

## AGRICULTURE

Speaking note for the Prime Minister

The Presidency is right to concentrate on the major questions in the agricultural part of the post-Stuttgart negotiations. I have a limited number of points, but they are important. This European Council must give a bigger impetus to reforming the operation of the common agricultural policy (eg guarantee thresholds, price restraint) and to avoiding misuse of resources.

First, milk. The Agriculture Ministers have reached an agreement on the main elements of the quota/superlevy system. I would recall to my colleagues that this will be hard for British farmers, who will take a cut in the volume of milk deliveries of more than 7%.

This is a bigger cut than for dairy farmers in, for example, France, Italy or Luxembourg (France 2.9%, Italy 5.2%, Luxembourg 6.3%)

With our Netherlands colleague we have a reserve on the proposal that there should be an extra 0.6 million tons of milk above the basic 97.2 million tons (98.2 million in 84/85). The United Kingdom is strongly opposed to any form of exemption or discrimination in the quota/superlevy scheme. If I were to withdraw my reserve on the 0.6 million tons, I would need to be sure that it would cover all the special demands from Ireland, Northern Ireland, Italy, Luxembourg and Greece.

Secondly, MCA's. The documents give the impression that there is one problem remaining. In my view there are two. There is the question of any Community financial contribution to the German measures. There is also an important general reserve because we need to be sure that there are rules governing the phasing out of the negative monetary compensatory amounts created or likely to be



eated by the new system. The proposed new system will be very expensive. We need some safeguards. I propose that the phasing out of negative MCAs should be over 3 years.

Thirdly, guarantee thresholds in general. We were close to an agreement in Athens. Guarantee thresholds are the centrepiece of our long term policy. We need them where products are or are likely to be in surplus, or where expenditure is rising quickly or where production is increasingly more rapidly than consumption. I understand that these matters have been incorporated in a new text which we must endorse here as part of our proposals.

Fourthly, cereals. I hope that we can agree that the Community does intend to progressively narrow over a period of years the gap between Community prices and those of our principal competitors. That would certainly be welcome to our livestock farmers. If so, we should say so.

I raise these points so that they can be reflected later in a revised Presidency text.

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Reserve for later

The cash shortage in 1984

The President of the Commission is right to draw our attention to this looming problem. I do not under-rate its importance in the short term. But we cannot solve it here and now. First, the Agriculture Ministers have not yet completed their package, although they have moved forward. They must be told to continue their search for savings. Secondly, this is March: we simply cannot be sure exactly how the agricultural expenditure is going to turn out. Thirdly, we have to settle our major long-term issues in the post-Stuttgart package first, including the question of budget imbalances which is critical for my country.



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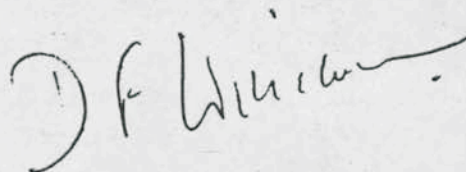
The beef variable premium ("the Peart Premium")

I do not propose that this meeting of the European Council should discuss in detail the beef variable premium or the calculation of the ewe premium . The beef variable premium should continue. We can look at this and the ewe premium again in 1985.

PRIME MINISTER

Milk: Statement by the Taoiseach

1. This means an Irish demand for an extra 900000 tonnes of milk [our calculation is based on their 1981 and 1% figure, increasing it as if the Community average yield applied in Ireland: we think that the Irish intended to ask for even more], (compared with the figure of 400000 mecus suggested in your brief). Unacceptable to us or to most other member states.
2. If reached, would cost about 250 million ecu per year.
3. Claim that Irish should be permitted to increase yields to average Community level is unreasonable. Low yields do not necessarily mean low incomes. It is the margin that counts.
4. Irish request implies almost indefinite expansion because they are unlikely to reach average Community yields in foreseeable future.



19 March, 1984

(D F Williamson)



E R

POINTS IN THE PRESIDENCY'S DRAFT CONCLUSIONS WHICH THE UK WOULD WISH TO SEE CHANGED

Common Agricultural Policy

(i) Insert in European Council conclusions the whole of the text on price policy and guarantee thresholds proposed by the German delegation at Athens.

The text reads:

- " The European Council agrees
- in general to pursue a cautious price policy, geared to sales possibilities, for all products.
  - to introduce guarantee thresholds for all intervention and aid products either when there are surpluses or production is increasing more rapidly than sales possibilities or where an appreciable increase in expenditure is recorded (each criteria should apply per se and not be cumulative).
  - where guarantee thresholds are exceeded, measures are to be taken to achieve economies of <sup>scale</sup> as proposed by the Commission."

(ii) Insert in European Council conclusions the following text on cereals prices:

"The European Council agrees that the decision to reduce cereals prices represents the first step in a progressive alignment over a period of four years of the Community's support prices for cereals with the support prices obtaining in other major cereals exporting countries, designed to strengthen the balance of prices in the Community between the arable and the livestock sectors."

(iii) On negative MCA's, agree the text in footnote to Document No 5803/84.



## SPEAKING NOTE ON BUDGETARY DISCIPLINE

The first paragraph of the Presidency draft lays down principles which are vital for the future health of the Community. Since 1981 we have been discussing the need to constrain agricultural expenditure and yet since then expenditure has been running out of control. The time has come to take action and it must be firm action. If we are to consider providing more resources for the Community, we must put our house in order, as we agreed to do at Stuttgart.

The Presidency draft is an excellent basis for discussion and I only have a few amendments to propose - but those are of crucial importance.

I agree with the thought lying behind the draft that we should decide now on what should be done and instruct the Council to prepare draft texts to give effect to what we propose. I do not want to prejudge the question whether this should be done by Regulation or by some other legal form. The essential point will be to ensure that all the Institutions, including the Parliament and, above all, the Agriculture Council, are bound to apply budget discipline. With these thoughts in mind, I propose two amendments:-

- to delete the last seven words of section 1 "in accordance with their respective budgetary powers." They are not wholly clear and might prejudge the decisions the Ministers will have to take on legal form. Nor are they necessary to the important thought that all three Institutions must make a combined effort.

- to add at the very end of the whole text the words "So that they are ~~formally~~ embodied in the Community's budgetary procedures."

This is vital. The Council and the Parliament must not go on disagreeing each year about whether the budget is legal or not.

/It brings



It brings the Community into disrepute. The Agriculture Ministers must know what the financial constraints on them are and act accordingly. Without this addition, we shall not in practise get strict budgetary discipline. We shall certainly not be able to sustain it.

This brings me to my other amendments which are to Section 2 on agricultural spending. My general thought is that we should build on the very constructive paper of the Commission without approving it in detail at this stage. I don't want to take up the European Council's time with the various detailed improvements which still need to be made. Second, we should make it quite clear that the Council's task is to ensure that agriculture expenditure grows significantly less fast than the own resources base. If it grows at the same rate, we shall never get a better balance in the budget. And finally, though I agree that we have to retain sufficient flexibility to deal with circumstances genuinely outside the Community's control, as our own paper on the strict financial guideline proposed, I do not think we should go as far in the direction of creating loopholes as does the present text. I am circulating a proposed revision of the second and third sub-paragraphs of Section 2 to give effect to these thoughts.





UK AMENDMENTS TO DRAFT CONCLUSIONS ON BUDGETARY AND FINANCIAL  
DISCIPLINE

1. Last sub-paragraph of Section 1 Delete "in accordance with their respective budgetary powers".

2. Section 2. Sub-paragraphs 2 and 3 Reverse order and redraft as follows:-

"To ensure that the expenditure relating to agricultural markets, calculated on a three-yearly basis, will increase at a rate markedly 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.

To this end to lay down the necessary provisions taking account of the proposals in the Commission document on financial guidelines concerning the CAP".

3. Add at the end of Section 3 the words:- "so that they are embodied in the Community's budgetary procedures".



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CONCLUSIONS OF THE PRESIDENCY

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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 the combating of 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.

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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 derived 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 in those fields on which the international competitiveness of its industry depends;
- strengthening of the internal market so that European undertakings derive more benefit from the Community dimension;
- protection of employment, which is a crucial factor in Community social policy.



The European Council asks the Council of Ministers to actively pursue the examination of the Commission proposals which already meet these objectives and requests the Commission to report to it in time for its meeting in June on the progress made on revitalizing 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 imperative.

A 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:

- simplify formalities in trade within the Community and modernise the customs system,



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- harmonize standards and European 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),
- 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.

(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.

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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 basic 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 calls upon the Council of Ministers for Agriculture to give shape before 1 April 1984 to the points of agreement as embodied in the documents which it has adopted.

In addition, the European Council would adduce the following conclusions:

- [ - Irish problem
- tax on oils and fats
- MCAs
- other questions, in line with the conclusions of the Agriculture Council meetings<sup>7</sup>.



STRUCTURAL FUNDS

The European Council confirms that the Structural Funds must contribute to the revitalization of the Community in accordance with its objectives and priorities, by seeking to promote productive investment and to bring what Europe has to offer into line with the technological revolution.

To that end:

- (a) Management of the Funds will be improved having regard to the observations of the Court of Auditors, in particular by a suitable evaluation of the aid they provide and the elimination of any duplication, through improved co-operation between the Commission and the Member States.
- (b) An attempt will be made to combine aid from 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 in the best conditions possible to the new situation created by enlargement. They will also prepare a solution to problems raised in the Greek Memorandum.

- (c) Within the framework of the accepted principles governing budgetary discipline and the future financing of the Community, the financial resources allocated to aid from the Funds will be substantially increased in real terms.

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.

ENLARGEMENT

The European Council agrees that the accession negotiations must 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.



BUDGETARY AND FINANCIAL DISCIPLINE

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

The level of EEC expenditure will be fixed in the light of available income.

Budgetary discipline will apply to all EEC budget expenditure.

This will require a combined effort on the part of all the Institutions in accordance with their respective budgetary powers.

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 for the following financial year;
- to implement the provisions laid down in the Commission document on financial guidelines concerning the common agricultural policy.

In order to do so, the net expenditure relating to agricultural markets calculated on a three-yearly basis will increase within the limit of 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.

- to undertake to comply with the maximum rate throughout the budget procedure. On the first reading the Council will keep the increase in Non-Compulsory Expenditure at a level no higher than half the maximum rate. On the second reading the Council will adopt a position such that the maximum rate is not exceeded.

3. The European Council requests the Council of Ministers to adopt the necessary implementing measures for the principles set forth in paragraph 2.



BUDGETARY IMBALANCES

Control of expenditure and re-balancing of the budget constitute in the longer term the essential means for resolving the problem of budgetary imbalances.

In the meantime, any Member State placed in a particular budgetary situation with respect to its relative prosperity may benefit from a correction.

The details of the correction will be adopted by the Council of Ministers taking account of the following factors:

- that part of the budgetary imbalance due to extra-Community trade will not be taken into account;
- the need to make a correction to imbalances, the threshold above which a correction will be made and the size of that correction will be assessed in the light of the relative prosperity of each Member State as indicated by its per capita GDP;
- a Member State benefiting from a correction may not be exempted from contributing to a net increase in budget expenditure, including the cost of enlargement;
- a part of administrative expenditure will be charged to each Member State in accordance with a formula to be determined;
- any 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 was made; the resulting burden for the other Member States will be allocated according to their normal share of VAT;