr van Eekelen asked what would be the minimum acceptable outcome of Athens for the UK. Mr Rifkind listed our requirements for a durable solution to our budget problem. Mr Hannay said there should be acceptance that a decision should be based on a relative prosperity and ability to pay. The safety net proposal, expressing the limits on a member state's net contribution as a percentage of GDP related to its relative prosperity was a sound basis. We should not get too far away from this linear curve formula as the determinant of the threshold above which relief would be paid. Dr Meyjes said that Mr Hannay was right on this point but there was no agreement on the size of the problem. There was also the question of how compensation was to be financed. Mr Hannay said that one of the points of the linear solution was this it would provide the Germans with a high net contribution, but one which was acceptable to them because a limit would have been set to it. Dr van Eekelen asked how much VAT it would take to pay for compensation. Mr Hannay said that the illustrative example in our safety net would cost 0.11 or 0.12. He said that the scheme could be financed within the budget but it could equally well be financed outside the VAT ceiling and the UK had put round a paper explaining this. He asked whether the Dutch had a figure in mind for the increase in own resources Dr van Eekelen said the Dutch had no firm position. He wondered whether, given the need for a unanimous decision on any increase in own resources it should be necessary to go to parliaments for every increase. Mr Rifkind said that to change the requirement would create difficulties with the UK Parliament. Dr van Eekelen said that he understood that the Germans would take the same stand.

13. The meeting was adjourned for further discussion over lunch.

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