

Ref. A084/1791

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the bilateral meetings which he held with all other Community Foreign Ministers in the margins of the Foreign Affairs Council on 18-19 June about the reform of the Community's financing system and the United Kingdom's refunds. Most member states were waiting for some lead from the French Presidency and from the United Kingdom. This was a negative element. The French Presidency, however, was looking seriously for the basis of an agreement. The French Minister for European Affairs, Monsieur Dumas, indicated that he was exploring the possibility of a settlement on the basis of one ad hoc year with the system thereafter and refunds for the United Kingdom at a rate of two-thirds of the VAT share/expenditure share gap, calculated, as we would wish, on the existing payments basis. On 1983 figures this would give a refund for the United Kingdom of 1081 mecu on a gap of 1622 mecu. The Foreign and Commonwealth Secretary said that it was essential to aim for agreement on the system with one ad hoc year; the figure suggested by Monsieur Dumas, however, was too low. In the margins of this Council Monsieur Dumas was unable to bring other member states into line with his approach. It remains probable that the French will be seeking a solution - with some flexibility - on these lines at Fontainebleau but they are not expected to table a proposal in writing before the meeting.

2. The Foreign and Commonwealth Secretary will also report on the Foreign Affairs Council itself. There was substantial discussion of the negotiating mandate for the accession negotiations with Spain and Portugal, including progress on the industrial tariff arrangements, and a further meeting with the Spanish was held. The French Presidency announced the expected subjects for





discussion at the European Council and indicated that President Mitterrand would write to Heads of Government shortly to explain how he intended to organise the discussion. Clearly a good deal of time will be spent on political co-operation issues (President Mitterrand will have just returned from Moscow) and on the future development of the Community, to which we shall contribute ideas on the lines set out in our paper "Europe - The Future". There will also be some discussion of institutional points, in particular the number of Commissioners after enlargement of the Community and the identity of the new President of the Commission (German candidate awaited). The Foreign and Commonwealth Secretary made it clear that the essential pre-condition for any genuine relaunch of the Community was a solution of the outstanding budgetary issues. On budget discipline the Council of Ministers (ECOFIN) will be continuing the necessary work on the basis of the provisional conclusions of the last European Council in March. On the 1984 budget overrun the result was satisfactory: the United Kingdom's position was fully reserved and it was agreed that discussion would be carried forward in the Council of Ministers (Budget) in July. This reduces the scope for other member states to press the United Kingdom on this point in the European Council.

3. The Foreign and Commonwealth Secretary may also give an assessment of the results of the European Parliamentary elections in other member states.

4. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 18-19 June which voted through, by a qualified majority, a new regulation on aids to the marketing and processing of agricultural products. The United Kingdom abstained because of the financial implications of the whole agricultural structures package. The other agricultural structures regulations were rolled over for four months from 30 June. Some progress was made on New Zealand butter quotas following a demarche by the New Zealand Government. There was an agreement in principle on a five-year arrangement with the quantities fixed for 1984-86; detailed texts will be put to the July Council. The Commission announced that they had rejected Germany's request for





authorisation to give earlier and larger VAT compensation to their farmers in view of the difficulties they faced following the agriculture prices settlement. This presents Chancellor Kohl with a real political problem and the Germans indicated that he might raise the issue at Fontainebleau.

5. Community Ministers of Culture meet on 22 June. The Environment Council meets on 28 June. You will be attending the European Council at Fontainebleau on 25-26 June.

*R*

Approved by  
ROBERT ARMSTRONG  
and signed in his absence

20 June 1984



10 DOWNING STREET

Prime Minister

If there is no  
settlement at Fontainebleau,  
should we not  
keep our well-founded  
claim alive  
until the Dublin  
European Council  
at least?

C.D.P.  
should  
20/6.  
Yes we  
must