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UNCLASSIFIED
FRAME ECONOMIC
FM UKREP BRUSSELS 201135Z SEP 84
TO PRIORITY F C O
TELEGRAM NUMBER 2961 OF 20 SEPTEMBER.

E.P. BUDGETS COMMITTEE 18 AND 19 SEPTEMBER 1984 :

NEW OWN RESOURCES.

SUMMARY

1. PFENNIG (RAPPOREUR) TO PREPARE A DRAFT REPORT FOR CONSIDERATION BY BUDGETS COMMITTEE ON 26/27 SEPTEMBER. THIS IS LIKELY TO PROPOSE RETENTION OF THE 1970 OWN RESOURCES DECISION WITH AN AMENDMENT TO INCREASE THE CEILING TO 1.4%. U.K COMPENSATION MAY BE INCLUDED OR MAY BE THE SUBJECT OF A SEPARATE REGULATION, BUT DURATION LIKELY TO BE LIMITED. PFENNIG MAY PROPOSE THAT IT IS PAID ON THE EXPENDITURE SIDE.

DETAIL

2. THERE WAS NO DOCUMENT ON THE TABLE. PFENNIG (CD, RAPPOREUR) SAID THE COMMISSION'S PROPOSAL FOR NEW OWN RESOURCES OVERTURNED THE 1970 OWN RESOURCES DECISION AND CONFLICTED WITH THE CONCLUSIONS OF FONTAINEBLEAU. THESE CONCLUSIONS HAD SPECIFIED THAT COMPENSATION TO THE U.K SHOULD BE TRANSITIONAL AND THAT IN THE LONG TERM IMBALANCES SHOULD BE CORRECTED ON THE EXPENDITURE SIDE OF THE BUDGET. THE COMMISSION PROPOSAL CONTAINED NO TIME LIMIT AND, IF ADOPTED, COULD ONLY BE AMENDED SUBSEQUENTLY BY AGREEMENT OF ALL NATIONAL PARLIAMENTS. COMPENSATION WAS ON THE REVENUE SIDE OF THE BUDGET, WHICH UNDERMINED PARLIAMENT'S RIGHTS. DIFFERENTIAL RATES OF VAT IMPLIED A RETURN TO THE PRE-1970 SYSTEM OF FINANCIAL CONTRIBUTIONS. HE THOUGHT THE 1970 TEXT SHOULD BE RETAINED, BUT THAT THERE SHOULD BE AN INCREASE TO A VAT RATE OF 1.4% AND PERHAPS PROVISION FOR A SUBSEQUENT INCREASE TO 1.6%. U.K COMPENSATION SHOULD BE PROVIDED FOR BY SPECIAL PAYMENTS TO THE U.K FOR A TRANSITIONAL PERIOD.

3. DOURO (EDG) NOTED THAT THE FONTAINEBLEAU AGREEMENT WAS THE RESULT OF LONG DISCUSSIONS, INVOLVING THREE SEPARATE EUROPEAN COUNCILS. THE COMMISSION PROPOSAL CORRECTLY REFLECTED THE FONTAINEBLEAU CONCLUSIONS. FONTAINEBLEAU HAD SAID THAT WHILE EXPENDITURE POLICIES SHOULD ULTIMATELY PROVIDE THE SOLUTION TO BUDGETARY IMBALANCES, IN THE INTERVENING PERIOD COMPENSATION SHOULD BE PROVIDED ON THE REVENUE SIDE. AS FOR DURATION, FONTAINEBLEAU HAD SAID THE CORRECTION FORMULA

This is the Budget
Committee of the Assembly
trying to launch a
New Own Resources decision
of its own, in contradiction
to what was
decided at
Fontainebleau.

Then we do
not agree.

/FORESEEN

FORESEEN WOULD BE PART OF THE DECISION TO INCREASE THE OWN RESOURCES CEILING, THEIR DURATIONS BEING LINKED. IT WAS ALSO CLEAR THAT ANY SUBSEQUENT INCREASE TO 1.6% SHOULD BE BY UNANIMOUS AGREEMENT AND BY RATIFICATION OF ALL NATIONAL PARLIAMENTS. HE WOULD BE PREPARED TO AMEND RATHER THAN REPLACE THE 1970 DECISION BUT THE AMENDMENT SHOULD INCLUDE BOTH THE INCREASE IN THE CEILING AND THE COMPENSATION MECHANISM.

4. IN DISCUSSION, HOFF (SOCIALIST) SAID COMPENSATION TO THE U.K SHOULD BE THROUGH NON-OBLIGATORY EXPENDITURE AND BARBARELLA (ITALIAN COMMUNIST) SAID THAT U.K COMPENSATION SHOULD BE PART OF A SEPARATE TIME-LIMITED REGULATION WHICH WOULD NOT REQUIRE RATIFICATION BY NATIONAL PARLIAMENTS. CATHERWOOD AND CURRY (BOTH EDG) ARGUED THAT THE COMMITTEE SHOULD BE REALISTIC AND PRODUCE SOMETHING TO WHICH GOVERNMENTS AND NATIONAL PARLIAMENTS COULD AGREE, WHICH MEANT STICKING CLOSELY TO FONTAINEBLEAU. DANKERT AND ARNDT (BOTH SOCIALIST) PRESSED FOR COMPENSATION TO BE PROVIDED ON THE EXPENDITURE SIDE. LANGES (CD) SAID COMPENSATION MUST BE TIME-LIMITED, BUT THAT THE COMMITTEE SHOULD NOT DEFY THE DECISIONS TAKEN AT FONTAINEBLEAU.

5. PFENNIG SAID HE WOULD PREPARE A DRAFT REPORT FOR DISCUSSION ON 26/27 SEPTEMBER. THIS WOULD PROPOSE MAINTAINING THE 1970 OWN RESOURCES DECISION. A SOLUTION WOULD NEED TO BE FOUND TO THE QUESTION OF THE DURATION OF COMPENSATION TO THE U.K, PERHAPS THROUGH A TRANSITIONAL REGULATION. HE WOULD NEED TO CONSIDER WHETHER TO PROPOSE THAT U.K COMPENSATION SHOULD BE PROVIDED ON THE EXPENDITURE SIDE.

FCO ADVANCE TO:-

FCO - FAIRWEATHER, WALL, MARSDEN.

CAB - LAMBERT, BURR.

TSY - MORTIMER, PEET.

BUTLER

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ECD (I)

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