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PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the Special Council on 9-11 November which discussed the full range of issues for decision at the Athens European Council on 5 and 6 December. The Minister of Agriculture, Fisheries and Food and the Economic Secretary, Treasury, also took part in the meeting. After the United Kingdom had strongly criticised the Commission's latest proposal to replace the present method of calculation by an arbitrary measure of expenditure, the discussion of the budget inequity moved away from that proposal. After long discussion the Greek Presidency tabled a new proposal measuring the gap to be corrected as that between GDP and Community expenditure shares. Some elements were helpful to the United Kingdom: the arrangement would last as long as a new decision on own resources; the corrective arrangement would be made on the revenue side; and it did not follow the Commission's attempted redefinition of expenditure. But it did not fully measure the problem and did not incorporate the original Commission proposal for modulated VAT. It is now to be discussed further in the Preparatory Group of Officials. The Presidency proposal may be capable of improvement so that it has an effect similar to our safety net. If so, the negotiating situation at Athens, with both our safety net and the improved Presidency proposal on the table, would be much better. In the Special Council the Chairman insisted on discussing the question of an increase in own resources, but a number of member states, including the United Kingdom and Germany, declined to take up a position; those which expressed a view wanted a VAT rate ranging from 1.4 per cent through the Commission's 1.8 per cent to 2 per cent. There were no significant changes in position on the strict financial guideline which is to be discussed further in the Preparatory Group of Officials.



2. A separate meeting of Agriculture Ministers during the Council discussed the Presidency's package solution on agricultural issues for the European Council. This identified the main issues for the negotiation on milk. The quota/super levy appears to be the only negotiable means of restraining rising milk production but the details are controversial. There was a general restatement of positions on cereals, monetary compensatory amounts and the oils and fats tax. There was some pressure to bring other products into the package, including beef and sheepmeat. Agriculture Ministers examined on 15 November a revised Presidency paper. In a brief discussion of other policies, France complained that the Presidency paper omitted their ideas on facilitating co-operation between enterprises in Europe. It was satisfactory that no member state, apart from Italy and Greece, was willing to consider the integrated Mediterranean programmes for decision at this stage. The United Kingdom also raised the problem of our 1982 risk-sharing and emphasised that if the matter were not settled at the next meeting of the Special Council it would have to be raised at the Athens European Council. The Special Council is to meet again on 28 November, and the Foreign Affairs Council on 29 November will take preparation for the European Council as its first item.
3. The Minister of Agriculture, Fisheries and Food may report on the low key Agriculture Council on 14-15 November at which he and the Minister of State (Mr MacGregor) represented the United Kingdom. This agreed the common agricultural research programme 1984-88 but a decision on the 1984 import quota for New Zealand butter was deferred until the December Council, France linking this with the review of the sheepmeat regime. Political opposition again prevented agreement to the United Kingdom's proposed extension of our less favoured areas.
4. The Minister of Agriculture, Fisheries and Food may also report on his visit to Washington on 3-8 November, when he discussed agricultural trade policy with members of the Administration and Congress, and sounded out United States opinion on the Commission's common agricultural policy reform proposals.

Mr Jopling made clear the United Kingdom's opposition to an oils and fats tax and the deconsolidation of the tariffs on cereal substitutes. He also emphasised that a trade war would not be in the interests of either the United States or the Community.

5. There was also a Development Council on 15 November, at which the Minister for Overseas Development represented the United Kingdom, which discussed the Community's future policy on food aid.

6. Immediately before Cabinet OD(E) will have met to consider the United Kingdom's position on the funding of the programme for information technology (ESPRIT). There will be an informal meeting of Tourism Ministers on 20 November and a Ministerial political co-operation meeting on 22 November; the Budget Council will also meet on 22 November, as will the Standing Employment Committee of Community Employment Ministers, Commission, industry and trade unions; there will be a meeting of the Internal Market Council on 25 November.

RP

Approved by
ROBERT ARMSTRONG
and signed in his absence.

16 November 1983