

FERB



Foreign and Commonwealth Office

London SW1A 2AH

3 May, 1984

Joe Shu,

Prime Minister's Visit to Paris 4 May: European Community

/ I enclose for the Prime Minister's meeting with President Mitterrand tomorrow six copies of:

*in folder
attached to
file*

- (a) European Community: General Brief;
- (b) European Community: Background Brief on Community Financing Issues.

/ I am also enclosing a copy of the speech which President Mitterrand made at the opening of JET on 9 April. The Prime Minister might want to be reminded in particular of the closing paragraph on page 3, in which President Mitterrand paid tribute to Britain and to the positive role we have played, not just in JET, but over ESPRIT, the A320 etc.

Joe Shu
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

AMBASSADE DE FRANCE A LONDRES

Service de Presse et d'Information

58 Knightsbridge, S.W.1.

01-235 8080

NOUVEAU D'ACTUALITE

* * *

CTI/DISCOM/74/84

13 April 1984

JOINT EUROPEAN FORUM

INAUGURAL SPEECH OF H. FRANCOIS MITTERAND, PRESIDENT OF THE REPUBLIC
(GUILDFORD, 9 APRIL 1984)

"Madam,

"The public opinion of our countries, our ten countries, is too inclined to think of the construction of Europe solely in terms of the succession of crisis situations that have marked its history. Yet Europe is being built, and it takes events like this one fully to illuminate a new landscape, open onto the future,, which is taking shape. On their own, our countries are not always capable of standing up to the leading world powers in the competition for tomorrow's techniques and industries ; together - it has to be said - everything is possible. Every time Europe joins forces for a project, it can lead the world.

"I am glad of this opportunity, as President of the Council of the Communities, of speaking here of Europe in connection with the inauguration of the JET project. For this is certainly in the first place a great technical achievement to which engineers and technicians from twelve countries - since Sweden and Switzerland have joined in - have applied their talents right up to the limit, which will be exceeded. We shall see again such technically exceptional machinery developed, an uncommonly complex organization mastered, budgets adhered to and schedules complied with in other technological programmes : in aerospace, the data-processing industries, and fast neutron breeder reactors of which the first industrial prototype can go into service very shortly.

"No-one can doubt, and even less today, our capacity to make a success of these great programmes which will pave the way to new productions, or new ways of producing. They are the keys to future economic growth. But the JET is also a fundamental research instrument, since its purpose is to produce the plasma needed for fusion reactions to occur, understand its properties by applying a large number of physical theories under unusual experimental conditions, and gradually master what is known as 'confinement'.

"The JET is thus a further item on a list, which is getting quite long, of instances of European cooperation : I am thinking of the European Molecular Biology Laboratory, the European Observatory in the Southern Hemisphere, the European Organization for Nuclear Research, the European Space Agency, the Laue-Langevin Institute.

.../.

Thanks to these achievements, a European scientific community, which is very well represented here, is emerging around a number of poles of excellence, open onto the outside world and exposed, it's a good thing, to international competition. It is in these centres, which are also training centres for our young research workers, that, little by little, a common consciousness is developing : so, here, too, Europe is being built.

"Scientists are used to meeting together in the universal field of science. As Frédéric Joliot wrote, 'science is a fundamental factor of unity of thought between men dispersed around the globe'.

"But I am not forgetting the goal of this research, even though we have just been told that its completion is far in the future. But, after all, is a span of a few decades to be thought of as such a distant future ? We shall soon be there. We know that mastery of fusion energy for peaceful uses is at the end of the road. It is because we are convinced of the need for the industrialized countries gradually to free themselves from dependence on non-renewable sources of energy that we are embarking together on programmes of this magnitude. Mrs. Chandi, when she opened the World Energy Conference in September 1983, appealed for such a policy, asking the industrialized countries to reduce their consumption of oil and exhaustible resources in order to increase the amount of energy available to the developing countries.

"Looking beyond the current nuclear programmes based on fission energy, beyond the efforts to conserve energy or to use immediately accessible renewable sources of energy, we have the feeling that mastery of fusion energy will make us take a considerable step forward. I have said 'we have the feeling', but the scientific community progresses from certainties to uncertainties on the basis of experiments through which man's whole intellectual adventure - and therefore certainty - asserts itself.

"To this end, we shall have to extend the success of an undertaking such as the JET, make the most of the snowballing effect achieved by exchanging ideas, systematize the comings and goings between national and European laboratories, develop closer links between our academic institutions, and build on the foundations provided by prestigious centres like the JET to achieve a genuine European scientific area.

"This inauguration gives me an opportunity of recalling that fusion is one of the eighteen large-scale projects selected for international cooperation - as you said, Mr. President of the Commission - by the Technology, Growth and Employment Group set up at the industrialized countries' summit in Versailles in 1982. The European Community is already much involved in it. And the close association between Europeans who choose to form themselves into one single team increases the possibility of cooperating to good purpose with our partners, in particular the Americans, on a balanced basis.

"If we want, ten years from now, to celebrate an achievement comparable to the JET, we shall have to show the same determination - even more, perhaps, for the role of research and technology in our societies is growing inexorably bigger - to meet present-day requirements, namely those of information technology and the technologies of biological engineering. There too we find new areas for adventure; I believe that Europe's researchers will prove capable of confirming their dynamism in these new directions and worthy, as they are right here, of our continent's prodigious past.

ty, which is
too, even
tion.

"Finally, I want to pay tribute to the architects of this project. First of all to Great Britain who, as host country, has played an important part in it. I find here confirmation of other recent decisions, for instance the go-ahead for the ESPRIT programme, or - together with countries outside the Community, as is the case right here, and it's a good way of proceeding - for the Airbus 320, or, too, the agreement that has just been signed with a view to cooperation on developing fast breeder reactors.

"Yes, in the name of the European Community, I extend my most fervent good wishes for the complete success of the outstanding tangible and symbolic venture that is starting here.

"And since we are in 1984, I would not like to miss this opportunity, Your Majesty, of recalling that we have reached the eightieth anniversary of the Entente Cordiale. It is through events of this kind - 'entente' and 'cordiale' - that Europe has become conscious of its identity. Let us not take anything away from the other countries that are contributing as much as we are to the construction of Europe. But let us not forget the decisive milestones either. That was what I wanted to say in conclusion, Madam, while expressing the wish that the future may be even richer and more successful than the past"../.

PRIME MINISTER'S VISIT TO PARIS, 4 MAY
EUROPEAN COMMUNITY

Annex: Text of Presidency draft conclusions: European Council, 20 March 1984

INTRODUCTION

1. President Mitterrand created the expectation of a meeting with the Prime Minister when he spoke about his forthcoming visit to Culham at a press conference in Paris on 5 April. Since then there has been a general disposition in the Community to wait for the outcome of that meeting before trying to make any further effort to resolve the budget issue.

French Policy

2. Since the European Council and the subsequent failure to agree in the Foreign Affairs Council on 27 March, the French Presidency have made little effort to reach an agreement. At the Foreign Affairs Council on 9 April, M Cheysson made no attempt to move forward, preferring instead to maintain a united front of the other nine Member States. M Cheysson subsequently claimed that there was no urgency about the British budgetary problem "and that the Council could afford to sit back and wait for movement" from Britain. This was consistent with the French "dual track" approach: to take credit for a settlement if one can be achieved, but to ensure that any blame for failure is carried by the United Kingdom. It may also have reflected French anxieties that the system in the Presidency text, and even more so the ideas on which M Davignon has been working, are likely to prove very costly for France. The French seem particularly to dislike Davignon's idea of a top rate of 90% compensation because they consider that it would give the UK more effective protection than they would receive themselves. M Dumas told Sir Geoffrey Howe on 9 April that French minds were

consequently turning towards a series of finite ad hoc refunds until enlargement has taken place and its financial implications can be fully assessed. On another occasion Dumas referred to the possibility of reverting to the idea that the system should be fixed to give the UK just two thirds of the VAT share/expenditure share gap on a continuing basis.

When Sir C Tickell met M Dumas on 25 April, the latter called in question the extent of the progress already made and said that if one route to a solution was blocked, as appeared after the last Foreign Affairs Council, we might all have to retreat a bit before starting on another one. In a public statement on 26 April M Dumas spelled out four principles which, he said, needed to be respected in any solution:

- i) Compensation for budget imbalances would have to be in conformity with the Treaty of Rome;
- ii) No Member State would have the right to complete repayment of its past or future imbalances;
- iii) Each Member State would have to retain financial interest in restraining spending, particularly in view of enlargement of the Community;
- iv) Compensation to Britian would have to be financed normally by other Member States on the basis of the Rome Treaty.

None of these "principles" breaks new ground though the fourth makes clear, publicly, that the French expect the Germans to bear their full financing share of UK reliefs.

Position of President Mitterrand

3. President Mitterrand has been facing a difficult domestic situation: economic unrest, most obviously manifest in recent disruption by French farmers and lorry drivers; middle class, professional discontent; and problems of industrial restructuring, especially in the steel industry, which have brought to a head serious differences

/between

between Mitterrand and his Communist allies.

4. M Thorn reported that he found President Mitterrand depressed when he called on him on 26 April: he thought an opportunity to settle the budget issue had been lost at the last European Council.

5. President Mitterrand nonetheless has invested personal capital in the search for a solution, and made serious efforts to achieve one in Brussels. He has resumed bilateral contacts with EC Heads of Government and visited Rome on 27 April and Athens on 30 April. M Dumas had talks with Herr Genscher in Bonn on 28 April. But President Mitterrand's personal commitment to an agreement is in some danger of being affected by the doubts within the French Administration eg on the part of Cheysson and Attali, about the cost to France of the system they themselves helped to devise. The French also profess to be uncertain whether the UK is interested in an early settlement. But after his meeting in Athens, President Mitterrand referred publicly to the progress made at the last three European Councils and commented that the differences were narrowing. He added that the Community must examine what kind of Europe would emerge after the current problems had been solved. The Italians have told us that, in their meetings with Mitterrand and Dumas on 27 April it was clear that Mitterrand wanted to settle by the June European Council but that the French hankered after reverting to an ad hoc arrangement to last only until enlargement. Mitterrand (and Craxi) believed that no compensation should be payable to the FRG. A system must therefore either be specific for the UK or drawn up in such a way as to make it impossible for the wealthy EC countries to benefit.

The Next Steps

6. We should try to establish whether President Mitterrand sees advantage in trying to reach an early settlement eg at

/the

the 14/15 May Foreign Affairs Council. President Mitterrand, however, may not feel able to give much ground publicly on the budget issue before the European elections (14-17 June) which will be seen in France as a significant test of his Government's popularity. Even if this is so, President Mitterrand's own interest will still lie in an agreement at the European Council in Fontainebleau on 25/26 June. He has a clear political interest in ending the French Presidency with a success and this means both an agreement on the immediate issues, for which he can take credit, and the consequent relaunch of the Community achieved under his Presidency. If agreement is to be achieved in June, preparation will be required meanwhile.

7. After June the French will not regard themselves as bound by the Presidency text and will concentrate on defending a national position. Our objective must be to ensure that M Mitterrand stands by the system proposed in the French Presidency text and that we now try to resolve the remaining difference and establish within the system the missing figures either directly or in the form of agreement on the threshold and rate of compensation. While there will be advantages if we can settle both the notional figure and the parameters of the system at the same time, drawing on the work done by M Davignon, we should not lose sight of the fact that the notional 1983 figure for the basis of the system has been the main issue so far and that agreement on such a figure would be a major achievement, even if the parameters remained to be settled later.

Enlargement

8. The Prime Minister may wish to mention her successful visit to Portugal and her endorsement of the deadline for completion of the Portuguese aim of accession on 1 January 1986; and to say that we fully support the French Presidency efforts to accelerate progress in the negotiations to meet this timetable.

9. The French (as Sr Soares told the Prime Minister) have told the Portuguese that they would be ready to see Portugal complete its negotiations with the Community and sign its Treaty of Accession (but not enter the Community) ahead of Spain. We need (because of Gibraltar) to be careful about Spanish sensitivities. If the subject comes up, we should not go beyond saying that we make no substantive link between the two negotiations, but suspect that in practice they are unlikely to get very far out of step unless there are unforeseen problems in the Spanish negotiations. There is in fact a considerable amount of work left to do in the Portuguese negotiations (eg, on agriculture and fish), and some aspects (eg, relations between Portugal and Spain in the transitional period) will not be addressed until the main issues in both sets of negotiations are resolved. We should keep in mind that the French have made an explicit link between enlargement and an increase in own resources ie implying that without such agreement enlargement could not proceed.

The Commission

10. There have been suggestions that Cheysson and Genscher may favour the continuance in office of the present Commission until enlargement. We should not support this. The present Commission is not particularly competent. Some Commissioners would not wish to stay in office. The Commission should be replaced at the end of its normal term, at the end of the year.

/SUMMARY OF OBJECTIVES

SUMMARY OF OBJECTIVES

To impress on President Mitterrand that:

(a) we share his objective of completing the post-Stuttgart negotiations by the time of the June European Council so that the effective relaunch of the Community called for at Stuttgart can take place at Fontainebleau in June.

(b) This means working together to resolve the remaining difference on the one outstanding issue: budget imbalances.

(c) We can accept the system for correcting budget imbalances as proposed in the Presidency text tabled at the March European Council. The way forward is to work to resolve the remaining difference by establishing within the system the missing figure. We are ready to try to do so before the start of the European election campaign or, if that is not possible, by the time of the June European Council.

(d) If we agree on that objective, further detailed discussions should take place between Sir G Howe and M Dumas.

(e) We could not accept more than one more year of ad hoc payments. Nor could we accept 1000 mecu as the basis for the system.

/POINTS TO MAKE

POINTS TO MAKE

1. Very substantial progress has now been made under your Presidency in giving effect to the Stuttgart Declaration on the measures needed to relaunch the Community.

2. The final draft conclusions of the Brussels European Council were a major achievement. The Community has made significant headway (compare the progress before Athens with the progress since Athens). It has made considerable progress towards agreement on budget discipline. It was this approach which enabled Agriculture Ministers to reach agreement on a very difficult package. As we see it, the principal remaining tasks are as follows:

(i) We should try to resolve the remaining difference and establish within the system the missing figure either directly or in the form of agreement on the threshold and rate of compensation;

(ii) We should try to establish legal texts implementing the measures on budget discipline established in the Presidency text at the March European Council. We, you and the Germans have a common interest in seeing such a text firmly incorporated in the Community's budgetary procedures. We should aim to complete that work by June. The French Presidency has passed that text to ECOFIN. The sooner ECOFIN can get to grips with it the better.

3. The relaunch of the Community called for at Stuttgart is therefore a very real target and one that is within our reach. It would be a major achievement if we could complete the outstanding issue in the negotiations now so as to permit that relaunch to take place at the European Council in Fontainebleau. We would be ready to try to complete work on the Presidency text on budget imbalances at the May Foreign Affairs Council. Does President Mitterrand see advantage in trying to settle this before the European elections?

/4.



4. The impasse in which the Community has found itself on the budget issue in recent weeks should not disguise the extent of progress made both at the European Council and since. The system set out in the draft Presidency text tabled in Brussels is one which we could accept. We have also accepted that there should be one further year of ad hoc refunds at 1000 mecu to be followed by introduction of the system. It would remain a major advance to agree on a notional figure for UK reliefs in 1983 as a basis for establishing the parameters of the system. I am ready to do that. There are other aspects which need also to be considered, namely the threshold and the rate of compensation. They will have to be settled anyway and I would also be willing to try to deal with them at the same time if this were thought to be desirable.

5. Other Member States and the Commission are involved. But it is important that we and the French Presidency should work closely together, as we did before and during the last European Council. Hope that discussions might be pursued by Sir G Howe and M Dumas.

6. [If President Mitterrand suggests that the only offer now on the table is the German offer of a further five years at 1000 mecu to be followed by the system; or that a system should not be decided until 1986 (when the costs of enlargement will become apparent)]

I do not believe that it can be in the interests of the Community to go backwards on this issue. Text which you tabled at Brussels incorporated significant concessions by the United Kingdom, and a great deal of work on the part of the Presidency - the result of months of negotiation. Our agreement to a further year of ad hoc refunds was a recognition of the Community's current difficulties. What I have identified as the remaining gap is more significant for the United Kingdom as the one Member State which is being asked to bear it than for the nine other Member States. I

/believe

believe that an equitable solution can be found with good will on our part and on that of our partners. But if we now start widening the differences, there will be no possibility of agreement. We are being asked to agree to a permanent increase in the own resources ceiling: we could not do this on the basis of a further series of temporary refunds. We could not afford a large increase in our contributions to the Community budget if relief was being offered to us on only an ad hoc basis and at an inadequate level. I have already moved a long way beyond the level of settlement which I originally had in mind. I could not accept an outcome which risked putting me back into an unacceptable situation in three or four years time.

7. [If President Mitterrand argues that we should accept 1000 mecu in the system]

As I made clear at the European Council, I cannot accept 1000 mecu as the notional figure. It would not give an adequate return and cannot therefore be the basis on which I could agree to a permanent increase in own resources. The notional figure would need to be substantially above that level.

8. [If President Mitterrand refers to Davignon's ideas]

We think that provided the elements of Davignon's scheme are set at a satisfactory rate, this could provide the basis for a solution. We think the Commission could have a useful role to play. We are concerned to proceed on the basis of an understanding with the French Presidency, which could give fresh impetus to the Commission's work. This is something which might be pursued in talks between Sir G Howe and M Dumas.

9. [If it is suggested that Davignon's proposals would give us too high a rate of return and/or that the French will not agree to a higher rate of compensation at the upper end of the range]

The UK starts from the position of bearing a substantial

/burden

burden under the 1% ceiling. The increase in own resources will increase the burden on the main contributing states, including in due course France. We cannot agree to such an increase unless there is an equitable sharing of the burden. On all our forecasts we shall remain the second largest net contributor, after the Federal Republic, even with a systematic correction. The French will also become major contributors. We shall have a common interest in ensuring that sensible policies are adopted and that revenue determines expenditure, rather than vice-versa, and expect to work together to that end.

10. If a threshold is set, on an objective basis related to relative prosperity, then the logical position would be to compensate a Member State fully for any burden above that threshold. The threshold will be set on the basis of relative prosperity in the enlarged Community so we should be making our contribution to the costs of enlargement from the outset. Our threshold would rise with GDP and our contribution would rise accordingly. There is no question therefore of the system shielding us from our equitable share of the costs of enlargement. Despite these arguments we have been prepared to accept a ticket moderateur in the interests of agreement and to meet other Member States' concerns. We have also been prepared to consider the two stage approach provided it gives the right result. You say that the system is very favourable to us. We are the second largest contributor now, even though we rank seventh in terms of GDP per head. After enlargement, and with the system in place, we should still expect to be the second largest contributor to the budget.

11. [If President Mitterrand queries other aspects of the system, eg its duration]

This was settled in the Presidency text which said "the above corrective mechanism will form part of the decision on new own resources, their duration being linked". I am prepared

/to

to abide by that wording, since I agreed to it at the European Council.

12. [On German compensation, if raised, and depending on what emerged from the meeting with Chancellor Kohl] I am concerned that the German position should not complicate the task of reaching agreement on the Presidency text. It seems to us that the Germans cannot be covered twice - once by the system itself and again by some special arrangement on the level of their contributions to our reliefs. If it can be agreed that the Germans should be covered by the system, but with a threshold set at a high level so that it would not apply unless the German contributions rose to much higher levels than they are at now, that might help to resolve the difficulty of making the system acceptable to other Member States.

1984 Budget Shortfall [If raised]

13. There has been general agreement with the Community so far that the Commission proposal to raise loans totalling 2.3 billion ecu raises major issues. We have already said in the context of the agricultural price fixing that if budgetary problems arise in 1984 or 1985, then the Commission should propose savings to reduce expenditure to the permitted level. That remains our position. I note that the Presidency have said that the Commission must set out the possibility of making agricultural savings and there has been general agreement on the need to go through the Commission proposal with a fine tooth comb. Glad that other Member States share our concern that the Commission should be putting forward proposals for a loan less than four months into the Community's budget year. That is not something we could consider while other issues remain unresolved.

Foreign and Commonwealth Office

3 May 1984

STATE OF DISCUSSIONS - EUROPEAN COUNCIL
20 March 1984 - 17.00

D R A F T
CONCLUSIONS OF THE PRESIDENCY

INTRODUCTION

The European Council reached agreement on a series of decisions and guidelines to ensure the relaunch of the Community and establish a solid basis for its further development during the present decade.

During this period, it will be important to maintain and consolidate the "acquis communautaire", particularly for a modernized common agricultural policy, increase efforts towards greater convergence between the Member States, move towards enlargement of the Community under satisfactory conditions and give priority to action to strengthen the competitiveness of Community industries.

The European Council considers that by pursuing these guidelines the Community will make a significant contribution to the economic growth of the Member States and to their struggle against unemployment.

It considers that only a stronger European identity will lead to the Community playing its full role in the world, in particular with a view to re-establishing economic and monetary stability.

NEW POLICIES

With a view to the creation of a genuine Economic Union, the Council intends, through specific commitments, both externally and internally, to give the European economy an impetus comparable to that which it gained from the founding of the Customs Union in the early sixties.

The following priority objectives will be pursued:

- convergence of economic policies and Community action, capable of promoting productive investment and thereby a vigorous and lasting economic recovery;
- development, in close consultation with the Community industries and bodies concerned, of Europe's scientific and technological potential;
- strengthening of the internal market so that European undertakings derive more benefit from the Community dimension;
- protection and promotion of employment, which is a crucial factor in Community social policy, especially as regards young people.

The European Council invites the Council of Ministers actively to pursue the examination of the Commission proposals which already meet these objectives and invites the Commission to report to it in time for its meeting in June on the progress made on 'relaunching' Europe, laying particular emphasis on the following sectors:

- (a) The European Council stresses the importance of the agreement reached on the launching of the ESPRIT programme, which is an exemplary co-operation project between undertakings.

It expects the Council of Ministers to specify without delay the other areas in which Community initiatives are called for.

A framework programme will be adopted before the end of the first half of 1984 in the areas of telecommunications and biotechnology. Scientific and technical co-operation and exchanges will be intensified in the Community, in particular by the encouragement given to mobility among researchers.

It agrees on the need to increase the proportion of Community resources devoted to financing priority Community research and development activities.

(b) The European Council is satisfied with the agreement reached on reducing technical barriers to trade and combating illegal commercial practices by the Community's partners, and considers that new measures need to be adopted rapidly to:

- bring about a decisive simplification of formalities in trade within the Community and modernize the customs system,
- harmonize European standards and products, and open up public contracts in the Member States to European undertakings,
- harmonize conditions of competition and progressively liberalize trade in services, notably in the transport and insurance sectors, within specific time-limits to be set by the Council before the end of the year,
- implement a common transport policy and a transport infrastructure programme of Community interest,
- develop a suitable climate for co-operation between European undertakings by establishing a favourable legal and tax framework.
- make full use of existing financial instruments to aid Community policies including encouragement of productive investment.

- (c) The European Council reaffirms that the ECU is the central element and pillar of the EMS. It is pleased with the spontaneous growth in the private use of the ECU and notes that the Council of Ministers is continuing its discussions with a view to developing the EMS by making specific adjustments.

Steps will be taken to encourage greater use of savings available within the Community for financing investment. The Council therefore considers that significant progress will be made in order to improve financial integration within the Community.

- (d) The European Council asks that, before its next meeting in June 1984, the arrangements necessary for the organization of the European Social Area be prepared, with the aim of fully associating social forces with the economic and technological changes which are decisive for recovery prospects within the Community.

It also requests the Ministers for Education and the Commission to consider ways and means of promoting language teaching in each Member State.

COMMON AGRICULTURAL POLICY

The European Council reaffirms the Community's resolve to ensure the continuity and development of the common agricultural policy in compliance with the fundamental principles thereof, as set out in Article 39 of the Treaty, and in the desire to increase efficiency in the agricultural sector as a whole by means of rationalization in relation to current economic conditions.

In this context the European Council approves the conclusions reached by the Agriculture Council as set out in the documents on MCAs (5803/84), milk (5802/84), other products and the method of calculating MCAs (5847/84) and invites the Council (Agriculture) to resolve the problems still outstanding as rapidly as possible.

In addition, the European Council adopted the following text:

Commercial policy

The European Council considers that adjustment to the market situation for all products falling under the Common Agricultural Policy, particularly through the creation of guarantee and co-responsibility thresholds, will enable the Community to base its agricultural export policy on a sound economic foundation and ensure satisfactory compliance with Community preference and its international commitments.

Framework agreements concluded with third countries for the supply of agricultural products can constitute one of the instruments of its export policy.

The Community will also have to contribute to the development of a food strategy for the developing countries, with priority for the African, Caribbean and Pacific countries. In that context, specific agreements may be concluded with those countries which so request in the context of their food security policies.

Finally, within multilateral fora the Community will ensure that comparable obligations obtain in the development of agricultural trade for the main exporting partners.

Lastly, the European Council would adduce the following further points:

The European Council decided that the guaranteed quantity of milk for Ireland for 1984 will be equal to that produced in Ireland in 1983. Beyond that quantity the other rules laid down in the Agriculture Council agreement will apply to Ireland.

The Commission reserve will be adjusted accordingly.

The European Council invites the Agriculture Council to adopt, on a proposal from the Commission, a decision providing for special measures for Irish agriculture under the EAGGF Guidance Section with a view to rationalizing stock-farming; the cost of those measures will not exceed 40 million ECU.

[- the tax on oils and fats]

The European Council calls on the Council (Agriculture) to adopt the acts relating to the aforesaid decisions before 31 March 1984.

STRUCTURAL FUNDS

1. The European Council considers that the Structural Funds should become effective Community policy instruments aimed at reducing regional development lags and converting regions in industrial decline; promoting dynamic and competitive agriculture by maintaining and developing effective agricultural structures, in particular in the less-favoured regions; combating unemployment, in particular youth unemployment.

To that end:

- (a) Management of the Funds will be improved having regard to the observations of the Court of Auditors and to the Commission report, in particular by a suitable evaluation of the aid they provide, by concentrating the Funds' activities and the elimination of any duplication, through improved co-operation between the Commission and the Member States.
- (b) An attempt will be made to co-ordinate the activities of the various Funds, for example in the form of integrated programmes.

With this in mind, integrated Mediterranean programmes will be launched in favour of the southern regions of the present Community so as to be operational in 1985. Designed to be of limited duration, such programmes will have as their aim improvement of the economic structures of those regions

to enable them to adjust under the best conditions possible to the new situation created by enlargement. They will also cover problems raised in the Greek Memorandum.

- (c) The financial resources allocated to aid from the Funds, having regard to the IMPs, will be significantly increased in real terms within the limits of financing possibilities.

The current discussions initiated on the basis of the Commission's proposals, relating to the revision of the ERDF and the EAGGF Guidance Section, must be concluded before the next meeting of the European Council.

BUDGETARY AND FINANCIAL DISCIPLINE

1. The European Council considers it essential that the rigorous rules which at present govern budgetary policy in each Member State also apply to the budget of the Communities.

The level of Community expenditure will be fixed as a function of available revenue.

Budgetary discipline, which calls for a combined effort by all the Institutions in the framework of their respective powers, will apply to all budget expenditure.

2. The European Council invites the Council of Ministers for its part:

- to fix at the beginning of the budget procedure a reference framework, i.e. the maximum level of expenditure which it considers it must adopt to finance Community policies during the following financial year;
- so to proceed that the net expenditure relating to agricultural markets calculated on a three-yearly basis will increase less than the rate of growth of the own resources base. This development will be assessed on comparable bases from one year to the next. Account will be taken of exceptional circumstances, in particular in connection with enlargement. The provisions laid down in the Commission document on financial guidelines concerning the Common Agricultural Policy will be implemented;
- to undertake to comply with the maximum rate throughout the budget procedure as defined in Article 203 of the Treaty of Rome. At the first reading the Council will keep the increase in Non-Compulsory Expenditure to a level no higher than half the maximum rate. At the second reading the Council will adopt a position such that the maximum rate is not exceeded.

3. The European Council invites the Council of Ministers to adopt by June 1984 the measures necessary to guarantee the effective application of the principles referred to in paragraph 2.

BUDGETARY IMBALANCES

Control of expenditure and rebalancing of the budget constitute in the long term the essential means for resolving the problem of budgetary imbalances.

However, pursuant to the Stuttgart Declaration, any Member State which bears an excessive budgetary burden in relation to its relative prosperity may benefit from a correction at the appropriate time.

The arrangements for the correction will be adopted by the Council of Ministers before June taking account of the following factors:

- the basis for correction is the gap between the VAT share and the share in expenditure allocated in accordance with present criteria.

A part of the administrative expenditure will be charged to each Member State in accordance with the present formula.

- correction will only occur beyond a certain threshold, to be determined, which will be expressed as a percentage of absolute GDP. This percentage will vary as a function of relative prosperity as indicated by per capita GDP in a Community of 12; the rate of correction beyond the above-mentioned threshold will vary in inverse proportion to relative prosperity;
- accordingly, a Member State benefiting from compensation will bear a percentage of the additional cost arising from the increase in the basis of the correction, including the expenditure linked to enlargement;
- the correction will be deducted from the normal share of VAT of the Member State concerned in the budget year following that in respect of which the correction has been made; the resulting burden for the other Member States will be allocated according to their normal share of VAT;

- the above correction mechanism will form part of the decision on new own resources, their durations being linked.

One year before the new ceiling is reached, the Commission will submit a report on the results of budgetary discipline, the Community's financial requirements and the operation of the correction mechanism. The Council will take the necessary steps to ensure the continuity of the Community's financial system.

For the United Kingdom the application of the above factors to the budget figures for 1983 would have given a net correction amount of X million ECU; for 1984 this correction will be fixed by advance application of the correction arrangements to be applied from 1986. It will be paid in 1985 in accordance with procedures to be determined which will not affect the level of Community expenditure.

OWN RESOURCES AND ENLARGEMENT

The maximum rate of mobilization of VAT will be 1,4% on 1 January 1986; this maximum rate applies to every Member State and will enter into force as soon as the ratification procedures are completed and by 1 January 1986 at the latest.

The maximum rate may be increased to 1,6% on 1 January 1988 by unanimous decision of the Council and after agreement has been given in accordance with national procedures.

The European Council requests that the negotiations on the accession of Spain and Portugal be completed by 30 September 1984 at the latest. This will make it possible for both texts requiring ratification, i.e. the texts on enlargement and on the creation of new own resources, to be submitted to national parliaments simultaneously.

In due course the Commission will draw up a report on the financial situation and appropriate proposals concerning the financing of the Community budget before the entry into force of the decision on new own resources. The Council will adopt the necessary decisions to ensure the functioning of the Community.

PRIME MINISTER'S VISIT TO PARIS: 4 MAY
EUROPEAN COMMUNITY: COMMUNITY FINANCING (BUDGET IMBALANCES;
BUDGET DISCIPLINE; 1984 BUDGET SHORTFALL)

UK OBJECTIVES

See General Brief on the European Community

POINTS TO MAKE

See General Brief on the European Community

BACKGROUND

(i) Budget Imbalances

French Presidency Proposal

1. The draft French Presidency conclusions propose a corrective mechanism based on the VAT/expenditure gap with the following main elements:

(i) a threshold, determined as a percentage of GDP, with that percentage varying with relative prosperity;

(ii) a rate of correction above this threshold, with the rate of correction varying inversely with relative prosperity;

(iii) corrective payments to be made by means of deductions from VAT in the following year, with the resulting burden distributed among other Member States in accordance with normal VAT shares;

(iv) the mechanism to form part of the new own resources decision, their durations being linked.

The conclusions provide that the factors at (i) and (ii) are to be set for the United Kingdom in such a way as to produce a net corrective payment of X mecu on 1983 figures. The European Council failed to agree on a figure for X. The final UK offer at Brussels was a figure of 1250 mecu. The other Member States would not consider a figure higher than 1000 mecu.

/Davignon

Davignon Proposal

2. These initial notional figures would set the limits within which the threshold and the rate of compensation to the UK above the threshold would be determined. M Davignon's proposal was designed to cut through the argument over the 1983 figure by moving straightaway to an agreement on the threshold and the compensation rate. If the trade off between the threshold and the compensation rate is agreed at the outset, this would limit the ability of other Member States to try to fix the details of the system in a way which would work to the disadvantage of the UK.

3. The scheme being worked up by M Davignon takes the elements in the Presidency text and adds two further points:

a) two rates of correction - an initial lower rate and a final higher rate with the step point at which the higher rate comes into effect expressed as a proportion of GDP, that proportion varying (as for the initial threshold) with relative prosperity. The purpose of introducing this two-tier system is to try to reconcile our desire for a high rate of compensation with the desire of other Member States for a lower rate of compensation.

b) a franchise, again expressed as a percentage of GDP with that percentage varying with relative prosperity. The franchise operates solely as a condition of eligibility; it would not effect either the threshold or the rate of compensation. If the VAT/expenditure gap does not exceed this franchise, no compensation is payable even though the gap exceeds the threshold. Once the franchise is exceeded, compensation is payable in full as before. The franchise is not intended to have any effect on the UK; the scheme would be devised so that the UK VAT/expenditure share gap always exceeded the franchise. The reason for introducing the franchise at all is to prevent the Germans from qualifying for reliefs

/by

by setting the German franchise very high. For example, on the figures given in paragraph 4 below, the UK's franchise at 0.1% of GDP would be 500 mecus on 1983 figures, ie 200% of our threshold figure of 250 mecus. Davignon's intention is apparently to apply the percentage relationship between the franchise and the threshold as it applied to the UK (ie franchise = 200% of threshold) also to the Germans. For example, if the FRG threshold was set at say 0.33% of their GDP their franchise would be 0.66% of GDP (5450 mecu on 1983 figures). Since the Germans' VAT/expenditure share gap in 1983 is 2451 mecu, the FRG would thus be ineligible for compensation. By the same token, France would also be ineligible for compensation.

4. M Davignon's original proposal was based on the following parameters for the UK:

Franchise	0.1% of GDP	(500 mecu on 1983 figures)
Threshold	0.05% of GDP	(250 mecu on 1983 figures)
Step point	0.4% of GDP	(about 1992 mecu on 1983 figures)
Rate of compensation between the threshold and the step (band 1)	77%	
Rate of compensation above the step (band 2)	90%	

5. The aim of M Davignon's proposal was to give us:
 (i) a refund of about 1100 mecu on 1983 figures
 (ii) a refund of about two thirds of the VAT/expenditure share gap in 1983 and 1985. M Davignon gave us the following illustrative figures for 1983 and 1985:

/1. UK GDP

	<u>1983</u>	<u>1985</u>
1. UK GDP	498 becu	580 becu
2. VAT/expenditure share gap	1680 mecu	2300 mecu
3. Threshold (0.05% of GDP)	250 mecu	289 mecu
4. Amount above the threshold	1430 mecu	2011 mecu
5. Step point (0.4% of GDP)	1992 mecu	2300 mecu
6. Compensation rate at band 1 (77%)	1101 mecu	1548 mecu
7. Refund on VAT/ expenditure share gap	65.5%	67%

6. In bilateral discussion we told M Davignon that we could accept the proposed method of settling the problem provided that the figures were right. On the latter, we pointed out that we could not accept the proposition that the scheme should give us two thirds of the VAT/expenditure share gap since this was two-thirds of the wrong gap. M Davignon's figure would only give us a 55.7% refund on our unadjusted net contribution in 1983 and a 56% refund in 1985. We told M Davignon that we also had difficulties with using 1680 mecu rather than 1622 mecu as the figure for the VAT/expenditure share gap in 1983. (See paragraphs 14 and 15 below.) The UK refund would only be 1056 mecu if measured against the VAT/expenditure share gap on a payments basis (1622 mecu). M Davignon said that he would be prepared to use 1622 mecu for the 1983 simulation if we could produce a scheme which gave roughly the same results as he envisaged for 1983 and 1985.

7. It was on this basis that we suggested raising the initial compensation rate from 77% to 80%. This would give us a refund of almost exactly 1100 mecu on the VAT/expenditure share gap of 1622 mecu. We told M Davignon that we also needed:

/(a)

(a) a threshold lower than 0.05% of GDP. In other words we made it clear that we did not accept that 1100 mecu was a reasonable figure for our refund in 1983.

(b) a step no higher than 0.35% of GDP.

(c) a franchise of 0.075% of GDP.

8. M Davignon indicated that he might be prepared to look at a lower threshold than originally envisaged, a lower franchise and a possible reduction in the step from 0.4% if GDP to 0.35% of GDP (on the basis that our 1985 VAT/expenditure share gap was likely to be nearer to 2000 mecu (our estimate) than 2300 mecu (his estimate). But he thought it would be extremely hard to get even a 77% compensation rate, let alone an 80% between the threshold and the step. He urged us not to reopen the 1000 mecu/1100 mecu/-1250 mecu question.

9. M Davignon has discussed the proposals privately with the French but so far as we know he has not discussed them with the Germans. Davignon's proposals came as a shock to the French, who realised that they would give us a substantial measure of protection and would rapidly increase their own contribution. They particularly dislike the idea of a top rate of 90% compensation. Additional spending arising from enlargement or from other spending of no benefit to the UK would take us over the step point, above which the 90% top rate of compensation would come into effect. This would leave the UK paying 10% of its normal 20% share (ie only 2%) of additional Community expenditure, leaving France paying 23%. Davignon has told us that he plans to produce a paper setting out his ideas which will be given to the French, ourselves and the Germans.

10. The table in Annex A illustrates the Davignon proposal and four possible variants for the years up to 1988. Annex B illustrates the effects on the UK's adjusted net contribution of marginal changes to the initial compensation rate, the threshold and the step point. The underlying projections of the net contribution and VAT/expenditure gap for the UK for the years 1985-88 used in the Annexes are not constant figures: they allow for inflation and GDP. The Treasury figures are as follows:

	Net Contribution	VAT share/ expenditure share gap	"Excess" levies and duties
	(1)	(2)	(1)-(2)
1985	2310	1965	345
1986	3090	2720	370
1987	3390	2990	400
1988	3530	3095	435

11. The net contribution figures assume broadly constant UK shares in gross contributions and receipts. They are based on the assumption that CAP guarantee expenditure is constrained within the guideline, except that the "hump" of overspending in 1984/85 is financed in 1986 and 1987. Other expenditure is projected to grow at around 15 per cent a year. The projection allows for enlargement from 1 January 1986.

12. The projection also assumes that the "excess levies and duties", the difference between the net contribution and the VAT/expenditure gap - grow roughly in line with GDP at about 8% a year. (This assumes an inflation factor of 5/6% a year in terms of ecu currencies and a real GDP growth factor for the UK of 2/3%.) The figures for excess levies and duties over the last 5 years have been:

	mecu
1979	364
1980	442
1981	349
1982	251
1983	291

The Treasury estimate is based on the hypothesis that the relatively low figures for excess levies and duties in 1982 and 1983 are attributable to the recession in world trade and thus off-trend. Nevertheless, there is a large margin of error in these forecasts and it is quite possible that excess levies and duties will be somewhat lower than is implied by the above figures. Even allowing for inflation and GDP growth FCO Economists and the Cabinet Office consider it questionable whether excess levies and duties will increase by 50% between 1983 and 1988.

13. Given the uncertainty about these projections the figures in the attached table for the years 1985-88 should be treated with great caution. This is not only because the excess levies and duties assumption could be wrong but also because the underlying projection of the net contribution could equally be wrong. (In May 1980 the Commission made a projection of the UK's net contribution in 1981 which turned out to be wrong by a factor of a third.) Much depends on the path of agricultural expenditure and UK agricultural receipts.

14. The original Davignon scheme was based on a VAT/expenditure gap for the UK in 1983 of 1680 mecu. Our figure for this gap, on which we based our position at the European Council, was 1622 mecu. The difference between these figures is attributable to different measurements of the UK's VAT share in 1983:

(i) our figure of 1622 is based on the UK's share of all VAT payments made in 1983, including adjustments made in August 1983 in respect of earlier years. This is the so called "payments basis";

(ii) The Commission's figure of 1680 mecu is based on the UK's share of VAT payments in respect of the 1983 budget only. It thus disregards the adjustments made in August 1983. This is the so-called "budget basis".

There is a third possible measurement of the VAT shares, the so-called "assiette basis". This includes VAT adjustments in the calculations but reads them back to the particular year to which they relate. Preliminary figures for 1983 on this basis will not be available until August of this year, and they will be subject to further change in subsequent years.

15. We favour use of the payments basis for calculating VAT shares since it corrects for errors in the forecast (which the budget basis does not) and figures are available at the end of each year (rather than considerably later as with the assiette basis). In bilateral discussion, M Davignon appears to have accepted that, since we have hitherto worked on the basis of 1622 mecu, there would be advantage in continuing to do so but without prejudice to the future method of calculating VAT shares.

Effects of the Presidency System on France

16. For France to benefit from reliefs under the French Presidency system the threshold above which France would be entitled to reliefs would need to be lower than its VAT share/expenditure share gap. This is unlikely to be the case at least for the immediate future. The French VAT share/expenditure share gap on 1983 figures was -673 million ecu. If the Presidency system were designed so that the UK received reliefs but the FRG did not, the line determining the threshold would need to rise fairly steeply with relative prosperity so that the German threshold would not be reached.

/As

As a result, the French threshold would also be set fairly high and would certainly exceed its VAT share/expenditure share gap. Whether the French would benefit from the Presidency system in future years would depend on what happened to the French VAT share/expenditure share gap.

17. The cost to France of financing the UK reliefs would depend on whether the Germans were paying their full share. If the Germans were contributing at their full VAT rate the French financing share would be 29%. If the Germans were contributing at two thirds of their VAT rate, the French financing share would rise to 33%.

Cost to France of Contributing to UK Reliefs (million ecu)

UK Refund	(a) FRG is contributing in full	(b) FRG is contributing at two thirds of its VAT rate
1100	320	363
1250	364	413

(ii) Budget discipline

The French Presidency text agreed at the March European Council, though not perfect from our point of view, endorses the principle that revenue should determine expenditure, that agriculture should take a decreasing proportion of the Community budget and that an overall ceiling on expenditure should be established by the Council at the start of the budgetary procedure.

It was agreed at the Foreign Affairs Council on 9/10 April at the suggestion of the French Presidency that detailed work on implementation should be remitted to the ECOFIN Council. But so far nothing has been done. At Coreper on 11 April a number of Member States including the Dutch, the Danes and the Greeks tried to insist that detailed work on budget discipline by

/ECOFIN

ECOFIN should not begin until agreement was reached on budget imbalances. However, we need to get this work going immediately if detailed legal texts are to be prepared by June. The next ECOFIN Council is not until 4 June but there is an informal meeting of Finance Ministers on 12/13 May. Our aim is to encourage the French Presidency to take the necessary steps at this informal meeting to ensure that preparatory work is set in motion as soon as possible.

(iii) 1984 Budget Shortfall

The Commission has estimated that there will be a shortfall of 2.7 billion ecu in the 1984 Community budget, 2.1 billion of it attributable to agricultural spending. To deal with the problem, it has proposed raising a 2.3 billion ecu loan from Member States, the remaining shortfall to be made up by cuts in planned expenditure. Under the Commission's proposal Member States will contribute on the basis of their VAT shares (in Britain's case 20%, in that of France 23%). The loan will bear interest at market rates, and it will be repaid over four years from 1986.

Britain has taken the line that there can be no question of agreeing to the loan until other issues in the negotiations have been settled, and that it is in any case too early in the Community budget year to talk of raising new money. We have argued that if financial problems arise, the Commission must propose reductions in expenditure.

In preliminary discussion in Brussels at expert level Germany, Denmark and France have all said that the Commission should set out the possibilities for making agricultural savings and have spoken of the need to go through the Commission's estimates with a fine tooth comb. There has been some scepticism about Commission estimates of the size of the shortfall and doubts about the legal basis for their loan proposal.

FOREIGN AND COMMONWEALTH OFFICE

3 MAY 1984

Davignon proposal

Compensation rates: 77% and 90%
 Threshold: .05% of GDP
 Step point: 0.4% of GDP
 Based on 1622 VAT/exp gap

Option A (1250)

Compensation rates: 85%
 and 95%
 Threshold: .03% of GDP
 Step point: .33 of GDP

Option B (1200)

Compensation rates: 84% and 90%
 Threshold: .04% of GDP
 Step point: .35 of GDP

	Net cont.	Refund	Refund %	Adjusted net cont.	Refund	Refund %	Adjusted net cont.	Refund	Refund %	Adjusted net cont.
1983	1913	1956	55	857	1251	65	662	1194	62	719
1984	2000									
1985	2310	1283	56	1027	1517	66	793	1450	63	860
1986	3090	1866	60	1224	2177	70	913	2096	68	994
1987	3390	2064	61	1326	2399	71	991	2312	68	1078
1988	3530	2107	60	1423	2471	70	1059	2376	67	1154

Option C (1150)

Compensation rates: 84% and 90%
 Threshold: .05% of GDP
 Step point: .35% of GDP

Option D (1100)

Compensation rates: 80% and 90%
 Threshold: .05% of GDP
 Step point: 0.35% of GDP

	Refund	Refund %	Adjusted net cont.	Refund	Refund %	Adjusted net cont.
1983	1152	60	761	1098	57	815
1984						
1985	1399	61	911	1333	58	977
1986	2042	66	1048	1965	64	1125
1987	2254	66	1136	2171	64	1219
1988	2304	65	1226	2223	63	1307

Note: If figures are based on "excess" levies and duties of 291 mecu in 1983 and then with levies and duties remaining roughly constant at 330 mecu per annum over the period 1984-88, the percentage refund on the Davignon proposal and the variants would be as follows:

	Davignon proposal	Option A (1250)	Option B (1200)	Option C (1150)	Option D (1100)
1983	55%	65%	62%	60%	57%
1985	56%	66%	63%	61%	58%
1986	62%	72%	69%	67%	65%
1987	63%	73%	70%	68%	66%
1988	62%	73%	70%	68%	66%

BUDGET FINANCES FIGURES

The attached table illustrates the effects of the original Davignon proposal along with the effects of four other schemes. These schemes are modifications of the Davignon proposal and are designed to give refunds in 1983 of 1250 mecu (option A), 1200 mecu (option B), 1150 mecu (option C) and 1100 mecu (option D).

The ready reckoner below shows the effects of changing any one of three of the main parameters of Davignon's original scheme, which is:

- a threshold at .05% of GDP;
- an initial rate of compensation of 77% for contributions in excess of the threshold but below the "step point";
- a final rate of compensation of 90% for contributions in excess of the step point;
- a "step point" at 0.4% of GDP.

	Raising 77% compensation rate by 1% point	Reducing threshold by .01% of GDP	Reducing step point by .05% of GDP
1983	14	39	-
1984			
1985	17	46	-
1986	22	49	42
1987	24	53	45
1988	26	58	49

Note: This ready reckoner assumes that only one of the above changes is made at a time. If more than one change is made, the combined effect may be greater or less than the sum of the individual changes.

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND, 4 MAY

Check List of points on reform of the Community's financing

1. Objective. To settle the outstanding question on a fair basis as soon as we can achieve it. Presidency did set up in its text the basis for the settlement, ie the system for correcting budget imbalances. United Kingdom made substantive moves (VAT share/expenditure share gap; reduction in reference figure to be inserted in the system). Margin for manoeuvre very small but prepared to move if others will also do so and this will clinch agreement on the single outstanding issue.

2. Timing and Handling. Chancellor Kohl says that he wants agreement before European elections get under way. So do I, if settlement is fair. Remains objective to show in European election that Europe is working - an end to unacceptable financial situations - and building up to a relaunch at the June European Council in Fontainebleau. Avoid the current dispute overshadowing the Fontainebleau European Council - but only if I can defend the budget settlement as an adequate correction of the present situation. Link with increase in own resources. Do you want, as Chancellor Kohl and I do, an early agreement? If so, recognise that it is for you as President to decide how you want to carry this forward and to handle your own role.

The figures. United Kingdom prepared to see settlement either by agreement on the notional figure to be inserted in the blank space in the Presidency text. This would demonstrate that Presidency had succeeded in achieving what was tabled at Brussels. It would be the least complicated way of handling the work of heads of government.

or by seeking agreement now on the threshold and rate of compensation within the system.

Would you see this as being, in the first instance, an understanding between Chancellor Kohl, you and myself which the Presidency would put to all member states? You will know that, if you do feel that the threshold and rate of compensation should be settled, the Commission (Mr Davignon) is prepared to play a role. But method of reaching agreement on the figures primarily a matter for the Presidency.

If necessary

Relative positions of United Kingdom and France

United Kingdom has moved a long way from its original demands. All our forecasts show that in the foreseeable future [up to 1988] the United Kingdom will remain, even after adjustment through the system in the Presidency's text, the second largest contributor to the Community budget. On the same basis and after enlargement the United Kingdom will be a bigger contributor than France.

An ad hoc solution?

We must not go backwards. In reality the present negotiating situation is that we have agreed to one ad hoc year and the system thereafter. We have arrived at this situation after a difficult negotiation and I would not like to see it reopened.

Enlargement / President Mitterrand may say that, because the costs of enlargement are unclear, the system should not be put into place unconditionally now⁷.

The United Kingdom's net contribution to the Community and its relative prosperity in the Community will increase after enlargement. As the mechanism to correct budgetary imbalances varies according to relative prosperity, the United Kingdom will in any event be making a significant contribution to the costs of enlargement.

The German position

Your Presidency text already deals with the full German contribution to United Kingdom refunds within the system. As to the threshold and possible refund for Germany itself, I recognise the importance of this question for you and some other member states. It seems that the arrangement would not give rise to any refund in the immediate future.

The 1984 budget (Commission request for a 2.33 billion ecu loan

I think that France shares the view of Germany and ourselves that the first task is to examine critically the Commission's figures and assumptions. A unanimous decision will be needed later when we have all taken a view on the possible courses. I believe that it is widely understood in the Community that the United Kingdom cannot come to a decision on this point until the wider question of the budget refund is settled.