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C O N F I D E N T I A L

FRAME EXTERNAL

FM UKREP BRUSSELS 171658Z MAR 85

TO IMMEDIATE F C O

TELEGRAM NUMBER 1016 OF 17 MARCH,

INFO COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN

LUXEMBOURG ATHENS LISBON MADRID,

INFO SAVING BRUSSELS.

FOREIGN AFFAIRS COUNCIL, 17 MARCH.

ENLARGEMENT/OWN RESOURCES. *mf*SUMMARY

1. AT THE MINISTERIAL LUNCH DELORS (PRESIDENT OF THE COMMISSION) PRESENTED OUTLINE PROPOSALS FOR A DEGRESSIVE, FORFAITAIRE ARRANGEMENT, WITH FINANCIAL NEUTRALITY FOR SPAIN AS THE BROAD OBJECTIVE. PORTUGAL SHOULD BECOME NET BENEFICIARY AT AN EARLY STAGE. HE SUGGESTED A REVIEW IF, 3 YEARS RUNNING, THE FINANCIAL RESULT WAS MORE THAN 100 MECU AWAY FROM NEUTRALITY.

DETAIL

2. DELORS SAID THAT THE COMMISSION HAD MADE KNOWN ITS IDEAS ALREADY. THE OBJECTIVE SHOULD BE FINANCIAL NEUTRALITY FOR SPAIN. PORTUGAL SHOULD IN ANY EVENT BECOME A NET BENEFICIARY IN ONE OR TWO YEARS: SPAIN NOT UNTIL MUCH LATER. THE COMMISSION HAD HAD THE CHOICE OF GRADUALLY PHASING IN CONTRIBUTIONS OF THE NEW MEMBER STATES OR DEGRESSIVE REFUNDS, AND DECIDED THAT THE LATTER WAS MORE COMMUNAUTAIRE. SPAIN MUST CONTRIBUTE ON A VAT BASIS FROM THE BEGINNING. THE COMMUNITY SHOULD BE VERY FIRM ABOUT NOT ALLOWING VAT TO BE REPLACED BY GNP CALCULATIONS.

3. DELORS WENT ON TO SAY THAT THERE WERE THREE POSSIBLE METHODS OF ADJUSTMENTS FOR SPAIN: A JUSTE RETOUR CALCULATED EACH YEAR, WHICH THE COMMISSION HAD SET ASIDE FOR IDEOLOGICAL REASONS: A DEGRESSIVE, FORFAITAIRE ARRANGEMENT: AND A CORRECTION KEY. THE COMMISSION HAD CHOSEN THE SECOND. THE COMMISSION WAS SOMEWHAT RETICENT ABOUT PROVIDING FORECASTS IN VIEW OF THE CONSIDERABLE UNCERTAINTIES. BUT HE DID NOT BELIEVE THAT THE MARGIN OF ERROR WAS GREATER THAN 250-300 MECU A YEAR. HE CONSIDERED THEREFORE THAT THE COUNCIL SHOULD ESTABLISH FINANCIAL NEUTRALITY AS ITS BROAD AIM, AGREE A SCALE OF REFUNDS AND REVIEW THE SITUATION AFTER THREE YEARS IN CASE EITHER THE 10 OR SPAIN WANTED TO ARGUE FOR REVISION BECAUSE FORECASTS HAD NOT PROVED ACCURATE.

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4. DUMAS (FRANCE) AGREED WITH THE AIM OF NEUTRALITY. THERE SHOULD NOT BE A JUSTE RETOUR. HOWEVER THE GREEK MODEL HAS RESULTED IN A LARGE NET BURDEN FOR THE NINE. THE MAGNITUDE OF THE POSSIBLE BURDEN DUE TO FORECASTING ERRORS WAS MUCH LARGER IN THE SPANISH CASE. HE WONDERED WHETHER THERE SHOULD NOT BE SOME MORE AUTOMATIC CORRECTING MECHANISM IF THE RESULT STRAYED TOO FAR FROM NEUTRALITY. DELORS THOUGHT THAT THERE COULD BE A REVIEW IF FOR THREE YEARS RUNNING THE RESULT WAS MORE THAN 100 MECU AWAY FROM NEUTRALITY IN EITHER DIRECTION. HE SUGGESTED THAT THIS BE DISCUSSED IN THE COUNCIL.

5. GENSCHER (GERMANY) SAID THAT THE COUNCIL MUST GET ON WITH ENLARGEMENT. EVERYONE MUST MAKE CONCESSIONS. THIS WAS ESPECIALLY NECESSARY ON FISHERIES. THE COMMUNITY HAD MADE A MAJOR ERROR OVER FISH IN THE NEGOTIATIONS WITH NORWAY AND MUST NOT DO THE SAME WITH SPAIN.

6. WHEN THE COUNCIL OPENED, I, SUPPORTED BY GENSCHER, ASKED THE COMMISSION TO TABLE FIGURES AS QUICKLY AS POSSIBLE. DELORS UNDERTOOK TO MAKE THEM AVAILABLE VERY SOON.

7. THE COMMISSION SUBSEQUENTLY CIRCULATED PERCENTAGE FIGURES COVERING VAT REFUNDS FOR SPAIN FOR 6 YEARS, AND FOR PORTUGAL FOR 1 YEAR. SEE M I F T.

FCO ADVANCE TO:-

FCO - PS/MR RIFKIND, RENWICK, SHEPHERD, EVANS, BLOOMFIELD.
CAB - WILLIAMSON, JAY.
TSY - FITCHEW, MORTIMER, SIMPSON.

BUTLER

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